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Sent: Monday, February 13, 2012 9:56 AM

To: Sen. Joe Paskvan; Sen. Tom Wagoner; Sen. Bill Wielechowski; Sen. Bert Stedman; Sen. Lesil McGuire; Sen. Hollis French; Sen. Gary Stevens

Cc: John@agcak.org

Subject: RE: Exemptions from Mining Tax - Bill Number SB176

Colaska, Inc. operates as an integrated construction business that owns and leases multiple sand and gravel pits throughout Alaska. Our activities include extracting sand & gravel and processing these extracts into different marketable products. These products are either sold externally to third-party customers or utilized internally in making redi-mix concrete, asphalt hot mix, or on road construction projects.

The Mining License Tax law as it currently exists places an undue hardship and burden on sand and gravel operations to comply with for several reasons.

Firstly, as an integrated business that has some operations considered 'mining activities' and others that are not, it has proven to be difficult to carve out our mining activities from our integrated activities to file a meaningful mining income tax return on an annual basis. This carving requires us to spend much more time to prepare and create the mining income tax return than it does to prepare our corporate income tax return for the IRS and the State of Alaska.

Secondly, we are currently being audited by the Department of Revenue (DOR) for two years of our mining tax returns. The audit process started more than a year ago and is now just coming towards an end. Because of our integrated operations, it has been difficult for the DOR to apply the mining tax law as it currently exists to our situation. Again having integrated activities, it has proven to be very onerous for the DOR to audit a carved out piece of our entire business. To date we have spent well in excess of a combined 800 hours in our organization complying with the audit and responding to audit requests. This is in addition to the hours and costs expended by the DOR on this audit.

Thirdly, the ultimate consumer of our products is the government. In 2011, 78% of our revenues came from public sources. The cost of the mining tax itself, as well as our internal costs to comply with this tax are being passed on to our customers, which the majority is coming from government funds.

In summary, as the Vice President of Finance of a company that must comply with the Mining License Tax, I whole heartedly support Senate Bill No. 176 to exempt sand and gravel and marketable earth mining operations. My support comes from direct experience in the cost and efforts to comply with the current law which by far exceed the tax revenue generated from it.

Yours truly,
Brian Vreeling, CPA
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