

# Tax Programs and Tax Exemptions Presentation

## House Ways & Means Committee

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Department of Revenue – Tax Division

March 22, 2023

**Colleen Glover**

Director, Tax Division

Alaska Department of Revenue

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Alaska Department of Revenue



## Agenda

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1. FY 2022 Tax Revenue Collections
2. Summary of Tax Programs
3. Tax Exemptions



## FY 2022 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
- ☐ Does not include any replacement of tax revenues with ARPA funds for fish and vessel taxes



## FY 2022 Revenue Collections by the Tax Division

Tax Program	FY2022 Collections	% Total Revenues
Oil & Gas Production Tax & Surcharges	\$ 1,819,278,900	67.1%
Corporate Income Tax	413,182,531	15.2%
Oil and Gas Property Tax	125,219,061	4.6%
Fisheries Taxes & Assessments (all)	86,628,911	3.2%
Mining License Tax	53,505,686	2.0%
Tobacco Taxes	48,924,066	1.8%
Motor Fuel Tax	45,078,122	1.7%
Alcoholic Beverages	42,031,881	1.6%
Marijuana	28,690,918	1.1%
Cruise Ship (Vessel & Gambling) Taxes	14,524,675	0.5%
Vehicle Rental	13,909,798	0.5%
Regulatory Cost Charges	10,579,204	0.4%
Utility Cooperatives	4,577,639	0.2%
Charitable Gaming	3,030,298	0.1%
Tire Fee	1,573,162	0.1%
<b>TOTAL TAX COLLECTIONS</b>	<b>\$ 2,710,734,852</b>	<b>100.0%</b>



## FY 2022 Taxpayers by Tax Program

Tax Program	FY2022 Taxpayers	% Total Taxpayers
Corporate Income Tax	20,152	85.8%
Charitable Gaming	1,059	4.5%
Fisheries Business	444	1.9%
Mining License Tax	361	1.5%
Salmon Enhancement	242	1.0%
Marijuana	240	1.0%
Seafood Marketing Assessment	185	0.8%
Vehicle Rental	157	0.7%
Oil and Gas Property Tax	115	0.5%
Motor Fuel Tax	110	0.5%
Alcoholic Beverages	105	0.4%
Tire Fee	72	0.3%
Tobacco Taxes	50	0.2%
Seafood Development	50	0.2%
Oil & Gas Production Tax	42	0.2%
Fishery Resource Landing	36	0.2%
Dive Fishery Management	21	0.1%
Utility Cooperatives	24	0.1%
Commercial Passenger Vessel	11	0.0%
Large Passenger Vessel Gambling	8	0.0%
Common Property Fishery Assessment	3	0.0%
<b>TOTAL TAXPAYERS</b>	<b>23,487</b>	<b>100.0%</b>





# Summary of Tax Programs

Department of Revenue

## Summary of Tax Programs

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# Summary of Tax Programs

1. Natural Resources
2. Business & Utilities
3. “Sin Taxes”
4. Fishing
5. Tourism & Transportation

Program Groupings	FY2022 Collections
Natural Resources	\$ 2,299,009,590
Business & Utilities	127,333,431
Sin Taxes	126,451,703
Fishing	86,628,911
Tourism & Transportation	71,311,217
<b>TOTAL TAX COLLECTIONS</b>	<b>\$ 2,710,734,852</b>



## 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)
- SB38 (2014) delayed provision to separate gas into 13% gross tax effective January 1, 2022

### ❑ 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.)

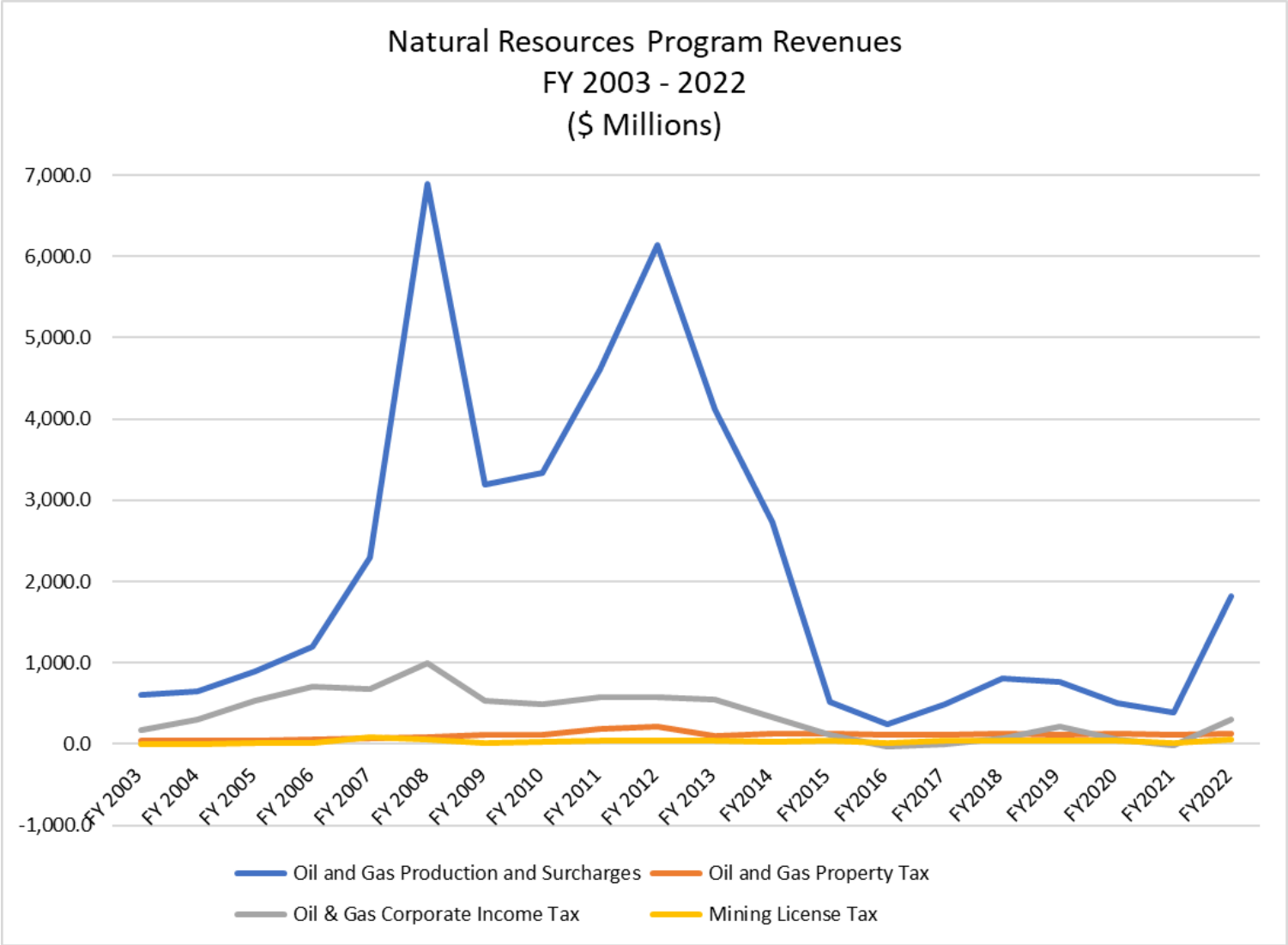
- ❑ Oil & Gas Corporate Income Tax
  - Tax paid by Oil & Gas C-Corporations
  - Tax on net Alaska taxable income
  - Oil & Gas taxpayers report their income on a worldwide basis
  - A few exclusions/deductions from Federal Tax Laws
- ❑ Mining License Tax
  - Tax paid by businesses engaged in mining activities
  - 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	Tax Rate
Less than \$25,000	0.0%
\$25,000 but less than \$49,000	2% of taxable income over \$25,000
\$49,000 but less than \$74,000	\$480 + 3% of taxable income over \$49,000
\$74,000 but less than \$99,000	\$1230 + 4% of taxable income over \$74,000
\$99,000 but less than \$124,000	\$2230 + 5% of taxable income over \$99,000
\$124,000 but less than \$148,000	\$3480 + 6% of taxable income over \$124,000
\$148,000 but less than \$173,000	\$4920 + 7% of taxable income over \$148,000
\$173,000 but less than \$198,000	\$6670 + 8% of taxable income over \$173,000
\$198,000 but less than \$222,000	\$8670 + 9% of taxable income over \$198,000
\$222,000 or More	\$10,830 + 9.4% of taxable income over \$222,000

Mining License Tax Brackets	
Taxable Income	Tax Rate
Up to \$40,000	0.0%
Over \$40,000 to \$50,000	3% of net income over \$40,000
Over \$50,000 to \$100,000	\$1,500 + 5% of net income over \$50,000
Over \$100,000	\$4,000 + 7% of net income over \$100,000



# Tax Programs: Natural Resources Historical Revenues



## Tax Programs: Business & Utilities

- ❑ 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

Corporate Income Tax Brackets	
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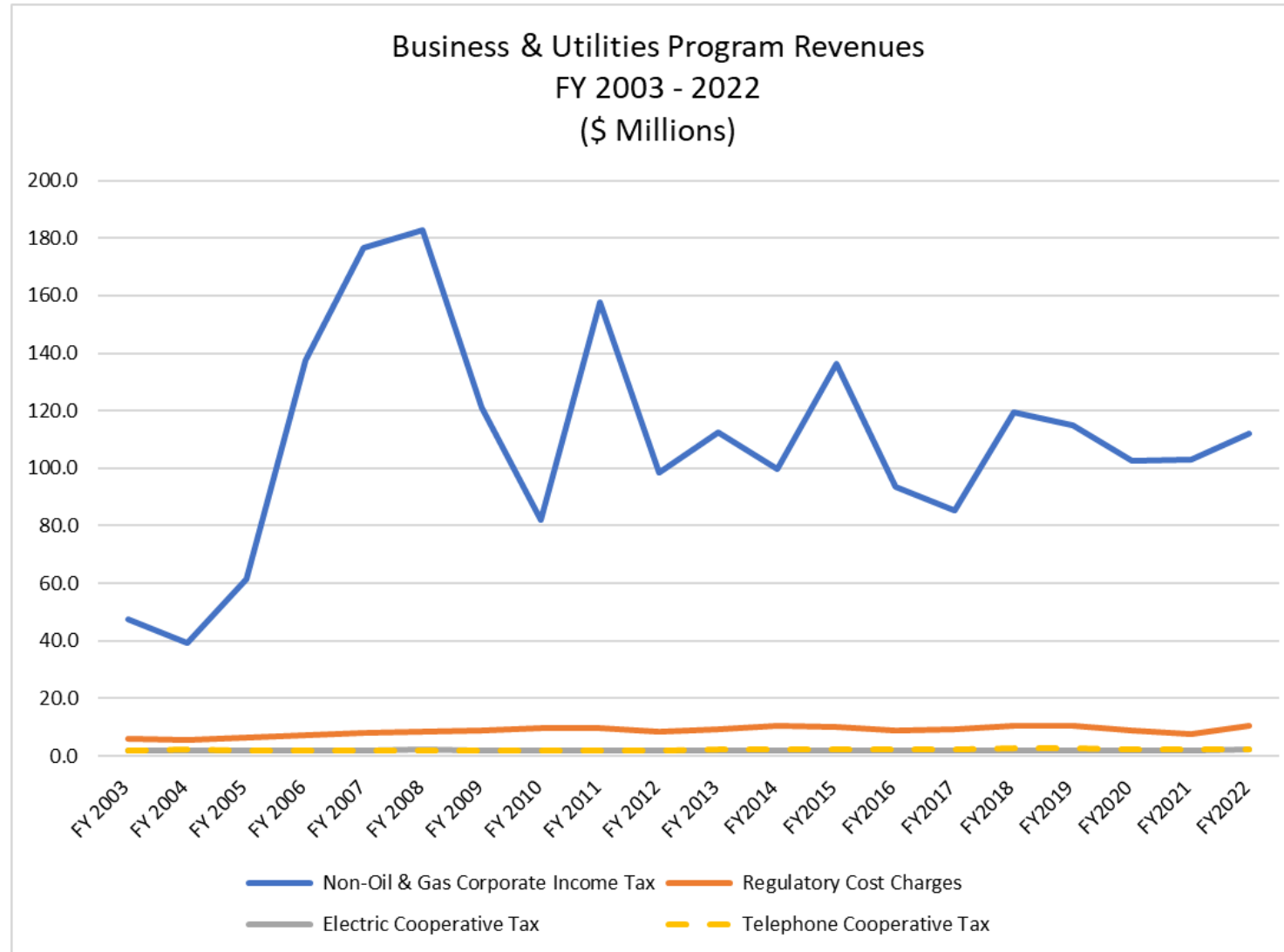
## Tax Programs: Business & Utilities (cont.)

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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: “Sin Taxes”

### ❑ 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

Cigarette & Tobacco Taxes	
Cigarettes (per pack)	\$ 2.00
Tobacco Products	75%*
*wholesale value	

### ❑ Alcoholic Beverages Tax

- Tax paid by distributors and wholesalers
- Tax Rates per gallon
- SB9 (2022) levies new direct seller tax effective January 1, 2024

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

### ❑ 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

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



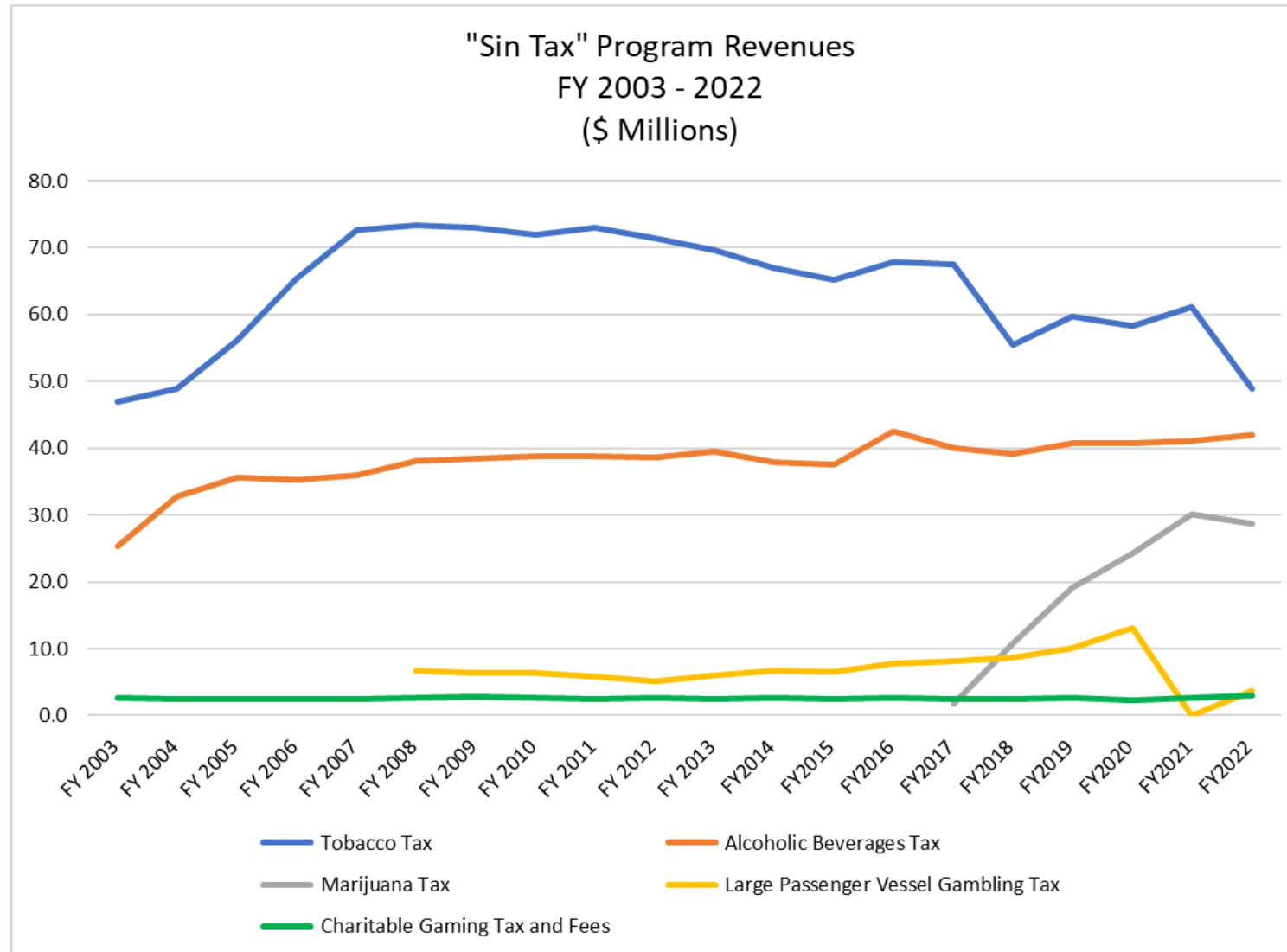
## Tax Programs: “Sin Taxes” (cont.)

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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 ~10% of gross receipts. 2021 gross receipts \$419M, net proceeds \$43M
  - 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
  - SB206 (2022) allowed for online raffles and added a new game



## Tax Programs: "Sin Tax" 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





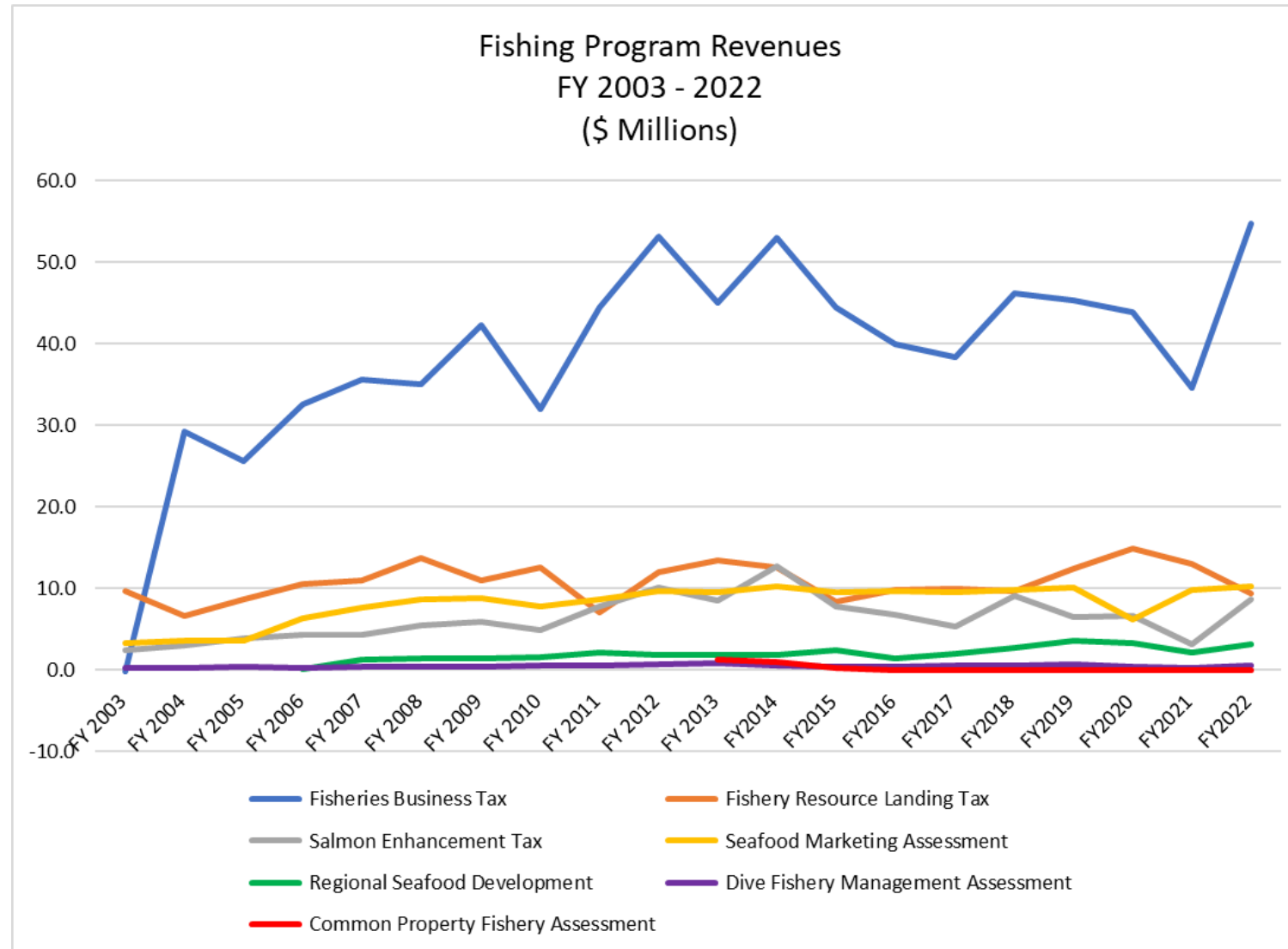
## Tax Programs: Fishing (cont.)

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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: 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

Vehicle Rental Taxes	
Passenger Vehicles	10%
Recreational Vehicles	3%

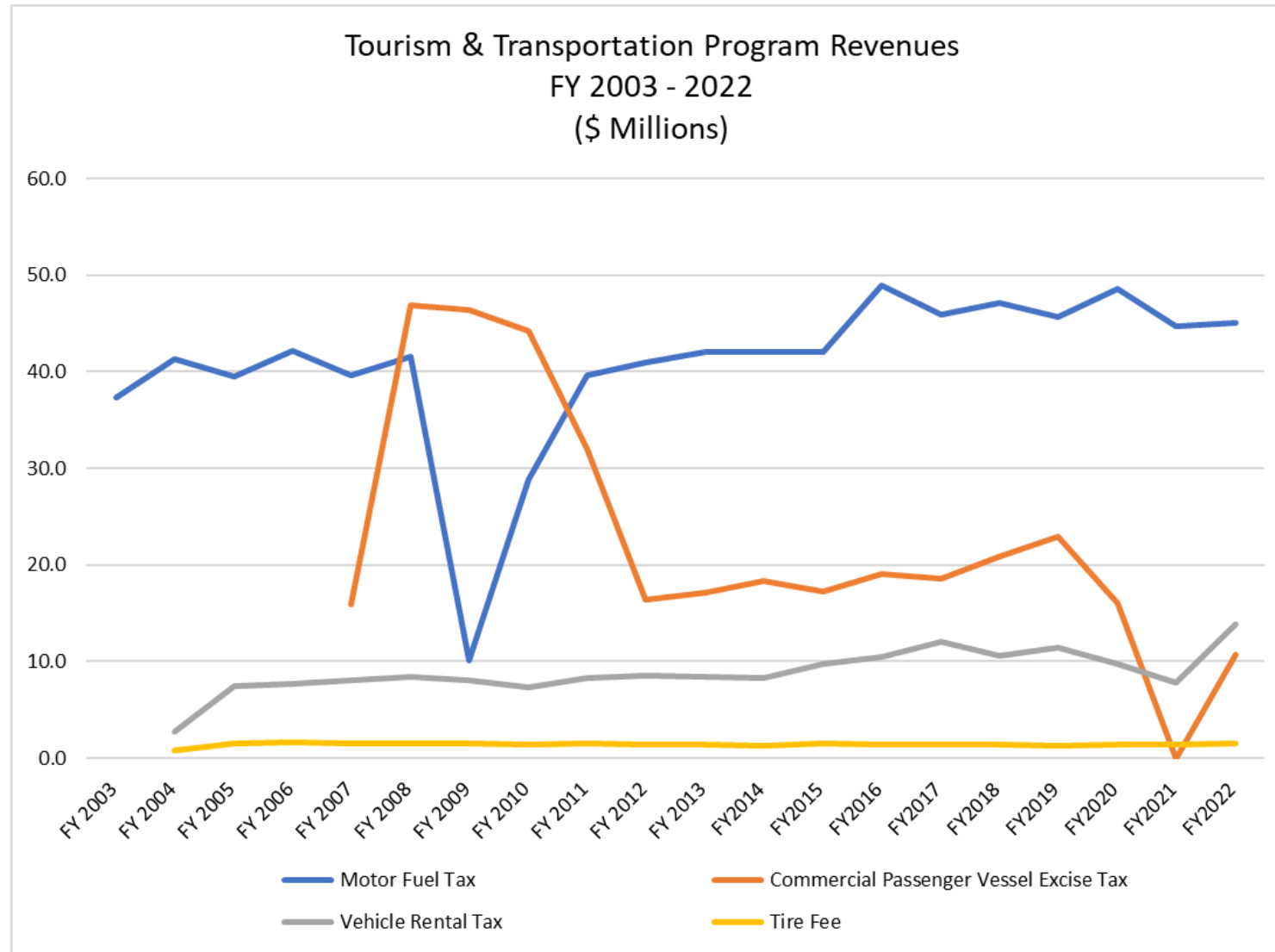
### ❑ Tire Fee

- Fees paid primarily by tire dealerships
- Tax Rates per tire
- Tax enacted in 2003

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: 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
Alcohol Tax (Direct Seller)	2024
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



# Tax Exemptions

Department of Revenue



THE STATE  
of ALASKA  
GOVERNOR MICHAEL J. DUNLEAVY

## 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  
[Indirect Expenditure Report \(tax.alaska.gov\)](http://tax.alaska.gov)
- ❑ Indirect Expenditure Books are published by Legislative Finance every other year for specific departments on a six-year cycle  
[Indirect Expenditure Book \(akleg.gov\)](http://akleg.gov)



## 2022 Indirect Expenditure Report: By Department

Total Revenue Impact of Indirect Expenditures (IEs)	FY 2021	# of FY 2021 IEs
Alaska Court System	\$ 3,424,204	33
Department of Administration	6,337,323	13
Department of Commerce, Community & Economic Development	42,391,167	31
Department of Education & Early Development	3,099,573	32
Department of Environmental Conservation	12,511,096	28
Department of Fish & Game	20,989,391	20
Department of Health & Social Services	29,985,081	5
Department of Labor & Workforce Development	2,226,500	7
Department of Natural Resources	12,795,442	12
Department of Revenue	870,516,348	71
Department of Transportation & Public Facilities	2,593,874	11
<b>TOTAL REVENUE IMPACT</b>	<b>\$ 1,006,869,999</b>	<b>263</b>
Percentage of IEs within DOR (by revenue impact)	86%	



## Tax Exemptions: Top Ten for Department of Revenue

Tax Program	Indirect Expenditure Name	Type	Year Enacted	Sunset or Repeal Date	Revenue Impact FY 2021	Description of Provision	Number of Beneficiaries
Oil and Gas Production Tax	Per-Taxable-Barrel Credit for non-GVR-eligible production	Credit	2013	None	\$ 740,000,000	Credit ranging from \$0 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	Combined Credit Reporting for ACE, QCEC, SPC, CFAL and WLE	Credit	Multiple	None	\$ 48,000,000	To maintain confidentiality, this combines reporting for the Alternative Credit for Exploration, the Qualified Capital Expenditure Credit, the Carried-Forward Annual Loss Credit, the Well Lease Expenditure Credit, and the Small Producer Credit.	Multiple
Oil and Gas Production Tax	Gross Value Reduction	Reduction	2013	None	\$ 23,205,000	20% or 30% of gross value excluded from the tax calculation; limited to first 7 years of production; benefit ends early if the average ANS price exceeds \$70 for any 3 years. For qualifying fields that began production prior to January 1, 2017, benefit ends January 1, 2023 or after 3 years of ANS price exceeding \$70.	Between 4 and 16 companies.





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

Tax Program	Indirect Expenditure Name	Type	Year Enacted	Sunset or Repeal Date	Revenue Impact FY 2021	Description of Provision	Number of Beneficiaries
Motor Fuel Tax	Foreign Flight Exemption	Exemption	1949, last amended 1997	None	\$ 11,521,460	Fuel used in flights going to foreign countries or continuing on foreign countries is exempt from the motor fuel tax.	Not tracked
Motor Fuel Tax	Government Exemption	Exemption	1982	None	\$ 9,769,265	Fuel sold to federal, state, and local government agencies for official use is exempt from the motor fuel tax.	Not tracked
Motor Fuel Tax	Heating Fuel Exemption	Exemption	1982	None	\$ 8,744,956	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	\$ 5,867,796	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	Non-Profit Power Association Exemption	Exemption	1949	None	\$ 4,778,442	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	Off-Highway Use Reduced Rate	Reduced Rate	1955, last amended 1982	None	\$ 4,215,762	Refunds 6 cents per gallon of tax-paid motor fuel that was used for non-highway use.	Not tracked
Motor Fuel Tax	Reduced Rate for Marine Fuel	Reduced Rate	1957, last amended 1977	None	\$ 3,448,495	Marine fuel is taxed at a rate of 5 cents per gallon rather than the rate of 8 cents per gallon for other fuel.	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

[2022 Annual Tax Report \(tax.alaska.gov\)](https://tax.alaska.gov/2022-annual-tax-report)

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

[2022 Indirect Expenditure Report \(tax.alaska.gov\)](https://tax.alaska.gov/2022-indirect-expenditure-report)

### Other Sources of Information:

- ❑ Fall 2022 Revenue Source Book (RSB) is published by DOR every fall

[Fall 2022 Revenue Sources Book \(tax.alaska.gov\)](https://tax.alaska.gov/fall-2022-revenue-sources-book)



# THANK YOU

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