

# Revenues from Alaska's Resources

*Presented by:*

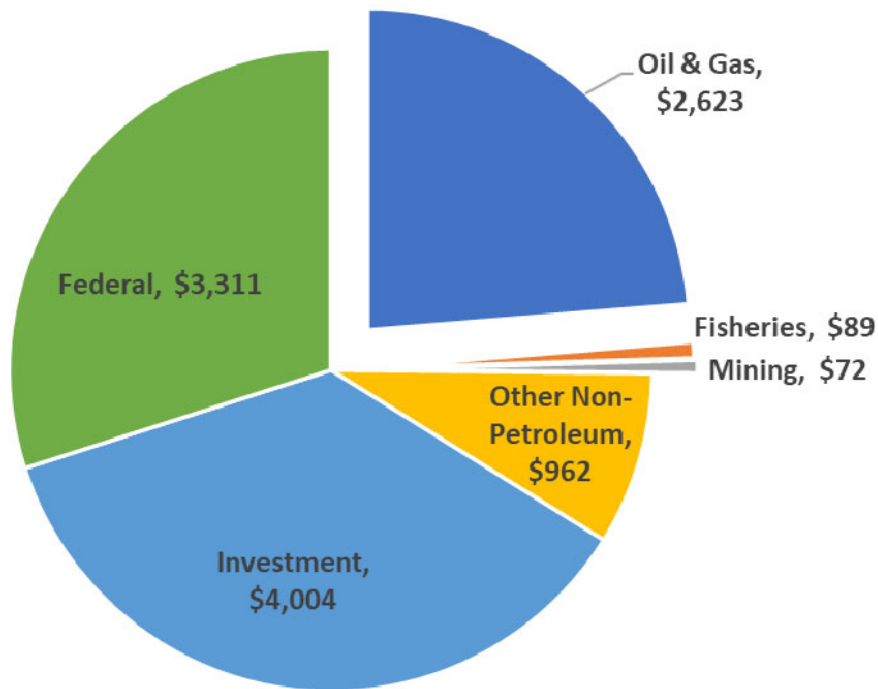
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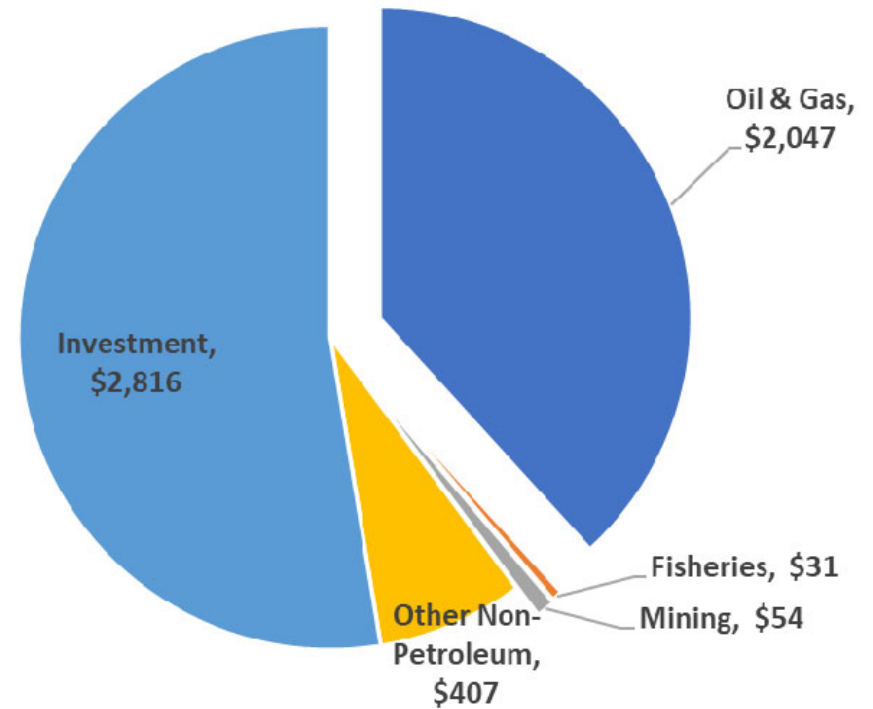


# Total State Revenue: Resources a Primary Source

FY 2019 Total State Revenue by Source, \$ millions



FY 2019 Unrestricted General Fund Revenue by Source, \$ millions



# Types of Resource Revenue

- Royalties
- Property Taxes
- Severance Taxes
  - Fisheries Business Tax, Resource Landing Tax
  - Oil and Gas Production Tax
  - Mining License Tax
- Corporate Income Taxes Other Fees and Assessments

# Corporate Income Tax (CIT)

- Applies to C-Corporations
  - Many, but not all, companies in Alaska
- “Alaska Taxable Income” determined using an “apportionment factor”
  - Non-Petroleum – based on U.S. “water’s edge” activity, apportioned to Alaska based on Alaska’s share of property, payroll, and sales.
  - Petroleum – based on worldwide activity, apportioned to Alaska based on Alaska’s share of property, production, and sales/tariffs.
- 9.4% rate applies to taxable income > \$222,000



# Fisheries Revenues

# Fisheries Revenues: Overview

## General Fisheries Taxes

1. Fisheries Business Tax, AS 43.75
2. Fishery Resource Landing Tax, AS 43.77
3. Corporate Income Tax (attributable to fisheries), AS 43.20

## Self-Imposed Taxes and Assessments

1. Common Property Fishery Assessment, AS 16.10.455
2. Dive Fishery Management Assessment, AS 43.76.150
3. Regional Seafood Development Tax, AS 43.76.350
4. Salmon Enhancement Tax, AS 43.76.001
5. Seafood Marketing Tax, AS 16.51.120
6. Commercial Fisheries Entry Commission Receipts, AS 16.43.160

Note: Hunting and fishing licenses are not included in this list. FY 2019 collections for this revenue source totaled to \$37.5 million.

# Fisheries Revenues: Tax Rates

Fisheries Business Tax		Dive Fishery Management Assessment	
<u>Established Species*</u>	<u>Developing Species*</u>	Geoduck: 7%	
Floating: 5%	Floating: 3%	Sea Cucumber: 3%	
Salmon Cannery: 4.5%	Shore Based: 1%	Sea Urchin: 1%	
Shore-Based: 3%	Direct Marketers: 1%		
Direct Marketers: 3%			
Fisheries Resource Landing Tax		Corporate Income Tax	
<u>Established Species*</u>	<u>Developing Species*</u>	<u>Taxable Income</u>	<u>Marginal Tax Rate</u>
3%	1%	\$0-\$25,000	0.00%
		\$25,000-\$49,000	2.00%
		\$49,000-\$74,000	3.00%
		\$74,000-\$99,000	4.00%
		\$99,000-\$124,000	5.00%
		\$124,000-\$148,000	6.00%
		\$148,000-\$173,000	7.00%
		\$173,000-\$198,000	8.00%
		\$198,000-\$222,000	9.00%
		\$222,000 +	9.40%
Salmon Enhancement Tax			
Southern Southeast: 3%	Northern Southeast: 3%		
Cook Inlet: 2%	Prince William Sound: 2%		
Kodiak: 2%	Chignik: 2%		
Yakutat: 2%			

\*The designation of each regional fishery as an "Established" or "Developing" species is established by DFG, on a region-specific and species-specific basis.

Tax rates accurate as of February 2020

# Fisheries Revenues: Historical and Forecasted Revenues (\$ millions)

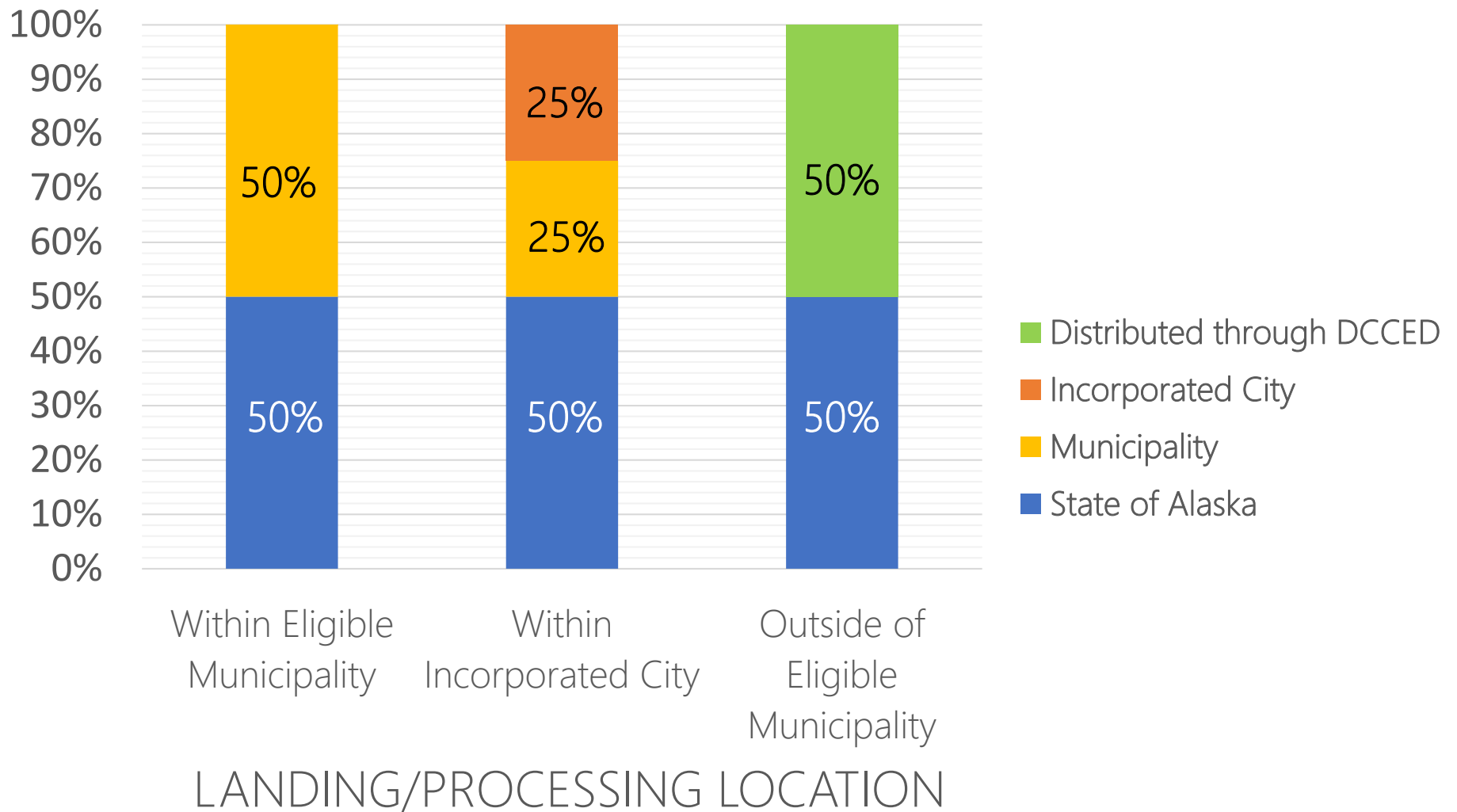
	FY 2019	FY 2020	FY 2021
<b>Unrestricted General Fund</b>			
Fisheries Business Tax	21.3	21.2	21.6
Fishery Resource Landing Tax	6.5	5.4	5.5
Corporate Income Tax (attributable to fisheries)*	2.8	3.0	3.0
Subtotal Unrestricted	30.6	29.6	30.1
<b>Designated General Fund</b>			
Fisheries Business Tax (Municipal Share)	24.1	25.0	24.1
Fishery Resource Landing Tax (Municipal Share)	6.0	6.7	7.3
Commercial Fisheries Entry Commission Receipts	6.9	6.9	6.9
Subtotal Designated General Fund	37.0	38.6	38.3
<b>Other Restricted</b>			
Cost Recovery Fisheries Assessment	0.0	0.0	0.0
Dive Fishery Management Assessment	0.8	0.8	0.8
Salmon Enhancement Tax (Aquaculture Association Share)	6.6	6.7	6.9
Seafood Development Tax (qualifying regional association)	3.6	3.7	3.8
Seafood Marketing Assessment (seafood marketing programs)	10.0	10.3	10.5
Subtotal Other Restricted	21.0	21.5	22.0
<b>Total</b>	<b>\$88.6</b>	<b>\$89.7</b>	<b>\$90.4</b>

\*Forecasted CIT attributable to Fisheries estimated using five-year averages from the 2019 CIT Sector Report and the 2019 Revenue Sources Book.

Note: Hunting and fishing licenses are not included in this list. FY 2019 collections for this revenue source totaled to \$37.5 million.



# Fisheries Revenues: Revenue Sharing Methodology



Note: All credits except the Community Development Quota Credit are applied to the state share. The CDQ Credit is applied to the municipal share.

An aerial photograph of a large industrial mining complex situated in a rugged, high-altitude landscape. The facility features numerous buildings with bright red and blue roofs, several large white cylindrical storage tanks, and extensive conveyor systems. The surrounding terrain is brown and rocky, with patches of snow. In the background, a range of jagged mountains is partially covered in snow under a clear blue sky. The text "Mining Revenues" is overlaid in the center of the image.

# Mining Revenues

# Mining Revenues: Overview

1. Mining License Tax, AS 43.65
2. Corporate Income Tax (attributable to mining), AS 43.20
3. Mining Rents and Royalties, AS 38.04.212

*Note: Miscellaneous mining revenues are not included in this presentation. Some of these include fuel taxes, penalty fees, filing fees, bid bonuses, and AIDEA facilities use fees.*

# Mining Revenues: License Tax Calculation

Mining Net Income	Tax Rate
\$0 - \$40,000	No Tax
\$40,001 - \$50,000	\$1,200 plus 3% over \$40,000
\$50,001 - \$100,000	\$1,500 plus 5% over \$50,000
Over \$100,000	\$4,000 plus 7% over \$100,000

$$\text{Net Income} = \text{Gross Income} - \text{Allowable Deductions}$$

## Gross Income

1. Sales price or value received from mined material
2. Royalties from property
3. Production payments received
4. Fair Market value of the material if it is not sold but shipped out-of-state

## Allowable Deductions

1. Depletion (available only to owner of mining property)
  - a) *Cost Depletion (total development cost)*
  - b) *Percentage Depletion (% of gross income less royalties, dependent on mineral mined)*
2. Direct Expenses
3. Indirect Expenses

# Mining Revenues: Historical and Forecasted Revenues (\$ millions)

	FY 2019	FY 2020	FY 2021
<b>Unrestricted</b>			
Mining License Tax	45.1	50.0	50.0
Corporate Income Tax (attributable to mining)*	6.9	12.9	11.9
Mining Rents and Royalties	1.9	1.3	1.3
Subtotal Unrestricted	53.9	64.2	63.2
<b>Restricted</b>			
Mining Rents and Royalties	8.9	6.4	6.5
Subtotal Restricted	8.9	6.4	6.5
<b>Other Restricted</b>			
Settlements to Constitutional Budget Reserve Fund (non-petroleum Taxes)	2.9	0.0	0.0
Mining Rents and Royalties	6.7	9.9	10.0
Subtotal Other Restricted	9.6	9.9	10.0
<b>Total</b>	<b>\$72.4</b>	<b>\$80.5</b>	<b>\$79.7</b>

\*Forecasted CIT attributable to Mining estimated using 5-year averages from the 2019 CIT Sector Report and the 2019 Revenue Sources Book.

An aerial photograph of a large industrial oil and gas processing facility. The plant features a complex network of pipes, storage tanks, and processing units. In the foreground, several long, parallel metal pipes run across the ground. The facility is situated in a flat, open landscape with a large body of water visible in the background under a blue sky with scattered clouds. The text "Oil and Gas Revenues" is overlaid in the center of the image.

# Oil and Gas Revenues

# Oil and Gas Revenues: Overview

1. Royalties, AS 38.05.180
2. Petroleum Corporate Income Tax, AS 43.20.144
3. Petroleum Property Tax, AS 43.56
4. Oil and Gas Production Tax AS 43.55



# Oil and Gas Revenues: Property Tax

- Based on value of oil and gas property
- State rate is 2% of assessed value
- Municipalities can levy property taxes at same rate it taxes all non-oil and gas property
- Taxes paid to municipalities acts as credit towards tax due to state
  - Municipalities receive large majority of total revenue



# Oil and Gas Revenues: Petroleum Property Tax Distribution and local mill rates, FY 2019

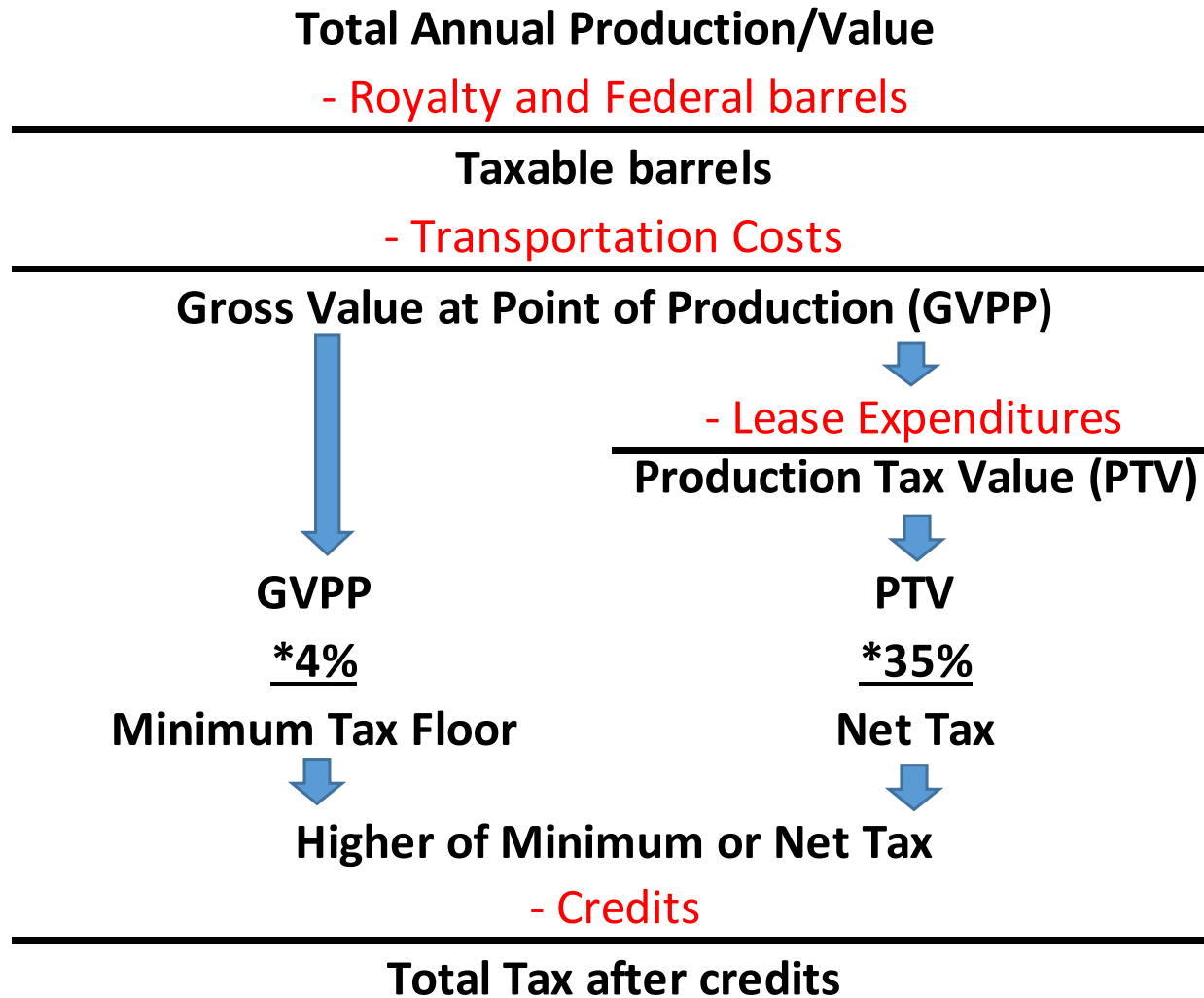
Millions of Dollars

<b>Taxing Jurisdiction</b>	<b>Gross Tax</b>	<b>Local Share</b>	<b>State Share</b>
Unorganized	62.2	0.0	62.2
North Slope Borough	419.5	377.4	42.2
Fairbanks North Star Borough	14.3	12.2	2.2
Municipality of Anchorage	2.8	2.3	0.5
Kenai Peninsula Borough	31.3	15.5	15.8
City of Valdez	39.0	39.0	0.0
Matanuska-Susitna Borough	0.2	0.1	0.1
City of Whittier	0.0	0.0	0.0
City of Cordova	0.2	0.1	0.1
<b>Total FY 2019</b>	<b>569.5</b>	<b>446.6</b>	<b>123.0</b>

<sup>1</sup>Tax amounts shown here represent the total certified tax roll for the 2019 tax year, due June 30, 2019. These amounts may not exactly match cash revenue received in the fiscal year as presented elsewhere in this book due to a combination of credits and late payments. Gross Tax is total tax paid to both the local government and the State of Alaska. The Local Share and State Share columns represent revenue primarily received in June 2019.

<sup>2</sup>The Fairbanks North Star Borough, Kenai Peninsula Borough, and Matanuska-Susitna Borough do not have a uniform mill rate for petroleum properties. The rate presented here is the weighted-average effective mill rate based on the 2019 certified tax roll.

# Oil and Gas Revenues: Production Tax



# Oil and Gas Revenues: Historical and Forecasted Revenues (\$ millions)

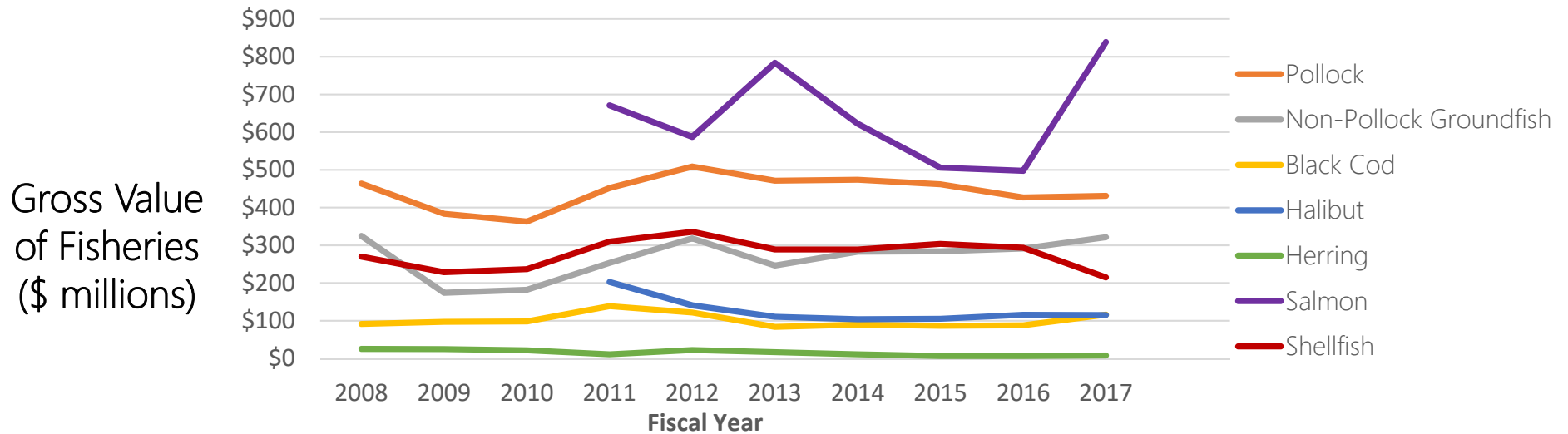
	FY 2019	FY 2020	FY 2021
<b>Unrestricted</b>			
Petroleum Property Tax	119.5	121.6	117.9
Petroleum Corporate Income Tax	217.7	210.0	215.0
Oil and Gas Production Tax	595.5	380.7	328.1
Royalties (including Bonuses, Rents, and Interest)	1,114.7	847.0	749.0
Subtotal Unrestricted	2,047.3	1,559.4	1,410.0
<b>Other Restricted</b>			
Royalties, Bonuses, and Rents to the Alaska Permanent Fund	374.8	380.3	337.6
Royalties, Bonuses, and Rents to the Public School Trust Fund	7.5	6.2	5.5
Tax and Royalty Settlements to Constitutional Budget Reserve Fund	181.2	200.0	75.0
NPR-A Royalties, Rents, and Bonuses	12.3	11.3	9.5
Subtotal Other Restricted	575.8	597.8	427.5
<b>Total</b>	<b>\$2,623.2</b>	<b>\$2,157.2</b>	<b>\$1,837.6</b>

\*Forecasted CIT attributable to Mining estimated using 5-year averages from the 2019 CIT Sector Report and the 2019 Revenue Sources Book.

Note: Numbers may not add exactly due to rounding.

# Gross Value of the Industries

# Fish Harvest and Gross Value



ANNUAL HARVEST by Fiscal Year (thousand lbs.)

	<u>Pollock</u>	<u>Non-Pollock</u>	<u>Black Cod</u>	<u>Halibut</u>	<u>Herring</u>	<u>Salmon</u>	<u>Shellfish</u>
2008	2,242,769	1,137,492	19,968	***	80,329	***	104,541
2009	2,017,187	1,147,931	20,194	***	93,043	***	103,991
2010	1,931,992	1,212,531	16,987	***	110,587	***	84,917
2011	2,686,012	1,266,861	18,022	31,125	99,382	794,197	84,070
2012	2,855,754	1,431,435	19,625	24,345	76,487	655,481	116,927
2013	2,980,758	1,379,997	18,971	21,843	86,590	1,062,712	97,168
2014	3,116,596	1,454,793	16,421	16,914	95,762	712,641	93,619
2015	3,223,423	1,338,135	14,684	16,293	68,632	1,092,025	104,733
2016	3,316,648	1,358,986	13,658	17,524	53,863	581,779	75,500
2017	3,353,026	1,322,512	15,772	18,431	67,996	1,039,305	43,807
2018	3,339,416	1,196,346	16,456	16,807	45,891	604,560	46,290

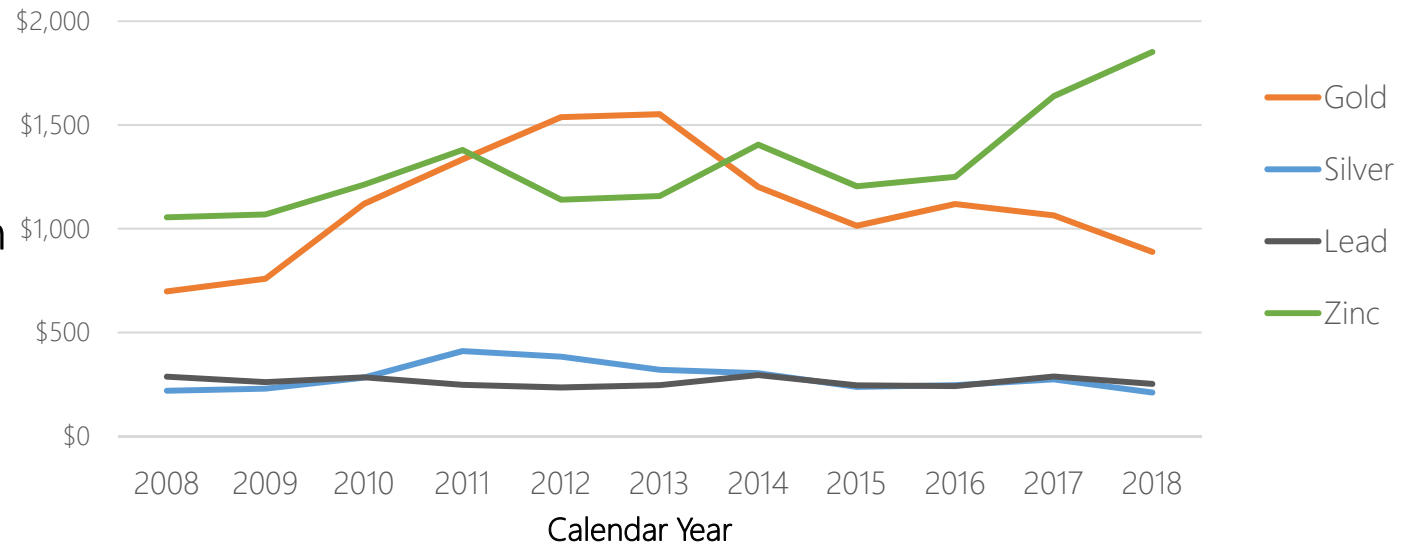
\*\*\* Halibut and Salmon values for 2008-2010 are not shown for confidentiality purposes.

Note: Gross values were calculated using price and production data and represent approximated unprocessed value. Expenditures, including operating and capital costs, are not included in this calculation. Includes only value of resources reported for state tax purposes.

Source: Department of Revenue, Economic Research Group, Fisheries Value and Poundage Reports, FY2008-FY2018.

# Minerals Prices, Production, and Gross Value

Gross Value of Mineral Production (\$ millions)



	PRICES by Calendar Year				PRODUCTION by Calendar Year			
	Gold (\$/oz)	Silver (\$/oz)	Lead (\$/lb..)	Zinc (\$/lb.)	Gold (oz)	Silver (oz)	Lead (tons)	Zinc (tons)
2008	\$871.96	\$14.99	\$0.94	\$0.84	800,752	14,643,735	153,705	626,135
2009	\$972.35	\$14.67	\$0.78	\$0.75	780,657	15,617,436	167,204	712,496
2010	\$1,224.53	\$20.19	\$0.97	\$0.98	914,462	13,991,297	146,480	667,539
2011	\$1,571.52	\$35.12	\$1.09	\$0.99	848,945	11,683,967	113,649	696,793
2012	\$1,668.98	\$31.15	\$0.93	\$0.88	921,240	12,313,877	126,234	647,481
2013	\$1,411.23	\$23.79	\$0.97	\$0.87	1,022,987	13,453,367	126,707	665,318
2014	\$1,266.40	\$19.78	\$0.95	\$0.98	948,547	15,388,901	155,183	716,781
2015	\$1,160.06	\$15.68	\$0.81	\$0.88	941,394	15,147,249	151,247	686,938
2016	\$1,250.74	\$17.14	\$0.85	\$0.95	909,242	16,621,035	155,409	700,376
2017	\$1,257.12	\$17.04	\$1.05	\$1.31	859,631	16,085,142	140,683	649,889
2018	\$1,268.49	\$15.71	\$1.04	\$1.37	711,986	15,116,355	127,427	698,218

Note: Gross value was calculated using price and production data and represent approximated revenue at market. Expenditures, including operating and capital costs, are not included in this calculation.

Source: Alaska's Mineral Industry Reports, 2010-2018.

# Alaska North Slope Prices, Production, and Gross Value



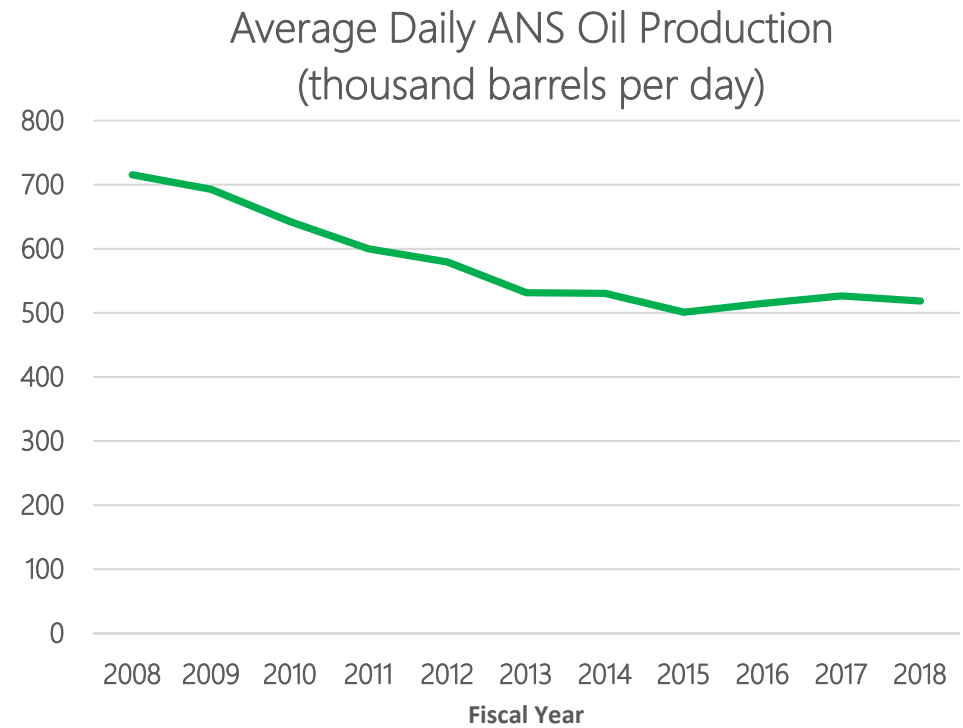
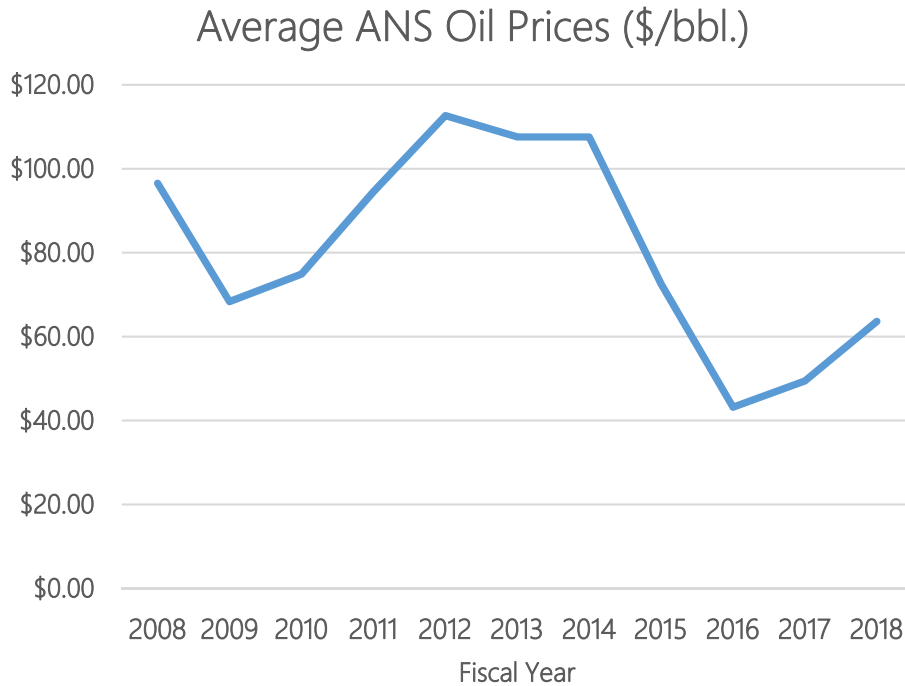
ANS PRICES AND PRODUCTION by Fiscal Year

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Prices (\$ per barrel)</u>	\$96.51	\$68.34	\$74.90	\$94.49	\$112.65	\$107.57	\$107.57	\$72.58	\$43.18	\$49.43	\$63.61
<u>Production (thousand barrels per day)</u>	715.4	692.8	642.6	599.9	579.4	531.6	530.4	501.0	514.7	526.4	518.5

Note: Gross value was calculated using price and production data and represent approximated value at wellhead. Expenditures, including operating and capital costs, are not included in this calculation. Cook Inlet and natural gas production are excluded from these totals.

Source: Fall 2019 Revenue Sources Book.

# Alaska North Slope Prices and Production



ANS PRICES AND PRODUCTION by Fiscal Year

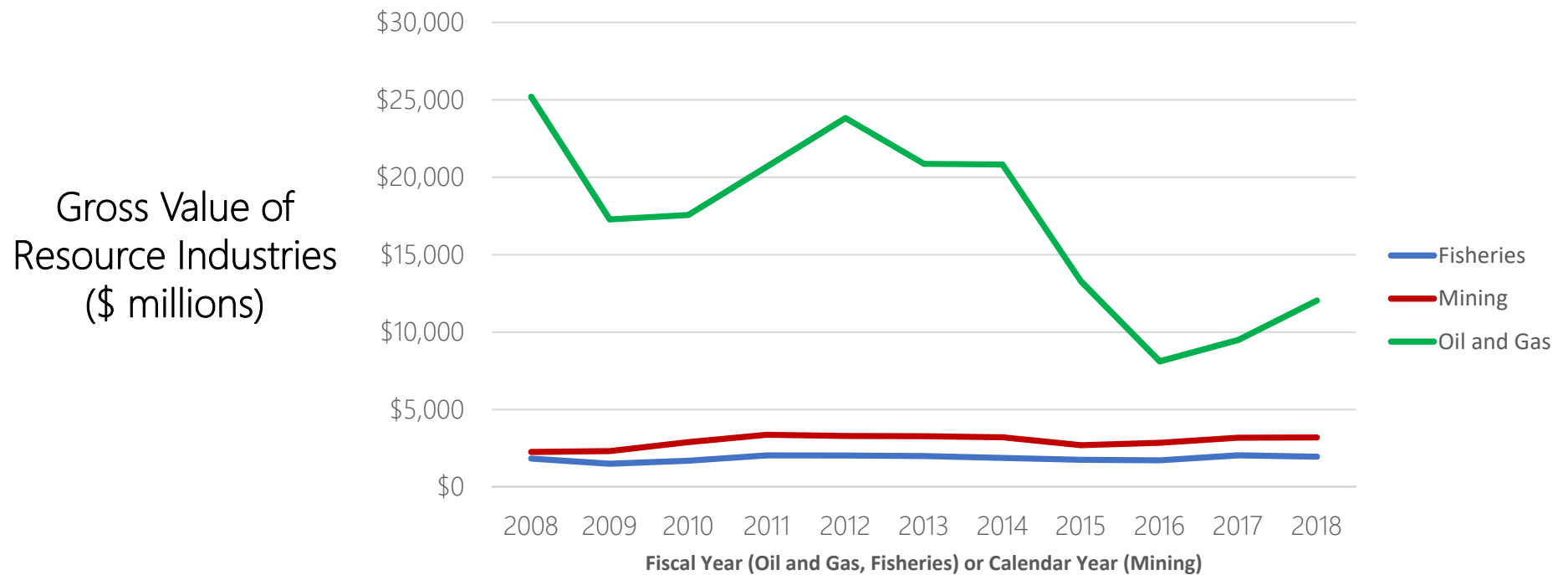
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Prices (\$/bbl.)</u>	\$96.51	\$68.34	\$74.90	\$94.49	\$112.65	\$107.57	\$107.57	\$72.58	\$43.18	\$49.43	\$63.61
<u>Production (thousand barrels per day)</u>	715.4	692.8	642.6	599.9	579.4	531.6	530.4	501.0	514.7	526.4	518.5

Note: Cook Inlet and natural gas production are not included in these totals.

Source: Fall 2019 Revenue Sources Book.



# Gross Value of Resource Industries: Fisheries, Mining, and Oil and Gas



## CALCULATED GROSS VALUE (\$ millions)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Fisheries (FY)</u>	\$1,836	\$1,497	\$1,699	\$2,038	\$2,035	\$2,001	\$1,873	\$1,754	\$1,720	\$2,046	\$1,955
<u>Mining (CY)</u>	\$2,260	\$2,318	\$2,899	\$3,372	\$3,295	\$3,275	\$3,205	\$2,701	\$2,858	\$3,185	\$3,203
<u>Oil and Gas (FY)</u>	\$25,200	\$17,281	\$17,568	\$20,690	\$23,823	\$20,872	\$20,825	\$13,272	\$8,112	\$9,497	\$12,039

Notes: Gross values for each industry were calculated using price and production data. Expenditures, including operating and capital costs, are not included in this calculation. Mining value represents estimated value at market. Fisheries value represents estimated unprocessed value of resources reported for state tax purposes. Oil and gas value excludes Cook Inlet and natural gas production.

Sources: Fall 2019 Revenue Sources Book, Alaska Mineral Industry Reports, and Fishery Value and Poundage Reports.

# THANK YOU

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