

CS FOR SENATE BILL NO. 228(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered: 3/23/10

Referred: Finance

Sponsor(s): SENATORS MCGUIRE, Wielechowski, Ellis

A BILL

FOR AN ACT ENTITLED

1 "An Act providing for a tax credit for investment in a facility that produces liquids from
2 gas, coal, or biomass; and providing for a production tax limit on gas used in the state as
3 a raw material for producing liquids or petrochemicals from gas."

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

5 * **Section 1.** AS 43.20 is amended by adding a new section to article 1 to read:

6 **Sec. 43.20.046. Special investment tax credit to produce liquids from gas,**
7 **coal, or biomass.** (a) Subject to (b) of this section, for purposes of calculating eligible
8 taxes, the taxpayer may apply as a credit against eligible taxes the following
9 percentage on only the first \$1,000,000,000 of investment in the state for each taxable
10 year after December 31, 2010, for a facility that produces liquids from gas, coal, or
11 biomass: (1) 100 percent on the first \$50,000,000 of investment; (2) 80 percent on
12 investment over \$50,000,000 but not exceeding \$100,000,000; (3) 70 percent on
13 investment over \$100,000,000 but not exceeding \$150,000,000; (4) 60 percent on
14 investment over \$150,000,000 but not exceeding \$200,000,000; and (5) 40 percent on

1 investment over \$200,000,000 but not exceeding \$1,000,000,000. A credit may not be
 2 allowed under this subsection for leased property. The credit under this subsection
 3 may not exceed \$475,000,000 for a single facility.

4 (b) A taxpayer may not claim an investment tax credit under (a) of this section
 5 unless the facility that produces liquids from gas, coal, or biomass or the mining
 6 project began operation and production after December 31, 2010. A facility for
 7 producing liquids from gas, coal, or biomass or a mining project is considered to have
 8 begun operation and production when the first liquids from gas, coal, or biomass or
 9 the first minerals are produced that are ultimately either sold or transferred for further
 10 processing or ultimate use.

11 (c) The investment tax credit for a taxable year allowed by (a) of this section
 12 may not exceed 60 percent of the eligible tax liability. Any unused portion of the
 13 investment tax credit may be carried forward.

14 (d) A tax credit under this section may not be claimed for investments made
 15 after December 31, 2020.

16 (e) In this section,

17 (1) "biomass" has the meaning given in 26 U.S.C. 45K(c)(3) (Internal
 18 Revenue Code);

19 (2) "facility for producing liquids" means the integrated plant,
 20 facilities, and equipment used for producing liquids from natural gas, coal, or biomass;

21 (3) "liquids" means a product stream of commercial quality that is a
 22 mixture of hydrocarbon molecules, each of which has between five and 20 carbon
 23 atoms with attached hydrogen atoms, none of which contain oxygen or other elements.

24 * **Sec. 2.** AS 43.55.900(24) is amended to read:

25 (24) "used in the state" means delivered for consumption as fuel in the
 26 state, including as fuel consumed to generate electricity **or used as fuel or feedstock**
 27 **in a manufacturing process creating an end product in the state, regardless of the**
 28 **final disposition of the manufactured end product.**

29 * **Sec. 3.** AS 43.55.900 is amended by adding a new paragraph to read:

30 (25) "manufacturing process" means the process of forming a valuable
 31 compound by chemically converting gas or components of gas or chemically

1 combining gas or components of gas with other substances; "manufacturing process"
2 does not include gas processing, gas treatment, dehydration, fractionation,
3 compression, or liquefaction.