

Sponsor Statement for House Bill 386

House Bill 386 is a bill relating to a credit for certain exploration expenses against oil and gas properties production taxes on oil and gas produced from a lease or property in the state and relating to the deadline for certain exploration expenditures used as credits against production tax on oil and gas produced from a lease or property in the Alaska

House Bill 386 would extend the exploration credit incentives to 2010 and encourage exploration in Alaska and in particular the North Slope HB 386 would make AS 43.55.025 uniform thorough out the state. This allows oil producers to credit exploration expenditures against production tax on oil and gas produced after July 1, 2004

In order to qualify for the production tax credit under that statute, exploration expenditures must be incurred on or after July 1, 2003, and before July 1, 2007. It has become apparent that the July 1, 2007, deadline will come too soon for some smaller independent oil companies that are now planning their exploration dollars for the future. Given this timetable, it is likely that exploration expenditures on these leases would occur after July 1, 2007, in which case they could not be credited against future production taxes.