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The Alaska Rock Products Association is a business association of sand and gravel producers. Our Association supports Senate Bill 176. The applicability of the mining license tax program to sand and gravel producers has been a concern of sand and gravel producers for several years.

In considering tax exemptions, one principle is that an exemption is appropriate when the effort to collect and audit a tax from a certain type of business is out of proportion to the tax benefit received. Senate Bill 176 and House Bill 298 address this situation.

The mining license tax statute as it applies to sand and gravel operations results in tax reporting and tax audit procedures that are overly complex and time consuming for both the operators and the Department of Revenue.

There is no listed market value for sand and gravel products as there is, for example, for gold, silver and other valuable minerals. Sand and gravel pricing is determined by individual contracts and bids. Different producers price the same product differently on the same day. This combined with the variety of sand and gravel products results in a reporting and audit process that is far more complex than, for example, a gold mine producing just one product with a known market value.

Sand and gravel tax revenue to the state is a small portion of the total mining license tax revenue, and the cost to the state to administer the program for sand and gravel operations spends about half of the revenue the state receives.

The result is an inefficient, upside-down situation: the lowest value mineral products are subject to the most complex reporting and audit requirements.

Sand and gravel products literally form the foundation of local, state and federal capital projects. Exempting sand and gravel operations from the mining license tax will reduce the cost to government agencies for capital projects.

Finally, small sand and gravel operators who are presently exempt from the mining license tax must still spend time and expense to submit reports to the state. This is not a cost effective use of their or the state's resources.

Thank you for your consideration of my testimony.

Tom Healy, ARPA Executive Director