

Notice Regarding Alaska Corporate Income Tax Credit for Qualified Oil and Gas Service Industry Expenditures.

Effective for tax years beginning after December 31, 2013, a taxpayer may claim a credit against its Alaska corporate income tax for qualified oil and gas service industry expenditures under AS 43.20.049. The amount of credit is 10% of qualified expenditures, up to a maximum of \$10,000,000 per tax year.

Expenditures that qualify for this credit are those incurred in Alaska which are directly attributable to the in-state manufacture or modification of tangible personal property with a useful life of three years or more and used to explore, develop or produce oil or gas. Qualifying expenditures do not include components or equipment used in the process of the manufacturing or modification. Expenditures for facilities also do not qualify. However, expenditures for services and supplies used to manufacture or modify tangible personal property do qualify.

If the credit is not fully utilized, it may be carried forward for five years. If a portion of the credit is carried forward to a subsequent year, and additional qualified expenditures are made in that subsequent year, the taxpayer may claim a maximum of \$10,000,000 in that subsequent year. The credit is not refundable, and is not transferrable. There is no requirement to apply for the credit. The credit is simply claimed directly on the tax return of the taxpayer which incurred the expenditures. A special form, however, will be required to claim the credit and must be attached to the Alaska corporate income tax return.

If the expenditure is incurred by an entity taxed as a partnership, the credit is reported on Form 6900 Alaska Partnership Return, and may be claimed by a corporate partner to offset the Alaska corporate tax of that partner.

The taxpayer may not claim a deduction when calculating Alaska corporate net income tax for an expenditure that is the basis of a service industry credit. An expenditure claimed for credit under AS 43.20.049 may not be used to claim a credit against any other type of tax. In addition, if the expenditure was the basis upon which a federal income tax credit was claimed, then the taxpayer may not claim attribution of that federal credit on its Alaska corporate income tax return (Alaska Form 6390 Federal-based credits).

For additional information and questions, please contact Mike Williams at 907-269-6632.