

**SB**

**176**

<TARGET><BILL>SB 176</BILL><SUBJECT>SB  
176</SUBJECT><COMM>SRES27</COMM></TARGET>



# ALASKA STATE LEGISLATURE

**SENATOR THOMAS H. WAGONER**

**Co-Chair: Senate Resources Committee**

Member: C&RA Committee

Member: LB&A Committee

Member: Regulatory Review

Member: World Trade

Official Business

Session: January - May

State Capitol, #427

Juneau, AK 99801

Phone: 907-465-2828 Fax: 907-465-4779

Interim: May - December

145 Main Street Loop, Suite 226

Kenai, AK 99611

Phone: 907-283-7996 Fax: 907-283-8127

## MEMORANDUM

**To:** Senators Wagoner and Paskvan  
Co-Chairs, Senate Resources Committee

**From:** Senator Wagoner *HW*

**Date:** February 2, 2012

**Re:** SB 176 An Act exempting sand and gravel operations and marketable earth mining operations from the mining license tax; and providing for an effective date.

I respectfully request a hearing on SB 176 before the Senate Resources Committee to be scheduled at your earliest convenience.

SB 176 eliminates sand and gravel operators and related marketable earth from the definition of mining and thereby eliminates the state tax on those operations.

Attached please find supporting documentation including:

- SB 176 Exemptions From Mining Tax
- Sponsor Statement
- Sectional, explaining the changes SB 176 would make to current law

Any questions may be directed to the following staff person in my office:

Margaret Dowling  
465-4899



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## Sponsor Statement

### ***SB 176 An Act exempting sand and gravel and marketable earth mining operations from the mining license tax; and providing for an effective date***

SB 176 eliminates the mining license tax on sand and gravel operations. Collecting the tax is costly to the state and industry, yet generates very little tax revenue for the state. In fiscal year 2011 the Department of Revenue collected \$221,364 in taxes from sand and gravel operations, and it put another \$100,000 into the Constitutional Budget Reserve Fund, which was generated from audits and other assessments that covered filings for previous years. The state's cost to collect this revenue was roughly \$170,000.

The cost to business is also significant. Sand and gravel operators manufacture a wide variety of products: Aggregate pavers for gardens and concrete blocks for construction, bulk and retail sacks of concrete, asphalt, pit-run, and many grades of aggregate. Preparing annual tax returns is costly because sand and gravel operators must track all expenses associated with each product, from extraction through product delivery. They must also track the type and volume of material used in each product, further compounding the complexity of record keeping. In addition, if an operator owns more than one pit, the operator's tax return must include a separate schedule for each pit with calculations tracking costs, materials, and product income. Even if an operation is so small that it qualifies for an exemption to the tax, it still must file a tax return with the state each year. According to industry representatives, preparing tax returns and complying with audit requests costs the sand and gravel operators about \$1 million a year in record keeping, tax return preparation and related administrative and accountant services time.

SB 176 also removes "marketable earth" from the mining license tax to address Department of Revenue and industry concern that after sand and gravel is removed from the mining tax, future regulators and the public could become confused about whether "marketable earth" includes sand and gravel.



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## Sectional Analysis

### *SB 176 An Act exempting sand and gravel and marketable earth mining operations from the mining license tax; and providing for an effective date*

**Section 1.** Amends AS 43.65.010(a) to conform to the removal of sand and gravel mining from the mining tax by eliminated the exclusion of sand and gravel operations from the three and one-half year exemption of taxes for new mining operations.

**Section 2.** Amends the definition of mining in AS 43.65.060(2) by removing "marketable earth" from the list of materials to which mining refers and by adding "marketable earth" and "sand and gravel" to the exclusions to mining.

**Section 3.** Adds a new section clarifying that sections 1 and 2 of the Act apply to taxes levied on or after the effective date of the Act.

**Section 4.** Provides an effective date of July 1, 2012.

27-LS1201\B  
Bullock  
2/4/12

**CS FOR SENATE BILL NO. 176( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-SEVENTH LEGISLATURE - SECOND SESSION**

**BY**

**Offered:**  
**Referred:**

**Sponsor(s): SENATOR WAGONER**

**A BILL**  
**FOR AN ACT ENTITLED**

1 **"An Act exempting quarry rock, sand and gravel, and marketable earth mining**  
2 **operations from the mining license tax; and providing for an effective date."**

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

4 **\* Section 1.** AS 43.65.010(a) is amended to read:

5 (a) A person prosecuting or attempting to prosecute, or engaging in the  
6 business of mining in the state shall obtain a license from the department. All new  
7 mining operations are exempt from the tax levied by this chapter for three and one-  
8 half years after production begins. [THE TAX EXEMPTION GRANTED TO NEW  
9 MINING OPERATIONS DOES NOT EXTEND OR APPLY TO THE MINING OF  
10 SAND AND GRAVEL.]

11 **\* Sec. 2.** AS 43.65.060(2) is amended to read:

12 (2) "mining" means an operation by which valuable metals, ores,  
13 minerals, asbestos, gypsum, coal, [MARKETABLE EARTH,] or stone, or any of them  
14 are extracted, mined, or taken from the earth; "mining" includes the ordinary treatment

1 processes normally applied by mine owners or operators to obtain the commercially  
2 marketable product, but does not include the extraction or production of oil and gas,  
3 marketable earth, quarry rock, or sand and gravel;

4 \* **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to  
5 read:

6 RETROACTIVITY. Sections 1 and 2 of this Act are retroactive to January 1, 2012.

7 \* **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).



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## **Changes between SB 176 and CS SB 176 (RES)**

Page 2, Line 3: Adds "quarry rock" as an exclusion to the definitions of mining

Page 2, Line 6: Changes effective date from July 1, 2012, making it retroactive to January 1, 2012



Official Business

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## **Sectional Analysis**

### **CS for SB 176 ( ) *Exemption from Mining License Tax***

**Section 1.** Amends AS 43.65.010(a) to conform to the removal of sand and gravel mining from the mining tax by eliminated the exclusion of sand and gravel operations from the three and one-half year exemption of taxes for new mining operations.

**Section 2.** Amends the definition of mining in AS 43.65.060(2) by removing “marketable earth” from the list of materials to which mining refers and by adding “marketable earth, quarry rock, or sand and gravel” to the exclusions to mining.

**Section 3.** Adds a new section making application of sections 1 and 2 retroactive to January 1, 2012.

**Section 4.** Provides an immediate effective date under AS 01.10.070(c).



Official Business

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## Sponsor Statement

### CS for SB 176 ( ) *Exemptions from Mining License Tax*

CSSB 176 eliminates the mining license tax on sand and gravel operations. Collecting the tax is costly to the state and industry, yet generates very little tax revenue for the state. In fiscal year 2011 the Department of Revenue collected \$221,364 in taxes from sand and gravel operations, and it put another \$100,000 into the Constitutional Budget Reserve Fund, which was generated from audits and other assessments that covered filings for previous years. The state's cost to collect this revenue was roughly \$170,000.

The cost to business is also significant. Sand and gravel operators manufacture a wide variety of products: Aggregate pavers for gardens and concrete blocks for construction, bulk and retail sacks of concrete, asphalt, pit-run, and many grades of aggregate. Preparing annual tax returns is costly because sand and gravel operators must track all expenses associated with each product, from extraction through product delivery. They must also track the type and volume of material used in each product, further compounding the complexity of record keeping. In addition, if an operator owns more than one pit, the operator's tax return must include a separate schedule for each pit with calculations tracking costs, materials, and product income. Even if an operation is so small that it qualifies for an exemption to the tax, it still must file a tax return with the state each year. According to industry representatives, preparing tax returns and complying with audit requests costs the sand and gravel operators about \$1 million a year in record keeping, tax return preparation and related administrative and accountant services time.

CSSB 176 also removes "marketable earth" from the mining license tax to address Department of Revenue and industry concern that after sand and gravel is removed from the mining tax, future regulators and the public could become confused about whether "marketable earth" includes sand and gravel. In addition, the committee substitute added "quarry rock" because they are included in Department of Revenue's totals and represent an extremely small portion of the sand and gravel taxes collected. On Department of Revenue's request, the committee substitute changes the bill's effective date from July 2012 and makes it retroactive to January 2012. With this change the department and industry need not administer a 6 month return.

# FISCAL NOTE

**STATE OF ALASKA**  
**2012 LEGISLATIVE SESSION**

Bill Version SB176  
 Fiscal Note Number \_\_\_\_\_  
 () Publish Date \_\_\_\_\_

Identifier (file name) SB176-DNR-DMLW-2-10-12 Dept. Affected Department of Natural Resources  
 Title Exemptions from Mining Tax Appropriation Land & Water Resources  
 Allocation Mining Land & Water  
 Sponsor Senator Wagoner  
 Requester (S) RES OMB Component Number 3002

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
<b>OPERATING EXPENDITURES</b>	<b>FY13</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>FUND SOURCE</b>		(Thousands of Dollars)					
1002	Federal Receipts						
1003	GF Match						
1004	GF						
1005	GF/Prgm (DGF)						
1037	GF/MH (UGF)						
1178	temp code (UGF)						
<b>TOTAL</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>POSITIONS</b>							
Full-time							
Part-time							
Temporary							

<b>CHANGE IN REVENUES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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Estimated SUPPLEMENTAL (FY12) operating costs 0.0 (separate supplemental appropriation required)  
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 (separate capital appropriation required)  
 (discuss reasons and fund source(s) in analysis section)

**Why this fiscal note differs from previous version (if initial version, please note as such)**

Initial version

Prepared by Brent Goodrum  
 Division Mining Land & Water  
 Approved by Daniel S. Sullivan  
Commissioner

Phone (907) 269-8625  
 Date/Time 02-10-2012 / 9:00 AM  
 Date 2/10/2012

FISCAL NOTE

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

BILL NO. SB176

**Analysis**

Section 1 of SB176 removes a sentence from AS 43.65 which effectively exempts mining of sand and gravel from the mining license tax.

Section 2 of SB176 also amends the definition of mining under AS 43.65 to exclude "marketable earth" as a product that is extracted, mined, or taken from the earth. It also excludes marketable earth, sand and gravel from the definition of mining as the ordinary treatment processes applied by mine owners or operators to obtain the commercially marketable product. In Section 3, it states that by removing the mining of sand, gravel and marketable earth from the previous sections, the mining of these products are exempt from the mining license tax.

If enacted, this bill takes into effect July 1, 2012. This bill is expected to have zero fiscal impact on the Department of Natural Resources.

# FISCAL NOTE

**STATE OF ALASKA**  
**2012 LEGISLATIVE SESSION**

Bill Version SB 176  
 Fiscal Note Number \_\_\_\_\_  
 () Publish Date \_\_\_\_\_

Identifier (file name) SB176-DOR-TAX-02-01-12 Dept. Affected \_\_\_\_\_ Revenue \_\_\_\_\_  
 Title Exemptions From Mining Tax Appropriation Taxation and Treasury  
 Allocation Tax  
 Sponsor Senator Wagoner  
 Requester (S) RES OMB Component Number 2476

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY14	FY15	FY16	FY17	FY18
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>FUND SOURCE</b>		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
<b>TOTAL</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>POSITIONS</b>								
Full-time								
Part-time								
Temporary								

<b>CHANGE IN REVENUES</b>		<b>(150.0)</b>	<b>(300.0)</b>	<b>(300.0)</b>	<b>(300.0)</b>	<b>(300.0)</b>	<b>(300.0)</b>
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Estimated **SUPPLEMENTAL (FY12) operating costs** \_\_\_\_\_ (separate supplemental appropriation required)  
 (discuss reasons and fund source(s) in analysis section)

Estimated **CAPITAL (FY13) costs** \_\_\_\_\_ (separate capital appropriation required)  
 (discuss reasons and fund source(s) in analysis section)

**Why this fiscal note differs from previous version (if initial version, please note as such)**

Initial version

Prepared by Johanna Bales, Deputy Director  
 Division Tax  
 Approved by Alicia Egan, Legislative Liaison  
Department of Revenue

Phone 269-6628  
 Date/Time 2/1/2012 3:30 p.m.  
 Date 2/4/2012

FISCAL NOTE

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

BILL NO. SB 176

Analysis

**Bill Language:**

This bill would exempt sand and gravel and marketable earth from the mining license tax. During FY 2011, the Department received 182 mining license tax returns from sand and gravel operators. Included in those tax returns was activity from the extraction of other marketable earth such as peat, top soil, and the like. Only 17 of those 182 taxpayers paid tax. Under the current mining license tax structure, taxpayers do not pay tax if their current year net mining license taxable income is less than \$40,000. Most sand and gravel taxpayers do not have more than \$40,000 in net income annually and, therefore, do not pay tax. They are, however, required to obtain a mining license and file a mining license tax return each year.

**Revenues:**

During the past five years, the state has received the following amount of mining license tax revenue from sand and gravel operations:

<u>Fiscal Year</u>	<u># of Licensees</u>	<u>Sand &amp; Gravel Tax</u>	<u>Total Mining Tax Revenue</u>	<u>Sand &amp; Gravel Tax (Percent of Total)</u>
2007	11	\$267,592	\$79,141,526	.3%
2008	38	\$285,314	\$54,408,228	.5%
2009	140	\$260,355	\$16,044,139	1.6%
2010	131	\$206,830	\$29,725,100	.7%
2011	189	\$320,360	\$43,338,119	.7%

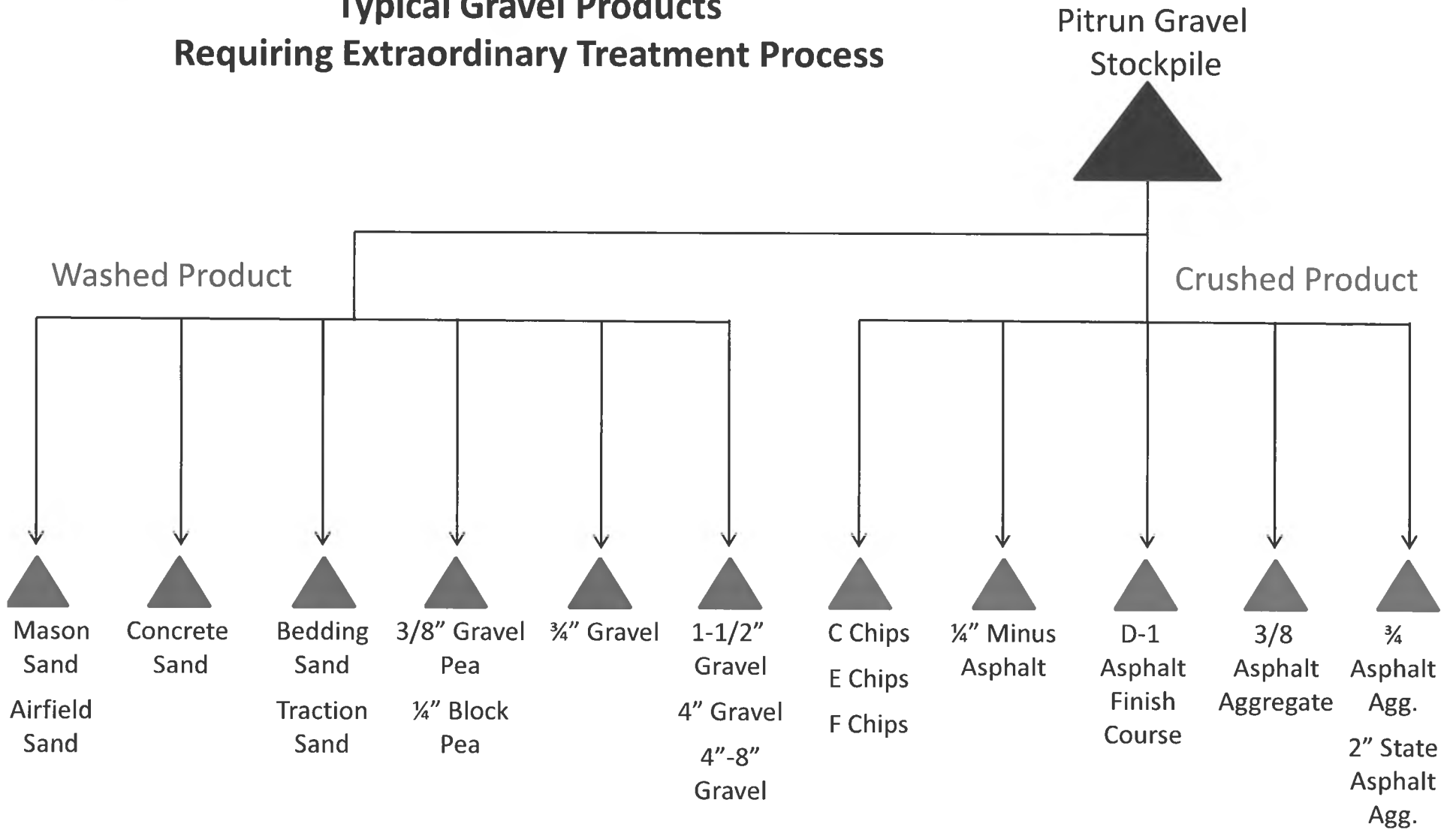
Based on previous filings, the Department expects that total mining license tax revenues will decrease each year by approximately \$300,000. This bill has an effective date of July 1, 2012, which would result in decreased revenue in FY 2013 of approximately \$150,000 as taxpayers, which file on a calendar year basis, would report and pay tax on 6 months of activity (January 1, 2012 through June 30, 2012).

Sand and gravel operators that currently use their mining license in lieu of a business license will be required to obtain a business license each year. The state could see a small increase in business license revenue as a result of this bill.

**Expenditures:**

During the past five years, the Department has expended approximately \$150,000 each fiscal year on the examination and audit of sand and gravel tax returns. Staff used to conduct those examinations were diverted from other excise tax programs to focus on sand and gravel taxpayers as the Department was aware that there was a significant number of non-filers in this tax type. As you can see from the above data, compliance efforts by the Department which started in FY 2007 resulted in the number of licensees increasing dramatically from only 11 in FY 2007 to 189 in FY 2011. However, there was not a dramatic increase in revenues as most taxpayers brought into compliance had less than \$40,000 in mining license net income and, therefore, paid no tax. The Department does not expect to reduce staff as a result of this legislation as most resources that currently focus on sand and gravel mining have been re-assigned to compliance activities and audits of other excise taxes.

# Typical Gravel Products Requiring Extraordinary Treatment Process



**MEETING DATE: February 15, 2012**



1. Switch gavel from Paskvan
  
2. SB 176
  - a. This is the initial presentation of the bill – it has a referral next to finance.
  - b. There is a Draft CS for the legislation
  - c. Ask for motion on the Draft CS – object for discussion
  - d. Ask sponsor to present
    - i. Margaret Dowling
  - e. Go to public hearing**
    - i. See attached offnet
    - ii. Go to LIO's
    - iii. Go to Juneau
  - f. CLOSE PUBLIC HEARING**
  - g. Remove objection – ask for motion out of committee with individual recommendations – fiscal notes.
  
- 3.** Gavel out – announce time.

## Jeff Stepp

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**From:** Margaret Dowling  
**Sent:** Tuesday, February 14, 2012 3:55 PM  
**To:** Mary Jackson; Jeff Stepp  
**Subject:** SB 176 Final Testifier List

### **Testifiers: Final List**

**They are listed in the order they should be called upon by the Chair to best “tell the story”**

### **Off net:**

Tony Johansen, Great Northwest, FB. Also AGC President  
Marc Cottini, Engineer and co-owner of Mat Su pit  
Ben Simmons, VP - Controller, Anchorage Sand and Gravel  
Cheryl Shafer, Owner, Dibble Creek Rock, Anchor Point

### **Available for Questions:**

**Off Net:** Johanna Bales, Deputy Director, DOR, Div of Tax  
**In Person:** Don Bullock, Leg. Legal

Margaret Dowling  
Staff to Senator Tom Wagoner  
Senate District Q  
(907) 465-4899

[My commentary, not a question.

I think it's another casualty of an inefficient DOR tax management system, as identified by FAST audit/report.

The Legislature allocated \$35M to create an efficient Integrated ~~#~~ Tax Mngmnt System. ~~That shall~~

SB 176

↑↑ Wielechowski concerned about the exclusion of rare earth elements

Audits = expensive, time consuming, etc.

**From:** Brian Vreeling [<mailto:BVreeling@COLASKA.com>]

**Sent:** Monday, February 13, 2012 9:56 AM

**To:** Sen. Joe Paskvan; Sen. Tom Wagoner; Sen. Bill Wielechowski; Sen. Bert Stedman; Sen. Lesil McGuire; Sen. Hollis French; Sen. Gary Stevens

**Cc:** [John@agcak.org](mailto:John@agcak.org)

**Subject:** RE: Exemptions from Mining Tax - Bill Number SB176

Colaska, Inc. operates as an integrated construction business that owns and leases multiple sand and gravel pits throughout Alaska. Our activities include extracting sand & gravel and processing these extracts into different marketable products. These products are either sold externally to third-party customers or utilized internally in making redi-mix concrete, asphalt hot mix, or on road construction projects.

The Mining License Tax law as it currently exists places an undue hardship and burden on sand and gravel operations to comply with for several reasons.

Firstly, as an integrated business that has some operations considered 'mining activities' and others that are not, it has proven to be difficult to carve out our mining activities from our integrated activities to file a meaningful mining income tax return on an annual basis. This carving requires us to spend much more time to prepare and create the mining income tax return than it does to prepare our corporate income tax return for the IRS and the State of Alaska.

Secondly, we are currently being audited by the Department of Revenue (DOR) for two years of our mining tax returns. The audit process started more than a year ago and is now just coming towards an end. Because of our integrated operations, it has been difficult for the DOR to apply the mining tax law as it currently exists to our situation. Again having integrated activities, it has proven to be very onerous for the DOR to audit a carved out piece of our entire business. To date we have spent well in excess of a combined 800 hours in our organization complying with the audit and responding to audit requests. This is in addition to the hours and costs expended by the DOR on this audit.

Thirdly, the ultimate consumer of our products is the government. In 2011, 78% of our revenues came from public sources. The cost of the mining tax itself, as well as our internal costs to comply with this tax are being passed on to our customers, which the majority is coming from government funds.

In summary, as the Vice President of Finance of a company that must comply with the Mining License Tax, I whole heartedly support Senate Bill No. 176 to exempt sand and gravel and marketable earth mining operations. My support comes from direct experience in the cost and efforts to comply with the current law which by far exceed the tax revenue generated from it.

Yours truly,  
Brian Vreeling, CPA  
Vice President, Finance  
Colaska, Inc.  
4000 Old Seward Highway, Suite 101  
Anchorage, Alaska 99503

**From:** Matt Early [<mailto:Matt@twinpeaksconstruction.net>]

**Sent:** Friday, February 10, 2012 11:12 AM

**To:** Sen. Joe Paskvan; Sen. Tom Wagoner

**Cc:** Sen. Bill Wielechowski; Sen. Bert Stedman; Sen. Lesil McGuire; Sen. Hollis French; Sen. Gary Stevens

**Subject:** Senate Bill 176

Senators Paskvan and Senator Wagoner -

As the Construction Project Manager for Twin Peaks Construction, I would like to speak on behalf of Senate Bill 176, for which I understand that a hearing is taking place next Wednesday, Feb. 15, 2012. Twin Peaks is a relatively small civil construction company providing work on public projects throughout the State for a variety of entities.

We strongly support this bill exempting sand and gravel sales from the State mining tax. As it stands now, as mentioned most of our projects are for public entities, including the state of Alaska. This tax effectively adds to the cost of construction for our company, and thus needs to be accounted for in our bid. Thus this tax currently causes the costs of public construction projects to increase. Furthermore, current law essentially takes the money out of one pocket in the State and puts it in another, as it costs additional monies to contracting entities such as the Department of Transportation, but provides revenue for the Department of Revenue. However, with all bids and projects we do, we add on markup and overhead costs to any actual costs we anticipate, which can run up to 20%. So, in essence, the State is taking money out of one pocket and only getting 80% of that money back, not to mention the administrative costs incurred by the Department of Revenue to review and process these tax returns. Thanks much for your consideration of this information in your decision.

Take care,  
Matt

**Matthew Early**

**Project Manager**

**Twin Peaks Construction, Inc.**

**(907) 235-3802 Ext.24 Phone**

**(907) 235-1042 Fax**

**(907) 299-9900 Cell**

**[matt@twinpeaksconstruction.net](mailto:matt@twinpeaksconstruction.net)**

**From:** Tim Hroza [<mailto:THroza@COLASKA.com>]

**Sent:** Monday, February 13, 2012 2:57 PM

**To:** Sen. Joe Paskvan; Sen. Tom Wagoner; Sen. Bill Wielechowski; Sen. Bert Stedman; Sen. Lesil McGuire; Sen. Hollis French; Sen. Gary Stevens

**Cc:** [John@agcak.org](mailto:John@agcak.org); Ben Northey; Julie Olson; Brian Vreeling

**Subject:** SB 176: Exemptions From Mining Tax

The Mining License Tax law puts a lot of burden on businesses that extract sand and gravel to build roads and infrastructure in Alaska. The Mining License Tax Return (MLTR) requires us to segregate the mining activities of our business and that has proven to be very difficult for Colaska because of the way we track our sand and gravel activities. We spend an inordinate amount of time preparing this data every year to comply with the MLTR as well as preparing mining license renewals every year for gravel pits that we infrequently use.

Additionally, we have been going through a Dept of Revenue MLTR Audit for the past year and it also has proven to be an very arduous experience. As Corporate Controller and gatherer of the data from our Regional Controllers and staff, we collectively have spent hundreds of hours preparing schedules, pulling invoices and answering a plethora of questions regarding the MLTR and we still haven't come to the end of the audit.

Finally, the ironic part of this whole ordeal is that almost 80% of our sand and gravel production eventually gets sold to the State of Alaska DOT and local governments in the form of new and/or improved roads via the contracts that were awarded to Colaska. The bottom line is that any additional costs acquired to generate the sales of these sand gravel products translate to additional costs to our customers, mainly the State of Alaska and local governments.

In summary, as the Corporate Controller of a company that must comply with the Mining License Tax, I whole heartedly support Senate Bill No. 176 to exempt sand and gravel and marketable earth mining operations. My support comes from direct experience in the cost and efforts to comply with the current law which by far exceed the tax revenue generated from it.

*Tim Hroza  
Colaska Inc.  
Corporate Controller  
907-273-1013*

Sheep Creek Development, LLC  
P.O. Box 71577  
Fairbanks, AK 99707

January 31, 2012

Alaska House of Representative and Senate Members  
Capitol Building

Re: HB 298 and SB 176

Dear House and Senate Members:

I am writing this letter to request your support for HB 298 and SB 176.

Sheep Creek Development and one of our individual members own substantial parcels of patented mining claims which were purchased with millions of cubic yards of stacked and processed tailings and fines produced as a byproduct of gold dredge and placer mining operations performed by the former owners.

During 2008, the State of Alaska, Department of Revenue attempted to incorrectly impose the MLT and its requirements on our company. We spent significant sums retaining legal and mining tax professionals, and hundreds of uncompensated hours of personal time, to document and assert our position that we were and are not miners. While it appears DOR informally agreed with our position, it is certainly possible that they could revisit the matter at a future date. Passage of this bill would provide certainty for us and the many other companies who purchased old mining claims with tailings on them which DOR has incorrectly asserted or asserts are subject to the MLT.

Unlike other minerals taxed under the MLT which are combusted or shipped out of state, sand and gravel and the tailings and fines we sell are used and still remain in Alaska. Our largest sales are to publicly funded projects for roads, sidings, etc. but we also sell to homeowners trying to build their driveway or a pad for their new home. Passage will lower the cost of infrastructure for all Alaskans, level the playing field between sand and gravel companies and eliminate the type of burdensome defense costs we have experienced.

Please vote to pass this legislation and do not hesitate to email or call me should you have any further questions regarding this matter.

Sincerely,



Jon Cook  
Managing Member  
Sheep Creek Development, LLC  
(907)322-0362 – Cell  
[joncook@gci.net](mailto:joncook@gci.net)



P.O. Box 32159 Juneau, Alaska 99801 (907) 780-5145 Fax (907) 780-5896

February 13, 2012

Senator Tom Wagoner  
State Capitol Room 427  
Juneau, Alaska, 99801

RE: Senate Bill 176 Exemptions from Mining Tax

Dear Senator Wagoner,

Thank you for your support of this important piece of legislation. Though this bill is short, it will remove a burdensome tax and benefit the citizens of Alaska.

Secon is an integrated business, and the mining activities we undertake are a very small part of our operations. However, segregating the mining activities to prepare the State of Alaska mining tax return takes almost as much time as it does to prepare our Federal and State income tax returns.

The audit of two years of our mining tax returns by the Department of Revenue (DOR) has been overwhelming to say the least. Secon has spent approximately 200 hours gathering information and preparing schedules, two DOR auditors were on site in our offices in 2011 for five days each – and the audit is still not complete. Our corporate offices in Anchorage have spent considerable more time than this compiling and consolidating the information for the audit.

All of the sand, rock, and gravel that we mine stays here in Alaska. The majority of it is used in government public works projects (roads, bridges, sidewalks, airports, etc.) along with private projects (driveways, home foundations, gravel for icy roads, etc.) The costs of preparing the mining license tax return and complying with DOR audit requests is passed on the end user of products, which is the State Alaska and the citizens of Alaska.

Thank you again for your time and support of this bill and for your service to our wonderful state.

Sincerely,

A handwritten signature in cursive script that reads "Julie Olson".

Julie Olson, CPA  
Controller

Cc: Senator Joe Paskvan  
Senator Bert Stedman  
Senator Bill Wielechowski  
John McKinnon, Director AGC

Senator Lesil McGuire  
Senator Hollis French  
Senator Gary Stevens



RECEIVED

FEB 15 2012

16515 Centerfield Dr, Ste 201  
Eagle River, AK 99577  
Phone: 907-696-2828  
Fax: 907-696-2845  
www.eklutnainc.com

February 13, 2012

Senator Joe Paskvan  
State Capitol  
Juneau, AK 99801-1182

Re: SB 176. "Exemptions from Mining Tax"

Dear Senator Paskvan,

Eklutna, Inc. wishes to express its support for Senate Bill 176 as it addresses an onerous administrative burden on gravel extraction operations for both private business and the Alaska Department of Revenue. This bill will exempt sand and gravel operations from the mining license tax.

The present mining tax costs more to collect than the revenues realized. When you consider that about half of all sand and gravel products are used for public projects, it is really the public that is paying an extra tax without a good reason. Mining taxes are more appropriate for minerals, not sand and gravel products.

The audits that need to be performed to calculate the taxes are time-consuming for both the state and operators. The amount of mining license tax paid by the sand and gravel industry is miniscule compared with other taxed minerals. The end result is that the system is inefficient and not cost effective for any party.

Repealing the mining tax for sand and gravel will remove an unnecessary burden for private businesses and allow the Department of Revenue to redirect their activities to revenue producing activities on high value mineral mining operations.

If you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

Curtis J. McQueen  
CEO

Jim A. Arnesen  
Corporate Lands and Regulatory Manager

## Jeff Stepp

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**From:** Erin Ealum <Erin@eklutnainc.com>  
**Sent:** Monday, February 13, 2012 11:15 AM  
**To:** Sen. Joe Paskvan; Sen. Tom Wagoner; Sen. Bill Wielechowski; Sen. Bert Stedman; Sen. Lesil McGuire; Sen. Hollis French; Sen. Gary Stevens  
**Cc:** Curtis McQueen; Jim Arnesen  
**Subject:** SB 176 Exemptions from Mining Tax



February 13, 2012

Senator  
State Capitol  
Juneau, AK 99801-1182

Re: SB 176. "Exemptions From Mining Tax"

Dear Senator,

Eklutna, Inc. wishes to express its support for Senate Bill No. 176 as it addresses an onerous administrative burden on gravel extraction operations for both private business and the Alaska Department of Revenue. This bill will exempt sand and gravel operations from the mining license tax.

The present mining tax costs more to collect than the revenues realized. When you consider that about half of all sand and gravel products are used for public projects, it is really the public that is paying an extra tax without a good reason. Mining taxes are more appropriate for minerals, not sand and gravel products.

The audits that need to be performed to calculate the taxes are time-consuming for both the state and operators. The amount of mining license tax paid by the sand and gravel industry is miniscule compared with other taxed minerals. The end result is that the system is inefficient and not cost effective for any party.

Repealing the mining tax for sand and gravel will remove an unnecessary burden for private businesses and allow the Department of Revenue to redirect their activities to revenue producing activities on high value mineral mining operations.

If you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,



Curtis J. McQueen  
CEO

Jim A. Arnesen  
Corporate Lands and Regulatory Manager



P.O. Box 60750  
Fairbanks, AK 99706

1570 Richardson Highway  
North Pole, AK 99705-5943

Phone: (907) 488-8833  
Fax #: (907) 488-8999

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February 10, 2012

Senator Joe Paskvan  
Senator Thomas Wagoner  
Senate Resources Committee Co-Chairs  
State Capitol  
Juneau, AK

Email transmission to:        Senator\_Joe\_Paskvan@legis.state.ak.us  
   Senator\_Thomas\_Wagoner@legis.state.ak.us

Re:    Senate Bill 176        "An Act exempting sand and gravel and marketable earth mining operations from the mining license tax; and providing for an effective date."

Dear Senator Paskvan and Senator Wagoner,

Next week, on Wednesday, Feb 15<sup>th</sup>, you will be receiving testimony on SB 176 regarding the taxation of sand and gravel operations in the State of Alaska. Please consider the following comments as you discuss the numerous merits of this bill.

**Sand & Gravel tax return**

There is no clear guidance on how to comply with the mining return. While this is manifested in many ways, from a sand & gravel standpoint – and especially for a company engaged in additional processing or use of the aggregate - there are some calculations / allocations that don't make economic sense. These sometimes work in the state's favor and other times in the company's.

**Sand & Gravel tax return audits**

The state's resources that were spent in auditing our returns (labor, airfare, hotels etc) could have had a much bigger impact auditing different areas. For the years in question there was much less use or sale of aggregates than the current years which in turn would reduce the chance of collecting enough additional revenue to justify the cost of the audit.

The company also suffers financially in complying with the filing of the return and any subsequent audits. We have spent over 150 hours searching for and copying documents, preparing schedules and answering

questions. The cost to the company has included labor, postage, office supplies (paper) and the opportunity cost of the employee's time that would have been better spent elsewhere.

The current taxation system requires a company to report based upon their tax year. Our financial statements are prepared by calendar year and our state and federal taxes are reported with a year end of March 31<sup>st</sup>. While our current accounting system is configured to accommodate the "routine" filings for state and local corporate taxes, it is not customized to provide the data required by the mining tax return, which must be extracted from our financial statements. This therefore requires that significant additional time be spent reconciling the two financial reporting periods in order to comply with the return requirements. Internally, the best solution would be to keep separate ledgers but this is cost prohibitive with our current set-up.

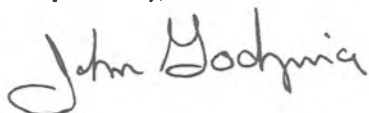
If the tax for sand & gravel is not abolished it should at the very least be simplified so that compliance is no longer burdensome.

### **Sand & Gravel tax paid by DOT**

While we could focus merely on the fact that administering this tax costs more than it raises, that doesn't address the core issue of who is paying most of the tax – the State of Alaska Department of Transportation. The majority of the aggregates removed from our Interior pits finds its way into a state road or airport project, which means the state is actually taxing itself, and costing itself additional administrative expense in the process.

Our state economy is in a precarious state. It is of utmost importance that we get the most bang for our buck in all areas of state government. The sand and gravel tax system works against that end. Please support SB 176.

Respectfully,



John Godzina, CPA  
Controller

CC:	Senator Bill Wielechowski	Senator_Bill_Wielechowski@legis.state.ak.us
	Senator Bert Stedman	Senator_Bert_Stedman@legis.state.ak.us
	Senator Lesil McGuire	Senator_Lesil_McGuire@legis.state.ak.us
	Senator Hollis French	Senator_Hollis_French@legis.state.ak.us
	Senator Gary Stevens	Senator_Gary_Stevens@legis.state.ak.us
	John MacKinnon, AGC	

## SB 176

I am Ben Simmons, Vice President – Controller, of Anchorage Sand and Gravel Co., Inc. I have been employed in this capacity for the past 37 years. I have extensive experience with Chapter 43.65 Mining License Tax, filing required tax returns and responding to audits. Based upon my experience and knowledge of the Mining License Tax statute, the following testimony is respectfully submitted.

- **Ambiguous.** The Mining License Tax Statute as it pertains to sand and gravel is very ambiguous and difficult to apply to sand and gravel operations. All mining operations covered by the statute is basically one item (ie. Gold, silver, coal, etc.), with the exception of sand and gravel which can be between 20-30 products. Therefore, applying the statute to sand and gravel requires analysis of 20-30 different items instead of one. In the past 30 years I have been involved in three audits which included 1-3 years of tax returns each. Each audit was handled differently than the previous and final dispositions were settlement agreements with no real guidance for future return filings. The major points of contention are always “fair market value” and “ordinary treatment process” and value of sand and gravel used internally. The statute contains definitions of each, but each is difficult to apply to sand and gravel operators. For instance, operators in vertically integrated companies (typically suppliers) have very different processes from operators who are general contractors. AS&G is a vertically integrated company (supplier) which sells approximately 70% of its mined product to third parties and uses 30% internally. Mining operators who are general contractors sell approximately 30% of their mined product to third parties and use 70% internally (for asphalt, road beds, building pads, etc.). Suppliers’ internal sales would include aggregates for asphalt, ready mix concrete, concrete block, sacked goods, etc.
- **Inconsistent application of tax and No “market price” for sand and gravel.** The statute requires internal sales to be valued at “fair market value after they have been subjected to ordinary treatment processes”. Unlike gold, silver, lead, zinc, etc., there is no exchange or commodities board one can go to and get the “market or field price” for sand and gravel. So when determining the value to be used for internal use of sand and gravel auditors generally rely on the average sales price by product to third parties. This approach does not take into account bid prices for large quantities, high prices for hard to make specs or simple value added for additional handling. These prices are determined on a product by product basis from one producer to another, so the amount of tax paid by one producer can vary greatly from another

on exactly the same product. Therefore, fair application of the tax is not consistent from one taxpayer to the next.

- **Burdensome.** A great deal of time is required to gather and generate the necessary information for filing a tax return. The current thinking at the Department of Revenue Auditing Division is that “fair market price” should be determined on a product by product basis. AS&G currently makes and inventories between 20-30 aggregate products, so gathering information is very time consuming. In addition, if audited the time requirement and expense grows significantly. Our last audit for tax years 2005-2006 took almost 18 months and costs to AS&G in time and attorney expenses were well over \$50,000.00 just complying with requests for information and meetings.
- **Non-productive tax.** It is my belief that the amount of taxes collected from sand and gravel producers is insignificant compared to the cost to the state. During previous audits through discovery it was determined that the state had collected slightly more than \$200,000 in mining taxes and AS&G accounted for approximately 50% of this. I can only assume that audit costs are greater than revenue.

In summary, ambiguity as it pertains to sand and gravel, inconsistent application of tax, no markets or indexes for sand and gravel, burdensome and time consuming to comply and non-productive tax are reasons why sand and gravel should be exempted from the Mining License Tax statute. Government (local, state and federal) is the end customer for the majority of our products and ultimately pays this tax and our expense. I estimate that between 60 to 75% of aggregates produced by AS&G are used public or governmental projects. An exemption from this tax for sand and gravel producers should reflect lower costs of materials to construction projects. It will not be readily identifiable due to the competitive nature of the construction industry, but costs of construction materials should be lower.

Respectfully,

Ben D. Simmons  
V.P. Controller



## **ANCHORAGE SAND and GRAVEL CO., INC.**

1040 O'Malley Road • Anchorage, Alaska 99515 • (907) 349-3333 • FAX (907) 344-2844 • [www.anchsand.com](http://www.anchsand.com)

2/13/2012

Senate Resources Committee

Re: SB 176: Exemptions from Mining Tax / Companion House Bill 298

Dear Senator,

Thank you for giving me the opportunity to address you regarding Senate Bill 176. My name is Wes Vander Martin; I am the Vice President/General Manager of Anchorage Sand & Gravel where I have worked for the past 20 years. Anchorage Sand & Gravel is a vertically integrated company that mines and sales sand and gravel related products, such as concrete, asphalt aggregates, block, precast concrete, cement, and a host of other construction related products and activities. AS&G has been in doing business in Alaska since 1938. Our products are used on a wide variety projects in the greater Anchorage area and over the whole state from residential to Military and State DOT projects.

AS&G is in favor of the passage of Senate Bill 176 that would exempt the tax on income, related to the mining of sand, gravel, quarry rock, and other marketable earth products, for the following reasons.

**1<sup>st</sup>** – The amount of revenue that the State is receiving from collecting this tax is less than, or at best equal to, what it is costing the state to collect it. Therefore it is a neutral tax at best. According to information reported, the State only received about \$200,000 in tax revenue in 2010, from all the numerous sand & gravel producers. The state over the years has performed many audits, some individual audits lasting more than 2 years to complete. This has cause a great strain on the states auditing department with little results to show for it.

**2<sup>nd</sup>** - The tax is burdensome. A great deal of time is required to gather and generate the necessary information for filing a tax return. The current thinking of the department of revenue auditing division is that “fair market price” should be determined on each product to help calculate revenue. In AS&G case we make over 20-30 different sand and gravel products, so gathering information is very time consuming. If we are audited the time





## **ANCHORAGE SAND and GRAVEL CO., INC.**

1040 O'Malley Road • Anchorage, Alaska 99515 • (907) 349-3333 • FAX (907) 344-2844 • www.anchsand.com

requirement and expense grows significantly. Our last audit took almost 18 month and cost AS&G in time and attorney fees will over \$50,000 just complying with request for information and meetings.

3<sup>rd</sup> – The mining tax, as it relates to sand and gravel, is very ambiguous and inconsistent. As I have already mentioned AS&G for example is required to try and figure out what the “fair market value” is for 20 to 30 different products. Other mining operations such as gold, silver, zinc, or coal for example are indexed, and the values are well known and easily traceable. This is not the case for sand and gravel. The various gravel producers in the state have very different processes and markets, thus making it difficult to determine a “fair market price”. For example AS&G is strictly a supplier of materials, were other producers lean more towards construction and use their products on their own projects? Defining a “fair market value” that is fair and easy to determined is at the root of the problem. This is what the auditors and producers struggle with, thus making the application of the tax inconsistent across the board. The amount of tax paid by one producer can vary greatly from another even on exactly the same product.

4<sup>th</sup> – Governments (local, state, and federal) are the end customer for a majority of our products, and are ultimately the ones paying for this tax, because the producers are just passing on the costs. AS&G sells about 65% of their products to government projects. It seems to me that the government is really just adding unnecessary cost to their own projects.

In summary, this is a nonproductive tax, it is burdensome and time consuming for both the producers and the state auditing department, and it is inconsistent because there are no markets or indexes for sand and gravel. For these reasons sand and gravel should be exempted from the Mining License Tax statute.

Thank You,

Wes Vander Martin  
Vice President/General Manager





February 10, 2012

Dear Senator Paskvan:

As President of one of Alaska's large, road construction companies that must comply with the Mining License Tax, I am informing you that **Senate Bill 176: Exemptions from Mining Tax**, has my full support, and I encourage you to vote for its passage.

Colaska, Inc. operates as an integrated construction business that owns and leases multiple sand and gravel pits throughout Alaska. Our activities include extracting sand & gravel and processing these extracts into different marketable products. These products are either sold externally to third-party customers or utilized internally in making redi-mix concrete, asphalt hot mix, or on road construction projects, the majority of which are public works projects.

We are currently being audited by the State of Alaska, Department of Revenue (DOR) for two years of our mining tax returns. The audit process started more than a year ago and is now just coming towards an end. It has been difficult for the DOR to apply the mining tax law as it currently exists to a company like ours that performs integrated activities. To date we have spent well in excess of a combined 800 hours in our organization complying with the audit and responding to audit requests. This is in addition to the hours and costs expended by the DOR on this audit with a minimal revenue result.

At a time when we are trying to encourage business and growth in our great State of Alaska, I believe there are much better places to spend our time and energy than trying to resurrect a "make work" program that probably does not cover its own costs.

**Please vote for Senate Bill 176.**

Sincerely,

COLASKA, INC.

Ben A. Northey, CPC  
President





4000 Old Seward Hwy., Suite 101  
Anchorage, Alaska 99503  
Tel : (907) 273-1000  
Fax: (907) 273-1099  
www.colaska.com

February 10, 2012

**Reference: Exemptions from Mining License Tax – SB176**

I believe the Mining License Tax law places an undue hardship and burden on all sand and gravel operations.

Colaska, Inc. owns and leases many sand and gravel pits throughout Alaska. We extract sand & gravel and process these extracts into different marketable products. These products are either sold externally to third-party customers or utilized internally in making redi-mix concrete, asphalt hot mix, or on our road construction projects, the majority of which are public works projects.

We have some operations that are considered 'mining activities' and others that are not. The time we have spent to prepare and create the mining income tax return is more time than we have spent to prepare our corporate income tax return for the IRS and the State of Alaska. The end result is that it will add to the cost of all construction.

As the Vice President of Operations of a company that must comply with the Mining License Tax, I **whole heartedly support Senate Bill 176 to exempt sand and gravel and marketable earth mining operations.** My support comes from direct experience in the cost and efforts to comply with the current law which by far exceed the tax revenue generated from it.

Yours truly,

**COLASKA, INC.**

Jon Fuglestad  
Vice President, Operations  
4000 Old Seward Highway, Suite 101  
Anchorage, Alaska 99503



## ASSOCIATED GENERAL CONTRACTORS of ALASKA

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8005 Schoon Street • Anchorage, Alaska 99518  
Telephone (907) 561-5354 • Fax (907) 562-6118

3750 Bonita Street • Fairbanks, Alaska 99706  
Telephone (907) 452-1809 • Fax (907) 456-8599

February 10, 2012

Senator Joe Paskvan  
Co Chair Senate Resource Committee  
State Capitol, Room 115  
Juneau, AK 99801-1182

Re: SB 176

Dear Senator ~~Paskvan~~: *Joe*

On behalf of the Associated General Contractors of Alaska, a construction trade association of over 650 business members, representing the majority of the construction industry in Alaska, thank you for hearing SB 176.

Working with our affected companies last spring, we realized that the present mining license tax structure was poorly applied to aggregate production in the construction industry. Last summer we approached the Department of Revenue about the problems with the present tax as it applies to quarry rock and sand and gravel operations in Alaska and how the present requirements could be simplified. After researching the issue it was recommended that the simple solution was to exempt quarry rock and sand and gravel operations requirements.

This has been a cooperative effort between industry and the administration. We quickly recognized that this was a true nuisance tax. For the State, it is a lot of effort to administer. For the construction industry, it is very complicated to calculate and even more complicated to audit, for relatively little revenue to the state and many times more expense to industry. When you consider that the majority of the mined and processed product goes into public works projects, government is paying most of the associated costs and the tax, at the expense of our projects.

Thank you again for your consideration and support for SB 176 and this exemption for the aggregate business from the mining license tax.

Sincerely,

John MacKinnon  
Executive Director  
Associated General Contractors of Alaska



PO Box 80688  
Fairbanks, AK. 99708

Telephone (907) 488-5983  
Fax (907) 488-9830

February 10, 2012

To: Senator Joe Paskvan

Re. HB298 Mining Tax

Senator Paskvan:

Our companies are engaged in construction of roads, and building sites locally around Fairbanks utilizing our owned gravel sources.

We have been reporting and paying the mining tax.

November 24, 2009 the State of Alaska Department of Revenue requested and audit of our records. A request for extension by the Department of Revenue was received July, 2011. Over 2 years have passed without resolution.

This process is costly and burdensome:

1. The rules are not clearly defined leaving determination of the rules open to interpretation.
2. The audit process is time consuming, burdensome, frustration and costly for companies to comply. Records are voluminous and have to be transferred by mail. It is as if we are in a legal suit rather than regulation compliance.

Most of H C Contractors work is public work. This will only increase the cost of doing work on those contracts. The extra cost will be added to the contracts so the government dollars will pay the tax back to the government through the increase. This is a futile process.

The mining tax on local gravel sources needs to be repealed. These are not mineral resources. This will save money for all of us.

Thank you.

Sincerely,

William Hoople  
President, H C Contractors, Inc.

SAMUEL P. TROTZKE, CPA  
664 Feliz St.  
North Pole, AK 99705  
(907) 488-4967

January 30, 2012

State of Alaska  
Honorable Legislators  
Juneau, Alaska

Sent via email

RE: House Bill 298

Dear Honorable Legislators:

I would like to express my support for House Bill 298, in the Legislature of the State of Alaska, Twenty-Seventh Legislature – Second Session.

The above referenced House Bill, as introduced on January 25, 2012, would exempt sand and gravel mines from the requirement to calculate and pay the annual mining license tax. I am supportive of removing the requirement that sand and gravel mines be subject to the mining license tax as the law currently reads.

Current statutes and regulations are vague and difficult to understand. I have had many conversations with State of Alaska employees at the Department of Revenue regarding this tax. It is my belief that each person reading the regulations could reasonably draw different conclusions with respect to similar fact patterns making the calculations of the tax difficult and expensive for the mining operations.

Please vote in favor of removing this burdensome tax requirement from sand and gravel operators as the costs of preparing, reviewing and filing the mining tax returns are greater than the benefits derived from the tax for both the operators and the State of Alaska.

Thank you for your kind attention to this matter. Please feel free to contact me should you have further questions.

Respectfully,

  
Sam Trotzke



301 Cushman St., Ste 200  
P.O. Box 70668  
Fairbanks, Alaska 99707  
907/452-2512  
907/452-5018 (fax)  
[samrobert@briceinc.com](mailto:samrobert@briceinc.com)

February 14<sup>th</sup>, 2012

Ref: Senate Bill No. 176: Exemptions From Mining Tax

Dear Senate Resource Committee Members:

Thank you for your support of SB 176. This bill will remove a burdensome tax to the benefit of the citizens of Alaska.

Brice Companies are based in Fairbanks, AK and include Browns Hill Quarry located on Badger Road between North Pole and Fairbanks. Browns Hill Quarry provides quarry rock and sand and gravel products for sale to the public as well as a majority of the public works projects in the area for roads, driveways, erosion control and landscaping. In the recent past, we have had to comply with an onerous audit of the Mining License Tax by the Department of Revenue (DOR). This audit required us to spend a significant amount of additional time with our staff and the hiring of an outside CPA firm over a two year period to finalize our response. The cost of this audit by the DOR to our company was significant and does not correlate with the amount of tax revenue generated. Our Mining License payments during the 2 year audit would not have covered the costs of the DOR auditors to the State for the hours of effort expended.

All of the quarry rock, sand and gravel products we mine at Browns Hill Quarry stay in Alaska. Costs to prepare and pay the Mining License Tax and audit expenses are passed on to our customers, Alaskans.

Thank you for your time and support of this bill.

Sincerely,

A handwritten signature in cursive script that reads "Sam Robert Brice".

Sam Robert Brice, President  
Brice Incorporated