

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

April 11, 2011

1:14 p.m.

MEMBERS PRESENT

Representative Eric Feige, Co-Chair
Representative Paul Seaton, Co-Chair
Representative Peggy Wilson, Vice Chair
Representative Alan Dick
Representative Neal Foster
Representative Cathy Engstrom Munoz
Representative Bob Herron
Representative Berta Gardner
Representative Scott Kawasaki

MEMBERS ABSENT

COMMITTEE CALENDAR

HOUSE BILL NO. 58

"An Act relating to mining licenses, to the mining license tax, and to production royalties on minerals and rents for property involved in mining; and providing for an effective date."

- HEARD & HELD

CS FOR SENATE JOINT RESOLUTION NO. 2(RES)

Commending and supporting actions taken by the Office of the Governor and the attorney general to protect the state from federal government incursion into the care and management of state resources and to promote the economic prosperity of the state; and urging the United States Congress and the President of the United States to limit federal government overreach into management of state resources.

- MOVED OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 58

SHORT TITLE: MINING PROD. & LICENSE TAXES/ROYALTIES

SPONSOR(s): REPRESENTATIVE(s) SEATON

01/18/11	(H)	PREFILE RELEASED 1/7/11
01/18/11	(H)	READ THE FIRST TIME - REFERRALS

01/18/11 (H) RES, FIN
04/11/11 (H) RES AT 1:00 PM BARNES 124

BILL: SJR 2

SHORT TITLE: LIMIT FEDERAL INTERVENTION IN STATE

SPONSOR(s): SENATOR(s) DYSON

01/19/11 (S) READ THE FIRST TIME - REFERRALS
01/19/11 (S) RES
03/25/11 (S) RES AT 3:30 PM BUTROVICH 205
03/25/11 (S) Moved CSSJR 2(RES) Out of Committee
03/25/11 (S) MINUTE(RES)
03/28/11 (S) RES RPT CS 6DP NEW TITLE
03/28/11 (S) DP: WAGONER, PASKVAN, FRENCH,
WIELECHOWSKI, STEDMAN, STEVENS
04/04/11 (S) TRANSMITTED TO (H)
04/04/11 (S) VERSION: CSSJR 2(RES)
04/05/11 (H) READ THE FIRST TIME - REFERRALS
04/05/11 (H) RES
04/11/11 (H) RES AT 1:00 PM BARNES 124

WITNESS REGISTER

KATIE KOESTER, Staff
Representative Paul Seaton
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced the bill and answered questions on behalf Representative Seaton, prime sponsor of HB 58.

WYN MENEFFEE, Acting Director
Central Office, Division of Mining, Land and Water
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the discussion of HB 58.

KERWIN KRAUSE, Geologist
Central Office, Division of Mining, Land and Water
Department of Natural Resources (DNR)
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the discussion of HB 58.

JOHANNA BALES, Deputy Director
Tax Division, Anchorage Office
Department of Revenue (DOR)

Anchorage, Alaska

POSITION STATEMENT: Answered questions during the discussion of HB 58.

SENATOR FRED DYSON
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced SJR 2 as the prime sponsor of the resolution.

CHARLES KOPP, Staff
Senator Fred Dyson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on behalf of Senator Fred Dyson, prime sponsor of SJR 2.

ACTION NARRATIVE

[1:14:11 PM](#)

CO-CHAIR PAUL SEATON called the House Resources Standing Committee meeting to order at 1:14 p.m. Representatives Seaton, Feige, Munoz, Gardner, and Herron were present at the call to order. Representatives Foster, Dick, Kawasaki, and P. Wilson arrived as the meeting was in progress.

HB 58-MINING PROD. & LICENSE TAXES/ROYALTIES

[1:14:27 PM](#)

CO-CHAIR SEATON announced that the first order of business would be HOUSE BILL NO. 58, "An Act relating to mining licenses, to the mining license tax, and to production royalties on minerals and rents for property involved in mining; and providing for an effective date."

[1:15:12 PM](#)

KATIE KOESTER, Staff, Representative Paul Seaton, Alaska State Legislature, related that HB 58 would reform mining taxes in the State of Alaska. Mining taxes have been substantially unchanged since statehood, although some royalty language was added during the 1980s. She offered a section-by-section analysis of the bill. She referred to a document in members' packets titled, "HB 58 - Simplified Comparative Sectional v. A" which compares the existing statutes with HB 58. Additionally, she referred

members to a legal services version dated February 7, 2011 in members' packets.

[1:16:20 PM](#)

MS. KOESTER explained that changes to Section 1 pertain to coal royalties and updates statute to reflect regulation. The statutes that authorized coal royalties were created during the territorial legislature and included a provision that allowed the commissioner to update rates in regulation. This section would formalize that process in statute.

MS. KOESTER related that proposed Section 2 was suggested by Kerwin Krause, Geologist, Division of Mining, Land and Water to allow coal lessees to pay royalty-in-kind rather than in cash. This provision would be applicable for coal-fired power plants, such as the one located at the University of Alaska Fairbanks. She characterized this as a means of cost savings and would be advantageous to the UAF.

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MS. KOESTER stated that Sections 3, 4, and 5 pertain to mining rentals of a holder of a mining claim, leasehold location or mining lease. She explained that these statutes were antiquated but were updated in regulation. The sponsor's intention is not to substantially increase rental rates. She suggested the committee consider whether to place current regulation(s) into statute to clarify or if another approach would be preferable. She pointed out the sponsor's intent is to clarify and update the current language.

CO-CHAIR SEATON explained that the statutes that pertain to the coal production royalty regulations were based on territorial and not state statutes.

MS. KOESTER further clarified that the coal production royalty statutes are based on territorial statutes. She was unsure of whether mining rentals were also based on territorial statutes.

[1:19:41 PM](#)

REPRESENTATIVE GARDNER related her understanding that the regulations have already been updated and statute changes are conforming statutes so the changes will be seamless to industry.

MS. KOESTER agreed that is her understanding.

CO-CHAIR SEATON clarified that relying on territorial statutes to authorize regulations makes it nebulous as to where the state is at with respect to coal production royalties but the Department of Law could provide guidance on how this would affect industry.

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CO-CHAIR FEIGE asked whether the coal royalties are set at the time that the mineral lease is granted or when the mine actually begins production.

MS. KOESTER asked whether he was referring to coal or mineral production royalty.

CO-CHAIR FEIGE answered coal production royalty.

MS. KOESTER offered her belief that it would begin on the date production begins. She deferred to the Department of Natural Resources for more information.

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CO-CHAIR FEIGE inquired as to whether this would refer to coal production royalty established at the time of the lease or first coal.

[1:21:57 PM](#)

WYN MENEFE, Acting Director, Division of Mining, Land and Water, Department of Natural Resources (DRN), introduced himself. He then asked Mr. Kerwin Krause to respond to the question.

[1:22:06 PM](#)

CO-CHAIR FEIGE restated his question. He asked whether the coal production royalty amount is determined at the time the mineral lease is granted or at a later date.

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KERWIN KRAUSE, Geologist, Central Office, Division of Mining, Land and Water, Department of Natural Resources (DNR), answered that is determined by regulation. He explained the coal

production royalty amount spans a 20-year term. Thus, every 20 years the royalty amount would be subject to change.

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CO-CHAIR FEIGE asked whether the mining royalties are handled in the same manner as other production royalties.

MR. KRAUSE answered no, noting that locatable minerals are not subject to change and are currently set at 3 percent. He offered that coal production royalty is currently set at 5 percent of adjusted gross value.

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MS. KOESTER related that Section 6 establishes a new production royalty calculation. Currently, production royalty for mineral mines on state land is set at 3 percent of net income. The proposed change would set the production royalty at 3 percent of net smelter return. She explained that would be 3 percent of the gross value of the mineral at the point of production. She characterized this change as significant since it would base the royalty on the actual value of the mineral versus the income of the mine.

MS. KOESTER stated that Section 7 would define net smelter return to mean the value that the mining company receives from the sale of ore after it has been smelted or refined. The value would be based on the current price of the mineral less the cost of processing and transporting it between the refinery and the mine. This proposed section would also allow the department to determine the calculation method in regulation.

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CO-CHAIR SEATON explained that the net smelter return for current production royalty is set at 3 percent of net profit. A company that is inefficient or has substantially high expenses may not pay a royalty. It could take years before the company shows a net profit since all mining expenses are deducted immediately. In those instances the state may not collect any production royalty for many years. The net smelter return (NSR) would be based on a value of the minerals after transportation costs are subtracted, but this provision makes a big distinction, he said.

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MS. KOESTER pointed out that landowners use net smelter return (NSR) to calculate production royalty. She recalled the Mental Health Trust and other places in the Lower 48 also use the NSR method.

CO-CHAIR SEATON in the past there has not been a problem or issue with production royalties since it only applies to state land and almost all mines in Alaska are on Native lands or Mental Health Trust lands and both use a NSR production royalty. He was unsure why production royalty should be calculated differently when the mine is on state lands. The general amount for NSR returns has been between 3.5-5.5 percent, he said.

MS. KOESTER referred to proposed Section 8, which defines gross value at the point of production. This is important since production royalty is determined on the value of the minerals.

The committee took an at-ease from 1:28 p.m. to 1:29 p.m.

[1:29:22 PM](#)

MS. KOESTER elaborated on the gross value at the point of production. She explained that this as an important value to determine because the production royalty will be based on the mineral value at the mine head, but that value is adjusted for value added costs. Thus, the mineral value would be determined by looking at where the mineral is sold and the transportation to that location. The gross value may also be rejected by the DNR if the department believes the value given by the company is inaccurate or that the transportation cost is not a true reflection. This provision helps ensure that the state receives an accurate valuation.

CO-CHAIR SEATON related a scenario to illustrate this in which a company may have a partner who is a transportation partner or a smelter. The transportation costs or smelting costs could be rejected by the department if they did not seem reasonable to a third party.

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REPRESENTATIVE GARDNER asked whether it would be challenging to the state to research whether a trucking company was part of the mining company.

CO-CHAIR SEATON related these provisions are standard to avoid profits from being shifted from one company to another. He said if the charges are reasonable that he presumed the department would accept them. He characterized the process as similar to the Trans-Alaska Pipeline System (TAPS) process. He related his understanding that the department does not have to analyze all costs, but the language would give the department the ability to challenge unreasonable costs.

REPRESENTATIVE GARDNER pointed out that a number of lawsuits have been filed against the TAPS just for that reason. She looked forward to the department's viewpoint.

[1:33:27 PM](#)

CO-CHAIR FEIGE asked how the department could verify how much gold a placer mine removes from the gravel.

MS. KOESTER responded that the department would establish regulations. She offered that it would depend on the market and surmised some self-reporting would occur.

[1:34:09 PM](#)

CO-CHAIR FEIGE asked whether the department depends on the placer miner to accurately report the minerals extracted.

MS. KOESTER agreed, that is her understanding, just like the state depends on a large mine to accurately report the minerals it is extracting from the ground.

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MS. KOESTER referred to Section 9, which would require miners to apply for a mining license and adhere to any regulations pertaining to mines.

MS. KOESTER said that Section 10 relates to the mining tax deferral. Currently, mining companies, excluding sand and gravel companies, have an exemption for the first three and one-half years. This would change the exemption to a 10 year deferral, and would require the deferred tax to be paid over the next 10 years without interest. She explained that Section 11 simplifies conforms the language to language in Section 10.

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MS. KOESTER referred to Section 12, which would increase the mining license tax rates and would add an additional tax bracket applicable to net income over \$1,000,000. She explained that the tax rates have not substantially changed since 1955. The updates reflect today's dollar values and exempt mining companies with net income under \$100,000. It would increase the tax rate by two percentage points. She referred to the italicized table titled "current mining tax rates." Currently, mining companies whose net income falls under \$40,000 are exempt. Additionally, current mining license tax rates top out at \$100,000 and 7 percent. The proposed mining license tax rate would top out at \$1,000,000. She also referred to charts in members' packets that would explain the revenue effects of those changes.

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CO-CHAIR SEATON pointed out that miners have an exemption for the first \$100,000, but this provision would also provide for 5 percent up to \$250,000 whereas the current mining license tax is an additional 5 percent up to \$100,000. Thus, the change would allow miners to more than double net income at the 5 percent rate. The 7 percent rate would be assessed up to \$500,000 in net income. Therefore, as the mining operation becomes more profitable the mining license tax rate increases. He pointed out that currently miners whose net income is \$40,000 would pay 3 percent on the entire amount. He referred to the proposed increase, noting the first \$100,000 is not taxed, from \$100,001 to \$250,000 is taxed at 5 percent, and from \$250,001 up would pay the base tax plus the percentage.

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REPRESENTATIVE GARDNER asked whether mining license taxes are paid on all land or just on state land.

CO-CHAIR SEATON answered that the mining license tax is assessed on all mining in the state, regardless of land ownership.

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MS. KOESTER referred to Section 13, which outlines the procedure for taxing multiple mines and updates the language to conform the current drafting style.

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MS. KOESTER characterized Section 14 as the third substantive part of the bill. This would delete the existing depletion statutes and allow for only cost depletion. Currently a mining company can choose between percent depletion and cost depletion in terms of deductions to the mining license tax. She explained that percent depletion, based on a formula in statute, has been more advantageous with respect to taxes. Taxes are based on income so incentives exist for mining companies to reflect their net income as low as possible. She reiterated that Section 14 would only allow for cost depletion, or the amount actually spent on depletion.

CO-CHAIR SEATON added that cost depletion means writing off all expenses. He offered his belief that cost depletion is not used anywhere else in the world.

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REPRESENTATIVE P. WILSON asked for the definition of an arm's length transaction.

CO-CHAIR SEATON characterized an arm's length transaction as one that prevents accounting from the "right pocket to the left pocket." He related his theory that if something is allowed in the tax code that a company should not be "brow beaten" for using the tax break. This provision assures that cost shifting to avoid taxes won't occur.

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MS. KOESTER related that Sections 15-23 relate primarily to definitions. She highlighted Section 17, which disallows the deduction of state corporate income taxes from the mining license taxes. Current statutes allow mining companies to deduct their state corporate income tax. Section 20 would define the date when production begins. Section 21 would repeal a number of sections that are no longer needed because of changes made in the bill. It repeals references to rentals, renewing licenses, and the date when production begins as these are covered in other sections of the bill.

MS. KOESTER related that Section 22 applies the bill to all leases negotiated after December 31, 2011 and Section 23 provides the effective date of January 1, 2012.

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MS. KOESTER reviewed other items that she mentioned may be of interest to members. She referred to a tab in members' packets labeled, "Fraser Index and Polls." She explained that the Fraser Institute surveys professionals and executives to get a sense of industry. She pulled excerpts from the 2009 to 2010 Institute Survey of Mining Companies. She related that Figure 3 of the report on page 18 considers mineral potential assuming no land uses in place and assuming industry "best practices" places Alaska second after the Democratic Republic of Congo (DRC). She referred to page 30 to Figure 8: Taxation regime, which lists Alaska 19th of 72 countries. She turned to page 50, to Figure 18: Composite policy and mineral potential ranks Alaska as ranked fifth. She referred to page 54 and to Table 11, titled, "How do you rate the importance of mineral potential versus policy factors?" She highlighted that Alaska's mineral potential is rated at 60.35 percent and its policy factors at 39.5 percent. She surmised that mining companies will look to the mineral potential first. She offered that Alaska definitely has mineral potential.

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MS. KOESTER pointed out results of several surveys in members' packets. The Hellenthal and Associates statewide public opinion research survey taken between February 12 and February 20, 2007, asked the Alaskan public questions on resource development. She referred to "Question ten on page v" which asked if the public would support or oppose a ballot initiative requiring mines to pay a percentage of their gross profit to the state. The results showed that those who strongly favored or somewhat favored a 10 percent tax is 70 percent. While HB 58 would not impose a 10 percent tax increase on gross profit, the survey has helped provide a sense of the public's view. A follow-up survey taken between March 5 and March 18, 2007 asked Alaskans whether they would favor or oppose increasing taxes on the mining industry and 51.3 percent of those surveyed favored increasing mining taxes [question 23]. She reiterated the surveys simply provide a "snapshot" of public opinion given at a point in time.

MS. KOESTER referred to the next tab, to an October 17, 2007 memo from the State Assessor's office that compares what the State of Alaska is doing compared to other jurisdictions with respect to mining taxation and recommends changes. The memo references House Bill 156, which was pending during the 25th Legislature. She indicated that HB 58 proposes the same changes as the prior bill. She offered that the suggested changes in

the bill came out of a number of productive meetings in the House Ways & Means Committee.

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MS. KOESTER pointed out the next tab contains charts prepared by Johanna Bales of the Department of Revenue (DOR). The graphs illustrated what the revenue would have been had the state been operating under the changes proposed in HB 58 during the past five years. She clarified that the graphs only pertain to the mining license revenues and not royalties.

MS. KOESTER referred to a Legislative Research Report in members' packets dated February 3, 2011. She said the real "meat" of the report is on page 3. She offered the sponsor's intent is to ensure that Alaskans are receiving fair value for its non-renewable resources. She explained Table 1: Mineral Extraction in Alaska: Government Revenue as a Percentage of Resource Value, 2001-2009, takes the value of the resource and assesses the percentage of state revenue derived from the overall resource. Thus, it extrapolates a percentage of the value the state has received for the value of the resource. This table indicates that the revenue has been ranged between less than 2 percent 7 percent between 2001 and 2009. The policy call the legislature should consider is whether the state receives adequate compensation for its resources being extracted.

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MS. KOESTER referred to a letter from the Alaska Miners Association, Inc. and related that additional public comment would be placed under the tab as it is received.

CO-CHAIR SEATON referred to the chart on Table 1. He related his understanding that the government revenue includes all municipal and state taxes and fees, including royalties.

MS. KOESTER concurred.

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REPRESENTATIVE GARDNER referred to the DNR graphs, and the colors depicted for 2007, which she said were different than the other graphs. She inquired as to whether that was inadvertent or significant.

JOHANNA BALES, Deputy Director, Tax Division, Anchorage Office, Department of Revenue (DOR), answered that it was a combination of the two. She explained that the division updated the charts from prior years, and during the 25th legislature, the chart was depicted differently since in 2007 it represented a significant increase in the amount of revenue over historical numbers. She further explained while prices later fluctuated in 2007 that mineral prices had increased significantly.

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REPRESENTATIVE GARDNER understood the color difference were intentional. She further understood the graphs pertain to the same relevant information and considered the same.

MS. BALES agreed.

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CO-CHAIR SEATON referred to the first chart titled, "Mining License Tax Revenues - Effect of Cost Depletion Only." He asked whether the DOR could provide the number or percentage of taxpayers that did not use cost depletion, but used resource depletion in those years.

MS. BALES responded that most taxpayers use percentage depletion because there comes a point in the mine's life in which the cost depletion has been completely utilized so what is left is percentage depletion.

[1:57:03 PM](#)

CO-CHAIR SEATON clarified that the differences seen on the graphs from FY 2006 to FY 2011 are probably not due to companies switching from cost depletion to revenue depletion. He related his understanding most of the mines would write off the percentage of the resource that has been extracted and would lower their tax rates due to that factor instead of writing off the costs.

MS. BALES agreed. She said that cost depletion basically goes away once the actual costs are depleted and this happens very quickly in states with "percentage depletion" in their statutes.

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CO-CHAIR SEATON asked for an explanation of how percent depletion works.

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MS. BALES asked to first explain cost depletion to provide a proper focus. She related that when a company develops a mine certain costs expended are capitalized. These costs would not be taken as a current year expense. Those costs that are capitalized to develop the mine then become the cost basis for depletion. Under cost depletion, which would be similar to depreciation, a company would be allowed to depreciate or deplete those costs until all of the costs the company has incurred have been expended. She further stated that percentage depletion would not be based on any costs incurred in the mine. Instead, cost depletion represents a statutory percentage of the gross income a company reports each year allowable as a depletion expense. So even though a company would no longer have any costs that it has not already depleted, it would still allowed to take a deduction. That would define percentage depletion, which is not based on any costs, she said. She characterized percentage depletion as basically a subsidy.

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CO-CHAIR SEATON inquired as to whether the subsidy equates to a straight line. He related a scenario in which a mine has \$50 million and after extraction of \$25 million, the company would pay half, which would not be available to them for future.

MS. BALES responded that the scenario described is more cost depletion which is based on the amount of minerals extracted. She explained that percentage depletion is based entirely on the annual gross income from the sale of the product. A company does not typically take into account how much of the resource remains.

[2:00:48 PM](#)

CO-CHAIR SEATON asked whether that was fixed or changes over time.

MS. BALES answered that the cost depletion is fixed in statute. In further response to Chair Seaton, she answered that it is fixed in statute for the life of the mine.

[2:01:01 PM](#)

CO-CHAIR SEATON asked for clarification, whether the larger the mine the larger the percentage that could be written off or if it is a single percentage.

MS. BALES answered that it would be a single percentage based on the type of mineral being extracted but it does not pertain to the size of the mine. She recalled the rate was 10 or 15 percent on gold extraction. She offered to provide those figures to the committee.

[2:02:04 PM](#)

MS. KOESTER highlighted the amount. She stated that under the mining license tax, Alaska Statutes (AS) 43.65.010 (c) outlines the percent depletion for metal mines, which is primarily what HB 58 addresses. This statute lists the allowance for depletion at 15 percent for metal mines. She stated that AS 43.65.010 (f) reads, "The allowance for depletion may not exceed 50 percent of the net income of the taxpayer..." She added that the allowance for depletion for coal is 10 percent and sulfur is 23 percent.

[2:02:39 PM](#)

CO-CHAIR SEATON related his understanding that the allowance for depletion for metal mines is 15 percent, but it could not exceed 50 percent of the net income.

MS. KOESTER agreed.

[2:02:49 PM](#)

REPRESENTATIVE SEATON recapped that Alaska's mining license tax is based on an allowable write-off of up to 50 percent of the net income.

MS. BALES agreed that is basically correct. She said that the percentage depletion for a gold mine would be 15 percent of the gross income, but it cannot exceed 50 percent of the net income. Thus, after the mine takes off the expenses from the gross income, that 50 percent of the mine's net income cannot be reduced.

[2:03:50 PM](#)

REPRESENTATIVE P. WILSON referred to the tab, "Legislative Research Reports", to page 3 of the Legislative Research

Services memo of February 3, 2011, to "Table 1." She also directed members to the tab, "State Assessor Report" to page 8 of the memo dated October 17, 2007 titled "Mining Tax Laws Across the United States."

CO-CHAIR SEATON referred members to the tabs mentioned.

[2:05:32 PM](#)

REPRESENTATIVE P. WILSON said in reviewing Table 1, it seems as if those percentages are very low, but page 8 of the state assessor's report lists Alaska's income rates as between 1 percent and 9.4 percent. Additionally, she noted that most states do not have royalties but Alaska does. She asked whether including royalties would make Alaska's overall tax rates higher. She further asked for the royalties for mining.

CO-CHAIR SEATON answered that the state's current royalties are 3 percent of the net income. He referred to page 3, Table 1, and indicated the right column lists the total government percentage of revenue, which includes state and municipal taxes, fees, royalties collected from the mining industry.

REPRESENTATIVE MUNOZ offered her belief that the figure does not include corporate taxes.

[2:07:18 PM](#)

CO-CHAIR SEATON referred to the "Legislative Research Reports" tab, to page 3 of the Legislative Research Services memo of February 3, 2011.

MS. BALES said she does not have the report in front of her.

[2:08:03 PM](#)

CO-CHAIR SEATON related his understanding that Alaska has a corporate net tax rate which is deductible from the net mining license tax. He agreed that is a question that needs to be answered.

MS. BALES offered to pull the documents from BASIS and get back to the committee.

[2:09:13 PM](#)

REPRESENTATIVE P. WILSON reiterated that she is interested in how Alaska compares overall to other states and countries.

CO-CHAIR SEATON understood and agreed that question needs to be answered.

MS. KOESTER referred to notes on page 3, to Table 1 of the Legislative Research Report. She read: "The Department of Revenue cautions that because corporate income tax revenue reflects parent corporation activity, the data provided may not accurately reflect mining activities in Alaska." She agreed clarity is needed.

[2:10:08 PM](#)

CO-CHAIR SEATON related his understanding that Table 1 does include corporate taxes but he was unsure that the corporate taxes are exclusive since the figure may include other deductions.

REPRESENTATIVE P. WILSON thought it also indicated that corporate income and mining license taxes were reported, but not until the next year.

CO-CHAIR SEATON agreed. He thought it clarified that as the succeeding fiscal year since it differentiates between fiscal years and calendar years. He said he thought it meant that in 2005, some carryover from previous or post year would happen, but would not be counted twice.

[2:11:30 PM](#)

MS. BALES clarified that the question is whether the corporate tax is included in those numbers. She answered that she is fairly certain it does include the corporate income tax. She affirmed the percentage does include the corporate income tax.

CO-CHAIR SEATON asked for further clarification that these figures represent a combination of all government "take" including municipal and state taxes, licenses, and fees.

MS. BALES responded that is her understanding of this report.

[2:12:41 PM](#)

REPRESENTATIVE P. WILSON asked whether Ms. Bales has any information that would compare Alaska to other states and countries.

MS. BALES offered her belief that the Fraser Institute Report identifies how Alaska compares to other states and countries.

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REPRESENTATIVE P. WILSON referred to the Fraser Report to figure 3 on page 18. She related that the graph does not list numbers.

CO-CHAIR SEATON pointed out the tax regime is listed separately and only compares taxes, but does not include mineral extraction.

MS. KOESTER added that comparing Alaska's taxes with other areas gets very difficult because some jurisdictions have a severance taxes, while some jurisdictions have property taxes and what can be deducted can vary much change. She indicated that the discussion illustrates this. She offered to work to provide an accurate picture for the committee.

[2:14:29 PM](#)

CO-CHAIR SEATON added that the taxes highlight one thing, but if companies can write off 50 percent of the taxes, as Alaska does, that it looks another way but the total picture isn't visible in the overall comparison.

MR. MENEFEЕ related that he did not have any further clarification to the questions asked.

CO-CHAIR SEATON recalled that the regulations relied on the territorial statutes. He inquired as to whether the division could comment on the relevance since it is now 50 years past statehood.

MR. MENEFEЕ answered that he does not have any statement from the Department of Law on the relevance.

CO-CHAIR SEATON requested that he research and provide information to the committee.

MR. MENEFEЕ agreed to do so.

[2:17:01 PM](#)

CO-CHAIR SEATON noted that it has been a long time since the state has looked at the mining taxes since statehood and whether the tax code and royalties are sufficiently robust to meet the constitutional obligation to Alaska's citizens.

[HB 58 was held over.]

SJR 2-LIMIT FEDERAL INTERVENTION IN STATE

[2:19:01 PM](#)

CO-CHAIR SEATON announced that the final order of business would be CS FOR SENATE JOINT RESOLUTION NO. 2(RES), Commending and supporting actions taken by the Office of the Governor and the attorney general to protect the state from federal government incursion into the care and management of state resources and to promote the economic prosperity of the state; and urging the United States Congress and the President of the United States to limit federal government overreach into management of state resources.

[2:19:34 PM](#)

SENATOR FRED DYSON, Alaska State Legislature, speaking as the sponsor of SJR 2, stated that he believed the State of Alaska has an admirable record of doing a good job of managing its own natural resources. He suspected that the committee has already tracked the improvements in Alaska's fisheries since statehood. He related that he has observed some very unfortunate overstepping by the federal government, which hugely restrains the state from being stewards of its resources and the ability for the state to develop them consistent with Alaska's constitution. He explained the purpose of SJR 2 is to let the "powers that be" understand that the people of Alaska support the state's administration and its actions with respect to the management of its natural resources to promote the economic prosperity of the state. He related that the resolution has undergone considerable modification in the Senate Resources Standing Committee and the Senate Judiciary Standing Committee and received unanimous support in the Senate.

SENATOR DYSON referred to a handout in members' packets titled, "Alaska Native Corporation's Resource Development" dated March 24, 2011 that lists areas of federal overreach of concern to Native Corporations.

[2:21:41 PM](#)

CHARLES KOPP, Staff, Senator Fred Dyson, Alaska State Legislature, stated that the concerns expressed in SJR 2 are consistent with the ones raised by the Native Corporations.

[2:22:12 PM](#)

CO-CHAIR SEATON related his understanding that the document was not presented as testimony, but that it corresponds closely to the resolution, SJR 2.

SENATOR DYSON answered yes.

[2:22:49 PM](#)

REPRESENTATIVE GARDNER, with respect to the management of state resources mentioned throughout the resolution, inquired as to whether the comments are made with respect to the entire state and not just for state or federal land.

SENATOR DYSON responded that under current authority, the state does not have much authority on federal lands or with respect to fish and game resource management. He offered that SJR 2 is specifically aimed at what he believes is an over step by federal regulators on state lands.

[2:24:15 PM](#)

CO-CHAIR SEATON, after first determining no one else wished to testify, closed public testimony on SJR 2.

[2:25:03 PM](#)

REPRESENTATIVE DICK stated he is in favor of the resolution. He expressed an interest in making a stronger statement. He inquired as to whether legislators are just relieving our consciences or whether this really will have an impact.

SENATOR DYSON said he shared his concern and frustration. He remarked that generally speaking, resolutions have little more value than the paper they are written on. He recalled a recent article on the topic and advised he tried to get SJR 2 passed to support the article which was, he believed, in the New York Times. The resolution did not pass in time to be in concert with the article. However, he understood that the Wall Street Journal also plans to publish a similar article. He also said

that to the degree that the legislature speaks on behalf of its constituents resolutions have value. He suggested some hint in court proceedings indicate that SJR 2 may be slightly helpful in court, not legally, but to demonstrate widespread support for Alaska's stewardship of its own resources.

REPRESENTATIVE GARDNER commented that the backup documents do not seem to support the proposed resolution, but seem to speak to resource development in general.

SENATOR DYSON concurred. He reiterated that the document was not presented to endorse this resolution. One page of the handout in which the corporations listed federal overreach, which is applicable to SJR 2, he said.

REPRESENTATIVE GARDNER acknowledged his answer. She said she asked the question since SJR 2 pertains to federal overreach on state lands.

[2:28:12 PM](#)

REPRESENTATIVE MUNOZ moved to report CSSJR 2(RES) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSSJR 2(RES) was reported from the House Resources Standing Committee.

[2:29:00 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:29 p.m.