



# ALASKA STATE LEGISLATURE

## SENATOR THOMAS H. WAGONER

### Co-Chair: Senate Resources Committee

Member: C&RA Committee  
Member: Regulatory Review

Member: LB&A Committee  
Member: World Trade

Official Business

Session: January - May

State Capitol, #427

Juneau, AK 99801

Phone: 907-465-2828 Fax: 907-465-4779

Interim: May - December

145 Main Street Loop, Suite 226

Kenai, AK 99611

Phone: 907-283-7996 Fax: 907-283-8127

### MEMORANDUM

**To:** Senators Wagoner and Paskvan  
Co-Chairs, Senate Resources Committee

**From:** Senator Wagoner *[Signature]*

**Date:** February 2, 2012

**Re:** SB 176 An Act exempting sand and gravel operations and marketable earth mining operations from the mining license tax; and providing for an effective date.

I respectfully request a hearing on SB 176 before the Senate Resources Committee to be scheduled at your earliest convenience.

SB 176 eliminates sand and gravel operators and related marketable earth from the definition of mining and thereby eliminates the state tax on those operations.

Attached please find supporting documentation including:

- SB 176 Exemptions From Mining Tax
- Sponsor Statement
- Sectional, explaining the changes SB 176 would make to current law

Any questions may be directed to the following staff person in my office:

Margaret Dowling  
465-4899

**SENATE BILL NO. 176**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

**BY SENATOR WAGONER**

**Introduced: 1/27/12**

**Referred: Resources, Finance**

**A BILL**

**FOR AN ACT ENTITLED**

1   **"An Act exempting sand and gravel and marketable earth mining operations from the**  
2   **mining license tax; and providing for an effective date."**

3   **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4   \* **Section 1.** AS 43.65.010(a) is amended to read:

5                   (a) A person prosecuting or attempting to prosecute, or engaging in the  
6                   business of mining in the state shall obtain a license from the department. All new  
7                   mining operations are exempt from the tax levied by this chapter for three and one-  
8                   half years after production begins. [THE TAX EXEMPTION GRANTED TO NEW  
9                   MINING OPERATIONS DOES NOT EXTEND OR APPLY TO THE MINING OF  
10                   SAND AND GRAVEL.]

11                   \* **Sec. 2.** AS 43.65.060(2) is amended to read:

12                   (2) "mining" means an operation by which valuable metals, ores,  
13                   minerals, asbestos, gypsum, coal, [MARKETABLE EARTH,] or stone, or any of them  
14                   are extracted, mined, or taken from the earth; "mining" includes the ordinary treatment

1 processes normally applied by mine owners or operators to obtain the commercially  
2 marketable product, but does not include the extraction or production of oil and gas,  
3 **marketable earth, or sand and gravel;**

4 \* **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to  
5 read:

6       **APPLICABILITY.** Sections 1 and 2 of this Act apply to taxes levied under AS 43.65  
7 on or after the effective date of this Act.

8 \* **Sec. 4.** This Act takes effect July 1, 2012.



# ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER

Co-Chair: Senate Resources Committee

Member: C&RA Committee

Member: LB&A Committee

Member: Regulatory Review

Member: World Trade

Official Business

Session: January – May

State Capitol, #427

Juneau, AK 99801

Phone: 907-465-2828 Fax: 907-465-4779

Interim: May – December

145 Main Street Loop, Suite 226

Kenai, AK 99611

Phone: 907-283-7996 Fax: 907-283-8127

## Sponsor Statement

### ***SB 176 An Act exempting sand and gravel and marketable earth mining operations from the mining license tax; and providing for an effective date***

SB 176 eliminates the mining license tax on sand and gravel operations. Collecting the tax is costly to the state and industry, yet generates very little tax revenue for the state. In fiscal year 2011 the Department of Revenue collected \$221,364 in taxes from sand and gravel operations, and it put another \$100,000 into the Constitutional Budget Reserve Fund, which was generated from audits and other assessments that covered filings for previous years. The state's cost to collect this revenue was roughly \$170,000.

The cost to business is also significant. Sand and gravel operators manufacture a wide variety of products: Aggregate pavers for gardens and concrete blocks for construction, bulk and retail sacks of concrete, asphalt, pit-run, and many grades of aggregate. Preparing annual tax returns is costly because sand and gravel operators must track all expenses associated with each product, from extraction through product delivery. They must also track the type and volume of material used in each product, further compounding the complexity of record keeping. In addition, if an operator owns more than one pit, the operator's tax return must include a separate schedule for each pit with calculations tracking costs, materials, and product income. Even if an operation is so small that it qualifies for an exemption to the tax, it still must file a tax return with the state each year. According to industry representatives, preparing tax returns and complying with audit requests costs the sand and gravel operators about \$1 million a year in record keeping, tax return preparation and related administrative and accountant services time.

SB 176 also removes “marketable earth” from the mining license tax to address Department of Revenue and industry concern that after sand and gravel is removed from the mining tax, future regulators and the public could become confused about whether “marketable earth” includes sand and gravel.



# ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER

Co-Chair: Senate Resources Committee

Member: C&RA Committee

Member: Regulatory Review

Member: LB&A Committee

Member: World Trade

Official Business

Session: January - May

State Capitol, #427

Juneau, AK 99801

Phone: 907-465-2828 Fax: 907-465-4779

Interim: May - December

145 Main Street Loop, Suite 226

Kenai, AK 99611

Phone: 907-283-7996 Fax: 907-283-8127

## Sectional Analysis

**SB 176 *An Act exempting sand and gravel and marketable earth mining operations from the mining license tax; and providing for an effective date***

**Section 1.** Amends AS 43.65.010(a) to conform to the removal of sand and gravel mining from the mining tax by eliminated the exclusion of sand and gravel operations from the three and one-half year exemption of taxes for new mining operations.

**Section 2.** Amends the definition of mining in AS 43.65.060(2) by removing “marketable earth” from the list of materials to which mining refers and by adding “marketable earth” and “sand and gravel” to the exclusions to mining.

**Section 3.** Adds a new section clarifying that sections 1 and 2 of the Act apply to taxes levied on or after the effective date of the Act.

**Section 4.** Provides an effective date of July 1, 2012.