



## Chapter 5

# Non-Petroleum Revenue

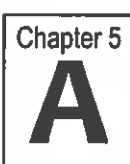
### Introduction

Revenue collections from in-state activities other than petroleum include non-petroleum taxes, charges for services, fines and forfeitures, licenses and permits, rents and royalties, and miscellaneous and transfer revenue sources such as dividends from public entities.

These sources are categorized as “Non-Petroleum Revenue, except federal and investment,” sometimes shortened to “Non-Petroleum Revenue.” (Federal and investment revenue are discussed in Chapters 6 and 7, respectively.)

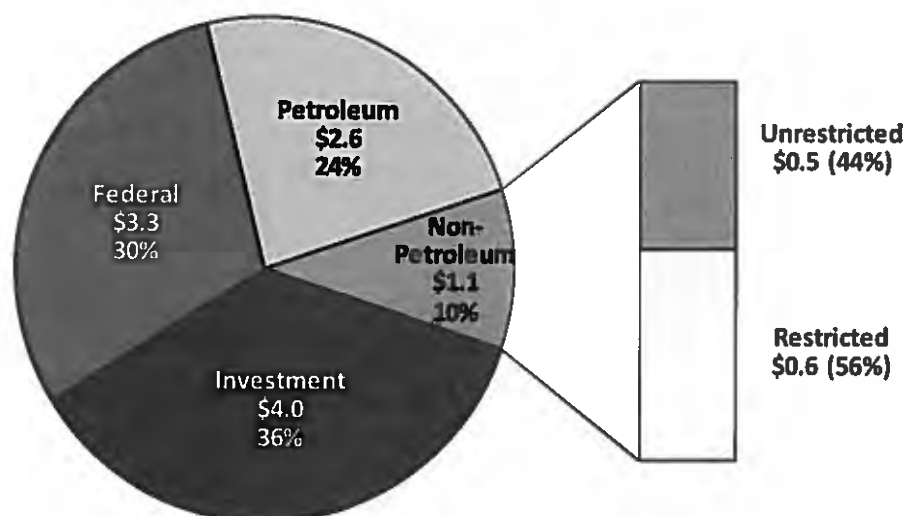
The non-petroleum revenue sources are each sub-categorized into unrestricted, designated general fund, and other restricted revenue in Table 5-1. Detail regarding each revenue type is reflected in Tables 5-2 through 5-7. This chapter also includes descriptions of each revenue source.

The Department of Revenue’s Tax Division website and the division’s annual report contain more comprehensive historical information about each type of tax the Tax Division collects. The Alaska Department of Administration’s *Comprehensive Annual Financial Report* contains more detail about many non-tax revenue sources.



## FY 2019 Non-Petroleum Revenue

By restriction and type, in billions of dollars



# Total Non-Petroleum Revenue

By restriction and category

	Millions of Dollars		
	History	Forecast	
	Fiscal Year	2019	2020 2021
<b><u>Unrestricted</u></b>			
<b>Unrestricted Non-Petroleum Revenue</b>			
Taxes	346.0	356.2	350.3
Charges for Services	7.1	7.1	7.1
Fines and Forfeitures	19.0	12.8	12.8
Licenses and Permits	38.0	38.8	38.8
Rents and Royalties	5.6	5.0	5.0
Other	75.8	82.9	91.7
<b>Total Unrestricted Non-Petroleum Revenue</b>	<b>491.4</b>	<b>502.9</b>	<b>505.7</b>
<b><u>Restricted</u></b>			
<b>Restricted Non-Petroleum Revenue</b>			
<b>Designated General Fund</b>			
Taxes	141.9	146.1	147.1
Charges for Services	243.9	213.1	212.7
Fines and Forfeitures	4.6	5.1	5.0
Licenses and Permits	2.4	2.4	2.4
Rents and Royalties	20.9	18.3	18.4
Other	37.8	43.3	45.2
<b>Subtotal Designated General Fund</b>	<b>451.4</b>	<b>428.3</b>	<b>430.7</b>
<b>Other Restricted</b>			
Taxes	51.6	51.1	53.2
Charges for Services	46.6	111.9	112.2
Fines and Forfeitures	16.1	18.3	17.8
Licenses and Permits	41.1	41.0	41.2
Rents and Royalties	6.7	9.9	10.0
Other	18.1	18.1	18.1
<b>Subtotal Other Restricted</b>	<b>180.2</b>	<b>250.3</b>	<b>252.4</b>
<b>Total Restricted Non-Petroleum Revenue</b>	<b>631.6</b>	<b>678.6</b>	<b>683.1</b>
<b>Total Non-Petroleum Revenue</b>	<b>1,123.0</b>	<b>1,181.5</b>	<b>1,188.8</b>

# Non-Petroleum Tax Revenue

By restriction and source

	Millions of Dollars		
	History	Forecast	
Fiscal Year	2019	2020	2021
<b><u>Unrestricted</u></b>			
<b>Corporate Income Tax (Non-Petroleum)</b>	<b>114.8</b>	<b>135.0</b>	<b>125.0</b>
<b>Excise Tax</b>			
Alcoholic Beverage	20.4	20.7	21.0
Tobacco Products – Cigarettes	26.5	24.4	23.5
Tobacco Products – Other	13.5	15.8	16.4
Electric and Telephone Cooperative	0.2	0.2	0.2
Insurance Premium Tax <sup>1</sup>	71.9	56.7	58.5
Marijuana <sup>2</sup>	5.5	5.8	6.8
Motor Fuel Tax (Refined Fuel Surcharge)	6.3	6.1	6.1
Tire Fee	1.3	1.3	1.3
<b>Subtotal Excise Tax</b>	<b>145.7</b>	<b>131.2</b>	<b>133.7</b>
<b>Fish Tax</b>			
Fisheries Business	21.3	21.2	21.6
Fishery Resource Landing	6.5	5.4	5.5
<b>Subtotal Fish Tax</b>	<b>27.8</b>	<b>26.5</b>	<b>27.1</b>
<b>Other Tax</b>			
Charitable Gaming	2.6	2.6	2.7
Large Passenger Vessel Gambling	10.1	10.9	11.8
Mining License	45.1	50.0	50.0
<b>Subtotal Other Tax</b>	<b>57.7</b>	<b>63.5</b>	<b>64.5</b>
<b>Total Unrestricted Non-Petroleum Tax Revenue</b>	<b>346.0</b>	<b>356.2</b>	<b>350.3</b>
<b><u>Restricted</u></b>			
<b>Designated General Fund</b>			
Alcoholic Beverage (Alcohol and Drug Treatment and Prevention Fund)	20.4	20.7	21.0
Electric and Telephone Cooperative (Municipal Share) <sup>3</sup>	4.3	4.3	4.3
Fisheries Business (Municipal Share) <sup>3</sup>	24.1	25.0	24.1
Fishery Resource Landing (Municipal Share) <sup>3</sup>	6.0	6.7	7.3
Insurance Premium <sup>1,4</sup>	8.0	7.1	6.4
Vehicle Rental	11.4	11.6	11.8
Marijuana (Marijuana Education and Treatment Fund) <sup>2</sup>	4.2	5.8	6.8
Marijuana (Recidivism Reduction Fund) <sup>2</sup>	9.4	11.7	13.5
Motor Fuel Tax (Non-Aviation)	34.6	34.2	33.8
Tobacco Products – Cigarettes (School Fund)	17.1	16.4	15.8
Tobacco Products – Cigarettes (Tobacco Use Education and Cessation Fund)	2.5	2.4	2.3
<b>Subtotal Designated General Fund</b>	<b>141.9</b>	<b>146.1</b>	<b>147.1</b>

(Table continued, next page)

# Non-Petroleum Tax Revenue

By restriction and source (*Continued*)

	Millions of Dollars		
	History	Forecast	
	2019	2020	2021
<b>Other Restricted</b>			
Commercial Passenger Vessel Tax (State Share)	4.3	4.8	5.1
Commercial Passenger Vessel Tax (Municipal Share)	18.7	20.0	21.3
Cost Recovery Fisheries Assessment	0.0	0.0	0.0
Dive Fishery Management Assessment (designated management areas)	0.8	0.8	0.8
Motor Fuel Tax – Aviation (State Share)	4.7	4.8	4.8
Motor Fuel Tax – Aviation (Municipal Share)	0.1	0.1	0.1
Salmon Enhancement (Aquaculture Association Share)	6.6	6.7	6.9
Seafood Development (qualifying regional associations)	3.6	3.7	3.8
Seafood Marketing Assessment (seafood marketing programs)	10.0	10.3	10.5
Settlements to Constitutional Budget Reserve Fund (Non-Petroleum taxes)	2.9	0.0	0.0
<b>Subtotal Other Restricted</b>	<b>51.6</b>	<b>51.1</b>	<b>53.2</b>
<b>Total Restricted Non-Petroleum Tax Revenue</b>	<b>193.5</b>	<b>197.2</b>	<b>200.2</b>
<b>Total Non-Petroleum Tax Revenue</b>	<b>539.5</b>	<b>553.5</b>	<b>550.5</b>

<sup>1</sup> In FY 2016, House Bill 374 reclassified the previously unrestricted portion of the insurance premium tax to designated general fund revenue. Under current law, this portion of the insurance premium tax reverted to unrestricted revenue beginning in FY 2019.

<sup>2</sup> Fifty percent of marijuana tax revenue is deposited into the Recidivism Reduction Fund and treated as designated restricted revenue. Beginning in October 2018, an additional 25% of marijuana tax is deposited into the Marijuana Education and Treatment Fund, bringing the total designated general fund share of the marijuana tax to 75%.

<sup>3</sup> Beginning in FY 2019, shared taxes and fees are considered designated general fund revenue.

<sup>4</sup> In addition to the workers' compensation insurance premiums for the insurance premium tax, this amount also includes service fees from employers who are self-insured.

## Taxes

### Alcoholic Beverage Tax

Alcoholic beverage taxes are collected primarily from wholesalers and distributors of alcoholic beverages sold in Alaska.

The per-gallon tax rates on alcoholic beverages are \$1.07 for beer, \$2.50 for wine, and \$12.80 for liquor. Beer from qualifying small breweries is taxed at a rate of \$0.35 per gallon.

Revenue from the alcoholic beverage tax is deposited into Alaska's general fund. Half of that amount is deposited in a subfund of the general fund, the Alcohol and Other Drug Abuse Treatment and Prevention Fund, and is treated as restricted in this forecast. The other half is treated as unrestricted in this forecast.

## Charitable Gaming

Under Alaska law, municipalities and qualified non-profit organizations may conduct specific charitable legal gaming activities to derive public benefit in the form of money for charities and revenue for the state.

The department collects permit and license fees, a 1% net proceeds fee, and a 3% pull-tab tax. While all charitable gaming receipts are shown as unrestricted revenue in this forecast, a portion is actually classified as program receipts in the budget, as the Tax Division is responsible for regulating charitable gaming in the state.

### Commercial Passenger Vessel Taxes

The commercial passenger vessel (CPV) tax is a tax of \$34.50 on each passenger aboard a commercial passenger vessel with 250 or more berths that

spends more than 72 hours in Alaska waters over the course of one voyage.

Five dollars of the tax can be appropriated to each of the first seven ports of call. Further, if a commercial passenger vessel visits a port that levies a tax similar to the CPV tax and that tax was in place before December 17, 2007, the local tax imposed is allowed as a credit against the state tax. Only Juneau and Ketchikan had qualifying levies in place at that time (Juneau's fee is \$8 per passenger and Ketchikan's is \$7).

All funds received from the CPV tax must be spent on port facilities, harbor infrastructure, and other services provided to commercial passenger vessels and the passengers on board those vessels. All revenue from the tax is considered restricted and is deposited into a subfund of the general fund, the CPV tax account.

The large passenger vessel gambling tax is a tax of 33% on the adjusted gross income from gaming or gambling activities aboard large passenger vessels in the state. Revenue goes to the general fund and is considered unrestricted.

## **Corporate Income Tax**

Alaska levies the corporate income tax on corporations doing business in the state. Corporate tax rates are graduated, with a maximum rate of 9.4% applying to Alaska taxable income above \$222,000.

S-corporations and limited liability corporations (LLCs) that file federally as partnerships are generally exempt from corporate income tax.

A non-oil and gas corporation computes its tax liability based on the federal taxable income of its water's edge combined report, with Alaska adjustments. U.S. income is apportioned to Alaska based on three factors – sales, property, and payroll. Alaska taxable income is determined by applying the apportionment factor to the corporation's modified federal taxable income.

Corporate income tax for oil and gas corporations is calculated differently and reported separately in Chapter 4.

## **Electric and Telephone Cooperative Taxes**

The electric cooperative tax is based on kilowatt hours furnished by qualified electric cooperatives recognized under Title 10 of the Alaska Statutes.

The telephone cooperative tax is levied on gross revenue of qualified telephone cooperatives under Title 10.

Revenue from cooperatives located in municipalities is treated as designated general fund revenue in this forecast because it is shared 100% with the municipalities. The small amount of revenue collected from cooperatives outside municipalities is retained by the State of Alaska and treated as unrestricted revenue.

## **Fisheries Business Tax**

The fisheries business tax is levied on businesses that process fisheries resources in Alaska or export fisheries resources from Alaska. Although the tax is usually levied on the act of processing, the tax is often referred to as a "raw fish tax" because it is based on the value of the raw unprocessed fishery resource.

Tax rates vary from 1% to 5%, depending on whether a fish species is classified as "established" or "developing" in the geographic area where it was caught and whether it was processed by a shore-based processor, a floating processor, or a salmon cannery.

Revenue from the tax is deposited in the general fund. Half of that revenue (before credits) is shared with qualified municipalities and is treated as designated general fund revenue. The remainder (after credits) is treated as unrestricted revenue.

Tax credits for the fisheries business tax, including the Salmon and Herring Product Development Credit, apply only to the state portion of the tax.

## **Fishery Resource Landing Tax**

The fishery resource landing tax is levied on fishery resources processed outside Alaska, but first landed in Alaska. Tax liability is based on the unprocessed statewide average price of each fish species. The tax is collected primarily from factory trawlers and floating processors that process fishery resources outside the state's 3-nautical mile limit and bring their products into Alaska for shipment.

The tax rates vary from 1% to 3%, based on whether the species is classified as "established" or "developing." All revenue derived from the tax is deposited in the general fund.

Half of the revenue (before credits) is shared with qualified municipalities, and is treated as designated general fund revenue. As with the fisheries business tax, most tax credits apply only to the state share. The exception is the Community Development Quota Credit, which applies only to the municipal share. The remaining revenue after credits and municipal share is treated as unrestricted revenue.

## **Insurance Premium Tax**

Insurance companies in Alaska pay an insurance premium tax instead of corporate income tax or other taxes. The tax is levied as a percentage of the total insurance premiums for policies in the state.

Revenues from insurance premium taxes on workers' compensation insurance are deposited into a subfund of the general fund, the Workers' Safety and Compensation Fund, and are reflected as restricted in this forecast. The restricted component also includes service fees paid into the Workers' Safety and Compensation Fund by employers who are uninsured or self-insured.

Prior to FY 2017, non-workers' compensation insurance premium taxes were considered unrestricted revenue. For FY 2017 and FY 2018, non-workers' compensation insurance premium taxes were deposited into a subfund of the general fund, the Alaska Comprehensive Health Insurance Fund, and were reflected as restricted in this forecast. However, beginning in FY 2019, these funds reverted to unrestricted revenue and are reflected as such in this forecast.

## **Marijuana Tax**

The marijuana tax rate is \$50 per ounce on marijuana bud/flower, \$25 per ounce on immature, seedy, or failed bud/flower, and \$15 per ounce on other parts of the plant ("trim"). The tax is paid by marijuana cultivators and is due the month after the sale of the product to a retail marijuana store or marijuana product manufacturing facility.

Fifty percent of the revenue from the marijuana tax is deposited into a subfund of the general fund, the Recidivism Reduction Fund, and is treated as restricted for purposes of this forecast. Beginning in October 2018, 25% of marijuana tax revenue is deposited into the Marijuana Education and Treatment Fund and is also treated as restricted for purposes of this forecast. The remaining 25% of marijuana tax revenue is considered unrestricted revenue.

## **Mining License Tax**

The mining license tax is Alaska's severance tax on mining. The tax is based on mining net income and ranges from 0% to 7% of the net income of mining operations in the state, with the top tax rate applying to mining net income above \$100,000. Several exemptions apply, including a 3½-year exemption period after production begins for new mining, and an exemption for sand and gravel operations. Also, small mining operations are provided with a tax benefit in that no tax is due when mining income is less than \$40,000.

## **Motor Fuel Tax**

The motor fuel tax is imposed on motor fuel sold, transferred, or used within Alaska. Motor fuel taxes are primarily collected from wholesalers and distributors licensed as qualified dealers.

Various fuel uses are exempt from tax, including fuel used for heating or international flights.

Per-gallon rates are \$0.08 for highway use, \$0.05 for marine fuel, \$0.047 for aviation gasoline, \$0.032 for jet fuel, and \$0.08 or \$0.02 for gasohol, depending on the season, location, and U.S. Environmental Protection Agency mandate.

The federal government requires that all aviation fuel tax revenue be used in direct support of the airports where the revenue is generated. As a result, both aviation gasoline and jet fuel revenue are shown as other restricted revenue. This includes the 60% of revenue attributable to aviation fuel sales at municipal airports that is shared with the respective municipalities.

Remaining motor fuel tax revenue is considered designated in the budget process, as AS 43.40.010 designates motor fuel taxes for specific infrastructure maintenance accounts.

The motor fuel tax includes an additional refined fuel surcharge of \$0.0095 per gallon on non-aviation fuel as well as certain non-motor fuels such as home heating oil. Municipalities and certain cooperatives are exempt from the surcharge. While the surcharge is shown as unrestricted revenue in this forecast, it is intended to support the Alaska Department of Environmental Conservation's Spill Prevention and Response Division.

## **Seafood Assessments and Taxes**

The department administers five different programs that collect funds through seafood assessments

and taxes. The rates for these assessments and taxes are determined by a vote of the appropriate association within the seafood industry, by members of the Alaska Seafood Marketing Institute (ASMI), or by the department. The five programs are:

- The seafood marketing assessment, which applies to all seafood products made or first landed in Alaska and all unprocessed products exported from Alaska. This assessment supports the operations of the ASMI.
- The dive fishery management assessment, which is levied on the value of fishery resources taken using dive gear in a designated management area.
- The regional seafood development tax which is levied on the value of fishery resources in a designated management area.
- The salmon enhancement tax, which is levied on salmon sold or exported from designated aquaculture regions.
- The common property fishery assessment, which allows hatcheries to establish a cost-recovery fishery and recoup costs through an assessment on fishery resources taken in the terminal harvest area.

The revenue received under these five assessments and taxes is deposited in the general fund and is treated as other restricted revenue in this forecast. It is set aside for appropriation for the benefit of the seafood industry, either in marketing, or for management and development of the industry.

## **Tire Fee**

The tire fee has two components. The first component is a fee of \$2.50 on all new tires sold in Alaska for motor vehicles intended for highway use. The second component is an additional \$5 fee per tire on all new tires with heavy studs sold in Alaska, and a \$5 fee per tire on the installation of heavy studs on a previously un-studded tire. Heavy studs are defined as being made of metal and weighing more than 1.1 grams each.

Tires sold to federal, state, or local government agencies for official use are exempt from the fee, as well as certain tires with lightweight studs.

## **Tobacco Tax**

Alaska levies a tax on cigarettes and other tobacco products. The cigarette tax is levied on cigarettes imported into the state for sale or personal

consumption. The other tobacco products tax is levied on tobacco products (other than cigarettes) imported into the state for sale.

The tax rate on cigarettes is \$2.00 per pack. Of that, \$0.76 per pack is deposited into the School Fund, and is considered designated restricted revenue. Money deposited into the School Fund is to be used for the rehabilitation, construction, repair, and associated insurance costs of state school facilities. Cigarette and tobacco products license fees are also deposited into the School Fund and considered designated restrictive revenue as well.

The remainder of the cigarette tax revenue (\$1.24 per pack) is deposited into the general fund. Of that, 8.9% (\$0.11 per pack) is deposited into a subfund of the general fund, the Tobacco Use Education and Cessation Fund, and is treated as designated restricted revenue.

The tax rate on other tobacco products, such as cigars and chewing tobacco, is 75% of the wholesale price and is deposited entirely in the general fund. It is unrestricted revenue.

Certain cigarettes and tobacco are exempted from the tax – those that are transported into the state by an individual for personal consumption, imported or acquired by one of the U.S. uniformed services, or imported or acquired by federally recognized Indian tribes. More specifically, sales that are not subject to the tax are sales to authorized military personnel by a military exchange, commissary, or ship store, and sales by an Indian reservation business located within an Indian reservation to members of the reservation.

Electronic cigarettes and “vaping” products are not subject to Alaska tobacco taxes under current statute.

## **Vehicle Rental Tax**

The vehicle rental tax is a 10% tax on most passenger vehicle rentals of 90 days or less, and a 3% tax on recreational vehicle rentals of 90 days or less.

Exemptions include taxis, rentals to government agencies, and trucks used for transporting personal property.

Revenue from the vehicle rental tax is deposited into a vehicle rental tax subaccount within the general fund. The Alaska Legislature may appropriate the balance of that account for tourism