



February 1, 2012

Representative Paul Seaton
Co-Chair of House Resources Committee
State Capitol Room 102
Juneau, Alaska 99801

Reference: House Bill No. 298

"An Act exempting sand and gravel and marketable earth mining operations from the mining license tax; and providing for an effective date."

Dear Representative Seaton:

Great Northwest, Inc. is a privately held civil contractor based in Fairbanks that contracts primarily with the State of Alaska and the federal government to construct roads, airports and building sites. Currently the State of Alaska taxes the revenue we receive from the sale of sand and gravel, and peat moss mined from our material sites in Fairbanks, Delta and Healy and used in these projects. While the mining license tax is paid for by Great Northwest, the money to pay for the tax is generated through the sale of sand and gravel and peat moss to our customers. The State of Alaska and the federal government represent approximately 90% of our sales and, therefore, indirectly pay for 90% of our mining license tax.

Over the past ten years Great Northwest has paid approximately seventy-eight hundred dollars (\$7,800) in sand and gravel, and peat moss mining license taxes. For the past year we have been being audited by the State of Alaska Department of Revenue for calendar years 2008 and 2009. We are hoping that these audits will be concluded by July or August of this year. To date we have expended approximately 200 staff hours working with the State auditors supplying documents as requested and helping to answer questions that arise during the audit. In order to conduct the audit the State of Alaska has flown two auditors to Fairbanks twice and provided them with approximately three days room and board each trip. I am confident that if you look at the money expended by the State of Alaska to conduct the audit of our books you will find that they spent more money auditing two years of our records than they collected from us

in 10 years. Incidentally, while we paid \$7,800 since 2001 in mining license taxes, to date the audit has determined that we over paid our taxes by \$500.

In addition to the cost of an audit, we must cover the cost of preparing the annual mining license tax return. Each year our office staff spends approximately 80 hours preparing the return.

The mining license tax paid for the extraction of sand and gravel, quarry rock, topsoil and peat moss is a nuisance tax. The vast majority of the income used to pay for the tax comes from the construction of local, state and federal projects; therefore, the taxing body is paying the tax. In Great Northwest, Inc.'s case and I suspect in the cases of most miners of sand and gravel, rock, topsoil and peat moss, the State of Alaska spends more money collecting the tax than the revenue generated. I applaud your sponsoring HB 298 and look forward to its passage. If I can be of any help as the bill winds its way through the legislature, please let me know.

Thank you.

Sincerely,
Great Northwest, Inc.



Anton K. Johansen

Copy:

Representative Alan Dick
Representative Eric Feige
Representative Neal Foster
Representative Berta Gardner
Representative Bob Herron
Representative Scott Kawasaki
Representative Cathy Munoz
Representative Peggy Wilson