Issue	Status Quo	CS HB 247 (FIN)	CS HB 247 (RULES)	Impact
Cook Inlet Tax credits & fiscal system	25% Net Operating Loss credit, 20% Qualified Capital Expenditure credit, 40% Well Lease Expenditure credit; up to 65% gov't support for spending and minimal production tax.	Reduce NOL credit to 10%, QCE to 10%, WLE to 20% by 2018. Restrict eligibility for NOL. Working group on Cook Inlet regime.	<u>2017:</u> WLE repealed, 30% Capital credit, 25% NOL. <u>2018:</u> NOL repealed, 20% capital credit only. No credits from 2019 onward. Working group on Cook Inlet regime.	Cook Inlet credit regime is clearly unsustainable in current environment. Rules CS provides steady ramp-down to zero with time for current companies to seek to become cash self-sustaining, while ending support entirely from 2019 onward.
North Slope gross minimum tax & NOL Credits	4% rate, binding for legacy output if net value is positive. If net value is negative, NOL can 'pierce' floor. "New," GVR-eligible production can take to zero due to $5/bbl and small producer credit.	Introduce additional, 'harder' 2% gross floor; no credits can reduce tax liability below this.	Maintain status quo - no further floor hardening against credits. However, NOL credit ends and is replaced with pure expenditure carry-forward, effectively hardening floor against future losses.	Rules CS hardens floor against future losses, while maintaining value of current NOL credits; achieves similar fiscal impact in later years as floor hardening, while avoiding investment impacts of imposing unexpected changes on handling of loss credits already earned.
Refundable credits	Producers with >50 mb/d production must carry NOL forward, others can be reimbursed by the state. Current cash timing problems with refundable credit outflow at time of low revenues. Major new NS development could place significant strain on state cashflow.	$100mm per company annual limit on reimbursement.	$85mm per company annual limit on reimbursement. Refundable NOL on North Slope only for companies producing in 2016 (<20 mb/d), only to end of 2019 then expires. Credits in CI only to companies producing there before Jan 1 2017.	Rules CS lowers limit on reimbursement, then ends refundable credits altogether (from start 2019 in CI, start 2020 on NS). Companies with major, capital-intensive projects will likely need to use intervening time to find substantially more equity capital or bring in working interest partners if they are to proceed with / complete projects.

Feature	Status Quo	CS HB 247 (FIN)	CS HB 247 (RULES)	Impact
Time limit on gross value reduction	No current time limit on how long new developments benefit from GVR.	Allow GVR benefit only for 5 years from first production (or until 1/1/2021).	Allow GVR benefit only for 10 years from first production (or until 1/1/2026).	Short limit effectively eliminates much of the GVR benefit. Major negative impact on recently sanctioned eligible developments. 10 year limit of Rules CS mitigates this significantly.
'Middle Earth' credits	25% Net Operating Loss credit, 20% Qualified Capital Expenditure credit, 40% Well Lease Expenditure credit.	Maintain NOL at 25%, reduce QCE to 10%, WLE to 30% by 2018. WLE may sunset in 2019??	2017: WLE repealed, 30% Capital credit, 25% NOL. 2018: NOL repealed, 20% capital credit only. No credits from 2019 onward.	Rules CS end Middle Earth credits on same timeline as Cook Inlet credits (but maintains 2022 sunset for Middle Earth exploration credit, and, like Finance CS, 'grandfathers' 025(a)(6) credit (see next page)
Interest due on 'delinquent' taxes	Fed Discount Rate + 3% Simple Interest on delinquent taxes (up to 6-year audit statute of limitations).	Fed + 5% compounded quarterly for 3 yrs, then Fed + 5% simple interest (up to 6-year audit statute of limitations)	Fed + 5% compounded quarterly	Complexity of different types of interest in different years, combined with complexity of transition from current system to new system may be difficult to administer - Rules CS opts for greater simplicity.
Alaska hire	Alaska hire not currently given preferential treatment in tax code (significant constitutional restrictions).	No change	No preferential treatment in amount of refunded credits, but companies with >80% Alaska hire placed higher in queue for refundable credit payments	

Issue	Status Quo	CS HB 247 (FIN) / CS HB 247 (RULES)	Impact
Refundable credit withholding	Liabilities against production tax withheld from refundable credits, but not other liabilities.	Any exploration/development/ production related liabilities to the state can be withheld from refundable credit payments.	Companies in dispute over liabilities will have those amounts withheld. Companies that wish to have withholding used to settle liability may do so. Rules CS clarifies that company must dispute liability in order for withholding not to be used to settle it.
.025 ‘Middle Earth’ exploration credit	$25 mm or 80% credit, sunsets July 1 2016.	Extend to allow for completion of wells spudded before July 1.	
Municipal production expense deduction	Munis that own production and only sell portion can deduct all expenses and claim credits.	Credits and deductions can only be claimed in proportion to taxable production.	
Surety bond	No bond requirement.	Add $250,000 bond as license requirement.	