HB

253

<TARGET><BILL>HB 253</BILL><SUBJECT>HB 253</SUBJECT><COMM>HRES29</COMM></TARGET>

HOUSE BILL NO. 253

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/19/16
Referred:

A BILL

FOR AN ACT ENTITLED

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

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

*** Section 1.** AS 43.05.220 is amended to add a new subsection to read:

(f) A penalty of $25 or one percent of the total tax before any payment, whichever is greater, shall be assessed against a taxpayer that fails to electronically submit a return or report under AS 43.05.222, unless the taxpayer has received an exemption under AS 43.05.222 or can show reasonable cause.

*** Sec. 2.** AS 43.05 is amended by adding a new section to read:

Sec. 43.05.222. Electronic submission of return or report. (a) A taxpayer

required to submit a return or report for a tax levied under AS 43 or any other tax administered by the department shall submit the return or report electronically in a format prescribed by the department. Unless the taxpayer has received an exemption under (b) of this section or can show reasonable cause, a return or report not submitted electronically is subject to a civil penalty under AS 43.05.220.

(b) A taxpayer may request an exemption from the requirement that a return or report be submitted electronically. The taxpayer or taxpayer's representative shall contact the department and request the exemption before the return or report is due and shall submit evidence that the taxpayer does not have the capability to submit the return or report electronically. An exemption granted under this subsection is valid for two years after the first tax filing due date after the exemption is granted; after the two year period, the taxpayer may apply for another exemption.

*** Sec. 3.** AS 43.65.010(a) is amended to read:

(a) A person prosecuting or attempting to prosecute, or engaging in the business of mining in the state shall obtain a license from the department. [ALL NEW MINING OPERATIONS ARE EXEMPT FROM THE TAX LEVIED BY THIS CHAPTER FOR THREE AND ONE-HALF YEARS AFTER PRODUCTION BEGINS.]

*** Sec. 4.** AS 43.65.010(c) is amended to read:

(c) The license tax on mining is as follows: upon the net income of the taxpayer from the property in the state, computed with allowable depletion, plus royalty received in connection with mining property in the state

over $40,000 and not over $50,000 ..... 3 percent

over $50,000 and not over $100,000 ..... $1,500 plus

5 percent of the excess over $50,000

over $100,000 ..... $4,000 plus

9 [7] percent of the excess over $100,000.

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

(d) [A TAXPAYER'S RETURN SHALL BE MADE TO THE DEPARTMENT AT JUNEAU]. A taxpayer shall make a return either on a calendar year or fiscal year basis, in conformance with the basis used in making the taxpayer's

return for federal income tax purposes.

*** Sec. 6.** AS 43.65.030 is amended to read:

Sec. 43.65.030. Application, <u>renewal, and fees</u> [FOR RENEWALS]. <u>The fee for a mining license is $50.</u> Application for renewal of a mining license shall be made before **<u>January 1</u>** [MAY 1] of each year. **<u>The fee for a renewal is $50.</u>**

*** Sec. 7.** AS 27.30.030(b)(2); AS 43.65.010(b), and 43.65.060(4) are repealed.

*** Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. (a) AS 43.65.010(a), as amended by sec. 3 of this Act, applies to all mining operations in which production has begun on or after the effective date of this Act.

(b) AS 43.65.010(c), as amended by sec. 4 of this Act, applies to net income of the taxpayer from the property in the state during a taxable year that begins on or after the effective date of sec. 4 of this Act.

*** Sec. 9.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION. In administering the application of the exploration incentive credit under AS 27.30, AS 27.30.030(b)(2), as that subsection read on June 30, 2016, applies to an accounting under AS 27.30.030(b) for a person who began mining production before the effective date of this Act.

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

TRANSITION: REGULATIONS. The Department of Revenue may adopt regulations necessary to implement the changes made by this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the law implemented by the regulation.

*** Sec. 11.** Section 10 of this Act takes effect immediately under AS 01.10.070(c).

*** Sec. 12.** Except as provided in sec. 11 of this Act, this Act takes effect July 1, 2016.

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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,

Bill Walker
Governor

Enclosure

THE STATE of ALASKA
GOVERNOR BILL WALKER

Department of Revenue
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Sectional Analysis, HB 253

Mining License Tax Bill

January 22, 2016

Sec. 1. Adds a $25 or 1% tax penalty for failure to file electronically unless an exemption is received by the taxpayer.

Sec. 2. Requires electronic submission of tax returns, license applications, and other documents submitted to the Department of Revenue. This changes the general tax statutes, AS 43.05, and will apply to all tax types administered by the department. Provides a process to request an exemption if a taxpayer does not have the technological capability to do so.

Sec. 3. Removes the 3 ½ year exemption for new mining operations until after production begins from the mining tax. Instead, any persons engaged in the business of mining in the state will need to obtain a license and file an annual mining license tax return.

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

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

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

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

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

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

Sec. 10. Transitional language allowing for regulations

Sec. 11. Section 10 above takes effect immediately.

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

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				
OPERATING EXPENDITURES	**FY 2017**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Fund Source (Operating Only)							
None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Positions							
Full-time							
Part-time							
Temporary							
Change in Revenues			5,900.0	6,700.0	6,600.0	6,700.0	5,800.0

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.

NEW SUSTAINABLE

ALASKA PLAN

Pulling Together to Build Our Future

Mining License Tax
HB 253

Mining License Tax Increase

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

Mining Tax History

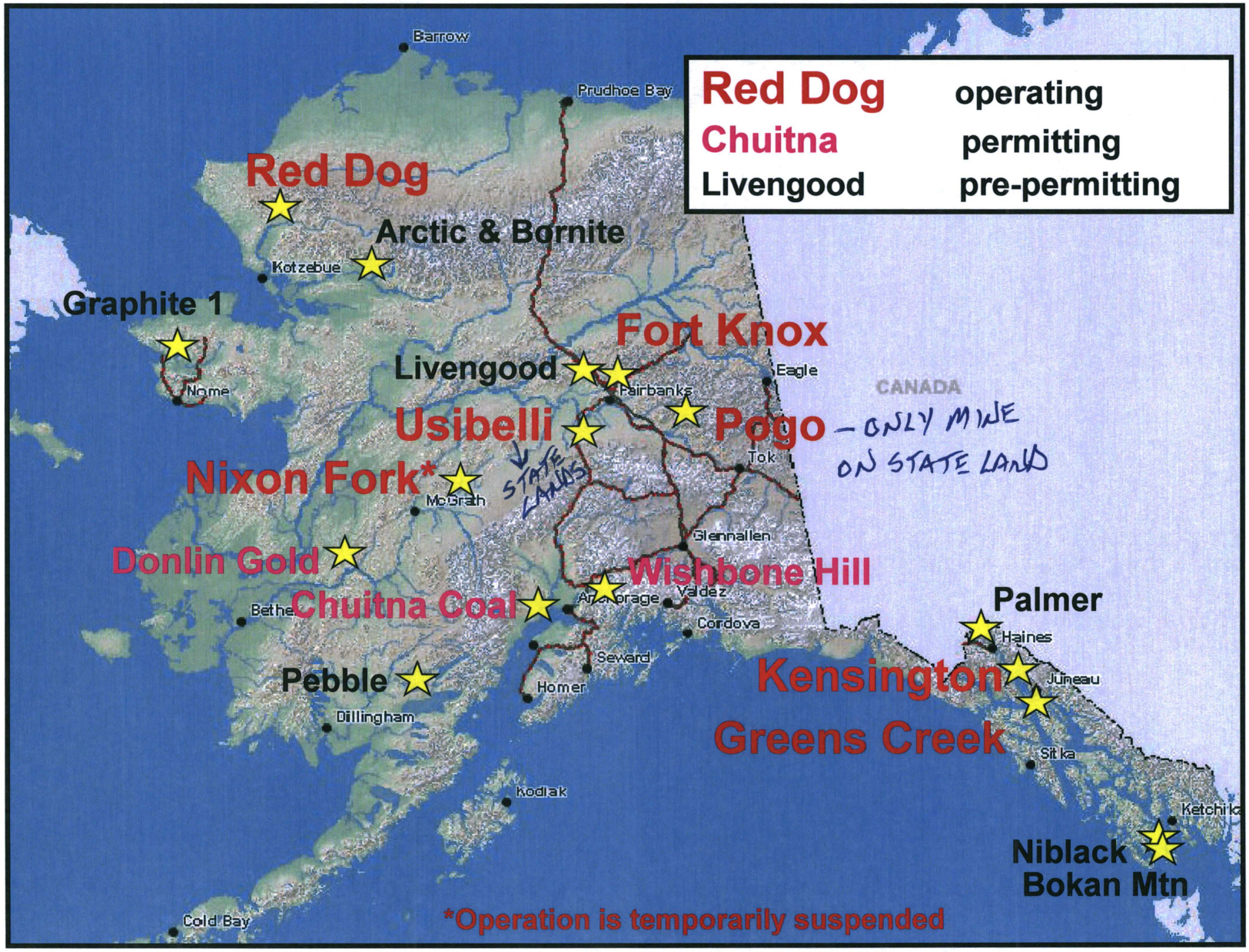
- Began in 1913; restructured several times
  - Original mining license tax was 0.5% tax on mining net income over $5,000
- Collected on both net income from mining operations and from mining-related royalties
- Primarily from businesses engaged in coal and hard-rock mining

Mining Tax History (Continued)

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

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

Large mining projects in Alaska



Mines in Alaska

- Alaska has five large hard rock mines and one coal mine

- 200 small placer mines who, combined, have an economic impact that is similar to one large mine

Mining Tax Proposal

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

Relative Mining Tax Rate

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

Impacts of Tax Proposal

- For large and profitable mines:
  - Most income falls above $100,000, so effective tax rate goes up from 7% to 9%
  - In 2014, 13 entities paid at this level

- For small mining operations:
  - Little or no effect from tax rate change
  - However, removing 3 ½ year exemption may deter some future mines

Revenue Impact

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

Implementation Cost

- Dept. of Revenue must update:
  - Tax Revenue Management System (TRMS)
  - Revenue Online (ROL) which allows a taxpayer to file a return online
  - Tax return forms

- One-time implementation cost of $100,000 to recreate tax forms and reprogram and test the tax system to accommodate the rate changes

- No additional costs to administer the tax program

Closing the Budget Gap

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

Closing the Budget Gap (Continued)

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

Sectional Analysis

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Sectional Analysis (Continued)

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NEW SUSTAINABLE
ALASKA
PLAN

Pulling Together to Build Our Future

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THE STATE of ALASKA
GOVERNOR BILL WALKER

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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

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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

Alaska Mine Production Figures

Red Dog Mine

Year	Zinc (tons)	Lead (tons)	Silver (Million ounces)
2009	642,096	144,954	8.12
2010	593,043	121,144	6.78
2011	572,208	84,033	5.19
2012	529,157	95,282	5.89
2013	607,704	106,594	6.10
2014	656,971	135,032	7.56
Totals	3,601,179	687,039	40

Fort Knox Mine

Year	Gold (ounces)
2009	263,260
2010	349,729
2011	289,794
2012	359,948
2013	728,822
2014	387,285
Total	2,378,838

Pogo Mine

Year	Gold (ounces)
2009	389,808
2010	383,434
2011	325,708
2012	315,886
2013	337,393
2014	342,147
Total	2,094,376

Greens Creek Mine

Year	Zinc (tons)	Lead (tons)	Silver (Million ounces)	Gold (ounces)
2009	70,379	22,253	7.46	67,278
2010	74,496	25,336	7.21	68,838
2011	66,050	21,055	6.50	56,818
2012	64,249	21,074	6.39	55,496
2013	57,614	20,114	7.45	57,457
2014	59,810	20,151	7.83	58,810
Totals	392,598	129,983	43	364,697

Kensington Mine

Year	Gold (ounces)
2009	--
2010	43,143
2011	88,420
2012	82,125
2013	114,821
2014	117,823
Total	446,332

* Production started 7/3/2010


Gold Price
1,207.20 USD/ozt
17 Feb '16
Gold Price (USD/ozt)
2200
2000
1800
1600
1400
1200
1000
800
600
400
200
0
Jan 7
2011
Mar 2
2012
Apr 26
2013
Jun 20
2014
Aug 14
2015
InfoMine.com


Silver Price
15.30 USD/ozt
17 Feb '16
Silver Price (USD/ozt)
55
50
45
40
35
30
25
20
15
10
5
0
Jan 7
2011
Mar 2
2012
Apr 26
2013
Jun 20
2014
Aug 14
2015
InfoMine.com

Zinc Price
0.76 USD/lb
16 Feb '16



Lead Price
0.83 USD/lb
16 Feb '16



29-GH2924\N
Nauman
3/17/16

CS FOR HOUSE BILL NO. 253(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:
Referred:

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

A BILL

FOR AN ACT ENTITLED

"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; and providing for an effective date."

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

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

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

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

(c) The license tax on mining is as follows: **on** [UPON] the net income of the taxpayer from the property in the state, computed with allowable depletion, plus royalty received in connection with mining property in the state

over $40,000 and not over $50,000 ..... 3 percent

over $50,000 and not over $100,000 ..... $1,500 plus
5 percent of the excess over $50,000

over $100,000 ..... $4,000 plus
8 [7] percent of the excess over $100,000.

*** Sec. 3.** AS 43.65.020(d) is amended to read:

(d) [A TAXPAYER'S RETURN SHALL BE MADE TO THE DEPARTMENT AT JUNEAU.] A taxpayer shall make a return either on a calendar year or fiscal year basis, in conformance with the basis used in making the taxpayer's return for federal income tax purposes.

*** Sec. 4.** AS 43.65.030 is amended to read:

Sec. 43.65.030. Fees for applications and [APPLICATION FOR] renewals. **The fee for a mining license and for each renewal is $50.** Application for renewal of a mining license shall be made before **January 1** [MAY 1] of **the license** [EACH] year.

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

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

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

*** Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: REGULATIONS. The Department of Revenue may adopt regulations necessary to implement the changes made by this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the law implemented by the regulation.

*** Sec. 7.** Section 6 of this Act takes effect immediately under AS 01.10.070(c).

*** Sec. 8.** Except as provided in sec. 7 of this Act, this Act takes effect July 1, 2016.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM March 28, 2016

SUBJECT: Electronic Filing Requirement
(HB 253; Work Order No. 29-GH2924)

TO: Representative David Talerico
Attn: Julie Morris

FROM: Emily Nauman
Legislative Counsel

You inquired why I recommended to your office that the electronic filing requirement (secs. 1 and 2), originally in the governor's version of HB 253, be omitted from the bill. Sections 1 and 2 apply to *any tax* return or report to be submitted under AS 43 to be filed electronically, not just returns for mining taxes. However, the bill only amends filing requirements related to the mining tax. There are several other sections of tax law that should also be changed to accommodate the new electronic filing requirement. *See*, for instance, sec. 6 of HB 251[1] and sec. 5 of HB 248[2] (both governor's bills). In general, a specific law will govern over a general one.[3] Thus, I am concerned that the provisions that remain unchanged, if the governor's other tax bills do not pass, may render the electronic filing provisions unenforceable for some of the taxes due to the state.

I would advise you to ask the Department of Law and Department of Revenue what other sections in AS 43 require amending to accommodate the new electronic filing requirement. Given the potential breadth of these changes, perhaps you would consider separating out the electronic filing requirement into its own bill? Until then, I recommend omitting the electronic filing requirement from HB 253 to prevent misunderstanding about its applicability and effectiveness.

If I may be of further assistance, please advise.

ELN:lem
16-282.lem

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[1] Unless amended, AS 43.75.030(b) requires a return on the fisheries business tax to file a return "to the department at Juneau."

[2] Unless amended, AS 43.60.020 requires a person paying the alcohol tax to "send a statement by airmail, postage prepaid."

[3] This could be countered with the argument that a law enacted more recently may be given more weight.

WITHDRAWN BY SPONSOR

29-GH2924\N.13
Nauman
3/30/16

AMENDMENT #1
Replacement

OFFERED IN THE HOUSE BY REPRESENTATIVE SEATON

TO: CSHB 253(RES), Draft Version "N"

Page 1, line 2, following "**fees;**":

Insert "**relating to the exploration incentive credit;**"

Page 1, following line 4:

Insert new bill sections to read:

"*** Section 1.** AS 27.30.030(a) is amended to read:

(a) In a tax year [OR ROYALTY PAYMENT PERIOD], subject to (c) of this section and the respective limitations of this subsection, the person may apply the credit, the taking of which was approved under AS 27.30.020(2), against [(1)] taxes payable by the person

(1) [(A)] under AS 43.65; application of the credit under this subparagraph may not exceed the lesser of

(A) [(i)] 50 percent of the person's tax liability under AS 43.65 for the tax year that is related to production from the mining operation at which the exploration activities occurred, as shown under (b) of this section; or

(B) [(ii)] 50 percent of the person's total tax liability under AS 43.65 for the tax year;

(2) [(B)] under AS 43.20; application of the credit under this subparagraph may not exceed the lesser of

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

(B) [(ii)] 50 percent of the person's total tax liability under AS 43.20 for the tax year [; AND

(2) MINERAL PRODUCTION ROYALTY PAYMENTS PAYABLE BY THE PERSON UNDER AS 38.05.135 - 38.05.160 AND 38.05.212 FOR PRODUCTION FROM THE MINING OPERATION AT WHICH THE EXPLORATION ACTIVITIES OCCURRED; APPLICATION OF THE CREDIT UNDER THIS PARAGRAPH MAY NOT EXCEED 50 PERCENT OF THE PERSON'S MINERAL PRODUCTION ROYALTY PAYMENT LIABILITY FROM THE MINING OPERATION AT WHICH THE EXPLORATION ACTIVITIES OCCURRED].

*** Sec. 2.** AS 27.30.030(b) is amended to read:

(b) If the person applies the credit against the person's tax liability under **(a)(1)(A) or (B)** [(a)(1)(A)(i) OR (a)(1)(B)(i)] of this section, the commissioner of revenue shall disallow application of the credit under that provision unless the person files with the person's tax return an accounting of the person's mining operation activities for each mining operation that is included in the tax return and as to which the credit is being applied. The accounting of mining operation activities required by this subsection shall be made

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

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

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

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

*** Sec. 3.** AS 27.30.040 is amended to read:

Sec. 27.30.040. Credit may be carried forward. Except as its application is limited by AS 27.30.030 and 27.30.050, a portion of a credit that is not applied under AS 27.30.030 during a tax year [OR ROYALTY PAYMENT PERIOD] may be carried forward to and applied during a subsequent tax year [OR ROYALTY PAYMENT PERIOD].

* **Sec. 4.** AS 27.30.050 is amended to read:

Sec. 27.30.050. Limit on application of credit. An exploration incentive credit for a mining operation may not exceed $20,000,000 and must be applied within 15 tax years [OR ROYALTY PAYMENT PERIODS] after the taking of the credit is approved under AS 27.30.020(2), but the tax years [OR ROYALTY PAYMENT PERIODS] in which the credit is applied need not be

(1) the tax year [OR ROYALTY PAYMENT PERIOD] in which the person first incurs liability for payment of tax [OR ROYALTY] based on the person's activity that is the basis of the claim of the exploration incentive credit; or

(2) consecutive periods."

Page 1, line 5:

Delete "**Section 1**"

Insert "**Sec. 5**"

Renumber the following bill sections accordingly.

Page 2, line 17:

Delete "sec. 1"

Insert "sec. 5"

Page 2, line 18:

Delete "sec. 1"

Insert "sec. 5"

Page 2, line 19:

Delete "sec. 2"

Insert "sec. 6"

Page 2, line 21:

Delete "sec. 2"

Insert "sec. 6"

Page 2, following line 21:

Insert a new subsection to read:

"(c) The changes to the applicability of the exploration incentive credit made in AS 27.30.030(a) and (b), as amended by secs. 1 and 2 of this Act, AS 27.30.040, as amended by sec. 3 of this Act, and AS 27.30.050, as amended by sec. 4 of this Act, apply to a royalty payment period beginning on or after the effective date of sec. 1 of this Act."

Page 3, line 28:

Delete "Section 6"

Insert "Section 10"

Page 3, line 29:

Delete "sec. 7"

Insert "sec. 11"

WITHDRAWN BY SPONSOR

29-GH2924\N.7
Nauman
3/29/16

AMENDMENT #2

OFFERED IN THE HOUSE BY REPRESENTATIVE SEATON

TO: CSHB 253(RES), Draft Version "N"

Page 1, line 1, following "An Act":

Insert "repealing the mineral production royalty; enacting a mineral severance tax;"

Page 1, following line 4:

Insert new bill sections to read:

"* Section 1. AS 27.30.030(a) is amended to read:

(a) In a tax year or royalty payment period, subject to (c) of this section and the respective limitations of this subsection, the person may apply the credit, the taking of which was approved under AS 27.30.020(2), against

(1) taxes payable by the person

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

(i) 50 percent of the person's tax liability under AS 43.65 for the tax year that is related to production from the mining operation at which the exploration activities occurred, as shown under (b) of this section; or

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

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

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

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

(2) mineral production royalty payments payable by the person under AS 38.05.135 - 38.05.160 [AND 38.05.212] for production from the mining operation at which the exploration activities occurred; application of the credit under this paragraph may not exceed 50 percent of the person's mineral production royalty payment liability from the mining operation at which the exploration activities occurred.

* Sec. 2. AS 38.05.205(c) is amended to read:

(c) A mining lease shall be for any period up to 55 years, and is renewable if requirements for the lease remain satisfied. Annual rental [AND PRODUCTION ROYALTIES] shall be paid as required under AS 38.05.211 [AND 38.05.212]. A valid mining claim located and held under AS 38.05.195 may be converted to a lease at any time upon application by the owner, and issuance by the commissioner. Rights granted by a mining lease may not be exercised until the lease has been filed for record in the recording district where the land is located."

Page 1, line 5:

Delete "Section 1"

Insert "Sec. 3"

Renumber the following bill sections accordingly.

Page 2, following line 14:

Insert new bill sections to read:

"* Sec. 7. AS 43 is amended by adding a new chapter to read:

Chapter 68. Mining Severance Tax.

Sec. 43.68.010. Mining severance tax. (a) A person engaging in the business of mining in the state shall pay a mining severance tax in the amount of three percent of the gross production value of minerals produced.

(b) The tax under this section is due April 1 of each year.

(c) The department shall adopt regulations to implement this section.

* Sec. 8. AS 38.05.211(c) and 38.05.212 are repealed."

Page 2, line 17:

Delete "sec. 1"

Insert "sec. 3"

Page 2, line 18:

Delete "sec. 1"

Insert "sec. 3"

Page 2, line 19:

Delete "sec. 2"

Insert "sec. 4"

Page 2, line 21:

Delete "sec. 2"

Insert "sec. 4"

Page 2, following line 21:

Insert new subsections to read:

"(c) The repeal of AS 38.05.212 by sec 8 of this Act applies to minerals produced on or after the effective date of sec. 8 of this Act.

(d) The mining severance tax under AS 43.68.010, enacted by sec. 7 of this Act, applies to minerals produced on or after the effective date of sec. 7 of this Act."

Page 2, line 28:

Delete "Section 6"

Insert "Section 10"

Page 2, line 29:

1 Delete "sec. 7"

2 Insert "sec. 11"

ADOPTED

29-GH2924\N.8
Shutts/Nauman
3/29/16

AMENDMENT # 3

OFFERED IN THE HOUSE BY REPRESENTATIVE SEATON

TO: CSHB 253(RES), Draft Version "N"

Page 1, line 2, following "fees;":

Insert "**establishing a legislative working group to study the tax structure for mining;**"

Page 2, following line 14:

Insert a new bill section to read:

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

LEGISLATIVE WORKING GROUP. (a) A legislative working group is established to

(1) review the state's fiscal regime for mining taxation, including state mining license taxes, royalties, rents, and corporate income tax with consideration of federal and municipal taxation;

(2) develop terms for a comprehensive reform of the mining tax regime; and

(3) recommend changes to the legislature for consideration during the First Regular Session of the Thirtieth Alaska State Legislature.

(b) The working group consists of

(1) two co-chairs, one of whom is a member of the house appointed by the speaker of the house of representatives, and one of whom is a member of the senate appointed by the president of the senate; and

(2) members appointed by the co-chairs; members must be legislators and must include members of the majority and minority caucuses.

(c) The co-chairs of the working group may form an advisory group to the working

group, composed of members who are not legislators and who have expertise and skills to assist in the review and development of a new plan for the tax structure and rates on mining licenses. The members of an advisory group may include commissioners or employees of state departments, members of the mining industry or trade associations, and economists.

(d) The working group is to be supported by legislative consultants under contract through the Legislative Budget and Audit Committee."

Renumber the following bill sections accordingly.

Page 2, line 28:

Delete "Section 6 of this Act takes"

Insert "Sections 5 and 7 of this Act take"

Page 2, line 29:

Delete "sec. 7"

Insert "sec. 8"

ADOPTED

29-GH2924\N.13
Nauman
3/30/16

AMENDMENT #4

OFFERED IN THE HOUSE **BY REPRESENTATIVE SEATON**

TO: CSHB 253(RES), Draft Version "N"

Page 1, line 2, following "fees;":

Insert "relating to the exploration incentive credit;"

Page 1, following line 4:

Insert new bill sections to read:

"* Section 1. AS 27.30.030(a) is amended to read:

(a) In a tax year [OR ROYALTY PAYMENT PERIOD], subject to (c) of this section and the respective limitations of this subsection, the person may apply the credit, the taking of which was approved under AS 27.30.020(2), against [(1)] taxes payable by the person

(1) [(A)] under AS 43.65; application of the credit under this subparagraph may not exceed the lesser of

(A) [(i)] 50 percent of the person's tax liability under AS 43.65 for the tax year that is related to production from the mining operation at which the exploration activities occurred, as shown under (b) of this section; or

(B) [(ii)] 50 percent of the person's total tax liability under AS 43.65 for the tax year;

(2) [(B)] under AS 43.20; application of the credit under this subparagraph may not exceed the lesser of

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

(B) [(ii)] 50 percent of the person's total tax liability under AS 43.20 for the tax year [; AND

(2) MINERAL PRODUCTION ROYALTY PAYMENTS PAYABLE BY THE PERSON UNDER AS 38.05.135 - 38.05.160 AND 38.05.212 FOR PRODUCTION FROM THE MINING OPERATION AT WHICH THE EXPLORATION ACTIVITIES OCCURRED; APPLICATION OF THE CREDIT UNDER THIS PARAGRAPH MAY NOT EXCEED 50 PERCENT OF THE PERSON'S MINERAL PRODUCTION ROYALTY PAYMENT LIABILITY FROM THE MINING OPERATION AT WHICH THE EXPLORATION ACTIVITIES OCCURRED].

*** Sec. 2.** AS 27.30.030(b) is amended to read:

(b) If the person applies the credit against the person's tax liability under **(a)(1)(A) or (B)** [(a)(1)(A)(i) OR (a)(1)(B)(i)] of this section, the commissioner of revenue shall disallow application of the credit under that provision unless the person files with the person's tax return an accounting of the person's mining operation activities for each mining operation that is included in the tax return and as to which the credit is being applied. The accounting of mining operation activities required by this subsection shall be made

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

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

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

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

*** Sec. 3.** AS 27.30.040 is amended to read:

Sec. 27.30.040. Credit may be carried forward. Except as its application is limited by AS 27.30.030 and 27.30.050, a portion of a credit that is not applied under AS 27.30.030 during a tax year [OR ROYALTY PAYMENT PERIOD] may be carried forward to and applied during a subsequent tax year [OR ROYALTY PAYMENT PERIOD].

*** Sec. 4.** AS 27.30.050 is amended to read:

Sec. 27.30.050. Limit on application of credit. An exploration incentive credit for a mining operation may not exceed $20,000,000 and must be applied within 15 tax years [OR ROYALTY PAYMENT PERIODS] after the taking of the credit is approved under AS 27.30.020(2), but the tax years [OR ROYALTY PAYMENT PERIODS] in which the credit is applied need not be

(1) the tax year [OR ROYALTY PAYMENT PERIOD] in which the person first incurs liability for payment of tax [OR ROYALTY] based on the person's activity that is the basis of the claim of the exploration incentive credit; or

(2) consecutive periods."

Page 1, line 5:

Delete "Section 1"

Insert "Sec. 5"

Renumber the following bill sections accordingly.

Page 2, line 17:

Delete "sec. 1"

Insert "sec. 5"

Page 2, line 18:

Delete "sec. 1"

Insert "sec. 5"

Page 2, line 19:

Delete "sec. 2"

Insert "sec. 6"

Page 2, line 21:

Delete "sec. 2"

Insert "sec. 6"

Page 2, following line 21:

Insert a new subsection to read:

"(c) The changes to the applicability of the exploration incentive credit made in AS 27.30.030(a) and (b), as amended by secs. 1 and 2 of this Act, AS 27.30.040, as amended by sec. 3 of this Act, and AS 27.30.050, as amended by sec. 4 of this Act, apply to a royalty payment period beginning on or after the effective date of sec. 1 of this Act."

Page 3, line 28:

Delete "Section 6"

Insert "Section 10"

Page 3, line 29:

Delete "sec. 7"

Insert "sec. 11"

29-GH2924\N.16
Nauman
3/30/16

Replaces #4

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE SEATON

TO: CSHB 253(RES), Draft Version "N"

Page 1, line 2, following "**fees;**":

Insert "**relating to the exploration incentive credit;**"

Page 1, following line 4:

Insert new bill sections to read:

"* **Section 1.** AS 27.30.030(a) is amended to read:

(a) In a tax year [OR ROYALTY PAYMENT PERIOD], subject to (c) of this section and the respective limitations of this subsection, the person may apply the credit, the taking of which was approved under AS 27.30.020(2), against [(1)] taxes payable by the person

(1) [(A)] under AS 43.65; application of the credit under this **paragraph** [SUBPARAGRAPH] may not exceed the lesser of

(A) [(i)] 50 percent of the person's tax liability under AS 43.65 for the tax year that is related to production from the mining operation at which the exploration activities occurred, as shown under (b) of this section; or

(B) [(ii)] 50 percent of the person's total tax liability under AS 43.65 for the tax year;

(2) [(B)] under AS 43.20; application of the credit under this **paragraph** [SUBPARAGRAPH] may not exceed the lesser of

(A) [(i)] an amount equal to the amount determined under **(1)(A)** [(A)(i)] of this **subsection** [PARAGRAPH]; or

(B) [(ii)] 50 percent of the person's total tax liability under AS 43.20 for the tax year [; AND

(2) MINERAL PRODUCTION ROYALTY PAYMENTS PAYABLE BY THE PERSON UNDER AS 38.05.135 - 38.05.160 AND 38.05.212 FOR PRODUCTION FROM THE MINING OPERATION AT WHICH THE EXPLORATION ACTIVITIES OCCURRED; APPLICATION OF THE CREDIT UNDER THIS PARAGRAPH MAY NOT EXCEED 50 PERCENT OF THE PERSON'S MINERAL PRODUCTION ROYALTY PAYMENT LIABILITY FROM THE MINING OPERATION AT WHICH THE EXPLORATION ACTIVITIES OCCURRED].

*** Sec. 2.** AS 27.30.030(b) is amended to read:

(b) If the person applies the credit against the person's tax liability under **(a)(1)(A) or (a)(2)(A)** [(a)(1)(A)(i) OR (a)(1)(B)(i)] of this section, the commissioner of revenue shall disallow application of the credit under that provision unless the person files with the person's tax return an accounting of the person's mining operation activities for each mining operation that is included in the tax return and as to which the credit is being applied. The accounting of mining operation activities required by this subsection shall be made

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

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

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

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

*** Sec. 3.** AS 27.30.040 is amended to read:

Sec. 27.30.040. Credit may be carried forward. Except as its application is limited by AS 27.30.030 and 27.30.050, a portion of a credit that is not applied under AS 27.30.030 during a tax year [OR ROYALTY PAYMENT PERIOD] may be carried forward to and applied during a subsequent tax year [OR ROYALTY PAYMENT PERIOD].

* **Sec. 4.** AS 27.30.050 is amended to read:

Sec. 27.30.050. Limit on application of credit. An exploration incentive credit for a mining operation may not exceed $20,000,000 and must be applied within 15 tax years [OR ROYALTY PAYMENT PERIODS] after the taking of the credit is approved under AS 27.30.020(2), but the tax years [OR ROYALTY PAYMENT PERIODS] in which the credit is applied need not be

(1) the tax year [OR ROYALTY PAYMENT PERIOD] in which the person first incurs liability for payment of tax [OR ROYALTY] based on the person's activity that is the basis of the claim of the exploration incentive credit; or

(2) consecutive periods."

Page 1, line 5:

Delete "**Section 1**"

Insert "**Sec. 5**"

Renumber the following bill sections accordingly.

Page 2, line 17:

Delete "sec. 1"

Insert "sec. 5"

Page 2, line 18:

Delete "sec. 1"

Insert "sec. 5"

Page 2, line 19:

Delete "sec. 2"

Insert "sec. 6"

Page 2, line 21:

Delete "sec. 2"

Insert "sec. 6"

Page 2, following line 21:

Insert a new subsection to read:

"(c) The changes to the applicability of the exploration incentive credit made in AS 27.30.030(a) and (b), as amended by secs. 1 and 2 of this Act, AS 27.30.040, as amended by sec. 3 of this Act, and AS 27.30.050, as amended by sec. 4 of this Act, apply to a royalty payment period beginning on or after the effective date of sec. 1 of this Act."

Page 3, line 28:

Delete "Section 6"

Insert "Section 10"

Page 3, line 29:

Delete "sec. 7"

Insert "sec. 11"

FAILED

29-GH2924\N.14
Nauman
3/30/16

AMENDMENT #5

OFFERED IN THE HOUSE BY REPRESENTATIVE SEATON

TO: CSHB 253(RES), Draft Version "N"

Page 2, line 3, following "$100,000":

Insert "and not over $1,000,000"

Page 2, line 4:

Delete "."

Page 2, following line 4:

Insert new material to read:

"over $1,000,000.....$76,000 plus 9 percent of the excess over 1,000,000."

FAILED

29-GH2924\N.1
Nauman
3/29/16

AMENDMENT #6

OFFERED IN THE HOUSE BY REPRESENTATIVE JOSEPHSON

TO: CSHB 253(RES), Draft Version "N"

Page 1, line 10, through page 2, line 4:

Delete all material and insert:

"* Sec. 2. AS 43.65.010(c) is repealed and reenacted to read:

(c) The license tax on mining is imposed on the net income of the taxpayer from the property in the state, computed with allowable depletion, plus royalty received in connection with mining property in the state. The tax rates applicable to the amount of a taxpayer's net income are as follows:

over $100,000 and not over $250,000 ..... five percent

over $250,000 and not over $500,000 ..... $7,500
plus seven percent of the excess over $250,000

over $500,000 and not over $1,000,000 ..... $25,000
plus nine percent of the excess over $500,000

over $1,000,000 ..... $70,000
plus 11 percent of the excess over $1,000,000."

Page 2, line 19:

Delete "amended"

Insert "repealed and reenacted"

FAILED

29-GH2924\N.12
Nauman
3/30/16

AMENDMENT #7

OFFERED IN THE HOUSE **BY REPRESENTATIVE TARR**

TO: CSHB 253(RES), Draft Version "N"

Page 1, line 10, through page 2, line 4:

Delete all material and insert:

"* Sec. 2. AS 43.65.010(c) is repealed and reenacted to read:

(c) The license tax on mining is imposed on the net income of the taxpayer from the property in the state, computed with allowable depletion, plus royalty received in connection with mining property in the state. The tax rates applicable to the amount of a taxpayer's net income are as follows:

over $40,000 and not over $100,000 ..... three percent

over $100,000 and not over $250,000 ..... $1,800
plus five percent of the excess over $100,000

over $250,000 and not over $500,000 ..... $9,300
plus seven percent of the excess over $250,000

over $500,000 and not over $1,000,000 ..... $26,800
plus nine percent of the excess over $500,000

over $1,000,000 ..... $71,800
plus 11 percent of the excess over $1,000,000."

Page 2, line 19:

Delete "amended"

Insert "repealed and reenacted"

FAILED

29-GH2924\N.2
Nauman
3/29/16

AMENDMENT #8

OFFERED IN THE HOUSE BY REPRESENTATIVE JOSEPHSON

TO: CSHB 253(RES), Draft Version "N"

Page 1, line 1:

Delete "an exemption from"

Insert "a deferral of"

Page 1, lines 5 - 9:

Delete all material and insert:

"* Section 1. AS 27.30.030(b) is amended to read:

(b) If the person applies the credit against the person's tax liability under (a)(1)(A)(i) or (a)(1)(B)(i) of this section, the commissioner of revenue shall disallow application of the credit under that provision unless the person files with the person's tax return an accounting of the person's mining operation activities for each mining operation that is included in the tax return and as to which the credit is being applied. The accounting of mining operation activities required by this subsection shall be made

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

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

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

(2) without regard to <u>a deferral</u> [AN EXEMPTION] to which the person may be entitled under AS 43.65.010(a).

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

(a) A [PERSON PROSECUTING OR ATTEMPTING TO PROSECUTE, OR ENGAGING IN THE BUSINESS OF MINING IN THE STATE SHALL OBTAIN A LICENSE FROM THE DEPARTMENT. ALL] new mining **operation may defer the payment of tax due under** [OPERATIONS ARE EXEMPT FROM THE TAX LEVIED BY] this chapter **during the first** [FOR] three and one-half years after **the date** production begins. **A taxpayer that defers the payment of tax under this subsection shall pay the amount of tax deferred in 10 equal installments, without interest, before May 1 of each year, beginning with the first calendar year following the date the deferral period ends.**

* Sec. 3. AS 43.65.010(b) is amended to read:

(b) The Department of Natural Resources shall certify to the department the date upon which production begins, and the department shall issue a certificate of **deferral** [EXEMPTION] to the producer accordingly."

Renumber the following bill sections accordingly.

Page 2, following line 14:

Insert a new bill section to read:

"* Sec. 7. AS 43.65.060(4) is amended to read:

(4) "new mining **operation** [OPERATIONS]" means **the first** mining **operation on a property that previously has not been subject to mining** [OPERATIONS WHICH BEGAN PRODUCTION AFTER JANUARY 1, 1953, OR WHICH HAVE NOT BEEN LIABLE TO PAY A MINING LICENSE TAX UNDER THIS CHAPTER ON NET INCOME SINCE JANUARY 1, 1948];"

Renumber the following bill sections accordingly.

Page 2, line 17:

Delete "sec. 1"

Insert "sec. 2"

Page 2, line 18:

Delete "sec. 1"

Insert "sec. 2"

Page 2, line 19:

Delete "sec. 2"

Insert "sec. 4"

Page 2, line 21:

Delete "sec. 2"

Insert "sec. 4"

Page 2, line 28:

Delete "Section 6"

Insert "Section 9"

Page 2, line 29:

Delete "sec. 7"

Insert "sec. 10"

FAILED

29-GH2924\N.3
Nauman
3/29/16

AMENDMENT #9

OFFERED IN THE HOUSE BY REPRESENTATIVE JOSEPHSON

TO: CSHB 253(RES), Draft Version "N"

Page 1, line 1, following "An Act":

Insert "**relating to rents for property involving mining;**"

Page 1, following line 4:

Insert a new bill section to read:

*** Section 1.** AS 38.05.211(a) is amended to read:

(a) The holder of each mining claim, leasehold location, prospecting site, and mining lease, including a mining lease under AS 38.05.250, shall pay, in advance, rental for the right to continue to hold the mining claim, leasehold location, prospecting site, and mining lease, including a mining lease under AS 38.05.250. Rental is due and payable as follows:

(1) the rental amount for a prospecting site is fixed at $200 for the two-year term of the site;

(2) annual rental for a mining claim, leasehold location, **prospecting site,** or mining lease **may not** [SHALL] be **less than**

(A) $1.65 for each acre during the first five years that the rental is due;

(B) $3.30 for each acre after the first five years that the rental is due [BASED ON THE NUMBER OF YEARS SINCE A MINING CLAIM, A LEASEHOLD LOCATION, OR A MINING LEASE'S PREDECESSOR CLAIM OR LEASEHOLD LOCATION WAS FIRST LOCATED; THE ANNUAL RENTAL AMOUNTS FOR A MINING CLAIM, LEASEHOLD LOCATION, OR MINING LEASE ARE AS

FOLLOWS:

NUMBER OF YEARS SINCE FIRST LOCATED	RENTAL AMOUNT PER ACRE FOR MINING LEASES	RENTAL AMOUNT FOR EACH MINING CLAIM OR LEASEHOLD LOCATION INCLUDING EACH QUARTER-QUARTER SECTION MTRSC SYSTEM
0 - 5	$ .50	$ 20
6 - 10	$1.00	40
11- OR MORE	$2.50	100;

(3) THE ANNUAL RENTAL IN ANY YEAR FOR EACH QUARTER SECTION CLAIM, LEASEHOLD LOCATION, OR LEASE BASED ON THE MTRSC SYSTEM IS FOUR TIMES THE RENTAL AMOUNT FOR A QUARTER-QUARTER SECTION MINING CLAIM, LEASEHOLD LOCATION, OR LEASE IN THAT YEAR]."

Page 1, line 5:

Delete "Section 1"

Insert "Sec. 2"

Renumber the following bill sections accordingly.

Page 2, following line 14:

Insert a new bill section to read:

"* Sec. 6. AS 38.05.211(b) is repealed."

Renumber the following bill sections accordingly.

Page 2, line 17:

Delete "sec. 1"

Insert "sec. 2"

Page 2, line 18:
Delete "sec. 1"
Insert "sec. 2"

Page 2, line 19:
Delete "sec. 2"
Insert "sec. 3"

Page 2, line 21:
Delete "sec. 2"
Insert "sec. 3"

Page 2, line 28:
Delete "Section 6"
Insert "Section 8"

Page 2, line 29:
Delete "sec. 7"
Insert "sec. 9"

29-GH2924\N.4
Nauman
3/29/16

AMENDMENT #10

OFFERED IN THE HOUSE BY REPRESENTATIVE JOSEPHSON

TO: CSHB 253(RES), Draft Version "N"

Page 1, line 2, following "fees;":

Insert "**relating to the computation of depletion for purposes of the mining license tax;**"

Page 2, following line 4:

Insert a new bill section to read:

"* **Sec. 3.** AS 43.65.010(e) is repealed and reenacted to read:

(e) The allowance for depletion shall be computed and deducted on the cost depletion basis under 26 U.S.C. 612 (Internal Revenue Code)."

Renumber the following bill sections accordingly.

Page 2, following line 21:

Insert a new subsection to read:

"(c) The change made by the repeal and reenactment of AS 43.65.010(e) by sec. 3 of this Act applies to a tax year beginning on or after the effective date of sec. 3 of this Act."

Page 2, line 28:

Delete "Section 6"

Insert "Section 7"

Page 2, line 29:

1 Delete "sec. 7"

2 Insert "sec. 8"

29-GH2924\N.9
Nauman
3/29/16

AMENDMENT #11

OFFERED IN THE HOUSE BY REPRESENTATIVE JOSEPHSON

TO: CSHB 253(RES), Draft Version "N"

Page 1, line 1, following "An Act":

Insert "relating to the exploration incentive credit;"

Page 1, following line 4:

Insert new bill sections to read:

"* Section 1. AS 27.30.030(a) is amended to read:

(a) In a tax year [OR ROYALTY PAYMENT PERIOD], subject to (c) of this section and the respective limitations of this subsection, the person may apply the credit, the taking of which was approved under AS 27.30.020(2), against [(1)] taxes payable by the person

(1) [(A)] under AS 43.65; application of the credit under this subparagraph may not exceed the lesser of

(A) [(i)] 50 percent of the person's tax liability under AS 43.65 for the tax year that is related to production from the mining operation at which the exploration activities occurred, as shown under (b) of this section; or

(B) [(ii)] 50 percent of the person's total tax liability under AS 43.65 for the tax year;

(2) [(B)] under AS 43.20; application of the credit under this subparagraph may not exceed the lesser of

(A) [(i)] an amount equal to the amount determined under (1)(A) [(A)(i)] of this subsection [PARAGRAPH]; or

(B) [(ii)] 50 percent of the person's total tax liability under AS 43.20 for the tax year [; AND

(2) MINERAL PRODUCTION ROYALTY PAYMENTS PAYABLE BY THE PERSON UNDER AS 38.05.135 - 38.05.160 AND 38.05.212 FOR PRODUCTION FROM THE MINING OPERATION AT WHICH THE EXPLORATION ACTIVITIES OCCURRED; APPLICATION OF THE CREDIT UNDER THIS PARAGRAPH MAY NOT EXCEED 50 PERCENT OF THE PERSON'S MINERAL PRODUCTION ROYALTY PAYMENT LIABILITY FROM THE MINING OPERATION AT WHICH THE EXPLORATION ACTIVITIES OCCURRED].

* **Sec. 2.** AS 27.30.030(b) is amended to read:

(b) If the person applies the credit against the person's tax liability under (a)(1)(A) [(a)(1)(A)(i)] or (B) [(a)(1)(B)(i)] of this section, the commissioner of revenue shall disallow application of the credit under that provision unless the person files with the person's tax return an accounting of the person's mining operation activities for each mining operation that is included in the tax return and as to which the credit is being applied. The accounting of mining operation activities required by this subsection shall be made

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

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

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

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

* **Sec. 3.** AS 27.30.040 is amended to read:

Sec. 27.30.040. Credit may be carried forward. Except as its application is limited by AS 27.30.030 and 27.30.050, a portion of a credit that is not applied under AS 27.30.030 during a tax year [OR ROYALTY PAYMENT PERIOD] may be carried forward to and applied during a subsequent tax year [OR ROYALTY PAYMENT PERIOD].

*** Sec. 4. AS 27.30.050 is amended to read:**

Sec. 27.30.050. Limit on application of credit. An exploration incentive credit for a mining operation may not exceed $20,000,000 and must be applied within 15 tax years [OR ROYALTY PAYMENT PERIODS] after the taking of the credit is approved under AS 27.30.020(2), but the tax years [OR ROYALTY PAYMENT PERIODS] in which the credit is applied need not be

(1) the tax year [OR ROYALTY PAYMENT PERIOD] in which the person first incurs liability for payment of tax [OR ROYALTY] based on the person's activity that is the basis of the claim of the exploration incentive credit; or

(2) consecutive periods."

Page 1, line 5:

Delete "Section 1"

Insert "Sec. 5"

Renumber the following bill sections accordingly.

Page 2, line 17:

Delete "sec. 1"

Insert "sec. 5"

Page 2, line 18:

Delete "sec. 1"

Insert "sec. 5"

Page 2, line 19:

Delete "sec. 2"

Insert "sec. 6"

Page 2, line 21:

Delete "sec. 2"

Insert "sec. 6"

Page 2, following line 21:

Insert a new subsection to read:

"(c) The changes to the applicability of the exploration incentive credit made in AS 27.30.030(a) and (b), as amended by secs. 1 and 2 of this Act, AS 27.30.040, as amended by sec. 3 of this Act, and AS 27.30.050, as amended by sec. 4 of this Act, apply to a royalty payment period beginning on or after the effective date of sec. 1 of this Act."

Page 2, line 28:

Delete "Section 6"

Insert "Section 10"

Page 2, line 29:

Delete "sec. 7"

Insert "sec. 11"

29-GH2924\N.10
Nauman
3/29/16

AMENDMENT #12

OFFERED IN THE HOUSE BY REPRESENTATIVE JOSEPHSON

TO: CSHB 253(RES), Draft Version "N"

Page 1, line 1, following "Act":

Insert "**relating to the limitation on the exploration incentive credit;**"

Page 1, following line 4:

Insert a new bill section to read:

"*** Section 1.** AS 27.30.050 is amended to read:

Sec. 27.30.050. Limit on application of credit. An exploration incentive credit for a mining operation may not exceed $20,000,000 and must be applied within **seven** [15] tax years or royalty payment periods after the taking of the credit is approved under AS 27.30.020(2), but the tax years or royalty payment periods in which the credit is applied need not be

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

(2) consecutive periods."

Page 1, line 5:

Delete "**Section 1**"

Insert "**Sec. 2**"

Renumber the following bill sections accordingly.

Page 2, line 17:

Delete "sec. 1"

Insert "sec. 2"

Page 2, line 18:

Delete "sec. 1"

Insert "sec. 2"

Page 2, line 19:

Delete "sec. 2"

Insert "sec. 3"

Page 2, line 21:

Delete "sec. 2"

Insert "sec. 3"

Page 2, following line 21:

Insert a new subsection to read:

"(c) AS 27.30.050, as amended by sec. 1 of this Act, applies to a credit accrued on or after the effective date of sec. 1 of this Act."

Page 2, line 28:

Delete "Section 6"

Insert "Section 7"

Page 2, line 29:

Delete "sec. 7"

Insert "sec. 8"

29-GH2924\N.11
Nauman
3/29/16

AMENDMENT #13

OFFERED IN THE HOUSE BY REPRESENTATIVE JOSEPHSON

TO: CSHB 253(RES), Draft Version "N"

Page 1, following line 9:

Insert a new bill section to read:

"* Sec. 2. AS 43.65.010(a), as amended by sec. 1 of this Act, is amended to read:

(a) A person prosecuting or attempting to prosecute, or engaging in the business of mining in the state shall obtain a license from the department. [ALL NEW MINING OPERATIONS ARE EXEMPT FROM THE TAX LEVIED BY THIS CHAPTER FOR THREE YEARS AFTER PRODUCTION BEGINS.]"

Renumber the following bill sections accordingly.

Page 2, following line 14:

Insert a new bill section to read:

"*Sec. 6. AS 27.30.030(b)(2), AS 43.65.010(b), and 43.65.060(4) are repealed."

Page 2, following line 18:

Insert a new subsection to read:

"(b) AS 43.65.010(a), as amended by sec. 2 of this Act, applies to a mining operation that begins production on or after the effective date of sec. 2 of this Act."

Reletter the following subsection accordingly.

Page 2, line 19:

Delete "sec. 2"

Insert "sec. 3"

Page 2, line 21:

Delete "sec. 2"

Insert "sec. 3"

Page 2, line 28:

Delete "Section 6"

Insert "Section 8"

Page 2, following line 28:

Insert a new bill section to read:

"* Sec. 10. Sections 2 and 6 of this Act take effect January 1, 2020."

Renumber the following bill section accordingly.

Page 2, line 29:

Delete "sec. 7"

Insert "secs. 9 and 10"

ALASKA DEPARTMENT OF REVENUE
TAX DIVISION



2015
Annual Report

prepared on 2/17/2016

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.

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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

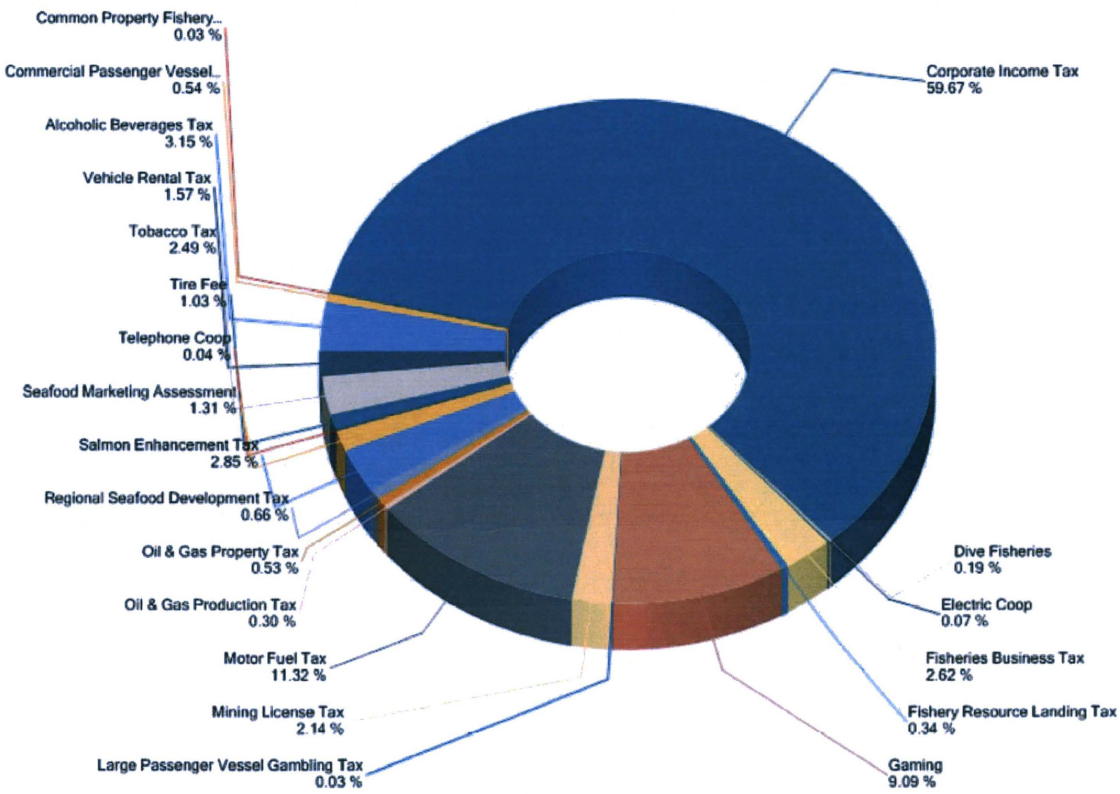
Fisheries Taxes
Common Property Fishery
Dive Fishery Management
Fisheries Business
Fishery Resource Landing
Salmon Enhancement
Seafood Development
Seafood Marketing

Oil and Gas Taxes
Conservation Surcharge
Production
Property

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

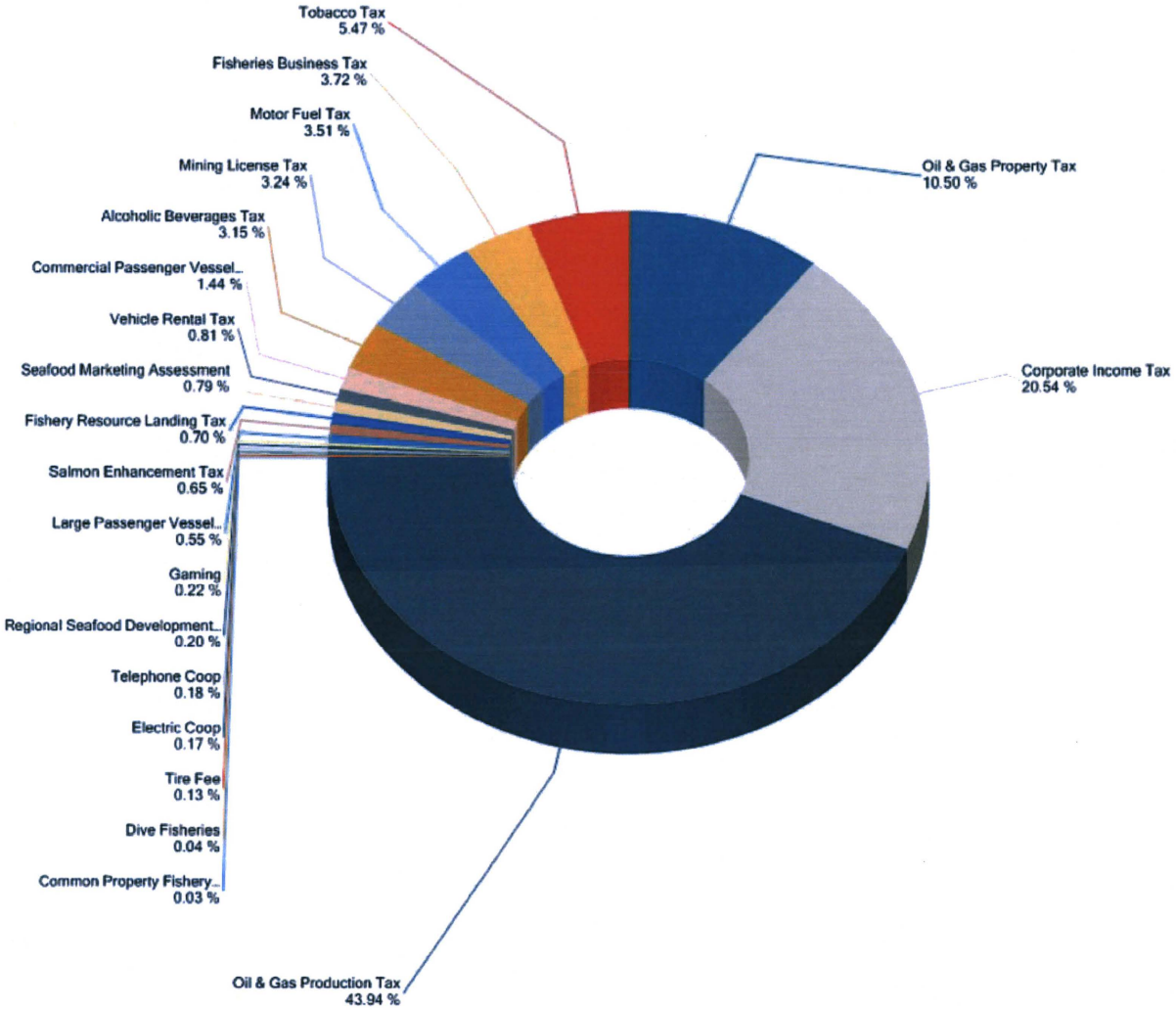
Other Programs
Film Production Tax Credit Administration
Charitable Gaming
Revenue Forecasting
Salmon Price Reporting

TAX RETURNS FILED
By Tax Program during Fiscal Year 2015



Alcoholic Beverages Tax 3.15 % 906	Electric Coop 0.07 % 21	Mining License Tax 2.14 % 616	Salmon Enhancement Tax 2.85 % 820
Commercial Passenger Vessel Excise Tax 0.54 % 154	Fisheries Business Tax 2.62 % 753	Motor Fuel Tax 11.32 % 3,253	Seafood Marketing Assessment 1.31 % 377
Common Property Fishery Assessment 0.03 % 8	Fishery Resource Landing Tax 0.34 % 99	Oil & Gas Production Tax 0.30 % 86	Telephone Coop 0.04 % 11
Corporate Income Tax 59.67 % 17,142	Gaming 9.09 % 2,611	Oil & Gas Property Tax 0.53 % 151	Tire Fee 1.03 % 297
Dive Fisheries 0.19 % 56	Large Passenger Vessel Gambling Tax 0.03 % 10	Regional Seafood Development Tax 0.66 % 189	Tobacco Tax 2.49 % 714
			Vehicle Rental Tax 1.57 % 452

STATEMENT OF REVENUES
Listed in order of total amount Fiscal Year 2015



Common Property Fishery Assessment 0.03 % $320,656	Gaming 0.22 % $2,588,660	Vehicle Rental Tax 0.81 % $9,698,755	Fisheries Business Tax 3.72 % $44,407,109
Dive Fisheries 0.04 % $472,791	Large Passenger Vessel Gambling Tax 0.55 % $6,611,786	Commercial Passenger Vessel Excise Tax 1.44 % $17,201,836	Tobacco Tax 5.47 % $65,241,432
Tire Fee 0.13 % $1,515,805	Salmon Enhancement Tax 0.65 % $7,742,177	Alcoholic Beverages Tax 3.15 % $37,606,388	Oil & Gas Property Tax 10.50 % $125,194,434
Electric Coop 0.17 % $2,008,278	Fishery Resource Landing Tax 0.70 % $8,376,628	Mining License Tax 3.24 % $38,655,209	Corporate Income Tax 20.54 % $244,912,470
Telephone Coop 0.18 % $2,191,258	Seafood Marketing Assessment 0.79 % $9,474,112	Motor Fuel Tax 3.51 % $41,877,783	Oil & Gas Production Tax 43.94 % $524,009,352
Regional Seafood Development Tax 0.20 % $2,361,561			

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 breweriesmeeting 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:

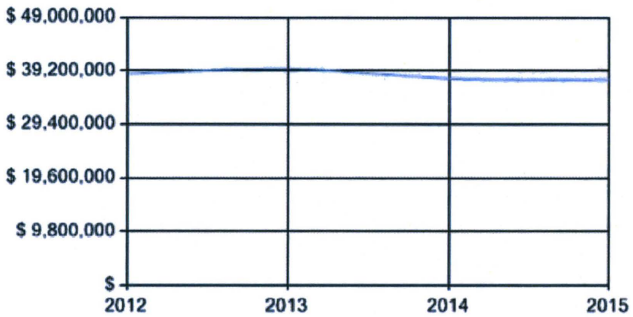
Year	Liquor	Wine	Per Gallon Beer (Malt Beverages)	Beer (Small Breweries)

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

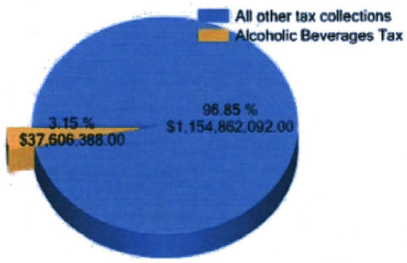
Overview and Historical Overview
Annual Report Data

Gallons	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

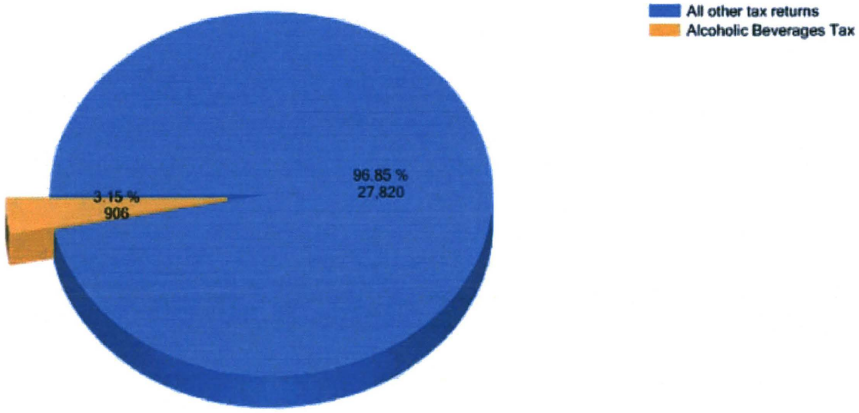


Tax Collections Information for FY 2015



Collections Summary	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	(52,915.90)	$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

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.

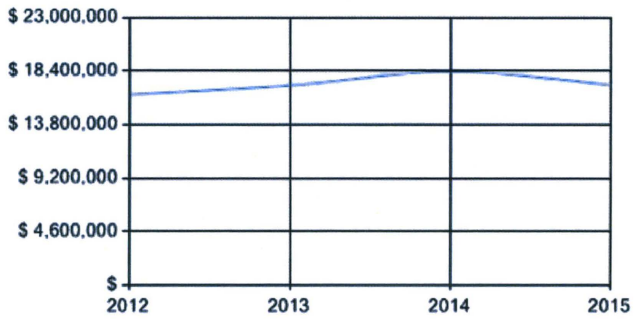
HISTORY
2006 - The CPV excise tax was enacted by 2006 Primary Election Ballot Measure No. 2. The measure was approved by voters at the primary election of August 26, 2006. The results of the election were certified September 18, 2006 and the initiative's provisions became effective December 17, 2006.

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.

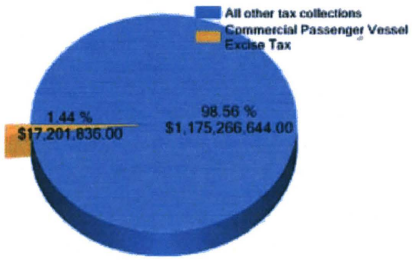
Overview and Historical Overview
Annual Report Data

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

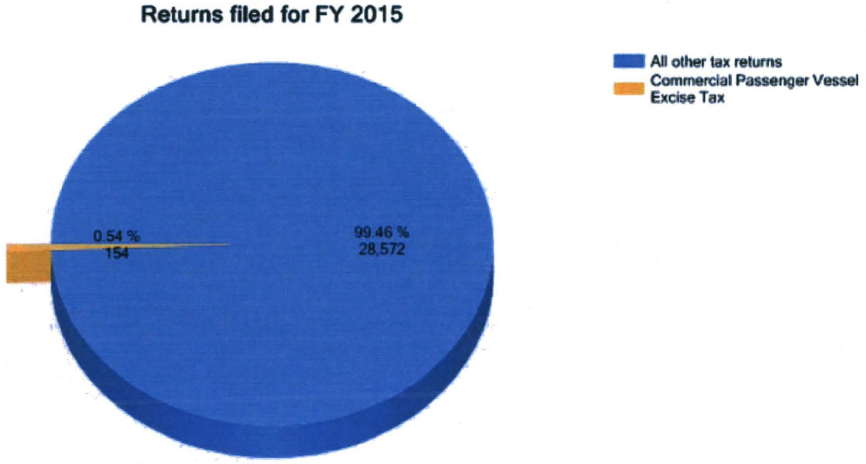
Tax Collections Information from FY2012 - FY2015



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



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.

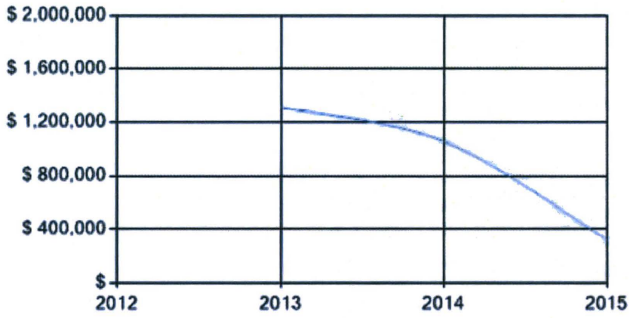
HISTORY
2006 - The legislature adopted the Common Property Fishery Assessment. This program was first used in 2012 for the Hidden Falls hatchery in Southeast Alaska.

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.

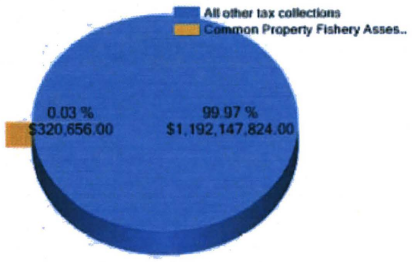
Overview and Historical Overview
Annual Report Data

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

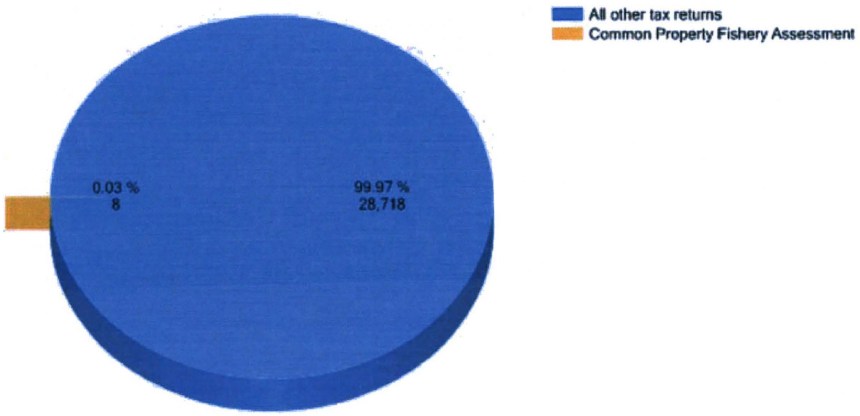


Tax Collections Information for FY 2015



Filing Information	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.

DESPOSITION 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 AS43.21, 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 legislative 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.

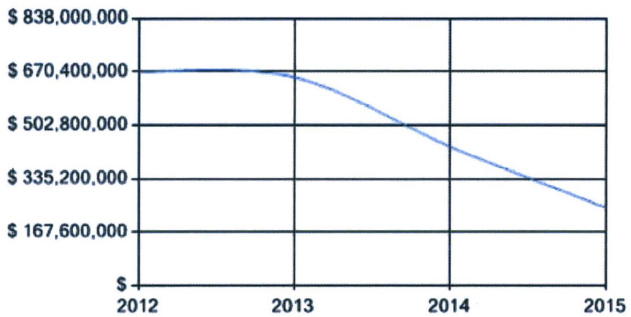
2014 - The legislature passed HB 278 (CH 15 SLA 14) further expanding qualifying Education Tax Credits to include cash contributions to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Department of Labor and Workforce Development, 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 ExpendituresTax Credit that grants a credit of the lesser of 40% of qualified infrastructure expenditures incurred in the state during the year, or $10,000,000 for each in-state refinery incurring qualified expenditures.

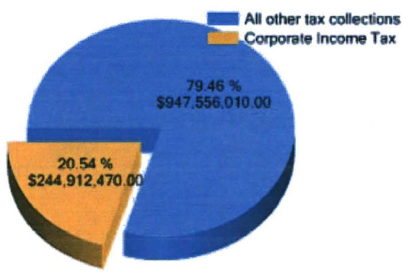
Overview and Historical Overview
Annual Report Data

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

Tax Collections Information from FY2012 - FY2015

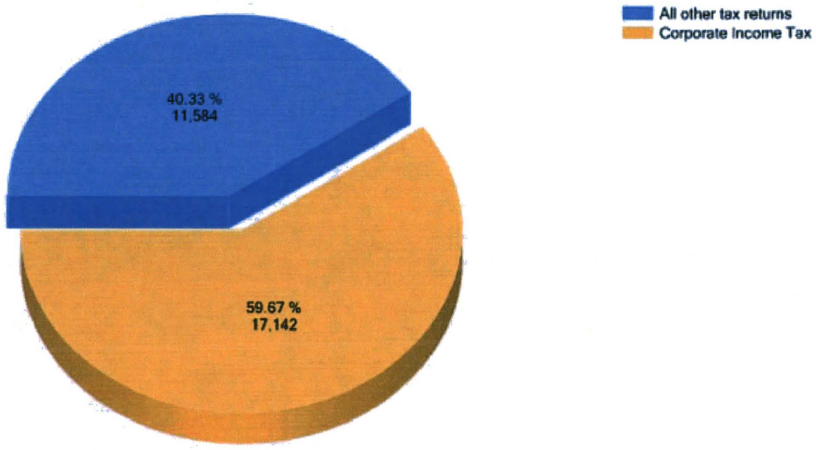


Tax Collections Information for FY 2015



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

Returns filed for FY 2015



Corporate Income Tax Credits

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

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

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

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

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

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

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

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

Dive Fisheries

Date Range: 2012 to 2015

AS 43.76.150
DESCRIPTION
The dive fishery management assessment is an elective assessment on the value of fisheries resources taken using dive gear. The assessment only applies to designated management areas and species, and is assessed at a rate elected by a vote of permit holders.

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

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

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

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

HISTORY

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

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

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

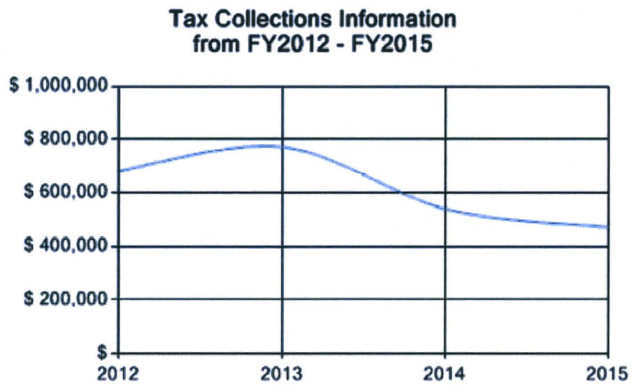
2005 - The legislature authorized an annual filing due date of March 31 for dive fishermen who export or sell to unlicensed buyers, effective January 1, 2005.

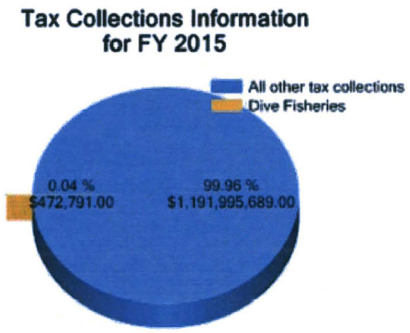
2006 - Geoduck fishermen elected to continue the 7% assessment on geoducks after October 31, 2006.Area A). The assessment, effective April 1999, set rates of 5% for geoduck and sea cucumber and 7% for sea urchin.

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

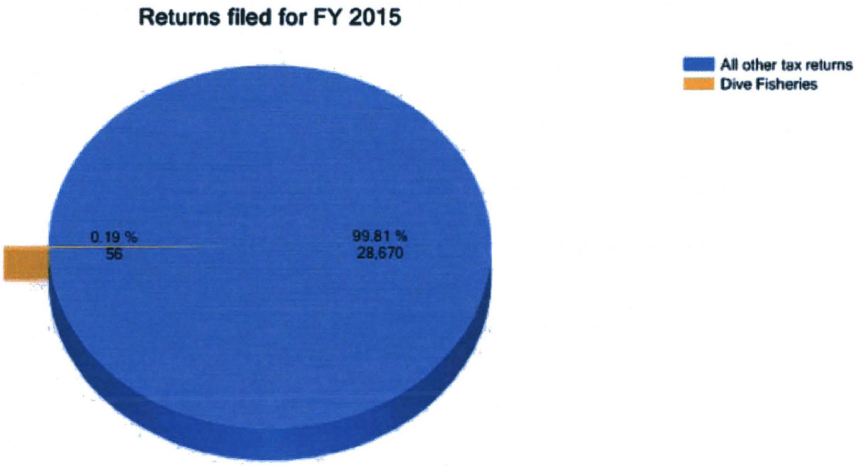
Overview and Historical Overview
Annual Report Data

Collections Summary	FY 2015	FY 2014	FY 2013	FY 2012
Tax collections	$472,791.00	$539,638.00	$772,526.00	$682,534.00





Filing Information	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	56	52	52	60
Number of taxpayers	17	19	16	19



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 poser to consumers for five years or longer as of the preceding calendar year.

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

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

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

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

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

HISTORY

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

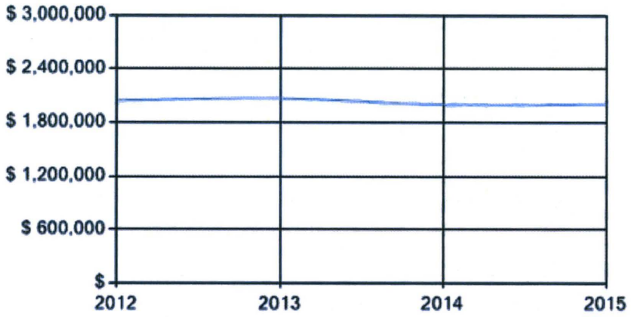
1960 - The legislature changed the due date for paying taxes to March 1.

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

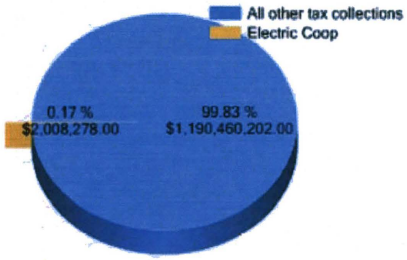
Overview and Historical Overview
Annual Report Data

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

Tax Collections Information from FY2012 - FY2015

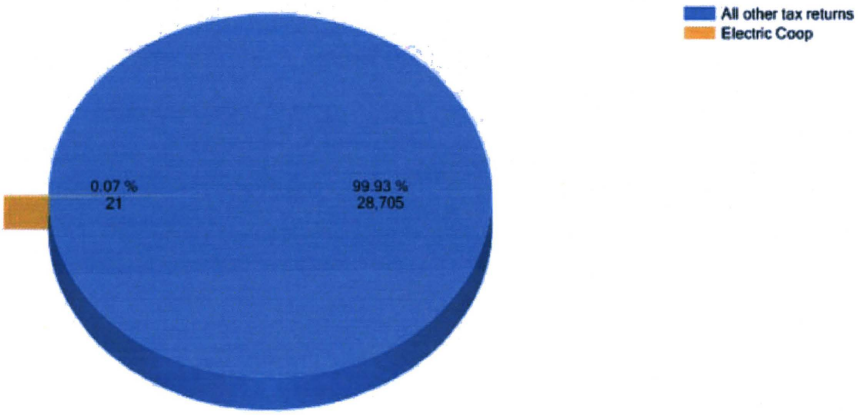


Tax Collections Information for FY 2015



Filing Information	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 fi 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.

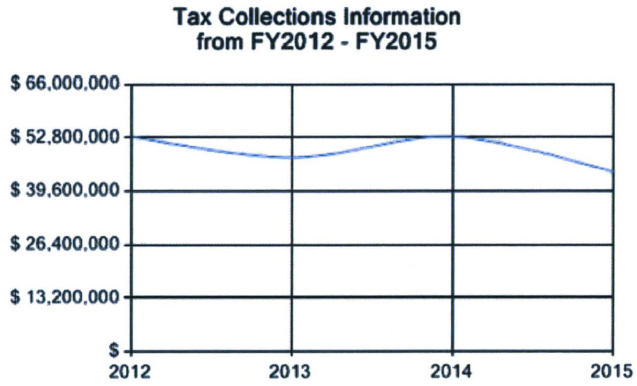
2014 - The legislature passed HB 278 (CH 15 SLA 14) and changed AS 43.75 to further expand qualifying Education Tax Credits to include cash contributions to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Department of 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.

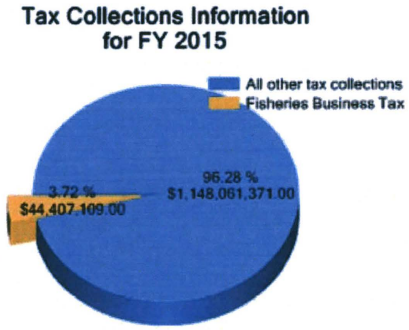
- HB 306 (CH 69 SLA 14) amended AS 43.75 and repealed certain existing tax credits (Winn Brindle scholarship credit, education credit, salmon development credit and film production credit) over the next 5 – 6 years if the legislature does not reauthorize the credits before their sunset dates.

- 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 extendrd to December 31, 2020.

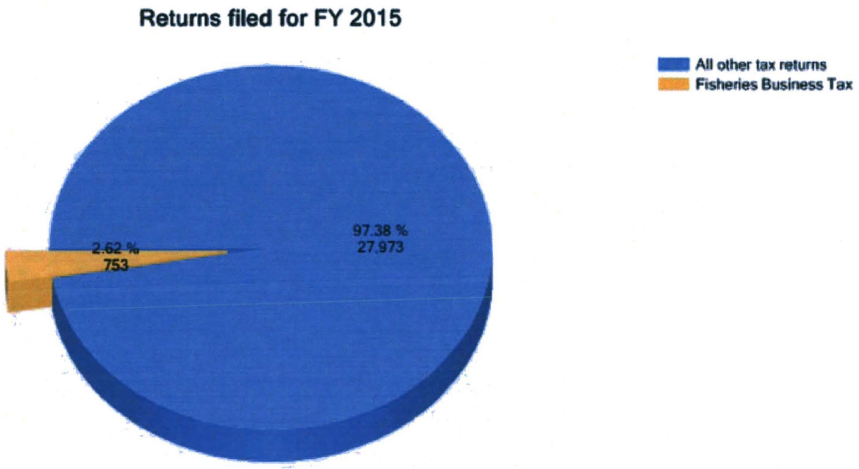
Overview and Historical Overview
Annual Report Data

Collections Summary	FY 2015	FY 2014	FY 2013	FY 2012
Established shore-based	$33,859,642.04	$34,375,661.00	$34,797,124.00	$36,627,375.00
Established floating	$4,412,960.37	$6,498,425.00	$5,578,323.00	$7,053,585.00
Established cannery	$5,117,768.17	$10,295,427.00	$6,478,824.00	$5,939,305.00
Developing shore-based	$9,731.81	$37,743.00	$50,442.00	$63,557.00
Developing floating	$28.15	$525.00	$493.00	$725.00
Prepayments	$502,939.44	$1,392,697.00	$521,526.00	$2,405,470.00
Penalties and Interest	$491,989.36	$418,060.00	$566,989.00	$995,246.00
License Fees	$12,050.00	$11,000.00	$11,575.00	$12,250.00
Total Tax	**$44,407,109.34**	**$53,029,538.00**	**$48,005,296.00**	**$53,097,514.00**
Shared with municipalities	(21,479,070.45)	(24,912,169.00)	(23,165,321.00)	(24,576,578.00)
DCCED municipal allocation	(1,611,355.44)	(1,581,457.00)	(1,898,248.00)	(2,075,432.00)
Total retained by state	$21,316,683.00	$26,535,912.00	$22,941,727.00	$26,445,504.00





Filing Information	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	753	915	923	913
Number of taxpayers	347	420	393	433



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 fi resources from Alaska. The tax is based on the price paid to commercial fishermen for the raw resource, or fair market value when there is no arms-length transaction prior to processing or export. The Division collects fisheries business taxes from processors and persons who export unprocessed fishery resources from Alaska.

RATE

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

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

RETURNS

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

EXCLUSION

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

CREDITS

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

DISPOSITION OF REVENUE

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

PROCESSING ACTIVITY INSIDE MUNICIPALITY

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

PROCESSING ACTIVITY OUTSIDE MUNICIPALITY

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

HISTORY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2006 - The legislature extended the Salmon Product Development Credit for expenditures made through December 31, 2008. The Salmon Utilization Credit was not extended.

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

- The legislature extended the salmon product development tax credit program by three years. The legislation extended the ending date for placing specified property in service to qualify for the credit from December 31, 2008 to December 31, 2011. This legislation expanded the list of qualified property to include conveyors used for producing value-added salmon products and requires that the Department of Revenue develop and implement procedures for pre-determining if investments qualify for the salmon product development tax credit.

2010 - The legislature amended the education credit by increasing the maximum credit allowed from $150,000 to $5 million effective January 1, 2011. In addition the legislature expanded contributions eligible for the credit to include contributions made for construction and maintenance of facilities by state operated vocational education schools and two or four-year colleges. The increase in the credit from $150,000 to $5 million expires December 31, 2013. The maximum credit allowed was to revert to $150,000 on January 1, 2014.That date was extended in 2011 (see below).

The legislature extended the salmon product development tax credit program by four years. The legislation extended the last date for placing qualified property in service from December 31, 2011 to December 31, 2015. The legislation expanded the list of qualified property to include ice making machines.

- The legislature authorized the Department to withhold or suspend a fisheries business license if a fisheries business fails to pay the permit buyback fee imposed by

the National Marine Fisheries Service under 16 U.S.C. 1861a.

2011 - The legislature extended the date that the $5 million annual education credit limit expires from January 1, 2014 to January 1, 2021. It is then scheduled to return to $150,000. In addition, the legislature expanded contributions eligible for the credit to include contributions made after June 30, 2011 to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership.

2014 - The legislature passed HB 278 (CH 15 SLA 14) and changed AS 43.75 to further expand qualifying Education Tax Credits to include cash contributions to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the United States Department of Labor under 29 U.S.C. 50 –50b for direct instruction, research, and educational support purposes. In addition, tax credits are available for cash contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, funding for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Department of Education and Early Development, or certain qualified childhood early learning and development programs. Tax credits are also available for cash contributions for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

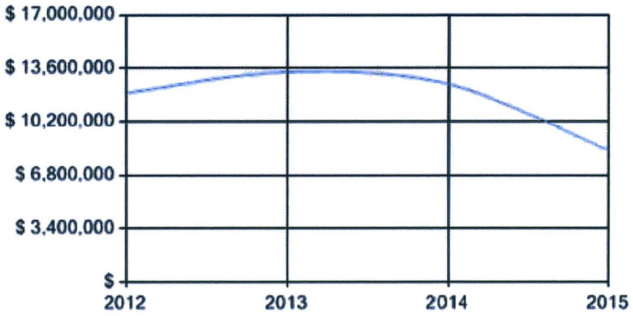
- HB 306 (CH 69 SLA 14) amended AS 43.75 and repealed certain existing tax credits (Winn Brindle scholarship credit, education credit, salmon development credit and film production credit) over the next 5 – 6 years if the legislature does not reauthorize the credits before their sunset dates.

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

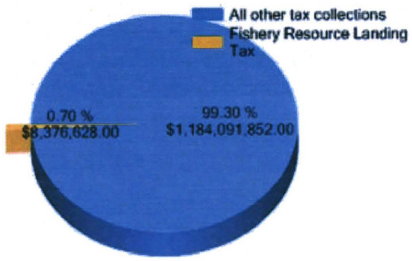
Overview and Historical Overview
Annual Report Data

Collections Summary	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

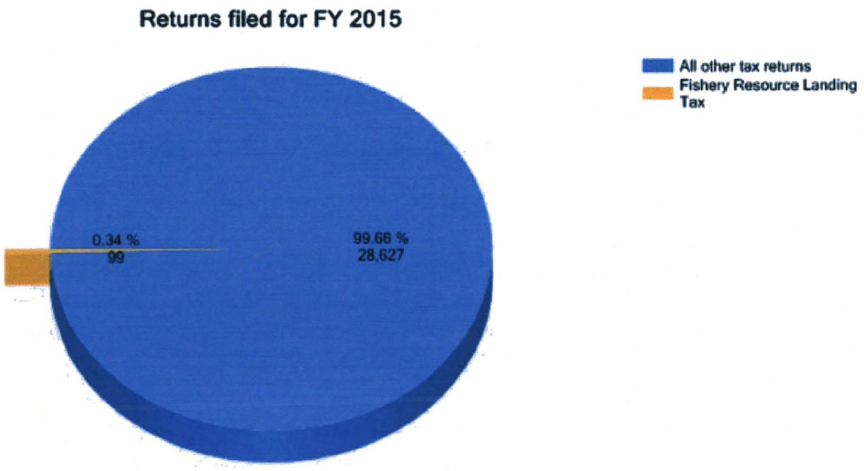
Tax Collections Information from FY2012 - FY2015



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



Gaming

Date Range: 2012 to 2015

AS 05.15
DESCRIPTION

Municipalities and qualified nonprofit organizations are eligible to conduct gaming activities as set out in the Alaska Gaming Reform Act. The purpose of these activities is to derive public benefit in the form of money for these entities. Qualified organizations include: civic or service organizations; religious, charitable, fraternal, veterans, labor, political, or educational organizations; police or fire departments and companies; dog mushers' associations, outboard motor associations, and fishing derby and nonprofit trade associations. Gaming activities include primarily the sale of pull-tabs, bingo and raffles.

The Charitable Gaming Program issues permits and licenses to conduct gaming activities, collects fees and taxes, conducts audits, investigates complaints, and provides educational outreach to municipalities and qualified organizations.

Permits are issued annually with fees ranging from $20 to $100. Licenses are issued annually with fees ranging from$500 to $2,500. A 3% tax on pull-tabs sold by distributors is collected on a monthly basis. A 1% fee on net proceeds is collected annually from permittees if their gross receipts exceed $20,000.

RETURNS

Monthly, quarterly, and annual returns are filed by permittees and licensees conducting gaming depending on the amount of gross receipts and the type of permit/license. Manufacturers and distributors file monthly reports. Operators must file monthly reports to permittees.

DISPOSITION OF REVENUE

The Division deposits permit and license fees, pull-tab taxes, and net proceeds fees into the General Fund.

HISTORY

1960 - The legislature legalized gaming and gave oversight for all gaming activities to the Department of Revenue.

1984 - The Department authorized pull-tabs by regulation.

1988 - The legislature legalized operators, authorized pull- tabs, and increased prize limits.

1989 - Under Administrative Order, gaming functions transferred to the Department of Commerce, Community and Economic Development.

1993 - Under administrative order, gaming functions transferred back to the Department of Revenue and organized as a separate gaming division.

- HB 168 significantly changed various aspects of the statutes governing charitable gaming in Alaska. Third-party vendors were brought under statutory control which allows permittees to contract with them directly to sell pull-tabs and the Department was authorized to issue Multiple- Beneficiary Permits (MBP). MBPs enable two to six permittees to conduct gaming activities jointly. Minimum payments increased from 15% to 30% of adjusted gross income for pull-tab games and require a minimum of 10% of adjusted gross income for all other activities.

1995 - The legislature legalized cruise ship gambling activities in Alaska waters during the 1995 season. The gaming statutes required that cruise ships pay a fee to game in Alaska, and this generated more than $500,000 in revenue during the 1995 season. This law expired after 1995.

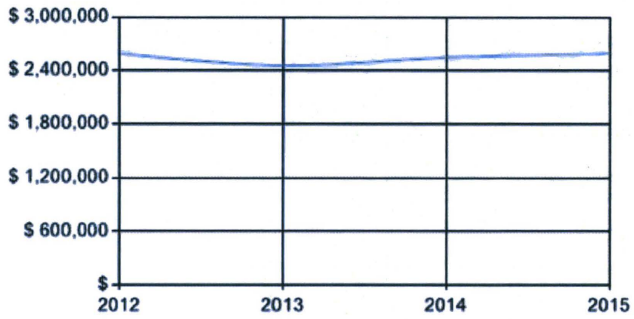
1996 - The legislature authorized three new gaming activities – "Sled Dog Race Classic", "Deep Freeze Classic", and "Snow Machine Classic." The legislature also created the "McGrath Kuskokwim River Ice Classic", and the "Creamer's Field Goose Classic." The legislature prohibited the donation of net proceeds from pull-tabs and bingo activities to registered lobbyists and certain political organizations.

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

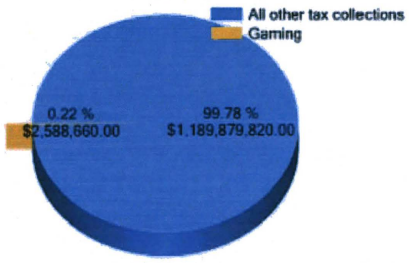
Overview and Historical Overview
Annual Report Data

Collections Summary	FY 2015	FY 2014	FY 2013	FY 2012
Pull tab tax	$2,082,492.96	$2,045,558.00	$1,968,587.00	$2,068,951.00
Net Proceeds Fees	$385,936.76	$353,163.00	$339,874.00	$373,421.00
License and Permit Fees	$120,230.00	$149,615.00	$143,985.00	$144,475.00
Total Tax	**$2,588,659.72**	**$2,548,336.00**	**$2,452,446.00**	**$2,586,847.00**

Tax Collections Information from FY2012 - FY2015

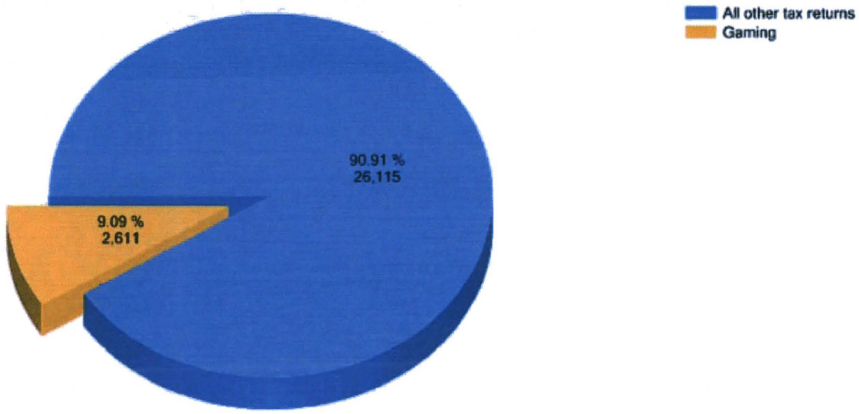


Tax Collections Information for FY 2015



Filing Information	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	2,611	2,972	2,846	2,975
Number of taxpayers	1,156	1,309	1,543	1,658

Returns filed for FY 2015



Applications	FY 2015	FY 2014	FY 2013	FY 2012
Permittees	1,102	1,241	1,171	1,275
Operators	23	32	29	28
Multiple-Beneficiary Permittees	15	18	17	16
Distributors	9	9	9	8
Manufacturers	7	9	9	7
Amended applications			308	324

Reports	FY 2015	FY 2014	FY 2013	FY 2012
Permittees	2,272	2,601	2,440	2,553
Operators	115	101	151	147
Multiple-Beneficiary Permittees	75	72	90	90
Distributors	85	116	90	100
Manufacturers	64	82	75	85

Date Range: 2012 to 2015

AS 43.35
DESCRIPTION
Alaska imposes a tax on the adjusted gross income of gambling activities aboard large passenger vessels in the state. Gambling activities include the use of playing cards, dice, roulette wheels, coin-operated instruments or machines, or other objects or instruments used for gaming or gambling, and any other gambling activities aboard large passenger vessels in Alaska. The tax is imposed on the operator of gaming or gambling activities.

RATE
The large passenger vessel gambling tax rate is 33% of the adjusted gross income. Adjusted gross income means gross income less prizes awarded and federal and municipal taxes paid or owed on the income.

RETURNS
Operators of gaming and gambling activities on large passenger vessels file calendar year returns that are due April 15 of the following year.

EXEMPTIONS
There are no exemptions for the LPV gambling tax.

DISPOSITION OF REVENUE
The Division deposits all proceeds from the LPV gambling tax into the Commercial Vessel Passenger (CVP) tax account in the General Fund.

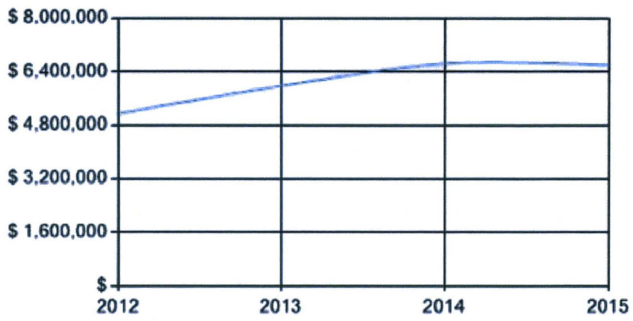
HISTORY
2006 - The LPV gambling tax was enacted by 2006 Primary Election Ballot Measure No. 2. The measure was approved by voters at the primary election of August 26, 2006. The results of the election were certified September 18, 2006 and the initiative's provisions became effective December 17, 2006.

2010 - The legislature created the "large passenger vessel gaming and gambling tax account" as a subaccount of the CVP tax account and directed all proceeds from the LPV Gambling tax to be deposited in this new account.

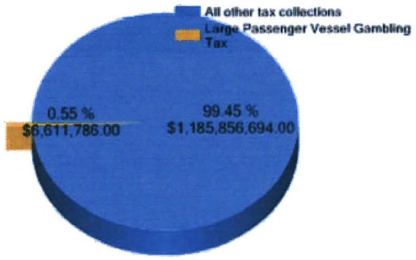
Overview and Historical Overview
Annual Report Data

Collections Summary	FY 2015	FY 2014	FY 2013	FY 2012
Tax collections	$6,611,786.00	$6,656,902.00	$5,983,333.00	$5,155,954.00

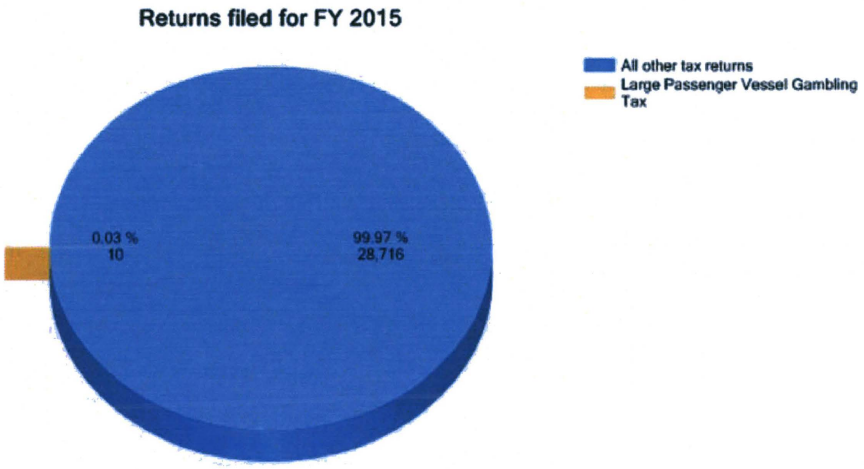
Tax Collections Information from FY2012 - FY2015



Tax Collections Information for FY 2015



Filing Information	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	10	6	10	9
Number of taxpayers	9	6	8	8



Mining License Tax

Date Range: 2012 to 2015

AS 43.65

DESCRIPTION

Alaska levies a mining license tax on mining net income and royalties received in connection with mining properties and activities in Alaska. The Division collects mining license taxes primarily from businesses engaged in coal and hard rock mining.

RATES

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

RETURNS

Mining licensees file annual returns based on the mining business' fiscal year. Calendar year returns and payment of tax are due April 30. Fiscal year returns and payment are due before the first day of the fifth month after the close of the fiscal year.

EXEMPTIONS

New mining operations are exempt from the mining license tax for a period of three and a half years after production begins. Quarry rock, sand and gravel, and marketable earth mining operations are exempt from the mining license tax effective January 1, 2012.

CREDITS

The following are available for use against the liability of this specific tax: education, film credit and minerals exploration incentive tax credits.

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

DISPOSITION OF REVENUE

The Division deposits revenue from the mining license tax into the General Fund. Payments received after a tax assessment are deposited into the Constitutional Budget Reserve Fund (CBRF).

HISTORY

The mining license tax dates back to 1913 and the legislature restructured it several times over the years. The original mining license tax, enacted in 1913, imposed a 0.5% tax on mining net income of more than $5,000. There was no tax on net income less than $5,000.

1915 - The territorial legislature increased the tax rate to 1%. The tax-free net income base remained at $5,000.

1927 - The tax-free net income base was increased to $10,000 and a three-tier tax rate structure was adopted with rates ranging from 1% to 1.75% for net income of more than $1 million.

1935 - The territorial legislature restructured the tax to an eight-tier tax structure with rates ranging from 0.75% to 4% for net income of more than $1 million. The legislature decreased tax-free net income to $5,000.

1937 - The tax-free net income base was eliminated and all net income was subject to tax. A nine-tier tax structure was adopted with tax rates ranging from 0.75% to 8% for net income of more than $1 million.

1947 - The mining license tax was restructured by reinstating a tax-free net income base of $1,000 and restructuring the tax rates to a five-tier structure with rates ranging from 4% to 8% for net income of more than $100,000.

1951 - The legislature authorized a 3½ year exemption for new mining operations. This exemption does not apply to sand and gravel mining operations.

1953 - The tax-free net income base was increased to $10,000 and rates changed to range 3% to 7% for net income of more than $100,000.

1955 - The rate structure as it exists today was adopted.

1987 - The Alaska education tax credit program was enacted allowing for a tax credit up to $100,000.

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

1995 - The legislature authorized the minerals exploration incentive credit. The credit is limited to $20 million and taxpayers may apply the credit against 50% of mining license liabilities over a 15-year period.

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

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

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

2011 - The legislature enacted legislation extending the date that the $5 million annual education credit limit expires from January 1, 2014 to January 1, 2021. It is then scheduled to return to $150,000. In addition, the legislature expanded contributions eligible for the credit to include contributions made after June 30, 2011 to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership.

2012 - The legislature enacted legislation exempting quarry rock, sand and gravel, and marketable earth mining operations from the mining license tax. This legislation has a retroactive effective date of January 1, 2012.

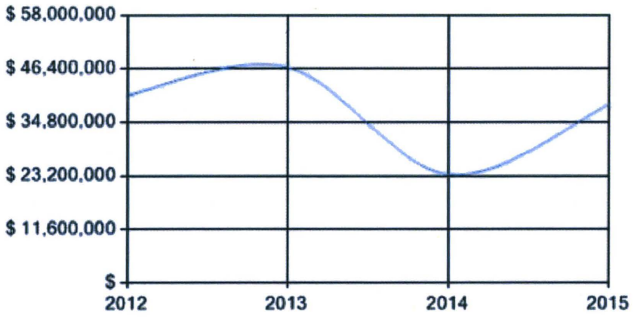
2013 - The legislature authorized the use of Alaska film tax credits against taxpayers' mining license tax liability.

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

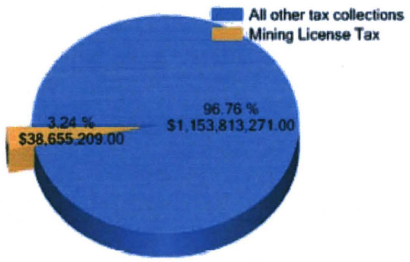
Overview and Historical Overview
Annual Report Data

Collections Summary	FY 2015	FY 2014	FY 2013	FY 2012
General Fund	$38,584,656.00	$23,291,213.00	$46,731,382.00	$40,642,185.00
CBR Fund	$70,552.64	$166,087.00	$56,308.00	$53,648.00
Tax collections	$38,655,209.00	$23,457,300.00	$46,787,690.00	$40,695,833.00

Tax Collections Information from FY2012 - FY2015

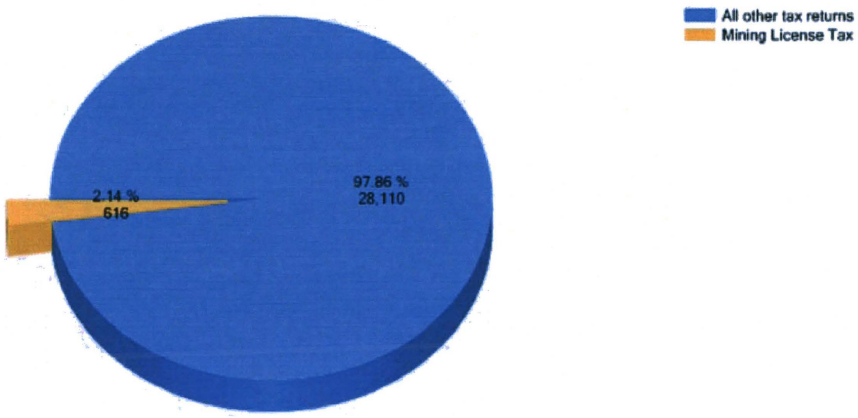


Tax Collections Information for FY 2015



Filing Information	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	616	461	514	650
Number of taxpayers	468	366	452	551

Returns filed for FY 2015



Mining License Tax Credits

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

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

Motor Fuel Tax

Date Range: 2012 to 2015

AS 43.40
DESCRIPTION
Alaska levies a motor fuel tax on motor fuel sold, transferred, or used within Alaska. The Division collects motor fuel taxes primarily from wholesalers and distributors that hold "qualified dealer" licenses issued by the Division.

RETURNS
Mining licensees file annual returns based on the mining business' fiscal year. Calendar year returns and payment of tax are due April 30. Fiscal year returns and payment are due before the first day of the fifth month after the close of the fiscal year.

RATES

Fuel Type	**Rate/Gallon**
Highway	$0.08
Marine	$0.05
Aviation Gasoline	$0.047
Jet Fuel	$0.032

Taxpayers file returns and make payments monthly. There are four separate returns: diesel, gasoline, aviation, and gasohol.
The due date is the last day of the month following the month of sale or taxable use. Taxpayers may deduct 1% of the tax due, limited to a maximum of $100 per return, as a credit for timely filing.

REFUNDS
Consumers may claim a refund for the full tax rate if the consumer paid the full tax rate at the time of purchase and then used the fuel for exempt purposes. Consumers may also claim a partial refund of the tax if a higher rate was paid at the time of purchase or if the consumer used the fuel for partially exempt purposes. Resellers, usually retailers, may claim a refund for the full tax if the reseller paid the tax, and then sold the fuel for exempt use and did not collect the tax.

EXEMPTIONS
In addition to sales between qualified dealers, the following sales and use are exempt from motor fuel tax: heating, federal, state, and local government agencies, foreign flights (jet fuel), exports, charitable institutions, bunker fuel (residual fuel oil or #6 fuel oil.

DISPOSITION OF REVENUE

The Division deposits revenue derived from motor fuel taxes into the General Fund. Revenue from each category of fuel is accounted for separately in the Division's tax accounting system. For example, proceeds from tax on motor fuel used in boats and watercraft are deposited in a special watercraft fuel tax account and proceeds from tax on motor fuel used in highway vehicles are deposited in a special highway fuel tax account within the General Fund.
The Division shares with the respective municipalities 60% of taxes attributable to aviation fuel sales at municipally owned or operated airports. All other proceeds of the taxes on aviation fuel are deposited into a special aviation fuel tax account.

HISTORY
The motor fuel tax dates back to 1945 when the legislature **imposed a tax of $0.01 per gallon on all motor fuel.** Over time, the legislature enacted separate tax rates for each of the fuel types as they exist today. Motor fuel tax rates have changed as in the table on the following page.

1994 - The legislature enacted a tax decrease for bunker fuel. The tax rate decreases from $0.05 to $0.01 per gallon on bunker fuel sales exceeding 4.1 million gallons. The tax decrease expired on June 30, 1998.

1997 - The legislature repealed the gasohol exemption. The legislature enacted a provision that reduces the tax on gasohol from $0.08 to $0.02 per gallon in areas and at times when the use of gasohol is required. However, gasohol has not been required since the winter of 2002-2003 and gasohol is currently taxed at the full tax rate of $0.08 per gallon.

- Legislation was also passed that fully exempted gasohol blended with at least 10% alcohol derived from wood or seafood waste. The legislation expired on June 30, 2004.

- The legislature expanded the foreign flight exemption to include flights originating from foreign countries in addition to the existing exemption for flights with a foreign destination. The legislation included a permanent exemption for bunker fuel (residual fuel oil known as #6 fuel oil) which nullified the 1994 bunker fuel tax rate reduction.

1998 - The legislature authorized taxpayers to take a "bad debt" credit for sales deemed to be worthless and for sales to persons who filed bankruptcy. The provision expired July 1, 2008.

2003 - The legislature enacted legislation that made it easier for the state to issue motor fuel excise tax refunds for credit card purchases made by federal, state, and local government agencies.

2004 - The provision that exempted gasohol blended with at least 10% alcohol derived from wood or seafood waste from the motor fuel tax expired on June 30, 2004. Currently all gasohol is taxed at the rate of $0.08 per gallon.

2008 - In special session, the legislature suspended the motor fuel tax on all fuel types effective September 1, 2008 through August 31,

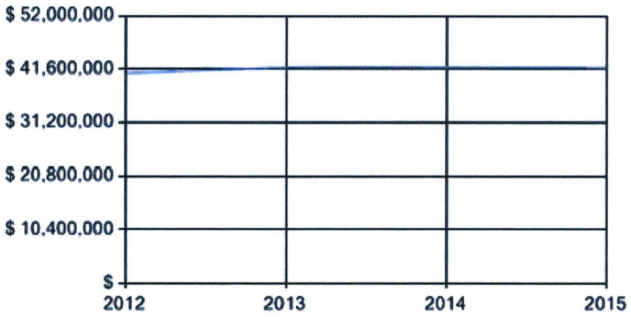
2009 - Motor fuel distributors were required to file monthly reports of all fuel sales during the period of suspension.

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

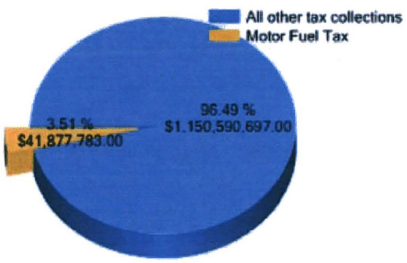
Overview and Historical Overview
Annual Report Data

Gallons	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

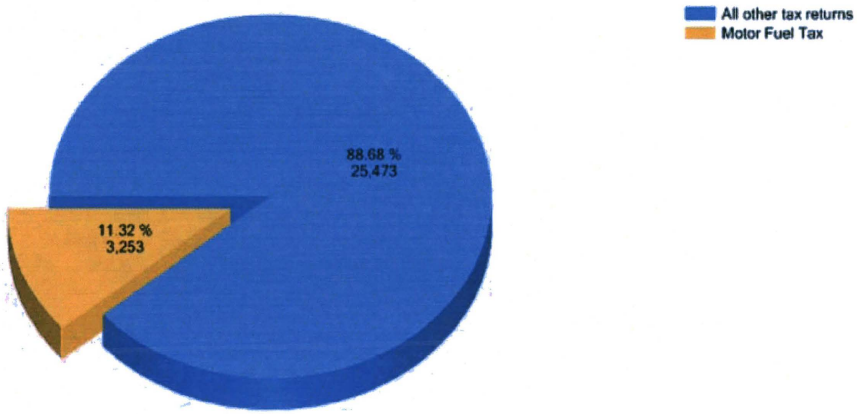


Tax Collections Information for FY 2015



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 grow 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 sough 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 1/12014 through 12/31/2015, and decrease to 35% of excess lease expenditures beginning 1/1/2016. The credit for annual losses incurred sough of 68 degrees North latitude remains at 25%.
(7) Establishes new non-transferable tax credits based on oil production for lease or properties north of 68 degrees North latitude beginning 1/1/2014. Under AS 43.55.024(i), established a $5 per barrel credit for oil which qualifies for the GVR under AS 43.55.160(f). The credit ranges from $8 to $0 based on the average GVPP per barrel each month.
(8) Extended the sunset date for the alternative tax credit for oil and gas exploration from 7/1/2016 to 1/1/2022 in AS 43.55.025(b) for exploration wells drilled outside of the Cook Inlet sedimentary basin and south of 68 degrees North latitude. This extension does not apply to the basin credits for exploration wells in AS 43.55.025(m) or the basin credits for seismic exploration in AS 43.55.025(n).
(9) Extends the sunset of tax limitation on production from leases or properties outside of the Cook Inlet Sedimentary basin and do not include land that is north of 68 degrees North latitude in AS 43.55.011(p) from 2022 to 2027.
(10) Reduces the interest on delinquent tax liabilities from eleven to three percentage points above rate charged member banks in the 12th Federal Reserve District, and interest is no longer compounded quarterly.

2014 - The Alaska Legislature passed SB 138 which is the enabling legislation to allow the State of Alaska to participate as an equity owner in the Alaska Liquefied Natural Gas (AKLNG) project. The goal of AKLNG is to commercialize North Slope natural gas reserves from the Prudhoe Bay and Point Thomson fields. Among the goals of AKLNG is for the state to receive its royalty gas in kind (RIK) and production tax as gas (TAG) in lieu of receiving royalty and tax payments from the producers supplying the gas to the project. The determination to receive the gas molecules in lieu of cash is subject to a best interest finding. The intent is that the state will receive an amount of gas which is commensurate with its equity ownership in AKLNG infrastructure. AKLNG infrastructure includes a gas treatment plant (GTP) located on the North Slope, an 800 mile natural gas pipeline and a natural gas liquefaction facility located in Nikiski. As an equity owner, and a recipient of the RIK and TAG, the State will bear the burden of marketing and monetizing its portion of the gas. The legislation includes several changes to the oil and gas production tax statutes which take effect on and after January 1, 2022. A summary of the significant changes are:
1) The production tax for gas produced on and after January 1, 2022 is equal to 13 percent of the gross value at the point of production of the taxable gas.
2) The production tax on oil produced on and after January 1, 2022 is 35% of the annual production tax value of the taxable oil. The production tax value of the oil taxable under AS 43.55.011(e)(3) includes the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore for, develop, or produce oil and gas deposits in the state that includes land north of 68 degrees North latitude as adjusted under AS 43.55.170.
3) The minimum tax will only be applicable to oil produced on and after January 1, 2022 from leases or properties that include land north of 68 degrees North latitude.
4) For gas produced on and after January 1, 2022, a producer may make an election to pay the production tax as gas (TAG) for gas produced from oil and gas leases modified under AS 38.05.180(hh.) in lieu of the tax otherwise levied for the gas by AS 43.55.011(e).

Overview and Historical Overview
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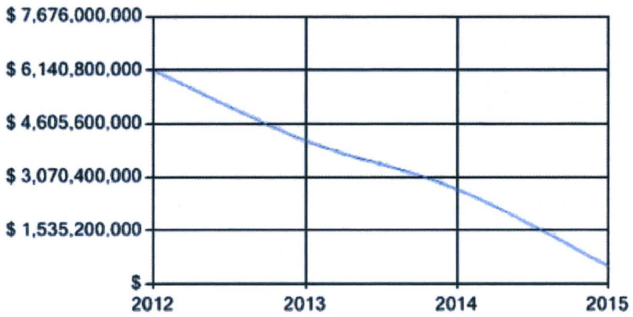
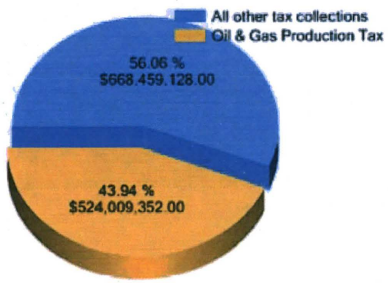
Collections Summary	FY 2015	FY 2014	FY 2013	FY 2012
Production Tax	$381,552,649.80	$2,605,881,507.00	$4,042,470,567.00	$6,136,664,298.00
Conservation Surcharges	$8,149,944.39	$8,769,150.00	$7,797,770.00	$9,448,398.00
General Fund	$389,702,594.10	$2,614,650,656.00	$4,050,268,337.00	$6,146,112,696.00
CBR 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

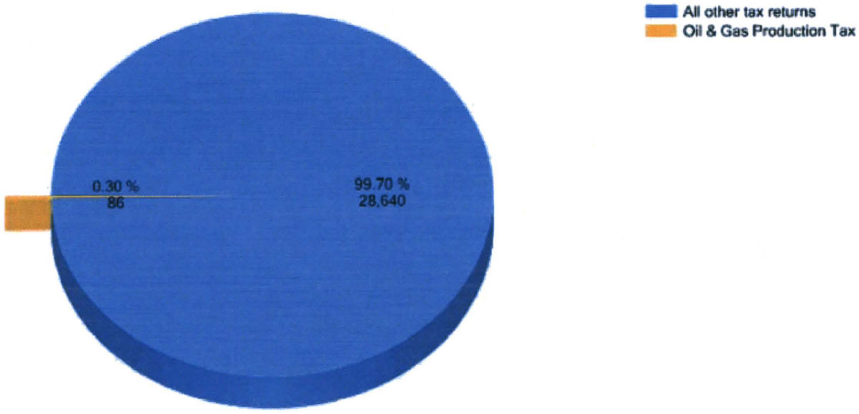


Tax Collections Information for FY 2015



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



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-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.

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(l), 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(i) - 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.

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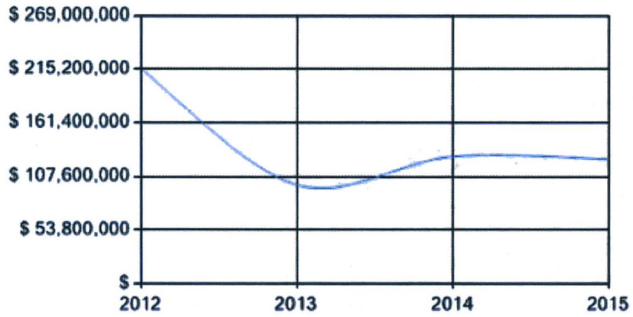
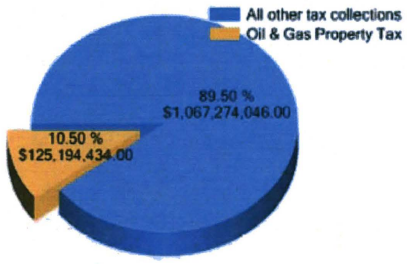
Annual Report Data

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

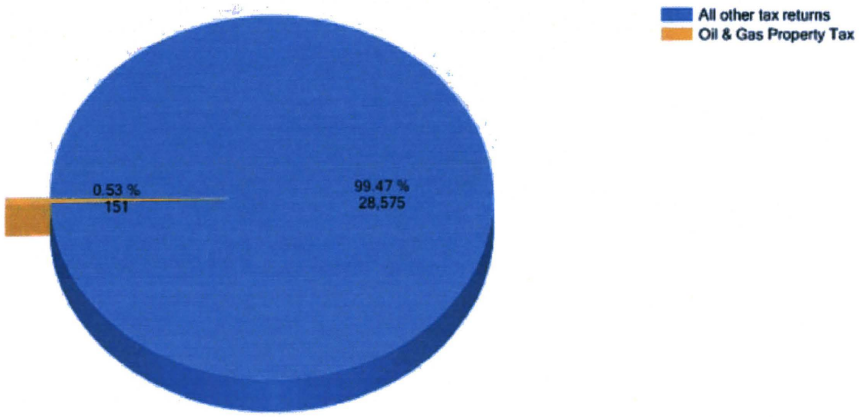


Tax Collections Information for FY 2015



Filing Information	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.

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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 poser 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."

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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.

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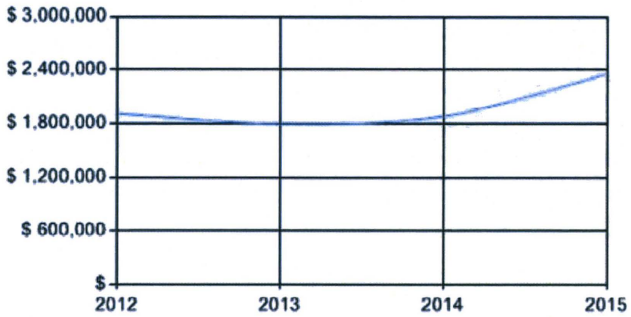
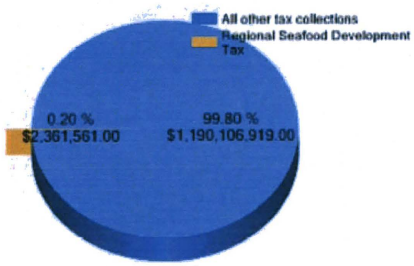
Collections Summary	FY 2015	FY 2014	FY 2013	FY 2012
Tax collections	$2,361,561.00	$1,886,066.00	$1,795,302.00	$1,915,156.00

Tax Collections Information from FY2012 - FY2015

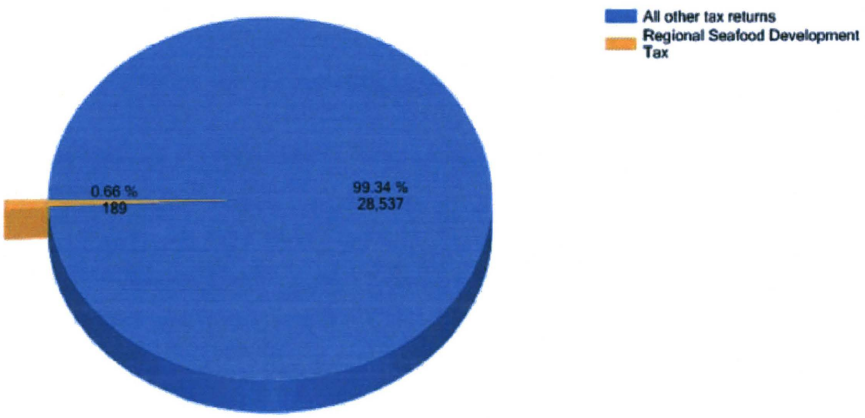


Tax Collections Information for FY 2015



Filing Information	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	189	186	218	244
Number of taxpayers	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
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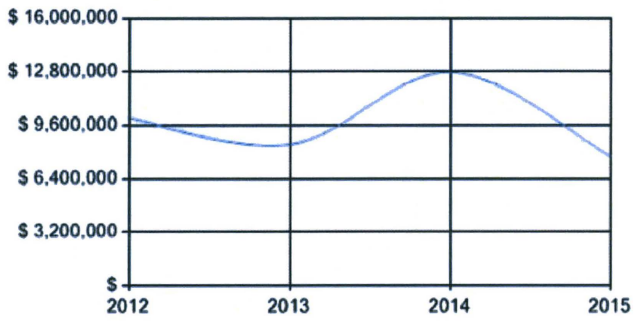
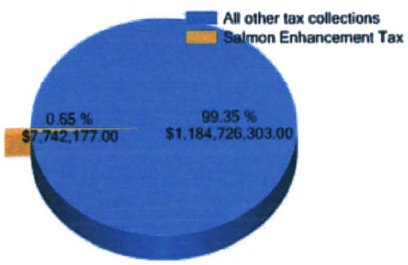
Collections Summary	FY 2015	FY 2014	FY 2013	FY 2012
Tax collections	$7,742,177.00	$12,779,417.00	$8,454,033.00	$10,060,538.00

Tax Collections Information from FY2012 - FY2015

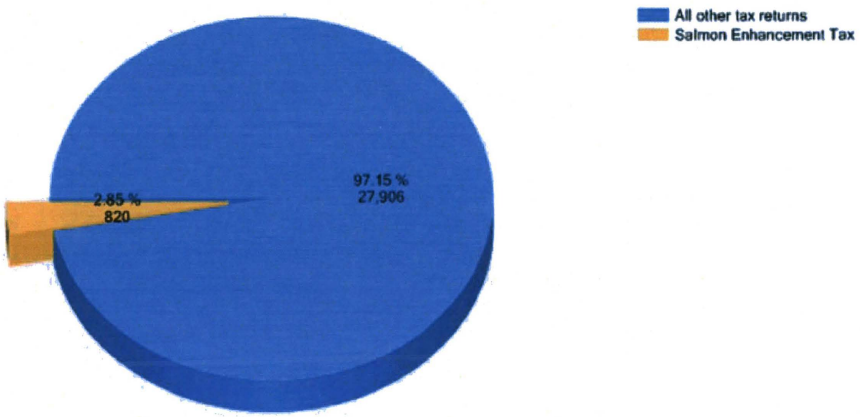


Tax Collections Information for FY 2015



Filing Information	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	820	938	870	891
Number of taxpayers	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.

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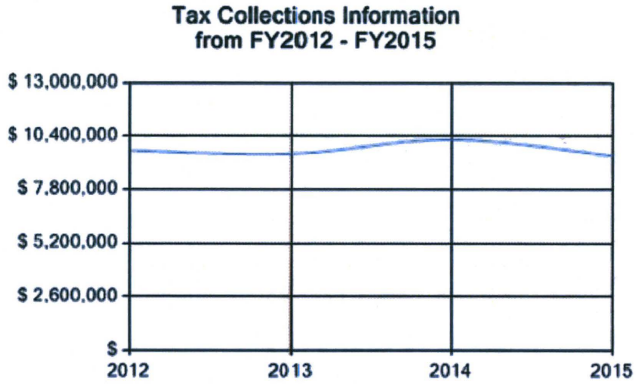
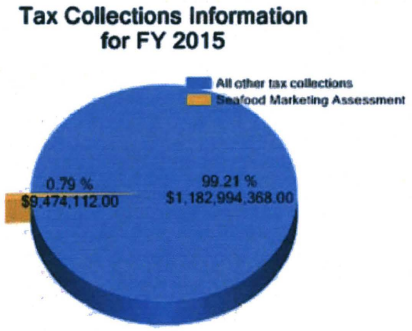
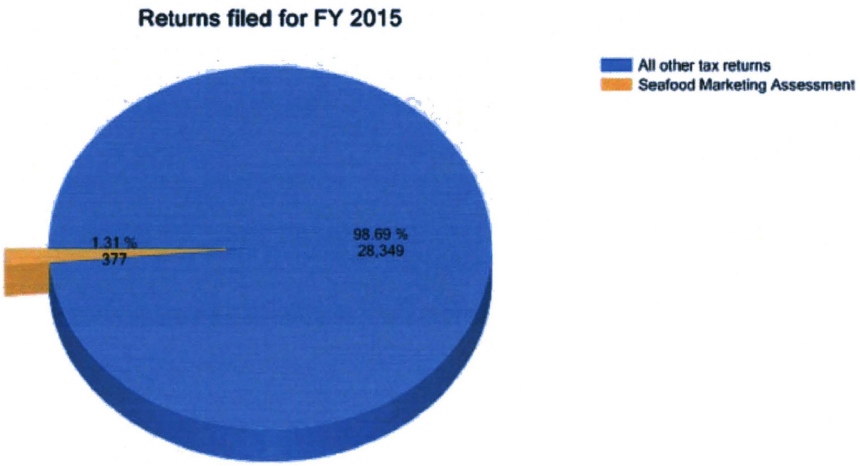
Collections Summary	**FY 2015**	**FY 2014**	**FY 2013**	**FY 2012**
Tax collections	$9,474,112.00	$10,233,058.00	$9,563,546.00	$9,710,180.00





Filing Information	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	377	448	488	446
Number of taxpayers	130	148	139	154



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."

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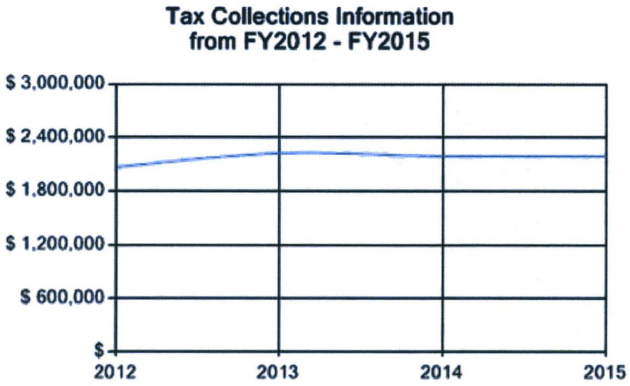
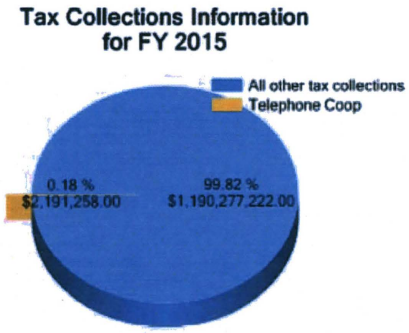
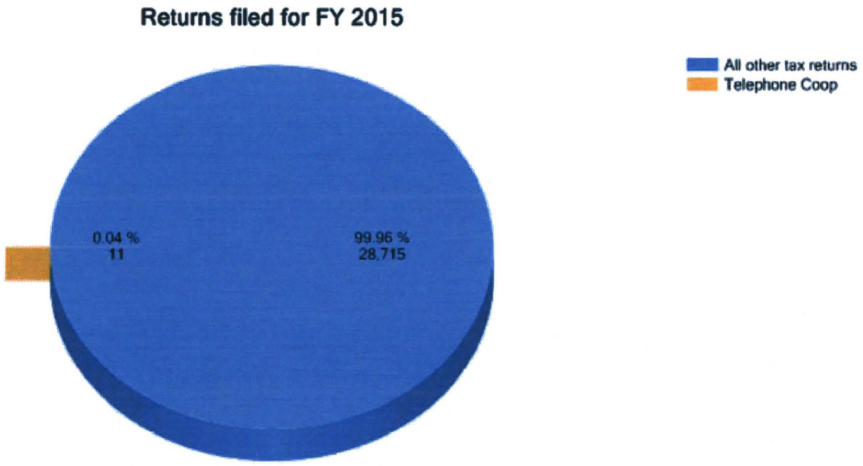
Collections Summary	FY 2015	FY 2014	FY 2013	FY 2012
Total Tax	**$2,191,257.74**	**$2,191,094.00**	**$2,222,538.00**	**$2,067,213.00**
Taxes shared	(1,975,119.44)	(1,971,302.00)	(2,071,131.00)	(1,913,065.00)
Tax retained by state	$216,138.00	$219,793.00	$151,407.00	$154,147.00





Filing Information	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	11	7	6	7
Number of taxpayers	7	6	6	7



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.

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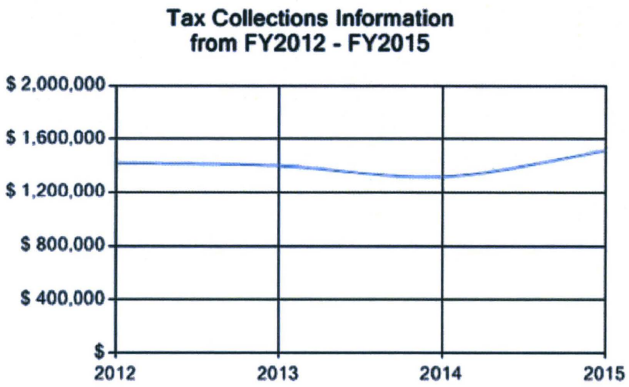
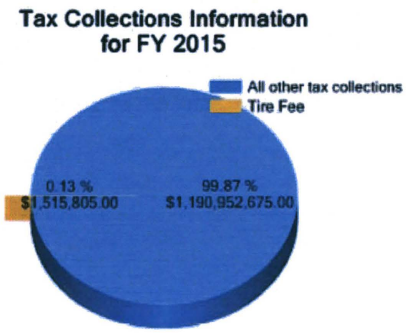
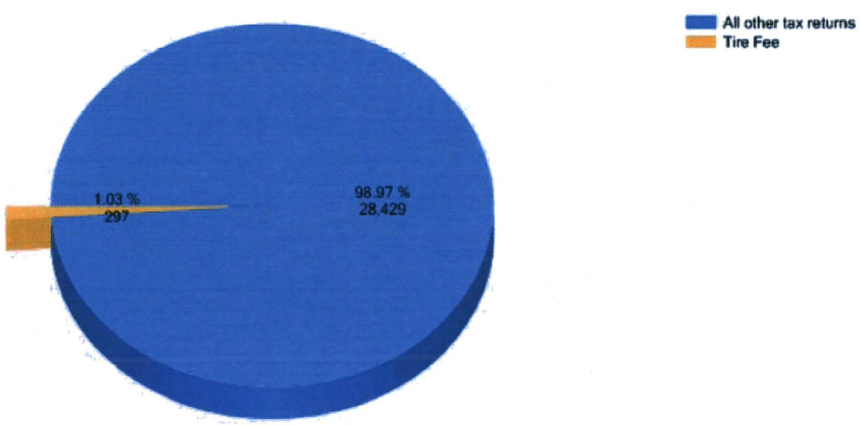
Collections Summary	FY 2015	FY 2014	FY 2013	FY 2012
New tires (non-studded)	$1,133,123.75	$993,281.00	$1,008,990.00	$1,048,855.00
Studded tires & stud installations	$373,883.14	$324,771.00	$373,455.00	$351,003.00
Penalties & interest	$8,798.20	$3,477.00	$18,435.00	$20,026.00
Total Tax	**$1,515,805.00**	**$1,321,529.00**	**$1,400,879.00**	**$1,419,884.00**





Filing Information	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	297	273	292	315
Number of taxpayers	72	75	81	82



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.

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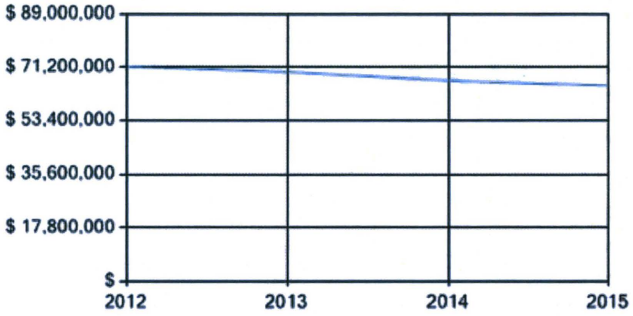
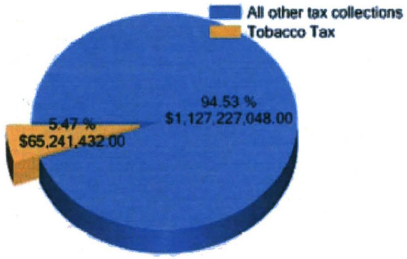
Collections Summary	FY 2015	FY 2014	FY 2013	FY 2012
Cigarette tax	$52,790,556.07	$55,238,631.00	$57,247,497.00	$59,630,927.00
OTP tax	$12,805,976.94	$12,152,537.00	$12,599,764.00	$12,035,633.00
Penalties & interest	$39,543.26	$55,563.00	$81,041.00	$87,812.00
License Fee	$3,450.00	$3,539.00	$4,950.00	$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

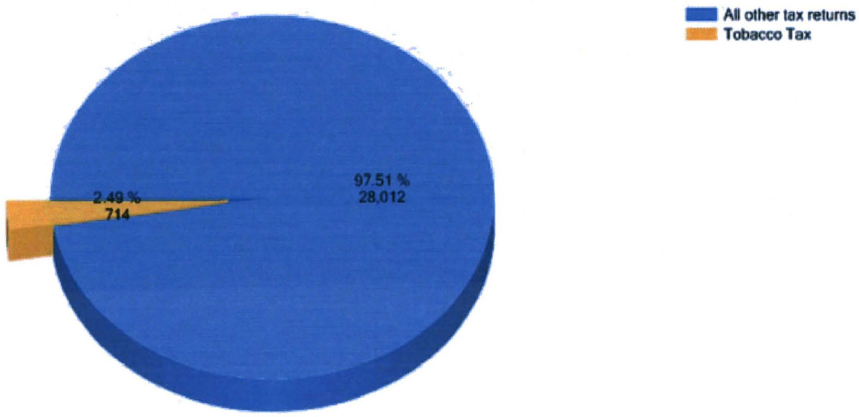


Tax Collections Information for FY 2015



Filing Information	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	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	FY 2015	FY 2014	FY 2013	FY 2012
Other Tobacco Products	$18,572,760.00	$17,589,890.00	$17,143,371.00	$16,503,897.00
Military and Indian exempt OTP	(148,179.00)	(147,589.00)	(155,400.00)	(151,542.00)
OTP Credits for Returns	(249,805.00)	(325,857.00)	(301,332.00)	(291,079.00)
Taxable OTP wholesale	$18,174,776.00	$17,116,444.00	$16,686,639.00	$16,061,276.00

Vehicle Rental Tax

Date Range: 2012 to 2015

AS 43.52
DESCRIPTION
Alaska levies an excise tax on fees and costs charged for the lease or rental of a passenger or recreational vehicle if the lease or rental does not exceed a period of 90 consecutive days. The tax is levied on individuals renting vehicles and is collected by the rental/lease agency.

RATE

Vehicle Type	Rate (Fees & Costs)
Passenger	10%
Recreational	3%

RETURNS
Vehicle rental/lease agencies file tax returns and remit taxes quarterly. The returns and payments are due the last day of the month following the end of the calendar quarter in which the rental/lease agencies collected the tax.

EXEMPTIONS
Vehicle rental tax does not apply to:

- rentals or leases to federal, state, local, or foreign government agencies or employees on official business
- trucks with a gross vehicle weight rating greater than 8,500 pounds used for moving personal property and for vehicles provided to customers by automobile dealers as replacement transportation during warranty, recall or service contract repairs
- taxi cabs are excluded from the tax under AS 43.52.099. Specifically, taxi cabs do not meet the definition of a "passenger vehicle."

There is no exemption certificate required for taxi cabs. Similarly, rental trucks and replacement transportation do not meet the "passenger vehicle" definition. However, there is an exemption certificate required for these transactions.

DISPOSITION OF REVENUE
The Division deposits all revenue from the vehicle rental tax into a special vehicle rental account in the General Fund. The legislature may appropriate the balance in the vehicle rental tax account for tourism development and marketing.

HISTORY

2003 - The legislature enacted the vehicle rental tax on August 20, 2003. The tax became effective January 1, 2004.

2004 - The legislature exempted the rental of taxicabs by taxicab drivers from the vehicle rental tax. Effective May 8, 2004 and retroactive to January 1, 2004, the Division refunded any tax collected or remitted for taxi cab rentals between January 1 and May 8, 2004.

2006 - The legislature exempted trucks rented by individuals for moving personal property and for vehicles provided to customers by automobile dealers as replacement transportation during warranty, recall or service contract repairs, effective January 27, 2006.

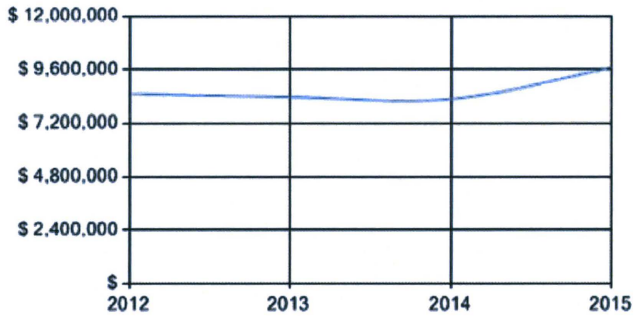
2013 - Effective May 10, 2013, the legislature excluded motorcycles and motor-driven cycles as defined by AS 28.90.990 from the tax.

2014 - HB 193 (CH 74 SLA 14) added a new subsection to AS 43.52.080 allowing the Department of Revenue to share taxpayer information with municipalities relating to vehicle rental tax as long as the municipality grants similar privileges to the department, provide adequate safeguards for taxpayer confidentiality and uses the information for tax purposes.

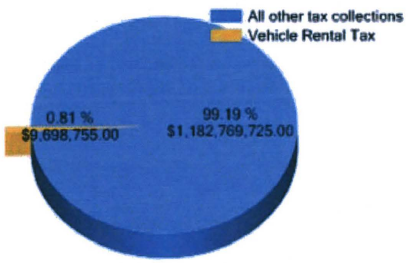
Overview and Historical Overview
Annual Report Data

Collections Summary	FY 2015	FY 2014	FY 2013	FY 2012
Passenger vehicle rental	$9,215,479.86	$7,878,448.00	$8,002,079.00	$8,132,668.00
Recreational vehicle rental	$432,721.61	$396,337.00	$360,782.00	$359,002.00
Penalties, interest & refunds	$50,553.97	$8,712.00	$20,130.00	$37,963.00
Total Tax	**$9,698,755.00**	**$8,283,497.00**	**$8,382,991.00**	**$8,529,633.00**

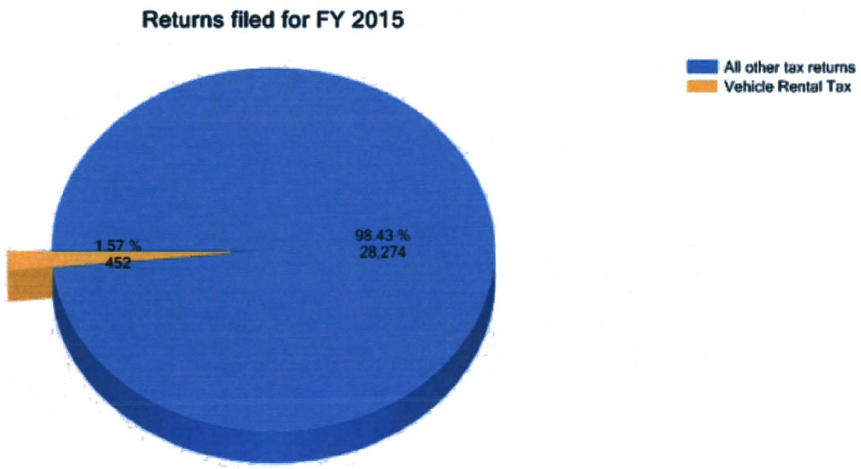
Tax Collections Information from FY2012 - FY2015



Tax Collections Information for FY 2015



Filing Information	FY 2015	FY 2014	FY 2013	FY 2012
Number of returns	452	429	411	464
Number of taxpayers	114	123	116	118


Returns filed for FY 2015
All other tax returns
Vehicle Rental Tax
98.43 %
28,274
1.57 %
452

KeyCite Yellow Flag - Negative Treatment
Called into Doubt by Keller v. French, Alaska, April 3, 2009

736 P.2d 324
Supreme Court of Alaska.

TRUSTEES FOR ALASKA, Nunam Kitlutsisti, Dinyea Corporation, Village of Minto, Alaska Independent Fishermen's Marketing Association, Alaska Center for the Environment, Southeast Alaska Conservation Council, Friends of the Earth, Plaintiffs/Appellants,
v.
STATE of Alaska, Alaska Department of Natural Resources, Esther Wunnicke, Commissioner, Department of Natural Resources, Defendants/Appellees,
Alaska Miners Association, Fairbanks North Star Borough and Joseph E. Vogler, Defendants-Intervenors/Appellees.

No. S–1142. | May 1, 1987.

Coalition of environmental, Native, and fishing groups filed action seeking declaration that State's mineral leasing system violated mineral leasing requirement of Alaska Statehood Act in that State did not require payment of either rent or royalties in leases of lands and that State incorrectly construed restrictions to apply only to lands known to contain minerals at time of State selection. The Superior Court of the Third Judicial District, Anchorage, Douglas Serdahely, J., ruled that plaintiffs did not have standing. Plaintiffs appealed. The Supreme Court, Matthews, J., held that: (1) plaintiffs had standing as taxpayer-citizens to maintain action; (2) mineral leasing requirement in Alaska Statehood Act, mandates system under which State must receive rent or royalties for its mining leases; (3) because Alaska's mineral leases do not require rents or royalties, in that value of required annual labor may be credited against rental, leasing laws do not meet mineral leasing requirement of Act; and (4) grant language in first sentence of section of mineral leasing requirement was intended to convey only mineral deposits in selected lands whose mineral character was known at time of selection.

Reversed and remanded with directions.

West Headnotes (13)

[1] **Action**
Persons Entitled to Sue

Basic requirement for standing in Alaska is adversity.

16 Cases that cite this headnote

[2] **Action**
Persons Entitled to Sue

Under interest-injury approach standing, plaintiff must have interest adversely affected by conduct complained of; degree of injury to interest need not be great, and interest may be economic or may be intangible, such as aesthetic or environmental interest.

21 Cases that cite this headnote

[3] **Municipal Corporations**
Nature and Scope in General

Taxpayer-citizen status is sufficient basis on which to challenge allegedly illegal government conduct on matters of significant public concern.

4 Cases that cite this headnote

[4] **Municipal Corporations**
Nature and Scope in General

Taxpayer-citizen standing cannot be claimed in all cases as matter of right; instead, each case must be examined to determine if several criteria have been met: case in question must be one of public significance and plaintiff must be appropriate in terms of degree of interest, adversity of interest, and ability to competently advocate position asserted.

16 Cases that cite this headnote

[5] **Declaratory Judgment**
Subjects of Relief in General

Coalition of environmental, Native, and fishing groups had standing as taxpayer-citizens to maintain action for declaratory judgment that State's mineral leasing system violates Alaska Statehood Act because it does not require payment of rent or royalties on mining leases, and that State incorrectly construed lease restrictions in Act to apply only to those lands known to have been mineral in character at time of State selection; case was one of public significance in that, if plaintiffs prevailed, State would have to change its method of making State land available for mining, and plaintiffs were appropriate parties to bring suit. Alaska Statehood Act, § 6(a, b, i), 48 U.S.C.A. prec. § 21.

9 Cases that cite this headnote

[6] **Mines and Minerals**
State Leases

Congress did not intend to preclude all litigation concerning meaning of mineral lease section of Alaska Statehood Act by enacting forfeiture proviso applicable when lands or minerals are disposed of contrary to provisions section; Congress intended only that United States Attorney General could bring forfeiture proceedings and that such proceedings could be brought only in United States District Court for the District of Alaska. Alaska Statehood Act, § 6(a, b, i), 48 U.S.C.A. prec. § 21.

1 Cases that cite this headnote

[7] **Declaratory Judgment**
Property, Conveyances, and Incumbrances

Taxpayer-citizens could maintain declaratory judgment action for interpretation of mineral lease section of Alaska Statehood Act. Alaska Statehood Act, § 6(i), 48 U.S.C.A. prec. § 21.

1 Cases that cite this headnote

[8] **Public Lands**
Construction and Operation of Grant in General

Primary purpose of grant of right to Alaska to select 103,350,000 acres of land from United States under Alaska Statehood Act was to ensure economic and social well-being of new State. Alaska Statehood Act, § 6(a, b), 48 U.S.C.A. prec. § 21.

Cases that cite this headnote

[9] **Mines and Minerals**
State Leases

Mineral leasing restriction in Alaska Statehood Act was intended to further goal of State revenue production. Alaska Statehood Act, § 6(i), 48 U.S.C.A. prec. § 21.

Cases that cite this headnote

[10] **Mines and Minerals**
Federal Leases

Federal Mineral Leasing Act was passed rejecting location system for certain minerals in order to provide revenue to United States. Mineral Lands Leasing Act, §§ 1–25, 30 U.S.C.A. §§ 181–263.

Cases that cite this headnote

[11] **Mines and Minerals**
State Leases

Mineral leasing requirement in Alaska Statehood Act, considered in context of School Lands Act and Mineral Leasing Act, other statehood mineral grants, and mineral leasing systems in other states, mandates system under which State must receive rent or royalties for its mining leases. 43 U.S.C.A. § 870(b); Alaska Statehood Act, § 6(i), 48 U.S.C.A. prec. § 21; Mineral Lands Leasing Act, §§ 1–25, 30 U.S.C.A. §§ 181–263.

1 Cases that cite this headnote

[12] **Mines and Minerals**
State Leases

Because Alaska's mineral leases do not require rents or royalties, in that value of required annual labor may be credited against rental, State hard rock mineral leasing laws do not meet mineral leasing requirement of Alaska Statehood Act. Alaska Statehood Act, § 6(i), 48 U.S.C.A. prec. § 21; AS 38.05.185, 38.05.205, 38.05.205(b), 38.05.210.

Cases that cite this headnote

[13] **Mines and Minerals**
State Leases

Grant language in first sentence of section of mineral leasing requirement of Alaska Statehood Act was intended to convey only mineral deposits in selected lands whose mineral character was known at time of selection. Alaska Statehood Act, § 6(i), 48 U.S.C.A. prec. § 21.

1 Cases that cite this headnote

Attorneys and Law Firms

*326 Eric Smith and Robert W. Adler, Anchorage, for plaintiffs/appellants.

Robert M. Maynard and Mark P. Worcester, Asst. Attys. Gen., Anchorage, Harold M. Brown, Atty. Gen., Juneau, for defendant/appellee State of Alaska, Alaska Dept. of Natural Resources, and Esther Wunnicke, Com'r, Dept. of Natural Resources.

James N. Reeves, Bogle & Gates, Anchorage, for defendant/appellee Alaska Miners Ass'n.

Ronald A. Zumbrun, Robin L. Rivett, and James S. Burling, Pacific Legal Foundation, Sacramento, Cal., and Michael B. Markham, Borough Atty., Fairbanks, for defendant/appellee Fairbanks North Star Borough.

Thomas R. Wickwire, Fairbanks, for defendant/appellee Joseph E. Vogler.

Before RABINOWITZ, C.J., and BURKE, MATTHEWS, COMPTON and MOORE, JJ.

OPINION

MATTHEWS, Justice.

Alaska was granted the right to select 103,350,000 acres of land from the United States under section 6(a) and (b) of the Alaska Statehood Act, Pub.L. No. 85–508, 72 Stat. 339 (1958) (set out in a note preceding 48 U.S.C. § 21 (1982)). Mineral deposits in selected lands were also conveyed, subject to certain restrictions. Section 6(i) of the Act provides:

> All grants made or confirmed under this Act shall include mineral deposits. The grants of mineral lands to the State of Alaska under subsections (a) and (b) of this section are made upon the express condition that all sales, grants, deeds, or patents for any of the mineral lands so granted shall be subject to and contain a reservation to the State of all of the minerals in the lands so sold, granted, deeded, or patented, together with the right to prospect for, mine, and remove the same. Mineral deposits in such

> lands shall be subject to lease by the State as the State legislature may direct: *Provided,* That any lands or minerals hereafter disposed of contrary to the provisions of this section shall be forfeited to the United States by appropriate proceedings instituted by the Attorney General for that purpose in the United States District Court for the District of Alaska.

This case presents issues concerning the meaning of the section 6(i) grant and restrictions, and of appellants' standing to bring an action in state court to construe the meaning of the Alaska Statehood Act.

I. PROCEEDINGS BELOW

The appellants are a coalition of environmental, Native, and fishing groups. They filed an action in superior court seeking a declaration that the state's mineral leasing system violates section 6(i) in that the state does not require payment of either rent or royalties in leases of lands subject to section 6(i), and that the state has incorrectly construed the section 6(i) restrictions to apply only to lands known to contain minerals at the time of state selection rather ***327** than to all selected lands which contain minerals.[1]

[1] Appellants also contend that section 6(i) has become part of the Constitution of Alaska, and has created public trust duties. Thus, appellants argue, to the extent that section 6(i) has been violated, so has the Alaska Constitution and the public trust.

All parties moved for summary judgment. The trial court ruled that the appellants did not have standing, that section 6(i) is enforceable only by the Attorney General of the United States, and that the state's mineral management system does not violate section 6(i). The court did not rule on the question whether the section 6(i) restrictions apply to all state-selected lands containing minerals or merely to those known to contain minerals at the time of selection.

We conclude that appellants have standing to maintain this declaratory judgment action, that the state's mineral leasing system violates section 6(i) because it does not require the payment of rent or royalties on mining leases, and that section 6(i) applies only to those lands known to have been mineral in character at the time of state selection.

II. STANDING TO MAINTAIN DECLARATORY JUDGMENT ACTION

A. *Standing*

[1] "Standing questions are limited to whether the litigant is a 'proper party to request an adjudication of a particular issue....' " *Moore v. State,* 553 P.2d 8, 24 n. 25 (Alaska 1976) (quoting *Flast v. Cohen,* 392 U.S. 83, 100–01, 88 S.Ct. 1942, 1952–53, 20 L.Ed.2d 947, 961 (1968)). Standing in our state courts is not a constitutional doctrine; rather, it is a rule of judicial self-restraint based on the principle that courts should not resolve abstract questions or issue advisory opinions. *Id.* The basic requirement for standing in Alaska is adversity. *Id.*

The concept of standing has been interpreted broadly in Alaska. We have "departed from a restrictive interpretation of the standing requirement," *Coghill v. Boucher,* 511 P.2d 1297, 1303 (Alaska 1973), adopting instead an approach "favoring increased accessibility to judicial forums." *Moore v. State,* 553 P.2d at 23; *see also State v. Lewis,* 559 P.2d 630, 634 n. 7 (Alaska) (and cases cited therein), *cert. denied,* 432 U.S. 901, 97 S.Ct. 2943, 53 L.Ed.2d 1073 (1977). Our cases have discussed two different kinds of standing. One is interest-injury standing; the other is citizen-taxpayer standing.

[2] Under the interest-injury approach, a plaintiff must have an interest adversely affected by the conduct complained of. Such an interest may be economic, *Moore,* 553 P.2d at 24; *Wagstaff v. Superior Court, Family Court Division,* 535 P.2d 1220, 1225 (Alaska 1975), or it may be intangible, such as an aesthetic or environmental interest. *Lewis,* 559 P.2d at 635. The degree of injury to the interest need not be great; " '[t]he basic idea ... is that an identifiable trifle is enough for standing to fight out a question of principle; the trifle is the basis for standing and the principle supplies the motivation.' " *Wagstaff,* 535 P.2d at 1225 & n. 7 (quoting Davis, *Standing: Taxpayers and Others,* 35 U.Chi.L.Rev. 601, 613 (1968)).

In the instant case, the appellants assert that they have standing as citizens or taxpayers, rather than because their interests are injured. In prior cases, we have often permitted taxpayers or citizens to challenge governmental action based on their status as taxpayers or citizens. In many such cases, standing has been assumed and not discussed.[2] We have, however, explicitly ***328** addressed taxpayer-citizen standing on other occasions. For example, in *Coghill v. Boucher,* 511 P.2d 1297 (Alaska

1973), registered voters (one of whom was also a poll watcher) were allowed to challenge certain proposed vote-counting procedures. In finding standing, we stated:

> In the case at bar, we conclude that a retreat to restrictive notions of standing, as urged by appellee, would not advance the public's vital interest in maintenance of the integrity of vote-tallying procedures during statewide elections. Denial of standing to appellants in the instant case would have the effect of unduly limiting the possibility of a popular check upon executive control of the election process. If registered voters and poll watchers are foreclosed from seeking judicial review of administrative regulation of this sensitive aspect of our governmental system, then it may well be that any review of executive activity in this area would be completely foreclosed, particularly in the event that candidates or political parties were unwilling to challenge such administrative actions. We decline to restrict the public's access to Alaska's courts in such a manner.
> *Id.* at 1304.

[2] *E.g., Thomas v. Bailey,* 595 P.2d 1 (Alaska 1979) (land grant initiative challenged by citizens and taxpayers); *Abrams v. State,* 534 P.2d 91 (Alaska 1975) (taxpayer and citizen suit challenging legislative formation of Eagle River-Chugiak Borough); *Boucher v. Engstrom,* 528 P.2d 456 (Alaska 1974) (citizen suit to enjoin placement of capital move initiative on ballot); *Boucher v. Bomhoff,* 495 P.2d 77 (Alaska 1972) (citizen challenge to the wording of a referendum question); *Jefferson v. Asplund,* 458 P.2d 995 (Alaska 1969) (taxpayer suit challenging public professional service contract); *Jefferson v. Greater Anchorage Area Borough,* 451 P.2d 730 (Alaska 1969) (taxpayer suit challenging a bond issue); *Suber v. Alaska State Bond Committee,* 414 P.2d 546 (Alaska 1966) (taxpayer suit challenging public mortgage adjustment program); *Walters v. Cease,* 394 P.2d 670 (Alaska 1964) (citizen suit to enjoin referendum relating to formation of local government units); *DeArmond v. Alaska State Development Corporation,* 376 P.2d 717 (Alaska 1962) (taxpayer suit challenging the legality of public corporation); *Starr v. Hagglund,* 374 P.2d 316 (Alaska 1962) (citizen suit to enjoin capital move initiative).
Some of these cases were subsequently recognized as taxpayer standing suits. *See K & L Distributors, Inc. v. Murkowski,* 486 P.2d 351, 353 n. 1 (Alaska 1971) (characterizing *Jefferson v. Asplund,* 458 P.2d 995, and *Greater Anchorage Area Borough v. Porter and Jefferson,* 469 P.2d 360 (Alaska 1970), as taxpayer standing actions); *Moore,* 553 P.2d at 24 n. 26 (citing *Jefferson v. Greater Anchorage Area Borough,* 451 P.2d 730, as an example of taxpayer standing).

We also discussed the question of taxpayer standing in *Lewis,* 559 P.2d 630. At issue was the legality of a three-way land trade between the state, the federal government, and a native regional corporation. Our characterization of the plaintiffs' interest in *Lewis* applies in this case. "Here, plaintiffs are seeking to protect mineral resources in land originally selected from the federal government under the Statehood Act. Their interest in the state's retention of mineral rights in state lands is no less significant than the aesthetic and environmental values sought to be vindicated in *Sierra Club* [*v. Morton,* 405 U.S. 727, 92 S.Ct. 1361, 31 L.Ed.2d 636 (1972)] and [*United States v.*] *SCRAP* [,412 U.S. 669, 93 S.Ct. 2405, 37 L.Ed.2d 254 (1973)]." 559 P.2d at 635. We declined to decide whether standing should be allowed in all taxpayer or citizen actions, but we allowed taxpayer standing in *Lewis.* Several factors influenced our conclusion: the land transfer allegedly violated specific constitutional limitations, the transfer was significant in size and in its potential economic impact on the state, and no one seemed to be in a better position than the plaintiffs to complain of the illegality of the transaction. *Id.*

In *Carpenter v. Hammond,* 667 P.2d 1204 (Alaska), *appeal dismissed,* 464 U.S. 801, 104 S.Ct. 45, 78 L.Ed.2d 67 (1983), we affirmed, in an alternative holding, the standing of a citizen to challenge the reapportionment of a House District in which she did not reside or vote. We stated:

> In the instant case, Carpenter alleges that District 2 violates a specific constitutional limitation and that the disputed transaction (the drawing of election district lines) arguably will have a significant impact on the state. Here the dispute over District 2 has been fully briefed, argued at trial and on appeal, and there is no one in a better position than Carpenter to litigate these issues. In our view, Carpenter also meets the standing criteria of *Lewis.*

Id. at 1210 (footnote omitted).

Gilman v. Martin, 662 P.2d 120 (Alaska 1983), involved a challenge to a municipal sale of land. We upheld taxpayer standing, stating that "[a]ny resident or taxpayer of a municipality has a sufficient interest in the disposition of a significant number of acres of the municipality's land to ***329** seek a declaratory judgment as to the validity of the disposition." *Id.* at 123.

In *Hoblit v. Commissioner of Natural Resources,* 678 P.2d 1337 (Alaska 1984), we held that plaintiff did not have standing as a taxpayer to challenge the sale of some twenty acres of state land. We distinguished *Gilman* on the grounds that the amount of acreage involved in *Hoblit* was not "significant." 678 P.2d at 1341. Similarly, we distinguished *Lewis* because the " 'magnitude of the transaction and its potential economic impact on the State' which were determinative in *Lewis* are simply lacking here." *Id.* We remanded for a determination as to whether or not the plaintiff had standing because of his status as an adjoining land owner. *Id.* at 1341–42.

[3] This review of taxpayer-citizen standing in Alaska clearly demonstrates that taxpayer-citizen status is a sufficient basis on which to challenge allegedly illegal government conduct on matters of significant public concern. Taxpayer-citizen standing has never been denied in any decision of this court, except on the basis that the controversy was not of public significance,[3] or on the basis that the plaintiff was not a taxpayer.[4] However, *Lewis* and *Carpenter* suggested, without deciding, that taxpayer-citizen standing may be denied even in cases of public significance under certain circumstances.[5]

3 *Hoblit,* 678 P.2d 1337.

4 *Greater Anchorage Area Borough v. Porter and Jefferson,* 469 P.2d 360.

5 The Utah Supreme Court relied in part on *Lewis* and adopted a discretionary denial approach in *Jenkins v. Swan,* 675 P.2d 1145, 1150–51 (Utah 1983):

> If the plaintiff does not have standing under the first step [that is, interest-injury standing], we will then address the question of whether there is anyone who has a greater interest in the outcome of the case than the plaintiff. If there is no one, and if the issue is unlikely to be raised at all if the plaintiff is denied standing, this Court will grant standing. *See, e.g., State v. Lewis,* Alaska, 559 P.2d 630, 635 (1977). When standing is predicated on the assertion that the issues involve "great public interest and societal impact," we will retain our practical concern that the parties involved have the interest necessary to effectively assist the court in developing and reviewing all relevant legal and factual questions. The Court will deny standing when a plaintiff does not satisfy the first requirement of the analysis and there are potential plaintiffs with a more direct interest in the issues who can more adequately litigate the issues.
>
> The third step in the analysis is to decide if the issues raised by the plaintiff are of sufficient public importance in and of themselves to grant him standing. The absence of a more appropriate plaintiff will not automatically justify granting standing to a particular plaintiff. This Court must still determine, on a case-by-case basis, that the issues are of sufficient weight, *see Jenkins v. Finlinson,* Utah, 607 P.2d 289 (1980), and that they are not more properly addressed by the other branches of government. Constitutional and practical considerations will necessarily affect our decisions in cases where a plaintiff who lacks standing under step one nevertheless raises important public issues. These are matters to be more fully developed in the context of future cases.

[4] In our view, taxpayer-citizen standing cannot be claimed in all cases as a matter of right. Rather, each case must be examined to determine if several criteria have been met. First, the case in question must be one of public significance.[6] On measure of significance may be that specific constitutional limitations are at issue, as in *Carpenter* and *Lewis.* That is not an exclusive measure of significance, however, as statutory and common law questions may also be very important.[7] Second, the plaintiff must be appropriate in several respects. For example, standing may be denied if there is a plaintiff more directly affected by the challenged conduct in question who has or is likely to bring suit. The same is true if there is no true adversity of interest, such as a sham plaintiff whose intent is to lose the lawsuit and thus create judicial precedent upholding the challenged action.[8] Further, standing may be denied ***330** if the plaintiff appears to be incapable, for economic or other reasons, of competently advocating the position it has asserted.[9]

6 *See, e.g., Carpenter,* 667 P.2d at 1210; *Gilman,* 662 P.2d at 123; *Lewis,* 559 P.2d at 635.

7 *See, e.g., Coghill v. Boucher,* 511 P.2d 1297 (taxpayer's challenge of lieutenant governor's promulgation of regulations under elections statute).

8 *See Flast v. Cohen,* 392 U.S. 83, 100, 88 S.Ct. 1942, 1952, 20 L.Ed.2d 947, 962 (1968) ("federal courts will not entertain friendly suits ... or those which are feigned or collusive").

9 One reason for the adversity requirement is to insure that the issues are well presented. As the Utah Supreme Court said, "When standing is predicated on the assertion that the issues involve 'great public interest and societal impact,' we will retain our practical concern that the parties involved have the interest necessary to effectively assist the court in developing and reviewing all relevant legal and factual questions." *Jenkins,* 675 P.2d at 1150–51.

In the analogous context of class action suits, one important criterion of a party's ability to effectively represent the class is its capacity, for economic and other reasons, to competently advocate its position. *See* 3B J. Moore and J. Kennedy, *Moore's Federal Practice* § 23.07[1.–1], at 23–215 (1985) (under Fed.R.Civ.P. 23(a)(4), "it has become routine to inquire into the competence, experience and vigor of the representative's counsel").

The instant case is undoubtedly one of public significance. If appellants prevail, the state must change its method of making state land available for mining. Some 50,000 existing mining claims may be affected. Under the current system, according to the appellants, the state is illegally giving up more than $100,000 annually in royalties. Further, the state is at risk of forfeiting to the United States extensive areas of state lands. The state has correctly acknowledged the significance of this case.

We turn now to consider whether appellants are appropriate parties to bring this suit. They are well represented by competent counsel who have forcefully presented their position. They are not sham plaintiffs; their sincerity in opposing the state's mineral disposition system is unquestioned. On the other hand, the state argues that there is a potential plaintiff with a more direct interest in the validity of the state's system. The state contends that the Attorney General of the United States may bring a forfeiture proceeding under section 6(i) and that this possibility means that appellants lack standing.

In our view, the mere possibility that the Attorney General may sue does not mean that appellants are inappropriate plaintiffs. In *Carpenter,* a resident and voter of the House District in question would theoretically have been more interested in litigating the question whether the district was malapportioned than was the non-resident plaintiff in that case. However, no such person had filed suit. We noted that the issues had been fully presented at trial and on appeal by the plaintiff, and held that she had standing. 667 P.2d at 1210. Similarly, in *Coghill v. Boucher,* we suggested that candidates or political parties might be more interested than registered voters and poll watchers in challenging the vote-counting procedures at issue. However, they had not done so. We noted that if the plaintiffs were not afforded standing, "it may well be that any review of executive activity in this area would be completely foreclosed." 511 P.2d at 1034. Thus, the crucial inquiry is whether the more directly concerned potential plaintiff has sued or seems likely to sue in the foreseeable future. The Attorney General has not sued nor are there any indications that he plans to do so.

Moreover, the appellants' interest in this suit is different than the Attorney General's would be if suit were brought in the United States District Court pursuant to section 6(i). Appellants are interested in preserving to the state the economic value of these lands. The Attorney General, however, would be bringing an action for forfeiture of these lands, contrary to appellants' interest.

[5] For these reasons we conclude that appellants have standing as taxpayer-citizens to maintain this action.

B. *A Declaratory Judgment Action Interpreting the Provisions of Section 6(i) May be Maintained.*

[6] There has been much litigation concerning the meaning and scope of various statehood act land grants and their restrictions.[10] There have been frequent questions of ownership of the granted lands as between private or governmental contestants. ***331** [11] Much of this litigation has occurred in the state courts. The question presented in this case is whether Congress intended to preclude all litigation concerning the meaning of section 6(i) by enacting the proviso which reads:

10 *E.g., Boyce v. Pima County,* 24 Ariz. 259, 208 P. 419 (1922); *Jensen v. Dinehart,* 645 P.2d 32 (Utah 1982); *cf. State v. University of Alaska,* 624 P.2d 807 (Alaska 1981).

11 *E.g., Rodgers v. Berger,* 55 Ariz. 433, 103 P.2d 266 (1940) (appeal from suit by private mining claimant against state and other private claimants to quiet title in mining claim on land granted under statehood act; in trial court, state alleged it was owner because land was a school section; state did not appeal trial court's judgment for plaintiff); *Texas Pacific Coal & Oil Co. v. State,* 125 Mont. 258, 234 P.2d 452 (1951) (corporation's suit against state to quiet leasehold title to oil and gas deposits under certain school land acquired by state under state enabling act); *cf. Lassen v. Arizona,* 385 U.S. 458, 87 S.Ct. 584, 17 L.Ed.2d 515 (1967) (appeal from Arizona Supreme Court ruling in case between two state executive agencies to compel compensation to trust created under New Mexico-Arizona Enabling Act); *State v. Walker,* 61

N.M. 374, 301 P.2d 317 (1956) (suit between State Highway Commission and Commissioner of Public Lands concerning rights of way or easements over state trust lands granted under New Mexico Enabling Act); *Ross v. Trustees of University of Wyoming*, 30 Wyo. 433, 222 P. 3 (1924) (suit between governor and trustees concerning land granted and confirmed by act of admission for university purposes).

> That any lands or minerals hereafter disposed of contrary to the provisions of this section shall be forfeited to the United States by appropriate proceedings instituted by the Attorney General for that purpose in the United States District Court for the District of Alaska.

In our view, this question must be answered in the negative. It is clear that Congress intended that only the U.S. Attorney General could bring forfeiture proceedings and that such proceedings could only be brought in the United States District Court for the District of Alaska. No inference can be drawn, however, from either the context or the history of the Statehood Act that forfeiture proceedings were meant to be the only means by which a judicial interpretation of the meaning of section 6(i) could be obtained.

[7] The sole reference to the land grant forfeiture provision which we have found in the legislative history appears in the Senate Report accompanying a 1954 bill providing for the admission of Alaska into the Union, S. 50, 83d Cong., 2d Sess. (1954):

> The Attorney General is authorized to take appropriate proceedings for forfeiture of any of the lands granted to the State which are disposed of contrary to these restrictions. In making the above provision, the committee has followed the practice prevalent in a number of mining States—a practice that has stood the test of time and experience.

S.Rep. No. 1028, 83d Cong., 2d Sess. 32 (1954). This reference is to the forfeiture clause of the Act of January 25, 1927 (commonly called the School Lands Act of 1927, 44 Stat. 1026, codified at 43 U.S.C. § 870(b) (1982)), which extended to public land states grants of certain numbered school sections which were mineral in character.[12] This clause has not prevented judicial interpretation of the School Lands Act in non-forfeiture proceedings.[13] We hold that the identical language in section 6(i) has a similar, non-preclusive effect. It would be unusual in the extreme if a state court could not construe the meaning of its state's Statehood Act. In the absence of any indication that Congress intended to bar our state courts from interpreting section 6(i), we conclude that appellants' declaratory judgment action seeking an interpretation of section 6(i) may be maintained.

12 The proviso in the School Lands Act states:

> That any lands or minerals hereafter disposed of contrary to the provisions of this section shall be forfeited to the United States by appropriate proceedings instituted by the Attorney General for that purpose in the United States district court for the district in which the property or some part thereof is located.

43 U.S.C. § 870(b) (1982). This proviso is discussed in more detail in part IIIB of this opinion, *infra* p. 333.

13 *E.g.*, *Rodgers*, 103 P.2d 266; *Jensen*, 645 P.2d 32.

III. THE STATE'S DISPOSITION OF MINERALS VIOLATES SECTION 6(i) OF THE STATEHOOD ACT

Having determined that appellants have standing to bring this declaratory action, we now turn to their arguments on the merits. Their arguments may be summarized ***332** as follows. Section 6(i) of the Statehood Act provides that the state must reserve to itself all of the minerals in the mineral lands granted to the state pursuant to section 6(a) and (b) of the Act. Furthermore, section 6(i) provides that "[m]ineral deposits in such lands shall be subject to lease by the State as the State legislature may direct." Appellants argue that because the state does not require the payment of rent or royalties from those miners whom the state permits to locate and extract hardrock minerals, the state violates section 6(i) of the Act. Appellants also argue that the state has violated section 6(i) by defining "mineral lands" subject to the lease requirement to mean those lands known to be of mineral character at the time of state selection, rather than all lands selected which are ultimately discovered to be of mineral character.

The appellants' arguments raise questions concerning the meaning of section 6(i), and of Congress's intent in granting the state mineral rights on the one hand, but restricting the state in its method of disposing of those minerals on the other. To answer these questions, we look

to the plain language of section 6(i), to the legislative history of the Statehood Act, and to cases construing section 6(i). We also look to general principles of mining law to understand the framework within which section 6(i) must be analyzed.

A. *General Principles of Mineral Disposition*

When Congress passed the Alaska Statehood Act, there were three methods for disposition of minerals located on federal lands: location, lease, and sale. Only locations and leases are relevant in the instant case.[14]

14 The sale method pertains to certain varieties of sand and gravel and other common materials. 30 U.S.C. § 601 (1982).

The location system is the oldest method of mineral disposition. It originated on the public domain as a matter of custom and was institutionalized by various statutes, the most important of which was the Mining Law of 1872.[15] Under the location system, the first claimant who discovers a valuable mineral deposit on unappropriated public domain, stakes and files a mining claim, and pursues it, has a legally protected interest. The locator is entitled to produce minerals from the deposit without paying rent or royalties, and has the right to obtain fee simple title by means of a patent issued by the United States government. 1 American Law of Mining § 30.01, at 30–3 (2d ed. 1985) (all references to American Law of Mining are to the 1985 edition unless otherwise noted).

15 Act of May 10, 1872, ch. 152, 17 Stat. 91. Portions of the Mining Act appear at 30 U.S.C. §§ 22–24, 26–30, 33–35, 37, 39–42, 47 (1982).

Mineral leasing is the primary alternative to the location system. The Mineral Lands Leasing Act of 1920, 30 U.S.C. §§ 181–263 (1982), is the most important statute governing mineral leases; in many respects it has become the model for other federal mineral leasing acts. 1 American Law of Mining § 20.01, at 20–6–7. The Mineral Leasing Act was passed to supersede the location system as to the minerals it covers because of Congress's perception that important revenues were being lost under the older system.[16]

16 "[R]oyalties and rentals" were required "so that the Government may not be passing to title the natural resources without receiving something in return therefor." H.R.Rep. No. 1059, 65th Cong.3d Sess., at 20. (1919).

Under the Mineral Leasing Act, competitive leases are issued on lands known to contain valuable mineral deposits. 30 U.S.C. §§ 262, 272, 283. Bidders buy competitive leases from the government for a premium established at a public sale. 43 C.F.R. §§ 3521.2–2, 3521.2–4, 3521.2–5 (1985). Where valuable mineral deposits are not known to exist, a prospecting permit may be issued to the first qualified applicant. *See* 43 C.F.R. § 3510.0–3. If the permittee discovers a valuable mineral deposit, the permittee may be rewarded with a preference right lease. 43 C.F.R. § 3520.1–1. No premium is charged the lessee of a preference right lease for the privilege of leasing. However, both competitive ***333** and preference right lessees must pay an annual rental fee[17] and a production royalty, which is a specified percentage of the gross value of the leased substance produced. 30 U.S.C. §§ 262, 283.

17 The fees usually vary from 25¢ to $1.00 per acre, depending on the mineral. 1 American Law of Mining § 20.09[5]; *see also* 30 U.S.C. §§ 262, 283.

Appellants contend that although section 6(i) requires the state to *lease* mineral lands, and presumably to obtain rents or royalties, the state does not in fact receive any revenues when it grants miners the right to produce hardrock minerals from state lands. Thus, appellants argue that the state's mineral disposition method is for all practical purposes a *location* system, except that miners may not receive patent to the mineral estate.

The state responds that section 6(i) does not require a revenue-producing rent or royalty; rather, that choice is left to the state legislature's discretion. The state also asserts that it receives as consideration the continued exploration and development of its lands and the benefits that come from an active mining industry.

We shall next consider the language of section 6(i) and its legislative history to glean Congress's intent in its grant and restriction of mineral lands.

B. *Origin of Section 6(i)*

As we have already explained in part IIB of this opinion, the restrictive language in section 6(i) was derived from the 1927 School Lands Act.[18] In *Lewis,* we discussed the School Lands Act in another context:

[18] Act of January 25, 1927 (An Act Confirming in States and Territories Title to Lands in Aid of Common or Public Schools), ch. 57, 44 Stat. 1026, 43 U.S.C. §§ 870–71 (1982).

43 U.S.C. § 870(b) (1983) provides:

> The additional grant made by this section is upon the express condition that all sales, grants, deeds, or patents for any of the mineral lands so granted shall be subject to and contain a reservation to the State of all the coal and other minerals in the lands so sold, granted, deeded, or patented, together with the right to prospect for, mine, and remove the same. Mineral rights in such lands shall be subject to lease by the State as the State legislature may direct, the proceeds and rents and royalties therefrom to be utilized for the support or in aid of the common or public school: *Provided,* That any lands or minerals hereafter disposed of contrary to the provisions of this section shall be forfeited to the United States by appropriate proceedings instituted by the Attorney General for that purpose in the United States district court for the district in which the property or some part thereof is located.

In 1955, the Territory of Alaska, through its legislature, provided for a constitutional convention. Elected delegates adopted a Constitution on February 5, 1956, which was ratified by the people of Alaska on April 24, 1956. This Constitution adopted by the people of Alaska served as the basis for subsequent petitions to Congress for statehood and constituted an offer to accept the privileges and responsibilities of that status in accordance with its terms.

> Throughout the process of drafting the Constitution and its adoption, there was considerable public controversy surrounding the issue of federal control over Alaska's power to dispose of its mineral resources. In statehood legislation for other states, Congress had limited land grants to non-mineral lands. Public lands, which were known to be chiefly valuable for commercial mineral production at the time of the grants, were retained in federal ownership for management and disposition under a theoretically unified system of federal mineral law. In part to avoid the litigation over titles which had resulted from this policy, Congress passed the School Lands Act of 1927, 43 U.S.C. § 870. This act extended the original statehood land grants to embrace lands mineral in character. These additional grants, however, were made subject to a mineral alienation condition which prohibited state disposal of land without a reservation of minerals and permitted a forfeiture action instituted by the Attorney General on behalf of the United States in the event of such disposal [43 U.S.C. § 870(b)].
>
> *334 Although the constitutions of most states were written after passage by Congress of the relevant enabling acts, Alaska's Constitution was drafted in the absence of a pre-existing act. While the delegates were therefore unsure of the particular restrictive language which might be chosen by Congress, they were aware of the history of federal control over state disposition of mineral lands and the likelihood that the United States would insist on retaining its usual powers. To many of the delegates and the people of the state, these restrictions were unpopular.
>
> 559 P.2d at 636 (footnotes omitted). Thus, we see in the School Lands Act language echoed fifty-one years later in section 6(i) of the Alaska Statehood Act: a requirement that grantee states reserve the mineral interest when disposing of granted lands, and a provision allowing grantee states to dispose of minerals only by lease.

Implicit in this quotation from *Lewis* are several points which must be emphasized. First, prior to the enactment of the School Lands Act, the statehood land grants of many western states did not include certain "school lands" sections which were known to be mineral in character at the time for vesting.[19] *Andrus v. Utah,* 446 U.S. 500, 508, 100 S.Ct. 1803, 64 L.Ed.2d 458, 465 (1980); *see also* 3 American Law of Mining § 60.06[2], at 60–11–13. Second, if lands vested which were in fact of mineral character, *but whose mineral character was not known at the time of vesting,* the state owned the lands and minerals contained therein. *United States v. Wyoming,* 331 U.S. at 443, 67 S.Ct. at 1321, 91 L.Ed. at 1593. Third, in *United States v. Sweet,* 245 U.S. 563, 572–73, 38 S.Ct. 193, 195, 62 L.Ed. 473, 481 (1918), the Supreme Court held that congressional grants of school lands to a state conveyed no title to lands known to be of mineral character, even if the grant did not expressly reserve such mineral lands to the federal government. In other words, states received title to lands of known mineral character only when Congress expressly granted "mineral lands." Finally, the School Lands Act of 1927 served as an express congressional grant of school lands of known mineral character. Most importantly, the term "mineral lands" as used in the School Lands Act[20] is a term of art, and refers to the *time* that the mineral character of the lands was appreciated, not to the ultimately discovered nature of the lands.[21] *See also* Slaughter Memorandum *infra* p. 340.

[19] Title to surveyed sections vested at statehood; title to unsurveyed sections vested upon completion of an

official survey. *United States v. Wyoming,* 331 U.S. 440, 443, 67 S.Ct. 1319, 1321, 91 L.Ed. 1590, 1593 (1947).

20 And as used in the Alaska Statehood Act § 6(i). *See* part IIIE of this opinion, *infra* p. 339.

21 The School Lands Act did not completely eliminate litigation of the question whether lands were of known mineral character at the time of survey, however, because the state's interest in lands of known mineral character vested on the effective date of the School Lands Act, rather than at the time of survey. *See, e.g., Rogers,* 130 P.2d 268.

C. *Alaska Constitutional Response to Section 6(i)'s Restrictions*

The School Lands Act restrictions had already been incorporated into the Alaska statehood bills pending in the 84th Congress when the delegates for the Alaska Constitutional Convention met in the winter of 1955–56. The restrictions were controversial because they signalled a change from the existing location-patent system to a leasing system. Ultimately, however, the benefits of statehood were seen to outweigh the doubts of some of the delegates concerning the section 6(i) restrictions. The state constitution was adopted containing a provision expressly consenting to the section 6(i) restrictions.[22]

22 Alaska Const., art. XII, § 13 states:

> All provisions of the act admitting Alaska to the Union which reserve rights or powers to the United States, as well as those prescribing the terms or conditions of the grants of lands or other property, are consented to fully by the State and its people.

However, the framers also sought to preserve key elements of the existing location-patent system should Congress permit. ***335** Thus, they adopted Article VIII, § 11, which provides:

> Discovery and appropriation shall be the basis for establishing a right in those minerals reserved to the State which, upon the date of ratification of this constitution by the people of Alaska, were subject to location under the federal mining laws. Prior discovery, location, and filing, as prescribed by law, shall establish a prior right to these minerals and also a prior right to permits, leases, and transferable licenses for their extraction. Continuation of these rights shall depend upon the performance of annual labor, or the payment of fees, rents, or royalties, or upon other requirements as may be prescribed by law. Surface uses of land by a mineral claimant shall be limited to those necessary for the extraction or basic processing of the mineral deposits, or for both. Discovery and appropriation shall initiate a right, subject to further requirements of law, to patent of mineral lands if authorized by the State and not prohibited by Congress. The provisions of this section shall apply to all other minerals reserved to the State which by law are declared subject to appropriation.

According to one commentator (also a delegate to the Constitutional Convention):

> In part, this provision was inserted in the hope that Congress might recede from its restriction. On the other hand, delegates who concurred in the policy limiting permanent disposal of minerals went along with the proposal because they assumed Congress would stand firm. Most also saw the provision as a demonstration to miners, who might otherwise object to the constitution, that any restrictions applicable to alienation of mineral lands were being imposed from outside and were not the convention's doing.

V. Fischer, *Alaska's Constitutional Convention* 134 (1975).

Congress did not recede from the section 6(i) restrictions. The people of Alaska ratified the constitution in 1956. The Statehood Act was passed by Congress and signed

into law on July 7, 1958. Section 8(b) of the Act required the voters to vote in favor of three propositions, one of which was that:

> (3) All provisions of the Act of Congress approved [July 7, 1958] reserving rights or powers to the United States, as well as those prescribing the terms or conditions of the grants of lands or other property therein made to the State of Alaska, are consented to fully by said State and its people.

Alaska Statehood Act § 8(b)(3). The voters accepted each proposition at the election held on August 26, 1958, and Alaska subsequently became a state on January 3, 1959. *See generally Lewis,* 559 P.2d at 636–39.

Having examined the origin of section 6(i) and the unsuccessful efforts of Alaska's Constitutional Convention to avoid its restrictions, we now turn to the legislative history for an understanding of Congress's intent underlying section 6(i)'s grant of mineral lands and leasing restrictions.

D. ***Congress Intended that Alaska Receive Rents and Royalties from Section 6(i) Mineral Leases to Ensure the New State's Economic Viability***

[8] The primary purpose of the statehood land grants contained in section 6(a) and (b) of the Statehood Act was to ensure the economic and social well-being of the new state. *Udall v. Kalerak,* 396 F.2d 746, 749 (9th Cir.1968), *cert. denied,* 393 U.S. 1118, 89 S.Ct. 990, 22 L.Ed.2d 123 (1969); *United States v. Atlantic Richfield Co.,* 435 F.Supp. 1009, 1016, 1021 n. 47 (D. Alaska 1977), *aff'd,* 612 F.2d 1132 (9th Cir.), *cert. denied,* 449 U.S. 888, 101 S.Ct. 243, 66 L.Ed.2d 113 (1980). One of the principal objections to Alaska's admittance into the Union was the fear that the territory was economically immature and would be unable to support a state government. For example, opponents of statehood claimed that "Alaska is not capable of sustaining statehood unless it is heavily subsidized by the other 48 States of the Union." 104 Cong.Rec. 9498 (1958) (statement of Rep. Smith). Similarly, another opponent to statehood argued that "The prevailing doubt of Alaska's ability to support itself is ***336** evidenced by the generous special considerations which are made for it in this statehood act." 104 Cong.Rec. 12,297 (1958) (statement of Senator Talmadge).

The congressmen who favored statehood conceded that it would impose an additional financial burden on the territory, but they maintained that the Statehood Act sufficiently provided for Alaska's financial well-being. The land grant of 103,350,000 acres was perceived by these congressmen as an endowment which would yield the income that Alaska needed to meet the costs of statehood. Representative Dawson said that:

> All grants include the mineral rights, but these rights must be retained by the State if the lands pass into private ownership. In other words, the mineral rights will always belong to the people of Alaska, and never to private individuals....
>
> These provisions are the foundation upon which Alaska can and will build to the enormous benefit of the national economy shared by her sister States. We cannot make Alaska a "full and equal" State in name and then deny her the wherewithal to realize that status in fact.

104 Cong.Rec. 9361 (1958). The importance of mineral revenue to the new state is also highlighted by the following colloquy between Representative Miller and Alaska Territorial Senator William Egan:

> Miller: Do you see where you would get much income out of this 103 million acres you might select around, bearing in mind most of the forests and good land has been set aside by the Government now, or by the military? How much income would you derive from that to begin with?
>
> Egan: As to how much income would be derived, that would be entirely problematical, depending on the values that would be found there.... There are known deposits of almost every type of mineral.
>
> ....
>
> ... I feel there would be development....

Statehood for Alaska: Hearings Before the Subcomm. on Territorial and Insular Affairs of the House Comm. on Interior and Insular Affairs, 85th Cong., 1st Sess. 201–02 (1957) (remarks of Rep. Miller and William Egan, Alaska Territorial Senator and President of the Alaska Constitutional Convention).[23]

[23] *See also* 104 Cong.Rec. 9360–61 (1958) (further remarks of Rep. Dawson; remarks of Rep. O'Brien); 104 Cong.Rec. 12,012 (1958) (remarks of Sen. Jackson).

The 103,350,000 acre grant ultimately provided in

section 6(a) and (b) of the Statehood Act was one of unprecedented size whether considered either absolutely or as a percentage of the total land area of the state. H.R.Rep. No. 624, 85th Cong., 1st Sess. (1957), *reprinted in* vol. 1 Alaska Statutes "History of Alaska Statehood," at 20. As the colloquy between Representative Miller and William Egan suggests, another rationale for the unprecedented size was that the federal government had already reserved the most valuable land and the new state would, in effect, have second choice. In the House, Representative Saylor said that "the choice areas, more than 95 million acres, have been reserved for Federal agencies." 104 Cong.Rec. 9340 (1958). In Senate discussion of the federal reservations, Senator Robertson read a portion of the House report on the Act: "[T]his tremendous acreage of [federal] withdrawals might well embrace a preponderance of the more valuable resources needed by the new State to develop flourishing industries with which to support itself and its people." 104 Cong.Rec. 12,019 (1958). Thus, the large grant of 103 million acres was deemed necessary because the lands available for state selection were perceived to be only marginally productive.

Furthermore, Congress recognized that the agricultural potential of the statehood grant land was limited. In debate, Senator Byrd commented: "In all of the more than 365 million acres of land in Alaska, only 2 million or about one-half of 1 percent, are arable." 104 Cong.Rec. 12,336 (1958). Because Congress realized that agricultural development would not yield the revenue that Alaska would need to support statehood, the Act contained the provision granting the new state title to the mineral estate underlying the land grants. Senator Kuchel said in debate:

> I believe, however, on the basis of the values of property in Alaska as they have been estimated, the tremendous wealth in the ground in minerals ..., the State of Alaska will be able to make maximum use of the property which it will obtain under the bill from the Federal Government. This provision constitutes one additional assurance. I feel sure that economically the new government will succeed.

104 Cong.Rec. 12,035 (1958).

***337** That Congress recognized the financial burden awaiting the new state is clear from its debates. It is equally clear that the large statehood land grant and the grant of the underlying mineral estate were seen as important means by which the new state could meet that burden. Congress, then, granted Alaska the mineral estate with the intention that the revenue generated therefrom would help fund the new state's government.

[9] [10] The leasing restriction[24] in section 6(i) was intended to further the goal of state revenue production. As we have discussed, the restriction was taken from the 1927 School Lands Act. That language was copied advisedly so that Alaska would be on an equal but not a favored footing with other public land states with respect to the disposition of mineral lands.[25] The School Lands Act leasing requirement was expressly intended to be productive of proceeds, ***338** rents, and royalties, and congressional history indicates that the same result was intended in Alaska.[26] Further, in congressional hearings, the section 6(i) leasing requirement was equated with the "leasing procedures as provided under the Leasing Act of 1920."[27] As previously noted, the federal Mineral Leasing Act was passed rejecting the location system for certain minerals in order to provide revenue to the United States.

24 Appellants and the state agree that the third sentence of section 6(i) requires that mineral deposits be disposed of only by lease. Intervenor Alaska Miners Association argues that the "shall be subject to lease" language is merely permissive: "[A]ll that this sentence requires is that 'leasing' be one of the mechanisms through which these lands would be made available for mining development. It does not require that leasing be the *only* disposal mechanism." (Emphasis in original.)

The Miners' position on this point is contradicted by the structure of section 6(i). If the third sentence was not meant to express the exclusive method of mineral disposition, it need not have been set forth at all. Further, the legislative history demonstrates a uniform belief that section 6(i) required leasing. For example, the Senate Committee Report concerning language that eventually became section 6(i) states:

> Subsection (k) [of S. 50, 83d Cong., 2d Sess. (1954)] provides that all grants made or confirmed under the act shall include mineral deposits. Thus, the fact that the lands desired by the State are known or believed to be valuable for minerals will not preclude the State from exercising its right of selection with respect to them under the several grants. *However, in order to give an added measure of protection to the new State government, which inevitably will be inexperienced and untried, the committee amendment provides for certain restrictions* upon the disposition by the State of mineral lands which it may select under the 100–million acre grant provided in subsection (b) or the 2,550,000–acre grant made in subsection (c). The restrictions are that the State must retain title to all the minerals in these lands, whenever any of them are sold or granted. *The State may dispose of the minerals in these lands only by lease* in such manner as the State legislature may direct.

S.Rep. No. 1028, 83d Cong., 2d Sess. 32 (1954) (emphasis added).

The Miners' argument that Congress intended the

"shall be subject to lease" provision to be permissive is belied by the Miners' testimony objecting to this provision before the House Subcommittee on Territorial and Insular Affairs on March 15, 1957:

> Following is the statement of the Alaska Miners Association relative to *mandatory leasing of mineral rights* on all lands reserved to the new State of Alaska.
>
> ....
>
> We ... believe that the grant of mineral rights on all these lands was done to aid the new State in meeting the added expense of statehood....
>
> We believe that the well-intended actions contained in the enabling legislation will have an adverse effect and the *mandatory leasing of mineral rights* by the new State of Alaska under the conditions imposed would irreparably damage the development of Alaska's mineral resources....
>
> We believe that the Legislature of the State of Alaska should be allowed to determine the disposition of the mineral rights on all State lands except those specifically reserved for schools....
>
> All lands so claimed [by the state] shall have the mineral deposits reserved to the State and *it shall be mandatory that the State lease the mineral rights;* forfeiture of rights could result if disposed of contrary to provisions in the bills.

Statehood for Alaska: Hearings on H.R. 50, H.R. 628, and H.R. 849 Before the Subcommittee on Territorial and Insular Affairs, 85th Cong., 1st Sess. 217–18 (1957) (statement of Glen D. Franklin, Chairman, Legislative Committee, Alaska Miners Association) (emphasis added) (hereafter "*Hearings on H.R. 50* "). Thus, it is clear that the Miners Association recognized in 1957 that section 6(i)'s provision requiring that mineral lands be subject to leasing was a mandatory provision. Their argument to the contrary today is without merit.

25 In other words, the thought was that Alaska should be allowed to obtain mineral lands only if it would administer them in substantially the same manner that States now having mineral land grants are required to administer the lands obtained by them under those grants. This is evident from the close parallelism between the conditions proposed to be imposed upon Alaska and those contained in the 1927 [School Lands] act.

> Memorandum from Herbert J. Slaughter, Chief, Branch of Reference, Division of Legislation, Department of the Interior, to the Honorable E.L. Bartlett, at 7–8 (Nov. 7, 1955) (regarding the mineral lands provision of the Alaska Statehood bills) (hereafter "Slaughter Memorandum").

26 S.Rep. No. 1028, *supra* n. 24 (noting the "similar provision for the protection of the mineral school lands," in the School Lands Act); Slaughter Memorandum, *supra* n. 25. In *State v. Lewis,* we explained that

> The lands to be selected by the state included mineral lands so as to be consistent with the rights granted other states as a result of the School Lands Act of 1927.... The restrictions placed by Congress on alienation of Alaska's lands were of the same import as those set forth in that Act and applicable to other states.

559 P.2d at 638.

27 Hearings on H.R. 50, *supra* n. 24, at 220 (Rep. Aspinall); *see also id.* at 231 (Rep. Abbott).

[11] Moreover, although the mineral leasing systems of other states differ from the federal mineral lands leasing system, they are uniform in requiring the payment of rent, or royalties, or both. 3 American Law of Mining § 63.054(d), at 63–28.

> State statutes may be divided into two principal categories describing the manner of payment of consideration for a lease; first, those that require both rents and royalties but credit the former against the latter or cease rental when the payment of royalties begins; second, those that require both rents and royalties as distinct and independent considerations.

Id. at 63–29 (footnotes omitted). We therefore conclude that the leasing requirement in section 6(i), considered in the context of the School Lands Act, the Mineral Leasing Act, other statehood mineral grants,[28] and mineral leasing systems in other states, mandates a system under which the state must receive rent or royalties for its mining leases.[29]

28 *See, e.g.,* Oklahoma Statehood Act, Act of June 16, 1906, 34 Stat. 267, 273 (expressly including mineral lands, but prohibiting state from disposing of such mineral lands except by short-term lease). Statehood mineral grants are to be considered in light of the mining policies in existence at the time the grants are enacted. *Utah v. Bradley Estates,* 223 F.2d 129, 130 (10th Cir.1955).

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29 The state argues that the language in the third sentence of section 6(i), "as the state legislature may direct," gives the state the discretion not to charge rent or royalties. It cites as authority for this proposition language from the Slaughter Memorandum. The memorandum first discusses earlier Alaska statehood proposals allowing the state to sell lands it selected, including mineral rights, with a reservation of a royalty on all minerals produced therefrom. Concerning these proposals, the memorandum states:

> These earlier proposals, it will be noted, differ in a number of respects from the restrictions contained in the bills now pending. In particular, the current language expressly calls upon Alaska to adopt a mineral leasing system, while the earlier versions permitted the mineral deposits to be disposed of along with the surface, provided a royalty interest was reserved by the State. On the other hand, the current language does not attempt to prescribe maximum or minimum rates of royalty as did the earlier versions, but appears to leave the terms of leasing wholly to the discretion of the State legislature. From a practical standpoint, this second difference may be more important than the first, since if the Alaska legislature is left, as H.R. 2535 and S. 49 now intend to provide, with the untrammelled [sic] right to frame its own mineral leasing laws, it can, if it so ch[o]oses, establish priorities that will tend to keep the surface and mineral rights in the same hands and can, in general, fit the provisions of its mineral leasing system to whatever may be its concepts of the public interest.

Slaughter Memorandum, *supra* n. 25, at 9–10.

We are unable to read this language in Slaughter's memorandum as broadly as the state suggests. The memorandum does not suggest that the state was free from the duty to charge rent or royalties. In fact, Slaughter states that "Alaska should not be accorded greater freedom in the administration of mineral lands than that accorded existing States having Congressional land grants." *Id.* at 2. As noted previously, other states under the School Lands Act were required to lease mineral lands in order to generate rents and royalties.

*339 [12] Although Alaska law requires mining leases for extracting hardrock minerals on those mineral lands thought to be subject to section 6(i),[30] the statutes do not require the payment of rent or royalties. AS 38.05.205, .210. Alaska Statute 38.05.205(b) speaks of an annual rental of not less than the annual labor requirement which would be imposed if the lease were a location. However, no rent actually needs to be paid, because the lessee may credit the value of annual labor performed against the rental. Annual labor is required to ensure that the claim is worked so that the miner does not locate numerous claims and obtain the right to exclude others. 2 American Law of Mining § 7.2, at 102 (1st ed. 1983); *Chambers v. Harrington,* 111 U.S. 350, 353, 4 S.Ct. 428, 430, 28 L.Ed. 452, 453 (1884) ("Clearly, the purpose was ... to require every person who asserted an exclusive right to his discovery or claim to expend something of labor or value on it as evidence of his good faith and to show that he was not acting on the principle of the dog in the manger."). It is not a source of revenue to the landowner. Alaska's mineral leases are in substance indistinguishable from state mining locations.[31] Because they do not require rents or royalties, the state hardrock mineral leasing laws do not meet the leasing requirement of section 6(i).

30 "Hardrock" minerals are those which were subject to location under federal mining laws as of the beginning of statehood, January 3, 1959. A.S. 38.05.185.

31 A letter authored by John Sims, Director of State Office of Mineral Development, described the proposed state leasing system which is now reflected in AS 38.05.205 as a system "which allows a miner on State land virtually all the rights and privileges of the 1872 Federal Mining Law with the express exclusion of patent right." Letter from John Sims, Director, Alaska Office of Mineral Development, to Howard J. Grey, Executive Director, Alaska Miners Association (Feb. 23, 1981).

E. *The Section 6(i) Leasing Requirement Applies Only to Statehood Grant Lands Whose Mineral Character was Known at the Time of State Selection.*

The appellants argue that the section 6(i) leasing requirement applies to all lands granted under section 6(a) and (b) which contain minerals. Their argument may be summarized as follows. Under the first sentence of section 6(i), all mineral deposits in selected lands are conveyed regardless of when the deposit's existence is first known. The term "mineral lands" in the second sentence of section 6(i), to which "such lands" in the third sentence of section 6(i) relates, refers to the same subject as the "mineral deposits" grant of the first sentence. Thus, all lands containing minerals are subject to the leasing requirement, regardless of when the minerals are discovered.

[13] We agree with appellants that the grant language of the first sentence of section 6(i) contains the key to understanding the scope of the leasing requirement. We do not agree, however, that the grant language was intended to convey mineral deposits in selected lands

whose mineral character was unknown at the time of selection. Unknown deposits would be conveyed automatically as a part of the section 6(a) and (b) grants without the use of the section 6(i) grant language. The section 6(i) grant was necessary so that *known* mineral deposits would be conveyed. *See* notes 19–21 and accompanying text, *supra.*

This interpretation is confirmed by the Senate Report on an early statehood bill (S. 50, 83d Cong., 2d Sess., (1954)) which states:

> By the terms of previous statehood bills, and of S. 50 as introduced, the State was to have been permitted, under the land-grant provisions of those bills, to select large acreages of land, but in all previous bills, the State would have been estopped from choosing ... those lands known or even believed to be mineral in character. These severe limitations in previous statehood bills on the State's right to select were not always apparent from the bare language of those measures. Yet they existed within the legal and judicial interpretations which have ***340** heretofore been given as to the meanings of certain words and phrases of these previous proposed statehood bills.
>
> If all the resources of value were withheld from the State's right of selection, such selection rights would be of little value to the new State. As a part of this new approach toward statehood, your committee has felt obligated to broaden the right of selection so as to give the State at least an opportunity to select lands containing real values, instead of millions of acres of barren tundra.
> To attain this result, the State is given the right to select lands known or believed to be mineral in character (subsection k of section 5)....[32]

[32] The report of the Committee on Interior and Insular Affairs on H.R. 7999, which became the Statehood Act, in language reminiscent of the Senate Report makes the same point:

> If the resources of value are withheld from the State's right of selection, such selection rights would be of limited value to the new State. The committee members have, therefore, broadened the right of selection so as to give the State at least an opportunity to select lands containing real values instead of millions of acres of barren tundra.
> To attain this result, the State is given the right to select lands known or believed to be mineral in character (sec. 6(i)).

H.R.Rep. No. 624, 85th Cong., 2d Sess. (1957), *reprinted in* 1958 U.S.Code Cong. & Admin.News 2933, 2939. The Committee thus used the phrase "lands known or believed to be mineral in character" as synonymous with the "mineral deposits" language in the first sentence of section 6(i).

S.Rep. No. 1028, *supra* n. 24, at 6. The Report explains that subsection 5(k), the precursor to section 6(i), "provides that all grants made or confirmed under the act shall include mineral deposits. Thus, the fact that the lands desired by the State are known or believed to be valuable for minerals will not preclude the State from exercising its right of selection with respect to them under the several grants." *Id.* at 32.

The need for and the meaning of the grant language is also confirmed in the Slaughter Memorandum:

> The bills in the 84th Congress for the admission of Alaska into the Union contain a provision which affirmatively declares that the land grants made or confirmed by those bills shall include mineral deposits, and which then proceeds to impose certain express restrictions upon the manner in which Alaska may administer any mineral lands so obtained by it....
>
> The reasoning which prompted the adoption of the provision in question by the Senate Committee is understood to be (1) that mineral deposits must be expressly mentioned in order for mineral lands to be encompassed by a Congressional land grant to a State; and (2) that Alaska should not be accorded greater freedom in the administration of mineral lands than that accorded existing States having Congressional land grants....
>
> With respect to those situations where, as was true of the Utah grants and the California school section grant, the law making the grant neither affirmatively included nor affirmatively excluded mineral lands, the Supreme Court has held that the failure to mention mineral lands was tantamount to an express exclusion of them from the grant....
>
> The members of the Senate Committee on Interior and Insular Affairs who took an active part in the study of S. 50, 83d Congress, considered that, in the light of the holdings of the Supreme Court, statutory language expressly including mineral deposits within the contemplated land grants to Alaska would probably be necessary in order for these grants to encompass mineral lands.

Slaughter Memorandum, *supra* n. 25, at 1–6 (citation omitted). Thus, the grant of mineral deposits in the first sentence of section 6(i) and the term "mineral lands" as

used in the second sentence of section 6(i) both relate to mineral deposits in lands of known mineral character.

Appellants cite as support for their interpretation testimony of a representative of the Alaska Miners' Association before the House Subcommittee on Territorial and Insular Affairs on March 15, 1957. The representative, Mr. Franklin, assumed that mandatory leasing applied to all lands selected under what is now ***341** section 6(a) and (b) of the Statehood Act. *See supra* n. 24. Several congressmen seemed to join in this assumption. However, the question whether all lands selected under section 6(a) and (b), or merely those lands known to be mineral in character at the time of selection, would be subject to mandatory leasing was not addressed.

Appellants also point out that S. 50, as amended by the Committee on Interior and Insular Affairs (83d Cong., 2d Sess. (1954)), and H.R. 2536 (83d Cong., 2d Sess. (1954)), which closely followed the language of S. 50, contained a final sentence which provided: "For the purposes of this subsection the mineral character of lands granted to the State of Alaska shall be determined at the time patent issues and the patent shall be conclusive evidence thereof." This language was stricken at the request of Delegate Bartlett who stated:

> That amendment is offered at the suggestion of the Governor of Alaska and the Land Commissioner of Alaska. They were somewhat apprehensive about the rapidity with which lands would move to the new State if the requirement remained in that the mineral character of all the land would have to be determined in advance. And the rights of the United States, the attorneys tell me, are adequately protected in the foregoing part of that subsection.

Hawaii-Alaska Statehood: Hearings Before the Committee on Interior and Insular Affairs, 84th Cong., 1st Sess. 332 (1955) (statement of Delegate Bartlett) (hereafter "*Interior Committee Hearings* "). The committee chairman asked Delegate Bartlett: "It is your view, Mr. Bartlett, that language is surplusage and is not necessary?" Delegate Bartlett answered: "I do not think it is surplusage, but I will agree with the Governor and the Commissioner of Lands of Alaska, that had best be deleted." *Id.* The appellants argue that by agreeing to the deletion of this language, Congress must either have intended to utilize the traditional test of mineral lands or to define mineral lands as those containing minerals no matter when the minerals are discovered. The argument continues that since Congress was aware that considerable litigation had resulted under the enabling acts of other states as to whether lands were or were not mineral in character, Congress could not rationally have intended to employ the traditional test.

While we agree that administrative problems would be avoided if the section 6(i) limitations applied to all lands granted under section 6(a) and (b), we think it is reading too much into the deletion of the quoted language to conclude that Congress meant by the deletion to change the meaning of "mineral lands" as used in the second sentence of the section. The "determination at patent" language demonstrates that Congress intended the section 6(i) limitations to apply only to section 6(a) and (b) lands of known mineral character. If this were not so there would be no reason for the determination of mineral character at patent. There is no suggestion that Congress intended to change the meaning of "mineral lands" in the second sentence by deleting the final sentence. Both the Chairman and Delegate Bartlett referred to this amendment as "pro forma," a characterization which could not accurately be used if the amendment were intended to change the definition of mineral lands. *Interior Committee Hearings, supra* p. 341, at 331, 333.

Appellants' final point is that construing "mineral lands" to mean all lands where minerals are found would further the congressional policy of assuring that the State of Alaska not squander the resources which it was granted. While it is true that the broader definition of mineral lands advocated by appellants would extend the protection of the section 6(i) restrictions, that does not mean that those restrictions were meant to have the reach which appellants contend. The context and history of section 6(i) heretofore cited persuades us that its restrictions were intended to apply only to lands whose mineral character was known at the time of selection.[33]

[33] For convenience, we have referred to the relevant event as the time of selection. Whether this is the time that the state files its selection application, or some later event such as the tentative or final approval of the selection, is not an issue in this case or on which we express an opinion. Further, we observe that there is room for debate concerning how much must be known about the mineral character of selected lands to qualify them as mineral lands. We also intimate no view on this question as it is not before us.

CONCLUSION

We conclude that appellants have standing to maintain this declaratory judgment *342 action, that the state's mineral leasing system violates section 6(i) of the Statehood Act because it does not require the payment of rent or royalties on mining leases, and that section 6(i) applies only to those lands known to have been mineral in character at the time of state selection. Appellants' state constitutional and public trust theories depend on the meaning of the grant and restrictions of section 6(i). Since section 6(i) directly controls, we have no occasion to examine those theories further. For the above reasons, the judgment is REVERSED and this case is REMANDED with directions to enter a declaration in accordance with this opinion and for such other further proceedings as may be appropriate.[34]

[34] The intervenors raise several other points in defense of the judgment below. We have examined each of them and find that they lack merit.

All Citations

736 P.2d 324

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02/19/2016
House Resource Committee
Public Testimony on HB253
Bill Jeffress
2031 Brandilyn Street
Anchorage, AK 99516-1961
Bjeffress62@gmail.com

Thank you for the opportunity to testify on HB253. My name is Bill Jeffress and my testimony represents my opinions. I have been involved with resource development and the mining industry for over 40 years and actively involved with Alaska mining for almost 25 years. I have worked for some of the major mining companies in Alaska, the State of Alaska as former Director of DNR's Office of Project Management and Permitting, and a mining consultant. I am a member of the Alaska Miners Association and honored to serve as a member of the Alaska Minerals Commission. As a member of the Alaska Minerals Commission, I supported the Commissions 2016 top priority for Alaska to move quickly on a bi-partisan basis to establish a stable fiscal climate that will protect Alaskan's future and their opportunity to develop a diverse economy.

With that said, what is disconcerting regarding HB253 is the previous testimony by the Department of Revenue on SB137 the companion bill to HB253. On February 3, 2016 in the Senate Resources Committee hearing it was stated that there is a perception that the mining industry is not paying its share ("if the public doesn't see that the mines are paying their way it helps that the mines are paying more taxes"). I am sure that DOR employees are glad that their salaries are not based on what is considered public perception.

The December 2, 2015, ISER report "***Fiscal Effects of Commercial Fishing, Mining, and Tourism - What does Alaska receive in revenue? What does it spend?***" concludes that the average state revenue (2010-2014) was $96.4 million while State Operating Expenditures of $10.7 million with an average capital expenditure (2012-2014) was $4 million resulting in a surplus of $81.7 million and another $22.5 million in average municipal revenues. This indicates, at least to me, that the mining industry is definitely contributing more to the state than it costs to administer the program and provide industry oversight.

Considering that the global mining industry and the sectors that support the industry are currently experiencing a prolonged downturn in commodity prices, the proposed increase in the Alaska Mining License Tax from 7 to 9% means a 29% higher payment for operations and the loss of the 3.5 year exemption from paying the tax after production begins is not the kind of message Alaska needs to send to potential investors. We need to remember, Alaska competes with other states and nations for investment dollars based on regulatory and fiscal certainty.

The reality is Alaska's mining industry has tremendous potential for growth and has already demonstrated that by the current operating mines, a huge potential to generate revenues and economic benefits for Alaska – but HB253 sends a message that Alaska's fiscal policies are based on "perception" and not real world economic reality.

ALASKA MINERS
ASSOCIATION

121 W. Fireweed Suite 120 | Anchorage, Alaska | 99503 | 907.563.9229 | alaskaminers.org

November 20, 2015

Commissioner Randy Hoffbeck
Department of Revenue
P.O. Box 110400
Juneau, AK 99811-0400

Dear Commissioner Hoffbeck,

The Alaska Miners Association (AMA) thanks you, Ken Alper, Brandon Spanos, Marcia Davis, and Fred Parady for meeting with us this past Tuesday to discuss the Administration's fiscal plan and possible changes to revenues received from mining activity in the state.

AMA is a non-profit membership organization established in 1939 to represent the mining industry in Alaska. We are composed of more than 1,800 members that come from seven statewide branches: Anchorage, Denali, Fairbanks, Juneau, Kenai, Ketchikan/Prince of Wales, and Nome. Our members include individual prospectors, geologists, engineers, vendors, suction dredge miners, small family mines, junior mining companies, and major mining companies. We look for and produce gold, silver, platinum, molybdenum, lead, zinc, copper, coal, limestone, sand and gravel, crushed stone, armor rock, and other materials.

Representatives from AMA's Board of Directors and staff have participated in Governor Walker's Transition Team, Fiscal Future meetings in Fairbanks, and Business Roundtable meetings this fall, and we are appreciative of the public engagement efforts on behalf of the Administration. As a result of these meetings, and through the tough decisions being made within our own businesses, we are keenly aware of the grave budget situation Alaska is in today.

While AMA understands the State of Alaska cannot rely on spending cuts entirely to resolve the fiscal situation, we believe further analysis to find efficiency in government should be undertaken. Following that, we agree that use of the Permanent Fund earnings is a key and viable option to fund the greatest portion of the budget deficit. No one industry or business should be targeted, nor is able to cover the remaining gap. Instead, we must take a broad-based approach that equitably makes all potential revenue sources, including taxes on individual Alaskans, part of the solution. For industries generating revenue from public resources, we should ensure that all bring a net benefit, so that it costs the state less to manage and regulate than it receives as revenue.

Moreover, when looking to increase revenue from Alaska's mining industry, we would be best served by exploring how to attract investment and bring more mines into production to significantly grow the revenue base. Currently, we have two mining projects that are well into the permitting process. Just one of these projects going into development and production would bring substantially more revenue to the state than what is proposed in the revenue changes on existing operations outlined Tuesday.

ALASKA MINERS ASSOCIATION

Following Tuesday's meeting, we believe the Department of Revenue may not fully appreciate the economics and other specifics of Alaska's mining industry. We would encourage you to engage with the Department of Natural Resources to better understand operations, regulatory requirements, existing fee structures, etc., so that any proposed changes to tax policy are reasonable and result in meaningful benefit to Alaska. To that end, we also offer AMA as a resource.

AMA appreciates your outreach to Alaska's mining industry, and we stand ready to continue working with the Administration to find solutions for Alaska's future.

Sincerely,

Deantha Crockett
Executive Director

ALASKA MINERS ASSOCIATION

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AMA Testimony
Deantha Crockett, Executive Director
HB253: Electronic Tax Return, Mining License Tax and Fees

Thank you. For the record, my name is Deantha Crockett and I am the Executive Director of the Alaska Miners Association. AMA appreciates the invitation to provide testimony today.

The Alaska Miners Association is a professional trade association established in 1939 to represent the mining industry in Alaska. We are composed of more than 1,800 members that come from seven statewide branches: Anchorage, Denali, Fairbanks, Juneau, Kenai, Ketchikan/Prince of Wales, and Nome. AMA is an umbrella association, representing the large metal mining operations in Alaska but also small family mines, coal operations and projects, sand, quarry rock and gravel mining, and the vendor and contracting sector that supports the mining industry.

Each year, AMA distributes to this Committee and your colleagues an "Issues of Concern" document. This outlines our policy positions on issues that impact the success of our industry. This year, given the budget situation we find ourselves in, our very first item of critical concern is a position on State Fiscal Policy that reads, "Immediately implement a comprehensive, long-term fiscal plan in 2016 that ensures responsible spending at a sustainable level. Such a plan should include budget reductions, use of Permanent Fund earnings, reduction in the Permanent Fund Dividend, and new revenue from broad-based taxes. Ensure State of Alaska fiscal policy includes strategies to grow and diversify the Alaska private economy."

I'd like to focus on the last part of that position when offering comments on HB253. Strategies to grow and diversify the private sector in Alaska could not be more important as we look for a solution to our budget imbalance. We ask you. How many industries do we have in Alaska that we can look at and conclude, they've got potential to be twice as large? How much opportunity is there to multiply the taxpayer base of a single sector? Alaska is home to over a dozen advanced exploration mining projects, and just a single one of them going into production will bring the State of Alaska substantially more revenue than what is being proposed in this Legislation.

The Alaska Miners Association and its members want to be part of the fiscal solution. We aren't against paying taxes. We already do pay taxes. But we fear this proposal is short-sighted, and wonder, what is the goal of this tax policy? Is it to raise $6 million dollars? Is it, as was said in testimony at a previous hearing, to address a perception that mining doesn't pay its way? (I'll get to that point in a moment). Or would we, collectively as a state, like to grow mining's contributions to state revenues for many years to come?

ALASKA MINERS ASSOCIATION

Recently, UAA's Institute of Social and Economic Research completed a report prepared for the Department of Commerce, Community, and Economic Development that researched the fiscal effects of Alaska's fishing, mining, and tourism industries. The report shows that mining, despite some of the world's highest environmental standards that require stringent oversight, and highest capital and operating costs due to the lack of existing infrastructure throughout much of the state, brings in much more revenue to the State coffers than what it costs to manage the industry. Mining DOES pay its way in Alaska, not only in state government revenues, but also in property taxes, Native Corporation revenues, and jobs and procurement spending. The mining industry has spent hundreds of millions, if not billions of dollars building infrastructure in this State. All of this should be highlighted when we discuss any supposed perception about mining's contributions to Alaska. Alaska's miners are paying taxes and contributing to Alaska's economy in a significant way.

The state must keep its eye on the prize and bring new mines into operation to increase the taxpayer base. To do this, we as Alaskans must focus on ensuring there is policy in place to make that a reality. Policies based on reasonable, predictable regulation are important, and to the subject on today's agenda, attractive fiscal terms are more important than ever. The global mining industry is in a prolonged downturn, as are the vendor and contracting sectors that support and depend on its activity. A multi-year decrease in commodity prices and increasing development and operation costs has caused the industry to evaluate projects and operations, just as we have seen with the cessation of the Nixon Fork Mine, which suspended operations in 2013, resulting in the loss of 90 jobs, some of which were held by rural Alaskans.

The example of Nixon Fork is demonstrative of the fragility of mining economics, and we are hopeful this reinforces the message that Alaska should be creating and maintaining policies that incentivize investment, not adding new pressures that would deter investment.

Clearly, AMA's position is to grow Alaska's mining industry. We need that just one new mine I mentioned earlier, and should strive to develop dozens of new mines. However, the removal of the 3.5 year exemption for new mines does not achieve that goal. This is simply bad policy. It offers no immediate or near-term revenue for the State of Alaska, yet decreases the feasibility for a future mining project such as the Donlin Gold Project, which has projected 1,200 jobs at operation and would bring millions of dollars of revenue to the State.

This Legislation proposes changing the Alaska Mining License Tax rate from seven to nine percent. Increasing the payments Alaska's larger mines make to the State by 29% with no research, economic analysis, or understanding about whether the industry can bear the increase, is truly disturbing. Alaska's mining industry is comprised of mines that are relatively small in scale and run by one person to large mines that employ over 600 people. Also, hundreds of Alaskan businesses and individuals depend on mining industry spending for their livelihoods. Any policy that would impact this critical industry must be fully contemplated, researched, and understood prior to adoption, and we do not believe the State of Alaska has reached that level of understanding.

Another component of HB253 that we urge the State to research is the impact of the electronic filing requirements on the small miner. Requiring electronic filing of tax returns could be problematic for some

ALASKA MINERS ASSOCIATION

operations, particularly placer mines in remote Alaska with limited connectivity to the Internet. The bill references the possibility of securing exemptions from electronic filing but offers no criteria or additional information about the exemptions. We urge you to ensure the impact of this requirement is understood, and solutions are offered if necessary. In addition, the creation of a $50 application and $50 renewal fee may seem may seem insignificant, but fees required by regulatory agencies have begun to amount to an impactful cumulative increase for Alaska's small miner. This requirement would be in addition to the fee for an Annual Placer Mining Application, fee to enter into the bond pool, camp fee permit, fees required by federal agencies for mine permitting, and more. The creation of a new fee, in addition to substantial existing fees, is yet one more cost mechanism that can only increase in the future, placing further burden on Alaska's small miners.

Thank you for the opportunity to provide you with AMA's position on HB253. To conclude, we urge you to require a close examination of this proposal to fully understand the impacts on every part of Alaska's mining industry – from the large mine to the small miner, and the Alaskan businesses that support the mining industry, and determine whether this proposal accomplishes a goal to further Alaska's economy.

Fortymile Mining District
P.O. BOX 4
Chicken, AK 99732

House Committee Testimony on HB 253
Bronk Jorgensen – Board of Trustees
February 23, 2016

I would like to thank the Committee for letting the Mining District testify on HB 253 today.

The Fortymile Mining District was established on the Fortymile Bar of the Fortymile River on March 25th, 1898 under the 1866 Mining Act and the 1872 General Mining Act. The District is the oldest and longest standing Mining District in the State of Alaska. We encompass approximately six thousand square miles. Since 1898, the District has been actively engaged with Governmental agencies to promote family placer mines and create a healthy and vibrant environment for all user groups of the Fortymile River watershed.

Currently we have just over a 100 family placer miners that make up the Mining District. This group along with all placer miners in the state are currently facing an unprecedented obstacle in dealing with regulatory agencies like the BLM, EPA, DEC, and US Army Core of Engineers.

Family placer operators on Federal Lands are being inundated by Instructional Memoranda's, reinterpretation of regulations and forcing any new or revised plans of operations to comply with a complicated "REM Policy" for reclamation, along with a new BLM policy of being forced out of using the State of Alaska Bond Pool. The State Bond pool is an extremely important asset to our placer miners on both state and federal mining claims.

Placer mining in the Fortymile is a clean process, no acid leaching or other chemicals are used, just water and hard work. The overall footprint is minimal to the extent that the 1986 Environmental impact statement showed that collectively all placer mining in the Fortymile District would have no significant impact. The number of acres that the EIS assumed in 1986 would be mined by 1996 hasn't even been reached today and we are 30 years out. Total all placer activity in the Fortymile is smaller than an Iowa Farm.

I bring this up to show the economic power of our family placer mining and the minimal area it takes to do so.

Family Placer Mines are a huge force in driving the Alaska economy especially in rural Alaska where there is very little other economic activity. I would like to point to the McDowell report that was done on the Economic Impact of Placer Mining in Alaska. A couple highlights from the report.

- Family Placer Mines have been steadily increasing on average over the last decade.
- 88% of all expenditures made by placer miners are spent in the state of Alaska.

- Total Impacts: 1700 jobs in Alaska, $65 million of labor income in Alaska and $150 Million in Total spending on goods and services.

In this house bill,

- The Requirement for Electronic Filing of Mining License Tax Returns. We believe we will problem for our members. The exemption for this should be in statute and allow exemptions for operations with less than 10 employees or a tax liability of under $10,000.
    - Many of our members don't have internet or can barely run a computer.
    - I personally tried to use the current electronic system. I'm probably one of the more tech savvy operators and I stopped and used the good old paper system, because it is difficult and problematic to use.
- This bill is eliminating the Requirement to file returns in Juneau. This is a positive step for family placers. Placer miners should be able to file their tax returns and pay their tax at State DNR information offices in Fairbanks and Anchorage just like Rental Fees, water license fees and APMA fees. This eliminates worry and hassle that returns are timely filed.
- It is purposed that we Increase Mining License Fee of from $0 to $50.
    - This $50 annual fee may not seem like a big thing but it actually is. Currently it is estimated this will bring in only $25,000. This $25,000 is a minor amount of money that will have a significant impact on family placer miners.
        - In order for a placer operator to get permitted, they have to pay the following regulator fees and all these fees add up and make it more difficult for us to operate:
            - APMA fee of $150 for one year. Alaska Placer Miners Application.
            - Non refundable Bonding fees can be as much as $370 per year.
            - Temporary Water License is $50 per year.
            - BLM Camping fees every year for dredgers is $250
            - State Mining Claim Rental Fees and Federal Maintence fees every year cost most of our miners a minimum of $300 per year.

In the end the $50 dollars will have a significant impact, and if it is the straw that breaks the camels back on just one or two family operations, it is not worth it.

Anything you do that adds to the burdon of family placer mines with have a negative effect on both our family miner and the state economy. CACFA the Citizens Advisory Commission on Federal Areas has been a huge asset to the Mining District in dealing with ANILCA and Federal Agencies.

The Fortymile District would like to be positive and what we need to be doing is helping family placer operations so they can be successful and add revenue to our state.

I encourage all of you to remember that the trickledown effect in the economy of losing just a couple family placer mines has a significant impact on the general state economy. Let's try to work on reducing the regulator paperwork and encourage more people to go out and develop small placer operations.

As at State we need to be making it easier to comply and meet regulations. We need to keep the bond pool strong, and pursue our State rights under ANICLA. Continuing to move forward on issues like the navigable waters, RS2477 and we need to support and fund CACFA. In the long term these things will help our overall long term fiscal issues.

Thank you for giving me the time to address the committee.

Council of
Alaska Producers

November 20, 2015

Commissioner Randy Hoffbeck
Department of Revenue
P.O. Box 110400
Juneau, AK 99811-0400

Dear Commissioner Hoffbeck,

On behalf of the Board of Directors of the Council of Alaska Producers (CAP), I want to thank you, Marcia Davis, Fred Parady, Ken Alper, and Brandon Spanos for meeting with us on Tuesday to present the Administration's fiscal plan.

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

As businesses that have had to make tough decisions to optimize operations, cutting budgets and positions over the past four years of declining mineral prices, we appreciate the depth of the State's fiscal challenge. We also commend your efforts to seek input from stakeholders on your fiscal plan.

While the State of Alaska cannot cut its way out of the budget deficit, additional cost-containment and efficiencies are still needed. We concur that use of the Permanent Fund earnings is a viable option to fill the greatest portion of the deficit and it would engage all Alaskans in the solution. But no one industry should be singled out to cover the remaining gap. As you know, the State already receives more revenue from mining than it costs to manage our industry. This is not the case for all industries in Alaska.

As Alaskan businesses willing to do our share, we will support your efforts to obtain consensus for a broad-based approach. Toward that end, we believe that a moderate increase in corporate income tax is the simplest and most equitable way for the entire business community to be part of the solution. An additional benefit of this approach is that it would have very little,

if any, administrative cost to the State because systems are already in place to collect corporate income tax.

We remain ready to provide additional information and work with you on this challenging but vital issue.

Sincerely,



Karen Matthias
Managing Consultant

cc by email:
Governor Bill Walker
Marcia Davis, Deputy Chief of Staff, Office of the Governor
Commissioner Mark Myers, DNR
Deputy Commissioner Ed Fogels, DNR
Deputy Commissioner Fred Parady, DCCED
Ken Alper, Director, Tax Division, DOR
Brendon Spanos, Deputy Director, Tax Division, DOR

Council of
Alaska Producers

Comments on HB253
ELCTRNC TAX RETURN; MINING LIC. TAX & FEES

February 23, 2016

For the record, my name is Karen Matthias and I am the managing consultant of the Council of Alaska Producers (CAP). Thank you for this opportunity to testify on HB 253.

CAP is a non-profit trade association formed in 1992 and serves as a spokesperson for the large metal mines and major metal developmental projects in the state.

I watched the testimony of the Administration last week so I know you have been given an overview of the mining industry and an explanation of the current tax system. I will focus my comments on the impact of this bill on Alaska's 5 large metal mines and major projects and my colleague, Deantha Crockett of the Alaska Miners Association, will be speak to the broader industry which includes coal, placer mining and exploration.

CAP has two major concerns about HB 253:

1. How does the proposed 29% higher AMLT payment impact Alaska's current mines and projects?
2. Will it attract or deter investment to Alaska?

First, I would like to state CAP's position on **fiscal sustainability.**

As businesses that have had to make tough decisions to optimize operations, cutting budgets and positions over the past four years of declining mineral prices, CAP appreciates the depth of the State's fiscal challenge and concurs with many key elements of the Governor's fiscal plan for Alaska.

CAP's position has been consistent. To achieve fiscal sustainability and a stable investment climate, we support strategic reductions in the cost of government, use of the Permanent Fund earnings and broad based revenue measures to fill the remaining gap. However, CAP believes that targeting one or a few resource industries for tax increases is divisive, discourages investment and does little to balance the budget.

The fundamental question is what should Alaska's mineral tax policy be? Presumably we want to find the balance between a reasonable share for the state and a competitive rate for industry that attracts investment. Why? Because a robust, responsible mining industry contributes to Alaska's economic diversity by providing good jobs, procurement and contract opportunities for local businesses, state and local government revenue and revenue sharing to Alaska Native Corporations.

I know the administration already touched on these points and underscored the importance of the mining industry to local communities, particularly in the Interior, Nome, Northwest Alaska and right here in Southeast.

Proposed AMLT increase

In his State of the State address in January, Governor Walker said that if Alaska were a country, we would be the 8th most mineral rich nation in the world. But despite billions of dollars spent on dozens of exploration projects since the 1980s, we currently only have five large metal mines. Why? Simply put, it is very expensive and takes a long time to develop a mine in Alaska due to our state's lack of transportation and energy infrastructure. If our rich deposits were in Nevada closer to roads, rail and power, they would probably already be operating mines.

The State's annual Mineral Industry Report recognizes the negative impact of declining metal prices and paints a grim picture: fewer jobs, lower net revenue and a significant drop in exploration spending. This prompts numerous questions from our industry. What is the rationale for raising the Alaska Mining License Tax (AMLT) at a time of low metal prices? We have not seen a detailed analysis from the Administration about the impact of a tax hike. CAP is concerned that it will it affect the economic feasibility of mines that are under consideration or in permitting. Just one new large metal mine would bring more revenue to the state than this proposed increase.

CAP has members that are very concerned that at our current low metal prices it doesn't take much to tip into neutral or negative cash flow. Yes, the AMLT is based on net income, but at these prices, net income is low and a 29% higher tax payment would be a hard blow. The Department of Revenue has clearly illustrated how difficult things are for the industry in their estimation of the revenue impact of the higher tax rate. When the Governor rolled out his fiscal plan in December, Appendix A of his narrative stated that the increase in AMLT would result in an additional $12 million to the state. The fiscal note to this bill says $5.9 million in 2018. The difference is a recalculation of estimated net income and the reality of low commodity prices.

CAP is also concerned that the tax increase will deter investment. The 2014 Fraser Institute Annual Survey of Mining Companies ranks Alaska 22nd out of 122 jurisdictions around the world in regard to mining taxation policy as approximately 70% of the respondents said that our tax policy encouraged or did not deter investment. At a time of increasing competition for few global exploration dollars, what will be the impact of the proposed AMLT increase on global perception of investing in Alaska? Many people are surprised that our major competition are not countries in Africa and South America, but Canadian provinces and other US states like Arizona and Nevada which have more attractive investment climates. They offer both lower tax rates and more infrastructure which often means a better return on investment.

We should be encouraging, not discouraging new investment in Alaska. New mines, of which Donlin Gold is just one example, could potentially bring more revenue to the State of Alaska than the modest revenue to be gained by this measure.

3.5 year AMLT exemption for new mines

It is equally important to question the proposed elimination of the 3.5 year exemption of the AMLT for new mines. Is it fair to remove the exemption for mines that are currently under consideration or in permitting and whose economic models count on the exemption? Since no new large mines have received permits to start construction, it is clear that this change will not result in any new revenue in the near term. On the contrary, it sends a negative message to potential investors and possibly tips the scale for economic feasibility of some developing projects so it could actually have a negative impact on future state revenue. Surely this is not the goal of the State of Alaska. Please consider amending the bill to remove this proposal.

In closing I want to emphasize that CAP's position on fiscal sustainability has been consistent:

- The State of Alaska cannot cut its way out of the budget deficit, however additional cost-containment and efficiencies are still needed.
- Use of the Permanent Fund earnings is a viable option to fill the greatest portion of the deficit.
- No one industry should be singled out to cover the remaining gap.
- As Alaskan businesses willing to do our share, CAP would be supportive of broad based measures to address any remaining deficit.

Thank you for the opportunity to provide these comments. We urge you to look closely at the impact of this bill on Alaska's ability to be competitive and encourage investment in the mining sector. Many Alaskan communities and thousands of Alaska miners and their families depend on a healthy mining industry.

MINING INDUSTRY UPDATE

House Resources Committee
February 24, 2016

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ALASKA MINERS
ASSOCIATION

RECENT SAFETY MILESTONES

Kinross Fort Knox
1.6 million hours no Loss Time Injury (LTI)
2015: Int'l Society of Mine Safety Professionals Awards
2012-2014: 2.6 million hours no LTI

Sumitomo Pogo
2015: surpassed 2 years no LTI
2014: surpassed 1 million manhours no LTI
2009: MSHA Underground Mine Sentinels of Safety

Teck Red Dog
2009 & 2011: surpassed 1 million manhours no LTI
2009 - The Journey to Courageous Safety Leadership

Coeur Alaska – Kensington Mine
2015: Employee Led Behavior Safety Program
2011: Alaska Governor's Safety Award

Hecla Greens Creek
2013: NIOSH Safety & Health Technology Innovation Award
1997 & 2003: MSHA Underground Mine Sentinels of Safety

Usibelli Coal Mine
540 days no LTI

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POTENTIAL

"If Alaska were a country, we would be the eighth most mineral-rich nation in the world."

- Governor Bill Walker, 2016 State of the State Address

Are the right policies in place to encourage development and production of critical and strategic minerals in Alaska?

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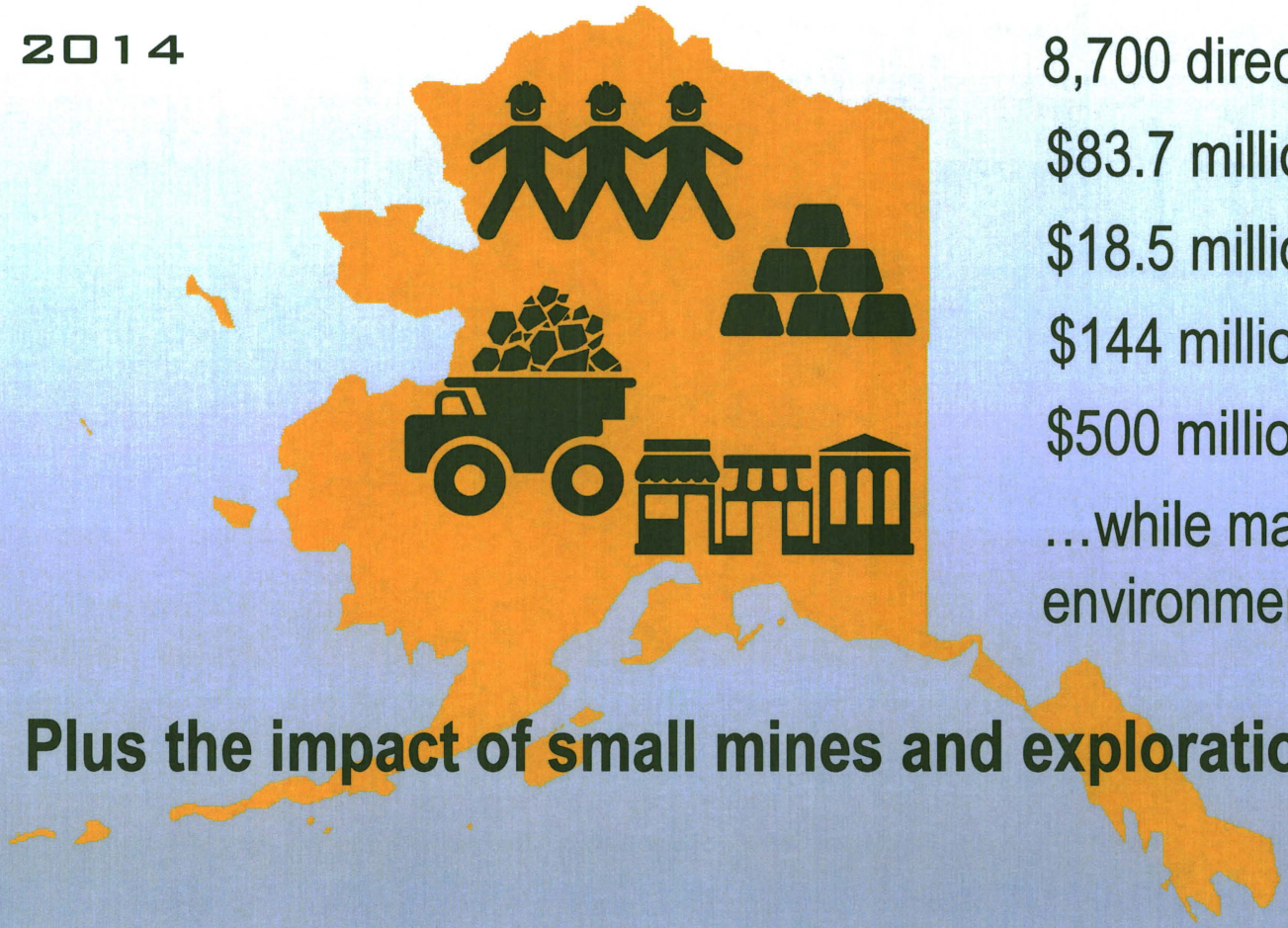
ONLY 6 LARGE MINES

2014



8,700 direct & indirect jobs

$83.7 million to state gov't

$18.5 million to local gov't

$144 million to Native Corps

$500 million to Alaska businesses

...while maintaining highest environmental and safety standards.

Plus the impact of small mines and exploration

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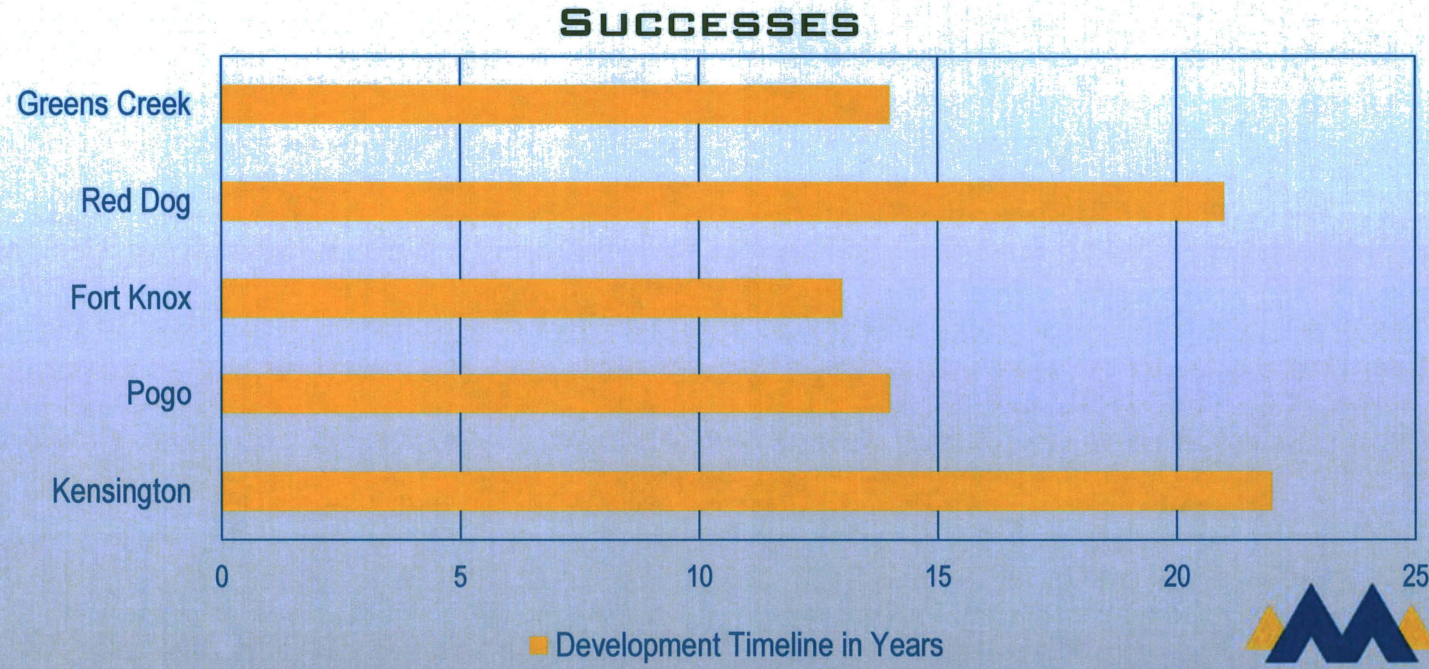
ALASKA MINERAL DEVELOPMENT TIMELINES AND INVESTMENT

Longer lead times and more $$



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MINING PAYS ITS WAY

- Companies pay exploration, development and construction costs
- This often includes access and infrastructure, unlike in L48
- Reimbursable Service Agreements
- Financial assurance for reclamation and closure

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AIDEA'S RETURN ON INVESTMENT

- Mission: encourage Alaska's economic growth
- By 2014, AIDEA had already received >$355 million in payments from its $265 million investment in the Red Dog port and road and will continue to receive payments until 2034

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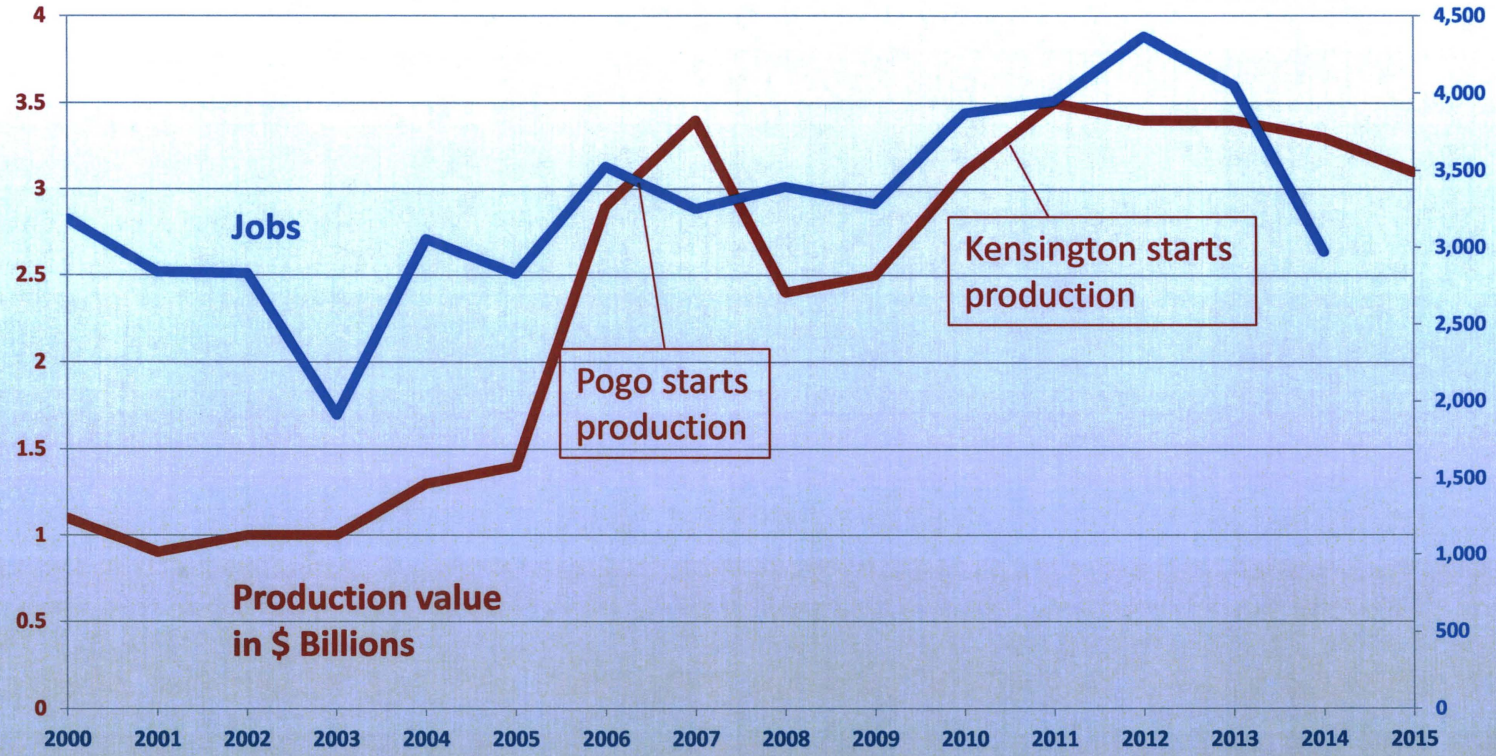
MINING INDUSTRY TRENDS



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RESIDENT HIRE

- 100% of Fort Knox employees live in the Fairbanks North Star Borough
- 70% of Greens Creek employees live in Alaska
- Usibelli's local hire is 99%
- Kensington Mine's local hire is 70%
- NANA shareholders fill 57% of 610 year-round jobs at Red Dog
- Pogo's local hire rate is 70%
- The industry supports scholarships and training programs to increase the resident hire rate

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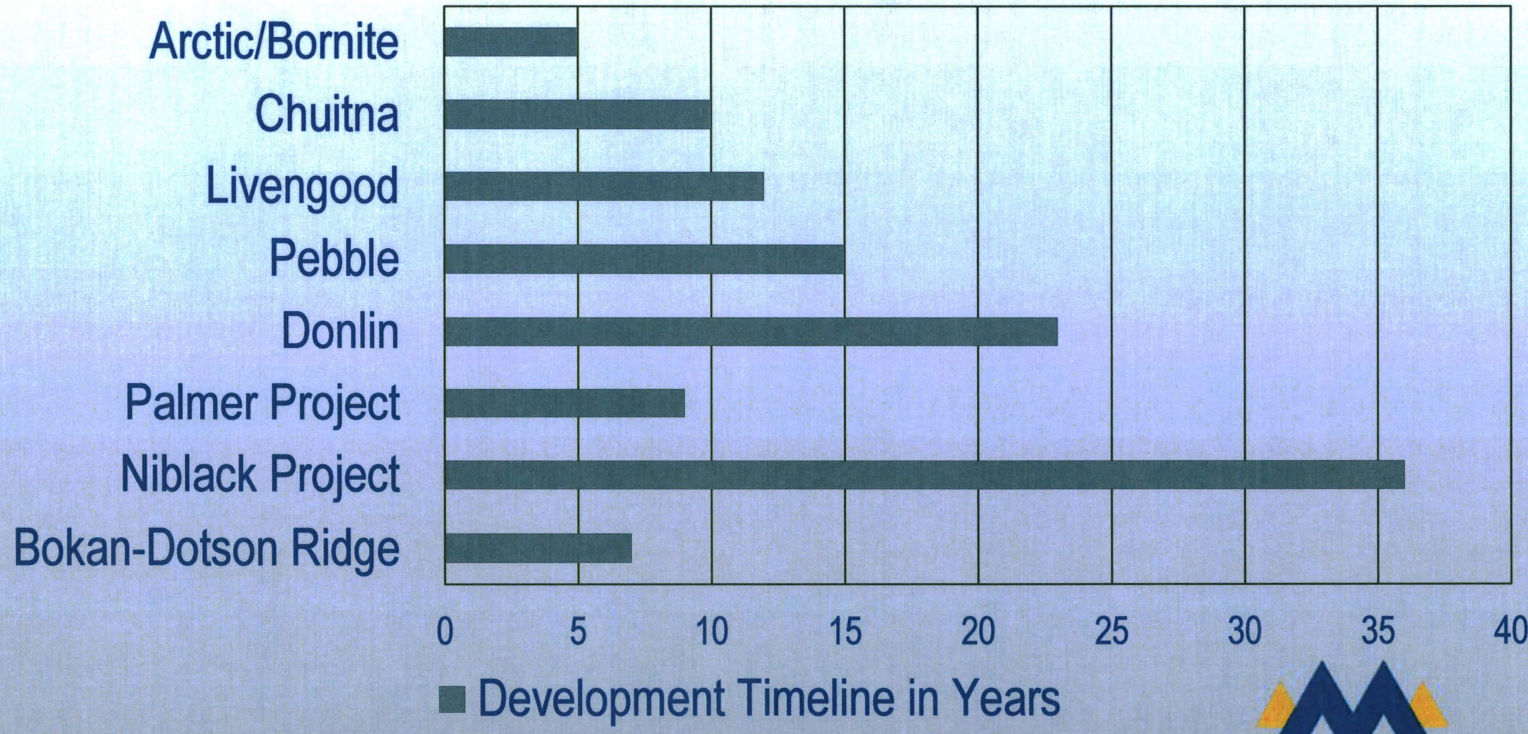
ALASKA MINERAL DEVELOPMENT TIMELINES

STILL SEEKING SUCCESS



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LACK OF INVESTOR CONFIDENCE



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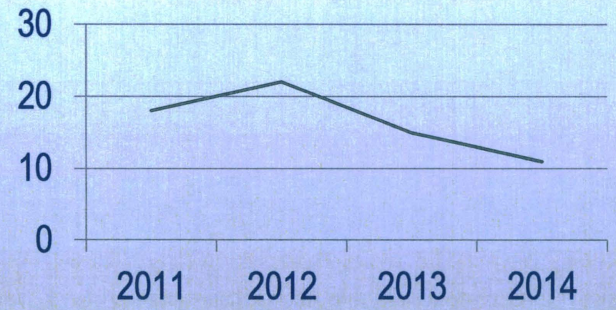
EXPLORATION SPENDING DECLINES

Global

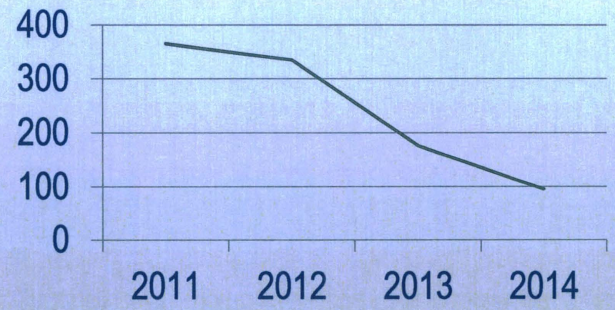
Exploration spending ($ billions)*



50% decline between 2012 and 2014

Alaska

Exploration spending ($ millions)**



71% decline between 2012 and 2014

*SNL Metals 3/2015
** ADNR/DCCED Mineral Industry reports

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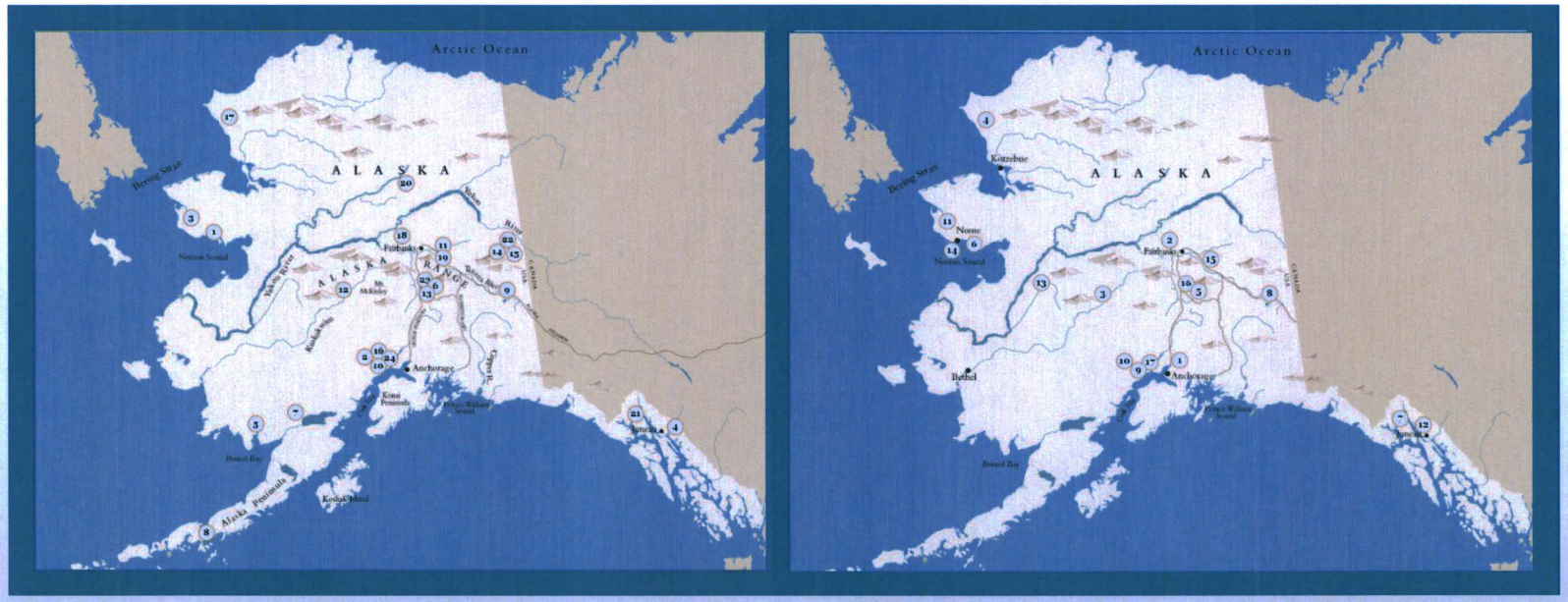

2012

24 exploration projects

Spending $100,000-$5 million

2013

17 exploration projects

Spending $100,000-$10 million

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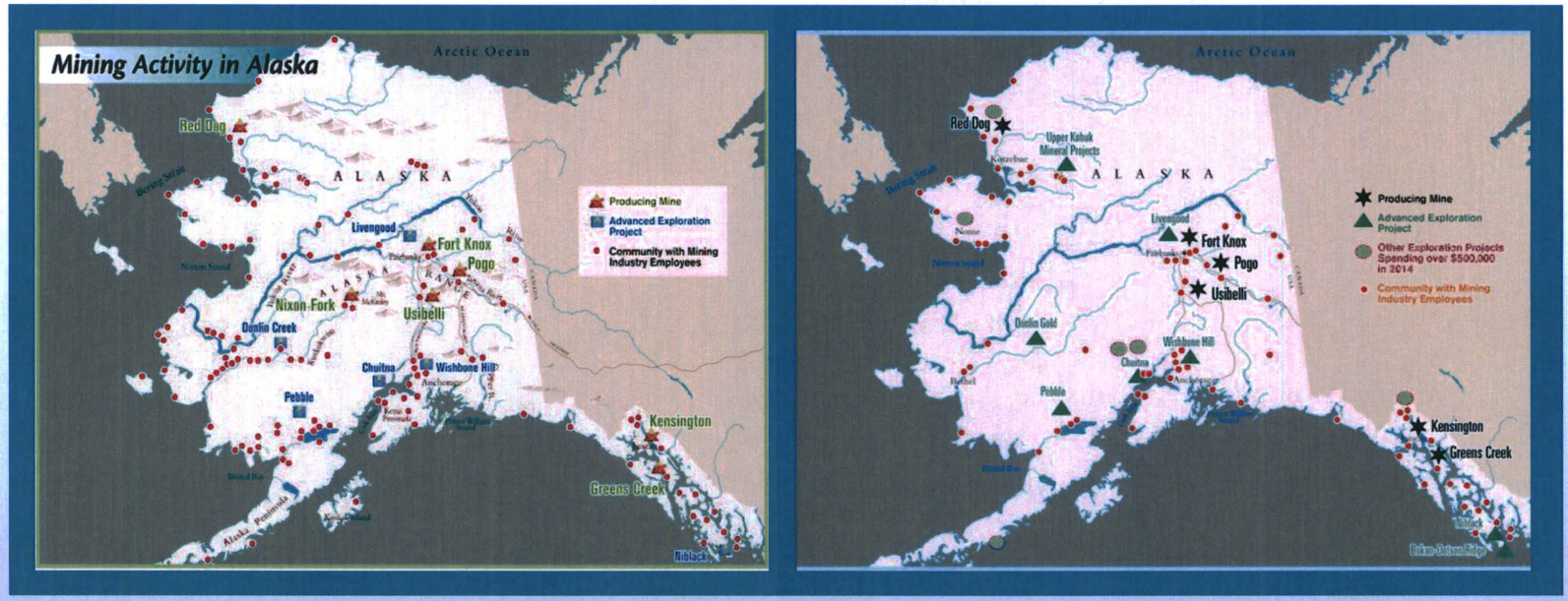

2012

120+ communities with mining industry employees

2014

50+ communities with mining industry employees

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GOAL OF TAX POLICY?

Attract investment and encourage a robust, responsible mining industry that contributes to Alaska's economic diversity by providing good jobs, procurement and contract opportunities for local businesses, state and local government revenue and revenue sharing to Alaska Native Corporations.

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MINING PAYS ITS WAY:

State revenue from mining	2014
AMLT	38,700,000
State corporate income tax	17,300,000
State Fuel Taxes	*
AIDEA facilities user fees	12,000,000
State mineral rents and royalties	13,500,000
State coal rents and royalties	1,400,000
State material sales	600,000
State mining miscellaneous fees	200,000
TOTAL	**$83,700,000**

Source: DNR/DCCED *Alaska's Mineral Industry 2014*

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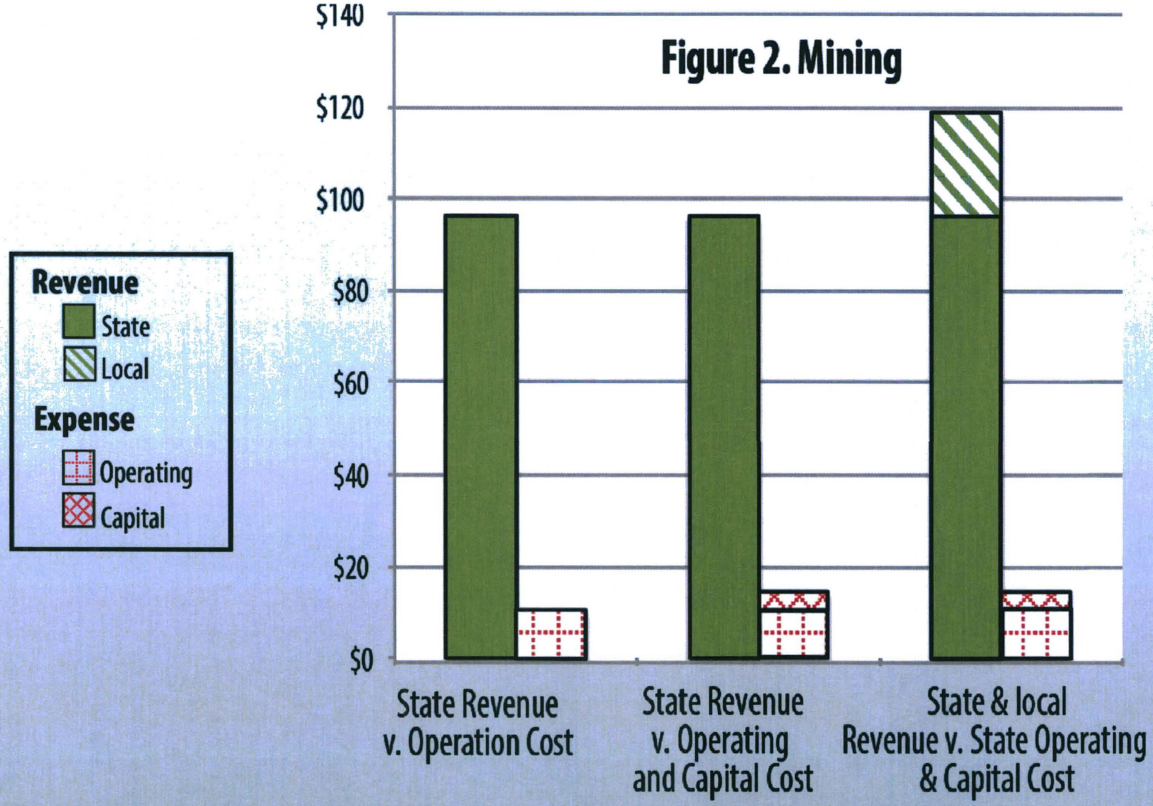
STATE REVENUE > STATE COSTS



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

Bob Loeffler and Steve Colt, Institute of Social and Economic Research, University of Alaska Anchorage, 2016

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HOW DOES AK COMPARE?

METALS ROYALTY

- Alaska competes against the world for investment. Appropriate comparison is with other countries, not just US states.
- Appropriate comparison is total tax take, not just royalty. A royalty-to-royalty comparison is misleading unless you also show what other taxes are levied.
- Alaska is the only US state with general domain state land. Most other states' "state land" involves isolated trust parcels. State royalty is not a large factor.

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How is net income calculated?

Gross revenue=net smelter revenue (not the same as world price for refined product)

Minus allowable costs (initial and ongoing exploration costs are not deductible)

- Transportation
- Wages and benefits
- Consumables
- Allowable development
- Depreciation/Amortization
- Interest expense and taxes

= Net income

Minus depletion allowance

= Net taxable income

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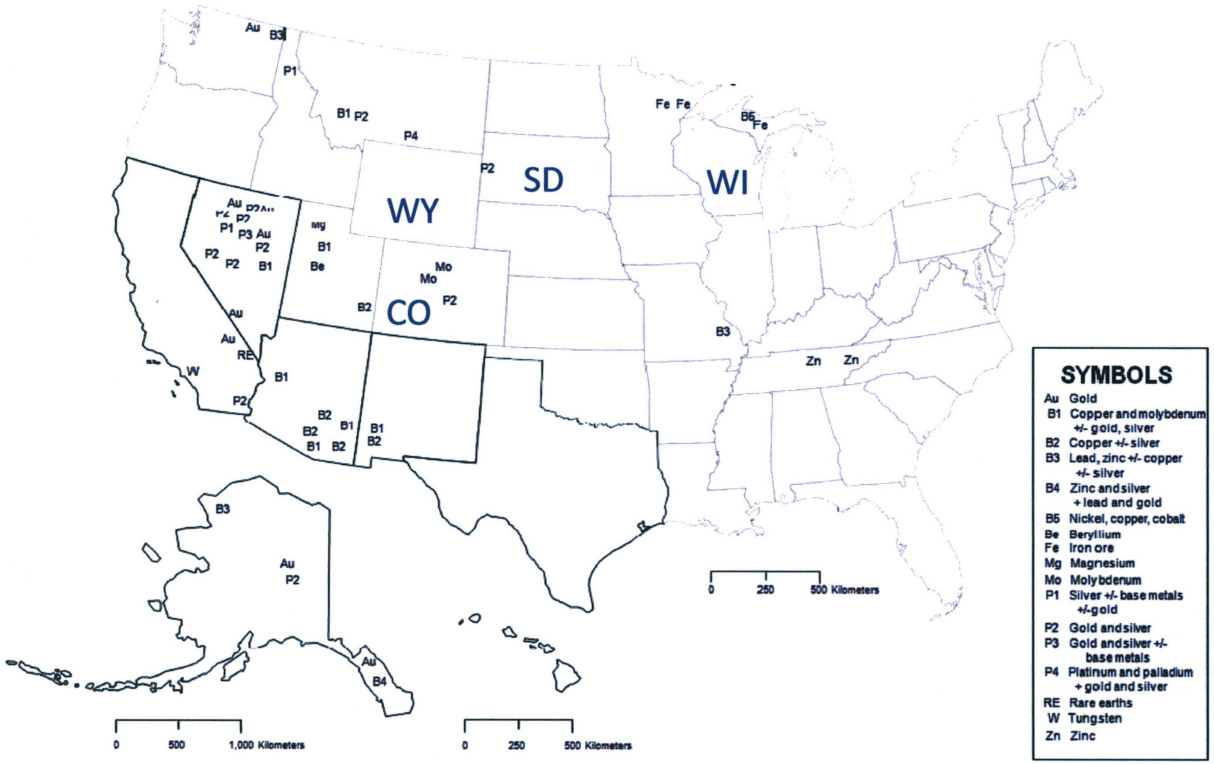
MAJOR METAL-MINING AREAS



SYMBOLS

Au	Gold
B1	Copper and molybdenum +/- gold, silver
B2	Copper +/- silver
B3	Lead, zinc +/- copper +/- silver
B4	Zinc and silver + lead and gold
B5	Nickel, copper, cobalt
Be	Beryllium
Fe	Iron ore
Mg	Magnesium
Mo	Molybdenum
P1	Silver +/- base metals +/-gold
P2	Gold and silver
P3	Gold and silver +/- base metals
P4	Platinum and palladium + gold and silver
RE	Rare earths
W	Tungsten
Zn	Zinc

- 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

USGS Mineral Commodity Summary 2016

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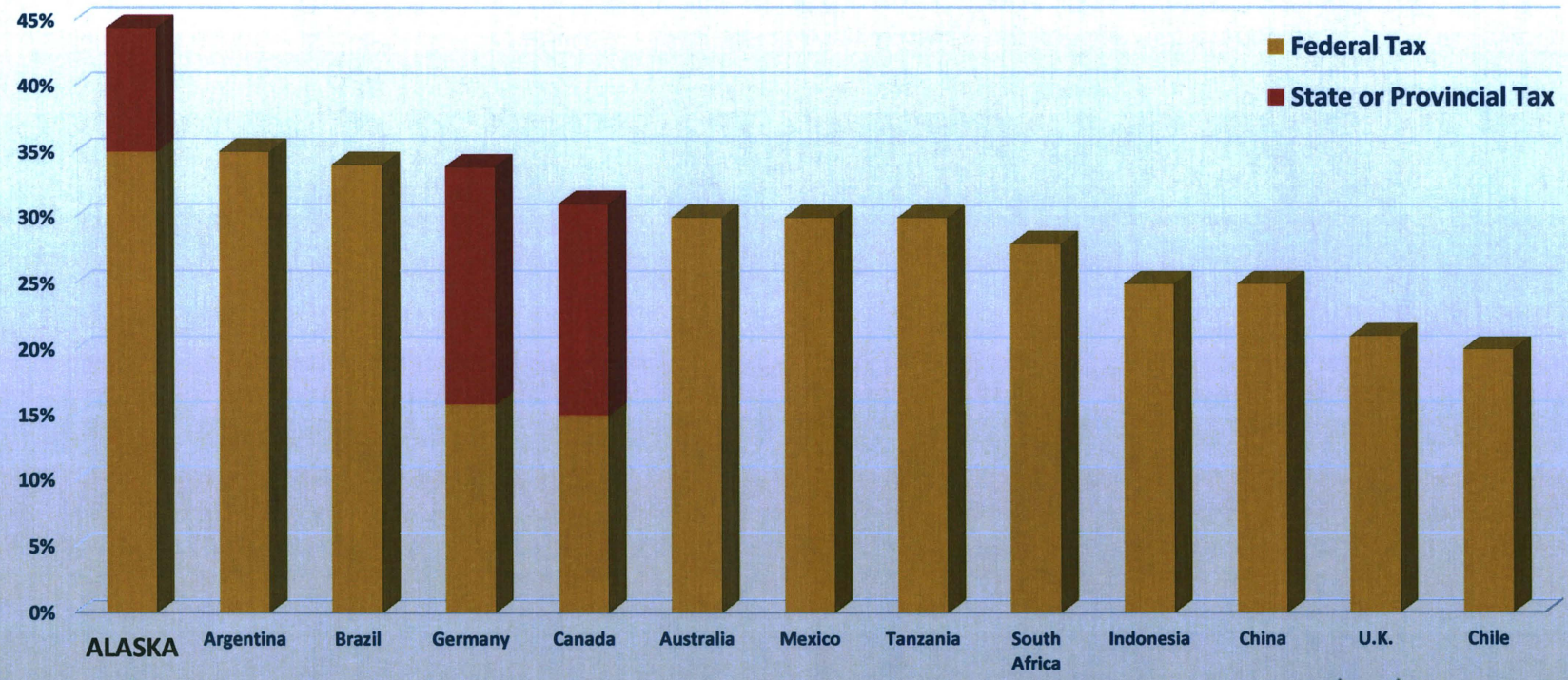
SELECTED INTERNATIONAL MINING INCOME TAXES - TOP RATE



PWC Global

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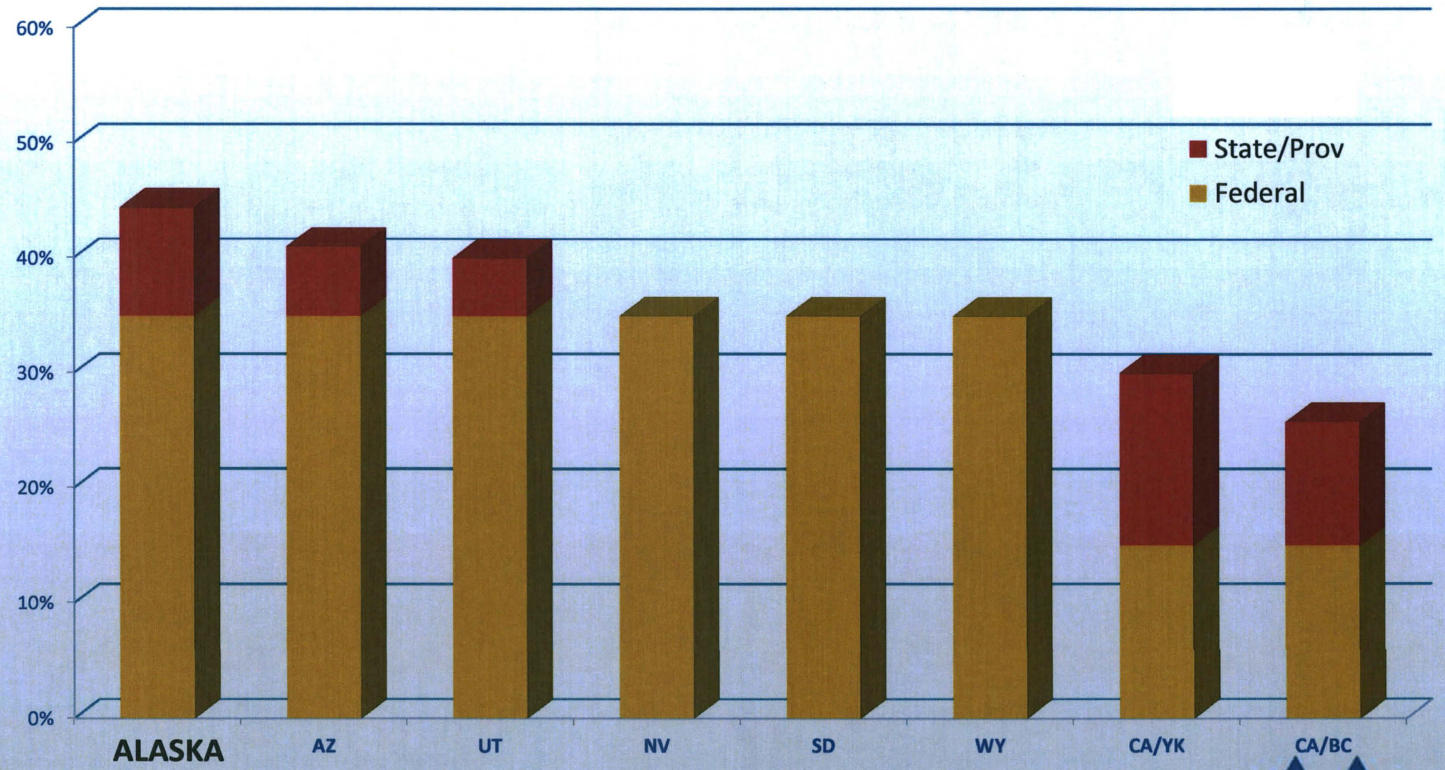
CORPORATE TAX RATES



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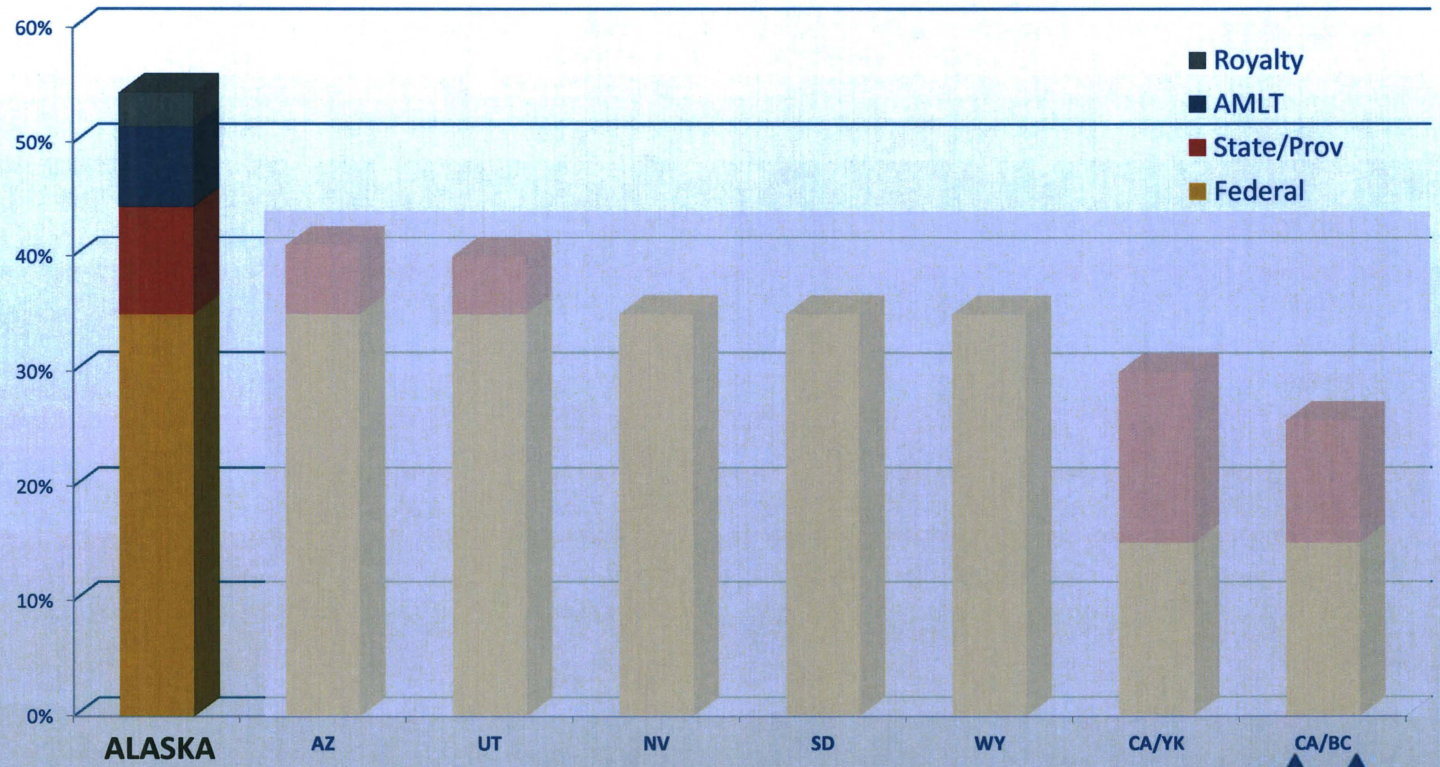
CORPORATE TAX RATES



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FRASER INSTITUTE SURVEY 2014

"Pure" Mineral Potential

(assumes best practices policy regime)

1. Yukon
2. Nevada
3. **Alaska** (in top 5 since 2010)
4. Chile
5. British Columbia

Policy Perception

23rd Alaska

122 jurisdictions

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FRASER INSTITUTE SURVEY 2014

Investment Attractiveness

60:40 ratio
Pure mineral potential: policy perception

1.	Finland	6.	Quebec
2.	Saskatchewan	7.	Wyoming
3.	Nevada	8.	Newfoundland
4.	Manitoba	9.	Yukon
5.	W. Australia	**10.**	**Alaska**

Current Mineral Potential

(does current policy environment encourage or discourage mining)

28th Alaska (11th in 2013, 6th in 2012)

122 jurisdictions

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POTENTIAL

"If Alaska were a country, we would be the eighth most mineral-rich nation in the world."

- Governor Bill Walker, 2016 State of the State Address

Are the right policies in place to encourage development and production of critical and strategic minerals in Alaska?

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ALASKA'S MINERAL INDUSTRY REPORT

	2013	2014	% change
Mineral value	$3.419B	$3.282B	-4%
Estimated revenue to State of Alaska and municipalities	$142.5M	$102.2M	-28%
Exploration spending	$175.5M	$96.2M	-45%
Jobs	4,051	2,967	-27%

Alaska's Mineral Industry Report 2014
http://dggs.alaska.gov/pubs/minerals

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ARE WE ATTRACTING INVESTMENT?

- There will always be a need for metals in the global economy
- But, we see greater competition for fewer global dollars and share prices reflect lack of investor confidence
- AK challenges: infrastructure, permitting, only element we control: perception of positive investment climate, AK open for business
- Ultimate goal is new mines making greater contribution through jobs, state and local revenue, opportunities for AK businesses, etc.
- ***The limited capital will go to jurisdictions that encourage mineral development***

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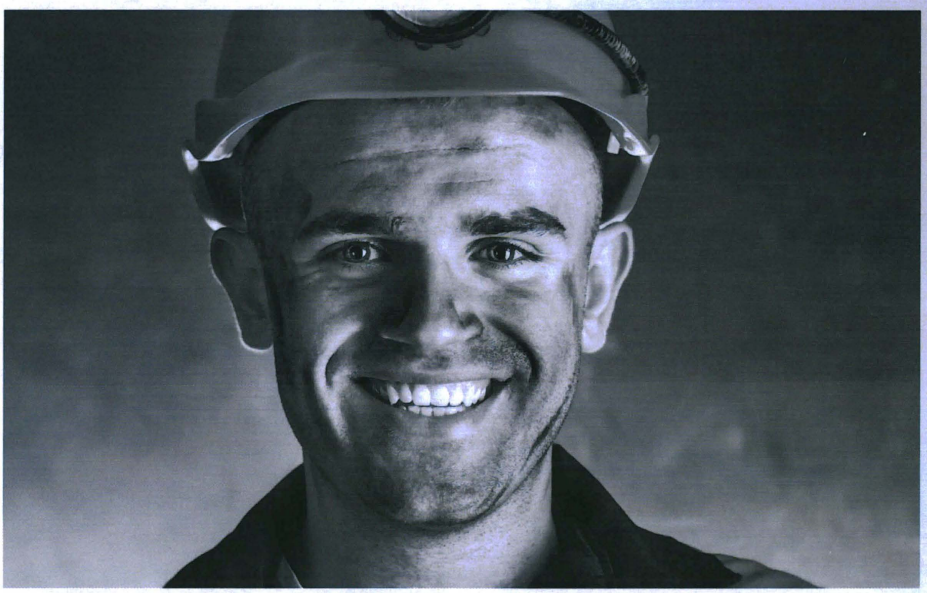
FRASER INSTITUTE ANNUAL

Survey of Mining Companies 2014









by Taylor Jackson
Survey Director: Kenneth P. Green

FRASER INSTITUTE

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Survey information

The Fraser Institute Annual Survey of Mining Companies was sent to approximately 4,200 exploration, development, and other mining-related companies around the world. Several mining publications and associations also helped publicize the survey. (Please see the acknowledgements.) The survey was conducted from August 26 to November 15, 2014. The companies that participated in the survey reported exploration spending of US$2.7 billion in 2014 and US$3.2 billion in 2013.

Executive Summary
2014 Mining Survey

This report presents the results of the Fraser Institute's 2014 annual survey of mining and exploration companies. The survey is an attempt to assess how mineral endowments and public policy factors such as taxation and regulatory uncertainty affect exploration investment. The survey was circulated electronically to over 4,200 individuals between August 26 and November 15, 2014. Survey responses have been tallied to rank provinces, states, and countries according to the extent that public policy factors encourage or discourage investment. Total exploration budgets reported by companies participating in the mining survey were US$2.7 billion in 2014 and US$3.2 billion in 2013.

A total of 485 responses were received for the survey, providing sufficient data to evaluate 122 jurisdictions. By way of comparison, 112 jurisdictions were evaluated in 2013, 96 in 2012/2013, 93 in 2011/2012, and 79 in 2010/2011. Jurisdictions are evaluated on every continent except Antarctica, including sub-national jurisdictions in Canada, Australia, the United States, and Argentina. Included in this year's report for the first time are: Solomon Islands in Oceania; Central African Republic, Egypt, Lesotho, Mauritania, Morocco, South Sudan, Sudan, and Uganda in Africa; Cambodia in Asia; and Hungary in Europe. There were also a number of jurisdictions included in the survey questionnaire that are not included in this report because their results did not meet the minimum threshold of 10 completed responses.

The Investment Attractiveness Index takes both mineral and policy perception into consideration

An overall Investment Attractiveness Index is constructed by combining the Best Practices Mineral Potential index, which rates regions based on their geologic attractiveness, and the Policy Perception Index, a composite index that measures the effects of government policy on attitudes toward exploration investment. While it is useful to measure the attractiveness of a jurisdiction based on policy factors such as onerous regulations, taxation levels, the quality of infrastructure, and others, the Policy Perception Index alone does not recognize the fact that investment decisions are often sizably based on the pure mineral potential of a jurisdiction. Indeed, as discussed below, respondents consistently indicate that roughly only 40 percent of their investment decision is determined by policy factors. In this year's report, we have maintained the precise 60/40 ratio in calculating this index to allow comparability with other years.

The top

The top jurisdiction in the world for investment based on the Investment Attractiveness Index is Finland with an overall score of 83.8 (see figure 1). Finland moves up three spots this year to take over as the most attractive jurisdiction in the world for mining investment. Along with Finland, the top 10 ranked jurisdictions are Saskatchewan, Nevada, Manitoba, Quebec, Wyoming, Newfoundland & Labrador, Yukon, and Alaska. Finland displaces Western Australia, which dropped to 5th overall. Saskatchewan moved up 5 spots to rank as the second most attractive jurisdiction in the world for investment. Manitoba moved into the top 10 this year, after ranking 13th last year. Greenland dropped out of the top 10 this year, moving down to 41st along with Sweden, which moved down to 12th. Table 1 illustrates in greater detail the shifts in the relative ranking of the policy perceptions of the jurisdictions surveyed.

The bottom

When considering both policy and mineral potential in the Investment Attractiveness Index, Malaysia ranks as the least attractive jurisdiction in the world for investment. This is a significant drop for Malaysia which ranked 70th (of 112) in 2013. Also in the bottom 10 (beginning with the worst) are Hungary, Kenya, Honduras, Solomon Islands, Egypt, Guatemala, Bulgaria, Nigeria, and Sudan. Kenya and Bulgaria experienced large drops from 79th (of 112) and 57th (of 112) overall in 2013, respectively.

The bottom 10 this year is a completely different group from last year; Niger, Argentina—Catamarca, Argentina—La Rioja, Argentina—Neuquen, Argentina—Rio Negro, Uruguay, and Kyrgyzstan, all improved their scores enough to move up from the bottom 10. The most notable progress in performance in this group is Argentina—Catamarca, which moved up to 35th this year from 103rd in 2013.

Room for improvement

Many jurisdictions have considerable room for improvement. The room for improvement score is calculated by subtracting a jurisdiction's "best practices" mineral potential score from its "current practices" mineral potential score. The greater the score, the greater the gap between "current" and "best practices" mineral potential, and the greater the room for improvement.

Papua New Guinea, with a score of 48, is the jurisdiction with the most room for improvement. Closely following it are Brazil, Argentina—Santa Cruz, Mongolia, and Indonesia, each with scores of 47. The Canadian province with the most room for improvement is British

Figure 1: Investment Attractiveness Index

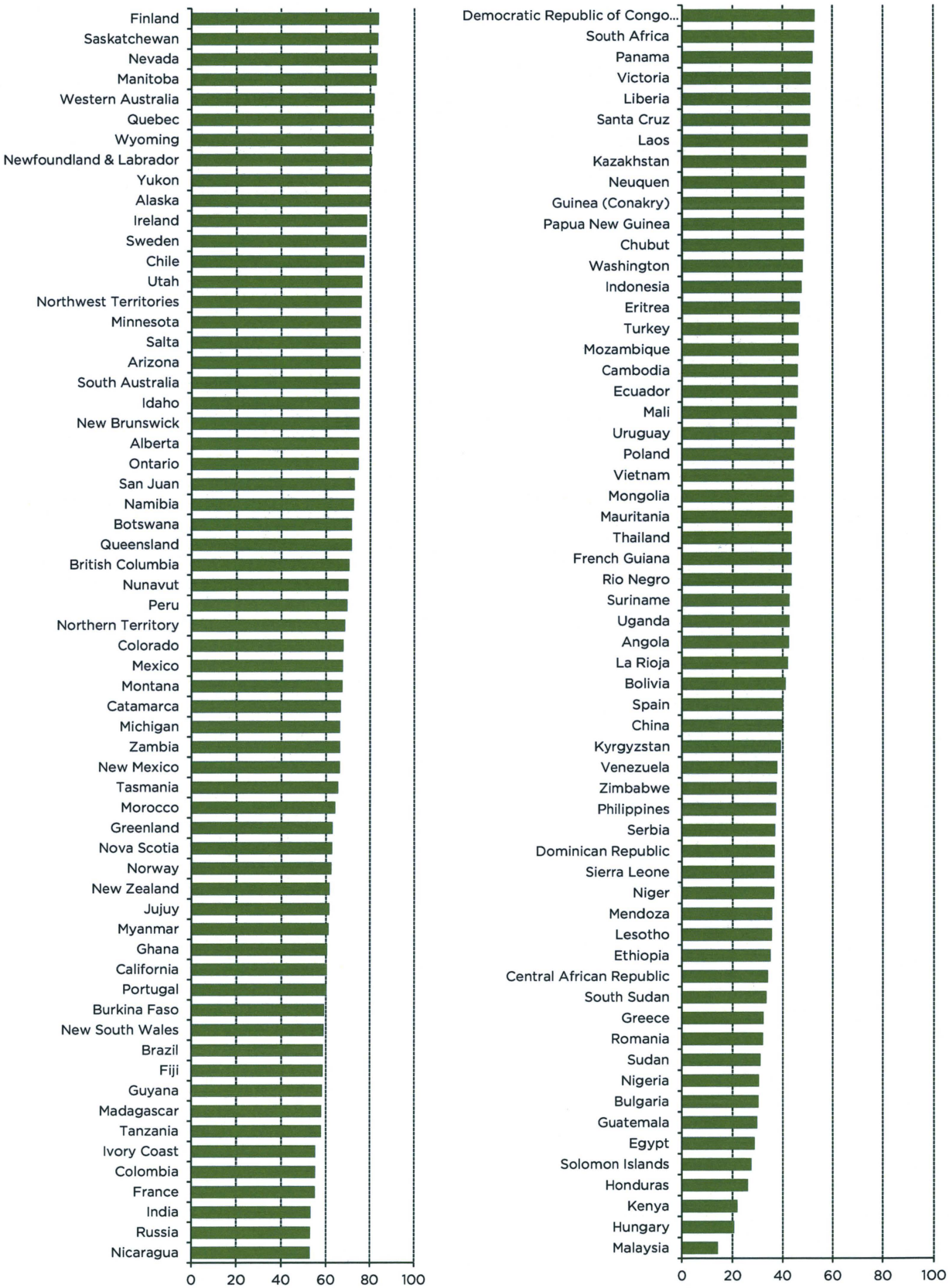


Table 1: Investment Attractiveness Index

		Score					Rank				
		2014	2013	2012/ 2013	2011/ 2012	2010/ 2011	2014	2013	2012/ 2013	2011/ 2012	2010/ 2011
Canada	Alberta	74.8	77.0	71.3	74.8	72.6	22/122	10/112	18/96	16/93	21/79
	British Columbia	70.5	75.4	69.0	74.6	69.6	28/122	16/112	21/96	18/93	24/79
	Manitoba	82.9	76.4	70.5	75.7	76.8	4/122	13/112	19/96	15/93	10/79
	New Brunswick	74.9	71.6	72.3	69.2	53.0	21/122	23/112	13/96	27/93	59/79
	Newfoundland & Labrador	80.7	81.3	71.7	79.9	75.7	8/122	3/112	16/96	7/93	13/79
	Northwest Territories	76.0	69.7	69.5	71.1	68.0	15/122	25/112	20/96	22/93	30/79
	Nova Scotia	62.6	58.6	57.3	59.1	51.4	42/122	47/112	36/96	45/93	62/79
	Nunavut	70.0	68.9	68.1	74.4	69.6	29/122	27/112	24/96	19/93	25/79
	Ontario	74.5	75.7	76.5	78.6	78.8	23/122	14/112	9/96	9/93	9/79
	Quebec	81.5	74.1	75.9	84.8	85.0	6/122	18/112	11/96	2/93	3/79
	Saskatchewan	83.6	78.3	76.9	84.1	88.6	2/122	7/112	8/96	3/93	1/79
	Yukon	80.1	77.9	82.2	86.8	83.2	9/122	8/112	1/96	1/93	5/79
United States	Alaska	79.7	80.2	77.7	82.9	83.0	10/122	5/112	6/96	4/93	6/79
	Arizona	75.5	72.4	66.5	69.7	72.2	18/122	22/112	26/96	25/93	22/79
	California	60.3	53.6	49.1	52.9	48.9	48/122	54/112	62/96	65/93	67/79
	Colorado	67.8	60.4	58.7	62.6	60.8	32/122	42/112	32/96	37/93	41/79
	Idaho	74.9	67.2	59.2	67.8	61.0	20/122	30/112	31/96	30/93	40/79
	Michigan	66.3	68.4	52.1	62.1	51.3	36/122	28/112	49/96	38/93	63/79
	Minnesota	75.7	63.5	53.7	61.2	64.9	16/122	35/112	46/96	40/93	33/79
	Montana	67.3	63.1	58.2	63.6	58.3	34/122	38/112	34/96	35/93	50/79
	Nevada	83.3	84.2	79.3	82.6	86.8	3/122	2/112	3/96	6/93	2/79
	New Mexico	66.1	59.0	52.0	60.1	62.5	38/122	45/112	51/96	44/93	39/79
	Utah	76.4	75.4	71.9	69.0	76.5	14/122	15/112	14/96	28/93	12/79
	Washington	48.0	48.5	44.9	52.1	39.8	75/122	68/112	74/96	66/93	74/79
	Wyoming	81.4	76.6	77.4	76.7	75.4	7/122	11/112	7/96	14/93	15/79
Australia	New South Wales	58.9	63.0	52.1	58.3	60.2	51/122	39/112	50/96	47/93	45/79
	Northern Territory	68.5	74.7	68.7	72.4	68.1	31/122	17/112	22/96	21/93	29/79
	Queensland	71.5	73.5	68.3	71.0	69.2	27/122	21/112	23/96	23/93	26/79
	South Australia	75.1	73.8	71.6	77.4	74.0	19/122	20/112	17/96	12/93	18/79
	Tasmania	65.3	63.5	49.8	54.2	64.0	39/122	36/112	58/96	60/93	35/79
	Victoria	51.2	59.5	51.0	42.8	48.1	66/122	43/112	53/96	82/93	68/79
	Western Australia	82.0	85.3	78.0	82.6	80.2	5/122	1/112	4/96	5/93	7/79
Oceania	Fiji	58.4	36.4	*	*	*	53/122	92/112	*	*	*
	Indonesia	47.4	49.8	50.9	55.6	60.1	76/122	66/112	54/96	55/93	47/79
	Malaysia	14.1	46.9	*	*	*	122/122	70/112	*	*	*
	New Zealand	61.6	65.0	54.5	54.5	55.3	44/122	32/112	42/96	59/93	55/79
	Papua New Guinea	48.5	56.2	58.4	67.1	65.0	73/122	50/112	33/96	31/93	32/79
	Philippines	37.2	51.4	50.8	56.1	60.1	101/122	61/112	55/96	53/93	46/79
	Solomon Islands	27.3	*	*	*	*	118/122	*	*	*	*

Table 1 continued

		Score					Rank				
		2014	2013	2012/ 2013	2011/ 2012	2010/ 2011	2014	2013	2012/ 2013	2011/ 2012	2010/ 2011
Africa	Angola	42.4	34.3	*	*	*	93/122	97/112	*	*	*
	Botswana	71.5	70.3	75.8	77.6	75.5	26/122	24/112	12/96	11/93	14/79
	Burkina Faso	59.1	57.4	51.4	68.7	75.1	50/122	49/112	52/96	29/93	16/79
	Central African Republic	34.0	*	*	*	*	109/122	*	*	*	*
	Democratic Republic of Congo (DRC)	52.8	51.0	46.6	60.1	56.9	62/122	63/112	70/96	43/93	52/79
	Egypt	28.6	*	*	*	*	117/122	*	*	*	*
	Eritrea	46.7	57.5	*	*	*	77/122	48/112	*	*	*
	Ethiopia	35.0	41.2	*	*	*	108/122	85/112	*	*	*
	Ghana	60.4	64.5	53.8	69.9	63.1	47/122	33/112	45/96	24/93	37/79
	Guinea(Conakry)	48.5	43.8	35.8	46.1	59.7	72/122	78/112	89/96	78/93	48/79
	Ivory Coast	55.3	41.7	*	*	*	57/122	83/112	*	*	*
	Kenya	21.8	43.2	*	*	*	120/122	79/112	*	*	*
	Lesotho***	35.6	*	*	*	*	107/122	*	*	*	*
	Liberia***	51.1	52.9	*	*	*	67/122	56/112	*	*	*
	Madagascar	57.8	42.2	41.2	53.7	47.2	55/122	80/112	80/96	63/93	70/79
	Mali	45.4	46.3	37.9	63.9	70.9	82/122	71/112	87/96	34/93	23/79
	Mauritania	43.7	*	*	*	*	87/122	*	*	*	*
	Morocco	64.0	*	*	*	*	40/122	*	*	*	*
	Mozambique	46.1	33.7	*	*	*	79/122	99/112	*	*	*
	Namibia	72.4	63.7	62.1	50.6	64.8	25/122	34/112	30/96	69/93	34/79
	Niger	36.5	24.0	33.1	46.6	53.8	104/122	111/112	91/96	75/93	56/79
	Nigeria	30.4	47.7	*	*	*	114/122	69/112	*	*	*
	Sierra Leone	36.5	36.9	*	*	*	105/122	91/112	*	*	*
	South Africa	52.6	54.7	47.8	56.1	52.4	64/122	53/112	67/96	52/93	60/79
	South Sudan	33.4	*	*	*	*	110/122	*	*	*	*
	Sudan***	31.0	*	*	*	*	113/122	*	*	*	*
	Tanzania	57.6	50.5	50.8	55.8	60.2	56/122	65/112	56/96	54/93	44/79
	Uganda	42.6	*	*	*	*	92/122	*	*	*	*
	Zambia	66.2	60.6	52.7	54.8	60.6	37/122	41/112	47/96	57/93	42/79
	Zimbabwe	37.4	34.8	37.0	46.8	53.5	100/122	96/112	88/96	74/93	57/79
Argentina	Argentina	**	**	**	**	55.5	**	**	**	**	54/79
	Catamarca	66.6	30.9	56.9	56.5	*	35/122	103/112	38/96	51/93	*
	Chubut	48.4	35.8	39.8	60.5	*	74/122	93/112	81/96	41/93	*
	Jujuy	61.5	40.1	49.0	38.0	*	45/122	88/112	63/96	87/93	*
	La Rioja	42.0	27.0	44.5	*	*	94/122	108/112	77/96	*	*
	Mendoza	35.7	32.9	44.7	43.2	*	106/122	101/112	75/96	81/93	*
	Neuquen	48.7	29.9	45.1	*	*	71/122	106/112	73/96	*	*
	Rio Negro	43.4	29.7	49.6	51.2	*	90/122	107/112	60/96	67/93	*
	Salta	75.5	60.9	52.7	50.3	*	17/122	40/112	48/96	70/93	*
	San Juan	72.8	54.9	55.6	56.7	*	24/122	52/112	41/96	50/93	*
	Santa Cruz	51.0	45.2	50.2	53.2	*	68/122	76/112	57/96	64/93	*

Table 1 continued

		Score					Rank				
		2014	2013	2012/ 2013	2011/ 2012	2010/ 2011	2014	2013	2012/ 2013	2011/ 2012	2010/ 2011
Latin America and the Caribbean Basin	Bolivia	41.1	40.6	34.5	38	39.7	95/122	87/112	90/96	88/93	75/79
	Brazil	58.5	55.8	53.9	65.7	68.9	52/122	51/112	44/96	33/93	27/79
	Chile	77.2	76.5	71.9	78.9	83.5	13/122	12/112	15/96	8/93	4/79
	Colombia	55.2	51.1	55.7	63.3	74.3	58/122	62/112	39/96	36/93	17/79
	Dominican Republic	36.6	34.2	42.1	30	*	103/122	98/112	78/96	92/93	*
	Ecuador	45.9	38.1	39.4	44.2	53.3	80/122	89/112	83/96	80/93	58/79
	French Guiana	43.4	41.8	48.4	*	*	89/122	82/112	65/96	*	*
	Guatemala	29.7	35.4	31.8	38.7	45.5	116/122	95/112	93/96	86/93	71/79
	Guyana	58.1	45.2	45.5	49.5	*	54/122	77/112	72/96	72/93	*
	Honduras	26.0	25.8	24.4	32.6	35.9	119/122	110/112	95/96	91/93	77/79
	Mexico	67.6	65.1	65.7	74.2	73.5	33/122	31/112	27/96	20/93	20/79
	Nicaragua	52.8	35.8	*	*	*	63/122	94/112	*	*	*
	Panama	52.0	50.6	38.4	41.3	47.3	65/122	64/112	85/96	84/93	69/79
	Peru	69.6	63.1	55.7	66.5	68.4	30/122	37/112	40/96	32/93	28/79
	Suriname	42.6	32.3	39.6	42.4	*	91/122	102/112	82/96	83/93	*
	Uruguay	44.6	15.2	*	*	*	83/122	112/112	*	*	*
	Venezuela	37.6	26.9	31.9	39.7	34.3	99/122	109/112	92/96	85/93	78/79
Asia	Cambodia	45.9	*	*	*	*	81/122	*	*	*	*
	China	39.8	46.3	46.8	57.5	56.3	97/122	72/112	69/96	48/93	53/79
	India	53.2	46.0	49.2	45.7	34.2	60/122	74/112	61/96	79/93	79/79
	Kazakhstan	49.4	49.3	48.7	48.8	57.2	70/122	67/112	64/96	73/93	51/79
	Kyrgyzstan	39.1	30.3	47.9	46.1	60.6	98/122	105/112	66/96	77/93	43/79
	Laos	50.0	33.0	*	46.2	*	69/122	100/112	*	76/93	*
	Mongolia	44.3	42.1	57.3	56.9	63.8	85/122	81/112	37/96	49/93	36/79
	Myanmar	61.1	52.1	*	*	*	46/122	59/112	*	*	*
	Thailand	43.4	45.9	*	*	*	88/122	75/112	*	*	*
	Vietnam	44.3	46.1	41.3	27.6	50.2	86/122	73/112	79/96	93/93	64/79
Europe	Bulgaria	30.2	52.3	39.2	50.2	49.6	115/122	57/112	84/96	71/93	65/79
	Finland	83.8	80.2	80.0	78.0	78.9	1/122	4/112	2/96	10/93	8/79
	France	55.1	59.2	*	*	*	59/122	44/112	*	*	*
	Greenland	62.9	77.3	76.5	77.1	73.6	41/122	9/112	10/96	13/93	19/79
	Greece	32.2	41.5	20.9	*	*	111/122	84/112	96/96	*	*
	Hungary***	20.5	*	*	*	*	121/122	*	*	*	*
	Ireland	78.3	73.9	63.4	69.2	65.4	11/122	19/112	29/96	26/93	31/79
	Norway	62.3	69.0	67.6	58.8	58.7	43/122	26/112	25/96	46/93	49/79
	Poland	44.4	52.2	37.9	61.4	*	84/122	58/112	86/96	39/93	*
	Portugal	60.2	53.2	*	*	*	49/122	55/112	*	*	*
	Romania	32.0	37.6	31.3	35.3	51.8	112/122	90/112	94/96	89/93	61/79
	Russia	53.0	40.7	49.8	50.8	49.3	61/122	86/112	59/96	68/93	66/79
	Serbia	36.9	51.9	57.7	*	*	102/122	60/112	35/96	*	*
	Spain	40.0	58.6	47.4	54.0	45.5	96/122	46/112	68/96	62/93	72/79
	Sweden	78.1	79.5	77.8	74.8	76.7	12/122	6/112	5/96	17/93	11/79
	Turkey	46.2	68.1	64.7	60.2	62.6	78/122	29/112	28/96	42/93	38/79

Notes: * Not available; ** Argentina is no longer reported as a single jurisdiction (we now report separately on the sub-national jurisdictions); *** Between 5 and 9 responses.

Columbia, with a score of 37. The American states of California, Montana, and Idaho also have significant room for improvement.

Policy Perception Index: A "report card" to governments on the attractiveness of their mining policies

While geologic and economic considerations are important factors in mineral exploration, a region's policy climate is also an important investment consideration. The Policy Perception Index (PPI), referred to in previous surveys as the Policy Potential Index, is a composite index, measuring the overall policy attractiveness of the 122 jurisdictions in the survey. The index is composed of survey responses to policy factors that affect investment decisions. Policy factors examined include uncertainty concerning the administration of current regulations, environmental regulations, regulatory duplication, the legal system , the taxation regime, uncertainty concerning protected areas and disputed land claims, infrastructure, socioeconomic and community development conditions, trade barriers, political stability, labour regulations, quality of the geological database, security, and labor and skills availability. The PPI is normalized to a maximum score of 100.

Ireland is the top-rated jurisdiction for policy factors this year with a score of 96.0 (see figure 2). Finland and Alberta follow closely (both 94.7), tied at second. Ranking fourth and fifth on the Policy Perception Index are Sweden (92.5) and New Brunswick (89.8). Other top-ranked jurisdictions include Saskatchewan (89.7), Newfoundland & Labrador (88.4), Wyoming (87.9), Manitoba (85.6), and Western Australia (84.9). The lowest-rated jurisdictions on the Policy Perception Index are Honduras (4.3), Malaysia (5.2), Philippines (5.2), South Sudan (9.3), Zimbabwe (9.5), and Sudan and Nigeria (both 10.6).

Table 2 details the relative trends observed over the last five years for the performance of each of the jurisdictions on the Policy Perception Index.

The Best Practices Mineral Potential Index: Rating a region's geological attractiveness

The Best Practices Mineral Potential Index rates a region's attractiveness based on the perceptions of mining company executives of a jurisdiction's geology. Survey respondents were asked to rate the pure mineral potential of each jurisdiction with which they were familiar, assuming their policies are based on "best practices" (i.e., a world-class regulatory environment, highly competitive taxation, no political risk or uncertainty, and a fully stable mining regime). In other words, respondents were asked to rate the attractiveness of the region's "pure" mineral potential independent of any policy restrictions. The "best practice" index ranks the jurisdictions based on which region's geology "encourages exploration investment" or is "not a deterrent to investment" with these figures counting 100 percent of

Figure 2: Policy Perception Index

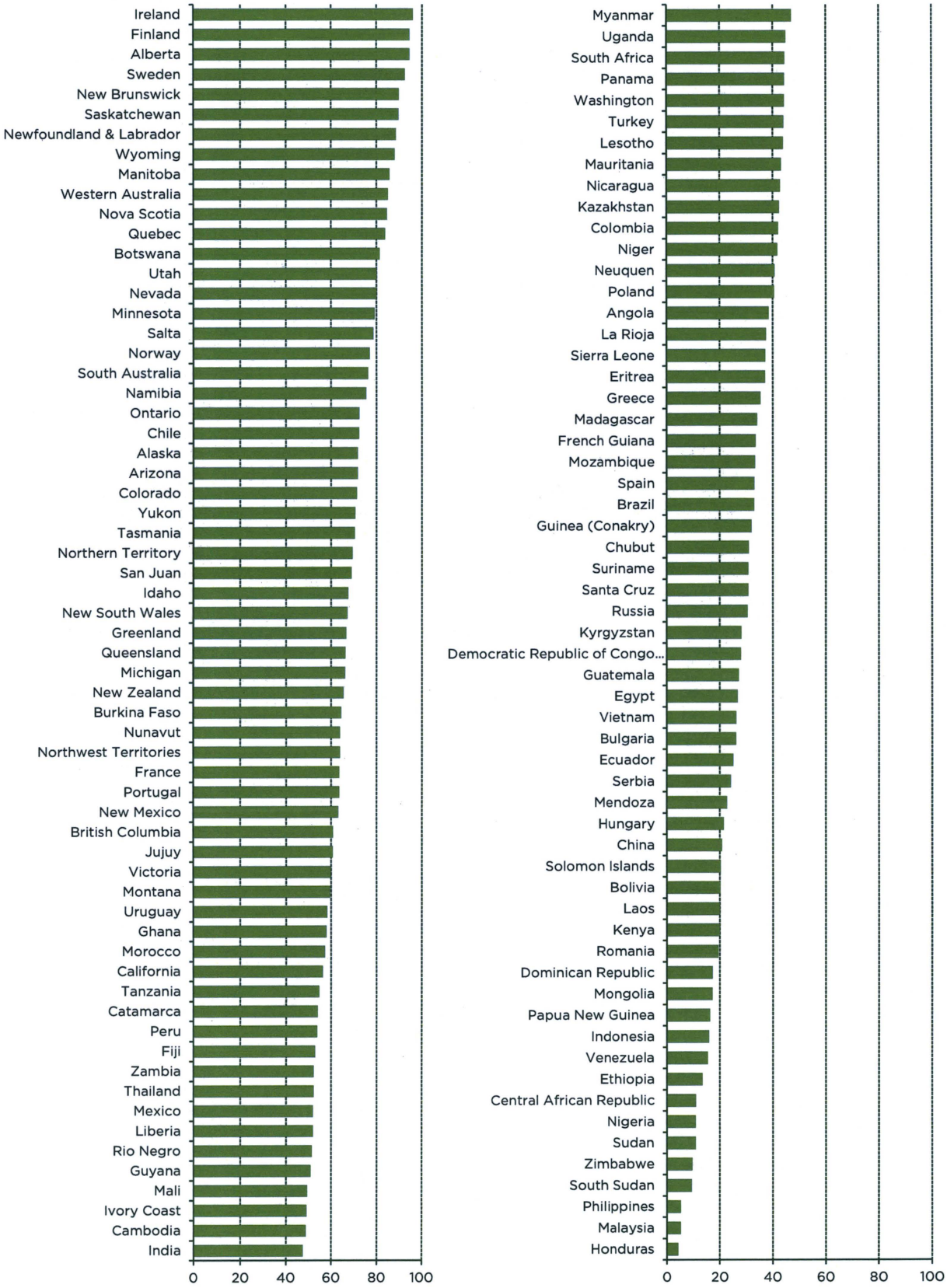


Table 2: Policy Perception Index

		Score					Rank				
		2014	2013	2012/ 2013	2011/ 2012	2010/ 2011	2014	2013	2012/ 2013	2011/ 2012	2010/ 2011
Canada	Alberta	94.67	93.43	92.64	91.54	90.38	2/122	3 /112	3/96	3/93	1/79
	British Columbia	60.73	69	63.61	62.45	54.39	42/122	32/112	31/96	31/93	36/79
	Manitoba	85.63	74.04	73.35	74.61	80.29	9/122	26/112	21/96	20/93	9/79
	New Brunswick	89.81	90.01	90.84	95.01	67.29	5/122	7/112	4/96	1/93	23/79
	Newfoundland & Labrador	88.43	86.28	76.8	76.99	74.65	7/122	9/112	18/96	16/93	13/79
	Northwest Territories	63.96	57.54	63.75	50.36	40.21	38/122	47/112	29/96	48/93	52/79
	Nova Scotia	84.47	71.52	81.77	77.06	68.59	11/122	29/112	12/96	15/93	19/79
	Nunavut	63.97	60.42	59.89	58.51	47.65	37/122	44/112	37/96	36/93	44/79
	Ontario	72.35	73.14	78.33	79.44	68.75	21/122	28/112	16/96	13/93	18/79
	Quebec	83.64	75.6	81.93	88.96	86.53	12/122	21/112	11/96	5/93	4/79
	Saskatchewan	89.65	82.32	81.57	88.88	87.47	6/122	12/112	13/96	6/93	3/79
	Yukon	70.4	76.38	83.81	82.98	72.95	26/122	19/112	8/96	10/93	15/79
United States	Alaska	71.69	75.6	75.52	67.48	67.56	23/122	22/112	19/96	25/93	21/79
	Arizona	71.68	76.2	64.17	65.51	65.93	24/122	20/112	28/96	29/93	25/79
	California	56.31	51.24	45.29	45.81	35.1	49/122	51/112	56/96	51/93	56/79
	Colorado	71.19	64.8	61.92	60.48	46.95	25/122	38/112	34/96	33/93	46/79
	Idaho	67.35	70.02	61.63	66.81	55.68	30/122	31/112	35/96	26/93	33/79
	Michigan	66.05	77.76	62.25	72.15	47.92	34/122	17/112	33/96	23/93	42/79
	Minnesota	79.06	79.27	58.07	72.57	47.32	16/122	15/112	40/96	22/93	45/79
	Montana	59.47	66	55.88	54.03	40.81	45/122	36/112	46/96	40/93	50/79
	Nevada	79.89	87.72	85.29	84.53	89.27	15/122	8/112	7/96	8/93	2/79
	New Mexico	63.15	64.5	56.23	54.03	54.99	41/122	40/112	45/96	41/93	34/79
	Utah	80	78.06	83.81	72.92	85.07	14/122	16/112	9/96	21/93	6/79
	Washington	44.37	49.8	55.67	55.13	34.4	68/122	53/112	47/96	39/93	59/79
	Wyoming	87.89	92.59	90.06	89.55	77.82	8/122	5/112	5/96	4/93	10/79
Australia	New South Wales	67.00	64.68	56.36	62.44	68.17	31/122	39/112	44/96	32/93	20/79
	Northern Territory	69.21	81.84	68.52	81.54	62.18	28/122	13/112	22/96	11/93	27/79
	Queensland	66.13	74.34	62.83	65.51	52.77	33/122	24/112	32/96	28/93	38/79
	South Australia	76.09	82.92	75.46	75.29	75.94	19/122	11/112	20/96	19/93	11/79
	Tasmania	70.20	73.38	54.05	64.77	61.32	27/122	27/112	49/96	30/93	28/79
	Victoria	59.74	68.82	65.99	52.11	56.89	44/122	33/112	24/96	44/93	31/79
	Western Australia	84.91	90.31	79.32	81.48	70.63	10/122	6/112	15/96	12/93	17/79
Oceania	Fiji	53.01	30.96	*	*	*	53/122	73/112	*	*	*
	Indonesia	15.83	15.3	9.38	13.48	22.53	112/122	104/112	96/96	85/93	70/79
	Malaysia	5.23	37.32	*	*	*	120/122	69/112	*	*	*
	New Zealand	65.47	81	65.07	65.71	63.37	35/122	14/112	26/96	27/93	26/79
	Papua New Guinea	16.17	24.66	26.15	34.27	29.63	111/122	84/112	77/96	66/93	64/79
	Philippines	5.23	9.48	14.01	13.02	27.31	121/122	110/112	88/96	88/93	66/79
	Solomon Islands	20.21	*	*	*	*	104/122	*	*	*	*

Table 2 continued

		Score					Rank				
		2014	2013	2012/ 2013	2011/ 2012	2010/ 2011	2014	2013	2012/ 2013	2011/ 2012	2010/ 2011
Africa	Angola	38.57	10.68	*	*	*	78/122	108/112	*	*	*
	Botswana	81.36	74.16	78.07	76.87	73.98	13/122	25/112	17/96	17/93	14/79
	Burkina Faso	64.52	58.87	45.98	57.49	66.29	36/122	46/112	55/96	38/93	24/79
	Central African Republic	10.73	*	*	*	*	115/122	*	*	*	*
	Democratic Republic of Congo (DRC)	27.85	23.88	12.33	19.94	7.77	94/122	85/112	93/96	76/93	77/79
	Egypt	26.54	*	*	*	*	96/122	*	*	*	*
	Eritrea	37.15	50.05	*	*	*	81/122	52/112	*	*	*
	Ethiopia	13.15	27.84	*	*	*	114/122	78/112	*	*	*
	Ghana	57.97	60.6	48.15	52.88	45.14	47/122	43/112	54/96	43/93	47/79
	Guinea(Conakry)	31.97	28.2	26.35	16.62	40.23	88/122	77/112	76/96	83/93	51/79
	Ivory Coast	49.02	14.88	*	*	*	61/122	105/112	*	*	*
	Kenya	20.03	27.24	*	*	*	107/122	79/112	*	*	*
	Lesotho***	43.93	*	*	*	*	70/122	*	*	*	*
	Liberia***	51.97	38.46	*	*	*	57/122	66/112	*	*	*
	Madagascar	34.07	15.6	16.55	41.96	15.63	83/122	103/112	85/96	59/93	73/79
	Mali	49.36	36.3	24.95	52.88	58.24	60/122	70/112	79/96	42/93	29/79
	Mauritania	43.17	*	*	*	*	71/122	*	*	*	*
	Morocco	57.20	*	*	*	*	48/122	*	*	*	*
	Mozambique	33.41	29.94	*	*	*	85/122	76/112	*	*	*
	Namibia	75.25	68.35	63.67	51.58	57.9	20/122	34/112	30/96	45/93	30/79
	Niger	41.79	31.8	32.19	30.68	47.91	75/122	72/112	70/96	68/93	43/79
	Nigeria	10.63	30.54	*	*	*	117/122	75/112	*	*	*
	Sierra Leone	37.25	17.16	*	*	*	80/122	96/112	*	*	*
	South Africa	44.47	39.78	34.97	44.53	23.37	66/122	64/112	64/96	54/93	67/79
	South Sudan	9.25	*	*	*	*	119/122	*	*	*	*
	Sudan***	10.63	*	*	*	*	116/122	*	*	*	*
	Tanzania	54.66	42.96	28.02	38.82	32.35	50/122	62/112	74/96	63/93	61/79
	Uganda	44.91	*	*	*	*	65/122	*	*	*	*
	Zambia	52.35	48	41.69	46.08	34.91	54/122	57/112	59/96	50/93	57/79
	Zimbabwe	9.51	14.58	13.44	21.77	22.35	118/122	106/112	91/96	74/93	71/79
Argentina	Argentina	**	**	**	**	32.44	**	**	**	**	60/79
	Catamarca	54.05	16.62	56.87	39.03	*	51/122	98/112	43/96	61/93	*
	Chubut	30.93	18.24	25.99	24.64	*	89/122	93/112	78/96	70/93	*
	Jujuy	60.65	43.2	34.49	20.08	*	43/122	61/112	65/96	75/93	*
	La Rioja	37.49	10.26	26.49	*	*	79/122	109/112	75/96	*	*
	Mendoza	22.61	14.16	36.15	22.24	*	101/122	107/112	62/96	73/93	*
	Neuquen	40.74	15.96	59.25	*	*	76/122	102/112	39/96	*	*
	Rio Negro	51.46	20.7	57.91	25.66	*	58/122	90/112	41/96	69/93	*
	Salta	78.51	62.7	59.67	43.91	*	17/122	41/112	38/96	55/93	*
	San Juan	68.87	49.62	53.28	38.95	*	29/122	54/112	51/96	62/93	*
	Santa Cruz	30.76	26.04	32.66	35.69	*	91/122	83/112	68/96	65/93	*

Table 2 continued

		Score					Rank				
		2014	2013	2012/ 2013	2011/ 2012	2010/ 2011	2014	2013	2012/ 2013	2011/ 2012	2010/ 2011
Latin America and the Caribbean Basin	Bolivia	20.13	16.5	13.79	8.14	9.13	105/122	99/112	90/96	91/93	76/79
	Brazil	33.01	39.12	38.19	43.29	43.2	87/122	65/112	61/96	57/93	49/79
	Chile	72.23	70.86	67.67	75.3	81.32	22/122	30/112	23/96	18/93	8/79
	Colombia	41.99	31.86	34.41	37.99	51.24	74/122	71/112	66/96	64/93	40/79
	Dominican Republic	17.27	16.98	39.67	31.48	*	109/122	97/112	60/96	67/93	*
	Ecuador	24.86	18.72	18.97	13.14	27.89	99/122	92/112	82/96	86/93	65/79
	French Guiana	33.53	66.96	64.59	*	*	84/122	35/112	27/96	*	*
	Guatemala	27.08	18.06	13.8	2.92	9.99	95/122	94/112	89/96	92/93	75/79
	Guyana	50.87	37.8	32.89	44.67	*	59/122	68/112	67/96	53/93	*
	Honduras	4.29	16.08	17.94	1.69	1.19	122/122	101/112	83/96	93/93	79/79
	Mexico	52.02	56.52	57.28	58.79	54.65	56/122	48/112	42/96	35/93	35/79
	Nicaragua	42.77	27	*	*	*	72/122	80/112	*	*	*
	Panama	44.43	47.64	35.75	16.88	23.29	67/122	58/112	63/96	82/93	68/79
	Peru	53.88	48.48	42.05	43.37	43.63	52/122	56/112	58/96	56/93	48/79
	Suriname	30.77	30.9	30.98	23.41	*	90/122	74/112	71/96	72/93	*
	Uruguay	58.20	26.34	*	*	*	46/122	82/112	*	*	*
	Venezuela	15.35	6.48	11.83	10.91	1.28	113/122	111/112	94/96	90/93	78/79
Asia	Cambodia	48.67	*	*	*	*	62/122	*	*	*	*
	China	20.73	21.3	28.51	43.08	30.9	103/122	88/112	72/96	58/93	62/79
	India	47.45	40.02	21.1	12.41	10.59	63/122	63/112	81/96	89/93	74/79
	Kazakhstan	42.39	22.08	23.27	17.03	30.38	73/122	87/112	80/96	81/93	63/79
	Kyrgyzstan	28.07	5.34	13.39	13.09	51.43	93/122	112/112	92/96	87/93	39/79
	Laos	20.04	17.52	*	18.33	*	106/122	95/112	*	79/93	*
	Mongolia	17.11	16.14	17.94	19.53	35.7	110/122	100/112	84/96	78/93	54/79
	Myanmar	47.06	37.86	*	*	*	64/122	67/112	*	*	*
	Thailand	52.33	53.22	*	*	*	55/122	50/112	*	*	*
	Vietnam	26.04	44.34	11.64	14.39	35.51	97/122	60/112	95/96	84/93	55/79
Europe	Bulgaria	25.93	55.86	53.58	50.58	55.94	98/122	49/112	50/96	47/93	32/79
	Finland	94.67	94.33	95.53	92.36	86.03	2/122	2/112	1/96	2/93	5/79
	France	63.59	76.93	*	*	*	39/122	18/112	*	*	*
	Greenland	66.52	75.3	79.88	78.16	74.93	32/122	23/112	14/96	14/93	12/79
	Greece	35.45	21.3	15.55	*	*	82/122	89/112	87/96	*	*
	Hungary***	21.35	*	*	*	*	102/122	*	*	*	*
	Ireland	95.99	93.38	89.71	82.98	72.61	1/122	4/112	6/96	9/93	16/79
	Norway	76.93	84.96	82.4	71.98	67.31	18/122	10/112	10/96	24/93	22/79
	Poland	40.56	44.7	42.71	51.24	*	77/122	59/112	57/96	46/93	*
	Portugal	63.54	61.32	*	*	*	40/122	42/112	*	*	*
	Romania	19.37	22.86	16.17	17.99	37.92	108/122	86/112	86/96	80/93	53/79
	Russia	30.49	19.44	28.11	24.56	23.13	92/122	91/112	73/96	71/93	69/79
	Serbia	24.05	48.54	49.94	*	*	100/122	55/112	52/96	*	*
	Spain	33.13	59.04	54.55	57.56	52.87	86/122	45/112	48/96	37/93	37/79
	Sweden	92.51	95.17	93.63	85.48	82.25	4/122	1/112	2/96	7/93	7/79
	Turkey	44.15	65.16	49.71	40.99	34.66	69/122	37/112	53/96	60/93	58/79

Notes: *Not Available; **Argentina is no longer reported as a single jurisdiction (we now report separately on the sub-national jurisdictions); ***Between 5 and 9 responses.

all "encourages" answers, but only 50 percent of the "not a deterrent" answers (please see the "Summary Indexes" discussion for additional details).

The maximum score possible on this index is 1. This year, Yukon places first with a score of 0.87 (see figure 3). Nevada and Alaska follow closely, with scores of 0.86 and 0.85, respectively. Northwest Territories and Manitoba round out the top five for pure mineral potential. Other top-ranked jurisdictions include Chile, Peru, Western Australia, and Idaho, as well as Canadian jurisdictions Quebec and Saskatchewan, each with a score of 0.80, and Newfoundland & Labrador and Manitoba, both of which have a score of 0.78. The lowest-rated jurisdictions on this index are Malaysia (0.20), Hungary (0.20), Kenya (0.23), Greece (0.30), Lesotho (0.30), and Egypt (0.30).

Table 3 details the relative improvement or deterioration of the performance of each jurisdiction surveyed on the Best Practices Mineral Potential Index.

Figure 3: Best Practices Mineral Potential Index

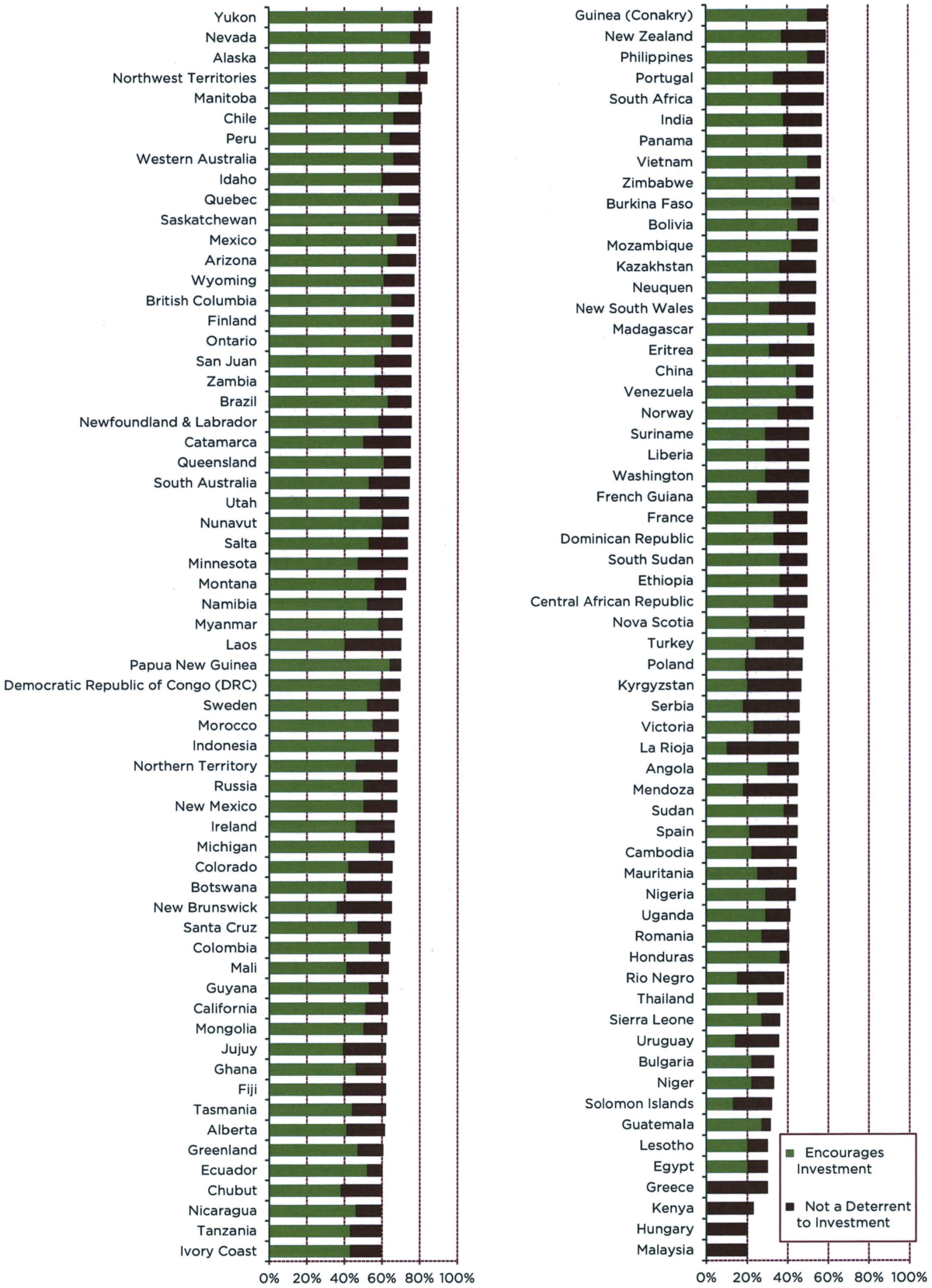


Table 3: Best Practices Mineral Potential Index

		Score					Rank				
		2014	2013	2012/ 2013	2011/ 2012	2010/ 2011	2014	2013	2012/ 2013	2011/ 2012	2010/ 2011
Canada	Alberta	0.62	0.66	0.57	0.64	0.61	56/122	34/112	50/96	57/93	59/79
	British Columbia	0.77	0.8	0.72	0.83	0.8	14/122	5/112	18/96	12/93	23/79
	Manitoba	0.81	0.78	0.69	0.76	0.74	5/122	10/112	25/96	26/93	33/79
	New Brunswick	0.65	0.59	0.6	0.52	0.43	44/122	52/112	44/96	78/93	74/79
	Newfoundland & Labrador	0.76	0.78	0.68	0.82	0.76	21/122	9/112	29/96	15/93	29/79
	Northwest Territories	0.84	0.78	0.73	0.85	0.87	4/122	11/112	16/96	6/93	8/79
	Nova Scotia	0.48	0.5	0.4	0.47	0.4	92/122	83/112	86/96	87/93	78/79
	Nunavut	0.74	0.75	0.74	0.85	0.84	25/122	15/112	12/96	5/93	16/79
	Ontario	0.76	0.77	0.75	0.78	0.85	17/122	12/112	8/96	25/93	11/79
	Quebec	0.80	0.73	0.73	0.82	0.84	10/122	17/112	16/96	13/93	17/79
	Saskatchewan	0.80	0.76	0.74	0.81	0.89	11/122	14/112	12/96	20/93	5/79
	Yukon	0.87	0.79	0.81	0.89	0.9	1/122	7/112	2/96	2/93	2/79
United States	Alaska	0.85	0.83	0.78	0.93	0.93	3/122	1/112	5/96	1/93	1/79
	Arizona	0.78	0.7	0.68	0.73	0.76	12/122	25/112	29/96	31/93	30/79
	California	0.63	0.55	0.51	0.58	0.58	49/122	65/112	63/96	67/93	64/79
	Colorado	0.66	0.57	0.56	0.64	0.7	43/122	58/112	55/96	55/93	47/79
	Idaho	0.80	0.65	0.56	0.68	0.65	7/122	36/112	55/96	36/93	56/79
	Michigan	0.67	0.62	0.45	0.55	0.54	41/122	42/112	78/96	72/93	68/79
	Minnesota	0.74	0.53	0.5	0.54	0.77	27/122	75/112	64/96	75/93	27/79
	Montana	0.73	0.61	0.59	0.7	0.7	29/122	45/112	45/96	33/93	47/79
	Nevada	0.86	0.82	0.76	0.81	0.85	2/122	3/112	7/96	17/93	13/79
	New Mexico	0.68	0.55	0.49	0.64	0.68	39/122	64/112	67/96	54/93	52/79
	Utah	0.74	0.74	0.64	0.66	0.71	26/122	16/112	39/96	48/93	45/79
	Washington	0.51	0.48	0.37	0.5	0.43	83/122	87/112	88/96	80/93	75/79
	Wyoming	0.77	0.66	0.69	0.68	0.74	15/122	35/112	25/96	42/93	36/79
Australia	New South Wales	0.54	0.62	0.49	0.55	0.55	77/122	43/112	67/96	71/93	67/79
	Northern Territory	0.68	0.7	0.68	0.66	0.72	38/122	24/112	29/96	49/93	42/79
	Queensland	0.75	0.73	0.72	0.75	0.8	22/122	18/112	18/96	29/93	22/79
	South Australia	0.75	0.68	0.69	0.79	0.73	24/122	29/112	25/96	23/93	39/79
	Tasmania	0.62	0.57	0.46	0.47	0.66	52/122	60/112	75/96	86/93	55/79
	Victoria	0.46	0.53	0.4	0.37	0.42	96/122	73/112	86/96	91/93	76/79
	Western Australia	0.80	0.82	0.77	0.83	0.87	8/122	2/112	6/96	11/93	7/79
Oceania	Fiji	0.62	0.4	*	*	*	53/122	101/112	*	*	*
	Indonesia	0.69	0.73	0.79	0.84	0.85	35/122	20/112	3/96	10/93	12/79
	Malaysia	0.20	0.53	*	*	*	121/122	72/112	*	*	*
	New Zealand	0.59	0.54	0.46	0.47	0.5	64/122	68/112	75/96	88/93	70/79
	Papua New Guinea	0.70	0.77	0.79	0.89	0.89	32/122	13/112	3/96	3/93	6/79
	Philippines	0.59	0.79	0.74	0.85	0.82	65/122	6/112	12/96	7/93	19/79
	Solomon Islands	0.32	*	*	*	*	115/122	*	*	*	*

Table 3 continued

		Score					Rank				
		2014	2013	2012/ 2013	2011/ 2012	2010/ 2011	2014	2013	2012/ 2013	2011/ 2012	2010/ 2011
Africa	Angola	0.45	0.5	*	*	*	98/122	80/112	*	*	*
	Botswana	0.65	0.68	0.75	0.78	0.77	45/122	30/112	8/96	24/93	28/79
	Burkina Faso	0.56	0.56	0.55	0.76	0.81	72/122	62/112	58/96	28/93	21/79
	Central African Republic	0.50	*	*	*	*	87/122	*	*	*	*
	Democratic Republic of Congo (DRC)	0.70	0.69	0.7	0.87	0.9	34/122	26/112	23/96	4/93	4/79
	Egypt	0.30	*	*	*	*	117/122	*	*	*	*
	Eritrea	0.53	0.63	*	*	*	78/122	40/112	*	*	*
	Ethiopia	0.50	0.5	*	*	*	88/122	78/112	*	*	*
	Ghana	0.62	0.67	0.58	0.81	0.75	54/122	32/112	47/96	18/93	31/79
	Guinea (Conakry)	0.60	0.54	0.43	0.66	0.73	60/122	69/112	82/96	50/93	39/79
	Ivory Coast	0.60	0.6	*	*	*	61/122	50/112	*	*	*
	Kenya	0.23	0.54	*	*	*	120/122	71/112	*	*	*
	Lesotho***	0.30	*	*	*	*	118/122	*	*	*	*
	Liberia***	0.51	0.63	*	*	*	84/122	41/112	*	*	*
	Madagascar	0.64	0.6	0.58	0.62	0.68	48/122	48/112	47/ 96	60/93	51/79
	Mali	0.53	0.53	0.48	0.71	0.79	79/122	74/112	71/ 96	32/93	24/79
	Mauritania	0.44	*	*	*	*	103/122	*	*	*	*
	Morocco	0.69	*	*	*	*	36/122	*	*	*	*
	Mozambique	0.55	0.36	*	*	*	74/122	105/112	*	*	*
	Namibia	0.71	0.61	0.62	0.5	0.69	30/122	47/112	40/ 96	80/93	49/79
	Niger	0.33	0.19	0.35	0.57	0.58	113/122	111/112	91/ 96	69/93	65/79
	Nigeria	0.44	0.59	*	*	*	105/122	53/112	*	*	*
	Sierra Leone	0.36	0.5	*	*	*	111/122	81/112	*	*	*
	South Africa	0.58	0.65	0.57	0.64	0.72	67/122	37/112	50/ 96	56/93	43/79
	South Sudan	0.50	*	*	*	*	89/122	*	*	*	*
	Sudan***	0.45	*	*	*	*	100/122	*	*	*	*
	Tanzania	0.60	0.56	0.67	0.67	0.79	62/122	63/112	32/ 96	47/93	25/79
	Uganda	0.41	*	*	*	*	106/122	*	*	*	*
	Zambia	0.76	0.69	0.6	0.61	0.78	18/122	28/112	43/ 96	62/93	26/79
	Zimbabwe	0.56	0.48	0.52	0.64	0.74	71/122	85/112	62/ 96	58/93	34/79
Argentina	Argentina	**	**	**	**	0.71	**	**	**	**	44/79
	Catamarca	0.75	0.4	0.57	0.68	*	23/122	100/112	50/ 96	39/93	*
	Chubut	0.60	0.48	0.48	0.84	*	58/122	88/112	71/ 96	Sep-93	*
	Jujuy	0.62	0.38	0.58	0.5	*	55/122	104/112	47/ 96	80/93	*
	La Rioja	0.45	0.38	0.56	*	*	99/122	103/112	55/ 96	*	*
	Mendoza	0.45	0.45	0.5	0.57	*	101/122	95/112	64/ 96	69/93	*
	Neuquen	0.54	0.39	0.36	*	*	75/122	102/112	90/ 96	*	*
	Rio Negro	0.38	0.36	0.44	0.68	*	109/122	106/112	79/ 96	42/93	*
	Salta	0.74	0.6	0.49	0.55	*	28/122	49/112	67/ 96	74/93	*
	San Juan	0.76	0.58	0.57	0.69	*	19/122	54/112	50/ 96	35/93	*
	Santa Cruz	0.65	0.58	0.62	0.65	*	46/122	57/112	40/ 96	52/93	*

Table 3 continued

		Score					Rank				
		2014	2013	2012/ 2013	2011/ 2012	2010/ 2011	2014	2013	2012/ 2013	2011/ 2012	2010/ 2011
Latin America and the Caribbean Basin	Bolivia	0.55	0.57	0.49	0.58	0.6	73/122	61/112	67/ 96	66/93	62/79
	Brazil	0.76	0.67	0.65	0.81	0.86	20/122	33/112	35/ 96	21/93	9/79
	Chile	0.81	0.8	0.75	0.81	0.85	6/122	4/112	8/ 96	18/93	14/79
	Colombia	0.64	0.64	0.71	0.8	0.9	47/122	38/112	21/ 96	22/93	3/79
	Dominican Republic	0.50	0.46	0.44	0.29	*	90/122	94/112	79/ 96	93/93	*
	Ecuador	0.60	0.51	0.54	0.65	0.7	59/122	77/112	60/ 96	51/93	46/79
	French Guiana	0.50	0.25	0.37	*	*	86/122	110/112	88/ 96	*	*
	Guatemala	0.32	0.47	0.44	0.63	0.69	116/122	93/112	79/ 96	59/93	50/79
	Guyana	0.63	0.5	0.55	0.53	*	50/122	79/112	58/ 96	77/93	*
	Honduras	0.41	0.32	0.29	0.53	0.59	108/122	109/112	95/ 96	76/93	63/79
	Mexico	0.78	0.71	0.72	0.85	0.86	13/122	22/112	18/ 96	8/93	10/79
	Nicaragua	0.60	0.42	*	*	*	63/122	97/112	*	*	*
	Panama	0.57	0.53	0.42	0.58	0.63	68/122	76/112	84/ 96	68/93	57/79
	Peru	0.80	0.73	0.65	0.82	0.85	9/122	19/112	35/ 96	14/93	15/79
	Suriname	0.51	0.33	0.47	0.55	*	85/122	107/112	73/ 96	73/93	*
	Uruguay	0.36	0.08	*	*	*	112/122	112/112	*	*	*
	Venezuela	0.53	0.4	0.46	0.59	0.56	80/122	99/112	75/ 96	65/93	66/79
Asia	Cambodia	0.44	*	*	*	*	104/122	*	*	*	*
	China	0.53	0.63	0.59	0.67	0.73	81/122	39/112	45/ 96	46/93	37/79
	India	0.57	0.5	0.69	0.68	0.5	69/122	82/112	25/ 96	44/93	70/79
	Kazakhstan	0.54	0.68	0.67	0.7	0.75	76/122	31/112	32/ 96	33/93	31/79
	Kyrgyzstan	0.47	0.47	0.71	0.68	0.67	95/122	92/112	21/ 96	39/93	53/79
	Laos	0.70	0.43	*	0.65	*	33/122	96/112	*	53/93	*
	Mongolia	0.63	0.59	0.84	0.82	0.83	51/122	51/112	1/ 96	16/93	18/79
	Myanmar	0.71	0.62	*	*	*	31/122	44/112	*	*	*
	Thailand	0.38	0.41	*	*	*	110/122	98/112	*	*	*
	Vietnam	0.57	0.47	0.62	0.36	0.6	70/122	91/112	40/ 96	92/93	61/79
Europe	Bulgaria	0.33	0.5	0.32	0.5	0.45	114/122	84/112	94/ 96	80/93	73/79
	Finland	0.77	0.71	0.7	0.68	0.74	16/122	21/112	23/ 96	36/93	34/79
	France	0.50	0.47	*	*	*	91/122	90/112	*	*	*
	Greenland	0.61	0.79	0.74	0.76	0.73	57/122	8/112	12/ 96	27/93	39/79
	Greece	0.30	0.55	0.25	*	*	119/122	66/112	96/ 96	*	*
	Hungary***	0.20	*	*	*	*	122/122	*	*	*	*
	Ireland	0.67	0.61	0.47	0.6	0.61	42/122	46/112	73/ 96	63/93	60/79
	Norway	0.53	0.58	0.57	0.5	0.53	82/122	56/112	50/ 96	80/93	69/79
	Poland	0.47	0.57	0.35	0.68	*	94/122	59/112	91/ 96	39/93	*
	Portugal	0.58	0.48	*	*	*	66/122	86/112	*	*	*
	Romania	0.41	0.48	0.42	0.47	0.61	107/122	89/112	84/ 96	89/93	58/79
	Russia	0.68	0.55	0.65	0.68	0.67	40/122	67/112	35/ 96	38/93	54/79
	Serbia	0.46	0.54	0.65	*	*	97/122	70/112	35/ 96	*	*
	Spain	0.45	0.58	0.43	0.52	0.41	102/122	55/112	82/ 96	79/93	77/79
	Sweden	0.69	0.69	0.67	0.68	0.73	37/122	27/112	32/ 96	45/93	38/79
	Turkey	0.48	0.7	0.75	0.73	0.81	93/122	23/112	8/ 96	30/93	20/79

Notes: *Not Available; **Argentina is no longer reported as a single jurisdiction (we now report separately on the sub-national jurisdictions); ***Between 5 and 9 responses.

Survey Methodology

Survey background

The mining industry is an important contributor to the Canadian economy. It provides materials essential for all sectors of the economy, as well as employment and government revenues. Mining contributes to economic growth worldwide and Canadian mining companies operate in jurisdictions around the world. While mineral potential is obviously a very important consideration in encouraging or dissuading mining investment, the impact of government policies can be significant.

Many regions around the world have attractive geology and competitive policies, allowing exploration investment to be shifted away from jurisdictions with unattractive policies. The deterrent effects of policy on exploration investment may not be immediately apparent due to the lag time between the implementation of policy changes and the hampering of economic activity and subsequent job losses.

Since 1997, the Fraser Institute has conducted an annual survey of mining and exploration companies to assess how mineral endowments and public policy factors such as taxation and regulation affect exploration investment. Our purpose is to create a "report card" that governments can use to improve their mining-related public policy in order to attract investment in their mining sector to better their economic productivity and employment.

The survey now includes 122 jurisdictions from all continents except Antarctica. New jurisdictions added to in this year's report include Solomon Islands in Oceania; Central African Republic, Egypt, Lesotho, Mauritania, Morocco, South Sudan, Sudan, and Uganda in Africa; Cambodia in Asia; and Hungary in Europe. The 2014 questionnaire also included Afghanistan, Belarus, Iraq, Israel, Oman, Tajikistan, Tunisia, Malawi, Pakistan, New Caledonia, Republic of the Congo (Brazzaville), Swaziland, Jordan, and Saudi Arabia. However, there were insufficient responses for these jurisdictions to include them in the report.[1]

Jurisdictions are added to the survey based on interest from survey respondents. This survey is published annually and the results are available and accessible to an increasingly global audience. In the past, detailed tables were included in the report in an appendix showing

1 The minimum threshold for inclusion this year was 10 responses. However, jurisdictions with between 5 and 9 responses were also included but have been noted accordingly. Any jurisdiction with less than 5 responses was dropped.

the breakdown of scores on each question for each individual jurisdiction. Those tables are now available online at www.fraserinstitute.org.

The Fraser Institute's mining survey is an informal survey that attempts to assess the perceptions of mining company executives about various areas of optimal and sub-optimal public policies that might affect the hospitality of a jurisdiction to mining investment. Given the survey's very broad circulation, its extensive press coverage, and positive feedback about the survey's utility from miners, investors, and policymakers, we believe that the survey captures, at least in broad strokes, the perceptions of those involved in both mining and the regulation of mining in the jurisdictions included in the survey.

Sample design

The survey is designed[2] to identify the provinces, states, and countries whose policies are the most attractive for encouraging investment in mining exploration and production. Jurisdictions assessed by investors as relatively unattractive may therefore be prompted to consider reforms that would improve their ranking. Presumably, mining companies use the information provided to corroborate their own assessments and to identify jurisdictions where business conditions and the regulatory environment are most attractive for investment. The survey results are also a useful source of information for the media, providing independent information about how particular jurisdictions compare.

The 2014 survey was distributed to approximately 4,200 managers and executives around the world in companies involved in mining exploration, development, and other related activities. The names of potential respondents were compiled from commercially available lists, publicly available membership lists of trade associations, and other sources. Several mining publications and associations also helped publicize the survey. (They are listed in the acknowledgements.)

The survey was conducted from August 26th to November 15th, 2014.

A total of 485 responses were received from individuals, of whom 390 completed the full survey and 95 completed part of the survey. As figure 4 illustrates, over half of the respondents (57 percent) are either the company president or vice-president, and a further 27 percent are either managers or senior managers. The companies that participated in the survey reported exploration spending of US$2.7 billion in 2014 and US$3.2 billion in

2 This year, an activist group attempted to undermine the survey by filing false surveys through a web link that we had previously only distributed to trade associations for use by their members who may not have received an original invitation to complete the survey. The link was de-activated within about 24 hours of the revelation of the prank, and we were able to identify and remove the false surveys, leaving only surveys completed by direct invitation from our mining company executive lists.

2013. This represents a notable decline from the 2013 Survey of Mining Companies (where exploration spending of US$3.4 billion in 2013 and US$4.6 billion in 2012 was reported), and represents a continuing trend of decreases in exploration spending year after year, likely due to challenges in attracting investment to the sector.

Figure 5 shows that over half of the 2014 survey respondents represent exploration companies. Just over a quarter (27 percent) represent producer companies, and the final 22 percent of respondents come from consulting and other companies.

Figure 4: The position survey respondents hold in their company, 2014

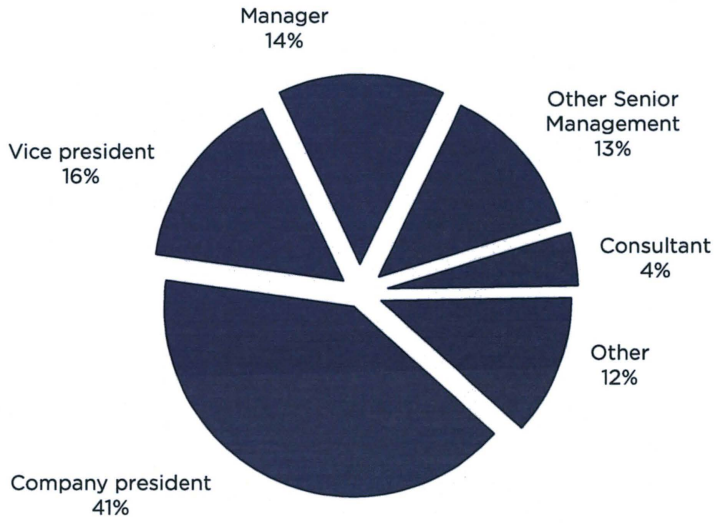
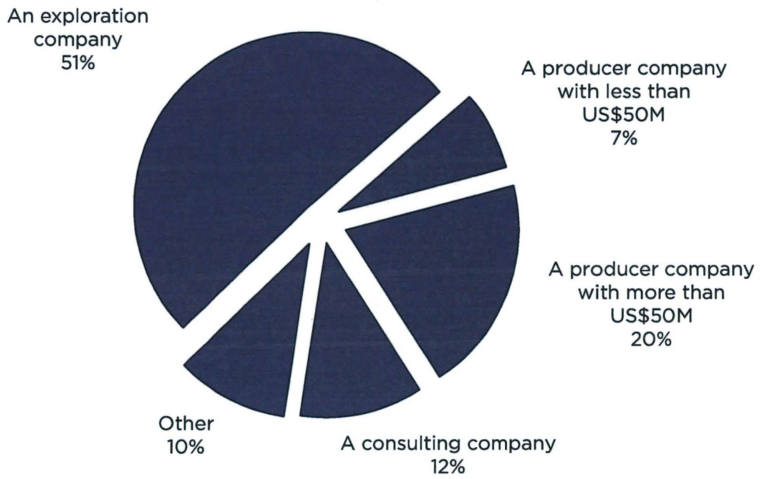


Figure 5: Company focus as indicated by respondents, 2014



Survey questionnaire

The survey was designed to capture the opinions of managers and executives about the level of investment barriers in jurisdictions with which their companies were familiar. Respondents were asked to indicate how each of the 15 policy factors below influenced company decisions to invest in various jurisdictions.

1. Uncertainty concerning the administration, interpretation, or enforcement of existing regulations;
2. Uncertainty concerning environmental regulations (stability of regulations, consistency and timeliness of regulatory process);
3. Regulatory duplication and inconsistencies (includes federal/provincial, federal/state, inter-departmental overlap, etc.);
4. Legal system (legal processes that are fair, transparent, non-corrupt, timely, efficiently administered, etc.)
5. Taxation regime (includes personal, corporate, payroll, capital, and other taxes, and complexity of tax compliance);
6. Uncertainty concerning disputed land claims;
7. Uncertainty concerning what areas will be protected as wilderness, parks, or archeological sites, etc.;
8. Infrastructure (includes access to roads, power availability, etc.);
9. Socioeconomic agreements/community development conditions (includes local purchasing or processing requirements, or supplying social infrastructure such as schools or hospitals, etc.);
10. Trade barriers (tariff and non-tariff barriers, restrictions on profit repatriation, currency restrictions, etc.);
11. Political stability;
12. Labor regulations/employment agreements and labor militancy/work disruptions;
13. Quality of the geological database (includes quality and scale of maps, ease of access to information, etc.);
14. Level of security (includes physical security due to the threat of attack by terrorists, criminals, guerrilla groups, etc.);
15. Availability of labor/skills.

Respondents were asked to score only jurisdictions with which they were familiar and only on those policy factors with which they were familiar. The 15 policy questions were unchanged from the 2013 survey. However, two questions that had been included—on the level of corruption (or honesty) and on growing (or lessening) uncertainty in mining policy and implementation—were dropped in 2013 in response to complaints from previous years' respondents that the survey had become overly long. Further, the two dropped questions were considered redundant, as they overlapped heavily with other questions. For each of the 15 factors, respondents were asked to select one of the following five responses that best described each jurisdiction with which they were familiar:

1. Encourages exploration investment
2. Not a deterrent to exploration investment
3. Is a mild deterrent to exploration investment
4. Is a strong deterrent to exploration investment
5. Would not pursue exploration investment in this region due to this factor

The survey also included questions about the respondents and the type of company they represented, regulatory "horror stories," examples of "exemplary policy," mineral potential assuming current regulation and land use restrictions, mineral potential assuming a "best practices" regulatory environment, the weighting of mineral versus policy factors in investment decisions, and investment spending.

Summary Indexes

Investment Attractiveness Index

The Investment Attractiveness Index (figure 1and table 1) is a composite index that combines both the Policy Perception Index and results from the Best Practices Mineral Potential Index. While it is useful to measure the attractiveness of a jurisdiction based on policy factors such as onerous regulations, taxation levels, the quality of infrastructure, and the other policy related questions respondents answered, the Policy Perception Index alone does not recognize the fact that investment decisions are often sizably based on the pure mineral potential of a jurisdiction. Indeed, as discussed below, respondents consistently indicate that roughly only 40 percent of their investment decision is determined by policy factors. To get a true sense of which global jurisdictions are attracting investment, mineral potential must also be considered.

This year, as in other years, the index was weighted 40 percent by policy and 60 percent by mineral potential. These ratios are determined from a survey question that asks respondents to rate the relative importance of each factor. In most years, the split is almost exactly 60 percent mineral and 40 percent policy. This year, the answer was 60.24 mineral potential and 39.76 percent policy. We have maintained the precise 60/40 ratio in calculating this index to allow comparability with other years.

The Policy Perception Index (PPI) (figure 2 and table 2) provides the data for the policy perception of each jurisdiction (see below for an explanation about how the index is calculated), while the rankings from the Best Practices Mineral Index (figure 3 and table 3), based on the percentage of responses for "Encourages Investment" and a half-weighting of the responses for "Not a Deterrent to Investment," is used to provide data on the mineral potential. Table 1 details the relative trends observed over the last five years for the performance of each jurisdiction on the Investment Attractiveness Index.

A limitation of this index is that it may not provide an accurate measure of the investment attractiveness of a jurisdiction at extremes, or where the 60/40 weighting is unlikely to be stable. For example, extremely bad policy that would virtually confiscate all potential profits, or an environment that would expose workers and managers to high personal risk, would discourage mining activity regardless of mineral potential. In this case, mineral potential—far from having a 60 percent weight— might carry very little weight. To address this potential limitation, an alternate measure of the overall attractiveness that considers

both mineral potential and policy perceptions is provided through the Current Practices Mineral Potential Index.

Room for improvement

Figure 6 captures one of the most revealing measures in this study. It subtracts each jurisdiction's score for mineral potential under "best practices" from its mineral potential under "current" regulations. A goal of this measurement is to help identify which jurisdictions could benefit greatly by reforming their mining related policies. A high score on this measure indicates that a jurisdiction's current polices are acting as a deterrent to the area's mineral potential. In order to attract investment and the economic prosperity associated with resource development, jurisdictions with high scores on this measure should consider reforming their policies.

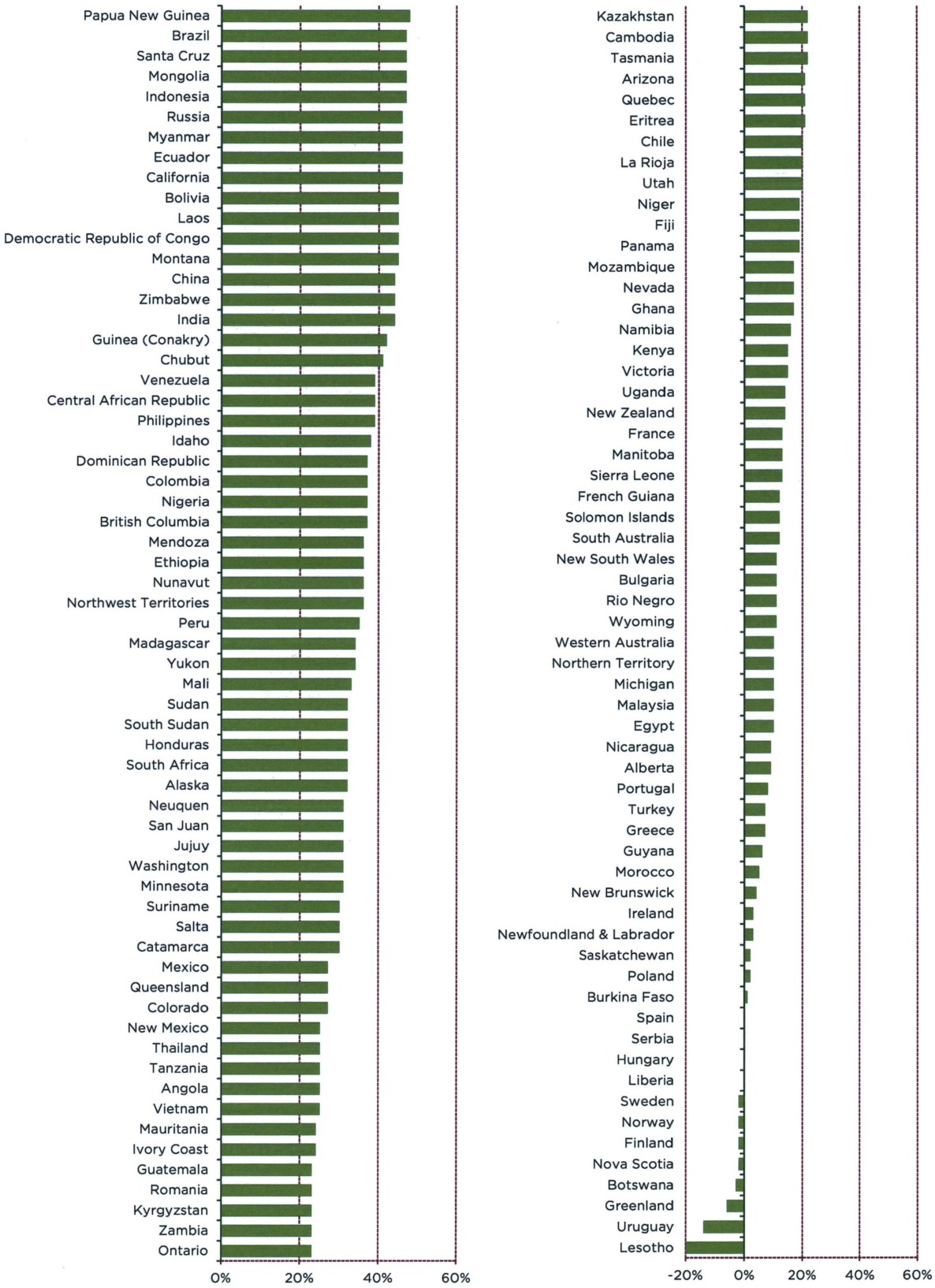
To understand this figure's measurement, consider Papua New Guinea, the jurisdiction with the most room for improvement in 2014. When asked about Papua New Guinea's mineral potential under "current" regulations, miners gave it a score of 22. Under a "best practices" regulatory regime, where managers can focus on pure mineral potential rather than policy-related problems, Papua New Guinea's score was 70. Thus, Papua New Guinea's score in the "Room for Improvement" category is 48. (Numbers may not add up due to rounding.) The greater the score in figure 6, the greater the gap between "current" and "best practices" mineral potential, and the greater the "room for improvement."

Policy Perception Index (PPI): An assessment of the attractiveness of mining policies

While geologic and economic evaluations are always requirements for exploration, in today's globally competitive economy where mining companies may be examining properties located on different continents, a region's policy climate has taken on increased importance in attracting and winning investment. The Policy Perception Index, or PPI (see figure 2 and table 2), provides a comprehensive assessment of the attractiveness of mining policies in a jurisdiction and can serve as a report card to governments on how attractive their policies are from the point of view of an exploration manager. In previous survey years, we have referred to this index as the Policy Potential Index. However, we feel that Policy Perception Index more accurately reflects its nature. Only the title has changed; the calculation of the index remains consistent between survey years thus enabling the results to be compared.

The Policy Perception Index is a composite index that captures the opinions of managers and executives on the effects of policies in jurisdictions with which they are familiar. All survey policy questions (i.e., uncertainty concerning the administration, interpretation, and enforcement of existing regulations; environmental regulations; regulatory duplication

Figure 6: Room for Improvement



and inconsistencies; legal system; taxation; uncertainty concerning disputed land claims; protected areas; infrastructure; socioeconomic agreements; political stability; labor issues; geological database; and security) are included in its calculation.

The PPI is based on ranks and is calculated so that the maximum scores are 100. Each jurisdiction is ranked in each policy area based on the percentage of respondents who judge that the policy factor in question "encourages investment." The jurisdiction that receives the highest percentage of "encourages investment" in any policy area is ranked first in that policy area; the jurisdiction that receives the lowest percentage of this response is ranked last. The ranking of each jurisdiction across all policy areas is averaged and normalized to 100. A jurisdiction that ranks first in every category would have a score of 100; one that scored last in every category would have a score of 0.

Best Practices Mineral Potential Index

Figure 3 shows the mineral potential of jurisdictions, assuming their policies are based on "best practices" (i.e., world class regulatory environment, highly competitive taxation, no political risk or uncertainty, and a fully stable mining regime). In other words, this figure represents, in a sense, a jurisdiction's "pure" mineral potential, since it assumes a "best practices" policy regime.

The "Best Practices Mineral Potential" index ranks the jurisdictions based on which region's geology "encourages exploration investment" or is "not a deterrent to investment." Since the "Encourages" response expresses a much more positive attitude to investment than "Not a Deterrent," in calculating these indexes, we give "Not a Deterrent" half the weight of "Encourages." For example, the "Best Practices Mineral Potential" for Alaska was calculated by adding the percent of respondents who rated Alaska's mineral potential as "Encourages Investment" (77 percent) with the 16 percent that responded "Not a Deterrent to Investment," which was half weighted at 8 percent. Thus, for 2014, Alaska has a score of 85, taking into account rounding. Table 3 provides more precise information and the recent historical record.

Current Practices Mineral Potential Index

The Current Practices Mineral Potential index (see figure 7 and table 4), is based on respondents' answers to a question about whether or not a jurisdiction's mineral potential under the current policy environment (i.e., regulations, land use restrictions, taxation, political risk, and uncertainty) encourages or discourages exploration.

To obtain an accurate view of the attractiveness of a jurisdiction under the current policy environment, we combine the responses to "Encourages Investment" and "Not a Deterrent

to Investment." Again, since the "Encourages" response expresses a much more positive attitude to investment than "Not a Deterrent," in calculating these indexes, we give "Not a Deterrent" half the weight of "Encourages." For example, the "Current Practices Mineral Potential" for British Columbia was calculated by adding the percent of respondents who rated BC's mineral potential as "Encourages Investment" (21 percent) with the 37 percent that responded "Not a Deterrent to Investment," which was half weighted at 19 percent. Thus, for 2014, British Columbia has a score of 40, taking into account rounding.

A caveat

This survey captures both the general and specific knowledge of respondents. A respondent may give an otherwise high-scoring jurisdiction a low mark because of his or her individual experience with a problem. We do not believe this detracts from the value of the survey. In fact, we have made a particular point of highlighting such differing views in the survey comments and the "What miners are saying" quotes.

Surveys can also produce anomalies. For example, in this survey Finland and Nova Scotia received higher scores for existing policies than for best practices. It is also important to note that the different segments of the mining industry (exploration and development companies, say) face different challenges. Yet many of the challenges the different segments face are similar. This survey is intended to capture the overall view.

Figure 7: Current Mineral Potential Index

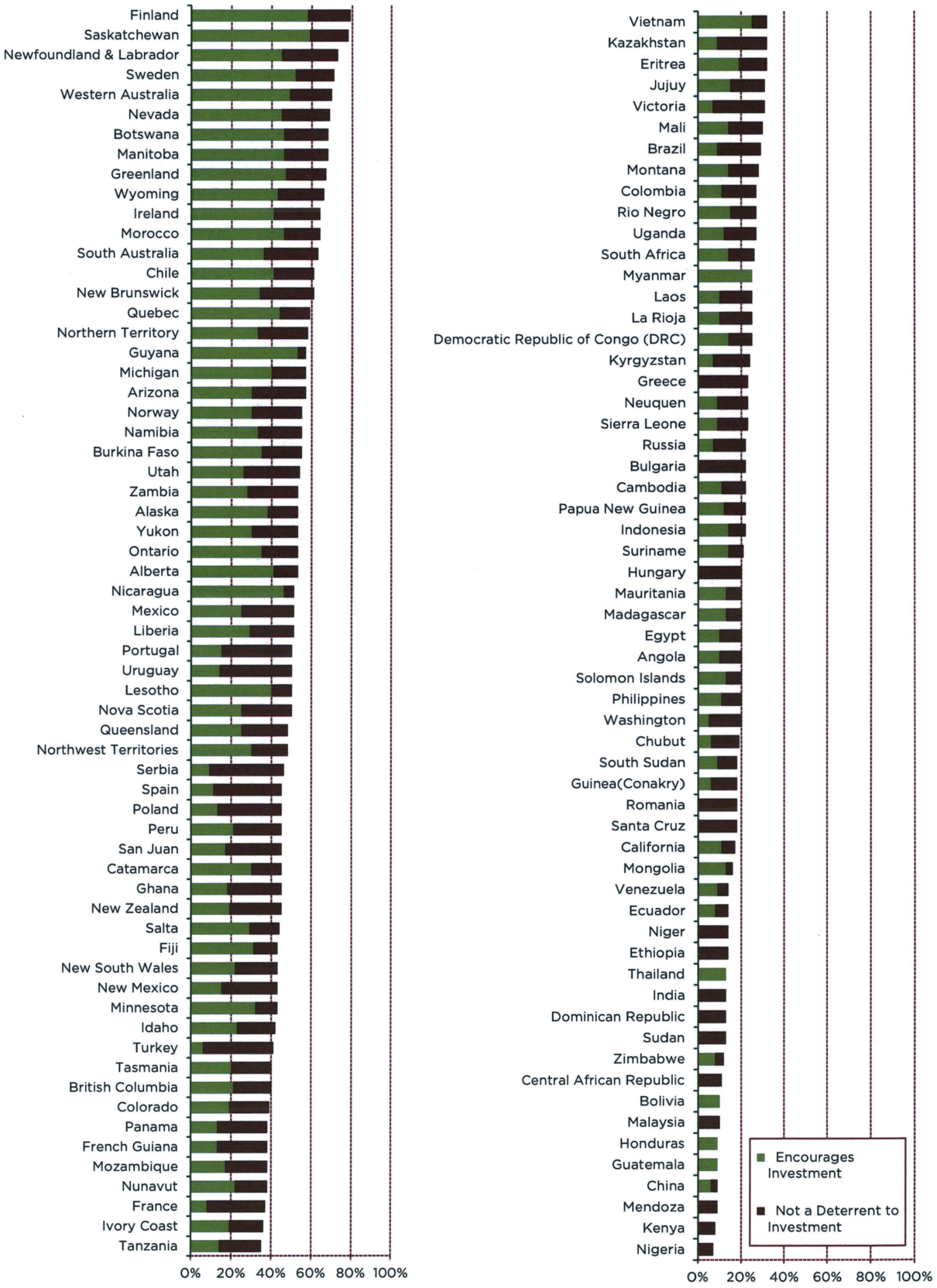


Table 4: Current Mineral Potential Index

		Score					Rank				
		2014	2013	2012/ 2013	2011/ 2012	2010/ 2011	2014	2013	2012/ 2013	2011/ 2012	2010/ 2011
Canada	Alberta	0.53	0.64	0.56	0.60	0.53	25/122	9/112	24/96	18/93	32 /79
	British Columbia	0.40	0.54	0.51	0.50	0.43	55/122	25/112	34/96	35/93	42 /79
	Manitoba	0.68	0.64	0.52	0.64	0.61	7/122	10/112	33/96	11/93	17 /79
	New Brunswick	0.61	0.58	0.62	0.54	0.46	14/122	20/112	12/96	27/93	38 /79
	Newfoundland & Labrador	0.73	0.71	0.61	0.66	0.57	3/122	2/112	14/96	8/93	25 /79
	Northwest Territories	0.48	0.51	0.58	0.44	0.35	38/122	30/112	18/96	46/93	59 /79
	Nova Scotia	0.50	0.51	0.50	0.41	0.38	33/122	31/112	37/96	51/93	51 /79
	Nunavut	0.38	0.56	0.55	0.51	0.38	57/122	23/112	28/96	30/93	50 /79
	Ontario	0.53	0.54	0.59	0.56	0.60	29/122	26/112	17/96	23/93	19 /79
	Quebec	0.59	0.49	0.55	0.65	0.76	16/122	32/112	26/96	9/93	2 /79
	Saskatchewan	0.78	0.70	0.72	0.69	0.75	2/122	4/112	5/96	4/93	3 /79
	Yukon	0.53	0.64	0.71	0.69	0.66	26/122	7/112	7/96	3/93	11 /79
United States	Alaska	0.53	0.63	0.72	0.68	0.67	28/122	11/112	6/96	6/93	9/ 79
	Arizona	0.57	0.58	0.60	0.51	0.54	20/122	19/112	15/96	31/93	31 /79
	California	0.17	0.32	0.33	0.21	0.20	103/122	67/112	64/96	88/93	72 /79
	Colorado	0.39	0.38	0.33	0.26	0.26	56/122	53/112	63/96	77/93	68 /79
	Idaho	0.42	0.53	0.52	0.36	0.48	52/122	28/112	32/96	59/93	34 /79
	Michigan	0.57	0.55	0.43	0.43	0.36	18/122	24/112	45/96	48/93	57 /79
	Minnesota	0.43	0.44	0.43	0.43	0.31	49/122	43/112	44/96	49/93	63 /79
	Montana	0.28	0.44	0.41	0.31	0.32	71/122	44/112	50/96	66/93	62 /79
	Nevada	0.69	0.71	0.72	0.67	0.73	6/122	3/112	4/96	7/93	4 /79
	New Mexico	0.43	0.41	0.46	0.55	0.43	48/122	48/112	41/96	24/93	43 /79
	Utah	0.54	0.62	0.61	0.60	0.66	24/122	13/112	13/96	15/93	13 /79
	Washington	0.20	0.27	0.24	0.19	0.10	93/122	76/112	82/96	91/93	78 /79
	Wyoming	0.66	0.58	0.71	0.63	0.60	10/122	22/112	8/96	12/93	20 /79
Australia	New South Wales	0.43	0.47	0.42	0.46	0.39	50/122	34/112	46/96	41/93	49 /79
	Northern Territory	0.58	0.65	0.65	0.58	0.54	17/122	6/112	10/96	22/93	30 /79
	Queensland	0.48	0.58	0.56	0.51	0.55	37/122	18/112	25/96	32/93	28 /79
	South Australia	0.63	0.60	0.58	0.62	0.56	13/122	16/112	20/96	14/93	27 /79
	Tasmania	0.40	0.40	0.34	0.37	0.42	54/122	50/112	61/96	56/93	45 /79
	Victoria	0.31	0.42	0.39	0.25	0.35	67/122	46/112	57/96	78/93	60 /79
	Western Australia	0.70	0.73	0.67	0.64	0.68	5/122	1/112	9/96	10/93	8 /79
Oceania	Fiji	0.43	0.20	*	*	*	51/122	94/112	*	*	*
	Indonesia	0.22	0.23	0.25	0.29	0.36	84/122	88/112	81/96	73/93	58 /79
	Malaysia	0.10	0.37	*	*	*	115/122	54/112	*	*	*
	New Zealand	0.45	0.44	0.54	0.30	0.47	41/122	41/112	29/96	68/93	35 /79
	Papua New Guinea	0.22	0.36	0.29	0.60	0.67	85/122	56/112	73/96	16/93	10 /79
	Philippines	0.20	0.23	0.26	0.33	0.44	94/122	86/112	80/96	63/93	40 /79
	Solomon Islands	0.20	*	*	*	*	95/122	*	*	*	*

Table 4 continued

		Score					Rank				
		2014	2013	2012/ 2013	2011/ 2012	2010/ 2011	2014	2013	2012/ 2013	2011/ 2012	2010/ 2011
Africa	Angola	0.20	0.10	*	*	*	90/122	109/112	*	*	*
	Botswana	0.68	0.62	0.60	0.75	0.68	8/122	14/112	16/96	1/93	7 /79
	Burkina Faso	0.55	0.48	0.55	0.63	0.71	23/122	33/112	27/96	13/93	6 /79
	Central African Republic	0.11	*	*	*	*	114/122	*	*	*	*
	Democratic Republic of Congo (DRC)	0.25	0.28	0.23	0.38	0.21	79/122	74/112	83/96	55/93	70 /79
	Egypt	0.20	*	*	*	*	91/122	*	*	*	*
	Eritrea	0.32	0.33	*	*	*	65/122	60/112	*	*	*
	Ethiopia	0.14	0.46	*	*	*	107/122	38/112	*	*	*
	Ghana	0.45	0.45	0.56	0.60	0.57	42/122	40/112	23/96	17/93	24 /79
	Guinea(Conakry)	0.18	0.27	0.29	0.36	0.36	99/122	77/112	74/96	58/93	56 /79
	Ivory Coast	0.36	0.21	*	*	*	62/122	91/112	*	*	*
	Kenya	0.08	0.35	*	*	*	121/122	58/112	*	*	*
	Lesotho***	0.50	*	*	*	*	34/122	*	*	*	*
	Liberia***	0.51	0.29	*	*	*	30/122	72/112	*	*	*
	Madagascar	0.30	0.20	0.12	0.38	0.41	69/122	95/112	90/96	52/93	46 /79
	Mali	0.20	0.24	0.33	0.55	0.59	96/122	84/112	65/96	26/93	21 /79
	Mauritania	0.20	*	*	*	*	97/122	*	*	*	*
	Morocco	0.64	*	*	*	*	11/122	*	*	*	*
	Mozambique	0.38	0.25	*	*	*	58/122	79/112	*	*	*
	Namibia	0.55	0.45	0.50	0.45	0.55	21/122	39/112	35/96	44/93	29 /79
	Niger	0.14	0.13	0.40	0.38	0.42	105/122	108/112	52/96	52/93	44 /79
	Nigeria	0.07	0.18	*	*	*	122/122	97/112	*	*	*
	Sierra Leone	0.23	0.25	*	*	*	82/122	80/112	*	*	*
	South Africa	0.26	0.37	0.28	0.33	0.28	75/122	55/112	77/96	62/93	66 /79
	South Sudan	0.18	*	*	*	*	100/122	*	*	*	*
	Sudan***	0.13	*	*	*	*	110/122	*	*	*	*
	Tanzania	0.35	0.35	0.42	0.55	0.58	63/122	57/112	47/96	25/93	23 /79
	Uganda	0.27	*	*	*	*	72/122	*	*	*	*
	Zambia	0.53	0.47	0.38	0.47	0.46	27/122	36/112	58/96	39 /93	37 /79
	Zimbabwe	0.12	0.15	0.10	0.21	0.16	113/122	103/112	92/96	87 /93	74 /79
Argentina	Argentina	**	**	**	**	0.37	**	**	**	**	55 /79
	Catamarca	0.45	0.33	0.36	0.36	*	44/122	64/112	60/96	57 /93	*
	Chubut	0.19	0.18	0.20	0.25	*	98/122	98/112	85/96	78 /93	*
	Jujuy	0.31	0.40	0.22	0.38	*	68/122	49/112	84/96	52 /93	*
	La Rioja	0.25	0.27	0.18	*	*	76/122	78/112	87/96	*	*
	Mendoza	0.09	0.13	0.30	0.25	*	117/122	107/112	70/96	78 /93	*
	Neuquen	0.23	0.21	0.32	*	*	83/122	92/112	67/96	*	*
	Rio Negro	0.27	0.17	0.32	0.27	*	73/122	99/112	66/96	75 /93	*
	Salta	0.44	0.52	0.39	0.45	*	47/122	29/112	54/96	42 /93	*
	San Juan	0.45	0.30	0.39	0.48	*	40/122	71/112	55/96	37 /93	*
	Santa Cruz	0.18	0.24	0.19	0.48	*	102/122	83/112	86/96	38 /93	*

Table 4 continued

		Score					Rank				
		2014	2013	2012/ 2013	2011/ 2012	2010/ 2011	2014	2013	2012/ 2013	2011/ 2012	2010/ 2011
Latin America and the Caribbean Basin	Bolivia	0.10	0.13	0.06	0.21	0.21	116/122	106/112	96/96	89 /93	71 /79
	Brazil	0.29	0.31	0.44	0.54	0.60	70/122	69/112	43/96	28 /93	18 /79
	Chile	0.61	0.66	0.64	0.69	0.77	15/122	5/112	11/96	5 /93	1 /79
	Colombia	0.27	0.25	0.47	0.53	0.64	74/122	82/112	40/96	29 /93	16 /79
	Dominican Republic	0.13	0.24	0.41	0.18	*	111/122	85/112	49/96	92 /93	*
	Ecuador	0.14	0.05	0.11	0.26	0.16	106/122	112/112	91/96	76 /93	74 /79
	French Guiana	0.38	0.33	0.32	*	*	59/122	61/112	68/96	*	*
	Guatemala	0.09	0.16	0.08	0.25	0.25	118/122	102/112	94/96	78 /93	69 /79
	Guyana	0.57	0.33	0.58	0.44	*	19/122	62/112	19/96	45 /93	*
	Honduras	0.09	0.15	0.06	0.19	0.15	119/122	105/112	95/96	90 /93	76 /79
	Mexico	0.51	0.46	0.53	0.58	0.64	31/122	37/112	30/96	21 /93	15 /79
	Nicaragua	0.51	0.32	*	*	*	32/122	66/112	*	*	*
	Panama	0.38	0.43	0.45	0.22	0.40	60/122	45/112	42/96	86 /93	48 /79
	Peru	0.45	0.44	0.49	0.42	0.59	46/122	42/112	38/96	50 /93	22 /79
	Suriname	0.21	0.29	0.33	0.25	*	89/122	73/112	62/96	78 /93	*
	Uruguay	0.50	0.23	*	*	*	35/122	89/112	*	*	*
	Venezuela	0.14	0.08	0.10	0.11	0.10	108/122	110/112	93/96	93 /93	77 /79
Asia	Cambodia	0.22	*	*	*	*	86/122	*	*	*	*
	China	0.09	0.16	0.30	0.30	0.33	120/122	101/112	72/96	69 /93	61 /79
	India	0.13	0.33	0.28	0.25	0.31	112/122	65/112	76/96	78 /93	64 /79
	Kazakhstan	0.32	0.32	0.31	0.32	0.38	64/122	68/112	69/96	65 /93	51 /79
	Kyrgyzstan	0.24	0.06	0.39	0.30	0.38	80/122	111/112	56/96	72 /93	51 /79
	Laos	0.25	0.23	*	0.30	*	77/122	87/112	*	69 /93	*
	Mongolia	0.16	0.22	0.27	0.44	0.53	104/122	90/112	79/96	47 /93	33 /79
	Myanmar	0.25	0.19	*	*	*	78/122	96/112	*	*	*
	Thailand	0.13	0.41	*	*	*	109/122	47/112	*	*	*
	Vietnam	0.32	0.28	0.27	0.30	0.43	66/122	75/112	78/96	69 /93	41 /79
Europe	Bulgaria	0.22	0.30	0.36	0.23	0.38	87/122	70/112	59/96	84 /93	51 /79
	Finland	0.79	0.63	0.74	0.59	0.66	1/122	12/112	2/96	19 /93	12 /79
	France	0.37	0.34	*	*	*	61/122	59/112	*	*	*
	Greenland	0.67	0.61	0.76	0.72	0.73	9/122	15/112	1/96	2 /93	5 /79
	Greece	0.23	0.25	0.13	*	*	81/122	81/112	88/96	*	*
	Hungary***	0.20	*	*	*	*	92/122	*	*	*	*
	Ireland	0.64	0.58	0.52	0.49	0.45	12/122	21/112	31/96	36 /93	39 /79
	Norway	0.55	0.59	0.57	0.32	0.47	22/122	17/112	21/96	64 /93	36 /79
	Poland	0.45	0.39	0.29	0.45	*	45/122	51/112	75/96	42 /93	*
	Portugal	0.50	0.39	*	*	*	36/122	52/112	*	*	*
	Romania	0.18	0.15	0.30	0.28	0.20	101/122	104/112	71/96	74 /93	*
	Russia	0.22	0.17	0.40	0.30	0.30	88/122	100/112	53/96	67 /93	65 /79
	Serbia	0.46	0.33	0.50	*	*	39/122	63/112	36/96	*	*
	Spain	0.45	0.47	0.48	0.34	0.41	43/122	35/112	39/96	60 /93	47 /79
	Sweden	0.71	0.64	0.73	0.59	0.65	4/122	8/112	3/96	20 /93	14/79
	Turkey	0.41	0.53	0.57	0.50	0.57	53/122	27/112	22/96	33 /93	26/79

Notes: *Not Available; **Argentina is no longer reported as a single jurisdiction (we now report separately on the sub-national jurisdictions); ***Between 5 and 9 responses.

Global Survey Rankings

The top

The top jurisdiction in the world for investment based on the Investment Attractiveness Index is Finland with an overall score of 83.8 (see figure 1). Finland moves up three spots this year to take over as the most attractive jurisdiction in the world for mining investment. Finland displaces Western Australia, which dropped to 5th overall. Saskatchewan moved up 5 spots to rank as the second most attractive jurisdiction in the world for investment. Rounding out the top 10 are Nevada, Manitoba, Quebec, Wyoming, Newfoundland & Labrador, Yukon, and Alaska in that order.

No jurisdiction scored first in all categories on the Policy Perception Index. Ireland had the highest PPI score of 96.0. It replaced Sweden in the top spot this year, while Finland and Alberta tied for 2nd with a PPI score of 94.7. Along with Ireland, Finland, and Alberta, the top 10 ranked jurisdictions are Sweden, New Brunswick, Saskatchewan, Newfoundland & Labrador, Wyoming, Manitoba, and Western Australia.

All but Saskatchewan and Manitoba were in the top 10 last year. Saskatchewan rose in the rankings from 12th in 2013 to rank 6th, while Manitoba rose to 9th in the rankings from 26th in 2013. Displaced from the top 10 were the Nevada, which fell in the rankings from 8th in 2013 to 15th in 2014, and Norway, which fell from 10th to 18th.

Finland, Alberta, Sweden, and Wyoming have ranked consistently in the top 10 over the last five surveys. Table 2 illustrates in greater detail the shifts in the relative ranking of the policy perceptions of the jurisdictions surveyed.

The bottom

When considering both policy and mineral potential in the Investment Attractiveness Index, Malaysia ranks as the least attractive jurisdiction in the world for investment. This is a significant drop for Malaysia which ranked 70th (of 112) in 2013. Also in the bottom 10 (beginning with the worst) are Hungary, Kenya, Honduras, Solomon Islands, Egypt, Guatemala, Bulgaria, Nigeria and Sudan. Kenya and Bulgaria experienced large drops from 79th and 57th (of 112 overall) in 2013, respectively.

The 10 least attractive jurisdictions for investment based on the Policy Perception Index rankings are (starting with the worst) Honduras, Malaysia, Philippines, South Sudan,

Zimbabwe, Sudan, Nigeria, Central African Republic, Ethiopia, and Venezuela. Venezuela, Philippines, and Zimbabwe were all in the bottom 10 jurisdictions last year, while South Sudan, Sudan, and Central African Republic were new additions to this year's survey. The four countries that dropped into the bottom 10 this year all experienced significant declines in their rankings. Nigeria dropped from 75th in 2013 to 117th, while the other African jurisdiction to fall into the bottom ten, Ethiopia, moved down from 78th to a ranking of 114th in 2014. Honduras fell from 101st to a 2014 ranking of 122nd. Malaysia dropped from 69th in 2013 to 120th in 2014.

Kyrgyzstan, Argentina—La Roja, Angola, Argentina—Mendoza, Madagascar, and Ivory Coast improved their scores sufficiently to move out of the bottom 10 after ranking in this group in 2013. The most significant improvement was Ivory Coast, which moved from 105th in 2013 to a ranking of 61st in 2014.

Global Results

Canada

Canada's median Policy Perception Index score improved significantly in 2014, by almost 10 points, and now five Canadian jurisdictions—Alberta (2nd), New Brunswick (5th), Saskatchewan (6th) Newfoundland & Labrador (7th), and Manitoba (9th)—were ranked in the top 10. When considering how Canadian jurisdictions rank on the Investment Attractiveness Index, Canada continues to perform well. On this index as well, five Canadian jurisdictions—Saskatchewan (2nd), Manitoba (4th), Quebec (6th), Newfoundland & Labrador (8th), and Yukon (9th)—are in the top ten.

Amongst Canadian jurisdictions Manitoba improved its score and rank the most this year, enabling it to move up from 26th spot in 2013 to 9th in this year's survey and returning it to the top 10 for the first time since 2010/2011. This improvement reflects higher scores on the PPI as more respondents rate the following policy factors as "encourages investment": taxation regime (an increase of 21 percentage points),[3] trade barriers (+12 points), and infrastructure (+11 points).

After improving its score in 2013, British Columbia's PPI score dropped noticeably in 2014. BC dropped in the rankings by 10 positions, coming in at an overall ranking of 42nd and having the worst performance of any Canadian jurisdiction on policy alone. The two policy areas significantly hampering BC are uncertainty concerning disputed land claims and uncertainty over which areas will be protected. The sum of negative responses for these two policy factors was 73 percent and 77 percent of respondents respectively. These scores likely reflect the ongoing tensions in the province over land title issues.[4]

Yukon has dropped from 8th in 2012/2013, to 19th in 2013, to 26th in 2014, reflecting a drop in its PPI score and indicating a decline in its relative attractiveness. The lower PPI score reflects a decrease in the percentage of respondents who perceived that the following policy factors "encourage investment": legal system (-12 points), regulatory duplication (-8 points), and the administration of regulations (-8 points).

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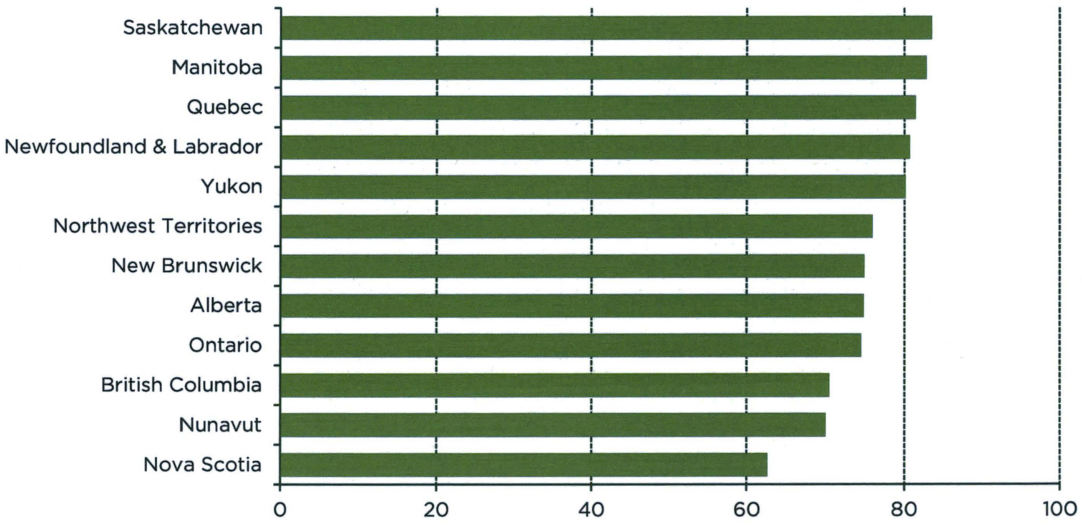
3 The numbers in brackets show the difference between the total percentage of respondents that rate a particular policy factor as "Encourages investment" from 2013 to 2014 (i.e., the change in percentage points).

4 See Ravina Bains (2014). *A Real Game Changer: An Analysis of the Supreme Court of Canada Tsilhqot'in Nation v. British Columbia Decision*. Fraser Research Bulletin. Available at www.fraserinstitute.org.

Quebec, which was ranked first overall from 2007/2008 to 2009/2010 but tumbled down the list since then, has stopped its decline. In fact, it has regained ground and 2014 saw a relatively large increase for Quebec from a rank of 21st in 2013 to 12th place, most notably due to higher ratings for political stability (+16), uncertainty concerning the administration, interpretation, and enforcement of existing regulations (+12 points), and security (+9 points).

Figure 8: Investment Attractiveness Index—Canada



Comments: Canada

The comments in the following section have been edited for length, grammar and spelling, to retain confidentiality, and to clarify meanings.

Alberta

Withdrawal of Grande Cache area from coal exploration and creation of wilderness [was] too early.

The government regulator was concerned that a coal mine had a higher concentration of bears and ungulates than a nearby national park. The regulators investigated whether or not the mine was "baiting" ungulates by hydroseeding the areas undergoing reclamation.

British Columbia

The lack of land claim settlements in the Smithers through to Terrace area and elsewhere in the province make it a little difficult to consider this province as a 1st priority for exploration.

Conflicting conclusions between federal and provincial rulings on the environmental impact of the New Prosperity project held by Taseko.

The abrupt restriction on exploration for uranium and thorium, the expropriation of Windy Craggy, unilateral classification of Flathead Valley as off-limits, recent Supreme Court decision seems to have First Nations intending to restrict exploration access.

Moratorium on uranium.

Lack of access to mining lands due to native noncooperation.

Prosperity rejection combined with others (Windy Craggy, Kemiss North) and problems with pipeline make BC very unfavorable.

Recent situation with First Nations blocking development after both federal and provincial regulators had approved project. Who actually has jurisdiction over the land and mineral endowment? Clearly not the elected governments, but the "special" interest groups.

Conflict between federal and provincial environmental assessment authorities for New Prosperity.

Over a year to get a drill permit.

NI 43-101 reporting: it shouldn't take 13-15 years to get permits. If I had known this in the beginning I wouldn't have spent the last 11 years begging to get permitted, and the protocol is wrong: way too long, too hard and too expensive... The province should allow anyone to mine—just apply the regulations and put the rules in place now. NI 43-101 is an expensive process. If the province had said: here are the rules and regulations; follow them, I would have been mining 10 years ago. I would have created 300-500 jobs by now, plus spin-off.

Where to start? The Flathead closure; moratorium on uranium exploration and development; provincial EA system that doesn't mesh with the federal system, resulting in unapproved projects and uncertainty; lack of political will to maintain two-zone land use system; eradicating the mines ministry in favour of C&E by untrained and unskilled FLNRO personnel... I could go on, but you get the picture.

Aboriginal controls on exploration companies which in some cases have led to property closures without cause... The tripling of fees (permit costs, assessment costs, etc.) before any production has been accomplished is having a detrimental effect on junior companies; many are losing their properties after having worked on them for several years.

Extra statutory rights accorded to First Nations to effectively veto projects.

BC internet map staking of mineral claims is excellent and should be adopted by other jurisdictions.

The flow-through financing program is very helpful for companies operating in Canada.

Although British Columbia has a lengthy and detailed permitting process, it does have government employees who are very receptive to helping mining exploration companies complete the required forms and maps for the processing of applications.

Manitoba

A general story of exploration companies that have not been able to get drilling permissions because government doesn't have the capacity to address First Nations consultation challenges.

The issue of the handling of consultations with First Nations is causing major delays and uncertainties.

The decision to include native bands in approving even preliminary, noninvasive exploration work, such as geologic mapping, sampling, prospecting, soil surveys, etc., has led to some companies being held up all summer season waiting for such permits.

The Manitoba Mines Department incentive programs for exploration eg., MEAP (Mineral Exploration Assistance Program) and MPAP (Manitoba Prospectors Assist Program) and double assessment credits for property work in 2014.

Manitoba is the only provincial government that wants a seat at the table during direct First Nation impact and benefit negotiations. The province has a strong desire to support mining investment—power, infrastructure, and far north development.

Strong database, well organized mineral title system, efficient land use and permitting.

New Brunswick

Recent proactive reach out to promote and show its mineral potential.

Exploration assistance grants, active and essential geological survey department, government appears to want mineral development.

Newfoundland & Labrador

Changing permit requirements and delays obtaining access-to-explore have caused delays and headaches in the past. Exploration activities are often considered as "high impact industrial activity" and are relegated to a lower priority than recreational activities.

Demand to refine all Voise's Bay material in province instead of optimal development.

Around about 1992 this province set out to reinvigorate its mining industry. It did every single thing [necessary] to make the jurisdiction attractive. From prospectors' grants, to online map staking, to geological database accessibility, to taxation, to advertising, to government invitation, a comprehensive plan was put into place. This, coupled with a similar effort to attract the petroleum industry, has completely transformed the province from a have-not province

to a wealthy, dynamic jurisdiction. This is the best example ever of the great benefit and change that can come from embracing resource development and developing a long-term, stable business framework in which to operate.

Northwest Territories

Unsettled land claims and an unruly regulatory regime.

Land use and water use permitting is a nightmare.

Lack of settled land claims in very prospective areas that are currently considered traditional territories makes it difficult (and more time consuming and costly) to move projects forward. The overall project environmental review process is too long and if proponents are able to move their projects forward on their timeline, these timelines do not always mesh with the regulators' timelines. Projects are too easily referred to an environmental assessment, which causes undue and unnecessary delays. Lack of infrastructure is a key stumbling block.

NWT has embarked on a Mineral Development Strategy to bring investment back into the north.

Nova Scotia

Waiting 3 years for approval to acquire land.

Nunavut

Compulsory labour hire of indigenous population.

Even with a settled land claim, with the federal government still having overall jurisdiction (or at least a final approval step), projects can, and sometimes do, take too long.

Complete lack of infrastructure, and lack of roads where needed.

Once the Nunavut Water Board deems a project Type A (i.e., a mine) based on the volume of water used, there is no mechanism for a mine to return to a Type B project following closure and reclamation. This results in reclaimed mines that use no water and produce no waste continuing with the detailed public review process during licence renewal. A detailed public review costs the mining company and taxpayers of Canada hundreds of thousands of dollars.

The Nunavut Water Board and the Nunavut Impact Review Board attempt to coordinate reviews of a project in order to reduce timelines and costs required.

Ontario

New Mining Act amendments re: First Nations consultation. Striving for clarity has resulted in complete incomprehensibility, impractical regulation, and misinterpretation of rights on all sides.

Revision of the Mining Act to include near-veto powers against exploration of First Nation traditional land use areas contrary to treaty assurances.

Provincial regulations different from federal regulations. Government entities not addressing First Nations consultation issues.

Lack of transparency, extreme conflict over land use with First Nations groups, high costs of permitting, and new poorly organized regulations.

Poor decisions on infrastructure and lack of provincial First Nations agreements related to developments in the Ring of Fire.

Abandoning the mining industry and forcing it to deal directly with native groups, and providing support to native groups for negotiations, but not to junior mining companies.

Quebec

Moratorium on all uranium exploration permits. Abusive implementation of protected zones without proper evaluation of mineral potential.

Uncertainty associated with mining law changes in 2012-13 [has led to] reduced interest from capital markets.

Changing tax and mineral holding policies changed high priority exploration environment to a more problematic situation.

The uranium moratorium was a complete shock, totally arbitrary, unnecessary, and economically devastating for a number of juniors.

Quebec adopting their "Plan Nord" policy to encourage investment and mineral exploration in northern Quebec.

Plan Nord: essentially a "build it and they will come" approach. Outstanding vision for the future and recognition of the importance of mining and its role in infrastructure development. Also, tax incentives for exploration.

Saskatchewan

In Saskatchewan, "Duty to Consult" is the responsibility of government, not the company. Something like the Ring of Fire fiasco in Ontario would not happen in Saskatchewan.

Good geoscientific support and permitting procedures which allow for timely planning and efficient support from provincial administration in addressing land access and Amerindian issues.

Saskatchewan is open to uranium exploration .

Yukon

A continued lack of coordination of permitting between the environmental assessment board and the water board is causing an increase in permitting time for any projects of at least an additional year.

The court decision relating to the Kaska (Ross River Band Council) regarding mineral tenure has caused confusion and uncertainty and has dissuaded juniors from investing.

YESAB process provides tight control on timelines for moving through environmental licensing process and on insuring relevancy of issues that can be raised as part of the process.

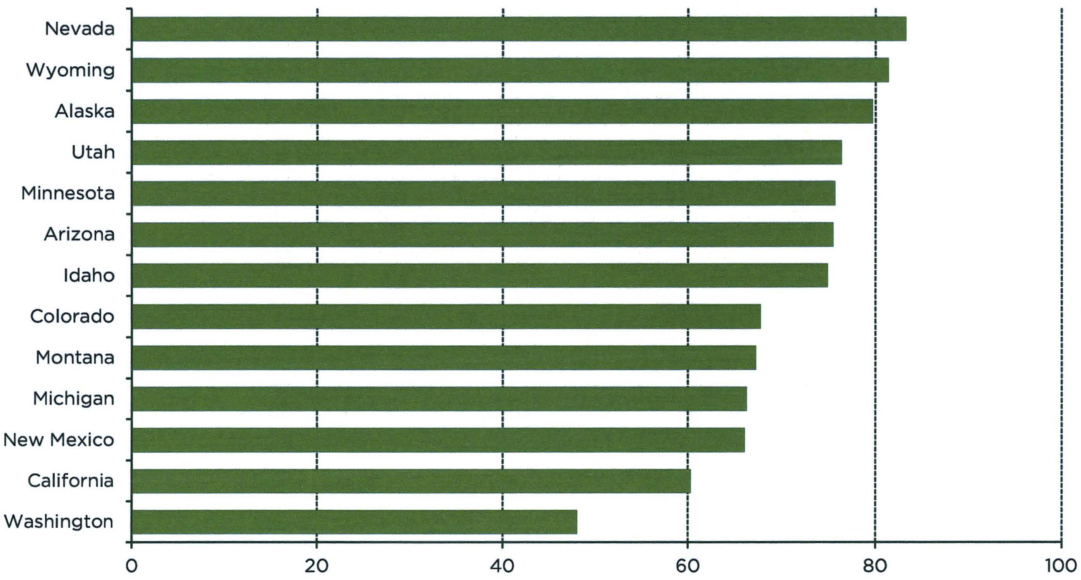
The United States

The United States's median investment attractiveness score continued to improve this year, as the jurisdiction overall became the second most attractive region in the world for investment, only slightly behind Canada. The median Policy Perception Index score for the United States decreased in 2014, likely reflecting the relatively large drops in Michigan, Montana, Nevada, and Washington.

In fact, California, Colorado, and Utah were the only US jurisdictions that saw an increase in their PPI scores; the remaining states experienced at least a slight decrease in their scores. Colorado saw an improvement in perceptions for its trade barriers (+19 points), socioeconomic agreements (+12 points), and labour regulations (+10 points).

Michigan and Nevada had the largest drop in their scores and rankings amongst US states in 2014. Michigan's ranking declined from 17th (of 112) last year to 34th (of 122) in 2014, and its survey ratings declined most significantly in availability of labour (-21 points), legal system (-10 points), and security (-9 points). Nevada dropped out of the top 10 to 15th in 2014 and saw worsening policy performance over concerns about the administration, interpretation, and enforcement of existing regulations (-11 points), legal system (-10 points), and its geological database (-9 points).

Figure 9: Investment Attractiveness Index—United States



Comments: United States

The comments in the following section have been edited for length, grammar and spelling, to retain confidentiality, and to clarify meanings.

Alaska

The federal EPA pre-emptively prohibited the Pebble Mine development project before the company was allowed to submit a plan under the established, clearly defined process of the National Environmental Policy Act.

The EPA's efforts to stop the Pebble Mine project before the commencement of permitting has had a chilling impact on investment in Alaska.

One-stop mine permitting greatly reduced regulatory duplication, confusion, and cost; it increases transparency and decreases time in the regulatory pipeline.

Alaska opened up more land for mineral leases and increased the number of permits that were available.

Coordinated permitting process between state and federal agencies helps minimize duplication, shortens the permitting process time, and applies a consistent and effective effort.

Arizona

Objections to in-situ copper mining at Florence.

2+ years to receive drilling permit on US BLM mining claim.

It was positive to have a joint industry-government conference to reduce the time required to process permit applications and implementation of regulations.

California

California has a generally oppressive regulatory regime in all areas (air, water, land use) and all regions of the state.

Colorado

Extreme discouragement of uranium in-situ mine development.

I think the expansion of the Cripple Creek & Victor Gold Mine in the past couple of years (operated by Anglo Gold Ashanti), which extended the life of the mine by about seven years, was well received by Colorado's Division of Reclamation, Mining & Safety, and allowed permit approval to move ahead efficiently.

Idaho

EPA shutdown of the Coeur D'Alene district by punitive regulations instead of proactive solutions.

The Federal EPA decided to require the operator of a suction dredge to obtain a permit under the National Pollutant Discharge Elimination System (NPDES), which they are not issuing.

Michigan

The EPA overrode State and local decision-making on a road bypass through bushland; in the end that decision resulted in greater environmental impact, not less.

Governor Snyder's efforts to stimulate job creation and support the development of the Eagle Ni-Cu mine in Marquette County were well received.

Minnesota

Lengthy permitting delays.

Superior National Forest's decision to conduct a forest-wide environmental assessment covering mineral exploration process took ~6 years to complete.

Montana

Cyanide ban on new open pit ore.

The cyanide ban on new properties is extremely dissuasive to mineral exploration in Montana, particularly gold exploration.

Nevada

Permitting requirements involve long timelines and cost.

In general, there are short time periods for permitting, regardless of commodity or mine size.

Strong support from State level government for mineral exploration and mine development.

Expedited land use approvals.

New Mexico

Slow processing of permitting, high costs of water rights, inconsistent oversight and enforcement of reclamation.

Utah

Simple permit application process in Utah.

State agencies, to the extent they are able, are proactive and supportive.

Washington

Washington State Dept. of Environmental Protection required the US Forest Service to haul rock for rip rap in the remediation of an abandoned mine from more than 200 miles away rather than being able to use local native rock. This would have bankrupted a junior company.

Wyoming

The Wyoming Industrial Revenue Bond Program is very helpful for companies looking to grow operations in Wyoming.

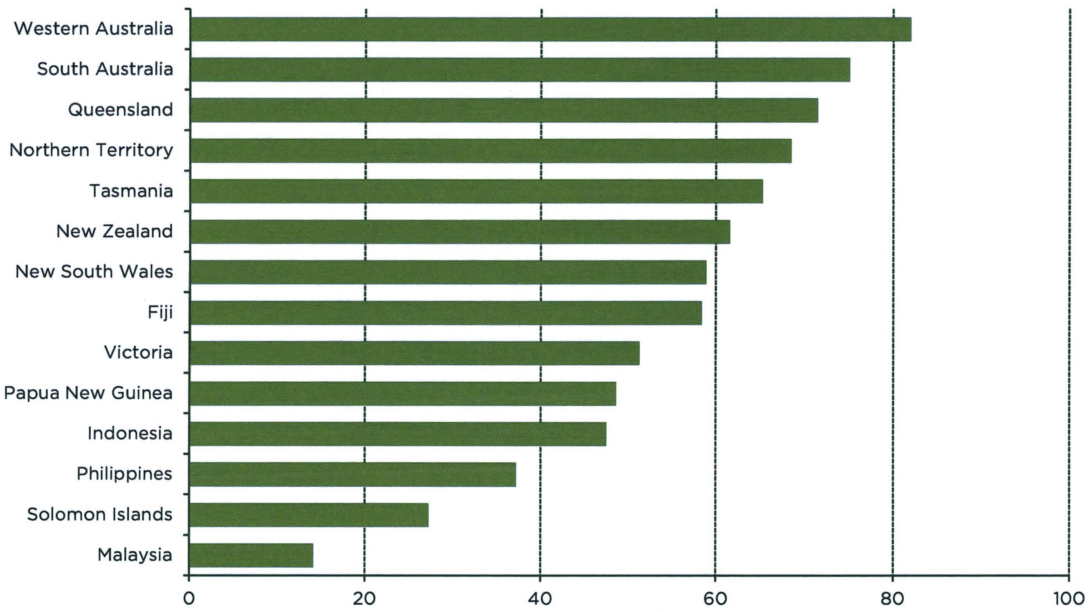
Generally strong support at all levels of State government and a willingness to finance for all commodities and all mine sizes.

Australia and Oceania

Australia continues to be a relatively attractive place to invest in mining, despite a decline in its regional median investment attractiveness score. Only South Australia and Tasmania saw improvements in their investment attractiveness scores—and those improvements were only minimal. Two states, Northern Territory and Victoria, deteriorated by over five points, and only one jurisdiction (Western Australia) ranked in the top 10 most attractive jurisdictions in the world for investment.

The median Policy Perception Index score for Australia declined for the first time in the last five years. Western Australia was again the highest ranked jurisdiction in Australia and, as mentioned, was the only jurisdiction in Oceania in the top 10. It ranked 10th, down from 6th in 2013. All but one Australian jurisdiction (New South Wales) saw their PPI scores decline in 2014, with three jurisdictions—Northern Territory, Queensland, and Victoria—facing declines of over eight points. The Northern Territory saw a large reduction in its score and rank, moving down to 28th (of 122 jurisdictions) from 13th (of 112) as more respondents rated their legal system (-27 points), increased uncertainty concerning disputed land claims (-15 points), and political stability (-14 points) as discouraging to investment. Queensland's ratings also declined noticeably, with its ranking dropping from 27th in 2013 to 33rd in 2014, reflecting increased concerns over political stability (-21 points), availability of labor and skills (-12 points), and socioeconomic agreements/community development conditions (-11 points). New South Wales was the only Australian jurisdiction to improve its score this year, although the improvement was minimal.

Figure 10: Investment Attractiveness Index—Australia and Oceania



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In the rest of Oceania, the score and ranking for New Zealand dropped significantly this year after its PPI score had improved for six previous consecutive years. The country's ranking dropped to 35th in 2014 from 14th in 2013 with its ratings declining most between survey years for regulatory duplications and inconsistencies (-15 points), the administration, interpretation, or enforcement of existing regulations (-14 points), and uncertainty concerning environmental regulations (-13 points). Malaysia experienced a large drop in its score and ranking, moving down over 32 points in the PPI to become the third least attractive jurisdiction in the world based solely on policy factors. This drop comes after experiencing reductions of over 10 percentage points on almost all policy factors. Fiji is the only jurisdiction to improve in Oceania outside of Australia, gaining 22 points on the PPI to move up from a ranking of 73rd in 2013 to 53rd in 2014. Solomon Islands was added to the survey questionnaire this year and ranked 104th.

Comments: Australia and Oceania

The comments in the following section have been edited for length, grammar and spelling, to retain confidentiality, and to clarify meanings.

New South Wales

Anti-coal agenda slowing development approvals down.

NSW premier removed mining rights from duly authorized investor due to failure of the government to manage title.

Regional jurisdictions are unable to administer environmental policy/rule in a consistent way. Duplication of state and federal environmental requirements doubles the time and expense.

The extreme level of bureaucracy following the recent ministerial indiscretions has put all issues under the microscope. One example is the "precautionary principle" now enshrined in environmental legislation, effectively requiring an environmental investigation on EVERYTHING, even if it doesn't exist within a project boundary.

Extensive, expensive, unnecessary delay due to Land & Environment Court proceedings.

The allocation process for coal exploration land in NSW has been frozen for some years. The ongoing unresponsiveness will lead to a slump in activity and early closure of mines in coming years.

Queensland

Too much bureaucracy and changing of royalty rates.

The declaration of a quasi-national park on Cape York stopped a bauxite development. This declaration was done by the current Conservative government and went far further than the previous interference with this project by the previous socialist government. A very anti-mining, anti-business decision made with no consultation.

Environmental regulations are too complicated and environmental officers are unprofessional and ignorant of what is material with regard to "harm." Environmental rehabilitation and financial assurance requirements are driven by fear rather than realistic reintegration or recycling back into the local landscape.

Ban on uranium mining.

Land Access Legislation, its inception, the nature in which it was introduced, the failure it presents for industry and exploration investment, its workability and suitability to industry (i.e., impossibly cumbersome, costly and difficult), and the fact that the current administration is not interested in hearing any criticism of it, nor will it listen to the urgent need to change it.

Land access is extremely problematic under new laws—costly and very time consuming.

The government is demanding unrealistic environmental bond for mine closure rehabilitation which makes the business not viable.

Attitudes within government are slowly changing. The biggest problem Queensland has had in the past is the application of any policy; it has had a big focus on black-and-white compliance without an understanding of how exploration companies actually work and operate. This thankfully is changing. At one point it was impossible to get any approval without having to jump through a lot of hoops just to satisfy the decision maker.

The policy of having compulsory reductions in tenement size every year to fit the government model of exploration, discovery, resource drillout, and application for mining lease all within the 5-year time frame of an exploration licence. Exploration is not that neat and cooperative.

Government Collaborative Drilling Grants refund 50% of the cost of drill programs that are innovative or research based. There are federal government

tax rebates for genuine R&D. The Geological Survey provides accurate detailed maps and reports.

Administrative processes have improved significantly generally since the change of government, but there is still a way to go.

Recent changes currently being discussed around the modernizing of Queensland's resource tenure framework.

With the change of administration in 2012, the Department of Natural Resources & Mines is now more customer focused and interested in trying to work collaboratively with industry in order to help ensure that exploration and development of natural resources progresses. Unfortunately, however, there are still many "sacred cows" that are apparently off limits such as meaningful review and change of the Land Access Legislation.

Government is trying to encourage resource development.

The Resource Cabinet Committee was established to engage with industry on expanding the industry in a responsible way.

The Queensland government's policy call for the exploration industry to nominate potential projects that the Geological Survey should work on is a refreshing new approach that ensures the GSQ is working on projects of direct relevance.

Northern Territory

Co-operative government funding for drilling conceptual targets.

Plus exploration incentive scheme for drilling and geophysics. [Two entries—or just one?]

Western Australia

Government forced an iron ore company to grant use of its haulage railway to a competitor company.

Ban on uranium mining.

Over the last year or so, I have noticed that all approval types within WA for exploration have blown out. In particular, trying to get certainty for expenditure exemptions has been time consuming and painful. If they find an error with your application they do not contact you. It took almost 12 months to get a simple expenditure approval completed successfully.

Harassment by another arm of government over property transfer values for stamp duty purposes despite financial and legal rigours of prospectus and other regulatory approvals.

Co-funded drilling program aimed at supporting grassroot mineral exploration.

South Australia

Requirement for a heritage survey for an exploration project that resulted in the expenditure of $40,000 in legal fees just to negotiate, and which was challenged by another aboriginal group, so had to go through the entire process again. Total cost approx. $100,000—and no foot set on the ground.

Aboriginal Heritage Act is completely unworkable and creates uncertainty at all stages of development.

Native title disputes impossible to resolve.

Geological Survey provides accurate detailed maps and reports. Actively encourages exploration. Allows development of uranium mines.

Victoria

Confusion between regulatory departments on jurisdictional matters. Inability for a decision to be made about bringing ore in from an outside source to be processed at a processing facility.

Tasmania

Constant desire for more national/timber reserves whilst economy languishes.

Recent classification of button grass as "fragile" and requiring all legacy areas of disturbance to be rehabilitated to the department's satisfaction.

Fiji

Government engaged Japanese experts to conduct geophysical survey (gravity, magnetics, radiometry) of major islands and prospective areas. Data freely available.

Indonesia

Recent political requirements for product to be refined within Indonesia and the status of historical Contracts of Work which now appear to be invalid.

In-country processing and divestment of 51% of regulations. Indonesia will be unable to develop any of their copper deposits while these two regulations are in place. Regardless the size of the deposit, the economics do not work.

Non export of mineral concentrates—secondary processing legislation.

Expropriation of mineral titles.

Introduction of a punitive export tax for concentrate shipments in addition to the royalties/taxes agreed in Contract of Work agreements.

Corruption at local levels requires payments to get things done.

New Zealand

Inaccessibility of the northern portion of the Coromandel Peninsula and the extreme difficulty of working out access agreements with the Maori.

Banning of gold mining in favour of tourism when both could co-exist.

Papua New Guinea

Politically unstable and anti-mining. Mining and land rights decisions were recently transferred to the community, making operations impossible.

Keeps on changing the rules.

The political regime is cumbersome and not as democratic as one may hope for.

Philippines

New tax rules, lack of permitting, no-go zones.

Foreign ownership restrictions.

Guerrilla kidnapping and demands for security payments from Mindanao to the point of <100% of profit.

55% income tax, or 11% royalty, whichever is higher.

Solomon Islands

Lack of control over informal mining activity on existing tenements.

Followed with horror the experience of a multinational company that won an international tender and was awarded an exploration licence by national government, only to be overpegged by another company with local landowner agreement, and then lose in court.

Africa

Eight African jurisdictions were added to the 2014 survey, allowing us to rank Central African Republic (109th of 122), Egypt (117th), Lesotho (107th), Mauritania (87th), Morocco (40th), South Sudan (110th), Sudan (113th), and Uganda (92nd) for the first time.[5] Despite these additions, the median score for Africa on policy factors (PPI) increased noticeably this year, and remained relatively steady when considering the overall investment attractiveness of the region.

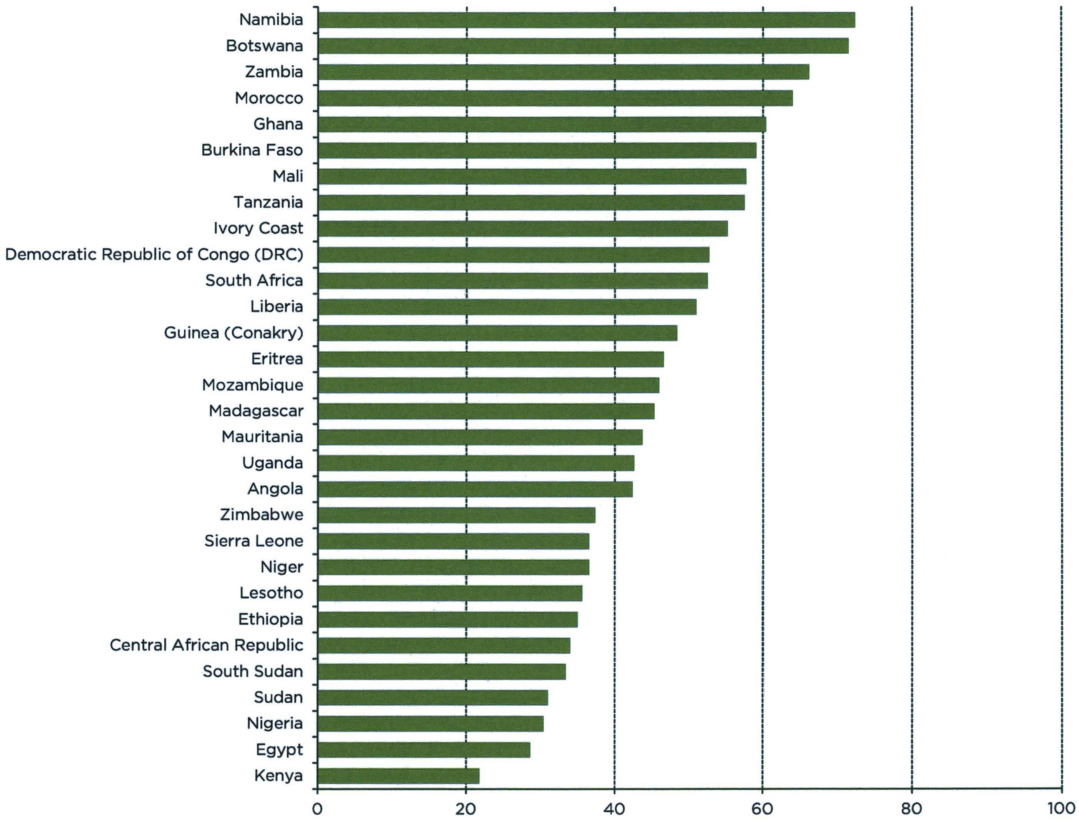
Six African countries—South Sudan (119th), Zimbabwe (118th), Nigeria (117th), Sudan (116th), Central African Republic (115th), and Ethiopia (114th)—ranked in the bottom 10 of the worldwide survey rankings this year. As noted, South Sudan, Sudan, and Central African Republic were new additions to this year's survey. Zimbabwe was amongst the bottom 10 in 2012/2013 and 2013. The greatest deterioration came from Nigeria, which dropped from 75th of 112 in 2013 to 116th of 122 this year. Contributing to its decline was increased uncertainty concerning environmental regulations (-25 points), trade barriers (-9 points), and regulatory duplication and the legal system (each -8 points). Ethiopia experienced a similar decline to Nigeria in its ranking.

Botswana is again the highest ranked jurisdiction in Africa on policy factors, ranking 13th of 122 in 2014 and up from 25th of 112 in 2013. Botswana's higher score on the Policy Perception Index reflects an improvement on the ratings for nearly all policy factors, most notably for the availability of labour and skills (+15 points), (less) uncertainty concerning the administration, interpretation, or enforcement of existing regulations (+14 points), and security (+11 points). Namibia also showed improvement on its policy factors, moving up to a ranking of 20th in 2014 from 34th in 2013. (In a consideration of pure mineral potential on the Investment Attractiveness Index, Namibia becomes Africa's most attractive jurisdiction, ranking as the 25th most attractive jurisdiction in the survey.)

Three African jurisdictions—Angola, Ivory Coast, and Sierra Leone—each saw their PPI scores improve by over 20 points. In fact, Angola and the Ivory Coast were able to move out of the bottom 10 this year. Ivory Coast saw the largest improvement in Africa in both its PPI score and rankings; it moved up to 61stnd in 2014 from 105th in 2013, in part due to improvements in ratings for labour regulations and labour militancy (+17 points), socioeconomic agreements/community development conditions (+ 17 points), and trade barriers and infrastructure (both +13 points). Also enjoying an improved ranking is Angola, which moved from 108th in 2013 to 78th this year, reflecting better ratings for trade barriers (+17 points) and the availability of labour and skills (+10 points). Sierra Leone's PPI score and ranking also improved in 2014 to 80th (of 122) after ranking 96th (of 112) in 2013, the jurisdiction's first year in the survey. Sierra Leone's better ranking reflects

5 Numbers in brackets reflect the Investment Attentiveness scores in this paragraph.

Figure 11: Investment Attractiveness Index—Africa



improved perceptions of its taxation regime and labour regulations (both +14 points) and the availability of labour and skills (+10 points).

Comments: Africa

The comments in the following section have been edited for length, grammar and spelling, to retain confidentiality, and to clarify meanings.

Angola

The permitting issue and politics are totally corrupt.

Botswana

The ability of the Department of Mines to process new and renewal applications for prospecting licenses is extremely slow and lacks transparency.

Reasonably quick decision making and access to decision makers—no corruption at all.

Burkina Faso

Taking leases off companies after exploration success and backdating radical tax increases.

Favourable tax regime.

Central African Republic

Abusive entry fees for mining companies.

Democratic Republic of the Congo

Arbitrary review of mining agreements which were arbitrarily amended in favor of Gecamines, the federal mining company. So companies had properties expropriated.

Restrictions on exports produced at the spur of the moment leave the mineral producer at risk of losing revenue.

Eritrea

The decision to introduce mandatory government participation of 40% for any mining project ... virtually eliminated the opportunity for intra-industry joint ventures and saw the immediate exit of the few majors prepared to handle the already significant political risk.

Eritrea is free from corruption and has a clearly set-out legal framework which is followed to the letter.

Ethiopia

Inconsistencies between mining law and mining regulations; introduction of very high royalty rates.

Ghana

Changes to VAT stopped exploration cold; profit tax and poor tax management has delayed returns to shareholders.

Guinea (Conakry)

Permit of Company "A" was taken away from it without merit and was sold to Company "B" by the government.

Ivory Coast

Strong efforts to re-launch mining exploration investment since end of crises.

Kenya

Lack of transparency in mineral title process and terror threats.

Madagascar

Corruption and favoritism in granting or holding mineral rights, conflicts with artisanal mining groups.

Mali

Corruption in the mining department because of poor pay creates situation where data is sold on the side.

Namibia

The country had intended to institute a number of very damaging taxes. The most damaging were not enacted, but total taxation has increased and become more complex.

Open-door policy at all levels of government in most ministries is complemented by probably one of the best and most cooperative geological surveys in the world.

Free economy style. All areas encouraged to be prospected for minerals.

Niger

Delays and corruption in granting exploration permits.

South Africa

Highly political unionized workforce that perpetually demands more and more in return for less and less productivity.

Inadequate power generation and inadequate labour laws regarding mineral sector strikes.

South Sudan

As a new country, South Sudan is taking a long time to enact mining laws and regulations, and has had a protracted moratorium on licencing.

Tanzania

Tanzania is adopting a Mining Act similar to that in Quebec in order to encourage investment.

Zambia

Copper concentrate and drill sample export restrictions.

Excellent all-round support from the Ministry of Mines.

Zimbabwe

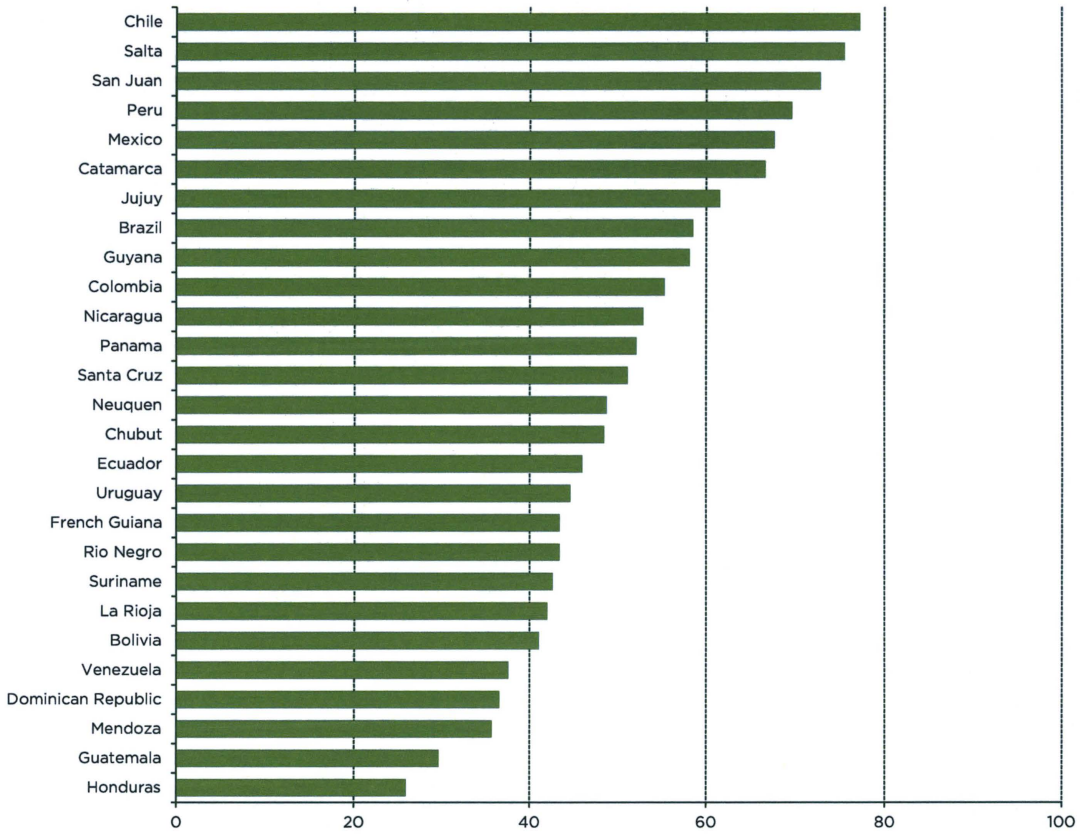
Impromptu changes in policy over ownership of mineral rights.

Taking leases off companies after exploration success.

Argentina, Latin America, and the Caribbean Basin

The median investment attractiveness of Argentina improved by over 15 points this year, a marked increase over 2013. The median Policy Perception Index score for Argentina also improved significantly in 2014, gaining back a lot of the ground lost in the 2013 survey year. All of the Argentinian provinces increased their PPI scores this year. As well, all jurisdictions saw their investment attractiveness scores increase. The rankings for Catamarca moved up the most of any of the Argentinian provinces, from 98th (of 112) in 2013 to 51st (of 122) in 2014 as a result of improved ratings for uncertainty concerning environmental regulations (+31 points), regulatory duplication (+23 points), and the geological database and political stability (+20 points). Salta also increased its PPI score, making it the most attractive jurisdiction in Argentina, as respondents' ratings for it increased for uncertainty concerning environmental regulations (+25 points), legal system (+21 points), and regulatory duplication (+23 points). Salta is ranked as the 17th most attractive jurisdiction in the survey for investment and on policy factors.

Figure 12: Investment Attractiveness Index—Argentina, Latin America, and the Caribbean Basin



Rio Negro and La Rioja also both experienced ranking increases of over 30 spots. Driving Rio Negro's improvement was positive increases for security (+21 points), taxation regime, and the administration, interpretation, or enforcement of existing regulations (+20 points each). La Rioja's improvement is based on better performance regarding its taxation regime (+17 points), legal system (+15 points), and geological database (+14 points). In general, the province of San Juan also remains relatively attractive globally with an investment attractiveness ranking of 24th and a PPI ranking of 29th.

The median investment attractiveness score increased slightly this year, placing Latin America and the Caribbean Basin in a similar overall position as Africa and Asia. Chile (13th), Peru (30th) and Mexico (33rd) are the most attractive jurisdictions in the region for investment. The average PPI score for the rest of Latin America and the Caribbean Basin was almost unchanged from 2013.

Chile remains the top-ranked jurisdiction in the region, ranking 22nd (of 122) in 2014. A small increase in its PPI score led to the increase in its PPI ranking from 30th (of 112) in 2013. Honduras is the lowest ranked jurisdiction in the region—and the entire survey—after falling from 101st in 2013. Honduras did not see any improvement in the 15 policy measures. In fact, it deteriorated in the areas of uncertainty concerning the administration, interpretation, or enforcement of existing regulations (-17 points), regulatory duplication (-12 points), and uncertainty concerning environmental regulations and uncertainty over protected areas (-6 points each). French Guiana fell the most between survey years, from 35th (of 112) in 2013 to 84th (of 122) in 2014, due in part to declines in political stability (-36 points), security (-33 points), and taxation regime (-23 points).

Uruguay improved its score and ranking the most for the region, climbing to 46th (of 122) from 82nd (of 112), reflecting better ratings for security (+47 points), political stability (+46 points) and trade barriers (+35 points).

Comments on Argentina, Latin America, and the Caribbean Basin

The comments in the following section have been edited for length, grammar and spelling, to retain confidentiality, and to clarify meanings.

Chubut

> *Chubut has an anti-open pit and anti-cyanide law in place. These laws are very detrimental to any bulk mineable resources and to gold heap leach gold mining. This law would also appear to be in conflict with the federal government's aims on mining.*

Mendoza

Forbidding use of cyanide for gold extraction.

Rio Negro

Rio Negro rescinded its policies against use of cyanide and of open pit mining.

Salta

Transparency in all aspects of mining regulations.

Santa Cruz

Santa Cruz introduced an area of special mining interest but this really boiled down to making mining pretty much illegal outside of the zone of interest. The effect of this was to put several, already granted mining concessions into a state of legal limbo. The intention of the law was to curtail environmental impact of metals mining, but it was poorly written and affects mining generally.

In 2013, the province introduced a new taxation on "reserves" in the ground, contrary to the national mining laws and contrary to the tax stability agreements granted to mining companies.

Bolivia

Mine and operations taken by informal miners or comunarios; no action from state/government.

Brazil

Brazil has devolved excess power to the state agencies and permitting delays are quite common.

Lengthy delays with the Ministerio Publico (public ministry) entering into the licensing and auditing of both mines department and environmental department.

Chile

Chile has no sub-national governments of significance to the mining industry, so permit applications are "one-stop shops."

Environmental process is risk-based, using existing legislation. Very good framework.

Colombia

So much red tape, lack of permitting, last place in the world to do exploration.

Colombian Ministry of the Environment commonly takes 5 to 9 months to issue water diversion and drilling permits for exploration drilling and will NOT allow companies to drill water wells for point sources.

Dominican Republic

Lack of issuance of new licences.

Ecuador

Mining mandate to reformulate policies that ensure real growth in mining. But then it has taken a long time for implementation and project development.

Guatemala

Government has proposed a 3-year moratorium for exploration licenses. The moratorium has not been approved yet by congress but there are voices asking for 10-year moratorium.

Guyana

Evolving policy for mineral title administration, rapid and unpredictable expansion of Amerindian reserve areas, some corruption and favoritism in granting of mineral rights.

Good and readily accessible geoscientific data, access to administration.

Honduras

The new mining law was issued in April of 2013 but article 109 stated that metallic mining concession petitions could only be filed until the regulations of such a law were issued. The regulations were issued until September of 2013 causing some tensions between mining companies that wanted to file over specific areas.

The new mining law, although increasing the taxes, at least makes the rules very clear for the mining industry.

Mexico

Recent introduction of the new tax and royalty regime was done with poor and conflicting communication with the mining industry.

Mexican government (through Geological Survey) sells a mineral concession at auction and then 12 months later Mexican government (through Environment Department) includes the area of the concession in a newly declared biosphere.

Very strong effort by the Mexican Geological Survey to put all geological and historical mining information on the internet.

Nicaragua

Continuous encouragement by Nicaraguan government (ProNicaragua & Mines Department) to attract foreign companies to explore and develop mines in Nicaragua.

Panama

Slow and bureaucratic environmental and CSR issues, alienation of prospective areas due to Amerindian concerns.

Excellent infrastructure, qualified and committed personnel.

Peru

Local relations in remote areas from bad to worse based on NGOs organizing opposition groups.

The past 10 years have witnessed continuous ratcheting up of taxation via royalties, windfall tax, etc. They passed a community consultation law a few years back, generating significant expectations among civil society and communities, but the method of its implementation remains unclear.

Trying to streamline permit process, building infrastructure available to citizens and industry.

Venezuela

Expropriation of mining projects without compensation.

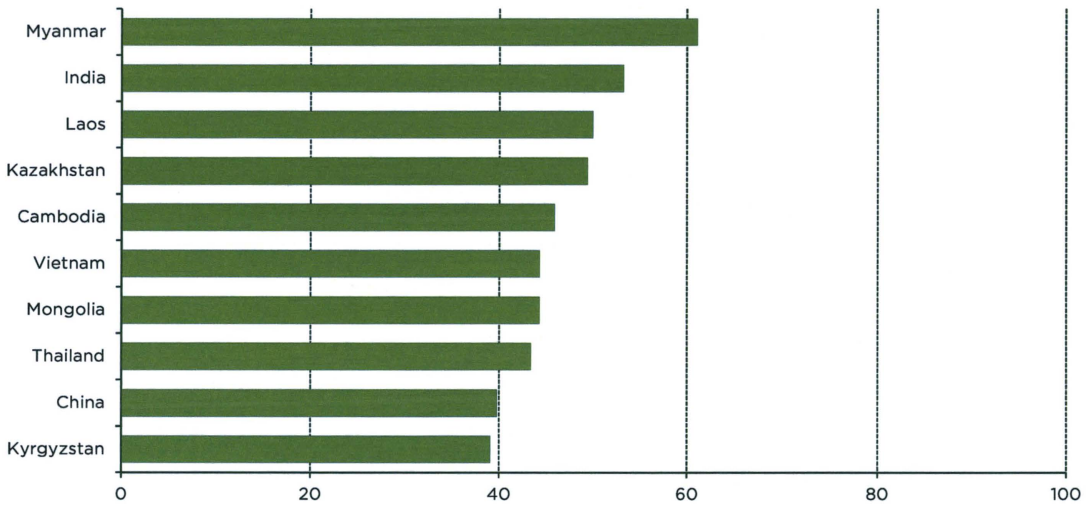
Asia

Asia's median investment attractiveness declined slightly this year. Myanmar (46th) and India (60th) are the top two jurisdictions in the region based on their investment attractiveness. Myanmar, Laos, Kyrgyzstan, and India all improved their relative investment attractiveness. However, the region as a whole is now the lowest ranked on this measure.

The lower median score for investment attractiveness appears to be driven more by a depreciation of the region's mineral potential rather than policy factors, as the median Policy Perception Index score for the region increased by over 10 points, putting the region ahead of both Latin America and the Caribbean, and Oceania, when considering regional medians. One new Asian jurisdiction was added to the survey in 2014: Cambodia (ranked 62nd of 122).Thailand remained the highest ranked jurisdiction in the region. Kyrgyzstan improved significantly this year, moving up 19 spots to 93rd in 2014 from the very bottom in 2013. This change reflects an improvement in the availability of labour and skills, the taxation regime, uncertainty concerning protected areas, and security (all +13 points).

Vietnam saw the largest decline in PPI and ranking in the region, falling from 60th of 112 in 2013 to 97th of 122 in 2014. Respondent ratings dropped most sharply for the availability of labour and skills (-12 points), uncertainty concerning environmental regulations (-11 points), and legal system, socioeconomic agreements, and quality of the geological database (-6 points each). China's score also fell for the third consecutive year and its ranking slipped from 88th of 112 in 2013 to 103rd of 122 in 2014, reflecting worsening perceptions by respondents for availability of labour and skills (-7 points), political stability (-7 points), and the quality of infrastructure (-4 points).

Figure 13: Investment Attractiveness Index—Asia



Comments on Asia

The comments in the following section have been edited for length, grammar and spelling, to retain confidentiality, and to clarify meanings.

China

Communist Party officials interfering with exploration work and access to operating mines.

India

Government bans private ownership and development of gold mines. General bribery and corruption hinders processing of applications and permits. Difficult to obtain freehold land titles.

Kyrgyzstan

Rescinding mining/exploration licences/permits—continually attempting to expropriate existing operation.

Laos

Government corruption and inaction. Current moratorium on granting exploration or mining leases only applies to those refusing to pay bribes.

Mongolia

Uncertainty regarding taxation of foreign operators.

Political processes and lack of regulatory structure have led to companies being in limbo regarding future projects.

Myanmar

The government is a carried partner with 50%. Then 35% income tax plus royalties. Fees—never-ending fees. So, the investor pays 100% to get 50%, less income taxes, royalties, and fees. Then there are the investment restrictions, which are still in place by the USA and Canada. It's a mess. Hordes of people are going there, expecting easy pickings, but the Myanmar folk are waiting for them. It's not an easy place to do mining. Not especially prospective.

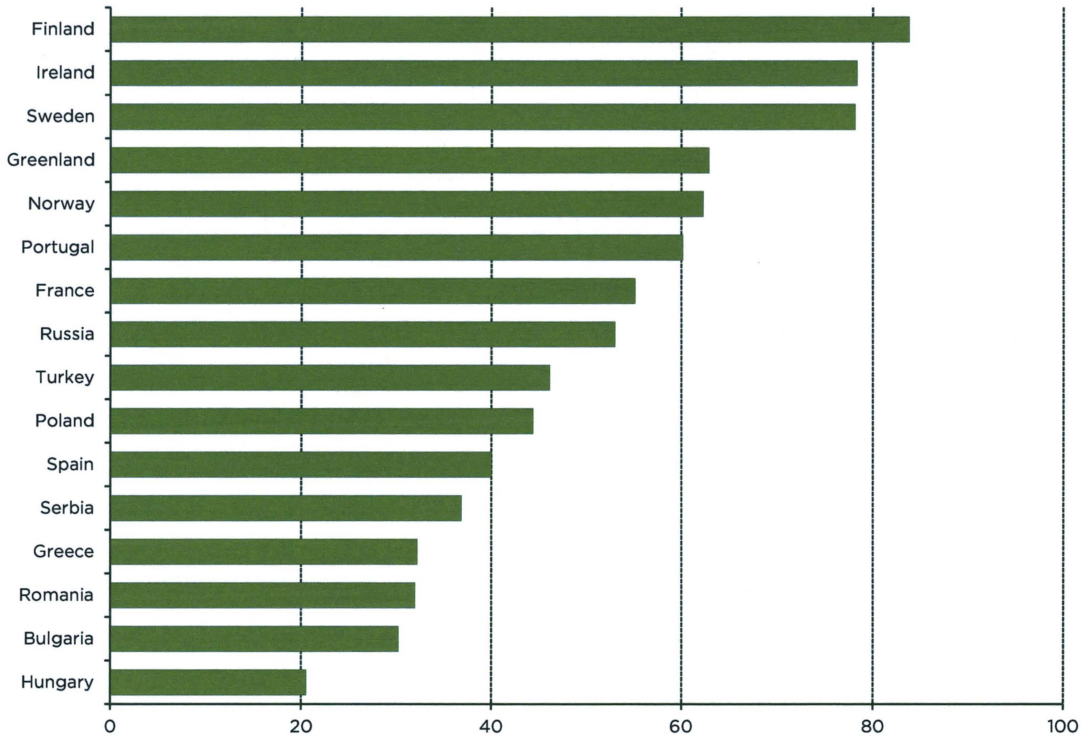
Europe

Europe's median investment attractiveness score experienced a noteworthy decline of almost 10 points this year, although Europe does have some of the most attractive jurisdictions in the world for investment, including three in the global top 15: Finland (1st), Ireland (11th), and Sweden (12th).

The drop in investment attractiveness appears to be driven by a significant and sharp decline in the region's policy. Europe's median Policy Perception Index score dropped 19 points and now Argentina as a region ranks higher in terms of regional median PPI. Again though, it needs to be noted that three of the region's jurisdictions rank in the top 10 globally.

Ireland (ranked 4th in 2013) replaced Sweden as the top-ranked jurisdiction, both in the region and in the global survey results. Finland ranked 2nd overall in 2014, while Sweden decreased its score and ranking to 4th (of 122) in 2014. Norway's PPI score decreased this year, and it moved out of the top 10 to 18th in 2014, largely as a result of poor performance on its taxation regime (-18 points), trade barriers (-11 points), and the availability of labour and skills (-9 points).

Figure 14: Investment Attractiveness Index—Europe



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Greenland, which ranked 14th in 2012/2013, continued its decline, falling to 23rd in 2013, and again to 32nd in 2014, with a lower PPI score reflective of worsened perceptions for its taxation regime (-23 points), geological database (-18 points), and trade barriers (-18 points). Bulgaria saw the greatest drop for the region in both its score and ranking, falling from 49th in 2013 to 98th in 2014 with lower ratings from respondents for trade barriers (-27 points), labour regulations and labour militancy (-19 points), and socioeconomic agreements (-15 points). Spain and Serbia also both dropped in the rankings by over 40 spots.

Greece had the greatest increase in both score and rank in the region, moving up to 82nd (of 122) in 2014 from 88th (of 112) in 2013, reflecting higher respondent ratings for security (+41 points), and socioeconomic agreements and trade barriers (+20 points each).

Comments on Europe

The comments in the following section have been edited for length, grammar and spelling, to retain confidentiality, and to clarify meanings.

Finland

Natura 2000 is an EU biodiversity policy that covers almost 18% of the EU's land area. Natura 2000 sites cover about 15% of Finland and approximately 30% of Northern Finland (Lapland). Natura 2000 was never meant to be a system of strict nature reserves where all human activities are excluded—including exploration. EU Guidance requires a plan or project likely to have a "significant effect" on a Natura 2000 site to undergo an "Appropriate Assessment." The requirement in Finland to complete a 1- to 2-year long and expensive EIS-style Natura Assessment study, which then takes an additional 6 months or more to review by overworked environmental authorities [just] for early staged exploration (which is a low impact activity), will stop grassroots exploration in 30% of Lapland. Finland needs to sort out land use issues related to Natura 2000 if it wants future commercial exploration activities to find its next generation of mines.

Lowered their corporate tax rate to encourage investment.

Finland regularly reaches out to companies actively exploring in Finland, although much of this attention is directed to major mining companies who are contemplating major mining projects in Finland. There are no tax or financial breaks given to junior mining companies necessary to attract and undertake the very risky business of exploration, and the decision to invest in Finland by a junior is based in large part on the geological merits of a project.

France

Delay in decision passing over the deadline for permitting.

Greenland

There was a sudden introduction of a royalty after the last election. Due to technical difficulties in the administration, legislation came to apply to certain previously awarded exploration licenses.

Removal of the prohibition of uranium mining.

Ireland

Local county council imposed a blanket mining ban for a large area of the county despite the government having issued a prospecting license and though considerable exploration expenditure had been incurred.

Extremely slow decision making.

Ensuring smooth procedure for drilling.

The implementation of the TELUS Border Survey. This geophysical and geochemical program will hopefully cover the whole country and provide a catalyst for new investment.

Norway

Exploitation permission after a few months.

Portugal

3 years to negotiate a simple exploration permit.

Simple exploration permitting process.

Russia

Endless delays in conversion of exploration licences to mining permits puts the entire investment at risk, due to the uncertainty generated by absence of full title until the granting of a discovery certificate.

Within the last year, the Russian Federation has relaxed taxation and regulation parameters to significantly encourage the development of mines in Far East Russia.

Sweden

Simple exploration permitting process.

Sweden has an outstanding regulatory system regarding data and databases that are available to the public.

Sweden takes its land use planning and future mineral resources seriously. Areas of particularly valuable mineral substances are declared national interests by the Swedish Geological Survey under national interest provisions found in the Swedish Environmental Code, which states that areas containing deposits of valuable substances or materials that are of national interest shall be protected against measures that may be prejudicial to their extraction. Within such areas, municipalities and central government agencies may not plan for or authorize activities that might prevent or be prejudicial to the exploitation of mineral resources.

Turkey

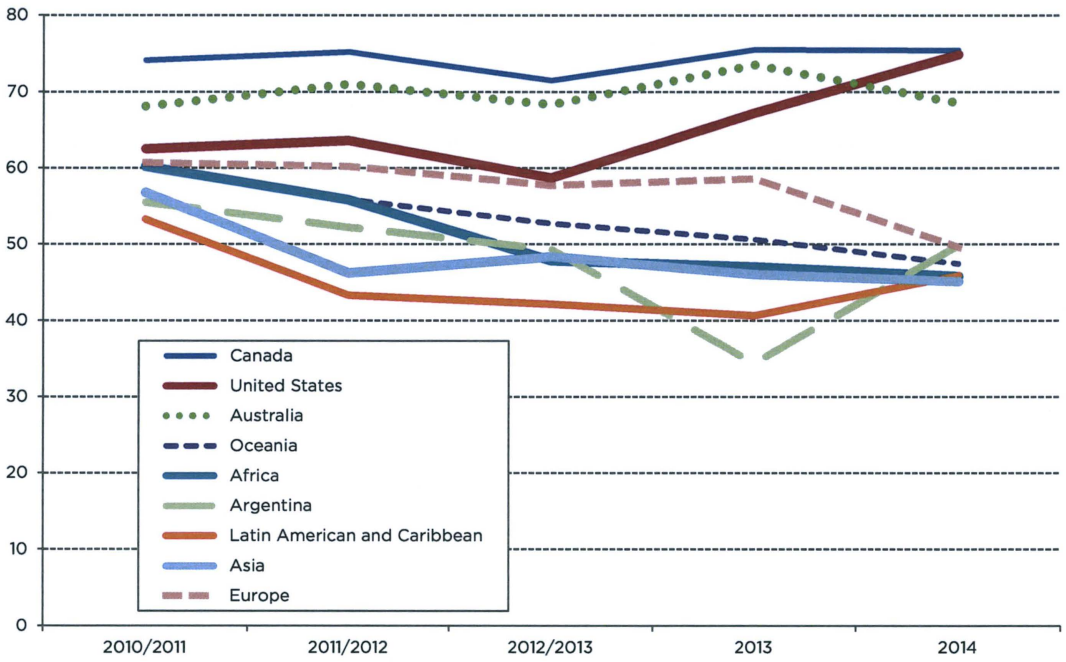
There is extreme difficulty getting any environmental and other permits/licenses from the government due to the politics of the Erdogan administration.

Overview

An analysis of the regional trends in the results of the Investment Attractiveness Index (based on both mineral potential and policy factors) from the 2014 mining survey indicates a stark difference between geographical regions; notably the divide between Canada, the United States and Australia, and the rest of the world. As figure 15 indicates, only one region—Argentina—saw a significant increase in its relative investment attractiveness, experiencing a 45 percent increase in its score. In general, the climate for investment appears to be diminishing.

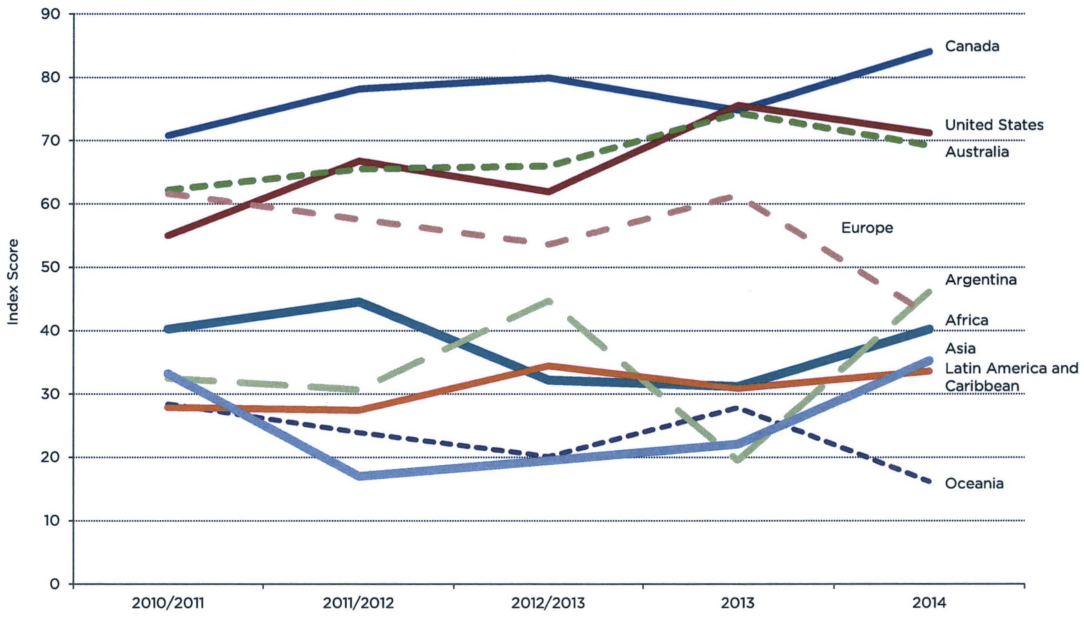
The regional trend for policy measures (figure 16) appears to be undergoing large shifts, both positive and negative. Argentina's median score experienced an increase of 137 percent, and the region now performs better as a whole than does Europe. Asia (up 60 percent) and Africa (up 29 percent) also experienced large positive shifts. Oceania and Europe experienced declines of 42 percent and 31 percent, respectively.

Figure 15: Median Investment Attractiveness Index Score



Also of interest is the difference in results between regional median investment attractiveness and the Policy Perception Index. For example, the United States continued to improve its investment attractiveness, while performing worse as a region on the PPI. This indicates that what is driving the region's attractiveness is the pure mineral potential and not improvements in policy. For regions experiencing this phenomenon, policy reform and enhancement could go a long way to further increasing the attractiveness of investment to the region.

Figure 16: Median Policy Perception Index Score



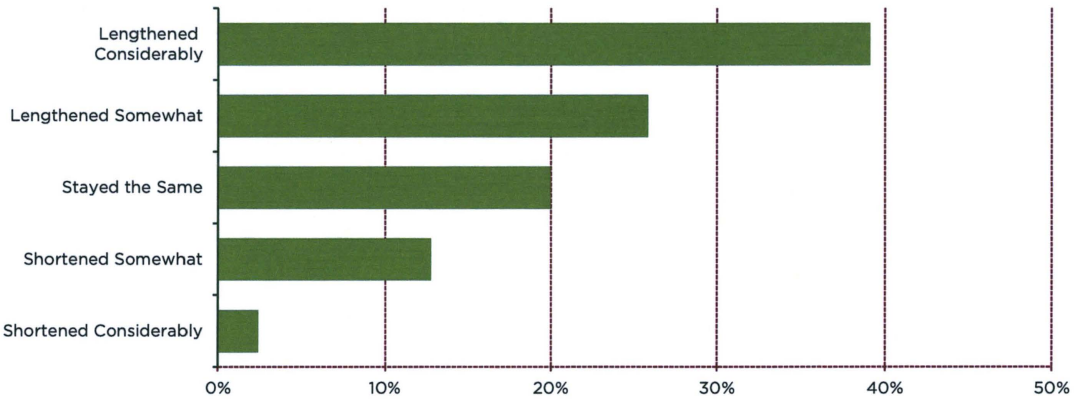
Optional Questions

Optional Question One

Miners were asked to estimate how the time for permit approval has changed over the last 10 years (figure 17). The results were dramatic. Approximately 65 percent of respondents indicated that the time for permit approval has increased from 10 years ago. Thirty-nine percent indicated that this time has lengthened considerably, while 26 percent indicated that it has lengthened somewhat. About 20 percent of respondents said there was no change. Only 15 percent of respondents indicated that the time for permit approval has shortened (13 percent said somewhat, and only 2 percent said considerably).

Miners indicated that increases in bureaucratic and regulatory requirements, lengthy 'stakeholder' consultations, and NGO pressure are driving up not only the time it takes to receive permit approval, but also the costs associated with investment.

Figure 17: Changes in the time to permit approval over the last 10 years

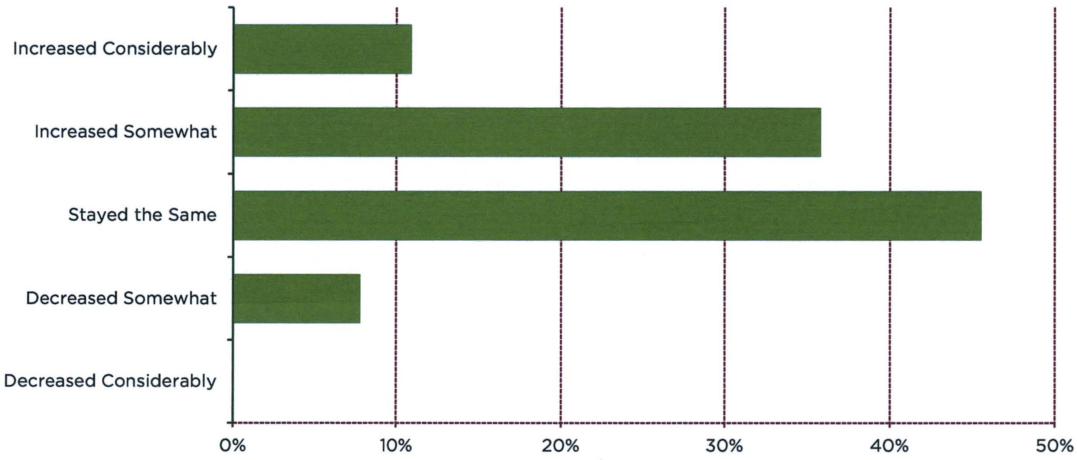


Optional Question Two

Miners were also asked how the cost of transporting goods to market has changed over the last 10 years (figure 18). Just under half of respondents indicated that costs have increased; 11 percent indicated that these increases were considerable. Just over 45 percent of miners said the costs have remained the same. Only a small minority noted decreases in these costs.

Miners indicated that the major contributing factor for this shift has been the global increase in the cost of fuel. They also indicated that rising costs associated with infrastructure and labour contribute to the increase.

Figure 18: Changes in the cost of transporting goods to market over the last 10 years



Explanation of the Figures

Figures 19 through 33 show the percentage of respondents who rate each policy factor as "encouraging investment" or "not a deterrent to investment" (a "1" or "2" on the scale). Readers will find a breakdown of both negative and positive responses for all areas online at www.fraserinstitute.org.

Figure 19: Uncertainty Concerning the Administration, Interpretation and Enforcement of Existing Regulations

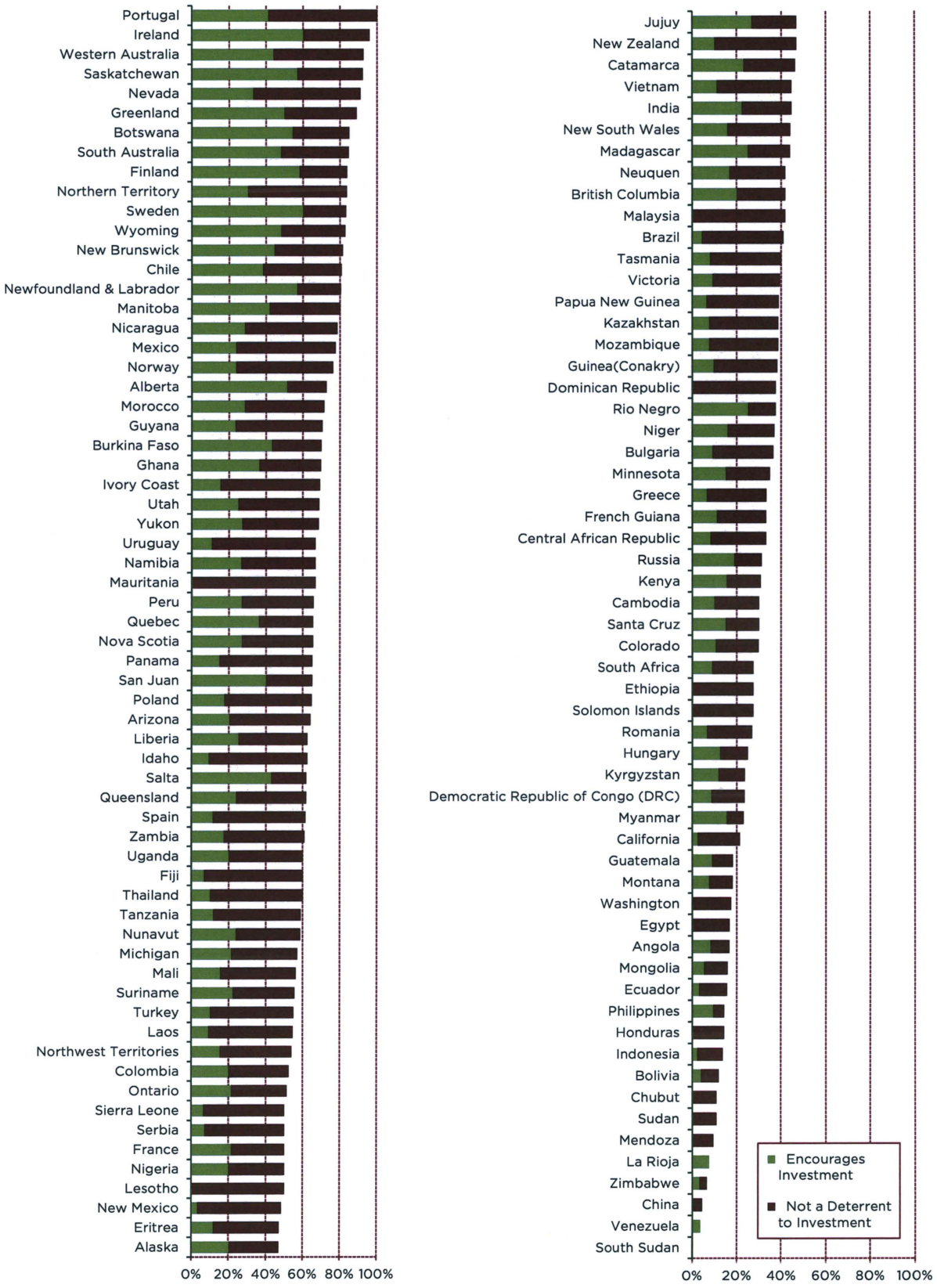


Figure 20: Uncertainty Concerning Environmental Regulations

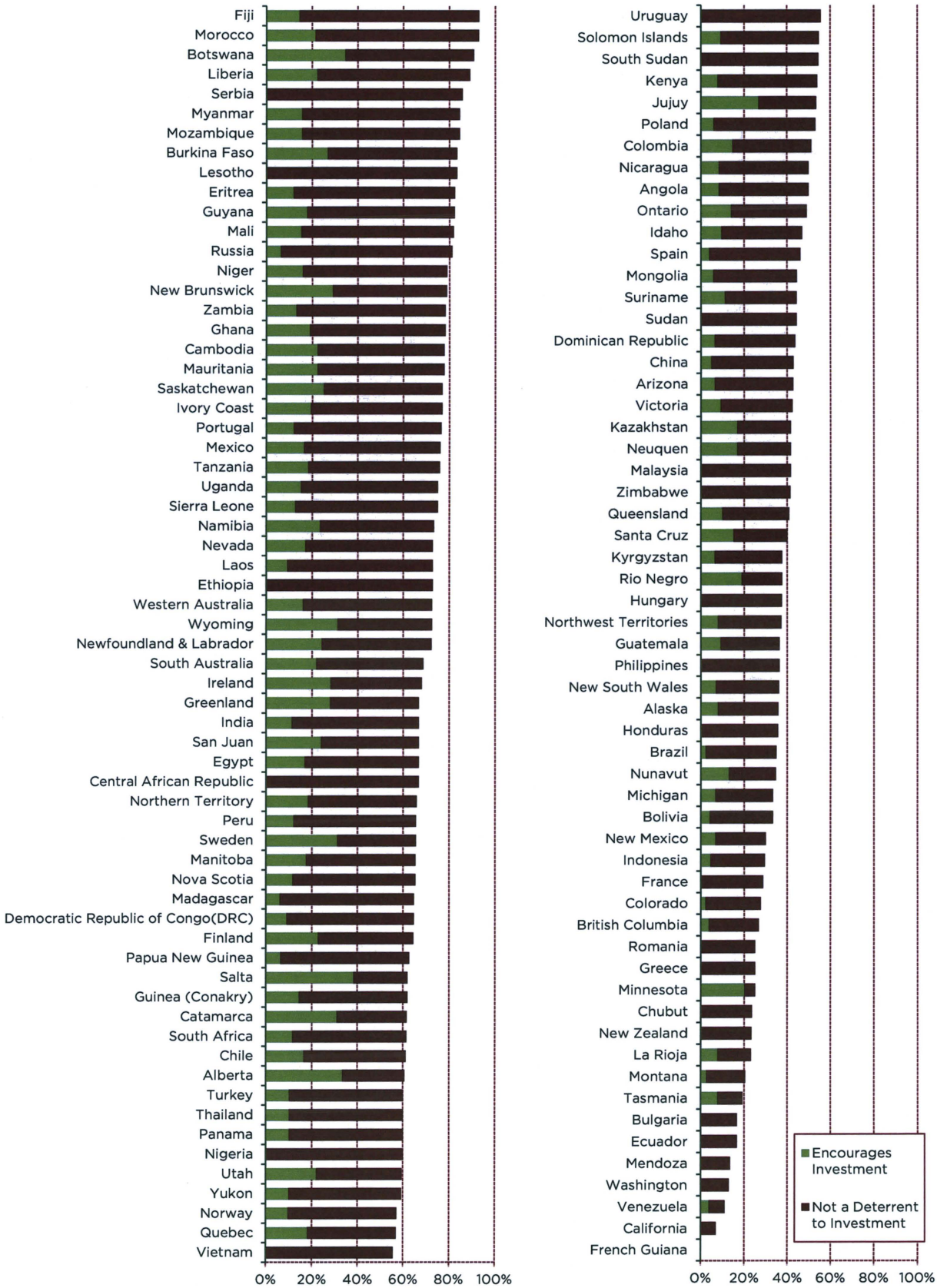


Figure 21: Regulatory Duplication and Inconsistencies

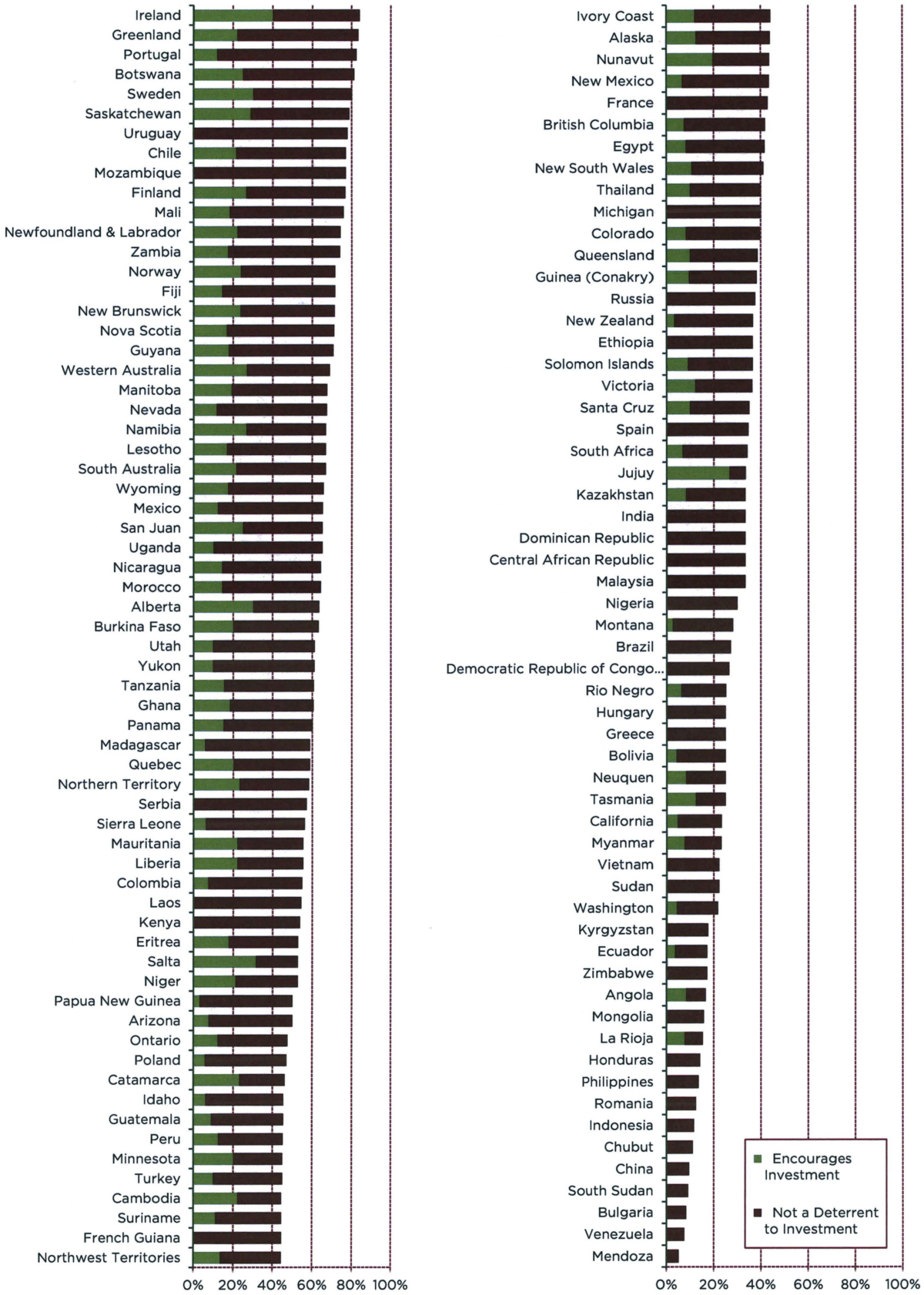


Figure 22: Legal System

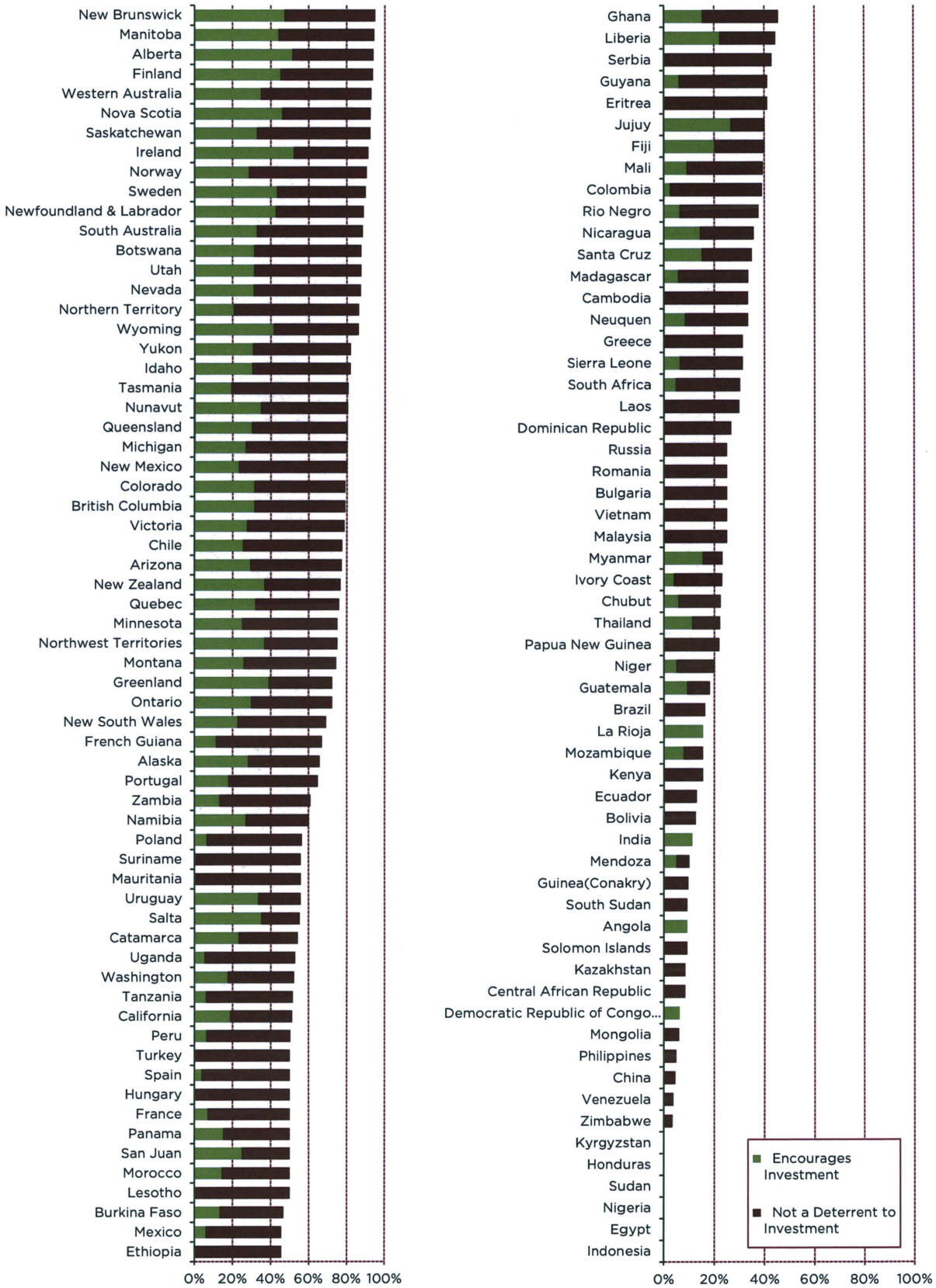


Figure 23: Taxation Regime

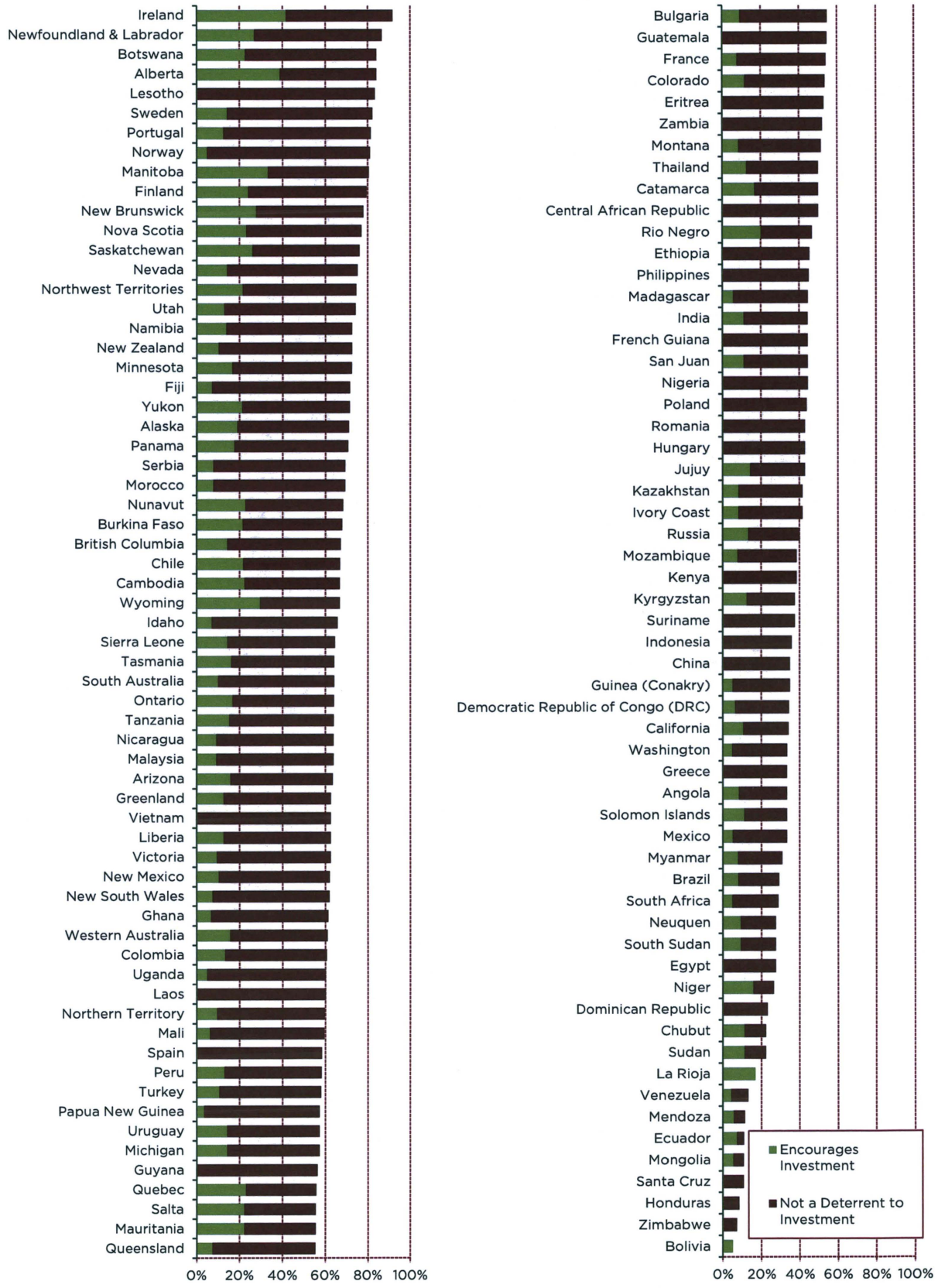


Figure 24: Uncertainty Concerning Disputed Land Claims

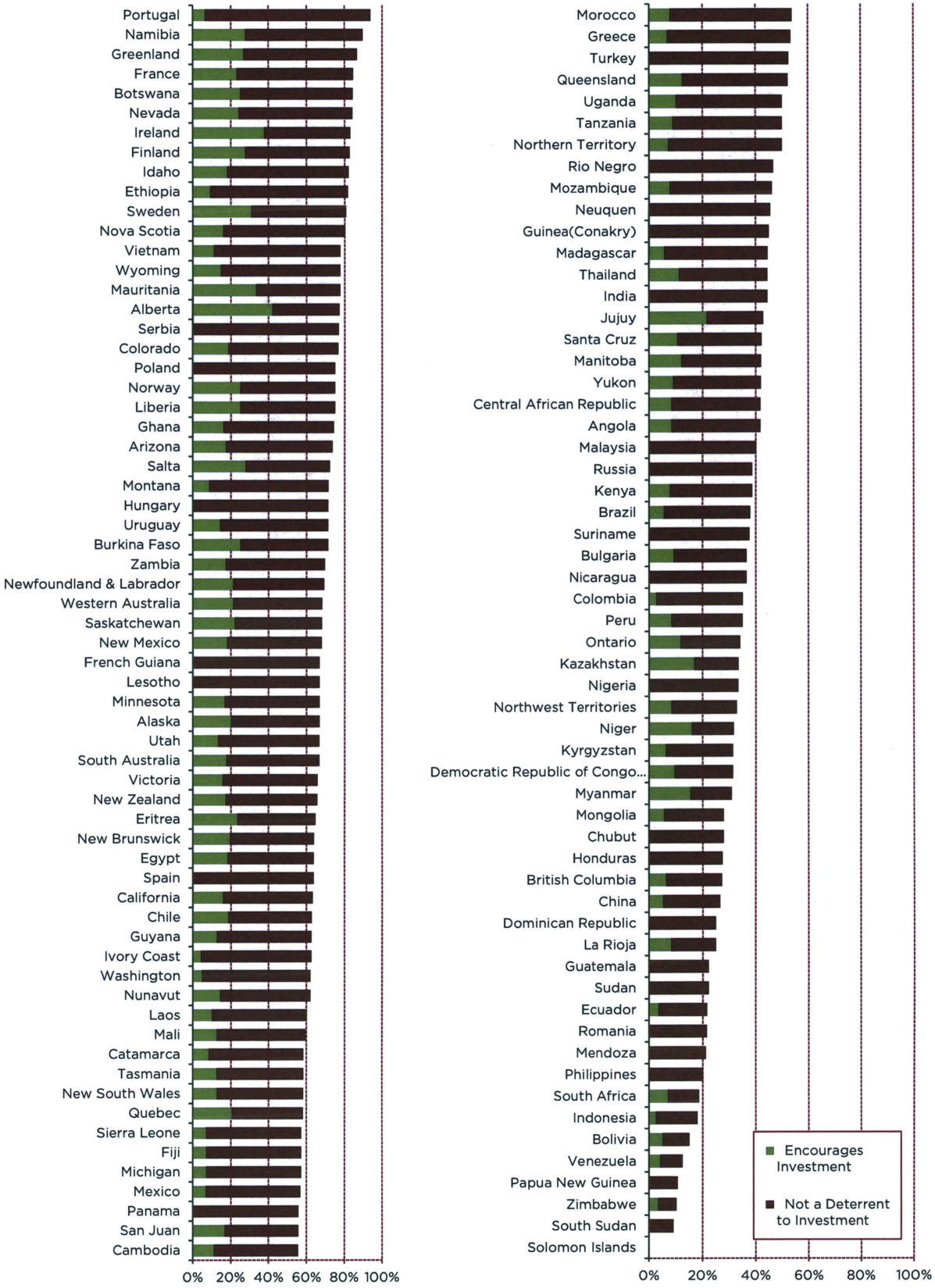


Figure 25: Uncertainty Concerning Protected Areas

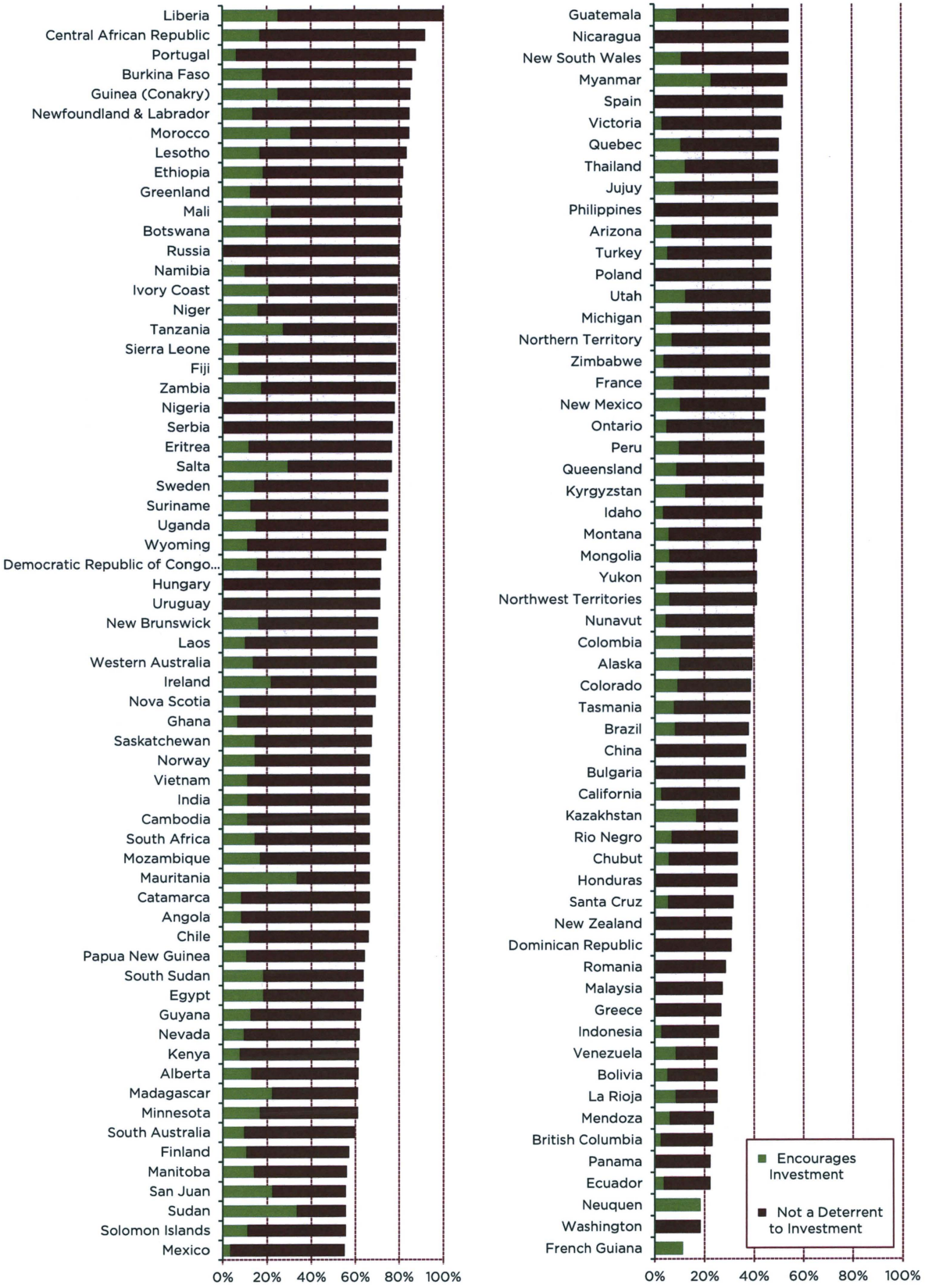


Figure 26: Quality of Infrastructure

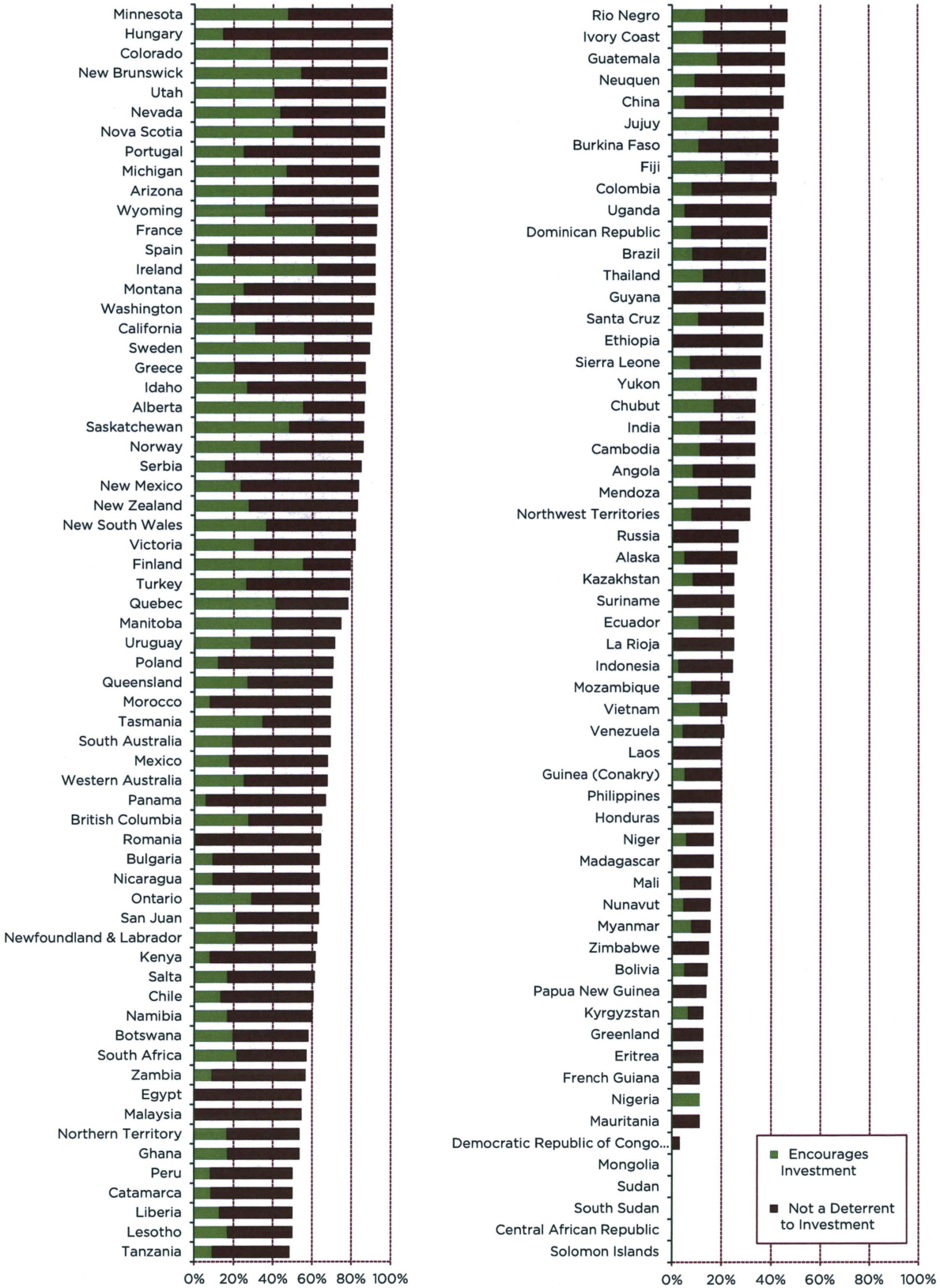


Figure 27: Socioeconomic Agreements/ Community Development Conditions

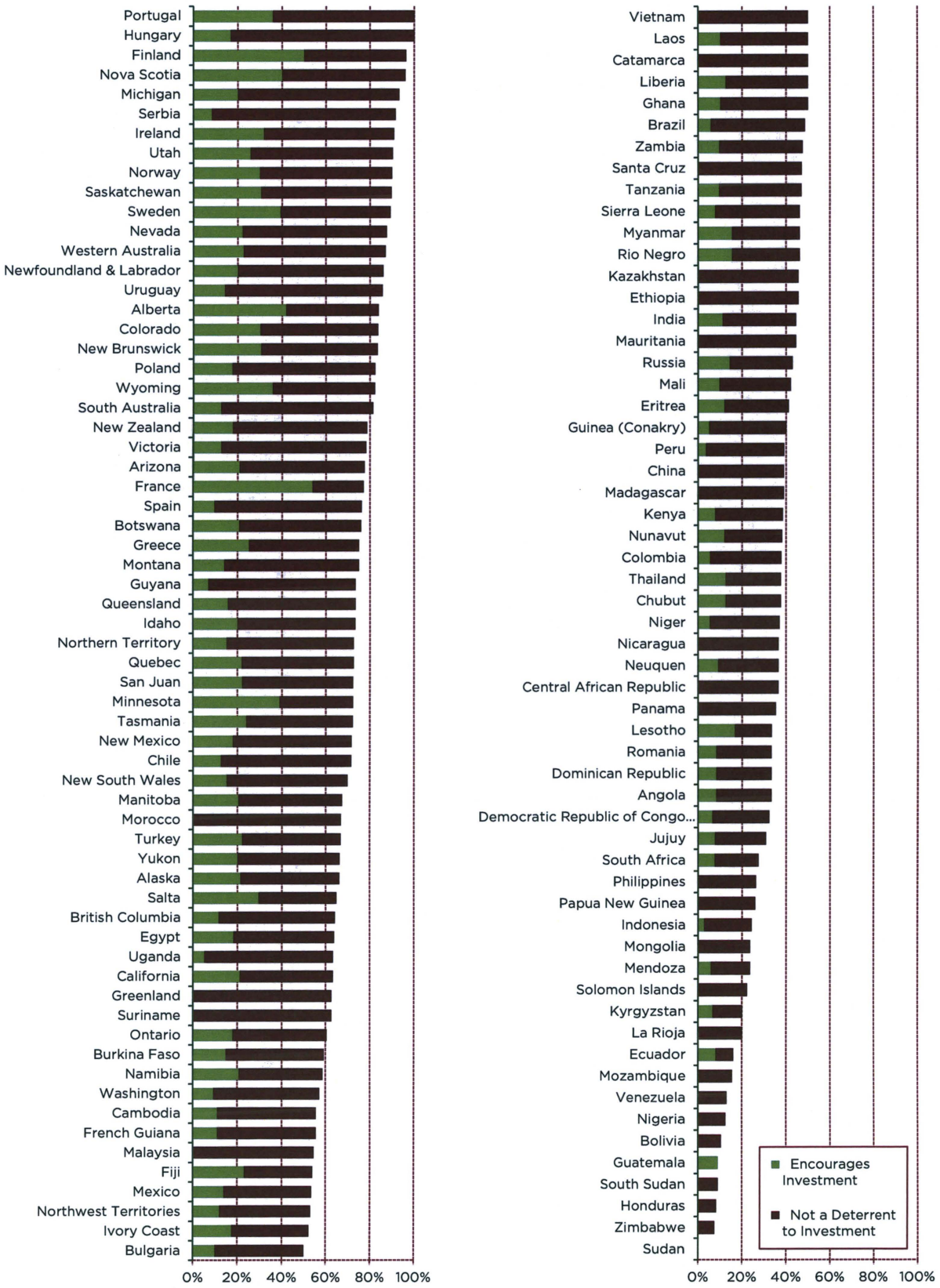


Figure 28: Trade Barriers

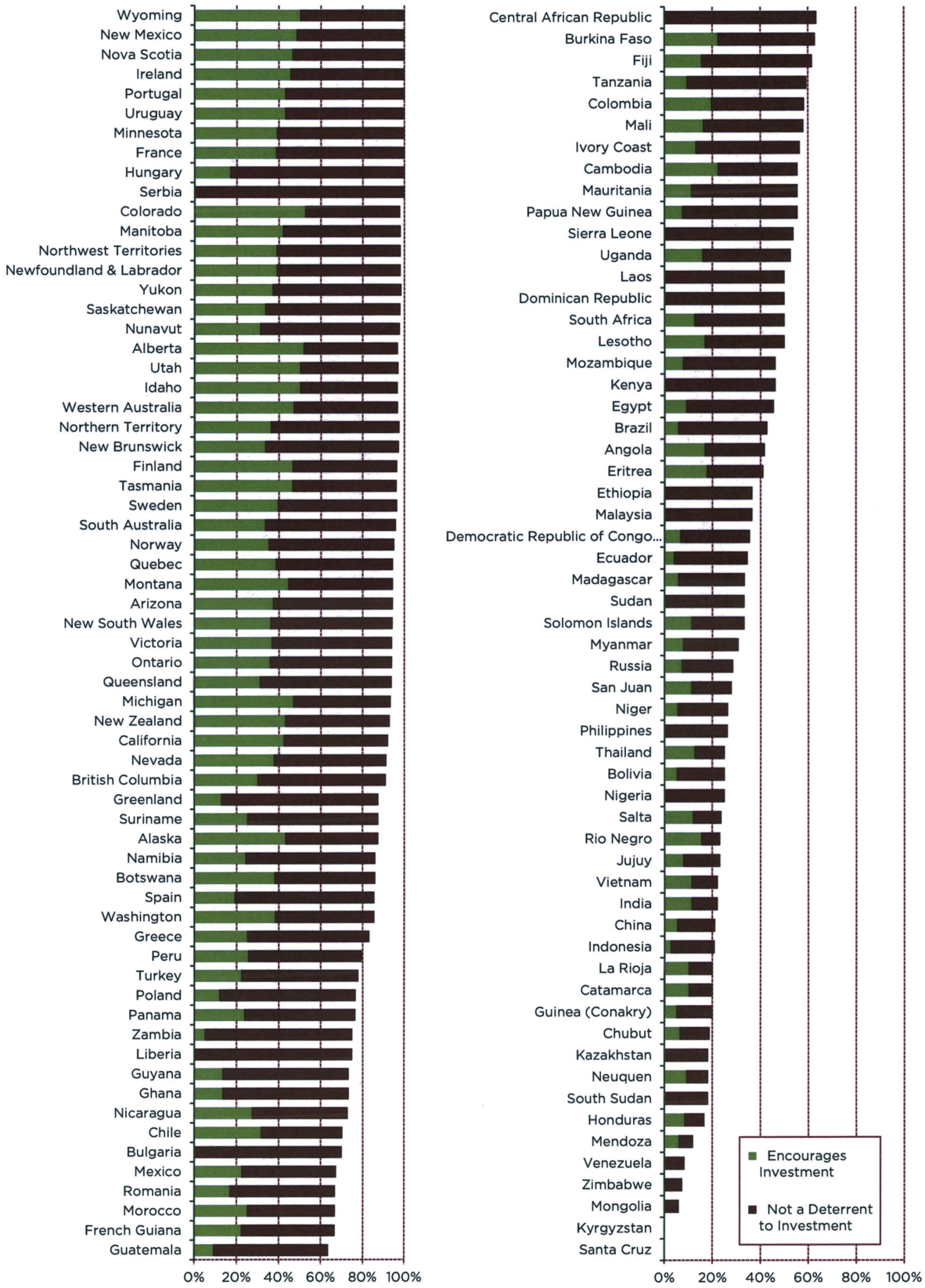


Figure 29: Political Stability

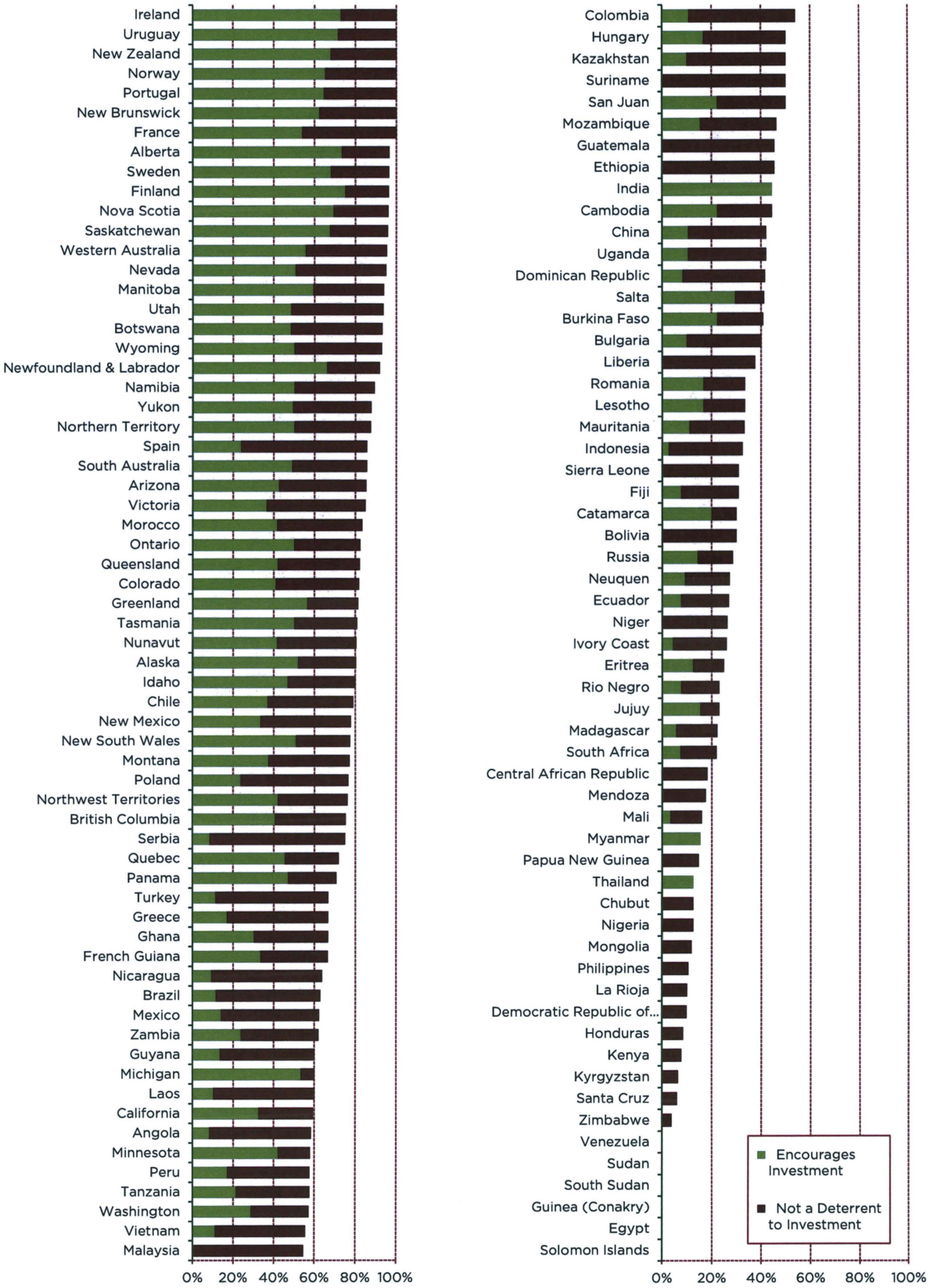


Figure 30: Labor Regulations/Employment Agreements and Labour Militancy/Work Disruptions

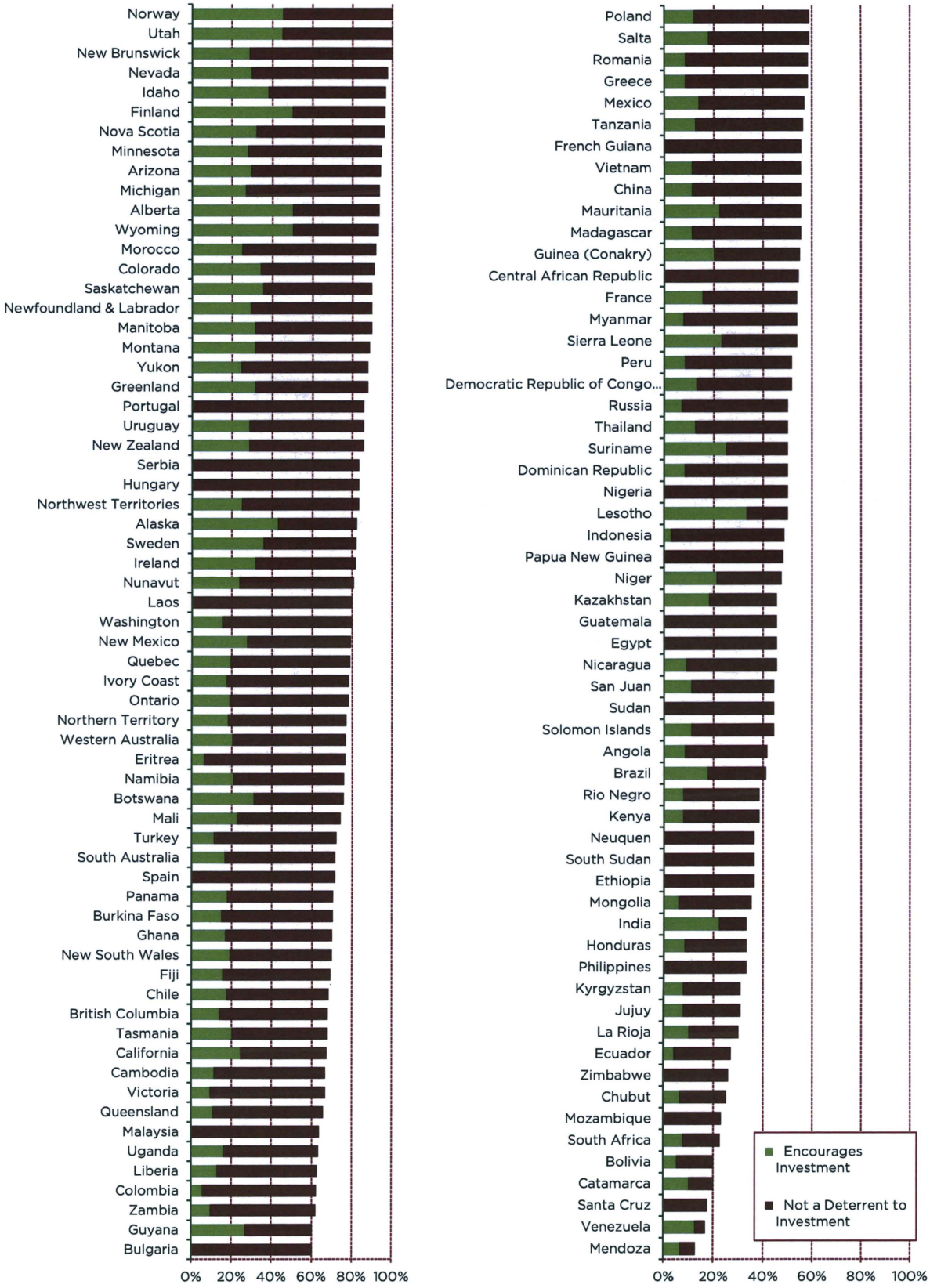


Figure 31: Geological Database

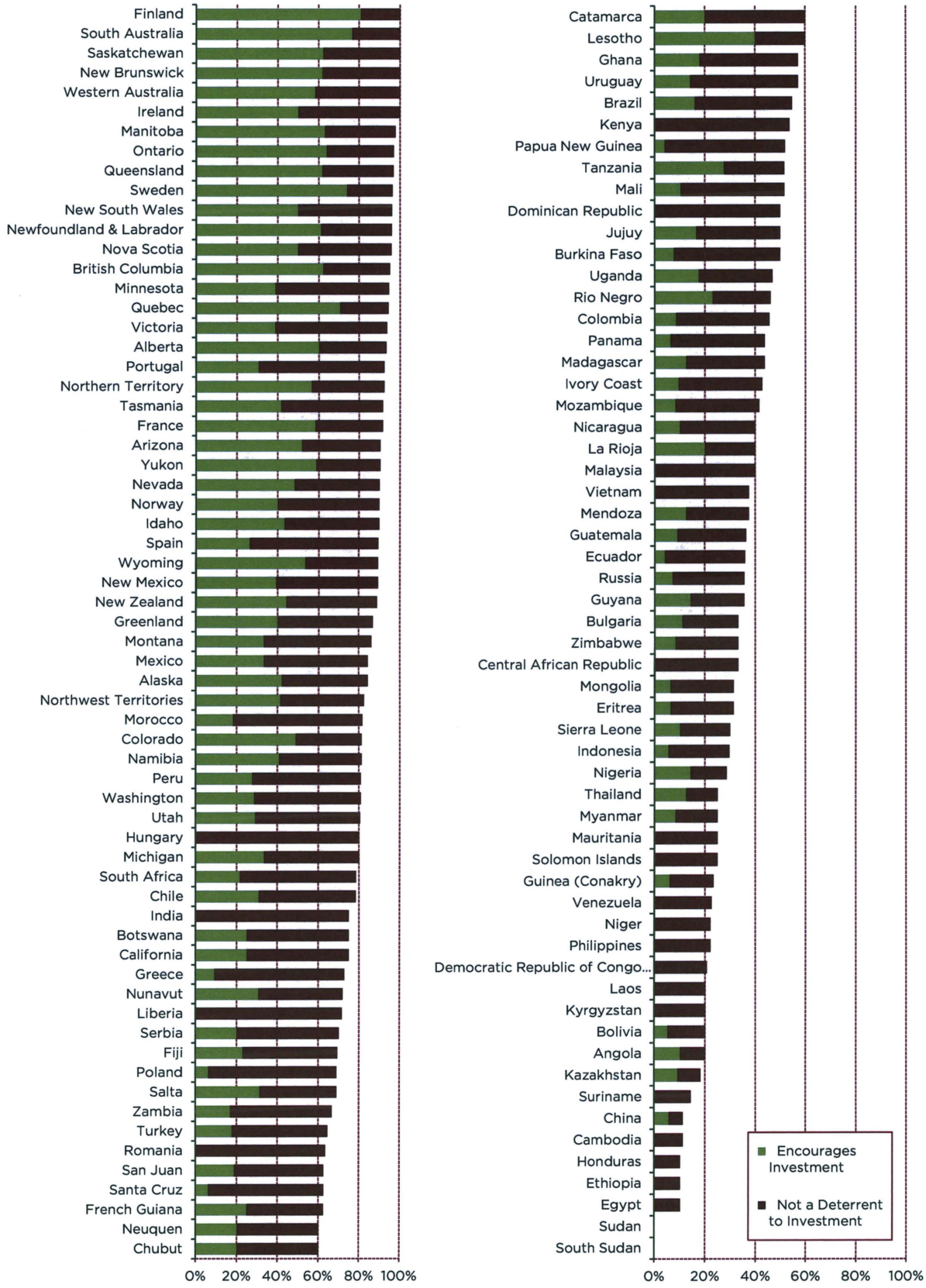


Figure 32: Security

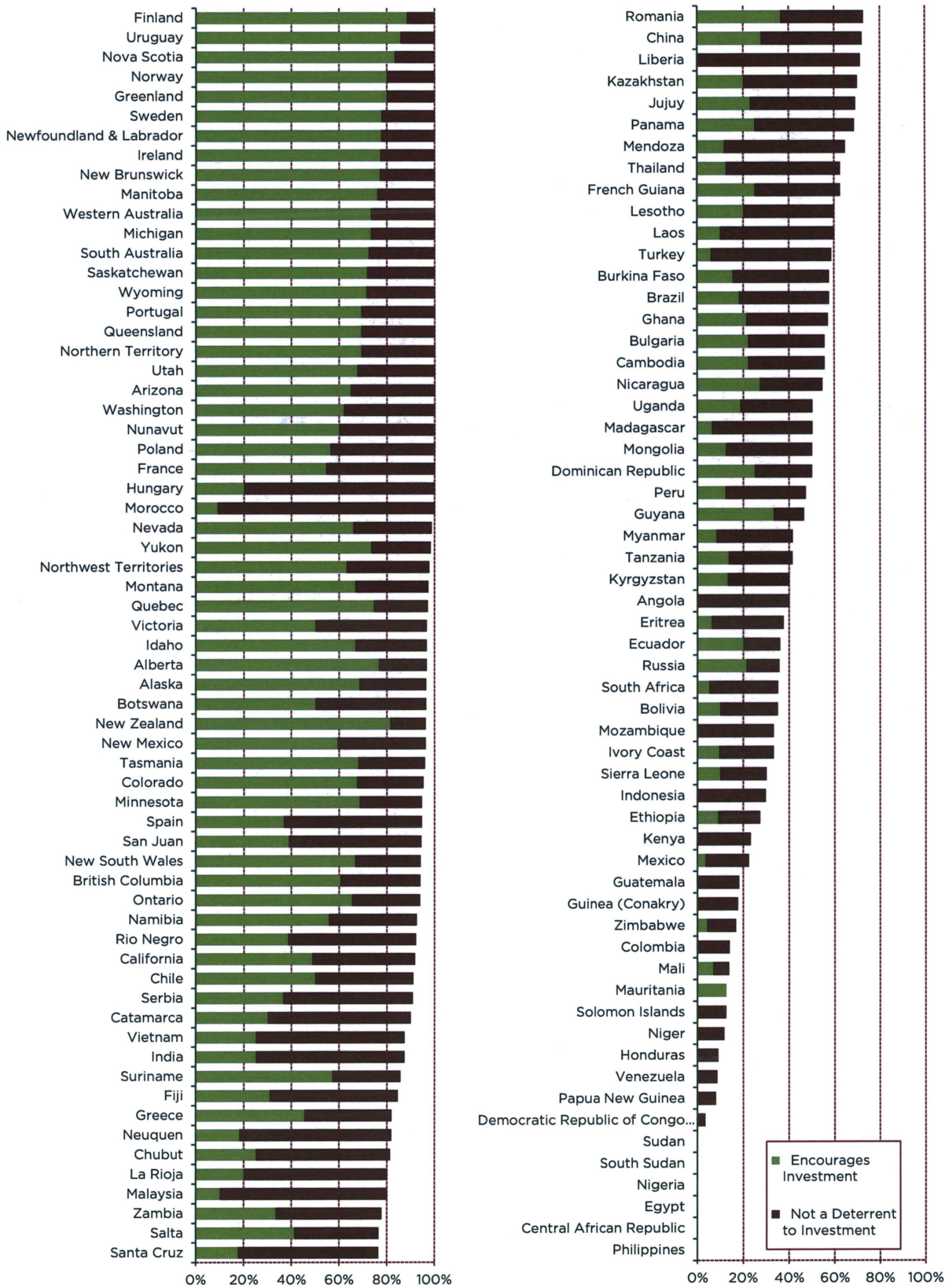
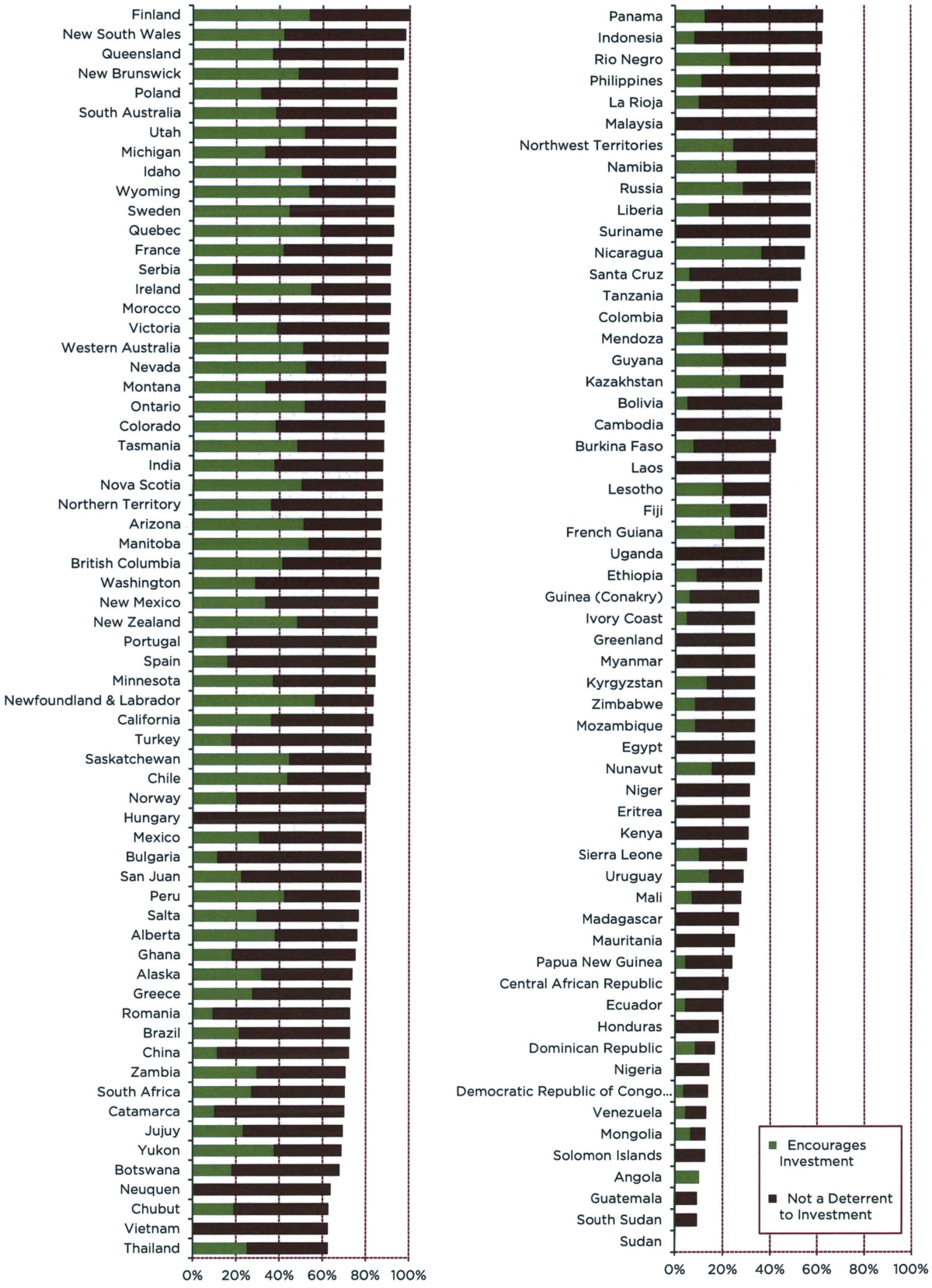


Figure 33: Availability of Labor/Skills



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Acknowledgments

We would like to thank the hundreds of members of the mining community who have responded to the survey this year and in previous years. You do a service to your industry by providing such valuable information.

We would also like to thank a number of mining associations and publications that generously helped inform their readers and members of the opportunity to participate in the survey. These include: Arizona Geological Survey; Association for Mineral Exploration BC; Australian Institute of Geoscientists; Canadian Institute of Mining Metallurgy and Petroleum; Central Asian Free Market Center; Chamber of Mines, Namibia; Mining Industry NL; National Mining Association; the NWT & Nunavut Chamber of Mines; POPULI; Queensland Department of Natural Resources and Mines; Queensland Resources Council; Straterra; and the Utah Mining Association. We would also like to thank then Executive Director Michael Walker and Laura Jones for conceptualizing this project 18 years ago.

The mining survey is completed anonymously and we ensure confidentiality for all survey respondents.

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Date of issue

February 2015

ISBN

978-0-88975-343-3

Citation

Jackson, Taylor, and Kenneth P. Green (2015). *Fraser Institute Annual Survey of Mining Companies, 2014.* Fraser Institute. <http://www.fraserinstitute.org>.

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October 2014

The Economic Impacts of Placer Mining in Alaska



Prepared for

ALASKA MINERS ASSOCIATION

Prepared by

McDowell GROUP

The Economic Impacts of Placer Mining in Alaska

Prepared for:
Alaska Miners Association

Prepared by:



Juneau • Anchorage

October 2014

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Executive Summary

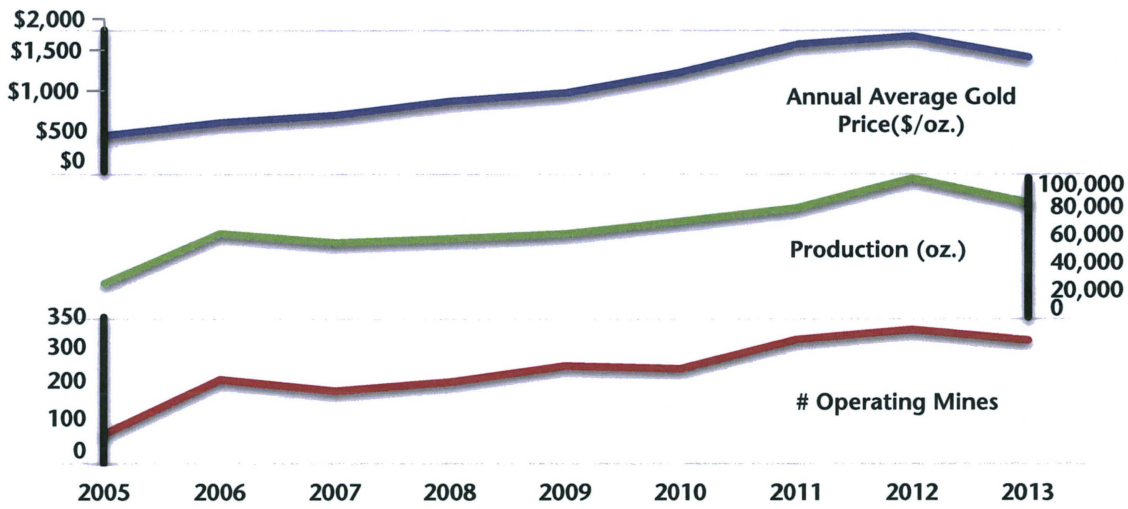
The Alaska Miners Association contracted with McDowell Group to study the economic impacts of placer mining in Alaska. While the economic impact of Alaska's hard-rock mining industry is routinely measured and well-understood, gaining a full understanding of the economic impact of placer mining in Alaska requires special research and analysis. To gather data on Alaska's placer mining industry employment and spending activity, McDowell Group conducted a survey of permitted placer mines in Alaska. A total of 182 mine operators participated in the survey, providing data on employment, wages, spending on goods and services, and other information.

Alaska has a rich history of placer mining dating back to the late 1800s. While placer mine production in Alaska today may be small relative to the industry's early days, it remains a significant contributor to the state's economy. Following are key findings of this study.

Placer Mining Production

- There were 646 placer mines permitted by the Alaska Department of Natural Resources (DNR) in 2013. DNR estimated 47 percent of permits (295 placer operations) were mined in 2013.
- In 2013, estimated placer mine gold production was 82,600 ounces, with a total gross production value of approximately $105 million.
- There is a strong link between the number of operating placer mines, placer production, and gold prices. To illustrate, from a 2005 price of $450 per ounce, prices rose steadily to an all-time high of nearly $1,900 in August 2011. Following the same trend, the number of producing placer mines climbed from 71 in 2005 to a recent peak of 321, with production at a nine-year high of 100,041 ounces in 2012.

Estimated Alaska Placer Operations, Production, and Annual Average Gold Prices, 2005 – 2013



Source: DNR (DGGS) and DCCED estimates. Kitco London Fix annual average price.

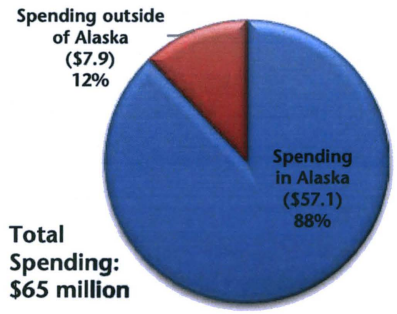
Employment and Labor Income

- In 2013, there were approximately 1,200 direct, mostly seasonal, jobs in Alaska's placer mine industry.
- On average, each placer mine had four workers. However, approximately 27 percent of placer mines were run by one person and there are a few significant larger operations (50+ workers).
- Of the 1,200 workers, approximately 73 percent (880 workers) live in Alaska. Of those Alaska residents, approximately half live in Anchorage/Mat-Su Borough (26 percent) or Fairbanks (26 percent). The remaining half (48 percent) live in communities elsewhere in Alaska.
- Total direct income, including wages, shares of production, and owner's profits, are estimated at $40 million for 2013.
- For miners receiving compensation, 56 percent were paid a wage, while the remaining 44 percent were compensated with a share of gold production.

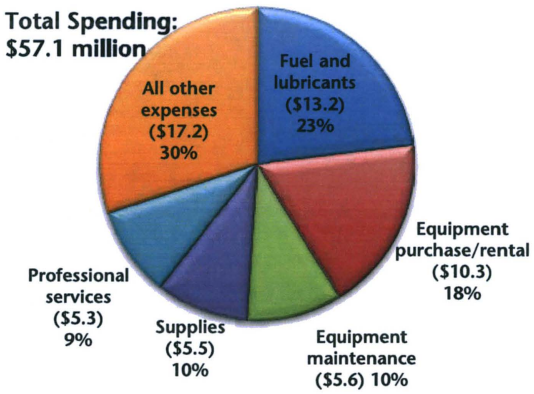
Spending on Goods and Services

- Placer miners spent approximately $65 million on goods and services for their operation in 2013. Of that spending, 88 percent (or $57.1 million) was spent in Alaska.
- The most significant categories of spending were for fuel and lubricants ($13.2 million) and equipment purchases and rentals ($10.3 million). All other categories of spending including, equipment maintenance, supplies, professional services and other expenditures have a combined total of $33.6 million.
- In 2013, Fairbanks received the highest level of goods and services spending from placer miners at $32.4 million, followed by Anchorage ($16.2 million). The remaining $8.5 million in-state spending was spent elsewhere in Alaska, much of which supported small rural economies.

Estimated Alaska Placer Mining Goods and Services Spending, in $millions, 2013



Estimated Alaska Placer Mining Goods and Services Spending in Alaska, in $millions, 2013



Source: McDowell Group Placer Miner Survey, 2014 and McDowell Group estimates.

Total Statewide Impacts

- Including the multiplier impacts (indirect and induced), placer mining-related employment statewide totaled 1,700 jobs with a total statewide labor income of $65 million.
- The total placer mining-related employment impact was 450 jobs in Fairbanks, and 370 jobs in Anchorage/Mat-Su, and an additional 600 placer mining-related jobs for Alaska residents elsewhere in the state. The remaining 320 jobs in Alaska were held by nonresidents.

- Approximately $19 million in total labor income impacts were in the Fairbanks economy, $15 million in Anchorage/Mat-Su, and $23 million elsewhere in Alaska.

- The total impact of spending on goods and services as a result of Alaska's placer mining industry activity (including all multiplier effects) was $150 million. This is a measure of all spending directly or indirectly connected with Alaska's placer mining industry.

Government Payments

- While, mining industry payments to the State specific to placer miners activity were not determined, the placer mining sector creates revenue to the State of Alaska through a number of mechanisms, including royalty payments, taxes (for example, mining license tax, corporate net income tax, and state fuels tax), annual claim rental, annual labor, and other mining fees (including Application for Permits to Mine in Alaska (APMA) and reclamation bonds). Payments are also made to various state and local government departments for programs, fees, and services.

- Purchases of goods and services within Alaska also generate additional tax revenue through sales taxes (where levied) and property taxes.

Summary of Placer Mining-Related Economic Impacts, 2013

Economic Activity	Impacts
Direct Impacts	
Number of permitted placer mine operations	646
Number of active placer mine operations	295
Estimated ounces produced	82,591
Estimated value of placer mine production (value of sales excluding commissions)	$105 million
Number of jobs statewide	1,200
Number of workers who are Alaska residents	880
Estimated labor income	$40 million
Spending on goods and services in Alaska	$57 million
Percent of total mine operations spending with Alaska-based vendors	88%
Number of jobs in Fairbanks	230
Number of jobs in Anchorage/Mat-Su Borough	230
Number of jobs elsewhere in Alaska	420
Number of jobs held by nonresidents	320
Total Impacts (direct, indirect, and induced)	
Total jobs in Alaska	1,700 jobs
Total labor income in Alaska	$65 million
Total spending on goods and services in Alaska	$150 million
Other Economic Impacts	
Average number of employees per placer mine operation	4.1
Estimated number of family members employed	155

Source: DNR, McDowell Group Placer Mine Survey, 2014, and McDowell Group estimates.

Introduction

Placer mining is a unique segment of Alaska's mining industry. This form of mining has a rich history in Alaska, and the image of a goldpanner is iconic in Alaska's culture. Placer mining occurs in all corners of Alaska and ranges from small family affairs to larger corporate undertakings. With recent reality televisions shows about mining in Alaska, along with favorable gold prices, placer mining has seen a resurgence. Yet little has been understood about the economic impact of this form of mining. The last study of placer mining in Alaska, *The Role of Placer Mining in the Alaska Economy,* was conducted for the State of Alaska Department of Commerce and Economic Development (DCCED) Office of Mineral Development almost 30 years ago in 1985. In an effort to understand the current impact of placer mining on Alaska's economy, the Alaska Miners Association (AMA) contracted with McDowell Group, an Alaska research and consulting firm, to conduct a study of the economic impact of placer mining in Alaska.

The study team compiled information from government agencies involved with permitting and monitoring placer mining activity and their payments to the State of Alaska (royalties, taxes, and fees), as well as gathered data directly from placer miners through a mail survey. The placer survey captured employment and spending information for the 2013 season. Depending on the operation, employment impacts include the owner, partners, family members, and employees who may receive a wage, a percent of production share earnings, or may receive little to no compensation. Spending impacts include labor income, including payroll to employees, profit payments to owners, and expenditures for supplies and services to operate the placer mine (such as equipment, groceries, fuel, transportation, and other services). This information was then extrapolated and used to model the direct economic impacts, as well as the multiplier effect (indirect and induced impacts) of placer mining in Alaska.

Methodology

There were several methods and tools used in preparation of this study. A survey of Alaska placer miners provided a broad range of information about spending and employment. A variety of other data sources were used to measure placing mining activity in the state. These and other sources are described in more detail, below.

Survey of Placer Miners

For the purpose of conducting a survey of placer mines in Alaska, Alaska Department of Natural Resources (DNR) Division of Land, Mining, and Waters provided McDowell Group with a current list of mine owners, operators and lessees who had filed an Application for Permits to Mine in Alaska (APMA) administered by the Division. The list contained just over 2,000 entries, including hard-rock mine permit holders. Hard-rock permit holders were removed from the list. Duplicate names were removed. For purposes of the survey the operator contact information was retained as they were most likely to be familiar with the day-to-day operations of the mine. The final mailing list contained 654 placer mine operation (active and inactive) contacts. Individuals or companies with multiple APMA's received more than one survey and were asked to provide information for each mine they operated.

The list contained additional information for each operation, including the type of activity permitted. 10 percent of the permits were for exploration, about one-third were for suction-dredging, and the remaining permits were for other types of mining activity, including reclamation.

The survey was designed in consultation with Alaska Miners Association, using the 1985 survey content as a starting point. Survey content was designed to capture information about active status, type of mining methods used, number of days of operation, number of employees, family employment, employee residence, and mine-related expenditures for supplies and services. Data from this survey was used to model various aspects of the placer mine industry and is sourced when used in the analysis.

The survey also provided an opportunity for placer miners to comment on issues affecting their mining operations. A total of 16 pages of comments were compiled and sorted by theme. They were provided to Alaska Miners Association under a separate cover.

A pre-mailer postcard was sent to all operators on the list, informing them to watch for the survey. The survey was then mailed a couple days later to all placer operations. A second survey was sent several weeks later to nonrespondents in an effort to boost response rates. The survey was mailed in May 2014. As this is a busy time of year for most placer miners, responses were accepted until September 2014.

Survey Respondent Data

A total of 182 individuals or companies returned surveys for a response rate of 28 percent. Survey responses represented 200 permits. Based on DNR's estimate of 295 active permits in 2013, survey results represent about 68 percent of all active permits.

By Mining District

Completed surveys were received for permitted mines in 33 of 43 mining districts. According to DNR records, 27 districts had no active placer activity in 2013. The survey response was relatively representative of the actual distribution of placer mines in Alaska, with a slightly lower response rate from Nome-area permits, and slightly higher from Fortymile-area permits. The districts with the most survey responses are Nome, Fortymile, Circle, Fairbanks, and Koyukuk.

Alaska Placer Miner Survey Responses, by Mining District, 2013

District	Surveys Responses	% of Total Responses	Permits Issued	% of Total Permits
Nome	35	19%	180	28%
Fortymile	34	19	71	11
Circle	18	10	65	10
Fairbanks	13	7	60	9
Koyukuk	12	7	49	7
Hot Springs	7	4	21	3
Yentna	7	4	31	5
Bonnifield	4	2	16	2
Chistochina	4	2	6	1
Hope	4	2	7	1
Valdez Creek	4	2	19	3
Willow Creek	4	2	7	1
Aniak	3	2	6	1
Kougarok	3	2	7	1
Ruby	3	2	8	1
Tolovana	3	2	9	1
Districts with two surveys returned				
Delta River, Eagle, Goodnews Bay, Homer, Juneau, Koyuk, Nelchina	14	8	37	6
Districts with one survey returned				
Anchorage, Chisana, Hughes, Iditarod, Innoko, Kodiak, Prince William Sound, Rampart, Seward, Tok	10	5	37	6
Districts with no surveys returned			10	2
Total surveys returned	**182**	**100%**	**646**	**100%**

Due to rounding, column may not added to 100 percent.
Source: DNR Division of Land, Mining, and Waters, and McDowell Group Placer Mine Survey, 2014.

By Status of Mining Operation

Of the placer responses, 14 percent indicated their operation was inactive in 2013. Several operations indicated multiple mining phases, such as concurrent exploration and reclamation work. Most operators were actively exploring or developing their mine (58 percent); 38 percent were producing, and 25 percent were in the reclamation phase. A few operations were also engaged in other activities, such as permitting, care and maintenance, or preparation of baseline studies.

Alaska Placer Mine Survey Responses, by Current Status of Mining Operation, 2013
(Multiple responses accepted)

	Number of Responses (n=182)	% of Total
Exploration/development	106	58%
Production	69	38
Reclamation	45	25
Inactive	25	14
Other (including care and maintenance, baseline studies)	3	2

Source: McDowell Group Placer Mine Survey, 2014.

By Mining Method

Mechanical methods (primarily heavy equipment) were used by most of the placer miners (60 percent), followed by suction dredging (33 percent). Far fewer placers used other methods, including moving material by hand (4 percent), using hydraulic water pressure to move material (1 percent), underground (or drift) mining (1 percent) or other means (1 percent). Some placer miners used multiple methods.

Alaska Placer Mine Survey Responses, by Mining Methods, 2013

	Number of Responses (n=153)	% of Total
Mechanical (bulldozer, loader, etc.)	92	60%
Suction Dredging	50	33
Hand mining	6	4
Hydraulic (high pressure water only)	2	1
Drifting (underground mining)	1	1
Other (including off-shore barge excavator)	2	1

Source: McDowell Group Placer Mine Survey, 2014.

Other Data Sources

Several sources of data and information was compiled through executive interviews, published data and special data requests made to the Alaska DNR Division of Mining, Land, and Water, DNR Division of Geological and Geophysical Surveys, Alaska Department of Commerce, Community and Economic Development (DCCED), and Alaska Department of Labor and Workforce Development (DOLWD), and Alaska Department of Revenue (DOR).

Economic Impact Modelling

The multiplier effects of the placer mine industry in Alaska were estimated using IMPLAN, a predictive input-output model of local and state economies widely used to measure the economic impact of industrial and commercial activity.[1] The model uses borough-level and statewide employment and other data to define links between industries in the local economy and multipliers that predict the total impact of an economic activity.

[1] IMPLAN Group LLC, 2012 dataset. http://www.implan.com

Overview of Placer Mining in Alaska

What is Placer Mining?



Placer mining is the mining of alluvial deposits (material carried by water or erosion) for precious minerals, most often gold but also platinum or other heavy metals or gems. These minerals were at one time contained in bedrock but over time eroded by natural forces from the rock and deposited with other sedimentary materials, primarily sand and gravel. Gold is much heavier than the surrounding matrix and once freed from rock by erosion will migrate through lighter material. Over time, these precious minerals naturally concentrate by water and gravity in "pay-streaks" (often in ancient stream beds). To mine these pay-streaks, overburden must be removed, the gold-bearing material extracted and then run through a wash plant to produce a gold-bearing concentrate.

As described below, a variety of methods are used to extract gold bearing material and recover the contained gold. Recovered gold can range from fine flakes to large nuggets.

Extraction Methods

- **Heavy Equipment** – Many placer mines in Alaska use bulldozers, loaders, excavators and other heavy equipment to remove the overburden and access the pay streak.
- **Suction dredge** – In-stream dredging uses a suction hose to pull out material that has settled to the bottom of water bodies. A suction dredge is akin to a vacuum cleaner used underwater and sucks up the streambed (or ocean bed) material. A dredge is most often handled by a diver. The material passes through a suction hose to a surface concentrating system.
- **Underground drift mining** – In some areas where the deposit is buried too deep for surface access, or particularly in areas of permafrost, placer deposits are mined underground. Steam is used to thaw the frozen ground (and sometimes explosives) to gain access to pay-streaks.

Gold Recovery Methods

- **Sluice box/high banker** – A sluice box is an integral part of a placer mining operation. Gold-bearing material is feed by hand or with heavy equipment into a hopper at the top end of the sluice box. The material is screened then carried through the sluice box by water, washing away the lighter materials and concentrating the heavier gold-bearing material behind riffles and in mesh screens and mats. Sluice boxes range in size from hand-portable to large pieces of equipment used in conjunction with screening plants or trommels. Larger scale operations use excavators or loaders to feed the sluice box. When the sluice is cleaned out, the gold bearing material trapped in the mesh or mats is then panned by hand or mechanical means.



- **Trommel/screen** – A trommel is a slightly-inclined rotating metal cylinder with a sluice box at the lower (discharge) end. The trommel rinses and sorts out material too large to feed into the sluice box. Trommels can range in size from portable one-man operations to large stationary pieces of equipment more than 30 feet in length. Vibrating screens are used to perform the same function as a trommel; washing and sorting material too large for the sluice box.

- **Panning** – Panning is often the first step in a placer mining operation and the last step. Panning is used in the exploration phase to locate and sample gold-bearing material. Panning is also used to separate gold from other heavy material concentrate by the wash plant. Gold bearing material is placed in a large metal or plastic pan. Water is added and agitated so that the gold particles, being of higher density than the sand and gravel, settle to the bottom of the pan. The lighter material (sand, mud, gravel, etc.) is then washed away, leaving the gold behind. Miners may pan gold directly from a stream bed or from material removed by other means. Panning is often used to test samples to determine if the amount of gold in the material is worth recovering by mechanical or other means.



- **Rocker** – A rocker box (sometimes referred to as a "cradle") is a small-scale method that can process more volume than panning, yet it still is portable. The box is usually fed by hand and is rocked to concentrate the gold.

History of Placer Mining in Alaska

Russian explorers began placer gold exploration and mining in Alaska in the 1800s. After Alaska became a U.S. territory, exploration and mining continued. By the 1860s and 1870s, prospectors moved north from the California gold rush. In the 1880s, the Juneau gold rush was started by the discovery of the AJ and Treadwell deposits. Significant deposits were discovered in Rampart (Yukon River drainage) in 1882, the Fortymile mining district in 1886, and the Circle district in 1893.



The Klondike gold rush of 1897-1898 in Canada attracted even more placer miners to Alaska. Nome deposits were discovered in 1898. Gold was discovered in the Fairbanks area (which would ultimately become the largest-producer) in 1902.

Soon most labor-intensive methods were abandoned for larger mechanization using large-scale cold water thawing, hydraulic stripping and excavation. Dredges were first used in Nome in 1905. The first large electric-powered dredges were used in Nome and Fairbanks in the 1920s. By the start of World War II, Alaska had become the leading gold producing state – nearly 750,000 ounces were produced in 1940, of which most came from placer mines.

During World War II, most placer mines in Alaska stopped production under order of the federal government, as gold mining was considered nonessential to the war effort. Following the war, a fixed gold price ($35 per ounce), coupled with inflation that was increasing mining costs, spelled the end for many gold mining operations.

When the policy of a fixed gold price ended in the early 1970s, and gold ownership restrictions on private citizens were lifted by the Federal government, several hundred placer operations in Alaska came back into production (or new production). Gold prices continued to climb. By 1982, production from about 500 placer mines had risen to 174,900 ounces worth $70 million.

Placer mining remains strong in Alaska with gold prices ranging from $1,200 to nearly $1,900 an ounce over the last four years. A resurgence of suction dredge mining offshore of Nome, somewhat driven by reality television programs, has also attracted a host of new operators in that area.

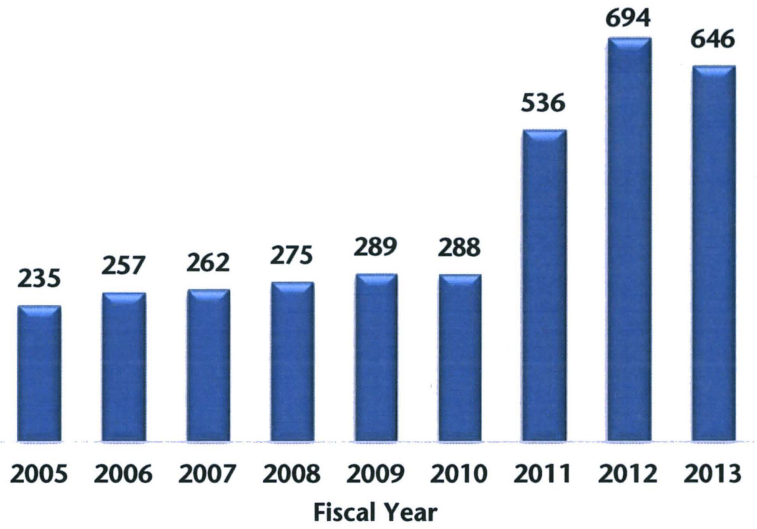
Placer Mining Permitting

All placer mines in Alaska require some level of permitting, regardless of their size and whether the claim is on local, state, or federal government, or private lands. Permits are needed from various agencies, including Alaska Department of Natural Resources, Bureau of Land Management (BLM), US Army Corp of Engineers, Alaska Department of Fish and Game, and the U.S. Environmental Protection Agency (EPA). A significant level of annual reporting is required by all agencies for operators to keep their permits current. Agencies make regular inspections at mine operations to ensure compliance with rules and regulations.

All placer mining operations in Alaska require an Application for Permits to Mine in Alaska (APMA) with the exception of recreational mining using suction dredges with hoses less than six inches in diameter. With the recent surge of mining activity on the Nome area, as of 2012, all suction dredge operations in that area, regardless of hose diameter, are required to file an APMA.

The number of permitted placer mines in Alaska ranged from a low of 235 to a high of 694 between fiscal year (FY) 2005 and FY2013. Not surprisingly, the number of permits roughly tracks the price of gold. Not all permitted mines operate every year. Based on APMA records, from FY2011 to FY2013, about half of permitted mines were active.

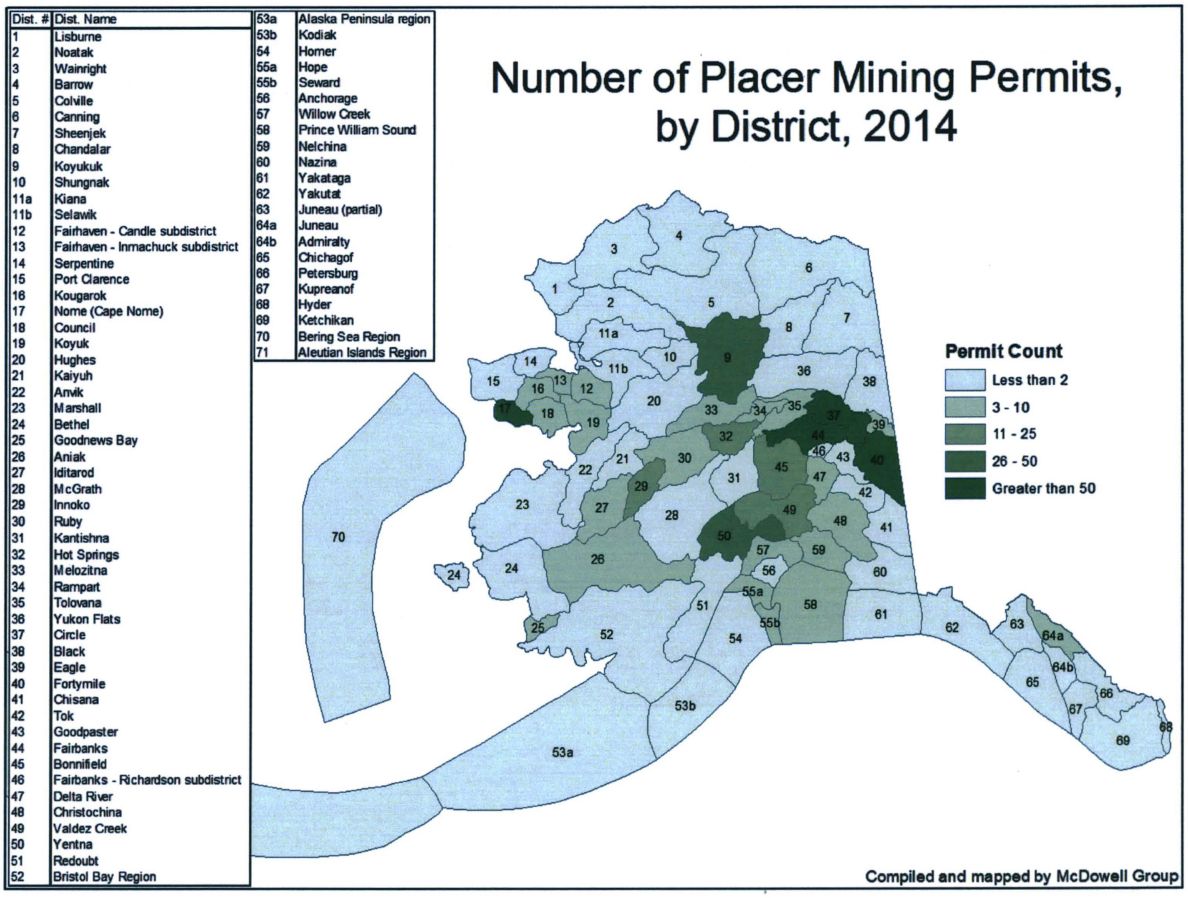
Number of Placer Mining Permits Issued in Alaska, FY2005-FY2013



Includes placer mines on public and private lands.
Source: DNR, Division of Land, Mining, and Waters.

Location of Placer Mine Permits

The map below illustrates how placer mining permits are distributed throughout the state in 2014. The regions with the most permits issued include Fortymile, Fairbanks, Circle, and Nome.



Dist. #	Dist. Name
1	Lisburne
2	Noatak
3	Wainright
4	Barrow
5	Colville
6	Canning
7	Sheenjek
8	Chandalar
9	Koyukuk
10	Shungnak
11a	Kiana
11b	Selawik
12	Fairhaven - Candle subdistrict
13	Fairhaven - Inmachuck subdistrict
14	Serpentine
15	Port Clarence
16	Kougarok
17	Nome (Cape Nome)
18	Council
19	Koyuk
20	Hughes
21	Kaiyuh
22	Anvik
23	Marshall
24	Bethel
25	Goodnews Bay
26	Aniak
27	Iditarod
28	McGrath
29	Innoko
30	Ruby
31	Kantishna
32	Hot Springs
33	Melozitna
34	Rampart
35	Tolovana
36	Yukon Flats
37	Circle
38	Black
39	Eagle
40	Fortymile
41	Chisana
42	Tok
43	Goodpaster
44	Fairbanks
45	Bonnifield
46	Fairbanks - Richardson subdistrict
47	Delta River
48	Christochina
49	Valdez Creek
50	Yentna
51	Redoubt
52	Bristol Bay Region
53a	Alaska Peninsula region
53b	Kodiak
54	Homer
55a	Hope
55b	Seward
56	Anchorage
57	Willow Creek
58	Prince William Sound
59	Nelchina
60	Nazina
61	Yakataga
62	Yakutat
63	Juneau (partial)
64a	Juneau
64b	Admiralty
65	Chichagof
66	Petersburg
67	Kupreanof
68	Hyder
69	Ketchikan
70	Bering Sea Region
71	Aleutian Islands Region

Placer Production Trends

Alaska placer mine production ranged between approximately 25,000 ounces in 2005 and 100,000 ounces in 2012. Over this same period, the number of operating mines has fluctuated between 71 (2005) to a high of 321 mines (2012). The number of operating mines remained around 300 between 2010 and 2013. The effects of high gold prices on placer activity is most noticeable in 2011 and 2012 when gold prices reached record highs (*see table below*). In 2013, estimated production from 295 active mines is recorded at 82,591 ounces.

Estimated Alaska Placer Mining Production, 2005 – 2013

Year	# of Operating Mines	Ounces Produced	Average. Annual Gold Price per Ounce
2005	71	24,605	$445
2006	201	60,382	603
2007	174	53,849	695
2008	195	56,759	872
2009	234	60,250	972
2010	227	69,318	1,225
2011	297	78,717	1,572
2012	321	100,041	1,669
2013*	295	82,591	1,411

*Preliminary estimates.
Source: DNR (DGGS) and DCCED estimates. Kitco London Fix annual average price.

While Alaska gold production was valued at approximately $116 million, Alaska's placer miners earned an estimated $105 million from their gold sales in 2013. Placer miners sell gold for a price somewhat less than gold's global market price, as they typically pay a commission to the buyer. These commissions typically range from 10 to 15 percent.

Recreational Mining



Another sub-set of placer mining is "recreational mining." Recreational mining is defined as amateur, casual, short-term mining for placer gold using non-mechanized equipment, such as a gold pan or a small portable sluice box, rocker-box; small suction dredges, and/or metal detectors. Recreational mining may be conducted on private or public properties. Some permitted mine operators choose to operate a small-scale, casual, or occasional recreational basis. Other recreational miners pay some type of a fee to work gold bearing ground on a permittee's land. There are also designated areas for recreational mining on state and federal lands. Recreational mining opportunities have expanded statewide in concert with recent high gold prices.

Recreational mining operations range from gold-panning activities attracting several thousand tourists spending $15-$20 each and a few hours to find some gold flakes (often seeded in the paydirt) to operations where a few hundred people spend as much as a couple thousand dollars per week (including equipment, room and board). Operations that cater to miners staying from a few days to a few weeks are very similar to other visitor destinations such as lodges or bed and breakfast in the state that offer sportfishing, wildlife viewing etc. and have the same positive economic impacts. One enterprising mine operation is selling, among other mining related items such as gold pans, one pound bags of "Pay Dirt" that have been seeded with gold for $5.80 per bag plus shipping.

Based upon interviews with recreational mine operators in 2012, at least 800 people traveled to Alaska to primarily participate in recreational mining, amounting to at least 1,000 miner-weeks of annual recreational mining at the remote pay-to-mine camps. Several thousand miner-weeks are also estimated to occur at highway accessible sites near Anchorage and Fairbanks. No attempt has been made to estimate the number of recreational miners visiting federal and state designated gold panning areas, but it is likely to exceed the number visiting commercial sites. Though no specific data is available, the total economic impact of recreational mining in Alaska likely exceeds several million dollars, including payments to private owners and spending on transportation, accommodations, food, services and supplies. [2]

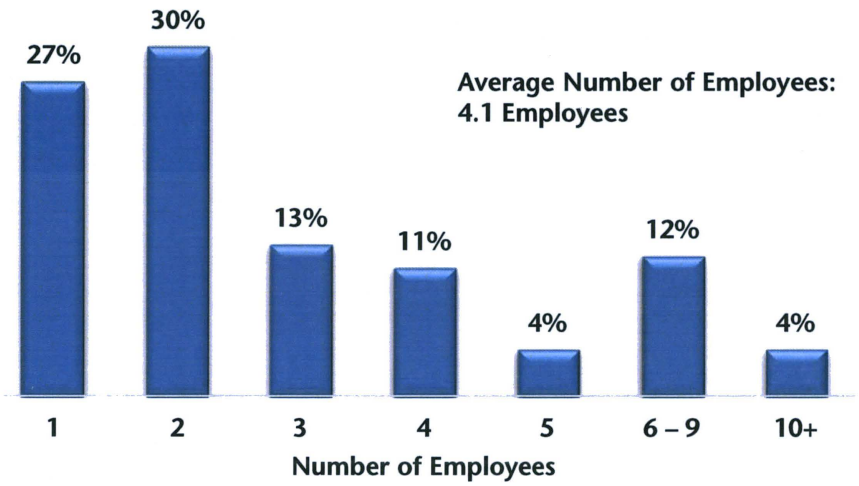
[2] Partial excerpt from *The Economic Impacts of Alaska's Mining Industry*, McDowell Group, 2012. Measuring the economic impact of recreational mining in Alaska is beyond the scope of this placer mining impact study.

Employment

Placer mines in Alaska operate under a variety of employment models, ranging from a single owner/operator, to family operations, to larger operations with paid employees (with compensation either by wage or shares dependent on the operation's production value).

Most placer mines are relatively small operations when measured in terms of employment. Survey results indicate 27 percent of placer permits were only worked by the permit holder with no additional employees. Operations with two workers made up 30 percent of all active placer operations. Approximately 44 percent of placer operations had three or more workers. The largest operation responding to the survey employed more than 50 workers. On average, 4.1 workers worked on active placer operations in 2013.

Alaska Placer Mine Employment, by Size of Operation, 2013



*Includes all individuals working on a placer operation, including the owner, operator, family members or employees.
Source: McDowell Group Placer Miner Survey, 2014.

Based on DCCED's estimate of 295 active mines in 2013 and average employment of 4.1 workers per mine, an estimated 1,200 workers (including mine operators, family members, and employees) are in Alaska's placer industry.

Mines with wage employees operated an average of 86 days in 2013. Operations without wage employees worked an average of 58 days.

Family Business

Of the estimated 1,200 placer miners, approximately 155 employees were members of the permitted operator's family. Nearly half (47 percent) of the active placer operators with employees had at least one family member working on their claim. On average, these family-oriented operations have 1.7 family members employed.

Alaska Placer Mines with Family Members as Employees, 2013

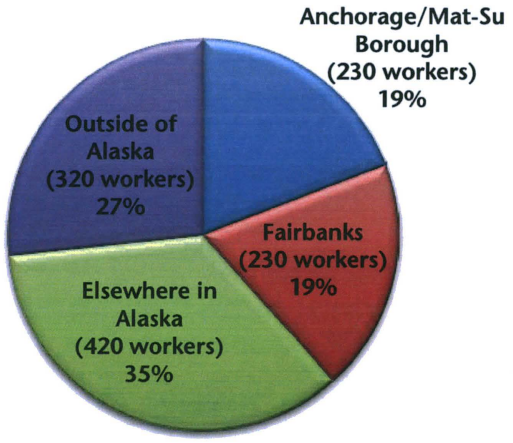
Number of Family Members Employed	% of Total
1	63%
2	21
3	10
4	1
5+	4
Average number of family members employed	**1.7**

*Includes only family employees (excluding operators).
Source: McDowell Group Placer Miner Survey, 2014.

Worker Residency

Three out of four placer mine workers (73 percent) live in Alaska. Many workers (including owner/operator) live in Anchorage or Mat-Su Borough (19 percent) or Fairbanks (19 percent). The remaining 35 percent live elsewhere in Alaska.

Estimated Number of Alaska Placer Mine Workers, by Region of Residency, 2013



*Estimates include mine operator and their employees, working family members, and working business partners.
Source: McDowell Group Placer Miner Survey, 2014.

Labor Income

Alaska's placer mining industry generated an estimated total of $40 million in wages and other income for participants in the industry. This estimate includes wages, value of production shares, and profits for owners. It is common practice in small mines for partners, family members, friends and some hired workers to earn a share of gold production value rather than a wage. Like many sole proprietors, most solo miners keep any profit that remains at year-end after expenses are paid, rather than taking a regular wage. Based on survey results, just over half (56 percent) of placer workers received a wage.

Spending on Goods and Services

Based on an extrapolation of survey results, it is estimated that placer miners spent approximately $65 million for goods and services in support of their operations in 2013; of which approximately 88 percent (or $57 million) was spent in Alaska.

Estimated Alaska Placer Mining Goods and Services Spending, 2013

	Amount
Spending in Alaska	$57.1 million
Spending outside of Alaska	$7.9 million
Total	**$65.0 million**

Source: McDowell Group Placer Miner Survey, 2014 and McDowell Group estimates.

Expenditures by Category

Placer miners spend money on a wide variety of goods and services. Of all categories, spending on fuel and lubricants were the highest, at an estimated $13.2 million in 2013. An estimated $10.3 million was spent on equipment purchases and rentals, followed by approximately $5.6 million on equipment maintenance. Approximately $10.8 million was spent on supplies and professional services. An additional $17.2 million was spent on a variety of other goods and services used in support of mining operations.

Estimated Alaska Placer Mining Goods and Services Spending in Alaska, by Spending Category, 2013

Expenditure	Amount
Fuel and lubricants (diesel, gasoline, propane, lube oil, etc.)	$13.2 million
Equipment purchase/rental (heavy equipment, trucks, pumps, wash plants, sluice boxes, dredges, etc.)	$10.3 million
Equipment maintenance (parts and non-mine labor, etc.)	$5.6 million
Supplies (tools, lumber, camp supplies, food, steel, welding supplies, etc.)	$5.5 million
Professional services (consultants, accounting, insurance, legal, etc.)	$5.3 million
All other expenses (freight, utilities, smelter fees, shop rent, travel, office rent, drillers, etc.)	$17.2 million
Total estimated spending on goods and services in Alaska	**$57.1 million**

Source: McDowell Group Placer Miner Survey, 2014, and McDowell Group estimates.

Spending by Region

In 2013, about half of the in-state spending ($32.4 million) occurred in the Fairbanks area. Major purchases included fuel and lubricants ($9.8 million), and equipment purchases and rental ($4.8 million). Another $17.8 million was spent in Fairbanks on a variety of other expenses, including equipment maintenance, supplies, professional services and other goods and services.

Of the estimated $16.2 million spent in the Anchorage/Mat-Su Borough, $4.0 million was spent on equipment purchases and rental, and $2.4 million on professional services (such as accounting and legal assistance).

Approximately $8.5 million was spent on goods and services purchased elsewhere in Alaska. It is assumed much of that spending occurred in smaller communities in closer proximity to the mine site.

Estimated Alaska Placer Mining Goods and Services Spending, by Region and Category, 2013

	Fairbanks	Anchorage/ Mat-Su	All Other Alaska	Total Spending
Fuel and lubricants	$9.8 million	$1.1 million	$2.3 million	$13.2 million
Equipment purchase/rental	4.8 million	4.0 million	1.5 million	10.3 million
Equipment maintenance	3.3 million	1.4 million	900,000	5.6 million
Supplies	2.8 million	1.9 million	800,000	5.5 million
Professional services	1.6 million	2.4 million	1.3 million	5.3 million
All other expenses	10.1 million	5.4 million	1.7 million	17.2 million
Total	**$32.4 million**	**$16.2 million**	**$8.5 million**	**$57.1 million**

Source: McDowell Group Placer Miner Survey, 2014 and McDowell Group estimates.

Multiplier Effects of Placer Mining

The economic impact of placer mining is felt throughout local economies and elsewhere in Alaska. This economic impact occurs at three levels:

- Direct impacts, including the operation's own employment and payroll.
- Indirect impacts, including jobs and income in businesses providing goods and services to the placer operation.
- Induced impacts, including the jobs and income created as a result of the placer operation's employees spending their labor income (payroll or share dollars) in the local economy.

As stated earlier, in 2013, there were approximately 1,200 total placer mine jobs statewide (including full and part-time) with a labor income of $40 million. In addition to this direct employment, another 500 support sector jobs in Alaska are connected to placer mining, and another $25 million in labor income. Including all direct, indirect and induced effects, placer mining accounted for 1,700 jobs statewide with $65 million in labor income in 2013.

Alaska's placer mining industry directly accounted for $97 million in economic activity in 2013, including $40 million in labor income and $57 million in purchases of goods and services. Including all multiplier effects, the industry accounted for $150 million in total spending activity in Alaska.

Alaska Placer Mine-Related Economic Impacts, 2013

	Direct	Total Impacts
Employment (year-round and seasonal jobs)	1,200	1,700
Total labor income	$40 million	$65 million
Total in-state expenditures*	$97 million	$150 million

*Includes labor costs.
Source: McDowell Group Placer Miner Survey, 2014 and McDowell Group analysis.

Regional Impacts

The regional distribution of the placer mining industry's economic impacts depends on where the mining activity occurs, where spending in support of that activity occurs, and where workers in the industry spend their income (mostly where they live). Overall, the placer mining industry accounts for 1,700 jobs in Alaska, including direct, indirect and induced employment. That total includes approximately 320 non-residents who are employed in Alaska placer mines.

The placer mine industry accounts for approximately 450 jobs for Fairbanks area residents, another 370 jobs for Anchorage/Mat-Su area residents, and 600 jobs elsewhere in the state, including all impacts (direct, indirect, and induced). Estimated total labor income for Fairbanks residents is $19 million, $15 million for the Anchorage/Mat-Su area, and $23 million elsewhere in Alaska.

Alaska Placer Mine Regional Employment and Labor Income, by Place of Residence, 2013

	Total Jobs	Total Labor Income
Fairbanks	450	$19 million
Anchorage/Mat-Su	370	15 million
Elsewhere in Alaska	600	23 million
Non-Residents	320	8 million
Total in-state	**1,700**	**$65 million**

Source: McDowell Group Placer Miner Survey, 2014 and McDowell Group analysis.

State Revenue Payments

The placer mining industry generates revenues to the State of Alaska through a number of mechanisms, such as license fees, rentals, royalties, material sales, and other fees. Due to confidentiality issues and other data restrictions, estimates of state revenue stemming from placer mining-related activity could not be made. The various forms of revenue gathered by the state, however, are described below.

Royalties

Production Royalty

Alaska's Production Royalty law (AS 38.05.212) requires holders of state mining locations to pay a production royalty on all revenues received from minerals produced on state land. The production royalty is 3 percent of net income as determined under the Mining License Tax Law (AS 43.65), and regulations (15 AAC 65). A production royalty return must be filed and all required royalty payments must be made by anyone:

1) Owning, leasing, and operating a mining property,

2) Owning a mining property and receiving lease fees, royalty payments based on production, or a combination of lease fees and royalty payments from the property,

3) Leasing a mining property from another person and operating the property, and

4) Possessing a mineral interest, whether an economic or production interest, in a producing property, including royalty, receiving lease fees, working or operating interests, net profits, overriding royalties, carried interests in, and production payments.

Alaska Permanent Fund

The Alaska Constitution was amended in 1977 to establish a permanent investment fund into which "at least 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the state" are to be deposited annually.[3] This 25 percent applied to state mining leases issued on or before December 1, 1979. Mines operating with state leases issued after December 1, 1979 pay 50 percent.

Taxes

Mining License Tax

This is a tax on the net income of all mining property in the state irrespective of land ownership status, capped at 7 percent for mining net income of $100,000 or more, less exploration and other credits. No mining license tax is paid if mining net income is $40,000 or less. Except for sand and gravel operations, new mining operations are exempt from the mining license tax for a period of 3.5 years after production begins.

[3] AS 37.13.010.

Corporate Net Income Tax

All corporations doing business in Alaska must file a tax return. The corporate net income tax payment is a reflection of a corporation's profitability. The State of Alaska levies a corporate net income tax based on federal taxable income with certain Alaska adjustments. Tax rates are graduated from 1 to 9.4 percent in increments of $10,000 of taxable income. The maximum rate (9.4 percent) applies to taxable income of $222,000 and higher.

State Fuels Tax

Placer miners also use a significant amount of fuel in their operations. Alaska levies a motor fuel tax ($0.08 per gallon) on motor fuel sold, transferred or used within Alaska.

Annual Claim Rental

The Annual Rental law (AS 38.05.211) requires locators and holders of State mining locations to pay an annual cash rental. The requirement applies to mining claims, leasehold mining leases, offshore mining leases and prospecting sites on state land. For all traditional mining claims (40 acres), the annual rental amount is $35 per year for the first five years, $70 per year for the second five years, and $170 per year thereafter. For quarter section mining claim (160 acres), the annual rental amount is $140 per year for the first five years, $280 per year for the second five years, and $680 per year thereafter. For all leases, the annual rent is $.88 per acre per year for the first five years, $1.75 per acre for the second five years, and $4.25 per acre per year thereafter. It is noted that an acre is approximately 208 by 208 feet. For prospecting sites, there is a one-time upfront requirement of $255, which covers the two-year term of the site.

Annual Labor

The payment in lieu of annual labor is based upon the premise that when prospecting and the discovery of a locatable mineral, and the staking of a mineral location, annual labor must be performed each year in the further development of the locatable minerals so that it can be mined. The amount of annual labor required differs based on the type and size of the mining claim. Every year, the holder of a mining claim, leasehold location, or mining lease must complete an affidavit stating a minimum of $100 worth of labor or improvements were performed on each partial or whole 40 acres of each mining lease and $400 for each quarter section MTRSC (meridian, township, range, section, and claim system) location. If labor was not performed, a cash payment equivalent to the required value of labor (i.e., $100 or $400) is necessary.

Other State Mining Fees

These fees include Application for Permits to Mine in Alaska (APMA) fees and Bond Pool payments, and other fees or penalties.

Application for Permits to Mine in Alaska (APMA)

To mine in Alaska, permits and licenses are required from as many as 12 government agencies. The Application for Permits to Mine (APMA) in Alaska is required if a placer miner wishes to explore for and mine locatable minerals (regardless of private or public land ownership), as well as conduct reclamation. APMA can be issued in terms of one to five years. A "single-year" application fee is $150. A "multi-year" application fee is $150 for the first year, and $50 for each subsequent year (up to five years total), to a maximum of $350.

Reclamation Bond

A reclamation bond is required if the placer miner disturbs more than 5 acres. Placer miners pay into the Department of Natural Resources' Bond Pool at $150 per acre. A portion of this bond is refundable once the reclamation work has been approved.