

2/13/2012

Senate Resources Committee

Re: SB 176: Exemptions from Mining Tax / Companion House Bill 298

Dear Senator,

Thank you for giving me the opportunity to address you regarding Senate Bill 176. My name is Wes Vander Martin; I am the Vice President/General Manager of Anchorage Sand & Gravel where I have worked for the past 20 years. Anchorage Sand & Gravel is a vertically integrated company that mines and sales sand and gravel related products, such as concrete, asphalt aggregates, block, precast concrete, cement, and a host of other construction related products and activities. AS&G has been in doing business in Alaska since 1938. Our products are used on a wide variety projects in the greater Anchorage area and over the whole state from residential to Military and State DOT projects.

AS&G is in favor of the passage of Senate Bill 176 that would exempt the tax on income, related to the mining of sand, gravel, quarry rock, and other marketable earth products, for the following reasons.

**1<sup>st</sup>** – The amount of revenue that the State is receiving from collecting this tax is less than, or at best equal to, what it is costing the state to collect it. Therefore it is a neutral tax at best. According to information reported, the State only received about \$200,000 in tax revenue in 2010, from all the numerous sand & gravel producers. The state over the years has performed many audits, some individual audits lasting more than 2 years to complete. This has cause a great strain on the states auditing department with little results to show for it.

**2<sup>nd</sup>** - The tax is burdensome. A great deal of time is required to gather and generate the necessary information for filing a tax return. The current thinking of the department of revenue auditing division is that “fair market price” should be determined on each product to help calculate revenue. In AS&G case we make over 20-30 different sand and gravel products, so gathering information is very time consuming. If we are audited the time



requirement and expense grows significantly. Our last audit took almost 18 month and cost AS&G in time and attorney fees will over \$50,000 just complying with request for information and meetings.

**3<sup>rd</sup>** – The mining tax, as it relates to sand and gravel, is very ambiguous and inconsistent. As I have already mentioned AS&G for example is required to try and figure out what the “fair market value” is for 20 to 30 different products. Other mining operations such as gold, silver, zinc, or coal for example are indexed, and the values are well known and easily traceable. This is not the case for sand and gravel. The various gravel producers in the state have very different processes and markets, thus making it difficult to determine a “fair market price”. For example AS&G is strictly a supplier of materials, were other producers lean more towards construction and use their products on their own projects? Defining a “fair market value” that is fair and easy to determined is at the root of the problem. This is what the auditors and producers struggle with, thus making the application of the tax inconsistent across the board. The amount of tax paid by one producer can vary greatly from another even on exactly the same product.

**4<sup>th</sup>** – Governments (local, state, and federal) are the end customer for a majority of our products, and are ultimately the ones paying for this tax, because the producers are just passing on the costs. AS&G sells about 65% of their products to government projects. It seems to me that the government is really just adding unnecessary cost to their own projects.

In summary, this is a nonproductive tax, it is burdensome and time consuming for both the producers and the state auditing department, and it is inconsistent because there are no markets or indexes for sand and gravel. For these reasons sand and gravel should be exempted from the Mining License Tax statute.

Thank You,

Wes Vander Martin  
Vice President/General Manager

