

**HOUSE BILL NO. 238**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

**BY REPRESENTATIVES VEZEY, Foster, Ivan**

**Introduced: 4/8/97**

**Referred: Resources**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act amending the program of exploration incentive credits for activities**  
2 **involving locatable or leasable minerals or coal deposits on certain land in the**  
3 **state; and providing for an effective date."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 **\* Section 1.** AS 27.30.010(a) is amended to read:

6 (a) The commissioner shall grant to a person described in (d) of this section  
7 an exploration incentive credit for the eligible costs of each of the following  
8 exploration activities that are performed on or for the benefit of land in the state for  
9 the purpose of determining the existence, location, extent, or quality of a locatable or  
10 leasable mineral or coal deposit, regardless of whether the land is state-owned land:

- 11 (1) surveying by geophysical or geochemical methods;  
12 (2) drilling exploration holes;  
13 (3) conducting underground exploration;  
14 (4) surface trenching and bulk sampling; [OR]

1 (5) geological mapping; or

2 (6) performing other exploratory work, including aerial photographs,  
3 geological and geophysical logging, sample analysis, and metallurgical testing.

4 \* **Sec. 2.** AS 27.30.010 is amended by adding a new subsection to read:

5 (e) For the eligible costs incurred in conducting geological mapping or  
6 geophysical and geochemical surveying when a mining operation is not initiated based  
7 on that mapping or surveying activity, an exploration incentive credit may not be  
8 certified for the eligible costs of an exploration activity set out in (a)(1) or (5) of this  
9 section

10 (1) unless

11 (A) before making the submission of the exploration activity  
12 data to the commissioner under AS 27.30.020(2), the person requesting the  
13 taking of the credit has made available to the public the surveying information  
14 recovered under (a)(1) of this section and the results of the geological mapping  
15 obtained under (a)(5) of this section, as applicable; or

16 (B) at the time of making the submission of the exploration  
17 activity data to the commissioner under AS 27.30.020(2), the person requesting  
18 the taking of the credit authorizes disclosure to the public of the surveying  
19 information recovered under (a)(1) of this section and the results of the  
20 geological mapping obtained under (a)(5) of this section, as applicable;

21 (2) if, based on material submitted to the commissioner under  
22 AS 27.30.020(2), the commissioner determines that the state will not accept the  
23 exploration activity data obtained from the mapping or surveying because that data  
24 does not conform to appropriate general or technical standards applicable to mapping  
25 or surveying of state land.

26 \* **Sec. 3.** AS 27.30.030(a) is amended to read:

27 (a) In a tax year or royalty payment period, subject to (c) of this section and  
28 the respective limitations of this subsection, the person may apply the credit, the taking  
29 of which was approved under AS 27.30.020(2), against

30 (1) taxes payable by the person

31 (A) under AS 43.65; application of the credit under this

1 subparagraph may not exceed the lesser of

2 (i) 50 percent of the person's tax liability under  
3 AS 43.65 for the tax year that is related to production from the mining  
4 operation at which the exploration activities occurred, as shown under  
5 (b) of this section; or

6 (ii) 50 percent of the person's total tax liability under  
7 AS 43.65 for the tax year;

8 (B) under AS 43.20; when the claim of the credit based on  
9 eligible costs does not contain costs of exploration activity data that  
10 includes surveying information recovered under AS 27.30.010(a)(1) and the  
11 results of geological mapping obtained under AS 27.30.010(a)(5), or when  
12 the claim of the credit based on eligible costs contains costs of exploration  
13 activity data that includes surveying information recovered under  
14 AS 27.30.010(a)(1) or the results of geological mapping obtained under  
15 AS 29.30.010(a)(5) and the surveying information and results of geological  
16 mapping cannot be certified by the commissioner as eligible costs under  
17 AS 27.30.010(e), application of the credit under this subparagraph may not  
18 exceed the lesser of

19 (i) an amount equal to the amount determined under  
20 (A)(i) of this paragraph; or

21 (ii) 50 percent of the person's total tax liability under  
22 AS 43.20 for the tax year; [AND]

23 (C) under AS 43.20; when the claim of the credit based on  
24 eligible costs contains costs of exploration activity data that includes either  
25 surveying information recovered under AS 27.30.010(a)(1) or the results  
26 of geological mapping obtained under AS 27.30.010(a)(5) and the surveying  
27 information and results of geological mapping are certified as eligible costs  
28 by the commissioner under AS 27.30.010(e), application of the credit under  
29 this subparagraph may not exceed the greater of

30 (i) an amount equal to the amount determined under  
31 (A)(i) of this paragraph; or

1 **(ii) 50 percent of the person's total tax liability under**  
 2 **AS 43.20 for the tax year; and**

3 (2) mineral production royalty payments payable by the person under  
 4 AS 38.05.135 - 38.05.175 and 38.05.212 for production from the mining operation at  
 5 which the exploration activities occurred; application of the credit under this paragraph  
 6 may not exceed 50 percent of the person's mineral production royalty payment liability  
 7 from the mining operation at which the exploration activities occurred.

8 \* **Sec. 4.** AS 27.30.030(b) is amended to read:

9 (b) If the person applies the credit against the person's tax liability under  
 10 (a)(1)(A)(i), [OR] (a)(1)(B)(i), **or (a)(1)(C)(i)** of this section, the commissioner of  
 11 revenue shall disallow application of the credit under that provision unless the person  
 12 files with the person's tax return an accounting of the person's mining operation  
 13 activities for each mining operation that is included in the tax return and as to which  
 14 the credit is being applied. The accounting of mining operation activities required by  
 15 this subsection shall be made

16 (1) on a form prescribed by the Department of Revenue; on the form,  
 17 the person shall

18 (A) identify the mining operations for which the credit is  
 19 claimed; and

20 (B) set out the gross income attributable to the mining  
 21 operations and other information about the mining operations that the  
 22 Department of Revenue may require;

23 (2) without regard to an exemption to which the person may be entitled  
 24 under AS 43.65.010(a).

25 \* **Sec. 5.** AS 27.30.090(a) is amended to read:

26 (a) **Except as to information the disclosure of which has been authorized**  
 27 **by AS 27.30.010(e)(2), the** [THE] commissioner shall keep the exploration activity  
 28 data provided under AS 27.30.020 confidential for 36 months after receipt by the  
 29 department.

30 \* **Sec. 6.** AS 27.30.099(2) is amended to read:

31 (2) "eligible costs" **means all expenses incurred by a person**

1 **described in AS 27.30.010(d) in conducting geological mapping or geophysical and**  
 2 **geochemical surveying without regard to whether a mining operation is initiated**  
 3 **based on the mapping or surveying activities and, in addition, [MEAN] the costs**  
 4 incurred for activities in direct support of exploration activity conducted at the mining  
 5 operation of the exploration activity for the purpose of determining the existence,  
 6 location, extent, or quality of a mineral or coal deposit; **when used with reference to**  
 7 **activities in direct support of exploration activity conducted at the mining**  
 8 **operation,** the term

9 (A) includes

10 (i) the costs of obtaining the approvals, permits, licenses,  
 11 and certificates for an exploration activity set out in **AS 27.30.010(a)**  
 12 **[AS 27.30.010(a)(1) - (5)]**;

13 (ii) direct labor costs and the cost of benefits for  
 14 employees directly associated with work described in **AS 27.30.010(a)**  
 15 **[AS 27.30.010(a)(1) - (5)]**;

16 (iii) the cost of renting or leasing equipment from parties  
 17 not affiliated with the person requesting and taking the credit;

18 (iv) the reasonable costs of owning, maintaining, and  
 19 operating equipment;

20 (v) insurance and bond premiums associated with the  
 21 activities set out in (i) - (iv) of this subparagraph;

22 (vi) payments to consultants and independent  
 23 contractors; and

24 (vii) the general expense of operating the person's  
 25 business, including the costs of materials and supplies, if those expenses  
 26 and costs are directly attributable to the work described in  
 27 **AS 27.30.010(a)** **[AS 27.30.010(a)(1) - (5)]**;

28 (B) does not include return on investment, insurance or bond  
 29 premiums not covered under (A)(v) of this paragraph, or any other expense that  
 30 the person has not incurred to complete work described in **AS 27.30.010(a)**  
 31 **[AS 27.30.010(a)(1) - (5)]**;

1     \* **Sec. 7.** AS 27.30.099(3) is amended to read:

2                     (3) "exploration activity data" includes, as applicable,

3                             (A) a representative skeleton core for each hole cored or a  
4             representative set of cuttings for each hole rotary drilled;

5                             (B) chemical analytical data, [AND] noninterpretive geophysical  
6             data, and geological mapping;

7                             (C) aerial photographs or a topographic or geologic map  
8             showing the location of the drill holes, sample locations, or the other  
9             exploration activities undertaken;

10    \* **Sec. 8.** This Act is retroactive to January 1, 1997, and applies to activities that qualify  
11    for the exploration incentive credit authorized by AS 27.30 that are undertaken after  
12    December 31, 1996.

13    \* **Sec. 9.** This Act takes effect immediately under AS 01.10.070(c).