

**SENATE BILL NO. 124**

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY SENATORS WAGONER, Giessel, Dyson, Huggins, Meyer, Menard, McGuire

Introduced: 4/11/11

Referred: Resources, Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act providing a tax credit applicable to the oil and gas production tax based on the**  
2 **cost of building a year-round road to access an area of oil and gas exploration and**  
3 **development."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 \* **Section 1.** AS 43.20.043(g) is amended to read:

6 (g) A taxpayer that obtains a credit for a qualified capital investment or cost  
7 incurred for qualified services under this section may not also claim a tax credit or  
8 royalty modification for the same qualified capital investment or cost incurred for  
9 qualified services under AS 38.05.180(i), AS 41.09.010, AS 43.55.023, [OR]  
10 43.55.025, or 43.55.026. However, a taxpayer may elect not to obtain a credit under  
11 this section in order to qualify for a credit provided under AS 38.05.180(i),  
12 AS 41.09.010, AS 43.55.023, [OR] 43.55.025, or AS 43.55.026.

13 \* **Sec. 2.** AS 43.55 is amended by adding a new section to read:

14 **Sec. 43.55.026. Road construction credit.** (a) A person that constructs a year-

1 round road that extends more than 25 miles from the state highway system as that  
2 system existed on December 31, 2010, to an area of oil or gas exploration or  
3 development that was not accessible by a seasonal or year-round road or by sea before  
4 January 1, 2011, is entitled to a credit equal to 50 percent of the reasonable and  
5 necessary expenditures directly related to the construction of the year-round road. The  
6 credit under this section may be applied only against the tax levied by  
7 AS 43.55.011(e) on the production of oil or gas from a lease or property accessed by  
8 the road that is the basis for the credit. For purposes of this subsection, reasonable and  
9 necessary expenditures directly related to the construction of the year-round road do  
10 not include expenditures for administration, supervision, or engineering costs;  
11 community relations or environmental costs; bonuses; taxes or other payments to  
12 governments related to the road; costs, including repairs and replacements, arising  
13 from or associated with fraud, wilful misconduct, gross negligence, criminal  
14 negligence, or violation of law; or other costs that are generally recognized as indirect  
15 costs or financing costs.

16 (b) The commissioner shall, in consultation with the

17 (1) commissioner of transportation and public facilities, determine

18 (A) whether a road for which the credit is claimed under this  
19 section extends more than 25 miles from the state highway system as that  
20 system existed on December 31, 2010;

21 (B) whether the road may be used year-round;

22 (C) the date construction of the road is complete; and

23 (D) expenditures that are construction expenditures eligible for  
24 the credit under this section;

25 (2) commissioner of natural resources, determine whether a road for  
26 which the credit is claimed under this section provides access to an area of oil or gas  
27 exploration and development that was not accessible year-round by road or by sea  
28 before January 1, 2011.

29 (c) The commissioner may, in consultation with the commissioner of  
30 transportation and public facilities, adopt regulations that identify expenditures that are  
31 the direct costs of road construction and that are eligible for the credit under this

1 section.

2 (d) A credit under this section

3 (1) may not reduce a person's tax liability under AS 43.55.011(e)  
4 below zero for any calendar year;

5 (2) may be applied in a later calendar year; and

6 (3) may be transferred in whole or in part to a person producing oil or  
7 gas from a lease or property that is more than 25 miles from the state highway system  
8 as that system existed on December 31, 2010, and accessed by the road that is the  
9 basis for the credit.

10 \* **Sec. 3.** AS 43.55.180(a) is amended to read:

11 (a) The department shall study

12 (1) the effects of the provisions of this chapter on oil and gas  
13 exploration, development, and production in the state, on investment expenditures for  
14 oil and gas exploration, development, and production in the state, on the entry of new  
15 producers into the oil and gas industry in the state, on state revenue, and on tax  
16 administration and compliance, giving particular attention to the tax rates provided  
17 under AS 43.55.011, the tax credits provided under **AS 43.55.023 - 43.55.026**  
18 [AS 43.55.023 - 43.55.025], and the deductions for and adjustments to lease  
19 expenditures provided under AS 43.55.160 - 43.55.170; and

20 (2) the effects of the tax rates under AS 43.55.011(i) on state revenue  
21 and on oil and gas exploration, development, and production on private land, and the  
22 fairness of those tax rates for private landowners.