

HB

249

<TARGET><BILL>HB 249</BILL><SUBJECT>HB
249</SUBJECT><COMM>HFIN29</COMM></TARGET>

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version: HB 249
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB249CS(FIN)-DOR-TAX-4-15-16
Title: ELECTRONIC TAX RETURNS & MOTOR FUEL TAX
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: House Finance

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017	Included in	Out-Year Cost Estimates					
	Appropriation Requested	Governor's FY2017 Request	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES	FY 2017	FY 2017						
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues		62,200.0	66,100.0	66,600.0	66,600.0	67,100.0	67,300.0
---------------------------	--	----------	----------	----------	----------	----------	----------

Estimated SUPPLEMENTAL (FY2016) cost: 200.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

This is the fiscal note for the House Finance Committee substitute for House Bill 249, version 29-GH2912G. The committee substitute combines motor fuel tax, mining tax, and fisheries tax increases into a single bill, whereas they were previously three separate bills. It also adds language from separate language related to fees collected by the Commercial Fisheries Entry Commission. The committee substitute also changes some of the tax rates compared with previous versions of the bills.

Prepared By:	Ken Alper, Director; Dan Stickel and Will Bishop, Economists	Phone:	(907)465-8222
Division:	Tax	Date:	04/15/2016 11:00 AM
Approved By:	Jerry Burnett, Deputy Commissioner	Date:	04/15/16
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

BILL NO. HB 249

Analysis

Bill Analysis

Motor Fuel Tax

Alaska has had an excise tax on motor fuel since 1945, with the basic structure unchanged since the inception. Over the years, the tax rate has increased to account for inflation and public need. The motor fuel tax is charged and collected monthly.

The highway tax rate was last increased in 1970; marine rate in 1977; aviation and jet fuel rates in 1994. The last major changes to the program were in 2008 when the motor fuel tax was suspended effective September 1, 2008 to August 31, 2009. In 2015 the legislature passed HB 158 which added a surcharge of \$0.0095 to certain motor fuels as well as other refined fuels such as home heating oil. The legislature may appropriate revenue from the surcharge for the oil and hazardous substance release prevention and response fund.

The primary change in this legislation would be to increase the tax rates of all categories of motor fuel. The tax rate for highway fuel would rise from \$0.08 to \$0.16 per gallon; for marine fuel, from \$0.05 to \$0.10 per gallon; for jet fuel, from \$0.032 to \$0.065 per gallon; and for aviation gasoline, from \$0.047 to \$0.07 per gallon. The increases take effect on July 1, 2016.

DOR estimates that increasing the motor fuel tax rates approximately double tax collections, with additional revenue of approximately \$42.8 million per year. Of this, approximately \$0.2 million would be shared with municipally owned airports. The remaining funds will be paid into the general fund and distributed to the special aviation fuel account, the special watercraft fuel account, and the special highway fuel tax account. These accounts are used to fund aviation facilities, water and harbor facilities, and for the maintenance of highways, construction of highway projects and ferries, and other highway costs. Estimates are based on the spring 2016 revenue forecast. The estimates assume that 60% of the additional revenue raised from aviation gasoline would be shared with municipalities. The estimates make no adjustment for stockpiling in advance of the tax increase.

Mining Tax

Alaska levies a Mining License Tax on mining net income and royalties received in connection with mining properties and activities in Alaska. The department collects mining license taxes primarily from businesses engaged in coal and hard rock mining. Mining licensees file annual tax returns. These vary by time of year as mining businesses may file based on their own fiscal year. Payment of tax is due before the first day of the fifth month after the close of the tax year. For calendar year filers, payment is due on April 30.

The mining license tax dates back to 1913 and the legislature has restructured it several times over the years. The original mining license tax was 0.5% of net income from mining of more than \$5,000. There was no tax on net income less than \$5,000. There were numerous changes made between 1915 and 1953 to the tax rates and the tax-free net income base. In 1951, the legislature authorized a 3 ½ year exemption for new mining operations. The rate structure as it exists today was adopted in 1955.

The primary change in this legislation would be to increase the highest tax rate from 7% to 8% of the amount of net taxable income over \$100,000 and to reduce the exemption from paying tax from 3 ½ years to 3 years after production begins for new mining operations. The tax brackets for income levels below \$100,000 are unchanged. The changes take effect on July 1, 2016. Because of the annual tax structure, the state will not see the impact of the increase until the returns that are filed after the first full year after the effective date. Therefore, this tax change shows no fiscal impact until FY 2018. Based on the most recent forecasts, DOR estimates that increasing the top tier tax rate from 7% to 8% will generate additional revenue of approximately \$3.2 million in FY 2018.

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

BILL NO. HB 249

Analysis Continued

Fisheries Taxes

The Fisheries Business Tax is generally paid by seafood processors, although it is also paid by fisherman if they market and sell their fish directly. The rate varies from 1% to 5% depending on the location and type of processing and the condition of the fishery (onshore / offshore; canning / other processing; developing / mature fishery.)

The Fisheries Landing Tax is generally paid by offshore processors, usually working in federal fisheries, who bring their product through Alaska ports.

Although there are several other fisheries taxes, these are the only two that generate unrestricted general funds. The others are all dedicated to a specific program (marketing, salmon enhancement, dive fishery management, etc.)

The FY 2016 estimated state revenue for these is about \$13.7 million for the Business Tax and \$5.5 million for the Landing Tax, or \$19.2 million total under existing law. Both of these taxes are split 50/50 with the municipality in which the activity takes place. In practice, the state revenue is less than half of what is collected, because there are several tax credits (the salmon product development tax credit is the most widely known) which come out of the state's "half." So the \$19.2 million in GF revenue is net of both credits and sharing.

This legislation would increase the tax rates for both the Fisheries Business Tax (FBT) and the Fisheries Landing Tax. For established species, the FBT rate for shore-based processors would rise from 3% to 4%, and the FBT rate for floating processors would rise from 5% to 6%. The FBT rate for salmon canneries would rise from 4.5% to 5%. For developing species, the FBT rate for shore-based processors would rise from 1% to 4%, and for floating processors from 3% to 4%. The landing tax rate for established species would rise from 3% to 4%, and for developing species from 1% to 4%.

This legislation would also alter the municipal sharing formula so that the state receives the first 1% of the value of each fishery, for both Fisheries Business Tax and Fisheries Landing Tax, before any funds are shared with municipalities.

DOR estimates that this legislation would create additional fisheries tax revenue of approximately \$17.4 million in FY 2017. Estimates are based on the spring 2016 revenue forecast, factor in a 2.25% inflation rate, and estimate only a minor catch shift from year to year. While most of the additional revenue would accrue to the state, the change in the municipal sharing formula means that fisheries tax revenue to municipalities could be affected as well. A municipality could either gain or lose a small amount of revenue, depending on which types of processors are located there.

The bill also removes the "cap" on the formula which establishes the annual fee for a limited entry permit from the Commercial Fisheries Entry Commission, which currently cannot be more than \$3,000. This removal is estimated to raise an additional \$2 million in annual revenue.

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

BILL NO. HB 249

Analysis Continued

Summary of Revenue Impact

All amounts in \$millions

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Unrestricted revenue						
Motor fuel tax increases	42.6	42.6	42.6	42.6	42.6	42.6
Mining tax increase	0.0	3.5	3.6	3.2	3.3	3.0
Fisheries tax increases	16.8	17.9	18.3	18.7	19.1	19.6
CFEC permit change *	2.0	2.0	2.0	2.0	2.0	2.0
Total unrestricted revenue	61.4	66.0	66.5	66.5	67.0	67.2
Restricted revenue						
Motor fuel tax increases	0.2	0.2	0.2	0.2	0.2	0.2
Mining tax increase	0.0	0.0	0.0	0.0	0.0	0.0
Fisheries tax increases	0.6	-0.1	-0.1	-0.1	-0.1	-0.1
CFEC permit change *	0.0	0.0	0.0	0.0	0.0	0.0
Total restricted revenue	0.8	0.1	0.1	0.1	0.1	0.1
Total revenue impact						
Motor fuel tax increases	42.8	42.8	42.8	42.8	42.8	42.8
Mining tax increase	0.0	3.5	3.6	3.2	3.3	3.0
Fisheries tax increases	17.4	17.8	18.2	18.6	19.0	19.5
CFEC permit change *	2.0	2.0	2.0	2.0	2.0	2.0
Total revenue	62.2	66.1	66.6	66.6	67.1	67.3

* Not a DOR impact; included for information purposes to show total fiscal impact of bill

Implementation Cost

This legislation would require the Department of Revenue to update its Tax Revenue Management System (TRMS) and Revenue Online (ROL) which allows a taxpayer to file a return online. The update would consist of reprogramming both systems, updating the return rules in TRMS and testing both systems thoroughly to verify that they function as expected. We would also need to update the current tax return forms.

The supplemental fiscal note figures are \$100.0 for fisheries taxes, and \$50.0 each for mining and motor fuel taxes, for a total of \$200.0. These figures are to cover the costs of having our contractor update the two systems. The higher cost for fisheries taxes is because of the additional need to adjust certain Revenue Sharing features. We do not anticipate any continuing costs or additional staff needs. After the implementation of the changes, this legislation would not cause any additional administrative burden on the Tax Division.

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version: HB 249
Fiscal Note Number: _____
() Publish Date: _____

Identifier: CSHB249(FIN)-DFG-CFEC-04-15-16
Title: ELECTRONIC TAX RETURNS & MOTOR FUEL
TAX
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: House Finance

Department: Department of Fish and Game
Appropriation: Commercial Fisheries
Allocation: Commercial Fisheries Entry Commission
OMB Component Number: 471

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates					
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues	2,197.2		2,197.2	2,197.2	2,197.2	2,197.2	2,197.2	2,197.2
---------------------------	---------	--	---------	---------	---------	---------	---------	---------

Estimated SUPPLEMENTAL (FY2016) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/16

Why this fiscal note differs from previous version:

Revised for Finance Committee Substitute.

Prepared By:	Shirley A. Penrose, Acting Executive Director	Phone:	(907)790-6960
Division:	Commercial Fisheries Entry Commission	Date:	04/15/2016 12:32 PM
Approved By:	Benjamin E. Brown, Commissioner	Date:	04/15/16
Agency:	Commercial Fisheries Entry Commission		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

BILL NO. HB 249

Analysis

This Bill removes the fee cap for commercial fishing permits which will provide additional revenue for the Commercial Fisheries Entry Commission. Our Research Section calculated an additional \$2,197,230.00 in revenues if a fee cap was not in place for 2016. We estimate 2017 will provide an increase of approximately the same amount.

From: Rep. Steve Thompson
Sent: Friday, April 15, 2016 3:27 PM
To: Helen Phillips
Cc: Jane Pierson
Subject: FW: House Bill 249

From: Gary Swoffer [mailto:gswoffer@denali-industrial.com]
Sent: Friday, April 15, 2016 2:25 PM
To: Rep. Steve Thompson <Rep.Steve.Thompson@akleg.gov>
Subject: House Bill 249

Hello Representative Thompson,

Why are you raising the taxes on the mining sector? No analysis has been done on this tax yet you feel it needs to pass this year. Get some analysis on how badly it will effect mining first. And as you know, the mining sector is hurting also. Commodities are very low right now. I don't know enough about the fishing industry to comment, but I'm OK with the motor fuels tax increase.

Please do not tax the mining sector. The tax is such a small amount anyway. Use the Permanent Fund Dividend! All Alaskan's can get by with \$1000.00 each in additional income.

Respectfully,

Gary Swoffer

President

Denali Industrial Supply, Inc.

1499 Van Horn Rd.

Fairbanks, AK 99701

Phone: (907) 452-4524

Cell: (907) 388-2724

Fax: (907) 452-7826

From: Rep. Steve Thompson
Sent: Friday, April 15, 2016 3:26 PM
To: Helen Phillips
Cc: Jane Pierson
Subject: FW: Opposition to HB249 - Please Print for Your Bill Packet

From: Lorali Simon [mailto:lorali@usibelli.com]
Sent: Friday, April 15, 2016 2:43 PM
To: Rep. Lynn Gattis <Rep.Lynn.Gattis@akleg.gov>; Rep. Lance Pruitt <Rep.Lance.Pruitt@akleg.gov>; Rep. Steve Thompson <Rep.Steve.Thompson@akleg.gov>; Representative.brice.edgmon@akleg.gov; Rep. Cathy Munoz <Rep.Cathy.Munoz@akleg.gov>; Rep. Mark Neuman <Rep.Mark.Neuman@akleg.gov>; Rep. Dan Saddler <Rep.Dan.Saddler@akleg.gov>; Rep. Tammie Wilson <Rep.Tammie.Wilson@akleg.gov>; Rep. Mike Hawker <Rep.Mike.Hawker@akleg.gov>; Rep. Scott Kawasaki <Rep.Scott.Kawasaki@akleg.gov>; Rep. David Guttenberg <Rep.David.Guttenberg@akleg.gov>; Rep. Les Gara <Rep.Les.Gara@akleg.gov>
Subject: Opposition to HB249 - Please Print for Your Bill Packet

Dear House Finance Committee Members:

Usibelli Coal Mine is an Alaskan family owned and operated, privately held, company. This year we are celebrating our 73rd year of operation. We supply 100 percent of the in-state demand to six coal-fired power plants in Interior Alaska. Usibelli currently employs 108 people. The average wage paid to our employees is more than double the average wage in Alaska. Our operations directly provide about 20 percent of private sector employment for Healy's year-round residents.

In 2011, UCM produced a record 2.2 million tons of coal and employed 143 people. This year, our production will be approximately 1.2 million tons. As you can see, our production is less than half of what it was a few years ago, and we have had to lay-off a third of our workforce.

Please understand that our industry is also experiencing a crisis. The federal government, through its onslaught of rule-making, is making it nearly impossible for us to operate, and severely driving up our costs. And now, for the State of Alaska to consider raising taxes on our industry is like kicking us while we're down.

The State has yet to conduct any analysis to fully understand the impact of this tax increase on our industry. Yet, the bill calls for a *legislative working group* to study the implications *after* the tax has been passed. I would think the State would want to study the potential impacts, *prior* to implementing the tax.

Usibelli is a member of the Resource Development Council and the Alaska Miners Association. Through both of these organizations, we have encouraged you to further reduce government spending, make adjustments for the use of the Permanent Fund earnings, and implement a broad based tax *prior* to taxing industries that actually provide State revenue.

It is imperative that you remember that just one more operating mine would result in significantly higher revenues to the State than this proposed tax increase. Can we count on you to work toward making a new producing mine a reality?

I encourage you to continue working on a long-term fiscal plan that includes further reductions to the size of government; responsible revenue generation; and incentives for investment in resource development projects. I urge your opposition to HB 249.

Sincerely,

Lorali Simon

VP External Affairs

Usibelli Coal Mine, Inc.

Lorali M. Simon

Usibelli Coal Mine, Inc.

Vice President, External Affairs

(907) 745-6028 office

(907) 982-6744 cell

(907) 745-6083 fax

125 W Evergreen Ave #203, Palmer, AK 99645

From: Jane Pierson
Sent: Friday, April 15, 2016 3:20 PM
To: Helen Phillips
Subject: FW: HB 249 Testimony

From: Lynette Bergh
Sent: Friday, April 15, 2016 3:19 PM
To: Helen Phillips <Helen.Phillips@akleg.gov>
Cc: Jane Pierson <Jane.Pierson@akleg.gov>
Subject: FW: HB 249 Testimony

From: Hippler Family [<mailto:funinbethel@yahoo.com>]
Sent: Friday, April 15, 2016 3:07 PM
To: Rep. Mark Neuman <Rep.Mark.Neuman@akleg.gov>; Rep. Steve Thompson <Rep.Steve.Thompson@akleg.gov>;
Rep. Bob Lynn <Rep.Bob.Lynn@akleg.gov>
Subject: HB 249 Testimony

Dear Representatives,

Thank you for your service. As you move forward with work on the budget, I would ask that prior to ANY tax increase, you have cut spending. For example, I would suggest eliminating all optional Medicaid services immediately, inline with the Nevada model of Medicaid (a completely separate issue from Medicaid expansion; possible to expand Medicaid through the Affordable Care Act and eliminate optional services at the same time). I would also suggest that the \$300,000 appropriate for an Anchorage Art Gallery be eliminated. I would further suggest that the University eliminate all campuses with a staff(teachers and admin combined):student ratio that exceeds a certain benchmark. For example, if a campus has as many staff as FTE students, that is clearly wasteful and must be eliminated.

I support you in your desire to tax me... if you have cut first. As a rule of thumb, for every dollar you wish to raise in taxes, please cut 2 from the budget. That is an easy to understand concept.

thank you,
Allen Hippler
6730 Crooked Tree Cir
Anchorage, AK 99507

Oppose HB 249 CS Version G
PO Box 232 Petersburg, AK 99833

Petersburg Vessel Owner's Association
(907) 772-9323
email: pvoa@gci.net

April 15, 2016

Representative Neuman
Representative Thompson
Co-Chairs, House Finance Committee

Alaska State Legislature
State Capitol
Juneau, AK 99811-1182
Email: Rep.Mark.Neuman@akleg.gov
Rep.Steve.Thompson@akleg.gov

RE: Oppose HB 249 CS Version G- An Act removing the minimum and maximum restrictions on the annual base fee for the issuance or renewal of an entry permit or an interim-use permit...

Dear Co-Chairs Representative Neuman and Representative Thompson,

Please take a moment to consider the impacts of the proposed changes in Commercial Fisheries Entry Commission (CFEC) fees issuance and renewal fees, and fisheries business and landing taxes. The combination of the two will be a huge fiscal burden on a small portion of the entire seafood industry.

The burden of fisheries related taxes and CFEC fees are not equally shared by the entire seafood industry. Commercial fishing operations are paying most of the burden of taxes, with very little being passed on to buyers. Of the estimated 63,000 jobs provided by the seafood industry, 9,836 permit holders¹ and 23,036 crewmembers² are accountable to pay the estimated \$250 million in taxes within the seafood industry. Furthermore, the 9,836 permit holders already pay nearly \$8.4 million in permit revenue³.

CFEC Permit Renewal Fees

Our members are opposed to the issuance and renewal fees of limited entry and interim-use permits increasing. The current rates already raise over \$2 million a year in excess of the expenses of the Fisherman's Fund and CFEC combined. There is no reason to increase fees and raise more capital beyond these needs. At some price point, permit holders that renew but do not fish their permits will cease to pay the fee. When a permit is not renewed for two years, it is lost. Too high of renewal fees could disrupt the amount of limited entry permits in a given fishery. Vessels that are run by multiple permit holders throughout the year may choose to place permits in the name of a year-around crewman, and therefore decrease the number of permits they pay to renew.

Fisheries Business and Landing Taxes

A one percent fisheries tax raise is a larger increase than it sounds. One percent is an increase in taxes of 20 percent to catcher processors and 33 percent to shore-based processed fish, other than canned salmon.

¹CFEC, Permit and Fishing Activity by Year, State, Census Area, Or City, last table, 2016,
https://www.cfec.state.ak.us/gpbycen/2014/00_ALL.htm

²State of Alaska Department of Fish and Game, 2015 Calendar Year Licenses and Tags Issued,
https://www.adfg.alaska.gov/static/license/pdfs/2015_license_stamps_tags_issued.pdf

³ Commercial Fisheries Entry Commission 2015 Annual Report, page 27, <https://www.cfec.state.ak.us/annrpts/ar2015.pdf>

Commercial fishing and seafood processing in the state of Alaska is the largest private sector employer providing over 63,000 jobs through out the State.⁴ Currently, the seafood industry pays an estimated \$250 million per year in taxes and fees⁵, on average \$70 million goes directly to the State's capital budget. Of these fisheries business and landing taxes, currently 65 Alaskan cities, boroughs, and municipalities receive an average of \$69.6 million providing an important source of revenue and lowering their reliance on State funds. When State and local government revenues are combined, the seafood industry creates revenue beyond the State's cost of \$78.3 million to manage it, and \$18.5 million in capital expenditures, or 125% of its costs⁶. Finally, \$100 million is paid to Community Development Quota (CDQ) groups in Western Alaska, salmon hatchery programs, and Regional Seafood Development Associations (RSDA).

Please be aware that fisheries business and landings taxes are paid off gross profits, as a percentage of harvest, rather than on net profits like many other industries. Even if a fishing trip is not profitable beyond expenses, the fisheries taxes are paid. Please consider the following taxes the seafood industry is already accountable for before choosing to increase them.

Current fisheries taxes due as a percentage of harvest include: Fisheries Business Tax, Fisheries Resource Landing Tax, Seafood Marketing Assessment, Salmon Enhancement Tax, Seafood Development Tax, and Dive Fishery Management Assessment.

Additional fisheries taxes and fees currently contributing to our State, local, federal government include: City and Borough Raw Fish Tax, CDQ Royalties, Commercial Fishery Permit and Vessel Registration Fees, Fishermen's Fund, Commercial Crew Licenses, State Marine Fuel Tax, Revolving Loan Program revenues from the Division of Economic Development, and Corporate Income Tax.

Our industry is also subject to federal fisheries taxes including: Federal IFQ Cost Recovery fees (that increased in 2016), Federal Observer Program fees, and Unemployment Insurance paid by seafood processors.

Cumulative Effects

Please consider the consequences this bill could have within Southeast Alaska communities like Petersburg that are dependent on maintaining their commercial fishing fleets. The seafood industry is the economic driver of Petersburg. Too large of a combined tax, fee, or royalty burden on the small portion of the industry that pays them, could halt the economic growth, or worse, cause a recession within the industry.

Along with this increase, our members paying fish taxes and permit fees do not know if their permanent fund dividend will be reduced, if they will have to pay a statewide corporate income tax, or if they will

⁴ The Economic Value of Alaska's Seafood Industry, McDowell Group
http://ebooks.alaskaseafood.org/ASMI_Seafood_Impacts_Dec2015/pubData/source/ASMI%20Alaska%20Seafood%20Impacts%20Final%20Dec2015%20-%20low%20res.pdf

⁵ UFA Alaska Seafood Industry Taxes and Fees <http://www.ufafish.org/wp-content/uploads/2015/02/4a-Alaska-Seafood-Industry-Taxes-Fees-021115-v1s.pdf>

⁶ Fiscal Effects of Commercial Fishing, Mining, and Tourism: State Revenues and Spending, Institute of Social and Economic Research
http://www.iser.uaa.alaska.edu/Publications/2015_12-FiscalEffectsOfCommercialFishingMiningTourism.pdf

Oppose HB 249 CS Version G
PO Box 232 Petersburg, AK 99833

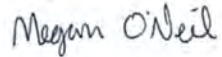
Petersburg Vessel Owner's Association
(907) 772-9323 email: pvoa@gci.net

have to pay a statewide sales tax. The cumulative affects are unknown and unquantifiable at this time. The affects of all of these policies could have vast negative impacts on the health of the seafood industry.

Petersburg Vessel Owner's Association (PVOA) is composed of 100 members participating in a wide variety of species and gear type fisheries. An additional thirty businesses supportive to our industry are members. Our members fish throughout Alaska from Southeast to the Bering Sea. Targeted species include salmon, herring, halibut, sablefish, cod, crab, shrimp, pollock, tuna, geoduck, and sea cucumber.

Thank you for taking the time to consider our concerns. We would be happy to answer any questions.

Respectfully,



Megan O'Neil
Executive Director

From: Lynette Bergh
Sent: Friday, April 15, 2016 3:19 PM
To: Helen Phillips
Cc: Jane Pierson
Subject: FW: HB 249 Testimony

From: Hippler Family [mailto:funinbethel@yahoo.com]
Sent: Friday, April 15, 2016 3:07 PM
To: Rep. Mark Neuman <Rep.Mark.Neuman@akleg.gov>; Rep. Steve Thompson <Rep.Steve.Thompson@akleg.gov>; Rep. Bob Lynn <Rep.Bob.Lynn@akleg.gov>
Subject: HB 249 Testimony

Dear Representatives,

Thank you for your service. As you move forward with work on the budget, I would ask that prior to ANY tax increase, you have cut spending. For example, I would suggest eliminating all optional Medicaid services immediately, inline with the Nevada model of Medicaid (a completely separate issue from Medicaid expansion; possible to expand Medicaid through the Affordable Care Act and eliminate optional services at the same time). I would also suggest that the \$300,000 appropriate for an Anchorage Art Gallery be eliminated. I would further suggest that the University eliminate all campuses with a staff(teachers and admin combined):student ratio that exceeds a certain benchmark. For example, if a campus has as many staff as FTE students, that is clearly wasteful and must be eliminated.

I support you in your desire to tax me... if you have cut first. As a rule of thumb, for every dollar you wish to raise in taxes, please cut 2 from the budget. That is an easy to understand concept.

thank you,
Allen Hippler
6730 Crooked Tree Cir
Anchorage, AK 99507

From: Rep. Steve Thompson
Sent: Thursday, April 14, 2016 1:09 PM
To: Helen Phillips
Cc: Jane Pierson
Subject: FW: Bill: HB 249: Electronic Tax Returns & Motor Fuel Tax

From: Paul Gibson [mailto:paulgibson@alaskaerofuel.com]
Sent: Thursday, April 14, 2016 12:23 PM
To: Rep. Mark Neuman <Rep.Mark.Neuman@akleg.gov>; Rep. Steve Thompson <Rep.Steve.Thompson@akleg.gov>
Subject: Bill: HB 249: Electronic Tax Returns & Motor Fuel Tax

Dear Sirs,

I am unable to attend the teleconference scheduled today for HB 249, unfortunately.

In light of that though, can you please see that our concerns are at least reviewed with regard to the proposal for requiring electronic filing?

Our points of concern:

- Serve a larger customer base than 30 or 40% of other Qualified Dealers (as verified by SMF Tax Division) to merit considerations –

- Electronic Filing template is not able to be used by us due to “Credit Memo” entries from our system

- o Entries are made in one month

- o Adjusted (including tax status) the *following month* with a Credit Memo to the invoice (GAAP principles as mandated by the State)

§ These entries cannot be entered differently at the time of sale, as the information is not available. A scenario can be as little as 1 day interval, but does cross the month.

- o Electronic template rejects any and all negative values on line item entries of data files

- o Thru-put gallons are also adjusted with negative values (non-tax, but inventory adjusting entries)

For entries other than 'Credit memo's", any and all other negative values are rejected (quantity adjustment same day, resulting in line item negative value, to preserve source document and adjusting entry source document.

Our appeal to delay the electronic filing requirements is only to perfect the filing process to allow for negative values. We have just undergone a 3 year audit that helped reiterate these issues to the Department, that we have repeatedly addressed. We in fact are a large proponent of the electronic filing, but are hindered. Our only work around, is to manually manipulate computer generated data to a falsified value (one that does not agree with source documents), or not operate with GAAP rules.

PLEASE contact me if there are any questions, or I may be of further help in explaining. We have communicated at length with Barry Grafel, Tax Auditor in light of this issue.

Thank You,

Paul M. Gibson

President / CEO

Alaska Aerofuel, Inc.

(907) 474-0062 office

(907) 474-0085 fax

(907) 388-0059 cell

paulgibson@alaskaaerofuel.com

www.AlaskaAerofuel.com



Council of

Alaska Producers

**Comments on HB249
Mining Taxation**

April 14, 2016

Representative Steve Thompson, Co-Chair
Representative Mark Neuman, Co-Chair
House Finance Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

Dear Representative Thompson and Representative Neuman:

The Council of Alaska Producers (CAP) is writing to provide comments on HB249, "An Act...increasing the mining license tax; removing an exemption from the mining license tax; relating to mining license applications, renewals, and fees;...establishing a legislative working group to study the tax structure for mining; and providing for an effective date."

CAP is a non-profit trade association formed in 1992 and serves as a spokesperson for the large metal mines and major metal developmental projects in the state. Bringing together mining companies with interest in Alaska, the Council represents and informs members on legislative and regulatory issues, supports and advances the mining industry, educates members, the media, and the general public on mining related issues, and promotes economic opportunity and environmentally sound mining practices.

As businesses that have had to make tough decisions to optimize operations, cutting budgets and positions over the past four years of declining mineral prices, CAP appreciates the depth of the State's fiscal challenge.

CAP's position has been consistent. To achieve fiscal sustainability and a stable investment climate, we support strategic reductions in the cost of government, use of the Permanent Fund earnings, and broad based revenue measures to fill the remaining gap.

The goal of Alaska's mineral tax policy should be to attract investment and encourage a robust, responsible mining industry that contributes to Alaska's economic diversity by providing: a) good jobs, b) procurement and contract opportunities for local businesses, c) state and local government revenue, and d) revenue sharing to Alaska Native Corporations. Investors in Alaska's mining industry look for fiscal stability. Increasing the Alaska Mining License Tax rate, decreasing incentives, and failing to provide clarity on local taxation creates greater uncertainty and deters investment.

For some time, a significant source of fiscal uncertainty has been the potential for municipalities to target the mining industry for special severance taxes. The Alaska Minerals Commission has consistently recommended that the Legislature address this.

In 2005, the Commission stated "...the mining industry does expect to pay its fair share of municipal government costs...it should do so by an equitable, broad based tax such as a property tax, not an industry specific tax such as a severance tax."

In 2013, the Commission also stated: "Allowing local governments to impose potentially onerous severance taxes inappropriately shifts control of development decisions away from the state. This precludes the state from fulfilling its mandate to manage state-owned resources in a way that maximizes benefits to all Alaskans."

CAP encourages you to consider amending the bill to protect state sovereignty by reserving the ability to levy mining special taxes to the Legislature. An amendment should:

1. eliminate the ability for a municipality to levy or collect a tax on metal mines (just as Title 43 does for oil and gas production); and
2. implement revenue sharing of the Alaska Mining License Tax with the municipality that hosts a metal mine.

Mines and municipalities will still have the ability to enter into payment in-lieu of taxes (PILT) agreements if a broad based tax such as a property tax is not available. Such an amendment should not impact the ability of municipalities to place severance taxes on coal, sand, gravel, rock, dimension stone or any other bulk commodity that they may currently tax. It should only affect metal mines (gold, silver, lead, zinc, copper, iron, platinum, rare earths, etc).

If the State is going to increase the hurdles for investment in Alaska mining by raising the Alaska Mining License Tax, then it should provide some improved certainty by addressing this longstanding source of economic unpredictability.

Another proposal in the bill that threatens economic feasibility for some projects is the elimination of the option to apply the mining exploration tax credit to the royalty payment for a new mine on state land. While the maximum exploration credit for a new mine is only \$20 million, it still could make a difference in the first years of production when a new mine is saddled with huge capital costs.

CAP is also concerned that the proposed working group on mining taxes will not result in greater understanding of the mining industry and its unique challenges in Alaska. Time and again we have seen these efforts high jacked by anti-development activists who want to shut down the entire industry. Thoughtful analysis of Alaska's mining tax policy, comparisons with other successful metal mining states (like Nevada and Arizona), and an assessment of Alaska's competitiveness would be better served through legislative research and independent consultants.

CAP sees a growing disconnect between Alaska's potential for mineral development and the reality of declining investments in exploration/expansions. Given these circumstances, we urge you to look

closely at whether this bill helps diversify the economy, encourage investment, and grow the net revenue coming to the state.

Thank you for the opportunity to provide these comments. Please keep in mind the many communities, hundreds of local businesses, and thousands of Alaska miners and their families who depend on a healthy mining industry.

Sincerely,

A handwritten signature in black ink, appearing to read "K. Matthias", with a long horizontal flourish extending to the right.

Karen Matthias
Executive Director

cc: Members of the House Finance Committee

ALASKA STATE LEGISLATURE

HOUSE FINANCE COMMITTEE

Representative Steve Thompson, Co-Chair
State Capitol, Room 511
Juneau, Alaska 99801-1182
Phone: (907) 465-3004
Rep.steve.thompson@akleg.gov



Representative Mark Neuman, Co-Chair
State Capitol, Room 505
Juneau, Alaska 99801-1182
Phone: (907) 465-2679
Rep.mark.neuman@akleg.gov

Sectional Analysis

House Bill 249 – Fish, Mining and Motor Fuel Taxes

Alaska Commercial Fisheries Entry Commission

Section 1: Amends AS 16.43.160 (c) - Removes the \$3000 cap for entry permits and interim use permits in entry into Alaska Commercial Fisheries

Royalty Payments for Mining

Section 2: Amends AS 27.30.030 (a) –eliminates the use of credits for royalty payment

Section 3: Conforming language to re-numeration in section 2

Section 4: Amends AS 27.30.40 – Removes royalty payment period from credits that be carried forward

Section 5: Amends AS 27.30.050 – Removes royalty payment periods from the limit of applications of credits

Electronic Filing

Section 6: Adds new section, AS 43.05.045 - Electronic filing reporting, provides a 5 year exemption

Section 7: Adds new section, AS 43.05.220 – penalty for failure to comply with electronic filing

Section 8: Amends AS 43.31.111 – changes notification of death for tax filings

Motor Fuel Tax

Section 9: Amends AS 43.40.010 (a) motor fuel tax on fuel sold or transferred
Motor Fuel - changes the tax rate to 16 cents from 8 cents
Aviation Gasoline – changes the tax rate to 7 cents from 4.7 cents
Watercraft Motor Fuel – changes the tax rate to 10 cents from 5 cents
Aviation Fuel – changes the tax rate to 6.5 from 3.2 cents

Section 10: Amends AS 43.40.010 (b) motor fuel tax on fuel consumed by user
Motor Fuel - changes the tax rate to 16 cents from 8 cents
Aviation Gasoline – changes the tax rate to 7 cents from 4.7 cents
Watercraft Motor Fuel – changes the tax rate to 10 cents from 5 cents
Aviation Fuel – changes the tax rate to 6.5 from 3.2 cents

Section 11: Amends AS 43.40.030 (a) – changes the non-highway use refund to 12 cents from 6 cents

Alcohol Tax

Section 12: Amends AS 43.60.020 (a) – changes filing requirements for filing reports

Mining Tax

Section 13: Amends AS 43.65.101 (a) – changes tax exempt for new production to 3 years from 3.5 years

Section 14: Amends AS 43.65.010 (c) – License tax rates on net income
 Changes the tax rate for taxpayers, excess over \$100,000 to 8 cents from 7 cents

Section 15: Amends AS 43.65.020 (d) - changes filing requirements for filing tax returns

Section 16: Amends AS 43.65.030 – Changes mining application fees and renewals to \$50 and changes date for filing to January 1st from May 1st of each license year

Fish Business Tax

Section 17: Amends AS 43.75.015 (a) – Fisheries Business License Tax
Salmon Canned Shore-based Business - changes tax rate to 5% from 4%
Salmon Processed Shore-based Business – changes tax rate to 4% from 3%
Floating Business – changes tax rate to 6% from 5%

Section 18: Amends AS 43.75.015 (b) Developing Commercial Species – Fisheries Business License Tax
Developing Commercial Species Fisheries Shore-based Business– changes tax rate to 4% from 1%
Developing Commercial Species Fisheries Floating Business – changes tax rate to 4% from 1%

Section 19: Amends AS 43.75.015 (d) Direct Marketing Developing Commercial Species – Fisheries Business License Tax
Developing Commercial Species Fisheries – changes tax rate to 4% from 1%
Commercial Fish Species – changes tax rate to 4% from 3%

Section 20: Amends 43.75.030 (b) - changes filing requirements for filing tax returns

Section 21: Amends AS 43.75.130 (a) – 1% of tax revenue is deposited in general fund the remaining balance is divided by formula for local municipalities and governments as currently in statute

Fish Resource Landing Tax

- Section 22: Amends AS 43.77.010 –Fish Landing Tax
Developing commercial fish species – changes tax rate to 4% from 1%
All other fish species – changes tax rate to 4%from 3%
- Section 23: Amends AS 43.77.060 (a) – 1% of tax revenue is deposited in general fund the remaining balance is divided by formula for local municipalities and governments as currently in statute
- Section 24: Amends AS43.77.060 (b) - 1% of tax revenue is deposited in general fund the remaining balance is divided by formula for local municipalities and governments as currently in statute

Uncodified Law

- Section 25: Establishes Mining Tax Working Group
- Section 26: Applicability for all statutes referenced
- Section 27: Transitional provision to accommodate regulations
- Section 28: Established an immediate effective date for Section 27
- Section 29: Establishes an effective date of July 1, 2016 for Section 1-26



MEMORANDUM

To: Bruce Twomley, Chair
Ben Brown, Commissioner

Date: February 19, 2015

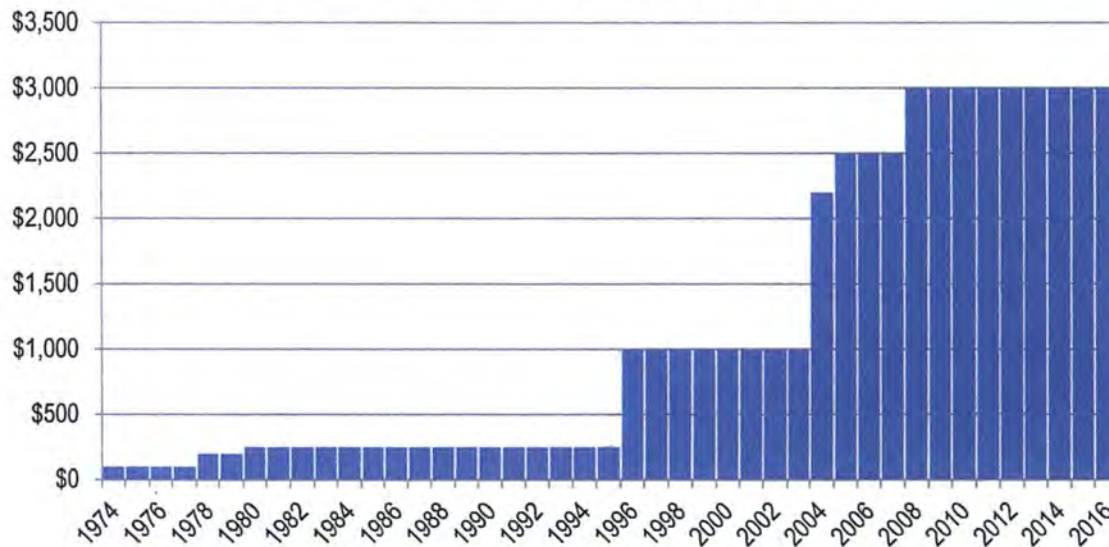
Subject: Permit Fee Ceiling Increase

From: Marcus Gho, Economist, CFEC

This memorandum was created to describe the opportunity cost of having a \$3,000 fee ceiling. This fee ceiling for 2016 decreases the expected fee revenue for 2016 from \$9.1 million to \$6.9 million, which is a loss of approximately \$2.2 million in fee revenue.

Fees are established to reasonably reflect the different rates of economic return for the fisheries. All of the fisheries in the \$3,000 fee class use interim-use permits. Interim-use permit fees are based on 2/5 of 1% of average earnings over the most recent three years of fishing,¹ with a fee cap of \$3,000.²

Figure 1. Maximum Resident Fee Assessed CFEC Permit Holders



Historically, the fee cap has increased multiple times. From 1974 to 1977, the highest resident fee was \$100. For the years 1978 to 1981 it was \$200. From 1980 to 1995 the maximum fee was \$250. Between 1996 and 2003 the maximum resident fee was \$1,000. For the years 2005 to 2007, the maximum fee allowed was \$2,500. Starting in 2008, the maximum fee again increased to \$3,000 where it currently is as of now.

¹ See 20 AAC 05.245 (a) (2)

² See AS 16.43.160 (c) and 20 AAC 05.245 (a) (4).

For permit year 2016, we estimate that 508 permits will be renewed in the highest fee category (fee class 40; \$3,000).³ Table 1 indicates the estimated number of permits by fee class and foregone revenue for a fee structure without a fee ceiling.

Table 1. 2016 Fees Without a Fee Ceiling

Calculated Fee Class	Calculated Fee	Estimated Permits	Fee %		Calculated Fee Class	Calculated Fee	Estimated Permits	Fee %	
			2/5 of 1% (typical)	With Fee Cap				2/5 of 1% (typical)	With Fee Cap
177	\$13,275	129.2	0.40%	0.09%	57	\$4,275	62.0	0.40%	0.28%
136	\$10,200	6.8	0.40%	0.12%	53	\$3,975	2.6	0.40%	0.28%
91	\$6,825	85.4	0.40%	0.18%	52	\$3,900	7.4	0.40%	0.30%
86	\$6,450	98.2	0.40%	0.19%	48	\$3,600	1.0	0.40%	0.31%
70	\$5,250	2.4	0.40%	0.23%	47	\$3,525	4.0	0.40%	0.33%
63	\$4,725	7.6	0.40%	0.25%	46	\$3,450	65.6	0.40%	0.34%
61	\$4,575	2.0	0.40%	0.26%	45	\$3,375	4.0	0.40%	0.35%
60	\$4,500	1.0	0.40%	0.27%	43	\$3,225	26.0	0.40%	0.35%
58	\$4,350	3.2	0.40%	0.28%					

Because of the fee ceiling, these permits currently pay a **lower** rate than the typical 2/5 of 1% of average earnings.

Table 2 describes the changes in fees and revenues for each fishery that are affected by the maximum fee. Again, these are the fisheries that are currently in the \$3,000 fee class. These permits currently pay only a portion (22.6% - 93.0%) of what they otherwise would pay due to the fee ceiling, as found in the Table 2.

Table 2. Foregone Revenue of Fee Class 40 by Permit Fishery

Fishery Code	Permit Fishery	Estimated Permits	Calculated Fee Class	Calculated Fee	Difference in Fee	Current Proportion Paid	New Revenue	Difference in Revenue
W2AFW	SCALLOPS DREDGE GT 80 FED WTR	3	43	\$3,225	\$225	93.0%	\$9,675	\$675
K91O	KING POT GE 60 DUTCH HARBOR	6.8	136	\$10,200	\$7,200	29.4%	\$69,360	\$48,960
K91OE	KING POT GE 60 ALEUT IS NSEDC	1	48	\$3,600	\$600	83.3%	\$3,600	\$600
K91OG	KING POT GE 60 ALEUT ACDC	2	61	\$4,575	\$1,575	65.6%	\$9,150	\$3,150
K91T	KING POT GE 60 BB	65.6	46	\$3,450	\$450	87.0%	\$226,320	\$29,520
K91TD	KING POT GE 60 BB CVRF	2	52	\$3,900	\$900	76.9%	\$7,800	\$1,800
K91TE	KING POT GE 60 BB NSEDC	0	53	\$3,975	\$975	75.5%	\$0	\$0
M6AB	MISC FIN LL GE 90 STW	62	57	\$4,275	\$1,275	70.2%	\$265,050	\$79,050
M7GB	MISC FIN OTTER 60 - LT 90 STW	23	43	\$3,225	\$225	93.0%	\$74,175	\$5,175
M7HB	MISC FIN OTTER 90 - 125 STW	98.2	86	\$6,450	\$3,450	46.5%	\$633,390	\$338,790
M7IB	MISC FIN OTTER GT 125 STW	129.2	177	\$13,275	\$10,275	22.6%	\$1,715,130	\$1,327,530
M7GG	MISC FIN OTTER 60 - LT 90 GOA	7.6	63	\$4,725	\$1,725	63.5%	\$35,910	\$13,110
M7HG	MISC FIN OTTER 90 - 125 GOA	5.4	52	\$3,900	\$900	76.9%	\$21,060	\$4,860
M7IG	MISC FIN OTTER GT 125 GOA	1	60	\$4,500	\$1,500	66.7%	\$4,500	\$1,500
T91Q	TANNER POT GE 60 BER SEA	85.4	91	\$6,825	\$3,825	44.0%	\$582,855	\$326,655
T91QB	TANNR POT GE 60 BER SEA BBEDC	4	47	\$3,525	\$525	85.1%	\$14,100	\$2,100
T91QC	TANNR POT GE 60 BER SEA CBSFA	3.2	58	\$4,350	\$1,350	69.0%	\$13,920	\$4,320
T91QD	TANNR POT GE 60 BER SEA CVRF	2.4	70	\$5,250	\$2,250	57.1%	\$12,600	\$5,400
T91QE	TANNR POT GE 60 BER SEA NSEDC	2.6	53	\$3,975	\$975	75.5%	\$10,335	\$2,535
T91QF	TANNR POT GE 60 BER SEA YDFDA	4	45	\$3,375	\$375	88.9%	\$13,500	\$1,500

Each one of these permit types has a lower fee due to the fee ceiling. The largest increase in permit fees revenue foregone is from the Statewide Miscellaneous Finfish Otter trawl permits, where permit fees would otherwise be \$13,225.

³ Number of estimated permits is based on a three-year weighted average number of permit renewals. These numbers are rounded for display in Tables 1 and 2.

The current estimated 2016 permit revenue is \$6,892,154. Estimated permit revenue without a fee ceiling would have been \$9,089,384. Because of the maximum fee, there is an estimated permit revenue loss of \$2,197,230. The majority (60.4%) of this foregone revenue comes from the highest fee class.

Table 3 displays how revenue accrual would change at different fee ceilings. Calculated revenue is the amount of estimated revenue from fees if the fee ceiling is at least at this fee class. Previous Revenue is the amount of estimated revenue with a \$3,000 fee ceiling, and Revenue Difference is the difference between the two values. The Total Revenue Difference column computes the cumulative additional estimated revenue at alternate fee ceilings.

Table 3. Estimated Revenue at Alternate Maximum Fees

Fee Class	Higher Fee	Total Permits	Calculated Revenue	Previous Revenue	Revenue Difference	Cumulative Revenue Difference
43	\$3,225	26	\$83,850	\$78,000	\$5,850	\$5,850
45	\$3,375	4	\$13,500	\$12,000	\$1,500	\$7,350
46	\$3,450	65.6	\$226,320	\$196,800	\$29,520	\$36,870
47	\$3,525	4	\$14,100	\$12,000	\$2,100	\$38,970
48	\$3,600	1	\$3,600	\$3,000	\$600	\$39,570
52	\$3,900	7.4	\$28,860	\$22,200	\$6,660	\$46,230
53	\$3,975	2.6	\$10,335	\$7,800	\$2,535	\$48,765
57	\$4,275	62	\$265,050	\$186,000	\$79,050	\$127,815
58	\$4,350	3.2	\$13,920	\$9,600	\$4,320	\$132,135
60	\$4,500	1	\$4,500	\$3,000	\$1,500	\$133,635
61	\$4,575	2	\$9,150	\$6,000	\$3,150	\$136,785
63	\$4,725	7.6	\$35,910	\$22,800	\$13,110	\$149,895
70	\$5,250	2.4	\$12,600	\$7,200	\$5,400	\$155,295
86	\$6,450	98.2	\$633,390	\$294,600	\$338,790	\$494,085
91	\$6,825	85.4	\$582,855	\$256,200	\$326,655	\$820,740
136	\$10,200	6.8	\$69,360	\$20,400	\$48,960	\$869,700
177	\$13,275	129.2	\$1,715,130	\$387,600	\$1,327,530	\$2,197,230
Total		508.4	\$3,722,430	\$1,525,200	\$2,197,230	

The estimated 2016 permits by residency is outlined in Table 4. Included in these figures is the percent of permits renewed by Alaska residents and nonresidents, as well as the estimated foregone revenue by these two classes of individuals.

Table 4. Alaska Resident vs. Nonresident

	Alaska Resident	Nonresident
Estimated Permit Renewals	17.2%	82.8%
Estimated Foregone Revenue	11.8%	88.2%

Note that the estimate of foregone revenue from nonresidents is a higher percentage than the estimate of nonresident permit renewals. This is due to the fact that there is a higher proportion of nonresident permits in the higher fee classes.

ADFG	VESSEL NAME	LENGTH	HOME PORT	OWNER	CITY	STATE	PMT1	PMT2	PMT3	PMT4	PMT5	No. PMT1	NO. PMT2	No. PMT3	No. PMT4	No. PMT5
1	00006	PROGRESS	114	NEWPORT	ICICLE SEAFOODS INC	SEATTLE	WA	M 7IB				2				
2	00007	PACIFIC MARINER	126	SEATTLE	PAC MARINER LLC	SEATTLE	WA	K 91T	T 91Q			1	1			
3	00008	VIKING	135	SEATTLE	VIKING LP	SEATTLE	WA	M 7IB	T 91Q			2	1			
4	00012	STAR FISH	123	SEATTLE	FV STARFISH LLC	EDMONDS	WA	M 7HB	T 91Q			1	1			
5	00029	ANITA J	130	ANCHORAGE	EVENING STAR INC/ICICLE	SEATTLE	WA	M 7IB	T 91Q			1	1			
6	00030	ROLLO	105	SEATTLE	NYHAMMER ENTERPRISES INC	SHORELINE	WA	K 91T	T 91Q			1	1			
7	00032	OCEAN LEADER	120	SEATTLE	EMMONAK LEADER LLC	SEATTLE	WA	M 7HB	T 91Q			1	1			
8	00033	PACIFIC FURY	110	SEATTLE	FURY GROUP INC	SEATTLE	WA	M 7HB	T 91Q			2	1			
9	00037	ATLANTICO	98	KODIAK	ATLANTA CORP	KODIAK	AK	K 91T	T 91Q			1	1			
10	00039	AMERICAN EAGLE	118	SEATTLE	EVENING STAR INC/ICICLE	SEATTLE	WA	M 7HB	T 91Q			1	1			
11	00045	ALYESKA	112	NEAH BAY	WA ATCH INC	NEAH BAY	WA	M 7HB	T 91Q			1	1			
12	00046	ROYAL ATLANTIC	124	SEATTLE	ROYAL ATLANTIC LLC	SEATTLE	WA	M 7HB	T 91Q			2	1			
13	00047	PACIFIC VIKING	130	SEATTLE	ROYAL VIKING INC/AK SUPPORT	SEATTLE	WA	M 7IB	T 91Q			1	1			
14	00052	BERING SEA	114	SEATTLE	SNUG HARBOR MARINE LLC	KENAI	AK	T 91Q	T 91QD			2	2			
15	00055	MARCY J	99	KODIAK	TRIDENT SEAFOODS/AK SUPPORT	SEATTLE	WA	M 7HB	T 91QD			1	2			
16	00058	PROVIDER	136	JUNEAU	PROVIDER INC	KODIAK	AK	K 91T	T 91Q			1	2			
17	00064	CASCADE MARINER	100	SEATTLE	CASCADE MARINER LLC	SEATTLE	WA	K 91T	T 91Q			1	1			
18	00077	SEADAWN	124	PORTLAND	FY FISHERIES INC	NEWPORT	OR	M 7HB	T 91Q			2	1			
19	00097	OCEAN FURY	124	SEATTLE	FURY GROUP INC	SEATTLE	WA	K 91T	T 91Q			1	1			
20	00101	OCEAN HARVESTER	108	SEATTLE	HARVESTER ENT/PUGET SND ACCT	SEATTLE	WA	M 7IB	T 91Q			2	1			
21	00103	EARLY DAWN	108	SEATTLE	EARLY DAWN LLC	EDMONDS	WA	K 91O	K 91T	T 91Q		1	1	1		
22	00121	SILVER DOLPHIN	126	SEATTLE	BREKKA STAAL	BOTHELL	WA	K 91T	T 91Q	T 91Q		1	1	1		
23	00200	NORDIC FURY	110	SEATTLE	FURY GROUP INC	SEATTLE	WA	M 7IB	T 91Q	T 91Q		1	1	1		
24	00222	NORDIC MARINER	120	SEATTLE	NORDIC MARINER LLC	SEATTLE	WA	K 91T	T 91Q	T 91QB		1	1	1		
25	00303	POLAR SEA	90	SEATTLE	ARCTIC HUNTER LLC	LAKEWOOD	WA	K 91T	T 91Q	T 91QB		1	1	1		
26	00524	KARIN LYNN	127	SEATTLE	KARIN LYNN FISHERIES	GREENBANK	WA	K 91T	T 91Q	T 91QB		1	1	1		
27	00960	KEVLEEN K	104	SEATTLE	KEVLEEN K VESSEL LLC	EDMONDS	WA	K 91T	T 91Q	T 91QB		1	1	1		
28	00961	NORDIC STAR	123	SEATTLE	FV NORDIC STAR	SEATTLE	WA	M 7HB	T 91Q	T 91QB		2	1	1		
29	00963	WESTERN MARINER	115	SEATTLE	WESTERN MARINER LLC	SEATTLE	WA	K 91T	T 91Q	T 91QB		1	2	1		
30	00965	ADVENTURE	81	PETERSBURG	ADVENTURE LLC	WASILLA	AK	K 91T	T 91Q	T 91QB		1	1	1		
31	00991	PACIFIC SOUNDER	98	SEATTLE	LONE OYSTEIN	MILL CREEK	WA	K 91T	T 91Q	T 91QB		1	2	1		
32	00996	VALIANT	111	SEATTLE	VALIANT FISHERIES LLC	REDMOND	WA	K 91T	T 91Q	T 91QB		1	1	1		
33	01112	ARCTIC WIND	123	SEATTLE	DONA MARTITA LLC	SHORELINE	WA	M 7IB	T 91Q	T 91QB		1	1	1		
34	01119	VAERDAL	110	SEATTLE	ALASKA VAERDAL LLC	SEATTLE	WA	M 7HB	T 91Q	T 91QB		3	1	1		
35	03404	OCEANIC	122	SEATTLE	OCEANIC FISHERIES LLC	SEATTLE	WA	M 7HB	T 91Q	T 91QB		1	1	1		
36	03525	KODIAK	103	KODIAK	JLAX FISHERIES LLC	ISSAQUAH	WA	K 91T	T 91Q	T 91QB		1	1	1		
37	03645	BALLYHOO	177	JUNEAU	ARCTIC PACKER LLC	ANCHORAGE	AK	T 91Q	T 91QF	T 91QB		1	1	1		
38	03734	ALASKAN	64	KODIAK	STINSON JAY E	KODIAK	AK	M 7GG	M 7HB	T 91QB		1	1	1		
39	04147	BERING STAR	108	SEATTLE	HOSTETLER DERWIN H3	SEATTLE	WA	K 91T	T 91Q	T 91QB		1	1	1		
40	05992	ALEUTIAN NO 1	124	DUTCH HARBOR	ALEUTIAN NO 1 & OWNERS	SEATTLE	WA	K 91O	T 91Q	T 91QB		2	1	1		
41	06151	SEA MAC	81	KODIAK	SEA MAC SEAFOODS LLC	KODIAK	AK	M 7HB	T 91Q	T 91QB		1	1	1		
42	06440	MARK I	99	SEATTLE	MARK I INC	SEATTLE	WA	M 7HB	T 91Q	T 91QB		2	1	1		
43	06931	PACIFIC CHALLENGER	116	SEATTLE	PACIFIC DAWN LLC	SEATTLE	WA	M 7HB	T 91Q	T 91QB		2	1	1		
44	07189	KETA	97	ANCHORAGE	FV KETA INC-C/O VESSEL MANAGEM	SEATTLE	WA	K 91T	T 91Q	T 91QB		1	1	1		
45	08411	BRISTOL MARINER	125	DILLINGHAM	ARCTIC MARINER LLC	SEATTLE	WA	K 91T	T 91Q	T 91QB		1	1	1		
46	08500	ALASKA ENDEAVOR	130	SEATTLE	EPIC ALASKA LLC	SEATTLE	WA	M 7HB	T 91Q	T 91QB		1	1	1		
47	08522	U S LIBERATOR	162	SEATTLE	LIBERATOR FISHERIES LLC	SEATTLE	WA	M 6AB	T 91Q	T 91QB		2	1	1		
48	08668	DOMINATOR	124	SEATTLE	TRIDENT SEAFOODS/AK SUPPORT	SEATTLE	WA	M 7HB	T 91Q	T 91QB		2	1	1		
49	09200	PEGGY JO	99	KODIAK	B & N FISHERIES COMPANY	SEATTLE	WA	M 7IB	T 91Q	T 91QB		2	1	1		
50	09206	DAWN	92	KODIAK	DAWN FISHERIES LLC	KODIAK	AK	M 7HB	M 7HG	T 91QB		2	1	1		
51	11022	SAGA	107	HOMER	FV SAGA LLC	ANCHORAGE	AK	K 91T	T 91Q	T 91QB		1	2	1		
52	12668	PERSEVERANCE	87	NEWPORT	COOPER MARK	NEWPORT	OR	M 7GB	T 91Q	T 91QB		1	2	1		

Submitted by Alaska Commercial Fisheries Entry Commission
 K1 vessels affected by removal of fee cap

ADFG	VESSEL NAME	LENGTH	HOME PORT	OWNER	CITY	STATE	PMT1	PMT2	PMT3	PMT4	PMT5	No. PMT1	NO. PMT2	No. PMT3	No. PMT4	No. PMT5
53	14767	ELIZABETH F	90	KODIAK	ELIZABETH F INC	KODIAK	AK	M 7HG	T 91Q	T 91QB		1	2	1		
54	20339	ENTERPRISE	78	KODIAK	ENTERPRISE FISHERIES LLC	KODIAK	AK	M 7GG	T 91Q	T 91QB		1	2	1		
55	20363	MELANIE	102	SEATTLE	MELANIE INC	DEPOE BAY	OR	K 91T	T 91Q	T 91QB		1	1	1		
56	20556	ERLA N	117	SEATTLE	HENKEL ALAN B	SAMMAMISH	WA	K 91O	T 91Q	T 91QB		1	1	1		
57	20734	PARAGON	110	SEATTLE	RAINER INVESTMENTS	EDMONDS	WA	K 91T	T 91Q	T 91QB		1	1	1		
58	20745	BILLIKIN	132	SEATTLE	TRIDENT SEAFOODS/AK SUPPORT	SEATTLE	WA	K 91T	T 91Q	T 91QB		1	2	1		
59	21591	LAURA	93	KODIAK	LAURA FISHERIES JOINT VENTURE	KODIAK	AK	M 7HB	M 7HG	T 91QB		2	1	1		
60	21650	MAR DEL NORTE	92	KODIAK	MAR DEL NORTE FISHERIES LLC	EAST WENATCHEE	WA	M 7HG	M 7HG	T 91QB		1	1	1		
61	21732	ROSELLA	90	KODIAK	ROSELLA INC	SOUTH BEND	WA	M 7HB	M 7HG	T 91QB		1	1	1		
62	21845	NEW LIFE	79	NEWPORT	NEW LIFE FISHERIES INC	SILTEZ	OR	M 7GB	M 7GG	T 91QB		1	1	1		
63	22011	ALASKA BEAUTY	98	KODIAK	ALASKA BEAUTY LLC	SEATTLE	WA	M 7HB	M 7GG	T 91QB		1	1	1		
64	22294	WESTERN DAWN	112	SEATTLE	ALASKA THOR A	SEATTLE	WA	M 7HB	M 7GG	T 91QB		2	1	1		
65	23131	MAR PACIFICO	96	JUNEAU	MAR PACIFICO INC	SOUTH BEND	WA	M 7HB	M 7GG	T 91QB		1	1	1		
66	24255	AMERICAN BEAUTY	123	SEATTLE	ALAKANAK BEAUTY LLC	SEATTLE	WA	M 7HB	M 7GG	T 91QB		1	1	1		
67	25216	NORTH AMERICAN	110	SEATTLE	NORTH AMERICAN INC	SEATTLE	WA	T 91Q	M 7GG	T 91QB		1	1	1		
68	25227	MISS LEONA	87	BELLINGHAM	ALLINSON OMAR NJ	BELLINGHAM	WA	M 7GB	M 7GG	T 91QB		2	1	1		
69	29962	NORTHWESTERN	125	SEATTLE	FV NORTHWESTERN LLC	SEATTLE	WA	K 91T	T 91Q	T 91QB		1	2	1		
70	31672	MARGARET LYN	123	SEATTLE	GREAT WEST SEAFOODS LP	SEATTLE	WA	M 7IB	T 91Q	T 91QB		1	2	1		
71	31792	ARCTIC MARINER	125	SEATTLE	ARCTIC MARINER LLC	SEATTLE	WA	K 91T	T 91Q	T 91QB		1	2	1		
72	32473	GLADIATOR	124	SEATTLE	TRIDENT SEAFOODS/AK SUPPORT	SEATTLE	WA	M 7HB	M 7IB	T 91QB		1	1	1		
73	32817	GOLDEN PISCES	97	NEWPORT	GOLDEN PISCES INC	NEWPORT	OR	M 7HB	M 7IB	T 91QB		2	1	1		
74	33696	ARCTIC SEA	134	SEATTLE	ARCTIC SEA LLC	ANCHORAGE	AK	K 91T	K 91TD	T 91Q	T 91QD	1	1	1		1
75	33697	CALIFORNIA HORIZON	90	SAN FRANCISCO	KYDAKA CORPORATION	SEATTLE	WA	M 7HB	K 91TD	T 91Q	T 91QD	1	1	1		1
76	33704	TRAIL BLAZER	134	KODIAK	TRAILBLAZER LLC	NEWPORT	OR	K 91T	T 91Q	T 91Q	T 91QD	1	2	1		1
77	33744	PREDATOR	90	NEWPORT	PATIENCE FISHERIES INC	NEWPORT	OR	M 7GB	T 91Q	T 91Q	T 91QD	2	2	1		1
78	34053	BOUNTIFUL	165	SEATTLE	TRIDENT SEAFOODS/AK SUPPORT	SEATTLE	WA	K 91T	T 91Q	T 91Q	T 91QD	1	1	1		1
79	34855	BARANOF	180	SEATTLE	ROMANZOF FISHING CO LLC	SEATTLE	WA	K 91T	M 6AB	T 91Q	T 91QF	1	2	2		1
80	34905	GLACIER BAY	154	SEATTLE	GLACIER BAY FISHERIES LLC	SEATTLE	WA	M 6AB	M 6AB	T 91Q	T 91QF	3	2	2		1
81	34919	WALTER N	98	KODIAK	ELIZABETH F INC	KODIAK	AK	M 7HB	M 7HG	T 91Q	T 91QF	1	1	2		1
82	34931	STARLITE	123	SEATTLE	STARLITE FISHERIES LLC	EDMONDS	WA	M 7HB	M 7HG	T 91Q	T 91QF	2	1	2		1
83	35265	WIZARD	156	SEATTLE	COLBURN KEITH	REDMOND	WA	K 91T	T 91Q	T 91Q	T 91QF	1	2	2		1
84	35277	JENNIFER A	103	KETCHIKAN	ST GEORGE MARINE INC	KENMORE	WA	K 91T	T 91Q	T 91Q	T 91QF	1	1	2		1
85	35306	DETERMINED	103	SAND POINT	DETERMINED LLC	SEATTLE	WA	T 91Q	T 91Q	T 91Q	T 91QF	1	1	2		1
86	35318	SCANDIES ROSE	116	DUTCH HARBOR	SCANDIES ROSE FISHING CO LLC	BREMERTON	WA	K 91T	T 91Q	T 91Q	T 91QF	1	1	2		1
87	35527	SUNSET BAY	121	ANCHORAGE	EVENING STAR INC/ICICLE	SEATTLE	WA	M 7IG	T 91Q	T 91Q	T 91QF	1	1	2		1
88	35629	CONSTELLATION	127	SEATTLE	RSD FISHERIES LLC	MILL CREEK	WA	K 91T	T 91Q	T 91Q	T 91QF	1	1	2		1
89	35640	NUKA ISLAND	105	HOMER	LENON NORMAN J	KODIAK	AK	K 91T	T 91Q	T 91Q	T 91QF	1	1	2		1
90	35683	FARWEST LEADER	110	SEATTLE	TRIDENT SEAFOODS/AK SUPPORT	SEATTLE	WA	K 91T	T 91Q	T 91Q	T 91QF	1	1	2		1
91	35687	GOLDEN DAWN	149	SEATTLE	TRIDENT SEAFOODS/AK SUPPORT	SEATTLE	WA	M 7IB	T 91Q	T 91Q	T 91QF	1	1	2		1
92	35767	PATRICIA LEE	116	DUTCH HARBOR	PATRICIA LEE LLC	SEATTLE	WA	K 91O	K 91OE	T 91Q	T 91QE	1	1	2		2
93	35833	COURAGEOUS	180	SEATTLE	AKULURAK LLC	SEATTLE	WA	M 6AB	K 91OE	T 91Q	T 91QE	2	1	2		2
94	35844	ALEUTIAN MARINER	118	SEATTLE	ALEUTIAN MARINER LLC	SEATTLE	WA	K 91T	T 91Q	T 91QB	T 91QE	1	2	1		2
95	35949	ALASKA SPIRIT	98	KODIAK	JENTRY DAVID G	KODIAK	AK	K 91T	T 91Q	T 91QB	T 91QE	1	2	1		2
96	35957	SEA WOLF	143	UNALASKA	SEA WOLF ALASKA LLC	SEATTLE	WA	M 7IB	T 91Q	T 91QB	T 91QE	2	2	1		2
97	35977	PACIFIC SUN	121	SAN FRANCISCO	DEAVER DENNIS	SEATTLE	WA	K 91T	T 91Q	T 91QB	T 91QE	1	2	1		2
98	36045	VIKING EXPLORER	123	SEATTLE	ROYAL VIKING INC/AK SUPPORT	SEATTLE	WA	M 7HB	M 7IB	T 91QB	T 91QE	1	1	1		2
99	36047	NORTH SEA	126	SEATTLE	NORTH SEA LLC	ANCHORAGE	AK	K 91T	K 91TD	T 91Q	T 91QD	1	1	1		1
100	36202	AMERICAN NO I	160	SEATTLE	NORTH PACIFIC FISHING INC	KIRKLAND	WA	M 7IB	K 91TD	T 91Q	T 91QD	2	1	1		1
101	36800	SEABROOKE	109	KODIAK	SEABROOKE ENTERPRISES LLC	MILTON FREEWATER	OR	K 91T	T 91Q	T 91QC	T 91QD	1	3	1		1
102	36808	NORTHWEST EXPLORER	162	SEATTLE	B & N FISHERIES COMPANY	SEATTLE	WA	M 7IB	T 91Q	T 91QC	T 91QD	1	3	1		1
103	37210	ARCTIC LADY	131	PORTLAND	ARCTIC SUN FISHERIES	CLACKAMAS	OR	K 91T	T 91Q	T 91QC	T 91QD	1	2	1		1
104	37660	GREAT PACIFIC	124	UNALASKA	GREAT PACIFIC ALASKA LLC	SEATTLE	WA	M 7HB	T 91Q	T 91QC	T 91QD	2	2	1		1

ADFG	VESSEL NAME	LENGTH	HOME PORT	OWNER	CITY	STATE	PMT1	PMT2	PMT3	PMT4	PMT5	No. PMT1	NO. PMT2	No. PMT3	No. PMT4	No. PMT5
105	37887	ALASKA TROJAN	127	NEWPORT	OREGON SEAFOOD PRODUCERS	NEWPORT	OR	K 91O	K 91OG	T 91QC	T 91QD	2	1	1	1	1
106	38342	VESTERAALEN	105	SEATTLE	VESTERAALEN LLC	SEATTLE	WA	M 7HB	K 91OG	T 91QC	T 91QD	2	1	1	1	1
107	38431	MORNING STAR	148	JUNEAU	DONA MARTITA LLC	SHORELINE	WA	M 7IB	K 91OG	T 91QC	T 91QD	2	1	1	1	1
108	38547	ARGOSY	124	KODIAK	MOE THOMAS L	VANCOUVER	WA	M 7HB	K 91OG	T 91QC	T 91QD	2	1	1	1	1
109	38549	CLIPPER EPIC	167	SEATTLE	EWING STREET FISHERIES	SEATTLE	WA	M 6AB	K 91OG	T 91QC	T 91QD	1	1	1	1	1
110	38923	BRENNA A	107	KETCHIKAN	ST GEORGE MARINE INC	KENMORE	WA	T 91Q	K 91OG	T 91QC	T 91QD	1	1	1	1	1
111	38989	ALASKA ROSE	125	UNALASKA	ALASKA ROSE ALASKA LLC	SEATTLE	WA	M 7HB	K 91OG	T 91QC	T 91QD	1	1	1	1	1
112	39056	COLUMBIA	123	SEATTLE	ROYAL VIKING INC/AK SUPPORT	SEATTLE	WA	M 7HB	K 91OG	T 91QC	T 91QD	1	1	1	1	1
113	39197	STARWARD	123	SEATTLE	STARWARD FISHERIES LLC	EDMONDS	WA	M 7HB	K 91OG	T 91QC	T 91QD	1	1	1	1	1
114	39230	HALF MOON BAY	121	ANCHORAGE	EVENING STAR INC/ICICLE	SEATTLE	WA	M 7IB	K 91OG	T 91QC	T 91QD	1	1	1	1	1
115	39369	GULF PROWLER	98	PETERSBURG	GULF PROWLER LLC	PETERSBURG	AK	M 6AB	K 91OG	T 91QC	T 91QD	1	1	1	1	1
116	39798	SEAFREEZE ALASKA	295	DUTCH HARBOR	SEAFREEZE ALASKA I LLC	SEATTLE	WA	M 7IB	K 91OG	T 91QC	T 91QD	2	1	1	1	1
117	39860	STORM PETREL	123	SEATTLE	EVENING STAR INC/ICICLE	SEATTLE	WA	M 7IB	K 91OG	T 91QC	T 91QD	2	1	1	1	1
118	39946	VANGUARD	94	JUNEAU	VANGUARD PARTNERSHIP	KODIAK	AK	M 7HB	K 91OG	T 91QC	T 91QD	3	1	1	1	1
119	40250	TOPAZ	86	KODIAK	CHANDLER FISHERIES INC	KODIAK	OR	M 7GG	M 7HB	T 91QC	T 91QD	1	1	1	1	1
120	40309	GOLD RUSH	93	KODIAK	ASHLEY BERT	KODIAK	AK	M 7HB	M 7HB	T 91QC	T 91QD	2	1	1	1	1
121	40638	BERING ROSE	125	UNALASKA	BERING ROSE ALASKA LLC	SEATTLE	WA	M 7HB	M 7HB	T 91QC	T 91QD	1	1	1	1	1
122	40749	ALSEA	124	SEATTLE	ALSEA FISHERIES	ISSAQUAH	WA	M 7HB	M 7HB	T 91QC	T 91QD	1	1	1	1	1
123	40762	ADVANCER	58	SAND POINT	WESTERN ADVANCER INC	SEATTLE	WA	M 7HB	M 7HB	T 91QC	T 91QD	1	1	1	1	1
124	40817	TEMPO SEA	134	JUNEAU	TEMPO SEA LLC	ANCHORAGE	AK	K 91T	T 91Q	T 91QC	T 91QD	1	1	1	1	1
125	40837	BLUE ATTU	137	SEATTLE	BLUE ATTU LLC	SEATTLE	WA	M 6AB	T 91Q	T 91QC	T 91QD	3	1	1	1	1
126	40840	ROYAL AMERICAN	107	SEATTLE	ROYAL AMERICAN FISHERIES LLC	SEATTLE	WA	M 7HB	T 91Q	T 91QC	T 91QD	1	1	1	1	1
127	40920	PROWLER	124	PETERSBURG	PROWLER LLC	PETERSBURG	AK	M 6AB	T 91Q	T 91QC	T 91QD	3	1	1	1	1
128	40921	SOUTHERN WIND	144	SEATTLE	TRIDENT SEAFOODS/AK SUPPORT	SEATTLE	WA	K 91T	T 91Q	T 91QC	T 91QD	1	1	1	1	1
129	40924	OCEAN HUNTER	95	KODIAK	OCEAN FISHERIES LLC	LAKewood	WA	T 91Q	T 91Q	T 91QC	T 91QD	1	1	1	1	1
130	40969	SEA STORM	123	SEATTLE	SEA STORM FISHERIES INC	SEATTLE	WA	M 7HB	T 91Q	T 91QC	T 91QD	2	1	1	1	1
131	41021	MUIR MILACH	102	PORT TOWNSEND	ALEUTIAN SPRAY REVERSE LLC	SEATTLE	WA	M 7HB	T 91Q	T 91QC	T 91QD	2	1	1	1	1
132	41312	GUN MAR	172	SEATTLE	DONA MARTITA LLC	SHORELINE	WA	M 7IB	T 91Q	T 91QC	T 91QD	1	1	1	1	1
133	41520	LISA MELINDA	85	NEWPORT	LISA MELINDA FISHERIES	NEWPORT	OR	M 7GB	T 91Q	T 91QC	T 91QD	3	1	1	1	1
134	42234	DESTINATION	110	SAND POINT	DESTINATION INC	SEATTLE	WA	K 91T	T 91Q	T 91QC	T 91QD	1	1	1	1	1
135	43260	GOLDEN FLEECE	104	SEATTLE	GOLDEN FLEECE INC	SOUTH BEND	WA	M 7HB	T 91Q	T 91QC	T 91QD	1	1	1	1	1
136	43570	OCEAN PROWLER	146	PETERSBURG	OCEAN PROWLER LLC	PETERSBURG	AK	M 6AB	T 91Q	T 91QC	T 91QD	1	1	1	1	1
137	44971	BARBARA J	110	ANACORTES	TRIDENT SEAFOODS/AK SUPPORT	SEATTLE	WA	K 91T	T 91Q	T 91QC	T 91QD	1	1	1	1	1
138	45978	ARCTURUS	132	SEATTLE	TRIDENT SEAFOODS/AK SUPPORT	SEATTLE	WA	M 7IB	T 91Q	T 91QC	T 91QD	2	1	1	1	1
139	46309	CAPE CAUTION	90	HOMER	FORTUNE SEA LLC	HOMER	AK	K 91T	T 91Q	T 91QC	T 91QD	1	2	1	1	1
140	46854	STORM BIRD	90	KODIAK	DOCHTERMANN LUDGER W	KODIAK	AK	K 91T	T 91Q	T 91QC	T 91QD	1	1	1	1	1
141	47790	GREEN HOPE	88	KODIAK	US MARINE CORPORATION	SEATTLE	WA	M 7IB	T 91Q	T 91QC	T 91QD	1	1	1	1	1
142	47795	HICKORY WIND	107	KODIAK	EVENING STAR INC/ICICLE	SEATTLE	WA	M 7HB	M 7IB	T 91QC	T 91QD	1	1	1	1	1
143	48075	NORTHERN GLACIER	201	SEATTLE	GLACIER FISH CO	SEATTLE	WA	M 7IB	M 7IB	T 91QC	T 91QD	4	1	1	1	1
144	48173	OCEAN HOPE 3	96	KODIAK	EVENING STAR INC/ICICLE	SEATTLE	WA	M 7HB	M 7IG	T 91QC	T 91QD	1	1	1	1	1
145	48183	LEGACY	132	KODIAK	ALASKA LEGACY LLC	SEATTLE	WA	M 7IB	M 7IG	T 91QC	T 91QD	2	1	1	1	1
146	48215	ALDEBARAN	132	SEATTLE	ROYAL VIKING INC/AK SUPPORT	SEATTLE	WA	M 7IB	M 7IG	T 91QC	T 91QD	2	1	1	1	1
147	49617	MARATHON	91	NEWPORT	MARATHON FISHERIES INC	SILETZ	OR	M 7HB	M 7IG	T 91QC	T 91QD	2	1	1	1	1
148	49618	BAY ISLANDER	87	NEWPORT	BAY ISLANDER FISHERIES INC	SILETZ	OR	M 7GB	M 7GG	T 91QC	T 91QD	1	1	1	1	1
149	50501	KARI MARIE	115	SEATTLE	KARI MARIE FISHERIES LLC	BOTHELL	WA	K 91T	T 91Q	T 91QC	T 91QD	1	1	1	1	1
150	50570	ALEUTIAN CHALLENGER	88	SEATTLE	MEDDAR CORPORATION	SEATTLE	WA	M 7GB	T 91Q	T 91QC	T 91QD	1	1	1	1	1
151	50759	PACIFIC EXPLORER	155	SEATTLE	B & N FISHERIES COMPANY	SEATTLE	WA	M 7IB	T 91Q	T 91QC	T 91QD	2	1	1	1	1
152	51073	OCEAN EXPLORER	155	SEATTLE	B & N FISHERIES COMPANY	SEATTLE	WA	M 7IB	T 91Q	T 91QC	T 91QD	1	1	1	1	1
153	51347	KONA KAI	108	HOMER	FORTUNE SEA LLC	HOMER	AK	T 91Q	T 91Q	T 91QC	T 91QD	1	1	1	1	1
154	51672	BERING DEFENDER	174	SEATTLE	DONA MARTITA LLC	SHORELINE	WA	M 7HB	T 91Q	T 91QC	T 91QD	1	1	1	1	1
155	51873	REBECCA IRENE	140	SEATTLE	REBECCA IRENE VESSEL LLC	SEATTLE	WA	M 7IB	T 91Q	T 91QC	T 91QD	3	1	1	1	1
156	53247	WESTWARD I	126	SEATTLE	WESTWARD 1 LIMITED PRTRN	SEATTLE	WA	M 7IB	T 91Q	T 91QC	T 91QD	1	1	1	1	1

ADFG	VESSEL NAME	LENGTH	HOME PORT	OWNER	CITY	STATE	PMT1	PMT2	PMT3	PMT4	PMT5	No. PMT1	No. PMT2	No. PMT3	No. PMT4	No. PMT5
157	53810	ALASKA PROVIDER	171	KODIAK	SEABED SURVEYOR LLC	SEATTLE	WA	M 7IB	T 91Q	T 91QC	T 91QD	1	1	1	1	1
158	53843	COMMODORE	133	SEATTLE	EVENING STAR INC/ICICLE	SEATTLE	WA	M 7IB	T 91Q	T 91QC	T 91QD	1	1	1	1	1
159	54392	US INTREPID	185	SEATTLE	U S FISHING LLC	KIRKLAND	WA	M 7IB	T 91Q	T 91QC	T 91QD	2	1	1	1	1
160	54648	COLLIER BROTHERS	90	PORTLAND	COLLIER BROTHERS LLC	INDEPENDENCE	OR	M 7HB	T 91Q	T 91QC	T 91QD	2	1	1	1	1
161	54653	EXCALIBUR II	92	NEWPORT	LESLIE KENT	NEWPORT	OR	M 7GB	M 7HB	T 91QC	T 91QD	1	1	1	1	1
162	54693	ALASKA JURIS	238	SEATTLE	ALASKA JURIS INC	RENTON	WA	M 7IB	M 7HB	T 91QC	T 91QD	2	1	1	1	1
163	54743	CLIPPER SURPRISE	111	SEATTLE	CLIPPER SEAFOODS LTD	SEATTLE	WA	M 6AB	M 7HB	T 91QC	T 91QD	2	1	1	1	1
164	54851	ALASKA MIST	174	SEATTLE	GULF MIST INC	EVERETT	WA	M 6AB	M 7HB	T 91QC	T 91QD	2	1	1	1	1
165	54886	ARCTIC STORM	334	SEATTLE	ARCTIC STORM INC	SEATTLE	WA	M 7IB	M 7HB	T 91QC	T 91QD	2	1	1	1	1
166	55038	PACIFIC STAR	80	KODIAK	PACSTAR INC	KODIAK	AK	M 7GB	M 7GG	T 91QC	T 91QD	1	1	1	1	1
167	55111	FIERCE ALLEGIANCE	166	SEATTLE	FIERCE ALLEGIANCE LLC	EDMONDS	WA	K 91T	M 7IB	T 91Q	T 91QC	1	1	1	1	1
168	55153	NORTHERN PATRIOT	165	SEATTLE	TRIDENT SEAFOODS/AK SUPPORT	SEATTLE	WA	M 7IB	M 7IB	T 91Q	T 91QC	2	1	1	1	1
169	55199	SOVEREIGNTY	165	SEATTLE	TRIDENT SEAFOODS/AK SUPPORT	SEATTLE	WA	M 7IB	M 7IB	T 91Q	T 91QC	2	1	1	1	1
170	55301	KATIE ANN	296	SEATTLE	KATIE ANN LLC	SEATTLE	WA	M 7IB	M 7IB	T 91Q	T 91QC	1	1	1	1	1
171	55767	OCEAN PEACE	199	DUTCH HARBOR	OCEAN PEACE INC	SEATTLE	WA	M 7IB	M 7IB	T 91Q	T 91QC	2	1	1	1	1
172	55921	CAPE HORN	145	SEATTLE	CAPE HORN VESSEL LLC	SEATTLE	WA	M 7IB	M 7IB	T 91Q	T 91QC	2	1	1	1	1
173	55923	BRISTOL EXPLORER	180	SEATTLE	B & N FISHERIES COMPANY	SEATTLE	WA	M 7IB	M 7IB	T 91Q	T 91QC	1	1	1	1	1
174	56016	DEEP PACIFIC	124	SEATTLE	COASTAL VILLAGES LONGLINE LLC	ANCHORAGE	AK	M 6AB	M 7IB	T 91Q	T 91QC	3	1	1	1	1
175	56119	LESLIE LEE	98	NEWPORT	LESLIE LEE INC	NEWPORT	OR	M 7HB	M 7IB	T 91Q	T 91QC	2	1	1	1	1
176	56126	ALEUTIAN LADY	165	SEATTLE	SHELFORD BOAT LTD	MILL CREEK	WA	T 91Q	M 7IB	T 91Q	T 91QC	1	1	1	1	1
177	56153	AURIGA	176	ANACORTES	ALYESKA OCEAN INC	ANACORTES	WA	M 7IB	M 7IB	T 91Q	T 91QC	2	1	1	1	1
178	56154	AURORA	176	ANACORTES	ALYESKA OCEAN INC	ANACORTES	WA	M 7IB	M 7IB	T 91Q	T 91QC	1	1	1	1	1
179	56395	RAVEN	92	NEWPORT	SMITH ROBERT E	NEWPORT	OR	M 7HB	M 7IB	T 91Q	T 91QC	2	1	1	1	1
180	56602	CLIPPER ENDEAVOR	111	SEATTLE	CLIPPER SEAFOODS LTD	SEATTLE	WA	M 6AB	M 7IB	T 91Q	T 91QC	2	1	1	1	1
181	56618	NORTHERN EAGLE	341	SEATTLE	NORTHERN EAGLE LLC	SEATTLE	WA	M 7IB	M 7IB	T 91Q	T 91QC	2	1	1	1	1
182	56676	DEFENDER	180	SEATTLE	DONA MARTITA LLC	SHORELINE	WA	M 7IB	M 7IB	T 91Q	T 91QC	2	1	1	1	1
183	56789	SEATTLE ENTERPRISE	270	SEATTLE	TRIDENT SEAFOODS/AK SUPPORT	SEATTLE	WA	M 7IB	M 7IB	T 91Q	T 91QC	2	1	1	1	1
184	56964	SEAFISHER	230	SEATTLE	MV SAVAGE INC	SEATTLE	WA	M 7IB	M 7IB	T 91Q	T 91QC	2	1	1	1	1
185	56965	ALASKA WARRIOR	215	SEATTLE	THE FISHING COMPANY OF AK	RENTON	WA	M 7IB	M 7IB	T 91Q	T 91QC	3	1	1	1	1
186	56974	HIGHLAND LIGHT	270	SEATTLE	HLTA LLC	SEATTLE	WA	M 7IB	M 7IB	T 91Q	T 91QC	1	1	1	1	1
187	56987	OCEAN ROVER	256	SEATTLE	OCEAN ROVER LLC	SEATTLE	WA	M 7IB	M 7IB	T 91Q	T 91QC	2	1	1	1	1
188	56991	PACIFIC GLACIER	276	SEATTLE	GLACIER FISH CO	SEATTLE	WA	M 7IB	M 7IB	T 91Q	T 91QC	2	1	1	1	1
189	57117	ARCTIC RAM	87	SEATTLE	TRIDENT SEAFOODS/AK SUPPORT	SEATTLE	WA	M 7HB	M 7IB	T 91Q	T 91QC	1	1	1	1	1
190	57149	PEGASUS	96	ASTORIA	NORTH SEA INC	PORTLAND	OR	M 7GB	M 7IB	T 91Q	T 91QC	2	1	1	1	1
191	57211	UNIMAK	185	SEATTLE	UNIMAK VESSEL LLC	SEATTLE	WA	M 7IB	M 7IB	T 91Q	T 91QC	2	1	1	1	1
192	57228	ARICA	186	SEATTLE	ARICA VESSEL LLC	SEATTLE	WA	M 7IB	M 7IB	T 91Q	T 91QC	1	1	1	1	1
193	57440	ARCTIC EXPLORER	155	SEATTLE	B & N FISHERIES COMPANY	SEATTLE	WA	M 7IB	M 7IB	T 91Q	T 91QC	1	1	1	1	1
194	57450	ARCTIC FJORD	275	SEATTLE	ARCTIC FJORD INC	SEATTLE	WA	M 7IB	M 7IB	T 91Q	T 91QC	2	1	1	1	1
195	57621	STARBOUND	248	SEATTLE	FT STARBOUND	SEATTLE	WA	M 7IB	M 7IB	T 91Q	T 91QC	3	1	1	1	1
196	57634	CARAVELLE	85	KODIAK	GOLDEN WEST FISHERIES INC	KODIAK	AK	M 7GB	M 7IB	T 91Q	T 91QC	2	1	1	1	1
197	57971	VIEKODA BAY	102	KODIAK	FV VIEKODA BAY LLC	KODIAK	AK	K 91T	T 91Q	T 91Q	T 91QC	1	1	1	1	1
198	58821	TRAVELER	109	SEATTLE	TRAVELER FISHERIES LLC	SEATTLE	WA	M 7HB	T 91Q	T 91Q	T 91QC	2	1	1	1	1
199	59109	CORNELIA MARIE	125	KODIAK	FV CORNELIA MARIE LLC	SEATTLE	WA	K 91T	T 91Q	T 91Q	T 91QC	1	1	1	1	1
200	59123	MISS BERTIE	73	PORTLAND	SCHONES STANLEY J	NEWPORT	OR	M 7GB	T 91Q	T 91Q	T 91QC	1	1	1	1	1
201	59170	KODIAK ENTERPRISE	262	SEATTLE	TRIDENT SEAFOODS/AK SUPPORT	SEATTLE	WA	M 7IB	T 91Q	T 91Q	T 91QC	2	1	1	1	1
202	59378	AMERICAN DYNASTY	272	SEATTLE	AMERICAN DYNASTY LLC	SEATTLE	WA	M 7IB	T 91Q	T 91Q	T 91QC	2	1	1	1	1
203	59380	FRONTIER MARINER	118	SEATTLE	CLIPPER SEAFOODS LTD	SEATTLE	WA	M 6AB	T 91Q	T 91Q	T 91QC	2	1	1	1	1
204	59381	FRONTIER SPIRIT	118	SEATTLE	CLIPPER SEAFOODS LTD	SEATTLE	WA	M 6AB	T 91Q	T 91Q	T 91QC	3	1	1	1	1
205	59476	SEEKER	98	NEWPORT	SEEVERS JAMES M	NEWPORT	OR	M 7HB	T 91Q	T 91Q	T 91QC	2	1	1	1	1
206	59503	ISLAND ENTERPRISE	304	SEATTLE	TRIDENT SEAFOODS/AK SUPPORT	SEATTLE	WA	M 7IB	T 91Q	T 91Q	T 91QC	2	1	1	1	1
207	59686	RAMBLIN ROSE	103	JUNEAU	DIAMONDBACK SEAFOODS INC	ANCHORAGE	AK	T 91Q	T 91QE	T 91QF	T 91QC	1	1	1	1	1
208	59779	CAITLIN ANN	103	UNALASKA	ALASKA COMMAND LLC	SEATTLE	WA	M 7HB	T 91QE	T 91QF	T 91QC	1	1	1	1	1

ADFG	VESSEL NAME	LENGTH	HOME PORT	OWNER	CITY	STATE	PMT1	PMT2	PMT3	PMT4	PMT5	No. PMT1	NO. PMT2	No. PMT3	No. PMT4	No. PMT5
209	59870	ALASKA SPIRIT	221	SEATTLE	ALASKA SPIRIT INC	RENTON	WA	M 7IB	T 91QE	T 91QF	T 91QC	1	1	1	1	
210	60056	NICOLE	78	KODIAK	NICOLE FISHERIES LLC	KODIAK	AK	M 7GG	T 91QE	T 91QF	T 91QC	1	1	1	1	
211	60100	BEAUTY BAY	127	SEATTLE	BEAUTY BAY OF WASHINGTON LLC	BOTHELL	WA	M 6AB	T 91QE	T 91QF	T 91QC	2	1	1	1	
212	60202	NORTHERN JAEGER	336	SEATTLE	NORTHERN JAEGER LLC	SEATTLE	WA	M 7IB	T 91QE	T 91QF	T 91QC	2	1	1	1	
213	60210	KUSTATAN	100	JUNEAU	BELLAMY RAYMOND LS	HOMER	AK	K 91T	T 91Q	T 91QF	T 91QC	1	2	1	1	
214	60407	ALASKA OCEAN	376	SEATTLE	GLACIER FISH CO	SEATTLE	WA	M 7IB	T 91Q	T 91QF	T 91QC	2	2	1	1	
215	60650	MAJESTY	99	SEATTLE	TRIDENT SEAFOODS/AK SUPPORT	SEATTLE	WA	M 7HB	T 91Q	T 91QF	T 91QC	2	2	1	1	
216	60655	DESTINATION	180	UNALASKA	DESTINATION ALASKA LLC	SEATTLE	WA	M 7IB	T 91Q	T 91QF	T 91QC	1	2	1	1	
217	60660	AMERICAN TRIUMPH	285	SEATTLE	AMERICAN TRIUMPH LLC	SEATTLE	WA	M 7IB	T 91Q	T 91QF	T 91QC	3	2	1	1	
218	60795	NORTHERN HAWK	341	SEATTLE	COASTAL VILLAGES POLLOCK LLC	ANCHORAGE	AK	M 7IB	T 91Q	T 91QF	T 91QC	2	2	1	1	
219	60860	SILVER SPRAY	116	KODIAK	SILVER SPRAY SEAFOODS LLC	KODIAK	AK	K 91T	T 91Q	T 91QF	T 91QC	1	1	1	1	
220	60865	BERING HUNTER	115	KODIAK	BERING HUNTER LLC	HOMER	AK	K 91T	T 91Q	T 91QF	T 91QC	1	1	1	1	
221	61081	CONSTELLATION	151	ROCKLAND	O'HARA CORPORATION	ROCKLAND	ME	M 7IB	T 91Q	T 91QF	T 91QC	2	1	1	1	
222	61083	ALASKA VICTORY	227	SEATTLE	ALASKA VICTORY INC	RENTON	WA	M 7IB	T 91Q	T 91QF	T 91QC	2	1	1	1	
223	61154	KISKA SEA	125	NEWPORT	KISKA SEA NORTHERN LLC	SEATTLE	WA	K 91T	T 91Q	T 91QF	T 91QC	1	1	1	1	
224	61244	MICHELLE RENEE	112	KODIAK	BLACK SEA FISHERIES INC	CAMAS	WA	M 7HB	T 91Q	T 91QF	T 91QC	2	1	1	1	
225	61432	CAPE KIWANDA	85	KODIAK	B & N FISHERIES COMPANY	SEATTLE	WA	M 7GB	T 91Q	T 91QF	T 91QC	1	1	1	1	
226	61450	PACIFIC PRINCE	149	UNALASKA	PACIFIC KNIGHT LLC	SEATTLE	WA	M 7IB	T 91Q	T 91QF	T 91QC	2	1	1	1	
227	61538	ALASKAN LADY	180	SEATTLE	SHELFORD BOAT LTD	MILL CREEK	WA	M 6AB	T 91Q	T 91QF	T 91QC	2	1	1	1	
228	61571	GUARDIAN	99	SELDOVIA	SELDOVIA SHELLFISHING CO	SELDOVIA	AK	K 91T	T 91Q	T 91QF	T 91QC	1	1	1	1	
229	61605	BLUE BALLARD	116	SEATTLE	BLUE BALLAD LLC	SEATTLE	WA	M 6AB	T 91Q	T 91QF	T 91QC	2	1	1	1	
230	61718	ZONE FIVE	105	WARRENDALE	HEUKER BROS INC	CASCADE LOCKS	OR	T 91Q	T 91Q	T 91QF	T 91QC	1	1	1	1	
231	61791	ISLAND MIST	124	KODIAK	ISLAND MIST INC	CASCADE LOCKS	OR	K 91T	T 91Q	T 91QF	T 91QC	1	1	1	1	
232	61792	PACIFIC RAM	82	NEWPORT	TRIDENT SEAFOODS/AK SUPPORT	SEATTLE	WA	M 7GB	T 91Q	T 91QF	T 91QC	2	1	1	1	
233	61954	FARRAR SEA	100	JUNEAU	BELLAMY RAYMOND LS	HOMER	AK	K 91T	T 91Q	T 91QF	T 91QC	1	1	1	1	
234	62169	FRONTIER EXPLORER	110	SEATTLE	CLIPPER SEAFOODS LTD	SEATTLE	WA	M 6AB	T 91Q	T 91QF	T 91QC	2	1	1	1	
235	62424	SIBERIAN SEA	137	SEATTLE	SIBERIAN SEA FISHERIES LLC	SEATTLE	WA	M 6AB	T 91Q	T 91QF	T 91QC	3	1	1	1	
236	62436	HANDLER	125	KODIAK	HANDLER CORPORATION	BEND	OR	K 91T	T 91Q	T 91QF	T 91QC	1	1	1	1	
237	62437	ALASKAN LEADER	150	KODIAK	ALASKAN LEADER VESSEL LLC	LYNDEN	WA	M 6AB	T 91Q	T 91QF	T 91QC	4	1	1	1	
238	62545	DEFENDER	112	ROCKLAND	O'HARA CORPORATION	ROCKLAND	ME	M 7HB	T 91Q	T 91QF	T 91QC	2	1	1	1	
239	62892	NORTHERN RAM	85	NEWPORT	TRIDENT SEAFOODS/AK SUPPORT	SEATTLE	WA	M 7GB	M 7HB	M 7IB	T 91QC	1	1	1	1	
240	62905	BLUE PACIFIC	180	SEATTLE	SELDOVIA FISHERIES INC	SEATTLE	WA	M 6AB	M 7HB	M 7IB	T 91QC	1	1	1	1	
241	62906	CHELSEA K	149	SEATTLE	OCEAN DYNASTY LP	SEATTLE	WA	M 7IB	M 7HB	M 7IB	T 91QC	2	1	1	1	
242	62933	BLUE GADUS	156	SEATTLE	BLUE GADUS LLC	SEATTLE	WA	M 6AB	M 7HB	M 7IB	T 91QC	2	1	1	1	
243	63000	INCENTIVE	88	KODIAK	FOGLE CHARLES P	KODIAK	AK	K 91T	T 91Q	M 7IB	T 91QC	1	1	1	1	
244	63333	BERING PROWLER	124	PETERSBURG	BERING PROWLER FISHERIES LLC	PETERSBURG	AK	M 6AB	T 91Q	M 7IB	T 91QC	2	1	1	1	
245	63484	LILLI ANN	141	SEATTLE	COASTAL VILLAGES LONGLINE LLC	ANCHORAGE	AK	M 6AB	T 91Q	M 7IB	T 91QC	3	1	1	1	
246	64109	MISS SARAH	103	BROOKINGS	WHALEY TODD L	BROOKINGS	OR	M 7HB	T 91Q	M 7IB	T 91QC	1	1	1	1	
247	65577	TIME BANDIT	113	JUNEAU	HILLSTRAND ANDREW P	ASHBURN	VA	K 91T	T 91Q	M 7IB	T 91QC	1	2	1	1	
248	68858	MISTY DAWN	107	NEAH BAY	KATAHDIN INC	SEATTLE	WA	M 7HB	T 91Q	M 7IB	T 91QC	1	2	1	1	
249	68870	ALASKA KNIGHT	143	DUTCH HARBOR	ALASKA KNIGHT LLC	SEATTLE	WA	M 7IB	T 91Q	M 7IB	T 91QC	2	2	1	1	
250	69038	ENTERPRISE	112	ROCKLAND	O'HARA CORPORATION	ROCKLAND	ME	M 7HB	T 91Q	M 7IB	T 91QC	2	2	1	1	
251	69765	ALASKA DAWN	90	SAND POINT	ALASKA DAWN SEAFOODS LLC	KODIAK	AK	M 7HB	T 91Q	M 7IB	T 91QC	2	2	1	1	
252	70435	BRISTOL LEADER	167	KODIAK	BRISTOL LEADER FISHERIES LLC	LYNDEN	WA	M 6AB	T 91Q	M 7IB	T 91QC	2	2	1	1	
253	70459	CHELLISSA	88	KODIAK	CHELLISA FISHERIES LLC	KODIAK	AK	M 7GG	T 91Q	M 7IB	T 91QC	1	2	1	1	
254	70770	SANDRA FIVE	113	WARRENDALE	HEUKER BROS INC	CASCADE LOCKS	OR	K 91T	T 91Q	M 7IB	T 91QC	1	1	1	1	
255	71174	PINNACLE	140	SEATTLE	FV PINNACLE INC	BOTHELL	WA	K 91T	T 91Q	M 7IB	T 91QC	1	1	1	1	
256	72318	ALEUTIAN SABLE	124	JUNEAU	ARCTIC SABLEFISH LLC	ANCHORAGE	AK	T 91Q	T 91Q	M 7IB	T 91QC	1	1	1	1	
257	72847	CONTROLLER BAY	90	SEATTLE	CONTROLLER BAY INC	OLYMPIA	WA	K 91T	T 91Q	M 7IB	T 91QC	1	1	1	1	
258	74669	BERING LEADER	124	KODIAK	BERING LEADER FISHERIES LLC	LYNDEN	WA	M 6AB	T 91Q	M 7IB	T 91QC	3	1	1	1	
259	76731	PACIFIC STORM	98	KODIAK	PACIFIC STORM FISHERIES LLC	KODIAK	AK	M 7HB	T 91Q	M 7IB	T 91QC	2	1	1	1	
260	77084	VICTORY	114	REEDSPORT	WAHL FISHERIES LLC	REEDSPORT	OR	K 91T	T 91Q	M 7IB	T 91QC	1	1	1	1	

CFEC4/14/2016

ADFG	VESSEL NAME	LENGTH	HOME PORT	OWNER	CITY	STATE	PMT1	PMT2	PMT3	PMT4	PMT5	No. PMT1	NO. PMT2	No. PMT3	No. PMT4	No. PMT5
261	77105	ALASKAN PATRIOT	87	KODIAK	ALASKAN PATRIOT LLC	TENANTS HARBOR	ME	M 7GB	T 91Q	M 7IB	T 91QC	1	1	1	1	
262	77393	FV NORTHERN LEADER	184	KODIAK	NORTHERN LEADER FISHERIES LLC	LYNDEN	WA	M 6AB	T 91Q	M 7IB	T 91QC	2	1	1	1	
263	77470	ARCTIC PROWLER	136	PETERSBURG	ARCTIC PROWLER LLC	PETERSBURG	AK	M 6AB	T 91Q	M 7IB	T 91QC	4	1	1	1	



Sectional Analysis, HB 251
Fisheries Business and Fisheries Landing Tax Bill
January 22, 2016

- Sec. 1.** Adds a \$25 or 1% tax penalty for failure to file electronically unless an exemption is received by the taxpayer
- Sec. 2.** Requires electronic submission of tax returns, license applications, and other documents submitted to the Department of Revenue. This changes the general tax statutes, AS 43.05, and will apply to all tax types administered by the department. Provides a process to request an exemption if a taxpayer does not have the technological capability to do so.
- Sec. 3.** Increases three different tax rates within the Fisheries Business Tax by one percent. The current rates range from three to five percent.
- Sec. 4.** Increases tax rate within the Fisheries Business Tax for developing fish species processed by a floating processor from 3 to 4 percent. Rate remains at 1 percent for developing fish species processed by a shore-based business.
- Sec. 5.** Increases tax rate within the Fisheries Business Tax for direct marketers from 3 to 4 percent. Rate remains at 1 percent for developing fish species sold by direct marketers.
- Sec. 6.** Conforming language related to the requirement to submit returns or reports electronically. This section deletes the requirement for taxpayers to submit their returns to the department in Juneau.
- Sec. 7.** Establishes that the revenue from the one percent tax increase is deposited in the general fund. The remaining revenue shall be shared with municipalities per the currently existing formula.
- Sec. 8.** Increases tax rate within the Fisheries Landing Tax for fish species other than developing fish species from 3 to 4 percent. Rate remains at 1 percent for developing fish species.
- Sec. 9.** Establishes that the revenue from the one percent tax increase is deposited in the general fund. The remaining revenue shall be shared with municipalities per the currently existing formula.
- Sec.10.** Establishes that the revenue from the one percent tax increase is deposited in the general fund. The remaining revenue shall be shared with boroughs per the currently existing formula.

Sec. 11. Transitional language allowing for regulations

Sec. 12. Section 11 above takes effect immediately.

Sec. 13. Effective date of 7/1/16 for the rest of the bill including the tax rate change.



Tax Forms Electronic Filing Statistics

Over the past two fiscal years, submissions by mail of tax forms and tax returns have decreased. This decrease has varied substantially among tax types. The table below shows the percentage of forms filed with the department that were submitted by mail, rather than being submitted electronically. Electronic submission occurs through either the Department's web page via the Revenue Online (ROL) portal, or through Modernized eFile (MeF). MeF is a filing option offered to corporate income tax (CIT) payers that allows them to electronically file both federal and state returns, with the IRS remitting Alaskan returns back to the state. MeF filings accounted for approximately 7% of total corporate income tax filings in 2013, 31% in 2014, and 37% in 2015. For tax years beginning in 2015, all CIT taxpayers must file electronically according to new regulations.

These statistics come from the Gentax system. Filing period 2013 may have unavailable or incomplete data due to the legacy systems not tracking filing statistics. Also, there are still 2015 returns and forms that have yet to be submitted. These statistics do not include tax types that are currently being integrated into the online tax revenue management system, which include Fisheries taxes, Charitable Gaming, and Co-op taxes.

% of Paper Filings						
	Count	2013	Count	2014	Count	2015
Alcohol	61	88%	761	21%	992	9%
Cigarette and Tobacco	N/A	N/A	663	65%	711	44%
Corporate Income Tax	14,312	92%	16,278	69%	1,172	62%
Commercial Passenger Vessel	N/A	N/A	130	55%	129	47%
Mining	494	87%	513	86%	545	94%
Motor Fuel	N/A	N/A	2,776	48%	3,094	32%
Oil and Gas Production ¹	11	0%	62	0%	743	0%
Tire Fee	19	79%	232	65%	279	37%
Vehicle Rental Tax	N/A	N/A	426	62%	394	39%

¹ Oil and gas filers are required to use electronic filing.



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Revenue

COMMISSIONER'S OFFICE

State Office Building
333 Willoughby Avenue, 11th Floor
PO Box 110400
Juneau, Alaska 99811-0400
Main: 907.465.2300
Fax: 907.465.2389

February 11, 2016

The Honorable Louise Stutes
Alaska State Representative
Chair, House Fisheries Committee
State Capitol Room 416
Juneau, AK 99801

Dear Representative Stutes:

The purpose of this letter is to provide you with responses to the questions asked of the Department of Revenue and the Department of Fish & Game during our presentation to the House Fisheries Committee on February 2, 2016. Please see questions in italics and our responses immediately below the questions.

1. *Who is defined as a processor? Can we see a list of taxpayers for the Fisheries Business Tax and Resource Landing Tax, and get a better understanding of exactly who is paying the tax and who isn't?*

If a fish business operator has intentions to process any fishery resource other than what they caught or their activities are limited to roe recovery from salmon caught from a vessel greater than 65 feet in length, then the activities are defined as processing. The following activities further define the undertakings of a processor:

- Prepares, processes or stores a fishery resource;
- Recovers salmon roe;
- Custom processes fishery resources from others;
- A fish business that has a fishery resource custom processed; or
- Exports an unprocessed fishery resource outside of Alaska.

Processing is defined as any activity that modifies the physical condition of the fishery resource. It should also be noted what isn't considered processing: heading, gutting, gilling or icing seafood products or decapitating fish. Processors include traditional shore-based facilities as well as at-sea processors such as catcher-processors and floating processors. Direct marketers are considered processors, but catcher-sellers are not because they sell only their own unprocessed fish. Businesses or individuals that have fish custom processed, that recover salmon roe, or that export unprocessed fish outside of Alaska are considered processors.

Only processors pay the Fisheries Business Tax and Resource Landing Tax. However, in cases where processors buy their fish from independent commercial fishermen, it is possible that some or all of the tax burden to be passed on to the fishermen, since they have little control over what price the processors will pay.

Unfortunately, DOR cannot provide a full list of taxpayers, as this would violate confidentiality.

2. *What is the origin of the separate FBT rate for salmon canneries?*

According to a report from the Alaska History and Cultural Studies organization, called *Alaska's Heritage, chapter 4-16: Fishing and Sea Hunting*: "As early as 1899, Alaska Natives appealed to the

government to protect the salmon for those who relied on it for food. They also asked for the return of some of their fishing sites that cannery operators had occupied. In 1900, Congress responded to the appeals by requiring that anyone engaged in commercial salmon fishing in Alaska establish a hatchery for sockeye salmon. Most cannery operators waited to see if the regulation would be enforced before investing money in a fish hatchery. Congress failed to provide adequate funds for enforcement. In 1906, Congress tried a different tactic to force fish conservation. It levied a tax of four cents on each case of salmon canned.”

From the very beginning of Alaska’s history there has been a separate rate for salmon canneries. From the beginning, non-residents have dominated the canning industry in Alaska. The changing tax rates over the years may have resulted from a shift from a mindset of resentment of non-residents exploiting fishery resources to a mindset of trying to help small Alaskan fishing operators.

Examples of different state salmon cannery tax rates in Alaska’s history include:

- 1913: the First Territorial Legislature adopted the initial “salmon pack tax” of \$0.07 per case and a separate “cold storage tax” for other fisheries
- 1951: the territorial legislature set the fisheries business tax on floating processors to 4% of value and salmon canneries to 6%
- 1967: the tax rate for salmon canneries was lowered to 3%
- 2004: the tax rate for salmon canneries rose to 4.5%

3. *How does the Department of Fish & Game determine what is a developing or established fishery? Can we get a list of them?*

Please see the attached list of developing fisheries.

4. *Why are charter boats not subject to the fish tax?*

There is no reason that charter sport fishing operations couldn’t be taxed if the legislature chose to tax them. Since sport fishery landings are not accounted for in the same rigorous manner as commercial catch there would need to be a new sport charter catch accounting system developed for tax assessment purposes. If the committee would like to develop legislation that would tax charter boats and similar commercial sport fish operators, DOR would be happy to provide technical assistance as needed.

5. *What is the distribution of the \$18 million in new fish tax revenue under HB 251?*

The fiscal note for HB 251 projects \$18.4 million in new revenue from the fish tax increases in FY 2017. The Department of Revenue estimates this new revenue will be broken down by species category as follows:

Category	New revenue (\$ millions)
Groundfish:	5.4
Pollock	
Groundfish: Non-Pollock	3.2
Black Cod	1.1
Halibut	1.1
Herring	0.1
Salmon	4.9
Shellfish	2.6
Total	18.4

This analysis is based on projections of the distribution of taxable fish value by species, which are used in DOR's annual fish tax forecasts. For more information on the current distribution by species, please see the attached Fish Values & Poundage Report.

6. *What is the distribution of the \$140 million in budget cuts under the governor's proposal?*

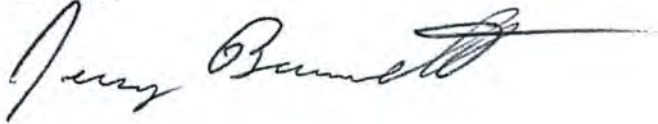
Please see the attached document from OMB.

7. *Provide a list of cuts to the Department of Fish & Game.*

Please see the attached list of cuts at Fish & Game.

I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,

A handwritten signature in cursive script that reads "Jerry Burnett". The signature is written in black ink and is positioned above the typed name and title.

Jerry Burnett
Deputy Commissioner

Attachments: Fish Values & Poundage Report 2014, OMB list of budget cuts, Fish & Game list of budget cuts, Fish & Game list of developing fisheries

Title: Fisheries Value and Pounds Reported for Fisheries Business and Landing Taxes, 2014

Preparer: Will Bishop, Economist, (907) 465-8222

Purpose: To provide estimates of total taxable fisheries value and pounds by species for Fisheries Business Tax and Landing Tax for 2014.

Data Source: Fisheries Business Tax and Fisheries Landing Tax data come from the Tax Accounting System for the 2014 tax year.

Disclaimer: This analysis includes only returns entered into the Tax Accounting System as of August 24, 2015. Late returns or amendments could cause reported amounts to change.

The Department of Revenue is in the process of reviewing and updating the data on which this analysis is based. As a result, future analysis could have different results.

Preliminary Taxable Fisheries Values and Pounds by Species Category

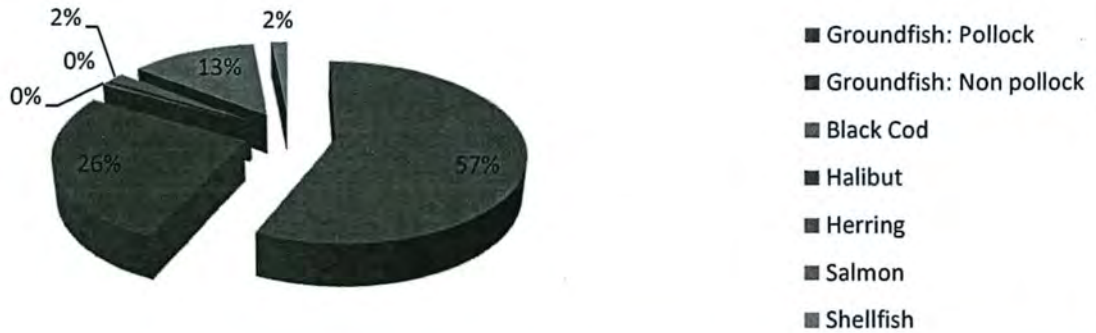
Tax Year: 2014 Fisheries Business Tax and Fisheries Landing Tax

AK DOR
Tax Division

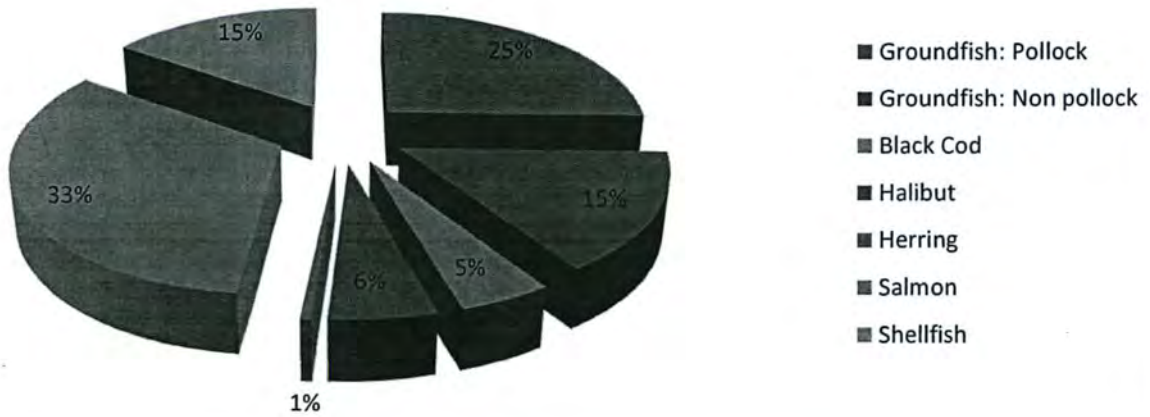
<u>Species Category</u>	<u>FBT Pounds</u>	<u>FBT Value</u>	<u>Landing Pounds</u>	<u>Landing Value</u>	<u>Total Pounds</u>	<u>Total Value</u>
Ground fish	1,917,926,772	342,806,698	2,636,879,429	410,392,954	4,554,806,201	\$ 753,199,652
<i>Ground fish: Pollock</i>	<i>1,528,663,206</i>	<i>235,448,258</i>	<i>1,573,166,909</i>	<i>235,975,034</i>	<i>3,101,830,115</i>	<i>471,423,292</i>
<i>Ground fish: Non Pollock</i>	<i>389,263,566</i>	<i>107,358,441</i>	<i>1,063,712,520</i>	<i>174,417,920</i>	<i>1,452,976,086</i>	<i>281,776,361</i>
Black Cod	14,760,157	80,816,144	1,483,657	8,174,948	16,243,814	\$ 88,991,093
Halibut	16,680,658	103,068,434	-	-	16,680,658	\$ 103,068,434
Herring	95,539,705	10,913,554	221,810	8,872	95,761,515	\$ 10,922,427
Salmon	711,707,619	609,305,807	-	-	711,707,619	\$ 609,305,807
Shellfish	89,899,598	273,866,120	3,098,790	10,221,094	92,998,388	\$ 284,087,214
Total	2,846,514,510	1,420,776,758	2,641,683,686	428,797,868	5,488,198,196	1,849,574,627

Notes:
 Fisheries Business Tax and Landing Tax data is from the Tax Accounting System for the 2014 tax year.
 This analysis includes only returns entered into the Tax Accounting System as of August 24, 2015. Late returns or amendments could cause reported amounts to change.

2014 Fisheries Business & Fisheries Landing Taxes Total Pounds



2014 Fisheries Business & Fisheries Landing Taxes Total Value



FY2015-FY2017 Budget Review Summary by Category
Unrestricted General Funds Only

Department	FY2015 Management Plan	FY2016 Management Plan	FY2017 Governor	1 Year Change		2 Year Change		
				FY2017 from FY16 \$	FY2017 from FY16 %	FY2017 from FY2015 \$	FY2017 from FY2015 %	
Executive/Judicial Branch								
Administration (Except OPA/PD)	38,411.5	30,184.2	25,074.5	(5,109.7)	-16.9%	(13,337.0)	-34.7%	
Commerce	40,454.3	30,478.3	21,904.1	(8,574.2)	-28.1%	(18,550.2)	-45.9%	
Environ Conservation	22,472.1	20,093.3	17,721.9	(2,371.4)	-11.8%	(4,750.2)	-21.1%	
Fish and Game	79,387.8	65,095.4	57,640.5	(7,454.9)	-11.5%	(21,747.3)	-27.4%	
Governor	33,609.5	23,150.0	22,856.1	(293.9)	-1.3%	(10,753.4)	-32.0%	
Labor & Workforce (Except AVTEC)	27,267.6	20,322.7	18,472.7	(1,850.0)	-9.1%	(8,794.9)	-32.3%	
Law (Except LNG & Criminal Div)	31,962.7	27,259.6	22,242.0	(5,017.6)	-18.4%	(9,720.7)	-30.4%	
Alaska Aerospace Corp	6,084.3	-	-	-	-	(6,084.3)	-100.0%	
Natural Resources (Except LNG)	88,072.8	70,326.0	64,846.1	(5,479.9)	-7.8%	(23,226.7)	-26.4%	
Revenue (Except LNG)	33,831.4	28,983.0	27,760.2	(1,222.8)	-4.2%	(6,071.2)	-17.9%	
Military & Veterans Affairs (Except AAC)	18,732.6	17,226.1	17,235.1	9.0	0.1%	(1,497.5)	-8.0%	
Transportation	278,604.6	244,014.4	231,307.9	(12,706.5)	-5.2%	(47,296.7)	-17.0%	
Branch-wide Unallocated Approps	27,000.0	-	-	-	-	(27,000.0)	-100.0%	
Subtotal	725,891.2	577,133.0	527,061.1	(50,071.9)	-8.7%	(198,830.1)	-27.4%	
Legislature	77,622.0	73,596.6	72,126.6	(1,470.0)	-2.0%	(5,495.4)	-7.1%	
Education								
Educ & Early Devel	1,408,921.8	1,301,647.1	1,292,622.9	(9,024.2)	-0.7%	(116,298.9)	-8.3%	
University of Alaska	370,599.7	350,787.0	335,001.6	(15,785.4)	-4.5%	(35,598.1)	-9.6%	
Labor Alaska's Institute of Technology (AVTEC)	6,180.4	5,508.8	5,434.7	(74.1)	-1.3%	(745.7)	-12.1%	
Subtotal	1,785,701.9	1,657,942.9	1,633,059.2	(24,883.7)	-1.5%	(152,642.7)	-8.5%	
Health, Life, Safety and Justice								
Judiciary	111,866.3	110,402.9	106,545.7	(3,857.2)	-3.5%	(5,320.6)	-4.8%	
Admin Office of Public Advocacy & Public Defender Agency	49,766.8	49,119.3	47,207.8	(1,911.5)	-3.9%	(2,559.0)	-5.1%	
Corrections	297,654.4	277,286.5	270,333.1	(6,953.4)	-2.5%	(27,321.3)	-9.2%	
Health & Social Svcs	1,253,650.2	1,165,249.7	1,118,548.9	(46,700.8)	-4.0%	(135,101.3)	-10.8%	
Law Criminal Division	29,312.6	27,474.6	27,253.5	(221.1)	-0.8%	(2,059.1)	-7.0%	
Public Safety	171,553.2	160,673.7	156,172.2	(4,501.5)	-2.8%	(15,381.0)	-9.0%	
Subtotal	1,913,803.5	1,790,206.7	1,726,061.2	(64,145.5)	-3.6%	(187,742.3)	-9.8%	
Agency Operating Subtotal	4,503,018.6	4,098,879.2	3,958,308.1	(140,571.1)	-3.4%	(544,710.5)	-12.1%	
Key Investments								
Alaska Liquefied Natural Gas (FY16 Supp/FY17 Op)	-	-	38,309.8	38,309.8	-	38,309.8	-	
Rural Guard Initiative	-	-	1,300.0	1,300.0	-	1,300.0	-	
Note: Increase Financial Management Capacity Is Non-UGF fund sources								
Agency Operating Subtotal With Key Investments	4,503,018.6	4,098,879.2	3,997,917.9	(100,961.3)	-2.5%	(505,100.7)	-11.2%	
Statewide								
Debt Service/Direct Approp to Retirement Acct*	224,082.9	468,729.0	485,580.1	16,851.1	3.6%	261,497.2	116.7%	
Oil and Gas Tax Credit Fund**	625,000.0	500,000.0	73,425.0	(426,575.0)	-85.3%	(551,575.0)	-88.3%	
Community Revenue Sharing (FY16 Supp in FY17)	52,000.0	-	-	-	0.0%	(52,000.0)	-100.0%	
Other Fund Caps (Trauma/Disaster)	5,500.0	2,000.0	2,000.0	-	0.0%	(3,500.0)	-63.6%	
Special Appropriations	33,366.8	8,593.5	-	(8,593.5)	-100.0%	(33,366.8)	-100.0%	
Subtotal	939,949.7	979,322.5	561,005.1	(418,317.4)	-42.7%	(378,944.6)	-40.3%	
Capital Projects	594,881.1	118,418.0	190,290.1	71,872.0	60.7%	(404,591.0)	-68.0%	
Justice Reform	-	-	5,000.0	5,000.0	-	5,000.0	-	
Total Pre-Fund Transfers	6,037,849.4	5,196,619.7	4,754,213.1	(442,406.7)	-8.5%	(1,283,636.3)	-21.3%	
FY2016 Supplementals:								
Community Revenue Sharing	-	35,370.2	-	-	-	-	-	
Liquified Natural Gas	-	157,040.0	-	-	-	-	-	
Fund Transfers***								
Misc Fund Transfers (Vaccine/Oil & Haz/AMHS Int)	12,488.7	15,550.0	15,540.0	-	-	-	-	
Renewable Energy	20,000.0	-	5,000.0	-	-	-	-	
REAA School Fund	39,996.1	38,789.0	41,640.0	-	-	-	-	
AHCC Draw for capital projects	(63,100.0)	-	-	-	-	-	-	
Public Education Fund	58,360.5	(280,451.9)	-	-	-	-	-	
Subtotal	67,745.3	(226,112.9)	62,180.0	-	-	-	-	
TOTAL	6,105,594.7	5,162,917.0	4,816,393.1	(346,524.0)	-6.7%	(1,289,201.6)	-21.1%	

*FY2017 Debt Service/Direct Appropriations to Retirement Includes Financing Retirement Fund Obligations

**FY2017 Oil and Gas Tax Credit Fund Includes One-Time Oil and Gas Tax Credit Transition Legislation

***Fund Transfers Excludes FY2015 \$1 billion Supplemental Eliminating K-12 Forward Funding and FY2017 \$3 billion transfer between savings accounts

Department of Fish and Game						
FY2015 Management Plan to FY2016 Management Plan to FY2017 Governor						
General Funds Only - UGF						
January 20, 2016						
RDU/Component	FY2015 Mgmt. Plan	FY2016 Mgmt. Plan	Difference FY15 MP to FY16 MP	FY2017 Gov	Difference FY16 MP to FY17 Gov	Difference FY15 MP to FY17 Gov
Commercial Fisheries						
Southeast Region Fisheries Mgmt.	9,413.3	8,240.9	(1,172.4)	7,060.4	(1,180.5)	(2,352.9)
Central Region Fisheries Mgmt.	9,139.8	7,996.6	(1,143.2)	6,870.4	(1,126.2)	(2,269.4)
AYK Region Fisheries Mgmt.	8,498.3	7,153.0	(1,345.3)	6,366.7	(786.3)	(2,131.6)
Westward Region Fisheries Mgmt.	8,866.9	7,715.4	(1,151.5)	6,622.3	(1,093.1)	(2,244.6)
Statewide Fisheries Mgmt.	12,812.4	8,821.3	(3,991.1)	8,788.1	(33.2)	(4,024.3)
CF Special Projects	534.0	-	(534.0)	0.0	-	(534.0)
Commercial Fisheries Entry Commission	-	-	-	0.0	-	0.0
CF Total	49,264.7	39,927.2	(9,337.5)	35,707.9	(4,219.3)	(13,556.8)
Sport Fisheries						
Sport Fisheries	6,687.5	5,736.7	(950.8)	4,005.7	(1,731.0)	(2,681.8)
Sport Fish Hatcheries	330.9	55.8	(275.1)	55.8	-	(275.1)
SF Total	7,018.4	5,792.5	(1,225.9)	4,061.5	(1,731.0)	(2,956.9)
Wildlife Conservation						
Wildlife Conservation	6,138.7	4,272.9	(1,865.8)	3,003.8	(1,269.1)	(3,134.9)
WC Special Projects	1,437.0	1,255.4	(181.6)	1,255.4	-	(181.6)
Hunter Ed Public Shooting Ranges	-	-	-	0.0	-	0.0
WC Total	7,575.7	5,528.3	(2,047.4)	4,259.2	(1,269.1)	(3,316.5)
Statewide Support Services						
Commissioner's Office	893.2	772.2	(121.0)	753.6	(18.6)	(139.6)
Administrative Services	3,209.5	2,655.2	(554.3)	2,484.3	(170.9)	(725.2)
Boards and Advisory Committees	1,490.0	-	(1,490.0)	0.0	-	(1,490.0)
Advisory Committees	-	418.7	418.7	485.7	67.0	485.7
Boards of Fisheries and Game	-	970.4	970.4	1,199.8	229.4	1,199.8
Habitat	4,255.4	3,752.0	(503.4)	3,567.1	(184.9)	(688.3)
State Subsistence	3,150.9	2,748.9	(402.0)	2,591.4	(157.5)	(559.5)
EVOS Trustee Council	-	-	-	0.0	-	0.0
State Facilities Maintenance	-	-	-	0.0	-	0.0
State Facilities Rent	2,530.0	2,530.0	-	2,530.0	-	0.0
SSS Total	15,529.0	13,847.4	(1,681.6)	13,611.9	(235.5)	(1,917.1)
Department Total	79,387.8	65,095.4	(14,292.4)	57,640.5	(7,454.9)	(21,747.3)



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Fish and Game

OFFICE OF THE COMMISSIONER
Headquarters Office

1255 West 8th Street
P.O. Box 115526
Juneau, Alaska 99811-5526
Main: 907.465.4100
Fax: 907.465.2332

MEMORANDUM

TO: Mr. Randall Hoffbeck, Commissioner
Department of Revenue

FROM: Sam Cotten, Commissioner
Department of Fish and Game *Sam Cotten*

DATE: January 27, 2016

SUBJECT: List of Alaska's Developing Fisheries for 2016

In accordance with AS 16.05.050(a)(10), I am providing the attached list of fisheries the Department of Fish and Game (ADF&G) considers developing during 2016. The developing fishery designations were derived under the criteria specified in AS 16.05.050(a)(10).

- (A) The optimum yield from the harvest of the species has not been reached;
- (B) a substantial portion of the allowable harvest of the species has been allocated to fishing vessels of a foreign nation; or
- (C) a commercial harvest of the fish species has recently developed.

Under these criteria, ADF&G considers developing fisheries to include the situation where there is no existing commercial fishery, but intermittent commercial utilization has occurred in the past.

Federally managed species were evaluated under the first criterion (A) and considered developing if a majority of total allowable catch has not been recently harvested due to reasons other than conservation or prohibited species bycatch, the harvest is not allocated (i.e., in a catch share program), and there is a directed fishery for the species.

CHANGES TO THE DEVELOPING FISHERIES LIST

Fisheries considered for inclusion as developing are assessed annually by ADF&G and the attached listing incorporates our changes to comprehensively reflect Alaska's developing fisheries for 2016.

Rays are no longer listed under the "other groundfish" category. This change reflects the practice of listing all rays as skates for the purposes of catch accounting, stock assessments, and fisheries data collection (observer programs); no evidence was found for occurrence or retention of ray species in commercial fisheries other than skates.

Pacific hake (whiting) is included as developing in Pacific Ocean waters. Pacific hake are caught in waters of Alaska as sporadic incidental bycatch in other fisheries and are landed in relatively small numbers, which clearly meets criteria to be included as a developing fishery. This change is noteworthy because ADF&G received a request from a fishing corporation to include Pacific hake, caught off the Pacific coast of the United States, as a developing fishery in 2015. This request was initiated in order to facilitate an experimental delivery of approximately 7,500 mt of finished Pacific hake to Dutch Harbor. Under the developing fishery tax rate this delivery may prove economically feasible and lead to future increased landings. Pacific hake take off the Pacific coast of the United States is regulated under a quota system and optimum yield is not being achieved, thereby meeting an additional criterion for inclusion as a developing fishery.

Should you require further information, my office will be happy to respond.

Attachment

cc: Anna Kim, DOR, Chief of Revenue Operations
Scott Kelley, Director, Division of Commercial Fisheries
Forrest Bowers, Deputy Director, Division of Commercial Fisheries
Nicholas Sagalkin, Regional Supervisor, Division of Commercial Fisheries
Tracy Lingnau, Regional Supervisor, Division of Commercial Fisheries
John Linderman, Regional Supervisor, Division of Commercial Fisheries
Lowell Fair, Regional Supervisor, Division of Commercial Fisheries

ALASKA DEPARTMENT OF FISH AND GAME
ALASKA DEVELOPING FISHERIES FOR 2016

Authority AS 16.05.050(a)(10)

Species or species assemblages listed below are considered developing based on the following criteria: (A) the optimum yield from the harvest of the species has not been reached; (B) a substantial portion of the allowable harvest of the species has been allocated to fishing vessels of a foreign nation; (C) a commercial harvest of the fish species has recently developed; or (D) there is no existing commercial fishery, but intermittent commercial utilization has occurred in the past.

FISHERY	STATUS
Groundfish (see definition on page 6):	
Atka mackerel	Developing in the Eastern Bering Sea/Aleutian Islands (NMFS statistical areas 518, 519, and 541), jig gear only.
Arrowtooth flounder	Developing in the following waters: (1) Southeast Alaska (NMFS statistical areas 650 and 659) (2) West Yakutat (NMFS statistical area 640)
Flatfish (see definitions on page 6)	Developing in the following waters: (1) Southeast Alaska (Southern Southeast Inside and Northern Southeast Inside Subdistricts as defined in 5 AAC 28.105(a)(1-2) and NMFS statistical area 650) (2) West Yakutat (NMFS statistical area 640)
Lingcod	Developing in the following waters: (1) Kodiak (5 AAC 28.400) (2) Chignik (5 AAC 28.500) (3) South Alaska Peninsula (5 AAC 28.550) (4) Bering Sea – Aleutian Islands (5 AAC 28.600)
Pacific cod	Developing in the following waters: (1) Southeast Alaska (NMFS statistical area 650) (2) West Yakutat (NMFS statistical area 640)
Pacific hake (whiting)	Developing in Pacific Ocean waters.
Pollock	Developing in Southeast Alaska (NMFS statistical area 650)
Dusky rockfish	Developing in Southeast Alaska (NMFS statistical area 650)
Pacific ocean perch	Developing in Southeast Alaska (NMFS statistical area 650)
Black rockfish	Developing in the following waters: (1) Southeast Alaska (5 AAC 28.100) (2) South Alaska Peninsula Area (5 AAC 28.550), only west of 164° 44' W longitude (3) Bering Sea-Aleutian Islands Area (5 AAC 28.600)

FISHERY STATUS**Groundfish (continued):**

Other groundfish (see definition on page 6)	Greenlings, eels, grenadiers, prowfish, and rattfish are developing in all waters. Sharks, skates, and sculpins are not considered developing.
---	--

Herring:

Herring sac roe	Developing in the following waters: (1) Chignik Area (5 AAC 27.550) (2) Alaska Peninsula – Aleutian Islands Area (5 AAC 27.600) (3) Adak District, gillnet and seine fishery (5 AAC 27.657) (4) Kuskokwim Area (5 AAC 27.870) (5) Bering Sea – Kotzebue Area (5 AAC 27.900)
-----------------	--

Herring food and bait	Developing in the following waters: (1) Chignik Area (5 AAC 27.550) (2) The following districts of the Alaska Peninsula – Aleutian Islands Area: (a) Sand Point District (5 AAC 27.605(a)) (b) Pavlof District (5 AAC 27.605(b)) (c) King Cove District (5 AAC 27.605(c)) (d) Umnak District west of Samalga Pass (5 AAC 27.605(g)) (e) Adak District (5 AAC 27.605(h)) (f) Amak District (5 AAC 27.605(i)) (g) Port Moller District (5 AAC 27.605(j)) (h) Port Heiden District (5 AAC 27.605(k)) (3) The following districts of the Bering Sea – Kotzebue Area: (a) Port Clarence District (5 AAC 27.905(c)) (b) Kotzebue District (5 AAC 27.905(d))
-----------------------	--

Other finfish:

Freshwater finfish (see definition on page 6)	Bering cisco is developing in the Lower Yukon River.
---	--

Hagfish	Developing in all waters.
---------	---------------------------

Lamprey	Developing in all waters.
---------	---------------------------

Forage fish (see definition on page 6)	Smelt and eulachon fisheries are developing in Upper Cook Inlet (5 AAC 21.505(b)(2)).
--	---

Salmon:

Pink salmon	Developing in the following waters: (1) Kotzebue Area (5 AAC 03.100) (2) Norton Sound – Port Clarence Area (5 AAC 04.100) (3) Yukon – Northern Area (5 AAC 05.100) (4) Kuskokwim Area (5 AAC 07.100) (5) Atka/Amlia Island Area (5 AAC 11.101)
-------------	---

FISHERY**STATUS****Salmon (continued):**

Chum salmon	Developing in the Port Clarence District (5 AAC 04.200(a))
-------------	--

Shellfish:

King crab	Developing in the following waters: (1) Golden king crab in Kodiak Area (5 AAC 34.400) (2) Golden king crab in Northern District of the Bering Sea (5 AAC 34.905(c))
-----------	--

Clams	<p>Littleneck clams are developing in the following waters:</p> <p>(1) Southeastern Alaska (5 AAC 38.100) (2) Yakutat Area (5 AAC 38.160) (3) Registration Area J (Westward; 5 AAC 38.400)</p>
-------	--

Arctic surf clams, butter clams, cockle clams, eastern softshell clams, horse clams, and razor clams are developing in Registration Area J (Westward; 5 AAC 38.400)

Octopus	<p>Developing in the following waters:</p> <p>(1) Yakutat Area (5 AAC 38.160) (2) Prince William Sound (5 AAC 38.200) (3) Registration Area J (Westward; 5 AAC 38.400)</p>
---------	--

Sea cucumbers	Developing in the following waters of Registration Area J (Westward; 5 AAC 38.400): all waters west of 157° 27' W longitude
---------------	---

Sea urchins	Green sea urchins and red sea urchins are developing in Registration Area J (Westward; 5 AAC 38.400)
-------------	--

Shrimp	Pot-gear fisheries are developing in Registration Area J, (Westward; 5 AAC 31.500)
--------	--

Snails	(except abalone) Developing in all waters.
--------	--

Definitions:

Flatfish (in Southern Southeast Inside and Northern Southeast Inside Subdistricts)	“Flatfish” means flounders, soles, Greenland turbot, Alaska plaice, sanddabs, and dabs. Halibut is listed separately from flatfish.
Flatfish (in NMFS statistical areas 640 and 650)	“Flatfish” means flathead sole, rex sole, deep water flatfish (Dover sole, Greenland turbot, Kamchatka flounder, and deepsea sole), and shallow water flatfish (rock sole, yellowfin sole, butter sole, starry flounder, English sole, sand sole, and Alaska plaice).
Forage fish	“Forage fish” means capelin, eulachon (hooligan), smelts, deep-sea smelt, Pacific sandfish, Pacific sand lance, gunnels, pricklebacks, warbonnets, eelblennys, cockscombs, shannys, bristlemouths, lanternfishes, lightfishes, anglemouths, and krill (as defined in 5 AAC 39.212(f)).
Freshwater finfish	“Freshwater finfish” includes species such as whitefish, sheefish, Arctic char, Dolly Varden, steelhead, trout, pike, and burbot in fresh and salt water.
Groundfish	“Groundfish” means any marine finfish except salmon, herring, halibut, and osmerids (capelin, smelts, and eulachon or hooligan) (as defined in 5 AAC 39.975(21)).
Other groundfish	“Other groundfish” includes species such as skates, rays, sharks, greenlings, sculpins, eels, grenadiers, prowfish, and ratfish.



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Revenue

COMMISSIONER'S OFFICE
State Office Building
333 Willoughby Avenue, 11th Floor
PO Box 110400
Juneau, Alaska 99811-0400
Main: 907.465.2300
Fax: 907.465.2389

March 21, 2016

The Honorable Louise Stutes
Alaska State Representative
Chair, House Fisheries Committee
State Capitol Room 416
Juneau, AK 99801

Dear Representative Stutes:

The purpose of this letter is to provide you with responses to the questions asked of the Department of Revenue and the Department of Fish & Game during our presentation to the House Fisheries Committee on March 8, 2016. Please see questions in italics and our responses immediately below the questions.

- 1. Please provide a brief outline of the process a fish taxpayer goes through to file their return.*

Please see the attached walkthrough of a Fisheries Business Tax return for a floating processor. Note that for a Fishery Resource Landing Tax return, prices are determined by the Statewide Average Price list rather than actual unprocessed value reported on the tax return.

For clarification, here are some differences between the information required for DOR's tax returns and DF&G's Commercial Operator Annual Report (COAR):

- COAR requires an area of harvest—for example, Upper Cook Inlet, Bristol Bay, or Juneau/Haines. The tax return requires a processing location code, not an area of harvest.
- COAR asks for the type of gear used to harvest the fish, which DOR does not. As a result, COAR may require several rows of data per species where the tax return requires only one row.
- COAR requires commercial operators to report finished fisheries products as well as unprocessed fish, while DOR only requires reporting unprocessed fish.
- COAR does not require reporting bonuses, although there is a box to check if the total amount paid to fishermen is not final by the April 1 due date. DOR requires reporting bonuses.

We also wish to clarify that the Department of Revenue administers the fish tax program, and therefore Department of Fish & Game officials do not necessarily have technical knowledge of it.

- 2. What are the species with a discrepancy between the Statewide Average Price (based on COAR data) and the value of the fish reported by other sources?*

The Statewide Average Price (SWAP) is used as the basis for the Fishery Resource Landing Tax. It is supposed to represent an ex-vessel price for unprocessed fish. The Department of Fish & Game has identified six species of fish where the existing data chronically underrepresent ex-vessel prices: Atka mackerel, Alaska plaice, Greenland turbot, flathead sole, rock sole, and

yellowfin sole. Price data for these species is scarce because the fish are largely taken by catcher-processor vessels. Ex-vessel sales of the species are rare and may not represent the actual average unprocessed value of the fish.

The attached table provides an estimate of the impact on revenues from the Fishery Resource Landing Tax if SWAP prices were to more closely reflect a true ex-vessel value. In the table, the 2014 SWAP is compared with a more accurate estimated price, and the change in tax liability for the six species is shown.

3. *How much revenue does the charter sector contribute to the State of Alaska for the amount of salmon and halibut the charter sector catches? How much would be generated if the same quantity of salmon and halibut were caught by the commercial sector?*

In response to the first part of the question (revenue from the charter sector):

The Department of Revenue cannot precisely estimate revenue contributed by the "charter sector." There is no specific tax on sport fishing charters, and it would be impractical to apply the Fisheries Business Tax to sport fish, because the FBT is based on the commercial value of a fish and sport-harvested fish cannot be sold commercially.

Sport fishermen who use charter operations contribute revenue to the State of Alaska in several ways. Most people who use a sport-fishing charter must purchase an Alaska fishing license. In 2015, the revenue from sport fishing licenses was \$16 million. The Department of Revenue and the Department of Fish & Game do not currently have data on fishing license holders who go on charter boats and who do not.

Sport fishermen pay taxes on various equipment to help support fish management. The federal government collects these taxes and distributes them to the states through the Dingell-Johnson Fund. The state of Alaska received \$17.3 million from the Dingell-Johnson Fund in 2015, and has received between \$17 and \$20 million every year since 2007. A list of items taxed is attached (please see page 8 for the section on the Sport Fish Restoration Program). The Dingell-Johnson Fund money goes directly to the Division of Sport Fish, and these funds together with the above-mentioned fishing license fees cover about 65% of that division's budget.

It should be noted that charter fishing businesses pay corporate income taxes and business license fees, as do commercial fishing operations. The income of a charter fishing business is not based on the size or value of the fish, but normally on the number of fishing days sold to anglers. That income is taxed just like any other business.

In response to the second part of the question (a hypothetical catch by the commercial sector):

Neither the Department of Revenue nor the Department of Fish & Game has complete data on the size of fish harvested through charter operations. The following paragraphs explain the numerous disclaimers on any attempt to estimate the size of charter salmon and halibut harvests.

For halibut, DF&G does not produce a statewide estimate of the harvest in pounds. However, the number of charter halibut harvested is available from log books. In International Pacific Halibut Commission (IPHC) Regulatory Areas 2C (Southeast Alaska to a northern boundary at Cape Spencer) and 3A (Cape Spencer to the west end of Kodiak Island), DF&G can estimate the average weight from length data on harvested fish that they obtain during the primary summer months in the major ports. In the remainder of the state, IPHC Areas 3B and 4, DF&G does not sample the harvest to estimate average size. For stock assessment purposes, the IPHC typically

applies the average weight for Kodiak to Areas 3B and 4 to estimate total harvest in pounds. It is unknown whether the Kodiak estimates of average weight are appropriate for western areas.

Here are DF&G estimates of halibut caught by charters, by IPHC area in 2014. These estimates are subject to the above caveats, specifically that average weight per fish is a rough estimate.

Area	No. Fish	Yield (lb)
2C	65,036	783,342
3A	174,351	2,034,455
3B & 4	88	1,246
Statewide	239,475	2,819,043

These estimates for 2014 are in pounds **net weight (headed and gutted)**, which is the standard weight unit used for commercial, recreational, and subsistence halibut. These are the estimates of harvest by charter clients, and exclude estimated mortality of released fish.

For salmon, DF&G does not produce an estimate of the harvest in pounds for any area of the state. The only figures available for saltwater charter anglers are the number of fish harvested. Salmon are not normally measured or weighed and DF&G bases their management practices on the number of fish, not the size. Attempts to estimate the number of pounds of salmon based on the number of fish and an "average size" for each species will be inherently unreliable, because the average size of fish varies widely depending on the area and time in which they are caught.

Here are DF&G log book reports of number of salmon caught by saltwater charter anglers in 2014:

- 61,325 large Chinook salmon (28" or longer)
- 2,741 small Chinook salmon (under 28")
- 237,666 coho salmon
- 2,001 sockeye salmon

These numbers are also available on page 18 of the log book report located at <http://www.adfg.alaska.gov/FedAidPDFs/FDS16-02.pdf>.

Here are DF&G estimates of the average weights of **commercially** caught salmon in 2014. These may be completely inaccurate for sport-caught salmon which come from different parts of the state.

- Chinook: 12.06 pounds
- Sockeye: 5.60 pounds
- Coho: 7.14 pounds

These numbers can be found at

<http://www.adfg.alaska.gov/index.cfm?adfg=CommercialByFisherySalmon.exvesselquery>.

Even if the state could overcome the obstacles mentioned above and accurately report the weight of charter harvests, DOR and DF&G professionals do not believe that would lead to a reasonable answer for the question "how much revenue would the state get from the same amount of fish caught by the commercial sector?"

The Fisheries Business Tax is not based directly on the weight of fish harvested, but on the commercial ex-vessel value. Charter-harvested fish, of course, have no ex-vessel value. The

market for commercial fish is based on the supply and demand of harvested fish, whereas the market for charter fishing is based on public desire to sport fish for a variety of reasons, not just the size of the fish harvested.

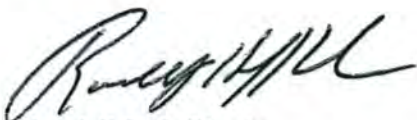
It would not be accurate to assume that if these fish were all suddenly caught by commercial operations instead of sport fishermen, they would have the same ex-vessel value as other commercially caught fish of the same species. One reason is because, as mentioned above, sport and commercial fish are caught in different areas and may have different average sizes. Commercial fishermen are often paid more per pound for larger than smaller fish. Therefore, any difference in the number of pounds per fish could lead to an additional difference in the hypothetical price per pound. Since the state lacks complete data on the weight of charter sport-harvested fish, this difference would skew the "commercial value" estimate. Another reason is because if the fish were caught by commercial operations instead of charters, they would be caught in different areas and at different stages in their life cycles.

Ultimately, multiplying rough estimates of charter harvest size by speculative ex-vessel prices does not result in a meaningful number. It does not represent the "true" commercial value of charter harvests—which could only be determined if those fish were actually sold on the market—nor does it represent the value of those same fish if they had been caught elsewhere by commercial operations. Nevertheless, DOR has provided data that the Fisheries Committee could use to create an estimate based on the committee's own preferred assumptions, if desired.

A final note is that the Department of Fish & Game uses fish monitoring data for management purposes only. Any attempt to use fish monitoring data for taxation purposes would likely increase public scrutiny and demand for improved accuracy and precision beyond what DF&G can currently afford to provide. This would necessitate increases in the DF&G budget that would partially offset any revenue gains.

I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,



Randall J. Hoffbeck
Commissioner

Attachments: Fisheries Business Tax return walkthrough; SWAP estimates for 6 species; List of Items Taxed to Support Wildlife and Sport Fish Restoration

Filing a Fisheries Business Tax Return in Revenue Online

By Michael Kazmac

March 15, 2016

Enrolling in our new system Revenue Online allows the taxpayer to file tax returns electronically. After a short adjustment period the new program should make filing returns faster with greater accuracy. A taxpayer has to provide a considerable amount of information to file a complete Fisheries Business tax return. This presentation highlights the reporting requirements:

In this example, the taxpayer is filing its 2016 tax return, which is due March 31, 2017. To start the process of filing a Fisheries Business tax return for a floating processor (FP) through Revenue Online:

State of Alaska myAlaska My Government Resident Business in Alaska Visiting Alaska State Employees

Alaska Department of Revenue - Tax Division
Revenue Online

Menu
ATT

Log Off

1. Introduction > 2. Activity > 3. Activity

Home
Back
Help

AKT
ATT

Data: mdkazmac
RunDate: 31-Mar-2017

Navigation
ATT

My Accounts
Fish Business Tax
Fisheries Business Tax Return -
December 31, 2016

Given your endorsement type, an activity type may already be pre-selected for you. You may select other activity types if needed.

Floating Facility

Shore-based Salmon Cannery

Shore-based Facility

Direct Markeler

Cancel Save and Continue Previous Next

* - To increase font size adjust your browser zoom settings

Warning: As a security feature, this application will time out after 20 minutes of inactivity. Your information will NOT be saved after this time out.

[Tax Home](#) [Revenue](#) [Contact Us](#)

The taxpayer is prompted to choose the endorsement type (license type). After clicking "next":

State of Alaska myAlaska My Government Resident Business in Alaska Visiting Alaska State Employees

Alaska Department of Revenue - Tax Division
Revenue Online

Menu Log Off 1. Introduction 2. Activity 3. Activity 4. Schedule Selection

ATT
 Home Back Help

AKT
 ATT
 Data: mdkazmac
 RunDate: 31-Mar-2017

Navigation
 ATT
 My Accounts
 Fish Business Tax
 Fisheries Business Tax Return -
 December 31, 2016

Given your endorsement type, some schedules may be pre-selected for you. You may select any other schedules if you need to.

	Established ⓘ	Developing ⓘ
ⓘ Schedule 1 - Caught and Processed	<input checked="" type="checkbox"/>	<input type="checkbox"/>
ⓘ Schedule 2 - Purchased and Processed	<input checked="" type="checkbox"/>	<input type="checkbox"/>
ⓘ Schedule 3 - Transported Unprocessed	<input type="checkbox"/>	<input type="checkbox"/>
ⓘ Schedule 4 - Custom Processed by Others	<input checked="" type="checkbox"/>	<input type="checkbox"/>
ⓘ Schedule 5 - Custom Processed (Unlicensed)	<input type="checkbox"/>	<input type="checkbox"/>

Cancel Save and Continue Previous Next

* - To increase font size adjust your browser zoom settings

Warning: As a security feature, this application will time out after 20 minutes of inactivity. Your information will NOT be saved after this time out.

[Tax Home](#) [Revenue](#) [Contact Us](#)

The taxpayer chooses one or more of the five schedules of the return by checking the appropriate boxes. FPs can engage in all the activities described in the 5 different schedules.

State of Alaska myAlaska My Government Resident Business in Alaska Visiting Alaska State Employees

Alaska Department of Revenue - Tax Division
Revenue Online

Menu Log Off 1. Introduction 2. Activity 3. Activity 4. Schedule Selection 5. Schedule 1 - Caught and Processed

ATT
 Home
 Back
 Help

AKT
 ATT

Data: mdkazmac
 RunDate: 31-Mar-2017

Navigation
 ATT
 My Accounts
 Fish Business Tax
 Fisheries Business Tax Return -
 December 31, 2016

This schedule must be completed for all fisheries resources processed by your company that were taken in company-owned or company-subsidized boats operated by employees, or in boats under lease or other agreement.

Floating Facility
 Established 0.00

1 - 3 of 3 Show Errors				
	Species	Pounds	Value	Processing location code
	110 - Cod, Pacific (Gray)	850,000	225,000.00	6103 - City of King Cove
	270 - Pollock, Walleye	1,500,000	350,000.00	6401 - City of Akutan
	440 - Salmon, Pink	1,200,000	300,000.00	4601 - City of Cordova
3 Rows		3,550,000	875,000.00	

OK Cancel

Cancel Save and Continue Previous Next

* - To increase font size adjust your browser zoom settings

Warning: As a security feature, this application will time out after 20 minutes of inactivity. Your information will NOT be saved after this time out.

[Tax Home](#) [Revenue](#) [Contact Us](#)

The FP fills out Schedule 1-Caught and Processed. The FP includes species, pounds, value (exvessel or value in the round), and processing location code (the basis which Alaska shares Fisheries Business revenue with municipalities).

State of Alaska myAlaska My Government Resident Business in Alaska Visiting Alaska State Employees

Alaska Department of Revenue - Tax Division
Revenue Online

Menu Log Off Activity 3. Activity 4. Schedule Selection 5. Schedule 1 - Caught and Processed 6. Schedule 2 - Purchased and Processed

Home Back Help

AKT ATT

Data: mdkazmac RunDate: 31-Mar-2017

Navigation ATT

My Accounts Fish Business Tax Fisheries Business Tax Return - December 31, 2016

This schedule must be completed for all established fisheries resources that your company purchased and processed.

Floating Facility

Established 0.00

Species	Pounds	Value	Processing location code
450 - Salmon, Chum	4,600,000	1,200,000.00	1101 - City of Ketchikan
	4,600,000	1,200,000.00	

1 - 1 of 1 Show Errors

OK Cancel

Cancel Save and Continue Previous Next

* - To increase font size adjust your browser zoom settings

Warning: As a security feature, this application will time out after 20 minutes of inactivity. Your information will NOT be saved after this time out.

[Tax Home](#) [Revenue](#) [Contact Us](#)

The FP fills out Schedule 2- Purchased and Processed. FPs can buy fisheries resources from other fishermen as well as process their own catch.

State of Alaska myAlaska My Government Resident Business in Alaska Visiting Alaska State Employees

Alaska Department of Revenue - Tax Division
Revenue Online

Menu Log Off 5. Schedule 1 - Caught and Processed 6. Schedule 2 - Purchased and Processed 7. Schedule 4 - Custom Processed by Others

Home Back Help

AKT ATT

Data: mdkazmac
RunDate: 31-Mar-2017

Navigation ATT

My Accounts
Fish Business Tax
Fisheries Business Tax Return -
December 31, 2016

This schedule must be completed for all established and developing fisheries resources that your company had custom processed by another licensed fisheries business.

	Floating Facility	Shore-based Salmon Cannery	Shore-based Facility & DM License Holder
Established	0.00	0.00	0.00

1 - 1 of 1 Show Errors

	Lic #	Processor's name	Species	Pounds	Value	Processing location code
<input type="checkbox"/>	7599	Ocean Canning	420 - Salmon, Socke	1,100,000	400,000.00	1507 - City and Borough of Wrangel
				1,100,000	400,000.00	

OK Cancel

Cancel Save and Continue Previous Next

* - To increase font size adjust your browser zoom settings

Warning: As a security feature, this application will time out after 20 minutes of inactivity. Your information will NOT be saved after this time out.

[Tax Home](#) [Revenue](#) [Contact Us](#)

The FP fills out Schedule 4- Custom Processed by Others. The FP can also have custom processing performed on its behalf. Here, the FP reports retaining ownership of 1.1 million pounds of sockeye as it is being canned by another processor.

State of Alaska myAlaska My Government Resident Business in Alaska Visiting Alaska State Employees

Alaska Department of Revenue - Tax Division
Revenue Online

Menu Log Off
 ATT

Home
 Back
 Help

AKT
 ATT

Data: mdkazmac
 RunDate: 31-Mar-2017

Navigation
 ATT

My Accounts
 Fish Business Tax
 Fisheries Business Tax Return -
 December 31, 2016

1. Caught and Processed 6. Schedule 2 - Purchased and Processed 7. Schedule 4 - Custom Processed by Others 8. Part Summary

Part 1: Established	Floating Facility	Shore-based salmon cannery	Shore-based facility and DM license holder
1E Caught and processed	875,000.00	0.00	0.00
2E Purchased and processed	1,200,000.00	0.00	0.00
3E Transported unprocessed	0.00	0.00	0.00
4E Custom processed by others	0.00	400,000.00	0.00
5E Custom processed (unlicensed)	0.00	0.00	0.00
Total Value of Schedules 1E - 5E	2,075,000.00	400,000.00	0.00

Part 2: Developing	Floating Facility	Shore-based salmon cannery	Shore-based facility and DM license holder
1D Caught and processed	0.00		0.00
2D Purchased and processed	0.00		0.00
3D Transported unprocessed	0.00		0.00
4D Custom processed by others	0.00		0.00
5D Custom processed (unlicensed)	0.00		0.00
Total Value of Schedules 1D - 5D	0.00		0.00

Cancel Save and Continue Previous Next

* - To increase font size adjust your browser zoom settings

Warning: As a security feature, this application will time out after 20 minutes of inactivity. Your information will NOT be saved after this time out.

[Tax Home](#) [Revenue](#) [Contact Us](#)

After completing the schedules, the FP sees the summary of total values for each section of the schedules.

State of Alaska myAlaska My Government Resident Business in Alaska Visiting Alaska State Employees

Alaska Department of Revenue - Tax Division
Revenue Online

Menu **ATT** Log Off Schedule 2 - Purchased and Processed 7. Schedule 4 - Custom Processed by Others 8. Part Summary 9. Tax Calculation Summary

Home Back Help

AKT **ATT**

Data: mdkazmac
 RunDate: 31-Mar-2017

Navigation **ATT**

My Accounts
 Fish Business Tax
 Fisheries Business Tax Return -
 December 31, 2016

Total Tax Liability Calculation

Total Established Tax 121,750.00 [Details](#)

Total Developing Tax 0.00 [Details](#)

Total Tax Liability Before Credits 121,750.00

Established Tax Details

Established Tax Calculation	Floating Facility	Shore-based salmon cannery	Shore-based facility and DM license holder
Total Value of Schedules 1E - 5E.	2,075,000.00	400,000.00	0.00
Tax Rate	0.05	0.045	0.03
Tax. Multiply column total by tax rate.	103,750.00	18,000.00	0.00

OK Cancel

Cancel Save and Continue Previous Next

* - To increase font size adjust your browser zoom settings

Warning: As a security feature, this application will time out after 20 minutes of inactivity. Your information will NOT be saved after this time out.

[Tax Home](#) [Revenue](#) [Contact Us](#)

Next, the FP has the option to see the gross Fisheries Business tax calculation broken down by tax rate (Floating facility 5%; Salmon cannery 4.5%).

State of Alaska myAlaska My Government Resident Business in Alaska Visiting Alaska State Employees

Tax Division
Alaska Department of Revenue - Tax Division
Revenue Online

Menu Log Off Selection 5. Schedule 2 - Purchased and Processed 6. Part Summary 7. Tax Calculation Summary 8. Custom Processing

ATT
Home
Back
Help

AKT
ATT
Data: mdkazmac
RunDate: 31-Mar-2017

Navigation
ATT
My Accounts
Fish Business Tax
Fisheries Business Tax Return -
December 31, 2016

Did you custom process resources for another licensed fisheries business?

Yes No

Cancel Save and Continue Previous Next

* - To increase font size adjust your browser zoom settings

Warning: As a security feature, this application will time out after 20 minutes of inactivity. Your information will NOT be saved after this time out.

[Tax Home](#) [Revenue](#) [Contact Us](#)

After the tax calculation summary, the FP must report any custom processing activity for another fisheries business license holder.

State of Alaska myAlaska My Government Resident Business in Alaska Visiting Alaska State Employees

Alaska Department of Revenue - Tax Division
Revenue Online

Menu **ATT** Log Off

Home
 Back
 Help

**AKT
 ATT**

Data: mdkazmac
 RunDate: 31-Mar-2017

Navigation
ATT
 My Accounts
 Fish Business Tax
 Fisheries Business Tax Return -
 December 31, 2016

5. Schedule 6 - Custom Processor Information

This schedule must be completed for fisheries resources that your company processed for other licensed fisheries businesses. Please provide the information below for each licensed fisheries business for whom you did custom processing during the year.

1 - 1 of 1 Show Errors				
	Lic #	Fisheries business name	Species	Pounds
	9995	Salmon, Inc.	440 - Salmon, Pink	20,000
				20,000

Cancel Save and Continue Previous Next

* - To increase font size adjust your browser zoom settings

Warning: As a security feature, this application will time out after 20 minutes of inactivity. Your information will NOT be saved after this time out.

[Tax Home](#) [Revenue](#) [Contact Us](#)

The FP fills out Schedule 6- Custom Processor Information. Here the FP reports all processing performed on behalf of other fisheries businesses. Reporting this activity is mandatory. The department does periodic compliance projects to ensure these resources are subject to tax.

State of Alaska myAlaska My Government Resident Business in Alaska Visiting Alaska State Employees

Alaska Department of Revenue - Tax Division
Revenue Online

Menu Log Off
 ATT

Home
 Back
 Help

AKT
 ATT

Data: mdkazmac
 RunDate: 31-Mar-2017

Navigation
 ATT

My Accounts
 Fish Business Tax
 Fisheries Business Tax Return -
 December 31, 2016

7. Tax Calculation Summary 8. Custom Processing 9. Schedule 6 - Custom Processor Information 10. Selling Unprocessed

Did you sell fisheries resources unprocessed in Alaska?

Yes No

Cancel Save and Continue Previous Next

^{*} - To increase font size adjust your browser zoom settings

Warning: As a security feature, this application will time out after 20 minutes of inactivity. Your information will NOT be saved after this time out.

[Tax Home](#) [Revenue](#) [Contact Us](#)

Next the FP must report any unprocessed resources it sold without processing within Alaska.

State of Alaska myAlaska My Government Resident Business in Alaska Visiting Alaska State Employees

Alaska Department of Revenue - Tax Division
Revenue Online

Menu **ATT** Log Off Schedule 6 - Custom Processor Information > 10. Selling Unprocessed > 11. Schedule 7 - Sold Unprocessed in Alaska or Under Exclusion

Home
 Back
 Help

AKT **ATT**

Data: mdkazmac
 RunDate: 31-Mar-2017

Navigation **ATT**

My Accounts
 Fish Business Tax
 Fisheries Business Tax Return -
 December 31, 2016

This schedule must be completed for all established and developing fisheries resources caught and sold headed and/or frozen by fishermen qualifying for the tax exclusion under AS 43.75.017, as well as for unprocessed fisheries resources sold in Alaska by your company.

1 - 1 of 1 Show Errors						
	Lic #	Purchaser name	Purchaser address	.017	Species	Pounds
	5555	Halibut, LLC	999 Main St. Juneau, AK	<input checked="" type="checkbox"/>	200 - Halibut	5,000
				<input type="checkbox"/>		5,000

Cancel Save and Continue Previous Next

* - To increase font size adjust your browser zoom settings

Warning: As a security feature, this application will time out after 20 minutes of inactivity. Your information will NOT be saved after this time out.

[Tax Home](#) [Revenue](#) [Contact Us](#)

The FP fills out Schedule 7- Sold Unprocessed in Alaska or Under Exclusion. A resource is Under Exclusion when a fisherman sells unprocessed resource to a licensed processor (AS 43.75.017). In this example, if Halibut, LLC exports the unprocessed halibut out of Alaska or processes it in the state, Halibut, LLC would be subject to the Fisheries Business tax.

State of Alaska myAlaska My Government Resident Business in Alaska Visiting Alaska State Employees

Tax Division
Alaska Department of Revenue - Tax Division
Revenue Online

Menu Log Off
ATT

Home
Back
Help

AKT
ATT

Data: mdkazmac
RunDate: 31-Mar-2017

Navigation
ATT

My Accounts
Fish Business Tax
Fisheries Business Tax Return -
December 31, 2016

Processor Information > 10. Selling Unprocessed > 11. Schedule 7 - Sold Unprocessed in Alaska or Under Exclusion > **12. Credits Selection**

Select the credit types you would like to claim.

- Education Credits
- A.W. "Winn" Brindle Scholarship Credits
- Film Credits
- Product Development Credits or Recapture

Cancel Save and Continue Previous Next

* - To increase font size adjust your browser zoom settings

Warning: As a security feature, this application will time out after 20 minutes of inactivity. Your information will NOT be saved after this time out.

[Tax Home](#) [Revenue](#) [Contact Us](#)

After reporting the sold unprocessed schedule, the FP has the opportunity to claim any tax credits.

State of Alaska myAlaska My Government Resident Business in Alaska Visiting Alaska State Employees

Alaska Department of Revenue - Tax Division
Revenue Online

Menu Log Off
 ATT

Home
 Back
 Help

AKT
 ATT

Date: mdkazmac
 RunDate: 31-Mar-2017

Navigation
 ATT

My Accounts
 Fish Business Tax
 Fisheries Business Tax Return -
 December 31, 2016

11. Schedule 7 - Sold Unprocessed in Alaska or Under Exclusion 12. Credits Selection 13. Credit Summary 14. Payments

Total payments	0.00
Overpayment carryover from line 8b of previous Alaska Fisheries Business Tax Return	0.00
AMENDED AND BONUS RETURNS ONLY - Taxes previously paid for this year	0.00
Total payments.	0.00

Cancel Save and Continue Previous Next

* - To increase font size adjust your browser zoom settings

Warning: As a security feature, this application will time out after 20 minutes of inactivity. Your information will NOT be saved after this time out.

[Tax Home](#) [Revenue](#) [Contact Us](#)

State of Alaska myAlaska My Government Resident Business in Alaska Visiting Alaska State Employees State of Alaska || © 2013 || Webmaster

After the credit section, the FP reports any tax-prepayments or taxes previously paid for the tax year.

State of Alaska myAlaska My Government Resident Business in Alaska Visiting Alaska State Employees

Alaska Department of Revenue - Tax Division
Revenue Online

Menu Log Off Processing 11. Selling Unprocessed 12. Credits Selection 13. Credit Summary 14. Payments 15. Return Summary

ATT
 Home Back Help
 AKT ATT
 Data: mdkazmac RunDate: 31-Mar-2017
 Navigation ATT
 My Accounts Fish Business Tax Fisheries Business Tax Return - December 31, 2016

Tax Liability		
1a. Established. Enter Amount from Part 1, line 8	121,750.00	Part 1: Established
1b. Developing. Enter amount from Part 2, line 8	0.00	Part 2: Developing
1c. Total tax liability. Add lines 1a and 1b	121,750.00	
Credits		
2a. A.W. "Winn" Brindle credit. Schedule WB, line 6	0.00	
2b. Alaska Education Credit. Schedule EC, line 9	0.00	
2c. Product Developing credit from Schedule PD	0.00	
2d. Film Production Credit (attach certificate)	0.00	
2e. Total Credits. Add lines 2a through 2d.	0.00	
Total Liability		
3. Net fisheries business tax. Subtract line 2e from 1c	121,750.00	
4. Production Development credit recapture from Schedule PD	0.00	
5. Total liability. Add lines 3 & 4 (Reported)	121,750.00	
Payment		
6. Total payments from part 3, line 12	0.00	Part 3: Payments
Amount Due		
7. If line 6 is less than or equal to line 5, subtract line 6 from line 5	121,750.00	
Overpayment		
8. If line 6 is greater than line 5, subtract line 6 from line 5	0.00	

Cancel Save and Continue Previous Next

* - To increase font size adjust your browser zoom settings

Warning: As a security feature, this application will time out after 20 minutes of inactivity. Your information will NOT be saved after this time out.

[Tax Home](#) [Revenue](#) [Contact Us](#)

And this is the summary page at the end of the filing. Taxpayers have the opportunity to review all sections of the return before filing the return and remitting the tax.

**Summary of Revenue Changes from the Fishery Resource Landing Tax:
Difference Between the Published SWAP and an Alternate Estimated
Price for Select Species**

Species	2014 SWAP	Alternate Estimated Price	Estimated Revenue Change
Atka mackerel	\$ 0.10	\$ 0.36	\$ 537,323
Yellowfin sole	\$ 0.02	\$ 0.13	\$ 950,293
Alaska plaice	\$ 0.07	\$ 0.13	\$ 45,237
Flathead sole	\$ 0.13	\$ 0.18	\$ 36,823
Rock sole	\$ 0.22	\$ 0.15	- \$ 182,458
Greenland turbot	\$ 0.02	\$ 0.47	\$ 35,628

U.S. Fish & Wildlife Service

Items Taxed to Support Wildlife and Sport Fish Restoration in America



SERIES 2008

Manufacturers, producers and importers pay an excise tax on shooting, archery, and angling equipment. Recreational boaters also contribute with fuel and electric motor taxes. The U.S. Fish and Wildlife Service administers the Wildlife and Sport Fish Restoration Programs and distributes funds to State fish and wildlife resource agencies. Each year, millions of dollars are dedicated to fish and wildlife restoration and enhancement projects across the country.

Since implementation, more than \$13 billion have been collected, distributed, and matched with funds from State agencies. Projects focus on fish and wildlife management, species and habitat restoration, habitat protection, land acquisition, scientific study, population monitoring, hunter and aquatic education, and access for hunting, fishing and boating.

Cycle of Success





*Arms and
Ammunition*

Wildlife Restoration Program

Federal Firearms and Ammunition Excise Tax (FAET) is imposed on the sale or business use of the following articles by the manufacturer, producer or importer thereof at the following rates:



Photo/USFWS

■ Handguns (10%)

1. Pistols
2. Revolvers

■ Other Firearms (11%)

Includes any portable weapons, such as:

1. Rifles
2. Carbines
3. Machine guns
4. Shotguns
5. Fowling pieces



Photo/USFWS

■ Portable weapons that use matchlock, flintlock, percussion cap ignition system, or black powder firearms

6. Antique firearms

■ Shells and Cartridges (11%)
(Ammunition)

In addition, FAET is imposed on the following:



Photo/Indiana
Department of Natural
Resources

■ Firearms Parts or Accessories;

The sales of completed firearms, pistols, revolvers, shells and cartridges and the sale of such articles that, **although in knockdown condition**, are complete as to all component parts.



Photo/Missouri
Department of
Conservation©

■ **Reloaders;**

A person who reloads used shell or cartridge cases if such reloaded shells or cartridges are sold by the reloader. However, if the reloader (in return for a fee and expenses) reloads casings of shells or cartridges with the identical casings provided by the customer to that customer no FAET attaches. The customer in this situation could be liable for FAET depending on what the customer does with the reloaded shells or cartridges (sells or puts to personal use).

■ **Gunsmiths**

Gunsmiths should contact TTB to determine whether or not their specific activities are taxable or non-taxable. In general, two events must occur for the FAET to apply to the alteration or modification of any firearm:

1. An act of manufacture involving firearm must occur.
2. The person who is responsible for the act of manufacture must sell the firearm or use it for a business use.



Photo/USFWS

To be considered an “act of manufacture,” alterations must materially change a firearm so that a different article results. Modifications to a firearm that significantly change the function of a firearm also amount to manufacture.

Source: Alcohol and Tobacco Tax and Trade Bureau (TTB). This listing represents the majority of items taxed.

Bows and Arrows

Archery equipment is taxed at 11% of sales price and includes:



Photo/USFWS

- Points, tips and broadheads
- Arrow holders (all items to be affixed to a bow to hold an arrow in ready position)
- Arrow plates (whether fixed, adjustable, spring loaded, etc.)
- Arrow rests (whether bow shelf or auxiliary type)



Photo/NEBRASKAland Magazine/Nebraska Game and Parks Commission

- Quivers designed to provide ready access to taxable arrows during the time the archer is engaged in target shooting, hunting, fishing, regardless of material from which constructed (including bow quivers for attaching to bows and ground quivers)
- Bows – draw weight 30 pounds or more, including laminated, composite bows, solid glass, wood, steel, etc, bows and crossbows

1. Bow parts and accessories including:



Photo/NEBRASKAland Magazine/Nebraska Game and Parks Commission

2. Bow handles, handle sections, bow levels, bow limbs
3. Bow saddles (including interchangeable or replaceable bow grips)
4. Bow sights and bow sight extensions (including parts and attachments therefore)
5. Bow silencing pads
6. Bow wrist slings
7. Bow stabilizers (for all attachments and weights for use on bows to effect stabilization, counterbalancing, modification of weight distribution)



Photo/USFWS

8. Bowstrings
9. Draw stops
10. Finger protectors attached to bowstring
11. Grip formers
12. Kisser buttons (all items attached to bowstring to establish consistent anchor point)
13. Nocking points (all items attached to bowstring to establish arrow positioning)
14. Bowstring silencers
15. Bow tip protectors



Photo/NEBRASKAland Magazine/Nebraska Game and Parks Commission

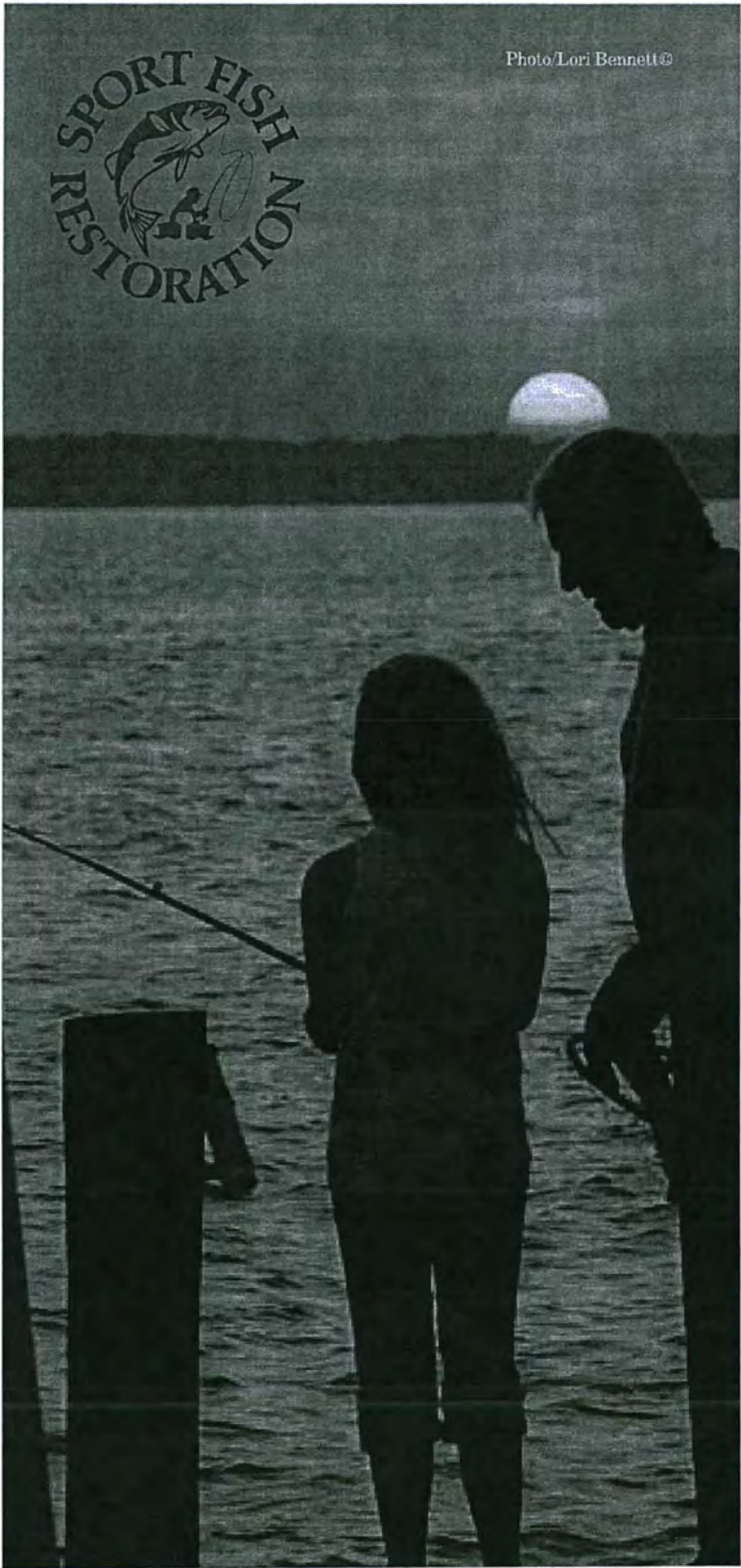
16. Brush buttons
17. Cable guards and slides
18. Camouflaged bow covers (slip-over cloth, self adhesive tape type, etc)
19. Draw checks (spring loaded clickers, mirrors, or any other device attached to bow or string to insure consistent draw length)
20. Release draw bars
21. String peeps (all items attached to bowstring for use in sighting)



Photo/NEBRASKAland Magazine/Nebraska Game and Parks Commission

Arrows-Beginning 3/1/2005 the tax on arrow components was changed to tax on arrow shafts whether in a finished or unfinished form. This tax is based on a set amount per shaft regardless of the price for which it is sold and is adjusted for inflation. For periods after 1/1/09 this amount is 45 cents per shaft. The rate is adjusted Jan 1 of each year.

Source: Internal Revenue Service (IRS). This listing represents the majority of items taxed.



*Sport Fishing
Equipment*



Photo/Take Me Fishing.
org©



Photo/NEBRASKA and
Magazine/Nebraska Game
and Parks Commission



Photo/USFWS

Sport Fish Restoration Program

Sport fishing equipment is taxed at 10% of the sales price and includes:

■ Fishing rods and poles (maximum tax of \$10) and component parts, including;

1. Rod handle
2. Guide
3. Reel seat
4. Blank rod
5. Tip-top
6. Ferrule

■ Fishing reels:

1. Fly fishing reels
2. Reels or spools designed for use in ice fishing
3. Reels or spools employed for dispensing and retrieving line attached to arrows and spears used in fishing

■ Fly fishing lines and other fishing lines not over 130 pounds test

■ Fishing spears, spear guns, and spear tips

■ Items of terminal tackle including:

1. Leaders including swivels and snaps
2. Artificial lures including plugs, spoons, jigs, feathers, spinners, soft-plastic lures, and spear fishing decoys
3. Artificial baits
4. Artificial flies
5. Fishing hooks



Photo/Take Me Fishing.org©

6. Bobbers
7. Sinkers
8. Snaps
9. Drayles
10. Swivels

■ Fishing supplies and accessories including:

1. Fish stringers
2. Creels
3. Tackle and fly boxes (taxed at 3%)
4. Bags, baskets, and other containers designed to hold fish
5. Portable bait containers (minnow buckets, floating cages, and grasshopper cages)
6. Fishing vests
7. Landing nets
8. Gaff hooks including straight or fixed-head gaffs, flying gaffs, and tuna hooks



Photo/USFWS

9. Fishing hook disgorgers
10. Dressing for fishing lines or artificial flies



Photo/NEBRASKAland Magazine/
Nebraska Game and Parks
Commission



Photo/Take Me Fishing.org©

- Fishing tip-ups and tilts including the following components:

1. Spool on a spindle
2. Spring mounted flag on opposite ends of a vertical pole or arm with cross members to support the pole or arm over ice

- Fishing rod belts (gimbal belt)

- Fishing rod-holders

- Fishing harnesses (fighting chair harness)

- Fish fighting chairs (permanent or removable in boats)

- Fishing outriggers

- Fishing downriggers

- Resale of certain fishing equipment



Photo/USFWS

- A tax of 3% of the sale price is imposed on:
Electric outboard boat motors

Electric Outboard Boat Motors

Import Duties

- Import duties of 1% to 3% are imposed on boat hulls, inflatable boats, sailboats, motorboats, rowboats, yachts, and inflatable rafts. Import duties of to 3.7% 9.2% are imposed on fishing rods, fish hooks, line fishing tackle; landing nets, butterfly nets and similar nets.

Motorboat and Small Engine Fuel

- A tax is imposed on motorboat fuel and small engine fuel.

Source: Internal Revenue Service (IRS). This listing represents the majority of items taxed.



Photo/NEBRASKAland Magazine/Nebraska Game and Parks Commission

U.S. Fish and Wildlife Service
Wildlife and Sport Fish Restoration Program
4401 N. Fairfax Drive, Suite 4020
Arlington, VA 22203
703/358-2156

<http://www.fws.gov>
<http://wsfrprograms.fws.gov/>

January 2011



*THANK YOU to
manufacturers,
producers, and
importers of sporting
goods for keeping our
outdoor tradition alive!*

NEW SUSTAINABLE

ALASKA

PLAN



Pulling Together to Build Our Future

Fish Tax

HB251

Bill Title

“An Act requiring the electronic submission of a tax return or report with the Department of Revenue; relating to fisheries business tax and fishery resource landing tax; relating to refunds to local governments; and providing for an effective date.”

Fish Business Tax Overview

- Paid by persons or business who **process fish in Alaska** or **export fish from Alaska**
- Charged on price for raw resource or fair market value



Photo courtesy Gail Smith, ADF&G

Fish Business Tax History

- Territorial “salmon pack tax” in 1913
 - Tax base expanded to include other fish between 1913 and 1949
- Fish business license required in 1951
- Municipal sharing began in 1962
 - Increased from 10% to 50% over time

Fish Business Tax History (Continued)

- Current tax structure began in 2004
 - Shore-based facility:
 - 1% for developing species
 - 3% for established species
 - Floating facility:
 - 3% for developing
 - 5% for established
 - Salmon cannery: 4.5%
- Direct Marketing License holders pay shore-based rates

Fish Landing Tax Overview

- Levied on **unprocessed value** of a fishery resource **first landed in Alaska, but processed outside**
 - Value calculated using Statewide Average Price (SWAP)
- Mainly factory trawlers and floating processors
- 50% municipal sharing, like Business Tax



Photo courtesy Alaska Seafood

Fish Landing Tax History

- Effective 1994
- Initially 3.3% of the unprocessed value
- Now:
 - 1% for developing species
 - 3% for established species
- Exception: **pollock** subject to Landing Tax even if not landed in Alaska
 - Due to 1999 American Fisheries Act

Distribution of Fish Tax Revenue

10 Fish Tax Revenue

50%

10 Communities
and Boroughs

50%

10 General Fund
10 Credits

Fish Business Tax Revenue

Business Tax (\$ millions)	FY 2015	FY 2014	FY 2013
Total collections	44.4	53.0	45.1
Municipal share	23.1	26.5	25.0
Retained by state	21.3	26.5	20.0

- State share normally smaller than municipal share because of credits

Fish Landing Tax Revenue

Landing Tax (\$ millions)	FY 2015	FY 2014	FY 2013
Total collections	8.4	12.6	13.4
Municipal share	3.2	5.4	7.8
Retained by state	5.1	7.1	5.5

Fish Tax Proposal

- Increases Fisheries Business Tax and Fishery Resource Landing Tax by 1% for established species

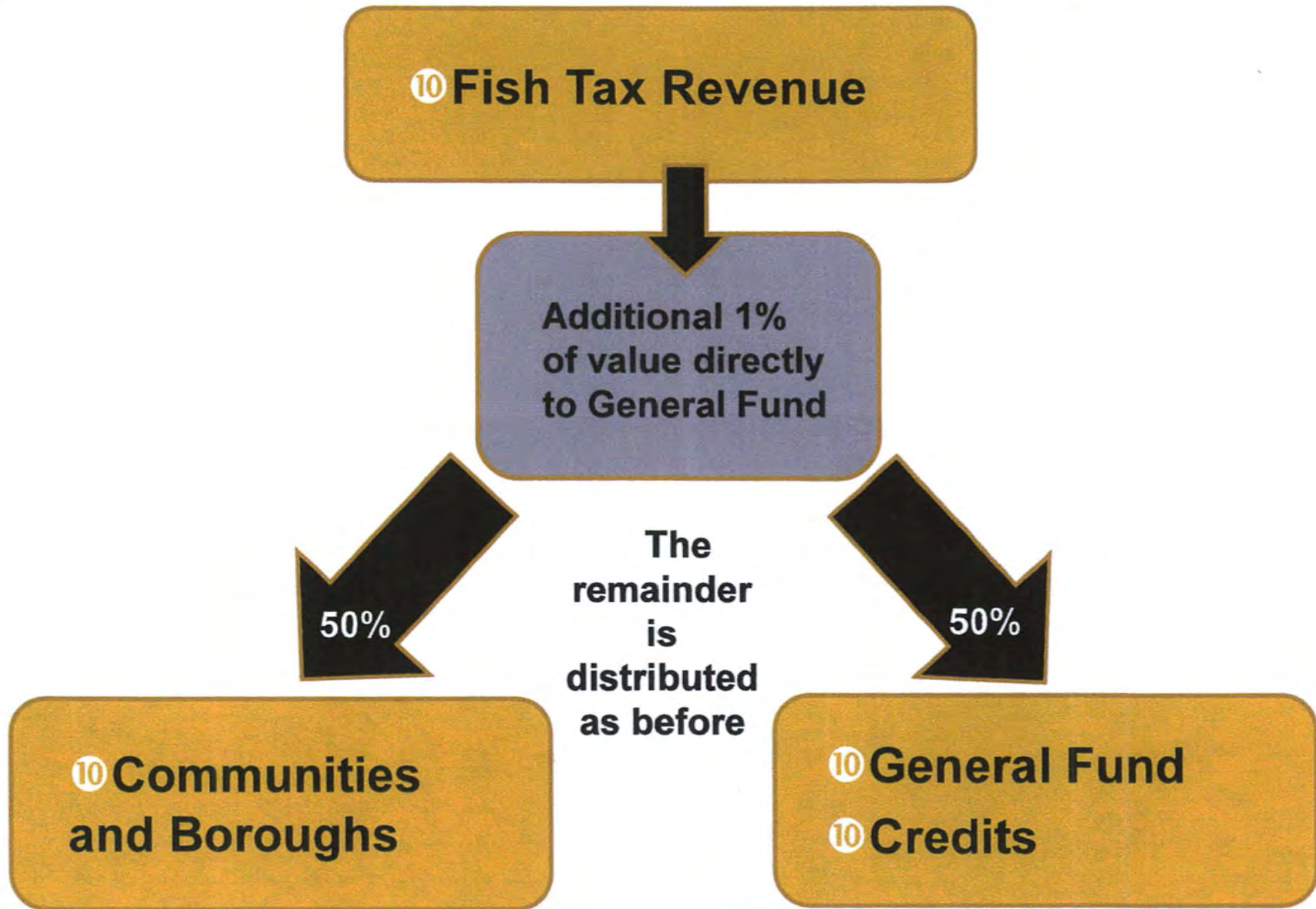
Business Tax	Current Rate	Proposed Rate
Established		
Floating	5%	6%
Salmon Cannery	4.5%	5.5%
Shore-based	3%	4%
Developing		
Floating	3%	4%
Shore-based	1%	1%

Fish Tax Proposal (Continued)

Resrc Land Tax	Current Rate	Proposed Rate
Established	3%	4%
Developing	1%	1%

- 1% tax increase would be entirely state revenue, not shared with municipalities
- Municipal sharing would continue for remaining revenue
- Requires electronic filing

Distribution Under New Fish Tax Proposal



Relative Fish Tax Rate

- Washington is the only other state with a tax specific to fish
 - 0.09% to 5.62% of value at point of landing
 - Rate depends on species

Revenue Impact

- Dept. of Revenue estimates proposed fish tax increases would raise an additional \$18 million per year
- Estimates are based on the fall 2015 revenue forecast

Implementation Cost

- Would require the Department of Revenue to update its Tax Revenue Management System (TRMS) and Revenue Online (ROL) which allows a taxpayer to file a return online and update the current tax return forms.
- One-time implementation cost of \$100,000 to recreate tax forms and reprogram and test the tax system¹
- Do not anticipate any additional costs to administer the tax program.

¹This is slightly higher than some of the costs attached to the other excise and business tax changes because of the somewhat dedicated nature of the funds and the possible additional need to adjust certain Revenue Sharing features.

Closing the Budget Gap

	(Millions)
FY16 Budget	\$ 5,200
<hr/>	
<u>FY17 Baseline Revenue (after proposed legislation)</u>	
AK Permanent Fund Protection Act (annual draw)	\$ 3,300
Revenue from existing taxes and fees	\$ 850
Earnings on Savings	<u>\$ 135</u>
	\$ 4,285
<hr/>	
<u>FY17 Spending Reductions</u>	
Continue Cuts	\$ 140
Reform O&G Tax Credits	\$ 400
Net Priority Investments	<u>(\$ 40)</u>
	\$ 500

Closing the Budget Gap (Continued)

<u>New Revenue Components (estimated)</u>	(Millions)
Mining (starting in FY 2018)	\$ 6
<i>Fishing</i>	<i>\$ 18</i>
Tourism	\$ 15
Motor Fuel	\$ 49
Alcohol	\$ 40
Tobacco	\$ 29
Oil and Gas	\$ 100
Income Tax (half in FY17; first full year is FY18)	<u>\$ 200</u>
	\$ 457
Total with reductions and new revenue	\$ 5,242

Impacts of Fish Tax Proposal

- Main impact is on commercial fishing operations
 - Not much of the tax burden likely to be passed on to buyers

Sectional Analysis

- Sec. 1.** Adds a \$25 or 1% tax penalty for failure to file electronically unless an exemption is received by the taxpayer
- Sec. 2.** Requires electronic submission of tax returns, license applications, and other documents submitted to the Department of Revenue. This changes the general tax statutes, AS 43.05, and will apply to all tax types administered by the department. Provides a process to request an exemption if a taxpayer does not have the technological capability to do so.
- Sec. 3.** Increases three different tax rates within the Fisheries Business Tax by one percent. The current rates range from three to five percent.
- Sec. 4.** Increases tax rate within the Fisheries Business Tax for developing fish species processed by a floating processor from 3 to 4 percent. Rate remains at 1 percent for developing fish species processed by a shore-based business.

Sectional Analysis (Continued)

Sec. 5. Increases tax rate within the Fisheries Business Tax for direct marketers from 3 to 4 percent. Rate remains at 1 percent for developing fish species sold by direct marketers.

Sec. 6. Conforming language related to the requirement to submit returns or reports electronically. This section deletes the requirement for taxpayers to submit their returns to the department in Juneau.

Sec. 7. Establishes that the revenue from the one percent tax increase is deposited in the general fund. The remaining revenue shall be shared with municipalities per the currently existing formula.

Sec. 8. Increases tax rate within the Fisheries Landing Tax for fish species other than developing fish species from 3 to 4 percent. Rate remains at 1 percent for developing fish species.

Sectional Analysis (Continued)

- Sec. 9.** Establishes that the revenue from the one percent tax increase is deposited in the general fund. The remaining revenue shall be shared with municipalities per the currently existing formula.
- Sec.10.** Establishes that the revenue from the one percent tax increase is deposited in the general fund. The remaining revenue shall be shared with boroughs per the currently existing formula.
- Sec. 11.** Transitional language allowing for regulations
- Sec. 12.** Section 11 above takes effect immediately.
- Sec. 13.** Effective date of 7/1/16 for the rest of the bill including the tax rate change.

NEW SUSTAINABLE

ALASKA

PLAN



Pulling Together to Build Our Future

Contact Information

Jerry Burnett
Deputy Commissioner
Department of Revenue
JerryBurnett@Alaska.gov
(907) 465-2300

Kevin Brooks
Deputy Commissioner
Department of Fish and Game,
KevinBrooks@Alaska.gov
(907) 465-4100

STATE CAPITOL
P.O. Box 110001
Juneau, AK 99811-0001
907-465-3500
fax: 907-465-3532



550 West Seventh Avenue, Suite 1700
Anchorage, AK 99501
907-269-7450
fax 907-269-7461
www.Gov.Alaska.Gov
Governor@Alaska.Gov

Governor Bill Walker
STATE OF ALASKA

January 15, 2016

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to exemptions from the mining license tax; relating to the mining license tax rate; and relating to mining license application, renewal, and fees.

The bill would increase the mining license tax rate from seven percent to nine percent for a portion of net income in excess of \$100,000. The new tax rate would apply the first taxable year (which may be a fiscal year or a calendar year) beginning after the effective date of the bill. This legislation is expected to generate addition revenue of approximately \$6,000,000 annually.

The bill would also repeal the exemption from paying the mining license tax that currently applies to operations for three and one-half years after production begins. References to the exemption in related statutes also would be repealed. The bill would provide for the exemption to continue to apply to mining operations if production begins before July 1, 2016.

To increase administrative efficiency for the Department of Revenue and state taxpayers, the bill would require the electronic submission of tax returns with an exemption available upon request. The bill would also establish an application fee of \$50 for a mining license application and for each annual renewal.

The bill is an integral component of the New Sustainable Alaska Plan to provide a balanced and sustainable budget for Alaska's long-term fiscal stability.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink that reads "Bill Walker".

Bill Walker
Governor

Enclosure



Tax Forms Electronic Filing Statistics

Over the past two fiscal years, submissions by mail of tax forms and tax returns have decreased. This decrease has varied substantially among tax types. The table below shows the percentage of forms filed with the department that were submitted by mail, rather than being submitted electronically. Electronic submission occurs through either the Department's web page via the Revenue Online (ROL) portal, or through Modernized eFile (MeF). MeF is a filing option offered to corporate income tax (CIT) payers that allows them to electronically file both federal and state returns, with the IRS remitting Alaskan returns back to the state. MeF filings accounted for approximately 7% of total corporate income tax filings in 2013, 31% in 2014, and 37% in 2015. For tax years beginning in 2015, all CIT taxpayers must file electronically according to new regulations.

These statistics come from the Gentax system. Filing period 2013 may have unavailable or incomplete data due to the legacy systems not tracking filing statistics. Also, there are still 2015 returns and forms that have yet to be submitted. These statistics do not include tax types that are currently being integrated into the online tax revenue management system, which include Fisheries taxes, Charitable Gaming, and Co-op taxes.

	% of Paper Filings					
	Count	2013	Count	2014	Count	2015
Alcohol	61	88%	761	21%	992	9%
Cigarette and Tobacco	N/A	N/A	663	65%	711	44%
Corporate Income Tax	14,312	92%	16,278	69%	1,172	62%
Commercial Passenger Vessel	N/A	N/A	130	55%	129	47%
Mining	494	87%	513	86%	545	94%
Motor Fuel	N/A	N/A	2,776	48%	3,094	32%
Oil and Gas Production ¹	11	0%	62	0%	743	0%
Tire Fee	19	79%	232	65%	279	37%
Vehicle Rental Tax	N/A	N/A	426	62%	394	39%

¹ Oil and gas filers are required to use electronic filing.



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Revenue

COMMISSIONER'S OFFICE
State Office Building
333 Willoughby Avenue, 11th Floor
PO Box 110400
Juneau, Alaska 99811-0400
Main: 907.465.2300
Fax: 907.465.2389

February 17, 2016

The Honorable Dave Talerico and the Honorable Benjamin Nageak
Alaska State Representatives
Co-Chairs, House Resources Committee
State Capitol Rooms 104 and 126
Juneau, AK 99801

Dear Co-Chairs Talerico and Nageak:

The purpose of this letter is to provide you with responses to the questions asked of the Department of Revenue and the Department of Commerce, Community, and Economic Development during our presentation to the House Resources Committee on February 15, 2016. Please see questions in italics and our responses immediately below the questions.

1. *How long does it take mines to reach profitability so that they have taxable net income?*

The profitability of a mine depends not only on its production, but also on external factors such as commodity prices. Since those prices are volatile, periods of positive or negative "net income" under the Mining License Tax can occur at any point in the mine's life. Positive net income is relatively uncorrelated with the age of the mine.

However, if the question is about how long it takes for an Alaska mine to ramp up production to full capacity, the answer is not very long. Pogo Mine, for instance, produced about 260,000 ounces of gold in 2007 (its second year of life) and 350,000 ounces in 2008. These numbers are similar to its 2014 production of 342,000 ounces. Similarly, Kensington mine produced about 88,000 ounces in 2011 (its second year of life), comparable to its 2014 production of 118,000 ounces. The Department of Revenue cannot disclose confidential information about the net income of specific mines; however, in terms of **production**, these two mines were both fully operational well before they reached 3 ½-year threshold for applicability of the Mining License Tax.

2. *Why are there 468 Mining License Tax payers if there are only 6 major mines and 200 small placer mines?*

Some payers of the Mining License Tax may not be mining operations *per se*, but rather individuals or companies who own land on which mining occurs. These owners earn royalties, which are then subject to the Mining License Tax. Some mining operations also may have multiple owners.

3. *Can expenses used to take the Minerals Exploration Incentive Credit also be rolled forward and deducted from the Mining License Tax?*

No. Exploration costs are not deductible from the Mining License Tax according to 15 AAC 65.125(g). The Department of Revenue depends on our mining tax audit staff to enforce this provision.

4. *What was the name and date of the lawsuit that was settled by adopting the current mining royalty structure?*

Answer is forthcoming.

5. *Can DOR provide a multi-state comparison of the total government take from the mining industry?*

Answer is forthcoming.

6. *Would deferring the Mining License Tax for the first 3 years of production, instead of a tax exemption, alleviate concerns about incentives at the beginning of a mine's life but still capture the extra revenue?*

Answer is forthcoming.

7. *What are the implications of having a business license, other than the fee? Are these different from the implications of a mining license?*

Answer is forthcoming.

8. *Please estimate Mining License Tax revenue in different commodity price scenarios.*

Here are projections of Mining License Tax revenue for the fiscal years between FY 2017 and FY 2020, based on different gold and zinc prices. The current Department of Revenue projection is highlighted at the top, while projections under other high-, medium-, and low-price scenarios are below.

Zinc prices per ton	Gold prices per ounce	Projected MLT revenue (current 7% top rate)	Projected MLT revenue (9% top rate)
\$1850 to \$1950	\$1150 to \$1250	\$22 to \$24 million	\$29 to \$31 million
\$2200	\$1500	\$37 to \$42 million	\$48 to \$55 million
\$2200	\$1200	\$26 to \$30 million	\$34 to \$38 million
\$1900	\$1500	\$33 to \$37 million	\$43 to \$48 million
\$1900	\$800	\$13 to \$14 million	\$17 to \$18 million
\$1500	\$1200	\$14 to \$17 million	\$19 to \$23 million
\$1500	\$800	\$6.5 to \$7.5 million	\$8 to \$10 million

I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,



Jerry Burnett
 Deputy Commissioner



THE STATE
of **ALASKA**

GOVERNOR BILL WALKER

Department of Revenue

COMMISSIONER'S OFFICE

State Office Building
333 Willoughby Avenue, 11th Floor
PO Box 110400
Juneau, Alaska 99811-0400
Main: 907.465.2300
Fax: 907.465.2389

February 29, 2016

The Honorable Dave Talerico and the Honorable Benjamin Nageak
Alaska State Representatives
Co-Chairs, House Resources Committee
State Capitol Rooms 104 and 126
Juneau, AK 99801

Dear Co-Chairs Talerico and Nageak:

The purpose of this letter is to provide you with responses to the questions asked of the Department of Revenue and the Department of Commerce, Community, and Economic Development during our presentation to the House Resources Committee on February 15, 2016. Please see questions in italics and our responses immediately below the questions.

1. Can DOR provide a multi-state comparison of the total government take from the mining industry?

A comprehensive analysis of all taxes that affect the mining industry, including local property taxes and other taxes in all states, would be a large research project taking significant time for DOR and would delay our response to the committee. However, we have attached some resources that give a sense for how different states and Canadian provinces treat both the mining industry and other industries:

- A list of state severance taxes as of 2015
- A list of state corporate income tax rates as of 2015
- A presentation that analyzes mining tax regimes in all Canadian provinces as of 2009
- A document summarizing Nevada's Net Proceeds of Mineral Tax

The Department of Revenue does, of course, have more information on government take within Alaska. We refer the committee to a letter dated Feb. 15, 2016, addressed to the Senate Resources Committee but also provided to the House Resources Committee, which details the local property taxes that Alaska's large mines pay, in addition to the amounts of Mining License Tax and Corporate Income Tax that the mining industry pays to the state.

It should be noted that royalties are a payment to ownership and not properly considered "government take." Further, in testimony to the committee on February 24th by the Alaska Miners Association and the Council of Alaska Producers, on slide 16 state revenue from mining improperly includes repayment of bonded indebtedness to AIDEA at \$12 million and royalties of \$15 million, along with state material sales which include gravel and other materials that are a simple purchase of a needed supply that happens to be sold by the state. These are specific payments for specific items, not general revenue.

2. Would deferring the Mining License Tax for the first three years of production, instead of a tax exemption, alleviate concerns about incentives at the beginning of a mine's life but still capture the extra revenue?

If the Mining License Tax were deferred for the first three years, each mining operation's tax liability would actually increase for later years, so the overall effect of the tax on their profits would be the same. It is certainly possible that deferring the taxes would provide financial relief for the mining company. Of course, the opposite could also be true if the company happened to hit hard financial times right after the deferral period ended.

As noted in a previous response to this committee, most large Alaska mines have reached their full production level within a year or two of commencing operations. It does not take them many years to ramp up their production.

3. *What are the implications of having a business license, other than the fee? Are these different from the implications of a mining license?*

The public purpose for requiring a business license prior to engaging in business activity is to help protect the health and safety of the public. A business license provides the name of the owner and contact information of the business. This information identifies who is legally responsible for the business and its activities. A business license provides the primary and secondary lines of business and NAICS codes for the business activities. If the business activity is subject to provisions of a regulatory nature (i.e. professional licensing, entity registration, bond, etc.) then these must be met prior to obtaining a business license. To sell tobacco products a business must obtain a Tobacco Endorsement on their business license.

The few exemptions (AS 43.70.105) to business licensing, such as mining, are because they register with another agency; however if these exemptions engage in any other activity that is not covered by registering the licensing agency then they must obtain a business license. For example: the sale of liquor under AS 04.11 is exempt from a business license; however if they sell anything that is not specifically liquor under AS 04.11 (i.e. soda, mixes, tobacco, food, etc.) then they must obtain a business license.

The following table provides a basic comparison of key requirements regarding business licenses and mining licenses.

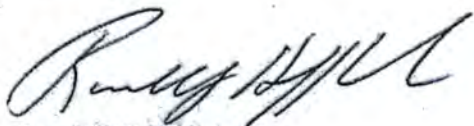
BASIC COMPARISON: MINING & BUSINESS LICENSES	Department of Commerce, Community & Economic Development	Department of Revenue
	Business Licensing	Mining Licensing
<i>Cost of license</i>	\$50 annually or \$25 for seniors	Free
<i>Due dates</i>	Due annually on December 31	Due annually on April 30
<i>Who needs a license</i>	Anyone doing business in the state that does not meet the exemptions under AS 43.70.105(a).	Any persons prosecuting or attempting to prosecute, or engaging in the business of mining in the state needs a license, unless they are not in the business of mining as defined under 15 AAC 65.010(a)(1)-(5).
<i>Penalty for being unlicensed</i>	\$300 civil fine	Misdemeanor up to \$2,000 fine, up to 6 months in jail, or both
<i>What information is needed</i>	Name, address, type of business, dates of license, business name	Name, address, EIN or SSN, location of mining operation, dates of license, date production began
<i>Active license</i>	Must have license in place before doing business	Must have license in place before doing mining business
<i>Exemptions</i>	The exemptions include business types such as fisheries business, liquor license through the ABC Board, insurance business, and mining	No exemptions. Any person considered engaged in mining activities under 15 AAC 65.010(b)(1)-(3) must obtain a mining license

February 29, 2016

Page 3

I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Randall Hoffbeck". The signature is fluid and cursive, with a large initial "R" and "H".

Randall Hoffbeck
Commissioner

Attachments: State severance taxes; State corporate income tax rates; Canadian Mining Taxation – 2009;
Nevada mining tax summary

TAXES

**Table 7.15
STATE SEVERANCE TAXES: 2015**

State	Title and application of tax (a)	Rate
Alabama.....	Iron Ore Mining Tax	\$.03/ton.
	Forest Products Severance Tax	Varies by species and ultimate use.
	Oil and Gas Conservation & Regulation of Production Tax	2% of gross value at point of production, of all oil and gas produced. 1% of the gross value (for a 5-year period from the date production begins) for well, for which the initial permit issued by the Oil and Gas Board is dated on or after July 1, 1996 and before July 1, 2002, except a replacement well for which the initial permit was dated before July 1, 1996; 1.66% gross proceeds from offshore production greater than 8,000 ft. below sea level.
	Oil and Gas Privilege Tax on Production	8% of gross value at point of production; 4% of gross value at point of incremental production resulting from a qualified enhanced recovery project; 4% if wells produce 25 bbl. or less oil per day or 200,000 cu. ft. or less gas per day; 6% of gross value at point of production for certain on-shore and off-shore wells. A 50% rate reduction for wells permitted by the oil and gas board on or after July 1, 1996, and before July 1, 2002, for 5 years from initial production, except for replacement wells for which the initial permit was dated before July 1, 1996; 3.65% gross proceeds from offshore production greater than 8,000 ft. below sea level;
	Coal and Lignite Severance Tax	\$.20/ton in addition to coal severance tax. In 2012, state legislature extended through 2021.
Alaska.....	Local Solid Minerals Tax	Varies by county for sand, clay, gravel, granite, shale, and other products.
	Uniform Natural Minerals Tax	\$.10/ton.
	Cost Recovery Fisheries Assessment (b)	Elective; currently no assessments in place.
	Dive Fishery Management Assessment (b)	Elective; currently 7% of value for select dive fishery species in select management regions.
	Fisheries Business Tax	Tax based on unprocessed value of fishery resources processed in or exported from the state. 1% of value for shore-based processing in developing fisheries; 3% of value for floating processing in developing fisheries or shore-based processing in established fisheries; 4.5% of value for salmon cannery processing in established fisheries; 5% of value for floating processing in established fisheries.
	Fishery Resource Landing Tax	Tax based on unprocessed value of fishery resources processed outside and first landed in the state. 1% of value for developing fisheries; 3% of value for established fisheries.
	Mining License Tax	Up to 7% of net income and royalties received in connection with mining properties and activities in Alaska. New mining operations other than sand and gravel exempt for 3 1/2 years after production begins.
	Alaska Oil Production Tax	Alaska will impose a base rate of 35 percent on oil companies' net profits in the state, replacing a 25 percent base rate that increased by 0.4 percentage points for every \$1 above a net wellhead price of \$30.
	Salmon Enhancement Tax (b)	Elective; 2% or 3% of value for salmon sold in or exported from select aquaculture regions.
	Seafood Development Tax (b)	Elective; currently 1% of value for select commercial fish species in select seafood development regions.
Seafood Marketing Assessment (b)	Elective; currently 0.5% of value for all commercial fish species exported from, landed or processed in-state.	
Arizona.....	Severance Tax	2.5% of net severance base for mining (metalliferous minerals); \$1.51/1,000 board ft. (\$2.13 for ponderosa pine) for timbering. 3.125% for oil and gas production and nonmetal mining.
Arkansas.....	Natural Resources Severance Tax	Separate rate for each substance. Timber \$0.178/ton (pine), all other \$0.125/ton.
	Oil and Gas Conservation Tax	Natural gas 1.25%, 1.5%, and 5% depending on well classification; crude oil 4% to 5% depending on production levels.
California	Oil and Gas Conservation Assessment	Maximum 43 mills/bbl. of oil and 9 mills per MCF produced of gas.
	Lumber Tax	Rate determined annually by Department of Conservation to fund agency operations; no state severance tax. The Lumber Tax was enacted in Sept. 2012. Retailers are required to impose a 1% tax on lumber sold in California.
Colorado.....	Severance Tax (c)	Taxable years commencing prior to July 1, 1999, 2.25% of gross income exceeding \$11 million for metallic minerals and taxable years commencing after July 1, 1999, 2.25% of gross income exceeding \$19 million for metallic minerals; on or after July 1, 1999, \$.05/ton for each ton exceeding 625,000 tons each quarter for molybdenum ore; 2% to 5% based on gross income for oil, gas, CO ₂ , and coalbed methane; after July 1, 1999, \$.36/ton adjusted by the producers' prices index for each ton exceeding 300,000 tons each quarter for coal; and 4% of gross proceeds on production exceeding 15,000 tons per day for oil shale.
	Oil and Gas Conservation Levy (d)	0.07% charge on all oil, natural gas, and CO ₂ produced.

See footnotes at end of table.

STATE SEVERANCE TAXES: 2015—Continued

State	Title and application of tax (a)	Rate
Florida	Oil, Gas and Sulfur Production Tax	5% of gross value for small well oil, and 8% of gross value for all other, and an additional 12.5% for escaped oil; tiered formula for tertiary oil; the gas base rate (\$0.171) times the gas base adjustment rate each fiscal year for gas; and the sulfur base rate (\$2.43) times the sulfur base rate adjustment each fiscal year for sulfur.
	Solid Minerals Tax (e)	8% of the value of the minerals severed; heavy minerals (rate computed annually at \$1.34/ton plus times the surcharge rate currently at 2.57) and phosphate rock (rate computed annually at a base rate of \$1.61/ton plus \$1.38 surcharge adjustment).
Idaho.....	Mine License Tax	1% of net value.
	Oil and Gas Production Tax	Maximum of 5 mills/bbl. of oil and 5 mills/50,000 cu. ft. of gas. Current conservation rate is 5 mills (.005).
	Additional Oil and Gas Production Tax	2.5% of market value at site of production.
Illinois.....	Oil and Gas Production Assessment (f)	0.1% fee per well of gross revenue for oil and natural gas.
	Timber Fee	4% of purchase price. (g)
Indiana.....	Petroleum Severance Tax (h)	1% of value or \$.24 per barrel for oil or \$.03 per 1,000 cu. ft. of gas, whichever is greater.
Kansas	Severance Tax (i)	8% of gross value of oil and gas, less property tax credit of 3.67%; \$1/ton of coal.
	Oil Inspection Fee/barrel (i)	\$.015/barrel.
	Oil and Gas Conservation Tax	91.00 mills/bbl. crude oil or petroleum marketed or used each month; 12.9 mills/1,000 cu. ft. of gas sold or marketed each month.
	Mined-Land Conservation & Reclamation Tax	\$50, plus per ton fee of between \$.03 and \$.10.
Kentucky	Oil Production Tax	4.5% of market value.
	Coal Severance Tax	4.5% of gross value, less transportation expenses; \$0.50/ton minimum for extraction and processing.
	Natural Resource Severance Tax	4.5% of gross value, less transportation expenses.
Louisiana.....	Natural Gas Severance Tax (j)	The natural gas severance tax rate effective July 1, 2014 through June 30, 2015 has been set at 16.3 cents per thousand cubic feet (MCF) measured at a base pressure of 15.025 pounds per square inch absolute and at the temperature base of 60 degrees Fahrenheit. This tax rate is set each year by multiplying the natural gas severance tax base rate of 7 cents per MCF by the "gas base rate adjustment" determined by the Secretary of the Department of Natural Resources in accordance with R.S. 47:633(9)(d)(i). The "gas base rate adjustment" is a fraction, of which the numerator is the average of the New York Mercantile Exchange (NYMEX) Henry Hub settled price on the last trading day for the month, as reported in <i>The Wall Street Journal</i> for the previous 12-month period ending on March 31, and the denominator is the average of the monthly average spot market prices of gas fuels delivered into the pipelines in Louisiana as reported by the Natural Gas Clearing House for the 12-month period ending March 31, 1990 (1.7446 \$/MMBTU). Based on this computation, the Secretary of the Department of Natural Resources has determined the natural gas severance "gas base rate adjustment" for April 1, 2013, through March 31, 2014, to be 232.34 percent. Applying this gas base rate adjustment to the base tax rate of 7 cents per MCF produces a tax rate of 16.3 cents per MCF effective July 1, 2014, through June 30, 2015. The reduced natural gas severance tax rates provided for in R.S. 47:633(9)(b) and (c) remain the same.
	Oil/Condensate Severance Tax (j)	Value on a per barrel basis (42 gallons) the rates are: full-rate, 12.5%; incapable oil rate, 6.25%; stripper oil rate, 3.25%; reclaimed oil, 3.25%; produced water full-rate, 10%; produced water incapable oil rate, 5.0%; produced water stripper oil rate, 2.5%.
	Timber Severance Tax (j)	Louisiana Revised Statute 47:633 imposes a severance tax on timber and pulpwood based on the trees and timber 2.25% of current stumpage value determined by state commission; pulpwood 5% of current stumpage value; current average stumpage market value determined annually on the second Monday of December by the Louisiana Forestry Commission Effective for 2015, the timber values to be used to determine the severance tax on timber are as follows: Pine Sawtimber, Value Per Ton \$31.68, Tax Rate 2.25%, Tax Per Ton \$0.71; Hardwood Sawtimber, Value Per Ton \$35, Tax Rate 2.25%, Tax Per Ton \$0.79; Pine Chip-n-Saw, Value Per Ton \$16.50, Tax Rate 2.25%, Tax Per Ton \$0.37; Pulpwood Pine, Value Per Ton \$8.76, Tax Rate 5.00%, Tax Per Ton \$0.44; Pulpwood Hardwood, Value Per Ton \$10.50, Tax Rate 5.00%, Tax Per Ton \$0.53.
	Mineral Severance Tax (j)	Various fees on a per ton basis for products like sulphur, salt, marble, stone, sand, lignit, and others.
	Oil Field Site Restoration Fee	Rate varies according to type of well and production.
Freshwater Mussel Tax	5% of revenues from the sale of whole freshwater mussels, at the point of first sale.	

See footnotes at end of table.

TAXES

STATE SEVERANCE TAXES: 2015—Continued

<i>State</i>	<i>Title and application of tax (a)</i>	<i>Rate</i>
Maine.....	Mining Excise Tax	The greater of a tax on facilities and equipment or a tax on gross proceeds.
Maryland.....	Mine Reclamation Surcharge	\$.15/ton of coal removed by open-pit, strip or deep mine methods. Of the \$.15, \$.06 is remitted to the county from which the coal was removed.
Michigan.....	Gas and Oil Severance Tax	5% (gas), 6.6% (oil) and 4% (oil from stripper wells and marginal properties) of gross cash market value of the total production. Maximum additional fee of 0.82% of gross cash market value on all oil and gas (2015 fee).
Minnesota.....	Taconite and Iron Sulfides Direct Reduced Iron (k)	\$2.56 per ton of concentrates or pellets (rate indexed to inflation by law). \$2.56 per ton of concentrates plus an additional \$.03 per ton for each 1% that the iron content exceeds 72%.
Mississippi.....	Oil and Gas Severance Tax	6% of value at point of gas production; 3% of gross value of occluded natural gas from coal seams at point of production for well's first five years; also, maximum 35 mills/bbl. oil or 4 mills/1,000 cu. ft. gas (Oil and Gas Board maintenance tax). 6% of value at point of oil production; 3% of value at production when enhanced oil recovery method used.
	Timber Severance Tax	Varies depending on type of wood and ultimate use.
	Salt Severance Tax	3% of value of entire production in state.
Montana.....	Coal Severance Tax	Varies from 3% to 15% depending on quality of coal and type of mine.
	Metalliferous Mines License Tax (l)	Progressive rate, taxed on amounts in excess of \$250,000. For concentrate shipped to smelter, mill or reduction work, 1.81%. Gold, silver or any platinum group metal shipped to refinery, 1.6%.
	Oil or Gas Conservation Tax	Maximum 0.3% on the market value of each barrel of crude petroleum oil or 10,000 cu. ft. of natural gas produced, saved and marketed or stored within or exported from the state. (m)
	Oil and Natural Gas Production Tax	Varies from 0.5% to 14.8% according to the type of well and type of production.
	Miscellaneous Minerals License Tax	\$.05/ton.
	Cement License Tax (n)	\$.22/ton of cement, \$.05/ton of cement, plaster, gypsum or gypsum products.
	Resource Indemnity Trust Tax	\$25 plus 0.5% of gross value greater than \$5,000. For talc, \$25 plus 4% of gross value greater than \$625. For coal, \$25 plus 0.40% of gross value greater than \$6,250. For vermiculite, \$25 plus 2% of gross value greater than \$1,250. For limestone, \$25 plus 10% of gross value greater than \$250. For industrial garnets, \$25 plus 1% of gross value greater than \$2,500.00.
Nebraska.....	Oil and Gas Severance Tax	3% of value of nonstripper oil and natural gas; 2% of value of stripper oil.
	Oil and Gas Conservation Tax	Two percent of value of stripper oil. Maximum 15 mills/\$1 of value at wellhead, as of January 1, 2000. (f)
	Uranium Tax	2% of gross value over \$5 million. The value of the uranium severed subject to tax is the gross value less transportation and processing costs.
Nevada.....	Minerals Extraction Tax	Between 2% and 5% of net proceeds of each geographically separate extractive operation, based on ratio of net proceeds to gross proceeds of whole operation.
	Oil and Gas Conservation Tax	\$.50/mills/bbl. of oil and 50 mills/50,000 cu. ft. of gas.
New Hampshire.....	Refined Petroleum Products Tax	0.1% of fair market value.
	Excavation Tax	\$.02 per cubic yard of earth excavated.
	Timber Tax	10% of stumpage value at the time of cutting. Not assessed under the general property tax but rather is taxed by municipalities.
New Mexico.....	Resources Excise Tax (o)	Potash .5%, molybdenum .125%, all others .75% of value.
	Severance Tax (o)	Copper .5%, timber .125% of value. Pumice, gypsum, sand, gravel, clay, fluorspar and other non-metallic minerals, .125% of value. Gold, silver .20%; Lead, zinc, thorium, molybdenum, manganese, rare earth and other .125% of value.
	Oil and Gas Severance Tax	3.75% of value of oil, other liquid hydrocarbons, natural gas and carbon dioxide.
	Oil and Gas Emergency School Tax	3.15% of value of oil, other liquid hydrocarbons and carbon dioxide. 4% of value of natural gas.
	Natural Gas Processor's Tax	\$0.0220/Mmbtu tax on volume.
	Oil and Gas Ad Valorem Production Tax	Varies, based on property tax in district of production.
	Oil and Gas Conservation Tax (p)	0.19% of value.
North Carolina.....	Oil and Gas Conservation Tax	Maximum 5 mills/barrel of oil and 0.5 mill/1,000 cu. ft. of gas.
	Primary Forest Product Assessment Tax	\$.50/1,000 board ft. for softwood sawtimber, \$.40/1,000 board ft. for hardwood sawtimber, \$.20/cord for softwood pulpwood, \$.12/cord hardwood pulpwood.

See footnotes at end of table.

STATE SEVERANCE TAXES: 2015 — Continued

State	Title and application of tax (a)	Rate
North Dakota	Oil Gross Production Tax	5% of gross value at well.
	Gas Gross Production Tax	\$.04/1,000 cu.ft. of gas produced (the rate is subject to a gas rate adjustment each fiscal year). Through June 30, 2013, the rate was \$.0982 per mcf.
	Coal Severance Tax	\$.375/ton plus \$.02/ton. (q)
	Oil Extraction Tax	6.5% of gross value at well (with exceptions due to production volumes and production incentives for enhanced recovery projects).
Ohio	Resource Severance Tax	\$.10/bbl. of oil; \$.025/1,000 cu. ft. of natural gas; \$.04/ton of salt; \$.02/ ton of sand, gravel, limestone and dolomite; \$.10/ton of coal; and \$.01/ ton of clay, sandstone or conglomerate, shale, gypsum or quartzite.
Oklahoma	Oil, Gas and Mineral Gross Production Tax and Petroleum Excise Tax (r)	Rate: 0.75% levied on asphalt and metals. 7% (if greater than \$2.10 mcf) 4% (if greater than \$1.75 mcf, but less than \$2.10 mcf) 1% (if less than \$1.75 mcf) casinghead gas and natural gas as well as 0.95% being levied on crude oil, casinghead gas and natural gas. Oil Gross Production Tax is now a variable rate tax, beginning with January 1999 production, at the following rates based on the average price of Oklahoma oil: a) If the average price equals or exceeds \$17/bbl, the tax shall be 7%; b) If the average price is less than \$17/bbl, but is equal to or exceeds \$14/bbl, the tax shall be 4%; c) If the average price is less than \$14/bbl, the tax shall be 1%.
Oregon	Forest Products Harvest Tax	\$3.5316/1,000 board ft. harvested from public and private land — through Dec. 31, 2013.
	Oil and Gas Production Tax	6% of gross value at well.
	STF Severance Tax— Eastern Oregon Forestland Option	\$4.03/1,000 board ft. harvested from land under the Small Tract Forestland Option — through Dec. 31, 2015.
	STF Severance Tax— Western Oregon Forestland Option	\$5.18/1,000 board ft. harvested from land under the Small Tract Forestland Option — through Dec. 31, 2015.
Pennsylvania	Natural Gas Severance Tax	Annual \$50,000 per-well fee. Local fees and taxes determined by county.
South Carolina	Forest Renewal Tax	Softwood products: 50 cents per 1,000 board feet or 20 cents per cord. Hardwood products: 25 cents per 1,000 board feet or 7 cents per cord.
South Dakota	Precious Metals Severance Tax	\$4 per ounce of gold severed plus additional tax depending on price of gold; 10% on net profits or royalties from sale of precious metals, and 8% of royalty value.
	Energy Minerals Severance Tax (s)	4.5% of taxable value of any energy minerals.
	Conservation Tax	2.4 mills of taxable value of any energy minerals.
Tennessee	Oil and Gas Severance Tax	3% of sales price.
	Coal Severance Tax (t)	\$1.00/ton (effective 7/17/13).
	Mineral Tax	Up to \$0.15 per ton, rate set by county legislative body.
Texas	Natural Gas Production Tax	7.5% of market value of gas. Condensate Production Tax: 4.6% of market value of gas.
	Crude Oil Production Tax	4.6% of market value or \$.046/bbl.
	Sulphur Production Tax	\$1.03/long ton or fraction thereof.
	Cement Production Tax	\$0.55 per ton or \$.0275/100 lbs. or fraction of 100 pounds of taxable cement.
	Oil-Field Cleanup Regulatory Fees	5/8 of \$.01/barrel; 1/15 of \$.01/1,000 cubic feet of gas. (u)
	Oyster Sales Fee	\$1 per 300 lb. barrel of oysters taken from Texas waters.
Utah	Mining Severance Tax	2.6% of taxable value for metals or metalliferous minerals sold or otherwise disposed of.
	Oil and Gas Severance Tax	3% of value for the first \$13 per barrel of oil, 5% from \$13.01 and above; 3% of value for first \$1.50/mcf, 5% from \$1.51 and above; and 4% of taxable value of natural gas liquids.
	Oil and Gas Conservation Fee	.002% of market value at wellhead.
Virginia	Forest Products Tax	\$1.15 per 1,000 feet B.M. of pine lumber and 1,000 board feet of pine logs. \$0.475 collected per cord of pine pulpwood.
Washington	Coal Surface Mining Reclamation Tax	Varies depending on balance of Coal Surface Mining Reclamation Fund.
	Uranium and Thorium Milling Tax (tax reported as inactive)	\$0.05/per pound.
	Enhanced Food Fish Tax	0.09% to 5.62% of value (depending on species) at point of landing.
	Timber Excise Tax	5% of stumpage value for harvests on public and private lands.

See footnotes at end of table.

TAXES

STATE SEVERANCE TAXES: 2015—Continued

State	Title and application of tax (a)	Rate
West Virginia.....	Natural Resource Severance Taxes	Coal: State rate is greater of 5% or \$.75 per ton (4.65% for state purposes and .35% for distribution to local governments). Special state rates for coal from new low seam mines. For seams between 37" and 45" the rate is greater of 2% or \$.75/ton (1.65% for state purposes and .35% for distribution to local governments). For seams less than 37" the rate is greater of 1% or \$.75/ton (.65% for state purposes and .35% for distribution to local governments). For coal from gob, refuse piles, or other sources of waste coal, the rate is 2.5% (distributed to local governments). Additional tax for workers' compensation debt reduction is \$.56/ton. Two special reclamation taxes at \$.07/clean ton and \$.02/clean ton. Limestone or sandstone, quarried or mined, and other natural resources: 5% of gross value. Natural gas: 5% of gross value (10% of net tax distributed to local governments), additional tax for workers' compensation debt reduction is \$.047/mcf of natural gas produced. Oil: 5% of gross value (10% of net tax distributed to local governments). Sand, gravel or other mineral products not quarried or mined: 5% of gross value. Timber: 1.22%, additional tax for workers' compensation debt reduction is 2.78%.
Wisconsin	Mining Net Proceeds Tax	Progressive net proceeds tax ranging from 3% to 15% is imposed on the net proceeds from mining metalliferous minerals. The tax brackets are annually adjusted for inflation based on the change in the GNP deflator.
	Oil and Gas Severance Tax	7% of market value of oil or gas at the mouth of the well.
	Forest Crop Law Severance Tax	10% of stumpage.
	Managed Forest Law Yield Tax	5% yield tax. This tax will be waived for the first five years of most MFL land.
Wyoming	Severance Taxes	Severance Tax is defined as an excise tax imposed on the present and continuing privilege of removing, extracting, severing or producing any mineral in this state. Except as otherwise provided by W.S. 39-14-205. The total Severance Tax on crude oil, lease condensate or natural gas shall be six percent (6%). Stripper oil is taxed at four percent (4%). Surface coal is taxed at seven percent (7%). Underground coal is taxed at three and three-fourths percent (3.75%). Trona is taxed at four percent (4%). Bentonite, sand and gravel, and all other minerals are taxed at two percent (2%). Tertiary Oil (4%). Natural Gas (6%). Uranium (4%).

Source: The Council of State Governments, 2015.

Note: Severance tax collection totals may be found in the Chapter 7 table entitled "State Government Revenue, By Type of Tax."

Key:

(a) Application of tax is same as that of title unless otherwise indicated by a footnote.

(b) Tax rates and applicability for these severance taxes determined by a vote of the appropriate association within the seafood industry, by the Alaska Seafood Marketing Institute, or by the Department of Revenue. Proceeds from these elective assessments are customarily appropriated for benefit of the seafood industry.

(c) Metallic minerals, molybdenum ore, coal, oil shale, oil, gas, CO₂, and coalbed methane. Petroleum Profits Tax (PPT) was changed in 2007.

(d) As of July 1, 2007, set at .0007 mill/\$1.

(e) Clay, gravel, phosphate rock, lime, shells, stone, sand, heavy minerals and rare earths.

(f) Fee sunsets in 2018 under state law.

(g) Buyer deducts amount from payment to grower; amount forwarded to Department of Natural Resources.

(h) Petroleum, oil, gas and other hydrocarbons. Oil inspection fee rate based on Department of Revenue factsheet.

(i) Coal, oil and gas, based on Department of Revenue information.

(j) Oil inspection fee rate based on Department of Revenue factsheet.

(k) Coal, oil and gas, based on Department of Revenue information.

(l) Production is considered commercial when it exceeds 50,000 tons annually. There is a six-year phase-in of the tax. In years one and two, the rate is zero. In year three, it is 25% of the statutory rate and 50% and 75% in years four and five respectively. An Aggregate Materials Tax

is imposed by resolution of county boards. It is not required that any county impose the tax, which is \$.10/cubic yard or \$.07/ton on materials produced in the county.

(m) Metals, precious and semi-precious stones and gems.

(n) The maximum rate of 0.3% is split between the Oil or Gas Conservation Tax and the Oil, Gas and Coal Natural Resource Account Fund. Currently the Oil or Gas Conservation Tax is .18% and the Oil, Gas and Coal Natural Resource Account Fund tax rate is .08%.

(o) Cement and gypsum or allied products.

(p) Natural resources except oil, natural gas, liquid hydrocarbons or carbon dioxide.

(q) Oil, coal, gas, liquid hydrocarbons, geothermal energy, carbon dioxide and uranium.

(r) Rate reduced by 50% if burned in cogeneration facility using renewable resources as fuel to generate at least 10% of its energy output. Coal shipped out of state is subject to the \$.02/ton tax and 30% of the \$.375/ton tax. The coal may be subject to up to the \$.375/ton tax at the option of the county in which the coal is mined.

(s) Asphalt and ores bearing lead, zinc, jack, gold, silver, copper or petroleum or other crude oil or other mineral oil, natural gas or casing-head gas and uranium ore.

(t) Any mineral fuel used in the production of energy, including coal, lignite, petroleum, oil, natural gas, uranium and thorium.

(u) Counties and municipalities also authorized to levy severance taxes on sand, gravel, sandstone, chert and limestone at a rate up to \$.15/ton.

(v) Fees will not be collected when Oil-Field Cleanup Fund reaches \$20 million, but will again be collected when fund falls below \$10 million.

RANGE OF STATE CORPORATE INCOME TAX RATES

(For tax year 2016 -- as of January 1, 2016)

STATE	TAX RATE (percent)	TAX BRACKETS		NUMBER OF BRACKETS	TAX RATE (a) (percent) FINANCIAL INST.	FEDERAL INCOME TAX DEDUCTIBLE
		LOWEST	HIGHEST			
ALABAMA	6.5	---Flat Rate---		1	6.5	Yes
ALASKA	0 - 9.4	25,000	222,000	10	0 - 9.4	
ARIZONA	5.5 (b)	---Flat Rate---		1	5.5 (b)	
ARKANSAS	1.0 - 6.5	3,000	100,001	6	1.0 - 6.5	
CALIFORNIA	8.84 (c)	---Flat Rate---		1	10.84 (c)	
COLORADO	4.63	---Flat Rate---		1	4.63	
CONNECTICUT	7.5 (d)	---Flat Rate---		1	7.5 (d)	
DELAWARE	8.7	---Flat Rate---		1	8.7-1.7 (e)	
FLORIDA	5.5 (f)	---Flat Rate---		1	5.5 (f)	
GEORGIA	6.0	---Flat Rate---		1	6.0	
HAWAII	4.4 - 6.4 (g)	25,000	100,001	3	7.92 (g)	
IDAHO	7.4 (h)	---Flat Rate---		1	7.4 (h)	
ILLINOIS	7.75 (i)	---Flat Rate---		1	7.75 (i)	
INDIANA	6.5 (j)	---Flat Rate---		1	8.5 (j)	
IOWA	6.0 - 12.0	25,000	250,001	4	5.0	Yes (k)
KANSAS	4.0 (l)	---Flat Rate---		1	2.25 (l)	
KENTUCKY	4.0 - 6.0	50,000	100,001	3	--- (a)	
LOUISIANA	4.0 - 8.0	25,000	200,001	5	4.0 - 8.0	Yes
MAINE	3.5 - 8.93	25,000	250,000	4	1.0 (m)	
MARYLAND	8.25	---Flat Rate---		1	8.25	
MASSACHUSETTS	8.0 (n)	---Flat Rate---		1	9.0 (n)	
MICHIGAN	6.0	---Flat Rate---		1	--- (a)	
MINNESOTA	9.8 (o)	---Flat Rate---		1	9.8 (o)	
MISSISSIPPI	3.0 - 5.0	5,000	10,001	3	3.0 - 5.0	
MISSOURI	6.25	---Flat Rate---		1	7.0	Yes (k)
MONTANA	6.75 (p)	---Flat Rate---		1	6.75 (p)	
NEBRASKA	5.58 - 7.81	100,000		2	--- (a)	
NEVADA	--	No corporate income tax				
NEW HAMPSHIRE	8.5 (q)	---Flat Rate---		1	8.5 (q)	
NEW JERSEY	9.0 (r)	---Flat Rate---		1	9.0 (r)	
NEW MEXICO	4.8 - 6.6 (s)	500,000	1 million	3	4.8 - 6.6 (s)	
NEW YORK	6.5 (t)	---Flat Rate---		1	6.5 (t)	
NORTH CAROLINA	4.0 (u)	---Flat Rate---		1	6.0 (t)	
NORTH DAKOTA	1.41 - 4.31 (z)	25,000	50,001	3	--- (a)	
OHIO	(v)	---Flat Rate---		1	--- (v)	
OKLAHOMA	6.0	---Flat Rate---		1	6.0	
OREGON	6.6 - 7.6 (w)	1 million		2	6.6 - 7.6 (w)	
PENNSYLVANIA	9.99	---Flat Rate---		1	--- (a)	
RHODE ISLAND	7.0 (c)	---Flat Rate---		1	7.0 (c)	
SOUTH CAROLINA	5.0	---Flat Rate---		1	4.5 (x)	
SOUTH DAKOTA	--	No corporate income tax			6.0-0.25% (b)	
TENNESSEE	6.5	---Flat Rate---		1	6.5	
TEXAS	(y)	---Flat Rate---		1	(y)	
UTAH	5.0 (c)	---Flat Rate---		1	5.0 (c)	
VERMONT	6.0 - 8.5 (c)	10,000	25,000	3	--- (a)	
VIRGINIA	6.0	---Flat Rate---		1	6.0	
WASHINGTON	--	No corporate income tax				
WEST VIRGINIA	6.5	---Flat Rate---		1	6.5	
WISCONSIN	7.9	---Flat Rate---		1	7.9	
WYOMING	--	No corporate income tax				
DIST. OF COLUMBIA	9.4 (c)	---Flat Rate---		1	9.4 (c)	

Source: Compiled by FTA from various sources.

Footnotes on next page.

RANGE OF STATE CORPORATE INCOME TAX RATES (footnotes)

Source: Compiled by FTA from various sources

- (a) Rates listed are the corporate income tax rate applied to financial institutions or excise taxes based on income. Some states have other taxes based upon the value of deposits or shares.
- (b) Arizona minimum tax is \$100. Tax rate is scheduled to decrease to 4.9% in tax years 2017.
- (c) Minimum tax is \$800 in California, \$100 in District of Columbia, \$50 in North Dakota (banks), \$500 in Rhode Island, \$200 per location in South Dakota (banks), \$100 in Utah, \$250 in Vermont.
- (d) Connecticut's tax is the greater of the 7.5% tax on net income, a 0.31% tax on capital stock and surplus (maximum tax of \$1 million), or \$250 (the minimum tax). Plus, an additional 20% surtax applies for tax years 2012 and 2016.
- (e) The Delaware Bank marginal rate decreases over 4 brackets ranging from \$20 to \$650 million in taxable income. Building and loan associations are taxed at a flat 8.7%.
- (f) An exemption of \$50,000 is allowed. Florida's Alternative Minimum Tax rate is 3.3%.
- (g) Hawaii taxes capital gains at 4%. Financial institutions pay a franchise tax of 7.92% of taxable income (in lieu of the corporate income tax and general excise taxes).
- (h) Idaho's minimum tax on a corporation is \$20. The \$10 Permanent Building Fund Tax must be paid by each corporation in a unitary group filing a combined return. Taxpayers with gross sales in Idaho under \$100,000, and with no property or payroll in Idaho, may elect to pay 1% on such sales (instead of the tax on net income).
- (i) The Illinois rate of 7.75% is the sum of a corporate income tax rate of 5.25% plus a replacement tax of 2.5%.
- (j) The Indiana tax rate is scheduled to decrease to 6.25% on July 1, 2016.
- (k) 50% of the federal income tax is deductible.
- (l) In addition to the flat 4% corporate income tax, Kansas levies a 3.0% surtax on taxable income over \$50,000. Banks pay a privilege tax of 2.25% of net income, plus a surtax of 2.125% (2.25% for savings and loans, trust companies, and federally chartered savings banks) on net income in excess of \$25,000.
- (m) The state franchise tax on financial institutions is either (1) the sum of 1% of the Maine net income of the financial institution for the taxable year, plus 8¢ per \$1,000 of the institution's Maine assets as of the end of its taxable year, or (2) 39¢ per \$1,000 of the institution's Maine assets as of the end of its taxable year.
- (n) Business and manufacturing corporations pay an additional tax of \$2.60 per \$1,000 on either taxable Massachusetts tangible property or taxable net worth allocable to the state (for intangible property corporations). The minimum tax for both corporations and financial institutions is \$456.
- (o) In addition, Minnesota levies a 5.8% tentative minimum tax on Alternative Minimum Taxable Income.
- (p) Montana levies a 7% tax on taxpayers using water's edge combination. The minimum tax per corporation is \$50; the \$50 minimum applies to each corporation included on a combined tax return. Taxpayers with gross sales in Montana of \$100,000 or less may pay an alternative tax of 0.5% on such sales, instead of the net income tax.
- (q) New Hampshire's 8.5% Business Profits Tax is imposed on both corporations and unincorporated associations with gross income over \$50,000. In addition, New Hampshire levies a Business Enterprise Tax of 0.75% on the enterprise base (total compensation, interest and dividends paid) for businesses with gross income over \$150,000 or base over \$75,000. The Business Profits Tax is scheduled to decrease to 8.2% for tax years beginning on or after 2017.
- (r) In New Jersey small businesses with annual entire net income under \$100,000 pay a tax rate of 7.5%; businesses with income under \$50,000 pay 6.5%. The minimum Corporation Business Tax is based on New Jersey gross receipts. It ranges from \$500 for a corporation with gross receipts less than \$100,000, to \$2,000 for a corporation with gross receipts of \$1 million or more.
- (s) New Mexico tax rates are scheduled to decrease for tax year 2017.
- (t) New York's General business corporate rate shown. Corporations may also be subject to a capital stocks tax, which is being phased out through 2021. A minimum tax ranges from \$25 to \$200,000, depending on receipts (\$250 minimum for banks). Certain qualified New York manufacturers pay 0%.
- (u) In North Carolina financial institutions are also subject to a tax equal to \$30 per one million in assets. Tax rate is scheduled to decrease to 3% in tax year 2017, if certain revenue targets are met.
- (v) Ohio no longer levies a tax based on income (except for a particular subset of corporations), but instead imposes a Commercial Activity Tax (CAT) equal to \$150 for gross receipts situated to Ohio of between \$150,000 and \$1 million, plus 0.26% of gross receipts over \$1 million. Banks continue to pay a franchise tax of 1.3% of net worth. For those few corporations for whom the franchise tax on net worth or net income still applies, a litter tax also applies.
- (w) Oregon's minimum tax for C corporations depends on the Oregon sales of the filing group. The minimum tax ranges from \$150 for corporations with sales under \$500,000, up to \$100,000 for companies with sales of \$100 million or above.
- (x) South Carolina taxes savings and loans at a 6% rate.
- (y) Texas imposes a Franchise Tax, otherwise known as margin tax, imposed on entities with more than \$1,110,000 total revenues at rate of 0.75%, or 0.375% for entities primarily engaged in retail or wholesale trade, on lesser of 70% of total revenues or 100% of gross receipts after deductions for either compensation or cost of goods sold.
- (z) North Dakota imposes a 3.5% surtax for filers electing to use the water's edge method to apportion income.

Understanding Nevada's
Net Proceeds
of
Minerals Tax

2007 - 2008 Edition



Carson City

Las Vegas

**UNDERSTANDING NEVADA'S
NET PROCEEDS OF MINERALS TAX**

A Publication of the

NEVADA TAXPAYERS ASSOCIATION

offices in

CARSON CITY, NEVADA
PHONE: (775) 882-2697
FAX: (775) 882-8938
and

LAS VEGAS, NEVADA
PHONE: (702) 457-8442
FAX: (702) 457-6361

or visit us at
www.nevadataxpayers.org

2007-2008 EDITION

Publication Price: (Includes Sales Tax)

\$3.00 - Non-Members

\$2.00 - Members

Quantity Prices Available. Contact the NTA Office Nearest You.

This publication may not be reproduced in whole or part in any form or by electronic means, including information storage and retrieval systems without the express written permission of the Nevada Taxpayers Association.

CONTENTS

ABOUT THIS PUBLICATION

The purpose of this publication is to provide the reader with the basics for understanding the Nevada Net Proceeds of Minerals Tax. It includes:

- ❖ A general overview;
- ❖ Answers to frequently asked questions; and
- ❖ The governing Constitutional and legal provisions.

It has been prepared in cooperation with the Taxation Committee of the Nevada Mining Association in the hope you will find this a valuable tool for understanding the Net Proceeds of Minerals Tax.

	<u>Page</u>
Glossary	1
Overview.	2
Minerals Mined In Nevada.....	2
Nevada Counties' Major Mineral Resources.	2
Where Do Mined Minerals Go?.....	3
What is Net Proceeds of Minerals Tax?.	3
How is Taxable Value Determined?.	4
How is Tax Calculated?	5
Where Does Tax Go?.....	5
Multi-County Operation, Who Gets Revenue?. ...	5
What are Reporting Dates?.....	6
How Are Statements Audited?	6
How Do Mineral Prices Affect Net Proceeds?. ...	7
Why Net Proceeds Down, Net Income Up?.	7
Who to Contact.	9

GLOSSARY

BAR OR BUTTON - Mine processed metallic ores which have been reduced to these shapes before shipment to a refinery.

CENTRALLY ASSESSED - Property which is assessed by the Department of Taxation instead of the local county assessor.

CUT-OFF GRADE - The lowest grade of ore that can be economically mined, processed and sold considering all applicable costs.

DEPRECIATION - The estimate of decrease in value of a wasting asset (not land) due to such factors as use and obsolescence.

EXTRACTION - The process of removing minerals from the earth.

FISCAL YEAR - In Nevada it is that period of time from July 1 of one calendar year to June 30 of the following calendar year.

GROSS PROCEEDS - The amount the mineral actually sold for or what the mineral would have sold for in an arms-length transaction, if the mineral is transferred out of state for refining or used in manufacturing.

LOCALLY ASSESSED - Property which is assessed by the local county assessor.

MINERALS - Classes of substances occurring in nature, usually inorganic. Oil, gas and geothermal resources extracted in Nevada are included in the definition of "minerals" for net proceeds of minerals tax purposes.

NET PROCEEDS - Gross proceeds minus allowable deductions for tax purposes.

NET PROCEEDS OF MINERALS TAX - An ad valorem property tax assessed on minerals when they are sold or removed from Nevada. The tax is levied on 100% of the value of the net proceeds.

ORE GRADE - A measurement of the quantity of a mineral contained in the ore, i.e., ounces per ton of ore.

PROCESSING - After excavating, all of the actions required to prepare the mineral for sale.

REFINING - The process of separating metals contained in a button or bar.

ROYALTIES - Compensation paid to the owner(s) of mineral rights.

OVERVIEW OF MINING IN NEVADA

Mining is part of Nevada's history, past and present. Article 10 of the Nevada Constitution, ratified in 1865, provides that only the net proceeds from mines and mining claims will be taxed. From 1865 until 1989 the net proceeds of minerals tax rate was the same rate as the property tax in each county. In 1989 voters statewide amended the Nevada Constitution to set the maximum net proceeds of minerals tax rate at 5%, separate from the local property tax rate.

The net proceeds from the sale of all minerals mined or produced in Nevada are subject to the net proceeds of minerals tax with the exception of sand and gravel products, which are subject to the sales and use tax.

The total amount of the net proceeds of minerals tax collected statewide fluctuates from year to year, dependant upon the amount of material sold and the price received. For most commodities such as copper, silver, gold, oil, gypsum and other industrial minerals, the price is influenced by worldwide market conditions.

MINERALS MINED IN NEVADA

Minerals mined in Nevada include gold, silver, barite, copper, diatomite, dolomite, gypsum, limestone, lime, lithium, magnesium, manganese, mercury, perlite, precious opal, salt, silica sand, specialty clays, and turquoise. Oil, gas and geothermal resources produced in Nevada are also included in the definition of "minerals" for net proceeds of minerals tax purposes.

NEVADA COUNTIES WITH MAJOR MINERAL RESOURCES

Every county in Nevada with the exception of Douglas County and Carson City have mined mineral resources. While most of the major gold and silver mines are located in northern Nevada, Clark County has the lion's share of industrial minerals such as gypsum. The major oil fields are located in east central Nevada and the geothermal resources are mainly located in west central Nevada.

WHERE DO MINED MINERALS GO?

Minerals mined or produced in Nevada go to many different uses and places. Gold and silver are usually mined together. After processing at the mine the bars or buttons of unrefined metals contain varying proportions of gold, silver, copper and possibly other metals. Each bar is assayed to determine its contents, stamped for identification purposes, and shipped to a refinery. Most of the bars are shipped to refineries in Switzerland, but some go to refineries in the U.S. and other places. After refining, most of the metal is delivered to markets in major financial centers like New York, London and Tokyo for sale.

Other minerals have very different paths to the market. Geothermal energy is used to generate electricity and heat that are used by Nevada homes and businesses. Industrial minerals like gypsum and diatomite are manufactured into finished products in Nevada like wall board and filters and then shipped out of state. Barite is primarily shipped to oil producers out of state where it is used in drilling. Oil produced in Nevada is shipped to refineries out of state. Much of the lime produced in Nevada is used to manufacture cement for in state use and by precious metal mining companies that use it when processing ore.

WHAT IS THE NET PROCEEDS OF MINERALS TAX?

The Nevada Net Proceeds of Minerals Tax is an ad valorem property tax assessed on minerals mined or produced in Nevada when they are sold or removed from the state. With the exception of sand and gravel, the tax applies to all minerals including:

- ◇Metals (gold, silver, copper, etc.)
- ◇Industrial Minerals (clay, barite, gypsum, lime, etc)
- ◇Gemstones
- ◇Oil and Natural Gas
- ◇Geothermal Energy

This tax is separate from, and in addition to, any property tax paid on land, equipment and other assets.

HOW IS THE TAXABLE VALUE OF NET PROCEEDS DETERMINED?

The gross proceeds from the sale of the minerals minus the allowable deductions determine the taxable net proceeds. In Nevada, the allowable deductions include the actual cost of:

- ✧ Extraction
- ✧ Transportation of the mineral from the mine or point of extraction to the point of processing and sale
- ✧ Processing
- ✧ Marketing and delivery
- ✧ Repair and maintenance of equipment
- ✧ Fire insurance on plant and equipment
- ✧ Depreciation of the cost of machinery and equipment
- ✧ Contributions or payments for unemployment insurance, social security, fringe benefits for employees, etc.
- ✧ Royalties paid to claim holders, which are taxable to the recipient
- ✧ Development in or about the mine or group of mines that are operated as a unit

Included in these costs are the cost of labor, supplies, and materials required to perform these activities. Only costs incurred in the process of performing these tasks in the current tax year may be deducted. Costs cannot be carried forward to future tax years or carried back to previous tax years.

Costs that are unrelated to the direct production of minerals, such as property and income taxes, charitable contributions, liability insurance, or lobbying expenses are not deductible.

HOW IS THE TAX CALCULATED?

Royalties paid by the mining company to property owners or claim holders are taxed at 5% with no deductions. The tax must be paid by the owner or claim holder in the same year in which the royalty is received.

If the net proceeds of the mine in the taxable year totals \$4 million or more the tax rate is 5%. If less than \$4 million, the following applies:

<u>NET PROCEEDS AS % OF GROSS PROCEEDS</u>	<u>NET PROCEEDS RATE OF TAX %</u>
Less than 10	2.0
10 or more but less than 18	2.5
18 or more but less than 26	3.0
26 or more but less than 34	3.5
34 or more but less than 42	4.0
42 or more but less than 50	4.5
50 or more	5.0

It should be noted that if the property tax rate of the county in which the mine is located is greater than 2% that tax rate is the minimum.

Geothermal proceeds are always taxed at the same rate as the local property tax rate of the county in which the plant is located.

WHERE DOES THE TAX GO?

Because the net proceeds of minerals tax is an ad valorem property tax, the amount of the net proceeds times the property tax rate goes to the county where the mineral was extracted. Any additional amount of tax paid up to the 5% goes to the State. The tax is distributed in the same manner as the property tax in the county (i.e., schools, local government services, special districts, etc.)

FOR A MULTI-COUNTY MINE OPERATION, WHO GETS THE REVENUE?

Sometimes minerals are extracted from one county and processed in another county. Mine operators must carefully account for the ore and the net proceeds revenues so that the Net Proceeds Statements for each county reflect the correct production, and the proper amount of tax to be distributed to the county that was the source of the ore.

WHAT ARE THE REPORTING DATES FOR NET PROCEEDS?

As opposed to most other taxes, which are due during the fiscal year, the Net Proceeds of Minerals Tax is based on the calendar year. On February 16th following the close of the previous calendar year, the "Statement of Gross Yield and Claimed Net Proceeds" for the production of each operation must be filed with the Nevada Department of Taxation, Division of Assessment Standards (DOAS). DOAS reviews the Statement and certifies the Net Proceeds and the amount of tax due by April 20. The operator then has until May 10 to pay the certified amount.

If the mine operator disagrees with the amount certified, the operator can appeal the certification to the State Board of Equalization. However, the amount certified must be paid on the date due while the appeal is pending.

By March 1 of each year, the mine operator is also required to provide a set of projections related to production for the current year to DOAS. The projection must include the amount of each mineral to be produced, the anticipated price of each mineral, projected deductions and resulting net proceeds for each operation, and any royalties the operator expects to pay. The purpose of these projections is to provide local governments with budget and planning tools.

HOW ARE NET PROCEEDS STATEMENTS AUDITED?

The Nevada Department of Taxation, Audit Division, has auditors specifically trained to audit Net Proceeds of Minerals Statements. A mine operator's books and records must remain open for audit for four years. The Audit Division can assess additional taxes for a period up to three years. A Net Proceeds audit is usually performed in conjunction with a Sales & Use Tax audit.

The Audit Division contacts the mine operator in writing to give notification that an audit will be scheduled. The amount of time needed for the audit varies by company depending on the complexity of the mine operations and the amount of information needed by the auditor. Once the audit is completed, the Audit Division will provide the results to the mine operator. The mine operator can then accept the results or can appeal any deficiency to the Nevada Department of Taxation. The amount of any deficiency must be paid at the time the appeal is filed. Appeals are heard by a neutral Hearing Officer. The mine operation can then accept the decision of the Hearing Officer, or may appeal for a hearing before the Nevada Tax Commission.

HOW DO CHANGING MINERAL PRICES AFFECT NET PROCEEDS?

Mineral prices have an obvious impact on Net Proceeds but the effects are very different in the long run as opposed to the short run. In the short run, operators do not have time to adjust their mine plans to respond to price changes, so the change in Net Proceeds is closely linked to the changes in mineral prices. However, in the long run, operators have time to adjust their mine plan. They may change it by raising or lowering cut-off grades; increasing or decreasing exploration and development expenditures; or by pursuing more or less royalty-burdened ore. When time permits these factors to be changed, Net Proceeds and prices are less closely related.

When prices rise, precious metals producers tend to process lower grade ore which increases their costs. At lower prices such low grade ore may not be mined at all. Operators also tend to increase exploration and mine development expenditures which are deductible if they are part of an ongoing operation, and they are likely to purchase new equipment and invest in facilities. When prices fall, the opposite occurs: operators generally reduce expenditures on exploration, mine development, equipment purchases and construction.

WHY DOES THE NET PROCEEDS TAX GO DOWN EVEN WHEN NET INCOME FROM OPERATION IS UP?

Normally, Net Proceeds and net income are fairly closely related. However, the two are different. Net Proceeds are defined carefully by statute (NRS 362) and regulation (NAC 362) while "Net Income" is defined by Generally Accepted Accounting Principles (GAAP). It should also be noted that GAAP rules are different for different countries.

✧ Net Proceeds statutes require deductible expenses to be deducted in the tax year in which the expense was incurred. One exception involves purchases of plant and equipment which may be depreciated over the "probable life" of the assets. GAAP rules allow for depreciation of items not allowed under Net Proceeds statutes. This may lead to a situation where deductions for Net Proceeds purposes may be more or less than deductions for calculating Net Income even though actual expenditures were identical.

Continued on page 8

✧ Reclamation expenses are also treated differently for net proceeds and GAAP purposes.

✧ For Net Proceeds purposes, the actual cost of developmental work in or about the mine or group of mines when operated as a unit is allowable in the year the expenditures take place. For GAAP purposes, these costs are capitalized and amortized over the period of time the minerals are produced. During a period of heavy investment in near-mine development, such costs are entirely allowable for Net Proceeds purposes, but only a small portion is allowable for Net Income purposes. This results in a large variance between Net Proceeds and Net Income.

✧ The "tax year" for Net Proceeds is the calendar year, while the fiscal year for corporate reporting can end at any date, so there may be timing differences in the way revenues and expenses are reported.

✧ Mine operators may have unrelated business income such as ranching or other property interests. They may also have mineral interests outside of Nevada. This income is part of Net Income, but not reportable under Net Proceeds.

NOTES

**HOW TO OBTAIN INFORMATION ON THE
NET PROCEEDS OF MINERALS TAX**

(see below for contact information)

GENERAL INFORMATION . . .

Nevada Mining Association

Nevada Division of Minerals

SPECIFIC NET PROCEEDS TAX PUBLICATIONS & FORMS

Nevada Department of Taxation - Division of Assessment
Standards

CONTACT INFORMATION

Nevada Department of Taxation

Phone: 775-684-2000

Website: www.tax.state.nv.us

Nevada Division of Minerals

Phone: 775-684-7040

Website: www.minerals.state.nv.us

Nevada Mining Association

Phone: 775-829-2121

Website: www.nevadamining.org

Nevada Taxpayers Association

Phone: 775-882-2697

E-Mail: info@nevadataxpayers.org

*Please submit comments or suggestions for additional
information/questions to include in future reprints to . . .*

The Nevada Mining Association's Taxation Committee

The Nevada Taxpayers Association

NEW SUSTAINABLE

ALASKA

PLAN



Pulling Together to Build Our Future

Mining License Tax

HB 253

Mining License Tax Increase

“An Act requiring the electronic filing of a tax return or report with the Department of Revenue; establishing a civil penalty for failure to electronically file a return or report; relating to exemptions from the mining license tax; relating to the mining license tax rate; relating to mining license application, renewal, and fees; and providing for an effective date.”

Mining Tax History

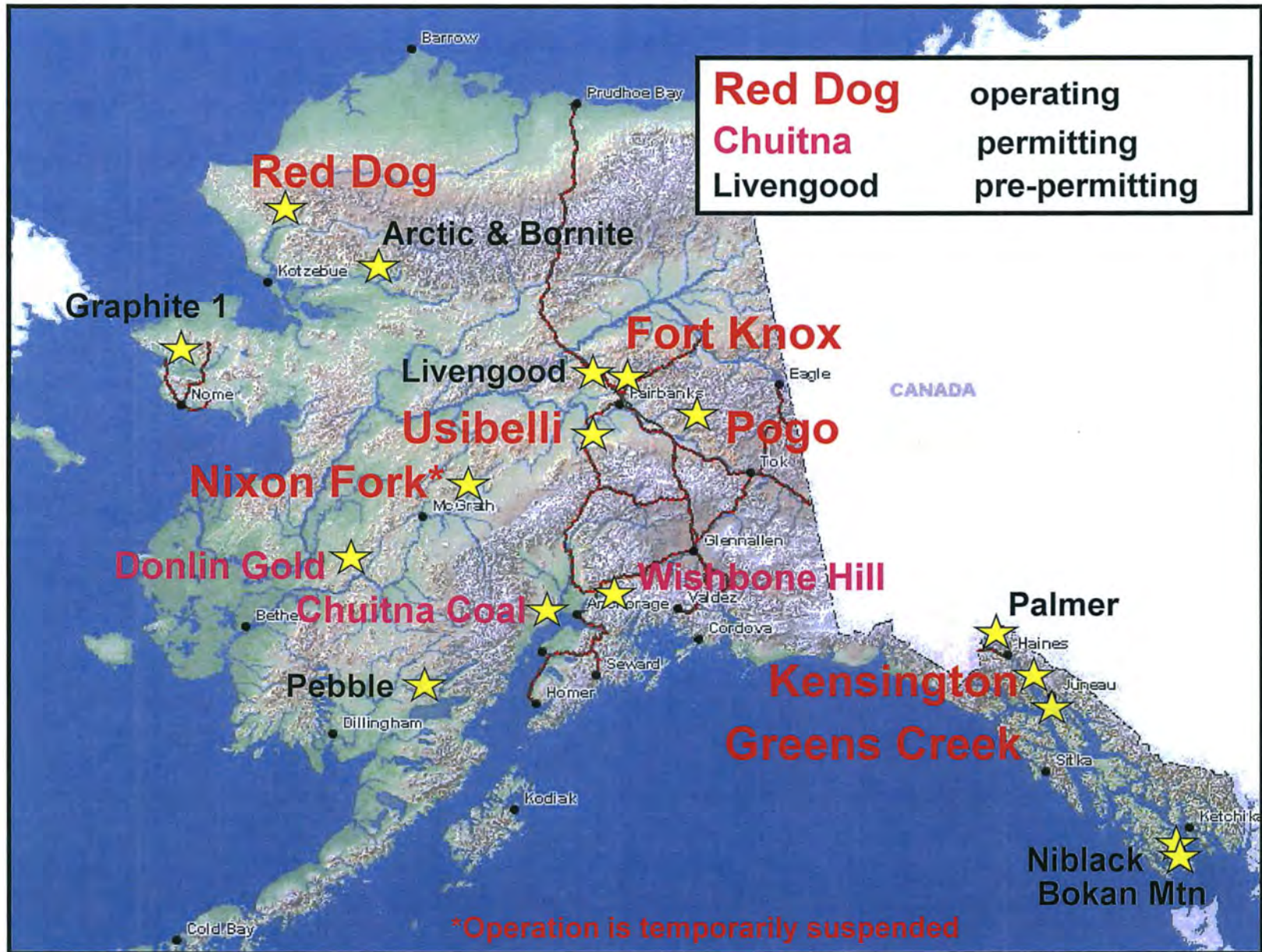
- Began in 1913; restructured several times
 - Original mining license tax was 0.5% tax on mining net income over \$5,000
- Collected on both net income from mining operations and from mining-related royalties
- Primarily from businesses engaged in coal and hard-rock mining

Mining Tax History (Continued)

- Numerous changes between 1915 and 1953 to the tax rates and the tax-free net income base
- In 1951, adopted 3 ½ year exemption for new mining operations
- Current tax structure since 1955:

Mining Net Income	Tax Rate
\$0-\$40,000	No Tax
\$40,001-\$50,000	\$1,200 plus 3% over \$40,000
\$50,001-\$100,000	\$1,500 plus 5% over \$50,000
Over \$100,000	\$4,000 plus 7% over \$100,000

Large mining projects in Alaska



Mines in Alaska

- Alaska has five large hard rock mines and one coal mine
- 200 small placer mines who, combined, have an economic impact that is similar to one large mine

Mining Tax Proposal

- Increases tax rate on highest bracket (net income greater than \$100,000) from 7% to 9%
- Removes 3 ½ year exemption
- Requires electronic filing
 - Provides exemption process
- Adds an application and renewal fee for tax license
 - Substitute for business license; same rate

Relative Mining Tax Rate

- Most other state mining taxes are based on value or tonnage, not net income.
- Examples from other states:
 - Wyoming tax on value varies by resource: 2% on sand and gravel, 7% on surface coal
 - South Dakota: 10% on profits or royalties; \$4 per ounce of gold
 - Wisconsin: 3% to 15% progressive tax on net mining proceeds
 - Colorado: 2.25% of *gross* income exceeding \$19 million

Impacts of Tax Proposal

- For large and profitable mines:
 - Most income falls above \$100,000, so effective tax rate goes up from 7% to 9%
 - In 2014, 13 entities paid at this level
- For small mining operations:
 - Little or no effect from tax rate change
 - However, removing 3 ½ year exemption may deter some future mines

Revenue Impact

- Dept. of Revenue estimates that increasing the mining tax rate will raise an additional \$6 million per year starting in FY 2018
 - Because this is an annual tax, we don't receive revenue until after the first full year after the 7/1/16 effective date
- Dept. of Revenue estimates license fee and renewal fee of \$50 per year will raise an additional \$25,000 per year
- Does not account for any changes in mining activity

Implementation Cost

- Dept. of Revenue must update:
 - Tax Revenue Management System (TRMS)
 - Revenue Online (ROL) which allows a taxpayer to file a return online
 - Tax return forms
- One-time implementation cost of \$100,000 to recreate tax forms and reprogram and test the tax system to accommodate the rate changes
- No additional costs to administer the tax program

Closing the Budget Gap

	(Millions)
FY16 Budget	\$ 5,200
<hr/>	
<u>FY17 Baseline Revenue (after proposed legislation)</u>	
AK Permanent Fund Protection Act (annual draw)	\$ 3,300
Revenue from existing taxes and fees	\$ 850
Earnings on Savings	<u>\$ 135</u>
	\$ 4,285
<hr/>	
<u>FY17 Spending Reductions</u>	
Continue Cuts	\$ 140
Reform O&G Tax Credits	\$ 400
Net Priority Investments	<u>(\$ 40)</u>
	\$ 500

Closing the Budget Gap (Continued)

<u>New Revenue Components (estimated)</u>	(Millions)
<i>Mining (starting in FY 2018)</i>	\$ 6
Fishing	\$ 18
Tourism	\$ 15
Motor Fuel	\$ 49
Alcohol	\$ 40
Tobacco	\$ 29
Oil and Gas	\$ 100
Income Tax (half in FY17; first full year is FY18)	<u>\$ 200</u>
	\$ 457
Total with reductions and new revenue	\$ 5,242

Sectional Analysis

- Sec. 1.** Adds a \$25 or 1% tax penalty for failure to file electronically unless an exemption is received by the taxpayer.
- Sec. 2.** Requires electronic submission of tax returns, license applications, and other documents submitted to the Department of Revenue. This changes the general tax statutes, AS 43.05, and will apply to all tax types administered by the department. Provides a process to request an exemption if a taxpayer does not have the technological capability to do so.
- Sec. 3.** Removes the 3 ½ year exemption for new mining operations until after production begins from the mining tax. Instead, any persons engaged in the business of mining in the state will need to obtain a license and file an annual mining license tax return.

Sectional Analysis (Continued)

Sec. 4. Increases the highest tax rate from 7% to 9% for net taxable income in excess of \$100,000. The other tax rates remain the same. For net income over \$100,000 the tax is \$4,000 plus 9% of the amount in excess of \$100,000.

Sec. 5. Conforming language related to the requirement to submit returns or reports electronically. This section deletes the requirement for taxpayers to submit their returns to the department in Juneau.

Sec. 6. Establishes a mining license fee of \$50 per year, a license renewal fee of \$50 per year, and changes the due date for applications and renewals from May 1 to January 1.

Sec. 7. Conforming language related to the repeal of the 3 ½ year tax exemptions for new mining operations. Repeals AS 27.30.030(b)(2), AS 43.65.010(b), and AS 43.65.060(4).

Sectional Analysis (Continued)

Sec. 8. Applicability language to clarify that the change in Sec. 3 applies to all new mining operations in which production has begun on or after the effective date.

Sec. 9. Transition language so that the language repealed in Sec. 7 should be read as it was before the effective date while administering a certain tax credit for a person who began a mining operation before the effective date.

Sec. 10. Transitional language allowing for regulations

Sec. 11. Section 10 above takes effect immediately.

Sec. 12. Effective date of 7/1/16 for the rest of the bill including the tax rate change.

NEW SUSTAINABLE

ALASKA

PLAN



Pulling Together to Build Our Future

Contact Information

Jerry Burnett
Deputy Commissioner
Department of Revenue
Jerry.Burnett@Alaska.gov
(907) 465-2300

Fred Parady
Deputy Commissioner
Department of Commerce, Community,
Fred.Parady@Alaska.gov
(907) 465-2500

**ALASKA DEPARTMENT OF REVENUE
TAX DIVISION**



**2015
Annual Report**

prepared on 2/17/2016

Key Contacts

This annual report covers fiscal year 2015, which ended June 30, 2015.
The purpose of this report is to provide an overview of programs administered by the Tax Division (Division) and statistics of revenue collections and other information related to those programs.

KEY CONTACTS

Ken Alper
Director
Juneau Office
907-465-8221

Brandon Spanos
Deputy Director
Anchorage Office
907-269-6620

Anna Kim
Chief of Revenue Operations
Juneau Office
907-465-2320

Accounting and Collections
Pam Verschoor
Juneau Office
907-465-3776

Corporate Income Tax
Robynn Wilson
Anchorage Office
907-269-6634

Appeals
Hollie Kovach
Anchorage Office
907-269-6640

Charitable Gaming
Katrina Mitchell
Juneau Office
907-465-3410

Fisheries Taxes
Tom Sutton
Juneau Office
907-465-3695

Economic Research
John Tichotsky
Anchorage Office
907-269-8902

Excise Taxes
Kelly Mazzei
Anchorage Office
907-269-1018

Information Technology
Jared Phillips
Juneau Office
907-465-2369

Investigations
Dave Dishman
Anchorage Office
907-269-1046

Oil & Gas Production Tax
Jenny Rogers
Anchorage Office
907-269-1015

Oil & Gas Property Tax
James Greeley
Anchorage Office
907-269-1029

Oil & Gas Production Tax Credits
Destin Greeley
Anchorage Office
907-269-6642

Anchorage Office
Alaska Department of Revenue
Tax Division
Robert B. Atwood Building
550 W 7th Avenue, Ste 500
Anchorage, AK 99501-3556
907-269-6620 Voice
907-269-6644 Fax

Juneau Office
Alaska Department of Revenue
Tax Division
11th Floor, State Office Building
PO Box 110420
Juneau, AK 99811-0420
907-465-2320 Voice
907-465-2375 Fax

Table of Contents

- ▶ **Mission Statement**
- ▶ **Tax Returns Filed**
- ▶ **Statement of Revenues**
- ▶ **Program Detail**
 - ▶ **Alaska Salmon Price Reports**
 - ▶ **Alcoholic Beverages Tax**
 - ▶ **Commercial Passenger Vessel Excise Tax**
 - ▶ **Common Property Fishery Assessment**
 - ▶ **Corporate Income Tax**
 - ▶ **Dive Fisheries**
 - ▶ **Electric Coop**
 - ▶ **Fisheries Business Tax**
 - ▶ **Fishery Resource Landing Tax**
 - ▶ **Gaming**
 - ▶ **Large Passenger Vessel Gambling Tax**
 - ▶ **Mining License Tax**
 - ▶ **Motor Fuel Tax**
 - ▶ **Oil & Gas Production Tax**
 - ▶ **Oil & Gas Property Tax**
 - ▶ **Oil Conservation Surcharges**
 - ▶ **Other Taxes**
 - ▶ **Regional Seafood Development Tax**
 - ▶ **Salmon Enhancement Tax**
 - ▶ **Seafood Marketing Assessment**
 - ▶ **Telephone Coop**
 - ▶ **Tire Fee**
 - ▶ **Tobacco Tax**
 - ▶ **Vehicle Rental Tax**

Mission Statement

The mission of the Tax Division is to collect taxes, inform stakeholders, and regulate charitable gaming. The programs administered by the Tax Division generate a significant portion of General Fund revenue used for funding state government and programs throughout Alaska. These programs include:

Corporate Income Tax

Excise Taxes

Alcoholic Beverages
Commercial Passenger Vessel
Motor Fuel
Tire Fee
Tobacco
Vehicle Rental

Fisheries Taxes

Common Property Fishery
Dive Fishery Management
Fisheries Business
Fishery Resource Landing
Salmon Enhancement
Seafood Development
Seafood Marketing

Oil and Gas Taxes

Conservation Surcharge
Production
Property

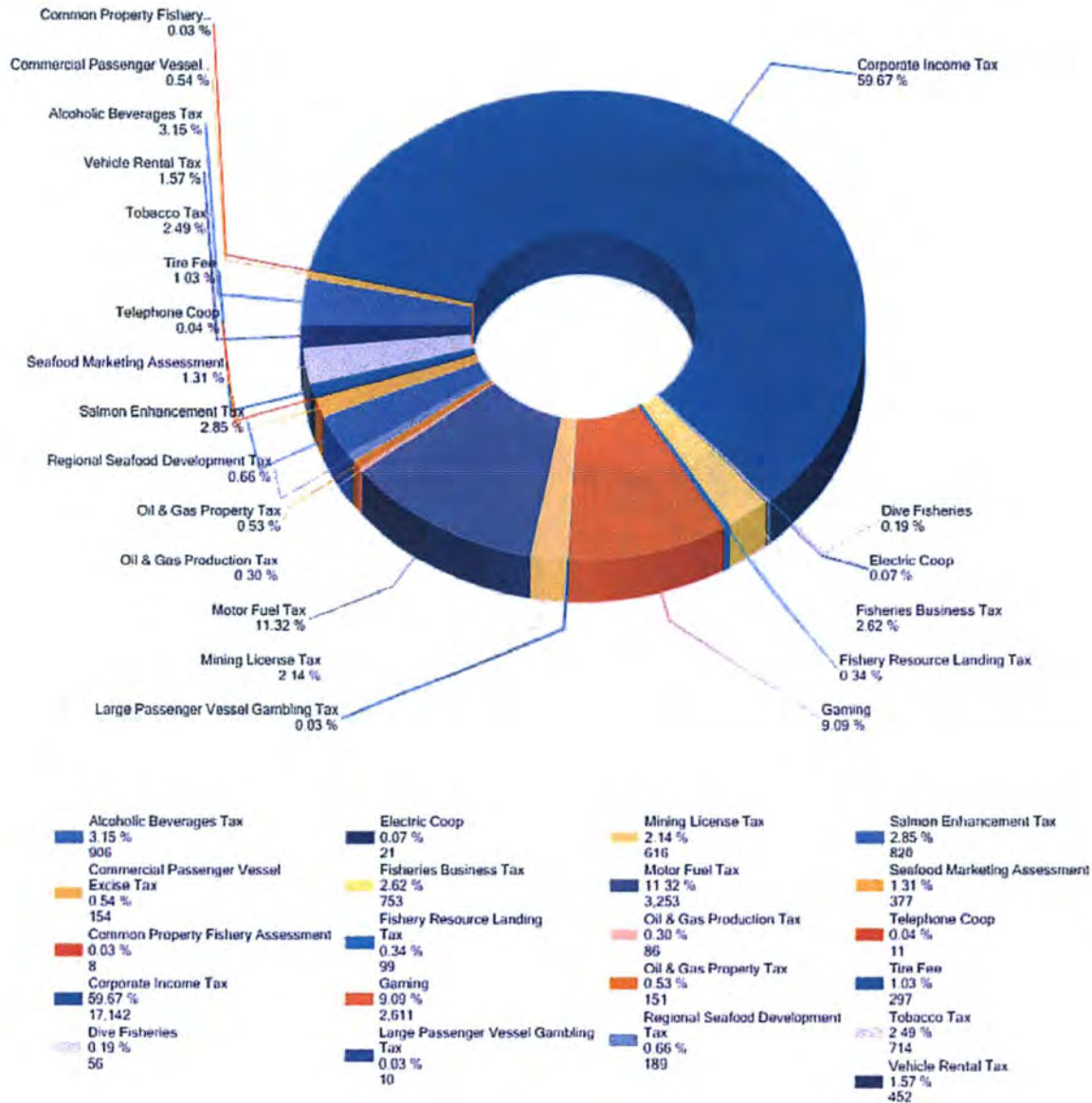
Other Taxes

Electric Cooperative
Estate
Large Passenger Vessel Gambling
Mining License
Regulatory Cost Charges
Telephone Cooperative

Other Programs

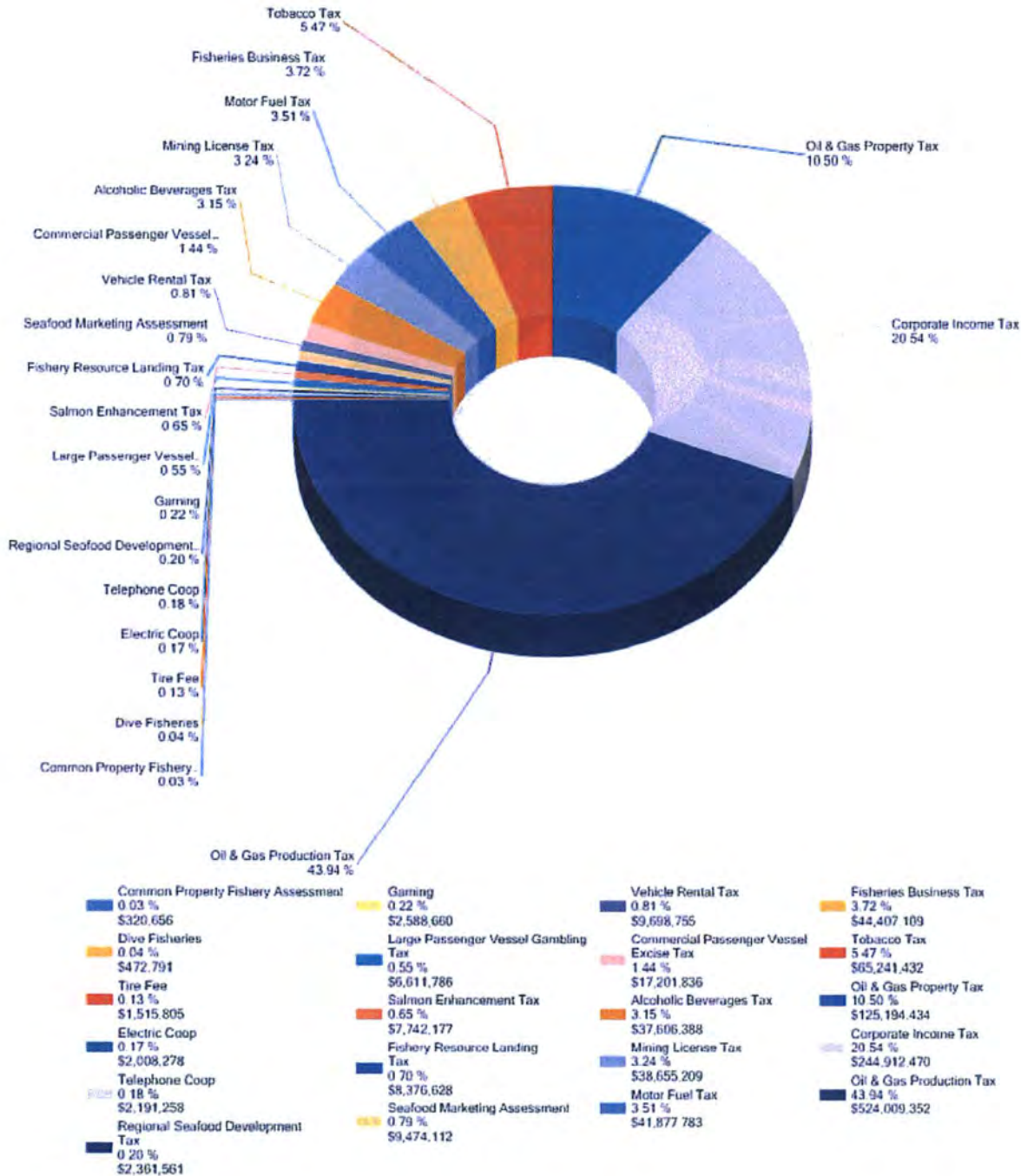
Film Production Tax Credit Administration
Charitable Gaming
Revenue Forecasting
Salmon Price Reporting

TAX RETURNS FILED By Tax Program during Fiscal Year 2015



STATEMENT OF REVENUES

Listed in order of total amount Fiscal Year 2015



Program Detail

Alaska Salmon Price Reports

Date Range: 2012 to 2015

AS 43.80

DESCRIPTION

Alaska requires large processors that sell salmon products at wholesale to provide production and price information to the Fish Tax unit. This information is used to publish average wholesale price information for the legislature and public.

REPORTS

Processors selling salmon products at wholesale are required to file price reports on salmon for the periods January–April, May–August, and September–December. The tri-annual reports are due by the end of the month following the tri-annual period.

Processors must also file annual reconciliation reports by January 31 of the following year.

EXEMPTIONS

Processors excluded from the tax under AS 43.75.017, and processors that sell 1,000,000 pounds or less of salmon products annually are exempt from the report filing requirements.

HISTORY

1980 - The legislature enacted salmon price reporting requirements for salmon canneries. Effective September 10, 1980, the Department of Revenue was required to compute and report to the legislature the average wholesale prices obtained for canned salmon reported by Alaska salmon canneries during the months of August, September, October, November and December for the previous five years.

1983 - The legislature imposed a semi-annual report filing requirement on salmon canneries. Effective July 9, 1983, salmon canneries were required to report prices received for canned salmon for the periods October–March and April–September. Reports were due by the end of the month following the semi-annual reporting period and were required to list products by case and specified can sizes. The legislation required the Department of Revenue to calculate monthly and annual wholesale price averages for each species of salmon in each unit category and to report to the legislature by the 15th day of each legislative session.

1998 - The legislature expanded the reporting requirement to thermally processed salmon products and limited the reporting requirement to processors selling more than 240,000 pounds of thermally processed salmon products at wholesale during the calendar year.

The legislation replaced the semi-annual filing with a tri-annual filing, and required processors to report all container sizes of thermally processed salmon. Effective September 1, 1998, all salmon canneries were required to report prices received for thermally processed salmon for the periods January–April, May–August and September–December. The reports were due by the end of the month following the tri-annual reporting period and were required to list thermally processed salmon products by whatever sizes sold.

2000 - The legislature broadened the reporting requirement to include all processed salmon products and increased the reporting requirement to include only those processors selling more than 1,000,000 pounds of salmon products at wholesale. Effective September 1, 2000, large processors were required to provide areas of production for each salmon product sold at wholesale. The legislation requires salmon processors to file an annual report summarizing yearly activity, and requires the Department of Revenue to provide average wholesale prices paid for salmon products by March 15 of each year.

[Overview and Historical Overview](#)
[Annual Report Data](#)

Alcoholic Beverages Tax

Date Range: 2012 to 2015

AS 43.60

DESCRIPTION

Alaska levies a tax on alcoholic beverages sold in Alaska. The tax is collected primarily from wholesalers and distributors of alcoholic beverages.

RETURNS

Taxpayers file returns and pay tax monthly. The returns and payment are due by the last day of the month following the month of sale.

EXEMPTIONS

Sales to facilities operated by one of the uniformed services of the United States are exempt if they fall within the guidelines of 4 USC 107.

DISPOSITION OF REVENUE

The Division deposits all alcoholic beverage tax revenue into the General Fund. The Department of Administration separately accounts for 50% of the tax collected and deposits it into the Alcohol and Other Drug Abuse Treatment and Prevention Fund.

HISTORY

The alcoholic beverage tax dates back to 1933 when the Legislature enacted a tax on beer and wine at a rate of five cents per gallon. Taxpayers filed alcoholic beverage tax returns monthly.

1937 - The territorial legislature enacted a tax on liquor at a rate of fifty cents per gallon. At the same time, the rate for wine increased to fifteen cents per gallon.

Since 1937, the legislature has made minor changes to the alcoholic beverage tax statutes. In addition, between 1937 and 1983, the legislature increased Alaska's tax rates to correspond with rate changes made by other states.

2002 - The legislature significantly increased the tax rates on all three alcoholic beverages effective October 1, 2002. However, this legislation allows breweries meeting the qualifications of 26 USC. 5051(a)(2) (small breweries) to pay tax at the lower rate of thirty five cents per gallon on the first 60,000 barrels of beer (malt beverages) sold in Alaska. At the same time, the legislature created the Alcohol and Other Drug Abuse Treatment and Prevention Fund and directed that 50% of the alcoholic beverage tax be deposited into this fund for alcohol and drug abuse treatment programs.

Between 1937 and 2002, alcoholic beverage tax rates have changed as follows:

Year	Liquor	Wine	Per Gallon	
			Beer (Malt Beverages)	Beer (Small Breweries)

1933	-	\$0.05	\$0.05	-
1937	\$0.50	\$0.15	-	-
1941	\$1.00	-	-	-
1945	\$1.60	-	-	-
1946	\$2.00	-	-	-
1947	\$3.00	\$0.25	\$0.10	-
1957	\$3.50	\$0.50	\$0.25	-
1961	\$4.00	\$0.60	-	-
1983	\$5.60	\$0.85	\$0.35	-
2002	\$12.80	\$2.50	\$1.07	\$0.35

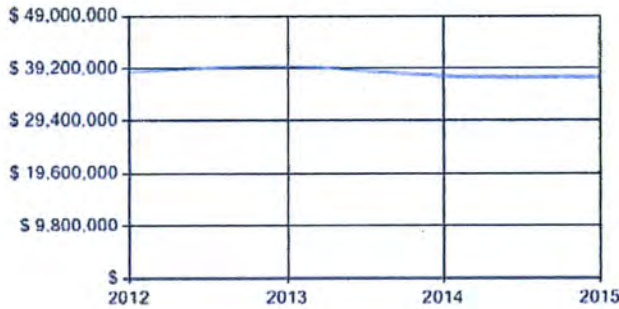
Overview and Historical Overview
Annual Report Data

Gallons

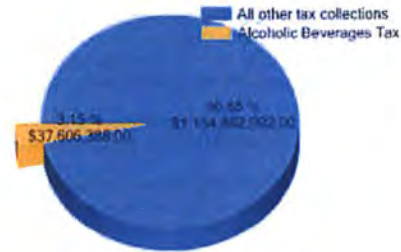
Liquor
Beer, Malt Beverage & Cider
Wine
Beer, Small Brewery

FY 2015	FY 2014	FY 2013	FY 2012
1,676,579	1,640,739	1,640,194	1,572,282
10,184,405	10,364,001	10,632,745	10,687,432
2,376,214	2,310,985	2,382,470	2,314,903
3,947,554	3,856,606	3,615,276	3,405,102

Tax Collections Information
from FY2012 - FY2015



Tax Collections Information
for FY 2015



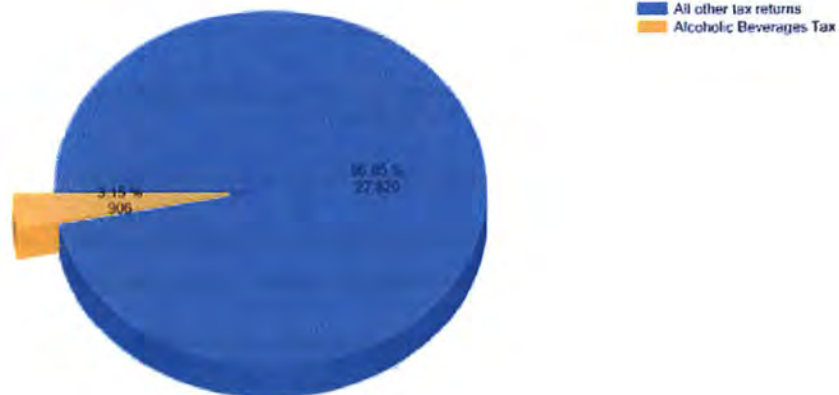
Collections Summary

Liquor
Beer, Malt Beverage & Cider
Wine
Beer, Small Brewery
Penalties, interest & refunds

FY 2015	FY 2014	FY 2013	FY 2012
\$19,385,983.62	\$20,120,677.00	\$21,001,209.00	\$20,139,046.00
\$10,902,805.33	\$10,837,519.00	\$11,373,704.00	\$11,562,357.00
\$5,971,367.42	\$5,594,883.00	\$5,874,936.00	\$5,788,517.00
\$1,399,147.76	\$1,277,276.00	\$1,287,948.00	\$1,193,074.00
(52,915.90)	\$3,121.00	\$53,293.00	\$9,804.00
\$37,606,388.00	\$37,833,475.00	\$39,591,090.00	\$38,692,797.00
(19,935,847.81)	\$19,529,322.00	\$19,772,471.00	\$19,330,107.00
\$17,670,540.00	\$18,304,153.00	\$19,818,619.00	\$19,362,690.00

Total Tax
Treatment & Prevention Fund
General Fund

Returns filed for FY 2015



Filing Information

FY 2015	FY 2014	FY 2013	FY 2012
---------	---------	---------	---------

Number of returns	906	922	870	815
Number of taxpayers	61	61	61	55

Commercial Passenger Vessel Excise Tax

Date Range: 2012 to 2015

AS 43.52.200 – 295

DESCRIPTION

Alaska imposes an excise tax on travel on commercial passenger vessels, typically cruise ships that have 250 or more berths and provide overnight accommodations in the state's marine waters. Passengers traveling on qualified commercial passenger vessels are liable for the tax.

RATE

The commercial passenger vessel excise tax rate is \$34.50 per passenger, per voyage.

RETURNS

Cruise ship companies and commercial passenger vessel owners file returns and pay taxes monthly. The due date is the last day of the month following the month in which the voyages ended.

EXCEPTIONS

The CPV excise tax does not apply to passengers onboard a commercial passenger vessel that does not anchor or moor in state marine waters with the intent to allow passengers to disembark.

DISPOSITION OF REVENUE

The Division deposits all proceeds from the CPV excise tax into the Commercial Vessel Passenger (CVP) Tax Account in the general fund. Subject to appropriation by the legislature from this account, the Division distributes

\$5 per passenger to each of the first seven ports of call in Alaska. The tax is further reduced by any municipal taxes, imposed on a passenger, that were in effect prior to December 17, 2007.

HISTORY

2006 - The CPV excise tax was enacted by 2006 Primary Election Ballot Measure No. 2. The measure was approved by voters at the primary election of August 26, 2006. The results of the election were certified September 18, 2006 and the initiative's provisions became effective December 17, 2006.

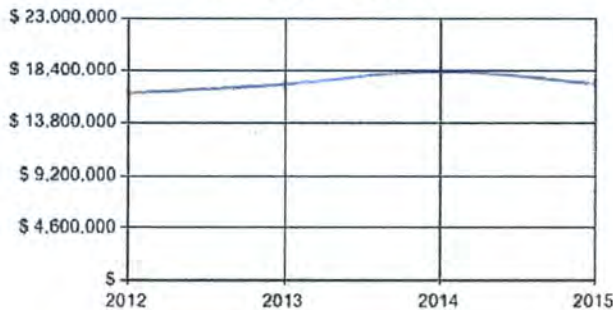
2010 - During the 2010 legislative session, the CPV tax was reduced from \$46 to \$34.50 per passenger. The tax was further reduced by any municipal taxes imposed on a passenger that were in effect prior to December 17, 2007 - This legislation increased the number of ports of call which may receive \$5 per passenger from 5 to 7 and removed the provision that prohibited a port of call from sharing in the CPV revenue if it imposed its own tax. The legislation also repealed the regional cruise ship impact fund. In addition, the 2010 amendment changed the definition of a voyage by adding "on the state's marine water" following "more than 72 hours". These changes are effective for the 2011 cruise season.

Overview and Historical Overview
Annual Report Data

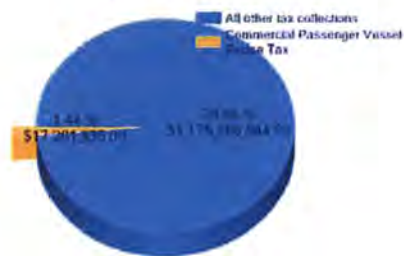
Collections Summary

	FY 2015	FY 2014	FY 2013	FY 2012
Tax collections	\$17,201,835.66	\$18,350,089.00	\$17,174,502.00	\$16,372,480.00
Shared with municipalities	(15,051,450.00)	(15,858,558.00)	(14,394,385.00)	(14,165,215.00)
Regional Cruise Ship Impact Fund (state)	\$0.00	\$0.00	\$0.00	\$0.00
Retained in General Fund	\$2,150,385.66	\$2,491,531.00	\$2,780,117.00	\$2,207,265.00

Tax Collections Information from FY2012 - FY2015



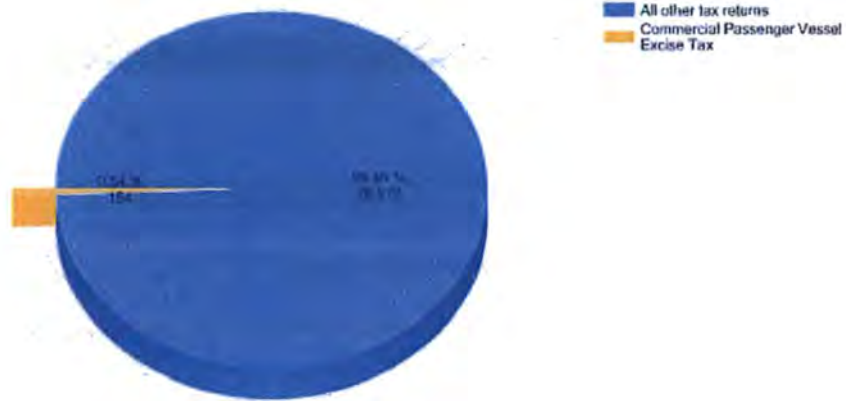
Tax Collections Information for FY 2015



Filing Information

	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	154	132	132	133
Number of taxpayers	12	10	12	11

Returns filed for FY 2015



Common Property Fishery Assessment

Date Range: 2012 to 2015

AS 16.10.455

DESCRIPTION

The Common Property Fishery Assessment is a cost recovery fisheries assessment, a program authorized in 2006 and allows hatcheries to establish a common property fishery and recoup costs through an assessment on fishery resources taken in the terminal harvest area. This program was first used in 2012 for the Hidden Falls hatchery in Southeast Alaska.

RATE

A person subject to the Common Property Fishery Assessment under AS 16.10.455 shall pay an assessment at a rate determined by the department annually, on the value of the salmon taken in a terminal harvest area that is subject to a Common Property Fishery Assessment.

RETURNS

Buyers are responsible for the collection of the Common Property Fishery Assessment and file an annual return for each business location. The due date is October 31 of the year in which the common property fishery was conducted.

A buyer making a bonus or other additional payment to a person after October 31 for salmon purchased in the previous reporting period shall collect the assessment and file a return of the bonus or additional payment made. The buyer shall file the return no later than the last day of the month following the month in which a bonus or additional payment was made.

HISTORY

2006 - The legislature adopted the Common Property Fishery Assessment. This program was first used in 2012 for the Hidden Falls hatchery in Southeast Alaska.

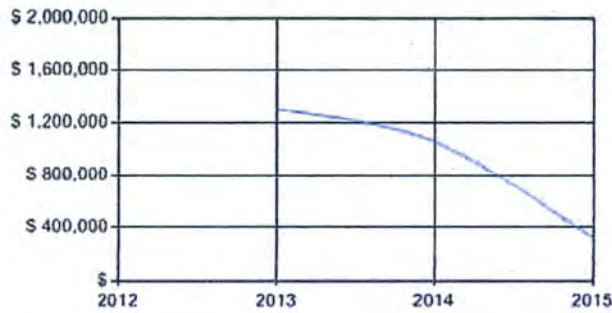
2014 - The legislature passed SB 71 (CH 69 SLA 14) that changed the methodology for determining the value of salmon for Common Product Development Assessment. The legislation also renamed the Salmon Product Development Tax Credit to Product Development Credit and amended it to include herring products.

Overview and Historical Overview
Annual Report Data

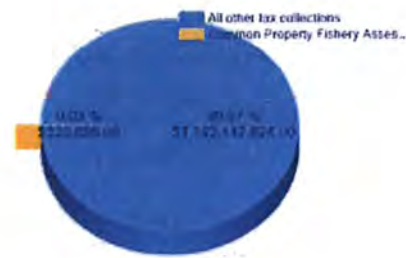
Collections Summary

	FY 2015	FY 2014	FY 2013
Total Tax	\$320,656.00	\$1,055,835.00	\$1,309,148.00

Tax Collections Information from FY2012 - FY2015



Tax Collections Information for FY 2015

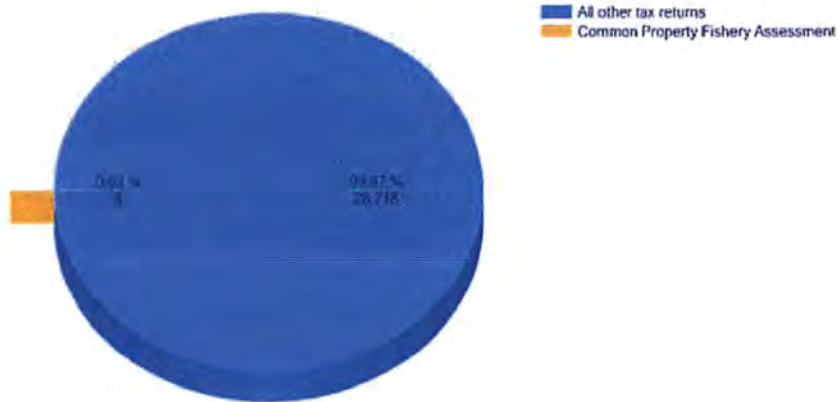


Filing Information

Number of returns
Number of taxpayers

	FY 2015	FY 2014	FY 2013
Number of returns	8	8	8
Number of taxpayers	7	7	7

Returns filed for FY 2015



Corporate Income Tax

Date Range: 2012 to 2015

AS 43.20

DESCRIPTION

Alaska levies a corporate income tax on Alaska taxable income.

For purposes of computing taxable income, Alaska, like many states, adopts the federal Internal Revenue Code (IRC) by reference, unless excluded or modified by specific Alaska statutes.

For a corporation doing business only in Alaska, its taxable income is federal taxable income with certain Alaska modifications.

A corporation that does business both inside and outside Alaska apportions a percentage of the corporation's total income to Alaska using a formula. The Alaska percentage or "apportionment factor" is an average of three factors: property, payroll, and sales, inside and outside the state.

When a corporation is part of a group of corporations that operates as a unit to conduct a business, the taxpayer must apportion to Alaska a percentage of the combined incomes of all of the corporations in the "unitary" or "combined" group.

For unitary groups that are not oil and gas companies, Alaska adopts "water's edge combination." The combined group generally includes only those corporations with significant U.S. activity.

Oil and gas companies combine on a worldwide basis. Also, oil companies use a "modified" apportionment formula of property, sales, and extraction. The extraction factor is the production of oil and gas in Alaska divided by production everywhere.

RATE

Alaska taxes corporate income at graduated rates ranging from 0% to 9.4% divided over ten tax brackets.

RETURNS AND PAYMENTS

Corporations file returns annually, with the return due three and one-half months after the close of the tax year, one month after the federal tax return is due. Alaska

honors the federal filing extensions.

Corporations must make quarterly estimated payments and the total tax is due two and one-half months from the end of the tax year. There are no extensions to pay the tax. Estimated payments of more than \$100,000 and payments accompanying a return greater than \$150,000 must be made online or by wire transfer.

EXEMPTIONS

Generally, Alaska follows the IRC when determining an entity's taxable status.

Alaska adopts the flow-through federal provisions that exempt S-Corporations from tax. Federally, S-Corporations are treated as partnerships and S-Corporation shareholders report their proportionate share of the corporation's earnings.

Certain small corporations are exempt from corporate income tax. These are corporations that have less than \$50,000,000 in assets and that meet certain industry.

REQUIREMENTS

Alaska treats Limited Liability Companies (LLCs) as partnerships if they file as partnerships federally.

Electric and telephone cooperatives pay tax under AS 10.25 and are exempt from the corporate income tax.

CREDITS

Under Alaska's blanket adoption of the IRC, taxpayers can claim all federal incentive credits. Federal credits that refund other federal taxes are not allowed. Multistate taxpayers apportion their total federal incentive credits.

Alaska specific credits include education, minerals exploration incentive, gas storage facility, LNG storage facility, veteran employment tax credit, and film production tax credits.

For specific information concerning these credits, see the Description of Credits section.

DEPOSITION OF REVENUE

The Division deposits most corporate net income tax collections into the General Fund. For oil and gas corporations only, the Division deposits collections from audit assessments into the Constitutional Budget Reserve Fund.

HISTORY

1949 - The territorial legislature enacts the Alaska Net Income Tax Act. It is 10% of the federal income tax liability on income earned in Alaska. The tax applies to individuals and corporations.

1959 - Alaska adopts the Uniform Division of Income for Tax Purposes Act (UDITPA) within AS 43.20. This is a model statute that was developed by the states to address concerns of the U.S. Congress that states were collectively taxing more than 100% of the earnings of multistate corporations. UDITPA requires multistate corporations to apportion a percentage of their total income to the state by the apportionment formula of property payroll and sales. The standard UDITPA formula apportions 100% of the corporation's income among the states where the taxpayer does business.

1970 - Alaska enacts the Multistate Tax Compact in AS 43.19, and becomes one of the early members of the Multistate Tax Commission. The Compact incorporates the standard three-factor apportionment formula of UDITPA. A main purpose of the Compact and the Commission is to promote the enactment of UDITPA, and the uniform application of UDITPA apportionment formula by the states. Uniform application of UDITPA promotes the full reporting of income by taxpayers and avoids the taxation of the same income by more than one state.

1975 - The legislature repeals the original tax and makes major revisions. Alaska enacts its own tax rates rather than basing the tax on the federal tax liability. Alaska adopts the federal Internal Revenue Code ("IRC") by reference, unless excluded, or modified by other Alaska statutes. The tax rate was 5.4% of Alaska taxable income with a surtax of 4% based on federal surtax exemptions. For 1975, the surtax exemption was \$50,000.

1978 - The legislature finds that the standard three-factor apportionment formula does not fairly reflect Alaska income for oil and gas corporations. Alaska enacts AS 43.21, and requires oil and gas companies to calculate Alaska taxable income using separate accounting. The oil and gas companies challenge AS 43.21.

1980 - The legislature repeals the parts of AS 43.20 that impose the individual income tax and retains the exemption for S-Corporations.

1981 - In an effort to stem the growing amount of disputed oil and gas income taxes and related litigation, the legislature seeks a compromise tax method. The legislature repeals separate accounting under AS 43.21, and enacts AS 43.20.072 (later renumbered AS 43.20.144) the current "modified" apportionment formula for oil and gas corporations. The modified formula drops the payroll factor and adds the "extraction factor." The legislature also enacts the current graduated tax rate structure with a maximum rate of 9.4%.

1987 - The legislature enacts the Alaska Education Credit.

1991 - The legislature enacts "water's edge combination" with AS 43.20.073. Water's edge apportionment does not apply to oil and gas taxpayers, who continue to report on a worldwide combined basis.

1998 - The Department of Revenue wins the OSG Bulkships case. The Alaska Supreme Court holds that AS 43.20 does not adopt the IRC Section 883 by reference. Federally, Section 883 exempts from tax foreign corporations that operate ships and aircraft, and avoids double taxation. The Court says that formulary apportionment in AS 43.19 also avoids double taxation and therefore AS 43.19 is an exception to Section 883. During the next session, the legislature specifically adopts Section 883 and grants explicit tax exemption to the foreign corporations operating cargo ships, cruise ships, and aircraft in Alaska.

2006 - A voter initiative that subjects cruise ship operators to Alaska corporate income tax passes in August 2006. Prior to the initiative, cruise ship operators were exempt from taxation through the Department's adoption of IRC Section 883.

2008 - The legislature amends the education credit provisions to include cash contributions accepted for secondary level vocational courses and programs by a school district in Alaska, and by a state-operated vocational technical education and training school.

- The legislature authorizes tax credits for qualified film production expenditures incurred in Alaska. Tax credits may be sold, transferred, exchanged, or conveyed, and must be used within three years after being granted by DCCED. The maximum of credits claimed by all taxpayers over the life of the credit program may not exceed \$100 million.

2010 - The legislature amends the education credit by increasing the maximum credit allowed from \$150,000 to \$5 million effective January 1, 2011. In addition, the legislature expands contributions eligible for the credit to include contributions made for construction and maintenance of facilities by state operated vocational education schools and two or four-year colleges. The increase in the credit from \$150,000 to \$5 million expires December 31, 2013. On January 1, 2014, the maximum credit allowed will revert to \$150,000.

- The legislature expands the Gas Exploration and Development Credit, increasing it from 10% to 25% effective January 1, 2010. The utilization limit was raised from 50% to 75% of the tax liability.

- The legislature authorizes tax credits for expenditures to establish gas storage in Alaska. The available credit is \$1.50 per 1,000 cubic feet of gas storage capacity, with a maximum credit available of \$15,000,000 or 25% of costs incurred to establish the facility. This is a refundable tax credit.

2011 - The legislature enacted legislation extending the date that the \$5 million annual education credit limit expires from December 31, 2013 to December 31, 2020. It is then scheduled to return to \$150,000. In addition, the legislature expanded contributions eligible for the credit to include contributions made after June 30, 2011 to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership.

- The legislature enacted the veteran employment tax credit, providing a credit of \$3,000 for hiring a disabled veteran, or \$2,000 for hiring a veteran who is not disabled.

- The legislature enacted the LNG (Liquefied Natural Gas) Storage Facility Tax Credit, granting a credit for costs incurred to establish an LNG storage facility in Alaska. The available credit is equal to 50% of the costs incurred, not to exceed \$15,000,000. This is a refundable tax credit.

- The legislature passed legislation exempting certain small corporations from the corporate income tax. For tax years beginning after 12/31/11, corporations that have assets less than \$50,000,000 and that meet certain other requirements are exempt from paying corporate income tax. Certain industries are excluded from the exemption.

2013 - The legislature passed SB 7 that related to the taxable corporate income and the ability of certain film productions to receive tax credits. In addition, tax brackets for corporations under AS 43.20.011 were amended.

- The legislature enacted SB 83 that retroactively exempts income received by regional aquaculture associations, and income received by salmon hatchery permit holders from the sale of salmon, salmon eggs or from a cost recovery fishery from corporate income tax beginning June 30, 2007 by amending AS 43.20.012.

- The legislature passed legislation exempting certain small corporations from the corporate income tax. For tax years beginning after 12/31/11, corporations that have assets less than \$50,000,000 and that meet certain other requirements are exempt from paying corporate income tax. Certain industries are excluded from the exemption.

2014 - The legislature passed HB 278 (CH 15 SLA 14) further expanding qualifying Education Tax Credits to include cash contributions to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the United States Department of Labor under 29 U.S.C. 50 - 50b for direct instruction, research, and educational support purposes. In addition, tax credits are available for cash contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, funding for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Department of Education and Early Development, or certain qualified childhood early learning and development programs. Tax credits are also available for cash contributions for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

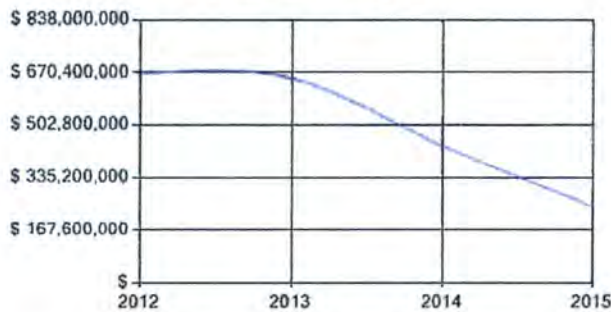
- The legislature passed HB 287 enacting the Qualified In-state Oil Refinery Infrastructure Expenditures Tax Credit that grants a credit of the lesser of 40% of qualified infrastructure expenditures incurred in the state during the year, or \$10,000,000 for each in-state refinery incurring qualified expenditures.

Overview and Historical Overview
Annual Report Data

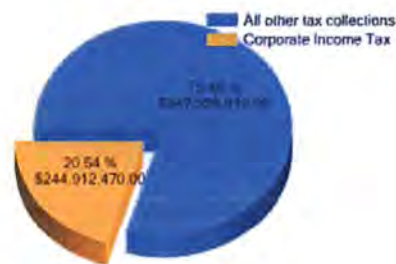
Collections Summary

	FY 2015	FY 2014	FY 2013	FY 2012
Oil & Gas Tax (General Fund)	\$86,539,119.32	\$313,757,578.00	\$433,729,976.00	\$542,237,061.00
Oil & Gas Penalties & interest (General Fund)	\$8,227,905.46	(6,134,956.00)	\$833,672.00	\$26,578,144.00
Oil & Gas General Fund total	\$94,767,024.78	\$307,622,622.00	\$434,563,648.00	\$568,815,205.00
Oil & Gas Constitutional Budget Reserve total	\$13,922,196.63	\$28,943,370.00	\$106,805,732.00	\$2,956,805.00
Oil & Gas Total collections	\$108,689,221.40	\$336,565,992.00	\$541,369,380.00	\$571,772,010.00
Non-Oil & Gas Tax	\$134,839,358.60	\$102,386,908.00	\$109,509,223.00	\$96,583,641.00
Non-Oil & Gas Penalties & Interest	\$1,383,890.33	(2,517,717.00)	\$2,976,911.00	\$1,908,541.00
Non-Oil & Gas Total Collections	\$136,223,248.90	\$99,869,191.00	\$112,486,134.00	\$98,492,182.00
Total Tax	\$244,912,470.30	\$436,435,183.00	\$653,855,514.00	\$670,264,192.00

Tax Collections Information from FY2012 - FY2015



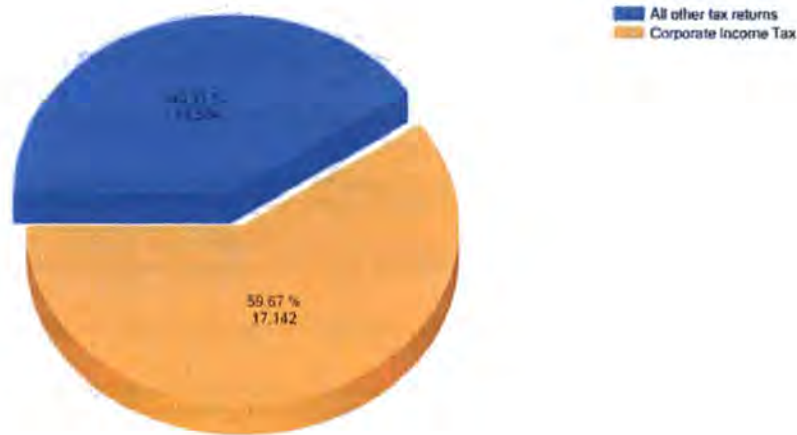
Tax Collections Information for FY 2015



Filing Information

	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	17,142	12,938	16,502	14,035
Number of taxpayers	15,089	11,792	12,104	11,916

Returns filed for FY 2015



Corporate Income Tax Credits

Education - AS 43.55.019 - Taxpayers are allowed a non-transferrable, non-refundable credit for cash contributions to Alaska universities and accredited nonprofit Alaska two-year or four-year colleges for facilities, direct instruction, research, and educational support purposes. The tax credit can also be taken for donations to a school district or state-operated vocational technical education and training school for vocational education courses, programs, and facilities. Donations for Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership also qualify. Contributions to the Alaska Higher Education Investment Fund established in 2012 qualify. The credit is 50% of the first \$100,000, 100% of the contribution over \$100,000 and up to \$300,000 and 50% of the remaining amount over \$300,000. The total allowable credit per year for all affiliated taxpayers may not exceed \$5 million.

Qualifying education tax credits to include cash contributions by taxpayers to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the United States Department of Labor under 29 U.S.C. 50 – 50b for direct instruction, research, and educational support purposes. In addition, tax credits for certain taxpayers are available for cash contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, funding for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Department of Education and Early Development, or certain qualified childhood early learning and development programs. Tax credits are also available for cash contributions by certain taxpayers for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

Film Production - Taxpayers may take a credit for certain expenses incurred in producing films in Alaska. The credit is administered by the Department of Revenue. This credit may be transferred.

Gas Exploration and Development - Taxpayers may take a corporate income tax credit for 25% of qualifying expenditures incurred in exploration and development of natural gas reserves in Alaska, except for the North Slope. The credit may be applied against 75% of the tax liability.

Gas Storage Facility Tax Credit - A person may claim a credit for costs incurred to establish a gas storage facility in Alaska. The available credit is \$1.50 per 1,000 cubic feet of gas storage capacity, with a maximum credit available of \$15,000,000 or 25% of costs incurred to establish the facility. This is a refundable tax credit, subject to AS 43.55.028.

LNG Storage Facility Tax Credit - A person may claim a credit for costs incurred to establish a LNG (Liquefied Natural Gas) storage facility in Alaska. The available credit is equal to 50% of the costs incurred, not to exceed \$15,000,000. This is a refundable tax credit, subject to AS 43.55.028.

Minerals Exploration Incentive - Taxpayers may claim a credit for eligible costs of exploration activities related to determining existence, location, extent, or quality of a locatable mineral or coal deposit. An approved exploration incentive credit may not exceed \$20 million and must be applied within fifteen tax years after the credit is approved. Application of the credit is limited to the lesser of 50% of the taxpayer's mining license tax liability or 50% of its corporate tax liability.

Veteran Employment Tax Credit - Taxpayers may take a credit for the employment of a veteran. The available credit is \$3,000 for hiring a disabled veteran or \$2,000 for a veteran who is not disabled.

Dive Fisheries

Date Range: 2012 to 2015

AS 43.76.150
DESCRIPTION

The dive fishery management assessment is an elective assessment on the value of fisheries resources taken using dive gear. The assessment only applies to designated management areas and species, and is assessed at a rate elected by a vote of permit holders.

RATE

Southeast Alaska region commercial dive fishermen elected the following rates for the Southeast Alaska administrative area (Management Area A):
 Geoduck 7%
 Sea Cucumber 5%
 Sea Urchin 7%

RETURNS

Buyers file returns and pay tax quarterly. The due date is the last day of the month following the calendar quarter of purchase. Buyers file returns for bonus payments made to fishermen after the close of the fishing season. Returns for these payments are due with additional taxes by the last day of the month following the bonus payment.

Fishermen selling to unlicensed buyers, or exporting from the region file returns and pay taxes annually. The due date is March 31, following the year of sale or export.

DISPOSITION OF REVENUE

The Division deposits all revenue derived from the dive fishery management assessment into the General Fund. Under AS 43.76.200, the legislature may appropriate dive fishery management assessment revenue to the Department of Fish and Game for the purpose of funding the regional dive fishery development association.

HISTORY

1997 - The legislature enacted the dive fishery management assessment statute effective June 1997.

1999 - The Southeast Regional Dive Fishery Association elected a dive fishery management assessment on geoducks, sea cucumbers and sea urchins harvested in the Southeast Alaska administrative area (Management Area A). The assessment, effective April 1999, set rates of 5% for geoduck and sea cucumber and 7% for sea urchin.

2004 - The legislature authorized three additional rates: 2%, 4%, and 6%. Geoduck fishermen subsequently elected to increase the geoduck assessment to 7% from November 1, 2004 through October 31, 2006.

2005 - The legislature authorized an annual filing due date of March 31 for dive fishermen who export or sell to unlicensed buyers, effective January 1, 2005.

2006 - Geoduck fishermen elected to continue the 7% assessment on geoducks after October 31, 2006 (Area A). The assessment, effective April 1999, set rates of 5% for geoduck and sea cucumber and 7% for sea urchin.

2014 - The legislature passed HB 278 (CH 15 SLA 14) that further expanded qualifying Education Tax Credits to include cash contributions to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the United States Department of Labor under 29 U.S.C. 50-50b for direct instruction, research, and educational support purposes. In addition, tax credits are available for cash contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, funding for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Department of Education and Early Development, or certain qualified childhood early learning and development programs. Tax credits are also available for cash contributions for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

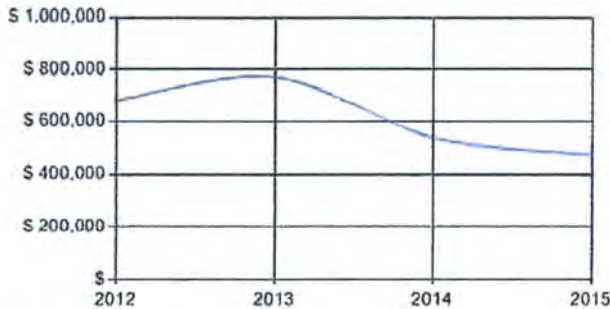
Overview and Historical Overview
 Annual Report Data

Collections Summary

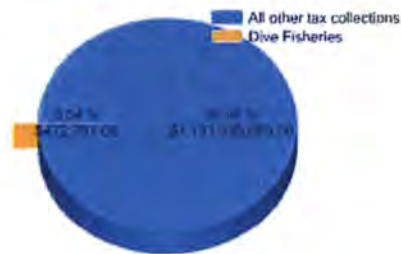
Tax collections

FY 2015	FY 2014	FY 2013	FY 2012
\$472,791.00	\$539,638.00	\$772,526.00	\$682,534.00

Tax Collections Information from FY2012 - FY2015



Tax Collections Information for FY 2015



Filing Information

Number of returns
 Number of taxpayers

FY 2015	FY 2014	FY 2013	FY 2012
56	52	52	60
17	19	16	19

Returns filed for FY 2015



Electric Coop

Date Range: 2012 to 2015

ELECTRIC COOPERATIVE TAX

AS 10.25.540

DESCRIPTION

Alaska levies an electric cooperative tax on kilowatt hours furnished by qualified electric cooperatives recognized under AS 10.25.

RATE

The electric cooperative tax is based on a rate per kilowatt hour (kWh), and on the length of time the cooperative has furnished electricity to consumers as follows: \$0.00025 per kWh for cooperatives that have furnished electric energy and power to consumers for less than five years as of December 31 of the preceding calendar year or \$0.0005 per kWh for cooperatives that have furnished electric energy and power to consumers for five years or longer as of the preceding calendar year.

RETURNS

Electric cooperatives file calendar year returns that are due with payment before March 1 of the following year.

EXEMPTIONS

All qualified electric cooperatives are subject to the cooperative tax. Cooperatives pay the electric cooperative tax in lieu of corporate net income and excise taxes.

DISPOSITION OF REVENUE

The Division deposits all revenue derived from electric cooperative taxes into the General Fund.

Electric cooperative taxes sourced from within municipalities are shared 100% to respective municipalities, less the amount expended by the state in their collection.

The state retains electric cooperative taxes sourced from outside of municipalities.

HISTORY

1959 - The legislature enacted the electric cooperative tax as part of the "Electric and Telephone Cooperative Act" which was adopted to promote cooperatives around the state. The due date for filing electric cooperative tax returns was April 1 of the following year.

1960 - The legislature changed the due date for paying taxes to March 1.

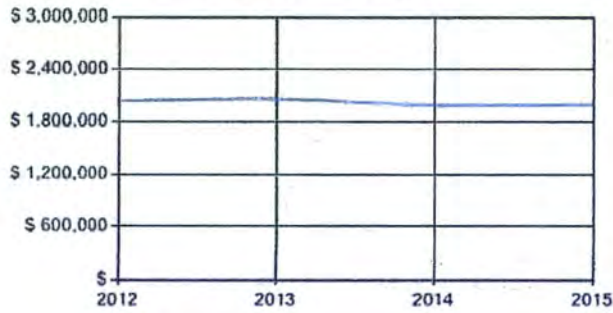
1980 - The legislature changed the tax base for calculating the electric cooperative tax from gross revenue to kWh. The legislature adopted the current mill rates.

Overview and Historical Overview
Annual Report Data

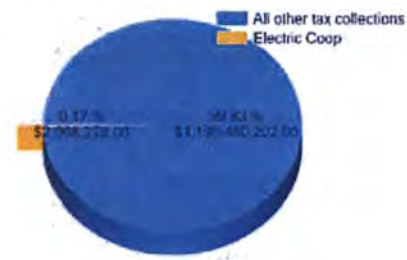
Collections Summary

	FY 2015	FY 2014	FY 2013	FY 2012
Tax collections	\$2,008,278.31	\$2,001,497.00	\$2,072,147.00	\$2,046,510.00
Taxes shared	(2,001,304.02)	(1,964,614.00)	(2,037,896.00)	(2,016,815.00)
Tax retained by state	\$6,974.00	\$36,883.00	\$34,251.00	\$29,696.00

Tax Collections Information from FY2012 - FY2015



Tax Collections Information for FY 2015

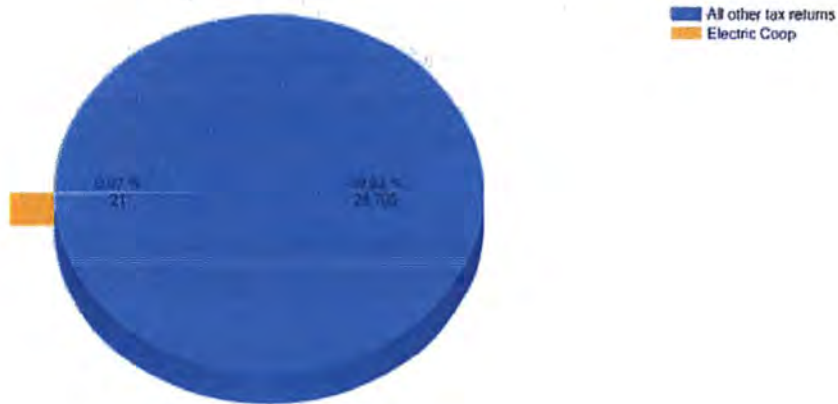


Filing Information

Number of returns
Number of taxpayers

	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	21	16	21	17
Number of taxpayers	17	15	21	17

Returns filed for FY 2015



Fisheries Business Tax

Date Range: 2012 to 2015

AS 43.75

DESCRIPTION

Alaska levies a fisheries business tax (also known as the "raw fish tax") on fisheries businesses and persons who process fishery resources in, or export unprocessed fish resources from Alaska. The tax is based on the price paid to commercial fishermen for the raw resource, or fair market value when there is no arms-length transaction prior to processing or export. The Division collects fisheries business taxes from processors and persons who export unprocessed fishery resources from Alaska.

RATE

Fisheries business tax rates are based on the location and type of processing activity and whether a fishery resource is classified as "established" or "developing" by the Alaska Department of Fish and Game. Rates are as follows:

PROCESSING ACTIVITY

Established	Rate
Floating	5.0%
Salmon Cannery	4.5%
Shore Based	3.0%
Developing	Rate
Floating	3.0%
Shore Based	1.0%

RETURNS

Fisheries businesses file calendar year returns that are due with payment on March 31 of the following year. After filing the calendar year return, taxpayers file returns to report post-season bonus payments made to fishermen. Returns for these payments are due with additional taxes by the last day of the month following the month of bonus payments.

EXCLUSION

Commercial fishermen who process fish on board their vessels are excluded from the tax if they sell to a licensed processor.

CREDITS

Various credits are available for use against the liability of this specific tax education, scholarship contributions, scholarship contributions, and salmon product development tax credits. For specific information concerning these credits, see the Description of Credits section.

DISPOSITION OF REVENUE

The Division deposits all revenue derived from the fisheries business tax into the General Fund. The legislature may appropriate revenue from the tax for revenue sharing described below:

PROCESSING ACTIVITY INSIDE MUNICIPALITY

The Division shares 50% of tax collected with the incorporated city or organized borough in which the processing took place. If an incorporated city is within an organized borough, the Division divides the 50% shareable amount equally between the incorporated city and the organized borough equally.

PROCESSING ACTIVITY OUTSIDE MUNICIPALITY

The Division shares 50% of tax collected from processing activities outside an incorporated city or an organized borough through an allocation program administered by the Department of Commerce, Community and Economic Development.

HISTORY

1899 - The U.S. Congress adopted a "salmon case" tax to fund fisheries related activities in pre-territorial Alaska. The Organic Act passed in 1912 established an organized territorial government in Alaska. In 1913, the First Territorial Legislature adopted the "salmon pack" tax which applied to salmon canneries based on canned salmon (\$0.07 per case); and the "cold storage" tax which applied to other fisheries and was based on business receipts. Between 1913 and 1949, the legislature amended the tax several times by changing tax rates and expanding the tax base to include different fisheries.

1949 - The territorial legislature restructured the fisheries business tax to be based on value of the fisheries rather than volumes (case or business receipts). The new "raw fish" tax applied to salmon (4%), crab and clams (2%), and other fishery products (1%) processed in canneries.

1951 - The territorial legislature enacted a fishery business license requirement with a \$25 license fee, a tax on floating processors at 4% of value and increased the tax rate for salmon canneries to 6%.

1962 - The legislature adopted provisions for sharing taxes (10%) and requiring calendar year returns for all businesses.

1967 - The tax rate on salmon canneries was amended to 3% and provisions were adopted requiring security for a fishery business license under certain conditions.

1979 - The legislature adopted the modern tax structure with different tax rates for established and developing species, as well as increasing the shared tax percentage to 20%.

1981 - The shared tax percentage was increased to 50%.

1986 - The legislature authorized a fisheries business tax credit of up to 50% of fisheries business taxes for capital expenditures associated with constructing and improving shore-side processing operations. The tax credit program was effective for 1987 through 1989 with a carryforward provision through 1991. Taxpayers claimed approximately \$47.5 million of credits under this program. The legislature also enacted the A.W. "Winn" Brindle scholarship credit allowing a credit of up to 5% of fisheries business taxes due.

1987 - The legislature enacted the Alaska education tax credit program allowing a tax credit on educational contributions of up to \$100,000 against fisheries business taxes due.

1990 - The legislature enacted provisions for a civil penalty for processing without a license. The Division may progressively assess penalties in increments of up to \$5,000 for each infraction to a maximum of \$25,000 for the fifth and subsequent assessments. The legislature also enacted a provision that authorized sharing of 50% of taxes sourced from processing activities in the unorganized borough, effective July 1992.

1991 - The legislature restructured the Alaska education credit and increased the maximum amount to \$150,000.

1993 - The Department of Labor surety bond program transferred to the Department of Revenue under Executive Order 85, effective July 1, 1994.

1995 - The legislature reduced the amount of surety bonding for small processors from \$10,000 to \$2,000.

2001 - The legislature modified the tax payment security requirements necessary to obtain a fisheries business tax license. The legislature expanded the existing requirement for a whole-salmon exporter to include any exporter of any unprocessed fisheries resource. Under the legislation, exporters of unprocessed fish can obtain a fisheries business license by posting a \$50,000 surety bond and paying their taxes monthly.

2002 - The legislature authorized credits of up to 50% for contributions of not more than \$100,000 and 75% of the next \$100,000 in contributions made to the Alaska Veterans' Memorial Endowment Fund. The tax credit expired July 1, 2003.

2003 - The legislature authorized a Salmon Product Development/Utilization (SPDU) Credit that allows tax credits against fisheries business taxes for expenditures promoting the value added processing of salmon products and the utilization of salmon waste in Alaska. The amount of the tax credit cannot exceed 50% of the taxpayer's fisheries business liability for processing of salmon during the tax year.

- Effective June 11, 2003, and retroactive to January 1, 2003, the SPDU legislation sunset on December 31, 2005. Unused credits earned may be carried forward for three years.

- The legislature authorized monthly payment of the fisheries taxes in lieu of existing forms of security or prepayment as a prerequisite to being licensed. Fisheries businesses that elect the monthly payment option must post a \$50,000 bond or have \$100,000 equity in real property in the state. The provisions of this legislation took effect September 8, 2003.

2004 - Legislation authorized a new Direct Marketing Fisheries Business License and tax structure set at the shore based rate of 1% of the value of developing fish species and 3% of the value of established fish species. The provisions of this legislation took effect January 1, 2005.

2005 - Effective May 18, 2005, the legislature modified the surety and tax payment requirements for obtaining a fisheries business license. The legislature reduced the amount of surety bonding for small primary fish buyers from \$10,000 to \$2,000. The legislation also added requisites for obtaining a fisheries business license.

Before being issued a license, a fisheries business must have fully paid (including penalties and interest) taxes administered by the Division, seafood marketing assessments, employment security contributions, OSHA penalties, and municipal fishery taxes.

2006 - The legislature extended the Salmon Product Development Credit for expenditures made through December 31, 2008. The Salmon Utilization Credit established in 2003, was not extended beyond the sunset date of December 31, 2005.

2008 - The legislature amended education credit provisions to include cash contributions accepted for secondary level vocational courses and programs by a school district in Alaska and by a state-operated vocational technical education and training school.

- The legislature extended the salmon product development tax credit program by three years. The legislation extended the ending date for placing specified property in service to qualify for the credit from December 31, 2008 to December 31, 2011. This legislation expanded the list of qualified property to include conveyors used for producing value-added salmon products and requires that the Department of Revenue develop and implement procedures for pre-determining if investments qualify for the salmon product development tax credit.

2010 - The legislature amended the education credit by increasing the maximum credit allowed from \$150,000 to \$5 million effective January 1, 2011. In addition the legislature expanded contributions eligible for the credit to include contributions made for construction and maintenance of facilities by state operated vocational education schools and two or four-year colleges. The increase in the credit from \$150,000 to \$5 million expires December 31, 2013. The maximum credit allowed was to revert to \$150,000 on January 1, 2014. That date was extended in 2011 (see below).

The legislature extended the salmon product development tax credit program by four years. The legislation extended the last date for placing qualified property in service from December 31, 2011 to December 31, 2015. The legislation expanded the list of qualified property to include ice making machines.

- The legislature authorized the Department to withhold or suspend a fisheries business license if a fisheries business fails to pay the permit buyback fee imposed by the National Marine Fisheries Service under 16 U.S.C. 1861a.

2011 - The legislature extended the date that the \$5 million annual education credit limit expires from January 1, 2014 to January 1, 2021. It is then scheduled to return to \$150,000. In addition, the legislature expanded contributions eligible for the credit to include contributions made after June 30, 2011 to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership.

2014 - The legislature passed HB 278 (CH 15 SLA 14) and changed AS 43.75 to further expand qualifying Education Tax Credits to include cash contributions to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the United States Department of Labor under 29 U.S.C. 50 -50b for direct instruction, research, and educational support purposes. In addition, tax credits are available for cash contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, funding for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Department of Education and Early Development, or certain qualified childhood early learning and development programs. Tax credits are also available for cash contributions for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

- HB 306 (CH 69 SLA 14) amended AS 43.75 and repealed certain existing tax credits (Winn Brindle scholarship credit, education credit, salmon development credit and film production credit) over the next 5 - 6 years if the legislature does not reauthorize the credits before their sunset dates.

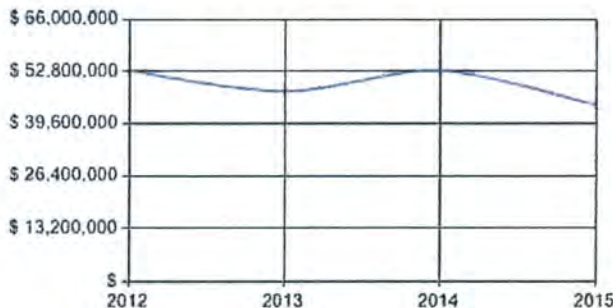
- The legislature passed SB 71 (CH 69 SLA 14) that renamed the Salmon Product Development Credit to the Product Development Credit. The revised statute included herring products as well as salmon products for credit. The credit on salmon and herring expenditures are for promoting the development of salmon and herring products and was extended to December 31, 2020.

Overview and Historical Overview
Annual Report Data

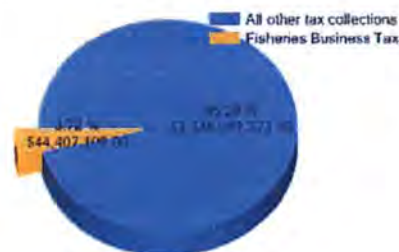
Collections Summary

	FY 2015	FY 2014	FY 2013	FY 2012
Established shore-based	\$33,859,642.04	\$34,375,661.00	\$34,797,124.00	\$36,627,375.00
Established floating	\$4,412,960.37	\$6,498,425.00	\$5,578,323.00	\$7,053,585.00
Established cannery	\$5,117,768.17	\$10,295,427.00	\$6,478,824.00	\$5,939,305.00
Developing shore-based	\$9,731.81	\$37,743.00	\$50,442.00	\$63,557.00
Developing floating	\$28.15	\$525.00	\$493.00	\$725.00
Prepayments	\$502,939.44	\$1,392,697.00	\$521,526.00	\$2,405,470.00
Penalties and Interest	\$491,989.36	\$418,060.00	\$566,989.00	\$995,246.00
License Fees	\$12,050.00	\$11,000.00	\$11,575.00	\$12,250.00
Total Tax	\$44,407,109.34	\$53,029,538.00	\$48,005,296.00	\$53,097,514.00
Shared with municipalities	(21,479,070.45)	(24,912,169.00)	(23,165,321.00)	(24,576,578.00)
DCCED municipal allocation	(1,611,355.44)	(1,581,457.00)	(1,898,248.00)	(2,075,432.00)
Total retained by state	\$21,316,683.00	\$26,535,912.00	\$22,941,727.00	\$26,445,504.00

Tax Collections Information from FY2012 - FY2015



Tax Collections Information for FY 2015



Filing Information

Number of returns
Number of taxpayers

FY 2015	FY 2014	FY 2013	FY 2012
753	915	923	913
347	420	393	433

Returns filed for FY 2015



Fishery Resource Landing Tax

Date Range: 2012 to 2015

AS 43.75

DESCRIPTION

Alaska levies a fisheries business tax (also known as the "raw fish tax") on fisheries businesses and persons who process fishery resources in, or export unprocessed fishery resources from Alaska. The tax is based on the price paid to commercial fishermen for the raw resource, or fair market value when there is no arms-length transaction prior to processing or export. The Division collects fisheries business taxes from processors and persons who export unprocessed fishery resources from Alaska.

RATE

Fisheries business tax rates are based on the location and type of processing activity and whether a fishery resource is classified as "established" or "developing" by the Alaska Department of Fish and Game. Rates are as follows:

PROCESSING ACTIVITY

Established	Rate
Floating	5.0%
Salmon Cannery	4.5%
Shore Based	3.0%
Developing	Rate
Floating	3.0%
Shore Based	1.0%

RETURNS

Fisheries businesses file calendar year returns that are due with payment on March 31 of the following year. After filing the calendar year return, taxpayers file returns to report post-season bonus payments made to fishermen. Returns for these payments are due with additional taxes by the last day of the month following the month of bonus payments.

EXCLUSION

Commercial fishermen who process fish on board their vessels are excluded from the tax if they sell to a licensed processor.

CREDITS

Various credits are available for use against the liability of this specific tax education, scholarship contributions, scholarship contributions, and salmon product development tax credits. For specific information concerning these credits, see the Description of Credits section.

DISPOSITION OF REVENUE

The Division deposits all revenue derived from the fisheries business tax into the General Fund. The legislature may appropriate revenue from the tax for revenue sharing described below:

PROCESSING ACTIVITY INSIDE MUNICIPALITY

The Division shares 50% of tax collected with the incorporated city or organized borough in which the processing took place. If an incorporated city is within an organized borough, the Division divides the 50% shareable amount equally between the incorporated city and the organized borough equally.

PROCESSING ACTIVITY OUTSIDE MUNICIPALITY

The Division shares 50% of tax collected from processing activities outside an incorporated city or an organized borough through an allocation program administered by the Department of Commerce, Community and Economic Development.

HISTORY

1899 - The U.S. Congress adopted a "salmon case" tax to fund fisheries related activities in pre-territorial Alaska. The Organic Act passed in 1912 established an organized territorial government in Alaska. In 1913, the First Territorial Legislature adopted the "salmon pack" tax which applied to salmon canneries based on canned salmon (\$0.07 per case); and the "cold storage" tax which applied to other fisheries and was based on business receipts. Between 1913 and 1949, the legislature amended the tax several times by changing tax rates and expanding the tax base to include different fisheries.

1949 - The territorial legislature restructured the fisheries business tax to be based on value of the fisheries rather than volumes (case or business receipts). The new "raw fish" tax applied to salmon (4%), crab and clams (2%), and other fishery products (1%) processed in canneries.

1951 - The territorial legislature enacted a fishery business license requirement with a \$25 license fee, a tax on floating processors at 4% of value and increased the tax rate for salmon canneries to 6%.

1962 - The legislature adopted provisions for sharing taxes (10%) and requiring calendar year returns for all businesses.

1967 - The tax rate on salmon canneries was amended to 3% and provisions were adopted requiring security for a fishery business license under certain conditions.

1979 - The legislature adopted the modern tax structure with different tax rates for established and developing species, as well as increasing the shared tax percentage to 20%.

1981 - The shared tax percentage was increased to 50%.

1986 - The legislature authorized a fisheries business tax credit of up to 50% of fisheries business taxes for capital expenditures associated with constructing and improving shore-side processing operations. The tax credit program was effective for 1987 through 1989 with a carryforward provision through 1991. Taxpayers claimed approximately \$47.5 million of credits under this program. The legislature also enacted the A.W. "Winn" Brindle scholarship credit allowing a credit of up to 5% of fisheries business taxes due.

1987 - The legislature enacted the Alaska education tax credit program allowing a tax credit on educational contributions of up to \$100,000 against fisheries business taxes due.

1990 - The legislature enacted provisions for a civil penalty for processing without a license. The Division may progressively assess penalties in increments of up to \$5,000 for each infraction to a maximum of \$25,000 for the fifth and subsequent assessments. The legislature also enacted a provision that authorized sharing of 50% of taxes sourced from processing activities in the unorganized borough, effective July 1992.

1991 - The legislature restructured the Alaska education credit and increased the maximum amount to \$150,000.

1993 - The Department of Labor surety bond program transferred to the Department of Revenue under Executive Order 85, effective July 1, 1994.

1995 - The legislature reduced the amount of surety bonding for small processors from \$10,000 to \$2,000.

2001 - The legislature modified the tax payment security requirements necessary to obtain a fisheries business tax license. The legislature expanded the existing requirement for a whole-salmon exporter to include any exporter of any unprocessed fisheries resource. Under the legislation, exporters of unprocessed fish can obtain a fisheries business license by posting a \$50,000 surety bond and paying their taxes monthly.

2002 - The legislature authorized credits of up to 50% for contributions of not more than \$100,000 and 75% of the next \$100,000 in contributions made to the Alaska Veterans' Memorial Endowment Fund. The tax credit expired July 1, 2003.

2003 - The legislature authorized a Salmon Product Development/Utilization (SPDU) Credit that allows tax credits against fisheries business taxes for expenditures promoting the value added processing of salmon products and the utilization of salmon waste in Alaska. The amount of the tax credit cannot exceed 50% of the taxpayer's fisheries business liability for processing of salmon during the tax year.

- Effective June 11, 2003, and retroactive to January 1, 2003, the SPDU legislation sunset on December 31, 2005. Unused credits earned may be carried forward for three years.

- The legislature authorized monthly payment of the fisheries taxes in lieu of existing forms of security or prepayment as a prerequisite to being licensed. Fisheries businesses that elect the monthly payment option must post a \$50,000 bond or have \$100,000 equity in real property in the state. The provisions of this legislation took effect September 8, 2003.

2004 - Legislation authorized a new Direct Marketing Fisheries Business License and tax structure set at the shore based rate of 1% of the value of developing fish species and 3% of the value of established fish species. The provisions of this legislation took effect January 1, 2005.

2005 - Effective May 18, 2005, the legislature modified the surety and tax payment requirements for obtaining a fisheries business license. The legislature reduced the amount of surety bonding for small primary fish buyers from \$10,000 to \$2,000. The legislation also added requisites for obtaining a fisheries business license.

Before being issued a license, a fisheries business must have fully paid (including penalties and interest) taxes administered by the Division, seafood marketing assessments, employment security contributions, OSHA penalties, and municipal fishery taxes.

2006 - The legislature extended the Salmon Product Development Credit for expenditures made through December 31, 2008. The Salmon Utilization Credit was not extended.

2008 - The legislature amended education credit provisions to include cash contributions accepted for secondary level vocational courses and programs by a school district in Alaska and by a state-operated vocational technical education and training school.

- The legislature extended the salmon product development tax credit program by three years. The legislation extended the ending date for placing specified property in service to qualify for the credit from December 31, 2008 to December 31, 2011. This legislation expanded the list of qualified property to include conveyors used for producing value-added salmon products and requires that the Department of Revenue develop and implement procedures for pre-determining if investments qualify for the salmon product development tax credit.

2010 - The legislature amended the education credit by increasing the maximum credit allowed from \$150,000 to \$5 million effective January 1, 2011. In addition the legislature expanded contributions eligible for the credit to include contributions made for construction and maintenance of facilities by state operated vocational education schools and two or four-year colleges. The increase in the credit from \$150,000 to \$5 million expires December 31, 2013. The maximum credit allowed was to revert to \$150,000 on January 1, 2014. That date was extended in 2011 (see below).

The legislature extended the salmon product development tax credit program by four years. The legislation extended the last date for placing qualified property in service from December 31, 2011 to December 31, 2015. The legislation expanded the list of qualified property to include ice making machines.

- The legislature authorized the Department to withhold or suspend a fisheries business license if a fisheries business fails to pay the permit buyback fee imposed by

the National Marine Fisheries Service under 16 U.S.C. 1861a.

2011 - The legislature extended the date that the \$5 million annual education credit limit expires from January 1, 2014 to January 1, 2021. It is then scheduled to return to \$150,000. In addition, the legislature expanded contributions eligible for the credit to include contributions made after June 30, 2011 to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership.

2014 - The legislature passed HB 278 (CH 15 SLA 14) and changed AS 43.75 to further expand qualifying Education Tax Credits to include cash contributions to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the United States Department of Labor under 29 U.S.C. 50 –50b for direct instruction, research, and educational support purposes. In addition, tax credits are available for cash contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, funding for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Department of Education and Early Development, or certain qualified childhood early learning and development programs. Tax credits are also available for cash contributions for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

- HB 306 (CH 69 SLA 14) amended AS 43.75 and repealed certain existing tax credits (Winn Brindle scholarship credit, education credit, salmon development credit and film production credit) over the next 5 – 6 years if the legislature does not reauthorize the credits before their sunset dates.

- The legislature passed SB 71 (CH 69 SLA 14) that amended the Salmon Product Development Tax Credit to include herring products. 2015 - The legislature passed SB 39 that finalized the repeal of the film production credit.

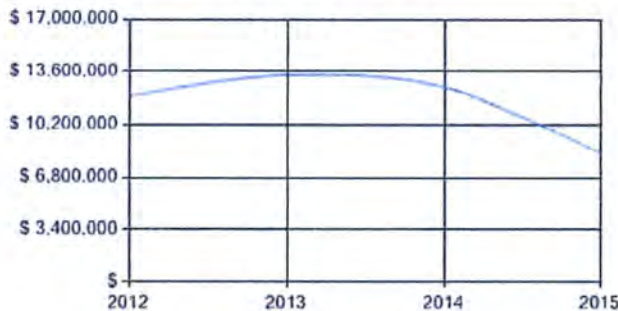
**Overview and Historical Overview
Annual Report Data**

Collections Summary

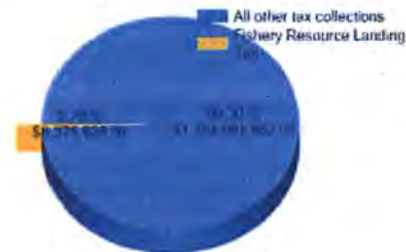
Tax collections
Shared with municipalities
DCCED municipal allocation
Tax retained by state

FY 2015	FY 2014	FY 2013	FY 2012
\$8,376,828.00	\$12,583,645.00	\$13,381,669.00	\$12,013,308.00
(3,125,676.54)	(5,148,589.00)	(7,016,532.00)	(4,825,254.00)
(109,137.08)	(302,237.00)	(826,348.00)	(860,942.00)
\$5,141,814.00	\$7,132,819.00	\$5,538,789.00	\$6,327,112.00

**Tax Collections Information
from FY2012 - FY2015**



**Tax Collections Information
for FY 2015**



Filing Information

Number of returns
Number of taxpayers

FY 2015	FY 2014	FY 2013	FY 2012
99	78	65	78
68	63	50	67

Returns filed for FY 2015



Gaming

Date Range: 2012 to 2015

AS 05.15

DESCRIPTION

Municipalities and qualified nonprofit organizations are eligible to conduct gaming activities as set out in the Alaska Gaming Reform Act. The purpose of these activities is to derive public benefit in the form of money for these entities. Qualified organizations include: civic or service organizations; religious, charitable, fraternal, veterans, labor, political, or educational organizations; police or fire departments and companies; dog mushers' associations, outboard motor associations, and fishing derby and nonprofit trade associations. Gaming activities include primarily the sale of pull-tabs, bingo and raffles.

The Charitable Gaming Program issues permits and licenses to conduct gaming activities, collects fees and taxes, conducts audits, investigates complaints, and provides educational outreach to municipalities and qualified organizations.

Permits are issued annually with fees ranging from \$20 to \$100. Licenses are issued annually with fees ranging from \$500 to \$2,500. A 3% tax on pull-tabs sold by distributors is collected on a monthly basis. A 1% fee on net proceeds is collected annually from permittees if their gross receipts exceed \$20,000.

RETURNS

Monthly, quarterly, and annual returns are filed by permittees and licensees conducting gaming depending on the amount of gross receipts and the type of permit/license. Manufacturers and distributors file monthly reports. Operators must file monthly reports to permittees.

DISPOSITION OF REVENUE

The Division deposits permit and license fees, pull-tab taxes, and net proceeds fees into the General Fund.

HISTORY

1960 - The legislature legalized gaming and gave oversight for all gaming activities to the Department of Revenue.

1984 - The Department authorized pull-tabs by regulation.

1988 - The legislature legalized operators, authorized pull- tabs, and increased prize limits.

1989 - Under Administrative Order, gaming functions transferred to the Department of Commerce, Community and Economic Development.

1993 - Under administrative order, gaming functions transferred back to the Department of Revenue and organized as a separate gaming division.

- HB 168 significantly changed various aspects of the statutes governing charitable gaming in Alaska. Third-party vendors were brought under statutory control which allows permittees to contract with them directly to sell pull-tabs and the Department was authorized to issue Multiple- Beneficiary Permits (MBP). MBPs enable two to six permittees to conduct gaming activities jointly. Minimum payments increased from 15% to 30% of adjusted gross income for pull-tab games and require a minimum of 10% of adjusted gross income for all other activities.

1995 - The legislature legalized cruise ship gambling activities in Alaska waters during the 1995 season. The gaming statutes required that cruise ships pay a fee to game in Alaska, and this generated more than \$500,000 in revenue during the 1995 season. This law expired after 1995.

1996 - The legislature authorized three new gaming activities – "Sled Dog Race Classic", "Deep Freeze Classic", and "Snow Machine Classic." The legislature also created the "McGrath Kuskokwim River Ice Classic", and the "Creamer's Field Goose Classic." The legislature prohibited the donation of net proceeds from pull-tabs and bingo activities to registered lobbyists and certain political organizations.

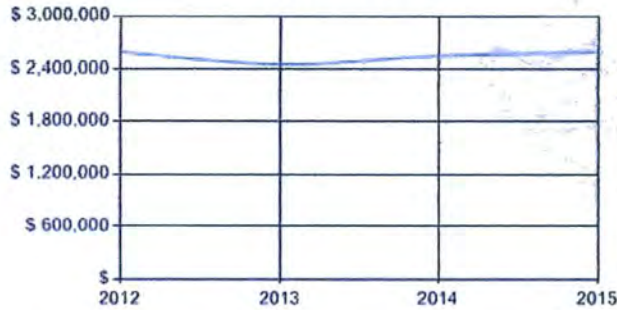
2014 - The legislature made a change relating to games of chance and contests of skill to allow the department to issue permits for bull moose derbies. It also expanded the definition of "ice classic" to include the Snow Town Ice Classic. The change was made through HB 268 (CH 22 SLA 14).

Overview and Historical Overview
Annual Report Data

Collections Summary

	FY 2015	FY 2014	FY 2013	FY 2012
Pull tab tax	\$2,082,492.96	\$2,045,558.00	\$1,968,587.00	\$2,068,951.00
Net Proceeds Fees	\$385,936.76	\$353,163.00	\$339,874.00	\$373,421.00
License and Permit Fees	\$120,230.00	\$149,615.00	\$143,985.00	\$144,475.00
Total Tax	\$2,588,659.72	\$2,548,336.00	\$2,452,446.00	\$2,586,847.00

Tax Collections Information from FY2012 - FY2015



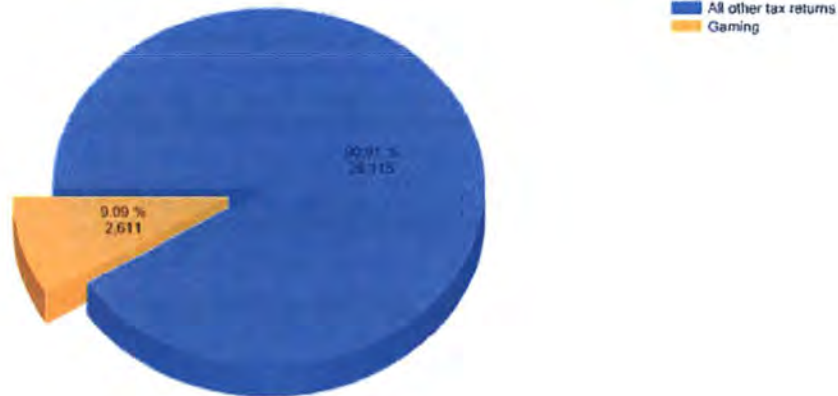
Tax Collections Information for FY 2015



Filing Information

	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	2,611	2,972	2,846	2,975
Number of taxpayers	1,156	1,309	1,543	1,658

Returns filed for FY 2015



Applications

	FY 2015	FY 2014	FY 2013	FY 2012
Permittees	1,102	1,241	1,171	1,275
Operators	23	32	29	28
Multiple-Beneficiary Permittees	15	18	17	16
Distributors	9	9	9	8
Manufacturers	7	9	9	7
Amended applications			308	324

Reports

	FY 2015	FY 2014	FY 2013	FY 2012
Permittees	2,272	2,601	2,440	2,553
Operators	115	101	151	147
Multiple-Beneficiary Permittees	75	72	90	90
Distributors	85	116	90	100
Manufacturers	64	82	75	85

Date Range: 2012 to 2015

AS 43.35

DESCRIPTION

Alaska imposes a tax on the adjusted gross income of gambling activities aboard large passenger vessels in the state. Gambling activities include the use of playing cards, dice, roulette wheels, coin-operated instruments or machines, or other objects or instruments used for gaming or gambling, and any other gambling activities aboard large passenger vessels in Alaska. The tax is imposed on the operator of gaming or gambling activities.

RATE

The large passenger vessel gambling tax rate is 33% of the adjusted gross income. Adjusted gross income means gross income less prizes awarded and federal and municipal taxes paid or owed on the income.

RETURNS

Operators of gaming and gambling activities on large passenger vessels file calendar year returns that are due April 15 of the following year.

EXEMPTIONS

There are no exemptions for the LPV gambling tax.

DISPOSITION OF REVENUE

The Division deposits all proceeds from the LPV gambling tax into the Commercial Vessel Passenger (CVP) tax account in the General Fund.

HISTORY

2006 - The LPV gambling tax was enacted by 2006 Primary Election Ballot Measure No. 2. The measure was approved by voters at the primary election of August 26, 2006. The results of the election were certified September 18, 2006 and the initiative's provisions became effective December 17, 2006.

2010 - The legislature created the "large passenger vessel gaming and gambling tax account" as a subaccount of the CVP tax account and directed all proceeds from the LPV Gambling tax to be deposited in this new account.

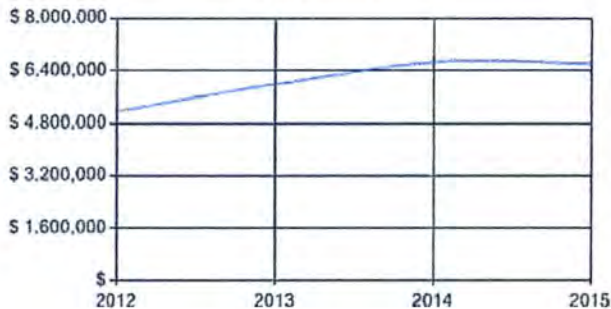
Overview and Historical Overview
Annual Report Data

Collections Summary

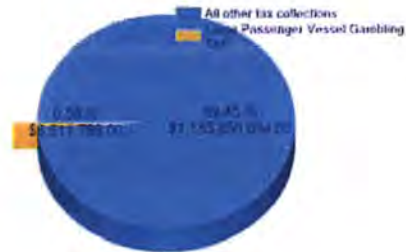
Tax collections

FY 2015	FY 2014	FY 2013	FY 2012
\$6,611,786.00	\$6,656,902.00	\$5,983,333.00	\$5,155,954.00

Tax Collections Information from FY2012 - FY2015



Tax Collections Information for FY 2015

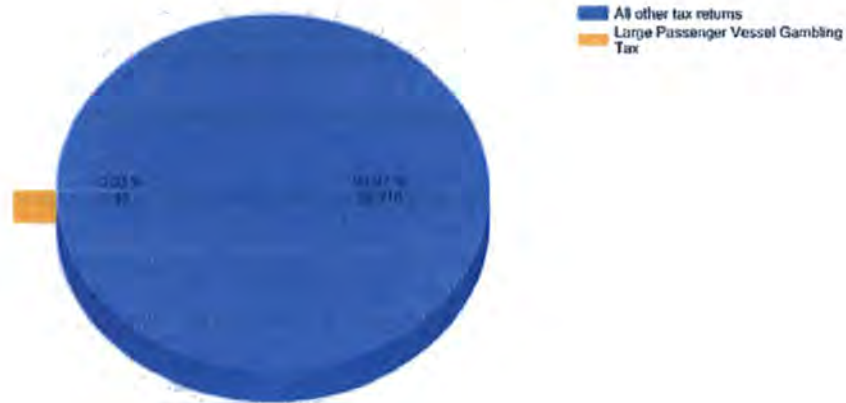


Filing Information

Number of returns
Number of taxpayers

FY 2015	FY 2014	FY 2013	FY 2012
10	6	10	9
9	6	8	8

Returns filed for FY 2015



Mining License Tax

Date Range: 2012 to 2015

AS 43.65

DESCRIPTION

Alaska levies a mining license tax on mining net income and royalties received in connection with mining properties and activities in Alaska. The Division collects mining license taxes primarily from businesses engaged in coal and hard rock mining.

RATES

Mining Net Income	Rate
\$0 - \$40,000	No Tax
\$40,001 - \$50,000	\$1,200 plus 3% over \$40,000
\$50,001 - \$100,000	\$1,500 plus 5% over \$50,000
Over \$100,000	\$4,000 plus 7% over \$100,000

RETURNS

Mining licensees file annual returns based on the mining business' fiscal year. Calendar year returns and payment of tax are due April 30. Fiscal year returns and payment are due before the first day of the fifth month after the close of the fiscal year.

EXEMPTIONS

New mining operations are exempt from the mining license tax for a period of three and a half years after production begins. Quarry rock, sand and gravel, and marketable earth mining operations are exempt from the mining license tax effective January 1, 2012.

CREDITS

The following are available for use against the liability of this specific tax: education, film credit and minerals exploration incentive tax credits.

For specific information concerning these credits, see the Description of Credits section.

DISPOSITION OF REVENUE

The Division deposits revenue from the mining license tax into the General Fund. Payments received after a tax assessment are deposited into the Constitutional Budget Reserve Fund (CBRF).

HISTORY

The mining license tax dates back to 1913 and the legislature restructured it several times over the years. The original mining license tax, enacted in 1913, imposed a 0.5% tax on mining net income of more than \$5,000. There was no tax on net income less than \$5,000.

1915 - The territorial legislature increased the tax rate to 1%. The tax-free net income base remained at \$5,000.

1927 - The tax-free net income base was increased to \$10,000 and a three-tier tax rate structure was adopted with rates ranging from 1% to 1.75% for net income of more than \$1 million.

1935 - The territorial legislature restructured the tax to an eight-tier tax structure with rates ranging from 0.75% to 4% for net income of more than \$1 million. The legislature decreased tax-free net income to \$5,000.

1937 - The tax-free net income base was eliminated and all net income was subject to tax. A nine-tier tax structure was adopted with tax rates ranging from 0.75% to 8% for net income of more than \$1 million.

1947 - The mining license tax was restructured by reinstating a tax-free net income base of \$1,000 and restructuring the tax rates to a five-tier structure with rates ranging from 4% to 8% for net income of more than \$100,000.

1951 - The legislature authorized a 3½ year exemption for new mining operations. This exemption does not apply to sand and gravel mining operations.

1953 - The tax-free net income base was increased to \$10,000 and rates changed to range 3% to 7% for net income of more than \$100,000.

1955 - The rate structure as it exists today was adopted.

1987 - The Alaska education tax credit program was enacted allowing for a tax credit up to \$100,000.

1991 - The Alaska education credit was restructured and the maximum amount was increased to \$150,000.

1995 - The legislature authorized the minerals exploration incentive credit. The credit is limited to \$20 million and taxpayers may apply the credit against 50% of mining license liabilities over a 15-year period.

2002 - The legislature authorized credits of up to 50% for contributions of not more than \$100,000 and 75% of the next \$100,000 in contributions made to the Alaska Veterans' Memorial Endowment Fund. The tax credit expired July 1, 2003.

2008 - The legislature amended education credit provisions to include cash contributions accepted for secondary level vocational courses and programs by a school district in Alaska and by a state-operated vocational technical education and training school.

2010 - The legislature amended the education credit by increasing the maximum credit allowed from \$150,000 to \$5 million effective January 1, 2011. In addition, the legislature expanded contributions eligible for the credit to include contributions made for construction and maintenance of facilities by state operated vocational education schools and two or four-year colleges. The increase in the credit from \$150,000 to \$5 million expires December 31, 2013. On January 1, 2014, the maximum credit allowed will revert to \$150,000.

2011 - The legislature enacted legislation extending the date that the \$5 million annual education credit limit expires from January 1, 2014 to January 1, 2021. It is then scheduled to return to \$150,000. In addition, the legislature expanded contributions eligible for the credit to include contributions made after June 30, 2011 to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership.

2012 - The legislature enacted legislation exempting quarry rock, sand and gravel, and marketable earth mining operations from the mining license tax. This legislation has a retroactive effective date of January 1, 2012.

2013 - The legislature authorized the use of Alaska film tax credits against taxpayers' mining license tax liability.

2014 - The legislature passed HB 278 (CH 15 SLA 14) that further expanded qualifying Education Tax Credits to include cash contributions to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the United States Department of Labor under 29 U.S.C. 50 -50b for direct instruction, research, and educational support purposes. In addition, tax credits are available for cash contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, funding for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Department of Education and Early Development, or certain qualified childhood early learning and development programs. Tax credits are also available for cash contributions for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

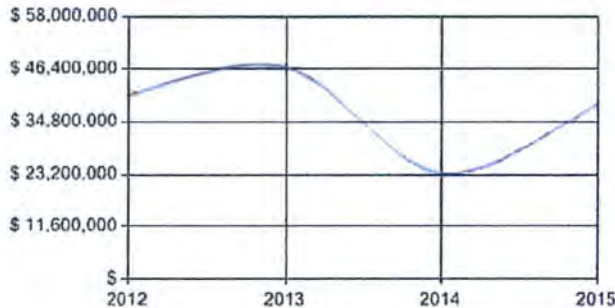
Overview and Historical Overview
Annual Report Data

Collections Summary

General Fund
CBR Fund
Tax collections

FY 2015	FY 2014	FY 2013	FY 2012
\$38,584,656.00	\$23,291,213.00	\$46,731,382.00	\$40,642,185.00
\$70,552.64	\$166,087.00	\$56,308.00	\$53,648.00
\$38,655,209.00	\$23,457,300.00	\$46,787,690.00	\$40,695,833.00

Tax Collections Information
from FY2012 - FY2015



Tax Collections Information
for FY 2015

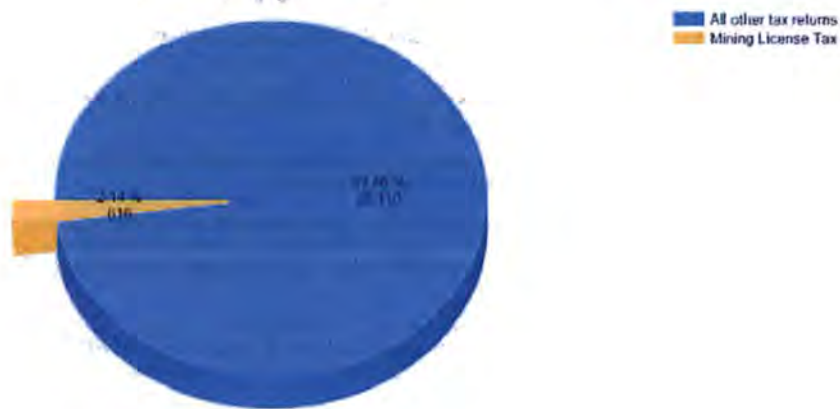


Filing Information

Number of returns
Number of taxpayers

FY 2015	FY 2014	FY 2013	FY 2012
616	461	514	650
468	366	452	551

Returns filed for FY 2015



Mining License Tax Credits

Education - AS 43.55.019 - Taxpayers are allowed a non-transferrable, non-refundable credit for cash contributions to Alaska universities and accredited nonprofit Alaska two-year or four-year colleges for facilities, direct instruction, research, and educational support purposes. The tax credit can also be taken for donations to a school district or state-operated vocational technical education and training school for vocational education courses, programs, and facilities. Donations for Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership also qualify. Contributions to the Alaska Higher Education Investment Fund established in 2012 qualify. The credit is 50% of the first \$100,000, 100% of the contribution over \$100,000 and up to \$300,000 and 50% of the remaining amount over \$300,000. The total allowable credit per year for all affiliated taxpayers may not exceed \$5 million.

Qualifying education tax credits to include cash contributions by taxpayers to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the United States Department of Labor under 29 U.S.C. 50 – 50b for direct instruction, research, and educational support purposes. In addition, tax credits for certain taxpayers are available for cash contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, funding for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Department of Education and Early Development, or certain qualified childhood early learning and development programs. Tax credits are also available for cash contributions by certain taxpayers for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

Motor Fuel Tax

Date Range: 2012 to 2015

AS 43.40

DESCRIPTION

Alaska levies a motor fuel tax on motor fuel sold, transferred, or used within Alaska. The Division collects motor fuel taxes primarily from wholesalers and distributors that hold "qualified dealer" licenses issued by the Division.

RETURNS

Mining licensees file annual returns based on the mining business' fiscal year. Calendar year returns and payment of tax are due April 30. Fiscal year returns and payment are due before the first day of the fifth month after the close of the fiscal year.

RATES

Fuel Type	Rate/Gallon
Highway	\$0.08
Marine	\$0.05
Aviation Gasoline	\$0.047
Jet Fuel	\$0.032

Taxpayers file returns and make payments monthly. There are four separate returns: diesel, gasoline, aviation, and gasohol.

The due date is the last day of the month following the month of sale or taxable use. Taxpayers may deduct 1% of the tax due, limited to a maximum of \$100 per return, as a credit for timely filing.

REFUNDS

Consumers may claim a refund for the full tax rate if the consumer paid the full tax rate at the time of purchase and then used the fuel for exempt purposes. Consumers may also claim a partial refund of the tax if a higher rate was paid at the time of purchase or if the consumer used the fuel for partially exempt purposes. Resellers, usually retailers, may claim a refund for the full tax if the reseller paid the tax, and then sold the fuel for exempt use and did not collect the tax.

EXEMPTIONS

In addition to sales between qualified dealers, the following sales and use are exempt from motor fuel tax: heating, federal, state, and local government agencies, foreign flights (jet fuel), exports, charitable institutions, bunker fuel (residual fuel oil or #6 fuel oil).

DISPOSITION OF REVENUE

The Division deposits revenue derived from motor fuel taxes into the General Fund. Revenue from each category of fuel is accounted for separately in the Division's tax accounting system. For example, proceeds from tax on motor fuel used in boats and watercraft are deposited in a special watercraft fuel tax account and proceeds from tax on motor fuel used in highway vehicles are deposited in a special highway fuel tax account within the General Fund. The Division shares with the respective municipalities 60% of taxes attributable to aviation fuel sales at municipally owned or operated airports. All other proceeds of the taxes on aviation fuel are deposited into a special aviation fuel tax account.

HISTORY

The motor fuel tax dates back to 1945 when the legislature imposed a tax of **\$0.01 per gallon on all motor fuel**. Over time, the legislature enacted separate tax rates for each of the fuel types as they exist today. Motor fuel tax rates have changed as in the table on the following page.

1994 - The legislature enacted a tax decrease for bunker fuel. The tax rate decreases from \$0.05 to \$0.01 per gallon on bunker fuel sales exceeding 4.1 million gallons. The tax decrease expired on June 30, 1998.

1997 - The legislature repealed the gasohol exemption. The legislature enacted a provision that reduces the tax on gasohol from \$0.08 to \$0.02 per gallon in areas and at times when the use of gasohol is required. However, gasohol has not been required since the winter of 2002-2003 and gasohol is currently taxed at the full tax rate of \$0.08 per gallon.

- Legislation was also passed that fully exempted gasohol blended with at least 10% alcohol derived from wood or seafood waste. The legislation expired on June 30, 2004.

- The legislature expanded the foreign flight exemption to include flights originating from foreign countries in addition to the existing exemption for flights with a foreign destination. The legislation included a permanent exemption for bunker fuel (residual fuel oil known as #6 fuel oil) which nullified the 1994 bunker fuel tax rate reduction.

1998 - The legislature authorized taxpayers to take a "bad debt" credit for sales deemed to be worthless and for sales to persons who filed bankruptcy. The provision expired July 1, 2008.

2003 - The legislature enacted legislation that made it easier for the state to issue motor fuel excise tax refunds for credit card purchases made by federal, state, and local government agencies.

2004 - The provision that exempted gasohol blended with at least 10% alcohol derived from wood or seafood waste from the motor fuel tax expired on June 30, 2004. Currently all gasohol is taxed at the rate of \$0.08 per gallon.

2008 - In special session, the legislature suspended the motor fuel tax on all fuel types effective September 1, 2008 through August 31,

2009 - Motor fuel distributors were required to file monthly reports of all fuel sales during the period of suspension.

2009 - The motor fuel tax was reinstated effective September 1, 2009.

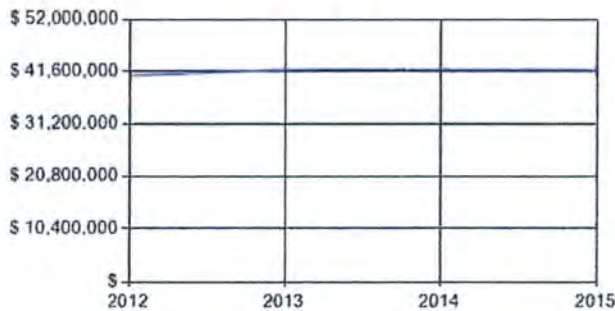
Overview and Historical Overview
Annual Report Data

Gallons

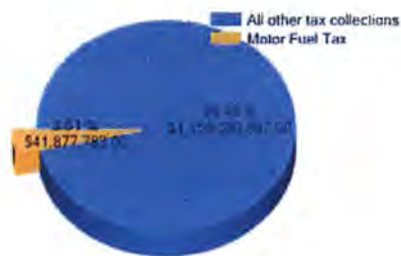
Highway Fuel
Marine Fuel
Jet Fuel
Aviation Gasoline

	FY 2015	FY 2014	FY 2013	FY 2012
Highway Fuel	374,019,732	379,572,822	378,672,128	367,035,083
Marine Fuel	107,103,978	102,852,004	112,801,467	107,911,855
Jet Fuel	128,518,587	130,031,397	129,292,793	122,194,835
Aviation Gasoline	10,198,411	9,973,348	10,028,550	11,358,555

Tax Collections Information from FY2012 - FY2015



Tax Collections Information for FY 2015

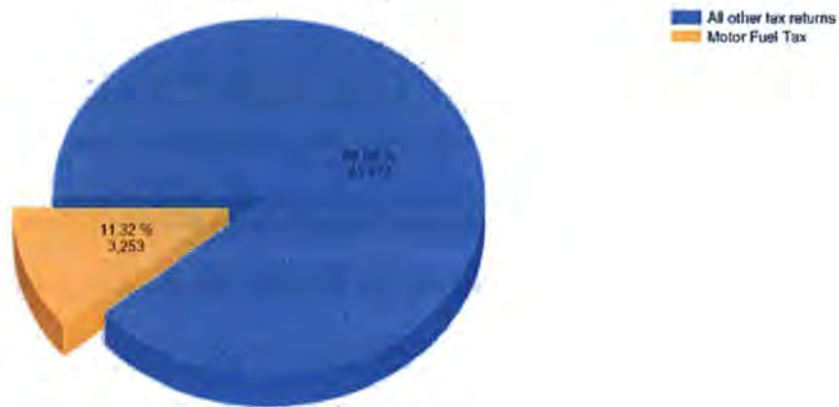


Collections Summary

Highway Fuel
Marine Fuel
Jet Fuel
Aviation Gasoline
Penalties, interest & refunds
Total Receipts
Aviation Tax Shared

	FY 2015	FY 2014	FY 2013	FY 2012
Highway Fuel	\$31,958,656.27	\$32,997,249.00	\$31,816,999.00	\$30,640,300.00
Marine Fuel	\$5,076,029.87	\$4,833,280.00	\$5,560,885.00	\$5,864,080.00
Jet Fuel	\$4,371,630.26	\$3,732,799.00	\$4,161,673.00	\$3,893,422.00
Aviation Gasoline	\$496,319.01	\$448,979.00	\$480,195.00	\$534,871.00
Penalties, interest & refunds	\$116,948.96	\$73,545.00	\$37,080.00	\$47,673.00
Total Receipts	\$42,019,584.00	\$42,085,852.00	\$42,056,832.00	\$40,980,346.00
Aviation Tax Shared	(141,801.48)	(155,296.00)	(162,346.00)	(145,658.00)
Total Tax	\$41,877,783.00	\$41,930,556.00	\$41,894,486.00	\$40,834,688.00

Returns filed for FY 2015



Filing Information

Number of returns
Number of taxpayers

	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	3,253	3,339	3,414	3,418
Number of taxpayers	119	243	247	254

Oil & Gas Production Tax

Date Range: 2012 to 2015

AS 43.55

DESCRIPTION

Alaska levies an annual tax on oil and gas produced in the state. The tax is based on the net value of oil and gas, which is the value at the point of production multiplied by the taxable volume, less all lease expenditures allowed under AS 43.55.165. Lease expenditures include certain qualified capital and operating expenditures. The most recent major change to the tax was in Senate Bill 21, passed in 2013 and effective January 1, 2014.

RATE

For FY 15, the production tax rate as revised by SB 21, was 35% of the production tax value of the oil and gas. Tax rates for oil and gas produced from the Cook Inlet are effectively capped at the rate that was imposed on oil and gas produced from each lease or property during the period April 1, 2005 through March 31, 2006. Tax rates for North Slope Gas Used in State are capped at 17.7 cents per Mcf.

RETURNS

Taxpayers are required to report all values, volumes, transportation costs, expenditures, and credits used to calculate their estimated monthly installment payments in the monthly report. The monthly reports are due the last day of the month following the month of activity. Annually, on March 31, taxpayers submit an annual tax return that also "trues up" any tax liabilities or overpayments made throughout the year.

EXEMPTIONS

The tax on oil and gas is levied on all production except for state and federal royalty production. Oil and gas used on a lease or property for drilling, production, or repressuring is not taxed.

CREDITS

The following credits are available for use against the liability of this specific tax: exploration incentive, assignable exploration incentive, education, qualified capital expenditure, well lease expenditure, carried-forward annual loss, transitional investment expenditure, new area development, small producer, alternative credit for exploration, and Cook Inlet jack-up rig tax credits. Some of these credit may also be redeemed by the State of cash. For specific information concerning these credits, see the Description of Credits section.

DISPOSITION OF REVENUE

All revenue derived from the Oil and Gas Production Tax is deposited in the General Fund except that payments received as a consequence of an assessment or litigation are deposited in the Constitutional Budget Reserve Fund (CBRF).

HISTORY

1955 - The legislature enacts an oil and gas production tax of 1% of production value.

1967 - A 1% disaster production tax is enacted to provide relief after the Fairbanks flood.

1968 - The legislature increases oil and gas production tax from 1% to 3% of production value.

1970 - The legislature repealed the disaster oil and gas production tax. The legislature changes the oil production tax to a graduated tax with rates of 3% on the first 300 barrels per day per well, 5% on the next 700 barrels per day per well, 6% on the next 1500 barrels per day per well and 8% on production exceeding 2500 barrels per day per well.

1972 - The legislature establishes a minimum oil production tax based on "cents per barrel" equivalent to % of value tax on oil with wellhead value of \$2.65 per barrel.

1973 - The legislature revises the "stair step" rate schedule to lower production levels. The legislature indexes the cents per barrel minimum to the wholesale price index for crude oil published by the US Bureau of Labor Statistics.

1977 - The legislature raises the nominal gas production tax rate to 10%. The legislature raises the nominal oil production tax rate to 12.25% and adopts the oil and gas economic limit factors.

1981 - As part of legislation that repealed the separate accounting oil and gas corporation income tax, the nominal tax rate on oil produced prior to 1981 was raised to 15% and fields coming into production after 1981 are taxed at 12.25% for five years after which the rate increases to 15%. The oil economic limit factor is now subject to a rounding rule so that if the calculated factor is greater than or equal to 0.7 during the first 10 years of production, the factor is set to 1.0.

1989 - The legislature changes the economic limit factor for oil production taxes to include a field size factor in the formula, fixes the production at the economic limit (not rebuttable) at 300 barrels per well per day, and drops the rounding rule. The legislature fixes production at the economic limit for gas production at 3000 mcf per well per day.

2002 - The legislature authorized credits of up to 50% for contributions of not more than \$100,000 and 75% of the next \$100,000 in contributions made to the Alaska Veterans' Memorial Endowment Fund. The tax credit expired July 1, 2003.

2003 - To encourage drilling for oil and gas within the state, AS 43.55.025 provided a new tax credit for exploration costs. The minimum credit is 20% and the maximum 40% for qualified expenditures.

2005 - Prudhoe Bay area oil fields are aggregated for purposes of calculating the economic limit factor, effective February 1, 2005.

- To expand the tax credit for exploration enacted the previous year, the deadline was extended until July 1, 2010 for qualifying work south of the Brooks Range (i.e. non-North Slope). New rules also changed the 3 mile and 25 mile rules for the Cook Inlet allowing closer distances between potential exploration targets and existing wells and production units.

- The legislature extended and amended the requirements applicable to the credit that may be claimed for certain oil and gas exploration expenses incurred in Cook Inlet against oil and gas production taxes. This legislation also amended the credit against those taxes for certain exploration expenditures from leases or properties in the state. The legislation was signed into law July 21, 2005 with an immediate effective date.

2006 - In August 2006, legislation was passed during a special session that made sweeping revisions to the oil and gas production tax. The Petroleum Production Tax (PPT) established new tax rates on oil and gas production; repealed the economic limit factor; and provided numerous credits for certain qualifying expenditures and taxpayers.

2007 - The legislature amended PPT legislation in a special session that ended November 2007. Like the PPT legislation enacted in 2006, the ACES tax is levied on the production tax value of oil and gas produced in the state. The base tax rate under ACES is 25% (it was 22.5% under PPT) and the progressive surcharge tax rate under ACES is 0.4% for every dollar the production tax value per barrel exceeds \$30 (it was 0.25% on production tax values exceeding \$40 per barrel under PPT). For production tax values greater than \$92.50 per barrel, the progressivity rate changes to 0.1% for every additional dollar of production tax value.

2008 - The legislature amended education credit provisions to include cash contributions accepted for secondary level vocational courses and programs by a school district in Alaska and by a state-operated vocational technical education and training school.

- The alternative credit for exploration was increased from 20 to 30% for certain projects and an oil and gas tax credit fund was established for the cash purchases of tax credit certificates.

2010 - The legislature amended the alternative tax credit provisions to add tax credits for drilling exploration wells using a jack-up rig in the Cook Inlet. The first three unaffiliated persons drilling wells that penetrate and evaluate prospects in the pre-Tertiary zone are entitled to credits of 100%, 90% or 80%, respectively of the first \$25 million of exploration expenditures. Other changes include a new 40% tax credit for well lease expenditures incurred south of 68 degrees North latitude, elimination of the splitting of tax credits for lease expenditures incurred in the state south of 68 degrees North latitude after June 30, 2010, and elimination of the future investment requirement for the purchase of transferable tax credit certificates by the state.

- The legislature amended the education credit by increasing the maximum credit allowed from \$150,000 to \$5 million effective January 1, 2011. In addition, the legislature expanded contributions eligible for the credit to include contributions made for construction and maintenance of facilities by state operated vocational education schools and two or four-year colleges. The increase in the credit from \$150,000 to \$5 million expires December 31, 2013. The maximum credit allowed was to revert to \$150,000 on January 1, 2014. That date was extended in 2011 (see below).

2011 - The legislature enacted legislation extending the date that the \$5 million annual education credit limit expires from January 1, 2014 to January 1, 2021. It is then scheduled to return to \$150,000. In addition, the legislature expanded contributions eligible for the credit to include contributions made after June 30, 2011 to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership.

2012 - The legislature enacted legislation that established a corporate income tax credit for a liquefied natural gas storage facility to be paid out of the oil and gas credit fund. Also, it established a limitation on tax for oil and gas produced from leases or properties outside the Cook Inlet sedimentary basin that do not include land north of 68 degrees North latitude. The tax limitation is set to expire in 2022. Further, exploration tax credits were established for drilling of exploration wells and seismic exploration expenditures in specific areas. These are referred to as the Middle Earth Basin credits.

2013 - On 5/21/2013, SB 21 was signed into law. Major provisions of this law are:

- (1) Production tax rate amended to 35% of the annual PTV in AS 43.55.011(e), and eliminates the progressivity index under AS 43.55.011(g) effective 1/1/2014.
- (2) Established AS 43.55.160(f), which defined production subject to the gross value reduction (GVR). The GVR is 20% of the Gross Value at the Point of Production (GVPP) for production which qualifies.
- (3) Establishes AS 43.55.160(g) which is an additional 10% reduction in GVPP for lease or properties qualifying under AS 43.55.160(f) which all leases have greater than a 12.5% royalty.
- (4) Amends qualified capital expenditure (QCE) credits for area north of 68 degrees North latitude. The law eliminates credits for QCE's incurred after 12/21/2013; however, QCE credits for expenditures incurred south of 68 degrees North latitude remain. Amends qualified capital expenditures incurred south of 68 degrees North latitude are allowed to remain.
- (5) Changed the timing of applicability of credits so that 100% of credits based on expenditures incurred north of 68 degrees North latitude after 1/1/2013 are available for immediate use.
- (6) Carry-forward annual loss credits incurred north of 68 degrees north latitude increase to 45% of excess lease expenditures beginning 1/1/2014 through 12/31/2015, and decrease to 35% of excess lease expenditures beginning 1/1/2016. The credit for annual losses incurred south of 68 degrees North latitude remains at 25%.
- (7) Establishes new non-transferable tax credits based on oil production for lease or properties north of 68 degrees North latitude beginning 1/1/2014. Under AS 43.55.024(i), established a \$5 per barrel credit for oil which qualifies for the GVR under AS 43.55.160(f). The credit ranges from \$8 to \$0 based on the average GVPP per barrel each month.
- (8) Extended the sunset date for the alternative tax credit for oil and gas exploration from 7/1/2016 to 1/1/2022 in AS 43.55.025(b) for exploration wells drilled outside of the Cook Inlet sedimentary basin and south of 68 degrees North latitude. This extension does not apply to the basin credits for exploration wells in AS 43.55.025(m) or the basin credits for seismic exploration in AS 43.55.025(n).
- (9) Extends the sunset of tax limitation on production from leases or properties outside of the Cook Inlet Sedimentary basin and do not include land that is north of 68 degrees North latitude in AS 43.55.011(p) from 2022 to 2027.
- (10) Reduces the interest on delinquent tax liabilities from eleven to three percentage points above rate charged member banks in the 12th Federal Reserve District, and interest is no longer compounded quarterly.

2014 - The Alaska Legislature passed SB 138 which is the enabling legislation to allow the State of Alaska to participate as an equity owner in the Alaska Liquefied Natural Gas (AKLNG) project. The goal of AKLNG is to commercialize North Slope natural gas reserves from the Prudhoe Bay and Point Thomson fields. Among the goals of AKLNG is for the state to receive its royalty gas in kind (RIK) and production tax as gas (TAG) in lieu of receiving royalty and tax payments from the producers supplying the gas to the project. The determination to receive the gas molecules in lieu of cash is subject to a best interest finding. The intent is that the state will receive an amount of gas which is commensurate with its equity ownership in AKLNG infrastructure. AKLNG infrastructure includes a gas treatment plant (GTP) located on the North Slope, an 800 mile natural gas pipeline and a natural gas liquefaction facility located in Nikiski. As an equity owner, and a recipient of the RIK and TAG, the State will bear the burden of marketing and monetizing its portion of the gas. The legislation includes several changes to the oil and gas production tax statutes which take effect on and after January 1, 2022. A summary of the significant changes are:

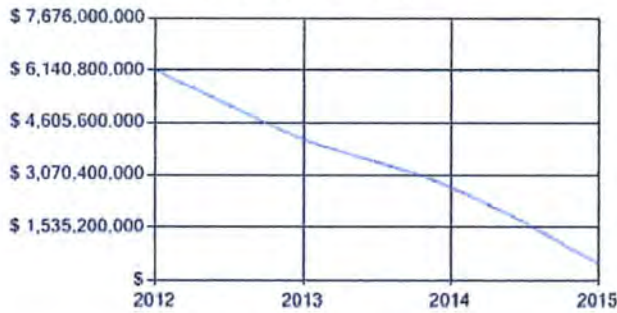
- 1) The production tax for gas produced on and after January 1, 2022 is equal to 13 percent of the gross value at the point of production of the taxable gas.
- 2) The production tax on oil produced on and after January 1, 2022 is 35% of the annual production tax value of the taxable oil. The production tax value of the oil taxable under AS 43.55.011(e)(3) includes the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore for, develop, or produce oil and gas deposits in the state that includes land north of 68 degrees North latitude as adjusted under AS 43.55.170.
- 3) The minimum tax will only be applicable to oil produced on and after January 1, 2022 from leases or properties that include land north of 68 degrees North latitude.
- 4) For gas produced on and after January 1, 2022, a producer may make an election to pay the production tax as gas (TAG) for gas produced from oil and gas leases modified under AS 38.05.180(hh.) in lieu of the tax otherwise levied for the gas by AS 43.55.011(e).

Overview and Historical Overview
Annual Report Data

Collections Summary

	FY 2015	FY 2014	FY 2013	FY 2012
Production Tax	\$381,552,649.80	\$2,605,881,507.00	\$4,042,470,567.00	\$6,136,664,298.00
Conservation Surcharges	\$8,149,944.39	\$8,769,150.00	\$7,797,770.00	\$9,448,398.00
General Fund	\$389,702,594.10	\$2,614,650,656.00	\$4,050,268,337.00	\$6,146,112,696.00
CBR Fund	\$134,306,757.80	\$112,416,140.00	\$69,794,551.00	(5,058,795.00)
Total Tax	\$524,009,351.90	\$2,727,066,796.00	\$4,120,062,888.00	\$6,141,053,900.00

Tax Collections Information from FY2012 - FY2015



Tax Collections Information for FY 2015

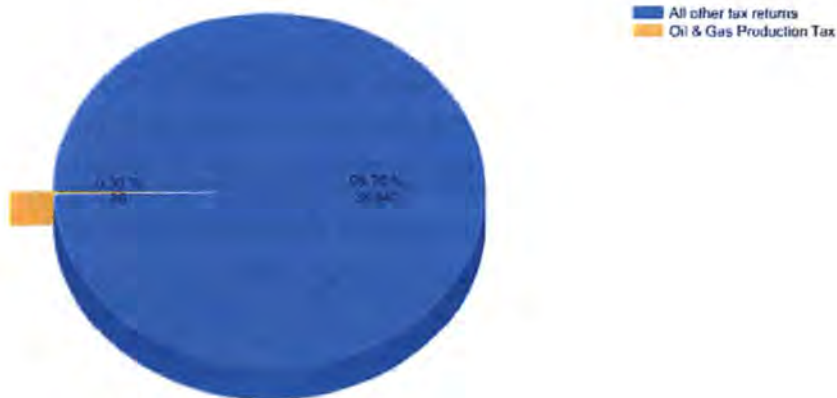


Filing Information

Number of returns
Number of taxpayers

FY 2015	FY 2014	FY 2013	FY 2012
86	60	57	29
64	55	53	19

Returns filed for FY 2015



Oil & Gas Production Tax Credits

Alternative Credit for Exploration - AS 43.55.025 - Taxpayers that incur qualified exploration expenditures are eligible for this credit, which is 30% (20% for work performed prior to July 1, 2008) or 40%, depending on the qualifications of the exploration project. Taxpayers must obtain pre-approval from and submit certain data to the Department of Natural Resources as part of the application process for exploration well projects. Credit applications under AS 43.55.025 are audited prior to issuance of the credit certificates. Certificates must be eventually issued, but the credit may also be applied to tax prior to the issuance of a certificate. The credit is set to expire for North Slope and Cook Inlet areas on July 1, 2016. This credit has been available since 2003 - pre-dating the oil and gas tax law revisions of 2006 and 2007. The scope of this credit is more specific than that provided for under AS 43.55.023.

Carried-Forward Annual Loss - AS 43.55.023(b) - Taxpayers that incur lease expenditures that are not deductible in calculating production tax values generate a "loss carry-forward" and they may apply for a tax credit. The credit rate is 25% for non-North Slope losses and North Slope losses prior to January 1, 2014. The carried-forward annual loss for North Slope is 45% in 2014-2015 and 35% for 2016 forward. These credits are transferable.

Cook Inlet Jack-Up Rig Credit - AS 43.55.025(a) (5) was passed by the legislature in 2010 to incentivize investment in a jack-up rig for use in Cook Inlet. The credit is available to the first three unaffiliated persons that drill an offshore exploration well for oil or gas in Cook Inlet. Credit under this program will be granted for the lesser of 100% of exploration expenditures or \$25 million to the first person who drills a qualifying well under the program. Credit for the lesser of 90% of exploration expenditures or \$22.5 million is available to the second person, and credit for the lesser of 80% of exploration expenditures or \$20 million is available to the third person who drills a qualifying well under the program.

Credit under this program may be granted in the form of a cash reimbursement from the state or it may be applied against tax liabilities. If the drilling under this program results in sustained production of oil or gas, 50% of the amount of the credit received shall be repaid to the state over a 10-year period.

Education - AS 43.55.019 - Taxpayers are allowed a non-transferable, non-refundable credit for cash contributions to Alaska universities and accredited nonprofit Alaska two-year or four-year colleges for facilities, direct instruction, research, and educational support purposes. The tax credit can also be taken for donations to school district or state-operated vocational technical education and training school for vocational education courses, programs, and facilities. Donations for Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership also qualify. Contributions to the Alaska Higher Education Investment Fund established in 2012 qualify. The credit is 50% of the first \$100,000, 100% of the contribution over \$100,000 and up to \$300,000 and 50% of the remaining amount over \$300,000. The total allowable credit per year for all affiliated taxpayers may not exceed \$5 million.

Qualifying education tax credits to include cash contributions by taxpayers to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the United States Department of Labor under 29 U.S.C. 50 – 50b for direct instruction, research, and educational support purposes. In addition, tax credits for certain taxpayers are available for cash contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, funding for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Department of Education and Early Development, or certain qualified childhood early learning and development programs. Tax credits are also available for cash contributions by certain taxpayers for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

Exploration Incentive (Assignable) - AS 41.09.010 - This is a distinct incentive program administered by the Department of Natural Resources. The credit is available to be claimed against royalty obligations, corporate income tax and production tax. Taxpayers may take a credit up to 50% on state land (or 25% on non state lands) of eligible oil and gas exploration expenditures. An approved incentive credit under this statute may not exceed \$5 million per project and is limited to \$30 million per taxpayer.

Exploration Incentive - AS 38.05.180(i) - Lessees of state land drilling an exploratory well or conducting certain seismic exploration on that land are eligible for this credit. The credit is 50% of the cost of the exploration expenditures and may not exceed 50% of the production tax or state royalty against which it is applied. This credit is administered by the Department of Natural Resources, but may be applied to oil and gas production tax.

Frontier Basin Credits - AS 43.55.025(a)(6) and (a)(7) was effective January 1, 2013 to provide tax credits for exploration wells and seismic projects performed after June 30, 2012 and before July 1, 2016, in certain "Frontier Basins" described in AS 43.55.025(p). These sections added credits of 80% of qualifying exploration expenditures up to \$25 million for the first two wells in any single basin and 75% of qualifying seismic exploration expenditures up to \$7.5 million for the first seismic project in each basin. Many requirements must be met with the Department of Natural Resources to qualify for the credits, including pre-qualifications. The credit itself may be applied against a producer's tax liability in the year in which it was incurred and also before the certificate is issued. The credit certificate may be transferred, applied to tax liability, or cashed out with the State under AS 43.55.028 by the original applicant.

New Area Development - AS 43.55.024(a) - Taxpayers that produce in areas outside the Cook Inlet and south of 68 degrees north latitude are eligible for a tax credit of not more than \$6 million per year. This credit sunsets the later of 2016 or the ninth calendar year after first year of production. The credit is not certificated and is not transferable.

Per barrel credits - AS 43.55.024(i) and (j) - Under AS 43.55.024(i), a five dollar per barrel credit is allowed for each barrel of taxable oil produced on the North Slope that qualifies for the Gross Value Reduction (GVR) under AS 43.55.160(f) and (g). Under AS 43.55.024(j), a sliding scale credit of one to eight dollars per barrel is based on the gross value of oil, when prices are below \$150 per barrel, that does not qualify for the Gross Value Reduction (GVR) under AS 43.55.160(f) and (g). These credits may be applied against a tax levied by AS 43.55.011(e). The credits are NOT transferable and are NOT available to be issued as a certificate. An unused tax credit or portion of a tax credit under this section may not be carried forward for use in a later calendar year. The credit may not be used to reduce a tax liability for any calendar year below zero.

Qualified Capital Expenditure - AS 43.55.023(a) - Taxpayers that incur qualified capital expenditures for non-North Slope activity may apply for a 20% credit. This credit, when certificated, is transferable. Taxpayers may also apply the 20% credit to their annual oil and gas production tax filings without certification.

In 2010, the legislature passed AS 43.55.023(f), which allows credit of 40% of qualified well lease expenditures incurred south of 68 degrees North latitude for oil or gas operations. These credits can be applied against production tax liabilities, transferred to another company, or purchased by the state.

Small Producer - AS 43.55.024(c) - Taxpayers with Alaska oil and gas production less than 100,000 BTU equivalent barrels a day are eligible for a small producer credit. When average oil and gas production is no more than 50,000 barrels per day, the credit is \$12 million per year. When production exceeds 50,000 barrels per

day, but is less than 100,000 barrels per day, the credit is allocated based on production volumes. This credit sunsets the later of 2016 or the ninth calendar year after first year of production. The credit is not certificated and is not transferable.

Transitional Investment Expenditure - AS 43.55.023(f) - The "TIE" credit is generated by qualified capital expenditures made during the period April 1, 2001, through March 31, 2006. The credit is 20% of those qualified capital expenditures, not to exceed one-tenth of qualified capital expenditures incurred after March 31, 2006 and before January 1, 2008. Producers and explorers without commercial production in Alaska before January 1, 2008 are eligible for this credit. TIE credit is not transferable and is available until 2013.

Oil & Gas Property Tax

Date Range: 2012 to 2015

AS 43.56

DESCRIPTION

Alaska levies an oil and gas property tax on the value of taxable exploration, production and pipeline transportation property in the state. The Division has established procedures for the three distinct classes of property.

- ▶ Exploration Property - valued on the estimated price which the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer, both conversant with the property and with prevailing general price levels;
- ▶ Production Property - valued on the basis of replacement cost of similar new property, less depreciation based on the economic life of the proven reserves; and
- ▶ Pipeline Transportation Property - generally valued on its economic value relative to the reserves feeding into the pipeline.

RATE

The state tax rate is 20 mills, or 2%, of the assessed value.

RETURNS

Taxpayers file annual returns reporting taxable property as of January 1 of the assessment year. Returns are due on or before January 15. Payment is due on or before June 30.

EXEMPTIONS

Oil and gas reserves, oil or gas leases, and the lease or rights to explore or produce oil or gas are exempt, as are intangible drilling and exploration expenditures. Certain aircraft, motor vehicles, communication facilities, and buildings may be exempt even though they are associated with oil or gas exploration, production, or pipeline transportation. Oil or gas pipeline transportation systems owned and operated by a public utility are exempt.

CREDITS

The following are available for use against the liability of this specific tax: education credit and municipal property taxes paid. For specific information concerning these credits, see the Description of Credits section.

DISPOSITION OF REVENUE

The Division deposits revenue from oil and gas property taxes into the General Fund. Payments received after a tax assessment are deposited into the Constitutional Budget Reserve Fund (CBRF).

HISTORY

The legislature enacted this tax in 1973 during the first special session of the eighth legislature. The state assists local governments by assessing property subject to the tax, ensuring uniform treatment of all taxable property.

2008 - The legislature amended education credit provisions to include cash contributions accepted for secondary level vocational courses and programs by a school district in Alaska and by a state-operated vocational technical education and training school.

2010 - The legislature amended the education credit by increasing the maximum credit allowed from \$150,000 to \$5 million effective January 1, 2011. In addition, the legislature expanded contributions eligible for the credit to include contributions made for construction and maintenance of facilities by state operated vocational education schools and two or four-year colleges. The increase in the credit from \$150,000 to \$5 million expires December 31, 2013. On January 1, 2014, the maximum credit allowed will revert to \$150,000. **2011** - The legislature enacted legislation extending the date that the \$5 million annual education credit limit expires from January 1, 2014 to January 1, 2021. It is then scheduled to return to \$150,000. In addition, the legislature expanded contributions eligible for the credit to include contributions made after June 30, 2011 to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership.

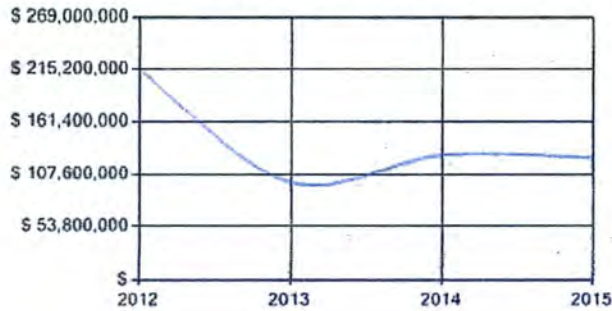
2014 - The legislature passed HB 278 (CH 15 SLA 14) further expanding qualifying Education Tax Credits to include cash contributions to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the United States Department of Labor under 29 U.S.C. 50 - 50b for direct instruction, research, and educational support purposes. In addition, tax credits are available for cash contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, funding for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Department of Education and Early Development, or certain qualified childhood early learning and development programs. Tax credits are also available for cash contributions for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

Overview and Historical Overview
Annual Report Data

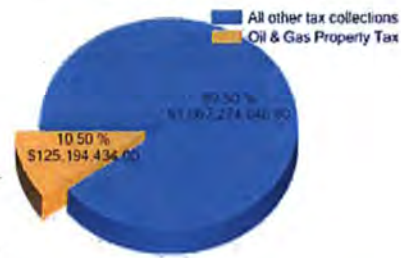
Collections Summary

	FY 2015	FY 2014	FY 2013	FY 2012
General Fund	\$125,185,585.20	\$128,066,886.00	\$99,260,956.00	\$111,179,244.00
CBR Fund	\$8,848.70	\$18,911.00	\$21,122.00	\$104,235,535.00
Total Tax	\$125,194,433.90	\$128,085,796.00	\$99,282,078.00	\$215,414,779.00

Tax Collections Information from FY2012 - FY2015



Tax Collections Information for FY 2015

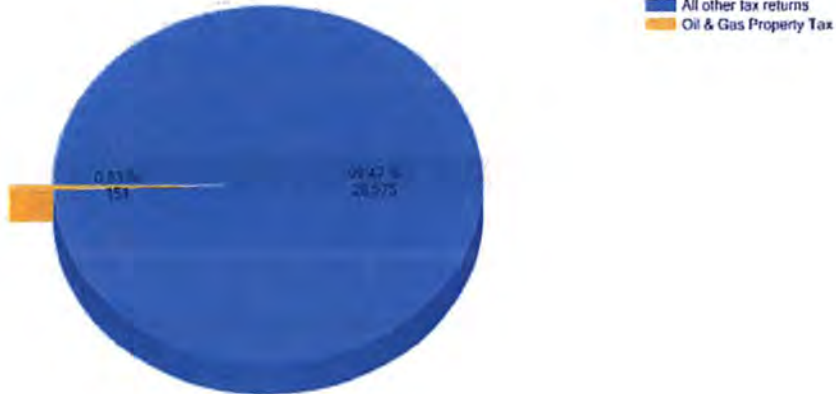


Filing Information

Number of returns
Number of taxpayers

	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	151	150	937	877
Number of taxpayers	151	150	153	147

Returns filed for FY 2015



Oil & Gas Property Tax Credits

Education - AS 43.55.019 - Taxpayers are allowed a non-transferrable, non-refundable credit for cash contributions to Alaska universities and accredited nonprofit Alaska two-year or four-year colleges for facilities, direct instruction, research, and educational support purposes. The tax credit can also be taken for donations to a school district or state-operated vocational technical education and training school for vocational education courses, programs, and facilities. Donations for Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership also qualify. Contributions to the Alaska Higher Education Investment Fund established in 2012 qualify. The credit is 50% of the first \$100,000, 100% of the contribution over \$100,000 and up to \$300,000 and 50% of the remaining amount over \$300,000. The total allowable credit per year for all affiliated taxpayers may not exceed \$5 million.

Qualifying education tax credits to include cash contributions by taxpayers to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the United States Department of Labor under 29 U.S.C. 50 – 50b for direct instruction, research, and educational support purposes. In addition, tax credits for certain taxpayers are available for cash contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, funding for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Department of Education and Early Development, or certain qualified childhood early learning and development programs. Tax credits are also available for cash contributions by certain taxpayers for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

Film Production - Taxpayers may take a credit for certain expenses incurred in producing films in Alaska. The credit is administered by the Department of Revenue. This credit may be transferred.

Municipal property taxes paid - Taxpayers receive a credit against state oil and gas property tax for property taxes paid to municipalities on taxable property. The credit is limited to the amount of state tax otherwise due.

Oil Conservation Surcharges

Date Range: 2012 to 2015

AS 43.55.201/300

DESCRIPTION

Conservation surcharges apply to all oil production in Alaska and are in addition to oil and gas production taxes. Surcharges apply to each barrel of oil produced in the state less any oil the ownership or right to which is exempt from taxation.

RATE AND DISPOSITION OF REVENUE

Each taxable barrel ("bbl") of oil is subject to the following two surcharges:

- 1) Conservation Surcharge (AS 43.55.201) of \$0.01 per barrel. Revenue derived from this surcharge may be appropriated to the response account in the oil and hazardous substance release prevention and response fund. The surcharge is suspended when the balance of the fund is over \$50 million per AS 43.55.221.
- 2) Additional Conservation Surcharge (AS 43.55.300) or \$0.04 per barrel. Revenue derived from this additional surcharge may be appropriated to the oil and hazardous substance release prevention account in the oil and hazardous substance release prevention and response fund.

HISTORY

1989 - Following the grounding of the Exxon Valdez, this tax was enacted in order to provide a hazardous substance release emergency fund. A \$0.05/bbl hazardous release surcharge is imposed on oil production until the newly created hazardous substance release fund achieves a balance of \$50 million.

1994 - The hazardous release surcharge is modified to the so-called "split nickel" with an ongoing charge of \$0.03/bbl and an additional charge of \$0.02/bbl whenever the hazardous substance release fund balance falls below \$50 million.

2006 - The legislature set the Conservation Surcharge rate at \$0.01/bbl and the Additional Conservation Surcharge rate at \$0.04/bbl.

FY 2015 STATISTICS*

*The Oil Conservation Surcharge is reported on the same return and by the same taxpayers as is Alaska's, Oil and Gas Production Tax (AS 43.55). The Division has not segregated program cost and staffing related to each individual tax. The Division reports the total production tax cost and staffing in the Oil and Gas Production Tax section.

Overview and Historical Overview
Annual Report Data

Other Taxes

Date Range: 2012 to 2015

ELECTRIC COOPERATIVE TAX

AS 10.25.540

DESCRIPTION

Alaska levies an electric cooperative tax on kilowatt hours furnished by qualified electric cooperatives recognized under AS 10.25.

RATE

The electric cooperative tax is based on a rate per kilowatt hour (kWh), and on the length of time the cooperative has furnished electricity to consumers as follows: \$0.00025 per kWh for cooperatives that have furnished electric energy and power to consumers for less than five years as of December 31 of the preceding calendar year or \$0.0005 per kWh for cooperatives that have furnished electric energy and power to consumers for five years or longer as of the preceding calendar year.

RETURNS

Electric cooperatives file calendar year returns that are due with payment before March 1 of the following year.

EXEMPTIONS

All qualified electric cooperatives are subject to the cooperative tax. Cooperatives pay the electric cooperative tax in lieu of corporate net income and excise taxes.

DISPOSITION OF REVENUE

The Division deposits all revenue derived from electric cooperative taxes into the General Fund.

Electric cooperative taxes sourced from within municipalities are shared 100% to respective municipalities, less the amount expended by the state in their collection.

The state retains electric cooperative taxes sourced from outside of municipalities.

HISTORY

1959 - The legislature enacted the electric cooperative tax as part of the "Electric and Telephone Cooperative Act" which was adopted to promote cooperatives around the state. The due date for filing electric cooperative tax returns was April 1 of the following year.

1960 - The legislature changed the due date for paying taxes to March 1.

1980 - The legislature changed the tax base for calculating the electric cooperative tax from gross revenue to kWh. The legislature adopted the current mill rates.

REGULATORY COST CHARGES

Utilities AS 42.05.254(e) Pipeline AS 42.06.286(c)

DESCRIPTION

Alaska levies regulatory cost charges (RCC) on regulated utilities. The charges fund the Regulatory Commission of Alaska (RCA) that regulates utilities and pipeline carriers in Alaska. Regulated utilities collect charges from consumers and remit the collections to the Tax Division.

RATE

Rates are available on the Alaska Regulatory Commission's web site at <https://rca.alaska.gov/RCAWeb/RCALibrary/FormsLibrary.aspx>. Select the RCC Quarterly Report Form for calendar year of interest to obtain rates for that period.

RETURNS

Quarterly returns and payment of RCCs are due on the 30th day following the calendar quarter. Utilities and carriers are required to file a copy of the return with RCA.

EXEMPTIONS

Utilities not regulated by RCA are exempt from the RCC program.

DISPOSITION OF REVENUE

The Division deposits all revenue derived from the RCC program into the General Fund. The legislature may make appropriations from the General Fund to fund RCA based on regulatory cost charges collected.

HISTORY

1992 - The Alaska legislature enacted the RCC program to fund RCA's costs of regulating utilities. The RCC legislation provided for a sunset date of December 1994. Rates went into effect through regulations which became effective November 1992.

1994 - In the fall of 1994, RCA promulgated regulations which established RCC rates for FY 1995 on an annualized basis. The regulations took effect December 1994.

1995 - The legislature reauthorized the RCC program that became effective June 1995. In October 1995, RCA adopted regulations to reestablish quarterly payments.

1999 - The legislature authorized separate RCC rates for each regulated utility and changed the methodology for calculating rates.

2007 - Alaska Regulatory Commission implemented online report filing through their web site. RCA assumed responsibility for processing returns and collecting data; the Division continues to collect revenue as required by statute.

TELEPHONE COOPERATIVE TAX

AS 10.25.550

DESCRIPTION

Alaska levies a telephone cooperative tax on gross revenue of qualified telephone cooperatives under AS 10.25. The Division collects taxes from cooperatives.

RATE

The telephone cooperative tax rate is based on revenue and the length of time in which the cooperative has furnished telephone service to consumers as follows:

LENGTH	PERCENT OF REVENUE
Less than 5 years	1%
5 years or longer	2%

RETURNS

Telephone cooperatives file calendar year returns that are due with payment before March 1 of the following year.

EXEMPTIONS

All qualified telephone cooperatives are subject to the cooperative tax. Cooperatives pay the telephone cooperative tax in lieu of corporate net income tax.

DISPOSITION OF REVENUE

The Division deposits revenue from the telephone cooperative tax into the General Fund.

Telephone cooperative taxes sourced from within municipalities are shared 100% to respective municipalities less the amount expended by the state for collection of taxes.

The state retains telephone cooperative taxes sourced from outside of municipalities.

HISTORY

1959 - The legislature enacted the telephone cooperative tax as part of the "Electric and Telephone Cooperative Act" to promote cooperatives around the state. The due date for filing telephone cooperative tax returns was April 1 of the following year.

1960 - The legislature changed the due date for filing returns to "before March 1."

Overview and Historical Overview

Annual Report Data

Regional Seafood Development Tax

Date Range: 2012 to 2015

DESCRIPTION

The seafood development tax is an elective tax levied on certain fishery resources using specific gear types sold in or exported from designated seafood development regions. Fishermen pay seafood development taxes to licensed buyers at the time of sale or to the Division for resources sold to unlicensed buyers or exported from Alaska. Buyers remit taxes collected from fishermen to the Division.

RATE

Commercial fishermen harvesting salmon elected tax rates for the following development regions and gear types:

REGION	RATE	EFFECTIVE
Prince William Sound (drift gillnet)	1%	2005
Bristol Bay (drift gillnet)	1%	2006
Prince William Sound (set gillnet)	1%	2009

RETURNS

Buyers file returns and pay the tax monthly. The due date is the last day of the month following the month of purchase. Buyers file returns for bonus payments made to fishermen after the close of the fishery season. Returns for these payments are due with additional taxes by the last day of the month following the bonus payment. Fishermen selling to unlicensed buyers or exporting from Alaska file returns and pay taxes annually. The due date is March 31 following the year of sale or export.

EXEMPTIONS

Resources harvested under special harvest area permit (typically, salmon harvested on behalf of salmon hatcheries) are exempt from the seafood development tax.

DISPOSITION OF REVENUE

The Division deposits all seafood development tax revenue into the General Fund. Under AS 43.76.380(d), the legislature may appropriate seafood development tax revenue to provide financing for qualified regional seafood development associations.

HISTORY

2004 - The legislature adopted the Seafood Development Tax Act. The Act authorized a tax of between 0.5% and 2%, upon election by commercial fishermen harvesting within designated regions, on fishery resources transferred to buyers in or exported from Alaska.

2005 - Commercial salmon drift gillnet fishermen in the Prince William Sound seafood development region elected a 1% tax.

2006 - Commercial salmon drift gillnet fishermen in the Bristol Bay seafood development region elected a 1% tax.

2009 - Commercial salmon set gillnet fishermen in the Prince William Sound Seafood Development Region elected a 1% tax.

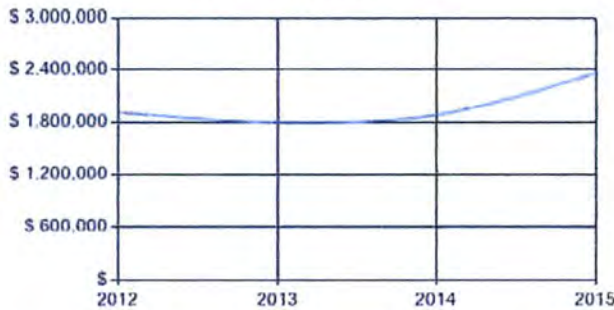
Overview and Historical Overview
Annual Report Data

Collections Summary

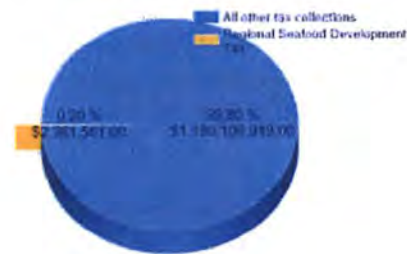
Tax collections

FY 2015	FY 2014	FY 2013	FY 2012
\$2,361,561.00	\$1,886,066.00	\$1,795,302.00	\$1,915,156.00

Tax Collections Information from FY2012 - FY2015



Tax Collections Information for FY 2015

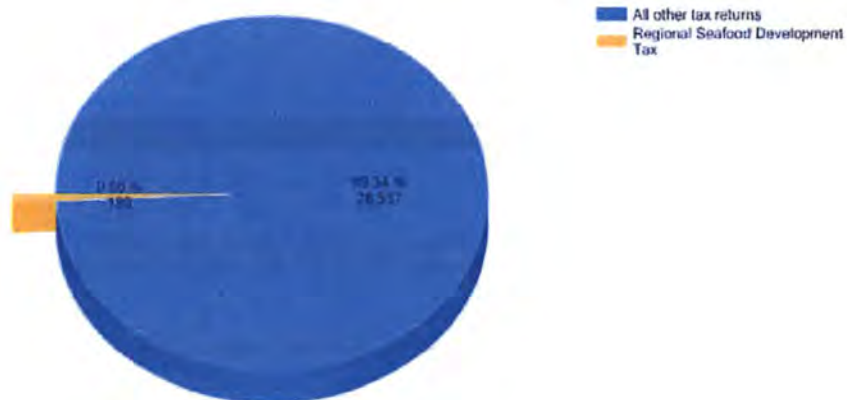


Filing Information

Number of returns
Number of taxpayers

FY 2015	FY 2014	FY 2013	FY 2012
189	186	218	244
34	36	35	41

Returns filed for FY 2015



Date Range: 2012 to 2015

AS 43.76

DESCRIPTION

The salmon enhancement tax is an elective tax levied on salmon sold in or exported from established aquaculture regions in Alaska. Fishermen pay salmon enhancement taxes to licensed buyers at the time of sale, or to the Division for salmon sold to unlicensed buyers or exported from the region. Buyers remit taxes collected from fishermen to the Division.

RATE

Commercial fishermen elected tax rates for the following regional aquaculture associations:

REGION	RATE	EFFECTIVE
Southern Southeast	3%	1981
Northern Southeast	3%	1981
Cook Inlet	2%	1981
Prince William Sound	2%	1985
Kodiak	2%	1988
Chignik	2%	1991

RETURNS

Buyers file returns and pay the tax monthly. The due date is the last day of the month following the month of purchase. Buyers file returns for bonus payments made to fishermen after the close of the fishing season. Returns for these payments are due with additional taxes by the last day of the month following the bonus payment.

Fishermen selling to unlicensed buyers or exporting from the region file returns and pay taxes annually. The due date is March 31 following the year of sale or export.

EXEMPTIONS

Salmon harvested under a special harvest area permit (typically, salmon harvested on behalf of salmon hatcheries) are exempt from the salmon enhancement tax.

DISPOSITION OF REVENUE

The Division deposits all salmon enhancement tax revenue into the General Fund. Under AS 43.76.025(c), the legislature may appropriate salmon enhancement tax revenue to provide financing for qualified regional aquaculture associations.

HISTORY

The legislature adopted the Salmon Enhancement Act in 1980. The Act authorized a 2% or 3% tax, upon election by commercial fishermen within established aquaculture regions, on salmon transferred to buyers in Alaska. Commercial fishermen in Southern and Northern Southeast aquaculture regions elected a 3% tax and Cook Inlet region elected a 2% tax.

1981 - The legislature amended the Act to subject salmon exported from Alaska to the tax.

1985 - Commercial fishermen in the Prince William Sound aquaculture region elected a 2% tax.

1988 - Commercial fishermen in the Kodiak aquaculture region elected a 2% tax.

1989 - The legislature amended statutes to allow for a 1% tax.

1991 - Commercial fishermen in the Chignik aquaculture region elected a 2% tax.

2004 - The legislature authorized additional salmon enhancement tax rates, subject to permit holder elections held by qualified regional associations. In addition to the current 1%, 2%, or 3% options, 10 additional options were made available ranging from 4% to 30%. This legislation clarified who must pay the Salmon Enhancement Tax. When a buyer does not withhold the tax, fishermen must pay the tax with an annual return. The legislation took effect January 1, 2005.

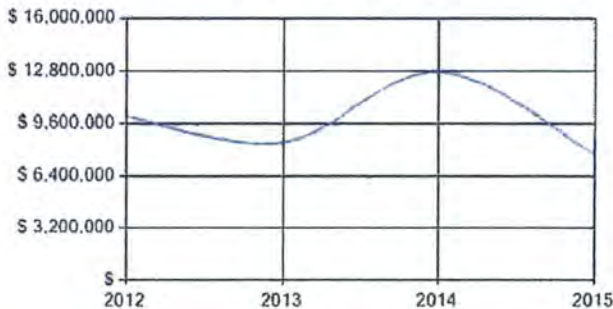
Overview and Historical Overview
Annual Report Data

Collections Summary

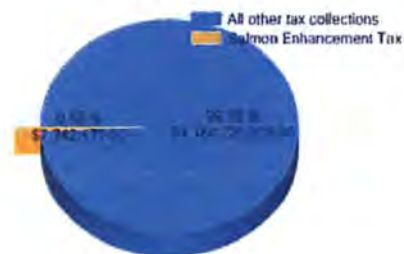
Tax collections

FY 2015	FY 2014	FY 2013	FY 2012
\$7,742,177.00	\$12,779,417.00	\$8,454,033.00	\$10,060,538.00

Tax Collections Information from FY2012 - FY2015



Tax Collections Information for FY 2015

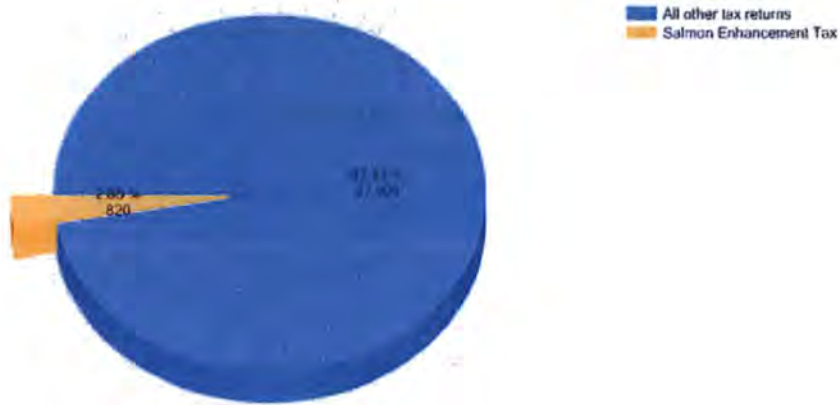


Filing Information

Number of returns
Number of taxpayers

FY 2015	FY 2014	FY 2013	FY 2012
820	938	870	891
190	212	190	202

Returns filed for FY 2015



Seafood Marketing Assessment

Date Range: 2012 to 2015

AS 16.51.120
DESCRIPTION

Alaska levies a seafood marketing assessment on seafood processed or first landed in Alaska. The state also levies the assessment on unprocessed fisheries products exported from Alaska. The Division collects the assessment from seafood processors and fishermen who export fishery resources out of Alaska.

RATE

The seafood marketing assessment is 0.5% of the value of seafood products exported from, processed, or first landed in Alaska.

RETURNS

Taxpayers file calendar year returns with payment before April 1 of the following year. Taxpayers file monthly returns for postseason (bonus) payments made to fishermen after the filing of the calendar year return. Returns for these payments are due with additional assessments by the last day of the month following the bonus payments.

EXEMPTIONS

Processors and fishermen who produce less than \$50,000 worth of seafood products during a calendar year are exempt from the assessment.

DISPOSITION OF REVENUE

The Division deposits all seafood marketing assessments into the General Fund. The legislature may appropriate funds to the Alaska Seafood Marketing Institute

HISTORY

1981 - The legislature enacted an elective seafood marketing assessment of 0.1%, 0.2% or 0.3% (elected by large processors in Alaska). In 1981, processors elected a 0.3% assessment to take effect in calendar year 1982.

1996 - The legislature amended seafood marketing assessment statutes to include fishery resources landed in Alaska. The legislation was retroactive to January 1994. Prior to FY 96, revenue collected from the 0.3% portion of the original 3.3% landing tax rate was accounted for in a separate account designated as (landing tax) seafood marketing assessments.

2004 - The legislature directed the Alaska Seafood Marketing Institute (ASMI) to hold elections and determine whether to retain the assessment and a second election to determine whether to increase the assessment from 0.3% to 0.5%. Elections were held as prescribed by law. The vote retained the Seafood Marketing Assessment, increased the Seafood Marketing rate to 0.5% and eliminated the Salmon Marketing Tax effective January 1, 2005.

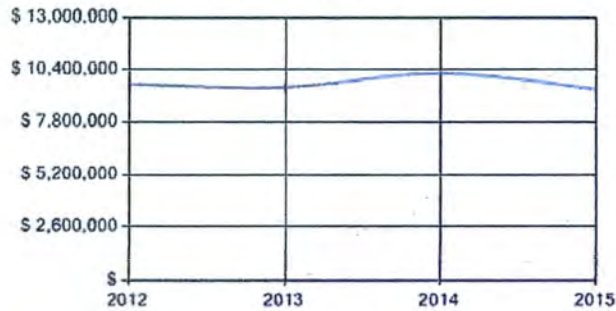
[Overview and Historical Overview](#)
[Annual Report Data](#)

Collections Summary

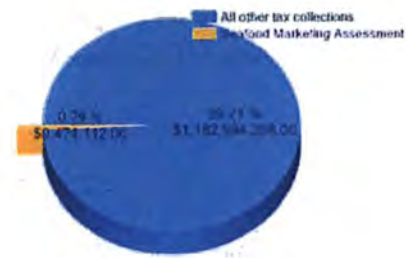
Tax collections

	FY 2015	FY 2014	FY 2013	FY 2012
Tax collections	\$9,474,112.00	\$10,233,058.00	\$9,563,546.00	\$9,710,180.00

**Tax Collections Information
from FY2012 - FY2015**



**Tax Collections Information
for FY 2015**

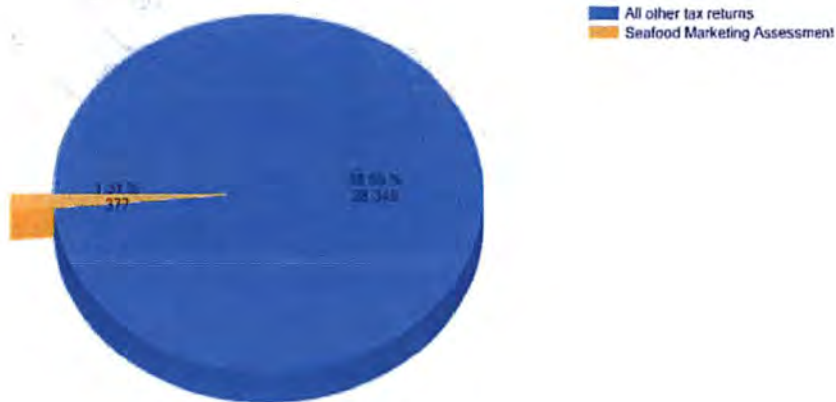


Filing Information

Number of returns
Number of taxpayers

	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	377	448	488	446
Number of taxpayers	130	148	139	154

Returns filed for FY 2015



Telephone Coop

Date Range: 2012 to 2015

**TELEPHONE COOPERATIVE TAX
AS 10.25.550**

DESCRIPTION

Alaska levies a telephone cooperative tax on gross revenue of qualified telephone cooperatives under AS 10.25. The Division collects taxes from cooperatives.

RATE

The telephone cooperative tax rate is based on revenue and the length of time in which the cooperative has furnished telephone service to consumers as follows:

LENGTH	PERCENT OF REVENUE
Less than 5 years	1%
5 years or longer	2%

RETURNS

Telephone cooperatives file calendar year returns that are due with payment before March 1 of the following year.

EXEMPTIONS

All qualified telephone cooperatives are subject to the cooperative tax. Cooperatives pay the telephone cooperative tax in lieu of corporate net income tax.

DISPOSITION OF REVENUE

The Division deposits revenue from the telephone cooperative tax into the General Fund.

Telephone cooperative taxes sourced from within municipalities are shared 100% to respective municipalities less the amount expended by the state for collection of taxes.

The state retains telephone cooperative taxes sourced from outside of municipalities.

HISTORY

1959 - The legislature enacted the telephone cooperative tax as part of the "Electric and Telephone Cooperative Act" to promote cooperatives around the state. The due date for filing telephone cooperative tax returns was April 1 of the following year.

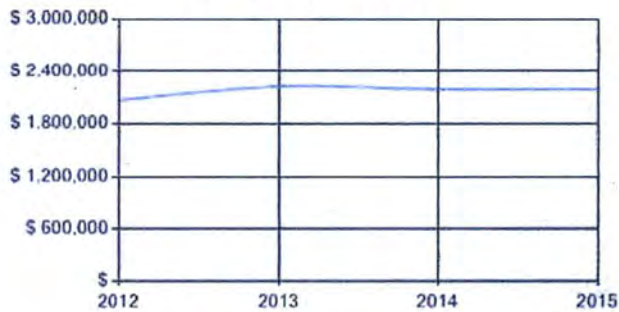
1960- The legislature changed the due date for filing returns to "before March 1."

Overview and Historical Overview
Annual Report Data

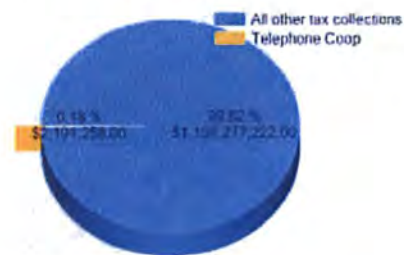
Collections Summary

	FY 2015	FY 2014	FY 2013	FY 2012
Total Tax	\$2,191,257.74	\$2,191,094.00	\$2,222,538.00	\$2,067,213.00
Taxes shared	(1,975,119.44)	(1,971,302.00)	(2,071,131.00)	(1,913,065.00)
Tax retained by state	\$216,138.00	\$219,793.00	\$151,407.00	\$154,147.00

Tax Collections Information from FY2012 - FY2015



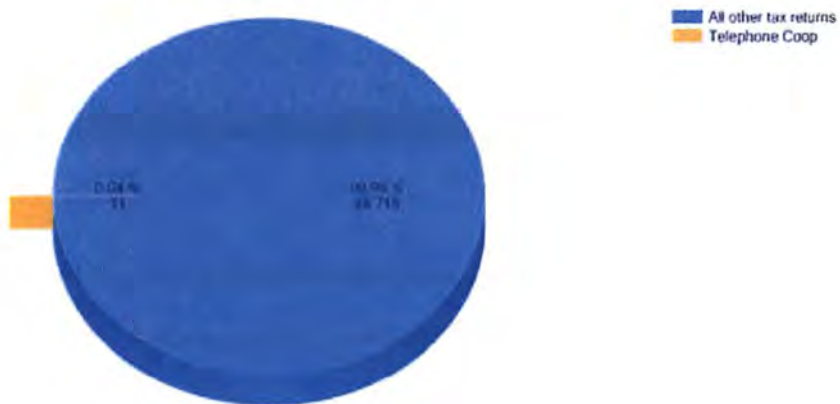
Tax Collections Information for FY 2015



Filing Information

	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	11	7	6	7
Number of taxpayers	7	6	6	7

Returns filed for FY 2015



Tire Fee

Date Range: 2012 to 2015

AS 43.98.025
DESCRIPTION

Alaska imposes a tire fee on all new tires sold in Alaska. An additional tire fee is imposed on the sale of tires with metal studs weighing more than 1.1 grams each (heavy studs). The additional tire fee also applies to the installation of heavy studs in new or used tires. The Division collects tire fees primarily from tire dealerships.

RATE

A \$2.50 tire fee applies to each new tire. An additional \$5 fee applies to each studded tire or stud installation (\$7.50 total tire fee for new studded tires).

RETURNS

Taxpayers are required to file returns and remit fees quarterly. Returns and payment are due 30 days following the calendar quarter in which the new tires were sold or studs were installed.

Taxpayers may retain 5% of the amount collected, limited to a maximum of \$900 per quarter, to cover expenses associated with collecting and remitting fees.

EXEMPTIONS

The following tires and services are exempt if the purchaser provides the tire seller with a certificate of use:

- Tires and services sold to federal, state or local government agencies for official use.
- Tires for resale.

The \$2.50 tire fee does not apply to used tires and certain replacements of defective tires.

DISPOSITION OF REVENUE

The Division deposits all revenue from the tire fee into the General Fund.

HISTORY

2003 - The legislature enacted the tire fee, effective 9/26/2003.

2015 - The legislature passed SB 33 that clarified the return filing date to the last day of the calendar month following the last day of the calendar quarter of the sale or installation. In addition, the five percent cap on the amount retained to cover expenses associated with collecting and remitting the fees was reduced from \$900 a quarter to \$600 a quarter.

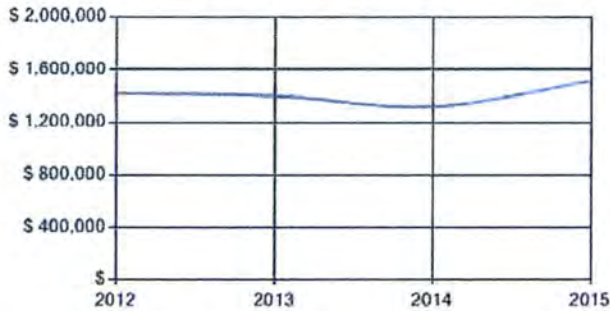
Overview and Historical Overview
Annual Report Data

Collections Summary

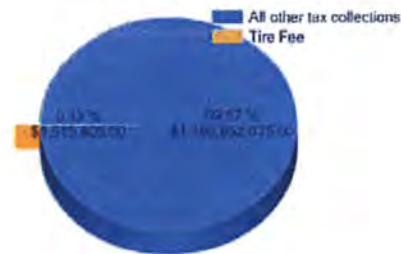
New tires (non-studded)
Studded tires & stud installations
Penalties & interest

	FY 2015	FY 2014	FY 2013	FY 2012
New tires (non-studded)	\$1,133,123.75	\$993,281.00	\$1,008,990.00	\$1,048,855.00
Studded tires & stud installations	\$373,883.14	\$324,771.00	\$373,455.00	\$351,003.00
Penalties & interest	\$8,798.20	\$3,477.00	\$18,435.00	\$20,026.00
Total Tax	\$1,515,805.00	\$1,321,529.00	\$1,400,879.00	\$1,419,884.00

Tax Collections Information from FY2012 - FY2015



Tax Collections Information for FY 2015



Filing Information

Number of returns
Number of taxpayers

	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	297	273	292	315
Number of taxpayers	72	75	81	82

Returns filed for FY 2015



Tobacco Tax

Date Range: 2012 to 2015

AS 43.50

DESCRIPTION

Alaska levies a tax on cigarettes and other tobacco products. The cigarette tax is levied on cigarettes imported into the state for sale or personal consumption. The other tobacco products tax is levied on tobacco products (other than cigarettes) imported into the state for sale. The Division collects tobacco taxes primarily from licensed wholesalers, distributors and retailers.

RATES

Cigarettes - See rates table below. The cigarette tax must be paid through the purchase of cigarette tax stamps.

A stamp must be affixed to the bottom of every pack of cigarettes imported into the state for sale or personal consumption.

Nonparticipating Manufacturer (NPM) Equity Tax - An additional tax of 12.5 mills (\$0.25 per pack of 20 cigarettes) is levied on each cigarette imported or acquired from a manufacturer that did not sign the tobacco Master Settlement Agreement (MSA). All revenue collected from this tax is deposited in the General Fund.

Other Tobacco Products (OTP) - The tax rate on OTP, which includes tobacco products other than cigarettes such as cigars and chewing tobacco, is 75% of the wholesale price. The wholesale price is the established price at which a manufacturer sells tobacco products to a distributor. The Division may adjust the wholesale price upon which tax was calculated if the wholesale price was not established in an arm's-length transaction.

CIGARETTE TAX RATES SINCE JULY 1, 2007

Per	Cigarette	Per 20	
Base Rate (School Fund)	38 mills	\$0.038	\$0.76
Additional Tax (General Fund)	62 mills	\$0.062	\$1.24
Total	100 mills	\$0.10	\$2.00

RETURNS

Taxpayers must pay the cigarette tax by purchasing cigarette tax stamps. The other tobacco products tax is paid at the time a tax return is filed. Tax returns are required to be filed on a monthly basis and are due the last day of the month following the month that cigarette tax stamps were purchased or other tobacco products were imported into the state for sale.

Taxpayers that purchase cigarette tax stamps are entitled to a stamp discount of 3% on the first \$1,000,000 and 2% on the second \$1,000,000 of cigarette tax stamps purchased in a calendar year. The total stamp discount in each calendar year may not exceed \$50,000. Taxpayers who import other tobacco products for sale may deduct 0.4% of the other tobacco products tax due to cover expenses of accounting and filing returns. There is no limit on this deduction.

EXEMPTIONS

Sales to authorized military personnel by a military exchange, commissary, or ship store, and sales by an Indian reservation business located within an Indian reservation to members of the reservation are not subject to the tax.

DISPOSITION OF REVENUE

Cigarette Taxes - Revenue from the base rate is deposited in the School Fund. Revenue from the additional tax is initially deposited into the General Fund. Of the amount deposited in the General Fund, 8.9% of the revenue is deposited into the Tobacco Use Education and Cessation Fund, a subfund of the General Fund.

The Division deposits all cigarette and tobacco products license fees into the School Fund, to be used for the rehabilitation, construction, repair and associated insurance costs of state school facilities.

The Division deposits all revenue from OTP into the General Fund.

HISTORY

The tobacco tax dates to 1949 when the legislature enacted a tax of \$0.03 per pack on cigarettes and #0.02 per ounce on tobacco. There were no exemptions provided in the tax legislation.

1951 - The legislature increased the cigarette tax to \$0.05 per pack.

1955 - The legislature eliminated the tobacco products tax and, although the cigarette tax rate remained at \$0.05, the legislature converted the rate to a mill rate per cigarette (2.5 mills per cigarette). The legislature enacted a 1% deduction provision to cover accounting expenses.

The legislature also created the School Fund and directed all proceeds from the cigarette tax be deposited in this fund.

1961 - The legislature increased the cigarette tax to 4 mills per cigarette (\$0.08 per pack). The legislature dedicated revenue from the additional \$0.03 to the General Fund.

1977 - The legislature exempted military sales from the cigarette tax.

1983 - The Department of Revenue adopted regulations exempting sales of cigarettes by Indian Reservation businesses to members of the reservation.

1985 - The legislature increased the cigarette tax to 8 mills per cigarette (\$0.16 cents per pack).

1988 - The legislature enacted the tobacco products tax imposing a tax of 25% of the product wholesale price. The legislature authorized taxpayers to deduct 1% of the tax to cover accounting expenses.

1989 - The legislature increased the cigarette tax rate to 14.5 mills (\$0.29 per pack of 20).

1997 - Effective October 1, 1997, the legislature increased the cigarette tax rate to 50 mills or \$1 per pack of 20; and the tobacco products tax rate was increased to 75% of wholesale price. The legislature reduced the deduction percentage to cover accounting expenses from 1% to 0.4%.

1999 - Effective June 3, 1999, Alaska became a signatory to the nationwide tobacco Master Settlement Agreement (MSA). The MSA is an agreement between 46 states, including the State of Alaska, and certain cigarette manufacturers which have voluntarily agreed to reimburse states for costs associated with cigarette smoking. The agreement applies only to "participating manufacturers" (those manufacturers who have agreed to participate in the settlement).

The agreement includes language to prevent "nonparticipating manufacturers" (those manufacturers who have not agreed to participate in the settlement) from deriving short-term profits and from becoming judgment-proof before liability arises. This language requires every nonparticipating manufacturer to place funds in an escrow account for each cigarette sold in the state. Per the agreement, the state is responsible to obtain data to determine the amount required to be placed in an escrow account by each nonparticipating manufacturer.

2001 - Effective July 1, 2001, the Department of Revenue gained new tools to enforce the nationwide MSA signed by the major cigarette manufacturers and states. It allows the Department to share information with other states and entities that may aid in the enforcement of the agreement. It also prohibits tobacco products licensees from importing and selling cigarettes in Alaska made by nonparticipating manufacturers that fail to comply with the agreement.

2003 - The legislature required all cigarette manufacturers to certify to the Division that they are either a signatory to the tobacco MSA or in compliance with AS 45.53. The Division is required to post on its website a list of the compliant cigarette manufacturers and their brands. Only those brands of cigarettes included in the list may be sold in Alaska.

2004 - Effective January 1, 2004, the cigarette tax must be paid through the use of cigarette tax stamps. An Alaska cigarette tax stamp must be affixed to each cigarette pack prior to sale, distribution or consumption. Cigarettes found in the state that do not bear a cigarette tax stamp are contraband and subject to immediate seizure by the Department of Revenue or any other law enforcement agency in the state. Additionally, the sale of cigarettes at less than cost is prohibited.

During a special session in June 2004, the legislature passed legislation that:

- ▶ Increased the cigarette tax by 30 mills to \$0.08 per cigarette or \$1.60 per pack of 20 cigarettes, effective January 1, 2005.
- ▶ Levied an additional tax of 12.5 mills or \$0.25 per pack of 20 cigarettes on cigarettes imported into the state for sale or personal consumption if the cigarettes were manufactured by an NPM. An NPM is a manufacturer that did not sign the tobacco MSA. Revenue from the entire cigarette tax increase and the additional tax on NPM product is deposited in the General Fund. Required 8.9% of cigarette tax revenue deposited in the General Fund to be deposited into the Tobacco Use Education and Cessation Fund, effective January 1, 2005. Amounts deposited in the fund may be appropriated by the legislature for tobacco use education and cessation programs.
- ▶ Increased the cigarette tax by 10 mills to \$0.09 per cigarette or \$1.80 per pack of 20 cigarettes, effective July 1, 2006. The revenue from this increase will be deposited in the General Fund.
- ▶ Increased the cigarette tax by 10 mills to \$0.10 per cigarette or \$2.00 per pack of 20 cigarettes, effective July 1, 2007. The revenue from this increase will be deposited in the General Fund.

2008 - Effective August 1, 2008, only fire-safe certified cigarettes can be imported into Alaska.

2010 - The legislature changed the methodology for establishing the minimum price at which cigarettes must be sold.

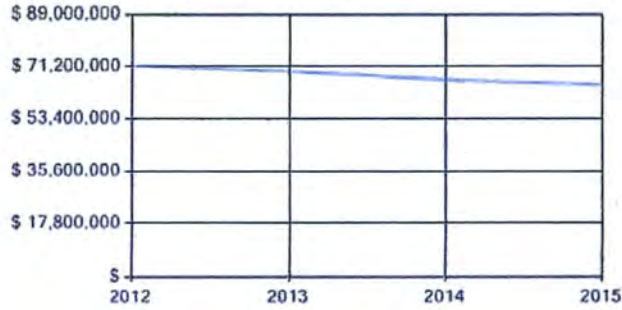
2014 - HB 193 (CH 74 SLA 14) added a new section to AS 43.50.150 granting the Department of Revenue the authority to collect, supervise, and enforce tobacco taxes in a manner that would allow the department to enter into agreements with a municipality to administer tobacco taxes on behalf of the municipality. These agreements may allow the department and a municipality to jointly administer cigarette stamps and audit taxpayers for cigarette/tobacco taxes. The law requires municipalities to reimburse the state for administration costs if the municipality decides to enter into an agreement with the department. The Department of Revenue may also share taxpayer information with municipalities relating to tobacco tax.

Overview and Historical Overview Annual Report Data

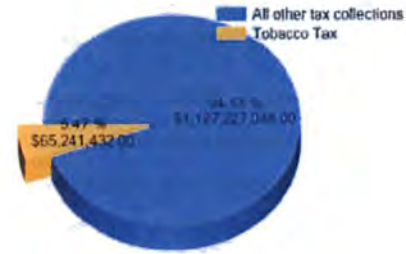
Collections Summary

	FY 2015	FY 2014	FY 2013	FY 2012
Cigarette tax	\$52,790,556.07	\$55,238,631.00	\$57,247,497.00	\$59,630,927.00
OTP tax	\$12,805,976.94	\$12,152,537.00	\$12,599,764.00	\$12,035,633.00
Penalties & interest	\$39,543.26	\$55,563.00	\$81,041.00	\$87,812.00
License Fee	\$3,450.00	\$3,539.00	\$4,950.00	\$4,975.00
Accounting Expense & Stamp Deduction	(398,094.45)	(552,889.00)	(358,591.00)	(353,722.00)
Total Tax	\$65,241,432.00	\$66,897,381.00	\$69,574,661.00	\$71,405,625.00
General Fund	\$40,504,473.00	\$42,840,508.00	\$44,825,681.00	\$45,582,170.00
School Fund	\$21,601,324.73	\$21,006,793.00	\$21,611,515.00	\$22,549,956.00
Education & Cessation Fund	\$3,135,634.56	\$3,050,080.00	\$3,137,465.00	\$3,273,499.00

**Tax Collections Information
from FY2012 - FY2015**



**Tax Collections Information
for FY 2015**



Filing Information

Number of returns
Number of taxpayers

	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	714	900	901	2,447
Number of taxpayers	66	78	101	263

Returns filed for FY 2015



Cigarettes

Total cigarettes reported on tax returns
Military and Indian exempt cigarettes
Cigarette credits for Returns
Taxable cigarettes

	FY 2015	FY 2014	FY 2013	FY 2012
Total cigarettes reported on tax returns	549,993,906	552,548,995	576,510,265	601,742,621
Military and Indian exempt cigarettes	21,912,600	(4,674,586.00)	(4,550,600.00)	(5,004,500.00)
Cigarette credits for Returns	1,059,675	(1,630,510.00)	(2,426,945.00)	(869,780.00)
Taxable cigarettes	527,021,631	546,243,899	569,532,720	595,868,341

Value

Other Tobacco Products
Military and Indian exempt OTP
OTP Credits for Returns
Taxable OTP wholesale

	FY 2015	FY 2014	FY 2013	FY 2012
Other Tobacco Products	\$18,572,760.00	\$17,589,890.00	\$17,143,371.00	\$16,503,897.00
Military and Indian exempt OTP	(148,179.00)	(147,589.00)	(155,400.00)	(151,542.00)
OTP Credits for Returns	(249,805.00)	(325,857.00)	(301,332.00)	(291,079.00)
Taxable OTP wholesale	\$18,174,776.00	\$17,116,444.00	\$16,686,639.00	\$16,061,276.00

Vehicle Rental Tax

Date Range: 2012 to 2015

**AS 43.52
DESCRIPTION**

Alaska levies an excise tax on fees and costs charged for the lease or rental of a passenger or recreational vehicle if the lease or rental does not exceed a period of 90 consecutive days. The tax is levied on individuals renting vehicles and is collected by the rental/lease agency.

RATE

Vehicle Type	Rate (Fees & Costs)
Passenger	10%
Recreational	3%

RETURNS

Vehicle rental/lease agencies file tax returns and remit taxes quarterly. The returns and payments are due the last day of the month following the end of the calendar quarter in which the rental/lease agencies collected the tax.

EXEMPTIONS

Vehicle rental tax does not apply to:

- › rentals or leases to federal, state, local, or foreign government agencies or employees on official business
- › trucks with a gross vehicle weight rating greater than 8,500 pounds used for moving personal property and for vehicles provided to customers by automobile dealers as replacement transportation during warranty, recall or service contract repairs
- › taxi cabs are excluded from the tax under AS 43.52.099. Specifically, taxi cabs do not meet the definition of a "passenger vehicle."

There is no exemption certificate required for taxi cabs. Similarly, rental trucks and replacement transportation do not meet the "passenger vehicle" definition. However, there is an exemption certificate required for these transactions.

DISPOSITION OF REVENUE

The Division deposits all revenue from the vehicle rental tax into a special vehicle rental account in the General Fund. The legislature may appropriate the balance in the vehicle rental tax account for tourism development and marketing.

HISTORY

2003 - The legislature enacted the vehicle rental tax on August 20, 2003. The tax became effective January 1, 2004.

2004 - The legislature exempted the rental of taxicabs by taxicab drivers from the vehicle rental tax. Effective May 8, 2004 and retroactive to January 1, 2004, the Division refunded any tax collected or remitted for taxi cab rentals between January 1 and May 8, 2004.

2006 - The legislature exempted trucks rented by individuals for moving personal property and for vehicles provided to customers by automobile dealers as replacement transportation during warranty, recall or service contract repairs, effective January 27, 2006.

2013 - Effective May 10, 2013, the legislature excluded motorcycles and motor-driven cycles as defined by AS 28.90.990 from the tax.

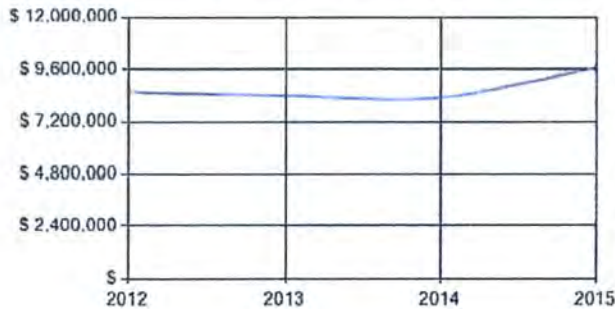
2014 - HB 193 (CH 74 SLA 14) added a new subsection to AS 43.52.080 allowing the Department of Revenue to share taxpayer information with municipalities relating to vehicle rental tax as long as the municipality grants similar privileges to the department, provide adequate safeguards for taxpayer confidentiality and uses the information for tax purposes.

Overview and Historical Overview
Annual Report Data

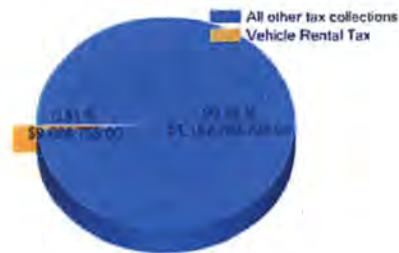
Collections Summary

	FY 2015	FY 2014	FY 2013	FY 2012
Passenger vehicle rental	\$9,215,479.86	\$7,878,448.00	\$8,002,079.00	\$8,132,668.00
Recreational vehicle rental	\$432,721.61	\$396,337.00	\$360,782.00	\$359,002.00
Penalties, interest & refunds	\$50,553.97	\$8,712.00	\$20,130.00	\$37,963.00
Total Tax	\$9,698,755.00	\$8,283,497.00	\$8,382,991.00	\$8,529,633.00

Tax Collections Information from FY2012 - FY2015



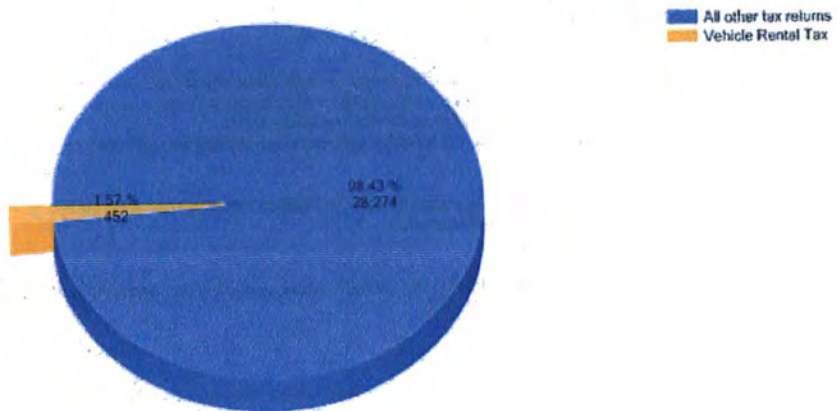
Tax Collections Information for FY 2015



Filing Information

	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	452	429	411	464
Number of taxpayers	114	123	116	118

Returns filed for FY 2015






Canadian Mining Taxation – 2009

Digging deeper*

*connectedthinking

PRICEWATERHOUSECOOPERS 

Canadian Mining Taxation – 2009

Digging deeper

Contents

Index to Exhibits	ii
Abbreviations and Symbols.....	ii
Mining Taxation Help	iii
Introduction	1
Mining Tax Worldwide	1
Canada's Mining Regime	1
What this Guide Provides	1
Basic Framework of the Canadian System.....	2
Federal Income Tax.....	3
Rates of Tax	3
Investment Tax Credits	4
Loss Carryovers	4
Capital Cost Allowance	5
Canadian Exploration Expense	6
Canadian Development Expense	6
Resource Allowance	7
Provincial Mining Taxes and Royalties	8
Qualifying Environmental Trust.....	8
Successor Corporation Rules.....	8
Flow-Through Shares	8
Partnerships	9
Joint Ventures	10
Large Corporations Tax	10
Special Considerations for	
Non-Resident Investors	10
Foreign Operations	11
Foreign Resource Expense.....	12
Foreign Affiliates.....	12
Foreign Investment Entities	13
Functional Currency Election	13

Provincial Income Tax	14
Alberta	14
British Columbia.....	14
Manitoba	15
Nunavut.....	15
Ontario.....	16
Quebec	17
Saskatchewan.....	18

Provincial Capital Tax.....	19
Manitoba	19
Nova Scotia.....	20
Ontario.....	20
Quebec.....	21

Provincial Mining Tax	23
Alberta	23
British Columbia.....	23
Manitoba	25
New Brunswick	27
Newfoundland and Labrador.....	28
Northwest Territories.....	30
Nova Scotia.....	30
Nunavut.....	31
Ontario.....	31
Quebec.....	34
Saskatchewan.....	35
Yukon	37

Appendix 1	
Comparative Summary of Tax Burden on Hypothetical Canadian Mining Operation	39

Appendix 2	
Provincial and Territorial Mining Tax Models	

A - British Columbia	40
B - Manitoba	42
C - New Brunswick	44
D - Newfoundland and Labrador.....	46
E - Northwest Territories	48
F - Nova Scotia.....	50
G - Nunavut	52
H - Ontario	54
I - Quebec	56
J - Saskatchewan	58
K - Yukon	60

(Alberta and Prince Edward Island have no active metallic mineral mines.)

Appendix 3	
Summary of Features of Provincial Mining Tax Legislation	62

Index to Exhibits

	Page
1 Comparative Summary by Province of Tax Burden on a Hypothetical Canadian Mining Operation	3
2 Mechanics of the Class Concept of the Capital Cost Allowance System	5
3 Class 41(a) Capital Cost Allowance	6
4 Federal Taxable Income and Income Tax – Illustrative Calculation	7
5 Major Tax Attributes of Alternative Structures.....	9
6 Functional Currency Election Applicable to Provincial Taxes	13
7 Corporate Income Tax Rates Generally Applicable to Mining	14
8 Capital Tax Rates Applied to Taxable Capital Allocated to the Province	19
9 General Structure of Provincial Capital Tax Computation	19
10 Alberta Metallic Mineral Royalty – Illustrative Calculation.....	23
11 British Columbia Mineral Taxes – Illustrative Calculation.....	25
12 Manitoba Mining Tax – Illustrative Calculation	26
13 New Brunswick Mining Tax – Illustrative Calculation	28
14 Newfoundland and Labrador Mining Tax – Illustrative Calculation.....	29
15 Northwest Territories Mining Royalty – Illustrative Calculation	30
16 Nova Scotia Mining Tax – Illustrative Calculation.....	31
17 Ontario Mining Tax – Illustrative Calculation	33
18 Quebec Mining Duties – Illustrative Calculation.....	35
19 Saskatchewan Mining Tax (Gold and Base Metals) – Illustrative Calculation	36
20 Yukon Mining Royalty – Illustrative Calculation.....	37

Abbreviations and Symbols

CCA	Capital cost allowance
CCDE	Cumulative Canadian development expense
CCEE	Cumulative Canadian exploration expense
CDE	Canadian development expense
CEA	Cumulative expenditure account (British Columbia)
CEDOE	Canadian exploration and development overhead expense
CEE	Canadian exploration expense
CFRE	Cumulative foreign resource expenses
CMT	Corporate minimum tax (Ontario)
FAPI	Foreign accrual property income
FEDE	Foreign exploration and development expense
FIE	Foreign investment entities
FRE	Foreign resource expenses
ICA	<i>Investment Canada Act</i>
ITC	Investment tax credit
LCT	Large Corporations Tax
METC	Mining exploration tax credit (British Columbia)
MMETC	Manitoba mineral exploration tax credit
OCED	Ontario Community and Economic Development
RCA	Reclamation Cost Account (British Columbia)
TIEA	Tax Information Exchange Agreement

ABC

Abbreviations are defined in a box like this.



Major incentive features are highlighted in coloured text and marked in the margin with this shovel icon.

Mining Taxation Help from PricewaterhouseCoopers LLP

To find out more about our mining tax practice and how we can help, please contact one of the following PricewaterhouseCoopers Mining Taxation Group leaders:

Toronto		
John Gravelle (Mining Tax Practice Leader)	416 869 8727	john.gravelle@ca.pwc.com
Lana Paton	416 869 8700	lana.paton@ca.pwc.com
Liam Fitzgerald	416 869 2601	liam.m.fitzgerald@ca.pwc.com
Montreal		
René Albert	514 205 5077	rene.albert@ca.pwc.com
Vancouver		
Garry Eng	604 806 7037	garry.eng@ca.pwc.com

Tax News Network (TNN) provides subscribers with Canadian and international information, insight and analysis to support well-informed tax and business decisions. Try it today at www.ca.taxnews.com.

The Canadian mining industry team at PricewaterhouseCoopers LLP (PwC) has unparalleled resources to help mining companies understand and manage challenges. PwC is the Canadian member firm of the PricewaterhouseCoopers global network, which provides specialized services to more of the world's top global mining companies than any other professional services organization. The global mining practice focuses on delivering professional services to companies of all sizes, across all segments of the industry. Team members with audit, tax and advisory expertise work closely together, providing a holistic approach to address key industry issues. In Canada, PwC is home to the Mining Center of Excellence for firms of the western hemisphere. Our industry professionals are well connected within the industry and have a solid understanding of trends and developments affecting the sector.

The firms of the PricewaterhouseCoopers global network (www.pwc.com) provide industry-focused assurance, tax and advisory services to build public trust and enhance value for clients and their stakeholders. "PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity. More than 155,000 people in 153 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice. In Canada, PricewaterhouseCoopers LLP (www.pwc.com/ca) and its related entities have more than 5,200 partners and staff in offices across the country.

This booklet is intended only to highlight the main features of Canadian mining taxation. The taxation of a Canadian mining operation is a complex matter. Rates and other information are current to September 1, 2009, but may change as a result of legislation or regulations issued after that date.

This publication does not constitute legal, accounting or other professional advice. It is intended only to inform readers of developments as of the date of publication and is neither a definitive analysis of the law nor a substitute for professional advice. Readers should discuss with professional advisers how the information may apply to their specific situations. Unless prior written permission is granted by PricewaterhouseCoopers LLP, this publication may be displayed or printed only if for personal non-commercial use and unchanged (with all copyright and other proprietary notices retained). Unauthorized reproduction is expressly prohibited.

Mining Tax Worldwide

According to some estimates, roughly 60% of the earth's land surface is now open to mineral exploration as a result of changed political and economic policies. Since most new target areas for exploration and development are in developing countries, all countries must balance the need for capital investment to develop their mineral resources with the desire to increase revenues through higher taxation. In conjunction with this competition, developed countries and emerging nations alike have been examining their mineral taxation regimes critically.

For the most part, Canada's mining tax system is considered to be internationally competitive, although some criticisms have been levelled periodically.

Canada's Mining Regime

The Canadian mineral taxation regime has some attractive attributes:

- Mining is a high-risk and capital-intensive industry. The federal and provincial income tax systems and most provincial mining taxes recognize these characteristics by allowing mining companies to recover much of their capital investment before paying taxes.
- The income tax rules recognize the cyclical nature of the mining industry by providing generous loss carry-back and carry-forward rules.
- Generally, producers prefer to pay taxes or royalties that are based on profits, rather than gross royalties or net smelter return royalties. Most provincial mining taxes in Canada are based on net production profits.
- The decision to develop a mine entails a huge commitment for the life of the project. A stable mineral taxation regime is crucial, and Canada's has been stable for many years. Typically, significant changes are implemented through a transparent, consultative process.
- Mining taxation in Canada keeps up with changing times. The income tax system now addresses important trends in the industry, such as globalization, the taxation of hedging gains, the deductibility of mine closure costs and the filing of tax returns in a company's functional currency.

However, Canada's mining tax regime is not perfect. A number of its features are the subject of persistent criticism:

- The federal and provincial governments are relying more and more on non-profit-based taxes as sources of revenue. These include payroll taxes, property taxes, user fees, and similar imposts. Because the producer is a price-taker, these costs cannot be passed on to the customer and must be absorbed by the mining company.
- Mining taxation in Canada is not easy to understand, partly because each province and territory imposes its own mining tax, under systems that vary significantly.

What this Guide Provides

As an aid to understanding Canadian mining taxation, this guide summarizes the main features of the Canadian income and mining tax systems currently in effect throughout the country. Quantitative examples give further insight into the application of the systems (see especially the Appendices).

A variety of distinct business structures have evolved to facilitate mine development, including partnerships, joint ventures, flow-through share financing, farm-ins and royalty arrangements. Normally, a tax regime will accord different treatment to each of these structures, affecting the tax effectiveness of that structure in a given situation. This guide describes the basics of the more common business structures, along with their treatment for tax purposes.

This guide also provides a broad overview of Canada's system for taxation of foreign mining projects, whether held through branches or foreign subsidiaries, and lists some special considerations for non-resident investors in Canada.

Tax Tip

Tax planning tips are also provided to suggest tax-effective methods that can be used in the course of planning a project.

Introduction

Basic Framework of the Canadian System

Canadian mining operations are subject to an essentially three-tiered tax system:

- federal income tax is levied on a mining operation's taxable income (generally being net of operating expenses, depreciation on capital assets and the deduction of exploration and pre-production development costs);
- provincial and territorial income taxes are based on the same (or similar) taxable income; and
- provincial and territorial mining taxes, duties or royalties are levied on a separate measure of production profits or revenues.

Before 2003, taxes imposed under one tier were generally not deductible in determining the taxable base under the other tiers, while the federal system and most of the provincial income tax systems provided indirect relief for the mining tax burden, in the form of a deductible "resource allowance."

From 2003 to 2006, however, federal legislation phased in the deduction for provincial and territorial mining taxes, duties or royalties and phased out the deduction for the resource allowance.

For 2007 onwards, royalties and mining taxes are 100% deductible for federal tax purposes.

The federal, provincial and territorial income tax systems normally segregate a mining operation into four stages:

- 1) exploration and development;
- 2) extraction;
- 3) processing (generally concentrating, smelting, and refining) to the "prime metal stage"; and
- 4) other activities that may be conducted beyond that stage, such as fabricating.

This book deals with the first three stages, which the legislation recognizes as mining activities and accords special treatment and incentives. The final stage generally is treated as manufacturing under tax legislation; different rules apply, which are not discussed here.

An important distinction is made between the pre-production and production phases of an operation. Generally, the two phases are determined by the date of "commencement of commercial production," which is normally considered to be the first day of the first ninety-day period throughout which the mill operated consistently at 60% of capacity or more.

Provincial and territorial mining taxes or duties can be the most significant tax burden on a mining operation (see **Exhibit 1** on page 3). Theoretically, these charges are levied on income from production (as distinct from processing), although the exact rules vary widely among the provinces, along with the treatment of different minerals. Most provincial and territorial regimes allow for some recovery of exploration, development and capital costs before the mine becomes taxable, but again this varies by province.

The income tax and mining tax laws all distinguish among different minerals. The rules described in this guide do not apply to most industrial minerals, such as limestone quarries or sand and gravel pits.



The *Income Tax Act* has many special provisions that pertain to the mining industry. Interpretation of these provisions can create ambiguities regarding the treatment of various tax deductions when determining taxable income for a mining company. The sections below discuss the many considerations that affect the calculation of taxable income.

Rates of Tax

The federal government imposes income tax on mining income at the same basic rate of tax that applies to other types of income.

For December 31, 2009 year ends, the federal corporate income tax rate is 19%, as follows:

Basic federal rate	38%
Provincial abatement	(10%)
Federal rate before reduction	28%
Less: general rate reduction	(9%)
Federal rate	<u>19%</u>

The 10% provincial abatement of federal tax is designed to give the provinces and territories room to impose corporate income taxes. Provincial income tax rates range from 10% to 16% of taxable income (see **Exhibit 7** on page 14). The abatement is available only with respect to taxable income allocated to a Canadian province or territory. Income earned in a foreign jurisdiction is subject to the full rate of federal tax (i.e., for December 31, 2009 year ends: 38% - 9% = 29%), ignoring foreign tax credit relief.

For taxation years beginning after 2006, the general rate reduction applies to Canadian resource profits. Previously, there was a separate reduction for Canadian resource profits, which was eliminated in 2007 with the repeal of the resource allowance deduction.

For December 31 year ends, the 19% federal tax rate will be further reduced, as follows:

	2010	2011	2012
Corporate income tax rate	18%	16.5%	15%

Therefore, as of January 1, 2012, the federal tax rate applicable to resource profits will be 15%.

The calculation of federal taxable income and income tax is illustrated in **Exhibit 4** on page 7.

Exhibit 1: Comparative Summary by Province of Tax Burden on a Hypothetical Canadian Mining Operation

	IRR	Shareholders	Provincial or territorial tax (income and mining)	Federal tax
Ontario	36.4%	\$264,144 [66.0%]	\$68,128 [17.0%]	\$67,830 [17.0%]
Manitoba	36.1%	\$255,437 [63.8%]	\$76,097 [19.0%]	\$68,972 [17.2%]
Saskatchewan	36.4%	\$254,816 [63.6%]	\$76,889 [19.2%]	\$68,801 [17.2%]
Yukon	34.8%	\$246,576 [61.6%]	\$84,198 [21.1%]	\$69,209 [17.3%]
British Columbia	35.7%	\$246,551 [61.6%]	\$88,476 [22.1%]	\$65,360 [16.3%]
Quebec	35.5%	\$246,019 [61.4%]	\$88,595 [22.1%]	\$65,933 [16.5%]
Northwest Territories	35.2%	\$243,318 [60.8%]	\$92,456 [23.1%]	\$64,732 [16.2%]
Nunavut	35.0%	\$241,562 [60.3%]	\$94,212 [23.5%]	\$64,732 [16.2%]
Newfoundland and Labrador	35.0%	\$240,730 [60.2%]	\$100,329 [25.1%]	\$59,116 [14.8%]
New Brunswick	34.9%	\$235,045 [58.7%]	\$109,894 [27.4%]	\$55,567 [13.9%]
Nova Scotia	34.5%	\$228,765 [57.2%]	\$113,760 [28.4%]	\$57,726 [14.4%]

Federal Income Tax

ITC

Investment Tax Credits

Investment tax credits (ITCs) have been largely phased out as tax incentives for capital investment in Canada. An exception is a non-refundable ITC of 10% for certain mining Canadian exploration expenses. This ITC applies to both grassroots exploration and mine development costs, but only for base and precious metals and diamonds. It is available only to corporations, and does not apply to exploration financed by flow-through shares.

Another incentive is the 10% ITC on the cost of qualified property used in the Atlantic provinces and the Gaspé region of Quebec. Finally, ITCs of 20% (35% for certain private corporations) continue to be available for expenditures on qualified scientific research incurred anywhere in Canada.

Tax Tip
R&D expenditures eligible for investment tax credits can include research relating to metallurgy, processing and similar activities.



ITCs are calculated by multiplying the capital cost of the qualified property or the amount of qualified expenditures by the specified percentage. They can be used to fully offset federal income taxes otherwise payable. Unused ITCs can be carried forward twenty taxation years and back three taxation years.

A temporary non-refundable 15% Mineral Exploration Tax Credit is available to individuals who invest in flow-through shares (discussed on page 8). The 2009 federal budget extended this program to March 31, 2010. Shares issued pursuant to these agreements are referred to as “super” flow-through shares. The 15% ITC is available only for certain Canadian exploration expenses (discussed on page 6) incurred relating to surface exploration.

Loss Carryovers

In computing taxable income, non-capital losses can be carried back three years and forward for a number of years, depending on the taxation year in which they arose, as follows:

		Carry-forward period
Taxation years ending	before March 23, 2004	7 years
	after March 22, 2004	10 years
	and before January 1, 2006	
	after December 31, 2005	20 years

Net capital losses can be carried back three years and forward indefinitely.

When control of a company is acquired, all net capital loss carryovers are lost and the subsequent deduction of pre-control non-capital loss carryovers becomes restricted. Generally speaking, pre-control non-capital losses are restricted to a deduction against income from a business that produces the same or similar products. In addition, a tax year is deemed to end immediately before the acquisition of control, effectively accelerating the expiry of any non-capital loss carryover.

CCA Capital Cost Allowance

The capital cost allowance (CCA) system operates on a pool or "class of assets" basis, with separate classes provided for various kinds of depreciable property.

The capital cost of a particular property is added to the appropriate pool or class. Proceeds of disposition (not in excess of the original capital cost) of each property disposed of, plus any ITCs claimed in previous years, are deducted from the class. The prescribed rate of CCA is applied to the net balance in the class to calculate the maximum amount that may be claimed as CCA for a particular taxation year.

In recognition of the fact that assets are acquired throughout a year, for certain CCA classes, only half of the additions to a class are eligible for CCA in the year of acquisition, regardless of the time of year that the assets were acquired.

A taxpayer is entitled to claim any amount of CCA from nil up to the maximum permitted for the class. In certain circumstances, it may be to the taxpayer's advantage to claim less than the maximum amount of CCA available. For example, this occurs when a company may have difficulty using previous years' losses before they expire.

Each pool or class is reduced by the amount of CCA claimed. The balance left in each class at the end of the taxation year

is referred to as the "undepreciated capital cost" of the class and forms the opening balance for the next taxation year. The mechanics of the CCA system are illustrated in **Exhibit 2**.

Generally, only a few principal CCA classes are relevant to the mining industry. Class 41 is the most common, and includes virtually all tangible assets used in a mining operation.

Class 41

Class 41 assets include:

- electrical generating and distributing equipment for use at the mine;
- buildings, machinery and equipment acquired for the purpose of extracting or processing ore;
- processing machinery and equipment acquired for the purpose of gaining or producing income from processing mineral ores to any stage that is not beyond the prime metal stage or its equivalent;
- assets that provide services to the mine or to the community where a substantial proportion of persons ordinarily employed at the mine reside; and
- railway and loading facilities acquired for the purpose of gaining or producing income from a mine, but excluding rolling stock.

Class 41 assets generally qualify for a 25% CCA rate. However, Class 41(a) provides that certain buildings, machinery and equipment may qualify for an accelerated CCA rate of up to 100%.

Class 41(a) permits accelerated CCA on capital acquisitions made before the commencement of production or for the purposes of a major expansion. Class 41(a.1) permits accelerated CCA for the amount of Class 41 acquisitions in excess of 5% of the gross revenues from the mine for the year. The intent of these accelerated rules is to allow the taxpayer to recover the cost of pre-production capital before paying tax. Mining assets that do not qualify for inclusion in Classes 41(a) or (a.1) are included in Class 41(b).



The accelerated CCA claims (over 25%) cannot exceed the lesser of:

- the taxpayer's income from the new mine before the deduction of exploration and development expenses; and
- the remaining balance in the class before the additional claim.

Exhibit 2: Mechanics of the Class Concept of the Capital Cost Allowance System

	Class		Total
	41(a)	41(b)	
Balance, beginning of year	\$100,000	\$0	\$100,000
+ Additions during year	150,000	50,000	200,000
- Proceeds of disposal	0	5,000	5,000
= Balance before CCA	250,000	45,000	295,000 A
Balance upon which CCA may be claimed in current year	250,000	22,500	272,500
x CCA rate	Accelerated (see below)	25%	
= CCA claimed	250,000	5,625	255,625 B
Balance, end of year	\$0	\$39,375	\$39,375 A-B

(in \$ thousands)

Federal Income Tax

Class 41(a) CCA is illustrated in **Exhibit 3**. The rules effectively require Class 41(a.1) accelerated claims to be taken before Class 41(a) accelerated claims. These rules also require that a taxpayer compute income from each mine separately (referred to as “ring-fencing”).

Proper application of these rules requires correct interpretation of engineering and operational processes, such as:

- What constitutes the “prime metal stage”?
- When does production commence?
- What constitutes a separate mine or group of mines?

Available-for-Use Rules

Generally speaking, CCA cannot be claimed until an asset is available for use. An asset is generally considered to be available for use when it is available for the purpose of producing income from the business. Special rules apply to public corporations and to projects involving long construction periods.

Exhibit 3: Class 41(a) Capital Cost Allowance

Assumptions	Class 41 undepreciated balance before claim	\$100,000	A
	Income from new mine before CCA	70,000	B
Computation	Income from mine before CCA	70,000	= B
	Less: Normal CCA	25,000	= A x 25%
	Maximum accelerated CCA	\$45,000	
	Total CCA	\$70,000	= \$25,000 + \$45,000 (in \$ thousands)

Canadian Exploration Expense

CEE

Canadian exploration expense (CEE) consists of virtually all Canadian exploration and pre-production development expenses, including those incurred:

- to determine the existence, location, extent or quality of a mineral resource in Canada, including prospecting, rotary, diamond, percussion or other drilling, geological, geophysical or geochemical surveys, and trenching, test pits and preliminary sampling; or
- before the start of production, to bring a new mine in Canada into commercial production, including the expense of clearing, removing overburden and stripping, sinking a mine shaft, and constructing an adit or other underground entry.

These costs are accumulated in a pool called cumulative Canadian exploration expense (CCEE).

CCEE

A taxpayer can deduct the full amount of its CCEE, to the extent of its income from any source. Any balance not deducted currently is carried forward indefinitely for deduction in future years (see also “Successor Corporation Rules” on page 8).



Canadian Development Expense

CDE

Canadian development expense (CDE) includes:

- the acquisition costs of Canadian resource properties; and
- the cost of mine shafts and main haulage ways or similar underground work incurred after coming into commercial production.

Similar to CCEE, these costs are accumulated in a pool called cumulative Canadian development expense (CCDE). A corporation can deduct up to 30% of the unclaimed balance in the CCDE pool at the end of each year. For short taxation years, the claim is restricted to the fraction that the number of days in the tax year is of 365 days.

CCDE

Any unclaimed balance of CDE can be carried forward indefinitely. The deduction can be claimed whether or not the corporation has income; that is, by claiming CDE, the taxpayer can create a loss, eligible for carryback or carryforward.

Tax Tip

Although the industry generally refers to pre-production costs as "development" costs, for income tax purposes these costs qualify as CEE, not CDE.

Generally speaking, when a taxpayer disposes of a Canadian resource property, the proceeds of disposition are applied to reduce the taxpayer's CCDE balance. If the taxpayer's CCDE balance becomes negative, that amount is included in income.

Determining whether a cost should be treated as CEE, CDE or depreciable property can be difficult in practice. In general, distinguishing between an exploration expense and a development expense depends, among other things, on whether the mine has reached commercial production.

Depreciable property is distinguished from CEE and CDE in that depreciable property includes tangible property and structures that meet the definition of a particular class (e.g., Class 41 definition discussed above). Costs that meet the definitions of both depreciable property and CEE or CDE should be treated as depreciable property.

In summary, CCEE is deductible at a rate of 100% and can generate an ITC, while CCDE is deductible at a rate of 30% per annum. On the other hand, most depreciable property of a mining company (Class 41) is deductible at a CCA rate of only 25% per annum, subject to the acceleration discussed above.

Exhibit 4: Federal Taxable Income and Income Tax – Illustrative Calculation (2009)

Mining revenue	\$10,000
Less: Operating costs	(5,000)
Capital cost allowance (CCA)	(600)
Canadian exploration expense (CEE)	(1,200)
Canadian development expense (CDE)	(50)
Interest expense	(100)
Taxable income	\$3,050
Federal income tax (19%)	\$580

(in \$ thousands)

Note: The deduction for mining tax is ignored in this example.

Resource Allowance

For federal tax purposes, the resource allowance had been repealed for taxation years that begin after 2006. However, the resource allowance will continue to be relevant in Ontario for purposes of computing a notional resource allowance (see page 16).

The resource allowance was calculated as 25% of resource profits, as defined. In general terms, "resource profits" for this purpose were defined as a taxpayer's income from:

- the production and processing (generally meaning concentrating, smelting or refining) in Canada of ore from mineral resources in Canada to any stage that was beyond the prime metal stage (or the pellet stage or its equivalent in the case of iron ore, or the crude oil stage or its equivalent in the case of tar sands); and
- royalties computed with reference to the amount or value of production from mining operations in Canada.

A taxpayer's resource profits for purposes of computing the resource allowance did not include proceeds from the disposition of a resource property.

In computing income from the sources noted above, most deductions claimed in computing income also reduced resource profits, unless the expense was reasonably allocable to a non-resource activity. In computing resource profits, no deduction was claimed for interest and other financing expenses or for expenditures in respect of CEE and CDE, with the exception of overhead expenses that qualify as Canadian exploration and development overhead expense (CEDOE).

CEDOE

CEDOE is defined to include any CEE or CDE in respect of:

- administration or management;
- maintenance, taxes, insurance or rent for property that is not used "substantially all" for the purpose of exploration or development; or
- the profit component of certain payments made to a person that is "connected" with the taxpayer (generally, a person holding a 10% interest or more in the taxpayer).

The resource allowance was a complex determination, because classifying expenses pertaining to resource or non-resource activities could be difficult. For example, a reasonable portion of corporate administrative expenses had to be allocated in the determination of resource profits.

Federal Income Tax

However, there was no hard-and-fast way of making this allocation and the Canada Revenue Agency generally assessed it case-by-case because there were no legislative methods. Whatever method was chosen had to be applied consistently, unless substantial changes in the company's operations justified a different methodology.

Provincial Mining Taxes and Royalties

Commencing in 2007, mining taxes and royalties paid to a province or territory are deductible in computing income for federal income tax purposes. Before 2007, indirect relief of the mining tax burden was provided in the form of a deductible "resource allowance."

Qualifying Environmental Trust

Reclamation requirements imposed by provincial and federal authorities are continually increasing, along with the demands on the mining industry to provide adequate financial assurances to guarantee performance. Under general principles, amounts accrued in respect of the obligations, in advance of incurring the actual reclamation expenditures, are not deductible for income tax purposes. To help match these expenses so they are deductible in the years that income is generated, contributions to a qualifying environmental trust are deductible by the taxpayer in the year that the contribution is made. Payments received from the trust are included in the taxpayer's income in the year in which they are received. In addition, income earned by the trust is taxable each year at corporate income tax rates, resulting in an element of double taxation.

Successor Corporation Rules

The income tax legislation dealing with exploration and development expenditures reflects an underlying policy that income tax relief should be available in respect of those expenditures, even to a taxpayer that did not necessarily incur the expense (as long as a deduction is claimed only once in respect of any particular expense). To this end, the so-called "successor corporation" rules of the *Income Tax Act* contain complicated provisions that, in certain circumstances, allow the unclaimed exploration and development expense balances of a particular taxpayer to be "inherited" by another corporation.

If a corporation (the successor corporation) has:

- acquired "all or substantially all" of the transferor's (the predecessor's) Canadian and foreign resource properties; and
- jointly elected with the predecessor in a prescribed manner,

the successor corporation becomes entitled to deduct in subsequent years an amount in respect of the predecessor's unclaimed CCEE, CCDE and FEDE (or FRE) balances. FEDE and FRE are discussed on page 12.

However, the successor corporation's deductions can be applied only to reduce the aggregate income earned by the successor that is reasonably attributable to production from or proceeds of disposition of properties that the predecessor owned at the time of the transfer.

Acquisition of control of a corporation also results in that corporation's exploration and development pools becoming successor pools and being subject to these income-streaming restrictions. The successor rules are extremely complex and can also apply on a winding-up or amalgamation of a corporation.

Flow-Through Shares

Structuring a mineral resource venture through conventional share financing limits the deductibility of the expenses of the venture to the income generated in the corporation that issues the shares. Given the uncertainty inherent in a mineral resource venture, the corporation may not have sufficient income to use otherwise-deductible exploration and development expenses.

Flow-through shares are shares issued by a corporation to a taxpayer, pursuant to an agreement with the corporation under which the issuing corporation agrees to incur exploration and development expenses in an amount up to the consideration paid by the taxpayer for the shares. The corporation "renounces" to the taxpayer an amount in respect of the expenditures, so that the exploration and development expenses are considered for tax purposes to be expenses of the taxpayer. As a result of the corporation's renouncing of the expenses, the shareholder can deduct the expenses as if incurred directly. Only certain CEE and CDE qualify for flow-through. For example, the acquisition cost of a mining property is not eligible for flow-through treatment.



The advantage of flow-through shares is that the shareholder has the opportunity to deduct expenses in the year that the expenses are incurred rather than risk forfeiture of the deduction by the corporation.

Strict time limits govern when the corporation must incur the qualifying expenditure. If the time limits are not complied with, the deduction will not be available to the shareholder.

In certain circumstances, it is also possible to deduct the expenses in the year before they are incurred by the corporation. However, the corporation must pay a special tax each month until the expenditures are actually made, to compensate the government for the time value of money.

Flow-through shares are deemed to have a cost base of nil. Therefore, on sale, the entire proceeds of disposition are normally taxed as a capital gain.

As discussed on page 4, a 15% federal ITC (or Mineral Exploration Tax Credit) is available for certain CEE renounced to individuals pursuant to flow-through share agreements entered into before April 1, 2010.

In addition to the 15% federal non-refundable ITC, four provinces provide eligible individual taxpayers with provincial tax credits for eligible expenditures:

British Columbia	20%
Manitoba	10%, 20% or 30% (see page 15)
Ontario	5%
Saskatchewan	10%

However, these provincial tax credits reduce the amount of the flow-through exploration costs otherwise deductible and the amount of expenditures qualifying for the federal ITC.

Quebec allows a deduction of up to 150% of qualifying expenditures incurred in certain areas. This and other Quebec incentives are discussed on page 17.

Partnerships

A major attraction of partnerships is their ability to flow certain costs through to the partners as they are incurred.

The partnership is treated as a separate taxpayer for only certain purposes, such as calculating income. Once the partnership income is determined, the various partners include their share of partnership income in their respective returns. The calculation and claim for CEE and CDE and the resource allowance is made on the partners' returns rather than at the partnership level. To obtain an allocation of CEE or CDE incurred by the partnership in that year, a taxpayer must be a partner at the end of the partnership's fiscal period.

A partner's ownership interest in the partnership is generally regarded as capital property for tax purposes and gives rise to a capital gain or loss on disposition.

Tax Tip
Joint venture operations can offer more flexibility than a partnership, because venturers can determine their own tax treatment of costs and revenues.

Exhibit 5: Major Tax Attributes of Alternative Structures¹

		Structure		
		Corporation	Partnership	Joint Venture
Who claims	CEE & CDE	Corporation (or shareholders ²)	Partners ³	Co-venturers
	Operating income/loss	Corporation		
	Resource allowance		Partnership ⁴	
	CCA			

- Commercial trust arrangements have unique attributes that differ from the three structures discussed here. While there may be advantages, a major disadvantage is that a trust cannot pass losses on to a beneficiary. A discussion of the taxation of trusts is beyond the scope of this book.
- If flow-through shares are issued (subject to certain restrictions).
- Unless a limited partnership is created, which limits claims to a limited partner's "at-risk" amount.
- Calculated at partnership level, then flows through to partners as part of operating income/loss.

Federal Income Tax

A disadvantage of a partnership is the potential for unlimited legal liability. Limited partnerships can be established to provide limited legal liability for certain partners. However, exploration and development expenses can be deducted by a limited partner only to the extent that the limited partner's investment in the partnership is "at risk."

Joint Ventures

A joint venture is generally an arrangement under which two or more taxpayers contribute the use of their own assets to a project and share expenses and output of the project in agreed proportions. The difference between a joint venture and a partnership for tax purposes is that for tax purposes each venturer is considered to have directly incurred the agreed share of the underlying costs and expenses of the joint venture.

The joint venture is not considered to be a separate entity for tax purposes. Each venturer, by being considered to own a separate share of the venture assets, can deal with that share without affecting the other venturers.

Exhibit 5 on page 9 summarizes distinctions in tax treatment depending on the structure used.

LCT

Large Corporations Tax

The Large Corporations Tax (LCT) was an annual federal capital tax that, before 2006, applied to all taxable Canadian corporations and all other corporations with:

- a permanent establishment in Canada; and
- taxable capital employed in Canada.

Provincial capital tax is also being phased out over the next few years. See pages 19 to 21 for details.

Special Considerations for Non-Resident Investors

Along with most industries, mineral exploration and development is open to foreign investors. The federal government, however, expects that investment to provide identifiable benefits (such as job creation) to Canada and its citizens.

The *Investment Canada Act* (ICA), which is administered by Industry Canada, controls foreign investment. The ICA provides broad restrictions, and most new businesses can be established by filing a notification, without a detailed review. However, acquisition of control of a Canadian business by a non-Canadian requires either notification or, if specified investment thresholds are exceeded, an application for approval. To date, no foreign takeovers have been blocked by the ICA.

Canada has a sophisticated banking/financial services industry and foreign investors can obtain funds locally. Furthermore, the same incentives are available to foreign controlled companies as are available to local investors (e.g., ITCs for research and development expenditures and accelerated CCA for certain mining assets).

Foreign investors in Canada can use all the forms of doing business available to domestic investors, but usually conduct business through one or more separate Canadian corporations. However, as discussed below, initial operation as a branch of a profitable foreign entity may be preferable.

ICA

Thin capitalization

Under Canada's thin capitalization rules (in effect beginning in 2000), interest paid to a non-resident lender by a Canadian resident is subject to a 15% withholding tax. This tax is deductible in only a limited number of cases from the corporation's equity. Debt is calculated as the average of each month's payments. Equity is calculated with reference to both month-end and beginning-of-year balances.

Subsidiary Corporation

Mining corporations face no minimum or maximum capital requirements and local equity participation is not required. Incorporation can be at either the federal or the provincial level and is relatively simple and inexpensive.

Canada imposes no foreign exchange controls or other restrictions on repatriation of profits or capital by foreign investors. The tax rules described in this guide apply equally to all Canadian corporations, whether controlled by residents or non-residents of Canada. Dividends from Canadian residents to non-residents, and a wide variety of other payments including royalties and related-party interest, are subject to non-resident withholding tax at a rate of 25%. This rate may be reduced by an applicable treaty (usually to 5%, 10% or 15%). Canada has an extensive network of tax treaties.

Branch of a Foreign Corporation

The taxable income of a branch is generally calculated on the basis that the branch is a separate entity and tax payable is computed in the same way as for a corporation. One exception to this general rule is that the thin capitalization rules described above currently do not apply to branches. The branch of a foreign corporation pays an additional branch tax on after-tax profits that are not reinvested in qualifying property in Canada. The rate of branch tax is 25%, effectively equivalent to withholding tax on dividends, and likewise may be reduced by an applicable treaty.

Start-up losses of a branch may be deductible against earnings of the foreign parent company, depending on the parent's jurisdiction. Therefore, the use of a branch may be preferred if start-up losses are anticipated.

A branch must keep proper accounting books and records, and file the required tax and other returns. It may have to make head office records, including financial statements, available to the Canada Revenue Agency for audit.

A branch can be incorporated into a Canadian subsidiary on a tax-deferred basis for Canadian tax purposes. The new subsidiary can access the undeducted CCEE and CCDE pools of the branch using the successor corporation rules (discussed on page 8). However, branch losses cannot be carried forward to offset income of the new incorporated entity.

Foreign Operations

Before commencing business in a foreign jurisdiction, a significant decision is whether to carry on activities through a foreign subsidiary or branch.

Branch

A Canadian corporation's income or loss from a foreign branch is included in or deducted from the corporation's income, whether or not the income is remitted to Canada.

Frequently, a taxpayer will carry out initial foreign exploration activities through a branch so that the expenses can be deducted from income in Canada, especially if the realization of foreign revenue will be deferred or unpredictable.

If the Canadian company is taxable in the foreign country, those foreign taxes are creditable against Canadian taxes otherwise payable on income from the particular country. Unused foreign business income tax credits may be carried forward ten years and back three years.

To qualify for a foreign tax credit, the foreign tax must be paid and be an income or profits tax. Payments such as resource royalties and stamp duties will not be eligible for credit but are generally deductible for Canadian tax purposes.

Transfer to a Subsidiary

A Canadian corporation is not allowed a tax-deferred transfer of property to a foreign corporation. Therefore, foreign properties that must ultimately be transferred to a foreign subsidiary should be transferred before significant appreciation in value.

Subsidiary

Active business income of foreign affiliates is not included in Canadian taxable income until remitted to Canada by dividend. Therefore, when significant foreign profits are expected, it may be prudent to carry out activities through a foreign subsidiary.

Federal Income Tax

If the foreign affiliate is resident in, and carries on business in, a country with which Canada has a tax treaty, the active business income is exempt surplus. Dividends received from exempt surplus are not subject to additional Canadian tax. The foreign affiliate's business income that is not exempt surplus is taxable surplus. Any dividends received from taxable surplus are taxable in Canada, with an effective credit for foreign income and withholding taxes paid.

Foreign Resource Expenses

Canadian tax law permits the deduction by a Canadian resident of expenses incurred in acquiring, exploring and developing a foreign resource property owned, or to be owned, by it. For taxation years beginning after 2000, these expenses are referred to as foreign resource expenses (FRE) and are captured in the taxpayer's cumulative foreign resource expense (CFRE) pool. A separate pool is prescribed for each country in which expenses are incurred. For earlier taxation years, these costs were captured in a single pool, and referred to as foreign exploration and development expenses (FEDE).

FRE

CFRE

FEDE

As with CEE and CDE, the FRE incurred by a partnership is allocated to each partner that is a member at the end of the partnership's fiscal period.

A taxpayer can deduct the lesser of its foreign resource income from a country and 30% of the CFRE in respect of that country. The taxpayer will be allowed in aggregate to claim the lesser of 30% of its total CFRE for all countries and its total foreign resource income from all countries for the year. In any case, the taxpayer can claim up to 10% of its total FRE (pro-rated for short taxation years), regardless of the amount of foreign resource income, and thus offset income from other sources.

FEDE can offset foreign resource income from any country, although claiming FEDE can reduce the FRE deduction. Any amount not deductible in a year can be carried forward. As with FRE, the taxpayer can claim up to 10% of its FEDE (pro-rated for short taxation years) even if it has no foreign income.

Foreign Affiliates

Foreign Accrual Property Income (FAPI)

Passive income and certain capital gains earned by a controlled foreign affiliate constitute FAPI and are taxed in Canada on a current basis, whether or not remitted. These provisions prevent Canadian residents from avoiding or postponing Canadian tax by diverting that income to foreign corporations. The rules do, however, permit deductions that effectively allow credit for foreign taxes. Moreover, certain passive income earned by one foreign affiliate from another is excluded from FAPI.

FAPI

Tax Tip

Certain charges paid by an operating subsidiary in a high-tax jurisdiction to an affiliate in a low-tax jurisdiction reduce foreign taxes and do not generate FAPI.

International Holding Companies

Holding companies can be used to minimize withholding taxes on dividend flows and capital gains taxes on divestment. For example, a capital gain realized on the sale of a foreign operating affiliate owned directly by a Canadian company results in immediate Canadian tax. However, if realized by a foreign holding company, the gain may not be immediately taxed. Canadian tax will apply only when this gain is distributed to Canada, but can be deferred by reinvesting the proceeds outside of Canada.

Tax Tip

Offshore holding companies can be used to defer tax on a capital gain arising on the sale of a foreign operating subsidiary. No current tax applies if the holding company reinvests the gain outside of Canada.

Tax Information Exchange Agreements (TIEA)

New rules extend exempt surplus treatment to a foreign affiliate that is resident in a non-treaty country if that country enters into a TIEA with Canada. Canadian companies may find TIEA countries attractive due to the benefits of lower tax rates and the ability to expatriate to Canada with little or no further tax.

TIEA

Reporting Requirements

Canadian taxpayers are required to file an information return (Form T1134-A or T1134-B) in respect of each foreign affiliate. This imposes a significant compliance burden on taxpayers with a large number of foreign affiliates. Failure to comply carries substantial penalties.

FIE Foreign Investment Entities (FIE)

The proposed FIE rules can apply to a taxpayer that holds a participating interest in a non-resident entity (including a non-resident corporation) that is an FIE. For example, a non-resident corporation generally is an FIE if its principal business is an investment business. If the FIE rules apply, the taxpayer is generally required to include an amount in income determined, by applying the prescribed rate of interest to the cost of the taxpayer's interest in the non-resident entity.

Proposed Changes

Proposed changes to the FIE rules are included in Bill C-33, which received first reading in the House of Commons on November 22, 2006. This bill was re-introduced as Bill C-10, which died on the parliamentary order paper on September 7, 2008. The 2009 federal budget announced that the FIE proposals are under review.

Functional Currency Election

Section 261 of the *Income Tax Act* provides new tax calculating currency rules for taxpayers that wish to use their functional currency when determining their Canadian tax results. These rules establish the general requirement for a taxpayer to use the Canadian dollar as its tax calculating currency, and permit the use of the taxpayer's functional currency as its tax calculating currency if the taxpayer qualifies for, and makes a valid functional currency election.

Generally, the rules in section 261 apply in respect of taxation years that begin after December 13, 2007. For example, a Canadian mining company whose books and records of account are in U.S. dollars can elect the U.S. dollar to be its tax functional currency in Canada. The functional currency rules have complex transition rules and anti-avoidance rules that must be considered before making an election.

Exhibit 6 summarizes the positions of the various provinces on the applicability of the functional currency election to provincial tax legislation.

Exhibit 6: Functional Currency Election Applicable to Provincial Taxes

	Provincial Income Tax	Provincial Capital Tax	Provincial Mining Tax
Alberta	Yes ¹	N/A	Undecided ¹
British Columbia	Yes	No	No
Manitoba		N/A	
New Brunswick		Yes	
Newfoundland and Labrador		N/A	
Northwest Territories		Yes	
Nova Scotia		N/A	
Nunavut	Yes ²	Undecided ²	
Ontario	Yes	N/A	
Prince Edward Island	Yes ¹		
Quebec	Yes	N/A	No
Saskatchewan			
Yukon			

1. The province is still examining its approach to tax payments.

2. For taxation years ending after 2008, the functional currency election will apply in Ontario; however, there is some doubt whether the election applies in 2008. See page 16 for information on Ontario.

Provincial Income Tax

Tax Tip

Provincial income tax rates vary, so considerable care should be exercised in allocating taxable income among provinces.

The provinces levy provincial income tax on business income, at rates that range from 10% to 16% (**Exhibit 7**). Generally, these tax rates are levied on federal taxable income allocated to the particular province. However, Alberta, Ontario (for taxation years ending before 2009) and Quebec have particular rules for determining taxable income that differ from the federal rules. Many provinces also have special tax credits. Some of the major differences and credits are discussed in the following sections.

Alberta

Taxable income in Alberta is defined as taxable income for federal purposes, with certain exceptions. Two exceptions warrant particular consideration:

- Although the classes and rates used for CCA are the same as those used for federal purposes, a corporation may choose to deduct different amounts for federal and Alberta income tax.
- Capital taxes that are payable by corporations in other provinces will be non-deductible for Alberta corporate income tax purposes.

Recent Change

With the return to full royalty deductibility for federal purposes after December 31, 2006, there is no further need for the Alberta deduction of Crown royalties. Any unused amounts available for carry forward will expire on December 31, 2013.

British Columbia

British Columbia generally does not vary its taxable income base from the federal taxable income base.

As an administrative concession, British Columbia permits taxpayers to claim CCEE and CCDE that is otherwise deductible federally but that has not been claimed for federal tax purposes. As a result, any exploration expenses that may be available would be used faster than for federal income tax purposes.

Exhibit 7: Corporate Income Tax Rates Generally Applicable to Mining¹

	Provincial Tax Rate %	Combined Federal/Provincial Rate	
		General %	Mining ² %
Alberta	10	29	
British Columbia ³	11	30	
Manitoba ⁴	12	31	
New Brunswick ⁵	12	31	
Newfoundland and Labrador	14	33	
Nova Scotia	16	35	
Ontario ⁶	12	33	31
Prince Edward Island	16	35	
Quebec	11.9	30.9	
Saskatchewan	12	31	
Northwest Territories	11.5	30.5	
Nunavut	12	31	
Yukon	15	34	

1. Rates are those in force at September 1, 2009, have not been pro-rated for rate changes occurring during 2009 and do not reflect reduced rates applicable to a portion of the income earned by Canadian-controlled private corporations or tax holidays for new companies available in some provinces.
2. Commencing in 2007, the general rate reduction applies to resource income (the resource rate reduction no longer applies) in all provinces and territories, except Ontario. As a result, the same corporate income tax rate applies to both general income and resource income in all jurisdictions, except Ontario.
3. British Columbia's rate will decrease to 10.5% on January 1, 2010, and 10% on January 1, 2011.
4. Manitoba's rate decreased from 13% to 12% on July 1, 2009. A further reduction to 11% at an unspecified date has been announced, but no legislation had been introduced at the time of writing.
5. New Brunswick's rate will decrease to 11% on July 1, 2010, 10% on July 1, 2011, and 8% on July 1, 2012.
6. A 2% reduction in the Ontario rate applicable to profits from certain activities including mining is reflected in the provincial tax rate shown and in the combined rate applicable to mining. Reductions to 10% for all activities have been announced, but no legislation had been introduced at the time of writing.

The B.C. Royalty and Deemed Income Rebate was eliminated for tax years starting after 2006. As a result, British Columbia's taxation of the resource sector has been harmonized to the federal system for 2007 and future years (i.e., it provides for full deductibility of provincial resource royalties and taxes).



METC

Expenditures made after July 31, 1998, and before January 1, 2017, by eligible individuals, corporations, and active members of partnerships conducting grassroots mineral exploration in British Columbia, may qualify for the Mining Exploration Tax Credit (METC), if the taxpayer has a permanent establishment in British Columbia and is subject to British Columbia income tax.

The METC is a refundable tax credit that must be claimed within 36 months after the taxation year in which the expense is incurred. In general, qualified expenses include CEE incurred in British Columbia, except for expenses that are considered CEDOE. This tax credit is not available to corporations that earn exempt income, nor for expenses financed using flow-through shares.

An eligible taxpayer can claim a METC of 20% of the amount by which qualified mining exploration expenses incurred by the taxpayer in the taxation year exceed all amounts of assistance in respect of amounts included in the qualifying mining exploration expenses.

The mining flow-through share tax credit program allows individuals who invest in flow-through shares to claim a non-refundable tax credit equal to 20% of the British Columbia flow-through mining expenditures renounced to them by the corporation issuing the flow-through shares. This tax credit expires December 31, 2010.

Manitoba

As in several other provinces, the provincial tax rate (12%) is simply levied on federal taxable income allocated to Manitoba.

The Manitoba Mineral Exploration Tax Credit (MMETC) is specific to mining activities. The MMETC was introduced in 2002 and extended in 2009 to flow-through share agreements entered into before April 1, 2012, to encourage and promote exploration and development of mineral deposits in the province. It is a non-refundable personal income tax credit for resident investors in eligible flow-through shares of qualifying exploration companies. To qualify, exploration activity must be undertaken in Manitoba.



MMETC

Recent Change

The MMETC increased from 10% to 20% for flow-through share agreements entered into after March 31, 2009 and before April 1, 2010. It will increase to 30% for agreements entered into after March 31, 2010 and before April 1, 2012.

Nunavut

The *Nunavut Income Tax Act* uses the same definition of income as the federal rules. The territorial tax rate is 12%.

A Risk Capital Investment Tax Credit has been introduced, which encourages investment in Nunavut. Corporate taxpayers can qualify for tax credits by investing, either directly or indirectly, in corporations that carry on business in Nunavut. However, because this tax credit is available only to private corporations and has restrictions on capital and employees, it has limited application to the mining industry and is not discussed further.

Provincial Income Tax

Ontario

Ontario's corporate income tax, capital tax and corporate minimum tax will be administered by the Canada Revenue Agency commencing with taxation years ending in 2009. As a result, corporations will file a single combined tax return and will pay combined income tax instalments based on a harmonized corporate income tax base. Previously, as discussed below, taxable income may have differed for federal and Ontario purposes.

As stated on pages 8 and 9, the flow-through share tax credit program allows individuals resident in Ontario who invest in flow-through shares issued by a mining exploration company with a permanent establishment in Ontario to claim a refundable tax credit equal to 5% of the Ontario flow-through mining expenditures renounced to them by the corporation issuing the flow-through shares.

Calculation of Taxable Income

Ontario has fully harmonized with the federal definition of corporate taxable income for taxation years ending after 2008. As a result, for mining companies the resource allowance deduction is replaced with an additional tax payable (or a non-refundable credit), calculated as follows:

$$\text{(Adjusted crown royalties – notional resource allowance)} \times (14\% \times \text{Ontario allocation})$$

Adjusted crown royalties is, essentially, the sum of all the mining taxes and crown charges paid. The notional resource allowance is 25% of the corporation's adjusted resource profits. See the discussion of the resource allowance on page 7.

In addition, on harmonization, the additional CCDE deduction for Ontario CDE has been eliminated and a deduction is permitted for FEDE and CFRE.

For taxation years ending before 2009, taxable income in Ontario was defined as taxable income for federal purposes, with certain exceptions. The following exceptions pertained to resource companies:

- Although the classes and rates used for Ontario CCA purposes were the same as those used for federal purposes, the actual amount of CCA deducted annually at the provincial level could have differed from the federal amount, at the taxpayer's discretion.

- A one-time deduction was available with respect to new water and air pollution control equipment purchased for use in Ontario. In the first taxation year that CCA was claimable for a purchase, an additional direct deduction could have been made equal to 30% of the cost of the purchase.
- Ontario excluded from taxable income the portion of the federal investment tax credit that related to qualifying Ontario SR&ED expenditures.
- For Ontario income tax purposes, mining companies were entitled to a 100% deduction for development expenses incurred in Ontario. The equivalent federal deduction is limited to 30%, as noted on page 6.
- Foreign resource properties were considered to be capital property for Ontario purposes, and were eligible for capital gains treatment in the event of a disposition. For Ontario purposes, FEDE (or FRE) were deductible in computing taxable income, but were added to the adjusted cost base of the foreign resource property.



Ontario did not parallel the federal resource tax measures that phased in the deduction of most Crown royalties and charges and phased out the 25% resource allowance (see page 7). Instead, Ontario maintained the 25% resource allowance deduction and prohibited a deduction for Crown royalties and charges.

Transition

A tax credit and debit mechanism will offset the tax gains (when federal tax attributes exceed the Ontario equivalent) and losses (when federal tax attributes are lower than the Ontario equivalent) to corporations caused by the replacement of Ontario tax attributes with federal tax attributes on harmonization. In summary:

- Transitional debit: an additional tax payable that is paid in most cases pro rata over a 5-year period, calculated as:

$$(\text{federal balance} - \text{Ontario balance}) \times (14\% \times \text{Ontario allocation})$$
- Transitional credit: a non-refundable credit that reduces Ontario tax payable over the 5-year period commencing at the transition time, calculated as:

$$(\text{Ontario balance} - \text{federal balance}) \times (14\% \times \text{Ontario allocation})$$

The federal balance and Ontario balance are limited to certain tax attributes as of the last day of the pre-transition taxation year (December 31, 2008, for most). These balances include CCA, CCDE and CCEE.

The transition time is the date for determining a corporation's transitional debit or credit. It is the beginning of the taxation year that includes the beginning of 2009.

CMT

Corporate Minimum Tax (CMT)

Ontario corporations that, on an associated basis, have either gross revenues exceeding \$10 million, or total assets exceeding \$5 million, are subject to a 4% CMT. For taxation years ending after June 30, 2010, the CMT will be levied at a rate of 2.7% on Ontario corporations that, on an associated basis, have at least \$100 million in gross revenues and at least \$50 million in total assets.

Tax Tip

Corporate Minimum Tax is determined at the individual company level. Accordingly, CMT planning opportunities may arise for companies in an associated group.

The CMT is essentially based on income (before tax) for financial statement purposes, with certain adjustments. The CMT is payable only to the extent that it exceeds the regular Ontario corporate income tax liability. Any CMT paid is creditable against regular Ontario corporate income tax payable in the twenty subsequent years. CMT losses can also be carried forward for twenty years. In both cases, no carryback is permitted.

Quebec

Although Quebec legislation generally conforms with the federal *Income Tax Act*, certain differences exist:

- For Quebec income tax purposes, a "development corporation" can deduct 100% of its CCDE in computing its income for a taxation year. In contrast, for federal purposes, taxpayers are generally entitled to a deduction of up to 30% of the CCDE pool at the end of the year.
- A tax incentive is available to individuals who invest in flow-through shares of companies engaged in mineral exploration in Quebec. This incentive, made permanent in 2004, provides that an extra allowance of 25% of eligible exploration expenses incurred in Quebec by an eligible exploration company can be claimed by individual flow-through share investors. A further 25% deduction for certain surface mining exploration expenses incurred in Quebec can be claimed by individual flow-through share investors. Both of these incentives are in addition to the 100% deduction of the exploration expenses that generate the allowances.

- An eligible corporation that incurs eligible expenses (exploration expenses incurred in Quebec) during a taxation year can claim a refundable tax credit, for that year, of between 15% and 38.75% of those expenses. The rate depends on the corporation's status, the type of resource to which the eligible expenses relate and the location of the expenditures. As a result, the normal 100% deduction is not available to the corporation, but instead the corporation receives the refundable tax credit. This credit is not available for expenses financed using flow-through shares.
- For eligible expenses incurred before January 1, 2008, a further non-refundable credit in the range of 15% to 30% of these expenses, brings the maximum total credit to 45% of the eligible expenses. The credit claimed cannot exceed the amount of income and capital taxes payable for a taxation year. For this purpose, income and capital taxes payable are determined before taking into account any other refundable tax credits the corporation may otherwise receive, including the refundable tax credit on eligible expenses. Any excess non-refundable credit can be carried forward ten taxation years and carried back three against income and capital taxes for those years. These tax credits are included in taxable income for both income and mining tax purposes.
- In addition, an individual can earn a non-refundable tax credit on the acquisition of a share of a special designated venture capital company created by the Quebec government. Available until 2011, the credit is 50% (of investments up to \$5,000; \$2,500 before February 29, 2008) of the amount that the individual paid during the year to purchase, as a first acquirer, a share of this designated company. This tax credit can be claimed by an individual residing in Quebec on December 31 of the taxation year during which the shares were acquired.
- To further encourage business development in Quebec, a 10-year tax exemption is available for certain investment projects that give rise to significant job creation. Increase in payroll is the benchmark that determines whether a project fulfils this condition, and will be evaluated based on the facts of each situation. The exemption expires December 31, 2010, and equals 75% of eligible business income. The exemption is reduced if paid-up capital (on a consolidated basis) exceeds \$20 million and is eliminated if it exceeds \$30 million.



Provincial Income Tax

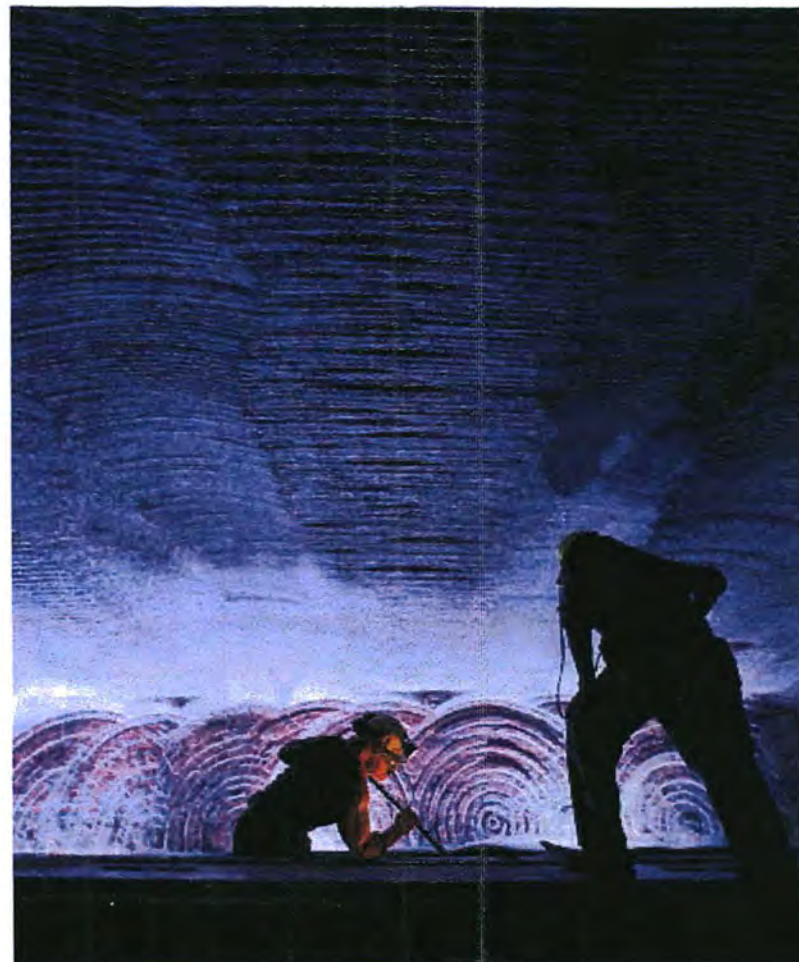
Saskatchewan

Saskatchewan adopts the federal definition of taxable income. However, Saskatchewan had historically allowed a tax rebate against Saskatchewan income taxes payable. This Royalty Tax Rebate was available for a taxation year if non-deductible Crown royalties exceeded the federal resource allowance, and was calculated by multiplying the effective Saskatchewan corporate income tax rate by this excess amount. Effectively, the rebate resulted in a deduction for Saskatchewan income tax purposes equal to the greater of the resource allowance and the actual Crown royalties.

Any rebate in excess of the Saskatchewan corporate income tax of a taxation year was not refunded, but could be carried forward to offset against Saskatchewan corporate income tax in a future year. As a consequence of the federal government's re-introduction of full deductibility of provincial resource royalties for federal and provincial CIT purposes, the Royalty Tax Rebate is no longer necessary and will wind down. Commencing January 1, 2007, the carry-forward period for any outstanding Royalty Tax Rebate balances is limited to seven years.

Recent Change

Saskatchewan's Mineral Exploration Tax Credit for flow-through share agreements entered into after March 31, 2008 is reinstated. The credit is non-refundable and equals 10% of Saskatchewan exploration expenses allocated to investors.



Provincial Capital Tax

Tax Tip

Use surplus funds before year end to pay down trade payables included in the computation of paid-up capital, thereby reducing taxable capital.

In addition to income taxes based on profits, Manitoba, Nova Scotia, Ontario and Quebec impose annual taxes on capital (see **Exhibit 8**). However, these will be phased out by July 1, 2012.

Capital taxes are generally computed in accordance with the structure outlined in **Exhibit 9**. They are calculated as a percentage of taxable capital that is allocated to the province. The method for the allocation of taxable capital to the province is the same as the allocation of taxable income to the province. However, the calculation of taxable capital varies from province to province.

Exhibit 8: Capital Tax Rates Applied to Taxable Capital Allocated to the Province¹

	Rate ²		Rate ²
Manitoba	0.30%	Ontario	Nil
New Brunswick ³	Nil	Quebec	0.24%
Nova Scotia	0.15%	Saskatchewan ⁴	Nil

1. Rates given are those in force as at September 1, 2009, and have not been pro-rated for rate changes occurring during 2009.
2. In some provinces, capital taxes payable or capital tax rates will be lower, depending on the level of taxable capital.
3. New Brunswick's general capital tax was eliminated January 1, 2009.
4. Saskatchewan's general capital tax was eliminated July 1, 2008.

Exhibit 9: General Structure of Provincial Capital Tax Computation

Financial statement capital	(e.g., share capital, contributed surplus, retained earnings)
+ Other inclusions	(e.g., long-term debt, reserves, bank loans and other liabilities)
- Deductions	(e.g., long-term investments, deferred tax assets)
= Net capital	
- Basic exemption	(some provinces only)
= Taxable capital	
x Provincial allocation	(%)
= Taxable capital employed in province	
x Capital tax rate	(subject to threshold exemptions)
= Capital tax payable	

Manitoba

Recent Change

In Manitoba, on July 1, 2008, capital tax was eliminated for eligible manufacturing and processing corporations. For other corporations (excluding Crown corporations), Manitoba's capital tax is being eliminated as follows:

		Taxation year commencing after January 1:			After 2010
		2008	2009	2010	
Taxable capital employed in Manitoba ¹	First \$10 million	Nil			Nil
	> \$10 million and ≤ \$20 million	0.2%	0.1%	Nil	
	> \$20 million and ≤ \$21 million	2.4%	2.3%	2.2%	
	> \$21 million	0.4%	0.3%	0.2%	

1. Before Manitoba's \$10 capital tax deduction, which is shared by associated corporations.

The amount taxable is the portion of taxable paid-up capital that is allocated to Manitoba. Taxable paid-up capital is calculated as the amount by which the aggregate of:

- paid-up capital stock;
 - earned, capital and other surpluses;
 - deferred taxes;
 - reserves not allowed for income tax purposes; and
 - certain loans, advances, and other forms of indebtedness except "certain trade accounts payable";
- exceeds the aggregate of:
- a goodwill allowance;
 - an investment allowance; and
 - exploration and development expenses that have not previously been deducted for income tax purposes.



Typically, trade accounts payable to corporations outstanding for more than 90 days at the end of the fiscal year are excluded from the definition of current accounts payable and therefore are included in the calculation of paid-up capital for Manitoba purposes.

In general, an adjustment to paid-up capital is also required to recognize the timing differences between book and tax claims.

Provincial Capital Tax

Nova Scotia

Corporations in Nova Scotia whose taxable capital, combined with that of related corporations, exceeds \$5 million but is less than \$10 million, are subject to capital tax on the portion of this excess that is employed in Nova Scotia. Corporations with taxable capital of \$10 million or more are subject to capital tax on the full amount of their taxable capital employed in Nova Scotia. Taxable paid-up capital follows the former federal LCT calculation.

Recent Change

Nova Scotia's capital tax will be phased out as follows:

		Rate	Effective date
If taxable capital of related group is:	< \$ 10 million ¹	0.4%	July 1, 2008
		0.3%	July 1, 2009
		0.2%	July 1, 2010
		0.1%	July 1, 2011
		Nil%	July 1, 2012
	≥ \$10 million	0.2%	July 1, 2008
		0.15%	July 1, 2009
		0.1%	July 1, 2010
		0.05%	July 1, 2011
		Nil%	July 1, 2012

1. A \$5 million exemption applies if taxable capital of the related group is under \$10 million.

Ontario

The general capital tax has been eliminated for Ontario companies engaged primarily in manufacturing or resource activities, retroactive to January 1, 2007, for corporations that have employees reporting to a permanent establishment in Ontario on March 25, 2008.

The elimination of capital tax is based on the corporation's salaries and wages related to manufacturing or processing (M&P), mining, logging, farming or fishing activities in Ontario as a percentage of its total salary and wages in Ontario, as follows:

		Capital tax is:
% of salaries and wages related to M&P and resource activities	≥ 50%	Eliminated on January 1, 2007
	> 20% and < 50%	Reduced proportionately until July 1, 2010, when it will be eliminated.
	< 20%	

For all other corporations, the capital tax will be eliminated as follows:

Capital tax rate	From	To	Effective date
	0.225%	0.15%	January 1, 2010
	0.15%	Nil%	July 1, 2010

A \$15 million capital tax deduction is shared by related corporations.

As a result of Ontario tax harmonization, for taxation years ending after 2008:

- the Ontario taxable capital base is harmonized with the former federal LCT calculation; and
- the deduction for exploration and development expenses is not retained.

For 2008 and previous taxation years, taxable paid-up capital was the amount by which the aggregate of:

- paid-up capital stock;
 - earned, capital and other surpluses;
 - deferred taxes;
 - reserves not allowed for income tax purposes; and
 - all loans, advances, and other forms of indebtedness except "current accounts payable," as defined;
- exceeded the aggregate of:
- an investment allowance;

Provincial Capital Tax

- exploration and development expenses incurred in searching for minerals in Canada that had been renounced to shareholders; and
- **exploration and development expenses that were not previously deducted for income tax purposes.**



A statutory rule excluded from the definition of current accounts payable, trade accounts payable to:

- a related company, outstanding for more than 120 days at year end; and
- an unrelated company, outstanding for more than 365 days at the end of the fiscal year.

These amounts were therefore included in the calculation of paid-up capital for Ontario purposes.

In general, an adjustment to paid-up capital was also required to recognize the timing differences between book and tax claims.



Quebec

Quebec capital tax is imposed on taxable paid-up capital allocated to that province. A capital deduction of up to \$1 million is available on an associated basis. Mining companies that have not reached the production stage do not have to pay any tax on capital.

Recent Change

Quebec's capital tax was eliminated or reduced for eligible manufacturing and processing corporations, for taxation years ending after March 13, 2008. For other corporations, the tax will be eliminated as follows:

Rate	Effective date
0.36%	January 1, 2008
0.24%	January 1, 2009
0.12%	January 1, 2010
Nil	January 1, 2011

Paid-up capital is calculated as the aggregate of:

- paid-up capital stock;
 - earned, capital and other surpluses;
 - deferred taxes;
 - provisions and reserves, other than reserves in respect of amortization and depletion and those reserves allowed for income tax purposes;
 - loans, advances, and other forms of indebtedness except for trade accounts payable outstanding six month or less; and
 - deferred unrealized exchange gains at year end;
- less:
- an investment allowance; and
 - deferred expenses resulting from deferred unrealized exchange losses at year end.

Mining companies may reduce their paid-up capital by one-third of the proportion that their gross income from mining is of their total gross income.



Provincial Capital Tax



Provincial Mining Tax

Alberta

According to the Alberta Department of Energy, 81% of the subsurface mineral rights in the province are owned by the Crown. For mining related to provincially owned mineral rights, Alberta does not follow the conventional model of mining taxes; rather, the province imposes different royalties that vary according to the type of mineral. The province’s “Metallic and Industrial Minerals Royalty” taxes commodities such as placer minerals, quarriable minerals and salt based on production (typically tonnage). Royalty rates vary by mineral.

For metallic minerals (such as base metals, diamonds, and uranium), the royalty is more complicated because it is structured to allow operators to recover their capital cost before full participation by the Crown. The royalty rate is 1% of mine mouth revenue during the pre-payout phase, and 12% of net profits during the post-payout period (subject to a minimum royalty of 1% of mine mouth revenue).

Pre-Payout Royalty

The 1% rate is applied to mine mouth revenue, which is calculated as gross revenue less:

- the costs incurred between the mine mouth and the point of sale; and
- an allowance in respect of capital expenditures.

Determination of Payout

Payout is the date on which the gross revenue in respect of the mine, computed from the month of first sale, equals the aggregate of the costs and allowances claimed for:

- exploration;
- development; and
- recovering, processing, transportation or disposition of the metallic mineral.

Post-Payout Royalty

After payout, the tax becomes the greater of 1% of mine mouth revenue (as in the pre-payout period) and 12% of net revenues. Net revenues are calculated as gross revenue less the following costs:

- allowable exploration and development costs;
- allowable recovering costs;
- allowable processing costs;
- allowable transportation and disposal costs; and
- allowance in respect of capital expenditures.

The Alberta Department of Energy had been reviewing the Metallic and Industrial Minerals Royalty Regulation to ensure that it is appropriate in the current and emerging business environment. The review of this regulation is currently on hold.

Similar to metallic minerals, bituminous (mountain/foothills) coal is taxed using a pre- and post-payout royalty regime to allow developers to recover significant initial investments. The applicable pre-payout royalty rate is 1% of mine mouth revenue. The post-payout rate is 1% of mine mouth revenue plus 13% of profit.

Please see **Exhibit 10** for an example.

Exhibit 10: Alberta Metallic Mineral Royalty – Illustrative Calculation

Minimum Royalty	Revenue	\$3,000	
	Less: Costs and allowances	(655)	
	Mine mouth revenue	\$2,345	
	Tax at 1%	\$23	A
Post-Payout Royalty	Revenue	\$3,000	
	Less: Costs and allowances	(1,840)	
	Net revenue	\$1,160	
	Tax at 12%	\$139	B
	Tax payable	\$139	Greater of A and B

(in \$ thousands)

British Columbia

Under the *B.C. Mineral Tax Act*, mining taxes are imposed mine-by-mine in two stages:

- a 2% tax on “net current proceeds”; and
- a 13% tax on “net revenue.”

The initial 2% tax is a form of minimum tax, which is deductible in full, with an interest component, against the 13% tax. Each mine is required to file a separate return that is due within six months of the fiscal year end of the mine.

Provincial Mining Tax

2% Net Current Proceeds Tax

Net current proceeds is defined as:

- gross revenue (including forward sales, but ignoring other hedging gains or losses); and
- proceeds from government grants and subsidies for current operating costs;

less:

- operating expenses, including post-production development costs, but excluding exploration, pre-production development and capital costs; and
- a deduction for non-capital reclamation costs, or contributions to the reclamation fund provided for under the *Mines Act*.

This tax is creditable against the 13% net revenue tax of the current year or future years, with notional interest at 125% of the prevailing federal bank rate. However, the 2% tax paid can be neither carried back to previous taxation years nor applied to other mines owned by the same operator.

13% Net Revenue Tax

"Net revenue" is determined by subtracting capital costs (net of any proceeds on disposition, as well as any grants or subsidies, of capital assets), exploration costs, pre-production development costs and an "investment allowance" from net current proceeds. The cost of acquiring surface rights and land lease costs are deductible, but the cost of acquiring sub-surface mining rights is not deductible for this tax, nor are interest, financing costs, royalties and incorporation or reorganization costs. If the net revenue calculation results in a negative amount, the result is added to the cumulative expenditure account (CEA) of the mine. This can be carried forward indefinitely, and applied to reduce net revenue of future years.

CEA



New Mine Allowance

To encourage new mine developments in British Columbia, the new mine allowance provides an additional allowance of one-third of the capital costs of new mines and expansions of existing mines that begin commercial production after December 31, 1994, and before January 1, 2016. The allowance requires that 133% of qualifying expenditures be added to the CEA of the mine.

Investment Allowance

The investment allowance is calculated using a notional interest factor (125% of the federal bank rate) that is applied to the average CEA balance. This is designed to approximate the cost of capital to the industry, regardless of the manner in which the costs are actually funded. That is, equity capital is treated the same as borrowed capital.



This notional interest, and the notional interest on the 2% net current proceeds tax, should not constitute taxable income for federal or provincial income tax purposes, because the amounts are not actually paid to the mine operator, but rather are applied only to determine the amount of 13% net revenue tax for which a mine is liable.

Reclamation Costs

Reclamation costs are now treated in the same manner as other allowable costs (i.e., non-capital reclamation costs are deducted as a current operating cost and capital reclamation costs are added to the mine's CEA).

Before 1998, reclamation costs incurred in the fiscal year were added to the mine's Reclamation Cost Account (RCA). Transfers could then be made from this account to the CEA, so as to indirectly allow a deduction from net revenue. As well, a transfer of non-capital reclamation costs in this account could be made to reduce net current proceeds. An election is now required if the operator wishes to add reclamation costs to an RCA account.

Tax Tip
By filing an appropriate election, a mine operator can transfer exploration costs incurred in one mine to the CEA of another mine.

RCA

A refund can be claimed of up to 13% of the balance of the RCA account. However, the refund cannot exceed the cumulative amount of the 13% net revenue tax paid by the mine up to that time.

Placer Gold Mine

A person who is a placer gold mine operator must pay an annual tax equal to 0.5% of the amount that is the operator's proportionate share of the transaction value of the mineral product disposed of during the calendar year.

Please see **Exhibit 11** for an example.

Exhibit 11: British Columbia Mineral Taxes – Illustrative Calculation¹

Stage I Tax	Revenue	\$3,000	
	Less: Operating costs ²	(1,450)	
	Net current proceeds	\$1,550	
	Stage I tax at 2%	\$31	A
Stage II Tax	Revenue	\$3,000	
	Less: Cumulative expenditure account opening balance ³	(400)	
	Operating costs	(1,450)	
	New equipment and exploration	(150)	
	Investment allowance ⁴	(10)	
	Net revenue	\$990	
	Stage II tax at 13%	129	
Less: Credit for Stage 1 tax ⁵	(31)		
Net Stage II tax	\$98	B	
Total mineral taxes		\$129	A + B

(in \$ thousands)

1. Calculation assumes no "new mine" incentive deductions.
2. Operating costs include mining, processing, transportation, selling, general and administrative expenses, but not royalty or capital depreciation.
3. Assumes all costs incurred were claimed in previous years.
4. Notional interest at 125% of assumed bank rate of 4% computed on the average CEA balance for the year.
5. Assumes no unclaimed carryforward from prior years.

Manitoba

The *Mining Tax Act* levies tax on the profit of a "mineral processing establishment" in Manitoba. Profit is determined by subtracting, from the sum of gross mining revenue and custom processing revenue, all related operating expenses, as well as allowances for:

- depreciation on a 20% declining-balance basis;
- exploration costs (up to 100% in any year); and
- processing.

Recent Change

For taxation years ending after June 30, 2009, Manitoba's basic mining rate has been changed from a flat 18% to the following:

Operator profits	< \$50 million	10%
	\$50 million to \$55 million	65%
	\$55 million to \$100 million	15%
	\$100 million to \$105 million	57%
	> \$105 million	17%

For depreciation purposes, capital assets include pre-production development costs (excluding interest).

Non-deductible costs include the initial cost of a mineral property, interest and other financing costs, income and capital taxes, as well as corporate organization and reorganization costs.

Reclamation costs, including contributions to the province's Mine Rehabilitation Fund, can be deducted when incurred. However, refunds from the Mine Rehabilitation Fund, including any interest component, are fully taxable for mining tax purposes.

Processing Allowance

An operator can claim a processing allowance as high as 20%, computed as follows:

8%	of the original capital cost of processing assets
x 125%	gross-up to allow for overhead assets
= 10%	
+10%	of the original capital cost of processing assets invested after April 20, 1994
<u>20%</u>	

Provincial Mining Tax

However, there is a cap equal to 65% of taxable profits otherwise determined. Furthermore, no processing allowance is available for assets used in a new mine while that mine is in its "holiday period" (see below). During this holiday period the operator must account separately for the processing assets that relate to the new mine. There is no minimum allowance.

Special Tax

In addition to the basic mining tax, Manitoba levies a "special tax" of 0.5% of mining profits. This tax is refundable in full for taxpayers that operate exclusively inside Manitoba. For those operating both inside and outside Manitoba, a partial refund is determined under a formula based on a notional reallocation to Manitoba of certain foreign sales that are allocated to another jurisdiction for income tax purposes.



Off-Site Exploration Allowance

To encourage additional exploration for potential new mines, an operator can deduct 150% of off-site exploration expenses incurred in Manitoba in excess of a three-year moving average of those expenses, excluding the cost of acquiring mineral properties or capital assets. Exploration must be for new ore bodies.



New Mine Holiday

A new mine commencing production after 1992 is exempt from Manitoba mining tax until its profits, before deduction for depreciation, exceed the total cost of capital assets (including pre-production development costs, but reduced by any new mine investment tax credit earned) acquired before the commencement of commercial production.

Please see **Exhibit 12** for an example.

Exhibit 12: Manitoba Mining Tax – Illustrative Calculation¹

Revenue		\$3,000
Less:	Operating costs ²	(1,450)
	Exploration and development ³	(150)
	Depreciation allowance	(300)
	Interest expense ⁴	—
	Income before processing allowance	<u>\$1,100</u>
	Processing allowance	
	8% of cost ⁵	120
	25% of the 8%	<u>30</u>
	Total (maximum of 65% of profit)	<u>150</u>
	Taxable profit	<u>\$950</u>
	Mining tax at 18%	<u>\$171</u>

(in \$ thousands)

1. Calculation assumes no "new mine" incentive deductions and taxation year ending before July 1, 2009.
2. Operating costs include mining, processing, transportation, selling, the cost of purchased feed products mined in Manitoba, and general and administrative expenses attributable to the mining, processing and sale of the output.
3. Assumes exploration is not in excess of a three-year moving average. Accordingly, there is no 50% additional allowance.
4. Interest expense is not deductible for mining purposes.
5. This assumes an original capital cost of processing assets equal to \$1,500.

New Brunswick

The operator of a mine in New Brunswick is subject to a two-tier mining tax: a 2% royalty based on the annual "net revenue" derived from the mine and a 16% levy on "net profits" in excess of \$100,000.

2% Royalty

The 2% royalty comes into effect two years after a new mine becomes active and operational. The royalty is based on 2% of the net revenue generated by the mining operation, which is equal to the gross revenue less allowable costs and allowances.

Gross revenue is defined as revenue generated from the sale or exchange of mine output and any amount received or receivable from hedging, excluding speculative currency hedging. Allowable costs are those related to transportation, refining, smelting and milling.

The processing allowance is equal to 8% of the original cost of milling or concentrating assets plus 15% of the original cost of smelting or refining assets, but the total deduction cannot exceed 25% of the net revenue before the processing allowance has been deducted.

Other than the exceptions noted above, no deduction is allowed in respect of capital costs of buildings or machinery and equipment, depletion of a mine, or capital investment.

16% Tax

The 16% tax is imposed on annual net profits in excess of \$100,000. The net profit is calculated as the mine's gross revenues less allowable costs, specified allowances for depreciation, financing expenses, processing and eligible exploration expenditures, as well as the 2% royalty paid.

The depreciation allowance ranges from a mandatory minimum of 5% to 100% of the original cost of depreciable assets used in a new mine or processing plant or in a major expansion. All other depreciable assets are subject to a maximum 33-1/3% depreciation rate. A finance allowance, permitted in lieu of an interest deduction, is allowed. It is equal to 8% of the balance of depreciable assets after depreciation.

The processing allowance is equal to 8% of the original cost of milling or concentrating assets plus 15% of the original cost of refining or smelting assets. This allowance is subject to a maximum of 65% of net profits before the processing allowance.

The exploration expenditure allowance is a deduction equal to 150% of "eligible exploration expenditures," which are expenses associated with new mineral exploration for the year. They do not include expenditures to purchase mineral rights or an option in respect of those rights.



In certain cases, leased assets will be treated as though they were purchased for the purposes of the depreciation, processing and financing allowances as discussed above.

The 16% tax otherwise payable may be reduced by a tax credit equal to 25% of "eligible process research expenditures," defined as the cost of research designed to recover additional mineral products. To be eligible, research expenditures must be approved by the mine assessor before being incurred.

The total mining tax payable may be further reduced by a tax credit equal to 18% of expenditures incurred by an operator on a 3-D seismic survey, deep drilling or any other advanced exploration technology within the province. An operator will not receive the tax credit unless approval is obtained from the mine assessor before the expenditures are incurred. In addition, the tax credit is limited to \$1 million annually.

Royalties Tax

Any royalties received are subject to the 16% tax, which is deducted at source by the payer.

Please see **Exhibit 13** for an example.

Tax Tip

Eligible exploration expenditures that cannot be claimed in a taxation year may be carried forward for use in any succeeding year.

Provincial Mining Tax

Exhibit 13: New Brunswick Mining Tax – Illustrative Calculation

2% Royalty	Revenue	\$3,000	
	Less: Milling costs	(430)	
	Net return	2,570	
	Milling allowance ¹	(120)	
	Net revenue subject to 2% royalty	\$2,450	
	2% royalty payable	\$49	A
16% Royalty	Revenue	\$3,000	
	Less: Operating costs ²	(1,500)	
	Depreciation allowance	(300)	
	2% royalty, per above	(49)	
	Interest expense ³	–	
	Finance allowance ⁴	–	
	Exploration allowance	(225)	
	Income before processing allowance	926	
Less: Processing allowance ¹	(120)		
Net profit subject to 16% tax	\$806		
	16% tax payable ⁵	\$113	B
Total New Brunswick mining tax payable		\$162	A + B

(in \$ thousands)

1. Assuming processing assets consist of a concentrate costing \$1,500, the milling allowance claim would be \$120; i.e., 8% of the \$1,500 used for the 2% royalty.
2. Includes milling costs, transportation, general, administrative and selling expenses, and royalties.
3. Interest expense is not deductible.
4. Assumes the depreciation allowance of \$300 reduces the undepreciated capital cost of processing assets to nil.
5. Calculated at 16% of profit in excess of \$100,000 (i.e., 16% x \$706,000).

Newfoundland and Labrador

The *Mining and Mineral Rights Tax Act, 2002* imposes two levels of mining tax on income derived from mining operations in Newfoundland and Labrador. The first is a 15% tax on mining “taxable income” earned by operators. The second is a 20% tax on the royalty allowance claimed by the operator net of royalties actually paid (see below). In addition, there is a 20% tax on royalties paid to royalty-holders, other than the Crown.

15% Tax on Operators

Taxable income is determined by subtracting from gross revenue derived from the sale of minerals:

- all expenses reasonably incurred in mining and processing;
- depreciation allowance;
- pre-production development costs computed on a straight-line basis over the remaining mine life;
- exploration expenses incurred within the province before the commencement of commercial production (100% in the year incurred, or carried forward from any previous year);
- royalties paid to the Crown, excluding taxes;
- processing allowance; and
- royalty allowance.

Non-deductible costs include the initial cost of acquiring a mining property, interest and other financing costs, capital and income taxes, and cash payments made under Impacts and Benefits Agreements, among other things.

Depreciation Allowance

Generally, depreciation is allowed on assets at the rate of 25% on a declining balance basis. Assets are placed in one of three classes:

- Class 1 – processing and smelting assets,
- Class 2 – mining assets other than Class 3 assets,
- Class 3 – mining assets used in new mining operations or a major expansion project, designated as such by the Minister.

Similar to the federal CCA rules, assets are subject to a half-year rule in the year of acquisition, and depreciation is pro-rated for short taxation years. Class 1 and 2 assets are subject to a maximum claim of 25% of the undepreciated capital cost of each class, whereas up to 100% of the undepreciated capital cost of Class 3 assets can be claimed.

Provincial Mining Tax

Processing Allowance

A deduction is allowed for 15% of smelting assets and 8% of all other processing assets, to a maximum of 65% of income before the processing and private royalty allowances. The processing allowance is available only for assets located in the province.

Royalty Allowance

An operator can deduct the greater of:

- royalties paid for the granting of the right to mine, other than Crown royalties; and
- 20% of taxable income otherwise determined (after deducting the processing allowance).

20% Tax on Operators

In addition to the 15% tax on mining "taxable income," operators are subject to a 20% tax on their total royalty allowance net of royalties actually paid.



Credit for Newfoundland and Labrador Income Taxes

For the first ten years after achieving commercial production, an operator can deduct Newfoundland and Labrador personal or corporate income taxes (paid in respect of mining income), from Newfoundland and Labrador mining taxes otherwise payable. The deduction is limited to \$2 million per year for the 10-year period.

20% Royalty Tax

Recipients of royalties from mines in Newfoundland and Labrador are subject to a 20% tax on net royalty revenue, to be withheld at source by the payor. The only deductions allowed against the gross royalty are legal fees incurred in collecting the royalty, exploration expenses incurred and royalties paid by the royalty-holder to others. This tax is not restricted to residents of Newfoundland and Labrador. Nevertheless, the first \$100,000 of royalty income earned in a taxation year is tax-free. This \$100,000 tax-free exemption is phased out if royalty income reaches \$200,000 per year.

Please see **Exhibit 14** for an example.

Exhibit 14: Newfoundland and Labrador Mining Tax – Illustrative Calculation

Mining Tax	Revenue	\$3,000	
	Less: Operating costs ¹	(1,450)	
	Exploration and development	(150)	
	Depreciation allowance ²	(300)	
	Interest expense ³	—	
	Income before processing allowance	1,100	
	Processing allowance		
	8% of cost, maximum 65% of income ⁴	(120)	
	Net income	980	
	Royalty deduction		
Minimum 20% of net income ⁵	(196)	A	
Taxable income	\$784		
Mining taxes at 15%	\$118	B	
Royalty deduction	\$196	A	
Royalty Tax	Royalties ⁶	(50)	
	Excess	\$146	
	Royalty tax at 20%	\$29	C
Total mining taxes (paid by operator)		\$147	B + C

(in \$ thousands)

- Operating costs include mining, processing, transportation, selling, general and administrative expenses, but not royalties.
- Includes any pre-production amortization for tax purposes.
- Interest expense is not deductible for mining tax purposes.
- This assumes an original capital cost of processing assets equal to \$1,500, and no smelting or refining activities.
- Actual royalties are assumed to be \$50, whereas 20% x \$980 = \$196.
- Operator is required to withhold 20% (\$10 in this example) on account of mining royalty tax from this payment.

Provincial Mining Tax

Northwest Territories

Every mine in the Northwest Territories located on Crown lands is subject to an annual royalty payment. The annual royalty is calculated, pursuant to the Northwest Territories and Nunavut Mining Regulations, on the value of the output of the mine during the fiscal year, and equals the lesser of:

- 13% of the value of the output of the mine, and
- the amount calculated on the value of output according to the following graduated scale:
 - 0% on the annual value of output of \$10,000 or less;
 - 5% on the annual value of output in excess of \$10,000 and up to \$5 million;
 - 6% on the annual value of output in excess of \$5 million and up to \$10 million; and
 - an additional 1% on each additional \$5 million in value of output in excess of \$10 million up to a maximum rate of 14% on profits in excess of \$45 million per year.

Value of Output Subject to Royalty

Annual royalties are payable based on the value of output for a fiscal year of the mine. This is defined, in general, as:

- market value of minerals produced from the mine;
- less:
- transportation costs to smelter, treatment plant or refinery;
 - operating costs;
 - a depreciation allowance of up to 100%, to the extent that the original cost of the depreciable assets has not been fully written off;
 - a development allowance for expenses incurred for prospecting and for exploration and development of a mine of up to 100%, but not exceeding the undeducted balance of all these expenses;
 - if the production is further processed in the Northwest Territories, a processing allowance of 8% of the cost of processing assets up to a maximum of 65% of the value of the output of the mine;
 - exploration costs incurred elsewhere in the Northwest Territories by an owner of the mine on land other than on the mining property and otherwise undeducted, but not exceeding 10% of the value of the output of the mine for the year; and
 - contributions to a mining reclamation trust.

Tax Tip

If a claim or lease was purchased as part of an expansion, the lesser of the purchase price and unclaimed exploration costs incurred by any prior owner can be deducted.

In addition, the total of the proceeds from sales of minerals produced also includes grants, investment tax credits, recaptured depreciation, and proceeds received from insurance on minerals produced from the mine. However, gains and losses from hedging transactions are not included in calculating the value of the output of a mine.

Please see **Exhibit 15** for an example.

Exhibit 15: Northwest Territories Mining Royalty – Illustrative Calculation

Total proceeds of sales from minerals	\$3,000
Less: Operating costs ¹	(1,450)
Exploration and development costs at the mine	(150)
Depreciation of mine and mill assets (assumed)	(300)
Interest expense ²	–
Income before processing allowance ¹	1,100
Processing allowance ³	(120)
Value of output to royalty	\$980
Royalty ⁴	\$49

(in \$ thousands)

1. Includes transportation to the smelter, as well as mining, milling, smelter treatment and refining charges, marketing, selling, general and administrative expenses, but not royalties.
2. Interest expense is not deductible for mining royalty purposes.
3. Assuming processing assets consist of a concentrator costing \$1,500, the claim would be 8% of \$1,500 = \$120. (Maximum = 65% of \$1,100)
4. Calculated at 5% on profit in excess of \$10,000 and less than \$5 million (i.e., 5% x (\$980,000 - \$10,000)).

Nova Scotia

Nova Scotia's mining tax is imposed in one of three ways:

- under the first method, royalties are paid at the greater of 2% of "net revenue" or 15% of "net income from the mine."
- under an alternative method, and upon notice in writing to the operator of a mine by the Minister, the operator pays a royalty, based on production, determined from time to time by the Governor in Council.
- at the Assessor's discretion, smaller mining companies with gross income of less than a prescribed amount pay tax equal to 2% of net revenue.

Tax Tip

Costs of reclamation incurred after Nova Scotia mining operations have ceased may be considered as a prior year operating expense and can be applied in reverse order to previous fiscal years' royalty returns to reduce royalties payable, but not to less than 2% of the net revenue for each fiscal year.

Taxable Mining Income

Net revenue for the purposes of the 2% royalty is defined as gross revenue less marketing, smelting, refining, packaging and transportation costs.

Net income from the mine for the purposes of the 15% royalty is defined as net revenue less all operating costs, depreciation, an 8% processing allowance and head office costs directly related to the mine.

No deductions are allowed for:

- interest and other financing costs;
- depletion;
- income or profit taxes and capital taxes; or
- acquisition cost of a mineral property.

Depreciation Allowance

Depreciable costs include the capital cost of mine, mill and smelter buildings and machinery, as well as exploration expenses and development expenses. Depreciation expense is discretionary and is calculated as a maximum of 100% of depreciable costs per annum for the first three years of operation and 30% per annum on a declining balance basis after that.

Processing Allowance

The processing allowance is equal to 8% of the original cost of processing assets, grossed up by 25% to account for assets used in servicing and management of processing activities. The processing allowance is subject to a ceiling of 65% of the net income otherwise determined.

Please see **Exhibit 16** for an example.

Nunavut

In Nunavut, mines located on Crown lands are subject to the same mining royalties as those in the Northwest Territories. Mines located on Inuit-owned lands, pursuant to the Nunavut Land Claims Agreement, are generally subject to the royalty negotiated between the operator and a Designated Inuit Organization. However, if a mine is located on Inuit-owned lands but on "grandfathered" claims staked, or leases issued by the Crown, before May 25, 1993, the operator of the mine has the choice of remaining subject to the royalty regime for the Northwest Territories.

Exhibit 16: Nova Scotia Mining Tax – Illustrative Calculation

Mining Tax	Revenue	\$3,000	
	Less: Smelting costs	–	
	Marketing and transportation costs	(510)	
	Net smelter return	\$2,490	
	Tax payable at 2%	\$50	A
Royalty Tax	Revenue	\$3,000	
	Less: Operating costs ¹	(1,450)	
	Exploration	(150)	
	Depreciation (assumed)	(300)	
	Interest expense ²	–	
	Income before processing allowance	1,100	
	Processing allowance ³	(150)	
	Net income from the mine	\$950	
	Tax payable at 15%	\$143	B
	Tax payable	\$143	Greater of A and B

(in \$ thousands)

1. Includes mining, processing, transportation, general, administrative and selling expenses, but not royalties.
2. Interest expense is not deductible for mining tax purposes.
3. Assuming processing assets consist of a concentrator costing \$1,500, the claim would be 8% of \$1,500 x 125% = \$150. (Maximum = 65% of \$1,100).

Ontario

Ontario mining tax is levied at a rate of 10% on taxable profit in excess of \$500,000 derived from mining operations in Ontario. Ontario's mining tax is not affected by Ontario harmonization. Therefore, Ontario will continue to administer its mining tax.

Profit derived from mining operations is determined by taking the gross revenue received on the sale of the output of the mine (including futures hedging), either in a primary or processed state, and deducting specified costs and expenses, including:

- costs of production;
- most processing costs and transportation costs;

Provincial Mining Tax

- depreciation at prescribed rates;
- exploration and development expenses;
- processing allowances at prescribed rates;
- operating and maintenance costs of certain social assets in Ontario (e.g., housing, recreational and service facilities); and
- scientific research conducted in Canada, to the extent that the research relates to the output of mines.

No deductions are allowed for:

- interest and other financing costs;
- income or profit taxes and capital taxes;
- royalties paid to resource owners;
- depletion; or
- certain administrative expenses not directly related to earning mining profits.



Exempt Period

For a three-year period, the first \$10 million of profits generated by a new mine or major expansion of an existing mine is exempt from tax. This period is extended to ten years for new mines opened in "remote" Ontario locations. Furthermore, a 5% tax rate applies to profits from the operation of a "remote" mine once the holiday period is over.

Depreciation Allowance

Depreciation is allowed on mining assets on a 30% straight-line basis. If the mining assets are acquired before the commencement of commercial production, for use in a new mine or a major expansion of an existing mine, 100% depreciation may be claimed up to the profit from the mine. No minimum depreciation claim is required, except during the exempt period, when 30% must be taken.

Depreciation is allowed on processing and transportation assets on a 15% straight-line basis. No minimum depreciation claim is required, except during the exempt period, when 15% must be taken. No depreciation may be claimed on any "social" (or townsite) assets.

Exploration and Development

Exploration and development expenditures incurred in Ontario can be claimed in full in the year incurred, or the unclaimed expenditures can be carried forward indefinitely.

Reclamation

While not specifically contained in the legislation, Ontario allows a mining company to carry back any reclamation expenditures incurred after the cessation of mining activities (net of the proceeds from the sale of mining assets) to the last full year of commercial production.

Processing Allowances

Originally, processing allowances were intended to ensure that mining tax would be imposed only on profits from the extraction of ore, and not on profit from mineral processing operations. Ontario processing allowances have also been used, however, as an incentive for companies to establish new processing facilities in Ontario, particularly northern Ontario, and to increase the degree of processing in Canada.

The annual processing allowance is calculated on the cost of all processing assets, based on the degree of processing achieved. For example, a company that processes ore only to the concentrate stage is entitled to a processing allowance equal to 8% of the cost of concentrating assets.

If the company also operates a smelter and refinery in northern Ontario, it is entitled to a processing allowance equal to 20% of the cost of all concentrating, smelting and refining assets used in that operation. In other cases, allowances of 12% or 16% may be available.



The processing allowance is constrained to between 15% and 65% of mining and processing income after deducting all expenses (except that the maximum allowance can be exceeded if a semi-fabricating plant is built in northern Ontario). Unused processing allowances cannot be carried forward.

No processing allowance is permitted in respect of processing carried on outside Canada.

Please see **Exhibit 17** for an example.

Tax Tip

Through careful planning, an operator can maximize income earned during the exempt period. For example, exploration expenses do not have to be claimed during the period.

Exhibit 17: Ontario Mining Tax – Illustrative Calculation

Revenue	\$3,000
Less: Operating costs ¹	(1,450)
Depreciation allowance	(300)
Exploration and development costs	(150)
Interest expense ²	—
Income before processing allowance	1,100
Processing allowance ³	(165)
Basic exemption	(\$500)
Taxable profit	\$435
Tax at 10% ⁴	\$44

(in \$ thousands)

1. Includes mining, processing, transportation, general, administrative and selling expenses, but not royalties.
2. Interest expense is not deductible for mining tax purposes.
3. Assuming processing assets consist of a concentrator costing \$1,500, the claim would be 8% of \$1,500 = \$120 (minimum 15% of \$1,100 = \$165).
4. Assumes this is not a remote mine.

Ontario Diamonds Royalty

For taxation years ending after March 22, 2007, diamond mining is not included within the scope of the Ontario mining tax. Instead, the net value of output of a diamond mine located in Ontario is subject to a 13% royalty. If the net value of output is less than \$45 million, graduated rates ranging from 5% to 14% apply.

The net value of output for a fiscal year is generally determined as the proceeds of sale of diamonds (excluding gains and losses from hedging transactions), less specified costs and expenses, including:

- differences between the market value of the inventory of diamonds on hand at the beginning and end of the year;
- costs of cleaning, sorting, valuing, marketing and selling diamonds;
- costs of insurance, storage, handling and transportation;
- costs of mining and processing;
- repairs and maintenance costs; and
- general and indirect costs for property, employees and operations.

No deductions are allowed for:

- depletion;
- interest and other financing costs;
- income, profit and capital taxes, including royalties; and
- certain administrative expenses not directly related to the diamond mine.

Grass roots exploration costs are deductible in the year they are incurred as long as they are not related to an operational diamond mine. The deduction is limited to 10% of the net value of output, before deducting exploration costs, depreciation, contributions to environmental trusts, development allowance and the processing allowance.

Depreciation Allowance

A discretionary depreciation allowance can be claimed of up to 100% of the undeducted balance of eligible costs of the diamond mine and of any processing facilities in Ontario.

Development Allowance

Similar to the depreciation allowance, a development allowance of up to 100% of the undeducted balance of eligible costs is allowed. This claim is discretionary.

Eligible costs include:

- exploration costs incurred before the date of commercial production in the mining property;
- costs incurred before the date of commercial production, net of the market value of diamonds produced;
- exploration costs incurred post-production in the mining property; and
- costs incurred post-production designed for continuing use, such as sinking a shaft or stripping overburden.

Processing Allowance

A processing allowance deduction is available equal to 8% of the original cost of processing assets, subject to a ceiling of 65% of the net value of output.

Provincial Mining Tax

OECD

Ontario Community and Economic Development (OCED) Incentive

A discretionary deduction is permitted for qualifying donations (charitable, educational or benevolent) and qualifying expenditures, including those incurred under impact benefit agreements with Aboriginal communities. An operator is also entitled to an incentive allowance, which is the lesser of:

- 15% of all costs and allowances claimed, including OCED deductions; and
- 20% of the net value of output less all costs and allowances, excluding OCED deductions.

Reclamation

An operator is permitted to deduct contributions made to a qualifying reclamation trust, with withdrawals from these trusts included in the net value of output. Costs to rehabilitate the mine are also deductible.

Quebec

The *Mining Duties Act* levies mining taxes at a 12% flat rate on the annual profits from mining operations in Quebec. Operators include partnerships, corporations and individuals, but exclude unincorporated joint ventures. Annual profit is measured on the aggregate of an operator's mines, including part interests in unincorporated joint ventures.

Annual profit is determined by subtracting from gross revenue (excluding hedging gains or losses) the operating expenses directly related to mining, scientific research and development costs, and charitable donations to a registered Quebec charity, up to a maximum of 10% of profit. In addition, the following prescribed allowances are available:

- depreciation on roads, buildings and other equipment (up to 100% in any year);
- on-site exploration, mineral deposit evaluation, and mine development costs (up to 100% in any year);
- off-site exploration costs (up to 150% in any year); and
- processing allowance.

No deduction is allowed for the cost of acquiring a mineral property, or for interest and other financing costs, incorporation costs, royalties, capital or income taxes, contingent reserves or losses from hedging or speculative transactions.

Reclamation Costs

Contributions to a prescribed mine reclamation trust fund are deductible for mining tax purposes. Withdrawals from such funds are taxable, however, the interest earned by the fund is not. Actual reclamation costs are deductible when incurred. As an administrative concession, operators are entitled to amend the mining duties return for the final year of operations to include reclamation costs incurred in subsequent fiscal periods.

Processing Allowance

When an operator processes ore only to the concentrate stage, a processing allowance can be deducted from annual profit. The allowance is equal to 8% of the original capital cost of the processing assets used during the fiscal year that are in the operator's possession at year end. While there is no minimum processing allowance, it may not exceed 65% of annual profit from all mines.

For an operator engaged in smelting or refining of minerals other than gold or silver, the allowance is increased to 15% of the capital cost of assets used in smelting or refining, up to 65% of annual profit.

An additional allowance is available, equal to 15% of the capital cost of processing assets purchased after March 31, 1998, and used exclusively in the processing of mine tailings, up to 65% of annual profit. The allowance is available for up to ten years from when the operator begins to process mine tailings.

Refundable Credit for Losses

A feature unique to the Quebec mining duties system is an operator's ability to claim a refund for losses incurred in mining operations. The refund, which is provided in lieu of allowing any carryforward of losses, is equal to 12% of the lesser of:

- the annual loss, reduced by a notional processing allowance computed as though the amount of the loss were profits for the year; and
- the operator's claim for mineral exploration, evaluation and development costs incurred in the year.

The credit is increased to 15% if the exploration expenditure is incurred in Quebec's Near and Far North. It is non-taxable, and does not reduce the exploration expenses that a mining company can claim for Quebec income and mining tax purposes. An application for the credit must be filed within six months of the end of the fiscal period.



Additional Exploration Allowance

An additional exploration allowance may be claimed by an operator in computing annual profit. This allowance cannot exceed 50% of the lesser of:



- the annual ceiling on exploration, which is basically annual profit before the additional exploration allowance, the processing allowance, the additional depreciation allowance and the additional allowance for a northern mine; and
- cumulative exploration expenses relating to expenses in respect of work performed in Quebec carried out on land, from which no ore has previously been extracted, or if under a mining concession or mining lease, from which no ore has been extracted in the previous five years.



Northern Mine Allowance

To encourage development of Quebec's northern region, mines north of the 55° latitude are entitled to an incentive deduction in computing annual profit for the first ten years of production. The deduction is computed as the lesser of:

- annual profit from all mines otherwise determined; and
- the cumulative northern mine expenses at the end of the fiscal year.

Exhibit 18 provides an example for Quebec.

Exhibit 18: Quebec Mining Duties – Illustrative Calculation

Revenue	\$3,000
Less: Operating costs ¹	(1,450)
Exploration and development allowance ²	(225)
Depreciation allowance	(300)
Interest expense ³	—
Income before processing allowance	1,025
Processing allowance:	
8% of cost, maximum 65% of income ⁴	(120)
Taxable profit	\$905
Mining duties at 12% ⁵	\$109

(in \$ thousands)

1. Operating costs include mining, processing, transportation, selling, general and administrative expenses, but not royalties.
2. Assumes off-site exploration of \$150, plus a 50% additional exploration allowance.
3. Interest expense is not deductible for mining duties purposes.
4. This assumes an original capital cost of processing assets equal to \$1,500 and no smelting or refining activities.
5. Calculation assumes no "north of 55" incentive deductions.

Saskatchewan

Saskatchewan levies different mining taxes on various minerals. Mining tax incentives include a 10-year royalty holiday for new gold and base metal mines and a "competitive" royalty system for the diamond mining industry and a remission of fuel tax for off-road fuel use in mineral exploration.

Gold and Base Metals

Saskatchewan mining tax is designed to enable recovery of 150% of the initial costs of exploration and development before the taxpayer is subject to tax. Pre-production expenses eligible for inclusion in the capital recovery pool include:

- exploration expenditures in the 10-year period before commercial production (at 150% of cost);
- expenditures on the design, development and construction of the production unit (at 150% of cost); and
- expenditures on the design, development and construction of new mining operations in an existing production unit that do not share a common point of access.

The allocated pre-production expenses are reduced by the sales of minerals produced before the start of commercial production and the proceeds (up to original cost) from disposal of assets.

The tax is levied on the royalty payer's net profit. The rate is 5% of net profit, up to a threshold of cumulative unit sales of base and precious metals and minerals from the beginning of commercial production, and 10% above the threshold. The threshold is:

- one million troy ounces for precious metals; and
- one million metric tonnes for all other minerals.

Net profit is defined as the gross value of mineral sales less all direct operating costs, current year exploration and pre-production expenses, depreciation, reclamation and decommissioning costs, and losses from prior years. No deductions are allowed for interest and other financing costs, taxes on profits, income or capital, royalties and exploration costs incurred outside Saskatchewan.

Losses

Losses can be carried forward indefinitely and applied against the net profit otherwise determined. However, losses cannot be created or increased by claiming depreciation or pre-production expenses.

Tax Tip

During the first ten years of commercial production, net profits are deemed to be zero for royalty purposes.

Provincial Mining Tax

Depreciation

An allowance can be claimed for depreciation of up to 100% of the capital costs for mining and social assets (up to the net profits otherwise determined).

Potash

Potash producers in Saskatchewan are subject to both a royalty and a two-tier production tax. The royalty is based on the gross value of potash produced from Crown lands, at effective rates ranging from 2.1% to 4.5%, depending on the grade of ore.

The potash production tax consists of a base payment plus a profit tax based on the producer's profitability. The base payment is determined on annual resource profits per tonne sold times 35%, subject to minimum and maximum per tonne amounts. The base payment is reduced by Crown and freehold royalties paid and the Saskatchewan Resource Tax Credit, which is 1% of sales. Tonnes produced from approved new capacity that commences after December 31, 2004, are not subject to the base payment for 10 years.

- The profit tax is applied on operating profits for the year at:
- 15% on profits up to \$53.33/tonne (2005 profit brackets); and
 - 35% on any excess.

Exhibit 19 provides an example for Saskatchewan.

Exhibit 19: Saskatchewan Mining Tax (Gold and Base Metals) – Illustrative Calculation

Revenue	\$3,000
Less: Operating costs ¹	(1,450)
Depreciation allowance ²	(300)
Exploration and development	(150)
Interest expense ³	—
Taxable profit	\$1,100
Tax at 10% ⁴	—\$110

(in \$ thousands)

1. Includes mining, processing, transportation, general, administrative and selling expenses, but not royalties.
2. Assumes undepreciated balance of capital costs is \$300.
3. Interest expense is not deductible for mining tax purposes.
4. Assumes cumulative sales of all minerals exceeds one million tonnes/troy ounces.

The profit tax is reduced by certain tax credits, such as a portion of the base payment discussed above. Unused base payment credits can be carried forward for a maximum of five years. In addition, losses may be carried forward against future profits for a maximum of five years.

Producers can elect to pay profit tax on profits of individual mines or on the consolidated profits of all of a producer's potash mines. Tonnes sold in excess of a producer's average of 2001 and 2002 sales tonnes are not subject to profit tax. Potash companies will also receive a depreciation rate of 120% in the profit tax calculation on new capital expenditures in excess of 90% of the 2002 amount spent.

Producers can also claim a tax credit for certain types of research and development and market development, calculated as 40% of the cost incurred.



Uranium

Saskatchewan imposes a basic royalty on uranium operations equal to 5% of gross sales revenue. In addition, a tiered royalty is levied on annual revenue, reduced by withdrawals from the operator's capital recovery bank, at the following rates:

		Tiered royalty as % of revenue with specified range
Average price per kilogram of uranium ¹	\$0 to \$30	0%
	\$30 to \$45	6%
	\$45 to \$60	10%
	Over \$60	15%

1. 1999 bracket values to be indexed annually.

The basic royalty is not allowed as a credit against the tiered royalty. The capital recovery bank is based not on actual expenditures, but rather on the following allowances for certain types of mine development activities:

		Allowance per kilogram of annual capacity ¹
Activity	Open pit mine development	\$45
	Underground mine development	\$60
	Mill construction	\$80
	Mill expansion (minimum 25% expansion)	\$50

1. 1999 bracket values to be indexed annually.

The annual royalty liability is reduced by the Saskatchewan Resource Tax Credit, calculated as 1% of the gross sales revenue for the year.

Yukon

The Yukon mining royalty regime imposes a royalty on all gold shipped from the territory, and annual royalties with respect to all mines located within the territory.

Gold Royalty

The Yukon levies a royalty on all gold shipped from the Yukon for export, whether in the form of gold dust as mined or bars. The royalty is calculated at the rate of 2-1/2% of the value of the gold, or at such lesser rate as may be fixed by the Governor-in-Council, currently \$15 per ounce.

Mining Royalty

Annual royalties are payable with respect to a mine located in the Yukon if the annual profits of the mine for a calendar year exceed \$10,000.

The annual royalty is calculated as follows:

- 3% on annual profits in excess of \$10,000 and up to \$1 million;
- 5% on annual profits in excess of \$1 million and up to \$5 million;
- 6% on annual profits in excess of \$5 million and up to \$10 million; and
- a proportional increase of 1% for each additional \$5 million of annual profits in excess of \$10 million (no maximum).

Recent Change

The Yukon Minister of Energy, Mines and Resources tabled an Act to Amend the *Quartz Mining Act* on October 23, 2008. The proportional rate will be capped at \$35 million or 12%. This change has not yet been enacted.

Annual Profits Subject to Royalty

Profits for the purpose of computing the royalty are ascertained as follows:

- the actual market value of the output at the pit's mouth (if ore is treated or processed by owner/operator);

less:

- transportation costs of mine output;
- operating costs;
- a depreciation allowance;
- treatment charges;
- costs incurred in digging or excavation work on mine land or any other land in the Yukon belonging to the mine owner or occupier;
- costs incurred for work intended to open up new mines or to test for ore or minerals; and
- income taxes payable on mining profits.

The depreciation allowance is computed as the actual annual cost of maintenance and repairs necessary to maintain plant, machinery, equipment and buildings in efficient working condition. The annual depreciation allowance cannot exceed 15% of the original cost of the assets.

The legislation does not provide for a processing allowance. While a processing allowance has been allowed administratively in some cases in the past, the Yukon intends instead to allow deductions for treatment charges in order to determine the value of the output at the "pit's mouth." Allowable treatment charges will include costs to treat the output of the mine, including milling, mineral processing, smelting and/or refining. If the mine owner/operator operates the processing facility, the operating costs of the processing facility and straight-line amortization of the cost of the processing facility will also be permitted.

Please see **Exhibit 20** for an example.

Exhibit 20: Yukon Mining Royalty – Illustrative Calculation¹

Market value of output:	\$3,000
Less: Operating costs ²	(1,450)
Depreciation of mine assets (assumed)	(300)
Excavating, drilling or sinking expenses	(150)
Income taxes payable on mining profits	(100)
Profits subject to royalty	<u>\$1,000</u>
Royalty ³	<u>\$30</u>

(in \$ thousands)

1. Processing allowance not included in the illustrative calculation.
2. Includes mining, transportation, general, administrative and selling expenses, but not royalties.
3. Calculated at 3% on profits in excess of \$10,000 and less than \$1 million.

Appendices

Appendix 1

Comparative Summary of Tax Burden
on Hypothetical Canadian Mining Operation

Appendix 2

Provincial and Territorial Mining Tax Models

- A British Columbia
- B Manitoba
- C New Brunswick
- D Newfoundland and Labrador
- E Northwest Territories
- F Nova Scotia
- G Nunavut
- H Ontario
- I Quebec
- J Saskatchewan
- K Yukon

(Alberta and Prince Edward Island have no active metallic mineral mines.)

Appendix 3

Summary of Features of Provincial Mining Tax Legislation



Appendix 1 Comparative Summary of Tax Burden on Hypothetical Canadian Mining Operation

This appendix sets out the assumptions used in the models in Appendix 2 to illustrate the calculation of the total federal and provincial income, capital and mining tax burden for a hypothetical Canadian mine over a thirteen-year period. All provinces and territories are covered, except Alberta and Prince Edward Island, which have no active metallic mineral mines.

Results are in thousands of Canadian dollars and assume that:

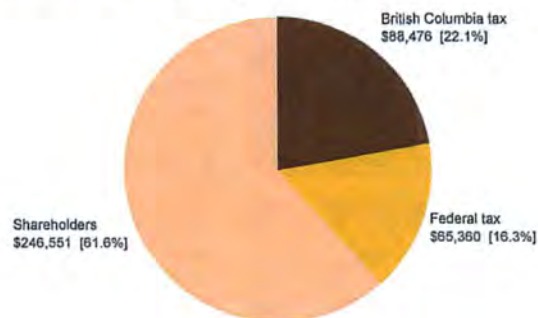
1. The mineral property cost \$25,000 and contains two million ounces of gold.
2. The mine processes ore only to the concentrate stage, with annual concentrate production containing 200,000 ounces. Commercial production commences in the fourth quarter of the third year, and ceases at the end of the third quarter of the thirteenth year, after ten years of operation.
3. The realization price is \$550 per ounce of contained gold, and a cash cost of \$275 per ounce.
4. Capital costs incurred to bring the mine into production are as shown in the table to the right:
5. Additional capital costs of \$500 per year are incurred in each of Years 4 through 10 ("sustaining capital").
6. Off-site exploration costs of \$1,000 are incurred each year, commencing in Year 4.
7. A five-year loan is arranged for 50% of initial capital costs, at 10% interest.
8. No dividends are paid during the mine's operating life.
9. The tax rates applied are those in effect for the 2009 year.
10. Provincial capital taxes have not been taken into account.

	Year 1	Year 2	Year 3
Pre-production development costs	\$3,000	\$5,000	\$2,000
Mining assets	Nil	\$10,000	\$10,000
Mill assets	Nil	\$50,000	Nil

	IRR	Shareholders	Provincial or territorial tax (income and mining)	Federal tax
Ontario	36.4%	\$264,144 [66.0%]	\$68,128 [17.0%]	\$67,830 [17.0%]
Manitoba	36.1%	\$255,437 [63.8%]	\$76,097 [19.0%]	\$68,972 [17.2%]
Saskatchewan	36.4%	\$254,816 [63.6%]	\$76,889 [19.2%]	\$68,801 [17.2%]
Yukon	34.8%	\$246,576 [61.6%]	\$84,198 [21.1%]	\$69,209 [17.3%]
British Columbia	35.7%	\$246,551 [61.6%]	\$68,476 [22.1%]	\$65,360 [16.3%]
Quebec	35.5%	\$246,019 [61.4%]	\$88,595 [22.1%]	\$65,933 [16.5%]
Northwest Territories	35.2%	\$243,318 [60.8%]	\$92,456 [23.1%]	\$64,732 [16.2%]
Nunavut	35.0%	\$241,562 [60.3%]	\$94,212 [23.5%]	\$64,732 [16.2%]
Newfoundland and Labrador	35.0%	\$240,730 [60.2%]	\$100,329 [25.1%]	\$59,116 [14.8%]
New Brunswick	34.9%	\$235,045 [58.7%]	\$109,894 [27.4%]	\$55,567 [13.9%]
Nova Scotia	34.5%	\$228,765 [57.2%]	\$113,760 [28.4%]	\$57,726 [14.4%]

Summary	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Gross revenues			27,500	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	82,500	1,100,000
Operating costs			(13,750)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(41,250)	(550,000)
Reclamation costs											(5,000)	(5,000)	(10,000)	(20,000)
Interest expense @ 10%		(1,400)	(4,720)	(4,882)	(110)									(11,113)
Pre-tax cash flow from operations		(1,400)	9,030	50,118	54,890	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	518,887
Income taxes														
Federal					(233)	(9,288)	(8,682)	(8,724)	(8,752)	(8,772)	(7,959)	(7,989)	(4,963)	(65,360)
Provincial				200	(606)	(5,223)	(4,873)	(4,897)	(4,913)	(4,925)	(4,454)	(4,471)	(2,719)	(38,882)
Mining taxes			(275)	(1,100)	(1,100)	(4,543)	(6,965)	(6,965)	(6,965)	(6,965)	(6,380)	(6,380)	(3,953)	(51,593)
Total taxes			(275)	(900)	(1,939)	(19,053)	(20,520)	(20,586)	(20,631)	(20,662)	(18,793)	(18,840)	(11,635)	(153,836)
Net cash flow from operations		(1,400)	8,755	49,218	52,951	35,947	34,480	34,414	34,369	34,338	31,207	31,160	19,615	365,051
Capital costs	(28,000)	(65,000)	(12,000)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,000)	(1,000)	(1,000)	(118,500)
Net cash flow	(28,000)	(66,400)	(3,245)	47,718	51,451	34,447	32,980	32,914	32,869	32,838	30,207	30,160	18,615	246,551
Working capital loan (repayment)	14,000	33,200	1,623	(47,718)	(1,105)									0
Equity (deficit)	(14,000)	(33,200)	(1,623)	0	50,346	34,447	32,980	32,914	32,869	32,838	30,207	30,160	18,615	246,551
IRR														35.7%

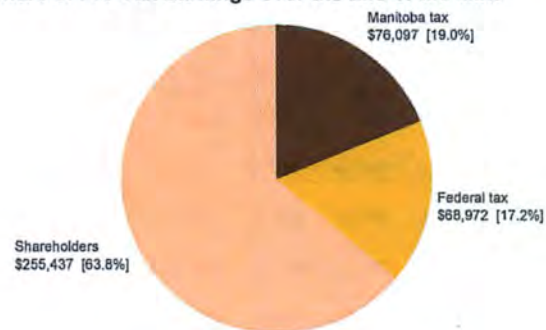
Share of Pre-Tax Earnings over the Life of the Mine



Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,118	54,890	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	518,887
Deduct crown charges			(275)	(1,100)	(1,100)	(4,543)	(6,965)	(6,965)	(6,965)	(6,965)	(6,380)	(6,380)	(3,953)	(51,593)
Less CCA														
Standard		(7,500)	(14,375)	(12,094)	(172)	(254)	(315)	(362)	(396)	(422)	(379)	(284)	(213)	(36,767)
Supp. Cl.41(a)				(36,094)										(36,094)
Income from mine		(8,900)	(5,620)	830	53,618	50,204	47,719	47,673	47,638	47,612	43,240	43,335	27,083	394,434
Add back interest expense		1,400	4,720	4,882	110									11,113
Resource profits		(7,500)	(900)	5,713	53,728	50,204	47,719	47,673	47,638	47,612	43,240	43,335	27,083	405,546
Deduct interest expense		(1,400)	(4,720)	(4,882)	(110)									(11,113)
CDE	(7,500)	(5,250)	(3,675)	(2,573)	(1,801)	(1,261)	(882)	(618)	(432)	(303)	(212)	(148)	(104)	(24,758)
CEE					(11,800)	360	(720)	(720)	(720)	(720)	(720)	(720)	(440)	(16,200)
	(7,500)	(14,150)	(9,295)	(1,742)	40,017	49,303	46,117	46,335	46,486	46,590	42,309	42,467	26,540	353,476
Non-capital loss (claim)	7,500	14,150	9,295	1,742	(32,687)									0
Taxable income for income taxes					7,330	49,303	46,117	46,335	46,486	46,590	42,309	42,467	26,540	353,476
Federal tax - basic					1,393	9,368	8,762	8,804	8,832	8,852	8,039	8,069	5,043	67,160
Less ITC claim														
CCEE					(1,160)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(1,800)
Total federal tax	0	0	0	0	233	9,288	8,682	8,724	8,752	8,772	7,959	7,989	4,963	65,360
Provincial tax - basic					806	5,423	5,073	5,097	5,113	5,125	4,654	4,671	2,919	38,882
Less: BC METC				(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(2,000)
Total provincial tax	0	0	0	(200)	606	5,223	4,873	4,897	4,913	4,925	4,454	4,471	2,719	36,882
Mining taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,118	54,890	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	518,887
Add back interest expense		1,400	4,720	4,882	110									11,113
			13,750	55,000	55,000	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	530,000
Assistance received on assets							80	80	80	80	80	80	160	640
Cumulative expenditure account deduction			(13,750)	(55,000)	(52,995)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,000)	(1,000)	(1,000)	(132,245)
Taxable income for mining tax					2,005	53,500	53,580	53,580	53,580	53,580	49,080	49,080	30,410	398,395
Mining taxes:														
Net current proceeds tax			275	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,000	1,000	625	10,600
Net revenue tax					261	6,955	6,965	6,965	6,965	6,965	6,380	6,380	3,953	51,791
Less cumulative tax credit					(261)	(3,512)	(1,100)	(1,100)	(1,100)	(1,100)	(1,000)	(1,000)	(625)	(10,798)
Total mining tax	0	0	275	1,100	1,100	4,543	6,965	6,965	6,965	6,965	6,380	6,380	3,953	51,593

Summary	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Gross revenues			27,500	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	82,500	1,100,000
Operating costs			(13,750)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(41,250)	(550,000)
Reclamation costs											(5,000)	(5,000)	(10,000)	(20,000)
Interest expense @ 10%		(1,400)	(4,720)	(4,869)	(5)									(10,994)
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,995	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,006
Income taxes														
Federal						(9,516)	(9,305)	(9,307)	(9,310)	(9,310)	(8,463)	(8,479)	(5,283)	(68,972)
Provincial					(745)	(6,086)	(5,940)	(5,941)	(5,943)	(5,943)	(5,408)	(5,418)	(3,400)	(44,824)
Mining taxes				(3,518)	(3,244)	(3,675)	(3,824)	(3,929)	(4,013)	(3,591)	(3,652)	(1,827)		(31,273)
Total taxes				(4,262)	(18,847)	(18,920)	(19,072)	(19,182)	(19,266)	(17,461)	(17,549)	(10,510)		(145,069)
Net cash flow from operations		(1,400)	9,030	50,132	50,732	36,153	36,080	35,928	35,818	35,734	32,539	32,451	20,740	373,937
Capital costs	(28,000)	(65,000)	(12,000)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,000)	(1,000)	(1,000)	(118,500)
Net cash flow	(28,000)	(66,400)	(2,970)	48,632	49,232	34,653	34,580	34,428	34,318	34,234	31,539	31,451	19,740	255,437
Working capital loan (repayment)	14,000	33,200	1,485	(48,632)	(54)									0
Equity (deficit)	(14,000)	(33,200)	(1,485)	0	49,179	34,653	34,580	34,428	34,318	34,234	31,539	31,451	19,740	255,437
														IRR 36.1%

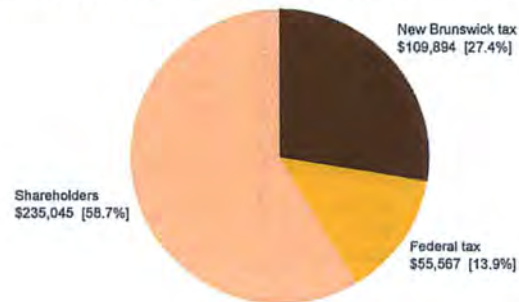
Share of Pre-Tax Earnings over the Life of the Mine



Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,995	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,006
Deduct crown charges					(3,518)	(3,244)	(3,675)	(3,824)	(3,929)	(4,013)	(3,591)	(3,652)	(1,827)	(31,273)
Less CCA														
Standard		(7,500)	(14,375)	(12,094)	(172)	46	(65)	(149)	(212)	(259)	(232)	(149)	(87)	(35,247)
Supp. Cl.41(a)				(36,094)										(36,094)
Income from mine		(8,900)	(5,345)	1,944	51,305	51,802	51,259	51,027	50,859	50,728	46,178	46,199	29,337	416,393
Add back interest expense		1,400	4,720	4,869	5									10,994
Resource profits		(7,500)	(625)	6,813	51,311	51,802	51,259	51,027	50,859	50,728	46,178	46,199	29,337	427,387
Deduct interest expense		(1,400)	(4,720)	(4,869)	(5)									(10,994)
CDE	(7,500)	(5,250)	(3,675)	(2,573)	(1,801)	(1,261)	(882)	(618)	(432)	(303)	(212)	(148)	(104)	(24,758)
CEE					(12,000)	179	(879)	(900)	(900)	(900)	(900)	(900)	(900)	(18,100)
	(7,500)	(14,150)	(9,020)	(629)	37,505	50,720	49,498	49,510	49,527	49,525	45,066	45,151	28,333	373,535
Non-capital loss (claim)	7,500	14,150	9,020	629	(31,299)									0
Taxable income for income taxes					6,206	50,720	49,498	49,510	49,527	49,525	45,066	45,151	28,333	373,535
Federal tax - basic					1,179	9,637	9,405	9,407	9,410	9,410	8,563	8,579	5,383	70,972
Less ITC claim														
CCEE					(1,179)	(121)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(2,000)
Total federal tax	0	0	0	0	0	9,516	9,305	9,307	9,310	9,310	8,463	8,479	5,283	68,972
Provincial tax - basic					745	6,086	5,940	5,941	5,943	5,943	5,408	5,418	3,400	44,824
Total provincial tax	0	0	0	0	745	6,086	5,940	5,941	5,943	5,943	5,408	5,418	3,400	44,824
Mining taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,995	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,006
Add back interest expense		1,400	4,720	4,869	5									10,994
Tax depreciation														
Mining			(13,750)	(13,350)	(10,780)	(8,724)	(7,079)	(5,763)	(4,711)	(3,869)	(3,095)	(2,476)	(1,981)	(75,577)
E&D						(3,833)	(1,167)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(11,000)
Processing allowance				41,650	44,220	42,443	46,754	48,237	49,289	50,131	45,905	46,524	28,289	443,423
						(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(80,000)
				41,650	44,220	32,443	36,754	38,237	39,289	40,131	35,905	36,524	18,289	363,423
Tax holiday			(13,750)	(55,000)	(9,045)									(77,795)
Taxable income for mining tax					35,175	32,443	36,754	38,237	39,289	40,131	35,905	36,524	18,289	312,728
Mining tax					3,518	3,244	3,675	3,824	3,929	4,013	3,591	3,652	1,827	31,273
Total mining tax	0	0	0	0	3,518	3,244	3,675	3,824	3,929	4,013	3,591	3,652	1,827	31,273

Summary	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Gross revenues			27,500	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	82,500	1,100,000
Operating costs			(13,750)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(41,250)	(550,000)
Reclamation costs											(5,000)	(5,000)	(10,000)	(20,000)
Interest expense @ 10%		(1,400)	(4,720)	(4,869)	(5)	0								(10,994)
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,995	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,006
Income taxes														
Federal						(717)	(9,716)	(8,330)	(8,359)	(8,379)	(7,651)	(7,674)	(4,740)	(55,567)
Provincial					(433)	(5,357)	(6,231)	(5,356)	(5,374)	(5,387)	(4,895)	(4,910)	(3,057)	(41,000)
Mining taxes					(6,117)	(8,529)	(8,529)	(8,529)	(8,529)	(8,529)	(7,760)	(7,789)	(4,584)	(68,894)
Total taxes					(6,550)	(14,603)	(24,476)	(22,215)	(22,262)	(22,295)	(20,306)	(20,372)	(12,381)	(165,461)
Net cash flow from operations		(1,400)	9,030	50,132	48,445	40,397	30,524	32,785	32,738	32,705	29,694	29,628	18,869	353,545
Capital costs	(28,000)	(65,000)	(12,000)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,000)	(1,000)	(1,000)	(118,500)
Net cash flow	(28,000)	(66,400)	(2,970)	48,632	46,945	38,897	29,024	31,285	31,238	31,205	28,694	28,628	17,869	235,045
Working capital loan (repayment)	14,000	33,200	1,485	(48,632)	(54)									
Equity (deficit)	(14,000)	(33,200)	(1,485)	0	46,891	38,897	29,024	31,285	31,238	31,205	28,694	28,628	17,869	235,045
IRR														34.9%

Share of Pre-Tax Earnings over the Life of the Mine

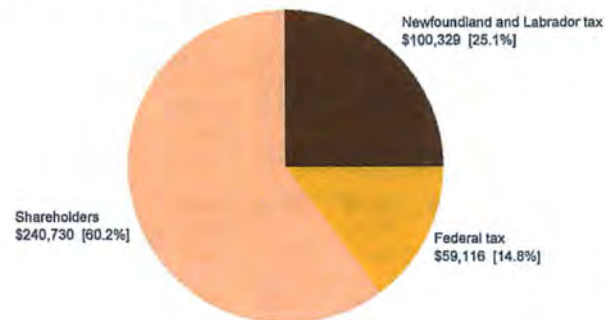


Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,995	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,006
Deduct crown charges					(6,117)	(8,529)	(8,529)	(8,529)	(8,529)	(8,529)	(7,760)	(7,789)	(4,584)	(68,894)
Less CCA														
Standard		(7,500)	(14,375)	(12,094)	(172)	(254)	1,472	(321)	(353)	(377)	(333)	(250)	(187)	(34,744)
Supp. Cl.41(a)				(36,094)	0	0	5,250							(30,844)
Income from mine		(8,900)	(5,345)	1,944	48,706	46,217	53,193	46,150	46,118	46,094	41,907	41,962	26,478	384,524
Add back interest expense		1,400	4,720	4,869	5									10,994
Resource profits		(7,500)	(625)	6,813	48,711	46,217	53,193	46,150	46,118	46,094	41,907	41,962	26,478	395,518
Deduct interest expense		(1,400)	(4,720)	(4,869)	(5)									(10,994)
CDE	(7,500)	(5,250)	(3,675)	(2,573)	(1,801)	(1,261)	(882)	(618)	(432)	(303)	(212)	(148)	(104)	(24,758)
CEE					(12,000)	(315)	(385)	(900)	(900)	(900)	(900)	(900)	(900)	(18,100)
	(7,500)	(14,150)	(9,020)	(629)	34,905	44,642	51,925	44,632	44,785	44,891	40,795	40,913	25,475	341,666
Non-capital loss (claim)	7,500	14,150	9,020	629	(31,299)									0
Taxable income for income taxes					3,607	44,642	51,925	44,632	44,785	44,891	40,795	40,913	25,475	341,666
Federal tax - basic					685	8,482	9,866	8,480	8,509	8,529	7,751	7,774	4,840	64,917
Less ITC claim														
Cl. 41(1)(a)						(7,000)								(7,000)
Cl. 41(1)(b)						(150)	(50)	(50)	(50)	(50)				(350)
CCEE					(685)	(615)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(2,000)
Total federal tax	0	0	0	0	0	717	9,716	8,330	8,359	8,379	7,651	7,674	4,740	55,567
Provincial tax - basic					433	5,357	6,231	5,356	5,374	5,387	4,895	4,910	3,057	41,000
Total provincial tax	0	0	0	0	433	5,357	6,231	5,356	5,374	5,387	4,895	4,910	3,057	41,000
Mining taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,995	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,006
Add back interest expense		1,400	4,720	4,869	5									10,994
Tax depreciation														
Mining			(7,560)	(51,381)	(11,559)	(500)	(500)	(500)	(500)	(500)	(333)	(167)		(73,500)
Finance Allowance			(4,995)	(925)	(40)	(40)	(40)	(40)	(40)	(40)	(13)			(6,173)
Pre-production			(909)	(909)	(909)	(909)	(909)	(909)	(909)	(909)	(909)	(909)	(909)	(10,000)
E&D				(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(15,000)
Royalty deduction			286	285	40,992	52,051	52,051	52,051	52,051	52,051	47,244	47,424	28,841	425,327
				(255)	(1,020)	(1,020)	(1,020)	(1,020)	(1,020)	(1,020)	(1,020)	(1,020)	(745)	(8,140)
			286	285	40,737	51,031	51,031	51,031	51,031	51,031	46,224	46,404	28,096	417,187
Processing allowance			(186)	(186)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(36,371)
			100	100	36,737	47,031	47,031	47,031	47,031	47,031	42,224	42,404	24,096	380,815
Basic exemption			(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(1,100)
Taxable income for mining tax					36,637	46,931	46,931	46,931	46,931	46,931	42,124	42,304	23,996	379,716
Mining tax (A)					5,862	7,509	7,509	7,509	7,509	7,509	6,740	6,769	3,839	60,754 (A)
Net smelter return			13,750	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	41,250	550,000
Milling allowance			(3,438)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(43,438)
Taxable revenue			10,313	51,000	51,000	51,000	51,000	51,000	51,000	51,000	51,000	51,000	37,250	506,563
Royalty tax (2%) (B)					255	1,020	1,020	1,020	1,020	1,020	1,020	1,020	745	8,140 (B)
Total mining tax (A+B)	0	0	0	0	6,117	8,529	8,529	8,529	8,529	8,529	7,760	7,789	4,584	68,894

Summary	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Gross revenues			27,500	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	82,500	1,100,000
Operating costs			(13,750)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(41,250)	(550,000)
Reclamation costs											(5,000)	(5,000)	(10,000)	(20,000)
Interest expense @ 10%		(1,400)	(4,720)	(4,869)	(337)									(11,325)
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,663	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	518,675
Income taxes														
Federal						(472)	(10,490)	(8,946)	(8,953)	(8,957)	(8,221)	(8,236)	(4,841)	(59,116)
Provincial						(6,574)	(7,840)	(6,702)	(6,708)	(6,711)	(6,131)	(6,143)	(3,641)	(50,449)
Mining taxes				(3,312)	(6,670)	(4,938)	(5,139)	(5,290)	(5,403)	(5,488)	(4,761)	(4,827)	(4,053)	(49,880)
Total taxes				(3,312)	(6,670)	(11,984)	(23,469)	(20,937)	(21,064)	(21,155)	(19,113)	(19,205)	(12,535)	(159,445)
Net cash flow from operations		(1,400)	9,030	46,819	47,994	43,016	31,531	34,063	33,936	33,845	30,887	30,795	18,715	359,230
Capital costs	(28,000)	(65,000)	(12,000)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,000)	(1,000)	(1,000)	(118,500)
Net cash flow	(28,000)	(66,400)	(2,970)	45,319	46,494	41,516	30,031	32,563	32,436	32,345	29,887	29,795	17,715	240,730
Working capital loan (repayment)	14,000	33,200	1,485	(45,319)	(3,366)									0
Equity (deficit)	(14,000)	(33,200)	(1,485)	0	43,128	41,516	30,031	32,563	32,436	32,345	29,887	29,795	17,715	240,730

IRR 35.0%

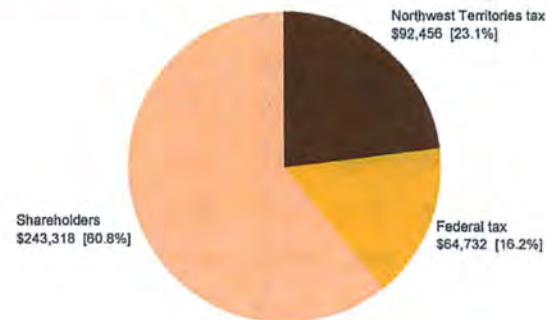
Share of Pre-Tax Earnings over the Life of the Mine



Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,663	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	518,675
Deduct crown charges				(3,312)	(6,670)	(4,938)	(5,139)	(5,290)	(5,403)	(5,488)	(4,761)	(4,827)	(4,053)	(49,880)
Less CCA														
Standard		(7,500)	(14,375)	(12,094)	(514)	(254)	1,472	(321)	(353)	(377)	(333)	(250)	(187)	(35,086)
Supp. Cl.41(a)				(34,726)	(1,026)		5,250							(30,502)
Income from mine		(8,900)	(5,345)		46,454	49,808	56,583	49,389	49,244	49,135	44,906	44,924	27,009	403,207
Add back interest expense		1,400	4,720	4,869	337									11,325
Resource profits		(7,500)	(625)	4,869	46,790	49,808	56,583	49,389	49,244	49,135	44,906	44,924	27,009	414,532
Deduct interest expense		(1,400)	(4,720)	(4,869)	(337)									(11,325)
CDE	(7,500)	(5,250)	(3,675)	(2,573)	(1,801)	(1,261)	(882)	(618)	(432)	(303)	(212)	(148)	(104)	(24,758)
CEE					(11,410)	(1,590)	300	(900)	(900)	(900)	(900)	(900)	(900)	(18,100)
	(7,500)	(14,150)	(9,020)	(2,573)	33,243	46,958	56,001	47,872	47,912	47,932	43,794	43,875	26,006	360,349
Non-capital loss (claim)	7,500	14,150	9,020	2,573	(33,243)									
Taxable income for income taxes						46,958	56,001	47,872	47,912	47,932	43,794	43,875	26,006	360,349
Federal tax - basic						8,922	10,640	9,096	9,103	9,107	8,321	8,336	4,941	68,466
Less ITC claim														
Cl. 41(1)(a)						(7,000)								(7,000)
Cl. 41(1)(b)						(150)	(50)	(50)	(50)	(50)				(350)
CCEE						(1,300)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(2,000)
Total federal tax	0	0	0	0	0	472	10,490	8,946	8,953	8,957	8,221	8,236	4,841	59,116
Provincial tax - basic						6,574	7,840	6,702	6,708	6,711	6,131	6,143	3,641	50,449
Total provincial tax	0	0	0	0	0	6,574	7,840	6,702	6,708	6,711	6,131	6,143	3,641	50,449
Mining taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,663	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	518,675
Add back interest expense		1,400	4,720	4,869	337									11,325
Tax depreciation														
Mining			(12,500)	(9,438)	(7,203)	(5,527)	(4,271)	(3,328)	(2,621)	(2,091)	(1,631)	(1,223)	(917)	(50,749)
Processing			(1,250)	(18,750)										(20,000)
Pre-production				(1,111)	(1,111)	(1,111)	(1,111)	(1,111)	(1,111)	(1,111)	(1,111)	(1,111)		(10,000)
E&D				(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(10,000)
				24,701	45,686	47,362	48,618	49,561	50,268	50,798	46,258	46,666	29,333	439,251
Processing allowance				(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(40,000)
				20,701	41,686	43,362	44,618	45,561	46,268	46,798	42,258	42,666	25,333	399,251
Royalty deduction				(4,140)	(8,337)	(8,672)	(8,924)	(9,112)	(9,254)	(9,360)	(8,452)	(8,533)	(5,067)	(79,850)
Taxable income for mining tax				16,561	33,349	34,689	35,695	36,449	37,014	37,439	33,807	34,133	20,266	319,401
Mining tax				2,484	5,002	5,203	5,354	5,467	5,552	5,616	5,071	5,120	3,040	47,910
Royalty tax				828	1,667	1,734	1,785	1,822	1,851	1,872	1,690	1,707	1,013	15,970
Tax credit for income tax						(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(14,000)
Total mining tax	0	0	0	3,312	6,670	4,938	5,139	5,290	5,403	5,488	4,761	4,827	4,053	49,880

Summary	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Gross revenues			27,500	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	82,500	1,100,000
Operating costs			(13,750)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(41,250)	(550,000)
Reclamation costs											(5,000)	(5,000)	(10,000)	(20,000)
Interest expense @ 10%		(1,400)	(4,720)	(4,869)	(5)									(10,994)
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,995	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,006
Income taxes														
Federal						(8,568)	(8,778)	(8,770)	(8,799)	(8,819)	(8,005)	(8,035)	(4,958)	(64,732)
Territorial					(569)	(5,404)	(5,374)	(5,369)	(5,386)	(5,398)	(4,906)	(4,924)	(3,061)	(40,391)
Mining taxes					(4,778)	(6,435)	(6,435)	(6,435)	(6,435)	(6,435)	(5,850)	(5,850)	(3,413)	(52,065)
Total taxes					(5,346)	(20,407)	(20,587)	(20,574)	(20,620)	(20,652)	(18,761)	(18,809)	(11,432)	(157,188)
Net cash flow from operations		(1,400)	9,030	50,132	49,648	34,593	34,413	34,426	34,380	34,348	31,239	31,191	19,818	361,818
Capital costs	(28,000)	(65,000)	(12,000)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,000)	(1,000)	(1,000)	(118,500)
Net cash flow	(28,000)	(66,400)	(2,970)	48,632	48,148	33,093	32,913	32,926	32,880	32,848	30,239	30,191	18,818	243,318
Working capital loan (repayment)	14,000	33,200	1,485	(48,632)	(54)									0
Equity (deficit)	(14,000)	(33,200)	(1,485)	0	48,095	33,093	32,913	32,926	32,880	32,848	30,239	30,191	18,818	243,318
IRR														35.2%

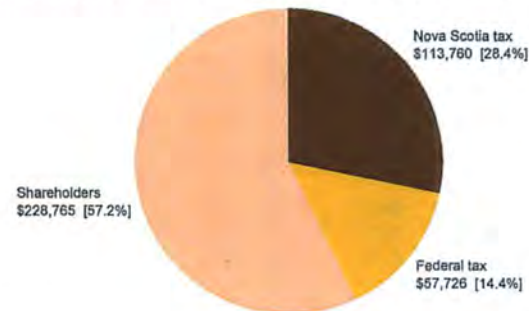
Share of Pre-Tax Earnings over the Life of the Mine



Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,995	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,006
Deduct crown charges					(4,778)	(6,435)	(6,435)	(6,435)	(6,435)	(6,435)	(5,850)	(5,850)	(3,413)	(52,065)
Less CCA														
Standard		(7,500)	(14,375)	(12,094)	(172)	(254)	(315)	(362)	(396)	(422)	(379)	(284)	(213)	(36,767)
Supp. Cl.41(a)				(36,094)										(36,094)
Income from mine		(8,900)	(5,345)	1,944	50,045	48,311	48,250	48,203	48,169	48,143	43,771	43,866	27,624	394,081
Add back interest expense		1,400	4,720	4,869	5									10,994
Resource profits		(7,500)	(625)	6,813	50,051	48,311	48,250	48,203	48,169	48,143	43,771	43,866	27,624	405,075
Deduct interest expense		(1,400)	(4,720)	(4,869)	(5)									(10,994)
CDE	(7,500)	(5,250)	(3,675)	(2,573)	(1,801)	(1,261)	(882)	(618)	(432)	(303)	(212)	(148)	(104)	(24,758)
CEE					(12,000)	(60)	(640)	(900)	(900)	(900)	(900)	(900)	(900)	(18,100)
	(7,500)	(14,150)	(9,020)	(629)	36,245	46,990	46,727	46,686	46,836	46,940	42,659	42,817	26,620	351,223
Non-capital loss (claim)	7,500	14,150	9,020	629	(31,299)									0
Taxable income for income taxes					4,946	46,990	46,727	46,686	46,836	46,940	42,659	42,817	26,620	351,223
Federal tax - basic					940	8,928	8,878	8,870	8,899	8,919	8,105	8,135	5,058	66,732
Less ITC claim														
CCEE					(940)	(360)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(2,000)
Total federal tax	0	0	0	0	0	8,568	8,778	8,770	8,799	8,819	8,005	8,035	4,958	64,732
Territorial tax - basic					569	5,404	5,374	5,369	5,386	5,398	4,906	4,924	3,061	40,391
Total territorial tax	0	0	0	0	569	5,404	5,374	5,369	5,386	5,398	4,906	4,924	3,061	40,391
Mining taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,995	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,006
Add back interest expense		1,400	4,720	4,869	5									10,994
Tax depreciation														
Mining			(13,750)	(55,000)	(2,250)	(500)	(500)	(500)	(500)	(500)				(73,500)
Pre-production					(10,000)									(10,000)
E&D					(2,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(10,000)
					40,750	53,500	53,500	53,500	53,500	53,500	49,000	49,000	30,250	436,500
Processing allowance					(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(36,000)
Taxable income for mining tax					36,750	49,500	49,500	49,500	49,500	49,500	45,000	45,000	26,250	400,500
Mining tax					4,778	6,435	6,435	6,435	6,435	6,435	5,850	5,850	3,413	52,065
Total mining tax	0	0	0	0	4,778	6,435	6,435	6,435	6,435	6,435	5,850	5,850	3,413	52,065

Summary	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Gross revenues			27,500	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	82,500	1,100,000
Operating costs			(13,750)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(41,250)	(550,000)
Reclamation costs											(5,000)	(5,000)	(10,000)	(20,000)
Interest expense @ 10%		(1,400)	(4,720)	(4,894)	(236)									(11,249)
Pre-tax cash flow from operations		(1,400)	9,030	50,106	54,764	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	518,751
Income taxes														
Federal						(1,154)	(9,947)	(8,592)	(8,623)	(8,644)	(7,908)	(7,934)	(4,924)	(57,726)
Provincial					(705)	(7,383)	(8,503)	(7,362)	(7,387)	(7,405)	(6,744)	(6,765)	(4,231)	(56,485)
Mining taxes			(506)	(2,025)	(2,532)	(7,178)	(7,162)	(7,151)	(7,143)	(7,138)	(6,406)	(6,419)	(3,616)	(57,275)
Total taxes			(506)	(2,025)	(3,237)	(15,715)	(25,611)	(23,104)	(23,153)	(23,186)	(21,058)	(21,118)	(12,771)	(171,486)
Net cash flow from operations		(1,400)	8,524	48,081	51,528	39,285	29,389	31,896	31,847	31,814	28,942	28,882	18,479	347,265
Capital costs	(28,000)	(65,000)	(12,000)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,000)	(1,000)	(1,000)	(118,500)
Net cash flow	(28,000)	(66,400)	(3,476)	46,581	50,028	37,785	27,889	30,396	30,347	30,314	27,942	27,882	17,479	228,765
Working capital loan (repayment)	14,000	33,200	1,738	(46,581)	(2,357)									0
Equity (deficit)	(14,000)	(33,200)	(1,738)	0	47,671	37,785	27,889	30,396	30,347	30,314	27,942	27,882	17,479	228,765
														IRR 34.5%

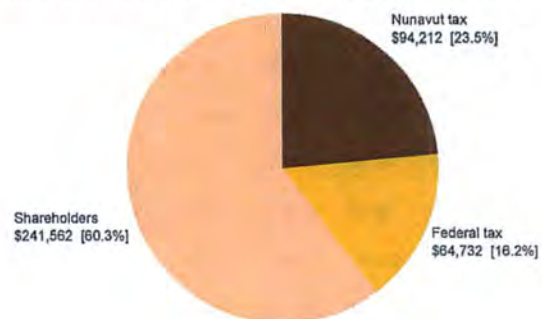
Share of Pre-Tax Earnings over the Life of the Mine



Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,106	54,764	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	518,751
Deduct crown charges			(506)	(2,025)	(2,532)	(7,178)	(7,162)	(7,151)	(7,143)	(7,138)	(6,406)	(6,419)	(3,616)	(57,275)
Less CCA														
Standard		(7,500)	(14,375)	(12,094)	(198)	(254)	1,472	(321)	(353)	(377)	(333)	(250)	(187)	(34,771)
Supp. Cl.41(a)				(35,987)	(80)	0	5,250							(30,817)
Income from mine		(8,900)	(5,851)	0	51,954	47,569	54,560	47,528	47,504	47,485	43,261	43,331	27,447	395,887
Add back interest expense		1,400	4,720	4,894	236									11,249
Resource profits		(7,500)	(1,131)	4,894	52,190	47,569	54,560	47,528	47,504	47,485	43,261	43,331	27,447	407,137
Deduct interest expense		(1,400)	(4,720)	(4,894)	(236)									(11,249)
CDE	(7,500)	(5,250)	(3,675)	(2,573)	(1,801)	(1,261)	(882)	(618)	(432)	(303)	(212)	(148)	(104)	(24,758)
CEE					(12,000)	(163)	(537)	(900)	(900)	(900)	(900)	(900)	(900)	(18,100)
	(7,500)	(14,150)	(9,526)	(2,573)	38,153	46,145	53,141	46,011	46,171	46,282	42,149	42,282	26,443	353,029
Non-capital loss (claim)	7,500	14,150	9,526	2,573	(33,749)									0
Taxable income for income taxes					4,405	46,145	53,141	46,011	46,171	46,282	42,149	42,282	26,443	353,029
Federal tax - basic					837	8,768	10,097	8,742	8,773	8,794	8,008	8,034	5,024	67,076
Less ITC claim														
Cl. 41(1)(a)						(7,000)								(7,000)
Cl. 41(1)(b)						(150)	(50)	(50)	(50)	(50)				(350)
CCEE					(837)	(463)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(2,000)
Total federal tax	0	0	0	0	0	1,154	9,947	8,592	8,623	8,644	7,908	7,934	4,924	57,726
Provincial tax - basic					705	7,383	8,503	7,362	7,387	7,405	6,744	6,765	4,231	56,485
Total provincial tax	0	0	0	0	705	7,383	8,503	7,362	7,387	7,405	6,744	6,765	4,231	56,485
Mining taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,106	54,764	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	518,751
Add back interest expense		1,400	4,720	4,894	236									11,249
Tax depreciation														
Mining			(5,380)	(34,500)	(31,120)	(150)	(255)	(329)	(380)	(416)	(291)	(204)	(143)	(73,167)
Pre-production				(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(10,000)
E&D				(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(10,000)
			8,370	18,500	21,880	52,850	52,745	52,672	52,620	52,584	47,709	47,796	29,107	436,833
Processing allowance			(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(55,000)
Taxable income for mining tax			3,370	13,500	16,880	47,850	47,745	47,672	47,620	47,584	42,709	42,796	24,107	381,833
Royalty at 15% (A)			506	2,025	2,532	7,178	7,162	7,151	7,143	7,138	6,406	6,419	3,616	57,275 (A)
Gross revenue			27,500	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	82,500	1,100,000
Marketing and transportation			(2,200)	(8,800)	(8,800)	(8,800)	(8,800)	(8,800)	(8,800)	(8,800)	(8,800)	(8,800)	(6,600)	(88,000)
Taxable revenue			25,300	101,200	101,200	101,200	101,200	101,200	101,200	101,200	101,200	101,200	75,900	1,012,000
Royalty at 2% (B)			506	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024	1,518	20,240 (B)
Total mining tax (greater of A and B)	0	0	506	2,025	2,532	7,178	7,162	7,151	7,143	7,138	6,406	6,419	3,616	57,275

Summary	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Gross revenues			27,500	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	82,500	1,100,000
Operating costs			(13,750)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(41,250)	(550,000)
Reclamation costs											(5,000)	(5,000)	(10,000)	(20,000)
Interest expense @ 10%		(1,400)	(4,720)	(4,869)	(5)									(10,994)
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,995	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,006
Income taxes														
Federal						(8,568)	(8,778)	(8,770)	(8,799)	(8,819)	(8,005)	(8,035)	(4,958)	(64,732)
Territorial					(594)	(5,639)	(5,607)	(5,602)	(5,620)	(5,633)	(5,119)	(5,138)	(3,194)	(42,147)
Mining taxes				(4,778)	(6,435)	(6,435)	(6,435)	(6,435)	(6,435)	(6,435)	(5,850)	(5,850)	(3,413)	(52,065)
Total taxes					(5,371)	(20,642)	(20,821)	(20,808)	(20,854)	(20,886)	(18,974)	(19,023)	(11,565)	(158,944)
Net cash flow from operations		(1,400)	9,030	50,132	49,624	34,358	34,179	34,192	34,146	34,114	31,026	30,977	19,685	360,062
Capital costs	(28,000)	(65,000)	(12,000)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,000)	(1,000)	(1,000)	(118,500)
Net cash flow	(28,000)	(66,400)	(2,970)	48,632	48,124	32,858	32,679	32,692	32,646	32,614	30,026	29,977	18,685	241,562
Working capital loan (repayment)	14,000	33,200	1,485	(48,632)	(54)									0
Equity (deficit)	(14,000)	(33,200)	(1,485)	0	48,070	32,858	32,679	32,692	32,646	32,614	30,026	29,977	18,685	241,562
IRR														35.0%

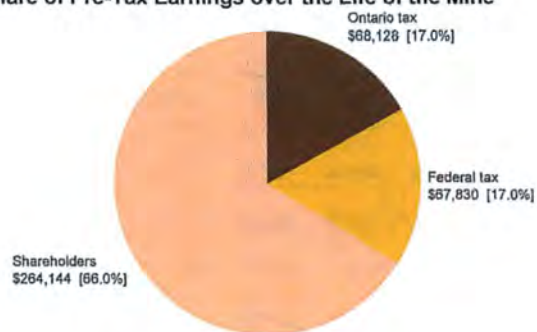
Share of Pre-Tax Earnings over the Life of the Mine



Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,995	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,006
Deduct crown charges					(4,778)	(6,435)	(6,435)	(6,435)	(6,435)	(6,435)	(5,850)	(5,850)	(3,413)	(52,065)
Less CCA														
Standard		(7,500)	(14,375)	(12,094)	(172)	(254)	(315)	(362)	(396)	(422)	(379)	(284)	(213)	(36,767)
Supp. Cl.41(a)				(36,094)										(36,094)
Income from mine		(8,900)	(5,345)	1,944	50,045	48,311	48,250	48,203	48,169	48,143	43,771	43,866	27,624	394,081
Add back interest expense		1,400	4,720	4,869	5									10,994
Resource profits		(7,500)	(625)	6,813	50,051	48,311	48,250	48,203	48,169	48,143	43,771	43,866	27,624	405,075
Deduct interest expense		(1,400)	(4,720)	(4,869)	(5)									(10,994)
CDE	(7,500)	(5,250)	(3,675)	(2,573)	(1,801)	(1,261)	(882)	(618)	(432)	(303)	(212)	(148)	(104)	(24,758)
CEE					(12,000)	(60)	(640)	(900)	(900)	(900)	(900)	(900)	(900)	(18,100)
	(7,500)	(14,150)	(9,020)	(629)	36,245	46,990	46,727	46,686	46,836	46,940	42,659	42,817	26,620	351,223
Non-capital loss (claim)	7,500	14,150	9,020	629	(31,299)									0
Taxable income for income taxes					4,946	46,990	46,727	46,686	46,836	46,940	42,659	42,817	26,620	351,223
Federal tax - basic					940	8,928	8,878	8,870	8,899	8,919	8,105	8,135	5,058	66,732
Less ITC claim														
CCEE					(940)	(360)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	0
Total federal tax	0	0	0	0	0	8,568	8,778	8,770	8,799	8,819	8,005	8,035	4,958	64,732
Territorial tax - basic					594	5,639	5,607	5,602	5,620	5,633	5,119	5,138	3,194	42,147
Total territorial tax	0	0	0	0	594	5,639	5,607	5,602	5,620	5,633	5,119	5,138	3,194	42,147
Mining taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,995	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,006
Add back interest expense		1,400	4,720	4,869	5									10,994
Tax depreciation														
Mining			(13,750)	(55,000)	(2,250)	(500)	(500)	(500)	(500)	(500)				(73,500)
Pre-production					(10,000)									(10,000)
E&D					(2,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(10,000)
Processing allowance					(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(36,000)
Taxable income for mining tax					36,750	49,500	49,500	49,500	49,500	49,500	45,000	45,000	26,250	400,500
Mining tax					4,778	6,435	6,435	6,435	6,435	6,435	5,850	5,850	3,413	52,065
Total mining tax	0	0	0	0	4,778	6,435	6,435	6,435	6,435	6,435	5,850	5,850	3,413	52,065

Summary	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Gross revenues			27,500	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	82,500	1,100,000
Operating costs			(13,750)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(41,250)	(550,000)
Reclamation costs											(5,000)	(5,000)	(10,000)	(20,000)
Interest expense @ 10%		(1,400)	(4,720)	(4,897)	(382)									(11,399)
Pre-tax cash flow from operations		(1,400)	9,030	50,103	54,618	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	518,601
Income taxes														
Federal						(8,882)	(9,295)	(9,260)	(9,288)	(9,268)	(8,341)	(8,368)	(5,128)	(67,830)
Provincial			(70)	(1,503)	(1,771)	(1,779)	(3,056)	(4,539)	(4,559)	(4,576)	(4,166)	(4,182)	(2,568)	(32,769)
Mining taxes			(500)	(1,946)	(2,696)	(3,864)	(3,860)	(3,860)	(3,860)	(4,073)	(4,085)	(4,098)	(2,517)	(35,359)
Total taxes			(570)	(3,449)	(4,467)	(14,525)	(16,211)	(17,659)	(17,707)	(17,916)	(16,592)	(16,648)	(10,213)	(135,957)
Net cash flow from operations		(1,400)	8,460	46,654	50,152	40,475	38,789	37,341	37,293	37,084	33,408	33,352	21,037	382,644
Capital costs	(28,000)	(65,000)	(12,000)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,000)	(1,000)	(1,000)	(118,500)
Net cash flow	(28,000)	(66,400)	(3,540)	45,154	48,652	38,975	37,289	35,841	35,793	35,584	32,408	32,352	20,037	264,144
Working capital loan (repayment)	14,000	33,200	1,770	(45,154)	(3,816)									0
Equity (deficit)	(14,000)	(33,200)	(1,770)	0	44,835	38,975	37,289	35,841	35,793	35,584	32,408	32,352	20,037	264,144
														IRR 36.4%

Share of Pre-Tax Earnings over the Life of the Mine

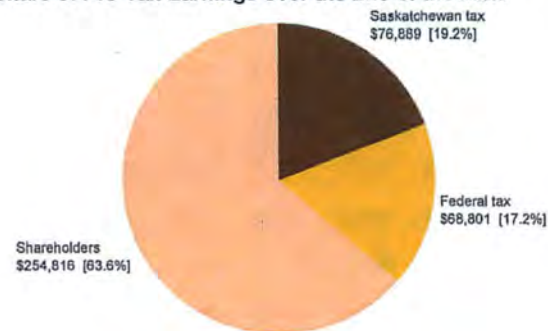


Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,103	54,618	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	518,601
Deduct crown charges			(500)	(1,946)	(2,696)	(3,864)	(3,860)	(3,860)	(3,860)	(4,073)	(4,085)	(4,098)	(2,517)	(35,359)
Less CCA														
Standard		(7,500)	(14,375)	(12,094)	(180)	(254)	(315)	(362)	(396)	(422)	(379)	(284)	(213)	(36,774)
Supp. Cl.41(a)				(36,063)	(23)									(36,086)
Income from mine		(8,900)	(5,845)		51,720	50,882	50,825	50,778	50,744	50,505	45,536	45,618	28,520	410,382
Add back interest expense		1,400	4,720	4,897	382									11,399
Resource profits		(7,500)	(1,125)	4,897	52,102	50,882	50,825	50,778	50,744	50,505	45,536	45,618	28,520	421,781
Deduct interest expense			(1,400)	(4,720)	(4,897)	(382)								(11,399)
CDE	(7,500)	(5,250)	(3,675)	(2,573)	(1,801)	(1,261)	(882)	(618)	(432)	(303)	(212)	(148)	(104)	(24,758)
CEE					(12,000)	(206)	(494)	(900)	(900)	(900)	(900)	(900)	(900)	(18,100)
	(7,500)	(14,150)	(9,520)	(2,573)	37,919	49,415	49,449	49,261	49,411	49,303	44,424	44,569	27,516	367,525
Non-capital loss (claim)	7,500	14,150	9,520	2,573	(33,743)									0
Taxable income for income taxes					4,177	49,415	49,449	49,261	49,411	49,303	44,424	44,569	27,516	367,525
Federal tax - basic					794	9,389	9,395	9,360	9,388	9,368	8,441	8,468	5,228	69,830
Less ITC claim														
CCEE					(794)	(506)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(2,000)
Total federal tax	0	0	0	0	0	8,882	9,295	9,260	9,288	9,268	8,341	8,368	5,128	67,830
Provincial tax - basic			70	33		3,515	4,560	4,539	4,559	4,576	4,166	4,182	2,568	32,769
Provincial CMT (credit)				1,470	1,771	(1,737)	(1,505)							0
Total provincial tax	0	0	70	1,503	1,771	1,779	3,056	4,539	4,559	4,576	4,166	4,182	2,568	32,769
Mining taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,103	54,618	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	518,601
Add back interest expense		1,400	4,720	4,897	382									11,399
Tax depreciation														
Mining				(150)	(300)	(450)	(500)	(500)	(500)	(500)	(350)	(200)	(50)	(3,500)
Processing				(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(5,000)				(50,000)
Pre-production				(6,100)	(13,900)									(20,000)
E&D				(11,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(20,000)
Processing allowance			13,750	30,250	32,300	46,050	46,000	46,000	46,000	48,500	48,650	48,800	30,200	436,500
			(4,000)	(4,538)	(4,845)	(6,908)	(6,900)	(6,900)	(6,900)	(7,275)	(7,298)	(7,320)	(4,530)	(67,413)
			9,750	25,713	27,455	39,143	39,100	39,100	39,100	41,225	41,353	41,480	25,670	369,088
Exempt amount			(4,250)	(5,750)										(10,000)
Basic exemption			(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(5,500)
Taxable income for mining tax			5,000	19,463	26,955	38,643	38,600	38,600	38,600	40,725	40,853	40,980	25,170	353,588
Mining tax			500	1,946	2,696	3,864	3,860	3,860	3,860	4,073	4,085	4,098	2,517	35,359
Total mining tax	0	0	500	1,946	2,696	3,864	3,860	3,860	3,860	4,073	4,085	4,098	2,517	35,359

Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,168	55,000	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,048
Deduct crown charges			720		(5,850)	(5,520)	(5,880)	(5,880)	(5,880)	(5,880)	(5,340)	(5,340)	(3,090)	(47,940)
Less CCA														
Standard		(7,500)	(14,375)	(12,094)	(172)	(254)	(315)	(362)	(396)	(422)	(379)	(284)	(213)	(36,767)
Supp. Cl.41(a)				(36,094)										(36,094)
Income from mine		(8,900)	(4,625)	1,980	48,978	49,226	48,805	48,758	48,724	48,698	44,281	44,376	27,947	398,247
Add back interest expense		1,400	4,720	4,833										10,953
Resource profits		(7,500)	95	6,813	48,978	49,226	48,805	48,758	48,724	48,698	44,281	44,376	27,947	409,200
Deduct interest expense			(1,400)	(4,720)	(4,833)									(10,953)
CDE	(7,500)	(5,250)	(3,675)	(2,573)	(1,801)	(1,261)	(882)	(618)	(432)	(303)	(212)	(148)	(104)	(24,758)
CEE					(11,700)	88	(533)	(765)	(765)	(765)	(765)	(765)	(765)	(16,735)
	(7,500)	(14,150)	(8,300)	(593)	35,477	48,053	47,390	47,376	47,526	47,630	43,304	43,462	27,078	356,754
Non-capital loss (claim)	7,500	14,150	8,300	593	(30,543)									0
Taxable income for income taxes					4,935	48,053	47,390	47,376	47,526	47,630	43,304	43,462	27,078	356,754
Federal tax - basic					938	9,130	9,004	9,001	9,030	9,050	8,228	8,258	5,145	67,783
Less ITC claim														
CCEE					(938)	(317)	(85)	(85)	(85)	(85)	(85)	(85)	(85)	(1,850)
Total federal tax					0	8,813	8,919	8,916	8,945	8,965	8,143	8,173	5,060	65,933
Provincial tax - basic					52	5,739	5,689	5,683	5,679	5,676	5,150	5,162	3,326	42,155
ITC claim				(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(1,500)
Total provincial tax				(150)	(98)	5,589	5,539	5,533	5,529	5,526	5,000	5,012	3,176	40,655
Mining taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,168	55,000	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,048
Add back interest expense		1,400	4,720	4,833										10,953
Tax depreciation														
Mining			(13,750)	(55,000)	(2,250)	(500)	(500)	(500)	(500)	(500)				(73,500)
Pre-production			(10,000)											(10,000)
E&D						(4,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(15,000)
			(10,000)		52,750	50,000	53,000	53,000	53,000	53,000	48,500	48,500	29,750	431,500
Processing allowance			4,000	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(32,000)
Taxable income for mining tax			(6,000)		48,750	46,000	49,000	49,000	49,000	49,000	44,500	44,500	25,750	399,500
Mining tax			(720)		5,850	5,520	5,880	5,880	5,880	5,880	5,340	5,340	3,090	47,940
Total mining tax	0	0	(720)	0	5,850	5,520	5,880	5,880	5,880	5,880	5,340	5,340	3,090	47,940

Summary	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Gross revenues			27,500	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	82,500	1,100,000
Operating costs			(13,750)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(41,250)	(550,000)
Reclamation costs											(5,000)	(5,000)	(10,000)	(20,000)
Interest expense @ 10%		(1,400)	(4,720)	(4,869)	(6)									(10,994)
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,994	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,006
Income taxes														
Federal					(260)	(9,735)	(9,551)	(9,450)	(9,099)	(9,097)	(8,242)	(8,262)	(5,105)	(68,801)
Provincial					(922)	(6,211)	(6,095)	(6,032)	(5,810)	(5,809)	(5,269)	(5,281)	(3,288)	(44,716)
Mining taxes				(6)	(2,032)	(2,225)	(2,360)	(3,068)	(5,041)	(5,134)	(4,749)	(4,794)	(2,764)	(32,172)
Total taxes				(6)	(3,214)	(18,171)	(18,005)	(18,550)	(19,950)	(20,039)	(18,260)	(18,337)	(11,157)	(145,689)
Net cash flow from operations		(1,400)	9,030	50,125	51,780	36,829	36,995	36,450	35,050	34,961	31,740	31,663	20,093	373,316
Capital costs	(28,000)	(65,000)	(12,000)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,000)	(1,000)	(1,000)	(118,500)
Net cash flow	(28,000)	(66,400)	(2,970)	48,625	50,280	35,329	35,495	34,950	33,550	33,461	30,740	30,663	19,093	254,816
Working capital loan (repayment)	14,000	33,200	1,485	(48,625)	(60)									0
Equity (deficit)	(14,000)	(33,200)	(1,485)	0	50,220	35,329	35,495	34,950	33,550	33,461	30,740	30,663	19,093	254,816
														IRR 36.4%

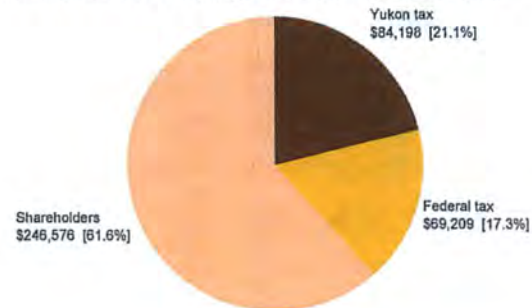
Share of Pre-Tax Earnings over the Life of the Mine



Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,994	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,006
Deduct crown charges				(6)	(2,032)	(2,225)	(2,360)	(3,068)	(5,041)	(5,134)	(4,749)	(4,794)	(2,764)	(32,172)
Less CCA														
Standard		(7,500)	(14,375)	(12,094)	(172)	46	(65)	(149)	(212)	(259)	(232)	(149)	(87)	(35,247)
Supp. Cl.41(a)				(36,094)										(36,094)
Income from mine		(8,900)	(5,345)	1,938	52,790	52,821	52,575	51,783	49,747	49,607	45,020	45,057	28,400	415,493
Add back interest expense		1,400	4,720	4,869	6									10,994
Resource profits		(7,500)	(625)	6,806	52,796	52,821	52,575	51,783	49,747	49,607	45,020	45,057	28,400	426,487
Deduct interest expense		(1,400)	(4,720)	(4,869)	(6)									(10,994)
CDE	(7,500)	(5,250)	(3,675)	(2,573)	(1,801)	(1,261)	(882)	(618)	(432)	(303)	(212)	(148)	(104)	(24,758)
CEE					(12,000)	200	(900)	(900)	(900)	(900)	(900)	(900)	(900)	(18,100)
	(7,500)	(14,150)	(9,020)	(635)	38,990	51,761	50,792	50,265	48,415	48,405	43,908	44,009	27,396	372,635
Non-capital loss (claim)	7,500	14,150	9,020	635	(31,305)									0
Taxable income for income taxes					7,685	51,761	50,792	50,265	48,415	48,405	43,908	44,009	27,396	372,635
Federal tax - basic					1,460	9,835	9,651	9,550	9,199	9,197	8,342	8,362	5,205	70,801
Less ITC claim														
CCEE					(1,200)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(2,000)
Total federal tax	0	0	0	0	260	9,735	9,551	9,450	9,099	9,097	8,242	8,262	5,105	68,801
Provincial tax - basic					922	6,211	6,095	6,032	5,810	5,809	5,269	5,281	3,288	44,716
Total provincial tax	0	0	0	0	922	6,211	6,095	6,032	5,810	5,809	5,269	5,281	3,288	44,716
Mining taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,994	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,006
Add back interest expense		1,400	4,720	4,869	6									10,994
Tax depreciation														
Mining				(20,500)	(500)	(500)	(500)	(500)	(500)	(500)				(23,500)
Processing			(13,750)	(18,375)	(12,863)	(9,004)	(6,303)	(4,412)	(3,088)	(2,162)	(1,513)	(1,059)	(2,612)	(75,140)
E&D				(16,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(25,000)
Taxable income for mining tax				125	40,638	44,496	47,197	49,088	50,412	51,338	47,487	47,941	27,638	406,360
Mining tax				6	2,032	2,225	2,360	3,068	5,041	5,134	4,749	4,794	2,764	32,172
Total mining tax	0	0	0	6	2,032	2,225	2,360	3,068	5,041	5,134	4,749	4,794	2,764	32,172

Summary	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Gross revenues			27,500	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	82,500	1,100,000
Operating costs			(13,750)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(41,250)	(550,000)
Reclamation costs											(5,000)	(5,000)	(10,000)	(20,000)
Interest expense @ 10%		(1,400)	(4,720)	(4,894)	(504)									(11,518)
Pre-tax cash flow from operations		(1,400)	9,030	50,106	54,496	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	518,482
Income taxes														
Federal						(8,019)	(9,706)	(9,512)	(9,542)	(9,562)	(8,709)	(8,740)	(5,419)	(69,209)
Territorial						(7,357)	(7,742)	(7,589)	(7,612)	(7,628)	(6,954)	(6,979)	(4,357)	(56,218)
Mining taxes			(505)	(4,707)	(4,707)	(2,720)	(2,492)	(2,531)	(2,525)	(2,521)	(2,147)	(2,141)	(985)	(27,980)
Total taxes			(505)	(4,707)	(4,707)	(18,096)	(19,940)	(19,631)	(19,679)	(19,711)	(17,810)	(17,860)	(10,761)	(153,407)
Net cash flow from operations		(1,400)	8,525	45,400	49,790	36,904	35,060	35,369	35,321	35,289	32,190	32,140	20,489	365,076
Capital costs	(28,000)	(65,000)	(12,000)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,000)	(1,000)	(1,000)	(118,500)
Net cash flow	(28,000)	(66,400)	(3,475)	43,900	48,290	35,404	33,560	33,869	33,821	33,789	31,190	31,140	19,489	246,576
Working capital loan (repayment)	14,000	33,200	1,738	(43,900)	(5,038)									
Equity (deficit)	(14,000)	(33,200)	(1,738)	0	43,252	35,404	33,560	33,869	33,821	33,789	31,190	31,140	19,489	246,576
														IRR 34.8%

Share of Pre-Tax Earnings over the Life of the Mine



Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,106	54,496	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	518,482
Deduct crown charges			(505)	(4,707)	(4,707)	(2,720)	(2,492)	(2,530)	(2,525)	(2,521)	(2,147)	(2,141)	(985)	(27,980)
Less CCA														
Standard		(7,500)	(14,375)	(12,094)	(869)	(254)	(315)	(362)	(396)	(422)	(379)	(284)	(213)	(37,464)
Supp. Cl.41(a)				(33,306)	(2,091)									(35,397)
Income from mine		(8,900)	(5,850)	0	46,829	52,026	52,193	52,108	52,079	52,057	47,474	47,575	30,052	417,642
Add back interest expense		1,400	4,720	4,894	504									11,518
Resource profits		(7,500)	(1,130)	4,894	47,333	52,026	52,193	52,108	52,079	52,057	47,474	47,575	30,052	429,160
Deduct interest expense		(1,400)	(4,720)	(4,894)	(504)									(11,518)
CDE	(7,500)	(5,250)	(3,675)	(2,573)	(1,801)	(1,261)	(882)	(618)	(432)	(303)	(212)	(148)	(104)	(24,758)
CEE					(11,281)	(1,719)	300	(900)	(900)	(900)	(900)	(900)	(900)	(18,100)
	(7,500)	(14,150)	(9,525)	(2,573)	33,748	49,046	51,610	50,591	50,746	50,854	46,362	46,526	29,048	374,784
Non-capital loss (claim)	7,500	14,150	9,525	2,573	(33,748)									0
Taxable income for income taxes						49,046	51,610	50,591	50,746	50,854	46,362	46,526	29,048	374,784
Federal tax - basic						9,319	9,806	9,612	9,642	9,662	8,809	8,840	5,519	71,209
Less ITC claim														
CCEE						(1,300)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(2,000)
Total federal tax	0	0	0	0	0	8,019	9,706	9,512	9,542	9,562	8,709	8,740	5,419	69,209
Territorial tax - basic						7,357	7,742	7,589	7,612	7,628	6,954	6,979	4,357	56,218
Total territorial tax	0	0	0	0	0	7,357	7,742	7,589	7,612	7,628	6,954	6,979	4,357	56,218
Mining taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,106	54,496	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	518,482
Add back interest expense		1,400	4,720	4,894	504									11,518
Tax depreciation														
Mining		(4,167)	(4,167)	(4,167)	(4,167)	(4,167)	(4,167)	(4,167)	(4,167)	(4,167)	(4,167)	(4,167)	(4,167)	(50,000)
E&D				(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(10,000)
		(4,167)	9,583	49,833	49,833	49,833	49,833	49,833	49,833	49,833	44,833	44,833	26,083	470,000
Income taxes:														
Federal						(8,019)	(9,706)	(9,512)	(9,542)	(9,562)	(8,709)	(8,740)	(5,419)	(69,209)
Territorial						(7,357)	(7,742)	(7,589)	(7,612)	(7,628)	(6,954)	(6,979)	(4,357)	(56,218)
Taxable income for mining tax			9,583	49,833	49,833	34,458	32,386	32,732	32,680	32,643	29,170	29,114	16,307	348,740
Total mining tax	0	0	505	4,707	4,707	2,720	2,492	2,531	2,525	2,521	2,147	2,141	985	27,980

	Yukon	Alberta	Manitoba	Nova Scotia	Saskatchewan	Quebec	N.W.T. and Nunavut	British Columbia	Ontario	New Brunswick	Newfoundland and Labrador	Statute	
Statute	<i>Yukon Quartz Mining Act</i>	<i>Metallic and Industrial Minerals Royalty Regulation to the Mine and Minerals Act</i>	<i>The Mining Tax Act</i>	<i>Mineral Resources Act</i>	<i>The Crown Minerals Act</i>	<i>Mining Duties Act</i>	<i>Northwest Territories and Nunavut Mining Regulations</i>	<i>Mineral Tax Act</i>	<i>The Mining Tax Act</i>	<i>Metallic Minerals Tax Act</i>	<i>The Mining and Mineral Rights Tax Act, 2002</i>		
Mining Tax Rate (% of profit unless otherwise indicated)	\$10,000 to \$1,000,000: 3% \$1,000,000 to \$5,000,000: 5% \$5,000,000 to \$10,000,000: 6% Every additional \$5,000,000: tax rate increases by 1%	Greater of: 1% of mine mouth revenue and 12% of net profits after full cost recovery	< \$50,000,000: 10% \$50,000,000 to \$55,000,000: 65% \$55,000,000 to \$100,000,000: 15% \$100,000,000 to \$105,000,000: 57% > \$105,000,000: 17%	Greater of 2% of net revenue and 15% of net income or royalty based on production or 2% of net revenue	Sales up to 1 million troy ounces: 5% Sales over 1 million troy ounces: 10%	12%	Lesser of 13% and following formula: \$10,000 to \$5,000,000: 5% \$5,000,000 to 10,000,000: 6% For every add'l \$5,000,000 annual profit, rate increases by 1% to maximum of 14%	2% on net current proceeds plus 13% on cumulative net revenue	10%	2% on net revenue plus 16% on net profit in excess of \$100,000 16% on royalties received	15% of mine profit plus 20% of excess of profit over royalties paid 20% on royalties received less certain deductions	Mining Tax Rate (% of profit unless otherwise indicated)	
Hedging Gain/(Loss)	Silent on the issue					Excluded		Generally included	Included, except speculative currency hedging	Silent on the issue		Hedging Gain/(Loss)	
Depreciation	Mining Assets	15% straight-line	20% declining balance	100% for first 3 years of operation, 30% declining balance thereafter	100% deduction		30% straight-line basis (up to 100% of new mine income for new mine assets) 15% straight-line basis		5% minimum (no maximum) for new or expanded mine assets Other assets maximum 33-1/3%	25% declining balance (100% for new or expanded mine assets) 25% declining balance	Mining Assets	Depreciation	
	Processing Assets										Processing Assets		
Pre-Production Expenses	Deductible only in year incurred	Effectively 100%	Included in depreciable assets		Effectively 150%				5% minimum No maximum	Deductible over the life of the mine as estimated by the Minister		Pre-Production Assets	
Exploration Expenses	Ministerial discretion applies up to 100% deduction		100% deduction, additional 50% if in excess of prior 3 years' average, if off-site			100% deduction, additional 50% if off-site			150% deduction	100% deduction Indefinite carryforward		Exploration Expenses	
Processing Allowance (% of processing assets)	Concentrating	Ministerial discretion	10%	8%		8%			8%	15%		Concentrating	
	Smelting			15%					12%	8%		Smelting	
	Refining			8%		15%			16%			Refining	
	Other		N/A			N/A			20% Northern Ontario Refining	N/A		Other	
Processing Allowance (caps)	Ministerial discretion		No minimum Maximum 65% of net profits			No minimum Maximum 65% of net profit			Minimum 15% Maximum 65% of net profit	Maximum 65% of net profit		Processing Allowance (caps)	
Selected Non-Deductible Expenses	Interest, royalties, depletion, cost of mining property									Interest, depletion, cost of mining property		Selected Non-Deductible Expenses	
Special Features	In computing mine profits all taxes paid or payable upon mining, smelting, or refining profits are deductible	A 10% allowance is permitted in lieu of overheads	Tax holiday period until payback achieved. New mine processing assets qualify for 20% processing allowance.	Certain specific minerals (e.g., gold, silver) are subject to royalties at fixed percentage rates. However, Minister may (and does) require any producer to pay tax under the 2-part system.	150% of pre-production expenses are recovered prior to any royalties being payable. Separate royalties are applicable to potash, coal and uranium producers.	A cash refund equal to the lesser of 12% of the loss and 12% of the aggregate of exploration and development costs is available.	Acquisition cost of expansion claims deductible within limits	Investment allowance replaces the deduction for interest expense. 33-1/3% super-deduction for capital and pre-production costs of new or reopened mine or major expansion.	No mining taxes are payable in the first 3 years of production on profits below \$10 million. The period is extended to 10 years for mines in remote locations. 5% tax rate for new mines in remote locations.	Finance allowance replaces the deduction for interest expense. New mine exempt from 2% royalty in first 2 years. The amount of 16% tax payable is reduced by 25% of eligible process research expenditures	In computing mine profit subject to 15% tax, a deduction is allowed equal to the greater of 20% of profits (before this allowance) and non-Crown royalties paid. Income taxes on mining income (up to \$2 million per year) deductible from mining taxes for first 10 years of commercial production.		Special Features
Provincial Income Tax Rate	15%	10%	12%	16%	12%	11.9%	11.5%/12%	11%	12%	12%	14%	Provincial Income Tax Rate	
	Yukon	Alberta	Manitoba	Nova Scotia	Saskatchewan	Quebec	N.W.T. and Nunavut	British Columbia	Ontario	New Brunswick	Newfoundland and Labrador		

www.pwc.com/ca

PricewaterhouseCoopers LLP has been recognized by World Finance as Canada's "Best Transfer Pricing Team" for 2009.



© 2009 PricewaterhouseCoopers LLP. All rights reserved. "PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.



MEMORANDUM

To: Bruce Twomley, Chairman, CFEC
Ben Brown, Commissioner, CFEC
Frank Homan, Commissioner, CFEC

Date: January 13, 2015

Subject: Permit Fee Ceiling Increase

From: Marcus Gho, Economist, CFEC *Marcus Gho*

This memorandum was created to describe what would happen if the \$3,000 maximum fee for CFEC permits was removed. Using the 2015 permit fees and estimates of permit renewals there would be an estimated increase of approximately \$2.2 million. This would raise the current 2015 projection of permit revenue from \$7.2 million to \$9.4 million.

Fees are established to reasonably reflect the different rates of economic return for the fisheries. All of the fisheries in the \$3,000 fee class use interim-use permits. Interim-use permit fees are based on a percentage of average earnings.¹ The result puts a permit fee into one of 40 fee categories in increments of \$75. Current statutes and regulations set a fee ceiling of \$3,000.²

For permit year 2015, we estimated that 510 permits will be renewed in the highest fee category (fee class 40; \$3,000).³ If the \$3,000 fee ceiling was removed, additional revenue would be collected. Table 1 indicates the estimated number of permits by fee class and additional revenue for a fee structure without a maximum fee. Only included in this table are fee classes that would have permits.

The current estimated 2015 permit revenue is \$7,218,471. In the absence of a maximum fee, estimated permit revenue would increase by \$2,179,775 to \$9,398,246. The majority (59.4%) of this revenue increase would come from the highest fee class.

Table 1. Difference in Permit Fee Revenue Without a Maximum Fee.

New Fee Class	New Fee	Estimated Permits	New Revenue	Difference in Revenue
174	\$13,050	129	\$1,681,275	\$1,294,775
140	\$10,500	8	\$82,250	\$58,750
119	\$8,925	1	\$8,925	\$5,925
91	\$6,825	85	\$581,263	\$325,762
87	\$6,525	95	\$619,875	\$334,875
73	\$5,475	3	\$16,425	\$7,425
64	\$4,800	12	\$55,200	\$20,700
62	\$4,650	4	\$19,375	\$6,875
59	\$4,425	4	\$15,488	\$4,988
55	\$4,125	5	\$22,000	\$6,000
52	\$3,900	1	\$3,900	\$900
51	\$3,825	66	\$251,175	\$54,175
50	\$3,750	63	\$235,000	\$47,000
46	\$3,450	4	\$13,225	\$1,725
45	\$3,375	6	\$20,250	\$2,250
44	\$3,300	26	\$84,150	\$7,650
Total		510	\$3,709,775	\$2,179,775
<i>Estimated 2015 Permit Revenue</i>				\$7,218,471
<i>Estimated 2015 Permit Revenue Without a Maximum Fee</i>				\$9,398,246

¹ See 20 AAC 05.245 (a) (2)

² See AS 16.43.160 (c) and 20 AAC 05.245 (a) (4).

³ Number of estimated permits is based on a three-year weighted average number of permit renewals. These numbers are rounded for display in Tables 1 and 2.

Table 2 describes the changes in fees and revenues for each fishery that would be affected by the removal of the maximum fee. Again, these are the fisheries that are currently in the \$3,000 fee class.

Table 2. Fee Changes Without a Maximum Fee

Fishery Code	Permit Fishery	Estimated Permits	New Fee Class	New Fee	Difference in Fee	New Revenue	Difference in Revenue
K91O	KING POT GE 60 DUTCH HARBOR	8	140	\$10,500	\$7,500	\$82,250	\$58,750
K91OE	KING POT GE 60 ALEUT IS NSEDC	1	52	\$3,900	\$900	\$3,900	\$900
K91OG	KING POT GE 60 ALEUT ACDC	2	59	\$4,425	\$1,425	\$6,638	\$2,138
K91T	KING POT GE 60 BB	66	51	\$3,825	\$825	\$251,175	\$54,175
K91TD	KING POT GE 60 BB CVRF	2	59	\$4,425	\$1,425	\$8,850	\$2,850
K91TE	KING POT GE 60 BB NSEDC	0	53	\$3,975	\$975	\$0	\$0
M6AB	MISC FIN LL GE 90 STW	63	50	\$3,750	\$750	\$235,000	\$47,000
M7GB	MISC FIN OTTER 60 - LT 90 STW	26	44	\$3,300	\$300	\$84,150	\$7,650
M7GG	MISC FIN OTTER 60 - LT 90 GOA	8	64	\$4,800	\$1,800	\$39,200	\$14,700
M7HB	MISC FIN OTTER 90 - 125 STW	95	87	\$6,525	\$3,525	\$619,875	\$334,875
M7HG	MISC FIN OTTER 90 - 125 GOA	6	45	\$3,375	\$375	\$20,250	\$2,250
M7IB	MISC FIN OTTER GT 125 STW	129	174	\$13,050	\$10,050	\$1,681,275	\$1,294,775
M7IG	MISC FIN OTTER GT 125 GOA	1	119	\$8,925	\$5,925	\$8,925	\$5,925
T91Q	TANNER POT GE 60 BER SEA	85	91	\$6,825	\$3,825	\$581,263	\$325,762
T91QB	TANNR POT GE 60 BER SEA BBEDC	4	46	\$3,450	\$450	\$13,225	\$1,725
T91QC	TANNR POT GE 60 BER SEA CBSFA	4	62	\$4,650	\$1,650	\$19,375	\$6,875
T91QD	TANNR POT GE 60 BER SEA CVRF	3	64	\$4,800	\$1,800	\$16,000	\$6,000
T91QE	TANNR POT GE 60 BER SEA NSEDC	2	55	\$4,125	\$1,125	\$9,625	\$2,625
T91QF	TANNR POT GE 60 BER SEA YDFDA	3	55	\$4,125	\$1,125	\$12,375	\$3,375
W2AB	SCALLOPS DREDGE GT 80 STW	3	73	\$5,475	\$2,475	\$16,425	\$7,425

Without a maximum fee, every fishery in the \$3,000 fee class would have had an increase in permit fees. The largest increase in permit fees would have been for the Statewide Miscellaneous Finfish Otter trawl permits, where permit fees would have been raised from \$3,000 to \$13,050.

In conclusion: if the statutory maximum fee amount were to be removed, then there could be an increase of up to \$2,179,775 in annual permit revenue.

Alaska State Jet Fuel Tax Exemption for International Flights

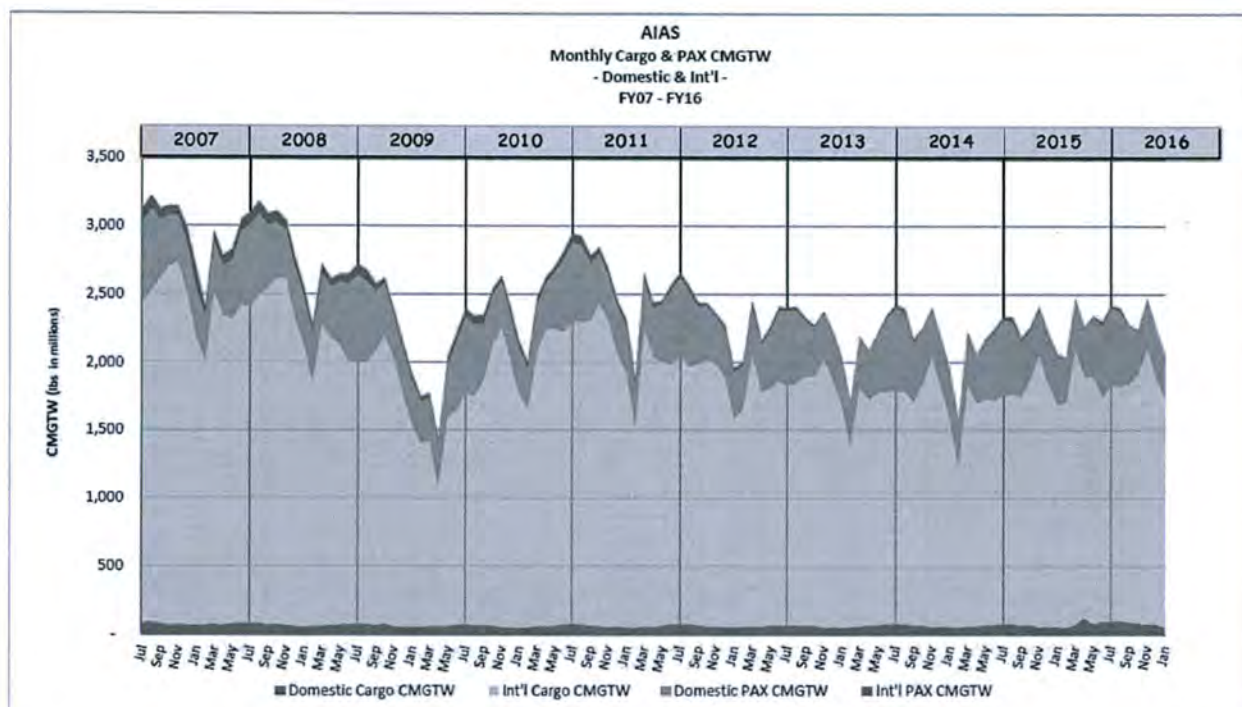
Since 1957 the motor fuel tax in Alaska has included a separate rate for jet fuel, with an original rate of \$0.015 per gallon. The tax rate for jet fuel has since been increased twice; first to \$0.025 in 1968 and again in 1994 to its current rate of \$0.032. The international flight fuel tax exclusion is a critical element to the success of the Alaska International Airport System (AIAS) and remains in use today.

The tax exemption for jet fuel used in foreign commerce provides Ted Stevens Anchorage International (ANC) and Fairbanks International (FAI) airports a competitive advantage in attracting and retaining international cargo flights. Location is a key factor in Alaska's competitiveness in the trans-pacific air cargo market. There are no other airports that provide mid-point servicing stops between the US and Asia. However, there are several factors that pressure air carriers to explore other options which require AIAS to maintain competitive rates and fees.

Most air carriers today have aircraft capable of overflying Alaska. The reason air carriers stop in Alaska is because it is more profitable. How profitable the stop is and how soon new technology in aircraft performance will overcome the profit margin is air carrier specific and information that is typically not shared outside of the company. Although the exact impact of the exemption on profit margins is not known, any cost increase puts negative pressure on the bottom line. FedEx, for instance, has reduced its flights to ANC in the past several years by using a B777 aircraft to fly direct from northern Japan to Memphis. Should the Alaska jet fuel exemption for foreign flights be removed, FedEx could possibly decrease operations in Alaska in favor of their Japan operations.

Air cargo carriers typically operate with a small profit margin or at a loss in some circumstances. The record profits reported in the airline industry recently have been primarily passenger airlines. China Airlines, for example, recently reported increases in their passenger business and a loss in their air cargo business. China Airlines and similar companies could shift their business models to reflect the most profitable operation. For example, there is a world-wide pilot shortage and air carriers must decide where to use their limited pilot resources. Filling passenger operations and leaving cargo operations short is the most logical and easiest decision to make. Any cost increases in Alaska puts negative pressure on companies' resource decisions and could result in fewer cargo flights to Alaska.

Global markets and conditions have large and direct impacts on international air commerce. The recent slowing of China's economy has resulted in lower cargo volumes transiting Alaska. The volatility of the market since 2007 is reflected in the following AIAS graph. The graph depicts total aircraft weight, which is a good revenue indicator since landing fees are based on aircraft weight.



The light blue area on the graph shows cargo traffic fluctuations which match U.S. and Asian market trends. The 2009 recession is evident, as is the slow economic decline from 2011 to 2014. AIAS manages changing market conditions by working closely with air carriers to establish rates and fees that economically make sense for AIAS and air carriers. This has been an excellent business model for AIAS, as all cargo carriers that operate in the trans-pacific theater operate in Alaska and all new entrants in the market have included Alaska in their route structures.

The purple area in the above graph depicts international passenger aircraft weight. The loss of international passenger service over the past 10 years was due to overflight of Alaska after the opening of Russian airspace; a service stop in Alaska was no longer profitable. Although this particular factor could not be compensated for by any AIAS financial scheme, it is a clear indicator of what might happen if cargo aircraft overflights increase.

Other airports compete for Alaska's business, but they have only been successful when offering strong incentive packages. These incentives have a limited duration and have had a relatively minor effect on drawing business away from Alaska. Should the tax exemption for fuel used in foreign flights be lifted, Alaska's competing airports would gain significant ground. It is reported by several air carriers that jet fuel at ANC is already five to ten cents more expensive on average than our west coast competitors. The typical refueling of a B747-8 at ANC is 26,414 gallons of jet fuel; taxed at a rate of \$0.10 that amounts to \$2,641.40 per aircraft. That would be the equivalent of raising the landing fee for those aircraft by 219%. Previous landing fee increases of as little as 10% have involved significant concern from air carriers.

The tables below show a comparison of some common airport fees for a B747-8 technical stop at ANC and select west coast competitors and recent changes from 2013 to 2016.

Cost Per Landing B747-8 (CY2013)

	Anchorage	Seattle	Portland	Vancouver
*Aircraft Weight (pounds):	987,000	675,000	675,000	987,000
Fuel Upload (gallons):	26,414	26,414	26,414	26,414
Fuel Flowage Charge (US\$):	\$713.18	N/A	N/A	N/A
Landing Charge (US\$):	\$2,191.14	\$2,126.25	\$2,180.25	\$2,447.76
2 Hour Parking Charge (US\$):	\$154.28	\$100.00	\$0.00	\$0.00
Total:	\$3,058.60	\$2,226.25	\$2,180.25	\$2,447.76

Cost per Landing B747-8 (CY2016)

	Anchorage	Seattle	Portland	Vancouver
*Aircraft Weight (pounds):	987,000	675,000	675,000	987,000
Fuel Upload (gallons):	26,414	26,414	26,414	26,414
Fuel Flowage Charge (US\$):	\$713.18	N/A	N/A	N/A
Landing Charge (US\$):	\$2,497.11	\$2,409.75	\$2,362.50	\$1,652.00
2 Hour Parking Charge (US\$):	\$164.02	\$100.00	\$0.00	\$0.00
Total:	\$3,374.31	\$2,509.75	\$2,362.50	\$1,652.00

*Anchorage and Vancouver use maximum takeoff weight to calculate landing fees, while Seattle and Portland use maximum landing weight.

Landing fee changes 2013 to 2016:

- Anchorage increased from \$2.22 to \$2.53 per 1,000 pounds maximum takeoff weight
- Seattle increased from \$3.15 to \$3.57 per 1,000 pounds of maximum landing weight
- Portland increased from \$3.23 to \$3.50 per 1,000 pounds of maximum landing weight
- Vancouver decreased from \$1.86USD to \$1.67USD per 1,000 pounds of maximum takeoff weight

Parking Fees:

- The parking fee at Anchorage is for up to 4 hours
- The parking fee for Seattle is \$100 for a technical stop of up to 2 hours
- The parking fee at Portland is \$0 for up to 2 hours
- The parking fee for Vancouver is \$0 up to 6 hours

Note: the exchange rate US to Canadian dollars was about 1:1 in 2013 and in Feb 2016 was 0.75:1, making a tech stop in Canada more competitive from a cost perspective.

NEW SUSTAINABLE

ALASKA

PLAN



Pulling Together to Build Our Future

Individual Income Tax

HB 249

**Presentation to the House Finance Committee
April 5, 2016**

Motor Fuel Tax Increase

"An Act relating to the motor fuel tax; relating to the duties of the commissioner of revenue; relating to the disposition of revenue from the motor fuel tax; and providing for an effective date."

Motor Fuel Tax History

- Began in 1945
- Tax rates have increased over time, but structure unchanged
 - Last increase: highway 1970, marine 1977, aviation fuel 1994

Motor Fuel Tax History (Continued)

- Tax was suspended from Sept. 1, 2008, to Aug. 31, 2009
- In 2015, HB 158 added \$0.0095 surcharge on motor fuels and some other refined fuels
 - Intended for spill prevention and response fund

Motor Fuel Tax Proposal

- Increases all tax rates:

Type of fuel	Before (per gallon)	After (per gallon)
Highway	\$0.08	\$0.16
Marine	\$0.05	\$0.10
Jet fuel	\$0.032	\$0.10
Aviation gas	\$0.047	\$0.10
“Off-road use” credit	-\$0.06	-\$0.12

- Requires electronic filing
 - Provides exemption process

Relative Motor Fuel Tax Rate

- Alaska's fuel taxes are among lowest in U.S.¹
 - Highway fuel: lowest
 - Jet fuel: 35th out of 50
 - Aviation gas: 24th out of 50
- Under this bill, Alaska taxes would be:
 - Below national average (20.17 cents) for highway fuel
 - Above national average for jet/aviation fuel

¹ As of January 1, 2015. No comprehensive data for other states' marine fuel taxes. However, we believe that in most states the "marine" rate is the "highway" rate. Therefore, our "marine" rate is likely also one of the lowest in the country.

Impacts of Tax Proposal

- Gas prices at the pump would rise
- More aviation taxes to fund certificated urban and rural airports
 - Requested by aviation advisory committee as preferable to landing fee increases

Revenue Impact

- Dept. of Revenue estimates increasing the tax rate will more than double tax collections
- Additional revenue about \$49 million per year¹
 - \$0.2 million will be shared with municipal-owned airports
 - Remainder: general fund and special accounts for road, water transport, and aviation facilities

¹ Doesn't account for lower rate on commercial fishing from CS. Rough estimate is \$2.4M decrease

Revenue Impact (Continued)

- Estimates based on fall 2015 revenue forecast
- Does not account for changes in fuel demand or stockpiling

Implementation Cost

- Dept. of Revenue must update:
 - Tax Revenue Management System (TRMS)
 - Revenue Online (ROL) which allows a taxpayer to file a return and apply for a dealer license online
 - Tax return forms
- One-time implementation cost of \$50,000 to recreate tax forms and reprogram and test the tax system to accommodate the rate changes
- No additional costs to administer the tax program

Motor Fuel Tax—Changes made in Committee Substitute

- If average price of ANS crude oil is more than \$85 per barrel during the previous year—no change to current tax rates
- If average price of ANS crude oil is less than \$85 per barrel during the previous year—tax rates increase
- Motor fuel used for commercial fishing remains at 5 cents a gallon
- Tax increase sunsets after 2 years (July 1, 2018)₁₁

Closing the Budget Gap

FY16 Budget	(Millions) \$ 5,200
--------------------	--------------------------------------

FY17 Baseline Revenue (after proposed legislation)

AK Permanent Fund Protection Act (annual draw)	\$ 3,300
Revenue from existing taxes and fees	\$ 850
Earnings on Savings	<u>\$ 135</u>
	\$ 4,285

FY17 Spending Reductions

Continue Cuts	\$ 140
Reform O&G Tax Credits	\$ 400
Net Priority Investments	<u>(\$ 40)</u>
	\$ 500

Closing the Budget Gap (Continued)

<u>New Revenue Components (estimated)</u>	(Millions)
Mining (starting in FY 2018)	\$ 6
Fishing	\$ 18
Tourism	\$ 15
Motor Fuel	\$ 49¹
Alcohol	\$ 40
Tobacco	\$ 29
Oil and Gas	\$ 100
Income Tax (half in FY17; first full year is FY18)	<u>\$ 200</u>
	\$ 457
Total with reductions and new revenue	\$ 5,242

¹ Doesn't account for lower rate on commercial fishing from CS. Rough estimate is \$2.4M decrease.

Sectional Analysis

Sec. 1. Changes the word “account” to “fund”—“watercraft fuel tax account” becomes “watercraft fuel tax fund”.

Sec. 2. Changes the per-gallon tax rates for dealers for all categories of motor fuel if the average price of ANS crude oil is less than or equal to \$85 a barrel during the previous year. The changes are as follows: highway fuel and gasohol from \$0.08 to \$0.16; marine fuel from \$0.05 to \$0.10; aviation gasoline from \$0.047 to \$0.10; and jet fuel from \$0.032 to \$0.10. If the average price of ANS crude oil is more than \$85 per barrel during the previous year then the tax rates remain at the lower levels. Motor fuel used for commercial fishing remains at 5 cents a gallon regardless of the price of ANS crude oil in the previous year.

Sec. 3. Sunsets changes in Section 2.

Sectional Analysis (Continued)

Sec. 4. Changes the per-gallon tax rates for users for all categories of motor fuel if the average price of ANS crude oil is less than or equal to \$85 a barrel during the previous year. The changes are as follows: highway fuel and gasohol from \$0.08 to \$0.16; marine fuel from \$0.05 to \$0.10; aviation gasoline from \$0.047 to \$0.10; and jet fuel from \$0.032 to \$0.10. If the average price of ANS crude oil is more than \$85 per barrel during the previous year then the tax rates remain at the lower levels. Motor fuel used for commercial fishing remains at 5 cents a gallon regardless of the price of ANS crude oil in the previous year.

Sec. 5. Sunsets changes in Section 4.

Sec. 6. Cleanup language: changes the word “account” to “fund”, adds the word “direct” before “capital”, and changes “airports” to “airport infrastructure”.

Secs. 7 – 10. Cleanup language similar to Section 6.

Sectional Analysis (Continued)

- Sec. 11.** Moves the subsection exempting certain motor fuel from the tax from the definitions section to the tax section.
- Sec. 12.** Updates a reference for the change in Section 11.
- Sec. 13.** Updates references for the change in Section 11.
- Sec. 14.** Changes the motor fuel refund rate for “off-road use”, when the tax has been paid, from \$0.06 to \$0.12 when the higher tax rates apply.
- Sec. 15.** Deletes language to conform with Section 14.
- Sec. 16.** Changes the word “account” to “fund”.
- Sec. 17.** Deletes language to move the subsection exempting certain motor fuel from the tax from the definitions section to the tax section at.

Sectional Analysis (Continued)

- Sec. 18.** Conforming applicability language clarifying that change to the refund rate applies to motor fuel sold after the effective date of Section 15.
- Sec. 19.** Transitional language allowing for regulations to implement the changes.
- Sec. 20.** Immediate effective date of Section 19.
- Sec. 21.** Effective date of July 1, 2018 for Sections 3, 5, and 15 (Sunset provisions)
- Sec. 22.** Effective date of July 1, 2016 for the rest of the bill.

NEW SUSTAINABLE

ALASKA

PLAN



Pulling Together to Build Our Future

Contact Information

Jerry Burnett
Deputy Commissioner
Department of Revenue
Jerry.Burnett@Alaska.gov
(907) 465-3669

Marc Luiken
Commissioner
Department of Transportation
and Public Facilities
Marc.Luiken@Alaska.gov
(907) 465-3901

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version:	CSHB 249(TRA)
Fiscal Note Number:	2
(H) Publish Date:	2/29/2016

Identifier: HB249-DOR-TAX-2-26-16
 Title: ELECTRONIC TAX RETURNS & MOTOR FUEL TAX
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: Governor

Department: Department of Revenue
 Appropriation: Taxation and Treasury
 Allocation: Tax Division
 OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates				
			FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues		46,600.0	46,600.0	0.0	0.0	0.0	0.0
---------------------------	--	----------	----------	-----	-----	-----	-----

Estimated SUPPLEMENTAL (FY2016) cost: 50.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 0.0 (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Revised based on changes in House Transportation committee
--

Prepared By: Ken Alper, Director
 Division: Tax
 Approved By: Jerry Burnett, Deputy Commissioner
 Agency: Department of Revenue

Phone: (907)465-8221
 Date: 02/26/2016 05:00 PM
 Date: 02/27/16

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

Analysis

Bill Analysis

Alaska has had an excise tax on motor fuel since 1945, with the basic structure unchanged since the inception. Over the years, the tax rate has increased to account for inflation and public need. The motor fuel tax is charged and collected monthly.

The highway tax rate was last increased in 1970; marine rate in 1977; aviation and jet fuel rates in 1994. The last major changes to the program were in 2008 when the motor fuel tax was suspended effective September 1, 2008 to August 31, 2009. In 2015 the legislature passed HB 158 which added a surcharge of \$0.0095 to certain motor fuels as well as other refined fuels such as home heating oil. The legislature may appropriate revenue from the surcharge for the oil and hazardous substance release prevention and response fund.

The primary change in this legislation would be to increase the tax rates of all categories of motor fuel, to new tax rates that range from \$0.10 per gallon to \$0.16 per gallon. The increase is contingent on the price of oil remaining below \$85 per barrel. Regardless, the increase sunsets at the end of Fiscal Year 2018, with the rates reverting to the current level. DOR forecasts prices well below \$85 through the end of FY2018.

The bill also adds new tax exemptions for emergency vehicles and school buses for which the school district receives state funding. We do not have an estimate for any reduction in revenue due to the addition of these exemptions. Additionally, a waiver from the 5c increase was added for marine fuel purchased for the purpose of commercial fishing.

Revenue Impact

DOR estimates that increasing the tax rates will more than double tax collections, with additional revenue of approximately \$46.6 million per year for the years in which the increases are in effect. This is \$2.4 million per year less than prior estimates, due to the removal of commercial fishing from the increase to the marine fuel tax. Of this, approximately \$0.2 million will be shared with municipally owned airports. The remaining funds will be paid into the general fund and distributed to the special aviation fuel account, the special watercraft fuel account, and the special highway fuel tax account. These accounts are used to fund aviation facilities, water and harbor facilities, and for the maintenance of highways, construction of highway projects and ferries, and other highway costs.

Estimates are based on the fall 2015 revenue forecast. The estimates assume that 60% of the additional revenue raised from aviation gasoline will be shared with municipalities. The estimates make no adjustment for changes in demand due to higher prices, or for stockpiling in advance of the tax increase.

Implementation Cost

This legislation would require the Department of Revenue to update its Tax Revenue Management System (TRMS) and Revenue Online (ROL) which allows a taxpayer to file a return online. The update would consist of reprogramming both systems, updating the return rules in TRMS and testing both systems thoroughly to verify that they function as expected. We would also need to update the current tax return forms.

The supplemental fiscal note figure of \$50.0 in FY16 is to cover the costs of having our contractor update the two systems. We do not anticipate any continuing costs or additional staff needs. After the implementation of the changes, this legislation would not cause any additional administrative burden on the Tax Division.

Additional analysis is needed to determine the cost of implementing the new marine fuel exemption. Because in nearly all cases the marine fuel tax will be included within the fuel price at purchase, there may be a very large increase in applications for tax refunds from individual fishermen, which may require additional staff resources, possibly one

STATE CAPITOL
P.O. Box 110001
Juneau, AK 99811-0001
907-465-3500
fax: 907-465-3532



550 West Seventh Avenue, Suite 1700
Anchorage, AK 99501
907-269-7450
fax 907-269-7461
www.Gov.Alaska.Gov
Governor@Alaska.Gov

Governor Bill Walker
STATE OF ALASKA

January 15, 2016

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to the taxation of motor fuels.

The bill would raise the tax rates on the four categories of motor fuel currently taxed under AS 43.40.010 (motor fuel tax), but would not amend the refined fuel surcharge levied under AS 43.40.005 and passed last session. Instead, the bill would increase the currently outdated tax rates on all motor fuels including all motor fuel sold or transferred within the state, aviation gasoline, and motor fuel used on watercraft. The bill increases highway fuel from \$0.08 to \$0.16 per gallon; aviation fuel from \$0.047 to \$0.10 per gallon; marine fuel from \$0.05 to \$0.10 per gallon; jet fuel from \$0.032 to \$0.10 per gallon; gasohol from \$0.08 to \$0.16 per gallon; and also increases the credit for off road use from \$0.06 to \$0.12 per gallon. The bill would generate approximately \$49,000,000 annually in increased revenue.

While this may at first appear to represent a significant increase, the tax rates on motor fuel sold or transferred within the state have not been raised in many years; for example, the tax on highway fuel has remained at eight cents a gallon since 1970. This bill would bring Alaska's tax rate on highway fuel closer to the current national average of 25 cents a gallon.

To increase administrative efficiency for the Department of Revenue and state taxpayers, the bill would require the electronic submission of tax returns with an exemption available upon request.

The bill is an integral component of the New Sustainable Alaska Plan to provide a balanced and sustainable budget for Alaska's long-term fiscal stability.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink that reads "Bill Walker".

Bill Walker
Governor

Enclosure



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Revenue

COMMISSIONER'S OFFICE
State Office Building
333 Willoughby Avenue, 11th Floor
PO Box 110400
Juneau, Alaska 99811-0400
Main: 907.465.2300
Fax: 907.465.2389

February 4, 2016

The Honorable Shelley Hughes and the Honorable Neal Foster
Alaska State Representatives
Co-chairs, House Transportation Committee
State Capitol Rooms 13 and 434
Juneau, AK 99801

Dear Co-chairs Hughes and Foster:

The purpose of this letter is to provide you with responses to the questions asked of the Department of Revenue and the Department of Transportation & Public Facilities during our presentation to the House Transportation Committee on January 28, 2016. Please see questions in italics and our responses immediately below the questions.

1. *Why is fuel for international flights exempt from the motor fuel tax? Can the State of Alaska change this rule?*

On its face, the commerce clause of the U.S. Constitution prevents any tax on international flights. In addition, current Alaska statute exempts international air traffic (those flights with either a foreign origination or destination) from an aviation fuel tax. Even if the state has the authority to tax international flights, the fuel facility on Ted Stevens Anchorage International Airport (TSAIA) is an FTZ (foreign trade zone) under the Port of Anchorage. Thus, research accomplished to date indicates that the State of Alaska may not have authority to tax international fuel transactions at TSAIA as the fuel in question hasn't technically entered the United States. DOT&PF is working with Department of Law, the Port of Anchorage, and the U.S. Department of Commerce to clarify the status and applicable guidelines.

2. *In villages where no one has a car, would it be possible for the fuel distributor to get the off-road credit en masse, rather than each consumer having to file for the credit?*

We allow locations to purchase fuel at the lowest tax rate to which they might be subject. If they are off the road system but next to a waterway, we will allow them to purchase all of their fuel at the marine rate. However, there is no "off-road rate" in statute. The statute allows for a refund for non-highway use when the tax has been paid. The tax must first be paid in order to get to the off-road rate under current statutes. However, the statute does allow for one exception—municipalities and federally recognized tribes may defer the payment of tax on diesel purchased for its own official use and for resale to residents of the municipality or tribal members. Essentially, they get all fuel tax-off and only pay tax on the fuel that they used for a taxable purpose after the fact. They must first receive approval from the Tax Division before receiving fuel untaxed. A list of approved municipalities and tribes is on our website (https://online-tax.alaska.gov/ATP/WebDoc/_/#2).

3. *If this tax were passed, Alaska would still be below the national average in terms of motor fuel tax, but where would it fall in terms of overall fuel costs?*

According to <http://www.gasbuddy.com/USA> as of February 1, 2016, Alaska's average regular gas price is \$2.371 and is the third-highest in the nation, behind only California (\$2.580) and Hawaii (\$2.627). If

the motor fuel tax increase were passed, Alaska would still be the third-highest, because the \$0.08 per gallon increase would not be large enough to make Alaska's average price match California's.

4. *Where exactly in the federal regulations does it say we have to spend aviation fuel tax revenue on airports?*

Please see the attached Airport Sponsor Grant Assurance document. Grant Assurance #25 pertains to airport revenues and specifically states that all revenues generated by the airport and any local taxes on aviation fuel established after December 30, 1987, will be expended by it for the capital or operating costs of the airport; the local airport system; or other local facilities which are owned or operated by the owner or operator of the airport and which are directly and substantially related to the actual air transportation of passengers or property; or for noise mitigation purposes on or off the airport.

5. *What percentage of our airport costs are covered by the federal government?*

As discussed in committee, the DOT&PF has worked closely with our federal funding partners to increase the amount of preventative maintenance that can be done with capital budget funds; for airports that amount is \$7.5 million. In the operating budget, the department estimates that we are spending about \$39.0 million. Additionally we spent \$9 million in capital funds replacing ancient equipment at our airports.

6. *How many certificated airports do we have?*

27 in the state, 21 of which are State-owned/operated (19 "rural airports" plus Anchorage and Fairbanks International Airports).

7. *How much is the state match funding for capital projects at municipal airports going down – i.e. how many dollars?*

The annual match amount has varied considerably in the past depending upon local capital projects, but generally averaged around \$1 million total. The communities/airports that have benefited from the match sharing are Juneau International Airport, Merrill Field, North Slope Borough, Kenai Municipal Airport, Nenana Municipal Airport/City of Nenana, Palmer Municipal Airport, and Wasilla Airport.

I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,



Jerry Burnett
Deputy Commissioner

Attachments: Airport Sponsor Grant Assurance



ASSURANCES

Airport Sponsors

A. General.

1. These assurances shall be complied with in the performance of grant agreements for airport development, airport planning, and noise compatibility program grants for airport sponsors.
2. These assurances are required to be submitted as part of the project application by sponsors requesting funds under the provisions of Title 49, U.S.C., subtitle VII, as amended. As used herein, the term "public agency sponsor" means a public agency with control of a public-use airport; the term "private sponsor" means a private owner of a public-use airport; and the term "sponsor" includes both public agency sponsors and private sponsors.
3. Upon acceptance of this grant offer by the sponsor, these assurances are incorporated in and become part of this grant agreement.

B. Duration and Applicability.

1. **Airport development or Noise Compatibility Program Projects Undertaken by a Public Agency Sponsor.**

The terms, conditions and assurances of this grant agreement shall remain in full force and effect throughout the useful life of the facilities developed or equipment acquired for an airport development or noise compatibility program project, or throughout the useful life of the project items installed within a facility under a noise compatibility program project, but in any event not to exceed twenty (20) years from the date of acceptance of a grant offer of Federal funds for the project. However, there shall be no limit on the duration of the assurances regarding Exclusive Rights and Airport Revenue so long as the airport is used as an airport. There shall be no limit on the duration of the terms, conditions, and assurances with respect to real property acquired with federal funds. Furthermore, the duration of the Civil Rights assurance shall be specified in the assurances.

2. **Airport Development or Noise Compatibility Projects Undertaken by a Private Sponsor.**

The preceding paragraph 1 also applies to a private sponsor except that the useful life of project items installed within a facility or the useful life of the facilities developed or equipment acquired under an airport development or noise compatibility program project shall be no less than ten (10) years from the date of acceptance of Federal aid for the project.

3. Airport Planning Undertaken by a Sponsor.

Unless otherwise specified in this grant agreement, only Assurances 1, 2, 3, 5, 6, 13, 18, 25, 30, 32, 33, and 34 in Section C apply to planning projects. The terms, conditions, and assurances of this grant agreement shall remain in full force and effect during the life of the project; there shall be no limit on the duration of the assurances regarding Airport Revenue so long as the airport is used as an airport.

C. Sponsor Certification.

The sponsor hereby assures and certifies, with respect to this grant that:

1. General Federal Requirements.

It will comply with all applicable Federal laws, regulations, executive orders, policies, guidelines, and requirements as they relate to the application, acceptance and use of Federal funds for this project including but not limited to the following:

Federal Legislation

- a. Title 49, U.S.C., subtitle VII, as amended.
- b. Davis-Bacon Act - 40 U.S.C. 276(a), et seq.¹
- c. Federal Fair Labor Standards Act - 29 U.S.C. 201, et seq.
- d. Hatch Act - 5 U.S.C. 1501, et seq.²
- e. Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 Title 42 U.S.C. 4601, et seq.^{1,2}
- f. National Historic Preservation Act of 1966 - Section 106 - 16 U.S.C. 470(f).¹
- g. Archeological and Historic Preservation Act of 1974 - 16 U.S.C. 469 through 469c.¹
- h. Native Americans Grave Repatriation Act - 25 U.S.C. Section 3001, et seq.
- i. Clean Air Act, P.L. 90-148, as amended.
- j. Coastal Zone Management Act, P.L. 93-205, as amended.
- k. Flood Disaster Protection Act of 1973 - Section 102(a) - 42 U.S.C. 4012a.¹
- l. Title 49, U.S.C., Section 303, (formerly known as Section 4(f))
- m. Rehabilitation Act of 1973 - 29 U.S.C. 794.
- n. Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d et seq., 78 stat. 252) (prohibits discrimination on the basis of race, color, national origin);
- o. Americans with Disabilities Act of 1990, as amended, (42 U.S.C. § 12101 et seq.), prohibits discrimination on the basis of disability).
- p. Age Discrimination Act of 1975 - 42 U.S.C. 6101, et seq.
- q. American Indian Religious Freedom Act, P.L. 95-341, as amended.
- r. Architectural Barriers Act of 1968 -42 U.S.C. 4151, et seq.¹
- s. Power plant and Industrial Fuel Use Act of 1978 - Section 403- 2 U.S.C. 8373.¹
- t. Contract Work Hours and Safety Standards Act - 40 U.S.C. 327, et seq.¹
- u. Copeland Anti-kickback Act - 18 U.S.C. 874.1
- v. National Environmental Policy Act of 1969 - 42 U.S.C. 4321, et seq.¹
- w. Wild and Scenic Rivers Act, P.L. 90-542, as amended.
- x. Single Audit Act of 1984 - 31 U.S.C. 7501, et seq.²
- y. Drug-Free Workplace Act of 1988 - 41 U.S.C. 702 through 706.

- z. The Federal Funding Accountability and Transparency Act of 2006, as amended (Pub. L. 109-282, as amended by section 6202 of Pub. L. 110-252).

Executive Orders

- a. Executive Order 11246 - Equal Employment Opportunity¹
- b. Executive Order 11990 - Protection of Wetlands
- c. Executive Order 11998 – Flood Plain Management
- d. Executive Order 12372 - Intergovernmental Review of Federal Programs
- e. Executive Order 12699 - Seismic Safety of Federal and Federally Assisted New Building Construction¹
- f. Executive Order 12898 - Environmental Justice

Federal Regulations

- a. 2 CFR Part 180 - OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement).
- b. 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. [OMB Circular A-87 Cost Principles Applicable to Grants and Contracts with State and Local Governments, and OMB Circular A-133 - Audits of States, Local Governments, and Non-Profit Organizations].^{4, 5, 6}
- c. 2 CFR Part 1200 – Nonprocurement Suspension and Debarment
- d. 14 CFR Part 13 - Investigative and Enforcement Procedures 14 CFR Part 16 - Rules of Practice For Federally Assisted Airport Enforcement Proceedings.
- e. 14 CFR Part 150 - Airport noise compatibility planning.
- f. 28 CFR Part 35- Discrimination on the Basis of Disability in State and Local Government Services.
- g. 28 CFR § 50.3 - U.S. Department of Justice Guidelines for Enforcement of Title VI of the Civil Rights Act of 1964.
- h. 29 CFR Part 1 - Procedures for predetermination of wage rates.¹
- i. 29 CFR Part 3 - Contractors and subcontractors on public building or public work financed in whole or part by loans or grants from the United States.¹
- j. 29 CFR Part 5 - Labor standards provisions applicable to contracts covering federally financed and assisted construction (also labor standards provisions applicable to non-construction contracts subject to the Contract Work Hours and Safety Standards Act).¹
- k. 41 CFR Part 60 - Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor (Federal and federally assisted contracting requirements).¹
- l. 49 CFR Part 18 - Uniform administrative requirements for grants and cooperative agreements to state and local governments.³
- m. 49 CFR Part 20 - New restrictions on lobbying.
- n. 49 CFR Part 21 – Nondiscrimination in federally-assisted programs of the Department of Transportation - effectuation of Title VI of the Civil Rights Act of 1964.
- o. 49 CFR Part 23 - Participation by Disadvantage Business Enterprise in Airport Concessions.

- p. 49 CFR Part 24 – Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally Assisted Programs.^{1 2}
- q. 49 CFR Part 26 – Participation by Disadvantaged Business Enterprises in Department of Transportation Programs.
- r. 49 CFR Part 27 – Nondiscrimination on the Basis of Handicap in Programs and Activities Receiving or Benefiting from Federal Financial Assistance.¹
- s. 49 CFR Part 28 – Enforcement of Nondiscrimination on the Basis of Handicap in Programs or Activities conducted by the Department of Transportation.
- t. 49 CFR Part 30 - Denial of public works contracts to suppliers of goods and services of countries that deny procurement market access to U.S. contractors.
- u. 49 CFR Part 32 – Governmentwide Requirements for Drug-Free Workplace (Financial Assistance)
- v. 49 CFR Part 37 – Transportation Services for Individuals with Disabilities (ADA).
- w. 49 CFR Part 41 - Seismic safety of Federal and federally assisted or regulated new building construction.

Specific Assurances

Specific assurances required to be included in grant agreements by any of the above laws, regulations or circulars are incorporated by reference in this grant agreement.

Footnotes to Assurance C.1.

- ¹ These laws do not apply to airport planning sponsors.
- ² These laws do not apply to private sponsors.
- ³ 49 CFR Part 18 and 2 CFR Part 200 contain requirements for State and Local Governments receiving Federal assistance. Any requirement levied upon State and Local Governments by this regulation and circular shall also be applicable to private sponsors receiving Federal assistance under Title 49, United States Code.
- ⁴ On December 26, 2013 at 78 FR 78590, the Office of Management and Budget (OMB) issued the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards in 2 CFR Part 200. 2 CFR Part 200 replaces and combines the former Uniform Administrative Requirements for Grants (OMB Circular A-102 and Circular A-110 or 2 CFR Part 215 or Circular) as well as the Cost Principles (Circulars A-21 or 2 CFR part 220; Circular A-87 or 2 CFR part 225; and A-122, 2 CFR part 230). Additionally it replaces Circular A-133 guidance on the Single Annual Audit. In accordance with 2 CFR section 200.110, the standards set forth in Part 200 which affect administration of Federal awards issued by Federal agencies become effective once implemented by Federal agencies or when any future amendment to this Part becomes final. Federal agencies, including the Department of Transportation, must implement the policies and procedures applicable to Federal awards by promulgating a regulation to be effective by December 26, 2014 unless different provisions are required by statute or approved by OMB.

⁵ Cost principles established in 2 CFR part 200 subpart E must be used as guidelines for determining the eligibility of specific types of expenses.

⁶ Audit requirements established in 2 CFR part 200 subpart F are the guidelines for audits.

2. Responsibility and Authority of the Sponsor.

a. Public Agency Sponsor:

It has legal authority to apply for this grant, and to finance and carry out the proposed project; that a resolution, motion or similar action has been duly adopted or passed as an official act of the applicant's governing body authorizing the filing of the application, including all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the applicant to act in connection with the application and to provide such additional information as may be required.

b. Private Sponsor:

It has legal authority to apply for this grant and to finance and carry out the proposed project and comply with all terms, conditions, and assurances of this grant agreement. It shall designate an official representative and shall in writing direct and authorize that person to file this application, including all understandings and assurances contained therein; to act in connection with this application; and to provide such additional information as may be required.

3. Sponsor Fund Availability.

It has sufficient funds available for that portion of the project costs which are not to be paid by the United States. It has sufficient funds available to assure operation and maintenance of items funded under this grant agreement which it will own or control.

4. Good Title.

a. It, a public agency or the Federal government, holds good title, satisfactory to the Secretary, to the landing area of the airport or site thereof, or will give assurance satisfactory to the Secretary that good title will be acquired.

b. For noise compatibility program projects to be carried out on the property of the sponsor, it holds good title satisfactory to the Secretary to that portion of the property upon which Federal funds will be expended or will give assurance to the Secretary that good title will be obtained.

5. Preserving Rights and Powers.

a. It will not take or permit any action which would operate to deprive it of any of the rights and powers necessary to perform any or all of the terms, conditions, and assurances in this grant agreement without the written approval of the Secretary, and will act promptly to acquire, extinguish or modify any outstanding rights or claims of right of others which would interfere with such performance by the sponsor. This shall be done in a manner acceptable to the Secretary.

- b. It will not sell, lease, encumber, or otherwise transfer or dispose of any part of its title or other interests in the property shown on Exhibit A to this application or, for a noise compatibility program project, that portion of the property upon which Federal funds have been expended, for the duration of the terms, conditions, and assurances in this grant agreement without approval by the Secretary. If the transferee is found by the Secretary to be eligible under Title 49, United States Code, to assume the obligations of this grant agreement and to have the power, authority, and financial resources to carry out all such obligations, the sponsor shall insert in the contract or document transferring or disposing of the sponsor's interest, and make binding upon the transferee all of the terms, conditions, and assurances contained in this grant agreement.
- c. For all noise compatibility program projects which are to be carried out by another unit of local government or are on property owned by a unit of local government other than the sponsor, it will enter into an agreement with that government. Except as otherwise specified by the Secretary, that agreement shall obligate that government to the same terms, conditions, and assurances that would be applicable to it if it applied directly to the FAA for a grant to undertake the noise compatibility program project. That agreement and changes thereto must be satisfactory to the Secretary. It will take steps to enforce this agreement against the local government if there is substantial non-compliance with the terms of the agreement.
- d. For noise compatibility program projects to be carried out on privately owned property, it will enter into an agreement with the owner of that property which includes provisions specified by the Secretary. It will take steps to enforce this agreement against the property owner whenever there is substantial non-compliance with the terms of the agreement.
- e. If the sponsor is a private sponsor, it will take steps satisfactory to the Secretary to ensure that the airport will continue to function as a public-use airport in accordance with these assurances for the duration of these assurances.
- f. If an arrangement is made for management and operation of the airport by any agency or person other than the sponsor or an employee of the sponsor, the sponsor will reserve sufficient rights and authority to insure that the airport will be operated and maintained in accordance Title 49, United States Code, the regulations and the terms, conditions and assurances in this grant agreement and shall insure that such arrangement also requires compliance therewith.
- g. Sponsors of commercial service airports will not permit or enter into any arrangement that results in permission for the owner or tenant of a property used as a residence, or zoned for residential use, to taxi an aircraft between that property and any location on airport. Sponsors of general aviation airports entering into any arrangement that results in permission for the owner of residential real property adjacent to or near the airport must comply with the requirements of Sec. 136 of Public Law 112-95 and the sponsor assurances.

6. Consistency with Local Plans.

The project is reasonably consistent with plans (existing at the time of submission of this application) of public agencies that are authorized by the State in which the project is located to plan for the development of the area surrounding the airport.

7. Consideration of Local Interest.

It has given fair consideration to the interest of communities in or near where the project may be located.

8. Consultation with Users.

In making a decision to undertake any airport development project under Title 49, United States Code, it has undertaken reasonable consultations with affected parties using the airport at which project is proposed.

9. Public Hearings.

In projects involving the location of an airport, an airport runway, or a major runway extension, it has afforded the opportunity for public hearings for the purpose of considering the economic, social, and environmental effects of the airport or runway location and its consistency with goals and objectives of such planning as has been carried out by the community and it shall, when requested by the Secretary, submit a copy of the transcript of such hearings to the Secretary. Further, for such projects, it has on its management board either voting representation from the communities where the project is located or has advised the communities that they have the right to petition the Secretary concerning a proposed project.

10. Metropolitan Planning Organization.

In projects involving the location of an airport, an airport runway, or a major runway extension at a medium or large hub airport, the sponsor has made available to and has provided upon request to the metropolitan planning organization in the area in which the airport is located, if any, a copy of the proposed amendment to the airport layout plan to depict the project and a copy of any airport master plan in which the project is described or depicted.

11. Pavement Preventive Maintenance.

With respect to a project approved after January 1, 1995, for the replacement or reconstruction of pavement at the airport, it assures or certifies that it has implemented an effective airport pavement maintenance-management program and it assures that it will use such program for the useful life of any pavement constructed, reconstructed or repaired with Federal financial assistance at the airport. It will provide such reports on pavement condition and pavement management programs as the Secretary determines may be useful.

12. Terminal Development Prerequisites.

For projects which include terminal development at a public use airport, as defined in Title 49, it has, on the date of submittal of the project grant application, all the safety equipment required for certification of such airport under section 44706 of Title 49, United States Code, and all the security equipment required by rule or regulation, and

has provided for access to the passenger enplaning and deplaning area of such airport to passengers enplaning and deplaning from aircraft other than air carrier aircraft.

13. Accounting System, Audit, and Record Keeping Requirements.

- a. It shall keep all project accounts and records which fully disclose the amount and disposition by the recipient of the proceeds of this grant, the total cost of the project in connection with which this grant is given or used, and the amount or nature of that portion of the cost of the project supplied by other sources, and such other financial records pertinent to the project. The accounts and records shall be kept in accordance with an accounting system that will facilitate an effective audit in accordance with the Single Audit Act of 1984.
- b. It shall make available to the Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, for the purpose of audit and examination, any books, documents, papers, and records of the recipient that are pertinent to this grant. The Secretary may require that an appropriate audit be conducted by a recipient. In any case in which an independent audit is made of the accounts of a sponsor relating to the disposition of the proceeds of a grant or relating to the project in connection with which this grant was given or used, it shall file a certified copy of such audit with the Comptroller General of the United States not later than six (6) months following the close of the fiscal year for which the audit was made.

14. Minimum Wage Rates.

It shall include, in all contracts in excess of \$2,000 for work on any projects funded under this grant agreement which involve labor, provisions establishing minimum rates of wages, to be predetermined by the Secretary of Labor, in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5), which contractors shall pay to skilled and unskilled labor, and such minimum rates shall be stated in the invitation for bids and shall be included in proposals or bids for the work.

15. Veteran's Preference.

It shall include in all contracts for work on any project funded under this grant agreement which involve labor, such provisions as are necessary to insure that, in the employment of labor (except in executive, administrative, and supervisory positions), preference shall be given to Vietnam era veterans, Persian Gulf veterans, Afghanistan-Iraq war veterans, disabled veterans, and small business concerns owned and controlled by disabled veterans as defined in Section 47112 of Title 49, United States Code. However, this preference shall apply only where the individuals are available and qualified to perform the work to which the employment relates.

16. Conformity to Plans and Specifications.

It will execute the project subject to plans, specifications, and schedules approved by the Secretary. Such plans, specifications, and schedules shall be submitted to the Secretary prior to commencement of site preparation, construction, or other performance under this grant agreement, and, upon approval of the Secretary, shall be incorporated into this grant agreement. Any modification to the approved plans,

specifications, and schedules shall also be subject to approval of the Secretary, and incorporated into this grant agreement.

17. Construction Inspection and Approval.

It will provide and maintain competent technical supervision at the construction site throughout the project to assure that the work conforms to the plans, specifications, and schedules approved by the Secretary for the project. It shall subject the construction work on any project contained in an approved project application to inspection and approval by the Secretary and such work shall be in accordance with regulations and procedures prescribed by the Secretary. Such regulations and procedures shall require such cost and progress reporting by the sponsor or sponsors of such project as the Secretary shall deem necessary.

18. Planning Projects.

In carrying out planning projects:

- a. It will execute the project in accordance with the approved program narrative contained in the project application or with the modifications similarly approved.
- b. It will furnish the Secretary with such periodic reports as required pertaining to the planning project and planning work activities.
- c. It will include in all published material prepared in connection with the planning project a notice that the material was prepared under a grant provided by the United States.
- d. It will make such material available for examination by the public, and agrees that no material prepared with funds under this project shall be subject to copyright in the United States or any other country.
- e. It will give the Secretary unrestricted authority to publish, disclose, distribute, and otherwise use any of the material prepared in connection with this grant.
- f. It will grant the Secretary the right to disapprove the sponsor's employment of specific consultants and their subcontractors to do all or any part of this project as well as the right to disapprove the proposed scope and cost of professional services.
- g. It will grant the Secretary the right to disapprove the use of the sponsor's employees to do all or any part of the project.
- h. It understands and agrees that the Secretary's approval of this project grant or the Secretary's approval of any planning material developed as part of this grant does not constitute or imply any assurance or commitment on the part of the Secretary to approve any pending or future application for a Federal airport grant.

19. Operation and Maintenance.

- a. The airport and all facilities which are necessary to serve the aeronautical users of the airport, other than facilities owned or controlled by the United States, shall be operated at all times in a safe and serviceable condition and in accordance with the minimum standards as may be required or prescribed by applicable Federal,

state and local agencies for maintenance and operation. It will not cause or permit any activity or action thereon which would interfere with its use for airport purposes. It will suitably operate and maintain the airport and all facilities thereon or connected therewith, with due regard to climatic and flood conditions. Any proposal to temporarily close the airport for non-aeronautical purposes must first be approved by the Secretary. In furtherance of this assurance, the sponsor will have in effect arrangements for-

- 1) Operating the airport's aeronautical facilities whenever required;
 - 2) Promptly marking and lighting hazards resulting from airport conditions, including temporary conditions; and
 - 3) Promptly notifying airmen of any condition affecting aeronautical use of the airport. Nothing contained herein shall be construed to require that the airport be operated for aeronautical use during temporary periods when snow, flood or other climatic conditions interfere with such operation and maintenance. Further, nothing herein shall be construed as requiring the maintenance, repair, restoration, or replacement of any structure or facility which is substantially damaged or destroyed due to an act of God or other condition or circumstance beyond the control of the sponsor.
- b. It will suitably operate and maintain noise compatibility program items that it owns or controls upon which Federal funds have been expended.

20. Hazard Removal and Mitigation.

It will take appropriate action to assure that such terminal airspace as is required to protect instrument and visual operations to the airport (including established minimum flight altitudes) will be adequately cleared and protected by removing, lowering, relocating, marking, or lighting or otherwise mitigating existing airport hazards and by preventing the establishment or creation of future airport hazards.

21. Compatible Land Use.

It will take appropriate action, to the extent reasonable, including the adoption of zoning laws, to restrict the use of land adjacent to or in the immediate vicinity of the airport to activities and purposes compatible with normal airport operations, including landing and takeoff of aircraft. In addition, if the project is for noise compatibility program implementation, it will not cause or permit any change in land use, within its jurisdiction, that will reduce its compatibility, with respect to the airport, of the noise compatibility program measures upon which Federal funds have been expended.

22. Economic Nondiscrimination.

- a. It will make the airport available as an airport for public use on reasonable terms and without unjust discrimination to all types, kinds and classes of aeronautical activities, including commercial aeronautical activities offering services to the public at the airport.
- b. In any agreement, contract, lease, or other arrangement under which a right or privilege at the airport is granted to any person, firm, or corporation to conduct or

to engage in any aeronautical activity for furnishing services to the public at the airport, the sponsor will insert and enforce provisions requiring the contractor to-

- 1) furnish said services on a reasonable, and not unjustly discriminatory, basis to all users thereof, and
 - 2) charge reasonable, and not unjustly discriminatory, prices for each unit or service, provided that the contractor may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers.
- c. Each fixed-based operator at the airport shall be subject to the same rates, fees, rentals, and other charges as are uniformly applicable to all other fixed-based operators making the same or similar uses of such airport and utilizing the same or similar facilities.
 - d. Each air carrier using such airport shall have the right to service itself or to use any fixed-based operator that is authorized or permitted by the airport to serve any air carrier at such airport.
 - e. Each air carrier using such airport (whether as a tenant, non-tenant, or subtenant of another air carrier tenant) shall be subject to such nondiscriminatory and substantially comparable rules, regulations, conditions, rates, fees, rentals, and other charges with respect to facilities directly and substantially related to providing air transportation as are applicable to all such air carriers which make similar use of such airport and utilize similar facilities, subject to reasonable classifications such as tenants or non-tenants and signatory carriers and non-signatory carriers. Classification or status as tenant or signatory shall not be unreasonably withheld by any airport provided an air carrier assumes obligations substantially similar to those already imposed on air carriers in such classification or status.
 - f. It will not exercise or grant any right or privilege which operates to prevent any person, firm, or corporation operating aircraft on the airport from performing any services on its own aircraft with its own employees [including, but not limited to maintenance, repair, and fueling] that it may choose to perform.
 - g. In the event the sponsor itself exercises any of the rights and privileges referred to in this assurance, the services involved will be provided on the same conditions as would apply to the furnishing of such services by commercial aeronautical service providers authorized by the sponsor under these provisions.
 - h. The sponsor may establish such reasonable, and not unjustly discriminatory, conditions to be met by all users of the airport as may be necessary for the safe and efficient operation of the airport.
 - i. The sponsor may prohibit or limit any given type, kind or class of aeronautical use of the airport if such action is necessary for the safe operation of the airport or necessary to serve the civil aviation needs of the public.

23. Exclusive Rights.

It will permit no exclusive right for the use of the airport by any person providing, or intending to provide, aeronautical services to the public. For purposes of this paragraph, the providing of the services at an airport by a single fixed-based operator shall not be construed as an exclusive right if both of the following apply:

- a. It would be unreasonably costly, burdensome, or impractical for more than one fixed-based operator to provide such services, and
- b. If allowing more than one fixed-based operator to provide such services would require the reduction of space leased pursuant to an existing agreement between such single fixed-based operator and such airport. It further agrees that it will not, either directly or indirectly, grant or permit any person, firm, or corporation, the exclusive right at the airport to conduct any aeronautical activities, including, but not limited to charter flights, pilot training, aircraft rental and sightseeing, aerial photography, crop dusting, aerial advertising and surveying, air carrier operations, aircraft sales and services, sale of aviation petroleum products whether or not conducted in conjunction with other aeronautical activity, repair and maintenance of aircraft, sale of aircraft parts, and any other activities which because of their direct relationship to the operation of aircraft can be regarded as an aeronautical activity, and that it will terminate any exclusive right to conduct an aeronautical activity now existing at such an airport before the grant of any assistance under Title 49, United States Code.

24. Fee and Rental Structure.

It will maintain a fee and rental structure for the facilities and services at the airport which will make the airport as self-sustaining as possible under the circumstances existing at the particular airport, taking into account such factors as the volume of traffic and economy of collection. No part of the Federal share of an airport development, airport planning or noise compatibility project for which a grant is made under Title 49, United States Code, the Airport and Airway Improvement Act of 1982, the Federal Airport Act or the Airport and Airway Development Act of 1970 shall be included in the rate basis in establishing fees, rates, and charges for users of that airport.

25. Airport Revenues.

- a. All revenues generated by the airport and any local taxes on aviation fuel established after December 30, 1987, will be expended by it for the capital or operating costs of the airport; the local airport system; or other local facilities which are owned or operated by the owner or operator of the airport and which are directly and substantially related to the actual air transportation of passengers or property; or for noise mitigation purposes on or off the airport. The following exceptions apply to this paragraph:
 - 1) If covenants or assurances in debt obligations issued before September 3, 1982, by the owner or operator of the airport, or provisions enacted before September 3, 1982, in governing statutes controlling the owner or operator's financing, provide for the use of the revenues from any of the airport owner or

operator's facilities, including the airport, to support not only the airport but also the airport owner or operator's general debt obligations or other facilities, then this limitation on the use of all revenues generated by the airport (and, in the case of a public airport, local taxes on aviation fuel) shall not apply.

- 2) If the Secretary approves the sale of a privately owned airport to a public sponsor and provides funding for any portion of the public sponsor's acquisition of land, this limitation on the use of all revenues generated by the sale shall not apply to certain proceeds from the sale. This is conditioned on repayment to the Secretary by the private owner of an amount equal to the remaining unamortized portion (amortized over a 20-year period) of any airport improvement grant made to the private owner for any purpose other than land acquisition on or after October 1, 1996, plus an amount equal to the federal share of the current fair market value of any land acquired with an airport improvement grant made to that airport on or after October 1, 1996.
 - 3) Certain revenue derived from or generated by mineral extraction, production, lease, or other means at a general aviation airport (as defined at Section 47102 of title 49 United States Code), if the FAA determines the airport sponsor meets the requirements set forth in Sec. 813 of Public Law 112-95.
- b. As part of the annual audit required under the Single Audit Act of 1984, the sponsor will direct that the audit will review, and the resulting audit report will provide an opinion concerning, the use of airport revenue and taxes in paragraph (a), and indicating whether funds paid or transferred to the owner or operator are paid or transferred in a manner consistent with Title 49, United States Code and any other applicable provision of law, including any regulation promulgated by the Secretary or Administrator.
 - c. Any civil penalties or other sanctions will be imposed for violation of this assurance in accordance with the provisions of Section 47107 of Title 49, United States Code.

26. Reports and Inspections.

It will:

- a. submit to the Secretary such annual or special financial and operations reports as the Secretary may reasonably request and make such reports available to the public; make available to the public at reasonable times and places a report of the airport budget in a format prescribed by the Secretary;
- b. for airport development projects, make the airport and all airport records and documents affecting the airport, including deeds, leases, operation and use agreements, regulations and other instruments, available for inspection by any duly authorized agent of the Secretary upon reasonable request;
- c. for noise compatibility program projects, make records and documents relating to the project and continued compliance with the terms, conditions, and assurances of this grant agreement including deeds, leases, agreements, regulations, and other instruments, available for inspection by any duly authorized agent of the Secretary upon reasonable request; and

- d. in a format and time prescribed by the Secretary, provide to the Secretary and make available to the public following each of its fiscal years, an annual report listing in detail:
 - 1) all amounts paid by the airport to any other unit of government and the purposes for which each such payment was made; and
 - 2) all services and property provided by the airport to other units of government and the amount of compensation received for provision of each such service and property.

27. Use by Government Aircraft.

It will make available all of the facilities of the airport developed with Federal financial assistance and all those usable for landing and takeoff of aircraft to the United States for use by Government aircraft in common with other aircraft at all times without charge, except, if the use by Government aircraft is substantial, charge may be made for a reasonable share, proportional to such use, for the cost of operating and maintaining the facilities used. Unless otherwise determined by the Secretary, or otherwise agreed to by the sponsor and the using agency, substantial use of an airport by Government aircraft will be considered to exist when operations of such aircraft are in excess of those which, in the opinion of the Secretary, would unduly interfere with use of the landing areas by other authorized aircraft, or during any calendar month that –

- a. Five (5) or more Government aircraft are regularly based at the airport or on land adjacent thereto; or
- b. The total number of movements (counting each landing as a movement) of Government aircraft is 300 or more, or the gross accumulative weight of Government aircraft using the airport (the total movement of Government aircraft multiplied by gross weights of such aircraft) is in excess of five million pounds.

28. Land for Federal Facilities.

It will furnish without cost to the Federal Government for use in connection with any air traffic control or air navigation activities, or weather-reporting and communication activities related to air traffic control, any areas of land or water, or estate therein, or rights in buildings of the sponsor as the Secretary considers necessary or desirable for construction, operation, and maintenance at Federal expense of space or facilities for such purposes. Such areas or any portion thereof will be made available as provided herein within four months after receipt of a written request from the Secretary.

29. Airport Layout Plan.

- a. It will keep up to date at all times an airport layout plan of the airport showing
 - 1) boundaries of the airport and all proposed additions thereto, together with the boundaries of all offsite areas owned or controlled by the sponsor for airport purposes and proposed additions thereto;
 - 2) the location and nature of all existing and proposed airport facilities and structures (such as runways, taxiways, aprons, terminal buildings, hangars and

roads), including all proposed extensions and reductions of existing airport facilities;

- 3) the location of all existing and proposed nonaviation areas and of all existing improvements thereon; and
 - 4) all proposed and existing access points used to taxi aircraft across the airport's property boundary. Such airport layout plans and each amendment, revision, or modification thereof, shall be subject to the approval of the Secretary which approval shall be evidenced by the signature of a duly authorized representative of the Secretary on the face of the airport layout plan. The sponsor will not make or permit any changes or alterations in the airport or any of its facilities which are not in conformity with the airport layout plan as approved by the Secretary and which might, in the opinion of the Secretary, adversely affect the safety, utility or efficiency of the airport.
- b. If a change or alteration in the airport or the facilities is made which the Secretary determines adversely affects the safety, utility, or efficiency of any federally owned, leased, or funded property on or off the airport and which is not in conformity with the airport layout plan as approved by the Secretary, the owner or operator will, if requested, by the Secretary (1) eliminate such adverse effect in a manner approved by the Secretary; or (2) bear all costs of relocating such property (or replacement thereof) to a site acceptable to the Secretary and all costs of restoring such property (or replacement thereof) to the level of safety, utility, efficiency, and cost of operation existing before the unapproved change in the airport or its facilities except in the case of a relocation or replacement of an existing airport facility due to a change in the Secretary's design standards beyond the control of the airport sponsor.

30. Civil Rights.

It will promptly take any measures necessary to ensure that no person in the United States shall, on the grounds of race, creed, color, national origin, sex, age, or disability be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination in any activity conducted with, or benefiting from, funds received from this grant.

- a. Using the definitions of activity, facility and program as found and defined in §§ 21.23 (b) and 21.23 (e) of 49 CFR § 21, the sponsor will facilitate all programs, operate all facilities, or conduct all programs in compliance with all non-discrimination requirements imposed by, or pursuant to these assurances.
- b. Applicability
 - 1) Programs and Activities. If the sponsor has received a grant (or other federal assistance) for any of the sponsor's program or activities, these requirements extend to all of the sponsor's programs and activities.
 - 2) Facilities. Where it receives a grant or other federal financial assistance to construct, expand, renovate, remodel, alter or acquire a facility, or part of a facility, the assurance extends to the entire facility and facilities operated in connection therewith.

- 3) Real Property. Where the sponsor receives a grant or other Federal financial assistance in the form of, or for the acquisition of real property or an interest in real property, the assurance will extend to rights to space on, over, or under such property.

c. Duration.

The sponsor agrees that it is obligated to this assurance for the period during which Federal financial assistance is extended to the program, except where the Federal financial assistance is to provide, or is in the form of, personal property, or real property, or interest therein, or structures or improvements thereon, in which case the assurance obligates the sponsor, or any transferee for the longer of the following periods:

- 1) So long as the airport is used as an airport, or for another purpose involving the provision of similar services or benefits; or
- 2) So long as the sponsor retains ownership or possession of the property.

d. Required Solicitation Language. It will include the following notification in all solicitations for bids, Requests For Proposals for work, or material under this grant agreement and in all proposals for agreements, including airport concessions, regardless of funding source:

“The **(Name of Sponsor)**, in accordance with the provisions of Title VI of the Civil Rights Act of 1964 (78 Stat. 252, 42 U.S.C. §§ 2000d to 2000d-4) and the Regulations, hereby notifies all bidders that it will affirmatively ensure that any contract entered into pursuant to this advertisement, disadvantaged business enterprises and airport concession disadvantaged business enterprises will be afforded full and fair opportunity to submit bids in response to this invitation and will not be discriminated against on the grounds of race, color, or national origin in consideration for an award.”

e. Required Contract Provisions.

- 1) It will insert the non-discrimination contract clauses requiring compliance with the acts and regulations relative to non-discrimination in Federally-assisted programs of the DOT, and incorporating the acts and regulations into the contracts by reference in every contract or agreement subject to the non-discrimination in Federally-assisted programs of the DOT acts and regulations.
- 2) It will include a list of the pertinent non-discrimination authorities in every contract that is subject to the non-discrimination acts and regulations.
- 3) It will insert non-discrimination contract clauses as a covenant running with the land, in any deed from the United States effecting or recording a transfer of real property, structures, use, or improvements thereon or interest therein to a sponsor.
- 4) It will insert non-discrimination contract clauses prohibiting discrimination on the basis of race, color, national origin, creed, sex, age, or handicap as a

covenant running with the land, in any future deeds, leases, license, permits, or similar instruments entered into by the sponsor with other parties:

- a) For the subsequent transfer of real property acquired or improved under the applicable activity, project, or program; and
 - b) For the construction or use of, or access to, space on, over, or under real property acquired or improved under the applicable activity, project, or program.
- f. It will provide for such methods of administration for the program as are found by the Secretary to give reasonable guarantee that it, other recipients, sub-recipients, sub-grantees, contractors, subcontractors, consultants, transferees, successors in interest, and other participants of Federal financial assistance under such program will comply with all requirements imposed or pursuant to the acts, the regulations, and this assurance.
- g. It agrees that the United States has a right to seek judicial enforcement with regard to any matter arising under the acts, the regulations, and this assurance.

31. Disposal of Land.

- a. For land purchased under a grant for airport noise compatibility purposes, including land serving as a noise buffer, it will dispose of the land, when the land is no longer needed for such purposes, at fair market value, at the earliest practicable time. That portion of the proceeds of such disposition which is proportionate to the United States' share of acquisition of such land will be, at the discretion of the Secretary, (1) reinvested in another project at the airport, or (2) transferred to another eligible airport as prescribed by the Secretary. The Secretary shall give preference to the following, in descending order, (1) reinvestment in an approved noise compatibility project, (2) reinvestment in an approved project that is eligible for grant funding under Section 47117(e) of title 49 United States Code, (3) reinvestment in an approved airport development project that is eligible for grant funding under Sections 47114, 47115, or 47117 of title 49 United States Code, (4) transferred to an eligible sponsor of another public airport to be reinvested in an approved noise compatibility project at that airport, and (5) paid to the Secretary for deposit in the Airport and Airway Trust Fund. If land acquired under a grant for noise compatibility purposes is leased at fair market value and consistent with noise buffering purposes, the lease will not be considered a disposal of the land. Revenues derived from such a lease may be used for an approved airport development project that would otherwise be eligible for grant funding or any permitted use of airport revenue.
- b. For land purchased under a grant for airport development purposes (other than noise compatibility), it will, when the land is no longer needed for airport purposes, dispose of such land at fair market value or make available to the Secretary an amount equal to the United States' proportionate share of the fair market value of the land. That portion of the proceeds of such disposition which is proportionate to the United States' share of the cost of acquisition of such land will, (1) upon application to the Secretary, be reinvested or transferred to another

eligible airport as prescribed by the Secretary. The Secretary shall give preference to the following, in descending order: (1) reinvestment in an approved noise compatibility project, (2) reinvestment in an approved project that is eligible for grant funding under Section 47117(e) of title 49 United States Code, (3) reinvestment in an approved airport development project that is eligible for grant funding under Sections 47114, 47115, or 47117 of title 49 United States Code, (4) transferred to an eligible sponsor of another public airport to be reinvested in an approved noise compatibility project at that airport, and (5) paid to the Secretary for deposit in the Airport and Airway Trust Fund.

- c. Land shall be considered to be needed for airport purposes under this assurance if (1) it may be needed for aeronautical purposes (including runway protection zones) or serve as noise buffer land, and (2) the revenue from interim uses of such land contributes to the financial self-sufficiency of the airport. Further, land purchased with a grant received by an airport operator or owner before December 31, 1987, will be considered to be needed for airport purposes if the Secretary or Federal agency making such grant before December 31, 1987, was notified by the operator or owner of the uses of such land, did not object to such use, and the land continues to be used for that purpose, such use having commenced no later than December 15, 1989.
- d. Disposition of such land under (a) (b) or (c) will be subject to the retention or reservation of any interest or right therein necessary to ensure that such land will only be used for purposes which are compatible with noise levels associated with operation of the airport.

32. Engineering and Design Services.

It will award each contract, or sub-contract for program management, construction management, planning studies, feasibility studies, architectural services, preliminary engineering, design, engineering, surveying, mapping or related services with respect to the project in the same manner as a contract for architectural and engineering services is negotiated under Title IX of the Federal Property and Administrative Services Act of 1949 or an equivalent qualifications-based requirement prescribed for or by the sponsor of the airport.

33. Foreign Market Restrictions.

It will not allow funds provided under this grant to be used to fund any project which uses any product or service of a foreign country during the period in which such foreign country is listed by the United States Trade Representative as denying fair and equitable market opportunities for products and suppliers of the United States in procurement and construction.

34. Policies, Standards, and Specifications.

It will carry out the project in accordance with policies, standards, and specifications approved by the Secretary including but not limited to the advisory circulars listed in the Current FAA Advisory Circulars for AIP projects, dated _____ (the latest approved version as of this grant offer) and included in this grant, and in accordance

with applicable state policies, standards, and specifications approved by the Secretary.

35. Relocation and Real Property Acquisition.

- a. It will be guided in acquiring real property, to the greatest extent practicable under State law, by the land acquisition policies in Subpart B of 49 CFR Part 24 and will pay or reimburse property owners for necessary expenses as specified in Subpart B.
- b. It will provide a relocation assistance program offering the services described in Subpart C and fair and reasonable relocation payments and assistance to displaced persons as required in Subpart D and E of 49 CFR Part 24.
- c. It will make available within a reasonable period of time prior to displacement, comparable replacement dwellings to displaced persons in accordance with Subpart E of 49 CFR Part 24.

36. Access By Intercity Buses.

The airport owner or operator will permit, to the maximum extent practicable, intercity buses or other modes of transportation to have access to the airport; however, it has no obligation to fund special facilities for intercity buses or for other modes of transportation.

37. Disadvantaged Business Enterprises.

The sponsor shall not discriminate on the basis of race, color, national origin or sex in the award and performance of any DOT-assisted contract covered by 49 CFR Part 26, or in the award and performance of any concession activity contract covered by 49 CFR Part 23. In addition, the sponsor shall not discriminate on the basis of race, color, national origin or sex in the administration of its DBE and ACDBE programs or the requirements of 49 CFR Parts 23 and 26. The sponsor shall take all necessary and reasonable steps under 49 CFR Parts 23 and 26 to ensure nondiscrimination in the award and administration of DOT-assisted contracts, and/or concession contracts. The sponsor's DBE and ACDBE programs, as required by 49 CFR Parts 26 and 23, and as approved by DOT, are incorporated by reference in this agreement. Implementation of these programs is a legal obligation and failure to carry out its terms shall be treated as a violation of this agreement. Upon notification to the sponsor of its failure to carry out its approved program, the Department may impose sanctions as provided for under Parts 26 and 23 and may, in appropriate cases, refer the matter for enforcement under 18 U.S.C. 1001 and/or the Program Fraud Civil Remedies Act of 1936 (31 U.S.C. 3801).

38. Hangar Construction.

If the airport owner or operator and a person who owns an aircraft agree that a hangar is to be constructed at the airport for the aircraft at the aircraft owner's expense, the airport owner or operator will grant to the aircraft owner for the hangar a long term lease that is subject to such terms and conditions on the hangar as the airport owner or operator may impose.

39. Competitive Access.

- a. If the airport owner or operator of a medium or large hub airport (as defined in section 47102 of title 49, U.S.C.) has been unable to accommodate one or more requests by an air carrier for access to gates or other facilities at that airport in order to allow the air carrier to provide service to the airport or to expand service at the airport, the airport owner or operator shall transmit a report to the Secretary that-
 - 1) Describes the requests;
 - 2) Provides an explanation as to why the requests could not be accommodated; and
 - 3) Provides a time frame within which, if any, the airport will be able to accommodate the requests.
- b. Such report shall be due on either February 1 or August 1 of each year if the airport has been unable to accommodate the request(s) in the six month period prior to the applicable due date.