

As Passed the Senate

Provisions in SCS CSHB 111 (FIN) \Q and their Estimated Fiscal Impact based on Spring 2017 Forecast (\$millions) - FC PRICE

Revised 5-15-17 by Dept. of Revenue

Description of Provision	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
1. Effective 1/1/18, Operating loss credit eliminated for North Slope and replaced with carry-forward lease expenditures provision. A company may carry forward 100% of lease expenditures not deducted against tax, and may choose to apply all or part in a future year down to minimum tax.	\$0	\$0	\$0	\$0	-\$10	-\$5	-\$5	\$0	\$0	\$0
2. Middle Earth credit changes: Effective 1/1/18, Operating loss credit eliminated and replaced with carry-forward lease expenditures provision. Allow exploration credits earned after 7/1/16 to be applied against a company's own corporate tax liability or transferred, eliminate seismic qualification for exploration credit effective 1/1/18. Retain capital expenditure and well lease expenditure credits which can be carried forward or transferred.	\$0	-\$10	-\$10	-\$10	-\$10	-\$10	-\$5	-\$5	-\$5	-\$5
3. Refinery and LNG storage facility credits may be purchased by appropriation, after repeal of Oil and Gas Tax Credit Fund.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4. Tax credit certificates (including transferred certificates) may be used to offset a liability or assessment for prior-year taxes, effective immediately.	Indeterminate - Net neutral when combined with budget impact									
5. Interest on all delinquent taxes changed to 3 percent over Federal Reserve rate, effective 1/1/18.	Indeterminate									
Additional impact of implementing above provisions together vs standalone.	\$0	\$0	\$0	\$0	\$5	\$10	\$5	\$0	\$0	\$0
Total Revenue Impact	\$0	-\$10	-\$10	-\$10	-\$15	-\$5	-\$5	-\$5	-\$5	-\$5
A. Budget impact of North Slope operating loss credit elimination and carry-forward lease expenditures provisions effective 1/1/18.	\$0	\$45	\$135	\$175	\$150	\$140	\$140	\$145	\$145	\$145
B. Budget impact of Middle Earth credit changes carry-forward lease expenditures provisions.	\$0	\$10	\$10	\$10	\$10	\$10	\$10	\$5	\$5	\$5
C. Budget impact of refinery and LNG storage credits may be purchased by appropriation.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
D. Budget impact allowing tax credit certificates to offset liability or assessment for prior-year taxes.	Indeterminate - Net neutral when combined with revenue impact									
E. Budget impact of interest changes, effective 1/1/18.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Additional impact of implementing above provisions together vs standalone	\$0	\$5	\$5	\$5	\$5	\$0	\$0	\$0	\$0	\$0
Total Budget Impact	\$0	\$60	\$150	\$190	\$165	\$150	\$150	\$150	\$150	\$150
Total Fiscal Impact - (does not include potential changes in investment)	\$0	\$50	\$140	\$180	\$150	\$145	\$145	\$145	\$145	\$145
Tax impact of carry-forward lease expenditure balances or credits - current law	\$63	\$55	\$55	\$55	\$55	\$55	\$55	\$49	\$26	\$0
<i>Tax impact of carry-forward lease expenditure balances - proposed - base value</i>	<i>\$155</i>	<i>\$335</i>	<i>\$515</i>	<i>\$650</i>	<i>\$790</i>	<i>\$930</i>	<i>\$1,065</i>	<i>\$1,200</i>	<i>\$1,330</i>	<i>\$1,445</i>
<i>Tax impact of carry-forward lease expenditure balances - proposed - earned uplift</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>
Tax impact of carry-forward lease expenditure balances or credits - proposed - total	\$155	\$335	\$515	\$650	\$790	\$930	\$1,065	\$1,200	\$1,330	\$1,445
Change in year-end balance due to proposal	\$92	\$280	\$460	\$595	\$735	\$875	\$1,010	\$1,151	\$1,304	\$1,445

NOTE: This bill eliminates eligibility for repurchase from the Oil and Gas Tax Credit Fund under AS 43.55.028 for credits earned after 1/1/18. This fiscal note, and the spring forecast, assume that all outstanding credits earned before 1/1/18 by companies with <50,000 barrels per day production are funded through appropriation and purchased by the state.

NOTE: The fiscal impact of this proposal is an estimate based on the Spring 2017 revenue forecast. Estimates shown here are draft / preliminary based on our interpretation of possible changes, and do not include any changes in company behavior as a result of this proposal. We reserve the right to make modifications to estimates for any forthcoming fiscal notes.