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AMA Testimony
Deantha Crockett, Executive Director
HB253: Electronic Tax Return, Mining License Tax and Fees

Thank you. For the record, my name is Deantha Crockett and I am the Executive Director of the Alaska Miners Association. AMA appreciates the invitation to provide testimony today.

The Alaska Miners Association is a professional trade association established in 1939 to represent the mining industry in Alaska. We are composed of more than 1,800 members that come from seven statewide branches: Anchorage, Denali, Fairbanks, Juneau, Kenai, Ketchikan/Prince of Wales, and Nome. AMA is an umbrella association, representing the large metal mining operations in Alaska but also small family mines, coal operations and projects, sand, quarry rock and gravel mining, and the vendor and contracting sector that supports the mining industry.

Each year, AMA distributes to this Committee and your colleagues an “Issues of Concern” document. This outlines our policy positions on issues that impact the success of our industry. This year, given the budget situation we find ourselves in, our very first item of critical concern is a position on State Fiscal Policy that reads, “Immediately implement a comprehensive, long-term fiscal plan in 2016 that ensures responsible spending at a sustainable level. Such a plan should include budget reductions, use of Permanent Fund earnings, reduction in the Permanent Fund Dividend, and new revenue from broad-based taxes. Ensure State of Alaska fiscal policy includes strategies to grow and diversify the Alaska private economy.”

I’d like to focus on the last part of that position when offering comments on HB253. Strategies to grow and diversify the private sector in Alaska could not be more important as we look for a solution to our budget imbalance. We ask you. How many industries do we have in Alaska that we can look at and conclude, they’ve got potential to be twice as large? How much opportunity is there to multiply the taxpayer base of a single sector? Alaska is home to over a dozen advanced exploration mining projects, and just a single one of them going into production will bring the State of Alaska substantially more revenue than what is being proposed in this Legislation.

The Alaska Miners Association and its members want to be part of the fiscal solution. We aren’t against paying taxes. We already do pay taxes. But we fear this proposal is short-sighted, and wonder, what is the goal of this tax policy? Is it to raise \$6 million dollars? Is it, as was said in testimony at a previous hearing, to address a perception that mining doesn’t pay its way? (I’ll get to that point in a moment). Or would we, collectively as a state, like to grow mining’s contributions to state revenues for many years to come?



Recently, UAA's Institute of Social and Economic Research completed a report prepared for the Department of Commerce, Community, and Economic Development that researched the fiscal effects of Alaska's fishing, mining, and tourism industries. The report shows that mining, despite some of the world's highest environmental standards that require stringent oversight, and highest capital and operating costs due to the lack of existing infrastructure throughout much of the state, brings in much more revenue to the State coffers than what it costs to manage the industry. Mining DOES pay its way in Alaska, not only in state government revenues, but also in property taxes, Native Corporation revenues, and jobs and procurement spending. The mining industry has spent hundreds of millions, if not billions of dollars building infrastructure in this State. All of this should be highlighted when we discuss any supposed perception about mining's contributions to Alaska. Alaska's miners are paying taxes and contributing to Alaska's economy in a significant way.

The state must keep its eye on the prize and bring new mines into operation to increase the taxpayer base. To do this, we as Alaskans must focus on ensuring there is policy in place to make that a reality. Policies based on reasonable, predictable regulation are important, and to the subject on today's agenda, attractive fiscal terms are more important than ever. The global mining industry is in a prolonged downturn, as are the vendor and contracting sectors that support and depend on its activity. A multi-year decrease in commodity prices and increasing development and operation costs has caused the industry to evaluate projects and operations, just as we have seen with the cessation of the Nixon Fork Mine, which suspended operations in 2013, resulting in the loss of 90 jobs, some of which were held by rural Alaskans.

The example of Nixon Fork is demonstrative of the fragility of mining economics, and we are hopeful this reinforces the message that Alaska should be creating and maintaining policies that incentivize investment, not adding new pressures that would deter investment.

Clearly, AMA's position is to grow Alaska's mining industry. We need that just one new mine I mentioned earlier, and should strive to develop dozens of new mines. However, the removal of the 3.5 year exemption for new mines does not achieve that goal. This is simply bad policy. It offers no immediate or near-term revenue for the State of Alaska, yet decreases the feasibility for a future mining project such as the Donlin Gold Project, which has projected 1,200 jobs at operation and would bring millions of dollars of revenue to the State.

This Legislation proposes changing the Alaska Mining License Tax rate from seven to nine percent. Increasing the payments Alaska's larger mines make to the State by 29% with no research, economic analysis, or understanding about whether the industry can bear the increase, is truly disturbing. Alaska's mining industry is comprised of mines that are relatively small in scale and run by one person to large mines that employ over 600 people. Also, hundreds of Alaskan businesses and individuals depend on mining industry spending for their livelihoods. Any policy that would impact this critical industry must be fully contemplated, researched, and understood prior to adoption, and we do not believe the State of Alaska has reached that level of understanding.

Another component of HB253 that we urge the State to research is the impact of the electronic filing requirements on the small miner. Requiring electronic filing of tax returns could be problematic for some



operations, particularly placer mines in remote Alaska with limited connectivity to the Internet. The bill references the possibility of securing exemptions from electronic filing but offers no criteria or additional information about the exemptions. We urge you to ensure the impact of this requirement is understood, and solutions are offered if necessary. In addition, the creation of a \$50 application and \$50 renewal fee may seem insignificant, but fees required by regulatory agencies have begun to amount to an impactful cumulative increase for Alaska's small miner. This requirement would be in addition to the fee for an Annual Placer Mining Application, fee to enter into the bond pool, camp fee permit, fees required by federal agencies for mine permitting, and more. The creation of a new fee, in addition to substantial existing fees, is yet one more cost mechanism that can only increase in the future, placing further burden on Alaska's small miners.

Thank you for the opportunity to provide you with AMA's position on HB253. To conclude, we urge you to require a close examination of this proposal to fully understand the impacts on every part of Alaska's mining industry - from the large mine to the small miner, and the Alaskan businesses that support the mining industry, and determine whether this proposal accomplishes a goal to further Alaska's economy.