

Table of Tax Credits under AS 43.55 - The Alaska Oil and Gas Production Tax

Below is a table relating to credits under AS 43.55, the Oil and Gas Production Tax, for the State of Alaska. This is intended as an informational guide only. The State of Alaska makes no warranty, expressed or implied, of the accuracy of this. To be certain of the current statutes and regulations, refer to the official printed version of the statutes and regulations. This information only relates to credits in effect on January 1, 2013 and includes amendments made by SB 21 & SB 83.

Credits that May be Issued as Certificates and Submitted to the State for Cash Purchase													
Rev 5/31/13, DMG Statute for Credit	AS 43.55.023(a)(1)	AS 43.55.023(a)(2)	AS 43.55.023(b)	AS 43.55.023(l)(1)	AS 43.55.023(l)(2)	AS 43.55.025(a)(1-4)	AS 43.55.025(a)(5)	AS 43.55.025(a)(6) & (7)	AS 43.55.019	AS 43.55.023(j)	AS 43.55.024(a)	AS 43.55.024(c)	***
Informal Title	Qualified Capital Expenditures Credit	Qualified Capital Expenditures Credit in Relation to Exploration	Carried-Forward Annual Loss Credit	Well Lease Expenditure Credit	Well Lease Expenditure Credit in Relation to Exploration	Alternative Credit for Exploration	Alternative Credit for Exploration - Jack-up Rig	Alternative Credit for Exploration - Frontier Basins	Education Credit	Transitional Investment ("TIE") Credit	New Area Development ("Middle Earth") Credit	Small Producer Credit	
Initial and Most Recent Effective Date(s)	4/1/2006, amended 7/1/2007 & 1/1/2013	4/1/2006, amended 7/1/2007 & 1/1/2013	4/1/2006, amended 7/1/2007 & 1/1/2014	7/1/2010	7/1/2010	9/9/2003, amended 7/1/2008 & 1/1/2013	5/10/2010	1/1/2013	1987, amended 1/1/2011	4/1/2006, amended 1/1/2008	4/1/2006	4/1/2006	
Expiration Date	12/31/2013 for North Slope QCEs	12/31/2013 for North Slope QCEs	No expiration	No expiration	No expiration	7/1/2016 for projects in North Slope and Cook Inlet; 1/1/2022 for "Middle Earth"	7/1/2016	7/2/2016	Changes 1/1/2021, no expiration	12/31/2013	Later of 12/31/2016 or the 9th calendar year after production started in Middle Earth (if started before 5/1/2016)	Later of 12/31/2016 or the 9th calendar year after production started (if started before 5/1/2016)	
Credit Percentage / Amount	20%	20%	25%* (pre-7/1/07 20%)	40%	40%	30% or 40% (pre-7/1/08 20% or 40%)	80%, 90%, or 100% (up to \$20, \$22.5 or \$25 million)	80% (up to \$25 million) for wells; 75% (up to \$7.5 million) for seismic	Max of \$5,000,000	20%	\$6,000,000	\$12,000,000	
Description	A Qualified Capital Expenditure (QCE) must be a lease expenditure and treated as a capitalized cost under 26 IRC. Effective 1/1/2013, these credits are issued as one certificate.	A Qualified Capital Expenditure (QCE) must be a lease expenditure and related to exploration. Effective 1/1/2013, these credits are issued as one certificate.	The carried forward annual loss is calculated for each segment by taking 25% of excess lease expenditures (lease expenditures not deductible in calculating production tax values). Effective 1/1/2013, these credits are issued as one certificate.	A Well Lease Expenditure (WLE) must be a lease expenditure, QCE, AND an Intangible Drilling and Development Cost (IDC) south of 68 degrees North latitude.	A Well Lease Expenditure (WLE) must be a lease expenditure, QCE, AND an Intangible Drilling and Development Cost (IDC) related to exploration south of 68 degrees North latitude.	These credits are narrowly defined by both the statute and regulations as costs directly related to drilling an exploration well or performing a seismic shoot. An exploration well may receive either the 30% or 40% depending on location and seismic exploration may receive 40% credit.	The qualified expenditures related to the first 3 unaffiliated wells drilled by the same jack-up rig in Cook Inlet pre-Tertiary zone qualify for this credit. The first well receives a 100% credit up to \$25 million, the second well receives a 90% credit up to \$22.5 million, and the third well receives a 80% credit up to \$20 million.	The first two exploration wells drilled inside each of six frontier basins receives 80% credit up to \$25 million of qualified expenditures. The first seismic project performed inside each of six frontier basins receives 75% credit up to \$7.5 million of qualified expenditures.	For cash donations to qualified educational institutes or foundations a portion of the donation may be taken as a credit against tax liability.	For taxpayers that did not have commercial production before January 1, 2008, a 20% credit for QCEs for the period April 1, 2001 to March 31, 2006 is allowed. This credit is limited to 1/10 of the QCEs incurred April 1, 2007 through December 31, 2007.	For production south of 68 degrees North latitude and outside of Cook Inlet (aka "Middle Earth"), a producer may take a credit of \$6,000,000 to offset tax liability. Expires 2016.	If the taxpayer produces less than 50,000 BTU equivalent barrels average daily production, then they may take the full \$12,000,000 credit. For production between 50,000-100,000 BTU equivalent barrels the credit is prorated. Expires 2016	
DNR Data Requirements	No	Yes	No	No	Yes	Yes	Yes	Yes	No	No	No	No	
Location Requirements	No	No	No	Yes - must be south of 68 degrees North latitude	Yes - must be south of 68 degrees North latitude	For some of these credits there are distance requirements from other wells and units	Yes - must be a jack-up rig in Cook Inlet	Yes - projects must be located in one of the six prescribed basins under AS 43.55.025(p)	No	No	Yes - must be outside of Cook Inlet and south of the North Slope aka "middle earth"	No	
Regulations**	15 AAC 55.310-320	15 AAC 55.310-320	15 AAC 55.310-320	None	None	15 AAC 55.350-360	15 AAC 55.350-360	15 AAC 55.350-360	None	15 AAC 55.330	15 AAC 55.335	15 AAC 55.335	
Combinations	Same expenditures may also qualify for credit under AS 43.55.023(b)	Same expenditures may also qualify for credit under AS 43.55.023(b)	Same expenditures may also qualify for credit under AS 43.55.023(a), (l), or 025(a)(1-4)	Same expenditures may also qualify for credit under AS 43.55.023(b)	Same expenditures may also qualify for credit under AS 43.55.023(b)	Same expenditures may also qualify for credit under AS 43.55.023(b)	None of the expenditures included in this credit may receive a credit under any other section of this chapter	None of the expenditures included in this credit may receive a credit under any other section of this chapter	Credit may be in addition to all other credits	May not have received an AS 43.55.025 credit for the same expenditures	Not for specific expenditures - credit may be in addition to all other credits	Not for specific expenditures - credit may be in addition to all other credits	
Uses to Credit	Applied directly to tax or issued as a certificate. The certificate may be transferred to another company, applied against tax liability, or "cashed" out with the State under AS 43.55.028 - or a combination of the above. Effective 5/2013, the certificates may also be assigned. Note: the recipient of a transferred certificate may not "cash" out the certificate with the State.								Applied directly to tax and may not be carried forward or transferred	Applied directly to tax and may not be transferred or used after 2013.	Applied directly to tax and may not be carried forward or transferred	Applied directly to tax and may not be carried forward or transferred	
Filing Requirements	Form 0405-330 must be submitted as well as all backup required under regulation to support the credit claim.	Form 0405-330 must be submitted as well as all backup required under regulation to support the credit claim.	Form 0405-330 must be submitted as well as all backup required under regulation to support the credit claim.	Form 0405-330 must be submitted as well as all backup required under regulation to support the credit claim.	Form 0405-330 must be submitted as well as all backup required under regulation to support the credit claim.	Form 0405-310 must be submitted as well as all backup required under regulation to support the credit claim.	Form 0405-310 must be submitted as well as all backup required under regulation to support the credit claim.	Form 0405-310 must be submitted as well as all backup required under regulation to support the credit claim.	Form 0405-308	Form 0405-330 must be submitted as well as all backup required under regulation to support the credit claim.	Form 0405-332	Form 0405-332	

None of the credits above may reduce a person's tax liability below zero.

* The credit rate will change to 45% for North Slope expenditures incurred between 1/1/2014 and 12/31/2015 and 35% on or after 1/1/2016, but this section is for credits in effect in 2013.

**Other regulations under 15 AAC 55 may apply to these credits, this section only lists the regulations directly related. Please read all of 15 AAC 55 for complete information and treatments of the tax credits.

*** Other credits under AS 43.55.024(i) and (j) are created by SB 21, but they are not in effect until 1/1/2014 and this list only contains credits effective in 2013