

Title: Non-Petroleum Corporate Income Tax Collections by Sector, Fiscal Years 2017 - 2020

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Purpose: To provide a breakdown by business sector, of non-petroleum corporate income tax collections received for the period from Fiscal Year 2017 through Fiscal Year 2020, as well as to provide an update to prior reports' data to reflect the most up to date information available.

Data Source: Tax collections are derived from payment and refund data for the relevant fiscal year, as reported in the Tax Revenue Management System and as queried by the Tax Division's Economic Research Group. Information is current as of September 2020.

Key Assumptions: Sector classifications are based on Department of Revenue determination using taxpayer-reported NAICS codes, publicly available information about the companies, and using the definitions listed on the "Sector Definitions" page.

This report presents analysis of corporate income tax collections from companies meeting the "water's edge" combined reporting requirement and reporting corporate income taxes under AS 43.20.145. Companies that produce oil and gas or own pipelines involved in transportation of oil and gas report corporate income tax under AS 43.20.144 and are excluded from this report.

A fiscal year, as presented in this report, consists of all collection activity for the twelve preceding revenue periods through June of that year. For example, for fiscal year 2020, all collection activity from July 1, 2019 through June 30, 2020 was treated as inclusive for that year.

This analysis includes the most up-to-date information available for all years dating back to FY 2017. The data presented here supersedes any data reported in past iterations of this analysis.

In the process of preparing this report, collections data and sector classifications for companies were reviewed and updated for all years shown on this report. While NAICS code and Tax Revenue Management System sector classifications are generally used, the specific nature of a company's activity in Alaska can deviate from that and is thus subject to change through this review process. Sector classifications were reviewed for all companies with \$100,000 or more of payment or refund activity in any of the years of the report. As a result of this review, sector classifications were revised for 36 companies. Additionally, the methodology for accounting for transfers of payments in the Tax Revenue Management System between fiscal years or tax types was reviewed and standardized for all years shown on this report.

For FY 2017, sectors with a net change of more than \$1 million due to reclassifications and transfer standardization included Finance (-\$3.5 million), Retail (-\$4.0 million), Services (+\$6.6 million), Transportation (-\$3.5 million), Wholesale (+\$4.2 million), and Other Sectors (-\$1.8 million). Subsectors of the Services sector with a net change of more than \$1 million included Healthcare (+\$2 million), Oil and Gas Services (+\$1.9 million), and Tourism (+\$3.2 million).

For FY 2018, sectors with a net change of more than \$1 million due to reclassifications and transfer standardization included Finance (-\$4.8 million), Retail (+\$2.6 million), Services (+\$9.7 million), Transportation (-\$3.2 million), Wholesale (-\$1.5 million), and Other Sectors (-\$1.8 million). Subsectors of the Services sector with a net change of more than \$1 million included Healthcare (+\$3.1 million), Oil and Gas Services (+\$1.4 million), Tourism (+\$3.9 million), and Other Services (+\$1.3 million).

For FY 2019, sectors with a net change of more than \$1 million due to reclassifications and transfer standardization included Finance (-\$4.8 million), Manufacturing (-\$1.0 million), Retail (+\$1.6 million), Services (+\$10.3 million), and Transportation (-\$4.2 million). Subsectors of the Services sector with a net change of more than \$1 million included Healthcare (+\$2.9 million), Oil and Gas Services (+\$4.0 million), and Tourism (+\$4.1 million).

History: The Economic Research Group prepares this report annually. All prior years' data have been updated to reflect the most up-to-date information available.

Disclaimer: Collections for a fiscal year include quarterly estimated payments and may also include payments, assessments, amended returns, and refunds for prior years. Large payments, assessments, or refunds can distort the collections data for any specific year. Total collections may not exactly match Revenue Sources Book or the Annual Report figures due to timing issues. Tax collections received during a fiscal year are not equal to tax liabilities reported during the fiscal year. Generally, only C corporations (i.e. not S corporations or other pass-through entities) pay corporate income tax. Thus, industry (sector) representation depends on the form of organization of businesses in each industry.

Most corporations file as part of a consolidated group. The industry classification reflects the Department of Revenue's subjective judgment about the corporation's primary activities within Alaska. This report does not necessarily reflect every industry in which the consolidated group participates. Therefore, this report may not be an accurate reflection of industry activities conducted in Alaska.

The Department of Revenue is in the process of reviewing and updating the data on which this analysis is based. As a result, future analyses could have different results.

Numbers may not add exactly due to rounding.

Non-Petroleum Corporate Income Tax Collections by Sector, Fiscal Years 2017 - 2020

Prepared by Economic Research Group, Oct. 27, 2020

CORPORATE INCOME TAX COLLECTIONS by Sector for Corporations Subject to AS 43.20.145										
Sector	FY 2017		FY 2018		FY 2019		FY 2020		YOY Change FY2019-FY2020	
	%	Collections	%	Collections	%	Collections	%	Collections	%	Change in Dollars
Construction	4%	\$3,419,176	2%	\$2,077,330	2%	\$2,109,369	2%	\$1,530,911	-27%	(\$578,458)
Finance	18%	\$15,085,673	14%	\$17,676,096	13%	\$15,045,614	20%	\$18,063,012	20%	\$3,017,398
Fisheries	1%	\$668,485	2%	\$2,580,410	2%	\$2,766,586	0%	(\$276,142)	-110%	(\$3,042,728)
Manufacturing	0%	\$204,327	0%	\$326,349	0%	\$139,585	0%	\$203,268	46%	\$63,683
Mining	-1%	(\$734,744)	28%	\$34,594,928	6%	\$6,859,747	-9%	(\$7,733,308)	-213%	(\$14,593,055)
Real Estate	1%	\$748,270	1%	\$818,037	1%	\$682,118	1%	\$1,295,777	90%	\$613,660
Retail	16%	\$13,539,996	16%	\$19,842,334	16%	\$18,872,063	15%	\$13,768,227	-27%	(\$5,103,836)
Restaurants & Bars	1%	\$590,780	1%	\$894,666	1%	\$1,126,931	1%	\$626,799	-44%	(\$500,131)
Services	27%	\$22,725,836	22%	\$26,573,640	28%	\$32,629,407	28%	\$25,044,661	-23%	(\$7,584,746)
Transportation	14%	\$11,475,949	4%	\$4,637,904	6%	\$6,863,115	11%	\$10,153,992	48%	\$3,290,877
Utilities & Communications	4%	\$3,489,157	4%	\$4,601,286	8%	\$9,795,189	5%	\$4,689,025	-52%	(\$5,106,164)
Wholesale	16%	\$13,088,142	7%	\$8,731,189	15%	\$17,121,028	25%	\$22,581,385	32%	\$5,460,357
Other Sectors*	0%	\$32,066	0%	\$158,163	3%	\$3,264,538	0%	\$271,154	-92%	(\$2,993,384)
Total		\$83,742,333		\$122,617,667		\$116,148,358		\$89,591,961	-23%	(\$26,556,396)
Sub-Sectors Included in Services										
Health Care	22%	\$4,975,969	19%	\$5,091,602	24%	\$7,909,935	11%	\$2,771,129	-65%	(\$5,138,806)
Oil & Gas Services	0%	\$104,918	6%	\$1,553,691	4%	\$1,439,581	-7%	(\$1,842,487)	-228%	(\$3,282,068)
Tourism	63%	\$14,417,502	65%	\$17,379,266	61%	\$19,953,560	66%	\$16,541,776	-17%	(\$3,411,784)
Other	14%	\$3,227,447	10%	\$2,549,081	10%	\$3,326,331	30%	\$7,574,242	128%	\$4,247,911
Total Services		\$22,725,836		\$26,573,640		\$32,629,407		\$25,044,661	-23%	(\$7,584,746)
Alaska Native Claims Settlement Act (ANCSA) Corporations (Included in above totals)										
ANCSA Regional Corporations	33%	\$2,436,637	60%	\$4,357,329	30%	\$1,916,466	-147%	(\$3,296,280)	-272%	(\$5,212,746)
ANCSA Village Corporations	67%	\$4,956,645	40%	\$2,846,953	70%	\$4,406,303	247%	\$5,533,982	26%	\$1,127,679
Total ANCSA Corporations		\$7,393,282		\$7,204,281		\$6,322,769		\$2,237,703	-65%	(\$4,085,067)

*Includes forestry, insurance, and oil companies reporting under AS 43.20.145 which are combined for confidentiality and other adjustments.

Source: Tax Revenue Management System, queried September 2020

Notes: **AS 43.20.073** - Corporate income tax section that defines companies as non-petroleum. This report presents an analysis of corporate income tax collections from companies meeting the "waters edge" combined reporting requirement, and reporting corporate income taxes under AS 43.20.145. Companies that produce oil & gas or own pipelines involved in the transportation of oil and gas file corporate income tax under AS 43.20.144 are excluded from this report.

Most corporations file as part of a consolidated group. The industry classification identified by the taxpayer usually reflects the group's primary operations, which are not necessarily its primary Alaska operations. Therefore, tax collections by sector are based on Department of Revenue interpretations of each corporation's or consolidated group's primary Alaska operations and may not match nationally assigned NAICS codes.

Total collections may not exactly match Revenue Sources Book figures due to timing issues. Total collections may not match previous versions of the CIT Sector Report due to corrections. Timing of payments, refunds or assessment activity adds volatility between fiscal years.

Collections include estimated payments, payments with returns, payments from collections, and refunds. Negative amounts indicate that (refunds) exceeded payments for the fiscal year.

Sector Definitions for Corporate Income Tax Sector Analysis

Corporations are assigned to sectors based on Department of Revenue determination of their primary line of business. The few corporations whose primary line of business cannot be determined are assigned to the Services sector.

Construction: Corporations primarily involved in building infrastructure, including homes, buildings, transportation infrastructure, etc. Building contractors and maintenance companies (such as electrical or plumbing) are included in this sector.

Finance: Corporations primarily involved directly in financial markets, such as banks, brokers, leasing companies (equipment and other non-real estate goods), investment, and lending companies (excluding mortgage companies). *Alaska Native Corporations are also reflected in this category unless they have a clear primary line of business in another sector.*

Fisheries: Corporations primarily involved in the fishing sector, including processing, stock preservation, or harvesting of fish. This sector includes fish processors that are classified as manufacturers under NAICS.

Manufacturing: Corporations primarily involved in physically creating goods to be sold in either the wholesale or retail market. Printing, metalworking and fertilizer manufacturing are examples of activities included in this sector. Manufacturing does not include fish processing, which is included under Fisheries, or wood products production, which is included under Other Sectors. If a company manufactures items elsewhere but sells them in Alaska, it is generally classified as Wholesale.

Mining: Corporations primarily involved in the extraction of minerals other than oil, such as gold, silver, coal, or sand and gravel.

Real Estate: Corporations primarily involved in the buying, selling, and operation of real estate, including home owners associations, realtors, renting or leasing, and financial companies that primarily deal in real estate or mortgages.

Retail: Corporations primarily involved in selling goods directly to consumers (final users of the good).

Restaurants & Bars: Corporations primarily involved in serving food or beverages to consumers.

Services: Corporations primarily involved in providing non-material services to consumers or other businesses.

Healthcare: Corporations primarily involved in providing health services to patients, or corporations involved in providing individual health care goods such as prosthetics. This sector does not include manufacturers of drugs and other supplies; these companies are generally classified as wholesale.

Oil & Gas Services: Corporations primarily involved in providing support services to oil or gas exploration or production companies.

Tourism: Corporations primarily involved in leisure and recreation services. Tourism includes hotels, lodges and guided tour operators. Air and other transportation is included in the Transportation sector.

Other: Corporations primarily involved in providing services that are not related to healthcare, oil and gas exploration or production, or tourism.

Transportation: Corporations primarily involved in transporting people and goods, such as airlines, trucking, and ocean transport. Note that airlines are included within this sector along with non-air transportation.

Utilities & Communications: Corporations primarily involved in constructing, maintaining, or providing communications or utilities. Newspapers, radio, television and magazines are included in this sector.

Wholesale: Corporations primarily involved in selling goods to intermediate consumers that intend to resell or use the goods in the course of ongoing business operations.

Other Sectors: This category combines Forestry (corporations primarily involved in harvesting or processing timber), Insurance (corporations primarily involved in underwriting, selling or collecting insurance that are not exempt from the Corporate Income Tax by virtue of paying the Insurance Premium Tax) and oil companies reporting under AS 43.20.145.