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ALASKA STATE LEGISLATURE House District 35

Sponsor Statement

CSHB 298 (FIN)

HB 298 repeals the requirement that operators who produce sand, gravel and quarry rock products pay the mining license tax. This tax costs the state nearly as much to administer as it is raised. The Department of Revenue agrees that the mining license tax on sand and gravel operators is burdensome and labels the sand and gravel tax a "nuisance tax." During the last five years, the Department of Revenue collected between \$206,000 and \$320,000 annually in mining license tax revenue on sand and gravel operations and spent nearly \$150,000 each year to administer the tax.

Sand and gravel is processed into multiple products such as concrete, asphalt, concrete block and wide variety of aggregates. Each of the final products have a different expense track associated with them. They are sold at retail, wholesale and at competitive bid prices. Each of these products, their cost of extraction, transportation, various expense tracks from processing and multiple sales prices are part of the many permutations that sand and gravel operators use to calculate their mining license tax. The Department of Revenue ensures compliance through a very detailed audit. The cost of these audits to businesses often exceeds the tax amount paid by the business.

Between 40% and 60% of sand and gravel mined in the state is used in public works projects. The mining license tax payment on these projects is paid by the state and local governments through the increased cost of the projects. This "left pocket/right pocket" payment is a burden to the Department of Revenue auditors does not raise any additional funds for the state.

Repealing the mining license tax requirement for sand and gravel operators will remove a significant burden to Alaska businesses, and will allow the Department of Revenue to direct their auditing capabilities on higher cost mineral mining operations.