

# Tax Programs and Tax Exemptions Presentation

## House Ways & Means Committee

Department of Revenue – Tax Division

July 13, 2021



## Agenda

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1. FY 2020 Tax Revenue Collections
2. Summary of Tax Programs
3. Tax Exemptions



## FY 2020 Revenue Collections by Tax Division

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- ❑ Includes all Revenues collected by the Tax Division.
- ❑ Includes all amounts before any sharing with local governments.
- ❑ Includes all amounts before any sharing with other State Agencies.
- ❑ Includes all amounts before any distributions to designated/dedicated funds (i.e., Alcohol & Other Drug Abuse Treatment and Prevention Fund, Marijuana Education Treatment Fund.
- ❑ Property tax revenues are net of the credits for local government property taxes paid to local municipalities.



## FY 2020 Revenue Collections by the Tax Division

Tax Program	FY2020 Collections	% Total Revenues
Oil & Gas Production Tax & Surcharges	498,394,073	44.3%
Corporate Income Tax	162,610,544	14.4%
Oil and Gas Property Tax	125,695,872	11.2%
Fisheries Taxes & Assessments (all)	75,484,316	6.7%
Tobacco Taxes	58,356,422	5.2%
Mining License Tax	35,428,165	3.1%
Motor Fuel Tax	48,553,599	4.3%
Alcoholic Beverages	40,692,092	3.6%
Cruise Ship (Vessel & Gambling) Taxes	29,146,721	2.6%
Marijuana	24,213,296	2.2%
Vehicle Rental	9,695,625	0.9%
Regulatory Cost Charges	8,978,323	0.8%
Utility Cooperatives	4,413,264	0.4%
Charitable Gaming	2,368,847	0.2%
Tire Fee	1,406,984	0.1%
<b>Total</b>	<b>\$1,125,438,143</b>	<b>100.0%</b>



# Summary of Tax Programs

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Department of Revenue

Summary of Tax Programs

# Summary of Tax Programs

- 1. Natural Resources
- 2. Entertainment & Gaming
- 3. Business & Utilities
- 4. Tourism & Transportation
- 5. Fishing

Program Groupings	FY2020 Collections
Natural Resources	719,683,664
Entertainment & Gaming	138,688,523
Business & Utilities	115,836,577
Tourism & Transportation	75,745,063
Fishing	75,484,316
Grand Total	\$ 1,125,438,143



## Tax Programs: Natural Resources

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- ❑ Oil & Gas Production Tax
  - Tax on oil and gas production
  - Tax does not apply to royalty barrels
  - Taxed at the segment level (North Slope and Cook Inlet Fields)
  - Net Profits Tax of 35% with minimum floor of 4% gross.
  - Last major statutory change was SB21 enacted in 2013.
  - Other changes in 2014 (SB138), 2016 (HB247), and 2017 (HB111).
  
- ❑ Oil & Gas Property Tax
  - Tax on oil and gas property owners / operators.
  - Tax rate is 20 mils (or 2%) of assessed value.
  - Municipalities can levy property taxes at same rate it taxes all non-oil and gas property (credit towards state tax)
  - Tax enacted in 1973.



## Tax Programs: Natural Resources (cont.)

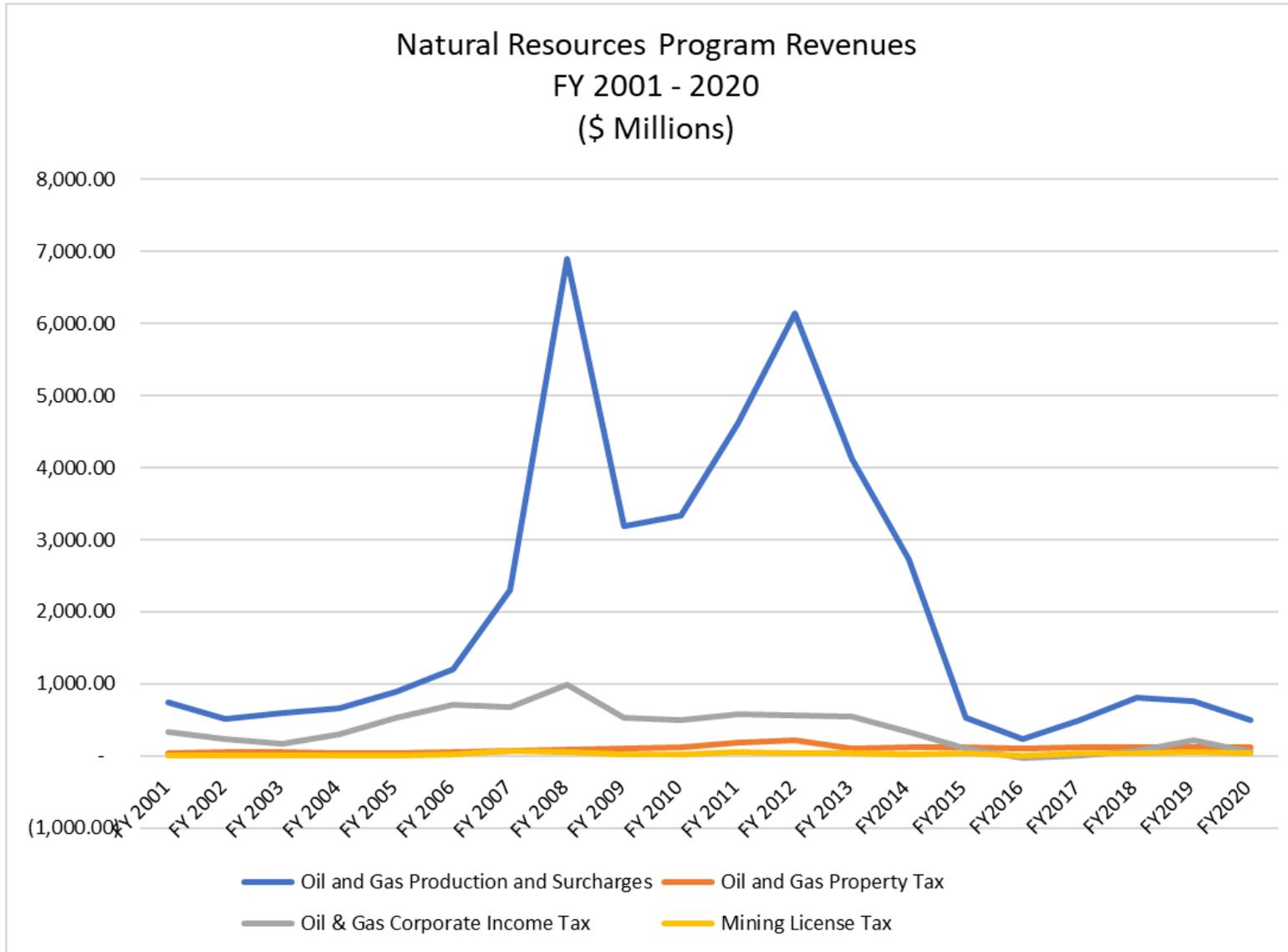
- ❑ Oil & Gas Corporate Income Tax
  - Tax paid by Oil & Gas C-Corporations
  - Tax on net Alaska taxable income
  - Oil & Gas taxpayers report their income on a worldwide basis
  - A few exclusions/deductions from Federal Tax Laws
  
- ❑ Mining License Tax
  - Tax paid by businesses engaged in mining activities
  - Taxes levied on mining net income and royalties over \$40,000
  - Tax enacted in 1913. Tax rates unchanged since 1955.

Corporate Income Tax Brackets	
Taxable Income	Marginal Tax Rate
Less than \$25,000	0.00%
\$25,000 but less than \$49,000	2.00%
\$49,000 but less than \$74,000	3.00%
\$74,000 but less than \$99,000	4.00%
\$99,000 but less than \$124,000	5.00%
\$124,000 but less than \$148,000	6.00%
\$148,000 but less than \$173,000	7.00%
\$173,000 but less than \$198,000	8.00%
\$198,000 but less than \$222,000	9.00%
\$222,000 or More	9.40%

Mining License Tax Brackets	
Taxable Income	Marginal Tax Rate
Up to \$40,000	0.00%
Over \$40,000 to \$50,000	3.00%
Over \$50,000 to \$100,000	5.00%
Over \$100,000	7.00%



# Tax Programs: Natural Resources Historical Revenues



## Tax Programs: Business & Utilities

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- ❑ Non-Oil & Gas Corporate Income Tax
  - Tax paid by non-Oil & Gas C-Corporations
  - Tax paid on Alaska net taxable income
  - Apportionment based on water's edge
  - Tax first enacted in 1949. Tax brackets last changed in 2013.
  
- ❑ Regulatory Cost Charges
  - Charge paid by regulated utilities
  - Rates available on Regulatory Commission of Alaska (RCA) website
  - Charge enacted in 1992 to fund the cost of the RCA.



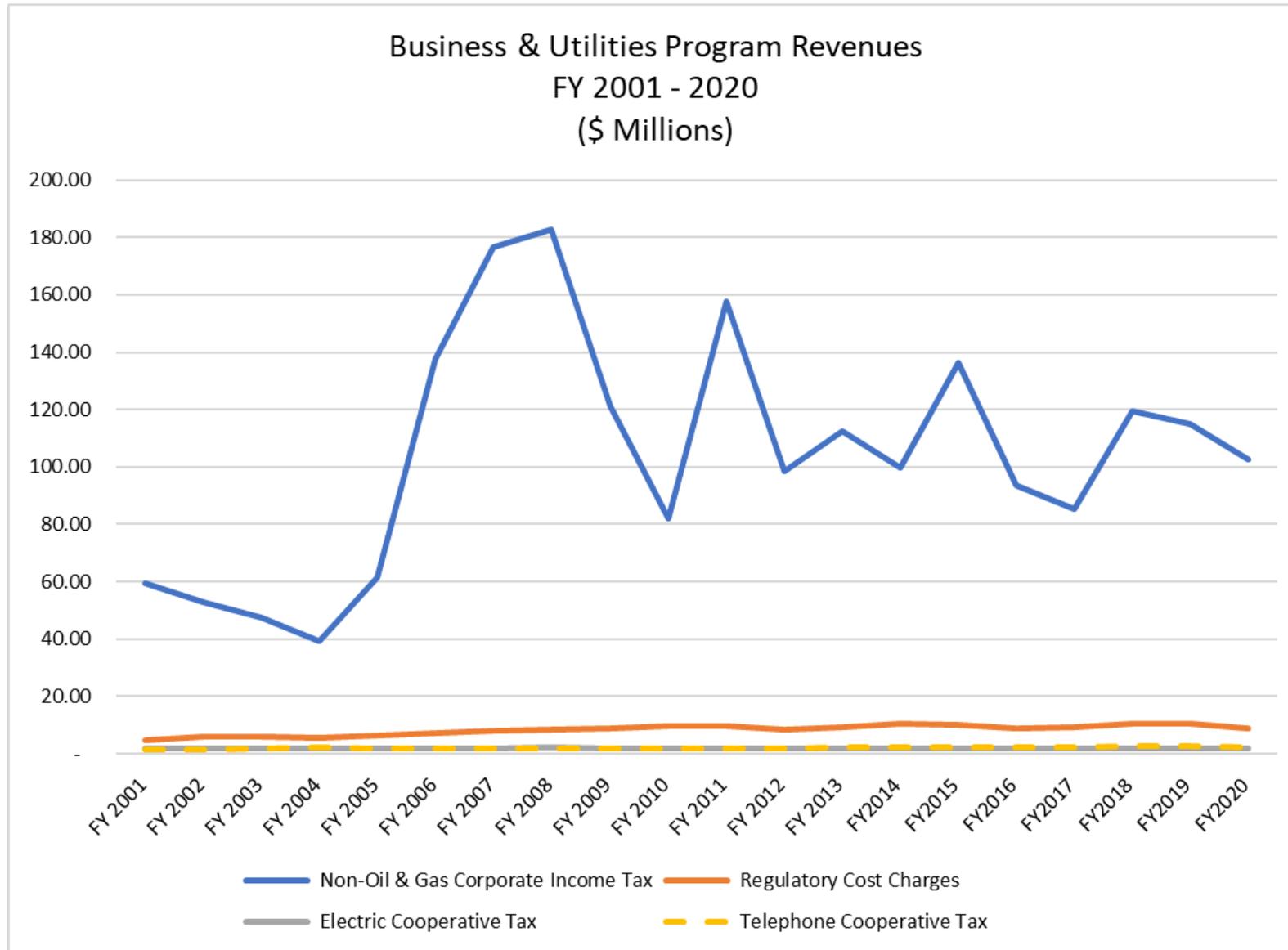
## Tax Programs: Business & Utilities (cont.)

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- ❑ Electric Cooperative Tax
  - Tax paid by qualified electric cooperatives
  - Tax rate is either \$0.00025 or \$0.00050 per kilowatt hour depending on the number of years in service
  - Tax enacted in 1959
  
- ❑ Telephone Cooperative Tax
  - Tax paid by qualified telephone cooperatives
  - Tax rate is either 1% or 2% of gross revenues depending on the number of years in service
  - Tax enacted in 1959



# Tax Programs: Business & Utilities Historical Revenues



## Tax Programs: Entertainment & Gaming

- ❑ Tobacco
  - Tax paid primarily by distributors, wholesalers, and retailers
  - Tax Rates by type
  - Last major statutory change in 2004. Annual increase to cigarette tax rates in 2005, 2006, and 2007.
- ❑ Alcoholic Beverages Tax
  - Tax paid by distributors and wholesalers
  - Tax Rates per gallon
  - Last major statutory change in 2002
- ❑ Marijuana
  - Tax paid by marijuana cultivators
  - Tax Rates per ounce
  - Ballot Measure to legalize and tax marijuana cultivation passed in late 2014. First sales were during FY2017.

<b>Cigarette &amp; Tobacco Taxes</b>	
Cigarettes (per pack)	\$ 2.00
Tobacco Products	75%*
*wholesale value	

<b>Alcohol Tax Rates</b>	
Liquor	\$ 12.80
Wine	\$ 2.50
Beer & Malt Beverages	\$ 1.07
Beer (Small Breweries)	\$ 0.35

<b>Marijuana Tax Rates</b>	
Bud & Flower	\$ 50.00
Immature & Abnormal Bud	\$ 25.00
Remainder of Plant	\$ 15.00
Clones	\$ 1.00



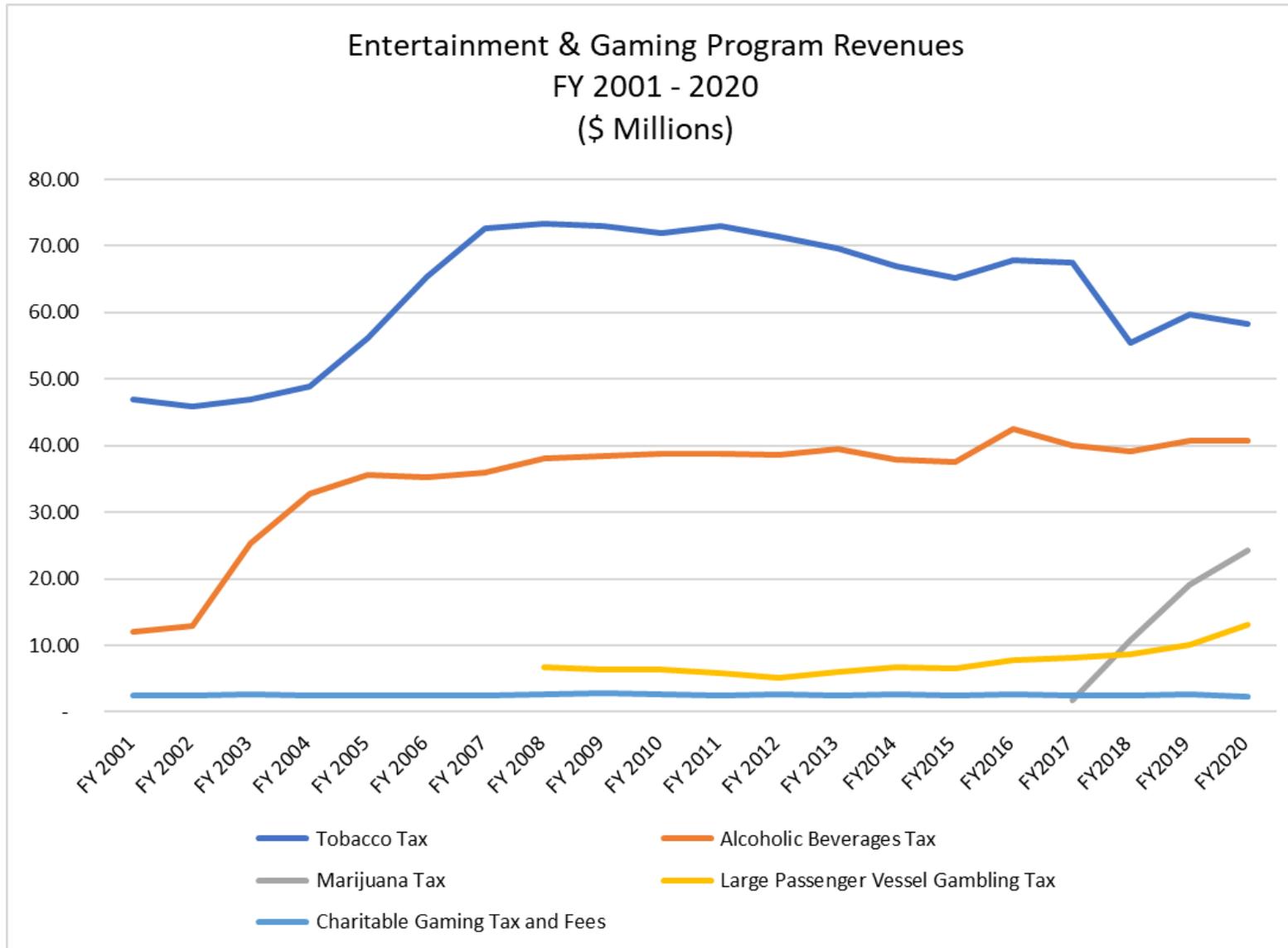
## Tax Programs: Entertainment & Gaming (cont.)

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- ❑ Large Passenger Vessel Gambling Tax
  - Tax paid by vessel owners
  - Tax rate is 33% of adjust gross income of gambling activities aboard large passenger vessels in the state.
  - Tax enacted in 2006 by Ballot Measure
  
- ❑ Charitable Gaming Tax and Fees
  - Annual Permit Fees \$20 - \$100 (paid by permittees)
  - 1% Net Proceeds Fee when gross receipts are greater than \$20,000 (paid by permittees)
  - Net Proceeds to Permittees (i.e., charitable organizations) is ~9% of gross receipts. 2020 gross receipts \$291M, net proceeds \$24M
  - Annual Licenses \$500 - \$2,500 (paid by operators, distributors, and vendors)
  - 3% Pull Tab Tax (paid by pull-tab distributors)
  - Last major statutory change in 1993



# Tax Programs: Entertainment & Gaming Historical Revenues



## Tax Programs: Tourism and Transportation

### ❑ Motor Fuel Tax & Surcharge

- Tax paid primarily by distributors and wholesalers that hold “qualified dealer” licenses issued by DOR
- Tax Rates & Surcharge per gallon
- Tax dates back to 1945. Tax Rates last changed in 2004. Surcharge added in 2015.
- Consumers may claim a refund of tax and/or surcharge for fuel used in non-taxable or reduced-tax manners.

Motor Fuel Taxes	
Highway	\$ 0.0800
Marine	\$ 0.0500
Aviation Gasoline	\$ 0.0470
Jet Fuel	\$ 0.0320
Surcharge	\$ 0.0095

### ❑ Commercial Passenger Vessel Tax

- Tax is \$34.50 per passenger, per voyage (paid by vessel owners)
- Juneau & Ketchikan local taxes are credits against state tax (pre-Dec. 17, 2007 rates)
- Tax enacted in 2006 by Ballot Measure
- Last major statutory change was in 2010



## Tax Programs: Tourism and Transportation (cont.)

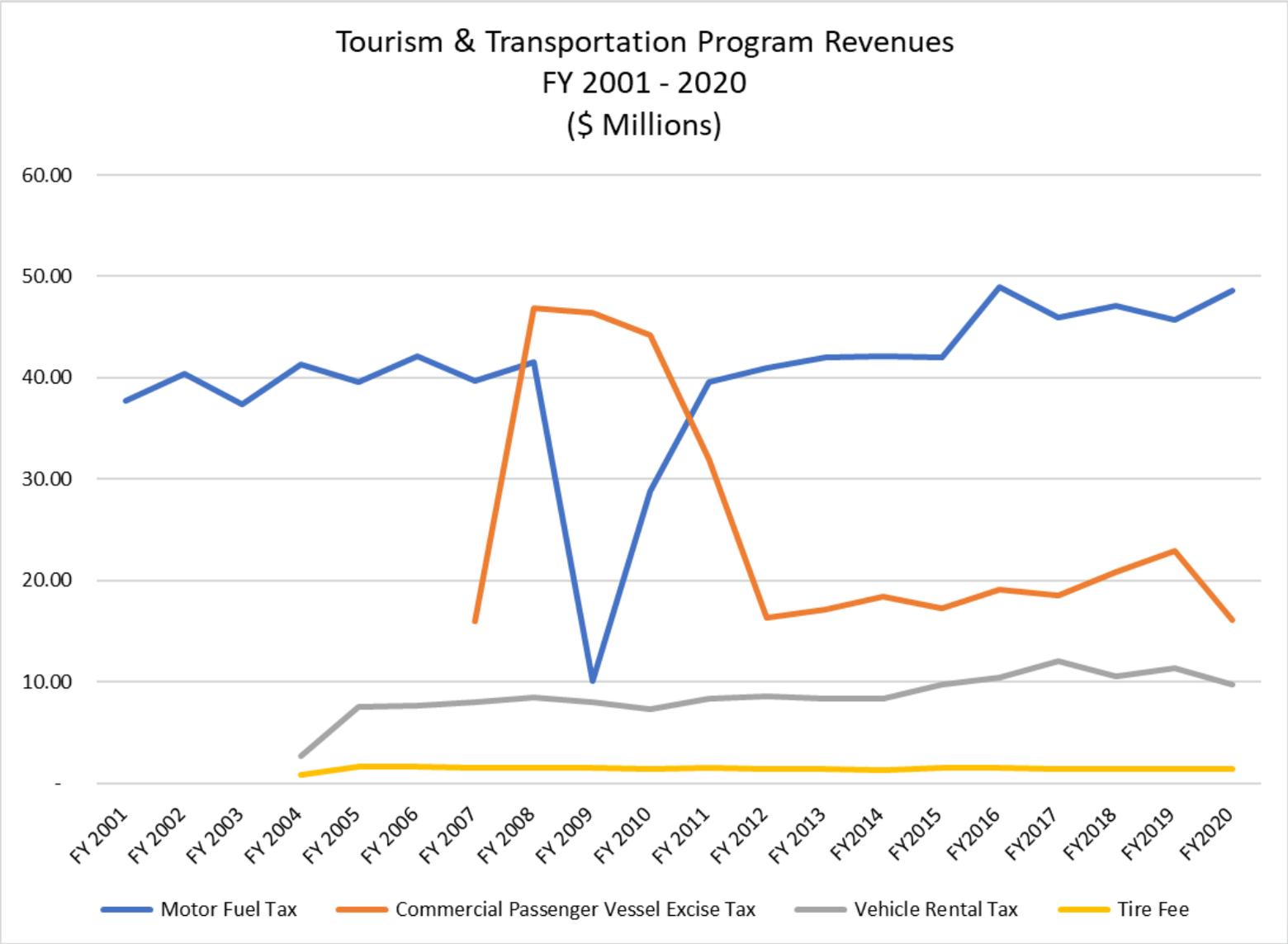
- ❑ Vehicle Rental
  - Tax paid by the person who provides the leased or rented vehicle
  - Tax Rates are a % of total rental/leasing fees and costs depending on vehicle type
  - Tax enacted in 2003 and effective 2004
  
- ❑ Tire Fee
  - Fees paid primarily by tire dealerships
  - Tax Rates per tire
  - Tax enacted in 2003

Vehicle Rental Taxes	
Passenger Vehicles	10%
Recreational Vehicles	3%

Tire Fees	
New Tires without studs	\$ 2.50
New Tires with studs	\$ 7.50
Studs installed on tires	\$ 5.00



# Tax Programs: Tourism and Transportation Historical Revenues



## Tax Programs: Fishing

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### ❑ Fisheries Business Tax

- Tax paid primarily by fisheries businesses and persons who process fishery resources in, or export unprocessed fisheries resources from, Alaska
- Tax Rate 1% to 5% on the value of the processed fisheries resource. Rate depends on the type and classification (developing or established) of fishery resource and where the resource is processed (shore-based or floating processor).
- Tax dates back to Territorial days. Current tax rate structure since 2004.

### ❑ Fisheries Resource Landing Tax

- Tax paid primarily by person who engages in a floating fisheries business in Alaska and is not subject to the Fisheries Business Tax.
- Tax Rate is assessed on the value of the fishery resource at the place of first landing.
- Tax Rate 1% to 3% depending on the classification (developing or established)
- Tax enacted in 1993



## Tax Programs: Fishing (cont.)

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- ❑ Seafood Marketing Assessment
  - Levy on the value of seafood products produced in Alaska if the value of the products are \$50,000 or more in a calendar year.
  - Current assessment rate is 0.5%.
  - Assessment adopted in 1981
  
- ❑ Salmon Enhancement Tax
  - Self-imposed tax paid by the fishermen and remitted to DOR by the buyers.
  - The tax applies to these regions: Southern Southeast and Northern Southeast at 3%; Prince William Sound, Cook Inlet, Kodiak, Chignik, and Yakutat at 2%.
  - Tax adopted in 1980
  
- ❑ Seafood Development Tax
  - Self-imposed 1% tax paid by the fishermen and remitted to DOR by the buyers.
  - The tax applies to these areas: Bristol Bay salmon drift gillnet, Prince William Sound salmon drift gillnet, and Prince William Sound salmon set gillnet.
  - Tax adopted in 2004



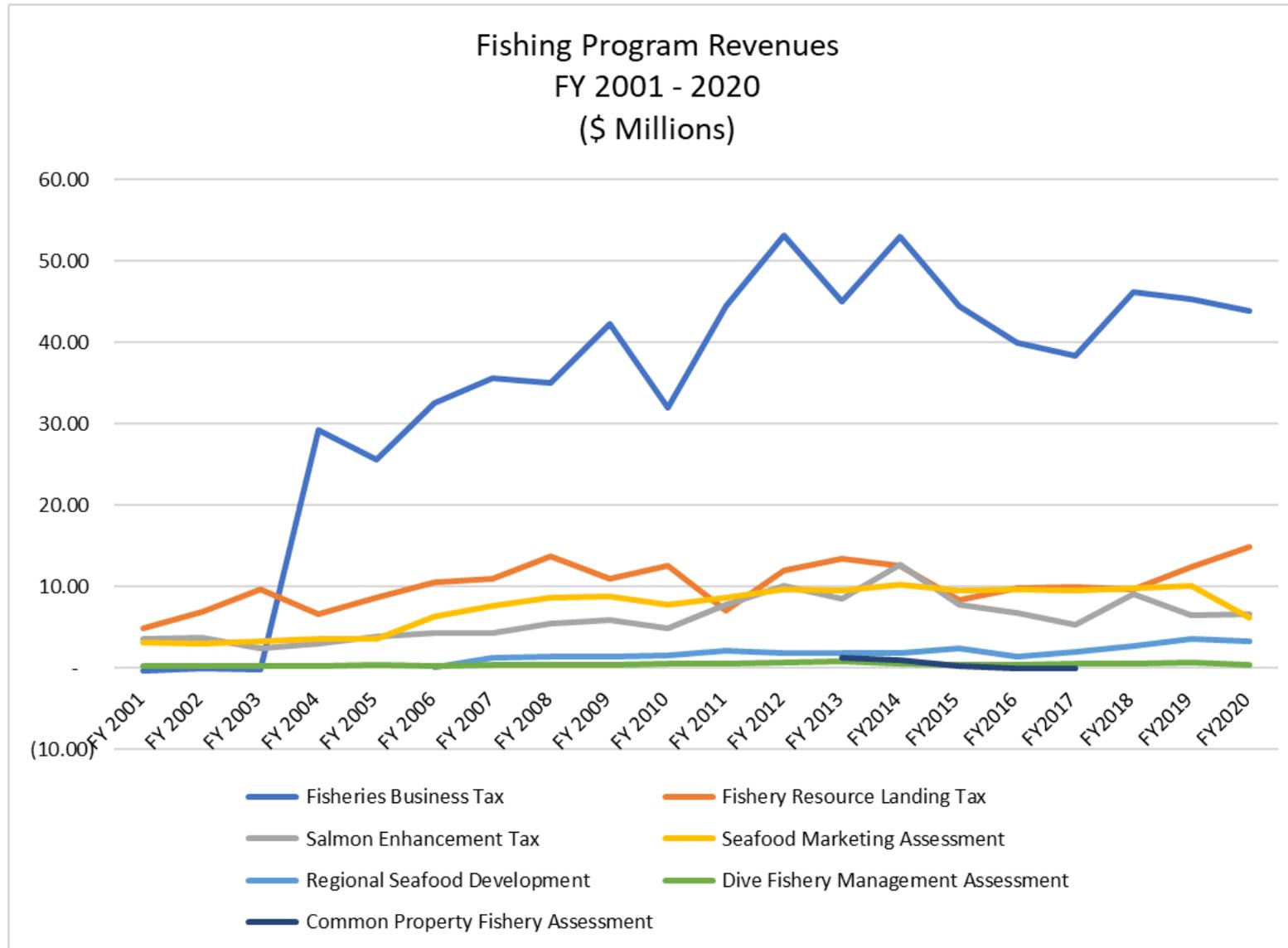
## Tax Programs: Fishing (cont.)

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- ❑ Dive Fishery Management Assessment
  - Self-imposed assessment on fisheries resources taken using dive gear in designated areas.
  - Current rates for applicable species are: 7% of value for geoduck and sea urchins, and 5% for sea cucumber.
  - Assessment enacted in 1997
  
- ❑ Common Property Fishery Assessment
  - Allows for cost recovery of hatchery
  - Only has been used for Hidden Falls Hatchery
  - The current rate is zero
  - Assessment adopted in 2006



# Tax Programs: Fishing Historical Revenues



## Tax Programs: Newest Programs

- ❑ New Revenue Programs in last Twenty Years
  - Sorted newest to oldest
  - Many of these have provisions for sharing or are designated funds.

Tax Program	Year Enacted
Motor Fuel Tax (surcharge)	2015
Marijuana Tax	2014
Large Passenger Vessel Gambling Tax	2006
Commercial Passenger Vessel Tax	2006
Common Property Fishery Assessment	2006
Vehicle Rental Tax	2004
Seafood Development Tax	2004
Tire Fee	2003



# Tax Exemptions

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Department of Revenue

## Indirect Expenditure Reports

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Indirect expenditures are foregone revenue to the State due to tax credits, exemptions, discounts, deductions, and other provisions.

- ❑ Indirect Expenditure Report is published by DOR every two years.

Link to Report: [Indirect Expenditure Report \(alaska.gov\)](https://alaska.gov)

- ❑ Indirect Expenditure Books are published by Legislative Finance every other year for specific departments on a six-year cycle.

Link to Report: [Indirect Expenditure Book \(akleg.gov\)](https://akleg.gov)



## 2020 Indirect Expenditure Report: By Department

Total Revenue Impact of Indirect Expenditures (IEs)	FY 2019	# of FY 2019 IEs
Alaska Court System	\$ 5,101,566	33
Department of Administration	7,395,000	13
Department of Commerce, Community & Economic Development	36,270,155	26
Department of Education & Early Development	3,270,995	32
Department of Environmental Conservation	16,418,218	26
Department of Fish & Game	20,181,289	20
Department of Health & Social Services	7,037,683	6
Department of Labor & Workforce Development	2,815,854	5
Department of Natural Resources	16,025,543	14
Department of Revenue	3,805,783,128	78
Department of Transportation & Public Facilities	4,589,588	14
<b>Totals</b>	<b>\$3,924,889,018</b>	<b>267</b>
Percentage of IEs within DOR	97%	



# Tax Exemptions: Top Ten for Department of Revenue

Tax Program	Indirect Expenditure Name	Type	Year Enacted	Sunset or Repeal Date (If applicable)	Revenue Impact FY 2019	Description of Provision	Number of Beneficiaries
Oil and Gas Production Tax	Per-Taxable-Barrel Credit for non-GVR-eligible production	Credit	2013	None	\$ 1,002,000,000	It is credit ranging from zero dollars per taxable barrel at per-barrel gross value at point of production (GVPP) values greater than or equal to \$150 to \$8 per taxable barrel at per-barrel GVPP values less than \$80.	Between 4 and 8 companies.
Oil and Gas Production Tax	Small Producer Credit	Credit	2006	12/31/2016 or nine years after first production	\$ 15,000,000	The small producer credit is capped at \$12 million annually for producers with no more than 50,000 BTU equivalent barrels per day and phases to zero for producers with 100,000 or more BTUs.	Fewer than 37 companies.
Commercial Passenger Vessel Taxes	Tax Reduction for Local Levies	Reduced Rate	2010	None	\$ 12,008,909	The cost of local passenger fees is deducted from the state's passenger fee. This reduction is an offset for fees collected by the communities (Juneau and Ketchikan) that had levies in effect prior to December 17, 2007.	11 cruise lines.
Motor Fuel Tax	Government Exemption	Exemption	1982	None	\$ 9,966,914	Fuel sold to federal, state, and local government agencies for official use is exempt from the motor fuel tax.	Not tracked
Motor Fuel Tax	Foreign Flight Exemption	Exemption	1949, last amended 1997	None	\$ 8,540,700	Fuel used in flights going to foreign countries or continuing on foreign countries is exempt from the motor fuel tax.	Not tracked



## Tax Exemptions: Top Ten for Department of Revenue (cont.)

Tax Program	Indirect Expenditure Name	Type	Year Enacted	Sunset or Repeal Date (If applicable)	Revenue Impact FY 2019	Description of Provision	Number of Beneficiaries
Motor Fuel Tax	Heating Fuel Exemption	Exemption	1982	None	\$ 7,741,339	Fuel used to heat private or commercial buildings or facilities is exempt from the motor fuel tax.	Not tracked
Motor Fuel Tax	Reduced Rate for Jet Fuel	Reduced Rate	1957, last amended 1994	None	\$ 6,645,487	Jet fuel is taxed at a rate of 3.2 cents per gallon rather than the rate of 8 cents per gallon for other fuel.	Not tracked
Motor Fuel Tax	Off-Highway Use Reduced Rate	Reduced Rate	1955, last amended 1982	None	\$ 4,994,948	Refunds 6 cents per gallon of tax-paid motor fuel that was used for non-highway use.	Not tracked
Motor Fuel Tax	Non-Profit Power Association Exemption	Exemption	1949	None	\$ 3,585,989	Fuel used by nonprofit power associations or corporations for generating electric energy for resale is exempt from the motor fuel tax.	Not tracked
Motor Fuel Tax	Foreign Fuel Exemption	Exemption	1949	None	\$ 3,456,486	Fuel consigned to foreign countries is exempt from the motor fuel tax.	Not tracked



## Resources

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### Information for this Presentation:

- ❑ Annual Report is published every year and contains a historical statutory account of all tax programs as well as the last five years of revenue collections and taxpayer statistics.

Link to Report: [2020 Annual Tax Report](#)

- ❑ Indirect Expenditure Report is published by DOR every two years.

Link to Report: [Indirect Expenditure Report \(alaska.gov\)](#)

### Other Sources of Information:

- ❑ Fall 2020 Revenue Source Book (RSB) is published by DOR every fall.

Link to Report: [Fall 2020 Revenue Sources Book \(alaska.gov\)](#)



# THANK YOU

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