

Senator Kevin Meyer

Serving Huffman, O'Malley, Abbott Loop, Independence Park, East Dowling



April 27, 2017

Dear Friends and Neighbors,

Today marks day 101 of the constitutional 121-day session. The legislature is nearing two weeks of work beyond our regular 90-day session, and the Senate is 100% focused on completing work on our top priority – the budget and a fiscal plan. Yesterday, the [Conference Committee](#) for the Permanent Fund restructuring bill ([SB 26](#)) was named, and the Senate Labor and Commerce committee continues to consider the House Majority's proposal for a state income tax ([HB 115](#)). In addition, the Senate Finance committee has been considering [HB 111](#) this week, oil and gas tax credit legislation, and will have a presentation Friday on the [Senate's Fiscal Plan](#). The committee substitute for HB 111 that the Finance committee is now considering was passed out of the Senate Resources committee on Monday, where my colleagues and I worked extensively on making responsible amendments to, including eliminating the cashable credits. **You can watch any of these meetings streamed live [HERE](#), or tune in for Gavel Alaska's programming [HERE](#).**

Please continue reading below for more in-depth information on the Senate Resource committee substitute for HB 111, and update on the Labor and Commerce hearings on HB 115. As always, I welcome your comments, suggestions, and ideas. It is an honor to serve as State Senator for District M.

Sincerely,

HB 111 – OIL & GAS PRODUCTION TAX

The Senate recognizes the cash exposure of our oil tax credit system, and has worked since 2015 to resolve the issue. During that year, the Senate convened a bi-partisan Senate Tax Credit Working Group with members representing various stakeholders including the legislature, industry, labor, and Native corporations. The intent of that working group was to come to a consensus on a workable, mutually beneficial oil and gas tax credit program that incentivizes exploration and production, while limiting the state's exposure. In 2016, the Senate began to draw down all credits in Cook Inlet with the intention of analyzing and modifying, if necessary, North Slope credits.

HB 111 was heard in the Senate Resources committee nine times over the two weeks and is now in the Senate Finance committee with hearings held all this week. The Resources committee substitute ([SCS CSHB 111 \(RES\)](#)), makes changes to the oil and gas cashable tax credits, eliminating all cash credits statewide beginning in 2018. It also concludes the legislature's multi-year effort to phase out tax credits by repealing the net operating loss (NOL) as a credit. Companies that recovered their losses with a credit will now do so through deductions, as is done in all other oil jurisdictions in the world.

After two years of budget vetoes, companies have been left with more than \$700 million in unpaid and practically unusable credits. The Resources CS reduces the state backlog of credits by expanding opportunities for companies to use or sell for use against prior years' tax liabilities on assessments issued after audits and amended filings. Finally, The minimum tax is made solid against annual losses, increasing stability within the state's finances.

All of the credit reforms in the Resources committee substitute for HB 111 will increase the total tax paid by the industry, but also protect businesses by allowing 100% use of their operating losses to deduct from their taxes. By providing a stable, durable, and rational framework of non-cashable state support, HB 111 achieves a balance between the state budget and the health of Alaska's economy.

HB 115 – STATE INCOME TAX

The Senate Labor and Commerce committee has been considering [CS HB 115 \(FIN\)](#), the House Majority's proposed income tax. The committee heard over 4 ½ hours of public testimony Tuesday evening, and has heard presentations from the Commissioner of Revenue, the Tax Director, and various economists and tax policy experts. The bill continues on to the Senate Finance committee after the committee has fully vetted its provisions. I appreciate all of the comments I've received from constituents, both during the public hearing Tuesday, as well as via email and telephone calls to my office. Your voices are being heard!

If you have moved out of the district, or would like to be removed from my mailing list, please click [HERE](#).

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2017 ASSIGNMENTS:

Senate Rules Committee

Chairman

Senate Resources Committee

Member

Senate Labor and Commerce Committee

Member

Senate Judiciary Committee

Member

Senate Committee on Committees

Member

Legislative Council

Member



The Senate floor staff and I wear kuspuks on Friday as a tradition started by former legislator Mary Sattler.



Carol Crosby is the mother of legislative staffer Shareen Crosby, and also a constituent of mine in District 26.