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Lack of information on tax credits a challenge for Alaska lawmakers

by Becky Bohrer / Associated Press

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JUNEAU, Alaska — Since 2006, Alaska has spent more than \$3 billion on tax credits for oil companies. Yet lawmakers have very little idea how that money was applied — whether it went toward drilling and exploring for new oil, as lawmakers desired, or to basic upkeep of the fields, an important function but not quite what the Legislature had in mind.

One of the biggest challenges is the lag time associated with audits. Existing oil producers — including the major North Slope players, which have multinational presences — are able to write-off some expenses as part of an option known as credits used against tax liability.

The state has six years to complete audits into how these credits were applied, and Bruce Tangeman, a deputy commissioner with the state Department of Revenue, said that information tends to be buried in the companies' tax returns, making it tough to find. Plus, he said, audits are more encompassing, looking at more than tax credits.

There isn't the lag for another credit aimed at new, smaller explorers. But to avoid identifying those who receive credits, the state does not disclose certain tax information they provide unless at least three recipients are included, Tangeman said.

The lack of information creates a challenge for lawmakers trying to determine if the existing tax structure works or whether to expand tax credits and cut oil production taxes — as the governor and industry want — as a way to encourage more investment amid declining oil production.

Oil is king in Alaska, the revenue source largely responsible for keeping the state running. The department itself can't say for sure whether the current tax structure is helping or hurting industry, citing repeated changes to the regime in recent years.

Some leading senators and House Democrats have urged caution in tinkering with the tax structure until there's more information on how the various pieces work. But Gov. Sean Parnell and some House Republicans argue that action is needed to keep oil flowing through the trans-Alaska pipeline system.

The House Resources Committee, in hearing Parnell's proposal, adopted an amendment that calls on the state to have companies report in their regular filings more detailed information than they're currently required to provide. For example, companies would have to state the amount of credits being claimed and whether they're going toward such things as production, exploration or maintenance or repair work.

That level of detail is not required under current regulations.

"We've got a lot of tax credits going out all over the place in this state," said Rep. Peggy Wilson, R-Wrangell, who sponsored the amendment. "And we really don't know all the information, what the facts are."

There's no guarantee the amendment will be included in the final version of the bill considered by lawmakers. Or that the overall bill will be passed.

Tangeman said some companies are very forthcoming in the information they provide while others provide simply what they're required to provide and nothing more.

He said the department is looking at whether the industry would be willing to provide more details either through the regulations process or whether a law would need to be passed.

Rep. Berta Gardner, a Democrat from Anchorage and critic of Parnell's plan, said companies "hide behind taxpayer confidentiality." She believes companies participating in tax credit programs should need to agree to make public their names, the amount they've received in credits and what they've done to justify those credits.

"Alaska taxpayers have the right to know where our money is going," she said. "And we currently do not."

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