

S B

440

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Alaska State Legislature



Senate

MEMBER
Finance Committee
Resources Committee
Legislative Council
Special Committee on Banking &
Economic Development

VICE-CHAIR
Community & Regional
Affairs Committee

MEMORANDUM

TO: Senator Dick Eliason, Chairman
Senate Labor & Commerce Committee

FROM: Senator Steve Frank

RE: Request for Hearing on Senate Bill 440 "An Act
establishing exploration costs and reclamation costs
as a deductible expense from the license tax on
mining."

DATE: February 8, 1990

SB 440 would allow reclamation and exploration expenses to be deducted from a taxpayers gross income for purposes of the mining license tax.

Exploration costs from a property not in production are not presently a deductible expense, but the legislation would change that. Under this bill, a company that was paying mining license tax on a producing property and doing exploration work on a different property not in production, could deduct the cost of the exploration activity against the producing mine's gross income.

The intended effect of the exploration expense deductibility is to increase exploration activity in the state, thus diversifying the economy and creating new jobs.

Currently, reclamation costs are not allowed to be deducted from a mine operations gross income either. However, we believe that reclamation is a normal and customary expense that is required by regulation and that it should be deductible. In addition, this legislation would encourage operators to do the necessary and appropriate reclamation on a property by giving them a financial incentive.

I respectfully request that you schedule this legislation for a hearing at your earliest convenience.

Thank you for your consideration.

March 26, 1990

Richard Gumm
RFRLU, President
POB 169
Ester, AK.
99725

Senator Eliason
Pouch V
Juneau,, AK.
99811

Dear Senator Eliason,

I am writing you about my concern regarding the current bill seeking to amend AS 27, chapter 19 or mining reclamation.

I have reviewed the Senate working draft that is being considering and would like to express my concern that this version **does not** provide for natural vegetative buffer strips to provide visual screening in areas that abut state maintained roads, well traveled waterways, private dwellings nor other sensitive areas of scenic value.

Some points you need to consider as you deliberate this amendment.

- 1) The gold mining industry pays the **lowest** tax of any of the natural resource extractive industries in the state: oil and gas 17.4%, coal 3%, fishing 3.3% and gold .04%.
- 2) Gold mining is a healthy industry in Alaska. Its output has increased 72% over last year. (Bundtzen, State Geological Survey, Fairbanks.)
- 3) The cost would be minimal to leave or plant 100-300 foot strip of trees between a mining operation and a sensitive area.
- 4) Many of these visually sensitive areas lay beyond any borough zoning jurisdiction.
- 5) Such provisions could be written into state statutes and be applied as "areas of special regard" by the Commissioner. This would insure treatment of any area on a case-by-case basis and protect the miner from needless over regulation.

6) Statute 27.21.260, or reclamation as applied to coal mining, allows the Commissioner to with draw any land unsuitable for mining deemed "fragile or historic land in which operations could result in significant damage to important historic, cultural, scientific, and aesthetic values and natural systems."

Furthermore the statue flatly prohibits any leasing of land for coal mining activity, (claims made after August 1977) on land: "100 feet of the right-of-way line of any public road," and "300 feet from any occupied dwelling."

Why should the state choose to protect natural resource values from mining of coal and not of gold, especially when placer mining potentially replicates the ground cover disturbance found in coal strip mining?

I think we owe it to all Alaskans, and the tourist industry which employs many Alaskans, to provide minimum protections for those scenic values synonymous with our great state.

At the recent Senate hearing in Fairbanks, Senator Halford made the comment that "glacial moraines and a miner's tailing pile" were visually indistinguishable" and "if we reclaimed one, we should apply equal standards to the other." I personally find this position lamentable, and at odds for one seeking greater public trust in the management of the state's natural resources.

Would the good Senator also see no difference between refuse dumps and our mountain ranges, in that both appear to rise above a flat horizon?

In closing, I ask that you seriously deliberate on these concerns as you finalize these amendments.

Sincerely,



Richard Gumm:

cc: House Nat. Res. Com
Senate Nat. Res. Com.
Governor Steve Cowper