

HB

498

(9)

Date Referred: February 14, 1994

FURTHER REFERRALS:

Finance

Date of Committee Action: 3/25/94

The RESOURCES Committee considered:

HB 498

HOUSE BILL NO. 498

MINERAL EXPLORATION INCENTIVE CREDITS

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

RECOMMENDATIONS:

be replaced with

CS HB 498 (RES)

the same title

a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact Revenue

fiscal note(s) _____

zero fiscal note _____

zero fiscal note(s) _____

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<u>Bill Hudson</u> Hudson	<input checked="" type="checkbox"/>	<u>David Hubsten</u> Finkelstein		<input checked="" type="checkbox"/>	
<u>John Carney</u> Carney	<input checked="" type="checkbox"/>				
<u>Robert Green</u> Green	<input checked="" type="checkbox"/>				
<u>Ardenette James</u> James	<input checked="" type="checkbox"/>				
<u>John N. Davies</u> Davies	<input checked="" type="checkbox"/>				
<u>Car Bunde</u> Bunde	<input checked="" type="checkbox"/>				
<u>W.R. Williams</u> Williams	<input checked="" type="checkbox"/>				

W.R. Williams

CHAIRMAN'S SIGNATURE

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. CSHB 498 (RES)

Revision Date:	Dept. Affected: Revenue
Title: Mineral Exploration Incentive Credits	BRU: Revenue Operations
	Component: Income and Excise Audit
Sponsor: Representatives Foster, MacLean	
Requestor: (H) RES	COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL						
REVENUE FUND SOURCE: General	Up to (17MM)	Up to (17MM)	Up to (17MM)	Up to (17MM)	Up to (17MM)	Up to (17MM)

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ 0.0

ANALYSIS: (Attach a separate page if necessary.)

MM equals millions
(See Attached)

Prepared by:	Larry E. Meyers <i>Larry E. Meyers</i>	Phone: 465-2320
Division:	Income and Excise Audit Division	Date: March 29, 1994
Approved by Commissioner:	Darrel J. Rexwinkel <i>Darrel J. Rexwinkel</i>	Date: March 29, 1994
Agency:	Department of Revenue	

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Bill Analysis

This bill grants an exploration incentive credit to qualified applicants for activities related to determining the existence, location, extent and quality of a locatable or leasable mineral or coal deposits. The credit may be claimed against corporation net income and mining license taxes under AS 43.20 and AS 43.65, respectively, and royalties under AS 38.05.135 - 38.05.175.

The credit is limited in any one tax year to 60% of direct labor costs for Alaska residents and 50% of direct labor costs for nonresidents and other eligible costs that qualify for the credit not to exceed 50% of the sum amount payable as taxes and royalties under AS 43.20, AS 43.65 and AS 38.05. The credit is available as a carryforward for 15 years.

The credit may be assigned to the applicant's successor in interest for the site at which exploration activities occur if the successor is a qualified applicant.

This bill has a retroactive effective date of January 1, 1994.

Operating Costs

Department of Revenue does not anticipate additional costs to administer the provisions of this bill. The Department would modify current forms to provide for taxpayers to claim credits.

Revenue

Average corporation net income and mining license tax collections over the past three fiscal years were approximately \$186 million. According to Department of Natural Resources' publication *Alaska's Mineral Industry 1993: A Summary*, exploration expenditures in 1993 were \$28.2 million.

Since credits are limited to the lesser of the percentages of eligible costs outlined above or 50% of taxes payable, the maximum amount of credits which could have been claimed for 1993 would have been limited to 60% of expenditures (assuming all costs are for direct labor for residents) or approximately \$17 million. Total expenditures may increase as a result of the incentive program under this bill. Accordingly, the maximum amount of credits would increase over time in proportion to expenditures.

Amounts claimed as credits will vary each year depending on amounts expended for exploration, credits assigned to successor corporations, credits carried forward over the 15 year period allowed, and the effect of credits applied against royalty payments as provided for under this bill.

Sponsor Statement

HB 498

Rep. Richard Foster

HB 498: An Act Providing for Exploration Credits for Activities Involving locatable and leasable minerals and coal deposits.

HB 498 allows credits of up to 50% of qualified exploration expenditures that can be used to offset state royalty payments and income taxes. The credit must be used within 15 years after it is extended by the commissioner of Natural Resources.

The credit must be granted if the applicant is authorized to do business in the state and adequately documents the exploration activity. Data provided to the Commissioner must be kept confidential for 36 months after receipt. Credits are assignable and may be carried forward and/or apportioned between royalty and taxes, in the applicants discretion, but may not exceed the combined amount of taxes and royalties due for the period in which the credit is being used.

This bill implements one of the recommendations of the Alaska Minerals Commission contained in their January 1994 Report (Report). Over the past several years there has been a mass exodus of mineral exploration investment from the lower 48 states and to a lesser extent away from Alaska. These dollars are now being invested in Mexico, Chile, Indonesia, and Russia, to name a few.

Much of this shift is attributable to ever-increasing regulatory and political obstacles in the U.S. and pro-active foreign mineral exploration and development policies, including elimination of royalties and tax incentives. Fortunately, and while this could change at any time, Alaska's image has been improving for the past several years after a long period of disfavor; although there is still a concern that our remoteness and lack of infrastructure and access to public lands work as significant disadvantages.

Alaska is blessed with an abundance of geologically favorable terrain. This bill is one of several things the legislature can do to reinforce the distinction between Alaska and the the lower 48, address the issue of foreign competition and encourage further investment in our mining industry.

HB 498 proposes a meaningful and reasonably attractive economic incentive that will help offset real and perceived problems facing exploration here and send a clear message to the world that Alaska is a good place to do business.

8-LS16440
Chenoweth
3/23/94

CS FOR HOUSE BILL NO. 498()
IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES FOSTER, MacLean

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 and subject to
7 the limit of AS 27.30.020, against

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

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

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

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

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

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

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

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

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

29 Sec. 27.30.020. LIMIT ON CREDITS. The amount of exploration incentive
30 credits for each parcel or site may not exceed the lesser of

31 (1) 50 percent of the combined amount payable by the qualified

1 applicant as taxes under AS 43.20 and AS 43.65 and as mineral production royalty
2 payments due under AS 38.05.135 - 38.05.175 for production from the parcel or site
3 on which the exploration activity occurred; or

4 (2) 50 percent of eligible costs relating to activities that qualify for an
5 exploration incentive credit that occur on the parcel or site on which the exploration
6 activity occurred.

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

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

10 (2) may, for the purposes described in AS 27.30.010(b), be assigned
11 by the qualified applicant to the applicant's successor in interest for the site at which
12 the exploration activities occur if the successor in interest is a qualified applicant.

13 Sec. 27.30.040. RELATIONSHIP TO OTHER FUNDS. Amounts due the
14 permanent fund under AS 37.13.010 and the public school trust fund under
15 AS 37.14.150 shall be calculated before the application of a credit extended under
16 AS 27.30.010.

17 Sec. 27.30.050. REGULATIONS. The commissioner may adopt regulations
18 necessary to implement this chapter.

19 Sec. 27.30.090. DEFINITIONS. In this chapter,

20 (1) "eligible costs" mean the costs incurred for activities in direct
21 support of exploration activity conducted for the purpose of determining the existence,
22 location, extent, or quality of a mineral or coal deposit; the term

23 (A) includes direct labor costs, including the cost of benefits,
24 for employees directly associated with work described in AS 27.30.010(a)(1) -
25 (4), the cost of renting or leasing equipment from parties not affiliated with
26 the applicant, the reasonable costs of maintaining and operating equipment,
27 payments to consultants and independent contractors not affiliated with the
28 applicant, and costs of materials and supplies;

29 (B) does not include noncash expenses such as depreciation and
30 reserves, interest or other costs of borrowed funds, return on investment,
31 overhead, insurance or bond premiums, or any other expense that is

1 unreasonable or that the applicant has not incurred to complete work described
2 in AS 27.30.010(a)(1) - (4);

3 (2) "geochemical methods" means soil, rock, vegetation, and similar
4 samples collected and their chemical analyses;

5 (3) "geophysical methods" means all geophysical data gathering
6 methods used in minerals exploration, including seismic, gravity, magnetic, and
7 electromagnetic measurements;

8 (4) "qualified applicant" means

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

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

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

12 (D) a limited liability company qualified to do business in the

13 state;

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

16 (F) any association of persons listed in (A) - (E) of this
17 paragraph.

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

19 (a) Except as otherwise provided, valuable mineral deposits in land belonging
20 to the state shall be open to exploration, development, and the extraction of minerals.
21 All land, together with tide, submerged, or shoreland, to which the state holds title to
22 or to which the state may become entitled, may be obtained by permit or lease for the
23 purpose of exploration, development, and the extraction of minerals. Except as
24 specifically limited by AS 38.05.135 - 38.05.181, land may be withheld from lease
25 application on a first-come, first-served basis, and offered only on a competitive bid
26 basis when determined by the commissioner to be in the best interests of the state.
27 When authorized by AS 27.30.010, the commissioner shall allow an exploration
28 incentive credit for activities undertaken to determine the existence, location,
29 extent, or quality of a locatable or leasable mineral or coal deposit and in [IN]
30 unproven areas the commissioner may offer additional incentives, including a reduction
31 of royalty to a minimum of five percent in the case of oil and gas, and other terms in

1 and granting permit or lease for exploration and development whenever it appears to
2 be in the best interests of the state to do so.

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

4 (b) The production royalty

5 (1) is three percent of net income as determined under AS 43.65; and

6 (2) is subject to the exploration incentive credit authorized by

7 AS 27.30.

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

9 Sec. 43.20.044. EXPLORATION INCENTIVE CREDIT. A taxpayer may
10 apply as a credit against the tax levied under this chapter the exploration incentive
11 credit authorized by AS 27.30.

12 * Sec. 5. AS 43.65.020(a) is amended to read:

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

24 * Sec. 6. This Act is retroactive to January 1, 1994, and applies to activities that qualify
25 for the exploration incentive credit authorized by AS 27.30 that are undertaken after
26 December 31, 1993.

27 * Sec. 7. This Act takes effect immediately under AS 01.10.070(c).

DIVISION OF LEGAL SERVICES

**LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA**

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

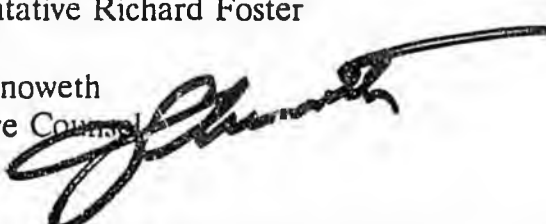
MEMORANDUM

February 22, 1994

SUBJECT: House Bill 498 -- Sectional analysis (Work Order No. 8-LS1644J)

TO: Representative Richard Foster

FROM: Jack Chenoweth
Legislative Counsel



In addition to other credits or adjustments that may be allowed to someone conducting mining activity, the measure proposes to establish an exploration incentive credit for activities on land in the state that relate to locatable and leasable minerals and to coal.

Bill section 1: This provision, the heart of the measure, authorizes an exploration incentive credit for activities on or for the benefit of land in the state to determine "the existence, location, extent, or quality" of a locatable or leasable mineral or coal deposit. Specifically --

-- AS 27.30.010 authorizes the exploration incentive credit; describes the activities that qualify for the credit; determines how the credit, once granted, may be applied; prescribes the documentation of activity that must be submitted to qualify for the credit; and sets a time limit before which the commissioner may not release certain information or data obtained by the commissioner under the activity documentation provision;

-- AS 27.30.020 defines the limits of the credit, which are made the lesser of (1) the exploration incentive credit applicant's mineral production royalty payment obligation under AS 38.05, or tax obligation under the state income tax or mining license tax, or the combination of them, or (2) 50 percent of the credit applicant's eligible costs;

-- AS 27.30.030 sets a time limit on the use or application of the exploration incentive credit--15 years after approval--and permits use of the credit to be assigned by one qualified credit applicant to another;

Representative Richard Foster

February 22, 1994

Page 2

-- AS 27.30.040 follows a provision of the oil and gas exploration incentive credit now under consideration and is intended to hold the Alaska Permanent Fund harmless against loss of any amounts due the fund under article IX, section 15 and by law;

-- AS 27.30.050 authorizes the commissioner of natural resources to develop, adopt, and enforce regulations relating to the claim and use of the exploration incentive credit; and

-- AS 27.30.090 supplies definitions to terms used in AS 27.30.

Bill section 2 amends the production royalty provisions of the Alaska Land Act, AS 38.05, to permit a person obligated to pay a mineral production royalty payment to claim the exploration incentive credit against the royalty payment that is due under that chapter.

Bill section 3 revises the manner of computing the mineral production royalty due under AS 38.05 to recognize the exploration incentive credit.

Bill section 4 amends the Alaska Net Income Tax, the current state income tax, to permit a taxpayer to claim the exploration incentive credit against the tax due under that chapter.

Bill section 5 amends the method of calculating the Mining License Tax, AS 43.65, to recognize the claim of the exploration incentive credit.

Bill section 6 amends the provision of the Mining License Tax, AS 43.65, to recognize, as an additional adjustment to computation of the tax due, the claim of the exploration incentive credit as a credit that may be claimed against that tax.

Bill section 7 makes the proposed exploration incentive credit authorized by the measure retroactive to January 1, 1994, to cover activities qualifying for the credit that take place after December 31, 1993.

Bill section 8 gives the measure an immediate effective date.

JBC:gc
94-149.glc

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. HB 498

Revision Date: _____ Dept. Affected: Revenue
 Title: Mineral Exploration Incentive Credits BRU: Revenue Operations
 Component: Income and Excise Audit
 Sponsor: Representatives Foster, MacLean
 Requestor: (H) RES COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FUND SOURCE: General	0 - (186M)	0 - (\$186M)	0 - (\$186M)	0 - (\$186M)	0 - (\$186M)	0 - (\$186M)
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ 0

ANALYSIS: (Attach a separate page if necessary.)

SEE ATTACHED

Prepared by: Larry E. Meyers Phone: 465-2320
 Division: Income and Excise Audit Division Date: February 24, 1994
 Approved by Commissioner: Darrel J. Rexwinkel Date: February 24, 1994
 Agency: Department of Revenue

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Bill Analysis

This bill grants an exploration incentive credit to qualified applicants for activities related to determining the existence, location, extent and quality of a locatable or leasable mineral or coal deposits. The credit may be claimed against corporation net income and mining license taxes under AS 43.20 and AS 43.65, respectively, and is available as a carryforward for 15 years.

The credit is limited in any one tax year to the lesser of 50% of eligible costs that qualify for the credit or sum amount payable as taxes and royalties under AS 43.20, AS 43.65 and AS 38.05.

The credit may be assigned to another qualified applicant. The other qualified applicant may use the credit in the same manner as the original applicant could have used the credit.

This bill has a retroactive effective date of January 1, 1994.

Operating Costs

Department of Revenue does not anticipate additional costs to administer the provisions of this bill. The Department would modify current forms to provide for taxpayers to claim credits.

Revenue

Depending on the amount of exploration expenditures made each year, taxpayers may claim credits against the total amount of their corporation income and mining license tax liabilities. According to Department of Natural Resources' publication *Alaska's Mineral Industry 1993: A Summary*, exploration expenditures in 1993 were \$28.2 million.

Since credits may be assigned to other corporations, potentially all corporation net income and mining license taxes could be reduced by exploration incentive credits allowed under this program. Average corporation net income and mining license tax collections over the past three fiscal years were approximately \$186 million.

Amounts claimed as credits will vary each year depending on amounts expended for exploration, credits assigned to other corporations, credits carried forward over the 15 year period allowed, and the effect of credits applied against royalty payments as provided for under this bill.



ALASKA MINERS ASSOCIATION, INC.

501 W. Northern Lights Blvd., Suite 203, Anchorage, Alaska 99503 FAX: (907) 278-7997 Telephone: (907) 276-0347

March 9, 1994

Honorable William Williams
Chairman
House Resources Committee
State Capitol
Juneau, AK 99811

RE: HB-498, Exploration Incentives

Dear Representative Williams,

The Alaska Miners Association wishes to go on record in support of House Bill 498 which provides financial incentives for companies and individuals to explore for and develop mineral deposits in the state. This is an important bill that will encourage both the small prospector as well as large international mining companies to invest here in Alaska.

In addition to being an encouragement to invest, HB-498 also insures that the state and the rest of the industry will have access to the data generated. This bill requires that the company wishing to receive the incentive credit document the expenditures it has made and provide the State Division of Geological & Geophysical Surveys with drill core, drill cuttings, sample analysis, etc. This can be a tremendous help for the other companies as they search for minerals and without this provision of the bill this data would remain proprietary and would not be available to the industry as a whole.

One important aspect of the bill is that a company can assign their exploration credit to another company. This can become very important when developing financing for a mineral project. A company that may otherwise not invest can be encouraged if they know they can assign their expenditures, if for example they are not able to continue in the project due to other unrelated financial reasons. If they can assign their credits to the next company to buy into the project, they can recover some of their expenditures. The bottom line is that more exploration will result and more mineral deposits will likely be discovered which can provide jobs, facilities that increase the local tax base, and ultimately company profits that can then be taxed by the state.

There is one location where a minor but important change is needed. That location is in Section 27.30.090. DEFINITIONS, where page 3, line 18 should be changed to read "(2) "geochemical methods" means [ore] soil, rock, water, vegetation, etc. samples collected and



ALASKA MINERS ASSOCIATION, INC.

their chemical analyses;". The term "ore" is not appropriate here because that term, by definition, means material that can be mined at a profit. Geochemical sampling on the other hand is a technique used to find minerals long before it is known if a minable deposit actually exists. Also, some geochemical samples are taken of soil or vegetation while looking for trace elements that may be present and could be an indicator of metals in the area.

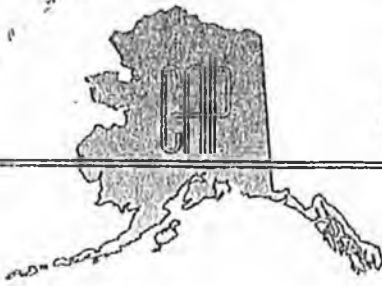
HB-498 comes at an important time for encouraging the minerals investments in Alaska. There is now a mass exodus of exploration funds away from federal lands throughout the western U.S. This is due primarily to the increasingly oppressive regulatory climate in the U.S. and to the efforts to change the federal mining law. Alaska cannot correct all of these problems but Alaska can add this incentive to encourage investment. HB-498 will send the message to the international mining industry that Alaska is seeking to improve the investment climate. This bill is one more indication that Alaska is working to encourage mineral development.

If you have any questions regarding this bill please contact me.

Sincerely,

Steven C. Borell, P.E.
Executive Director

cc: Representative Foster
Representative MacLean



POSITION STATEMENT: HB 498

The Council of Alaska Producers is an Alaska non-profit corporation whose members include Alaska Gold Company, American Copper and Nickel Company, Inc., Cambior Alaska, Cominco Alaska Incorporated, Echo Bay Alaska, Fairbanks Gold Mining, Inc., Greens Creek Mining Company, Kensington Venture, and North Pacific Mining. We strongly support CS for HB 498 which allows tax and royalty credits for qualified mineral exploration expenditures.

Alaska is competing with a global market for mineral exploration and development dollars. Throughout the world, countries are actively courting mining companies by offering economic incentives and other inducements. These efforts have been particularly successful in Chile and Mexico where privatization and tax incentives have revitalized their mining industries.

At the same time, ever-increasing regulatory and political obstacles in the lower 48 are forcing many companies to look elsewhere. While Alaska's image has actually improved over the last several years, exploration expenditures also are down here and we still must overcome legitimate concerns about our remoteness, weather and lack of access to public lands, along with an overriding perception that state and federal agencies are not that friendly to mining in the Last Frontier.

The proposed CS for HB 498 - which implements a key recommendation of the Alaska Minerals Commission in their January 1994 Report - begins to address these issues by proposing a fairly attractive incentive system that encourages reasonable exploration efforts, helps to offset logistical disadvantages and sends a clear message to industry that we want to see more, not less mining activity in this state. HB 498 will not solve all of our problems but it is one of several things we can and should do to draw more industry attention to Alaska and compete in this increasingly competitive global marketplace.

Our mineral industry is in its infancy and there is much room to grow. If we truly want to help diversify an oil dependent economy and fully develop our vast mineral resource potential we must take action now to encourage more exploration activity. Yes, there may be some impact on the treasury but there also may be more money circulating in the

economy. And if this strategy works as expected, expanded exploration efforts eventually will lead to more operating mines, and as important, more good jobs for Alaskans.



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HOUSE RESOURCES COMMITTEE

DATE: 3/25/94

PLACE: Capitol, Room 124

SUBJECT OF MEETING:

HB 498 - MINERAL EXPLORATION INCENTIVE CREDITS
 HB 443 - FISH AND WILDLIFE CONFIDENTIAL RECORDS
 HJR 61 - COMMUNITY DEVELOPMENT FISHING QUOTAS

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
Wayne Regelin	Fish & Game	PO Box 25526 Juneau	99801			<input checked="" type="radio"/> Y	<input type="radio"/> N	HB 443
Carl Meyer	Revenue	PO Box 110420 Juneau	99801	465-2343	-	<input type="radio"/> Y	<input checked="" type="radio"/> N	HB 498
KAREN BRAND	Rep MOSES	Rm 204		3765	3765	<input checked="" type="radio"/> Y	<input type="radio"/> N	HJR 61
						<input type="radio"/> Y	<input type="radio"/> N	
						<input type="radio"/> Y	<input type="radio"/> N	
						<input type="radio"/> Y	<input type="radio"/> N	
						<input type="radio"/> Y	<input type="radio"/> N	
						<input type="radio"/> Y	<input type="radio"/> N	
						<input type="radio"/> Y	<input type="radio"/> N	
						<input type="radio"/> Y	<input type="radio"/> N	