

HOUSE BILL NO. 498
IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVES FOSTER, MacLean

Introduced: 2/14/94
Referred: Resources, Finance

A BILL
FOR AN ACT ENTITLED

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

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

5 *** Section 1. AS 27 is amended by adding a new chapter to read:**

6 **CHAPTER 30. EXPLORATION INCENTIVE CREDITS.**

7 **Sec. 27.30.010. EXPLORATION INCENTIVE CREDITS AUTHORIZED.**

8 **(a) The commissioner shall grant to a qualified applicant an exploration incentive**
9 **credit for each of the following activities performed on or for the benefit of land in the**
10 **state for the purpose of determining the existence, location, extent, or quality of a**
11 **locatable or leasable mineral or coal deposit, regardless of whether the land is state-**
12 **owned land:**

13 **(1) surveying by geophysical or geochemical methods;**

14 **(2) drilling exploration holes;**

1 (3) conducting underground exploration; or
2 (4) performing other exploratory work, including aerial photographs,
3 geological and geophysical logging, and sample analysis, for the purpose of
4 determining the existence, location, extent, or quality of the deposit.

5 (b) An exploration incentive credit granted under (a) of this section may be

6 (1) applied, at the discretion of the qualified applicant, against

7 (A) taxes payable under AS 43.20 and AS 43.65; and

8 (B) mineral production royalty payments due the state under
9 AS 38.05.135 - 38.05.175; and

10 (2) carried forward to a subsequent tax year or payment period, except
11 as limited by AS 27.30.030.

12 (c) An exploration incentive credit shall be granted under (a) of this section
13 to a qualified applicant if the qualified applicant provides the commissioner satisfactory
14 documentation of exploration activity conducted and of the eligible costs. For
15 purposes of this subsection, "satisfactory documentation of exploration activity"
16 includes, where applicable,

17 (1) a representative skeleton core for each hole cored or a
18 representative set of cuttings for each hole rotary drilled;

19 (2) chemical analytical data and noninterpretive geophysical data;

20 (3) aerial photographs or a topographic or geologic map showing the
21 location of the drill holes, sample locations, or the other exploration activities
22 undertaken; if the locations are shown on a map, the map must have a scale of not less
23 than one inch to the mile showing reference to a recognized coordinate system; and

24 (4) a cost breakdown showing amounts claimed by the applicant as an
25 exploration incentive under this subsection.

26 (d) Data provided to the commissioner under (c)(2) of this section shall be
27 kept confidential for 36 months after receipt by the commissioner.

28 **Sec. 27.30.020. LIMIT ON CREDITS.** The amount of an exploration
29 incentive credit may not exceed the lesser of

30 (1) the combined amount payable by the qualified applicant as taxes
31 under AS 43.20 and AS 43.65 and as mineral production royalty payments due under

1 AS 38.05.135 - 38.05.175; or

2 (2) 50 percent of eligible costs relating to activities that qualify for the
3 exploration incentive credit.

4 Sec. 27.30.030. USE OF CREDIT. An exploration incentive credit

5 (1) must be used within 15 years after it is extended under
6 AS 27.30.010; and

7 (2) may be assigned by the qualified applicant to another qualified
8 applicant for the purposes described in AS 27.30.010(b).

9 Sec. 27.30.040. RELATIONSHIP TO PERMANENT FUND. Amounts due
10 the permanent fund under AS 37.13.010 shall be calculated before the application of
11 a credit extended under AS 27.30.010.

12 Sec. 27.30.050. REGULATIONS. The commissioner may adopt regulations
13 necessary to implement this chapter.

14 Sec. 27.30.090. DEFINITIONS. In this chapter,

15 (1) "eligible costs" means the costs incurred for activities in support of
16 an exploration program for the purpose of determining the existence, location, extent,
17 or quality of a mineral or coal deposit;

18 (2) "geochemical methods" means ore samples collected and their
19 chemical analyses;

20 (3) "geophysical methods" means all geophysical data gathering
21 methods used in minerals exploration, including seismic, gravity, magnetic, and
22 electromagnetic measurements;

23 (4) "qualified applicant" means

24 (A) a natural person who is at least 18 years of age;

25 (B) a partnership qualified to do business in the state;

26 (C) a corporation qualified to do business in the state;

27 (D) a limited liability company qualified to do business in the
28 state;

29 (E) a legal guardian or trustee of a qualified natural person
30 described in (A) of this paragraph; or

31 (F) any association of persons listed in (A) - (E) of this

1 paragraph.

2 * Sec. 2. AS 38.05.135(a) is amended to read:

3 (a) Except as otherwise provided, valuable mineral deposits in land belonging
4 to the state shall be open to exploration, development, and the extraction of minerals.
5 All land, together with tide, submerged, or shoreland, to which the state holds title to
6 or to which the state may become entitled, may be obtained by permit or lease for the
7 purpose of exploration, development, and the extraction of minerals. Except as
8 specifically limited by AS 38.05.135 - 38.05.181, land may be withheld from lease
9 application on a first-come, first-served basis, and offered only on a competitive bid
10 basis when determined by the commissioner to be in the best interests of the state.
11 When authorized by AS 27.30.010, the commissioner shall allow an exploration
12 incentive credit for activities undertaken to determine the existence, location,
13 extent, or quality of a locatable or leasable mineral or coal deposit and in [IN]
14 unproven areas the commissioner may offer additional incentives, including a reduction
15 of royalty to a minimum of five percent in the case of oil and gas, and other terms in
16 and granting permit or lease for exploration and development whenever it appears to
17 be in the best interests of the state to do so.

18 * Sec. 3. AS 38.05.212(b) is amended to read:

19 (b) The production royalty
20 (1) is three percent of net income as determined under AS 43.65; and
21 (2) is subject to the exploration incentive credit authorized by
22 AS 27.30.

23 * Sec. 4. AS 43.20 is amended by adding a new section to read:

24 Sec. 43.20.044. EXPLORATION INCENTIVE CREDIT. A taxpayer may
25 apply as a credit against the tax levied under this chapter the exploration incentive
26 credit for activities relating to locatable or leasable minerals or coal that is authorized
27 by AS 27.30.

28 * Sec. 5. AS 43.65.010(c) is amended to read:

29 (c) The license tax on mining is as follows: upon the net income of the
30 taxpayer from the property in the state, computed with allowable depletion and
31 application of the exploration incentive credit authorized by AS 27.30, plus royalty

1 received in connection with mining property in the state
 2 over \$40,000 and not over \$50,000 3 percent
 3 over \$50,000 and not over \$100,000 \$1,500 plus
 4 5 percent of the excess over \$50,000
 5 over \$100,000 \$4,000 plus
 6 7 percent of the excess over \$100,000.

7 * Sec. 6. AS 43.65.020(a) is amended to read:

8 (a) A person subject to tax under this chapter shall make a return stating
 9 specifically the items of gross income from the property, including royalty received
 10 and the deductions and credits allowed by this chapter and the exploration incentive
 11 credit authorized by AS 27.30, and other information for carrying out this chapter
 12 that the department prescribes. The return must show the mining license number and
 13 must be signed by the taxpayer or an authorized agent of the taxpayer, under penalty
 14 of unsworn falsification. If receivers, trustees, or assigns are operating the property
 15 or business, they shall make returns for the person engaged in mining, or the recipient
 16 of royalty in connection with mining property. The tax due on the basis of the returns
 17 shall be collected in the same manner as if collected from the person of whose
 18 business they have custody and control.

19 * Sec. 7. This Act is retroactive to January 1, 1994, and apply to activities that qualify for
 20 the exploration incentive credit authorized by AS 27.30 that are undertaken after December 31,
 21 1993.

22 * Sec. 8. This Act takes effect immediately under AS 01.10.070(c).