



Official Business

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

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

CS for SB 176 () *Exemptions from Mining License Tax*

CSSB 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.

CSSB 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. In addition, the committee substitute added "quarry rock" because they are included in Department of Revenue's totals and represent an extremely small portion of the sand and gravel taxes collected. On Department of Revenue's request, the committee substitute changes the bill's effective date from July 2012 and makes it retroactive to January 2012. With this change the department and industry need not administer a 6 month return.