

HB

197

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/26/95

FURTHER:

DATE TURNED INTO OFFICE: 5-2-95

The Finance Committee considered CS FOR HOUSE BILL NO. 197(RES)

Exploration incentive credits for activities involving locatable and leasable mineral and coal deposits on certain land in the state; efd.

and recommends:

be replaced with S CS CS HB 197 (FIN)

adopt previous CS

attached amendment(s)

adopt Letter of Intent by House Resources Committee

further referral to the _____ Committee

Senate Bill:

- same title
- new title
- House Bill:**
- same title
- technical change
- new: SCR# _____

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
		<i>Steve Klein</i>	✓		
		<i>Paul E. Pico</i>	✓		
		<i>Paul R. Zimoff</i>	✓		
Co-Chair: <i>[Signature]</i>	✓				
Co-Chair: <i>Rick Halford</i>	✓				

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

DOR	4/28/95	0	
DNR	5/1/95		62.0

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

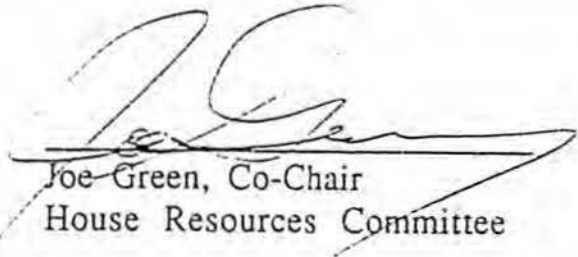


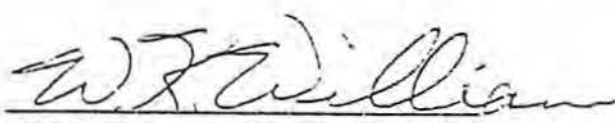
Alaska State Legislature
HOUSE OF REPRESENTATIVES
Committee on Resources

State Capitol
Juneau, Alaska
99801

Letter of Intent to accompany CSHB197(Res)

It is the intent of the House Resources Committee that in implementing HB197, the Division of Mining and Water make every effort to minimize and limit regulations. The committee views this legislation as a positive signal to investors who may be considering investment in Alaska. Promulgation of a complex set of regulations would send a negative message to investors who view complexity and uncertainty as undesirable.


Joe Green, Co-Chair
House Resources Committee


Bill Williams, Co-Chair
House Resources Committee

- Adopted by the House: 3/29/95

FISCAL NOTE

STATE OF ALASKA

BILL NO. SCSCSHB197 (RES)

1995 LEGISLATIVE SESSION

Revision Date: 28-Apr-95 Dept Affected: Natural Resources
 Title: An Act providing for exploration incentive credits BRU: Resource Development
for activities involving locatable and leasable minerals and coal... Component: Mining Development
 Sponsor: Representative(s) Foster, Zezey
 Requestor: _____ Component Serial No. 442

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES	54.0	54.0	54.0	54.0	54.0	54.0
TRAVEL	5.0	5.0	5.0	5.0	5.0	5.0
CONTRACTUAL	2.0	2.0	2.0	2.0	2.0	2.0
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	62.0	62.0	62.0	62.0	62.0	62.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (1004)	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 GF	62.0	62.0	62.0	62.0	62.0	62.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	62.0	62.0	62.0	62.0	62.0	62.0

Estimate of any current year (FY95) cost: \$ _____

POSITIONS	FY96	FY97	FY98	FY99	FY00	FY01
FULL-TIME	1	1	1	1	1	1
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

See attached.

Prepared by: Jules Tileston, Director Phone: 762-2165
 Division: Mining and Water Date: 28-Apr-95
 Approved by Commissioner: *W. Foster* Date: 5-1-95
 Agency: Natural Resources

FISCAL NOTE ATTACHMENT
SCS CSHB197(RES)

Analysis:

The amended bill resolves the major concerns of the department as expressed in our 3/20/95 fiscal note. In particular, the issue associated with providing a deduction against rental income was solved by deleting rentals as an eligible expense for application of the exploration incentive credit program. Further, the clarification added to the amended bill that existing mining operations, especially coal mining, would not become eligible for any exploration incentive credits when the mining operation simply moved only a short distance while continuing to use most of the previously existing mine infrastructure. Other technical amendments incorporated in SCSCSHB197(RES) as amended resolved tracking and certification of credits in a manner that provides a high degree of certainty that the holder of those credits can be used when the designated exploration activities lead to the development of a new mine or the reopening of a mine. Another technical amendment made it clear that all the exploration credits could be summed and applied to a single revenue source to substantially remove that income to the State.

These amendments were developed in close coordination with the bill sponsors, industry and the departments of natural resources and revenue. Because of these clarifications, the impact to State revenue from sources administered by the department have been revised downward. Specifically, the adverse impact of an estimated loss of coal revenues totalling \$1.9 million from coal rents and royalty during FY01 have been eliminated by the clarifications noted above and the deletion of rental revenues being eligible for exploration incentive deductions. The estimated loss of \$367,400 in FY01 would be significantly reduced by eliminating rental revenues as an eligible source for deduction. The loss to the State as a result of deductions against royalty income from a new or reopened mine can not be reasonably quantified with available information. We believe, however, that it would be a very small amount since royalty deductions could only be made for a new or reopened mine that is almost completely through the final permitting and would meet the requirements for defined exploration costs after May 15, 1995. Accordingly, we are now estimating that there would be no significant loss of royalty income until sometime after FY01.

The department feels strongly that coal should not be included in the exploration incentives program because royalty for the coal industry are not now great and there are provisions for further royalty reduction when a coal mining operation is not profitable. However, our original objection to including coal in the program was the potential loss of a significant part of the coal royalties now coming to the State from the Usibelli Coal Mine. The amended bill resolved this issue.

In summary, the department supports the concept to encourage new mineral exploration that will lead to the opening of new mines or to the reopening of mines. The amendments incorporated in SCSCSHB197(RES) address and largely resolve the issues of concern to the department.

Revision Date: _____ Dept. Affected: Revenue
 Title: Mineral Exploration Incentive Credits BRU: Audit Operations
 Component: Income and Excise Audit
 Sponsor: Rep. Foster, Vezey, et. al.
 Requestor: (S) RES COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
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: GF	*****	*****	*****	*****	*****	*****
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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 (FY95) Impact \$ 0.0

ANALYSIS: (Attach a separate page if necessary)

As explained in the attached analysis the Department is unable to determine a reasonable estimate for this bills impact on future State revenues.

Prepared by: Robert N. Bartholomew, Deputy Director *Robert N. Bartholomew* Phone: 465-2320
 Division: Income and Excise Audit Date: 4/28/95
 Approved by Commissioner: *[Signature]* Date: 4/28/95
 Agency: Department of Revenue

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ALASKA DEPARTMENT OF REVENUE

SCS CSHB 197 (RES)
9-LS0642\D
April 28, 1995
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Section 3. This section would amend corporation income tax statutes (AS 43.20) to authorize taxpayers to apply the credit against taxes payable and require them to submit an accounting of mining operation activities with their return.

Section 4. This section would amend mining license tax statutes (AS 43.65) to authorize taxpayers to apply the credit against taxes payable and require them to submit an accounting of mining operation activities with their return.

Section 5. This section provides for a retroactive date to January 1, 1995 and specifies that the bill would apply to activities that qualify for the credit undertaken after May 15, 1995.

Section 6. This section specifies that the bill take effect immediately under AS 01.10.070(c).

To prevent future controversy it may be necessary to provide definitions as to what constitutes a "mining operation".

Operating Costs

DOR does not anticipate any additional operating costs to administer the exploration incentive credit program authorized under this bill. The Department would modify corporation and mining license tax return forms to provide for exploration incentive credits and develop a schedule for applicants to report mining license tax liabilities for each mining operation.

While the Department does not anticipate the need for additional audit staff, the scope of corporation income and mining license tax audits will likely have to be expanded to include review of exploration incentive credits which may result in a decrease in overall audit coverage to other tax types.

State Revenue Impacts

Overview - It is difficult for Department of Revenue to determine the impacts of this bill on revenue since corporation income and mining license taxes are both based on net income from business or mining operations. It is difficult to predict whether individual mining sites will incur net income after production begins and since credits are limited to the level of future taxable income no reasonable estimate can be made.

For fiscal year 1994, the state collected \$162,000 in mining license taxes and no estimate can be made for the portion of corporation net income tax collected which would be impacted by the proposed tax credits.

Overall, exploration incentive credits would be limited to qualified exploration costs. According to DNR exploration expenditures during calendar year 1994 were approximately \$30 million. For 1994, credits would have been limited to \$30 million under this bill and unused portions would be available for a 15-year credit carryforward, assuming corporations had sufficient net income to qualify for the credit.

ALASKA DEPARTMENT OF REVENUE

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Bill Analysis

Section 1. This section adds a new chapter (Chapter 30) to AS 27 relating to exploration incentive credits.

AS 27.30.010. This section authorizes the commissioner of Department of Natural Resources (DNR) to grant exploration incentive credits for eligible costs for mining exploration activities in the state. The credits would apply to activities associated with mineral and coal deposits. Eligible costs would include costs incurred before the mine construction commencement date for new mines and before the mine reopening date for mines that previously operated but ceased operations.

AS 27.30.020. To obtain the credit, the applicant must obtain approval of eligible expenditures from DNR on an annual basis. Applicants would submit to DNR a request to take credits and the commissioner of DNR would approve the taking of the credit within six months of the request's receipt date.

AS 27.30.030. The exploration incentive credit could be applied against corporation and mining license taxes and royalty payments. For taxes, the credit would be limited to 50% of the tax liability from the mining operation with further limitation of 50% of the tax liability reported on the respective return. Taxpayers would be required to submit an accounting for each mining operation in the state with their mining license tax form. For royalty payments, the credit would be limited to 50% of the royalty payable for production from the mining operation.

AS 27.30.040. This section would authorize credits to be carried forward to a subsequent tax year or royalty period.

AS 27.30.050. This section would require that credits be applied within 15 years after the taking of the credit is approved.

AS 27.30.060. This section would authorize credits to be assigned to the applicant's successor in interest for the mining operation if the successor is a qualified applicant.

AS 27.30.070. This section would authorize the commissioner of DNR to require persons taking the credit to provide an accounting of past use of credits and other information regarding the credit.

AS 27.30.080. This section would require that amounts due the permanent fund be calculated before application of a credit.

AS 27.30.090. This section would require that the commissioner of DNR keep exploration activity data confidential for 36 months after receipt by the department.

AS 27.30.099. This section defines terms used in this chapter.

Section 2. This section amends royalty statutes (AS 38.05.212) so that the credit applies to production royalty payments.

Phoned &
Filed
3:10 pm
5/2/95

A FAX

Alaska State Legislature

Date: 5-2-95 *Attn: Karen*
To: Legal Services
Fax#: 2029 Phone#: 3867
From: Kathy - Senate Finance
Phone#: 2618

Re: SCS CSHB 197 (Fin) - Please incorporate
the attached amendment into SCS CSHB 197 (RES)
to produce a final Senate Finance Committee
substitute and return to Kathy or
Norma, Room 520, Capitol. The bill.

Following this page, please find 1 pages(s). If this does not reach you in full, please inform us ASAP.

was just reported out of committee and will be sent to Rules at the 5:30 floor session.



THANK YOU.

Adopted
5/2/95

SENATE FINANCE
COMMITTEE

Amendment Number: 1

Bill Number: HB 197

Sponsor: H. H. Ford Date: 5/2/95

Logged In By: JMK

Incorporate
within SC5 CSNB 197 (RES)
to produce SC5CSHB197 (Fix)

AMENDMENT #1

Page 6, line 20: After "credit" add "for a mining operation
may not exceed \$20,000,000 and"; continue with rest of
sentence.

Amend.
p. 6 line 20

9-LS0642\D

SENATE CS FOR CS FOR HOUSE BILL NO. 197(^{Fix}~~RES~~)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered: 4/27/95
Referred: Finance

Sponsor(s): REPRESENTATIVES FOSTER, Vezey, Kelly Mulder, Toohey, Brice, Phillips, Mackie,
James, Williams

A BILL

FOR AN ACT ENTITLED

1 "An Act providing for exploration incentive credits for activities involving locatable
2 and leasable mineral 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 person described in (d) of this section an
9 exploration incentive credit for the eligible costs of each of the following exploration
10 activities that are performed on or for the benefit of land in the state for the purpose of
11 determining the existence, location, extent, or quality of a locatable or leasable mineral
12 or coal deposit, regardless of whether the land is state-owned land:

- 13 (1) surveying by geophysical or geochemical methods;
- 14 (2) drilling exploration holes;
- 15 (3) conducting underground exploration;

1 (4) surface trenching and bulk sampling; or

2 (5) performing other exploratory work, including aerial photographs,
3 geological and geophysical logging, sample analysis, and metallurgical testing.

4 (b) Except as provided in (c) of this section, an exploration incentive credit may
5 not be granted under (a) of this section for exploration activity described in that
6 subsection that occurs after the mine construction commencement date of a new mine.
7 In this subsection, "mine construction commencement date of a new mine" means the
8 date no later than which all of the following have occurred:

9 (1) there has been issued to the owner or an agent of the owner permits,
10 leases, and title and other rights in land, and other approvals, permits, licenses, and
11 certificates, by federal, state, and local agencies that a reasonable and prudent person
12 would consider adequate to commence construction of a mine in the expectation that all
13 other approvals, permits, licenses, and certificates necessary for the completion of the
14 facilities will be obtained;

15 (2) all approvals, permits, licenses, and certificates are in full force and
16 effect, unrevoked and without any modification that might jeopardize the completion or
17 continued construction of the mine; and

18 (3) an order, judgment, decree, determination, or award of a court or
19 administrative or regulatory agency enjoining, either temporarily or permanently, the
20 construction or the continuation of construction of the mine is not in effect.

21 (c) In addition to the grant of an exploration incentive credit for a new mine
22 under (b) of this section, an exploration incentive credit may be granted under (a) of this
23 section for exploration activity described in that subsection for a mine that had
24 previously operated, has ceased to operate, and for which all previous mining approvals,
25 permits, licenses, and certificates that allowed the previous operation are no longer in
26 effect. However, under this subsection, an exploration incentive credit may not be
27 granted under (a) of this section for exploration activity that occurs after the mine
28 reopening date. In this subsection, "mine reopening date" means the date not later than
29 which all of the following have occurred:

30 (1) there has been issued to the owner or an agent of the owner permits,
31 leases, and title and other rights in land, and other approvals, permits, licenses, and
32 certificates, by federal, state, and local agencies that a reasonable and prudent person

1 would consider adequate to commence operation of the former mine in the expectation
2 that all other approvals, permits, licenses, and certificates necessary for the completion
3 of the facilities will be obtained;

4 (2) all approvals, permits, licenses, and certificates for the reopened mine
5 are in full force and effect, unrevoked, and without any modification that might
6 jeopardize the reopening of the former mine; and

7 (3) an order, judgment, decree, determination, or award of a court or
8 administrative or regulatory agency enjoining, either temporarily or permanently, the
9 reopening of the former mine is not in effect.

10 (d) An exploration incentive credit may be granted under this chapter only to

11 (1) a natural person who is at least 18 years of age;

12 (2) a partnership qualified to do business in the state;

13 (3) a corporation qualified to do business in the state;

14 (4) a limited liability company qualified to do business in the state;

15 (5) a legal guardian or trustee of a qualified natural person described in

16 (1) of this subsection; or

17 (6) any association of persons listed in (1) - (5) of this subsection.

18 Sec. 27.30.020. PROCEDURE FOR REQUESTING AND TAKING THE
19 CREDIT. To obtain the credit authorized by this chapter,

20 (1) a person shall submit a request for the credit as follows:

21 (A) the person shall submit a request and a statement of
22 expenditures for the previous calendar year not later than 60 days after the close
23 of that calendar year;

24 (B) the request must

25 (i) describe the work accomplished during the previous
26 year, the number of employees, and the names and number of
27 consultants; and

28 (ii) provide a detailed list or ledger of expenditures of the
29 accomplishments described in (i) of this subparagraph and a list of
30 exploration activity data that in the future will be made available to the
31 commissioner under (2)(A) of this section;

32 (C) the person submitting the request is not required to transmit

1 copies of receipts with the request, but the statement of expenditures is subject
2 to audit in the discretion of the commissioner;

3 (D) if the commissioner determines to audit the statement of
4 expenditures, the commissioner may require the person submitting the request to
5 justify claims of expenditures with receipts and other reliable information;

6 (E) the commissioner shall respond to the request by
7 September 30 by certifying or not certifying the person's expenditures; if the
8 commissioner

9 (i) does not certify expenditures, the commissioner shall
10 state the reasons for denial of certification and give the person making the
11 request an opportunity to correct any problems or to provide additional
12 information;

13 (ii) certifies expenditures, the commissioner shall specify
14 the exploration activity data requirements for that year that must be
15 presented to the department at the time of the taking of the credit;

16 (F) if the commissioner neither certifies nor denies certification
17 of expenditures by September 30, the expenditures are certified as submitted;

18 (2) the person whose expenditures have been certified under (1) of this
19 subsection may thereafter request the taking of the credit for the certified expenditures
20 as follows:

21 (A) the person shall deliver to the commissioner the exploration
22 activity data identified by the commissioner under (1)(E)(ii) of this section, and
23 shall request the commissioner's approval of the taking of the credit;

24 (B) the commissioner shall approve or disapprove the taking of
25 the credit within six months after receipt of the request for taking of the credit;
26 if the

27 (i) exploration activity data complies with the
28 requirements identified by the commissioner under (1)(E)(ii) of this
29 section, the commissioner shall approve the taking of the credit;

30 (ii) request is disapproved, the commissioner shall state
31 the reasons for disapproval and offer the person seeking to take the credit
32 an opportunity to correct any problems or to provide additional

1 exploration activity data or other information;

2 (C) if the commissioner neither approves nor disapproves the
3 request to take the credit within six months after submission of the request, the
4 taking of the credit is approved.

5 Sec. 27.30.030. APPLICATION OF THE CREDIT. (a) In a tax year or royalty
6 payment period, subject to (c) of this section and the respective limitations of this
7 subsection, the person may apply the credit, the taking of which was approved under
8 AS 27.30.020(2), against

9 (1) taxes payable by the person

10 (A) under AS 43.65; application of the credit under this
11 subparagraph may not exceed the lesser of

12 (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
14 which the exploration activities occurred, as shown under (b) of this
15 section; or

16 (ii) 50 percent of the person's total tax liability under
17 AS 43.65 for the tax year;

18 (B) under AS 43.20; application of the credit under this
19 subparagraph may not exceed the lesser of

20 (i) an amount equal to the amount determined under
21 (A)(i) of this paragraph; or

22 (ii) 50 percent of the person's total tax liability under
23 AS 43.20 for the tax year; and

24 (2) mineral production royalty payments payable by the person under
25 AS 38.05.135 - 38.05.175 and 38.05.212 for production from the mining operation at
26 which the exploration activities occurred; application of the credit under this paragraph
27 may not exceed 50 percent of the person's mineral production royalty payment liability
28 from the mining operation at which the exploration activities occurred.

29 (b) If the person applies the credit against the person's tax liability under
30 (a)(1)(A)(i) or (a)(1)(B)(i) of this section, the commissioner of revenue shall disallow
31 application of the credit under that provision unless the person files with the person's tax
32 return an accounting of the person's mining operation activities for each mining operation

1 that is included in the tax return and as to which the credit is being applied. The
2 accounting of mining operation activities required by this subsection shall be made

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

5 (A) identify the mining operations for which the credit is claimed;

6 and

7 (B) set out the gross income attributable to the mining operations
8 and other information about the mining operations that the Department of
9 Revenue may require;

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

12 (c) The person may not apply the credit under this section if the application,
13 when added to credits previously applied under this section, would exceed the total
14 amount of the credits approved under AS 27.30.020(2).

15 Sec. 27.30.040. CREDIT MAY BE CARRIED FORWARD. Except as its
16 application is limited by AS 27.30.030 and 27.30.050, a portion of a credit that is not
17 applied under AS 27.30.030 during a tax year or royalty payment period may be carried
18 forward to and applied during a subsequent tax year or royalty payment period.

19 Sec. 27.30.050. LIMIT ON APPLICATION OF CREDIT. An exploration
20 incentive credit *for a mining operation may not exceed \$20,000,000 and;*
21 ~~must~~ be applied within 15 tax years or royalty payment periods after the
22 taking of the credit is approved under AS 27.30.020(2), but the tax years or royalty
23 payment periods in which the credit is applied need not be

24 (1) the tax year or royalty payment period in which the person first incurs
25 liability for payment of tax or royalty based on the person's activity that is the basis of
26 the claim of the exploration incentive credit; or

27 (2) consecutive periods.

28 Sec. 27.30.060. ASSIGNMENT OF CREDIT. A person may assign an
29 exploration incentive credit to the person's successor in interest for the mining operation
30 at which the exploration activities occur, but only if the successor in interest is a person
31 qualified to obtain the credit under AS 27.30.010(d). An exploration incentive credit
32 may not be assigned except as permitted in this section.

Sec. 27.30.070. RESPONSIBILITY FOR RECORD OF USE OF CREDIT. For

1 each mining operation, the commissioner may require each person who proposes to take
2 the credit under AS 27.30.020(2) to provide with the request to take the credit a record
3 of

4 (1) the person's past use of credits taken under AS 27.30.020(2) and
5 27.30.030; and

6 (2) other information that the commissioner requires to determine if
7 approval of the taking of the credit by the person would exceed the limits on use of the
8 credit under this chapter.

9 Sec. 27.30.080. RELATIONSHIP TO OTHER FUNDS. Amounts due the
10 permanent fund under AS 37.13.010 shall be calculated before the application of a credit
11 extended under this chapter.

12 Sec. 27.30.090. CONFIDENTIALITY OF DATA. (a) The commissioner shall
13 keep the exploration activity data provided under AS 27.30.020 confidential for 36
14 months after receipt by the department.

15 (b) The department is liable in damages to a person who provided the
16 exploration activity data under AS 27.30.020 if the data is disclosed in violation of (a)
17 of this section.

18 Sec. 27.30.099. DEFINITIONS. In this chapter,

19 (1) "credit" means the exploration incentive credit for activities involving
20 locatable and leasable mineral and coal deposits authorized by this chapter;

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

25 (A) includes

26 (i) the costs of obtaining the approvals, permits, licenses,
27 and certificates for an exploration activity set out in AS 27.30.010(a)(1) -
28 (5);

29 (ii) direct labor costs and the cost of benefits for
30 employees directly associated with work described in AS 27.30.010(a)(1)
31 - (5);

32 (iii) the cost of renting or leasing equipment from parties

1 not affiliated with the person requesting and taking the credit;

2 (iv) the reasonable costs of owning, maintaining, and
3 operating equipment;

4 (v) insurance and bond premiums associated with the
5 activities set out in (i) - (iv) of this subparagraph;

6 (vi) payments to consultants and independent contractors;
7 and

8 (vii) the general expense of operating the person's
9 business, including the costs of materials and supplies, if those expenses
10 and costs are directly attributable to the work described in
11 AS 27.30.010(a)(1) - (5);

12 (B) does not include return on investment, insurance or bond
13 premiums not covered under (A)(v) of this paragraph, or any other expense that
14 the person has not incurred to complete work described in AS 27.30.010(a)(1) -
15 (5);

16 (3) "exploration activity data" includes, as applicable,

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

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

20 (C) aerial photographs or a topographic or geologic map showing
21 the location of the drill holes, sample locations, or the other exploration activities
22 undertaken;

23 (4) "geochemical methods" means soil, rock, water, air, vegetation, and
24 similar samples collected and their chemical analyses;

25 (5) "geophysical methods" means all geophysical data gathering methods
26 used in mineral or coal exploration, including seismic, gravity, magnetic, radiometric,
27 radar, and electromagnetic and other remote sensing measurements;

28 (6) "mining operation" includes all operating and nonoperating activities
29 related to a mineral deposit interest, and may be comprised of one or more mining
30 properties; in determining whether mining properties are part of the same mining
31 operation, the commissioner may consider whether the operation, in conducting mining
32 activities on several mining properties, uses common personnel, supply, and maintenance

1 facilities, mining-related treatment processes, storage facilities, roads, pipelines and
2 transportation equipment, and mining techniques and technology, and may also consider
3 the extent to which the mineral deposit interest comprises a common mining property;

4 (7) "person" means only those persons listed in AS 27.30.010(d).

5 * Sec. 2. AS 38.05.212(b) is amended to read:

6 (b) The production royalty

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

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

9 AS 27.30.

10 * Sec. 3. AS 43.20 is amended by adding a new section to read:

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

14 (b) In a tax year in which a taxpayer applies against the tax levied under this
15 chapter the exploration incentive credit authorized by AS 27.30, the commissioner shall
16 require the taxpayer to submit the accounting of mining operation activities form required
17 by AS 27.30.030(b).

18 * Sec. 4. AS 43.65.020(a) is amended to read:

19 (a) A person subject to tax under this chapter shall make a return stating
20 specifically the items of gross income from the property, including royalty received and
21 the deductions and credits allowed by this chapter and the exploration incentive credit
22 authorized by AS 27.30, and other information for carrying out this chapter that the
23 department prescribes. The return must show the mining license number and must be
24 signed by the taxpayer or an authorized agent of the taxpayer, under penalty of unsworn
25 falsification. If receivers, trustees, or assigns are operating the property or business, they
26 shall make returns for the person engaged in mining, or the recipient of royalty in
27 connection with mining property. The tax due on the basis of the returns shall be
28 collected in the same manner as if collected from the person of whose business they have
29 custody and control. In a tax year in which a taxpayer applies against the tax levied
30 under this chapter the exploration incentive credit authorized by AS 27.30, the
31 commissioner shall require the taxpayer to submit the accounting of mining
32 operation activities form required by AS 27.30.030(b).

- 1 * **Sec. 5.** This Act is retroactive to January 1, 1995, and applies to activities that qualify for
- 2 the exploration incentive credit authorized by AS 27.30 that are undertaken after May 15, 1995.
- 3 * **Sec. 6.** 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

May 2, 1995

SUBJECT: SCS CSHB 197 (Res), exploration incentive credits for mining activities (Work Order No. 9-LS0642\D)

TO: Representative Richard Foster
ATTN: John Walsh

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 is the measure's principal operating section. It 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 locatable or leasable minerals or coal deposit. Specifically --

-- AS 27.30.010 authorizes the exploration incentive credit; describes the activities whose expenses may qualify for the credit; sets the time limit on the activities whose expenses may qualify for the credit, couched in terms of "new mines" and in terms of "reopened mines"; and specifically identifies the parties to whom the credit may be granted;

-- AS 27.30.020 sets out the procedures to be used by a party to request the credit from the Department of Natural Resources and to secure that department's approval to take the credit; the process is set out as a two-part process under which, in order to request the credit, the commissioner of natural resources must certify expenditures for activities that qualify for the credit and, in order to secure approval to take the credit, the commissioner must review exploration data and approve or disapprove the credit's taking;

-- AS 27.30.030 explains the manner in which the credit, whose taking has been approved, may thereafter be applied; the credit may be applied, within the limits or caps set out in that section, against the person's tax liability under the Mining License Tax, AS 43.65, the Income Tax, AS 43.20, or mining production royalty; because the mining license tax and the income tax are typically computed on the basis of collective operations (rather than on a mine site specific basis), the section directs the commissioner of revenue to disallow

Representative Richard Foster

May 2, 1995

Page 2

application of the credit unless the taxpayer submits "an accounting of the person's mining operation activities for each mining operation . . . included in the tax return . . . as to which the credit is being applied," using a form prepared by the Department of Revenue;

-- AS 27.30.040 authorizes the carrying forward from one year to another of portions of the total credit that are not applied;

-- AS 27.30.050 sets a time limit on the application of the credit at 15 tax years or royalty payment periods after the credit's approval;

-- AS 27.30.060 permits a person to assign the credit to the person's successor in interest for the mining operation if that successor is a party qualified to obtain the credit under AS 27.30.010(d);

-- AS 27.30.070 authorizes the commissioner of revenue who proposes to take the credit to maintain and provide a record of the person's past use of the credits in order to ascertain whether a claim of the credit in any one year would exceed the limits set on the use of the credit;

-- AS 27.30.080 follows a similar provision of the oil and gas exploration incentive credit and is intended to hold the Alaska Permanent Fund harmless against any losses of amounts due the fund under the state constitution and by law;

-- AS 27.30.090 directs the commissioner of natural resources to keep confidential exploration activity data provided to justify the credit for a period of 36 months and establishes civil liability for wrongful disclosure of the confidential data;

-- AS 27.30.099 supplies definitions for 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 amends the Alaska Net Income Tax, AS 43.20, to permit a taxpayer to claim the exploration incentive credit against the tax due under that chapter. In addition, so that the computation and application of the exploration incentive credit may be correctly determined, the bill section directs the commissioner to require the taxpayer to submit the accounting of mining operation activities form required by AS 27.30.030(b).

Bill section 4 amends the provisions of the Mining License Tax, AS 43.65, to recognize, as an additional adjustment to computation of the tax due under that chapter, the claim of the exploration incentive credit as a credit that may be taken against that tax. In addition, so that the computation and application of the exploration incentive credit may be correctly

Representative Richard Foster

May 2, 1995

Page 3

determined, the bill section directs the commissioner to require the taxpayer to submit the accounting of mining operation activities form required by AS 27.30.030(b).

Bill section 5 makes the proposed exploration incentive credit authorized by the measure retroactive to January 1, 1995, to cover the entirety of the current tax year but applies the credit only to activities that may qualify for the credit initiated after May 15, 1995.

Bill section 6 gives the measure an immediate effective date.

JBC:lmb:klb

95-186.lmb



ALASKA MINERS ASSOCIATION, INC.

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

May 2, 1995

Honorable Rick Halford
Honorable Steve Frank
Co-Chairman
Senate Finance Committee
State Capitol
Juneau, AK 99811

RE: Senate CS for CS for HB 197(RES), Exploration Incentives

Dear Senators Halford and Frank,

The Alaska Miners Association wishes to go on record in support of the current Senate Committee Substitute for House Bill 197 which provides financial incentives for companies and individuals to explore for and develop mineral deposits in the state. This bill that will encourage both the small prospector as well as large international mining companies to invest here in Alaska.

The general view in the international mining industry has been that Alaska is a difficult and unfriendly place to do business. HB-197 will support the on-going effort to change this perception.

Over the past several months we have worked closely with the sponsors of this bill and with the Departments of Natural Resources and Revenue to answer questions that these agencies had raised. I am pleased to report that their questions have been answered. In the case of DNR, their concerns were focused on the mechanics of how the bill would be administered and the potential impact on program receipts. Changes were made in the bill to address these issues. In the case of Revenue, their concern was with the difficulty of calculating state corporate income tax when that tax deals with all U.S. income but the credit is specific to a particular mine. Changes were also made in the bill that addressed this concern.

If an individual or company is ever able to actually take the credit, it will be due to the fact that new revenues have been generated that do not now exist. The credit is mine specific and can be taken only if a new mine is constructed and in production.

It is also important to note that only certain defined exploration expenditures will qualify for the incentive credit. Most of the costs to develop the mine, i.e., costs for environmental

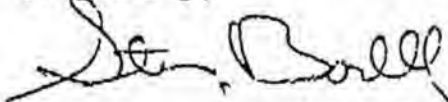
assessments or environmental impact statements, mine planning, feasibility studies, mine design, facility design, construction, etc. would not qualify for the incentive credit.

Most exploration projects will never result in an operating mine. This means that even if qualifying exploration expenditures are made and the costs are certified by the State, the credit will never be taken. As a reference, it has been estimated that for every one major mine that is developed, 1000 prospects are evaluated. I will be pleased if within the next 10 years there are two new major mines in the state that are able to utilize this investment credit.

This bill will send the message that Alaska is seeking to improve its investment climate and that Alaska wants to encourage mineral development. The bottom line for the State is that more exploration will occur and more mineral deposits will likely be discovered that can provide jobs, facilities that increase the local tax base, and ultimately company profits that can then be taxed by the state.

If we can be of any further help please contact me.

Sincerely,



Steven C. Borell, P.E.
Executive Director

cc: Representative Foster
Representative Vezey

**Alaska Department of Revenue
Income and Excise Audit Division**

HB 197 - Mineral Exploration Incentive Credit Overview

Example of mining operation timeline

- Phase 1**
 (a) Initial discovery, exploration, drilling and permitting - 8 years.
 (b) Company incurs \$2,175,000 in costs, 80% of which are eligible for credit (credit equals \$1,740,000).
- Phase 2**
 Construction period of 2 years. Construction costs not eligible for credit.
- Phase 3**
 (a) Production begins in year 10 and lasts for 12 subsequent years.
 (b) No income in first year of production, thus no credits applied for.
 (c) Company derives income in each of the remaining 11 years of production.

Tax Assumptions

- (Beginning with production, except year 1.)*
 \$100,000 in mining license tax (MLT) annually
 \$100,000 in corporation tax annually
 \$100,000 in royalty payments annually
 \$300,000 total annually

Year	Exploration Credit Balance	MLT Tax Exemption	MLT Tax Credit	Corporation Tax Credit	Royalty Credit	Corp Tax Deduction Benefit ¹	Total Benefit
100% of Expenditures Scenario							
1	\$1,740,000	\$0	0	\$0	\$0	\$13,630	\$13,630
2	1,740,000	100,000	0	50,000	50,000	13,630	213,630
3	1,640,000	100,000	0	50,000	50,000	13,630	213,630
4	1,540,000	50,000	25,000	50,000	50,000	13,630	188,630
5	1,415,000	0	50,000	50,000	50,000	13,630	163,630
6	1,265,000	0	50,000	50,000	50,000	13,630	163,630
7	1,115,000	0	50,000	50,000	50,000	13,630	163,630
8	965,000	0	50,000	50,000	50,000	13,630	163,630
9	815,000	0	50,000	50,000	50,000	13,630	163,630
10	665,000	0	50,000	50,000	50,000	13,630	163,630
11	515,000	0	50,000	50,000	50,000	13,630	163,630
12	365,000	0	50,000	50,000	50,000	13,630	163,630
Total		\$250,000	\$425,000	\$550,000	\$550,000	\$163,560	\$1,938,560

Result: Assuming a combined tax and royalty liability of \$3,600,000 over a 12-year period, the \$1.7 million in tax credits proposed by legislation when combined with existing exemption and deduction allowances would provide a total tax benefit of \$1,938,000.

50% of Expenditures Scenario

1	\$870,000	\$0	0	\$0	\$0	\$13,630	\$13,630
2	870,000	100,000	0	50,000	50,000	13,630	213,630
3	770,000	100,000	0	50,000	50,000	13,630	213,630
4	670,000	50,000	25,000	50,000	50,000	13,630	188,630
5	545,000	0	50,000	50,000	50,000	13,630	163,630
6	395,000	0	50,000	50,000	50,000	13,630	163,630
7	245,000	0	50,000	50,000	50,000	13,630	163,630
8	95,000	0	50,000	45,000	0	13,630	108,630
9	0	0	0	0	0	13,630	13,630
10	0	0	0	0	0	13,630	13,630
11	0	0	0	0	0	13,630	13,630
12	0	0	0	0	0	13,630	13,630
Total		\$250,000	\$225,000	\$345,000	\$300,000	\$163,560	\$1,283,560

Result: By limiting the tax credit to 50% of expenditures, the total tax benefit of \$870,000 derived from expenditures coupled with already existing exemptions and deductions still yield a benefit of \$1,283,000.

¹ Assumes deduction taken at the maximum 9.4% corporation tax rate.

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

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
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: GF	*****	*****	*****	*****	*****	*****

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 (FY95) impact \$ 0.0

ANALYSIS: (Attach a separate page if necessary)

As explained in the attached analysis the Department is unable to determine a reasonable estimate for this bill's impact on future State revenues. Several concerns have been raised addressing the difficulties in implementing the bill as currently written.

Prepared by: Robert N. Bartholomew, Security Director *Robert N. Bartholomew* Phone: 465-2320
 Division: Income and Excise Audit Date: 3/13/95
 Approved by Commissioner: *[Signature]* Date: 3/13/95
 Agency: Department of Revenue

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Bill Analysis

This bill grants exploration incentive credits to qualified applicants for costs of activities related to determining the existence, location, extent and quality of locatable or leasable mineral or coal deposits. This bill does not apply to oil and gas exploration. It appears that this legislation applies to both existing and new operations.

Credits may be claimed against corporation income and mining license taxes administered by Department of Revenue (DOR), under AS 43.20 and AS 43.65, royalties and rents, administered by Department of Natural Resources, under AS 38.05.135 - 38.05.175 and AS 38.05.211. Credits are limited to 50% of the combined amount of taxes, royalties and rents that are payable for activities, i.e. sites on which exploration activities occur. This bill requires that credits be used within 15 years after they are granted and allows for credits to be assigned to the applicant's successor in interest for the exploration site if the successor is a qualified applicant.

To prevent future controversy it may be necessary to provide definitions as to what constitutes a mining "site". This bill has a retroactive effective date of January 1, 1995.

Operating Costs

DOR does not anticipate any additional operating costs to administer the exploration incentive credit program authorized under this bill. The Department would modify corporation and mining license tax return forms to provide for exploration incentive credits.

While the Department does not anticipate the need for additional audit staff, the scope of corporation income and mining license tax audits will likely have to be expanded to include review of exploration incentive credits which may result in a decrease in overall audit coverage to other tax types.

State Revenue Impacts

Overview - It is not feasible for Department of Revenue to determine the impacts of this bill on revenue since corporation income and mining license taxes are both based on net income from business or mining operations. The Department is unable to predict whether individual mining sites will incur net income after production begins and since credits are limited to the level of future taxable income no reasonable estimate can be made.

For fiscal year 1994, the state collected \$162,000 in mining license taxes and no estimate can be made for the portion of corporation net income tax collected which would be impacted by the proposed tax credits.

Overall, exploration incentive credits are limited to qualified exploration costs. According to DNR exploration expenditures during calendar year 1994 were approximately \$30 million. For 1994, credits would have been limited to \$30 million under this bill and unused portions would be available for a 15-year credit carryforward, assuming corporations had sufficient net income to qualify for the credit.

State Revenue Impacts, continued

Concerns - A major concern for the Department is the increased complexity in corporation tax calculations the proposed legislation would create. Currently corporation taxes are based on income from combined operations inside and outside of Alaska. Taxpayers are currently not required to account for or report income on a site-by-site basis, which would be required by this bill. The Department does not believe that there is a simple and reasonable way to calculate and apply the proposed credits within the corporation income tax structure currently in place.

In discussions with Department of Natural Resources (DNR) and Department of Commerce and Economic Development it was agreed that for increased accountability credits should be applied for annually in advance of the actual expenditure. DNR would be responsible for preapproval and tracking of the eligible credits. Without this clause, a company would potentially submit documentation for expenditures many years after the costs were incurred.

For purposes of AS 43.20 and AS 43.65, for every million dollars in net income, a business would be allowed a maximum credit of \$80,500 (\$47,000 and \$33,500 credit against corporation and mining tax, respectively). Businesses gain an additional tax benefit because they would be allowed to deduct exploration costs from revenues in determining net income upon which taxes are based.

For example, a corporation's exploration activities prove to be very profitable and in a subsequent year, the combined corporation and mining taxes payable from the individual site is calculated to be \$100,000. In this case, the corporation is allowed to claim a \$50,000 credit. The same corporation has other mineral production activities outside of Alaska that are not profitable and when the corporation files its combined corporation tax return, its overall tax liability is \$50,000. Assuming the corporation claims the \$50,000 credit, the corporation would pay no taxes.

Since this bill does not specify that the credit is nonrefundable it is unclear if a corporation can actually receive a refund if credits exceed the corporation's combined tax liability. If in the example above, the corporation had a combined tax liability of \$40,000, the corporation may try to claim a \$10,000 refund after subtracting the \$50,000 credit from the tax liability. The Department recommends that the bill be amended to add "nonrefundable" before references to the credit.

Other information - New mining operations are exempt from mining license taxes for a period of three and one-half years from the date when production begins under AS 43.55.010. This may be an incentive that is already in place for purposes intended under this bill.

Given the uncertainty of estimating the impact on revenues it may be advisable to add a sunset provision which allows for the impacts to be reevaluated or establishing a cap on the annual amount of credit allowed.

FISCAL NO'

No. 2
 Bill Version CSHB 197 (RES)
 Publish Date: 3/22/95

STATE OF ALASKA 1995 LEGISLATIVE SESSION

Revision Date: Original Dept Affected: Natural Resources
 Title: An Act providing for exploration incentive credits BRU: Resource Development
for activities involving locatable and leasable minerals and coal... Component: Mining Development
 Sponsor: Reoresentative(s) Foster, Vezey
 Requestor: _____ Component Serial No. 442

Expenditures/Revenues (Thousands of Dollars)

	FY96	FY97	FY98	FY99	FY00	FY01
OPERATING EXPENDITURES						
PERSONAL SERVICES	54.0	54.0	54.0	54.0	54.0	54.0
TRAVEL	5.0	5.0	5.0	5.0	5.0	5.0
CONTRACTUAL	2.0	2.0	2.0	2.0	2.0	2.0
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	62.0	62.0	62.0	62.0	62.0	62.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (1004)	0.0	0.0	0.0	est. (100.0)	est. (100.0)	(1,900.0)

FUND SOURCE (Thousands of Dollars)

	FY96	FY97	FY98	FY99	FY00	FY01
1002 Federal Receipts						
1003 GF Match						
1004 GF	62.0	62.0	62.0	162.0	162.0	429.4
1005 GF/Program Receipts				(100.0)	(100.0)	(367.4)
1006 GFMHTIA						
Other						
TOTAL	62.0	62.0	62.0	62.0	62.0	62.0

Estimate of any current year (FY95) cost: \$ 10.0

POSITIONS

	FY96	FY97	FY98	FY99	FY00	FY01
FULL-TIME	1	1	1	1	1	1
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

See Attached.

Prepared by: Jules Tileston, Director Phone: 762-2165
 Division: Mining and Water Date: 7-Mar-95
 Approved by Commissioner: [Signature] Date: 3-7-95
 Agency: Natural Resources

ATTACHMENT TO FISCAL NOTE - HB197
March 7, 1995

If exploration incentive credit for coal exploration is allowed to remain in this bill, it could result in a minimum \$1.5 million dollar loss in direct coal royalty and tax revenues in the out-years. A significant amount of exploration cost precedes mining of coal. The state already has a regulation for granting royalty relief if a coal operator applies. The state's coal royalty is 5% of adjusted gross value. Transportation costs from the mine mouth to point of sale, and beneficiation costs are deductible from the coal sales price. Rent is deductible from royalty as well. Locatable mineral royalty is 3% of net profits, and rental is \$1/acre. These costs are pretty low. A three and a half year mining tax exemption is allowed for new mining operations.

Notwithstanding the coal royalty decrease, a several hundred thousand dollar decrease in "6(i)" rental revenue (rents and royalties return on state mineral production) could also occur in the out-years if credits are not restricted to claims for which activities take place. A decrease in rental revenue will impact the division's operating budget and affect current services provided by the division to the industry. Currently approximately \$367.4 in program receipts from 6(i) goes into the division's budget to support the program. In addition, approximately \$418.0 from this program goes into the Permanent Fund. This legislation would provide for no change to the Permanent Fund amount, but the amount going to the division operating budget would be eliminated.

Revenues

We assume that the exploration credits will result in the long-term loss of the following revenues:

Coal Royalties	\$1.5million
Mining Leases & Claims 6(i)	<u>\$.4 million</u>
	\$1.9 million

Sections 27.30.020 and 30 do not specify how this credit is taken, it could be either against the Department of Revenue or the Department of Natural Resources. We assume these credits will use all of DNR's revenue stream.

Fund Sources Changes in Long-term

Delete program receipts	\$(367.4)
General Fund	\$ 367.4

In order to maintain the existing level of service the division provides to the industry, the \$367.4 of program receipt authorization would need to be replaced with general fund over the long-term.

Position

One new position, a Geologist II, will be needed to provide technical work associated with this legislation. This involves prequalifying work elements and review of work completed. As this bill is effective immediately, it is estimated that \$10.0 will be necessary to pay for the additional position in FY95.

One new position	<u>\$ 62.0</u>
and associated costs	\$ 62.0

SENATE COMMITTEE REPORT

DATE: 3/30/95

FURTHER: Finance

DATE TURNED INTO OFFICE: 4-26-95

Final

Resources Committee considered CS FOR HOUSE BILL NO. 197(RES)

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

and recommends:

be replaced with SEN CS ^{CS} / HB 197 (RES)

adopt previous CS ()

attached amendment(s)

adopt Letter of Intent by HOUSE RESOURCES Committee

further referral to the Committee

P (+) FAL + P/W

Senate Bill:

- same title
- new title
- House Bill:
- same title
- technical charge
- new: SCR#

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Miss. Taylor</i>	<input checked="" type="checkbox"/>				
<i>Mr. Hoffman</i>	<input checked="" type="checkbox"/>				
<i>Miss. Ellice</i>	<input checked="" type="checkbox"/>				
<i>Rep. Heford</i>	<input checked="" type="checkbox"/>				
<i>CHAIR: Sen. A. Leman</i>	<input checked="" type="checkbox"/>				

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

Department	Date	Zero	Fiscal
<i>DNE</i>	<i>3/22</i>		<i>62.0</i>
<i>DOL - Audit</i>	<i>3/22</i>	<input checked="" type="checkbox"/>	

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill



ALASKA STATE LEGISLATURE
REPRESENTATIVE RICHARD FOSTER

Session: STATE CAPITOL, ROOM 410, JUNEAU, ALASKA 99811 • 907-465-3789 • FAX 907-465-3242
Interim: PO BOX 1630, NOME, ALASKA 99762 • 907-443-5036 • FAX 907-443-2162

RECEIVED

MAY 1 REC'D

Date: April 28, 1995

To: Senator Steve Frank
✓ Senator Rick Halford
Co-Chairs Senate Finance

From: Richard Foster *RF*
Co-Chair, House Finance

RE: Scheduling of Senate CSHB 197 (Res).

Please consider this request to schedule Senate CSHB 197 (Res); An act Providing for Exploration Incentive Credits for Activities Involving Locatable and Leasable Mineral and Coal Deposits on Certain Land in the State.

I understand the time constraints upon your committee as we near the end of session but I am hoping sufficient time remains to act on this legislation. As you know, a bill similar to this passed both bodies of the legislature last year but failed to receive concurrence in the last hours of the session. I believe the Senate CSHB 197(Res) is an improved version and urge your consideration.

Please feel welcome to call John Walsh in my office for additional details (3722). Thank you.