



DOR Indirect Expenditure Report

- Released July 1, 2016 by DOR
- Provides details on 231 indirect expenditures across 11 departments and agencies, including 78 provisions administered by DOR
- A cooperative effort between 10 departments and other participating agencies, coordinated by DOR
- Followed process established in 2014, with improved presentation and some refinements

Indirect Expenditures Defined

Indirect expenditure: Any foregone revenue by the state designed to encourage an activity to benefit the public in the form of a credit, exemption, deduction, deferral, discount, exclusion, or other differential allowance.

As defined by AS 43.05.095(d):

- An **express provision of state law** that results in foregone revenue for the state by providing:
 - A tax credit or other credit
 - An exemption, but does not include federal tax exemptions adopted by reference in AS 43.20.021
 - A discount
 - A deduction, but does not include costs incurred in the ordinary course of business that are deducted in the calculation of a tax under this title or in the calculation of a royalty or net profit share payment for a lease issued under AS 38
 - A differential allowance

Overview of DOR's Indirect Expenditures

- Each of the 78 indirect expenditures that appear in the following slides are provisions administered by the Department of Revenue
- Follows the same order as presented in the DOR *Indirect Expenditure Report*
 - Grouped by Program Name, Alphabetically
- Legislative Finance Recommendations (2015)
 - Key:
 - Red: Recommend Termination
 - Blue: Recommend Review/Reconsideration

- Small Brewery Reduced Rate – *Revenue impact of \$2,881,017 in FY 2015*

Cigarette Tax

- Indian Reservation Exemption from Cigarette Tax – *Revenue impact of \$373,480 in FY 2015*
- Personal Exemption from Cigarette Tax – *Revenue impact unknown*
- **Tax Stamp Discount** – *Revenue impact of \$360,326 in FY 2015*
- Uniformed Services Exemption from Cigarette Tax – *Revenue impact unknown*

Commercial Passenger Vessel Taxes

- 72 Hour Threshold Voyage Exemption – *Revenue impact unknown*
- Large Passenger Vessel Gambling Tax Deduction – *Revenue impact unknown*
- Small Passenger Vessel Exemption – *Revenue impact unknown*
- Tax Reduction for Local Levies – *Revenue impact of \$12,871,480 in FY 2015*

Corporate Income Tax

- **“S” Corporation exclusion** – *Revenue impact unable to determined*
- **Exclude Income from Certain Vessels from Tax** – *Revenue impact unknown*
- **Exempt Corporations from Tax that are Participants in Contract under Stranded Gas Development Act** – *Revenue impact of \$0 in FY 2015*
- **Federal Tax Credits** – *Revenue impact of \$1,578,843 for FY 2014*
- **Foreign Royalty Exclusion** – *Revenue impact of \$1,408,557 for FY 2014*

- Gas Exploration and Development Credit – *Revenue impact of \$0 for FY 2014*
- Gas Storage Facility Credit – *Revenue impact of \$0 for FY 2015*
- In-State Refinery Tax Credit – *Revenue data is incomplete for FY 2015*
- Liquid Natural Gas Storage Facility Credit – *Revenue impact of \$0 for FY 2015*
- Oil and Gas Service Industry Expenditures Credit – *Revenue data incomplete for FY 2015*

- **Reduced Tax Rate on Capital Gains** – *Revenue impact of \$1,551,095 for FY 2014*
- **Small Corporation Exemption** – *Revenue impact of \$348,967 for FY 2014*
- **Utilities Exempted from Water's Edge Combination Reporting** – *Revenue impact unknown*
- **Veteran Employment Tax Credit** – *Revenue impact of \$0 for FY 2014*

- **Reduced Fisheries Business Tax Rate for Developing Fisheries** – *Revenue impact of \$17,181 for FY 2015*
- **Reduced Tax Rate for Small Fish Processors** – *Revenue impact unable to be determined*
- **Salmon and Herring Product Development Credit** – *Revenue impact of \$945,621 for FY 2015*
- ***Winn Brindle Scholarship Contribution Credit** – *Revenue impact of \$120,197 for FY 2015*

Fisheries Resource Landing Tax

- Community Development Quota Credit – *Revenue impact of \$571,581 for FY 2015*
- Reduced Fishery Resource Landing Tax Rate for Developing Fisheries – *Revenue impact of \$13,637 for FY 2015*

- **3.5-year Exemption** – *Revenue impact unknown*
- **Depletion Deduction** – *Revenue impact of \$32,039,246 for FY 2014*
- **Sand and Gravel Exemption** – *Revenue impact unknown*
- **Small Miner Exemption** – *Revenue impact of \$39,915 for FY 2014*

- Bunker Fuel Exemption – *Revenue impact of \$0 for FY 2015*
- Charitable Institution Exemption – *Revenue impact of \$117,425 for FY 2015*
- Dealer Exemption – *Revenue impact unknown*
- Foreign Flight Exemption – *Revenue impact of \$8,589,969 for FY 2015*
- Foreign Fuel Exemption – *Revenue impact of \$6,483,070 for FY 2015*

- Government Exemption – *Revenue impact of \$9,664,348 for FY 2015*
- Heating Fuel Exemption – *Revenue impact of \$8,781,768 for FY 2015*
- Non-Profit Power Association Exemption – *Revenue impact of \$3,565,112 for FY 2015*
- Off-Highway Use Reduced Rate – *Revenue impact of \$6,356,609 for FY 2015*

- **Reduced Rate for Aviation Gasoline** – *Revenue impact of \$336,457 for FY 2015*
- **Reduced Rate for Jet Fuel** – *Revenue impact of \$6,122,121 for FY 2015*
- **Reduced Rate for Marine Fuel** – *Revenue impact of \$3,213,059 for FY 2015*
- **Small Generator Exemption** – *Revenue impact included in Stationary Power Plant exemption*

- Stationary Power Plant Exemption – *Revenue impact of \$290,571 for FY 2015*
- Stationary Power Plant Exemption for Home Heating – *Revenue impact included in Stationary Power Plant exemption*
- **Timely Filing Discount** – *Revenue impact of \$62,590 for FY 2015*

Multiple Tax Programs

- Education Credit – *Revenue impact of \$7,498,403 for FY 2014*
- Film Production Credit – *Revenue impact of \$9,198,042 for FY 2015*
- Minerals Exploration Credit – *Revenue impact of \$5,975,341 for FY 2013; confidential for FY 2014; revenue data incomplete for FY 2015*

- Alternative Credit for Exploration – *Revenue impact between \$42 million and \$50 million for FY 2015*
- Carried-Forward Annual Loss Credit – *Revenue impact included in Qualified Capital Expenditure Credit*
- Cook Inlet Jack-Up Rig Credit – *Revenue impact of \$0 for FY 2015*
- **Exploration Incentive Credit** – *Revenue impact of \$0 for FY 2015*

Oil and Gas Production Tax Cont.

- Frontier Basin Credit – *Revenue impact included in Alternative Credit for Exploration*
- New Area Development Credit – *Revenue impact of \$0 for FY 2015*
- Per-Taxable-Barrel Credit for GVR-eligible Production – **Reported with next*
- Per-Taxable-Barrel Credit for Non-GVR-eligible Production – *Revenue impact of \$523 million for FY 2015*

*Due to confidentiality, the Per-Taxable-Barrel credits are combined for reporting purposes.

Note: Indirect expenditures without a recommendation due to recent legislative action when recommendations were made.

- Qualified Capital Expenditure Credit – *Revenue impact between \$587 million and \$607 million for FY 2015*
- **Small Producer Credit** – *Revenue impact between \$40 million and \$50 million for FY 2015*
- Transitional Investment Expenditure Credit – *Revenue impact of \$0 for FY 2015*
- Well Lease Expenditure Credit – *Revenue impact included in Qualified Capital Expenditure Credit*

Oil and Gas Property Tax

- Excluded from taxation is the value of intangible drilling expenses and exploration expenses – *Revenue impact not tracked*

- Exemption from Studded Tire Fee for Lightweight Studs – *Revenue impact unknown*
- Government Exemption – *Revenue impact of \$132,808 for FY 2015*
- Resale Exemption – *Revenue impact included in government exemption*
- **Timely Filing Credit** – *Revenue impact of \$48,675 for FY 2015*

- **Commission** – *Revenue impact of \$54,053 for FY 2015*
- Indian Reservation Exemption from tobacco products tax – *Revenue impact of \$45,419 for FY 2015*
- Personal exemption from tobacco products tax – *Revenue impact unknown*
- Uniformed Services Exemption from tobacco products tax – *Revenue impact unknown*

Vehicle Rental Tax

- Motorcycle Exemption – *Exemption no longer tracked (as of 5/10/2013)*
- Moving Truck Exemption – *Revenue impact unknown*
- Reduced rate for Recreational Vehicles (RVs) – *Revenue impact of \$1,077,414 for FY 2015*
- Taxicab Exemption – *Revenue impact unknown*
- Warranty Work Exemption – *Revenue impact unknown*

THANK YOU

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