

HB253 – Questions for DOR on mining tax policy

- How was the increase determined? What analysis was done?
- How do the current and proposed Alaska Mining License Tax (AMLT) rates compare to other jurisdictions?*
- Are the proposed AMLT rates competitive and do they stimulate investment in Alaska?

What is this Administration's mineral tax policy?

How many jobs are in the mining industry? What is the average salary? If these tax changes deter investment or expansion of existing operations, how many jobs could be lost?

*Comparing Alaska with other jurisdictions

- Why does DOR keep comparing the Alaska mining license tax to metal mining taxes in states that have little or no metal mining (e.g. SD, WI, WY)?
- How does Alaska compare to the major metal mining states (NV, AZ)?
- How does Alaska compare to other states in corporate income tax?
- What is the total government take?

Nevada and Arizona are the top mining states by mineral production value.

	Metal Mining Net Profit/Net Proceeds Tax	State Corporate Income Tax (highest rate)
Alaska	7%	9.4%
Nevada	5% ¹	0%
Arizona	1.25% ²	6%

AMLT Increase

According to the State's *Mineral Industry Report 2014*, the mining industry lost 1,084 jobs between 2013 and 2014 (-27%), net revenue was down, and exploration spending was 45% lower than in 2013. That was under the current taxation system.

What is the reasoning behind raising the AMLT at a time of low metal prices? Why this number and not some other number?

What is the potential loss of revenue to the state if it deters investment and development?

Did you consider whether the higher AMLT rate will impact the economic feasibility of mines that are under consideration or in permitting?

How many mining operations will this AMLT increase impact? Have you looked at the impact on the medium sized mines i.e. those that just clear the \$100,000 net profit threshold but are not the six large mines in the state?

¹ Net Proceeds of Mining tax is gross revenue less deductions for cost of extraction, transport, marketing, delivery, fire and workers insurance, production, royalties and depreciation. <http://www.pwc.com/gx/en/industries/energy-utilities-mining/mining/tax/compare-taxes.html>

² 2.5% of 50% of difference between gross value and production costs on metals
<http://www.azleg.gov/jlbc/10taxbook/10taxbk.pdf>