Agrium

March 17, 2015

Representative Ben Nageak
Representative David Talerico
Co-Chairmen, Resources Committee
Alaska House of Representatives,
State Capitol Building
Juneau, Alaska 99801

Representatives Nageak and Talerico;

During the hearing in your committee on HB 100, "An Act establishing a credit against the net income tax for an in-state processing facility that manufactures urea or ammonia" on Wednesday, March 11th, Representative Mike Hawker posed the following question:

> I appreciate that you have extensive worldwide holdings. The credit you're proposing here is a credit against your SCT – your state corporate tax…here in this, in Alaska, your state corporate income tax. The taxable income is determined by factors within your control relating to your apportionment of your income and expenses on a worldwide basis to Alaska. Can you tell me whether or not your corporate tax allocation policy would result in us granting a credit in Alaska for earnings that were actually attributable under that allocation policy to activities outside the state?

In response to Representative Hawker's question, our tax apportionment policy for Alaska is prescribed by Alaska Statute. In Alaska, we have elected to file using the "water's edge" approach. Accordingly, we apportion our US income to the state of Alaska based on three factors (sales, payroll and property) in accordance with AS 43.20. Therefore, our corporate tax allocation policy would not result in us claiming a credit in Alaska for earnings that were actually attributable to activities out of the State.

I hope this responds to Representative Hawker's question, and I trust you will distribute my response to other committee members.

Thank you.

Adam Diamond

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