

Provisions in CSHB 111 (RES)\N and their Estimated Fiscal Impact based on Fall 2016 Forecast (\$millions) - Fall 2016 FC PRICE

Revised 3-13-17 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 50% of DNR-approved North Slope lease expenditures not deducted against tax. Carry-forward earns interest for up to 7 years.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2. No credits can reduce tax below the minimum tax effective 1/1/18.	\$20	\$15	\$0	\$0	\$0	\$0	\$0	-\$10	-\$25	-\$5
3. Minimum tax increased to 5% of GVPP at prices of \$50 and above, and GVR reduces basis for minimum tax, effective 1/1/18.	\$20	\$65	\$60	\$60	\$65	\$65	\$65	\$60	\$50	\$50
4. No cash repurchase available for net operating loss credits based on expenses incurred after 1/1/18 (for purposes of this fiscal note, assumes all outstanding credits are funded in FY 2018).	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5. State purchase of credits limited to \$35 million per company per year, and only companies with less than 15,000 BTU-equivalent barrels of production, effective 1/1/18.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6. Sliding scale per-taxable-barrel credits changed to \$8 when GVPP per barrel is less than \$60, with brackets ranging to zero when GVPP per barrel is \$110 and above, effective 1/1/18.	\$0	\$0	\$0	\$0	\$0	\$0	\$10	\$65	\$70	\$65
7. Gross value at point of production (GVPP) cannot go below zero effective 1/1/18.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8. Interest on delinquent taxes continues to accrue after 3 years, retroactive to 1/1/17.	Indeterminate - likely positive for state.									
9. No true-up of excess per-taxable-barrel credits effective 1/1/18.	No impact under forecast - could benefit state if prices are volatile.									
10. New "dry hole" credit of 15% of qualifying expenditures, effective 1/1/18.	Indeterminate									
Additional impact of implementing above provisions together vs standalone.	\$5	-\$5	\$0	\$0	\$0	\$0	\$0	-\$30	\$25	\$5
<b>Total Revenue Impact</b>	<b>\$45</b>	<b>\$75</b>	<b>\$60</b>	<b>\$60</b>	<b>\$65</b>	<b>\$65</b>	<b>\$75</b>	<b>\$85</b>	<b>\$120</b>	<b>\$115</b>
A. Budget impact of operating loss and carry-forward lease expenditures changes effective 1/1/18.	\$0	\$45	\$105	\$115	\$125	\$135	\$135	\$140	\$140	\$140
B. Budget impact of no credits can reduce tax below the minimum tax effective 1/1/18.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
C. Budget impact of minimum tax changes effective 1/1/18.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
D. Budget impact of no cash repurchase for net NOL credits earned after 1/1/18.	\$0	\$45	\$110	\$120	\$130	\$140	\$140	\$145	\$145	\$145
E. Budget impact of new limits to credit repurchase eligibility, effective 1/1/18.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
F. Budget impact of adjustments to sliding scale per-taxable-barrel credits, effective 1/1/18.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
G. Budget impact of GVPP cannot go below zero effective 1/1/18.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
H. Budget impact of interest accrual changes, retroactive to 1/1/17.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
I. Budget impact of no true-up of excess per-taxable-barrel credits effective 1/1/18.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
J. Budget impact of new "dry hole" credit effective 1/1/18.	Indeterminate									
Additional impact of implementing above provisions together vs standalone	\$0	-\$25	-\$85	-\$115	-\$130	-\$140	-\$135	-\$140	-\$140	-\$140
<b>Total Budget Impact</b>	<b>\$0</b>	<b>\$65</b>	<b>\$130</b>	<b>\$120</b>	<b>\$125</b>	<b>\$135</b>	<b>\$140</b>	<b>\$145</b>	<b>\$145</b>	<b>\$145</b>
<b>Total Fiscal Impact - (does not include potential changes in investment)</b>	<b>\$45</b>	<b>\$140</b>	<b>\$190</b>	<b>\$180</b>	<b>\$190</b>	<b>\$200</b>	<b>\$215</b>	<b>\$230</b>	<b>\$265</b>	<b>\$260</b>
Tax impact of carry-forward lease expenditure balances - current law	\$14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tax impact of carry-forward lease expenditure balances - proposed	\$75	\$140	\$195	\$245	\$285	\$355	\$430	\$480	\$565	\$660
<b>Change in year-end balance due to proposal</b>	<b>\$61</b>	<b>\$140</b>	<b>\$195</b>	<b>\$245</b>	<b>\$285</b>	<b>\$355</b>	<b>\$430</b>	<b>\$480</b>	<b>\$565</b>	<b>\$660</b>

NOTE: The fiscal impact of this proposal is an estimate based on the Fall 2016 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.

## Net Fiscal Impact of CSHB111(RES)\N at Various Prices

