THE STATE of ALASKA
GOVERNOR BILL WALKER

Department of Revenue
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April 25, 2017

The Honorable Bryce Edgmon, Speaker of the House of Representatives
State Capitol Room 208
Juneau, AK 99801

The Honorable Pete Kelly, President of the Senate
Alaska State Legislature
State Capitol Room 111
Juneau, AK 99801

Dear Speaker Edgmon and President Kelly:

In 2016, the legislature passed and the governor signed HB247, an act related to oil and gas tax credits. Section 9 of this bill added a new annual report requirement from the Department of Revenue regarding tax credit certificates purchased in the previous calendar year:

AS 43.05.230 requires that:

> (*l*) For tax credit certificates purchased by the department in the preceding calendar year under AS 43.55.028, the department shall make the following information public by April 30 of each year:
>
> (1) the name of each person from whom the department purchased a transferable tax credit certificate; and
>
> (2) the aggregate amount of the tax credit certificates purchased from the person in the preceding calendar year.

The following report is provided as required under the amended statute. It provides details on the entirety of oil and gas tax credit certificates purchased by the Department of Revenue in calendar year 2016. The total amount purchased was $72.6 million.

During the reporting year the appropriation to the tax credit fund, AS 43.55.028, was $30 million for fiscal year 2017. Additionally, the amount appropriated for fiscal year 2016 was $500 million. Of that number, the great bulk was used to purchase credit certificates in the later months of calendar year 2015. However, over $40 million remained in the fund at the beginning of calendar year 2016, and was used to purchase certain credit certificates that were presented for purchase prior to the FY2017 appropriation. Therefore, the total for calendar year 2016 represents the sum of both of these categories.

In general, the $30 million of oil and gas tax credit certificates purchased for fiscal year 2017 represents non-North Slope applications for "Qualified Capital Expenditure" and "Well Lease Expenditure" credits based on activity from the first through third quarters of 2015. These

certificates were issued in early July, 2016; each was paid using a pro-rata formula using the available funds. The unpaid portion of these certificates remains part of the pool of unpurchased certificates outstanding. The bulk of the remaining outstanding credit pool are "Carried Forward Annual Loss" credits for calendar year 2015, which were issued in late July, 2016.

As of January 1, 2017, the sum total of tax credit certificates for which repurchase had been requested is $476,672,160. These will be paid pro-rata out of the next funds appropriated, and will be paid in full before any newer certificates are purchased. In addition, as of January 1, 2017, there were an additional $101,989,031 in certificates outstanding. These fall into one of three categories:

1) Received by companies but repurchase had not been requested by December 31;
2) Transferred to another taxpayer who intends to use them to offset tax liability; or
3) Held by a taxpayer ineligible for cash repurchase due to producing more than 50,000 barrels of taxable oil equivalent per day in 2016.

Pursuant to AS 43.05.230(*l*), the amount repurchased per company during 2016 is as follows:

Taxpayer Name	Total Payments under AS 43.55.028 in 2016
ACCUMULATE ENERGY ALASKA, INC.	$ 99,060
APACHE ALASKA CORPORATION	10,537,635
BLUECREST ENERGY, INC.	2,343,795
CORNUCOPIA OIL GAS COMPANY LLC	39,865,868
DOYON, LIMITED	649,788
GREAT BEAR PETROLEUM OPERATING, LLC	180,232
HALLIBURTON ENERGY SERVICES, INC.	34,643
MILLER ENERGY RESOURCES, INC.	3,364,038
MUNICIPALITY OF ANCHORAGE	3,357,563
NORTH SLOPE BOROUGH	812,609
RENAISSANCE UMIAT, LLC	11,167,793
REPSOL E&P USA INC	200,000
Total	**$ 72,613,024**

Please do not hesitate to contact me if you have further questions.

Sincerely,

Randall Hoffbeck, Commissioner

Cc: Hon. Cathy Giessel, Chair, Senate Resources Committee
Hon. Geran Tarr and Hon. Andy Josephson, Co-Chairs, House Resources Committee