

Instructions for Forms 6323 and 6324 2015 Alaska LNG Storage Facility Tax Credit

Purpose of Form

Form 6323 or 6324 is required to claim an income tax credit for a qualified LNG storage facility. This form is also used to give notice to the Department of Revenue of any cessation of operations required under AS 43.20.047(j), and to calculate the increase to tax for the cessation.

What's New

Forms 6323 and 6324 have been redesigned to accommodate reporting for multiple facilities.

GENERAL INSTRUCTIONS

Form 6323 must be attached to the corporate income tax return (Form 6000, 6100, or 6150), or attached to the partnership information return (Form 6900). Form 6324 is provided for a partnership to claim a refund by filing the form separately, directly with the DOR. Form 6324 is also used to separately report the tax due upon cessation of operations, if the original claim for refund was filed separately. See details below in "How to Claim Credit" and "How to Report Increase to Tax for Early Cessation of Operations".

The credit is available for a new LNG facility that commences commercial operation after December 31, 2010, and before January 1, 2020. If the facility was in operation as an LNG facility prior to January 1, 2011, then a credit is available for an expansion of the facility based on certain requirements. The credit may not exceed the lesser of \$15,000,000 or 50 percent of the costs incurred to establish or expand the facility. The facility must have a LNG storage volume of not less than 25,000 gallons of LNG, or for an existing facility, the expansion must increase capacity by not less than 25,000 gallons. The facility must be regulated under AS 42.05 as a utility. The law imposes certain other requirements for the credit.

If You Need Help

If you have questions, need additional information or require other assistance, call us at 907.269.6620 or email us at dor.tax.disclosure@alaska.gov.

How to Claim Credit

If the owner of the LNG facility is a corporation, or an LLC that is treated as a corporation for tax purposes, then the credit must be claimed on its Form 6000, 6100, or 6150, as applicable. The credit is reported on Form 6323 and must be attached to the corporate income tax return.

If the owner of the LNG facility is a partnership, or an LLC that is treated as a partnership for tax purposes, then the credit may be claimed in one of two ways. (For brevity, these instructions use "partnership" to refer to either an entity organized as a partnership, or an LLC that is treated as a partnership for tax purposes. "Partner" is similarly used to refer to the partner, or LLC member, as applicable.)

a) Claim by Partner. The credit may be allocated among partners, according to the partnership agreement. In this

case, report the credit on Form 6323, and attach to Form 6900 Alaska Partnership Information Return. The credit will then flow through to the applicable Form 6900 Schedule K-1. The partnership must attach a copy of the Form 6323, and required attachments (see below) to the Form 6900 Schedule K-1 provided to the partner. This will allow the partner to claim the credit on its tax return.

b) Direct Claim. Alternatively, the partnership may itself claim a refund of the credit, by filing Form 6324 directly with the DOR. The claim may be filed at any time after the facility commences commercial operations, up to the date that is three years after the date that commercial operations commenced. The Form 6324 must be signed and mailed to the following address:

TAX DIVISION
ALASKA DEPARTMENT OF REVENUE
PO BOX 110420
JUNEAU AK 99811-0420

Required Attachments For Credit

Along with Form 6323 or 6324, the claimant must attach the following items to the return:

- Certification of the capacity of the LNG facility measured in gallons, verified by a professional engineer licensed in the state with relevant experience
- Schedule of costs incurred to establish the facility or to expand the facility, with verification by an independent certified public accountant licensed in the state.

If the claimant does not attach the required information, the claim will be disallowed.

How to Report Increase to Tax for Early Cessation of Operations

If the owner of the LNG storage facility is a corporation, or an LLC that is treated as a corporation for tax purposes, then the increase to tax under AS 43.20.047(h) must be reported on its Form 6000, 6100, or 6150, as applicable. Form 6323 (Part II) must be completed and attached to the corporate income tax return.

If the owner of the LNG storage facility is a partnership, or an LLC that is treated as a partnership for tax purposes, then the reporting of the additional tax liability under AS 43.20.047(h) will depend on how the credit was originally claimed.

a) Reported By Partner. If the original credit was allocated to, and claimed by, partners, then the increase to tax (recapture of credit) under AS 43.20.047(h) must be allocated on the same basis as the original credit. The increase to tax is reported on Form 6323 and attached to Form 6900. A copy of the Form 6323 must be attached to the applicable Form 6900 Schedule K-1. The partner must then report the increase in tax on its tax return.

- b) **Direct Reporting.** If the partnership originally claimed the credit directly from the DOR, then the partnership must report the increase in tax on Form 6324, and file the form, and pay the increase in tax to the DOR at the above address. This report is due by April 15 of the year following the year of the cessation of commercial operations. The tax must be paid by March 15 of the year following the calendar year in which operations ceased. The tax due is subject to assessment of interest, if not paid by the due date.

SPECIFIC INSTRUCTIONS

The instructions below pertain to both Forms 6323 and 6324, unless otherwise stated.

Part I

Line 1: In column A, enter the name of each facility for which a credit is claimed.

In column B, enter the location of each facility.

In column C, enter the date that each facility commenced commercial operations. If the credit is being claimed for the expansion of a facility, then enter the date that the expansion was placed into service.

In column D, enter the cost incurred to establish or expand each facility.

In column E, multiply the amount in column D by 25%.

In column F, enter the lesser of the amount in column E or \$15,000,000 for each facility.

Line 2: If the facility owner is a corporation, or an LLC treated as a corporation for tax purposes, then enter the amount from line 2 on Form 6300, line 34. Attach the Form 6323 to the corporation's net income tax return (Form 6000, 6100, or 6150).

If the facility owner is a partnership, then enter the amount from line 2 on Form 6900, Schedule A, line 18. Attach Form 6323 to Form 6900.

Form 6324, line 2: This is the amount of refund claimed by the owner of the LNG storage facility.

Part II

Line 3: In columns A and B, enter the name and location of each facility (or facility expansion) which ceased commercial operations during the tax period, respectively.

In column C, enter the date that each facility ceased commercial operations.

In column D, enter the amount of credit previously applied against tax, or payment received, for each facility which ceased commercial operations.

In column E, enter the number of years that each facility engaged in commercial operations.

In column F, calculate the increase to tax for each facility by the following steps:

- (a) subtract the number of years reported in column E from 10 years
- (b) divide the difference by 10 (to calculate an allowable percentage, based on years in service)
- (c) multiply this percentage by the credit reported in column D

Line 4: If the facility owner is a corporation, or an LLC treated as a corporation for tax purposes, then enter the amount from line 4 on the Schedule E, line 6 of the Form 6000 or 6100, or Schedule E line 7 on Form 6150.

If the facility owner is a partnership, and the original credit was allocated to partners, then enter the amount from line 4 on Form 6900, Schedule A, line 22. Attach Form 6323 to Form 6900. See instructions for Form 6900.

Form 6324, line 4: This is the amount of tax that is due from the owner of the gas storage facility, for early cessation of operations.

Signature (Form 6324 only): Form 6324 must be signed by a general partner or LLC member manager.