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HB 58
Sponsor Statement

House Bill 58 recognizes our constitutional duty to provide a reasonable share of Alaska's non-renewable resources to benefit all Alaskans by updating the mining tax statues for the first time since 1955. The bill makes changes to the existing Mining License Tax, minerals and coal royalties, as well as the rentals for mining activity on state land.

The Mining License Tax is paid by all mineral mining operations in the state and is levied on net income. Tax rates are based on a graduated scale that increases with net income. HB 58 increases current rates by 2% per income bracket, adds an additional marginal tax bracket for net income over $1 million to be taxed at 11%, and exempts mines with a net income under $100,000 from paying the mining license tax.

Mineral mining operations are currently exempt from paying the mining license tax for the first three and a half years of production. HB 58 changes this exemption to a deferral that is payable over the following 10 years of production. HB 58 disallows mining companies from deducting their state corporate income tax from their mining license income tax. Other industries in Alaska are not allowed this deduction nor are mining companies allowed to deduct federal income taxes from their mining license tax. HB 58 also allows mining companies to use only cost depletion as a deduction from their taxes.

HB 58 changes the calculation of the royalty for mineral mining on state land from our current 3% of net income to a 3% Net Smelter Return (NSR) tax. This change ensures that the State receives a reasonable return for the material that is extracted from the ground by basing the royalty on the value of the mineral as opposed to the profitability of the mine in any given year. Most land owners in Alaska, other than the State, negotiate a NSR royalty between 2% and 5%.

HB 58 also adjusts land claim rental rates: hard rock and placer claims will be charged $1.65/acre for the first five years and $3.30/acre for every year thereafter.

HB 58 updates coal statues to reflect what is currently in regulation. The bill allows the State to accept coal as royalty in kind, similar to how the State accepts oil and gas. The University of Alaska Fairbanks has a coal fired electric plant and could benefit financially by not having to purchase coal.

Alaska's mining industry bears a light tax burden compared to Alaska's other high value resource industries. HB 58 allows the State a reasonable share of the wealth for its mined resources through overdue changes to the mining tax structure. It is important that we establish a stable tax structure that is fair to the private sector and provides the people of Alaska with a reasonable benefit from their resources.