

HB

253

<TARGET><BILL>HB 253</BILL><SUBJECT>HB
253</SUBJECT><COMM>HFIN29</COMM></TARGET>

Adopted
5/4/16

29-GH2924I
Nauman
4/28/16

CS FOR HOUSE BILL NO. 253(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act increasing the mining license tax; removing an exemption from the mining
2 license tax; relating to mining license applications, renewals, and fees; and providing for
3 an effective date."

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

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

6 (a) A person prosecuting or attempting to prosecute, or engaging in the
7 business of mining in the state shall obtain a license from the department. All new
8 mining operations are exempt from the tax levied by this chapter for three [AND
9 ONE-HALF] years after production begins.

10 * **Sec. 2.** AS 43.65.010(c) is amended to read:

11 (c) The license tax on mining is as follows: on [UPON] the net income of the
12 taxpayer from the property in the state, computed with allowable depletion, plus
13 royalty received in connection with mining property in the state
14 over \$40,000 and not over \$50,000 3 percent

1 over \$50,000 and not over \$100,000 \$1,500 plus
 2 5 percent of the excess over \$50,000
 3 over \$100,000 \$4,000 plus
 4 8 [7] percent of the excess over \$100,000.

5 * **Sec. 3.** AS 43.65.030 is amended to read:

6 **Sec. 43.65.030. Applications and [APPLICATION FOR] renewals; fees.**
 7 **The fee for a mining license and for each renewal is \$50.** Application for renewal of
 8 a mining license shall be made before **January 1** [MAY 1] of **the license** [EACH]
 9 year.

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

12 APPLICABILITY. (a) AS 43.65.010(a), as amended by sec. 1 of this Act, applies to a
 13 mining operation that begins production on or after the effective date of sec. 1 of this Act.

14 (b) AS 43.65.010(c), as amended by sec. 2 of this Act, applies to net income of a
 15 taxpayer from property in the state during a taxable year that begins on or after the effective
 16 date of sec. 2 of this Act.

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

19 TRANSITIONAL PROVISION: REGULATIONS. The Department of Revenue may
 20 adopt regulations necessary to implement the changes made by secs. 1 - 3 of this Act. The
 21 regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the
 22 effective date of the law implemented by the regulation.

23 * **Sec. 6.** Section 5 of this Act takes effect immediately under AS 01.10.070(c).

24 * **Sec. 7.** Except as provided in sec. 6 of this Act, this Act takes effect July 1, 2016.

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version:	HB 253
Fiscal Note Number:	1
(H) Publish Date:	1/19/2016

Identifier: DOR-TAX-01-13-16
 Title: ELCTRNC TAX RETURN;MINING LIC. TAX & FEES
 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 2017	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
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

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues			5,900.0	6,700.0	6,600.0	6,700.0	5,800.0
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Estimated SUPPLEMENTAL (FY2016) cost: 100.0 *(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:

Not applicable, initial version.

Prepared By:	Brandon Spanos	Phone:	(907)269-6736
Division:	Tax	Date:	01/13/2016 12:00 PM
Approved By:	Jerry Burnett	Date:	01/13/16
Agency:	Deputy Commissioner, DOR		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

Analysis

Bill Analysis

Alaska levies a mining 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 9% of the excess of net taxable income over \$100,000 and to remove the exemption from paying tax for 3 ½ years after production begins for new mining operations. The bill also adds an annual \$50 mining license fee. This parallels the existing cost of a business license in Alaska; mining operators are currently not required to have a business license.

The other major change is to require electronic tax filing. With the implementation of the Tax Revenue Management System, DOR has a much more advanced, integrated tax database with a strong online portal and robust reporting functions. Paper tax filings require a laborious process of scanning and manual data entry, and the department is working to transition away from this system. To this end, each of the several revenue bills being introduced contains language in the general revenue statutes to require electronic submission unless the taxpayer does not have the technological capability to do so.

Revenue Impact

The majority of mining license taxpayers file their returns on a calendar year basis. Nearly all of the taxpayers paying the top rate of tax won't be subject to the tax until FY18. Therefore, we are projecting no change in revenues prior to FY18. Mining commodity prices are falling. Since mining taxes are based on income, the falling prices will effect tax revenues. DOR estimates that increasing the top tier tax rate from 7% to 9% will generate additional revenue of approximately \$5.9 million in FY18.

Implementation Cost

This legislation will 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 including a new account for the proposed license fee, 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 \$100.0 in FY16 is slightly higher than some of the costs we've attached to other excise and business tax legislation; this is because of the added need to program the system to accept and account for the proposed license fee. The supplemental will 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.

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Prepared By: Brandon Spanos
 Division: Tax
 Approved By: Jerry Burnett
 Agency: Deputy Commissioner, DOR

Phone: (907)269-6736
 Date: 01/13/2016 12:00 PM
 Date: 01/13/16

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STATE OF ALASKA
2016 LEGISLATIVE SESSION

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THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Revenue

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May 11, 2016

The Honorable Mark Neuman and the Honorable Steve Thompson
Alaska State Representatives
Co-chairs, House Finance Committee
State Capitol Rooms 505 and 515
Juneau, AK 99801

Dear Co-Chairs Neuman and Thompson:

The purpose of this letter is to provide you with responses to the questions asked of the Department of Revenue during our presentation to the House Finance Committee on May 3, 2016, regarding the fish tax legislation House Bill 251, and on May 4, 2016, regarding the mining tax legislation House Bill 253. Please see questions in italics and our responses immediately below the questions.

Fisheries Tax Questions from May 3, 2016

- 1. Can the Department of Revenue provide a cost-benefit analysis of the credits offered against fish taxes?*

Currently the state offers three tax credits specific to fish taxes:

- The Salmon and Herring Product Development Credit, established in 2003 for salmon and established to include herring in 2014. It encourages expenditures on equipment for producing "value-added salmon and herring products". In recent tax years (since 2012), total credits claimed have ranged between \$2 and \$4 million per year.

The Alaska salmon fishing industry has experienced a strong rebound since the early 2000s. Average ex-vessel prices (across all salmon species) rose from roughly 25 cents to 80 cents per pound between 2002 and 2012. The total value of Alaska commercial salmon fishing permits rose from \$200 million to \$700 million in the same period. The period has also coincided with an increase in sales of value-added salmon products such as frozen pink salmon (as opposed to cans) and fresh and filleted sockeye salmon (as opposed to frozen and canned). It is impossible to know how much of the rebound is a result of tax credits as opposed to other factors, especially aggressive marketing efforts by the Alaska Seafood Marketing Institute (ASMI) to differentiate wild Alaska salmon from farmed salmon.

- The Community Development Quota (CDQ) credit, which is for contributions to an Alaska nonprofit corporation dedicated to fisheries industry-related expenditures. The credit is only available for fishery resources harvested under a CDQ. In recent years about \$500,000 worth of CDQ credits have been claimed each year. The credits are a direct benefit to fisheries-related nonprofits and local communities.
- The A. W. “Winn” Brindle Scholarship credit, which is for donations to the memorial scholarship loan fund that offers loans at favorable rates for Alaska students planning to enter the fishing industry. In recent years, between \$100,000 and \$250,000 worth of Winn Brindle credits have been claimed per year. DOR does not currently have data on the number of students who have benefited from the Winn Brindle loans or how many of them returned to work in the Alaska fisheries industry.

There are also two credits applicable to both fish taxes and a variety of other taxes: the Education Credit and the Film Production Credit. The Education Credit applies to donations to a wide variety of educational institutions, and its impact on fish tax revenue has been roughly \$1.5 million per year in recent years (since 2012). The Film Production Credit is being phased out and has not been claimed against fish taxes in recent years (since 2012).

In a cost-benefit analysis, it is important to consider the other options—for example, appropriating funds for another purpose or investing money in state savings accounts instead of using it to reduce fish tax liability. One also has to consider the extent to which investments or donations may have taken place even without the credits. Between tax years 2012-14, the state granted an average of \$4 million per year in credits against the fisheries taxes. Over the period 2009-14, the average return on funds invested in the CBRF was 4.25% per year; this represents one possible alternative use of the funds. Time and resource constraints would make it difficult to provide a full cost-benefit analysis of fisheries tax credits this legislative session.

2. *How is the municipal share of fisheries taxes determined? Can the Department provide a breakdown of taxes shared with municipalities?*

Fish taxpayers report on their tax returns where each fishery resource was processed. The municipal share is half of the tax due on the given fishery resource. For example, if a company named ABC Fisheries processed \$100,000 worth of salmon at a shore-based facility in Juneau, then the Fisheries Business Tax rate is 3%, the total tax owed is \$3,000, and \$1,500 of that amount would be shared with the City and Borough of Juneau. If the processing location is inside both a borough and a separate incorporated city, then the municipal share is split equally between the borough and the city. If the processing location is in neither a borough nor a city, then the municipal share goes to an allocation program managed by the Department of Commerce, Community and Economic Development.

Note that the municipal share is based on tax returns, but the exact timing of when the money is received by the state and the municipalities can vary. Also, any tax credits are

taken only against the state share of revenue and do not impact municipal shares. Therefore, cash flow for a given fiscal year will not reflect an exact 50-50 split.

The 2015 report on shared taxes is attached. This report includes all state tax revenue (both fish and other taxes) shared with municipalities in fiscal year 2015, which we hope will be helpful to the committee.

3. *Can the Department of Revenue look into a separate fish tax rate for factory trawlers?*

The Fishery Resource Landing Tax is essentially a tax on factory trawlers. The Landing Tax is intended to compensate the state for the burdens that catcher/processor vessels impose on state and local communities by fishery resources that are harvested and processed in federal waters and brought into Alaska for transshipment. The Landing Tax is both designed and intended to complement the Fisheries Business Tax, which applies to fish harvests and processing that occurs within Alaska.

In theory, a catcher/processor could avoid the Alaska Landing Tax by operating solely in federal waters and transiting elsewhere to offload their product. In practice, this is unlikely. The length and complexity of the fishing seasons, combined with the holding capacity of the vessels and other logistical needs, means the vast majority of the fishery resources harvested and processed in federal waters are indeed offloaded in Alaska and are subject to the Landing Tax. Moreover, under federal law, all catcher/processor vessels that are qualified to fish for Bering Sea walleye pollock under the American Fisheries Act (AFA), are required to pay the Landing Tax on walleye pollock, irrespective of where the walleye pollock might be offloaded. Walleye pollock represents the majority of the harvest by AFA-qualified vessels.

As a related fisheries tax matter, the committee asked about the possibility of a tax on fisheries bycatch. Earlier this year, House Bill 358 was introduced. The bill proposed to modify statutes (mainly AS 43.75.016) to establish a fisheries bycatch tax. The bill was referred to the House Fisheries Committee.

To be successful, a tax on fisheries bycatch would have to address some problematic characteristics of Alaska fisheries. Foremost is the accounting of bycatch. Although many large vessels that fish in state and federal waters are required to employ fishery observers, most vessels are either excluded from observer coverage, or are required to employ observers only part-time. Bycatch amounts for non-observed vessels are extrapolated based on bycatch rates from the observed portion of the fleet and are attributed to the sector, not individual vessels. For sectors with limited observer coverage, a new tax assessment method would be required such as a sector-wide tax rather than a tax paid by individuals. A second problem arises with establishing the value of bycatch species, if that is how the tax is structured. Much of the bycatch consists of fish that is either low-value or nearly impossible to market; examples include grenadiers, lesser-known species of crab, starry flounders, or under-sized juvenile salmon, crab, or halibut. Much bycatch is discarded at sea and the minor portion of the bycatch that does come ashore (mainly salmon and halibut) is typically passed on as a donation – no sale of the species occurs. Again, it would be challenging to establish a market fair value on these deliveries, if that was the intention of the tax.

Mining Tax Questions from May 4, 2016

4. *How much does the state collect in mining tax and corporate income tax combined from the six largest mines?*

Both mining tax and corporate income tax revenue are highly volatile due to commodity prices. In FY 2015, the state collected about \$38 million in mining taxes and about \$17 million in corporate income taxes from the mining sector. A very large majority of this revenue came from the six largest mines. However, note that a given mining operation—large or small—is not guaranteed to be profitable in any given year, and a mine with less than zero net income does not pay either of these taxes.

Previous years of corporate income tax from the mining sector are shown in the attached CIT Sector Report. Previous years of mining tax revenue are shown in the Tax Division Annual Report at <http://www.tax.alaska.gov/programs/programs/reports/Annual.aspx?60610&Year=2015>.

5. (a) *How much do the state's large mines pay in local taxes in addition to the state mining tax?*
(b) *What is the definition of a severance tax?*

(a) Please see the attached letter dated February 15, 2016, and addressed to the chair of the Senate Resources Committee. The letter includes a description of local taxes paid by the six large mines.

(b) A severance tax is a tax imposed on the removal of a non-renewable resource. The tax base of a severance tax can vary. Some, such as Alaska's Mining License Tax and Oil & Gas Production Tax, use a profits base. Others, such as the Denali Borough's severance tax on coal, are charged at a flat rate per ton or ounce of material removed. The distinguishing feature is that severance taxes only apply to operations that remove non-renewable resources from the ground, not other businesses that earn income. A list of state severance taxes is included in the aforementioned letter to the Senate Resources Committee.

6. *What are the total costs of mining permitting operations, and does current mining tax revenue cover these costs?*

As mentioned by the Deputy Commissioner of Natural Resources, mining companies directly reimburse the state for most permitting costs, so mining tax revenue is not necessary to pay for those. According to a report by the University of Alaska prepared for the Department of Commerce in 2015, the average revenue (from 2010 through 2014) to the state from mining (taxes, large mine project fees, rents and royalties, and other fees) was \$96.4 million. The average cost to state agencies for this same period was \$10.7 million. The majority of this (\$6.6 million) was for DNR. Chapter 4 of the report, which deals with mining, is attached. Table 12 in the report breaks out the costs by department and division. Table 11 gives more detail on the revenue sources. The full report is available at http://www.iser.uaa.alaska.edu/Publications/2015_12-FiscalEffectsOfCommercialFishingMiningTourism.pdf

7. *How much state land is available that could be opened to mining exploration?*

Of the 100 million acres of land the state has in hand, 92 million acres are open to mineral entry. A map of Alaska's land status is attached, with state land shown in blue.

8. *Is there any metal mining in Wisconsin?*

According to the Wisconsin Department of Natural Resources web site, Wisconsin has several historic iron mines and one known iron ore deposit that may be mined in the future (the Gogebic District). Wisconsin also has four known deposits being evaluated for exploration: the Bend Copper-Gold Deposit; the Crandon Deposit containing zinc, copper, lead, gold, and silver; the Lynne zinc and silver deposit; and the Reef gold deposit. However, the Wisconsin DNR does not show any currently active metal mines. According to the web site: "Today, most mining in Wisconsin occurs as nonmetallic mining, producing rock, stone, sand, gravel, limestone and other materials used for industry, construction, road building, agriculture and many other purposes. These mines are often called quarries or pits."

For more information, see <http://dnr.wi.gov/topic/Mines/>.

9. *Please explain how the Exploration Incentive Credit works.*

Please see the attached explanation from the Department of Natural Resources.

10. *Provide a walkthrough of how a company's mining tax liability is calculated and how this affects royalties.*

The Mining License Tax is structured as a tax on net income from each mining operation. The basic steps for calculating a mining operation's net income are as follows:

1. Begin with gross income from selling materials mined and any royalties received.
2. Subtract the depletion deduction. (See below for a brief explanation of the depletion deduction.)
3. Subtract direct and indirect mining expenses for the year. (Note: This does not include expenses in previous years, such as exploration costs for which the mining company may have taken a credit.)
4. Subtract the 3 ½-year exemption for new mining operation, if applicable. (Note: All current large mines in Alaska are more than 3 ½ years old.)
5. The result is the mining operation's taxable income. Add together the taxable income for all mining operations owned by the same company. (Note: No two large mines in Alaska are currently owned by the same company, but a taxpayer may theoretically have any number of different mining operations.)
6. Multiply the taxable income by the relevant tax rates to calculate the total tax.

7. Subtract off any credits, including Exploration incentive credit (as described in question 10), Mining business education credit, and Film production tax credit.
8. The result is the amount of tax the company owes.

The second part of the question is how the Mining License Tax relates to royalties. The answer is that when a mine is located on state land, the amount of royalties it owes to the state is equal to 3% of the "taxable income" amount mentioned in the bullet point 5 above. Royalties are separate from taxes but are calculated on the same basis.

Please note that Pogo is the only one of the six currently operating large mines located on state land. The other five large mines do not pay any royalties to the state. However, those located on private land do pay royalties to the landowner(s). The landowner(s) must then pay Mining License Tax on the royalty income, since it is income derived from the extraction of minerals.

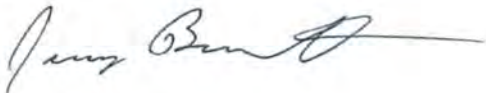
Explanation of Depletion Deduction

The depletion deduction is similar to the exploration incentive credit in that it allows a mining operation to recoup some of its pre-production costs as a deduction against the income it earns once it begins production. In this case, the relevant costs are not the exploration costs described in the DNR handout, but the costs of purchasing and developing the property.

A mining operation may deduct its total purchase and development costs from its Mining License Tax liability in installments over the life of the mine. It may also take an alternative form of the depletion deduction called percentage depletion, which is a simple percentage of its gross income (set at 10% for coal mines and 15% for metal mines). In each given year, the mine may take whichever is greater, cost depletion or percentage depletion, but not both, and it may not take cost depletion once its total depletion deductions over the course of its life exceed its purchase and development costs.

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: CIT Sector Report FY 2015, Shared Taxes Report FY 2015, Letter to Senate Resources dated Feb. 15, 2016, DNR explanation of Exploration Incentive Credit, 2015 Mining License Tax Return, Chapter 4 of ISER report on state agency costs, Land status map

Non-Petroleum Corporate Income Tax Collections by Sector

Prepared by: Will Bishop, Economist, (907) 465-8222 or william.bishop@alaska.gov

Purpose: To present an analysis by business sector of non-petroleum corporate income tax collections received during recent fiscal years.

Data Source: Tax collections are from payments and refunds data for the relevant fiscal year, as reported in the Tax Accounting System and in GenTax and as queried by the Tax Division's Economic Research Group. Sector classifications are based on Department of Revenue determinations using taxpayer-reported NAICS codes and public information about companies. This report presents an analysis of corporate income tax collections from companies meeting the "water's edge" combined reporting requirement, and reporting corporate income taxes under AS 43.20.073. Companies that produce oil & gas or own pipelines involved in transportation of oil and gas report corporate income tax under AS 43.20.072 and are excluded from the this report.

Key Assumptions: Sector classifications are based on Department of Revenue determination using definitions listed on the "Definitions" worksheet.

Disclaimer: Collections for a fiscal year include quarterly estimated payments and may also include payments, assessments, or amended returns, and refunds for prior years. Large payments, assessments or refunds can distort the collections data for any specific year. Total collections may not exactly match Revenue Sources Book figures due to timing issues. Tax collections received during a fiscal year are not equal to tax liabilities reported during the fiscal year. Generally, only C corporations pay (i.e., not S corporations) corporate income tax. Thus, industry representation is dependent upon the form of organization of businesses in each industry.

Most corporations file as part of a consolidated group. The industry classification reflects the Department of Revenue's subjective judgment about the corporation's **primary** activities within Alaska. This report does not necessarily reflect every industry in which the consolidated group participates. Therefore, this report may not be an accurate reflection of industry activities conducted in Alaska.

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.

CORPORATE INCOME TAX COLLECTIONS by Sector for Corporations Subject to AS 43.20.073

Sector	FY 2010		FY 2011		FY 2012		FY 2013		FY 2014	
	%	Collections	%	Collections	%	Collections	%	Collections	%	Collections
Construction	7%	5,901,892	2%	3,462,315	3%	3,267,002	3%	3,860,578	2%	2,412,142
Finance	36%	29,381,164	11%	17,530,085	16%	16,787,284	12%	13,449,943	18%	18,801,906
Fisheries	1%	665,299	1%	1,386,061	3%	2,818,460	3%	2,815,554	1%	787,932
Manufacturing	-1%	(985,867)	3%	4,176,299	12%	12,633,838	1%	1,211,599	0%	446,815
Mining	-3%	(2,558,970)	50%	81,790,274	15%	15,020,036	24%	26,826,073	15%	15,215,598
Real Estate	1%	609,000	0%	60,618	1%	795,495	0%	190,450	2%	1,571,395
Retail	21%	16,740,969	10%	16,671,289	18%	18,364,389	14%	15,431,295	19%	19,193,636
<i>Restaurants & Bars</i>		<i>884,518</i>		<i>529,314</i>		<i>332,043</i>		<i>(327,201)</i>		<i>582,398</i>
Services	24%	19,616,051	14%	23,868,450	18%	18,702,976	25%	28,046,608	12%	11,986,665
Transportation**	0%	(78,538)	4%	6,725,027	5%	5,635,833	7%	8,013,315	15%	15,667,046
Utility & Comm.	9%	7,458,235	0%	542,165	1%	1,485,430	3%	3,213,904	3%	2,877,666
Wholesale	6%	4,785,290	5%	8,529,242	8%	7,803,566	8%	9,300,032	13%	13,836,447
Other Sectors*	0%	9,495	0%	19,853	0%	61,205	0%	126,782	0%	50,373
Total		\$81,544,019		\$164,761,679		\$103,375,514		\$112,486,134		\$102,847,620
Sectors Included in Services										
<i>Health care</i>	22%	<i>4,338,134</i>	11%	<i>2,555,412</i>	16%	<i>2,947,854</i>	9%	<i>2,417,856</i>	-4%	<i>(424,464)</i>
<i>Oil & Gas Services</i>	31%	<i>6,135,402</i>	67%	<i>15,914,956</i>	54%	<i>10,006,283</i>	42%	<i>11,715,963</i>	48%	<i>5,740,279</i>
<i>Tourism</i>	26%	<i>5,115,023</i>	15%	<i>3,483,065</i>	13%	<i>2,443,761</i>	25%	<i>7,030,197</i>	22%	<i>2,621,338</i>
<i>Other</i>	21%	<i>4,027,492</i>	8%	<i>1,915,017</i>	18%	<i>3,305,079</i>	25%	<i>6,882,592</i>	34%	<i>4,049,512</i>
Total Services		19,616,051		23,868,450		18,702,976		28,046,608		11,986,665

*Includes forestry, insurance and oil companies reporting under AS 43.20.073 which are combined for confidentiality and other adjustments

**Includes both air and non-air transportation companies, a change from previous years.

NOTES:

This report presents an analysis of corporate income tax collections from companies meeting the "waters edge" combined reporting requirement, and reporting corporate income taxes under AS 43.20.073. Companies that produce oil & gas or own pipelines involved in transportation of oil and gas file corporate income tax under AS 43.20.072 and are excluded from the this report. Additionally, most corporations file as part of a consolidated group. The industry classification identified by the taxpayer usually reflects the group's primary operations which are not necessarily its primary Alaska operations. Therefore, tax collections by sector are based on Department of Revenue interpretations of each consolidated group of corporation's primary Alaska operations and may not match nationally assigned NAICS codes.

- (1) Total collections may not exactly match Revenue Sources Book figures due to timing issues.
- (2) Collections include estimated payments, payments with returns, payments from collections, and refunds.
- (3) Negative amounts indicate that (refunds) exceeded payments for the fiscal year.
- (4) Timing of payments, refunds or assessment activity adds volatility between fiscal years.

Sector Definitions for Corporate Income Tax Sector Analysis

Corporations are assigned to sectors based on Department of Revenue determination of their primary line of business. The few corporations whose primary line of business cannot be determined are assigned to the Services category.

Construction: Corporations primarily involved in building infrastructure, including homes, buildings, transportation infrastructure, etc. Building contractors and maintenance companies (such as electrical or plumbing) are included in this category.

Finance: Corporations primarily involved directly in financial markets, such as banks, brokers, leasing companies (equipment and other non-real estate goods), investment, and lending companies (excluding mortgage companies).

Fisheries: Corporations primarily involved in the fishing sector, including processing, stock preservation, or harvesting of fish. This category includes fish processors that are classified as manufacturers under NAICS.

Manufacturing: Corporations primarily involved in physically creating goods to be sold in either the wholesale or retail market. Printing, metalworking and fertilizer manufacturing are examples of activities included in this category. Manufacturing does not include fish processing which is included under fisheries, or wood products which is included under Other Sectors. If a company manufactures items elsewhere but sells them in Alaska, it is generally classified as Wholesale.

Mining: Corporations primarily involved in the extraction of minerals other than oil, such as gold, silver, coal, or sand and gravel.

Real Estate: Corporations primarily involved in the buying, selling and operation of real estate, including home owners associations, realtors, renting or leasing, and financial companies that primarily deal in real estate or mortgages.

Retail: Corporations primarily involved in selling goods directly to consumers (final users of the good).

Restaurants/bars: Corporations primarily involved in serving food or beverages to consumers.

Services: Corporations primarily involved in providing non-material services to consumers or other businesses.

Tourism: Corporations primarily involved in leisure and recreation services. Tourism includes hotels, lodges and guided tour operators. Air transportation including helicopters is included in Airlines category; other transportation is included in Transportation category.

Oil & Gas Services: Corporations primarily involved in providing support services to oil or gas exploration or production companies.

Health care: Corporations primarily involved in providing health services to patients, or corporations involved in providing individual health care goods such as prosthetics. This category does not include manufacturers of drugs and other supplies; these companies are generally classified as wholesale.

Transportation: Corporations primarily involved in transporting people and goods, such as airlines, trucking, and ocean transport. Note that airlines are included under "Transportation", a change from previous years of this report.

Utilities & Communications: Corporations primarily involved in constructing, maintaining, or providing communications or utilities. Newspapers, radio, television and magazines are included in this category.

Wholesale: Corporations primarily involved in selling goods to intermediate consumers that intend to resell or use the goods to operate their business.

Other Sectors: This category combines Forestry (corporations primarily involved in harvesting or processing timber), Insurance (corporations primarily involved in underwriting, selling or collecting insurance that are not exempt from the Corporate Income Tax by virtue of paying the Insurance Premium Tax) and oil companies reporting under AS 43.20.073.

DMTS Financial Information
(rounded to nearest \$1,000)

Original Investment	180,188,000
Expansion	<u>84,846,000</u>
Total net investment	265,034,000

Amortization period ranges from 1/1/1990-10/1/2040
Interest rate is 6.5%

Net Investment Balance-1/31/16 155,712,000

Payments to AIDEA thru 1/31/16 443,519,000
(includes principal and interest)

Minimum annual payments due 17,670,000
(excludes tonnage-sensitive (released from a
reserve fund) or potential price-sensitive payments)

Outstanding bond principal-1/31/16 52,185,000

TAXES

**Table 7.15
STATE SEVERANCE TAXES: 2015**

<i>State</i>	<i>Title and application of tax (a)</i>	<i>Rate</i>
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.
	Oil and Gas Production Assessment	Rate determined annually by Department of Conservation to fund agency operations; no state severance tax.
Colorado	Lumber Tax	The Lumber Tax was enacted in Sept. 2012. Retailers are required to impose a 1% tax on lumber sold in California.
	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 (c)	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	\$.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

<i>State</i>	<i>Title and application of tax (a)</i>	<i>Rate</i>
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 \$.015 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.

STATE OF ALASKA
DEPARTMENT OF REVENUE
Tax Division



Fiscal Year 2015
SHARED TAXES AND FEES
ANNUAL REPORT

Available on the internet at:
www.tax.alaska.gov

Bill Walker
Governor

Randall Hoffbeck
Commissioner

2015

This annual report provides an overview of shared tax and fee programs administered by the Department of Revenue and reports current and historical amounts shared to the municipalities in Alaska.

This report also includes highlights and other information related to these programs.

The information included in this report covers fiscal year 2015 that ended June 30, 2015.

Introduction

Alaska statutes provide that a percentage of revenue collected from certain taxes and license fees shall be shared with municipalities in Alaska. The Tax Division within the Department of Revenue is responsible for accounting for taxes and fees subject to sharing and disbursing shared amounts to respective municipalities.

The following tax and license fee types are subject to sharing:

<i>Tax Type</i>	<i>Reference</i>	<i>Statutory Share</i>
Aviation Motor Fuel	43.40.010	60%
Commercial Passenger Vessel	43.52.230	\$5/passenger/port
Electric Cooperative	10.25.570	100%
Fisheries Business	43.75.130	50%
Fishery Resource Landing	43.77.060	50%
Telephone Cooperative	10.25.570	100%
<i>License Fee Type</i>		
Liquor	04.11.610	100%

Interest and penalty collections are not subject to sharing. For some tax types, amounts expended by the state for collection may be deducted from amounts shared to municipalities.

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Retrospect

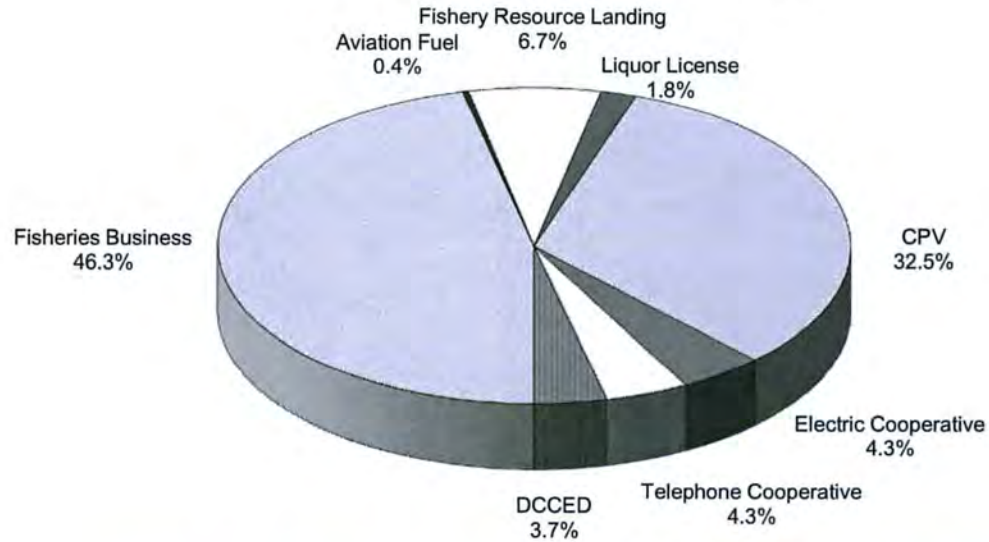
FY 2015 shared taxes and fees decreased 12.0% or approximately \$6.3 million from FY 2014. The decrease is due to a lower number of fish species returning and the lower prices of the fish reported on the Fish Business and Fishery Resource Landing tax returns. Amounts shared under other tax and license programs did not substantially change from FY 2014.

The Department of Revenue distributed taxes and fees to 131 communities throughout Alaska. Following are the top five municipalities and boroughs and their combined amount of shared taxes and fees for FY 2015.

Unalaska	\$ 6,745,512
City and Borough of Juneau	4,890,315
Skagway	4,017,315
Bristol Bay	2,899,978
Ketchikan Gateway Borough	<u>2,303,101</u>
Subtotal	20,856,216
Other Municipalities	<u>23,769,831</u>
 Total	 <u>\$ 44,626,047</u>

An additional \$1,720,492 of fisheries business tax and fishery resource landing tax was transferred to the Department of Commerce, Community and Economic Development (DCCED) for sharing to municipalities as provided under fisheries business tax statutes (AS 43.75.137) and fishery resource landing tax statutes (AS 43.77.060(3)(d)).

Chart 1 - Summary of Shared Taxes and Fees



--- Prior Year Comparison ---

Tax Type	FY 2015		FY 2014		FY 2013	
	Share Amount	% of Total	Share Amount	% of Total	Share Amount	% of Total
Fisheries Business	\$21,479,071	46.3%	\$24,912,169	47.2%	\$23,165,321	44.2%
Commercial Passenger Vessel	15,051,450	32.5%	15,858,558	30.0%	14,394,385	27.5%
Fishery Resource Landing	3,125,677	6.8%	5,148,589	9.8%	7,016,532	13.4%
Electric Cooperative	2,001,304	4.3%	1,960,349	3.7%	2,037,896	3.9%
Telephone Cooperative	1,975,119	4.3%	1,970,174	3.7%	2,071,131	4.0%
Liquor License Fees	851,625	1.8%	901,825	1.7%	825,025	1.6%
Aviation Motor Fuel	141,801	0.3%	155,296	0.3%	162,346	0.3%
Subtotal	\$44,626,047	96.3%	\$50,906,960	96.4%	\$49,672,636	94.9%
Amount Transferred to DCCED						
Fisheries Business	1,611,355	3.5%	1,581,457	3.0%	1,898,248	3.6%
Fishery Resource Landing	109,137	0.2%	302,237	0.6%	826,348	1.6%
Subtotal	\$1,720,492	3.7%	\$1,883,694	3.6%	\$2,724,596	5.2%
Grand Total	\$46,346,539	100%	\$52,790,654	100%	\$52,397,232	100%

Table 1
Summary of Shared Taxes and Fees by Municipality

Municipality	FY2015	FY 2014	Difference
Anchorage	\$1,438,032	\$1,433,046	\$4,986
Juneau	4,890,315	5,144,121	(\$253,806)
Sitka	1,188,123	1,466,546	(\$278,423)
Skagway	4,017,310	4,077,115	(\$59,805)
Wrangell	24,065	31,430	(\$7,365)
Total Municipalities	11,557,845	12,152,258	(594,413)
Borough			
Aleutians East	2,088,104	1,797,534	\$290,570
Bristol Bay	2,899,978	2,086,529	\$813,449
Denali	49,117	51,103	(\$1,986)
Fairbanks North Star	420,825	417,061	\$3,764
Haines	371,112	591,211	(\$220,099)
Kenai Peninsula	1,162,737	1,402,081	(\$239,344)
Ketchikan Gateway	2,303,101	3,053,022	(\$749,921)
Kodiak Island	1,352,566	1,614,025	(\$261,459)
Lake and Peninsula	353,370	557,853	(\$204,483)
Matanuska-Susitna	749,697	751,652	(\$1,955)
North Slope	355,212	325,828	\$29,384
Northwest Arctic	2,098	2,539	(\$441)
Petersburg*	828,318	1,263,718	(\$435,400)
Yakutat	195,216	257,498	(\$62,282)
Total Boroughs	13,131,451	14,171,654	(1,040,203)
City			
Adak	71,151	180,249	(\$109,098)
Akhoik	0	0	\$0
Akutan	943,814	890,075	\$53,739
Alakanuk	1,080	1,089	(\$9)
Aleknagik	8,608	3,224	\$5,384
Ambler	1,448	1,528	(\$80)
Anderson	3,442	2,728	\$714
Angoon	794	790	\$4
Anvik	188	199	(\$11)
Atka	48,116	50,964	(\$2,848)
Barrow	50,155	0	\$50,155
Bethel	16,560	2,632	\$13,928
Brevig Mission	522	545	(\$23)
Buckland	1,135	1,205	(\$70)
Chefornak	0	1,823	(\$1,823)
Chevak	1,177	1,216	(\$39)
Chignik	62,800	310,422	(\$247,622)
Chuathbaluk	110	121	(\$11)
Clark's Point	374	491	(\$117)
Coffman Cove	1,635	1,982	(\$347)
Cordova	1,270,344	1,906,957	(\$636,613)
Craig	351,339	319,904	\$31,435
Deering	600	535	\$65
Delta Junction	8,156	7,775	\$381

Table 1
Summary of Shared Taxes and Fees by Municipality

City	FY2015	FY 2014	Difference
Dillingham	\$506,501	\$489,647	\$16,854
Eek	401	397	\$4
Egegik	152,839	181,974	(\$29,135)
Ekwok	221	235	(\$14)
Elim	576	571	\$5
Emmonak	28,742	27,675	\$1,067
Fairbanks	192,166	198,511	(\$6,345)
False Pass	21,678	14,291	\$7,387
Fort Yukon	1,500	0	\$1,500
Galena	1,500	2,500	(\$1,000)
Gambell	914	927	(\$13)
Goodnews Bay	321	350	(\$29)
Grayling	272	276	(\$4)
Gustavus	231	301	(\$70)
Holy Cross	299	314	(\$15)
Homer	83,435	139,020	(\$55,585)
Hoonah	771,755	743,252	\$28,503
Hooper Bay	1,530	1,859	(\$329)
Houston	22,614	21,764	\$850
Huslia	468	481	(\$13)
Hydaburg	1,184	1,491	(\$307)
Kachemak	1,222	1,274	(\$52)
Kake	16,147	25,632	(\$9,485)
Kaltag	324	337	(\$13)
Kasaan	2,300	1,005	\$1,295
Kenai	256,659	349,153	(\$92,494)
Ketchikan	2,301,501	3,031,293	(\$729,792)
Kiana	1,797	1,901	(\$104)
King Cove	408,385	512,655	(\$104,270)
Kivalina	1,565	1,688	(\$123)
Klukwan	173	0	\$173
Klawock	180	1,500	(\$1,320)
Kobuk	786	981	(\$195)
Kodiak	1,116,054	1,274,151	(\$158,097)
Kotlik	921	938	(\$17)
Kotzebue	27,055	28,252	(\$1,197)
Koyuk	584	623	(\$39)
Larsen Bay	106,594	154,709	(\$48,115)
Lower Kalskag	245	245	\$0
Manokotak	1,982	2,351	(\$369)
Marshall	721	767	(\$46)
Mekoryuk	420	1,695	(\$1,275)
Mountain Village	1,343	1,387	(\$44)
Nenana	2,434	2,792	(\$358)
New Stuyahok	661	669	(\$8)
Newhalen	444	461	(\$17)
Nightmute	289	302	(\$13)
Nome	43,642	48,980	(\$5,338)
Nondalton	412	435	(\$23)

Table 1
Summary of Shared Taxes and Fees by Municipality

	FY2015	FY 2014	Difference
City			
Noorvik	\$2,089	\$2,273	(\$184)
North Pole	35,659	52,597	(\$16,938)
Nulato	467	491	(\$24)
Nunapitchuk	590	597	(\$7)
Old Harbor	9,237	434	\$8,803
Ouzinkie	204	0	\$204
Palmer	160,045	150,128	\$9,917
Pelican	846	245	\$601
Petersburg*	0	0	\$0
Pilot Station	807	877	(\$70)
Pilot Point	0	0	\$0
Platinum	36,250	177,093	(\$140,843)
Port Lions	568	2,428	(\$1,860)
Quinhagak	1,000	962	\$38
Russian Mission	486	489	(\$3)
Saint George	0	0	\$0
Saint Mary's	16,762	18,167	(\$1,405)
Saint Michael	816	832	(\$16)
Saint Paul	1,074,604	1,205,636	(\$131,032)
Sand Point	25,611	243,817	(\$218,206)
Savoonga	3,771	3,150	\$621
Scammon Bay	798	792	\$6
Selawik	2,851	3,238	(\$387)
Seldovia	5,646	5,112	\$534
Seward	716,111	820,074	(\$103,963)
Shageluk	173	176	(\$3)
Shaktolik	511	507	\$4
Shishmaref	809	809	\$0
Shungnak	1,222	1,318	(\$96)
Soldotna	44,074	48,090	(\$4,016)
Stebbins	719	729	(\$10)
Teller	1,500	395	\$1,105
Tenakee Springs	378	0	\$378
Togiak	102,038	114,789	(\$12,751)
Toksook Bay	791	2,666	(\$1,875)
Unalakleet	31,071	24,986	\$6,085
Unalaska	6,745,512	8,218,176	(\$1,472,664)
Upper Kalskag	377	398	(\$21)
Valdez	441,398	838,368	(\$396,970)
Wales	280	272	\$8
Wasilla	249,314	251,392	(\$2,078)
Whittier	888,555	1,093,892	(\$205,337)
Wrangell	405,276	338,187	\$67,089
Total Cities	19,936,751	24,583,048	(4,646,297)
Grand Total	\$44,626,047	\$50,906,960	(\$6,280,913)

* Petersburg Borough, a non-unified home rule borough, was incorporated on January 3, 2013.

Shared Taxes and Fees Overview

Tax Program	Share Provision	Share Cycle		FY 2015 Statistics	
		Disbursal Date	Period	Amount Shared	Total Municipalities
Aviation Motor Fuel <i>AS 43.40.010</i>	60% of aviation motor fuel taxes collected at a municipally owned and operated, or leased and operated, airport, less costs for collection, are shared with the municipality. The Tax Division allocates the amounts to municipalities based on informational schedules of sales activity at the municipal airport from fuel sellers	August	Preceding Fiscal Year	\$141,801	8
Commercial Passenger Vessel Excise <i>AS 43.52.230</i>	\$5 per passenger (onboard a qualifying commercial passenger vessel providing overnight accommodations) is shared to each of the first seven qualifying ports of call within the state. If the port of call is a city located within a borough not otherwise unified with the borough, \$2.50 per passenger will be shared to the city and \$2.50 will be shared to the borough.	February	Preceding Calendar Year	\$15,051,450	16
Electric Cooperative <i>AS 10.25.570</i>	100% of electric cooperative taxes are shared to cities or organized boroughs where the revenue was earned. Electric cooperative taxes are based on kilowatt-hours sold by qualified electric cooperatives recognized under AS 10.25.020	June	Preceding Fiscal Year	\$2,001,304	90
Fisheries Business <i>AS 43.75.130</i>	50% of fisheries business taxes are shared with the municipalities where fishery resources were processed. Taxes are shared as follows: 1) If processing occurred within an incorporated city, which is not located within an organized borough, 50% of the tax collected is shared with the city 2) If processing occurred in an incorporated city, which is located within an organized borough, 25% of the tax collected is shared with the city and 25% of the tax is shared with the borough 3) If processing occurred at a location within an organized borough but not within an incorporated city, 50% of the tax collected is shared with the borough 4) If processing occurred in the unorganized borough, 50% of the tax is shared with municipalities statewide through an allocation program administered by DCCED. The amount of FY 2014 fisheries business tax subject to allocation by DCCED was \$1,611,355.	December	Preceding Fiscal Year	\$21,479,071	55
Fishery Resource Landing <i>AS 43.77.060</i>	50% of fishery resource landing taxes are shared with the municipality where fishery resources were landed. The mechanics for sharing landing taxes are the same as fisheries business taxes, except that the proration applies to boroughs incorporated after January 1, 1994. If landings occurred in the unorganized borough, 50% of the tax is shared with municipalities statewide through an allocation program administered by DCCED. The amount of FY 2014 fishery resource landing tax subject to allocation by DCCED was \$109,137.	December	Preceding Fiscal Year	\$3,125,677	13
Liquor License Fees <i>AS 04.11.610</i>	100% of biennial license fees, excluding wholesale license fees, are shared to municipalities. Sharing is dependent on municipalities enforcing local, state and federal laws, which relate to the manufacture and sale of alcoholic beverages.	January & July	Preceding Six Months	\$851,625	38
Telephone Cooperative <i>AS 10.25.570</i>	100% of telephone cooperative taxes are shared to organized cities or boroughs where the revenue was earned.	June	Preceding Fiscal Year	\$1,975,119	28

Total Shared \$44,626,047

Table 2
2015 Shared Amounts by Municipality by Tax and License Type

	<i>Total</i>	<i>Aviation Fuel</i>	<i>* CPV Excise</i>	<i>Electric Cooperative</i>	<i>Fisheries Business</i>	<i>Fishery Landing</i>	<i>Liquor License</i>	<i>Telephone Cooperative</i>
Municipality								
Anchorage	\$1,438,032	\$12,961	\$26,200	\$642,099	\$202,096	\$0	\$368,550	\$186,126
Juneau	4,890,315	76,047	4,393,395	0	\$364,624	0	56,250	0
Sitka	1,188,123	0	157,340	0	\$1,009,033	0	21,750	0
Skagway	4,017,310	0	4,008,335	0	\$0	0	8,975	0
Wrangell	24,065	0	24,065	0	0	0	0	0
Total Municipalities	11,557,845	89,008	8,609,335	642,099	1,575,752	0	455,525	186,126
Borough								
Aleutians East	2,088,104	0	0	0	2,067,182	20,922	0	0
Bristol Bay	2,899,978	0	0	18,674	2,809,548	0	12,350	59,406
Denali	49,117	0	0	18,348	0	0	0	30,769
Fairbanks North Star	420,825	0	0	420,825	0	0	0	0
Haines	371,112	0	144,020	537	212,855	0	13,700	0
Kenai Peninsula	1,162,737	0	361,658	153,185	629,725	14,338	0	3,832
Ketchikan Gateway	2,303,101	31,954	2,032,375	0	238,773	0	0	0
Kodiak Island	1,352,566	0	13,925	17,206	1,301,537	19,897	0	0
Lake and Peninsula	353,370	0	0	1,354	352,016	0	0	0
Matanuska-Susitna	749,697	0	0	202,072	254	0	0	547,372
North Slope	355,212	0	0	0	0	0	0	355,212
Northwest Arctic	2,098	0	0	845	0	0	0	1,253
Petersburg**	828,318	0	0	0	820,118	0	8,200	0
Yakutat	195,216	0	0	0	191,216	0	4,000	0
Total Boroughs	13,131,451	31,954	2,551,978	833,046	8,623,223	55,157	38,250	997,844
City								
Adak	71,151	0	0	0	67,968	1,683	1,500	0
Akhiok	0	0	0	0	0	0	0	0
Akutan	943,814	0	0	0	943,814	0	0	0
Alakanuk	1,080	0	0	1,080	0	0	0	0

Table 2
2015 Shared Amounts by Municipality by Tax and License Type

	<i>Total</i>	<i>Aviation Fuel</i>	<i>* CPV Excise</i>	<i>Electric Cooperative</i>	<i>Fisheries Business</i>	<i>Fishery Landing</i>	<i>Liquor License</i>	<i>Telephone Cooperative</i>
Aleknagik	8,608	0	0	478	4,676	0	0	3,455
Ambler	1,448	0	0	583	0	0	0	865
Anderson	3,442	0	0	889	0	0	0	2,553
Angoon	794	0	0	794	0	0	0	0
Anvik	188	0	0	188	0	0	0	0
Atka	48,116	0	0	0	34,706	13,411	0	0
Barrow	50,155	0	0	50,155	0	0	0	0
Bethel	16,560	0	0	12,960	0	0	3,600	0
Brevig Mission	522	0	0	522	0	0	0	0
Buckland	1,135	0	0	0	0	0	0	1,135
Chefornak	0	0	0	0	0	0	0	0
Chevak	1,177	0	0	1,177	0	0	0	0
Chignik	62,800	0	0	0	62,800	0	0	0
Chuathbaluk	110	0	0	110	0	0	0	0
Clark's Point	374	0	0	0	24	0	0	350
Coffman Cove	1,635	0	0	0	1,635	0	0	0
Cordova	1,270,344	0	0	12,812	1,023,286	6,015	12,300	215,932
Craig	351,339	0	0	0	342,739	0	8,600	0
Deering	600	0	0	0	0	0	0	600
Delta Junction	8,156	0	0	8,156	0	0	0	0
Dillingham	506,501	0	0	8,347	433,564	0	4,900	59,691
Eek	401	0	0	401	0	0	0	0
Egegik	152,839	0	0	0	152,839	0	0	0
Ekwok	221	0	0	221	0	0	0	0
Elim	576	0	0	576	0	0	0	0
Emmonak	28,742	0	0	1,895	26,846	0	0	0
Fairbanks	192,166	0	0	113,966	0	0	78,200	0
False Pass	21,677	0	0	0	21,677	0	0	0
Fort Yukon	1,500	0	0	0	0	0	1,500	0
Galena	1,500	0	0	0	0	0	1,500	0
Gambell	914	0	0	914	0	0	0	0
Goodnews Bay	321	0	0	321	0	0	0	0

Table 2
2015 Shared Amounts by Municipality by Tax and License Type

	<i>Total</i>	<i>Aviation Fuel</i>	<i>* CPV Excise</i>	<i>Electric Cooperative</i>	<i>Fisheries Business</i>	<i>Fishery Landing</i>	<i>Liquor License</i>	<i>Telephone Cooperative</i>
Grayling	272	0	0	272	0	0	0	0
Gustavus	231	0	0	0	231	0	0	0
Holy Cross	299	0	0	299	0	0	0	0
Homer	83,435	0	13,925	25,306	21,004	0	23,200	0
Hoonah	771,755	0	688,980	2,102	76,574	0	4,100	0
Hooper Bay	1,530	0	0	1,530	0	0	0	0
Houston	22,614	0	0	5,186	0	0	3,100	14,328
Huslia	468	0	0	468	0	0	0	0
Hydaburg	1,184	0	0	0	1,184	0	0	0
Kachemak	1,222	0	0	1,222	0	0	0	0
Take	16,147	0	0	1,246	14,901	0	0	0
Kaltag	324	0	0	324	0	0	0	0
Kasaan	2,300	0	0	0	2,300	0	0	0
Kenai	256,659	9,567	0	32,038	195,703	0	19,350	0
Ketchikan	2,301,501	0	2,032,375	0	237,876	0	31,250	0
Kiana	1,797	0	0	721	0	0	0	1,076
King Cove	408,385	0	0	0	404,385	0	4,000	0
Kivalina	1,565	0	0	581	0	0	0	984
Klukwan	173	0	0	173	0	0	0	0
Klawock	180	0	0	0	180	0	0	0
Kobuk	786	0	0	274	0	0	0	512
Kodiak	1,116,054	5,783	13,925	45,288	1,021,500	10,858	18,700	0
Kotlik	921	0	0	921	0	0	0	0
Kotzebue	27,055	0	0	9,945	0	0	2,500	14,610
Koyuk	584	0	0	584	0	0	0	0
Larsen Bay	106,594	0	0	0	106,594	0	0	0
Lower Kalskag	245	0	0	245	0	0	0	0
Manokotak	1,982	0	0	0	0	0	0	1,982
Marshall	721	0	0	721	0	0	0	0
Mekoryuk	420	0	0	420	0	0	0	0
Mountain Village	1,343	0	0	1,343	0	0	0	0
Nenana	2,434	0	0	2,434	0	0	0	0
New Stuyahok	661	0	0	661	0	0	0	0

Table 2
2015 Shared Amounts by Municipality by Tax and License Type

	<i>Total</i>	<i>Aviation Fuel</i>	<i>* CPV Excise</i>	<i>Electric Cooperative</i>	<i>Fisheries Business</i>	<i>Fishery Landing</i>	<i>Liquor License</i>	<i>Telephone Cooperative</i>
Newhalen	444	0	0	444	0	0	0	0
Nightmute	289	0	0	289	0	0	0	0
Nome	43,642	0	0	0	28,842	0	14,800	0
Nondalton	412	0	0	412	0	0	0	0
Noorvik	2,089	0	0	890	0	0	0	1,199
North Pole	35,659	0	0	30,459	0	0	5,200	0
Nulato	467	0	0	467	0	0	0	0
Nunapitchuk	590	0	0	590	0	0	0	0
Old Harbor	9,237	0	0	391	11	8,835	0	0
Ouzinkie	204	0	0	0	0	204	0	0
Palmer	160,045	2,626	0	21,959	0	0	11,500	123,961
Pilot Station	807	0	0	807	0	0	0	0
Pelican	846	0	0	0	846	0	0	0
Petersburg**	0	0	0	0	0	0	0	0
Pilot Point	0	0	0	0	0	0	0	0
Platinum	36,250	0	0	0	36,250	0	0	0
Port Lions	568	0	0	568	0	0	0	0
Quinhagak	1,000	0	0	1,000	0	0	0	0
Russian Mission	486	0	0	486	0	0	0	0
Saint George	0	0	0	0	0	0	0	0
Saint Mary's	16,762	0	0	1,001	15,761	0	0	0
Saint Michael	816	0	0	816	0	0	0	0
Saint Paul	1,074,604	0	0	0	1,053,712	16,891	4,000	0
Sand Point	25,611	0	0	0	21,011	0	4,600	0
Savoonga	3,771	0	0	1,036	2,735	0	0	0
Scammon Bay	798	0	0	798	0	0	0	0
Selawik	2,851	0	0	1,248	0	0	0	1,603
Seldovia	5,646	0	0	1,046	0	0	4,600	0
Seward	716,111	0	347,733	0	334,691	14,338	19,350	0
Shageluk	173	0	0	173	0	0	0	0
Shaktolik	511	0	0	511	0	0	0	0
Shishmaref	809	0	0	809	0	0	0	0
Shungnak	1,222	0	0	468	0	0	0	753
Soldotna	44,074	1,830	0	24,903	2,841	0	14,500	0

Table 2
2015 Shared Amounts by Municipality by Tax and License Type

	<i>Total</i>	<i>Aviation Fuel</i>	<i>* CPV Excise</i>	<i>Electric Cooperative</i>	<i>Fisheries Business</i>	<i>Fishery Landing</i>	<i>Liquor License</i>	<i>Telephone Cooperative</i>
Stebbins	719	0	0	719	0	0	0	0
Tanana	1,500	0	0	0	0	0	1,500	0
Teller	378	0	0	378	0	0	0	0
Tenakee Springs	0	0	0	0	0	0	0	0
Togiak	102,038	0	0	1,449	91,511	9,077	0	0
Toksook Bay	791	0	0	791	0	0	0	0
Unalakleet	31,071	0	0	2,065	29,006	0	0	0
Unalaska	6,745,512	0	1,650	0	3,752,155	2,989,207	2,500	0
Upper Kalskag	377	0	0	377	0	0	0	0
Valdez	441,398	0	0	29,696	230,134	0	12,300	169,269
Wales	280	0	0	280	0	0	0	0
Wasilla	249,314	1,033	0	44,760	29	0	27,200	176,292
Whittier	888,555	0	791,550	3,226	89,479	0	4,300	0
Wrangell	405,276	0	0	0	392,076	0	13,200	0
Total Cities	19,936,751	20,840	3,890,138	526,159	11,280,096	3,070,520	357,850	791,150
Grand Total	\$44,626,047	\$141,801	\$15,051,450	\$2,001,304	21,479,071	3,125,677	\$851,625	\$1,975,119

Number of Communities

Shared With	130	8	16	90	55	13	38	28
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* Commercial Passenger Vessel

** Petersburg Borough, a non-unified home borough, was incorporated on January 13, 2013.

Table 3
Aviation Motor Fuel Tax

	<i>FY2015</i>	<i>FY 2014</i>	<i>FY 2013</i>	<i>FY 2012</i>	<i>FY 2011</i>	<i>Total All Years</i>
Municipality						
Anchorage (Merrill Field)	\$12,961	\$18,998	\$22,543	\$20,131	\$18,540	\$93,173
Juneau	\$76,047	89,246	90,284	77,539	70,864	403,980
Total Municipalities	\$89,008	108,244	112,827	97,670	89,404	497,153
Borough						
Ketchikan Gateway	\$31,954	29,112	27,567	23,398	29,178	141,209
Total Borough	\$31,954	29,112	27,567	23,398	29,178	141,209
City						
Kenai	\$9,567	5,681	11,178	13,035	13,482	52,943
Kodiak	\$5,783	5,404	5,859	7,076	6,882	31,004
Palmer	\$2,626	2,931	1,427	1,654	599	9,237
Soldotna	\$1,830	2,257	1,960	1,282	1,425	8,754
Wasilla	\$1,033	1,667	1,528	1,543	1,508	7,279
Total Cities	\$20,840	17,940	21,952	24,590	23,896	109,218
Grand Total¹	\$141,801	\$155,296	\$162,346	\$145,658	\$142,478	\$747,579
Cost of Collection	\$3,708	\$3,363	\$2,691	\$2,152	\$2,691	\$10,897
Number of Communities Shared With	8	8	8	8	8	8

¹ Net of cost of collection.

Table 4
Commercial Passenger Vessel (CPV) Excise Tax

	<i>FY2015</i>	<i>FY 2014</i>	<i>FY 2013</i>	<i>FY 2012</i>	<i>FY 2011</i>	<i>Total All Years</i>
Municipality						
Anchorage	26,200	2,975	48,570	66,190	63,575	207,510
Juneau	4,393,395	4,598,565	4,151,020	4,096,730	-	17,239,710
Sitka	157,340	302,985	135,355	414,130	706,505	1,716,315
Skagway	4,008,335	4,062,215	3,728,105	3,470,720	3,455,540	18,724,915
Wrangell	24,065	31,430	1,730	19,350	2,510	79,085
Total Municipalities	8,609,335	8,998,170	8,064,780	8,067,120	4,228,130	37,967,535
Borough						
Haines	144,020	140,635	154,080	146,680	154,270	739,685
Kenai Peninsula	361,658	307,578	364,975	357,553	406,080	1,797,844
Ketchikan Gateway	2,032,375	2,240,210	1,977,770	1,947,248	2,088,312	10,285,915
Kodiak Island	13,925	4,600	23,472	32,622	15,763	90,382
Total Boroughs	2,551,978	2,693,023	2,520,297	2,484,103	2,664,425	12,913,826
City						
Homer	13,925	33,542	21,710	0	31,788	100,965
Hoonah	688,980	626,225	610,105	636,345	1,130,220	3,691,875
Hooper Bay	0	0	0	32,687	0	32,687
Ketchikan	2,032,375	2,240,210	1,977,770	1,947,248	0	8,197,603
Kodiak	13,925	4,600	23,473	32,622	15,762	90,382
Seward	347,733	306,723	343,265	324,865	374,293	1,696,879
Unalaska	1,650	4,165	4,120	1,310	3,000	14,245
Valdez	0	1,265	0	1,650	2,335	5,250
Whittier	791,550	950,635	828,865	637,265	695,790	3,904,105
Total Cities	3,890,138	4,167,365	3,809,308	3,613,992	2,253,188	17,733,991
Grand Total	15,051,450	15,858,558	\$14,394,385	\$14,165,215	\$9,145,743	\$68,615,351
Number of Communities Shared With						
	16	17	16	17	15	18

Table 5
Electric Cooperative Tax

	<i>FY2015</i>	<i>FY 2014</i>	<i>FY 2013</i>	<i>FY 2012</i>	<i>FY 2011</i>	<i>Total All Years</i>
Municipality						
Anchorage	\$642,099	\$657,254	\$668,760	\$663,378	\$664,499	\$3,295,990
Total Municipalities	\$642,099	657,254	668,760	663,378	664,499	3,295,990
Borough						
Bristol Bay	\$18,674	0	9,043	9,211	9,937	46,865
Denali	\$18,348	19,700	20,557	20,799	19,847	99,251
Fairbanks North Star	\$420,825	416,866	423,939	424,186	418,986	2,104,802
Haines	\$537	536	561	561	596	2,791
Kenai Peninsula	\$153,185	157,328	158,048	152,260	149,055	769,876
Kodiak Island	\$17,206	15,792	27,075	26,387	26,952	113,412
Lake and Peninsula	\$1,354	1,095	1,521	1,046	1,207	6,223
Matanuska-Susitna	\$202,072	200,454	200,602	195,156	184,011	982,295
Northwest Arctic	\$845	891	857	872	875	4,340
Total Boroughs	\$833,046	812,662	842,203	830,478	811,466	4,129,855
City						
Alakanuk	\$1,080	1,089	838	928	898	4,833
Aleknagik	\$478	491	464	387	394	2,214
Ambler	\$583	611	574	621	610	2,999
Anderson	\$889	864	980	1,026	1,035	4,794
Angoon	\$794	790	830	922	914	4,250
Anvik	\$188	199	294	194	197	1,072
Barrow	\$50,155	0	24,771	25,006	24,586	124,518
Bethel	\$12,960	0	0	0	0	12,960
Brevig Mission	\$522	545	591	572	547	2,777
Chevak	\$1,177	1,216	1,182	1,164	1,128	5,867
Chuathbaluk	\$110	121	136	128	142	637
Cordova	\$12,812	13,222	12,797	12,676	12,547	64,054
Delta Junction	\$8,156	7,775	9,075	5,588	6,603	37,197
Dillingham	\$8,347	8,481	8,686	8,614	8,626	42,754
Eek	\$401	397	403	386	371	1,958
Ekwok	\$221	235	270	106	0	832
Elim	\$576	571	605	555	505	2,812

Table 5
Electric Cooperative Tax

	FY2015	FY 2014	FY 2013	FY 2012	FY 2011	Total All Years
Emmonak	\$1,895	1,792	1,545	1,528	1,490	8,250
Fairbanks	\$113,966	117,211	120,099	121,852	122,192	595,320
Gambell	\$914	927	888	887	880	4,496
Goodnews Bay	\$321	350	399	377	361	1,808
Grayling	\$272	276	339	273	293	1,453
Holy Cross	\$299	314	302	301	293	1,509
Homer	\$25,306	26,845	27,633	27,672	27,396	134,852
Hoonah	\$2,102	2,153	2,153	2,193	2,130	10,731
Hooper Bay	\$1,530	1,570	1,533	1,489	1,436	7,558
Houston	\$5,186	5,324	5,371	5,270	5,057	26,208
Huslia	\$468	481	486	496	481	2,412
Kachemak	\$1,222	1,274	1,299	1,284	1,190	6,269
Kake	\$1,246	1,391	1,369	1,261	1,107	6,374
Kaltag	\$324	337	354	342	355	1,712
Kenai	\$32,038	32,361	32,608	32,965	33,179	163,151
Kiana	\$721	724	740	718	724	3,627
Kivalina	\$581	615	591	577	577	2,941
Klukwan	\$173	0	0	0	0	173
Kobuk	\$274	335	0	0	0	609
Kodiak	\$45,288	44,685	44,586	41,300	41,908	217,767
Kotlik	\$921	938	971	917	854	4,601
Kotzebue	\$9,945	10,160	10,570	10,473	9,925	51,073
Koyuk	\$584	623	860	637	651	3,355
Lower Kalskag	\$245	245	259	259	272	1,280
Marshall	\$721	767	722	797	731	3,738
Mekoryuk	\$420	429	507	429	413	2,198
Mountain Village	\$1,343	1,387	1,238	1,344	1,345	6,657
Nenana	\$2,434	2,514	2,678	2,749	2,749	13,124
New Stuyahok	\$661	669	631	713	710	3,384
Newhalen	\$444	461	472	437	281	2,095
Nightmute	\$289	302	400	299	299	1,589
Nondalton	\$412	435	419	393	317	1,976
Noorvik	\$890	935	962	971	966	4,724
North Pole	\$30,459	47,602	53,124	56,687	59,264	247,136
Nulato	\$467	491	515	529	511	2,513
Nunapitchuk	\$590	597	610	589	592	2,978
Old Harbor	\$391	393	439	378	365	1,966
Palmer	\$21,959	22,342	23,113	23,197	23,588	114,199

Table 5
Electric Cooperative Tax

	<i>FY2015</i>	<i>FY 2014</i>	<i>FY 2013</i>	<i>FY 2012</i>	<i>FY 2011</i>	<i>Total All Years</i>
Pilot Station	\$807	877	874	842	818	4,218
Port Lions	\$568	538	580	3,243	584	5,513
Quinhagak	\$1,000	962	886	866	826	4,540
Russian Mission	\$486	489	494	541	541	2,551
Saint Mary's	\$1,001	1,024	1,021	991	993	5,030
Saint Michael	\$816	832	864	841	837	4,190
Savoonga	\$1,036	1,053	1,019	1,049	996	5,153
Scammon Bay	\$798	792	788	839	814	4,031
Selawik	\$1,248	1,383	1,496	1,362	1,365	6,854
Seldovia	\$1,046	1,112	1,079	1,135	1,235	5,607
Shageluk	\$173	176	166	173	177	865
Shaktolik	\$511	507	492	443	378	2,331
Shishmaref	\$809	809	758	790	798	3,964
Shungnak	\$468	495	609	752	757	3,081
Soldotna	\$24,903	26,364	26,607	25,681	24,210	127,765
Stebbins	\$719	729	701	658	666	3,473
Teller	\$378	395	428	393	411	2,005
Togiak	\$1,449	1,452	1,468	1,467	1,413	7,249
Toksook Bay	\$791	800	812	763	767	3,933
Unalakleet	\$2,065	2,063	2,052	2,062	2,060	10,302
Upper Kalskag	\$377	398	597	450	393	2,215
Valdez	\$29,696	30,416	29,875	28,163	26,183	144,333
Wales	\$280	272	386	267	270	1,475
Wasilla	\$44,760	45,860	46,367	45,443	44,806	227,236
Whittier	\$3,226	3,773	3,233	2,289	2,101	14,622
Total Cities	\$526,159	490,433	526,933	522,959	518,384	2,584,868
Grand Total¹	\$2,001,304	\$1,960,349	\$2,037,896	\$2,016,815	\$1,994,349	\$10,010,713
Cost of Collection²	\$4,344	\$4,344	\$1,594	\$1,594	\$2,862	\$14,738
Number of Communities Shared With	90	86	87	87	86	90

¹ Net of cost of collection² Costs of collection are based on the last full fiscal year.

Table 6
Fisheries Business Tax

	<i>FY2015</i>	<i>FY 2014</i>	<i>FY 2013</i>	<i>FY 2012</i>	<i>FY 2011</i>	<i>Total All Years</i>
Municipality						
Anchorage	\$202,096	\$181,607	\$221,337	\$170,617	\$119,063	\$894,720
Juneau	\$364,624	395,010	384,415	422,230	430,561	\$1,996,840
Sitka	\$1,009,033	1,127,772	1,183,956	1,256,103	1,199,333	\$5,776,197
Wrangell	\$0	0	0	380,741	265,498	\$646,239
Total Municipalities	1,575,753	1,704,389	1,789,708	2,229,691	2,014,455	9,313,996
Borough						
Aleutians East	2,067,182	1,769,278	1,869,127	2,033,097	1,664,919	\$9,403,603
Bristol Bay	2,809,548	2,010,471	1,868,574	2,130,832	2,230,586	\$11,050,011
Denali	0	0	0	0	0	\$0
Fairbanks North Star	0	195	0	118	88	\$401
Haines	212,855	438,390	172,511	326,813	121,651	\$1,272,220
Kenai Peninsula	629,725	919,123	774,646	952,078	1,004,361	\$4,279,933
Ketchikan Gateway	238,773	783,700	709,134	666,360	539,797	\$2,937,764
Kodiak Island	1,301,537	1,561,675	1,546,308	1,647,025	1,405,360	\$7,461,905
Lake and Peninsula	352,016	556,758	382,147	385,759	255,093	\$1,931,773
Matanuska-Susitna	254	112	126	65	110	\$667
Northwest Arctic	0	371	0	0	0	\$371
Petersburg*	820,118	1,249,730	760,516	0	0	\$2,830,364
Yakutat	191,216	250,998	202,334	254,820	390,043	\$1,289,411
Total Boroughs	8,623,224	9,540,801	8,285,423	8,396,967	7,612,008	42,458,423
City						
Adak	67,968	122,489	168,370	75,469	143,848	578,144
Akhiok	0	0	0	110	58	168
Akutan	943,814	877,450	1,028,308	990,609	689,120	4,529,301
Aleknagik	4,676	0	0	0	0	4,676
Atka	34,706	29,615	54,710	51,168	57,861	228,060
Bethel	0	2,632	0	3,937	3,752	10,321
Chefornak	0	1,823	542	2,220	1,119	5,704
Chignik	62,800	310,422	154,944	203,950	109,727	841,843
Clark's Point	24	0	2,227	45,322	50,510	98,083

Table 6
Fisheries Business Tax

	<i>FY2015</i>	<i>FY 2014</i>	<i>FY 2013</i>	<i>FY 2012</i>	<i>FY 2011</i>	<i>Total All Years</i>
Coffman Cove	1,635	1,982	1,699	1,557	570	7,443
Cordova	1,023,286	1,661,223	1,432,356	1,371,290	1,365,497	6,853,652
Craig	342,739	314,704	282,111	258,534	158,364	1,356,452
Delta Junction	0	0	0	0	0	0
Dillingham	433,564	407,654	276,513	339,410	446,588	1,903,729
Egegik	152,839	181,974	110,164	85,138	98,106	628,221
Emmonak	26,846	25,883	38,637	51,420	6,575	149,361
False Pass	21,677	14,291	5,152	8,544	5,690	55,354
Goodnews Bay	0	0	0	1	334	335
Gustavus	231	301	299	505	253	1,589
Homer	21,004	54,283	37,136	64,617	117,556	294,596
Hoonah	76,574	110,249	103,975	113,615	108,022	512,435
Hooper Bay	0	289	366	147	0	802
Houston	0	88	77	65	41	271
Hydaburg	1,184	1,491	367	1,185	858	5,085
Kake	14,901	24,241	16,198	5,824	12,005	73,169
Kaltag	0	0	1,314	450	1,095	2,859
Kasaan	2,300	1,005	1,706	874	308	6,193
Kenai	195,703	289,411	197,541	291,597	276,547	1,250,799
Ketchikan	237,876	743,083	454,435	472,507	424,942	2,332,843
King Cove	404,385	510,155	456,469	521,585	437,823	2,330,417
Klawock	180	0	620	19,212	9,588	29,600
Kodiak	1,021,500	1,164,404	1,189,750	1,252,420	1,123,205	5,751,279
Kotzebue	0	371	0	0	0	371
Larsen Bay	106,594	154,709	131,405	91,058	75,013	558,779
Marshall	0	0	0	0	0	0
Mekoryuk	0	1,266	12,020	5,782	4,095	23,163
Nenana	0	265	0	0	0	265
Nome	28,842	30,280	43,162	36,685	27,792	166,761
North Pole	0	195	0	118	88	401
Old Harbor	11	41	0	5	25	82
Ouzinkie	0	0	0	26,071	0	26,071
Palmer	0	0	0	0	0	0

Table 6
Fisheries Business Tax

	<i>FY2015</i>	<i>FY 2014</i>	<i>FY 2013</i>	<i>FY 2012</i>	<i>FY 2011</i>	<i>Total All Years</i>
Pelican	846	245	628	8,276	8,222	18,217
Petersburg*	0	0	0	1,036,385	665,901	1,702,286
Pilot Point	0	0	0	0	0	0
Platinum	36,250	177,093	27,745	36,676	21,833	299,597
Port Lions	0	1,890	170	9,562	10,627	22,249
Quinhagak	0	0	0	25	687	712
Saint George	0	0	16,768	0	0	16,768
Saint Mary's	15,761	17,143	0	0	2,881	35,785
Saint Paul	1,053,712	1,183,913	1,278,016	1,135,628	736,836	5,388,105
Sand Point	21,011	236,923	255,282	337,198	229,620	1,080,034
Savoonga	2,735	2,097	4,695	2,617	2,964	15,108
Seldovia	0	0	0	150	2,367	2,517
Seward	334,691	482,543	480,290	519,689	596,097	2,413,310
Soldotna	2,841	1,969	685	1,594	2,020	9,109
Tanana	0	0	0	0	0	0
Tenakee Springs	0	0	0	365	88	453
Togiak	91,511	107,578	88,071	100,492	85,308	472,960
Toksook Bay	0	1,866	1,753	2,785	10,417	16,821
Unalakleet	29,006	22,923	9,745	17,911	16,145	95,730
Unalaska	3,752,155	3,307,022	3,957,391	3,968,378	3,780,072	18,765,018
Valdez	230,134	621,634	354,769	274,176	521,771	2,002,484
Wasilla	29	0	49	0	19	97
Whittier	89,479	133,884	123,556	105,012	139,585	591,516
Wrangell	392,076	329,987	288,004	0	0	1,010,067
Total Cities	11,280,096	13,666,979	13,090,190	13,949,920	12,590,435	64,577,620
Grand Total	21,479,073	\$24,912,169	\$23,165,321	\$24,576,578	\$22,216,898	116,350,039.00
Number of Communities Shared With	55	63	59	68	68	79
Additional Sharing with DCCED	\$1,611,355	\$1,581,457	\$1,898,248	\$2,075,432	\$2,153,491	\$9,319,983

* Petersburg Borough, a non-unified home rule borough, was incorporated on January 3, 2013.

Table 7
Fishery Resource Landing Tax

	<i>FY 2015</i>	<i>FY 2014</i>	<i>FY 2013</i>	<i>FY 2012</i>	<i>FY 2011</i>	<i>Total All Years</i>
Municipality						
Juneau	\$0	\$0	\$0	\$5,391	\$0	\$5,391
Sitka	0	13,914	7,108	0	0	21,022
Wrangell	0	0	0	532	1,038	1,570
Total Municipalities	0	13,914	7,108	5,923	1,038	27,983
Borough						
Aleutians East	20,922	28,256	48,864	49,777	40,227	188,046
Kenai Peninsula	14,338	14,108	19,801	8,152	5,556	61,955
Kodiak Island	19,897	31,958	17,328	16,812	4,229	90,224
Lake and Peninsula	0	0	0	0	428	428
Petersburg*	0	3,488	9,077	0	0	12,565
Yakutat	0	0	6,744	11,478	21,052	39,274
Total Boroughs	55,157	77,810	101,814	86,219	71,492	392,492
City						
Adak	1,683	54,660	86,452	61,035	40,219	244,049
Akhiok	0	0	0	0	314	314
Aleknagik	0	0	3	0	0	3
Akutan	0	12,625	5,554	23,718	21,776	63,673
Atka	13,411	21,349	90,162	18,946	10,377	154,245
Clark's Point	0	0	0	0	0	0
Cordova	6,015	0	0	0	0	6,015
Homer	0	0	0	0	0	0
Kodiak	10,858	31,958	15,331	15,586	160	73,893
Old Harbor	8,835	0	0	0	0	8,835
Ouzinkie	204	0	0	0	0	204
Petersburg*	0	0	0	11,415	3,006	14,421
Saint Paul	16,891	21,723	4,487	907	22,134	66,142
Sand Point	0	4,394	28,636	26,058	18,450	77,538
Seward	14,338	14,108	18,008	8,152	5,310	59,916
Togiak	9,077	5,759	22,613	8,988	4,919	51,356
Unalaska	2,989,207	4,890,289	6,636,364	4,558,307	2,977,485	22,051,652
Total Cities	3,070,520	5,056,865	6,907,610	4,733,112	3,104,150	22,872,257
GRAND TOTAL	\$3,125,677	\$5,148,589	\$7,016,532	\$4,825,254	\$3,176,680	\$23,292,732
Number of Communities Shared With	13	14	16	16	17	24
Additional Sharing with DCCED	\$109,137	\$302,237	\$826,348	\$860,942	\$1,252,767	\$3,351,431

* Petersburg Borough, a non-unified home rule borough, was incorporated on January 3, 2013.

Table 8
Liquor License Fees

	<i>FY 2015</i>	<i>FY 2014</i>	<i>FY 2013</i>	<i>FY 2012</i>	<i>FY 2011</i>	<i>Total All Years</i>
Municipality						
Anchorage	\$368,550	\$372,600	\$363,100	\$360,075	\$348,950	\$1,813,275
Juneau	\$56,250	61,300	50,300	61,050	46,150	275,050
Sitka	\$21,750	21,875	26,925	21,250	23,200	115,000
Skagway	\$8,975	14,900	7,375	14,900	7,425	53,575
Wrangell	\$0	0	13,200	8,400	13,200	34,800
Total Municipalities	\$455,525	470,675	460,900	465,675	438,925	2,291,700
Borough						
Bristol Bay	\$12,350	11,125	12,975	12,375	11,100	59,925
Haines	\$13,700	11,650	12,500	12,850	12,700	63,400
Petersburg*	\$8,200	10,500	8,500	0	0	27,200
Ketchikan Gateway	\$0	0	0	2,500	7,625	10,125
Yakutat	\$4,000	6,500	4,000	6,500	4,000	25,000
Total Boroughs	\$38,250	39,775	37,975	34,225	35,425	185,650
City						
Adak	\$1,500	3,100	1,500	3,100	1,500	10,700
Bethel	\$3,600	0	0	0	0	3,600
Cordova	\$12,300	11,650	12,300	11,650	11,675	59,575
Craig	\$8,600	5,200	11,100	5,200	11,100	41,200
Dillingham	\$4,900	4,600	4,300	4,000	4,600	22,400
Fairbanks	\$78,200	81,300	75,350	0	84,100	318,950
Fort Yukon	\$1,500	0	1,500	81,950	1,500	86,450
Galena	\$1,500	2,500	1,500	2,500	1,500	9,500
Gustavus	\$0	0	0	0	3,350	3,350
Homer	\$23,200	24,350	22,450	25,750	20,400	116,150
Hoonah	\$4,100	4,625	3,100	4,625	3,100	19,550
Houston	\$3,100	0	0	0	3,100	6,200
Take	\$0	0	0	0	1,500	1,500

Table 8
Liquor License Fees

	<i>FY 2015</i>	<i>FY 2014</i>	<i>FY 2013</i>	<i>FY 2012</i>	<i>FY 2011</i>	<i>Total All Years</i>
Kenai	\$19,350	21,700	18,100	25,575	17,100	101,825
Ketchikan	\$31,250	48,000	32,000	45,500	27,925	184,675
King Cove	\$4,000	2,500	4,000	2,500	4,000	17,000
Klawock	\$0	1,500	0	1,500	0	3,000
Kodiak	\$18,700	23,100	19,300	22,500	16,200	99,800
Kotzebue	\$2,500	1,500	0	1,500	0	5,500
Nome	\$14,800	18,700	11,650	18,100	12,300	75,550
North Pole	\$5,200	4,800	4,600	4,800	5,200	24,600
Palmer	\$11,500	12,900	11,500	13,500	12,700	62,100
Petersburg*	\$0	0	0	8,600	7,900	16,500
Saint Paul	\$4,000	0	4,000	600	4,000	12,600
Sand Point	\$4,600	2,500	4,600	2,500	7,100	21,300
Seldovia	\$4,600	4,000	4,300	2,100	4,925	19,925
Seward	\$19,350	16,700	21,650	17,100	20,950	95,750
Soldotna	\$14,500	17,500	10,100	17,500	14,500	74,100
Tanana	\$1,500	0	0	0	0	1,500
Unalaska	\$2,500	16,700	2,500	14,200	3,750	39,650
Valdez	\$12,300	20,650	9,800	17,750	13,550	74,050
Wasilla	\$27,200	27,500	29,700	27,500	25,850	137,750
Whittier	\$4,300	5,600	5,250	5,900	5,250	26,300
Wrangell	\$13,200	8,200	0	0	0	21,400
Total Cities	\$357,850	391,375	326,150	388,000	350,625	1,814,000
GRAND TOTAL	\$851,625	\$901,825	\$825,025	\$887,900	\$824,975	\$4,291,350
Number of Communities Shared With	38	34	34	36	38	43

* Petersburg Borough, a non-unified home rule borough, was incorporated on January 3, 2013.

Table 9
Telephone Cooperative Tax

	<i>FY 2015</i>	<i>FY 2014</i>	<i>FY 2013</i>	<i>FY 2012</i>	<i>FY 2011</i>	<i>Total All Years</i>
Municipality						
Anchorage	186,126	\$199,612	\$225,562	\$206,828	\$217,996	\$1,036,124
Total Municipalities	186,126	199,612	225,562	206,828	217,996	1,036,124
Borough						
Bristol Bay	59,406	64,933	68,367	64,764	66,133	323,603
Denali	30,769	31,403	31,450	28,750	25,686	148,058
Kenai Peninsula	3,832	3,944	4,012	3,935	2,680	18,403
Matanuska-Susitna	547,372	551,086	588,556	544,072	557,498	2,788,584
North Slope	355,212	325,828	333,891	273,545	158,725	1,447,201
Northwest Arctic	1,253	1,277	4,768	5,823	5,522	18,643
Total Boroughs	997,844	978,471	1,031,044	920,889	816,244	4,744,492
City						
Aleknagik	3,455	2,733	2,385	2,440	2,623	13,636
Ambler	865	917	3,665	4,128	3,824	13,399
Anderson	2,553	1,864	3,435	3,717	3,462	15,031
Buckland	1,135	1,205	5,346	5,928	6,202	19,816
Clark's Point	350	491	492	862	942	3,137
Cordova	215,932	220,862	138,827	121,415	101,979	799,015
Deering	600	535	1,713	2,274	1,569	6,691
Dillingham	59,691	68,912	64,642	67,919	67,501	328,665
Houston	14,328	16,352	15,876	14,321	13,513	74,390
Kiana	1,076	1,177	4,433	5,243	4,875	16,804
Kivalina	984	1,073	4,064	5,113	4,864	16,098
Kobuk	512	646	2,339	2,744	2,486	8,727
Kotzebue	14,610	16,221	63,417	72,134	66,714	233,096
Manokotak	1,982	2,351	2,306	2,530	2,627	11,796
Nenana	0	13	15	8	8	44
Noorvik	1,199	1,338	5,361	6,592	6,844	21,334

**Table 9
Telephone Cooperative Tax**

	<i>FY 2015</i>	<i>FY 2014</i>	<i>FY 2013</i>	<i>FY 2012</i>	<i>FY 2011</i>	<i>Total All Years</i>
Palmer	123,961	111,955	122,710	113,362	110,450	582,438
Selawik	1,603	1,855	7,351	9,009	7,738	27,556
Seward	0	0	0	0	0	0
Shungnak	753	823	3,124	3,702	3,345	11,747
Valdez	169,269	164,403	168,134	163,939	138,225	803,970
Wasilla	176,292	176,365	194,890	177,968	185,162	910,677
Total Cities	791,150	792,091	814,525	785,348	734,953	3,918,067
Grand Total¹	1,975,119	1,970,174	2,071,131	1,913,065	1,769,193	9,698,682
Cost of Collection²	\$1,244	\$1,244	\$1,594	\$1,594	\$2,862	\$4,456
Number of Communities Shared With	28	28	29	28	29	29

¹ Net of cost of collection

² Costs of collection are based on the last full fiscal year.

Appendix A - Statutes

Aviation Motor Fuel Tax

AS 43.40.010. TAX ON TRANSFERS OR CONSUMPTION OF MOTOR FUEL AND EXPENDITURE OF PROCEEDS. (e) Sixty per cent of the proceeds of the revenue from the taxes on aviation fuel, excluding the amount determined to have been spent by the state in its collection, shall be refunded to a municipality owning and operating or leasing and operating an airport in the proportion that the revenue was collected at the municipal airport. All other proceeds of the taxes on aviation fuel shall be paid into a special aviation fuel tax account in the state general fund. The legislature may appropriate funds from this account for aviation facilities.

Commercial Passenger Vessel Excise Tax

AS 43.52.230. DISPOSITION OF RECEIPTS. For each voyage of a commercial passenger vessel providing overnight accommodations, the commissioner shall identify the first seven ports of call in the state and the number of passengers on board the vessel at each port of call. Subject to annual appropriation by the legislature, the commissioner shall distribute to each port of call \$5 per passenger of the tax revenue collected from the tax levied under AS 43.52.200 – 43.52.295. If the port of call is a city located within a borough not otherwise unified with the borough, the commissioner shall, subject to appropriation by the legislature, distribute \$2.50 per passenger to the city and \$2.50 to the borough. A city or borough that receives a payment under this subsection shall use the funds for port facilities, harbor infrastructure, and other services provided to the commercial passenger vessels and the passengers on board those vessels.

AS 43.52.250. Local Levies [Repealed 12 ch 101 SLA 2010]

Electric Cooperative Tax

AS 10.25.570. REFUND TO LOCAL

GOVERNMENTS. The proceeds of the telephone cooperative gross revenue tax and the electric cooperative tax, less the amount expended by the state in their collection, shall be refunded to an organized borough or a city of any class incorporated under state law, in the proportion that the revenue was earned within the city or the borough area outside the city.

However, taxes collected on gross revenue earned by a telephone cooperative or on the sale of electricity by an electric cooperative outside a city or organized borough shall be retained by the state and deposited into its general fund.

Fisheries Business Tax

AS 43.75.130. REFUND TO LOCAL GOVERNMENTS. (a) Except as provided in (d) of this section, the commissioner of revenue shall pay

(1) to each unified municipality and to each city located in the unorganized borough, 50 percent of the amount of tax revenue collected in the municipality from taxes levied by this chapter;

(2) to each city located within a borough, 25 percent of the amount of tax revenue collected in the city from taxes levied by this chapter; and

(3) to each borough

(A) 50 percent of the amount of tax revenue collected in the area of the borough outside cities from taxes levied by this chapter; and

(B) 25 percent of the amount of tax revenue collected in cities located within the borough from taxes levied by this chapter.

(b) For purposes of this section, tax revenue collected under AS 43.75.015 from a person entitled to a credit under AS 43.75.032 shall be calculated as if the person's tax had been collected without applying the credit.

(c) *[Repealed, Sec 7 Ch 79 SLA 1986]*

(d) Notwithstanding the provisions of (a)(2) and (a)(3)(B) of this section, the commissioner shall pay

(1) to each city that is located in a borough incorporated after June 16, 1987 the following

Appendix A - Statutes

Fisheries Business Tax (Continued)

percentages of the tax revenue collected in the city from taxes levied under this chapter:

(A) 45 percent of the taxes collected during the calendar year after the calendar year in which the borough is incorporated;

(B) 40 percent of the taxes collected during the first calendar year after the calendar year in which the borough is incorporated;

(C) 35 percent of the taxes collected during the second calendar year after the calendar year in which the borough is incorporated; and

(D) 30 percent of the taxes collected during the third calendar year after the calendar year in which the borough is incorporated; and

(2) to each borough that is incorporated after June 16, 1987 the following percentages of the tax revenue collected in the cities located within the borough from taxes levied under this chapter:

(A) 5 percent of the taxes collected during the calendar year in which the borough is incorporated;

(B) 10 percent of the taxes collected during the first calendar year after the calendar year in which the borough is incorporated;

(C) 15 percent of the taxes collected during the second calendar year after the calendar year in which the borough is incorporated; and

(D) 20 percent of the taxes collected during the third calendar year after the calendar year in which the borough is incorporated.

(e) Notwithstanding the provisions of (d) of this section, a city may adopt an ordinance to transfer a portion of the funds received under (d)(1) of this section to the borough in which the city is located.

(f) In this section, "tax revenue collected" includes the amount credited against taxes under AS 43.75.018.

AS 43.75.137. ADDITIONAL REFUND. To the extent that appropriations are available for the purpose, and notwithstanding the requirement of AS 37.07.080(e) that approval of the office of management and budget is

required, an amount equal to 50 percent of the tax revenue that is collected under this chapter from fisheries businesses and is not subject to division with a municipality under AS 43.75.130 shall be transmitted each fiscal year, without the approval of the office of management and budget, by the department to the Department of Commerce, Community and Economic Development for disbursement to eligible municipalities under AS 29.60.450.

Fishery Resource Landing Tax

AS 43.77.060. REVENUE SHARING. (a) Subject to appropriation by the legislature and except as provided in (b) of this section, the commissioner of revenue shall pay to each

(1) unified municipality and to each city located in the unorganized borough, 50 percent of the amount of tax revenue collected in the municipality from taxes levied under this chapter on the fishery resource landed in the municipality and accounted for under AS 43.77.050(b);

(2) city located within a borough, 25 percent of the amount of tax revenue collected in the city from taxes levied under this chapter on fishery resources landed in the city and accounted for under AS 43.77.050(b); and

(3) borough

(A) 50 percent of the amount of tax revenue collected from taxes levied under this chapter on fishery resources landed in the area of the borough outside cities and accounted for under AS 43.77.050(b); and

(B) 25 percent of the amount of tax revenue collected from taxes levied under this chapter on fishery resources landed in cities located within the borough and accounted for under AS 43.77.050(b).

(b) Notwithstanding the provisions of (a)(2) and (a)(3)(B) of this section, and subject to appropriation by the legislature, the commissioner shall pay to each

(1) city that is located in a borough incorporated after the effective date of this Act (January 1, 1994), the following percentages of

Appendix A - Statutes

Fishery Resource Landing Tax (Continued)

the tax revenue collected from taxes levied under this chapter on fishery resources landed in the city and accounted for under AS 43.77.050(b):

(A) 45 percent of the tax revenue collected during the calendar year after the calendar year in which the borough is incorporated;

(B) 40 percent of the tax revenue collected during the first calendar year after the calendar year in which the borough is incorporated;

(C) 35 percent of the tax revenue collected during the second calendar year after the calendar year in which the borough is incorporated; and

(D) 30 percent of the tax revenue collected during the third calendar year after the calendar year in which the borough is incorporated; and

(2) borough that is incorporated after the effective date of this Act (*January 1, 1994*), the following percentages of the tax revenue collected from taxes levied under this chapter on fishery resources landed in the cities located within the borough and accounted for under AS 43.77.050(b):

(A) five percent of the tax revenue collected during the calendar year in which the borough is incorporated;

(B) 10 percent of the tax revenue collected during the first calendar year after the calendar year in which the borough is incorporated;

(C) 15 percent of the tax revenue collected during the second calendar year after the calendar year in which the borough is incorporated; and

(D) 20 percent of the tax revenue collected during the third calendar year after the calendar year in which the borough is incorporated.

(c) Notwithstanding the provisions of (b) of this section, a city may adopt an ordinance to transfer a portion of the funds received under (b)(1) of this section to the borough in which the city is located.

(d) To the extent that appropriations are available for the purpose, and notwithstanding the requirement of AS 37.07.080(e) that

approval of the office of management and budget is required, an amount equal to 50 percent of the tax revenue that is collected under this chapter and is not subject to division with a municipality under (a) -- (c) of this section shall be transmitted each fiscal year, without the approval of the office of management and budget, by the department to the Department of Commerce, Community and Economic Development for disbursement to eligible municipalities under AS 29.60.450.

Telephone Cooperative Tax

AS 10.25.570. REFUND TO LOCAL GOVERNMENTS. The proceeds of the telephone cooperative gross revenue tax and the electric cooperative tax, less the amount expended by the state in their collection, shall be refunded to an organized borough or a city of any class incorporated under state law, in the proportion that the revenue was earned within the city or the borough area outside the city.

However, taxes collected on gross revenue earned by a telephone cooperative or on the sale of electricity by an electric cooperative outside a city or organized borough shall be retained by the state and deposited into its general fund.

Liquor License Fees

AS 04.11.610. REFUND TO MUNICIPALITIES.

(a) Biennial license fees, excluding annual wholesale fees and biennial wholesale license fees, collected within a municipality shall be refunded semi-annually to the municipality.

(b) If the officers of a municipality fail to actively enforce local ordinances, laws of the United States and the state, and the regulations relating to the manufacture and sale of alcoholic beverages in the state, the commissioner of revenue may deny the refund provided for under (a) of this section until the board finds the enforcement of the ordinances, laws and regulations is resumed.

Appendix A – Statutes

Liquor License Fees (Continued)

(c) The Department of Revenue shall recover any amounts erroneously refunded under (a) of this section. The Department of Revenue shall schedule repayments of erroneously refunded amounts over a sufficient period of time to minimize financial hardship to the municipality involved.

Appendix B

Unified Municipalities and Boroughs

<u>Municipality/Borough</u>	<u>Classification</u>	<u>Date Incorporated</u>
Aleutians East Borough	Second Class	October 23, 1987
Municipality of Anchorage	Unified Home Rule	September 15, 1975
Bristol Bay Borough	Second Class	October 2, 1962
Denali Borough	Home Rule	December 7, 1990
Fairbanks North Star Borough	Second Class	January 1, 1964
Haines Borough	Home Rule	October 17, 2002
City and Borough of Juneau	Unified Home Rule	July 1, 1970
Kenai Peninsula Borough	Second Class	January 1, 1964
Ketchikan Gateway Borough	Second Class	September 6, 1963
Kodiak Island Borough	Second Class	September 24, 1963
Lake and Peninsula Borough	Home Rule	April 26, 1989
Matanuska-Susitna Borough	Second Class	January 1, 1964
North Slope Borough	Home Rule	July 2, 1972
Northwest Arctic Borough	Home Rule	June 2, 1986
Petersburg Borough	Home Rule	January 3, 2013
City and Borough of Sitka	Unified Home Rule	December 2, 1971
Municipality of Skagway	First Class	June 25, 2007
City and Borough of Wrangell	Unified Home Rule	May 30, 2008
City and Borough of Yakutat	Home Rule	September 22, 1992

Source: 2015 Alaska Community Directory

Appendix C
Cities Within Organized Boroughs

Aleutians East Borough

Akutan
Cold Bay
False Pass
King Cove
Sand Point

Denali Borough

Anderson

Fairbanks North Star Borough

Fairbanks
North Pole

Kenai Peninsula Borough

Homer
Kachemak
Kenai
Seldovia
Seward
Soldotna

Ketchikan Gateway Borough

Ketchikan
Saxman

Kodiak Island Borough

Akhiok
Kodiak
Larsen Bay
Old Harbor
Ouzinkie
Port Lions

Lake and Peninsula Borough

Chignik
Egegik
Newhalen
Nondalton
Pilot Point
Port Heiden

Matanuska-Susitna Borough

Houston
Palmer
Wasilla

North Slope Borough

Anaktuvuk Pass
Atkasuk
Barrow
Kaktovik
Nuiqsut
Point Hope
Wainwright

Northwest Arctic Borough

Ambler
Buckland
Deering
Kiana
Kivalina
Kobuk
Kotzebue
Noorvik
Selawik
Shungnak

Petersburg Borough

Kupreanof

* All other boroughs do not have separate incorporated cities

Source: 2015 Alaska Community Directory

**Appendix D
Incorporated Cities Within Alaska**

Home Rule Cities

Cordova
Fairbanks
Kenai
Ketchikan
Kodiak
Nenana
North Pole
Palmer
Seward
Valdez

First Class Cities

Barrow
Craig
Dillingham
Galena
Homer
Hoonah
Hydaburg
Kake
King Cove
Klawock
Nome
Pelican
Saint Mary's
Sand Point
Seldovia
Soldotna
Tanana
Unalaska
Wasilla

Second Class Cities

Adak
Akhiok
Akiak
Akutan
Alakanuk
Aleknagik
Allakaket
Ambler
Anaktuvuk Pass
Anderson
Angoon
Aniak
Anvik
Atka
Atkasuk
Bethel
Bettles

Second Class Cities

Brevig Mission
Buckland
Cheformak
Chevak
Chignik
Chuathbaluk
Clark's Point
Coffman Cove
Cold Bay
Deering
Delta Junction
Diomedes
Eagle
Edna Bay
Eek
Egegik
Ekwook
Elim
Emmonak
False Pass
Fort Yukon
Gambell
Golovin
Goodnews Bay
Grayling
Gustavus
Holy Cross
Hooper Bay
Houston
Hughes
Huslia
Kachemak
Kaktovik
Kaltag
Kasaan
Kiana
Kivalina
Kobuk
Kotlik
Kotzebue
Koyuk
Koyukuk
Kupreanof
Kwethluk
Larsen Bay
Lower Kalskag
Manokotak
Marshall
McGrath
Mekoryuk
Mountain Village

Second Class Cities

Napakiaik
Napaskiak
New Stuyahok
Newhalen
Nightmute
Nikolai
Nondalton
Noorvik
Nuiqsut
Nulato
Nunam Iqua
Nunapitchuk
Old Harbor
Ouzinkie
Pilot Point
Pilot Station
Platinum
Point Hope
Port Alexander
Port Heiden
Port Lions
Quinhagak
Ruby
Russian Mission
Saint George
Saint Michael
Saint Paul
Savoonga
Saxman
Scammon Bay
Selawik
Shageluk
Shaktolik
Shishmaref
Shungnak
Stebbins
Teller
Tenakee Springs
Thorne Bay
Togiak
Toksook Bay
Unalakleet
Upper Kalskag
Wainwright
Wales
White Mountain
Whittier

Organized Under Federal Law

Metlakatla

Source: 2015 Alaska Community Directory



THE STATE
of ALASKA

GOVERNOR BILL WALKER

Department of Revenue

COMMISSIONER'S OFFICE

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February 15, 2016

The Honorable Cathy Giessel
Alaska State Senator
Chair, Senate Resources Committee
State Capitol Room 427
Juneau, AK 99801

Dear Senator Giessel:

The purpose of this letter is to provide you with responses to the questions asked of the Department of Revenue during our presentation to the Senate Resources Committee on February 3, 2016. Please see questions in italics and our responses immediately below the questions.

- 1. What local taxes apply to our large mines? What is the approximate total government take from the mining industry?*

Some of Alaska's major mines pay taxes to the municipal governments in whose jurisdictions they are located. Unlike state Mining License Tax records, which are confidential, these mines' municipal tax liabilities can generally be determined from public information.

- Fort Knox Mine is the largest taxpayer in the Fairbanks North Star Borough. According to the Fairbanks North Star Borough property database, Fort Knox (through its operator, Fairbanks Gold Mining Inc.) owed about \$7.5 million of property taxes in 2015. This amount rose from roughly \$5 million in 2011. The tax rate was 13.45 mills and the assessed property value was about \$560 million.
- Red Dog Mine, located in the Northwest Arctic Borough, pays the borough a "payment in lieu of tax" (PILT). Recently, the borough adopted a new severance tax which Red Dog's owner, Teck Alaska, claims would increase its payments to the borough from about \$12 million to \$40 million or more.¹ The borough disputes this claim, saying that at current zinc prices Teck would pay only \$20 million under the severance tax.² The two parties are in negotiation for a new PILT agreement.
- Kensington Mine is in Juneau. According to the Juneau property assessor's database, Kensington's owner (Coeur Alaska) holds about \$130 million worth of land. Juneau's property tax rate for areas outside the road and fire service areas in FY 2014 was 8.04 mills³, so Kensington's property tax liability can be calculated at roughly \$1 million.
- Greens Creek Mine, also in Juneau, is owned by Hecla. The property is worth about \$104 million, so again calculating from Juneau's tax rate, Hecla should owe about \$830,000 in property tax.

¹ <http://www.alaskapublic.org/2016/01/15/red-dog-mine-sues-borough-over-severance-tax/>

² <http://nwabor.org/pdfs/NAB%20-%20Press%20Release%201-15-15.pdf>

³ <http://www.juneau.org/finance/taxinfo.php>

- Usibelli Coal Mine is in the Denali Borough, which charges a severance tax of \$0.05 per ton of coal.⁴ According to Usibelli’s own website, it produces about 2 million tons of coal per year, so that would make it subject to about \$100,000 per year in borough severance tax.
- The sixth major Alaska mine, Pogo (owned by Sumitomo), is not located in any borough or city.

In addition to these local taxes, the state government collected approximately \$38 million in Mining License Tax in FY 2015. The state also collects corporate income tax from mining-related companies. In FY 2014, the most recent year for which data are available, corporate income tax from the mining industry totaled about \$15 million, as shown in the attached Sector Report.

2. *What percentage has Red Dog Mine reimbursed AIDEA for the road?*

As of January 31, 2016, the outstanding bond principal was \$52.2 million, compared to total net AIDEA investment of \$265.0 million; therefore approximately 80.3% of the total investment principal has been paid. Including interest, total payments to AIDEA have amounted to \$443.5 million.

3. *If the mining tax structure proposed in SB 137 (i.e., an increase in the top rate to 9%) had been in place in previous years, how much revenue would the state have received from the Mining License Tax?*

Almost all Mining License Tax revenue comes from the state’s six large mines. The effective tax rate on the **total** income from these mines tends to be near the top marginal rate, which is currently 7%. This does not say anything about the effective rate for a particular mining operation, which may be low or even zero if the mine is not profitable in a given year.

SB 137 would increase the top marginal tax rate from 7% to 9%. Since most revenue comes from the large mines, we can estimate how much revenue the state would have received under this structure in previous years by multiplying historical revenue figures by 9/7.

Fiscal year	Actual MLT revenue	SB 137 est. revenue	Est. change
FY 2015	39	50	11
FY 2014	23	30	7
FY 2013	47	60	13
FY 2012	41	52	11
FY 2011	49	63	14

All figures are in millions of dollars and include only General Fund revenue. The estimated figures should be regarded as maximums.

⁴ [http://www.denaliborough.govoffice.com/vertical/sites/%7B63112C6F-13FC-4147-831D-8F3F0E33EC53%7D/uploads/Severance Tax Return \(Revised 10 2014\) fill-in format.pdf](http://www.denaliborough.govoffice.com/vertical/sites/%7B63112C6F-13FC-4147-831D-8F3F0E33EC53%7D/uploads/Severance%20Tax%20Return%20(Revised%2010%202014)%20fill-in%20format.pdf)

4. *What is the economic impact of removing the 3½-year exemption for new mines on Alaska jobs and families?*

With so few mining projects of significant size in Alaska, there is not enough data to analyze the specific economic impact of the 3½-year exemption. However, the mining industry has indicated they are more concerned about this provision of the bill than the tax rate increase.

The Department of Revenue would note that the Mining License Tax is a tax on net income (i.e., profits), not a tax on mineral value. Therefore, imposing the tax in the first 3½ years of a mining operation's life would not cause the mine to switch from being profitable to unprofitable. The tax could reduce the mine's profits by at most 9%.

5. *Can we get more research into how Alaska's mining tax regime compares to other states and countries? How long is the average permitting window for these other states and countries?*

Several documents are attached which we hope will prove useful. First is a summary of all state severance taxes, including mining taxes, in the U.S. Second is a web page from Natural Resources Canada showing all mining-specific federal tax provisions in that country.

Third is a detailed comparison of Canadian federal and provincial taxes on mining. While slightly outdated (from 2009), this document provides valuable information. For example, British Columbia charges a mining tax of 13% on net proceeds (see page 23), significantly higher than the 9% rate that Alaska would charge under the proposed increase in SB 137. Yukon's mining tax is called a "royalty", but is also related to the mine's profits (page 37). Yukon's mining tax rate is:

- 3% on profits between \$10,000 and \$1 million
- 5% on profits between \$1 and \$5 million
- 6% on profits between \$5 and \$10 million
- An additional 1 percentage point higher on each additional bracket of \$5 million

Thus it is lower than Alaska's or B.C.'s for some mines, but can be increased without limit (up to 100%) if the mine is profitable enough. The appendix of the Canadian Mining Taxation – 2009 document provides further useful comparisons.

On the issue of permitting timelines, there is no simple answer to how long the average timeline is, but the Alaska Department of Natural Resources tells applicants that it takes three to five years to permit a major hard-rock mine in Alaska if everything goes perfectly. This does not include lawsuits and appeals, which can add more years to the timeline. The Alaska DNR polled several other states that permit major mining operations, and received the following answers:

- Montana: There is no simple answer and no "average" figure would be meaningful. We can knock out a permit for a quarry in inert igneous rock located away from the public eye in 6-9 months, but at the other end of the spectrum we have been working intermittently on an underground copper-silver deposit (Rock Creek) located underneath a wilderness area for over 30 years.
- Wyoming: The timeline required would largely depend on if the mineral were patented (locatable) and both surface and mineral were controlled by the developer. If surface and mineral are private the general rule of thumb is two to three years pending no third party legal action. In the case where there is federal surface or federal mineral, and a federal level EIS is required the general rule of thumb is five years for the environmental impact statement (EIS) and two to three years for the permitting. This also assumes no litigation from third party interest groups. Wyoming's most recent action that involved significant litigation resulted in a three year additional time delay.
- Arizona: Opening a new major hard rock copper mine in Arizona takes 5-15 years. Reopening a mine can be done fairly quickly if entirely in the same footprint. The length is

The Honorable Cathy Giessel

February 15, 2016

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difficult to quantify as the length of time for an EIS can take many years and then the EPA can review it after the lead agency has completed their work.

- Nevada: Permitting time is about 8 months for a small operation above the water table and up to 4 years for a large operation. Time is proportional to size and depth of the proposed operation. The typical average is 30 – 36 months.

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: CIT Sector Report FY 2014; State Severance Taxes 2015; Canadian Mining Taxation – 2009; Mining-Specific Tax Provisions (Natural Resources Canada)

Taxpayer Name (Name must be the same as on the mining license application)			Mining License Number			
<input type="checkbox"/> FEIN <input type="checkbox"/> SSN			If fiscal year filer, enter year-end Month _____ Year _____			
Business Name (dba)			Business Phone Number			
Mailing Address <input type="checkbox"/> Check if new address			Return Information (Check if it applies): <input type="checkbox"/> Amended Return (Attach explanation)			
City	State	ZIP Code				
Email Address						
Contact Name	Title					Contact Phone

1. Taxable income from all mining operations (sum of all Schedule As, line 8)	1	
2. Tax (see instructions)	2	
3. Exploration incentive credit (attach Form 665)	3	
4. Mining business education credit (from Schedule EC, line 6)	4	
5. Tax before other credits (subtract lines 3 and 4 from line 2, but not less than zero)	5	
6. Film production tax credit (cannot exceed line 5. Attach certificate or explanation of carry forward)	6	
7. Amount paid with extension	7	
8. Amended returns only. Amount previously paid	8	
9. Net tax due or (overpayment) (subtract lines 6, 7 and 8 from line 5)	9	

I declare under penalty of perjury that this return, including all accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct and complete return.

Signature	Printed Name and Title	Date

<input type="checkbox"/> FEIN <input type="checkbox"/> SSN	Taxpayer Name
Mining License Number	Description and Location of Mining Operation

Schedule A – Taxable Income from Mining Operation

(Use a separate Schedule A to calculate the income for each mining operation)

1. Gross income from mining operation	1	
2. Royalties received (from Schedule F, line 6).	2	
3. Depletion deduction (from Schedule B, line 16).	3	
4. Direct mining expenses (from Schedule C, line 10. If there is income on line 2, enter zero)	4	
5. Indirect mining expenses (from Schedule C, line 22. If there is income on line 2, enter zero)	5	
6. Net income from mining operation (subtract lines 3 through 5 from the sum of lines 1 and 2)	6	
7. Exemption for new mining operation (see instructions)	7	
8. Taxable income from mining operation (line 6 less line 7).	8	

Schedule B – Depletion Deduction

(Attributable to mining operation identified above)

Cost Depletion Calculation		
1. Cost or basis of mining property (less residual value).	1	
2. Estimated recoverable units at beginning of tax year (include units previously produced, but not sold)	2	
3. Unit cost (divide line 1 by line 2)	3	
4. Number of units sold this tax period	4	
5. Cost depletion deduction (multiply line 3 by line 4).	5	

Percentage Depletion Calculation		
6. Gross income and royalties received from mining operations (sum of Schedule A, lines 1 and 2).	6	
7. Royalties paid (Schedule E, line 6)	7	
8. Depletion base (line 6 minus line 7)	8	
9. Applicable depletion percentage from below *	9	
10. Percentage depletion (multiply line 8 by line 9)	10	
11. Gross income and royalties received from mining operations (sum of Schedule A, lines 1 and 2).	11	
12. Allowable deductions (sum of Schedule A, lines 4 and 5)	12	
13. Net income before depletion (line 11 minus line 12)	13	
14. Limitation (multiply line 13 by 50%)	14	
15. Enter amount from line 10 or line 14, whichever is less	15	
16. Depletion deduction (enter amount from line 5 or 15, whichever is greater, here and on Schedule A, line 3)	16	

* Depletion percentages to be used on line 9 above:
 10% Coal mines
 15% Metal mines, flourspar, flake graphite, vermiculite, beryl, feldspar, mica, talc, lepidolite, spodumene, barite, ball and sagger clay, or rock asphalt mines and potash mines or deposits
 23% Sulphur mines or deposits

<input type="checkbox"/> FEIN <input type="checkbox"/> SSN	Taxpayer Name
Mining License Number	Description and Location of Mining Operation

Schedule C – Mining Expenses

(Note: Royalty recipients cannot take any expense except for depletion)

(Submit a separate Schedule C for each mining operation. See instructions)

Direct Expenses	
1. Royalties paid (from Schedule E, line 6)	1
2. Fuel and oil	2
3. Current development costs	3
4. Extraction costs	4
5. Maintenance and repairs.	5
6. Salaries and wages	6
7. Transportation costs	7
8. Depreciation	8
9. Other expenses (attach schedule).	9
10. Total direct mining expenses for this operation (add lines 1 through 9. Enter here and on Schedule A, line 4).	10
11. Direct mining expenses of all other mining operations (add line 10 of all other Schedule Cs)	11
12. Total direct mining expenses of all mining operations (add lines 10 and 11).	12
13. Total direct non-mining expenses from all non-mining activities	13
14. Total direct mining and non-mining expenses (add lines 12 and 13)	14
15. Direct mining expenses as a percentage of total direct expenses (divide line 12 by line 14).	15

Indirect Expenses Allocation

(If there are no indirect expenses to be allocated, you may leave lines 16-22 blank)

16. Total indirect expenses (from Schedule D, line 12).	16
17. Indirect expenses allocated to mining operations (multiply line 16 by line 15)	17
18. Total current year production from this mining operation	18
19. Total current year production from all other mining operations (add line 18 of all other Schedule Cs)	19
20. Total current year production of all mining operations (add lines 18 and 19)	20
21. This operation's percentage of total current year production (divide line 18 by line 20)	21
22. Total indirect expenses allocated to this property (multiply line 17 by line 21. Enter the result here and on Schedule A, line 5)	22

<input type="checkbox"/> FEIN <input type="checkbox"/> SSN	Taxpayer Name
---	---------------

Schedule D – Indirect Expenses

(Note: Royalty recipients cannot take any expense except for depletion)

(Submit only **one** Schedule D with Form 662. Include indirect expenses from all mining and non-mining operations. See instructions)

1. Advertising	1	
2. Insurance	2	
3. Interest on business debt	3	
4. Legal and professional fees	4	
5. Office supplies, repairs and maintenance	5	
6. Rent	6	
7. Taxes (other than federal income tax and Alaska mining tax)	7	
8. Travel and entertainment	8	
9. Utilities and telephone	9	
10. Depreciation	10	
11. Other expenses (attach schedule)	11	
12. Total indirect expenses (add lines 1 through 11. Enter the result here and on each Schedule C, line 16)	12	

<input type="checkbox"/> FEIN <input type="checkbox"/> SSN	Taxpayer Name
Mining License Number	Description and Location of Mining Operation

Schedule E – Royalties Paid to Owner/Lessor

(See instructions. Report in U.S. dollars)

Name and Address of Each Lessor		Amount Paid
1.	Federal ID <input type="checkbox"/> FEIN <input type="checkbox"/> SSN Name Mailing Address City State ZIP Code	\$ _____
2.	Federal ID <input type="checkbox"/> FEIN <input type="checkbox"/> SSN Name Mailing Address City State ZIP Code	\$ _____
3.	Federal ID <input type="checkbox"/> FEIN <input type="checkbox"/> SSN Name Mailing Address City State ZIP Code	\$ _____
4.	Federal ID <input type="checkbox"/> FEIN <input type="checkbox"/> SSN Name Mailing Address City State ZIP Code	\$ _____
5.	Federal ID <input type="checkbox"/> FEIN <input type="checkbox"/> SSN Name Mailing Address City State ZIP Code	\$ _____
6.	Total royalties paid. Add amounts paid and enter the result here, on Schedule C, line 1, and on Schedule B, line 7 of the appropriate mining operation.	6

<input type="checkbox"/> FEIN <input type="checkbox"/> SSN	Taxpayer Name
Mining License Number	Description and Location of Mining Operation

Schedule F – Royalties Received from Operator/Lessee

(See instructions. Report in U.S. dollars)

Name and Address of Each Lessee		Amount Received
1.	Federal ID <input type="checkbox"/> FEIN <input type="checkbox"/> SSN	\$ _____
	Name	
	Mailing Address	
	City State ZIP Code	
2.	Federal ID <input type="checkbox"/> FEIN <input type="checkbox"/> SSN	\$ _____
	Name	
	Mailing Address	
	City State ZIP Code	
3.	Federal ID <input type="checkbox"/> FEIN <input type="checkbox"/> SSN	\$ _____
	Name	
	Mailing Address	
	City State ZIP Code	
4.	Federal ID <input type="checkbox"/> FEIN <input type="checkbox"/> SSN	\$ _____
	Name	
	Mailing Address	
	City State ZIP Code	
5.	Federal ID <input type="checkbox"/> FEIN <input type="checkbox"/> SSN	\$ _____
	Name	
	Mailing Address	
	City State ZIP Code	
6.	Total royalties received. Add amounts received and enter results here and on Schedule A, line 2 of the appropriate mining operation-	6

<input type="checkbox"/> FEIN <input type="checkbox"/> SSN	Taxpayer Name
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Schedule EC – Mining Business Education Credit

Recipient	Date	Amount

1. Total qualified contribution(s)	1	
2. Multiply by 50% the lesser of line 1 or \$100,000	2	
3. Enter 100% of the next \$200,000 of contributions	3	
4. Enter 50% of the contributions that exceed \$300,000.	4	
5. Total credit. Add lines 2, 3, and 4	5	
6. Total allowable credit. Enter here and on page 1, line 4 (Form 662) or page 1, line 19 (Form 662SF), the lesser of line 5 above or the total tax reduced by total exploration incentive credits or \$5,000,000.	6	

<p>Explanation of Credit. Subject to limitations below, a taxpayer is allowed a credit for cash contributions accepted by an Alaska university foundation or by a nonprofit (public or private) Alaska two-year or four-year college accredited by a regional accreditation association for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment; by a nonprofit (public or private) Alaska two-year or four-year college accredited by a regional accreditation association for a facility or annual intercollegiate sports tournament; by a school district in the state for secondary school level vocational education courses, programs and facilities; by a state-operated vocational technical education and training school for vocational education courses, programs and facilities; by a nonprofit agency for Alaska Native cultural/heritage programs and educational support, including mentoring and tutoring, for public school staff and for students in grades kindergarten through 12 in the state; and by an institution that is located in the state and qualifies as a coastal ecosystem learning center under the Coastal American Partnership established by the federal government for education, research, rehabilitation, and facilities.</p>	<p>Limitation. The Education Credit is limited to 50% of the first \$100,000, 100% of the next \$200,000 and 50% of contributions that exceed \$300,000. Contributions claimed as a credit on this return cannot be claimed as a credit against other Alaska taxes. The total allowable credit may not exceed \$5 million. If a taxpayer is a member of an affiliated group (see AS 43.20.145), then the total amount of credits may not exceed \$5 million for the affiliated group.</p>
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The Exploration Incentive credit Program was established to stimulate new mineral exploration activities in the State of Alaska. Approved expenditures from certain mineral exploration activities serve as credits which can be applied against future state mining license tax, corporate income tax and state production royalty owed from mine production resulting from exploration efforts. The program is authorized under AS 27.30.010-27.30.99.

Exploration activities and their expenditures, which qualify under this program, are:

- Geochemical and geophysical survey programs
- Exploration drilling
- Underground exploration
- Surface trenching and bulk sampling
- Other exploration work, including aerial photo, geological or geophysical logging, sample analysis, and metallurgical work.

Only those exploration expenditures that occur prior to the mine construction commencement date are eligible. The mine construction commencement date is the date most mining permits and other required permits have been issued and remaining permits are forthcoming. (AS 27.30.010(b))

An application for certification of exploration incentive credits by the Department of Natural Resources (DNR) must be submitted on DNR's form, and may be made when a tax or royalty payer is ready to apply for the certification and approval of the entire credit against upcoming taxes or royalty owed, or when at least \$250,000 in certifiable expenditures have been made. The fee for applications requesting certification of \$1 million dollars or less is \$500; and the fee for applications requesting certification of \$1 million dollars or more is \$1,000. DNR will respond to an application for certification of exploration expenditures within six months of receipt; otherwise, expenditures as submitted are automatically certified.

In order to apply credits that become certified DNR will identify exploration activity data that must be submitted to the department prior to final approval of the credits. Upon submission of the data, which will be kept confidential for three years, DNR will evaluate the data against expenditure records previously submitted, and either approve or disapprove the taking of the credit, or request additional information.

Upon approval of exploration incentive credits by DNR, the credit may be used against up to 50 percent of the mining license tax, corporate income tax, or production royalty owed. If the approved credit is applied against tax liability, the taxpayer must file for credit on another form provided by the Department of Revenue. Approved credits that are not used in a given tax or royalty year may be carried forward to the next year(s). Approved credits may not exceed \$20 million dollars, and must be used within 15 years after approval.

Certified or approved credits may be assigned with properties that change ownership if the new owner is qualified.

Questions concerning this program and how to apply should be directed to the Division of Mining, Land & Water at 907-269-7889.

Chapter 4. Mining Industry

In this report the mining industry includes coal, hard rock, and placer gold mines. The information in this report does not include sand and gravel operations. Also for this report, revenue to the State of Alaska includes revenue to the Alaska Mental Health Trust, a quasi-independent state agency which funds a state function, providing mental health services to Alaskan citizens.

4.1 Mining Industry Revenue to the State of Alaska

Mineral industry revenue to the State of Alaska includes traditional taxes, such as the mining license tax or corporate income tax, and also mineral rents and royalties. Most of these taxes are a percentage of a company's net profits. Because world mineral prices can fluctuate rapidly, mineral revenue to the State of Alaska vary greatly from year to year. For example, in 2011 world gold prices fluctuated between a low of \$1,319 per ounce in late February and a high of \$1,895 at the beginning of September, a change of 44% over half a year.¹⁴ Other minerals such as coal or zinc vary greatly as well. Because of the fluctuation, a single year's analysis of revenue is less accurate than a longer picture. This analysis averages five years of revenue, from 2010 to 2014.

Table 11 shows the average annual revenue, from 2010 to 2014, adjusted to 2014 dollars. An expanded version of the table is provided in Chapter 8.

**Table 11. State of Alaska Mining Revenue
Average of 2010-2014; Figures in Million 2014 Dollars**

		Average Revenue	
		2010-2014	% of Total
These taxes and fees apply to all landowners	Mining License Tax	\$39.9	41%
	Corporate Income Tax, mining sector	31.9	33%
	State mining misc fees, total	2.5	3%
	Large Mine Projects Fees through DNR OPMP	1.9	2%
	Motor Fuel Tax, mining share	0.6	1%
State land only	Mining rents and royalties, total	19.5	20%
Total Funds Received		\$96.4	100%

The mining industry has three somewhat different segments: hard rock, coal, and placer mining. Hard rock mines are typically large mines that extract minerals from bedrock. They may be open-pit or underground. Coal mines are large mines, but the technology, economics, and some taxes are different for coal than for hard rock mines. Placer mines are typically smaller and separate free particles of gold from current or old floodplain gravels using the flow of water. Taxes affect these three segments in somewhat different ways.

The five hard rock mines and Alaska's lone coal mine, the Usibelli Coal Mine, are Alaska's large mines.

¹⁴ Kitco. http://www.kitco.com/scripts/hist_charts/yearly_graphs.plx;

- Greens Creek silver mine within the City and Borough of Juneau (underground);
- Kensington gold mine within the City and Borough of Juneau (underground);
- Pogo gold mine north of Delta Junction (underground);
- Fort Knox gold mine within the Fairbanks North Star Borough (open pit);
- Red Dog lead zinc mine within the Northwest Arctic Borough (open pit); and
- Usibelli Coal Mine within the Denali Borough (open pit).

These six large mines pay the vast majority of the taxes and fees. They are large, capital-intensive facilities with sometimes hundreds of employees.

Placer mines are much different. There are many more of them, but they are much smaller. According to a DNR estimate, 295 placer mines had some activity in 2013. The average placer mine had four workers; 27% were run by one person though there were a few significantly larger mines (50+ workers).¹⁵ Most of the income from these mines is paid out as wages or payments to individuals. While important in the areas where it occurs, placer mining production was roughly 100,000 ounces of gold in 2013, while the rest of total statewide production of over one million ounces of gold was produced mostly from Alaska's hard rock gold mines.

Like the fishing industry, the mining industry has a special tax, the *Mining License Tax*. The tax is up to 7% of net profits of mineral production. It produces the most revenue for the state, 41% of the total for the five years listed in Table 11. The *Corporate Income Tax* for mining is no different than for other industries, up to 9.4% of taxable income, and provides approximately a third of the mining revenue to the state. These two taxes apply to all mines in the state, though almost all of the revenue comes from the six large mines. These taxes are a percentage of net business profits; most of the placer mine income is paid out in wages and payments to individuals who are not subject to these taxes. These two taxes apply to mines on all lands: state, Native, federal, or private.

Mining Rents and Royalties apply differently to different parts of the industry. Hard rock and placer mines on state land operate on state mining claims. Coal mines operate on a coal lease. The two categories are subject to different rent and royalty provisions. Also, mining rents and royalties apply only to mines on state land, not to those on federal, Native or private land.

Hard rock and placer mines on state land are subject to a 3% net profits royalty. While most of the placer mines are on state land, only two of Alaska's hard rock mines are on state land. Royalty, like Mining License and Corporate Income Tax, is based on net business profits.¹⁶ Rents apply to all placer and hard rock mining properties, including exploration sites and mineral properties not in production. Mining rents are charged as escalating fees that apply to mining claims on state land. They begin at \$35/year for a 40-acre claim and escalate after 11 years to \$170/year for each 40-acre claim. Despite the relatively small fee

¹⁵ Information from *The Economic Impacts of Placer Mining in Alaska*, October 2014. Prepared by the McDowell Group for the Alaska Miners Association. Pages 1 and 2.

¹⁶ Actually, one of them, Fort Knox, mines ore from land owned by the Alaska Mental Health Trust. However, the Trust is treated as a state agency for purpose of this analysis.

per claim, the industry requires thousands of acres of claims; the cumulative rent added up to \$7.5 million in 2013.

Hard rock and placer mines on state land are also subject to an **Annual Labor** requirement. Each year the owner of a mining claim must either perform \$100 of work per claim, or may pay \$100 to the state per claim. Revenue from the annual labor requirement amounted to approximately a half- million in 2013.

Coal Rents and Royalties are different than those for hard rock and placer mines. The economic characteristics of the coal industry are different from placer or hard rock mines and the terms are not directly comparable. Coal mines operate under a lease with the state, rather than a mining claim. The rent and royalty rates are specified in the lease. The terms of a typical coal lease have changed over time. Leases issued within the last decade require 5% payment of adjusted gross royalty (i.e., of revenue minus transportation costs internal to the mining area and a few other adjustments), plus \$3 per acre as rent.

State Mining Fees is a catch-all category that includes a number of various fees including application fees and filing fees. A significant part of these fees comes from bonus bids received from the auction of offshore leases near Nome.

Large Mine Project Fees are an unusual category. They are part of an unusual financial arrangement for mining, oil and gas, and a few other large projects. Mining-related pre-permitting review, permitting activities, and agency inspection are coordinated through DNR's Office of Project Management and Permitting (OPMP). Mines voluntarily pay for this coordinating function, and reimburse the agencies for the work involved. This arrangement requires the mining company to develop a reimbursement agreement with DNR. In turn, DNR reimburses the individual agencies and divisions that work on the mine project. In this manner, the mining industry pays for most of the permitting and regulatory compliance work accomplished by DNR, DEC, DF&G, and frequently the Department of Law. These payments totaled \$1.9 million in 2014.

The mining industry share of the **Motor Fuel Tax** is taken from the Alaska Mineral Industry Report, published by DNR and DCCED.¹⁷

Potential, Excluded Revenue Sources

- **Usibelli Coal Mine, Inc.'s Payments to the Alaska Railroad.** The Alaska Railroad's main source of income is the shipment of freight. In 2013, Usibelli Coal Mine, Inc. paid the Alaska railroad \$18.9 million in tariffs for shipping coal on the railroad. This amount was approximately 20% of the railroad's freight revenue.¹⁸ This revenue is excluded for two reasons. First, we cannot include revenue without including the related cost. The related cost is the expense that the railroad incurs to ship the coal. That cost is unknown (to us) and proprietary. Second, the Alaska Railroad Corporation acts as an independent corporation, though it is state owned.

¹⁷ <http://dggs.alaska.gov/pubs/id/29128>

¹⁸ Statewide Socioeconomic Impacts of Usibelli Coal Mine, Inc. January 2015. Prepared by the McDowell Group for Usibelli Coal Mine, Inc. Page 11.

It does not deposit revenue into the General Fund nor does it receive General Fund appropriations. It is functionally not part of state revenue and expenses that are allocated by the legislature. Therefore, we excluded the mining payments to the Alaska Railroad from the calculations in this report.

- *Red Dog Road Payments to AIDEA.* Payment by the Red Dog Mine to the Alaska Industrial Development and Export Authority (AIDEA) is often considered revenue from the mining industry to the state. The payments are significant; approximately \$12 million in 2013. However, the payments are not included in Table 11. AIDEA issued bonds to finance the road from the Red Dog Mine to the port site where Red Dog's ore is exported. AIDEA owns the road and leases it to Red Dog in return for a per-ton fee on ore shipped over the road. It is not appropriate to include revenue without also including the related cost (the bond payments), and so both were excluded from this analysis. In addition, Red Dog payments do not go to the general fund but to AIDEA, which like the railroad is a state-owned corporation. Its revenue and costs are not a part of the general fund. Periodically, some AIDEA funds are transferred to the general fund; however, we did not determine the portion of those funds attributable to the net of Red Dog Payments minus AIDEA bond payments. Thus, excluding this amount from mining revenue results in a small underestimate of the revenue.

This analysis also excludes revenue from state sand and gravel sales. Sand and gravel is not included as "mining" in this report, and so its revenue and costs are both excluded.

Individual taxes and fees are explained in greater Detail in Chapter 8.

4.2 Operating Budget Expenditures by the State for Mining

This section of the report describes Alaska's operating budget expenditures in FY 14. The operating budget was taken from budget components published on the state's Office of Management and Budget website. It does not include federal funds or most inter-agency transfers (except that large mine project fees were included to balance the project fee revenue described above). It does not include capital budget funds that are included in the next section. Finally, the authors of the report interviewed managers and budget analysts at departments listed in Table 12.

**Table 12. FY 14 State Operating Expense due to Mining
Figures in Million Dollars**

Expense by Department			Expense by Division		
	\$	%		\$	%
Environmental Conservation	\$0.7	6%	Environmental Health	\$0.01	0.1%
			Air Quality	\$0.4	4%
			Spill Prevention & Response	\$0.04	0.4%
			Water	\$0.2	2%
Natural Resources	\$6.6	61%	Office of Project Management & Permitting	\$1.6	15%
			Recorder's Office	\$0.2	2%
			Public Information Center	\$0.1	1%
			Mental Health Trust Land Office	\$0.4	3%
			Mining, Land and Water	\$2.4	22%
			Geological & Geophysical Surveys	\$1.9	18%
			Office of History and Archaeology	\$0.05	1%
Fish and Game	\$0.4	3%	Habitat	\$0.4	3%
Commerce, Cmty & Econ Dvpt	\$0.4	3%	Economic Development	\$0.4	3%
Revenue	\$1.5	14%	Tax Division	\$1.5	14%
Law	\$1.2	11%	Various Sections	\$1.2	11%
Total, All Departments	\$10.7	100%	Total, All Divisions	\$10.7	100%

The table suggests a number of conclusions. First, the total state operating cost — \$10.7 million — is a relatively small cost to manage an important Alaska industry.

Second, the majority of costs are concentrated within the Department of Natural Resources, and these, in turn, are concentrated in the Division of Mining, Land and Water, the Office of Project Management and Permitting (OPMP) and the Division of Geological and Geophysical Surveys. The OPMP costs are slightly misleading, however. While they are shown as OPMP expenditures, the office manages reimbursable services agreements by which the large mining companies agree to pay for coordination and the work performed in permitting and regulating the mines. Different divisions — primarily within DNR, DF&G, and DEC but also the Department of Law and sometimes others — charge OPMP for time spent on this work.¹⁹ OPMP, in turn, bills the mines. Therefore, while \$1.6 million is shown in the table as OPMP expenses, most is actually spent on work done by DF&G, DEC, DOL and other divisions within DNR and is reimbursed by the industry under the Large Mine Project Fees described above.

Potential Operating Budget Sources Excluded. Some previous discussions of state expenditures for the mining industry have allocated some Division of Forestry firefighting costs to the mining industry. Some have not. While the large mines are asked to defend their facilities from wildfires, isolated small placer mines are not. However, the majority of firefighting expenses related to placer mines are to defend structures that have existed for decades. These structures and the associated cost will exist whether or not the placer mining industry continues to function. Few new structures are being built. If gold prices

¹⁹ Interestingly, the Department of Law's cost for the mining industry is twice what it expends for commercial fishing and tourism combined.

drop and the number of placer mines radically decreases, firefighting expenses will only decrease marginally because the old structures will still exist. For that reason, we decided to exclude that cost from our analysis. Old analyses have sometimes included a million or two for firefighting costs, and so including this cost would not have significantly changed the conclusions of this report.

As indicated previously, we also excluded costs associated with excluded revenue: material sales (sand and gravel) and AIDEA costs related to the Red Dog Road.

More detail about operating budget expenditures is provided in Chapter 6.

4.3 Capital Budget Expenditures

This section of the report is short: There are five capital budget items that fund mining-related projects during the period FY 12 through FY 14. As explained previously, we reviewed all capital improvement projects (CIP) appropriated to DEC, DNR, and DF&G; and we reviewed capital appropriations to DCCED using a search methodology explained in section 2.5 and in Appendix B. That procedure produced three capital projects related to mining, all allocated to the DNR Division of Geologic and Geophysical Surveys. From personal knowledge, we knew that DOT and AIDEA had expended funds planning for the Ambler Mining District, and so we found the projects within the DOT capital appropriations (the 2013 appropriation information was gathered from AIDEA staff. Also, the AIDEA funds are part of a DOT CIP. AIDEA was funded through an agreement with DOT). These five mining-related projects are shown in Table 13.

Table 13 shows the amount actually appropriated (i.e., the value in nominal dollars). Over the three years, the capital project total is \$11.9 million in nominal dollars. When adjusted for inflation, the total is \$12.0 million in 2014 dollars. The average annual cost of these projects is \$4.0 million, in FY 14 dollars. All of that is allocated to mining.

Table 13. Mining Capital Projects FY 12-14
Figures in millions of dollars

Agency	Year	Cost in Million \$	% of Cost		Project Name
			Allocated to Mining		
DNR	2012	.5	100%		Rare Earth Elements and Strategic Minerals Assessment
DNR	2013	2.7	100%		Strategic and Critical Minerals Assessment
DNR	2014	2.5	100%		Strategic and Critical Minerals Assessment
DOT	2012	\$1.3	100%		Ambler Mining District Road (study)
DOT	2013	\$4.9	100%		Ambler Mining District Road (study)

Total 3-year cost of the 5 projects in 2014 dollars: \$12.0 million
Average annual cost of the projects in 2014 dollars: \$4.0 million
Annual cost allocated to mining: \$4.0 million

4.4 Mining Revenue Collected by Local Government

Large mines are capital-intensive facilities. They have significant property and are subject to property taxes in the boroughs in which they are located. These mines are generally the largest property taxpayers in those communities.

- The Red Dog mine is the only taxpayer in the Northwest Arctic Borough. In 2013, the mine paid \$11 million to Borough government, including a \$2.4 million payment directly to the school district. Between 1982 and 2013, the mine's payments have totaled \$116.4 million. These are payments in lieu of taxes—essentially an agreed-upon substitute for a property tax or other assessment.²⁰
- Fort Knox mine is a large taxpayer in the Fairbanks North Star Borough. Its 2015 property tax bill is \$7.5 million, up from \$5 million in 2011.²¹
- The Greens Creek and Kensington mines are the first and second largest taxpayers in the City and Borough of Juneau. In 2014, Greens Creek paid more than \$1.7 million in property taxes and Kensington paid more than \$1.2 million.²²
- The Usibelli Coal Mine pays a severance tax of \$0.05 per ton of coal, which results in a payment of approximately \$100,000 per year to the borough. In addition, the mine pays approximately \$25,000 per year to other boroughs in Alaska.²³

Collectively, the mines in Alaska paid an average of \$22.5 million per year in FY 14 dollars for the years 2010 through 2014. These payments are important for each community where a large mine exists. The payments to municipalities are shared only with four boroughs: Juneau, Fairbanks, the Denali Borough, and the Northwest Arctic Borough. The payments do not include other local taxes such as sales tax.

4.5 Comparison of Revenue and Expenditures for the Mining Industry.

This section uses information in the previous sections to compare the revenue for the mining industry with expenditures. In the three comparisons that follow, state mining revenue is much greater than expenditures.

²⁰ Source: NANA Development Corporation, quoted in *Economic Development Journal*, published by the International Economic Development Council. *Mining and Sustainable Communities: A Case Study of the Red Dog Mine*. R. Loeffler. Volume 14, No. 2. Spring 2015. Pages 23-31.

²¹ Fairbanks North Star Borough Property Assessor's Website.
<http://co.fairbanks.ak.us/Assessing/propacctsum.aspx?id=478318>

²² For Greens Creek: personal communication Hecla Greens Creek Mine personnel; for Kensington property information supplied by the City and Borough of Juneau personnel; millrate from the borough website.

²³ *Statewide Socioeconomic Impacts of Usibelli Coal Mine, Inc.* January 2015. Prepared by the McDowell Group for Usibelli Coal Mine, Inc. Pages 2 and 3.

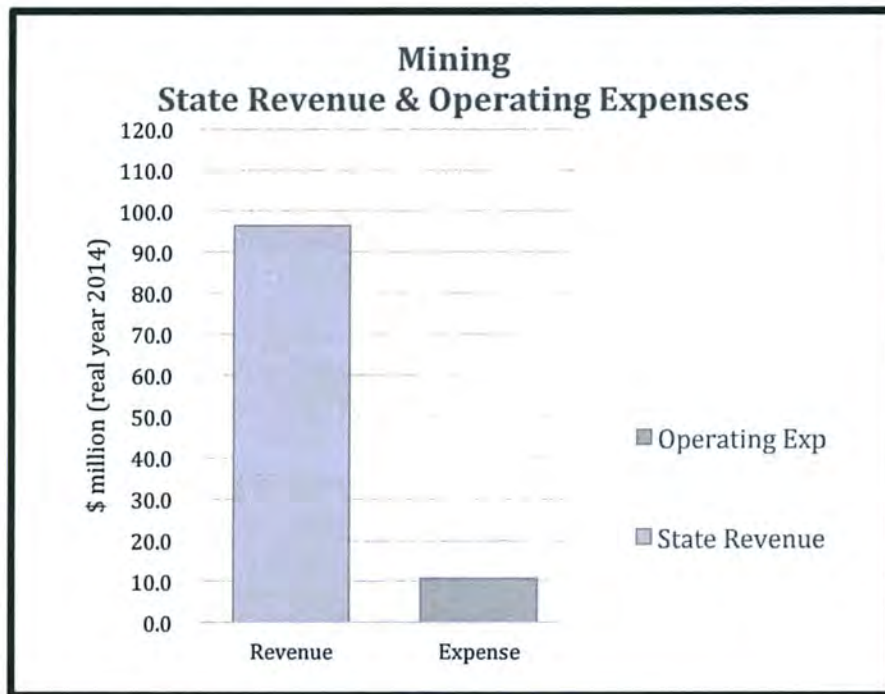
4.5.1 Comparison of State Revenue with State Operating Expenditures

Table 14. Comparison of State Mining Revenue with State Operating Expenditures

Mining	Real 2014 \$ million
Average state revenue (2010-2014)	\$96.4
Operating expenditures (FY 2014)	10.7
Surplus (Deficit)	\$85.7

Table 14 shows that the State of Alaska receives \$85.2 million more in revenue from the mining industry than it spends. State revenue is almost ten times state operating expenses.

Figure 11. Comparison of State Mining Revenue with State Operating Expenses



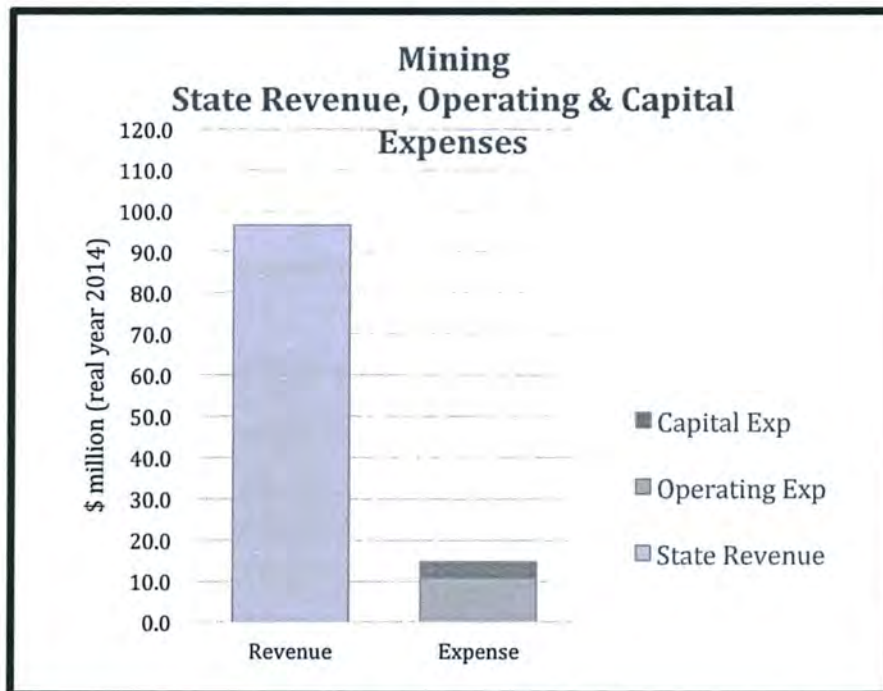
4.5.2 Comparison of State Revenue with Operating and Capital Expenditures

Table 15. Comparison of State Mining Revenue with Operating and Capital Expenditures

Mining	Real 2014 \$ million
Average state revenue (2010-2014)	96.4
Operating expenditures (FY 2014)	10.7
Average capital expenditures (2012-2014)	4.0
Surplus (Deficit)	\$81.7

The legislature has made relatively few capital appropriations for the mining industry. The additional of capital budget expenses to the operating revenue described above does not change the conclusions much. The difference between state revenue and operating plus capital expenditures is \$81.7 million. See Table 15 and Figure 12.

Figure 12. Comparison of State Mining Revenue with Operating and Capital Expenses



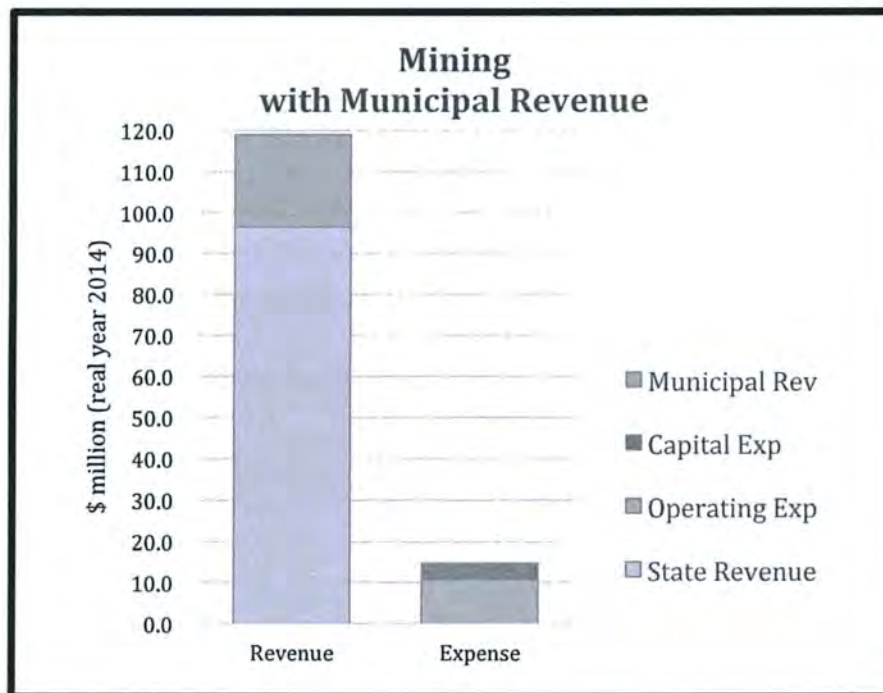
4.5.3 Comparison of State and Local Revenue with Expenditures

Adding local revenue to the comparison increases the difference between mining revenue and state expenses. This study does not include local costs to service the mining industry, but these costs are likely much lower than the state's costs and are unlikely to change the conclusion. Table 16 shows that revenue is \$104.2 million greater than the state expenses. The relationship is also shown in Figure 13.

Table 16. Comparison of State and Local Mining Revenues with Operating and Capital Expenditures

Mining	Real 2014 \$ million
Average state revenue (2010-2014)	96.4
Average municipal revenue (partial, 2010-2014)	22.5
Operating expenditures (FY 2014)	10.7
Average capital expenditures (2012-2014)	4.0
Surplus (Deficit)	\$104.2

Figure 13. Comparison of State and Local Mining Revenues with Operating and Capital Expenses



4.6 A Caution: "Average" conclusions are not accurate for any individual mine, nor for the different segments of the mining industry. The conclusions of this report are for the mining industry as a whole: hard rock, coal, and placer. The three parts of the industry

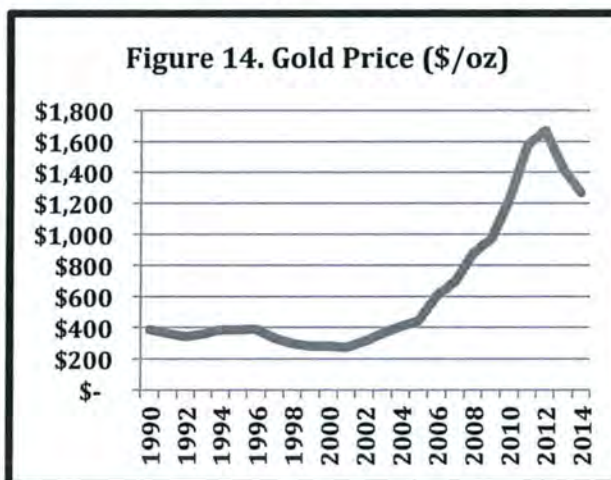
operate under different economic conditions. The figures in this report do not represent any individual segment, although Alaska's hard rock mines contribute most of the revenue, and are responsible for much of the operating budget expenditures. Half of coal mine regulatory expenses are funded by federal funds, which are not costs to the state and are excluded from the analyses. While the hard rock segment may be most responsible for the figures in this report, the conclusions do not represent any individual hard rock mine. Every mine is different. At some mineral prices, some mines may be making a significant profit, while others may be losing money. The economics of individual mines can be very different. Mineral prices do not move in lockstep. Gold prices can be increasing while zinc prices are falling sharply. Or the opposite. It is similar with lead and silver prices. Therefore, it is important not to assume that the overall payments and costs represent any individual mine.

4.7 Differences from previous analyses

Previous analyses have come to somewhat different conclusions when comparing mining industry related costs and revenue than does this analysis. Analysis completed for FY 95, FY 97, and FY 02 concluded that the state's management costs for mining were greater than its revenue. The analyses concluded that mining revenue accounted for between 49% and 58% of costs for those years. By FY 05 and FY 06, the analyses showed that mining returned significantly more than the state's cost. The FY 06 analysis showed General Fund revenue of \$44.8 million and costs of \$12.9 million.

To some extent the two sets of analyses reflect some different assumptions but most of the difference is due to an increase in mining revenue.²⁴ The increase in mining revenue is the result of higher mineral prices and opening new mines.

Figure 14 shows the change in gold prices since 1990.²⁵ The approximately \$400/ounce gold price in the early 1990s began to drop in 1996. The price hit a low of \$255.95 on April 2, 2001 before rebounding. It reached its highest price of \$1,895.00 on September 2 and 3, 2011. While gold is only part of the industry, zinc, silver and lead prices were low during the late 1990s and the first years of this century. As a result mining profits were low. Greens Creek mine actually shut down from 1992 to 1995. Fort Knox began operation in 1996, but decreased its capital valuation on its balance sheet twice in



²⁴ One of the main differences in assumptions is that the FY 06 analysis includes \$17.7 million in AIDEA revenue and \$9.5 million in cost for the Red Dog Road. These are not included in our analysis for reasons explained in Section 4.1. However, the major difference is the increase in revenue from the industry.

²⁵ Source for Figure 14 and the figures in this paragraph is www.kitco.com.

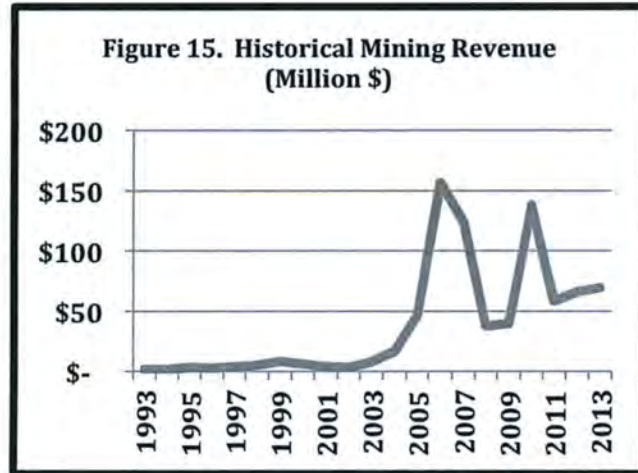
the late 1990s due to low mineral prices. The Illinois Creek Gold Mine went bankrupt in 1999.

The major mining revenue — mining license tax, corporate income tax, and royalty — tax business profits. When business profits are low or non-existent, these taxes yield little revenue to the state. As profits increase, revenue to the state increases.

In addition to the increase in mineral prices, there has been an increase in the number of large mines. Until Fort Knox opened in 1996, there were no hard rock mines on state land (and therefore no royalty payments to the state). The Pogo Mine began production in 2006 on state land. The Kensington Mine began production in 2010.

Figure 15 shows state revenue taken from DNR's Mineral Industry Reports.²⁶ The figure shows amounts in nominal dollars. It shows that, in general, revenue has increased along with gold

prices. Figure 15 and Figure 14 do not match more closely in part because the value of Red Dog Mine's zinc production (price not shown) was greater than that of Alaska's gold production until approximately 2011. The product with the greater statewide value including the amount mined and the price — zinc or gold — changes depending on the year, on relative mining rates, and on mineral prices.



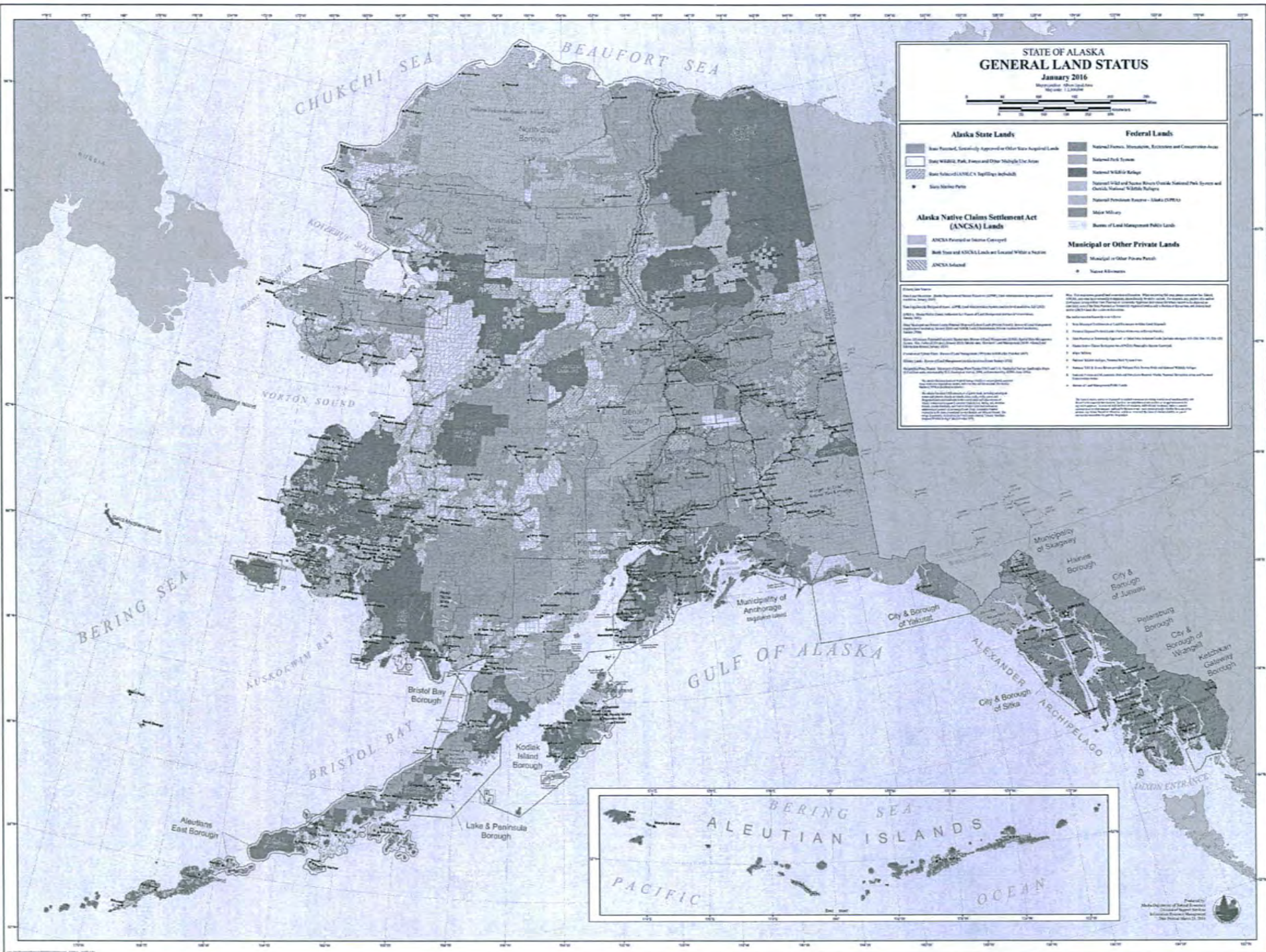
²⁶ See Mineral Industry Report 2013 and previous years. DNR's Division of Geophysical and Geologic Surveys, frequently in cooperation with the Department of Commerce, Community and Economic Development. The figures in the report were adjusted by subtracting AIDEA use fees (which were included in 2003 and later years), and by subtracting material sale revenues, which are not included as "mining" in this report. The annual Mineral Industry Report only began including mining's share of Alaska corporate income tax for the year 2000. Therefore, previous years do not include mining's share of corporate income tax. However, mineral corporate income taxes were low during that period, and were \$400,000 or less through 2003.

STATE OF ALASKA
GENERAL LAND STATUS
 January 2016



Alaska State Lands	Federal Lands
<ul style="list-style-type: none"> State Wildlife, Park, Forest and Other Multiple Use Areas State Subsidized/USACE's Repl/Dis/Inhab/Id State Marine Parks 	<ul style="list-style-type: none"> National Forests, Monuments, Reservations and Conservation Areas National Park System National Wildlife Refuge National Wild and Scenic Rivers (Outside National Park System and District National Wildlife Refuges) National Petroleum Reserves - Alaska (NPRAs) Major Military Bureau of Land Management Public Lands
Alaska Native Claims Settlement Act (ANCSA) Lands	Municipal or Other Private Lands
<ul style="list-style-type: none"> ANCSA Proceeds or Income Conveyed Both State and ANCSA Lands are Granted Wildlife Status ANCSA School 	<ul style="list-style-type: none"> Municipal or Other Private Parcel Native Allotments

Disclaimer:
 This map was prepared by the Department of Natural Resources (DNR) for informational purposes only. It is not intended to be used for legal purposes. The Department of Natural Resources is not responsible for any errors or omissions on this map. The Department of Natural Resources is not responsible for any damages or liabilities arising from the use of this map. The Department of Natural Resources is not responsible for any claims or lawsuits arising from the use of this map. The Department of Natural Resources is not responsible for any claims or lawsuits arising from the use of this map.



CAN WE GET A
- ~~UNDER 40~~ OK
- 40-50K
- 50-100K
- OVER 100K

Mining License Tax analysis by tax bracket

Tax year 2013

Bracket	Marginal rate	No. taxpayers	Total income*	Total tax liability	Average income	Average tax liability
Under \$0	0%	197	(119,501,208)	0	(606,605)	0
\$0 to \$40,000	0%	239	1,158,680	0	4,848	0
\$40,001 to \$100,000	3% or 5%	29	1,554,700	51,274	53,610	1,768
Over \$100,000	7%	17	471,505,777	31,211,442	27,735,634	1,835,967

MODEL?

Tax year 2014

Bracket	Marginal rate	No. taxpayers	Total income*	Total tax liability	Average income	Average tax liability
Under \$0	0%	193	(51,594,501)	0	(267,329)	0
\$0 to \$40,000	0%	265	1,250,541	0	4,719	0
\$40,001 to \$100,000	3% or 5%	25	1,281,314	41,696	51,253	1,668
Over \$100,000	7%	13	571,345,259	37,853,500	43,949,635	2,911,808

THANKS



*Income taxable under the Mining License Tax

Note: the 3% bracket (income \$40,000 to \$50,000) and the 5% bracket (\$50,000 to \$100,000) are combined for this analysis because of confidentiality issues that would arise if each bracket was reported separately.

Taxpayers with negative income (below \$0) are not a separate bracket, but are reported separately in order to distinguish between large money-losing operations and small operations with zero or positive income.

\$100,000 - \$250,000 = 2-3 mines

\$250,000 - \$500,000 = 2-3 mines

\$500,000 - \$1,000,000 = 2-3 mines

over \$1,000,000 = 5 mines

* There are 5 really large mines that would be affected by the highest tax bracket. However, we don't know specifics because according to DOR the information on those mines taxes is confidential.

DOR TAX DIVISION

Dept. of Revenue - Will Bishop
Economist

NEW SUSTAINABLE

ALASKA

PLAN



Pulling Together to Build Our Future

Mining Tax

HB 253

Presentation to the House Finance Committee

May 4, 2016

Mining License Tax Increase

"An Act relating to an exemption from the mining license tax; relating to the mining license tax rate; relating to mining license application, renewal, and fees; relating to the exploration incentive credit; establishing a legislative working group to study the tax structure for mining; and providing for an effective date."

Mining Tax History

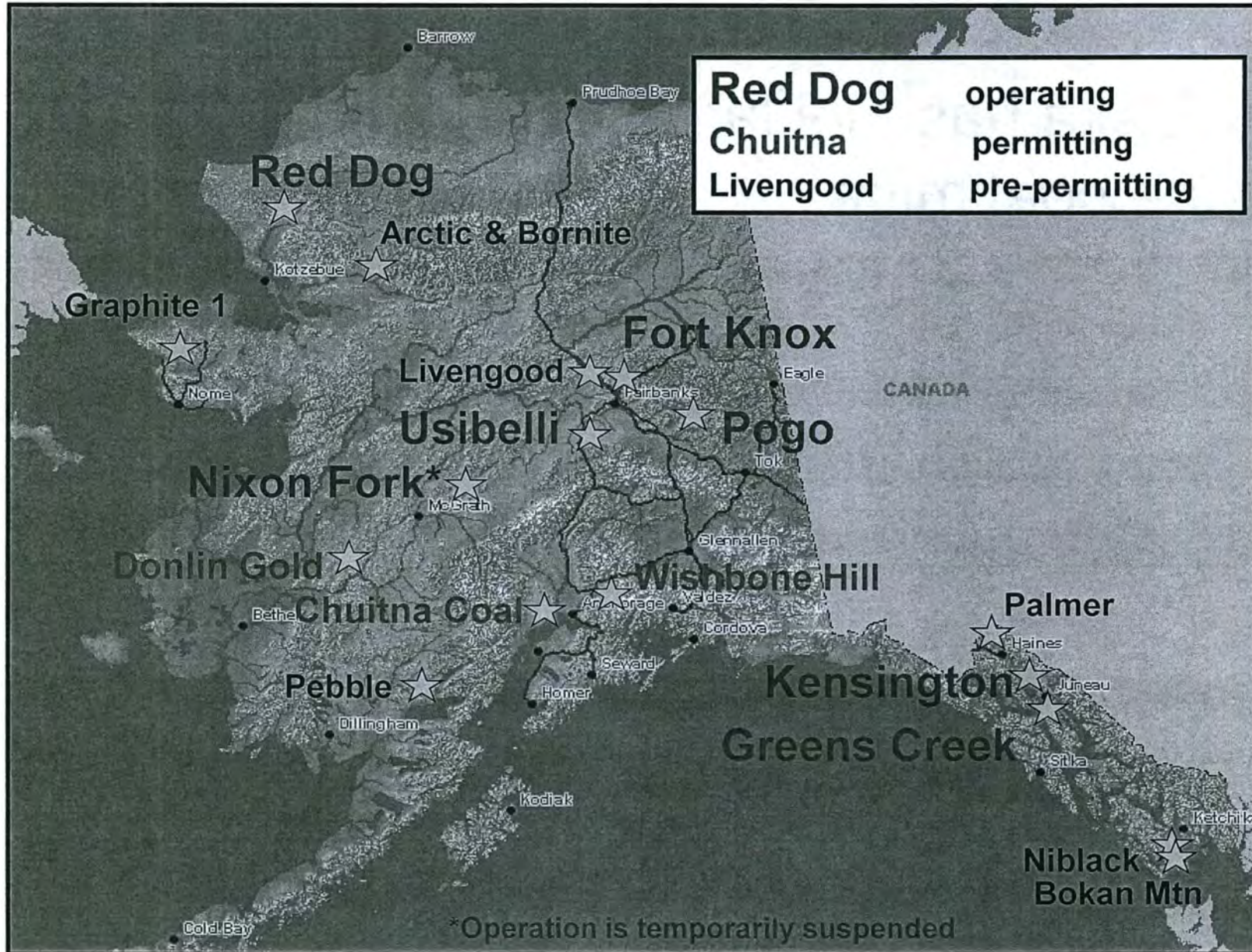
- Began in 1913; restructured several times
 - Original mining license tax was 0.5% tax on mining net income over \$5,000
- Collected on both net income from mining operations and from mining-related royalties
- Primarily from businesses engaged in coal and hard-rock mining

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 (Original)

- Increases tax rate on highest bracket (over \$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
 - Tax license is in lieu of business license for miners
 - Fee is set at the business license rate

Relative Tax Rate

- Most other state mining taxes are based on volume, not net income.
- Examples comparable to Alaska:
 - South Dakota: 10% on profits or royalties; \$4 per ounce of gold
 - Wisconsin: 3% to 15% progressive tax on net mining proceeds
 - Nevada: 2% to 5% of net proceeds

Impacts of Tax Proposal

- Raises the effective tax rate of the top tax bracket from 7% to 9%
 - Only affects large and profitable mining operations since most of their income falls above \$100,000
 - In 2015, 13 companies 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 estimated that increasing the top mining tax rate to 9% would raise an additional \$6 million per year starting in FY 2018
- 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 \$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

Mining Tax—Changes made in Committee Substitute

- Highest bracket moves to 8% instead of 9%
- 3 ½ year exemption is not removed, but reduced to 3 years
- Does not require electronic filing
 - This is done in a separate bill
- Revenue impact is \$3.5 million in FY 2018
 - Revenue impact of original proposal is \$7 million (new estimate)

Closing the Budget Gap

	(Millions)
FY16 Budget	\$ 5,200
AK Permanent Fund Protection Act (annual draw)	\$ 3,200
Revenue from existing taxes and fees	\$ 850
Earnings on Savings	<u>\$ 135</u>
	\$ 4,185

Spending Reductions (estimated amounts)

Continue Cuts (through FY19)	\$ 200
Reform O&G Tax Credits	\$ 400
Net Priority Investments	<u>(\$ 44)</u>
	\$ 556

Closing the Budget Gap (Continued)

New Revenue Components (estimated amounts) (Millions)

<i>Mining (starting in FY 2018)</i>	\$	6
Fishing	\$	18
Tourism	\$	15
Motor Fuel	\$	49
Alcohol	\$	40
Tobacco	\$	29
Oil and Gas	\$	100
Individual Alaskans (Income Tax)	\$	200
	\$	457
Total Budget, Spend Rdctns, and New Rev	\$	5,198

Sectional Analysis (Committee Substitute)

Sec. 1. Changes the 3 ½-year exemption for new mining operations to a to a 3-year exemption .

Sec. 2. Increases the highest tax rate from 7% to 8% 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 8% of the amount in excess of \$100,000.

Sec. 3. 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. 4. 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.

Sectional Analysis (Continued)

Sec. 5. Transitional language allowing for regulations.

Sec. 6. Section 5 above takes effect immediately.

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

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Pulling Together to Build Our Future

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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

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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

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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.

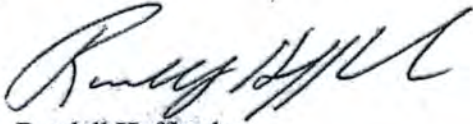
The few exemptions (AS 43.70.105) to business licensing, such as mining, are because they register with another agency; however if these exemptions engage in any other activity that is not covered by registering the licensing agency then they must obtain a business license. For example: the sale of liquor 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

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 the first name being the most prominent.

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**

<i>State</i>	<i>Title and application of tax (a)</i>	<i>Rate</i>
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.
Arizona	Seafood Marketing Assessment (b)	Elective; currently 0.5% of value for all commercial fish species exported from, landed or processed in-state.
	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.
	Oil and Gas Production Assessment	Rate determined annually by Department of Conservation to fund agency operations; no state severance tax.
Colorado	Lumber Tax	The Lumber Tax was enacted in Sept. 2012. Retailers are required to impose a 1% tax on lumber sold in California.
	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)	\$0.015/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)(j). 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	\$.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 \$.001/ 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.
	Natural Gas Severance Tax	Annual \$50,000 per-well fee. Local fees and taxes determined by county.
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)	\$.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

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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.

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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

**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

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Hollie Kovach
Anchorage Office
907-269-6640

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Katrina Mitchell
Juneau Office
907-465-3410

Fisheries Taxes
Tom Sutton
Juneau Office
907-465-3695

Economic Research
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Anchorage Office
907-269-8902

Excise Taxes
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Jared Phillips
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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
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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
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11th Floor, State Office Building
PO Box 110420
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907-465-2320 Voice
907-465-2375 Fax

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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

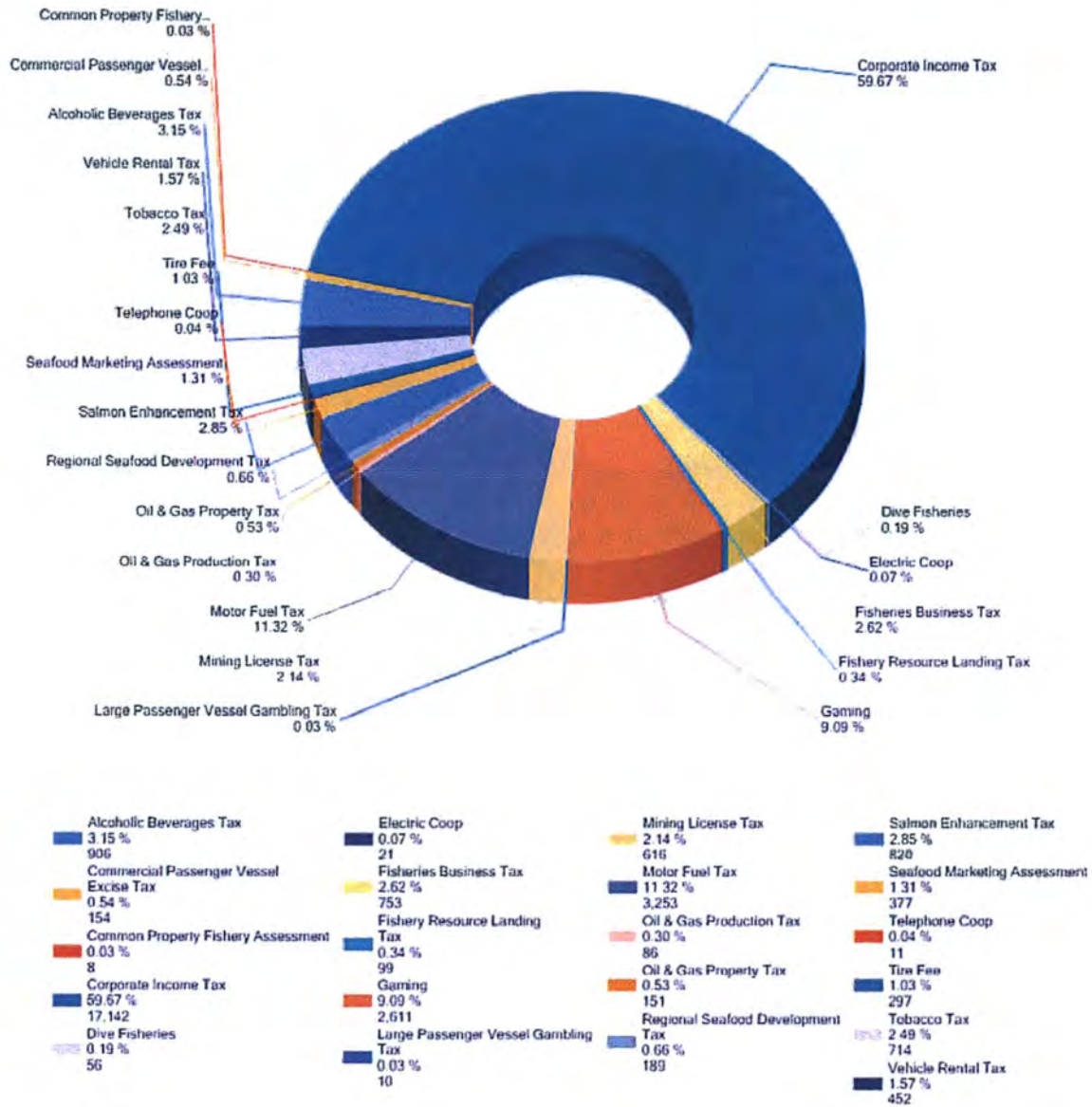
Other Taxes

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

Other Programs

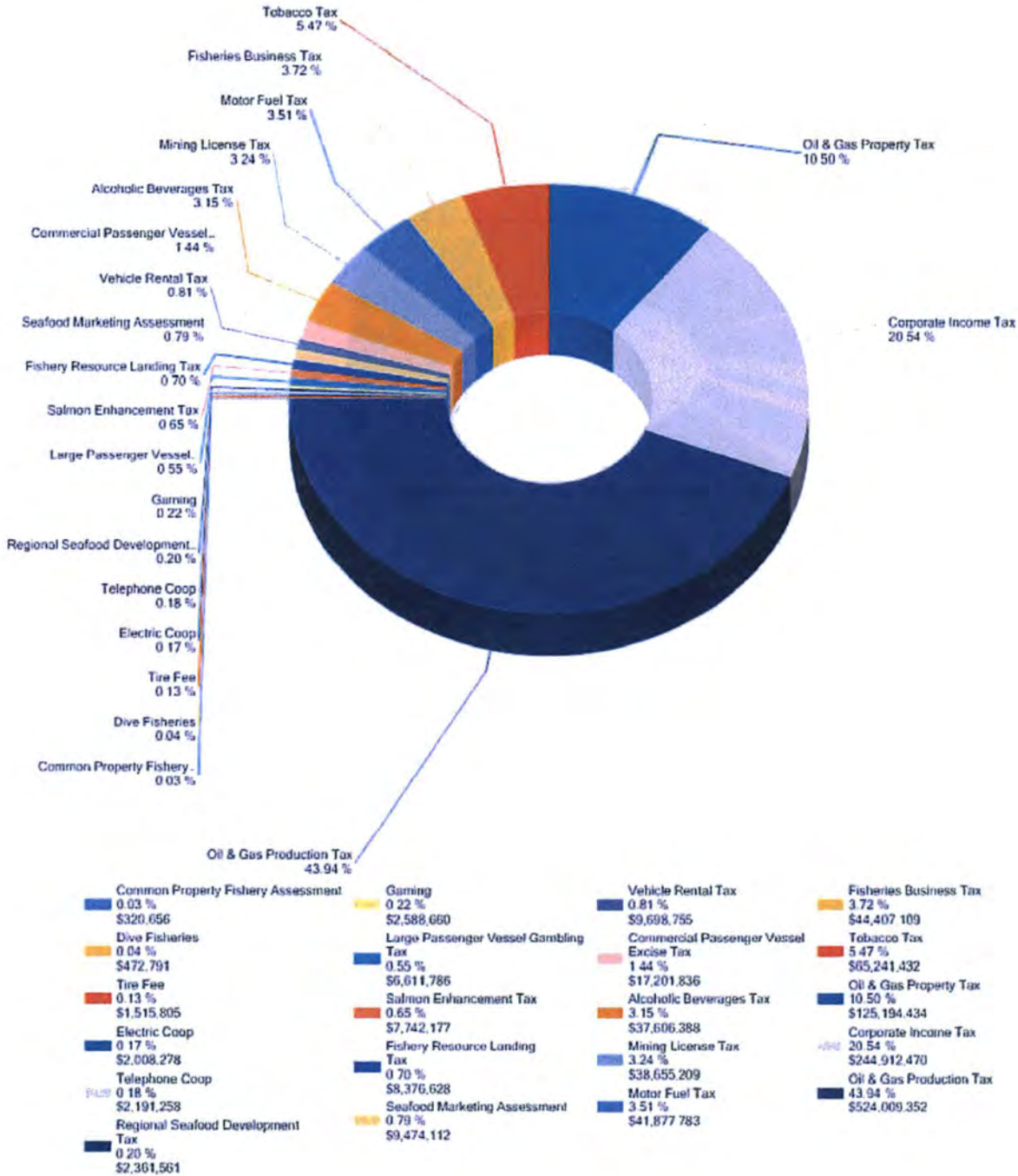
- Film Production Tax Credit Administration
- Charitable Gaming
- Revenue Forecasting
- Salmon Price Reporting

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

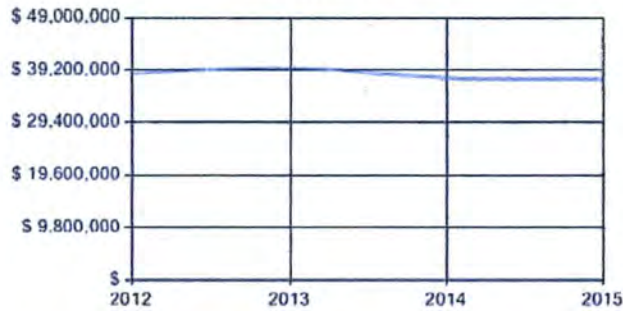
Overview and Historical Overview
Annual Report Data

Gallons

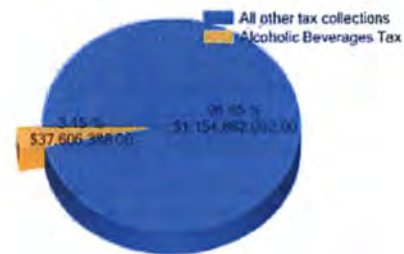
Liquor
Beer, Malt Beverage & Cider
Wine
Beer, Small Brewery

	FY 2015	FY 2014	FY 2013	FY 2012
Liquor	1,676,579	1,640,739	1,640,194	1,572,282
Beer, Malt Beverage & Cider	10,184,405	10,364,001	10,632,745	10,687,432
Wine	2,376,214	2,310,985	2,382,470	2,314,903
Beer, Small Brewery	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
Liquor	\$19,385,983.62	\$20,120,677.00	\$21,001,209.00	\$20,139,046.00
Beer, Malt Beverage & Cider	\$10,902,805.33	\$10,837,519.00	\$11,373,704.00	\$11,562,357.00
Wine	\$5,971,367.42	\$5,594,883.00	\$5,874,936.00	\$5,788,517.00
Beer, Small Brewery	\$1,399,147.76	\$1,277,276.00	\$1,287,948.00	\$1,193,074.00
Penalties, interest & refunds	(\$2,915.90)	\$3,121.00	\$53,293.00	\$9,804.00
Total Tax	\$37,606,388.00	\$37,833,475.00	\$39,591,090.00	\$38,692,797.00
Treatment & Prevention Fund	(19,935,847.81)	\$19,529,322.00	\$19,772,471.00	\$19,330,107.00
General Fund	\$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.

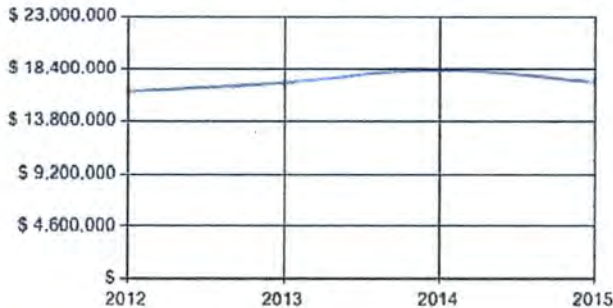
2010 - During the 2010 legislative session, the CPV tax was reduced from \$46 to \$34.50 per passenger. The tax was further reduced by any municipal taxes imposed on a passenger that were in effect prior to December 17, 2007 - This legislation increased the number of ports of call which may receive \$5 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

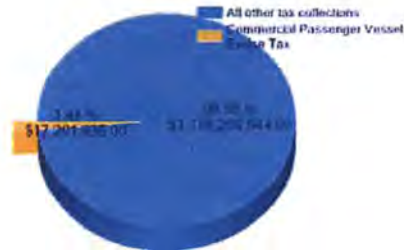
Collections Summary

	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



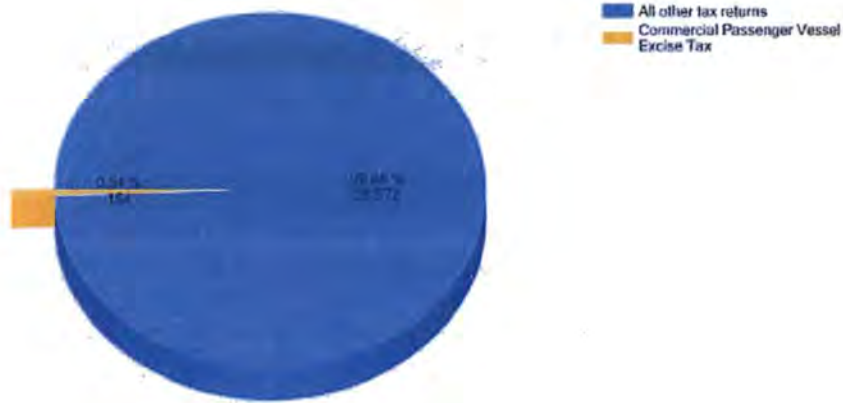
Tax Collections Information for FY 2015



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.

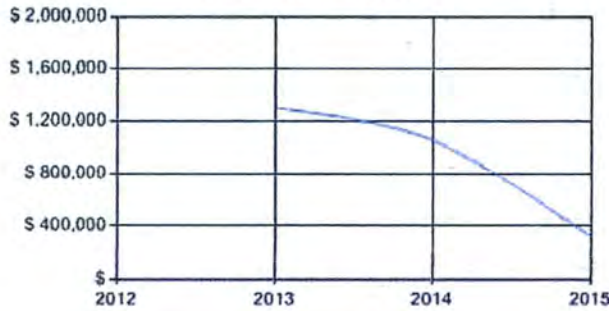
2014 - The legislature passed SB 71 (CH 69 SLA 14) that changed the methodology for determining the value of salmon for Common Product Development Assessment. The legislation also renamed the Salmon Product Development Tax Credit to Product Development Credit and amended it to include herring products.

Overview and Historical Overview
Annual Report Data

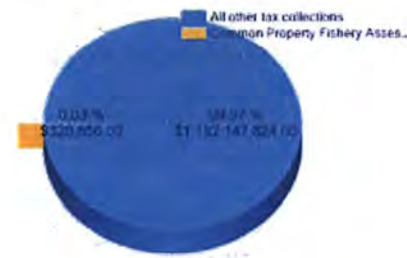
Collections Summary

	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

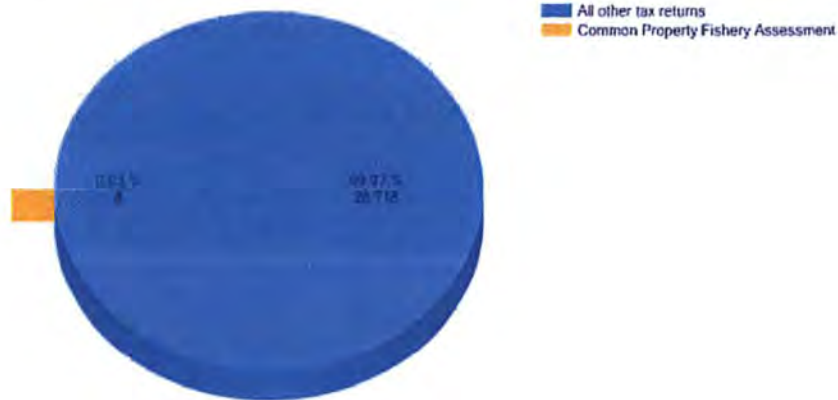


Filing Information

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.

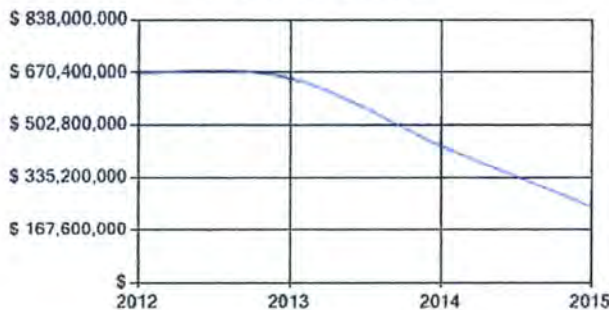
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Oil & Gas Tax (General Fund)
Oil & Gas Penalties & interest (General Fund)
Oil & Gas General Fund total
Oil & Gas Constitutional Budget Reserve total
Oil & Gas Total collections
Non-Oil & Gas Tax
Non-Oil & Gas Penalties & Interest
Non-Oil & Gas Total Collections

	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

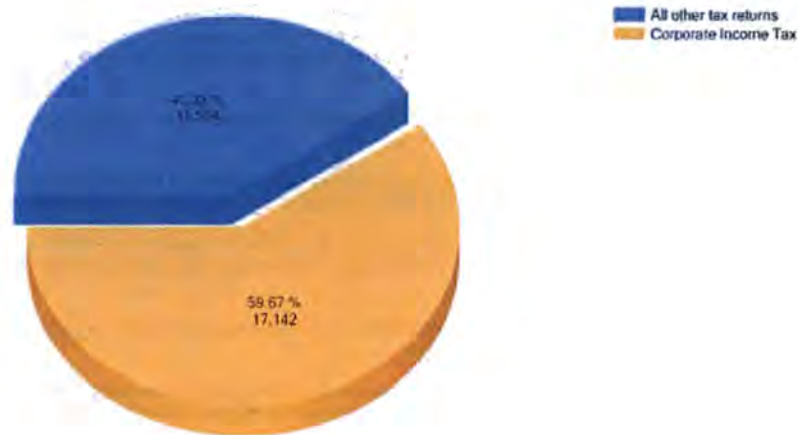


Filing Information

Number of returns
Number of taxpayers

	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.

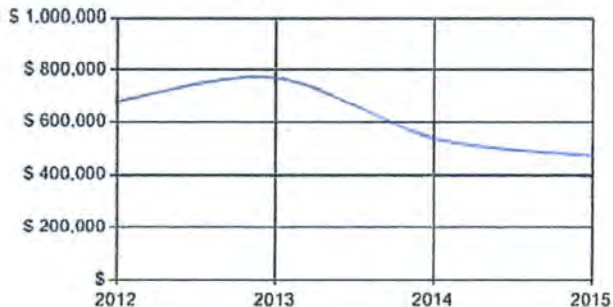
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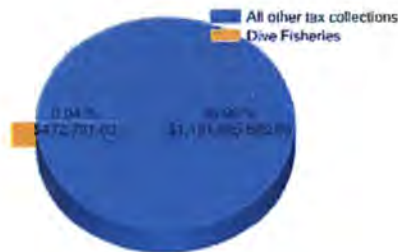
Tax collections

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

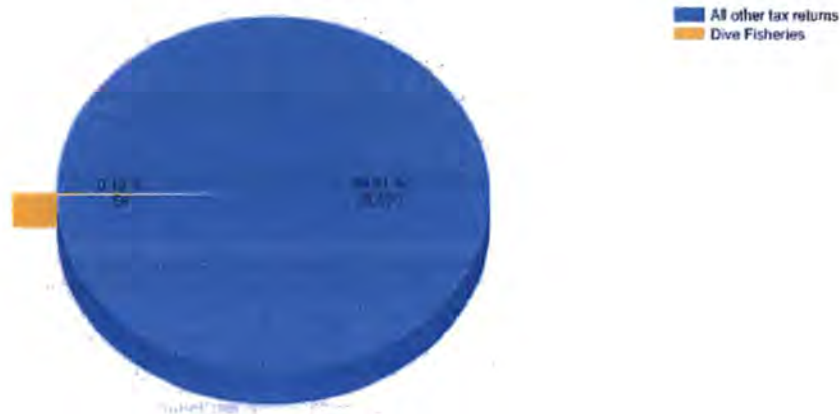


Filing Information

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.

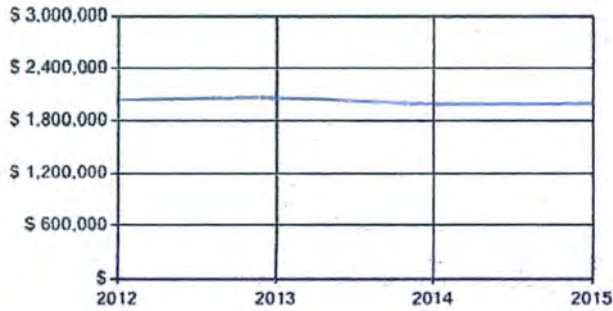
1980 - The legislature changed the tax base for calculating the electric cooperative tax from gross revenue to kWh. The legislature adopted the current mill rates.

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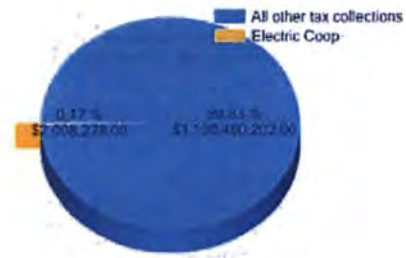
Collections Summary

	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

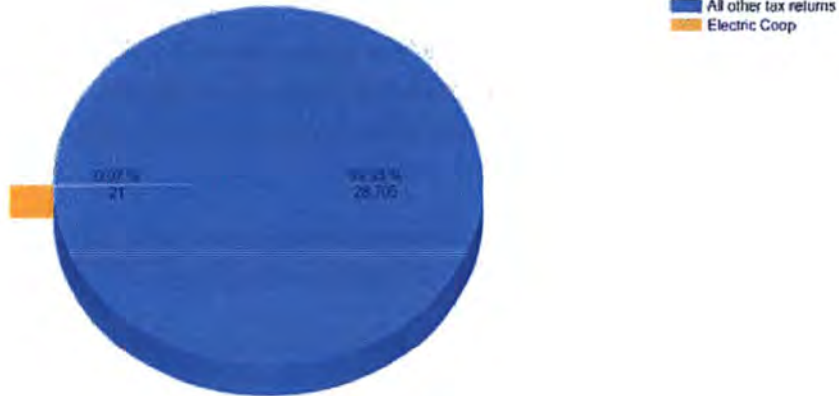


Filing Information

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.

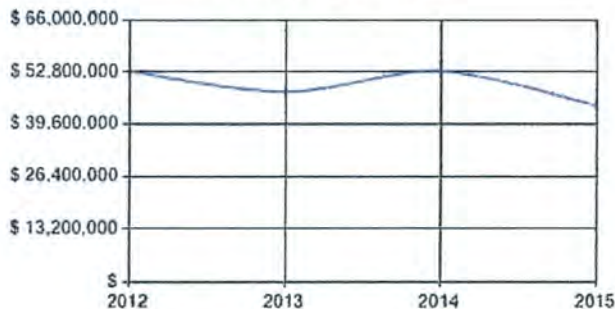
- The legislature passed SB 71 (CH 69 SLA 14) that renamed the Salmon Product Development Credit to the Product Development Credit. The revised statute included herring products as well as salmon products for credit. The credit on salmon and herring expenditures are for promoting the development of salmon and herring products and was extended to December 31, 2020.

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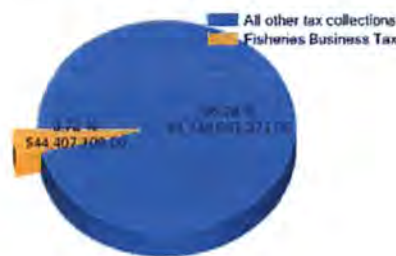
Collections Summary

	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

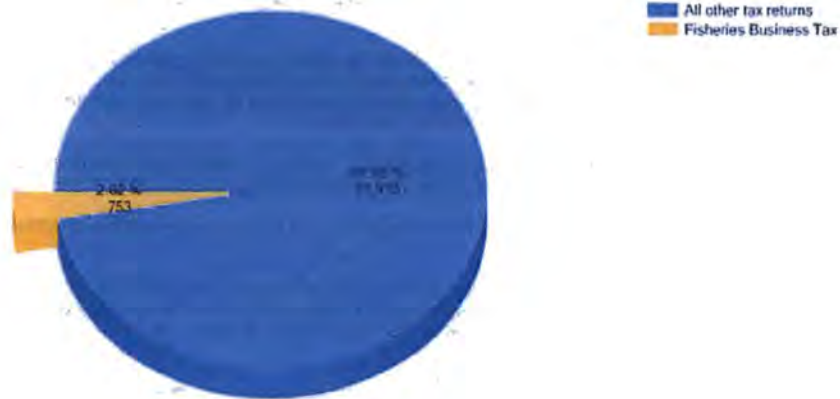


Filing Information

Number of returns
Number of taxpayers

	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	753	915	923	913
Number of taxpayers	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, 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.

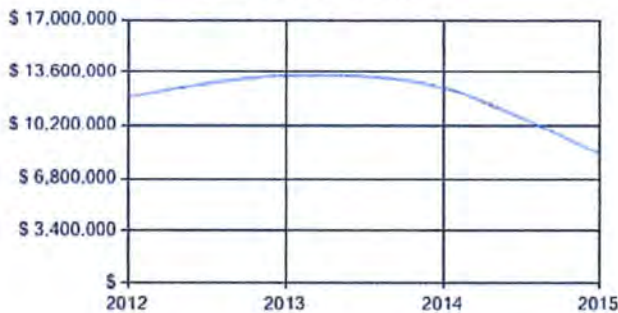
- The legislature passed SB 71 (CH 69 SLA 14) that amended the Salmon Product Development Tax Credit to include herring products. 2015 - The legislature passed SB 39 that finalized the repeal of the film production credit.

**Overview and Historical Overview
Annual Report Data**

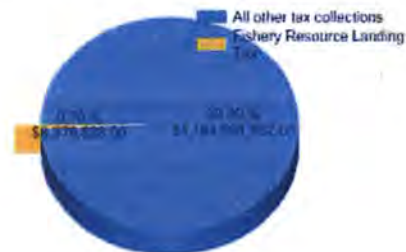
Collections Summary

	FY 2015	FY 2014	FY 2013	FY 2012
Tax collections	\$8,376,628.00	\$12,583,645.00	\$13,381,669.00	\$12,013,308.00
Shared with municipalities	(3,125,676.54)	(5,148,589.00)	(7,016,532.00)	(4,825,254.00)
DCCED municipal allocation	(109,137.08)	(302,237.00)	(826,348.00)	(860,942.00)
Tax retained by state	\$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

	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	99	78	65	78
Number of taxpayers	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.

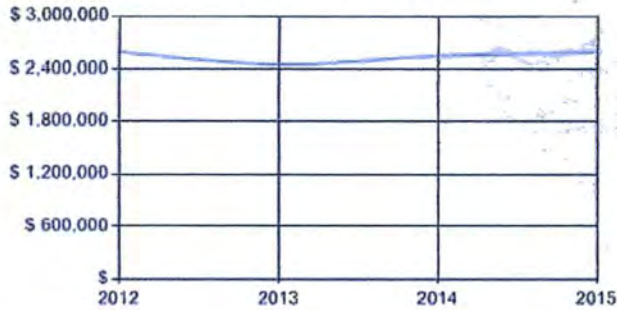
2014 - The legislature made a change relating to games of chance and contests of skill to allow the department to issue permits for bull moose derbies. It also expanded the definition of "ice classic" to include the Snow Town Ice Classic. The change was made through HB 268 (CH 22 SLA 14).

Overview and Historical Overview
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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.

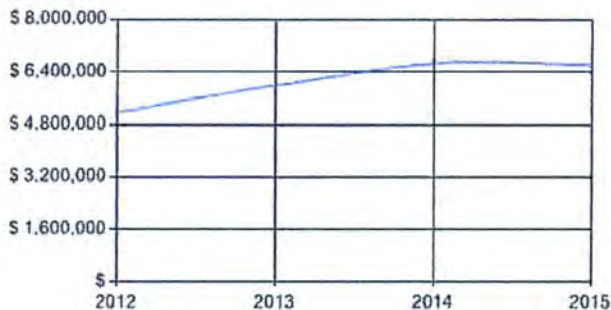
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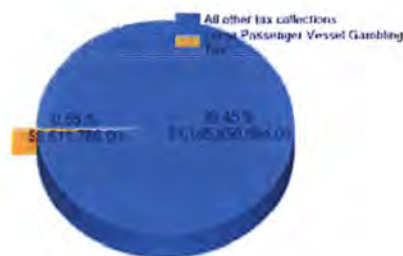
Tax collections

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

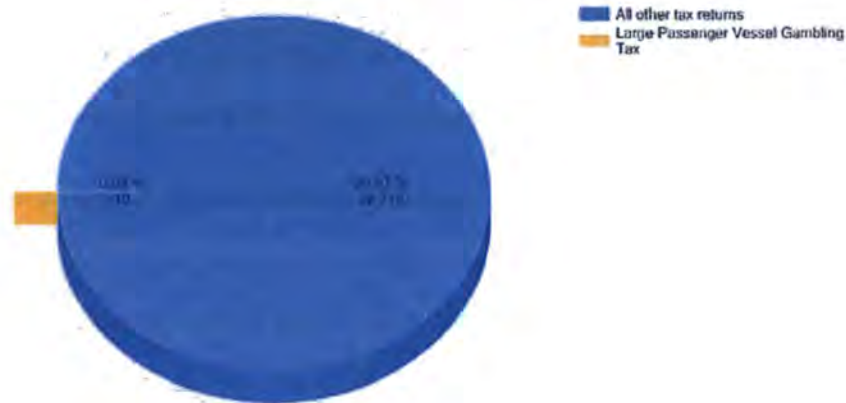


Filing Information

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.

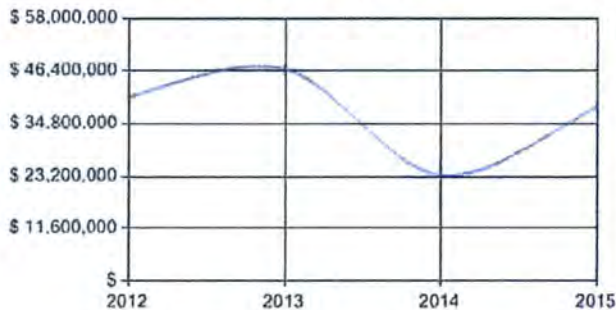
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Collections Summary

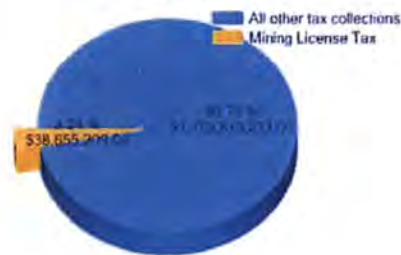
General Fund
CBR Fund
Tax collections

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

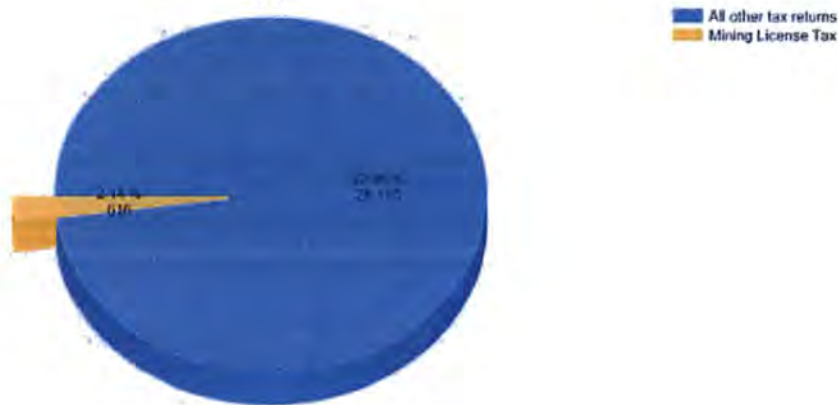


Filing Information

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 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.

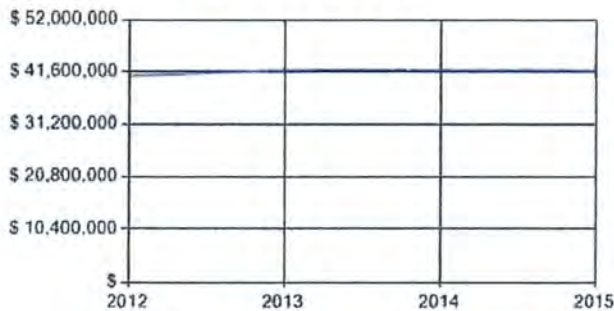
2009 - The motor fuel tax was reinstated effective September 1, 2009.

Overview and Historical Overview
Annual Report Data

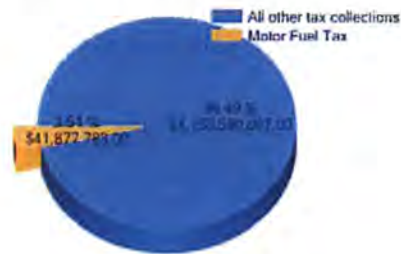
Gallons

	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	10,026,550	11,358,555

Tax Collections Information from FY2012 - FY2015



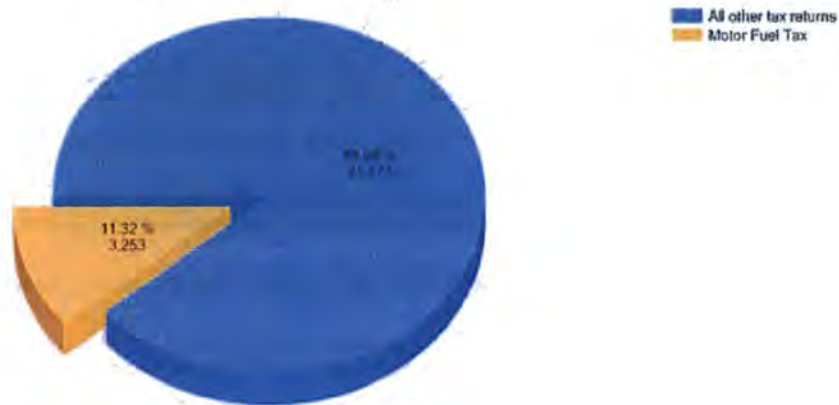
Tax Collections Information for FY 2015



Collections Summary

	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

	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:

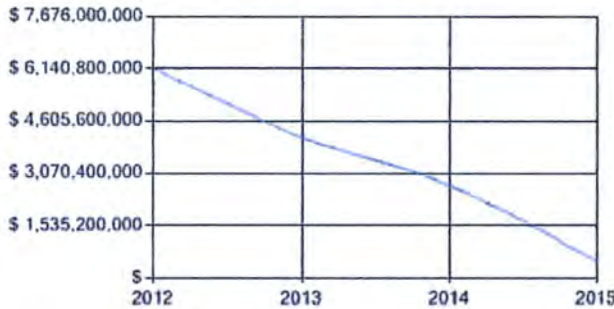
- 1) The production tax for gas produced on and after January 1, 2022 is equal to 13 percent of the gross value at the point of production of the taxable gas.
- 2) The production tax on oil produced on and after January 1, 2022 is 35% of the annual production tax value of the taxable oil. The production 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).

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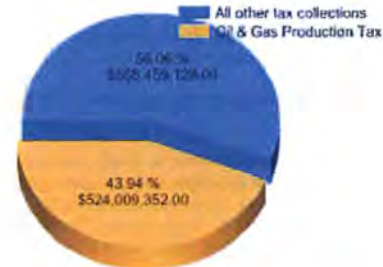
Collections Summary

	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



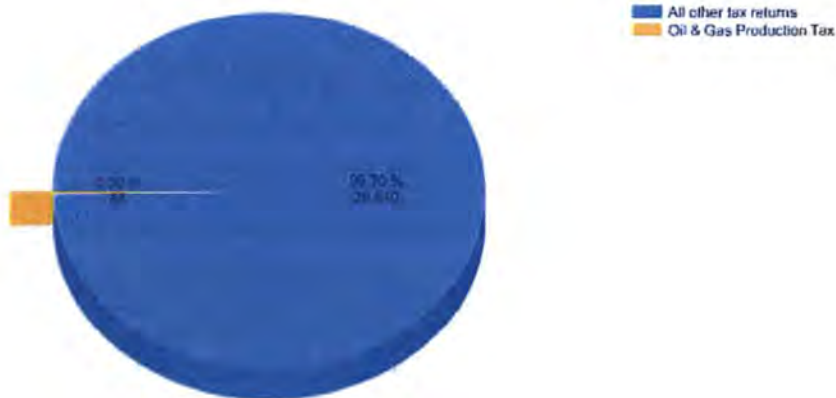
Tax Collections Information for FY 2015



Filing Information

	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	86	60	57	29
Number of taxpayers	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 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.

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(j), 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.

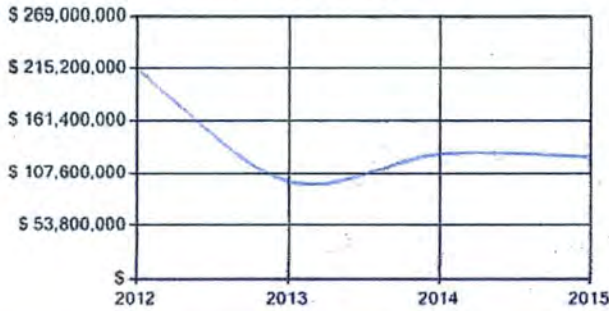
2014 - The legislature passed HB 278 (CH 15 SLA 14) further expanding qualifying Education Tax Credits to include cash contributions to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Department of Labor and Workforce Development, 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.

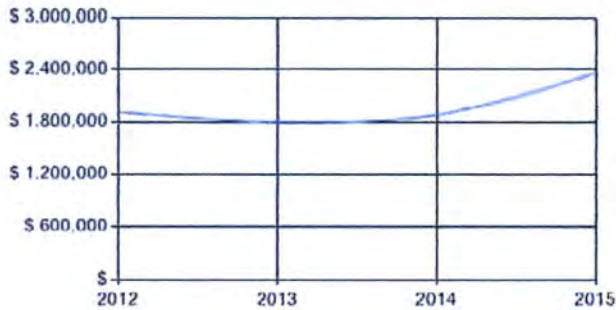
Overview and Historical Overview
Annual Report Data

Collections Summary

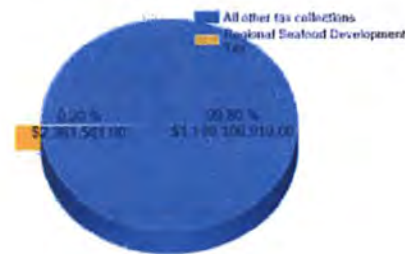
Tax collections

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

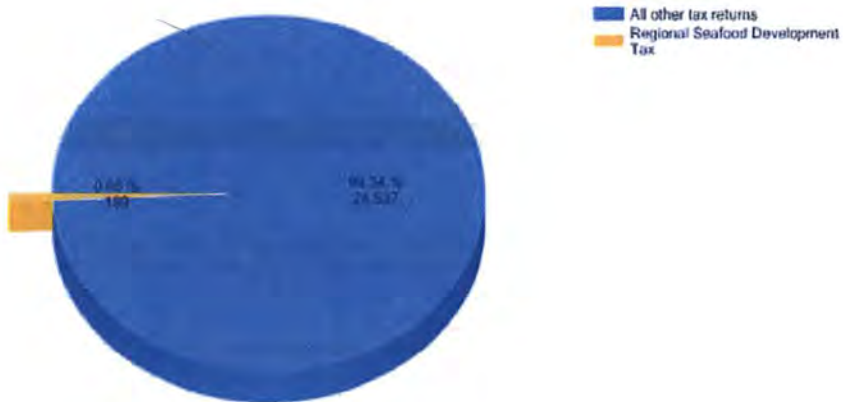


Filing Information

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.

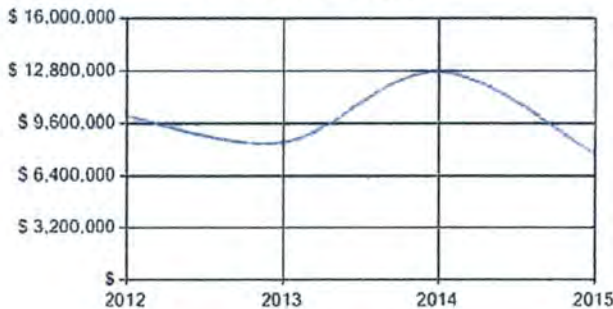
Overview and Historical Overview
Annual Report Data

Collections Summary

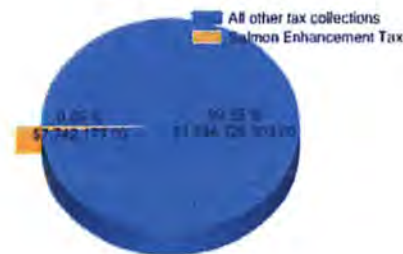
Tax collections

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

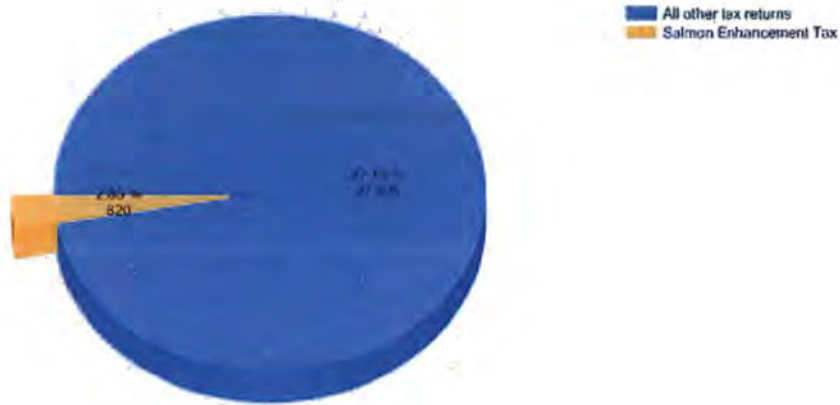


Filing Information

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

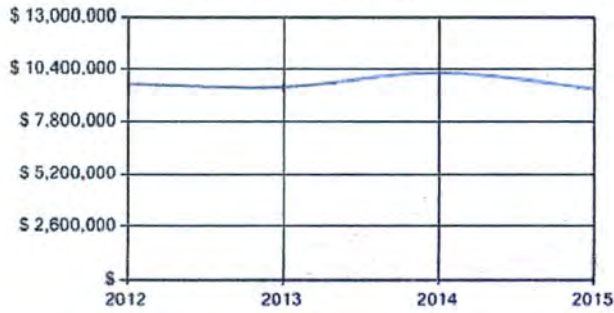
Annual Report Data

Collections Summary

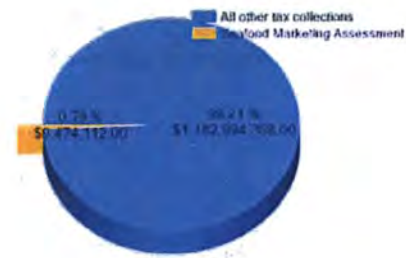
Tax collections

	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

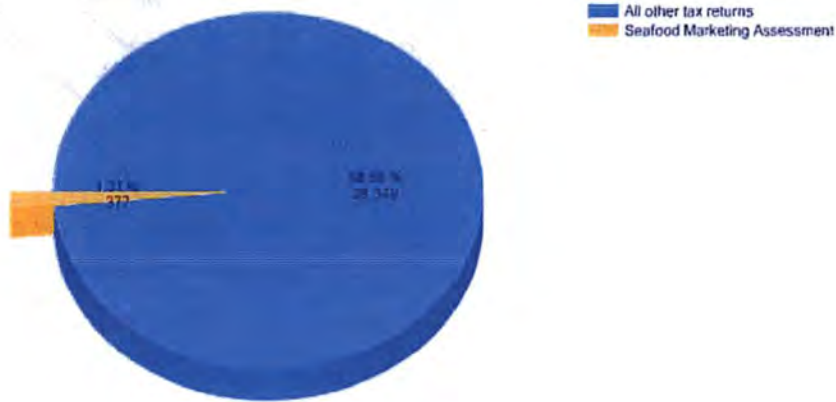


Filing Information

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.

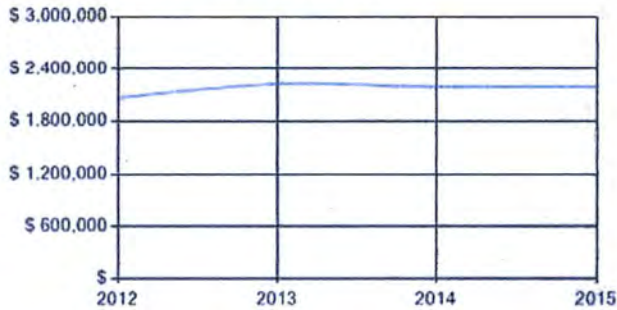
1960- The legislature changed the due date for filing returns to "before March 1."

Overview and Historical Overview
Annual Report Data

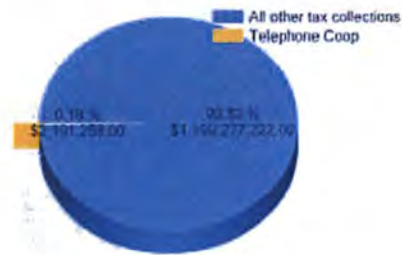
Collections Summary

	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



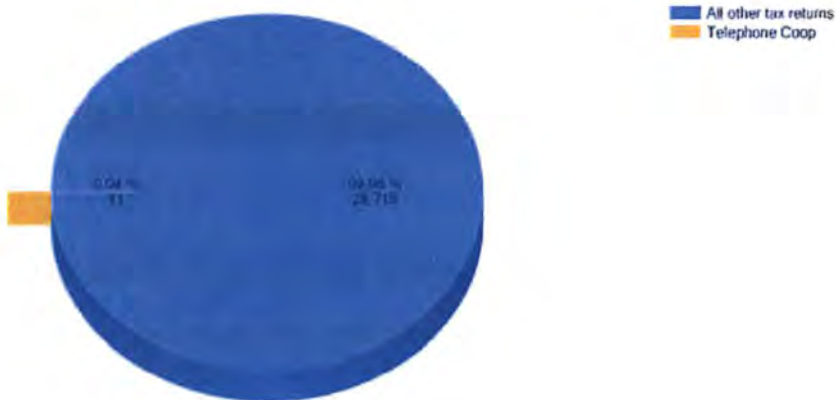
Tax Collections Information for FY 2015



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.

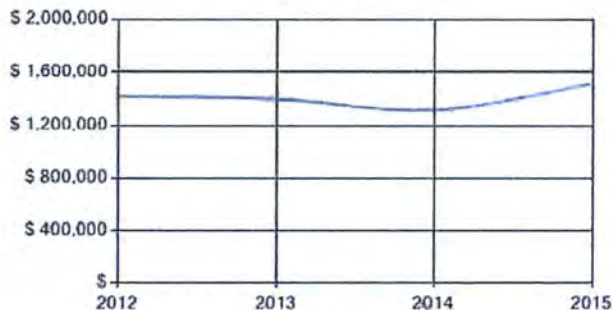
[Overview and Historical Overview](#)
[Annual Report Data](#)

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

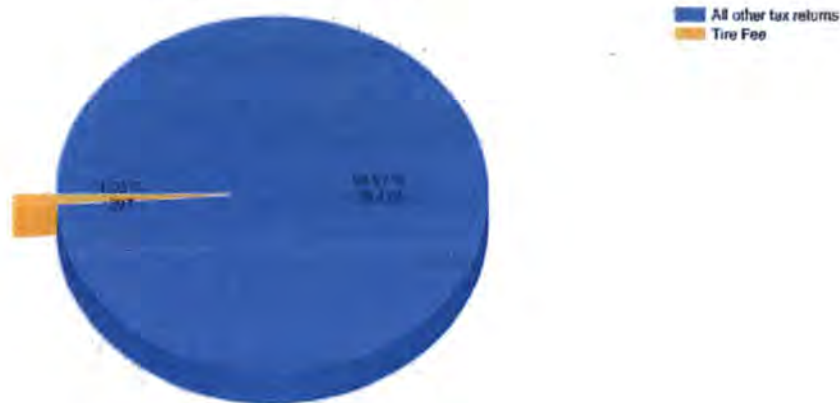


Filing Information

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.

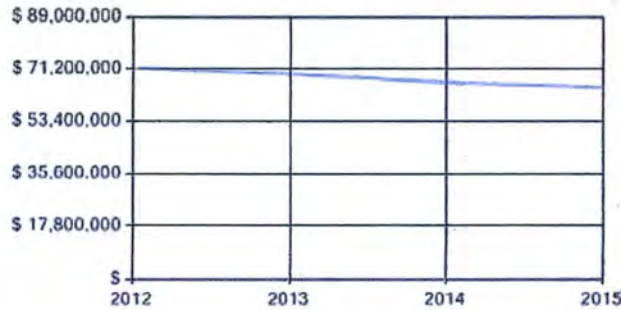
2014 - HB 193 (CH 74 SLA 14) added a new section to AS 43.50.150 granting the Department of Revenue the authority to collect, supervise, and enforce tobacco taxes in a manner that would allow the department to enter into agreements with a municipality to administer tobacco taxes on behalf of the municipality. 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.

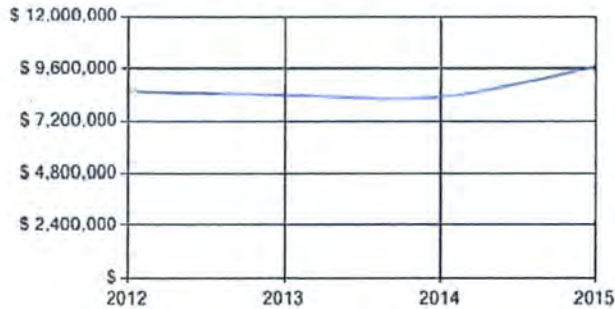
Overview and Historical Overview
Annual Report Data

Collections Summary

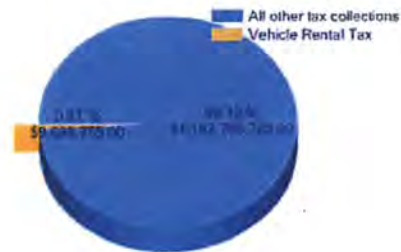
Passenger vehicle rental
Recreational vehicle rental
Penalties, interest & refunds

	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

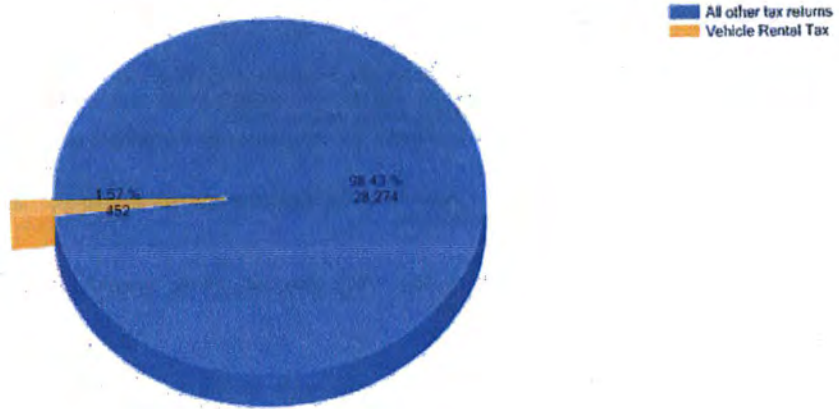


Filing Information

Number of returns
Number of taxpayers

	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




A large-scale mining operation is shown in a wide-angle shot. The scene is dominated by dark, layered rock formations and a network of dirt roads. A yellow haul truck is visible on one of the roads in the lower right quadrant. The overall atmosphere is industrial and rugged.

Canadian Mining Taxation – 2009

Digging deeper*

*connectedthinking

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Canadian Mining Taxation – 2009

Digging deeper

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(Alberta and Prince Edward Island have no active metallic mineral mines.)

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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:

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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.

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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	19%

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%]	\$84,108 [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%]	\$100,129 [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 and before January 1, 2006	10 years
	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, for years beginning after 2000, interest paid to specified non-residents (major shareholders and affiliates) is deductible only in respect of debt up to two times the corporation's equity. Debt is calculated as the average of each month's maximum. Equity is calculated with reference to both monthly 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			
Ontario	Yes ²		Undecided ²
Prince Edward Island	Yes	N/A	
Quebec	Yes ¹		
Saskatchewan			
Yukon	Yes	N/A	No

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 Columbia³	11	30	
Manitoba⁴	12	31	
New Brunswick⁵	12	31	
Newfoundland and Labrador	14	33	
Nova Scotia	16	35	
Ontario⁶	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:

$$\begin{aligned} & \text{(Adjusted crown royalties – notional resource allowance) x} \\ & \text{(14\% x Ontario allocation)} \end{aligned}$$

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:
(federal balance – Ontario balance) x (14% x 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:
(Ontario balance – federal balance) x (14% x 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

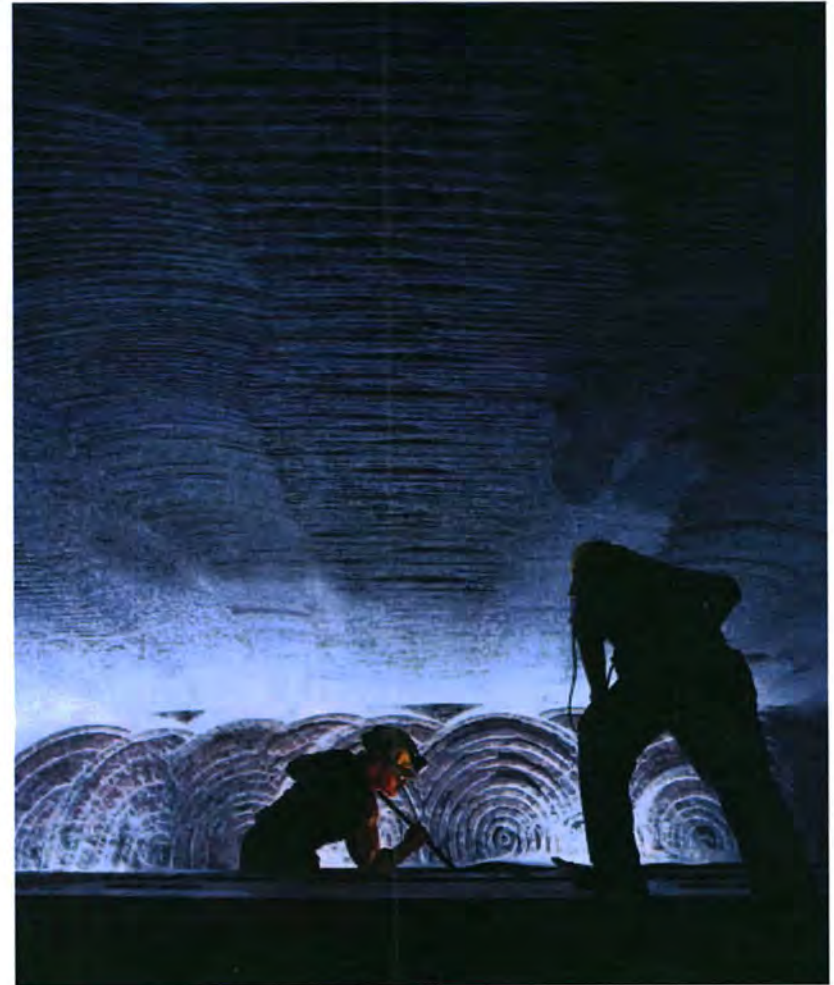
Saskatchewan

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:

	From	To	Effective date
Capital tax rate	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 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	<u>(655)</u>	
	Mine mouth revenue	<u>\$2,345</u>	
	Tax at 1%	<u>\$23</u>	A
Post-Payout Royalty	Revenue	\$3,000	
	Less: Costs and allowances	<u>(1,840)</u>	
	Net revenue	<u>\$1,160</u>	
	Tax at 12%	<u>\$139</u>	B
	Tax payable	<u>\$139</u>	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.

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.

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

Exhibit 11: British Columbia Mineral Taxes – Illustrative Calculation¹

Stage I Tax	Revenue	\$3,000	
	Less: Operating costs ²	(1,450)	
	Net current proceeds	<u>\$1,550</u>	
	Stage I tax at 2%	<u>\$31</u>	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	<u>(10)</u>	
	Net revenue	<u>\$990</u>	
	Stage II tax at 13%	129	
Less: Credit for Stage 1 tax ⁵	<u>(31)</u>		
	Net Stage II tax	<u>\$98</u>	B
Total mineral taxes		<u>\$129</u>	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	<u>\$2,450</u>	
	2% royalty payable	<u>\$49</u>	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	<u>(225)</u>	
	Income before processing allowance	926	
	Less: Processing allowance ¹	(120)	
	Net profit subject to 16% tax	<u>\$806</u>	
	16% tax payable ⁵	<u>\$113</u>	B
Total New Brunswick mining tax payable		<u>\$162</u>	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.

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 Tax	Royalty deduction	\$196	A
	Royalties ⁶	(50)	
	Excess	\$146	
	Royalty tax at 20%	\$29	C
	Total mining taxes (paid by operator)	\$147	B + C

(in \$ thousands)

1. Operating costs include mining, processing, transportation, selling, general and administrative expenses, but not royalties.
2. Includes any pre-production amortization for tax purposes.
3. Interest expense is not deductible for mining tax purposes.
4. This assumes an original capital cost of processing assets equal to \$1,500, and no smelting or refining activities.
5. Actual royalties are assumed to be \$50, whereas 20% x \$980 = \$196.
6. 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.

Provincial Mining Tax

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	<u>\$2,490</u>	
	Tax payable at 2%	<u>\$50</u>	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	<u>(150)</u>	
	Net income from the mine	<u>\$950</u>	
	Tax payable at 15%	<u>\$143</u>	B
	Tax payable	<u>\$143</u>	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:

Activity	Allowance per kilogram of annual capacity ¹
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.

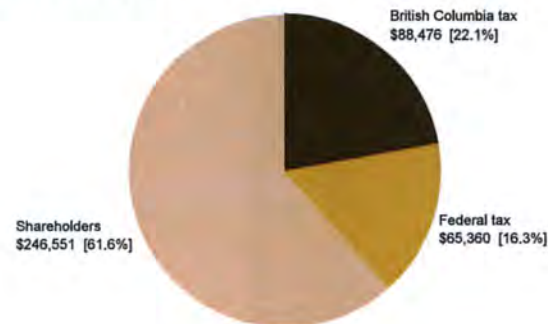
	Year 1	Year 2	Year 3
Pre-production development costs	\$3,000	\$5,000	\$2,000
Mining assets	Nil	\$10,000	\$10,000
Mill assets	Nil	\$50,000	Nil

	IRR	Shareholders	Provincial or territorial tax (income and mining)	Federal tax
Ontario	36.4%	\$264,144 [66.0%]	\$68,126 [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%]	\$67,726 [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)	(36,882)
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

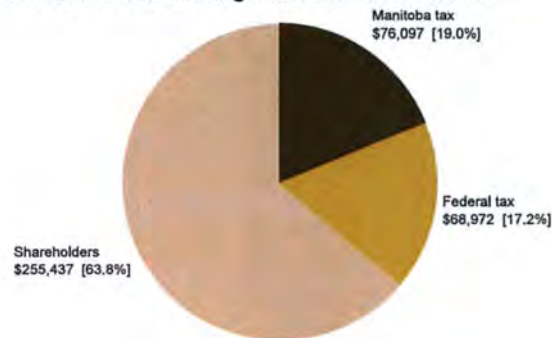


Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,118	54,890	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	518,887
Deduct crown charges			(275)	(1,100)	(1,100)	(4,543)	(6,965)	(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
Assistance received on assets			13,750	55,000	55,000	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	530,000
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

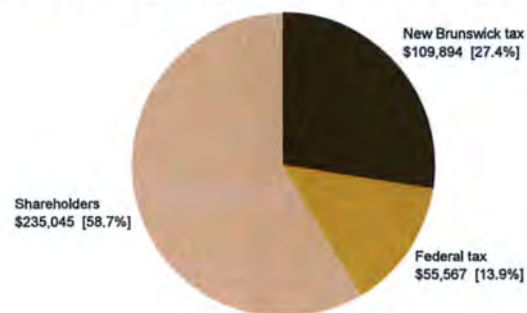


Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,995	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,006
Deduct crown charges					(3,518)	(3,244)	(3,675)	(3,824)	(3,929)	(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)								(104)	(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)
				41,650	44,220	42,443	46,754	48,237	49,289	50,131	45,905	46,524	28,269	443,423
Processing allowance					(10,000)	(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	18,269	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	18,269	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)	(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)	(1,000)	(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

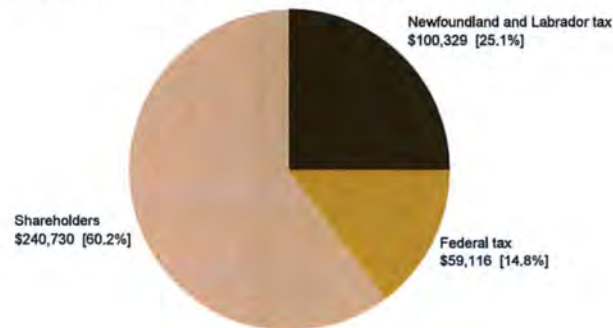


Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,995	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,006
Deduct crown charges					(6,117)	(8,529)	(8,529)	(8,529)	(8,529)	(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)
			286	285	40,992	52,051	52,051	52,051	52,051	52,051	47,244	47,424	28,841	425,327
Royalty deduction				(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

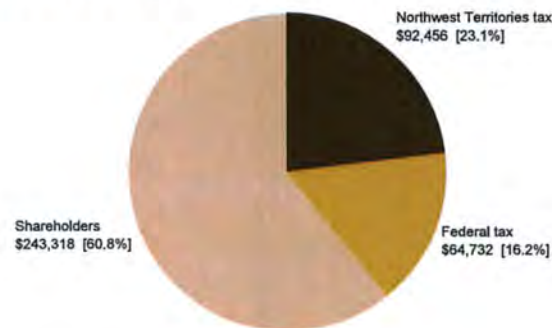


Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,663	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	518,675
Deduct crown charges				(3,312)	(6,670)	(4,938)	(5,139)	(5,290)	(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)		(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

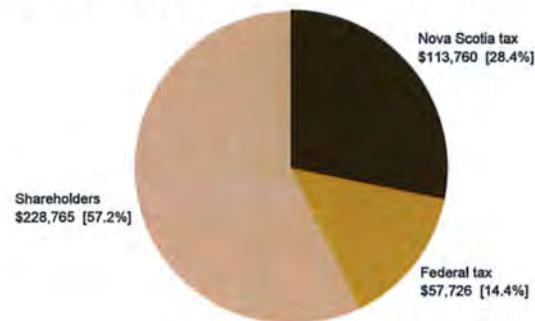


Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,995	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,006
Deduct crown charges					(4,778)	(6,435)	(6,435)	(6,435)	(6,435)	(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

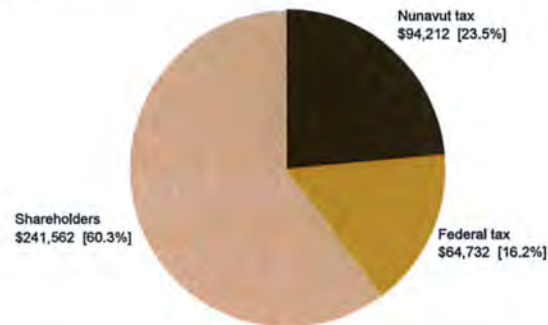


Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,106	54,764	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	518,751
Deduct crown charges			(506)	(2,025)	(2,532)	(7,178)	(7,162)	(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														
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)
Processing allowance			8,370	18,500	21,880	52,850	52,745	52,672	52,620	52,584	47,709	47,796	29,107	436,833
			(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)	(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%
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Share of Pre-Tax Earnings over the Life of the Mine

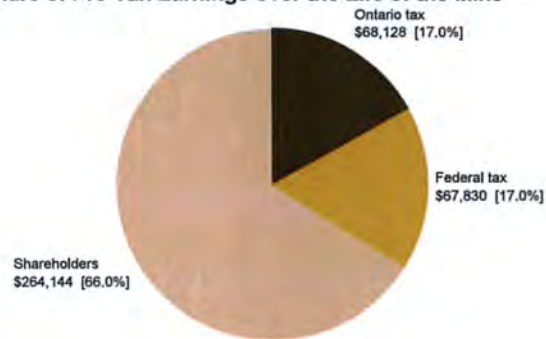


Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,995	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,006
Deduct crown charges					(4,778)	(6,435)	(6,435)	(6,435)	(6,435)	(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%
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Share of Pre-Tax Earnings over the Life of the Mine

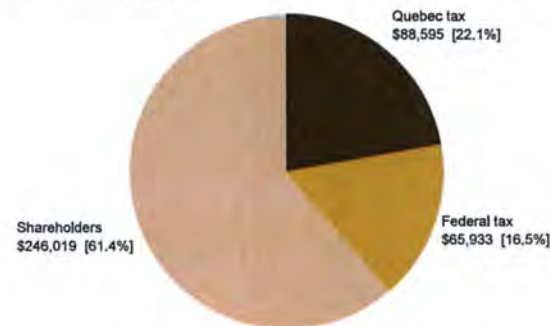


Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,103	54,618	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	518,601
Deduct crown charges			(500)	(1,946)	(2,696)	(3,864)	(3,860)	(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)
			13,750	30,250	32,300	46,050	46,000	46,000	46,000	48,500	48,650	48,800	30,200	436,500
Processing allowance			(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

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)	(4,833)										(10,953)
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
Income taxes														
Federal						(8,813)	(8,919)	(8,916)	(8,945)	(8,965)	(8,143)	(8,173)	(5,060)	(65,933)
Provincial				150	98	(5,589)	(5,539)	(5,533)	(5,529)	(5,526)	(5,000)	(5,012)	(3,176)	(40,655)
Mining taxes			720		(5,850)	(5,520)	(5,880)	(5,880)	(5,880)	(5,880)	(5,340)	(5,340)	(3,090)	(47,940)
Total taxes			720	150	(5,752)	(19,922)	(20,338)	(20,330)	(20,354)	(20,371)	(18,483)	(18,525)	(11,325)	(154,529)
Net cash flow from operations		(1,400)	9,750	50,318	49,248	35,078	34,662	34,670	34,646	34,629	31,517	31,475	19,925	364,519
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)	(2,250)	48,818	47,748	33,578	33,162	33,170	33,146	33,129	30,517	30,475	18,925	246,019
Working capital loan (repayment)	14,000	33,200	1,125	(48,325)										
Equity (deficit)	(14,000)	(33,200)	(1,125)	493	47,748	33,578	33,162	33,170	33,146	33,129	30,517	30,475	18,925	246,019

IRR	35.5%
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Share of Pre-Tax Earnings over the Life of the Mine

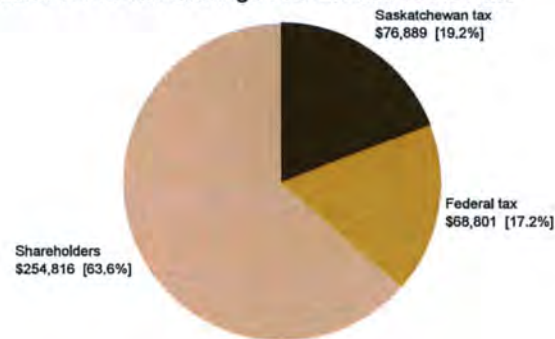


Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,168	55,000	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,048
Deduct crown charges			720		(5,850)	(5,520)	(5,880)	(5,880)	(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)
Processing allowance			(10,000)		52,750	50,000	53,000	53,000	53,000	53,000	48,500	48,500	29,750	431,500
			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

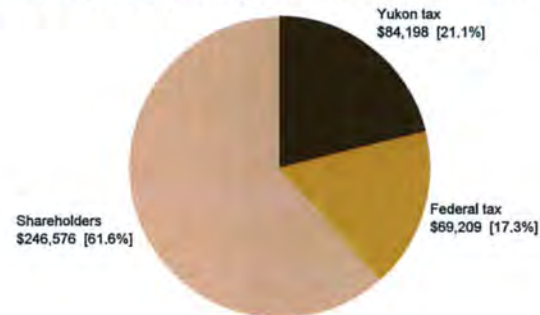


Income taxes	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
Pre-tax cash flow from operations		(1,400)	9,030	50,132	54,994	55,000	55,000	55,000	55,000	55,000	50,000	50,000	31,250	519,006
Deduct crown charges				(6)	(2,032)	(2,225)	(2,360)	(3,068)	(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%
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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

Summary of Features of Provincial Mining Tax Legislation

Appendix 3

	Yukon	Alberta	Manitoba	Nova Scotia	Saskatchewan	Quebec	N.W.T. and Nunavut	British Columbia	Ontario	New Brunswick	Newfoundland and Labrador	
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>	Statute
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 Processing Assets Depreciation
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%		Concentrating Smelting Refining Other Processing Allowance (% of processing assets)
	Smelting			15%		15%			12%	15%	8%	
	Refining			8%					16%			
	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	

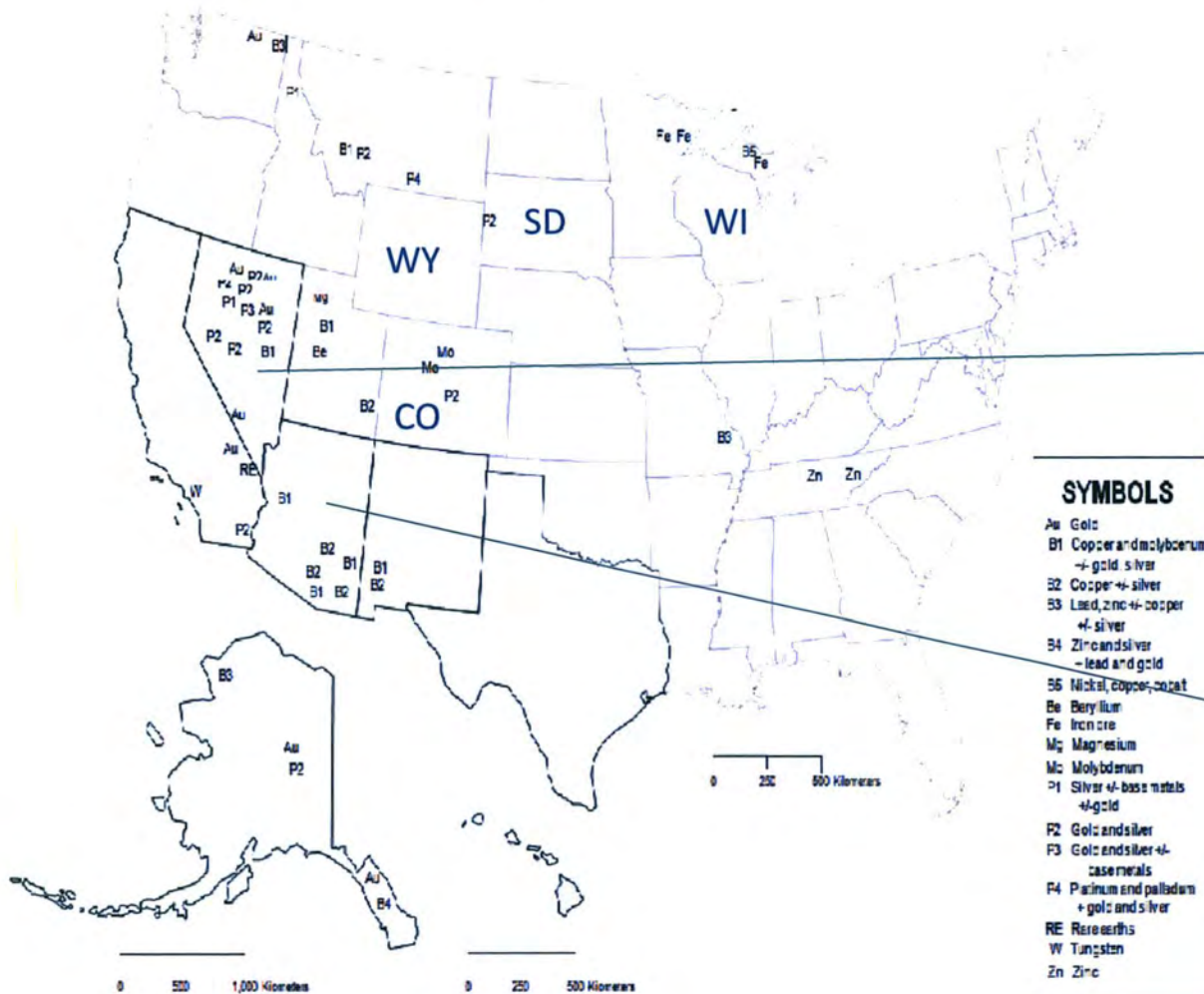
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MAJOR METAL-MINING AREAS



- US top metal mining states are NV and AZ
- Mineral tax comparisons should be with these states

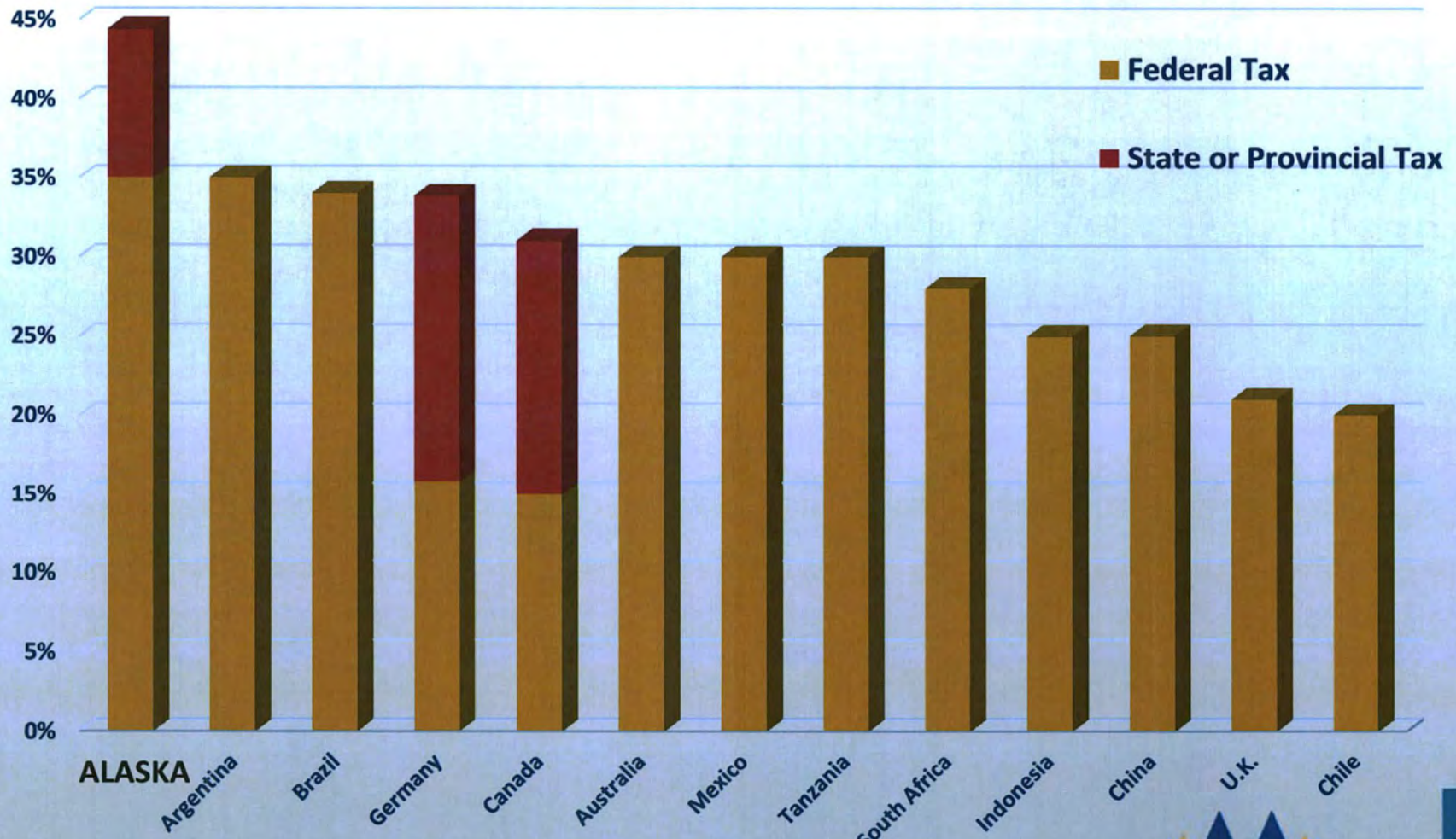
Nevada:

- 5% net proceeds tax
- No corporate income tax
- 2% gross payroll > \$50,000/quarter
- Property and sales taxes

Arizona

- 2.5% of 50% of difference between gross value and production costs
- 6% corporate income tax
- Property and sales tax

SELECTED INTERNATIONAL MINING INCOME TAXES - TOP RATE

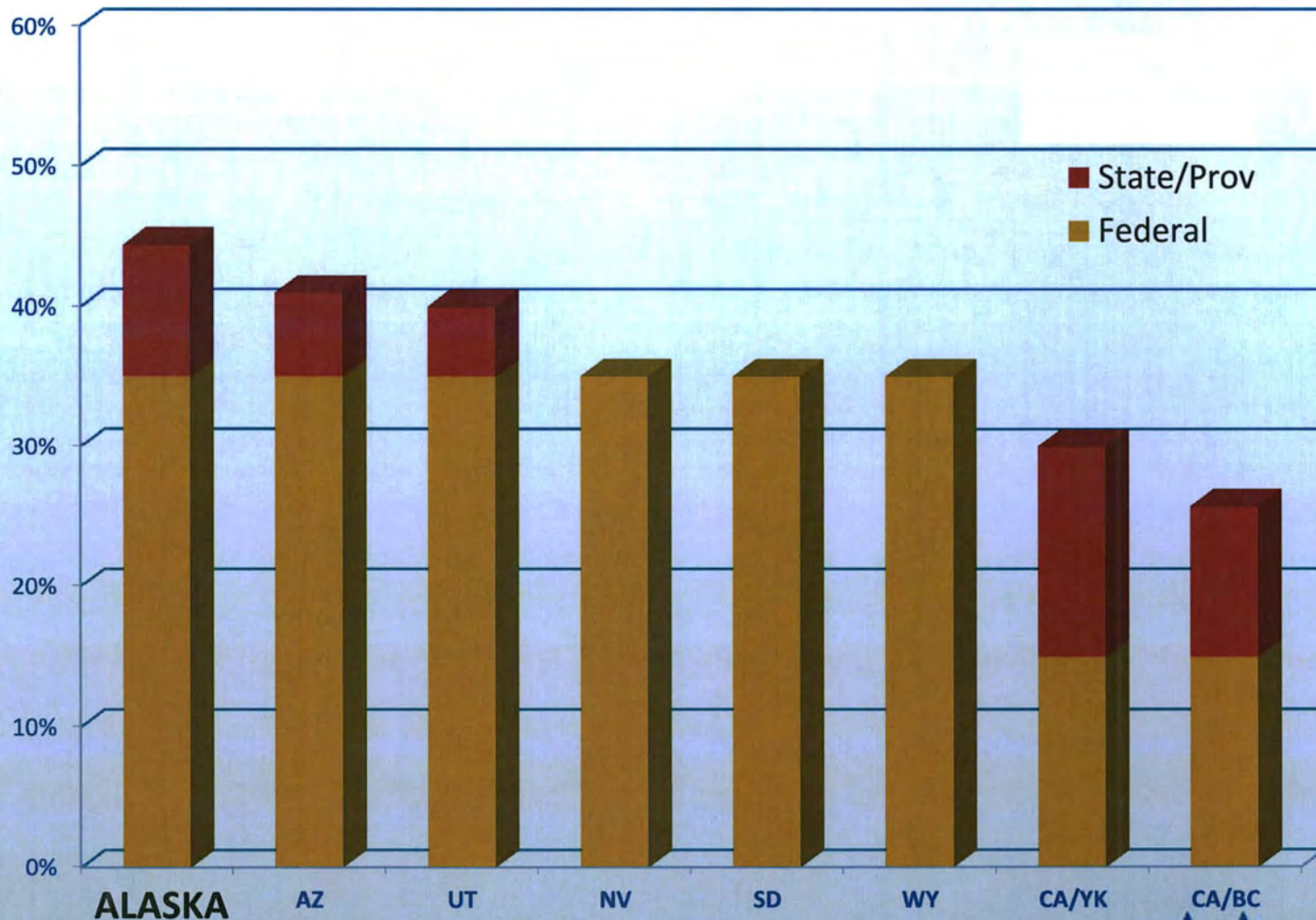


PWC Global



Council of
Alaska Producers

CORPORATE TAX RATES



AK total government take: add 7% AMLT
(+ 3% royalty for mines on state land)



HB253 – Questions for DOR on mining tax policy

- How was the increase determined? What analysis was done?
- How do the current and proposed Alaska Mining License Tax (AMLT) rates compare to other jurisdictions?*
- Are the proposed AMLT rates competitive and do they stimulate investment in Alaska?

What is this Administration's mineral tax policy?

How many jobs are in the mining industry? What is the average salary? If these tax changes deter investment or expansion of existing operations, how many jobs could be lost?

*Comparing Alaska with other jurisdictions

- Why does DOR keep comparing the Alaska mining license tax to metal mining taxes in states that have little or no metal mining (e.g. SD, WI, WY)?
- How does Alaska compare to the major metal mining states (NV, AZ)?
- How does Alaska compare to other states in corporate income tax?
- What is the total government take?

Nevada and Arizona are the top mining states by mineral production value.

	Metal Mining Net Profit/Net Proceeds Tax	State Corporate Income Tax (highest rate)
Alaska	7%	9.4%
Nevada	5% ¹	0%
Arizona	1.25% ²	6%

AMLT Increase

According to the State's *Mineral Industry Report 2014*, the mining industry lost 1,084 jobs between 2013 and 2014 (-27%), net revenue was down, and exploration spending was 45% lower than in 2013. That was under the current taxation system.

What is the reasoning behind raising the AMLT at a time of low metal prices? Why this number and not some other number?

What is the potential loss of revenue to the state if it deters investment and development?

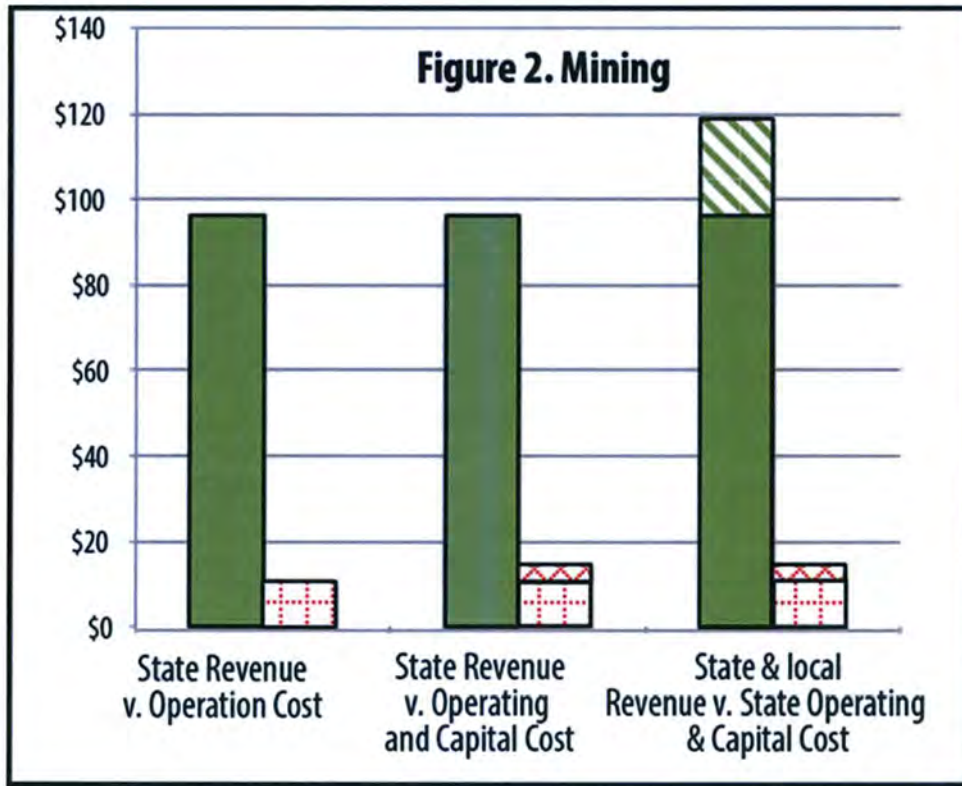
Did you consider whether the higher AMLT rate will impact the economic feasibility of mines that are under consideration or in permitting?

How many mining operations will this AMLT increase impact? Have you looked at the impact on the medium sized mines i.e. those that just clear the \$100,000 net profit threshold but are not the six large mines in the state?

¹ Net Proceeds of Mining tax is gross revenue less deductions for cost of extraction, transport, marketing, delivery, fire and workers insurance, production, royalties and depreciation. <http://www.pwc.com/gx/en/industries/energy-utilities-mining/mining/tax/compare-taxes.html>

² 2.5% of 50% of difference between gross value and production costs on metals
<http://www.azleg.gov/jlbc/10taxbook/10taxbk.pdf>

Fiscal Effects of Commercial Fishing, Mining, & Tourism
What does Alaska receive in revenue? What does it spend?



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