

**HOUSE BILL NO. 4005**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FOURTH SPECIAL SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 5/27/16

Referred: Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the mining license tax; relating to the exploration incentive credit;  
2 relating to mining license application, renewal, and fees; and providing for an effective  
3 date."

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

5 \* **Section 1.** AS 27.30.030(a) is amended to read:

6 (a) In a tax year [OR ROYALTY PAYMENT PERIOD], subject to (c) of this  
7 section and the respective limitations of this subsection, the person may apply the  
8 credit, the taking of which was approved under AS 27.30.020(2), against [(1)] taxes  
9 payable by the person

10 (1) [(A)] under AS 43.65; application of the credit under this  
11 **paragraph** [SUBPARAGRAPH] may not exceed the lesser of

12 (A) [(i)] 50 percent of the person's tax liability under AS 43.65  
13 for the tax year that is related to production from the mining operation at which  
14 the exploration activities occurred, as shown under (b) of this section; or

1                    **(B)** [(ii)] 50 percent of the person's total tax liability under  
2 AS 43.65 for the tax year;

3                    **(2)** [(B)] under AS 43.20; application of the credit under this  
4 **paragraph** [SUBPARAGRAPH] may not exceed the lesser of

5                    **(A)** [(i)] an amount equal to the amount determined under  
6 **(1)(A)** [(A)(i)] of this **subsection** [PARAGRAPH]; or

7                    **(B)** [(ii)] 50 percent of the person's total tax liability under  
8 AS 43.20 for the tax year [; AND

9                    (2) MINERAL PRODUCTION ROYALTY PAYMENTS PAYABLE  
10 BY THE PERSON UNDER AS 38.05.135 - 38.05.160 AND 38.05.212 FOR  
11 PRODUCTION FROM THE MINING OPERATION AT WHICH THE  
12 EXPLORATION ACTIVITIES OCCURRED; APPLICATION OF THE CREDIT  
13 UNDER THIS PARAGRAPH MAY NOT EXCEED 50 PERCENT OF THE  
14 PERSON'S MINERAL PRODUCTION ROYALTY PAYMENT LIABILITY FROM  
15 THE MINING OPERATION AT WHICH THE EXPLORATION ACTIVITIES  
16 OCCURRED].

17 \* **Sec. 2.** AS 27.30.030(b) is amended to read:

18                    (b) If the person applies the credit against the person's tax liability under  
19 **(a)(1)(A) or (a)(2)(A)** [(a)(1)(A)(i) OR (a)(1)(B)(i)] of this section, the commissioner  
20 of revenue shall disallow application of the credit under that provision unless the  
21 person files with the person's tax return an accounting of the person's mining operation  
22 activities for each mining operation that is included in the tax return and as to which  
23 the credit is being applied. The accounting of mining operation activities required by  
24 this subsection shall be made

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

27                    (A) identify the mining operations for which the credit is  
28 claimed; and

29                    (B) set out the gross income attributable to the mining  
30 operations and other information about the mining operations that the  
31 Department of Revenue may require;

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

\* **Sec. 3.** AS 27.30.040 is amended to read:

**Sec. 27.30.040. Credit may be carried forward.** Except as its application is limited by AS 27.30.030 and 27.30.050, a portion of a credit that is not applied under AS 27.30.030 during a tax year [OR ROYALTY PAYMENT PERIOD] may be carried forward to and applied during a subsequent tax year [OR ROYALTY PAYMENT PERIOD].

\* **Sec. 4.** AS 27.30.050 is amended to read:

**Sec. 27.30.050. Limit on application of credit.** An exploration incentive credit for a mining operation may not exceed \$20,000,000 and must be applied within 15 tax years [OR ROYALTY PAYMENT PERIODS] after the taking of the credit is approved under AS 27.30.020(2), but the tax years [OR ROYALTY PAYMENT PERIODS] in which the credit is applied need not be

(1) the tax year [OR ROYALTY PAYMENT PERIOD] in which the person first incurs liability for payment of tax [OR ROYALTY] based on the person's activity that is the basis of the claim of the exploration incentive credit; or

(2) consecutive periods.

\* **Sec. 5.** AS 43.65.010(a) is amended to read:

(a) A person prosecuting or attempting to prosecute, or engaging in the business of mining in the state shall obtain a license from the department. All new mining operations are exempt from the tax levied by this chapter for **two** [THREE AND ONE-HALF] years after production begins.

\* **Sec. 6.** AS 43.65.010(c) is amended to read:

(c) The license tax on mining is as follows: **on** [UPON] the net income of the taxpayer from the property in the state, computed with allowable depletion, plus royalty received in connection with mining property in the state  
over \$40,000 and not over \$50,000 ..... 3 percent  
over \$50,000 and not over \$100,000 ..... \$1,500 plus  
5 percent of the excess over \$50,000  
over \$100,000 ..... \$4,000 plus

1           **2** [7] percent of the excess over \$100,000.

2       \* **Sec. 7.** AS 43.65.030 is amended to read:

3                       **Sec. 43.65.030. Applications and [APPLICATION FOR] renewals; fees.**

4                       **The fee for a mining license and for each renewal is \$50.** Application for renewal of  
5           a mining license shall be made before **January 1** [MAY 1] of each year.

6       \* **Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to  
7       read:

8           APPLICABILITY. (a) The changes to the applicability of the exploration incentive  
9       credit made in AS 27.30.030(a) and (b), as amended by secs. 1 and 2 of this Act,  
10       AS 27.30.040, as amended by sec. 3 of this Act, and AS 27.30.050, as amended by sec. 4 of  
11       this Act, apply to a royalty payment period beginning on or after the effective date of sec. 1 of  
12       this Act.

13           (b) AS 43.65.010(a), as amended by sec. 5 of this Act, applies to a mining operation  
14       that begins production on or after the effective date of sec. 5 of this Act.

15           (c) AS 43.65.010(c), as amended by sec. 6 of this Act, applies to net income of the  
16       taxpayer from property in the state during a taxable year that begins on or after the effective  
17       date of sec. 6 of this Act.

18       \* **Sec. 9.** The uncodified law of the State of Alaska is amended by adding a new section to  
19       read:

20           TRANSITION. In administering the application of the exploration incentive credit  
21       under AS 27.30, AS 27.30.030(b)(2), as that subsection read on June 30, 2016, applies to an  
22       accounting under AS 27.30.030(b) for a person who began mining production before the  
23       effective date of this Act.

24       \* **Sec. 10.** The uncodified law of the State of Alaska is amended by adding a new section to  
25       read:

26           TRANSITION: REGULATIONS. The Department of Revenue and the Department of  
27       Natural Resources may adopt regulations necessary to implement the changes made by this  
28       Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not  
29       before the effective date of the law implemented by the regulation.

30       \* **Sec. 11.** Section 10 this Act takes effect immediately under AS 01.10.070(c).

31       \* **Sec. 12.** Except as provided in sec. 11 of this Act, this Act takes effect July 1, 2016.