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1 make returns for the person engaged in the mining business [, OR THE
2 RECIPIENT OF ROYALTY IN CONNECTION WITH MINING PROPERTY]. The tax due
3 on the basis of the returns shall be collected in the same manner as
4 if collected from the person of whose business they have custody and
5 control.

6 (b) A return made on the basis of the calendar year shall be
7 filed [MADE] before March 15 [MAY 1] of the next year. A return made
8 on the basis of a fiscal year shall be filed [MADE] before the fifteenth
9 [FIRST] day of the th.rd [FIFTH] month of the next fiscal year.

10 (c) The department [DEPARTMENT OF REVENUE] may grant a reasonable
11 extension of time for filing returns, under regulations adopted
12 [PRESCRIBED] by it. Except in the case of a taxpayer going abroad, no
13 extension may be granted [MADE] for more than six months.

14 (d) A [TAXPAYER'S] return shall be filed with [MADE TO] the
15 department [DEPARTMENT OF REVENUE AT JUNEAU] using the same tax year
16 as the person uses in filing his federal income tax return. [A TAX-
17 PAYER SHALL MAKE HIS RETURN EITHER ON A CALENDER YEAR OR FISCAL YEAR
18 BASIS, IN CONFORMANCE WITH THE BASIS USED IN MAKING HIS RETURN FOR
19 FEDERAL INCOME TAX PURPOSES.]

20 (e) The total amount of tax imposed by this chapter shall be
21 paid on or before the due date of the tax return required under this
22 section [THE 30TH DAY OF APRIL OF THE NEXT CALENDER YEAR, OR IF THE
23 RETURN IS MADE ON THE BASIS OF THE FISCAL YEAR, THEN ON THE LAST DAY
24 OF THE FOURTH MONTH OF THE NEXT FISCAL YEAR].

25 (f) [EVERY PERSON PROSECUTING OR ATTEMPTING TO PROSECUTE OR
26 ENGAGING IN THE BUSINESS OF MINING IN THE STATE SHALL COMPLY WITH THE
27 DEPARTMENT'S REGULATIONS AND SHALL KEEP SUCH RECORDS, GIVE SUCH STATE-
28 MENTS UNDER OATH, AND MAKE SUCH RETURNS AS THE DEPARTMENT OF REVENUE
29 PRESCRIBES.]

1 (g) When the department considers it necessary, it may require a
2 person, by notice served upon him, to make a return, give statements
3 under oath, or keep records as it considers sufficient to show whether
4 or not the person is liable for the [TO] tax under this chapter. If a
5 person fails to file a return at the time prescribed by law or regula-
6 tion, or makes, wilfully or otherwise, a false or fraudulent return,
7 the department shall make the return from its own knowledge and from
8 such information as it can obtain [THROUGH TESTIMONY OR OTHERWISE]. A
9 return so made and subscribed by the department is prima facie good
10 and sufficient for all legal purposes.

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

12 Sec. 43.65.030. APPLICATION FOR RENEWALS. A person engaged in
13 the business of mining shall apply [APPLICATION] for a renewal of a
14 mining license each year [SHALL BE MADE] before the 30th day of the
15 first month of the person's tax year [MAY 1 OF EACH YEAR].

16 * Sec. 5. AS 43.65.040 is repealed and re-enacted to read:

17 Sec. 43.65.040. LIMITATION. The department shall review returns
18 and assess any additional tax due under this chapter within three
19 years of the due date of the return or the date that the return was
20 filed, whichever is later. If a return has not been filed the tax may
21 be assessed at any time.

22 * Sec. 6. AS 43.65.050 is amended to read:

23 Sec. 43.65.050. [VIOLATIONS AND] PENALTIES AND INTEREST. (a)
24 In case of failure to obtain a license or file a return [REQUIRED BY
25 THIS CHAPTER] within the time prescribed by this chapter [LAW OR
26 PRESCRIBED BY THE DEPARTMENT ACCORDING TO LAW], or to pay the full
27 amount of the tax due on the return or a deficiency of the tax as
28 determined by the department, unless it is shown that the failure is
29 due to reasonable cause and not due to wilful neglect, five per cent

1 is added for each 30 days or fraction of 30 days during which the
2 failure continues, but not exceeding 25 per cent in the aggregate.
3 The amount [SO] added to the tax shall be collected at the same time,
4 in the same manner, and as a part of the tax. If the tax is paid
5 before discovery of the neglect, the amount added shall be collected
6 in the same manner as the tax.

7 (b) [IF PART OF A DEFICIENCY IN THE TAX IS DUE TO NEGLIGENCE OR
8 INTENTIONAL DISREGARD OF REGULATIONS, BUT WITHOUT INTENT TO DEFRAUD,
9 FIVE PER CENT OF THE TOTAL AMOUNT OF THE DEFICIENCY, IN ADDITION TO
10 THE DEFICIENCY, SHALL BE ASSESSED, COLLECTED, AND PAID IN THE SAME
11 MANNER AS IF IT WERE A DEFICIENCY, EXCEPT THAT (d) OF THIS SECTION IS
12 NOT APPLICABLE.]

13 (c) If part of a deficiency in the tax is due to fraud with
14 intent to evade the tax, then 50 per cent of the total amount of the
15 deficiency, in addition to the deficiency, shall be assessed and
16 collected. If this penalty is assessed, then the penalty in (a) of
17 this section does not apply.

18 (d) When the tax levied by this chapter becomes delinquent, it
19 bears interest at the rate of eight per cent a year. The tax is
20 delinquent if it is not paid on its due date. [INTEREST UPON THE
21 AMOUNT DETERMINED AS A DEFICIENCY IN THE TAX SHALL BE ASSESSED AT THE
22 SAME TIME AS THE DEFICIENCY, AND PAID UPON NOTICE AND DEMAND BY THE
23 DEPARTMENT. THE INTEREST SHALL BE COLLECTED AS A PART OF THE TAX, AT
24 THE RATE OF SIX PER CENT A YEAR FROM THE TIME PRESCRIBED FOR PAYMENT
25 OF THE TAX TO THE DATE THE DEFICIENCY IS PAID.]

26 (e) The tax levied or accruing under this chapter and the
27 penalties and interest on the tax are a lien prior, paramount, and
28 superior to all other liens, mortgages, hypothecations, conveyances,
29 and assignments, upon all the real and personal property of the person

1 liable for them, and upon all the real and personal property used with
2 the permission of the owner in carrying on the business of mining.
3 This lien is [SHALL] not [BE CONSIDERED] exclusive of other civil or
4 criminal remedies provided by law for the recovery of license taxes.

5 (f) A person who is required under this chapter to pay the [A]
6 tax, make a return, keep records, or supply information [FOR THE COM-
7 PUTATION, ASSESSMENT, OR COLLECTION OF THE TAX IMPOSED BY THIS CHAPTER],
8 who wilfully fails to pay the tax, make the return, keep the records,
9 or supply the information, at the time required by law or regulations,
10 is, in addition to other penalties provided by this chapter [LAW],
11 guilty of a misdemeanor, and upon conviction is punishable by a fine
12 of not more than \$1,000, or by imprisonment for not more than one
13 year, or by both [, TOGETHER WITH THE COST OF PROSECUTION].

14 (g) [A PERSON WHO WILFULLY MAKES AND SIGNS A RETURN WHICH HE DOES
15 NOT BELIEVE TO BE TRUE AND CORRECT AS TO EVERY MATERIAL MATTER IS
16 GUILTY OF A FELONY, AND UPON CONVICTION IS SUBJECT TO THE PENALTIES
17 PRESCRIBED FOR PERJURY UNDER THE LAWS OF THE STATE.]

18 (h) In this section "person" includes an officer or employee
19 of a corporation or a member or employee of a partnership who is under
20 duty to perform the act in respect to which the violation occurs.

21 (i) A person who wilfully attempts to evade the tax imposed by
22 this chapter is, in addition to other penalties provided by this
23 chapter, guilty of a felony and, upon conviction, shall be fined not
24 more than \$5,000, or imprisoned for not more than five years, or both.

25 (j) A person who wilfully makes and subscribes a return, statement,
26 or other document required under this chapter which contains or is
27 verified by a written declaration that it is made under the penalties
28 of perjury which he does not believe to be true and correct as to
29 every material matter is, in addition to other penalties provided by

1 this chapter, guilty of a felony and, upon conviction, shall be fined
2 not more than \$5,000, or imprisoned for not more than three years, or
3 both.

4 (k) A person who wilfully or knowingly aids, procures, or
5 counsels the preparation or presentation in connection with any matter
6 arising under this chapter of a return, affidavit, claim, or other
7 document, which is fraudulent or is false as to any material matter is
8 guilty of a felony whether or not the falsity or fraud is with the
9 knowledge or consent of the person required to present the return,
10 affidavit, claim, or document, and, upon conviction, shall be fined
11 not more than \$5,000, or imprisoned for not more than three years, or
12 both.

13 (1) A person who wilfully delivers or discloses to the department
14 under this chapter any list, return, account, statement, or other
15 document, known by him to be fraudulent or to be false as to any
16 material matter shall be fined not more than \$1,000, or imprisoned for
17 not more than one year, or both.

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

19 (4) "new mining business operation [OPERATIONS]" means a
20 mining operation [OPERATIONS] which began production after January 1,
21 1953, and which has not acquired the ownership or property of another
22 mining business which has previously received an exemption certificate
23 under sec 10 of this chapter [OR WHICH HAVE NOT BEEN LIABLE TO PAY A
24 MINING LICENSE TAX UNDER THIS CHAPTER ON NET INCOME SINCE JANUARY 1,
25 1948];

26 * Sec. 8. AS 43.65.060 is amended by adding new paragraphs to read:

27 (7) "minerals" means asbestos, coal, sulphur, iron ore,
28 lead, zinc, mercury, tin, chromite, bauxite, copper, gold, silver,
29 platinum, potash, clay, stone, sand, gravel, and other valuable metals,

1 ores and marketable earth or stone but not including oil and gas;

2 (8) "business of mining" means a business operation for the
3 extraction of minerals from the earth or water of the state, operated
4 by a person

5 (A) who (i) owns and operates, (ii) works, or (iii)
6 develops a mineral property, whether or not that property is
7 currently producing a marketable product;

8 (B) who leases a mineral property and operates the
9 mineral property, whether or not the mineral property is producing
10 a marketable product;

11 (C) who leases a mineral property and pays royalties,
12 rents or other payments to the owner of the property;

13 (D) who has an interest in a lease, concession, joint
14 venture, or other agreement for the exploration or development,
15 or extraction of a mineral property if royalties, rents, or other
16 payments are to be paid for that interest;

17 (9) "department" means the Department of Revenue.

18 * Sec. 9. AS 43.65.060(1)--(3) are repealed.

19 * Sec. 10. This Act is retroactive to January 1, 1976.

20 * Sec. 11. This Act takes effect immediately in accordance with AS
21 01.10.070(c).

Introduced: 3/19/76
Referred: Resources and
Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 878

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Mining License Tax;
7 and providing for an effective date."

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

9 * Section 1. AS 43.65.010 is repealed and re-enacted to read:

10 Sec. 43.65.010 MINING LICENSE AND TAX. (a) For the privilege
11 of engaging in the business of mining in the state, a person shall
12 first apply and obtain a license from the department. The license fee
13 is \$25.00, which must accompany the application for a license.

14 (b) There is also levied an annual license tax on each person
15 engaging in the business of mining in the state computed on the net
16 proceeds of the taxpayer from the mining business. The license tax
17 shall be computed according to the following table:

| 18 If the net proceeds are: | Then the tax is: |
|-------------------------------|--------------------------------|
| 19 Over \$40,000 but not over | 3 per cent of the excess over |
| 20 \$50,000 | \$40,000 |
| 21 Over \$50,000 but not over | \$300 plus 5 per cent of the |
| 22 \$100,000 | excess over \$50,000 |
| 23 Over \$100,000 | \$2,300 plus 7 per cent of the |
| 24 | excess over \$100,000 |

25 (c) Upon application and receipt of an exemption certificate, a
26 new mining business operation is exempt from the license tax levied by
27 this chapter for three and one-half years after production from the
28 mining business operation begins. The tax exemption granted to new
29 mining business operations does not apply to the business of mining

1 sand and gravel. The Department of Natural Resources shall certify to
2 the department the date upon which production began from the mining
3 business operation, and the department shall issue a certificate of
4 exemption to the applicant after this certification. A person must
5 apply for an exemption certificate in the first year of production
6 from the mining business operation in order to qualify for the exemption
7 under this section.

8 (d) If mining business operations are conducted in two or more
9 places within the state by one person, those operations are considered
10 as one mining business, and the tax shall be computed upon the net
11 proceeds of all those mining business operations.

12 * Sec. 2. AS 43.65 is amended by adding new sections to read:

13 Sec. 43.65.015. NET PROCEEDS. (a) In this chapter, "net proceeds"
14 means the total gross receipts from the mining business less the
15 following deductions incurred during the taxable year:

16 (1) all expenses incurred directly in the extraction of
17 minerals in the state;

18 (2) all expenses incurred in transporting the minerals from
19 the point of extraction to any further processing plant where only
20 necessary treatment processes are applied to obtain a commercially
21 marketable product;

22 (3) all expenses directly related to the production, re-
23 fining, crushing, screening or other necessary process incurred to
24 make a commercially marketable product;

25 (4) the actual selling expenses incurred in marketing the
26 product;

27 (5) all expenses incurred in transporting the marketable
28 product to a buyer;

29 (6) depreciation of the mining business equipment, works,

1 plant and facilities used directly in the extraction, transportation
2 and processing phases of the mining business, in accordance with sec.
3 167 of the Internal Revenue Code (26 U.S.C. sec. 167);

4 (7) amortization of mining development costs not included
5 in (6) of this subsection;

6 (8) an allowance for depletion on a cost or percentage
7 basis at the rates set out in secs. 611--614 of the Internal Revenue
8 Code as amended (26 U.S.C. secs. 611--614) except that the allowance
9 for depletion may not exceed 50 per cent of the taxpayer's net proceeds
10 calculated before the allowance for depletion.

11 (b) If the taxpayer has expenses within the state other than
12 those specified in (a) of this section, such as general overhead
13 expenses, relating to the business of mining or to the business of
14 mining and other business activities, the deductions shall be appor-
15 tioned in the ratio which the direct expenses of the mining business
16 within the state under (a) of this section bear to the total direct
17 expenses of all business activities of that taxpayer in the state.

18 (c) Except for wages paid during temporary travel out of the
19 state by an employee who is domiciled in the state, the deductions
20 allowed in (a) and (b) of this section do not include wages or other
21 payments for services not performed in the state.

22 (d) If a person is engaged in the business of mining and the
23 only receipts from the business are royalties, the net proceeds of the
24 mining business are the royalties received less the depletion allowance
25 under sec. 15(a)(8) of this chapter.

26 Sec. 43.65.017. GROSS RECEIPTS. (a) In this chapter, "gross
27 receipts" means all revenue received, including royalties, rental pay-
28 ments, and all other compensation from the business of mining. Gross
29 receipts include the actual amount received during the year for the

1 sale of minerals whether or not the minerals were actually extracted
2 during that year.

3 (b) If minerals are sold or transferred at a price other than
4 the true market price, such as when a wholly owned subsidiary transfers
5 or sells the mineral to its parent at a price less than market value,
6 gross receipts are the true market price or average market price per
7 ton or other measurable unit of the mineral multiplied by the total
8 units of the mineral sold or transferred during the year.

9 (c) Gross receipts from the business of mining sand and gravel
10 include:

11 (1) receipts from the sale to customers directly from the
12 pit or mine;

13 (2) receipts from the sale to customers at their place of
14 business or their business site, including receipts relating to the
15 delivery of the sand and gravel; and

16 (3) the average market value of sand and gravel from inter-
17 company transfers of the minerals calculated immediately before the
18 transfer, including intercompany transfers of sand and gravel to a
19 ready-mix or concrete plant.

20 * Sec. 3. AS 43.65.020 is amended to read:

21 Sec. 43.65.020. TAXPAYER'S DUTIES. (a) A person subject to tax
22 under this chapter shall make a return stating specifically the items
23 of gross receipts [INCOME] from the business [PROPERTY], including
24 royalty received and the deductions [AND CREDITS] allowed by this
25 chapter, and other information for carrying out this chapter which the
26 department [DEPARTMENT OF REVENUE] prescribes. The return shall show
27 the mining license number and shall be signed by the taxpayer or his
28 authorized agent, under penalty of perjury. If receivers, trustees,
29 or assigns are operating the mining [PROPERTY OR] business, they shall

1 make returns for the person engaged in the mining business [, OR THE
2 RECIPIENT OF ROYALTY IN CONNECTION WITH MINING PROPERTY]. The tax due
3 on the basis of the returns shall be collected in the same manner as
4 if collected from the person of whose business they have custody and
5 control.

6 (b) A return made on the basis of the calender year shall be
7 filed [MADE] before March 15 [MAY 1] of the next year. A return made
8 on the basis of a fiscal year shall be filed [MADE] before the fifteenth
9 [FIRST] day of the third [FIFTH] month of the next fiscal year.

10 (c) The department [DEPARTMENT OF REVENUE] may grant a reasonable
11 extension of time for filing returns, under regulations adopted
12 [PRESCRIBED] by it. Except in the case of a taxpayer going abroad, no
13 extension may be granted [MADE] for more than six months.

14 (d) A [TAXPAYER'S] return shall be filed with [MADE TO] the
15 department [DEPARTMENT OF REVENUE AT JUNEAU] using the same tax year
16 as the person uses in filing his federal income tax return. [A TAX-
17 PAYER SHALL MAKE HIS RETURN EITHER ON A CALENDER YEAR OR FISCAL YEAR
18 BASIS, IN CONFORMANCE WITH THE BASIS USED IN MAKING HIS RETURN FOR
19 FEDERAL INCOME TAX PURPOSES.]

20 (e) The total amount of tax imposed by this chapter shall be
21 paid on or before the due date of the tax return required under this
22 section [THE 30TH DAY OF APRIL OF THE NEXT CALENDER YEAR, OR IF THE
23 RETURN IS MADE ON THE BASIS OF THE FISCAL YEAR, THEN ON THE LAST DAY
24 OF THE FOURTH MONTH OF THE NEXT FISCAL YEAR].

25 (f) [EVERY PERSON PROSECUTING OR ATTEMPTING TO PROSECUTE OR
26 ENGAGING IN THE BUSINESS OF MINING IN THE STATE SHALL COMPLY WITH THE
27 DEPARTMENT'S REGULATIONS AND SHALL KEEP SUCH RECORDS, GIVE SUCH STATE-
28 MENTS UNDER OATH, AND MAKE SUCH RETURNS AS THE DEPARTMENT OF REVENUE
29 PRESCRIBES.]

1 (g) When the department considers it necessary, it may require a
2 person, by notice served upon him, to make a return, give statements
3 under oath, or keep records as it considers sufficient to show whether
4 or not the person is liable for the [TO] tax under this chapter. If a
5 person fails to file a return at the time prescribed by law or regula-
6 tion, or makes, wilfully or otherwise, a false or fraudulent return,
7 the department shall make the return from its own knowledge and from
8 such information as it can obtain [THROUGH TESTIMONY OR OTHERWISE]. A
9 return so made and subscribed by the department is prima facie good
10 and sufficient for all legal purposes.

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

12 Sec. 43.65.030. APPLICATION FOR RENEWALS. A person engaged in
13 the business of mining shall apply [APPLICATION] for a renewal of a
14 mining license each year [SHALL BE MADE] before the 30th day of the
15 first month of the person's tax year [MAY 1 OF EACH YEAR].

16 * Sec. 5. AS 43.65.040 is repealed and re-enacted to read:

17 Sec. 43.65.040. LIMITATION. The department shall review returns
18 and assess any additional tax due under this chapter within three
19 years of the due date of the return or the date that the return was
20 filed, whichever is later. If a return has not been filed the tax may
21 be assessed at any time.

22 * Sec. 6. AS 43.65.050 is amended to read:

23 Sec. 43.65.050. [VIOLATIONS AND] PENALTIES AND INTEREST. (a)
24 In case of failure to obtain a license or file a return [REQUIRED BY
25 THIS CHAPTER] within the time prescribed by this chapter [LAW OR
26 PRESCRIBED BY THE DEPARTMENT ACCORDING TO LAW], or to pay the full
27 amount of the tax due on the return or a deficiency of the tax as
28 determined by the department, unless it is shown that the failure is
29 due to reasonable cause and not due to wilful neglect, five per cent

1 is added for each 30 days or fraction of 30 days during which the
2 failure continues, but not exceeding 25 per cent in the aggregate.
3 The amount [SO] added to the tax shall be collected at the same time,
4 in the same manner, and as a part of the tax. If the tax is paid
5 before discovery of the neglect, the amount added shall be collected
6 in the same manner as the tax.

7 (b) [IF PART OF A DEFICIENCY IN THE TAX IS DUE TO NEGLIGENCE OR
8 INTENTIONAL DISREGARD OF REGULATIONS, BUT WITHOUT INTENT TO DEFRAUD,
9 FIVE PER CENT OF THE TOTAL AMOUNT OF THE DEFICIENCY, IN ADDITION TO
10 THE DEFICIENCY, SHALL BE ASSESSED, COLLECTED, AND PAID IN THE SAME
11 MANNER AS IF IT WERE A DEFICIENCY, EXCEPT THAT (d) OF THIS SECTION IS
12 NOT APPLICABLE.]

13 (c) If part of a deficiency in the tax is due to fraud with
14 intent to evade the tax, then 50 per cent of the total amount of the
15 deficiency, in addition to the deficiency, shall be assessed and
16 collected. If this penalty is assessed, then the penalty in (a) of
17 this section does not apply.

18 (d) When the tax levied by this chapter becomes delinquent, it
19 bears interest at the rate of eight per cent a year. The tax is
20 delinquent if it is not paid on its due date. [INTEREST UPON THE
21 AMOUNT DETERMINED AS A DEFICIENCY IN THE TAX SHALL BE ASSESSED AT THE
22 SAME TIME AS THE DEFICIENCY, AND PAID UPON NOTICE AND DEMAND BY THE
23 DEPARTMENT. THE INTEREST SHALL BE COLLECTED AS A PART OF THE TAX, AT
24 THE RATE OF SIX PER CENT A YEAR FROM THE TIME PRESCRIBED FOR PAYMENT
25 OF THE TAX TO THE DATE THE DEFICIENCY IS PAID.]

26 (e) The tax levied or accruing under this chapter and the
27 penalties and interest on the tax are a lien prior, paramount, and
28 superior to all other liens, mortgages, hypothecations, conveyances,
29 and assignments, upon all the real and personal property of the person

1 liable for them, and upon .ll the real and personal property used with
2 the permission of the owner in carrying on the business of mining.
3 This lien is [SHALL] not [BE CONSIDERED] exclusive of other civil or
4 criminal remedies provided by law for the recovery of license taxes.

5 (f) A person who is required under this chapter to pay the [A]
6 tax, make a return, keep records, or supply information [FOR THE COM-
7 PUTATION, ASSESSMENT, OR COLLECTION OF THE TAX IMPOSED BY THIS CHAPTER],
8 who wilfully fails to pay the tax, make the return, keep the records,
9 or supply the information, at the time required by law or regulations,
10 is, in addition to other penalties provided by this chapter [LAW],
11 guilty of a misdemeanor, and upon conviction is punishable by a fine
12 of not more than \$1,000, or by imprisonment for not more than one
13 year, or by both [, TOGETHER WITH THE COST OF PROSECUTION].

14 (g) [A PERSON WHO WILFULLY MAKES AND SIGNS A RETURN WHICH HE DOES
15 NOT BELIEVE TO BE TRUE AND CORRECT AS TO EVERY MATERIAL MATTER IS
16 GUILTY OF A FELONY, AND UPON CONVICTION IS SUBJECT TO THE PENALTIES
17 PRESCRIBED FOR PERJURY UNDER THE LAWS OF THE STATE.]

18 (h) In this section "person" includes an officer or employee
19 of a corporation or a member or employee of a partnership who is under
20 duty to perform the act in respect to which the violation occurs.

21 (i) A person who wilfully attempts to evade the tax imposed by
22 this chapter is, in addition to other penalties provided by this
23 chapter, guilty of a felony and, upon conviction, shall be fined not
24 more than \$5,000, or imprisoned for not more than five years, or both.

25 (j) A person who wilfully makes and subscribes a return, statement,
26 or other document required under this chapter which contains or is
27 verified by a written declaration that it is made under the penalties
28 of perjury which he does not believe to be true and correct as to
29 every material matter is, in addition to other penalties provided by

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4 (k) A person who wilfully or knowingly aids, procures, or
5 counsels the preparation or presentation in connection with any matter
6 arising under this chapter of a return, affidavit, claim, or other
7 document, which is fraudulent or is false as to any material matter is
8 guilty of a felony whether or not the falsity or fraud is with the
9 knowledge or consent of the person required to present the return,
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13 (l) A person who wilfully delivers or discloses to the department
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15 document, known by him to be fraudulent or to be false as to any
16 material matter shall be fined not more than \$1,000, or imprisoned for
17 not more than one year, or both.

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19 (4) "new mining business operation [OPERATIONS]" means a
20 mining operation [OPERATIONS] which began production after January 1,
21 1953, and which has not acquired the ownership or property of another
22 mining business which has previously received an exemption certificate
23 under sec. 10 of this chapter [OR WHICH HAVE NOT BEEN LIABLE TO PAY A
24 MINING LICENSE TAX UNDER THIS CHAPTER ON NET INCOME SINCE JANUARY 1,
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29 platinum, potash, clay, stone, sand, gravel, and other valuable metals,

1 ores and marketable earth or stone but not including oil and gas;

2 (8) "business of mining" means a business operation for the
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5 (A) who (i) owns and operates, (ii) works, or (iii)
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8 (B) who leases a mineral property and operates the
9 mineral property, whether or not the mineral property is producing
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11 (C) who leases a mineral property and pays royalties,
12 rents or other payments to the owner of the property;

13 (D) who has an interest in a lease, concession, joint
14 venture, or other agreement for the exploration or development,
15 or extraction of a mineral property if royalties, rents, or other
16 payments are to be paid for that interest;

17 (9) "department" means the Department of Revenue.

18 * Sec. 9. AS 43.65.060(1)--(3) are repealed.

19 * Sec. 10. This Act is retroactive to January 1, 1976.

20 * Sec. 11. This Act takes effect immediately in accordance with AS
21 01.10.070(c).

a-
March 18, 1976

The Honorable Mike Bradner
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

In accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill relating to the Alaska mining license tax. Last year, when I indicated that SB 294, establishing a mineral severance tax, would be withdrawn, I stated that members of my administration would be meeting with representatives of the mining industry during the remainder of the year to reach a consensus on a better taxing approach for mineral extraction.

After a substantial amount of research and discussion between the Department of Revenue and mining industry people, a consensus of opinion has indicated that the goal of insuring a fair return to the state from mineral resources could be accomplished by strengthening our present mining license tax.

Accordingly, the bill I am introducing today amends the mining license tax in several respects to achieve a more effective taxing system than we presently have in Alaska.

The bill would impose the tax on the net proceeds of a mining business. It would be calculated using the total gross receipts from the business less certain specified direct expenses of mining. The bill also insures that all mining businesses would be subject to the tax regardless of the form of business or the nature of the operation. The bill also clarifies several ambiguous areas of the present law which serve as loopholes for some mining businesses. In addition, the bill expands and strengthens tax penalties.

Sincerely,

Jay S. Hammond
Governor

Original sponsor: Rules Committee by
request of the Governor

Offered: 4/12/76
Referred: Finance

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 878

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska mining license tax; and
7 providing for an effective date."

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

9 * Section 1. AS 43.65.010 is repealed and re-enacted to read:

10 Sec. 43.65.010 MINING LICENSE AND TAX. (a) For the privilege of
11 engaging in the business of mining in the state, a person shall first
12 apply and obtain a license from the department. The license fee is
13 \$25, which must accompany the application for a license.

14 (b) There is also levied an annual license tax on each person
15 engaging in the business of mining in the state computed on the net
16 proceeds of the taxpayer from the mining business. The license tax
17 shall be computed according to the following table:

| 18 If the net proceeds are: | Then the tax is: |
|---|--|
| 19 over \$40,000 but not over \$50,000 | 3 per cent of the excess over 20 \$40,000 |
| 21 over \$50,000 but not over \$100,000 | \$300 plus 5 per cent of the 22 excess over \$50,000 |
| 23 over \$100,000 | \$2,800 plus 7 per cent of the 24 excess over \$100,000 |

25 (c) Upon application and receipt of an exemption certificate, a
26 new mining business operation is exempt from the license tax levied by
27 this chapter for three and one-half years after production from the
28 mining business operation begins. The tax exemption granted to new
29 mining business operations does not apply to the business of mining sand

1 and gravel. The Department of Natural Resources shall certify to the
2 department the date upon which production began from the mining business
3 operation, and the department shall issue a certificate of exemption to
4 the applicant after this certification. A person must apply for an
5 exemption certificate in the first year of production from the mining
6 business operation in order to qualify for the exemption under this
7 section.

8 (d) If mining business operations not subject to sec. 10(c) of
9 this chapter are conducted in two or more places in the state by one
10 person, those operations may, at the person's option, be considered as
11 one mining business, and the tax shall be computed upon the net proceeds
12 of all those mining business operations.

13 * Sec. 2. AS 43.65 is amended by adding new sections to read:

14 Sec. 43.65.015. NET PROCEEDS. (a) In this chapter, "net pro-
15 ceeds" means the total gross receipts from the mining business less the
16 following deductions incurred during the taxable year:

17 (1) all expenses incurred directly in the extraction of
18 minerals in the state;

19 (2) all expenses incurred in transporting the minerals from
20 the point of extraction to any further processing plant where only
21 necessary treatment processes are applied to obtain a commercially
22 marketable product;

23 (3) all expenses directly related to the production, re-
24 fining, crushing, screening or other necessary process incurred to make
25 a commercially marketable product;

26 (4) the actual selling expenses incurred in marketing the
27 product;

28 (5) all expenses incurred in transporting the marketable
29 product to a buyer;

1 (6) depreciation of the mining business equipment, works,
2 plant and facilities used directly in the extraction, transportation and
3 processing phases of the mining business, in accordance with sec. 167 of
4 the Internal Revenue Code as amended (26 U.S.C. sec. 167);

5 (7) amortization of exploration and mining development costs
6 not included in (6) of this subsection;

7 (8) an allowance for depletion on a cost or percentage basis
8 at the rates set out in secs. 611 - 614 of the Internal Revenue Code as
9 amended (26 U.S.C. secs. 611 - 614) except that the allowance for
10 depletion may not exceed 50 per cent of the taxpayer's net proceeds
11 calculated before the allowance for depletion;

12 (9) net operating losses as set out in the Internal Revenue
13 Code as amended.

14 (b) If the taxpayer has expenses in the state other than those
15 specified in (a) of this section, such as general overhead expenses,
16 relating to the business of mining or to the business of mining and
17 other business activities, the deductions shall be apportioned in the
18 ratio which the direct expenses of the mining business in the state
19 under (a) of this section bear to the total direct expenses of all
20 business activities of that taxpayer in the state.

21 (c) Except for wages paid during temporary travel out of the state
22 by an employee who is domiciled in the state, the deductions allowed in
23 (a) and (b) of this section do not include wages or other payments for
24 services not performed in the state.

25 (d) If a person is engaged in the business of mining and the only
26 receipts from the business are royalties, the net proceeds of the
27 mining business are the royalties received less the depletion allowance
28 under sec. 15(a)(8) of this chapter.

29 Sec. 43.65.017. GROSS RECEIPTS. (a) In this chapter, "gross

1 receipts" means all revenue received, including royalties, rental pay-
2 ments, and all other compensation from the business of mining. Gross
3 receipts include the actual amount received during the year for the
4 sale of minerals or materials whether or not the minerals or materials
5 were actually extracted during that year.

6 (b) If minerals or materials are sold or transferred at a price
7 other than the true market price, such as when a wholly owned subsidiary
8 transfers or sells the mineral or material to its parent at a price less
9 than market value, gross receipts are the true market price or average
10 market price per ton or other measurable unit of the mineral or material
11 multiplied by the total units of the mineral or material sold or trans-
12 ferred during the year.

13 (c) Gross receipts from the business of mining sand and gravel
14 include

15 (1) receipts from the sale to customers directly from the pit
16 or mine;

17 (2) receipts from the sale to customers at their place of
18 business or their business site, including receipts relating to the
19 delivery of the sand and gravel; and

20 (3) the average market value of sand and gravel from inter-
21 company transfers of the minerals calculated immediately before the
22 transfer, including intercompany transfers of sand and gravel to a
23 ready-mix or concrete plant.

24 * Sec. 3. AS 43.65.020 is amended to read:

25 Sec. 43.65.020. TAXPAYER'S DUTIES. (a) A person subject to tax
26 under this chapter shall make a return stating specifically the items of
27 gross receipts [INCOME] from the business [PROPERTY], including royalty
28 received and the deductions [AND CREDITS] allowed by this chapter, and
29 other information for carrying out this chapter which the department

1 [DEPARTMENT OF REVENUE] prescribes. The return shall show the mining
2 license number and shall be signed by the taxpayer or his authorized
3 agent, under penalty of perjury. If receivers, trustees, or assigns are
4 operating the mining [PROPERTY OR] business, they shall make returns for
5 the person engaged in the mining business [, OR THE RECIPIENT OF ROYALTY
6 IN CONNECTION WITH MINING PROPERTY]. The tax due on the basis of the
7 returns shall be collected in the same manner as if collected from the
8 person of whose business they have custody and control.

9 (b) A return made on the basis of the calender year shall be filed
10 [MADE] before March 15 [MAY 1] of the next year. A return made on the
11 basis of a fiscal year shall be filed [MADE] before the 15th [FIRST] day
12 of the third [FIFTH] month of the next fiscal year.

13 (c) The department [DEPARTMENT OF REVENUE] may grant a reasonable
14 extension of time for filing returns, under regulations adopted [PRE-
15 SCRIBED] by it. Except in the case of a taxpayer going abroad, no
16 extension may be granted [MADE] for more than six months.

17 (d) A [TAXPAYER'S] return shall be filed with [MADE TO] the
18 department using the same tax year as the person uses in filing his
19 federal income tax return [DEPARTMENT OF REVENUE AT JUNEAU. A TAXPAYER
20 SHALL MAKE HIS RETURN EITHER ON A CALENDER YEAR OR FISCAL YEAR BASIS, IN
21 CONFORMANCE WITH THE BASIS USED IN MAKING HIS RETURN FOR FEDERAL INCOME
22 TAX PURPOSES].

23 (e) The total amount of tax imposed by this chapter shall be paid
24 on or before the due date of the tax return required under this section
25 [THE 30TH DAY OF APRIL OF THE NEXT CALENDER YEAR, OR IF THE RETURN IS
26 MADE ON THE BASIS OF THE FISCAL YEAR, THEN ON THE LAST DAY OF THE FOURTH
27 MONTH OF THE NEXT FISCAL YEAR.

28 (f) EVERY PERSON PROSECUTING OR ATTEMPTING TO PROSECUTE OR EN-
29 GAGING IN THE BUSINESS OF MINING IN THE STATE SHALL COMPLY WITH THE

1 DEPARTMENT'S REGULATIONS AND SHALL KEEP SUCH RECORDS, GIVE SUCH STATE-
2 MENTS UNDER OATH, AND MAKE SUCH RETURNS AS THE DEPARTMENT OF REVENUE
3 PRESCRIBES].

4 (g) When the department considers it necessary, it may require a
5 person, by notice served upon him, to make a return, give statements
6 under oath, or keep records as it considers sufficient to show whether
7 or not the person is liable for the [TO] tax under this chapter. If a
8 person fails to file a return at the time prescribed by law or regula-
9 tion, or makes, wilfully or otherwise, a false or fraudulent return, the
10 department shall make the return from its own knowledge and from such
11 information as it can obtain [THROUGH TESTIMONY OR OTHERWISE]. A
12 return so made and subscribed by the department is prima facie good and
13 sufficient for all legal purposes.

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

15 Sec. 43.65.030. APPLICATION FOR RENEWALS. A person engaged in the
16 business of mining shall apply [APPLICATION] for a renewal of a mining
17 license each year [SHALL BE MADE] before the 30th day of the first month
18 of the person's tax year [MAY 1 OF EACH YEAR].

19 * Sec. 5. AS 43.65.040 is repealed and re-enacted to read:

20 Sec. 43.65.040. LIMITATION. The department shall review returns
21 and assess any additional tax due under this chapter within three years
22 of the due date of the return or the date that the return was filed,
23 whichever is later. If a return has not been filed the tax may be
24 assessed at any time.

25 * Sec. 6. AS 43.65.050 is amended to read:

26 Sec. 43.65.050. [VIOLATIONS AND] PENALTIES AND INTEREST. (a) In
27 case of failure to obtain a license or file a return [REQUIRED BY THIS
28 CHAPTER] within the time prescribed by this chapter, or to pay the full
29 amount of the tax due on the return or a deficiency of the tax as

1 determined by the department [LAW OR PRESCRIBED BY THE DEPARTMENT
2 ACCORDING TO LAW], unless it is shown that the failure is due to reason-
3 able cause and not due to wilful neglect, five per cent is added for
4 each 30 days or fraction of 30 days during which the failure continues,
5 but not exceeding 25 per cent in the aggregate. The amount [SO] added
6 to the tax shall be collected at the same time, in the same manner, and
7 as a part of the tax. If the tax is paid before discovery of the
8 neglect, the amount added shall be collected in the same manner as the
9 tax.

10 [(b) IF PART OF A DEFICIENCY IN THE TAX IS DUE TO NEGLIGENCE OR
11 INTENTIONAL DISREGARD OF REGULATIONS, BUT WITHOUT INTENT TO DEFRAUD,
12 FIVE PER CENT OF THE TOTAL AMOUNT OF THE DEFICIENCY, IN ADDITION TO THE
13 DEFICIENCY, SHALL BE ASSESSED, COLLECTED, AND PAID IN THE SAME MANNER AS
14 IF IT WERE A DEFICIENCY, EXCEPT THAT (d) OF THIS SECTION IS NOT APPLI-
15 CABLE.]

16 (c) If part of a deficiency in the tax is due to fraud with
17 intent to evade the tax, then 50 per cent of the total amount of the
18 deficiency, in addition to the deficiency, shall be assessed and col-
19 lected. If this penalty is assessed, then the penalty in (a) of this
20 section does not apply.

21 (d) When the tax levied by this chapter becomes delinquent, it
22 bears interest at the rate of eight per cent a year. The tax is delin-
23 quent if it is not paid on its due date. [INTEREST UPON THE AMOUNT
24 DETERMINED AS A DEFICIENCY IN THE TAX SHALL BE ASSESSED AT THE SAME TIME
25 AS THE DEFICIENCY, AND PAID UPON NOTICE AND DEMAND BY THE DEPARTMENT.
26 THE INTEREST SHALL BE COLLECTED AS A PART OF THE TAX, AT THE RATE OF SIX
27 PER CENT A YEAR FROM THE TIME PRESCRIBED FOR PAYMENT OF THE TAX TO THE
28 DATE THE DEFICIENCY IS PAID.]

29 (e) The tax levied or accruing under this chapter and the penalties

1 and interest on the tax are a lien prior, paramount, and superior to all
2 other liens, mortgages, hypothecations, conveyances, and assignments,
3 upon all the real and personal property of the person liable for them,
4 and upon the real and personal property used with the permission of the
5 owner in carrying on the business of mining. This lien is [SHALL]
6 not [BE CONSIDERED] exclusive of other civil or criminal remedies pro-
7 vided by law for the recovery of license taxes.

8 (f) A person who is required under this chapter to pay the [A]
9 tax, make a return, keep records, or supply information [FOR THE COM-
10 PUTATION, ASSESSMENT, OR COLLECTION OF THE TAX IMPOSED BY THIS CHAPTER],
11 who wilfully fails to pay the tax, make the return, keep the records, or
12 supply the information, at the time required by law or regulations, is,
13 in addition to other penalties provided by this chapter [LAW], guilty of
14 a misdemeanor, and upon conviction is punishable by a fine of not more
15 than \$1,000, or by imprisonment for not more than one year, or by both
16 [, TOGETHER WITH THE COST OF PROSECUTION].

17 [(g) A PERSON WHO WILFULLY MAKES AND SIGNS A RETURN WHICH HE DOES
18 NOT BELIEVE TO BE TRUE AND CORRECT AS TO EVERY MATERIAL MATTER IS
19 GUILTY OF A FELONY, AND UPON CONVICTION IS SUBJECT TO THE PENALTIES
20 PRESCRIBED FOR PERJURY UNDER THE LAWS OF THE STATE.]

21 (h) In this section "person" includes an officer or employee of a
22 corporation or a member or employee of a partnership who is under duty
23 to perform the act in respect to which the violation occurs.

24 (i) A person who wilfully attempts to evade the tax imposed by
25 this chapter is, in addition to other penalties provided by this chapter
26 guilty of a felony and, upon conviction, is punishable by a fine of not
27 more than \$5,000, or by imprisonment for not more than five years, or
28 by both.

29 (j) A person who wilfully makes and subscribes a return, statement,

1 or other document required under this chapter which contains or is
2 verified by a written declaration that it is made under the penalties of
3 perjury which he does not believe to be true and correct as to every
4 material matter is, in addition to other penalties provided by this
5 chapter, guilty of a felony and, upon conviction, is punishable by a
6 fine of not more than \$5,000, or by imprisonment for not more than three
7 years, or by both.

8 (k) A person who wilfully or knowingly aids, procures, or counsels
9 the preparation or presentation in connection with any matter arising
10 under this chapter of a return, affidavit, claim, or other document,
11 which is fraudulent or is false as to any material matter is guilty of a
12 felony whether or not the falsity or fraud is with the knowledge or
13 consent of the person required to present the return, affidavit, claim,
14 or document, and, upon conviction, is punishable by a fine of not more
15 than \$5,000, or by imprisonment for not more than three years, or by
16 both.

17 (l) A person who wilfully delivers or discloses to the department
18 under this chapter any list, return, account, statement, or other
19 document, known by him to be fraudulent or to be false as to any materi-
20 al matter is, upon conviction, punishable by a fine of not more than
21 \$1,000, or by imprisonment for not more than one year, or by both.

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

23 (4) "new mining business operation [OPERATIONS]" means a
24 mining operation [OPERATIONS] which began production after January 1,
25 1953, and which has not acquired the ownership or property of another
26 mining business which has previously received an exemption certificate
27 under sec. 10 of this chapter [OR WHICH HAVE NOT BEEN LIABLE TO PAY A
28 MINING LICENSE TAX UNDER THIS CHAPTER ON NET INCOME SINCE JANUARY 1,
29 1948];

1 * Sec. 8. AS 43.65.060 is amended by adding new paragraphs to read:

2 (7) "minerals" means all locatable and leasable minerals
3 except sand, gravel, oil, gas, building materials and topsoil;

4 (8) "materials" includes sand, gravel, building material and
5 topsoil;

6 (9) "business of mining"

7 (A) means a business operation for the extraction of
8 minerals from the earth or water of the state, operated by a person

9 (i) who owns and operates, works, or develops a
10 mineral property, whether or not that property is currently
11 producing a marketable product;

12 (ii) who leases a mineral property and operates the
13 mineral property, whether or not the mineral property is
14 producing a marketable product;

15 (iii) who leases a mineral property and pays royalti-
16 ties, rents or other payments to the owner of the property;

17 (iv) who has an interest in a lease, concession,
18 joint venture, or other agreement for the exploration or
19 development, or extraction of a mineral property if royalties,
20 rents, or other payments are to be paid for that interest;

21 (B) does not include a prospector who explores for new
22 mineral deposits, stakes a claim, performs the required assessment
23 work to keep it in good standing, and holds it for possible devel-
24 opment by others;

25 (10) "department" means the Department of Revenue.

26 * Sec. 9. AS 43.65.060(1) - (3) are repealed.

27 * Sec. 10. This Act is retroactive to January 1, 1976.

28 * Sec. 11. This Act takes effect immediately in accordance with AS 01.10.
29 070(c).

Original sponsor: Rules Committee by
request of the Governor

Offered: 4/12/76
Referred: Finance

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2 CS FOR HOUSE BILL NO. 878

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5 A BILL

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27 this chapter for three and one-half years after production from the
28 mining business operation begins. The tax exemption granted to new
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8 at the rates set out in secs. 611 - 614 of the Internal Revenue Code as
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15 specified in (a) of this section, such as general overhead expenses,
16 relating to the business of mining or to the business of mining and
17 other business activities, the deductions shall be apportioned in the
18 ratio which the direct expenses of the mining business in the state
19 under (a) of this section bear to the total direct expenses of all
20 business activities of that taxpayer in the state.

21 (c) Except for wages paid during temporary travel out of the state
22 by an employee who is domiciled in the state, the deductions allowed in
23 (a) and (b) of this section do not include wages or other payments for
24 services not performed in the state.

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4 sale of minerals or materials whether or not the minerals or materials
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7 returns shall be collected in the same manner as if collected from the
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10 [MADE] before March 15 [MAY 1] of the next year. A return made on the
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14 extension of time for filing returns, under regulations adopted [PRE-
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25 * Sec. 6. AS 43.65.050 is amended to read:

26 Sec. 43.65.050. [VIOLATIONS AND] PENALTIES AND INTEREST. (a) In
27 case of failure to obtain a license or file a return [REQUIRED BY THIS
28 CHAPTER] within the time prescribed by this chapter, or to pay the full
29 amount of the tax due on the return or a deficiency of the tax as

1 determined by the department [LAW OR PRESCRIBED BY THE DEPARTMENT
2 ACCORDING TO LAW], unless it is shown that the failure is due to reason-
3 able cause and not due to wilful neglect, five per cent is added for
4 each 30 days or fraction of 30 days during which the failure continues,
5 but not exceeding 25 per cent in the aggregate. The amount [SO] added
6 to the tax shall be collected at the same time, in the same manner, and
7 as a part of the tax. If the tax is paid before discovery of the
8 neglect, the amount added shall be collected in the same manner as the
9 tax.

10 [(b) IF PART OF A DEFICIENCY IN THE TAX IS DUE TO NEGLIGENCE OR
11 INTENTIONAL DISREGARD OF REGULATIONS, BUT WITHOUT INTENT TO DEFRAUD,
12 FIVE PER CENT OF THE TOTAL AMOUNT OF THE DEFICIENCY, IN ADDITION TO THE
13 DEFICIENCY, SHALL BE ASSESSED, COLLECTED, AND PAID IN THE SAME MANNER AS
14 IF IT WERE A DEFICIENCY, EXCEPT THAT (d) OF THIS SECTION IS NOT APPLI-
15 CABLE.]

16 (c) If part of a deficiency in the tax is due to fraud with
17 intent to evade the tax, then 50 per cent of the total amount of the
18 deficiency, in addition to the deficiency, shall be assessed and col-
19 lected. If this penalty is assessed, then the penalty in (a) of this
20 section does not apply.

21 (d) When the tax levied by this chapter becomes delinquent, it
22 bears interest at the rate of eight per cent a year. The tax is delin-
23 quent if it is not paid on its due date. [INTEREST UPON THE AMOUNT
24 DETERMINED AS A DEFICIENCY IN THE TAX SHALL BE ASSESSED AT THE SAME TIME
25 AS THE DEFICIENCY, AND PAID UPON NOTICE AND DEMAND BY THE DEPARTMENT.
26 THE INTEREST SHALL BE COLLECTED AS A PART OF THE TAX, AT THE RATE OF SIX
27 PER CENT A YEAR FROM THE TIME PRESCRIBED FOR PAYMENT OF THE TAX TO THE
28 DATE THE DEFICIENCY IS PAID.]

29 (e) The tax levied or accruing under this chapter and the penalties

1 and interest on the tax are a lien prior, paramount, and superior to all
2 other liens, mortgages, hypothecations, conveyances, and assignments,
3 upon all the real and personal property of the person liable for them,
4 and upon the real and personal property used with the permission of the
5 owner in carrying on the business of mining. This lien is [SHALL]
6 not [BE CONSIDERED] exclusive of other civil or criminal remedies pro-
7 vided by law for the recovery of license taxes.

8 (f) A person who is required under this chapter to pay the [A]
9 tax, make a return, keep records, or supply information [FOR THE COM-
10 PUTATION, ASSESSMENT, OR COLLECTION OF THE TAX IMPOSED BY THIS CHAPTER],
11 who wilfully fails to pay the tax, make the return, keep the records, or
12 supply the information, at the time required by law or regulations, is,
13 in addition to other penalties provided by this chapter [LAW], guilty of
14 a misdemeanor, and upon conviction is punishable by a fine of not more
15 than \$1,000, or by imprisonment for not more than one year, or by both
16 [, TOGETHER WITH THE COST OF PROSECUTION].

17 [(g) A PERSON WHO WILFULLY MAKES AND SIGNS A RETURN WHICH HE DOES
18 NOT BELIEVE TO BE TRUE AND CORRECT AS TO EVERY MATERIAL MATTER IS
19 GUILTY OF A FELONY, AND UPON CONVICTION IS SUBJECT TO THE PENALTIES
20 PRESCRIBED FOR PERJURY UNDER THE LAWS OF THE STATE.]

21 (h) In this section "person" includes an officer or employee of a
22 corporation or a member or employee of a partnership who is under duty
23 to perform the act in respect to which the violation occurs.

24 (i) A person who wilfully attempts to evade the tax imposed by
25 this chapter is, in addition to other penalties provided by this chapter
26 guilty of a felony and, upon conviction, is punishable by a fine of not
27 more than \$5,000, or by imprisonment for not more than five years, or
28 by both.

29 (j) A person who wilfully makes and subscribes a return, statement,

1 or other document required under this chapter which contains or is
2 verified by a written declaration that it is made under the penalties of
3 perjury which he does not believe to be true and correct as to every
4 material matter is, in addition to other penalties provided by this
5 chapter, guilty of a felony and, upon conviction, is punishable by a
6 fine of not more than \$5,000, or by imprisonment for not more than three
7 years, or by both.

8 (k) A person who wilfully or knowingly aids, procures, or counsels
9 the preparation or presentation in connection with any matter arising
10 under this chapter of a return, affidavit, claim, or other document,
11 which is fraudulent or is false as to any material matter is guilty of a
12 felony whether or not the falsity or fraud is with the knowledge or
13 consent of the person required to present the return, affidavit, claim,
14 or document, and, upon conviction, is punishable by a fine of not more
15 than \$5,000, or by imprisonment for not more than three years, or by
16 both.

17 (l) A person who wilfully delivers or discloses to the department
18 under this chapter any list, return, account, statement, or other
19 document, known by him to be fraudulent or to be false as to any materi-
20 al matter is, upon conviction, punishable by a fine of not more than
21 \$1,000, or by imprisonment for not more than one year, or by both.

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

23 (4) "new mining business operation [OPERATIONS]" means a
24 mining operation [OPERATIONS] which began production after January 1,
25 1953, and which has not acquired the ownership or property of another
26 mining business which has previously received an exemption certificate
27 under sec. 10 of this chapter [OR WHICH HAVE NOT BEEN LIABLE TO PAY A
28 MINING LICENSE TAX UNDER THIS CHAPTER ON NET INCOME SINCE JANUARY 1,
29 1948];

1 * Sec. 8. AS 43.65.060 is amended by adding new paragraphs to read:

2 (7) "minerals" means all locatable and leasable minerals
3 except sand, gravel, oil, gas, building materials and topsoil;

4 (8) "materials" includes sand, gravel, building material and
5 topsoil;

6 (9) "business of mining"

7 (A) means a business operation for the extraction of
8 minerals from the earth or water of the state, operated by a person

9 (i) who owns and operates, works, or develops a
10 mineral property, whether or not that property is currently
11 producing a marketable product;

12 (ii) who leases a mineral property and operates the
13 mineral property, whether or not the mineral property is
14 producing a marketable product;

15 (iii) who leases a mineral property and pays royal-
16 ties, rents or other payments to the owner of the property;

17 (iv) who has an interest in a lease, concession,
18 joint venture, or other agreement for the exploration or
19 development, or extraction of a mineral property if royalties,
20 rents, or other payments are to be paid for that interest;

21 (B) does not include a prospector who explores for new
22 mineral deposits, stakes a claim, performs the required assessment
23 work to keep it in good standing, and holds it for possible devel-
24 opment by others;

25 (10) "department" means the Department of Revenue.

26 * Sec. 9. AS 43.65.060(1) - (3) are repealed.

27 * Sec. 10. This Act is retroactive to January 1, 1976.

28 * Sec. 11. This Act takes effect immediately in accordance with AS 01.10.

29 070(c).

Original sponsor: Rules Committee by
request of the Governor

Offered: 4/12/76
Referred: Finance

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 878

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska mining license tax; and
7 providing for an effective date."

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

9 * Section 1. AS 43.65.010 is repealed and re-enacted to read:

10 Sec. 43.65.010 MINING LICENSE AND TAX. (a) For the privilege of
11 engaging in the business of mining in the state, a person shall first
12 apply and obtain a license from the department. The license fee is
13 \$25, which must accompany the application for a license.

14 (b) There is also levied an annual license tax on each person
15 engaging in the business of mining in the state computed on the net
16 proceeds of the taxpayer from the mining business. The license tax
17 shall be computed according to the following table:

| 18 If the net proceeds are: | Then the tax is: |
|---|--|
| 19 over \$40,000 but not over \$50,000 | 3 per cent of the excess over 20 \$40,000 |
| 21 over \$50,000 but not over \$100,000 | \$300 plus 5 per cent of the 22 excess over \$50,000 |
| 23 over \$100,000 | \$2,800 plus 7 per cent of the 24 excess over \$100,000 |

25 (c) Upon application and receipt of an exemption certificate, a
26 new mining business operation is exempt from the license tax levied by
27 this chapter for three and one-half years after production from the
28 mining business operation begins. The tax exemption granted to new
29 mining business operations does not apply to the business of mining sand

1 and gravel. The Department of Natural Resources shall certify to the
2 department the date upon which production began from the mining business
3 operation, and the department shall issue a certificate of exemption to
4 the applicant after this certification. A person must apply for an
5 exemption certificate in the first year of production from the mining
6 business operation in order to qualify for the exemption under this
7 section.

8 (d) If mining business operations not subject to sec. 10(c) of
9 this chapter are conducted in two or more places in the state by one
10 person, those operations may, at the person's option, be considered as
11 one mining business, and the tax shall be computed upon the net proceeds
12 of all those mining business operations.

13 * Sec. 2. AS 43.65 is amended by adding new sections to read:

14 Sec. 43.65.015. NET PROCEEDS. (a) In this chapter, "net pro-
15 ceeds" means the total gross receipts from the mining business less the
16 following deductions incurred during the taxable year:

17 (1) all expenses incurred directly in the extraction of
18 minerals in the state;

19 (2) all expenses incurred in transporting the minerals from
20 the point of extraction to any further processing plant where only
21 necessary treatment processes are applied to obtain a commercially
22 marketable product;

23 (3) all expenses directly related to the production, re-
24 fining, crushing, screening or other necessary process incurred to make
25 a commercially marketable product;

26 (4) the actual selling expenses incurred in marketing the
27 product;

28 (5) all expenses incurred in transporting the marketable
29 product to a buyer;

1 (6) depreciation of the mining business equipment, works,
2 plant and facilities used directly in the extraction, transportation and
3 processing phases of the mining business, in accordance with sec. 167 of
4 the Internal Revenue Code as amended (26 U.S.C. sec. 167);

5 (7) amortization of exploration and mining development costs
6 not included in (6) of this subsection;

7 (8) an allowance for depletion on a cost or percentage basis
8 at the rates set out in secs. 611 - 614 of the Internal Revenue Code as
9 amended (26 U.S.C. secs. 611 - 614) except that the allowance for
10 depletion may not exceed 50 per cent of the taxpayer's net proceeds
11 calculated before the allowance for depletion;

12 (9) net operating losses as set out in the Internal Revenue
13 Code as amended.

14 (b) If the taxpayer has expenses in the state other than those
15 specified in (a) of this section, such as general overhead expenses,
16 relating to the business of mining or to the business of mining and
17 other business activities, the deductions shall be apportioned in the
18 ratio which the direct expenses of the mining business in the state
19 under (a) of this section bear to the total direct expenses of all
20 business activities of that taxpayer in the state.

21 (c) Except for wages paid during temporary travel out of the state
22 by an employee who is domiciled in the state, the deductions allowed in
23 (a) and (b) of this section do not include wages or other payments for
24 services not performed in the state.

25 (d) If a person is engaged in the business of mining and the only
26 receipts from the business are royalties, the net proceeds of the
27 mining business are the royalties received less the depletion allowance
28 under sec. 15(a)(8) of this chapter.

29 Sec. 43.65.017. GROSS RECEIPTS. (a) In this chapter, "gross

1 receipts" means all revenue received, including royalties, rental pay-
2 ments, and all other compensation from the business of mining. (Gross
3 receipts include the actual amount received during the year for the
4 sale of minerals or materials whether or not the minerals or materials
5 were actually extracted during that year.

6 (b) If minerals or materials are sold or transferred at a price
7 other than the true market price, such as when a wholly owned subsidiary
8 transfers or sells the mineral or material to its parent at a price less
9 than market value, gross receipts are the true market price or average
10 market price per ton or other measurable unit of the mineral or material
11 multiplied by the total units of the mineral or material sold or trans-
12 ferred during the year.

13 (c) Gross receipts from the business of mining sand and gravel
14 include

15 (1) receipts from the sale to customers directly from the pit
16 or mine;

17 (2) receipts from the sale to customers at their place of
18 business or their business site, including receipts relating to the
19 delivery of the sand and gravel; and

20 (3) the average market value of sand and gravel from inter-
21 company transfers of the minerals calculated immediately before the
22 transfer, including intercompany transfers of sand and gravel to a
23 ready-mix or concrete plant.

24 * Sec. 3. AS 43.65.020 is amended to read:

25 Sec. 43.65.020. TAXPAYER'S DUTIES. (a) A person subject to tax
26 under this chapter shall make a return stating specifically the items of
27 gross receipts [INCOME] from the business [PROPERTY], including royalty
28 received and the deductions [AND CREDITS] allowed by this chapter, and
29 other information for carrying out this chapter which the department

THE LEGISLATURE OF THE STATE OF ALASKA

FISCAL NOTE

Second Session - Ninth Legislature

I. REQUEST

Bill No. Committee Substitute for House Bill No. 878
 Title: an Act relating to the Alaska Mining License Tax
 Requested by: House Finance Committee Date: April 13, 1976
 Return Date Requested: _____
 Agency: Revenue Program: Audit

II. FISCAL DETAIL

Budget Request Unit(s) Affected: None

A. EXPENDITURES: (Thousands of dollars)

| OBJECT | FY 76 | FY 77 | FY 78 | FY 79 | FY 80 | FY 81 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | None | None | None | None | None | None |

B. FUNDING: (Thousands of dollars)

| | | | | | | |
|---------------|--|--|--|--|--|--|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |

C. POSITIONS: N/A


| | | | | | | |
|---------------------|---|---|---|---|---|---|
| PERMANENT/TEMPORARY | / | / | / | / | / | / |
| HAN MONTHS (P./T.) | / | / | / | / | / | / |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

N/A

IV. ATTACHMENTS

See memorandum dated April 21, 1976 to R. D. Stevenson

V. DATE: April 21, 1976 PREPARED BY: 

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

MEMORANDUM

State of Alaska

TO: R. D. Stevenson
Special Assistant

DATE: April 21, 1976

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenks
Director
Audit Division

SUBJECT: CS for House Bill 878

The Committee Substitute for House Bill 878 made two basic changes to the original bill. First of all, it provided that taxpayers may elect to report all mining operations in the State as one mining business or may treat each separate mine as an individual mining business. The effect of this provision would be to multiply the amount of net proceeds which would be exempt from tax for an individual company. For example, if a company had three mines in the State, they would be able to have up to \$120,000 per year not subject to taxation. That would mean a revenue loss of \$4,200 each year to the State of Alaska for that company. The total revenue loss would depend on how many companies have multiple mining operations in the State.

The reasoning behind allowing \$40,000 in net proceeds to be tax exempt was that there are many small mines in the State who we agreed should be encouraged to pursue marginal mining operations generating a limited amount of income. This amendment is in direct opposition of the principal by allowing multiple exemptions to larger companies.

Second, the Committee Substitute would allow the deduction of a net operating loss as provided for in the Internal Revenue Code. Apparently this provision was added to provide an additional incentive for mining operations to come into the State. It should be remembered that we have already provided an incentive for the mining industry in the form of a 3 1/2 year period beginning at the time of production, during which a company would be tax exempt on a new mine. To provide yet additional incentives such as the net operating loss carryforward is showing very obvious favoritism where none is needed or justified. None of the other licensing laws in the State of Alaska have any tax exempt or other incentive provisions.

I feel the State of Alaska is being more than generous in allowing the 3 1/2 year exemption from taxation and that no additional incentives are needed. The lack of major mining operations in the State is totally unrelated to the lack of incentives in our mining license law.

GLJ:lc

1534

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE
 Second Session - Ninth Legislature

I. REQUEST

Bill No. House Bill No. 878
 Title: An Act relating to the Alaska Mining License Tax
 Requested by: House Resources & Finance Committee Date: March 22, 1976
 Return Date Requested: _____
 Agency: Revenue Program: Audit

II. FISCAL DETAIL

Budget Request Unit(s) Affected: N/A

A. EXPENDITURES: (Thousands of dollars)

| OBJECT | FY 76 | FY 77 | FY 78 | FY 79 | FY 80 | FY 81 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | None | None | None | None | None | None |

B. FUNDING: (Thousands of dollars)

| | | | | | | |
|---------------|------|------|------|------|------|------|
| GENERAL FUND | None | None | None | None | None | None |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |

C. POSITIONS: None

| | | | | | | |
|---------------------|---|---|---|---|---|---|
| PERMANENT/TEMPORARY | / | / | / | / | / | / |
| MAN MONTHS (P.T.) | / | / | / | / | / | / |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

N/A

IV. ATTACHMENTS See attached memo to R. D. Stevenson dated March 31, 1976.

V. DATE: 3-31-76 PREPARED BY: Gary L. Jenkins
 Director, Audit Division

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

CHAIRMAN:
NELS A. ANDERSON, JR.

STAFF ASSISTANT:
GUY VANDOREN

POUCH V
JUNEAU, ALASKA 99811



VICE CHAIRMAN
TED SMITH

SECRETARY
XXXXXXXXXXXXXXXXXXXX
Ruth I. Allington
PHONE: 465-3715
465-3701

House Resource Committee

FRED BROWN

ALVIN OSTERBACK

DICK ELIASON

LEO RHODE

MIKE HERSHBERGER

LESLIE (RED) SWANSON

JAMES HUNTINGTON

April 12, 1976

To: Hugh Malone
House Finance Committee

From: Guy Van Doren
Staff Assistant-House Resources Committee

Subject: HB 878 - An Act Relating to the Alaska Mining Tax

The original bill was worked out jointly between the Dept. of Revenue and representatives of the mining industry. The bill makes several modifications to the current Mining License Act, mainly in the area of clarifying who is taxable, what activities are taxable, and how taxable proceeds for purposes of computing the tax are arrived at.

The legislation will not cost the State of Alaska additional dollars for administration nor will it immediately generate additional dollars for the state since there is an extremely small number of mines operating in the State of Alaska.

The Committee Substitute reflects the concerns of the industry in testimony before the Committee, and clarifies the definition of minerals by taking out specific minerals and making the definition cover all minerals not specifically excluded. The Committee also added a definition of "materials" in order that there would be no confusion. The reason the word topsoil was used was because of "rare earth", which is highly valuable. Building materials were included under materials because of the use of rock, slate, sandstone, etc. for construction.

Changes other than those mentioned above are found on Page 2 Sec (d) which allows more than one mining operation by a single company, to be considered one mining business.

Page 3, Line 9. This adds "net operating costs set out in the Internal Revenue Code, as amended" Industry had requested this as an added deduction from gross receipts.

Page 4. Where the word "minerals" appeared in the original bill, the word "materials" was added due to the addition of the material definition section. Presently, the largest amount of tax is derived from the removal of sand and gravel.

Page 10 Sec. B, was added to exclude the casual prospector, as opposed to an actual mining operation or business.

In summary, the bill will make significant strides in clarifying how this tax is applied but does not change the basic mode of taxation and is a good example of cooperation between the Legislature, Administration and the industry.

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE
Second Session - Ninth Legislature

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| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | None | None | None | None | None | None |

B. FUNDING: (Thousands of dollars)

| | | | | | | |
|---------------|------|------|------|------|------|------|
| GENERAL FUND | None | None | None | None | None | None |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |


C. POSITIONS: None

| | | | | | | |
|---------------------|---|---|---|---|---|---|
| PERMANENT/TEMPORARY | / | / | / | / | / | / |
| MAN MONTHS (P./T.) | / | / | / | / | / | / |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

N/A

IV. ATTACHMENTS See attached memo to R. D. Stevenson dated March 31, 1976.

V. DATE: 3-31-76 PREPARED BY: 
 Director, Audit Division Gary L. Jenkins

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

CHAIRMAN:
NELS A. ANDERSON, JR.

STAFF ASSISTANT:
GUY VANDOREN

POUCH V
JUNEAU, ALASKA 99811



VICE CHAIRMAN
TED SMITH

SECRETARY:
~~XXXXXXXXXXXXXXXXXX~~
Ruth I. Allington
PHONE: 465-3715
465-3781

House Resource Committee

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April 12, 1976

To: Hugh Malone
House Finance Committee

From: Guy Van Doren *(Signature)*
Staff Assistant-House Resources Committee

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THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE
 Second Session -- Ninth Legislature

I. REQUEST

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 Requested by: House Resources & Finance Committee Date: March 22, 1976
 Return Date Requested: _____
 Agency: Revenue Program: Audit

II. FISCAL DETAIL

Budget Request Unit(s) Affected: N/A

A. EXPENDITURES: (Thousands of dollars)

| OBJECT | FY 76 | FY 77 | FY 78 | FY 79 | FY 80 | FY 81 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | None | None | None | None | None | None |

B. FUNDING: (Thousands of dollars)

| | | | | | | |
|---------------|------|------|------|------|------|------|
| GENERAL FUND | None | None | None | None | None | None |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |

C. POSITIONS: None

| | | | | | | |
|---------------------|---|---|---|---|---|---|
| PERMANENT/TEMPORARY | / | / | / | / | / | / |
| PER MONTHS (P./T.) | / | / | / | / | / | / |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

N/A

IV. ATTACHMENTS See attached memo to R. D. Stevenson dated March 31, 1976.

V. DATE: 3-31-76 PREPARED BY:

Gary L. Jenkins
 Director, Audit Division Gary L. Jenkins

Original: Legislative Finance
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CHAIRMAN:
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JUNEAU, ALASKA 99011



VICE CHAIRMAN
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House Resource Committee

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April 12, 1976

To: Hugh Malone
House Finance Committee

From: Guy Van Doren
Staff Assistant-House Resources Committee

Subject: HB 878 - An Act Relating to the Alaska Mining Tax

The original bill was worked out jointly between the Dept. of Revenue and representatives of the mining industry. The bill makes several modifications to the current Mining License Act, mainly in the area of clarifying who is taxable, what activities are taxable, and how taxable proceeds for purposes of computing the tax are arrived at.

The legislation will not cost the State of Alaska additional dollars for administration nor will it immediately generate additional dollars for the state since there is an extremely small number of mines operating in the State of Alaska.

The Committee Substitute reflects the concerns of the industry in testimony before the Committee, and clarifies the definition of minerals by taking out specific minerals and making the definition cover all minerals not specifically excluded. The Committee also added a definition of "materials" in order that there would be no confusion. The reason the word topsoil was used was because of "rare earth", which is highly valuable. Building materials were included under materials because of the use of rock, slate, sandstone, etc. for construction.

Changes other than those mentioned above are found on Page 2 Sec (d) which allows more than one mining operation by a single company, to be considered one mining business.

Page 3, Line 9. This adds "net operating costs set out in the Internal Revenue Code, as amended" Industry had requested this as an added deduction from gross receipts.

Page 4. Where the word "minerals" appeared in the original bill, the word "materials" was added due to the addition of the material definition section. Presently, the largest amount of tax is derived from the removal of sand and gravel.

Page 10 Sec. B, was added to exclude the casual prospector, as opposed to an actual mining operation or business.

In summary, the bill will make significant strides in clarifying how this tax is applied but does not change the basic mode of taxation and is a good example of cooperation between the Legislature, Administration and the industry.

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE
 Second Session - Ninth Legislature

I. REQUEST

Bill No. House Bill No. 878
 Title: An Act relating to the Alaska Mining License tax
 Requested by: House Resources & Finance Committee Date: March 22, 1976
 Return Date Requested: _____
 Agency: Revenue Program: Audit

II. FISCAL DETAIL

Budget Request Unit(s) Affected: N/A

A. EXPENDITURES: (Thousands of dollars)

| OBJECT | FY 76 | FY 77 | FY 78 | FY 79 | FY 80 | FY 81 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | None | None | None | None | None | None |

B. FUNDING: (Thousands of dollars)

| | | | | | | |
|---------------|------|------|------|------|------|------|
| GENERAL FUND | None | None | None | None | None | None |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |

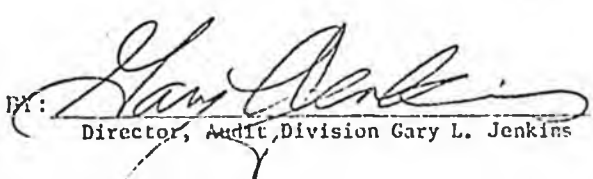
C. POSITIONS: None

| | | | | | | |
|---------------------|---|---|---|---|---|---|
| PERMANENT/TEMPORARY | / | / | / | / | / | / |
| MAN MONTHS (P./T.) | / | / | / | / | / | / |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

N/A

IV. ATTACHMENTS See attached memo to R. D. Stevenson dated March 31, 1976.

V. DATE: 3-31-76 PREPARED BY: 

Director, Audit Division Gary L. Jenkins

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

CHAIRMAN:
NELS A. ANDERSON, JR.

STAFF ASSISTANT:
GUY VANDOREN

POUCH V
JUNEAU, ALASKA 99811



VICE CHAIRMAN:
TED SMITH

SECRETARY:
~~XXXXXXXXXXXX~~
Ruth I. Allington
PHONE: 465-3715
465-3781

House Resource Committee

FRED BROWN
MIKE HERSHBERGER

ALVIN OSTERBACK
LESLIE (RED) SWANSON

DICK ELIASON

LEO RHODE
JAMES HUNTINGTON

April 12, 1976

To: Hugh Malone
House Finance Committee

From: Guy Van Doren
Staff Assistant-House Resources Committee

Subject: HB 878 - An Act Relating to the Alaska Mining Tax

The original bill was worked out jointly between the Dept. of Revenue and representatives of the mining industry. The bill makes several modifications to the current Mining License Act, mainly in the area of clarifying who is taxable, what activities are taxable, and how taxable proceeds for purposes of computing the tax are arrived at.

The legislation will not cost the State of Alaska additional dollars for administration nor will it immediately generate additional dollars for the state since there is an extremely small number of mines operating in the State of Alaska.

The Committee Substitute reflects the concerns of the industry in testimony before the Committee, and clarifies the definition of minerals by taking out specific minerals and making the definition cover all minerals not specifically excluded. The Committee also added a definition of "materials" in order that there would be no confusion. The reason the word topsoil was used was because of "rare earth", which is highly valuable. Building materials were included under materials because of the use of rock, slate, sandstone, etc. for construction.

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In summary, the bill will make significant strides in clarifying how this tax is applied but does not change the basic mode of taxation and is a good example of cooperation between the Legislature, Administration and the industry.

Present were Hershberger, Huntington, Osterback, Rhode, Brown, Staff Assistant Van Doren and Chairman Anderson.

Subject: HB 878 CS HB 615

Phil Holdsworth began testimony. During the last session the governor asked that no action be taken on a bill comparable to HB 878. On Nov. 6 and 7, in Anchorage, agreements were reached with the Dept. of Revenue on aspects of this bill (HB878) The mining license tax has been on the books without changes since 1965. There is no real mining industry in Alaska today.

A suggested amendment: Smaller miners shouldn't have to do all of the complicated forms. Dept. of Revenue has tried to clarify the issue.

Other incentives might result in acceleration of the mining industry in Alaska. \$35 million was spent in exploration in Alaska in 1975.

Holdsworth felt that this was a "workable" bill.

Hershberger asked where we were in the status of precious metals in Alaska. Holdsworth answered that it depends on the area. In the Brooks range there is a richness of precious metals.

Chairman Anderson stated that letters received have expressed concern that special taxes are discriminatory. Some think we should be giving monetary incentives instead of taxing.

Holdsworth answered that most people don't even realize that there is already a mining tax law on the books.

Mr. Fred Detch, of the Dept. of Commerce, stated that the Dept. of Revenue was involved in the background of this bill. The bill basically has clarified how the taxes are to be assessed. He also agreed with Holdsworth as to the need for the amendment.

Question: How much will be added to the "coffers" with this bill
Answer: No more, as it stands now. There just isn't much mining in Alaska. Also, receipts aren't recognized until a sale of the product takes place.

Chuck Hawley of the Alaska Miners Association, testified that they generally support HB878. He added that there is felt that since the state has recognized the industry with a special tax, the state then has some obligation to the industry. (Roads, specifically, and also air access)/ There are only two sizeable operations in the state at present--Usibelli and Goodnews Bay. A.J. in Juneau was the last hardrock mine, and was closed around 1945.

However, Industry didn't write the bill. There are possible inequities.
1) It is set up the opposite of the way royalty rates usually work, i.e. an escalating rate.
2) Exemptions are needed for capital improvement costs.
3) Net operating losses should be carried over to succeeding years.
Corporate income taxes would still be paid to the state during this time.

Regarding special taxes--mining has not developed because of lack of transportation. Possibly the Haul Road could be kept open. Possibly Railroad extensions could be built. This would not be in the same category as a depletion allowance.

Brown asked whether mining gets the same types of benefits as oil, etc.
Answer: No.

Chairman Anderson asked about the fixed tax at the intermediate level.
Answer: It would do away with the escalation basis. Obviously, a large mining industry will pay more. Also, the state would end up gaining revenue if the capital recouping were allowed.

The District Manager for the Bear Creek Mining Company spoke. His group is a subsidiary of the Kennicott Copper Co. New areas of Alaska are being explored that appear to have a favorable mining future. The Cost of production in Alaska is higher than other Western States. Mining is one of the few industries that can go in rural Alaska. Incentives are needed--transportation, communication, ports, etc. Also stability is needed. Additional taxes would be harmful.

An amendment was presented adding language to clarify that two locations of the same company could be considered as one operation for tax purposes. The current problem is that after initial 3-year "tax holiday" is passed, if the company begins at a new location, the original costs of that new location need to be regained by the company.

Rhode suggested that as items of cost are amortized, they should be charged and taxable at that time.

It was stated that the main problem with mining in Alaska has been that costs of development are so high. Stability of the tax structure is needed.

Dale Tubbs, Deputy Director of the Division of Lands, mentioned the "sleeper" in the bill. It now includes sand and gravel. In the definitions on Page 9, Line 27, sand and gravel aren't included. Sand and gravel need to be listed as a material, not a mineral. Also, regarding the multiple-site situation, sand and gravel need to be split off from this. It can be cleared up with definitions. Clarification needs to be defined as to "mined" vs. "excavate". It must be kept in mind that sand and gravel are the biggest source of "mining" income now.

Re: clay and stone--it is not clear yet.

Chairman Anderson asked that Tubbs and VAn Doren redraft Page 9.

Wallace MacGregg, of the Northwest Mining Association, spoke. He was concerned with the semantics problem (net proceeds, severance, etc.) Alaska's corporate tax is second only to that of Minnesota. Usually, the states with the highest taxation have a mature industry. This is not the case with Alaska.

Mr. Brown asked whether Mr. MacGreggor advises people as to whether to invest in Alaska. A. No. As to whether this bill really won't change the tax, Brown was answered that this was true.

Macgreggor stated, that regarding the percentage of net to gross, as you increase the initial costs of operation, it takes more capital to cover the costs. The mining license tax is much higher than a business license tax. Revenue derived by the state from mining could be greater than any other industry. The way it stands now, 2 out of 3 dollars received in mining would go to taxes. Because Alaska's base figure is higher than other states, the end result is that low-grade operations are cut out.

Carl McCowan, of the U.S. Borate and Chemical Corporation, stated that they have a propsect in Alaska. He stated that corporations contribute to the resource and economic well-being of the country. Their company will spend about one million dollars in exploration in Alaska in 1976. The government gets the biggest share of profits in any mining operation.

Question was asked as to what good the bill was if it hasn't produced any income yet.

It takes capital to create jobs. It takes people willing to take a risk. A profit isn't always possible in the first year. The 3 1/2 year "tax holiday" per operation is needed to recoup. Economic changes are needed in the state. We need to harvest the minerals.

Brown stated that it is the general feeling that the law is not unfavorable. Also, there are tremendous differences between mining and oil and gas.

(Meeting recessed, and resumed at 1:30 p.m.)

Donald McDonald, a prospector, spoke. There is a question regarding taxing royalties. Would you be paying double on the same money? The company pays a tax on net proceeds. Are royalty payments deducted first?

Mr. Betch answered. Royalties are a deduction to the operator, and the receiver pays the tax.

Question: The difference between the mining Development Company, and the owner of the land needs to be clarified. Proving up a claim can take a long time.

Betch answered that he had no idea why the situation wasn't taken care of in the original bill.

McDonald: More time is needed to recoup expenses. Existing leases can't be rewritten to take care of the new tax structure. The problem is the royalty payments.

Also, if sand, rock and gravel are going to be taxed, must they be filed as mineral claims?

Bill Huff, of the Ketchikan Miners Association, presented testimony. Sand and gravel must now be purchased from the state. There is a problem regarding state leases as opposed to mining claims.

McDonald stated that if gravel and sand is treated separately, it should be put in a separate bill. Make it completely separate, or operable under a mining claim.

You can't hold a mining claim unless you are processing a metal.

Huff: Changes in the law have prohibited staking a gravel claim. Why call it a mineral now.

Vance Thornsbury, of Inspiration Exploration, testified. This bill would somewhat stabilize the taxation policy of Alaska. However, the rate as expressed in the bill shouldn't be escalating. It should be declining, or a solid 5%. Alaska must attract industry by a declining or set rate.

Inspiration is working on Chichagoff Island at this point. If the mine goes into operation, everything will be done except smelting on location. Refining could be done, possibly, in the future. As to the number of people to be employed, 200 was the estimate.

Eliason asked about land classification. Thornsbury stated that a wilderness classification would make it impossible to meet the requirements in order to mine.

Bill Huff spoke about land withdrawals vs. national security. We must have good domestic mineral supply. There is a long time-lag between finding minerals and developing them. An example of mining that must be developed is the nickel deposit in Glacier Bay.

Chairman Anderson expressed committee support of development. Rural areas must be developed to support themselves. However, there are many anti-development people in Alaska.

It was moved to add the amendment on Page 10, Line 16 and 17. Motion passed.

Betch expressed concern about the amendment. The "one mining business" wording could be a loophole for several mines, and lots of deductions. He had no objection to the first amendment. It was Line 9 of that amendment that was the problem.

Discussion of the "one business" situation ascertained that "mining business operations" needs to be clarified as opposed to "mining business"

Betch said that the second amendment would allow separation for taxation. The rate schedule would be applied. Motion carried to add the amendment to Line 8.

Motion to amend Line 9 passed, with Smith objecting.

Re: Line 15, Betch stated that this is standard accounting language that is proposed. No action was taken on the amendment.

Motion was made to amend Line 4, page 3, by adding the words "exploration and". Motion carried.

Motion was made to amend Page 3 Line 11 by adding a new subsection allowing offsetting losses in subsequent years. Motion passed.

Re: definition of minerals on page 9, Line 27 and 28, discussion included the fact that molibdanum, uranium and titanium should be added to the list of minerals. "Sand and gravel" should be struck from the mineral list and classified as "materials." Also, on Pg. 4, every place minerals occurs, "or materials" should be added.

Eliason asked about the handling of rock quarries. Smith answered that they are "materials" under a state sale.

McDona stated that even dirt is a mineral. Valuable metals should be the same, not minerals.

Smith suggested listing by exception instead of attempting to name all of the minerals.

Re: definitions, "all locatable and leasable minerals except sand, gravel, building materials, topsoil, oil and gas" Motion to adopt the definitions passed.

Motion to adopt the new subsection 8 on page 10 and add "materials" and also on page 4 wherever "minerals" occurs, passed.

Betch questioned page 1, the net proceeds tax wording, and the graduated increase based on ability to pay. A flat rate would give the incentive to the larger operator.

Eliason suggested listing the changes line by line for the Finance Committee.

Re: CSSS HB 615. Motion was made to adopt the new \$19,690,000 amount. Smith stated that he was not concerned with detail. Experts will take care of that. Also, non-profit groups will take over alot of what Fish and Game has proposed. He would exclude items 2, 3, 15 and 16 from the list of projects. "Let's not support hatcheries yet."

Eliason stated that we need to either get with it or get out of it. By removing hatchery programs we're regressing.

Smith stated that he had no qualms about the hatchery program, but do we want hatchery programs? It is the first phase of a 300 million dollar program.

Eliason stated that most people seem to be behind the program.

Chairman Anderson mentioned the lack of definitive site selection information at this time.

Eliason stated the difficulty in Southeast as to getting together on

projects. The private sector can't do it in SE.

Huntington stated that the Interior rivers need to be rehabilitated.

Motion to amend to delete items 2, 3, 15 and 16 was defeated.

Motion was made to specify areas and amounts, specifying by line item certain projects totaling \$45,000.

Anderson asked what Huntington would do with the facility? Huntington answered that experiments could be done, with development at the same time.

Brown answered that the intent of the motion is to make distribution of the monies specific. He favored it.

As to what to do if the designated areas don't lend themselves to development, Huntington answered that a small unit could be developed and used.

Motion to pass the Huntington amendment passed.

Motion to pass the original motion as amended passed, with a majority of Do Pass recommendations.

Re: CS HB 654. The Committee Substitute was presented. There was brief discussion, including that the definition of minerals is different for tax purposes than for land. Discussion also zeroed in on the need for a 60-day notification to persons before a classification change. Concern was stated regarding agricultural changes, when agriculture may not be the highest and best use.

An amendment to paragraph c, Line 26, page 5, regarding notice----if requested a hearing may be held-----etc. Motion adopted
Motion to move CS HB 654 out of committee with a Do Pass recommendation carried.



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

2/7/90
Date

"An Act relating to the establishment of group homes."

COMMITTEE REPORT

9

4/13/76

HOUSE

Mr. Speaker:

Date _____

The Committee on FINANCE has had HR 883

under consideration. A Majority of the members of the Committee

() recommends it DO PASS

() recommends it DO NOT PASS

() recommends it DO PASS WITH ATTACHED AMENDMENT(S)

() recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS

() "and" recommends it BE REFERRED TO THE _____
COMMITTEE

() reports it back WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

Members NOT concurring in the Majority report:

_____ recommends:
_____ recommends:
_____ recommends:
_____ recommends:
_____ recommends:

_____ Chairman

9

COMMITTEE REPORT

HOUSE

3/29/76

FINANCE

Mr. Speaker:

Date 4-13-76

The Committee on COMMUNITY AND REGIONAL AFFAIRS has had HB 883

under consideration. A Majority of the members of the Committee

() recommends it DO PASS

() recommends it DO NOT PASS

() recommends it DO PASS WITH ATTACHED AMENDMENT(S)

(x) recommends it BE REPLACED WITH CS FOR HB 883 ^(new title) AND THAT CS FOR HB 883 DO PASS as Amend.

() "and" recommends it BE REFERRED TO THE _____ COMMITTEE

() reports it back WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

| | | |
|-------------------------|----------------|---|
| <u>Sean R. Gata</u> | <u>DO PASS</u> | <u>Eric Rudd</u> |
| <u>Al Ose</u> | <u>" "</u> | <u>Ramona Kelley</u> ^{do pass} |
| <u>Lawrence Harris</u> | <u>" "</u> | _____ |
| <u>Kathryn Ostrosky</u> | <u>" "</u> | _____ |

Members NOT concurring in the Majority report:

Gene Hackman recommends: DO NOT PASS UNLESS "AMENDED" ^{FURTHER}

Freeman recommends: PRO REC.

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

Sean R. Gata Chairman

AMENDMENT

OFFERED IN THE HOUSE:

BY: *House Community & Regional Affairs Committee*

To: CS HOUSE BILL No. 883

SENATE BILL No. _____

PAGE: 2

LINE: 24

DELETE: "another"
~~AAAAA~~

INSERT: Before "institution": "an"
~~AAAAA~~

Between "institution" and "which": "and"
~~AAAA~~

Original sponsor: Community and Regional
Affairs Committee

Offered: 4/13/76
Referred: Finance

1 IN THE HOUSE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 883

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION.

5 A BILL

6 For an Act entitled: "An Act relating to cottage homes."

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

8 * Section 1. AS 44.47 is amended by adding new sections to read:

9 ARTICLE 8. COTTAGE HOMES.

10 Sec. 44.47.320. POWERS AND DUTIES. (a) The department shall

11 (1) subsidize the housing of eligible persons in cottage
12 homes with funds appropriated for that purpose in accordance with the
13 provisions of secs. 320 - 370 of this chapter;

14 (2) establish procedures whereby the eligibility of persons
15 receiving subsidies under secs. 320 - 370 of this chapter is periodi-
16 cally reviewed.

17 (b) The department may

18 (1) adopt regulations necessary to carry out the provisions
19 of this chapter;

20 (2) contract with local agencies to perform its duties under
21 secs. 320 - 370 of this chapter.

22 Sec. 44.47.330. ELIGIBILITY. A person residing in a cottage home
23 is eligible to receive a subsidy under secs. 320 - 370 of this chapter
24 if that person is eligible to receive assistance under AS 47.25.430 -
25 47.25.610, 47.25.620 - 47.25.780, or 47.25.790 - 47.25.970 or, alter-
26 natively, if that person is over age 65.

27 Sec. 44.47.340. AMOUNT OF SUBSIDY. A subsidy made to a person
28 under secs. 320 - 370 of this chapter is calculated by subtracting the
29 amount which the department determines the person can contribute to his

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1 housing, based upon an analysis of that person's reasonable ability to
2 pay, from an amount which the department determines is the reasonable
3 cost of housing in the locality in which the cottage home is located,
4 taking into account cost-of-living information developed in accordance
5 with AS 39.27.030 and otherwise.

6 Sec. 44.47.350. METHOD OF PAYMENT. A subsidy made under secs.
7 320 - 370 of this chapter shall be made directly to a person residing
8 in a cottage home for expenditure as that person determines appropriate,
9 except that if the person consents, the department may remit payments
10 directly to a cottage home in the person's behalf.

11 Sec. 44.47.360. RESIDENT HEALTH PERSONNEL; PRIORITY OF ADMISSIONS.
12 (a) A cottage home that houses persons receiving subsidies under secs.
13 320 - 370 of this chapter may reserve living quarters in the home for
14 the use of a health professional or paraprofessional and fix the rent
15 for those quarters in a manner to encourage the continuous residence of
16 a health professional or paraprofessional in the home, in order to pro-
17 vide the persons residing in the home ready access to health personnel.

18 (b) A cottage home that houses persons receiving subsidies under
19 secs. 320 - 370 of this chapter shall accord persons eligible to receive
20 assistance under AS 47.25.430 - 47.25.610, 47.25.620 - 47.25.780, or
21 47.25.790 - 47.25.970 priority in admission to the home.

22 Sec. 44.47.370. DEFINITIONS. In secs. 320 - 370 of this chapter,
23

24 (1) "cottage home" means an establishment noncontiguous to
25 another institution which provides living quarters for four or more
26 persons and in which the residents share common food preparation, sani-
27 tation, dining, and recreation facilities and provide among themselves
28 for the purchase and preparation of food and for housekeeping necessary
29 to maintain the home in a safe and sanitary condition;

(2) "department" means the Department of Community and

1 Regional Affairs.
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IMITTEE COPY

2390
Cuthis

Introduced: 3/29/76
Referred: Community & Regional
Affairs and Finance

1 IN THE HOUSE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2 HOUSE BILL NO. 883

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the establishment of group homes."

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

8 * Section 1. AS 44.47 is amended by adding new sections to read:

9 ARTICLE 8. GROUP HOMES IN LOCAL COMMUNITIES.

10 Sec. 44.47.320. AUTHORIZATION TO LEASE. The department is autho-
11 rized to lease a building, structure, or other facility suitable for use
12 as a group home, whether or not that building, structure, or other
13 facility is constructed before the lease is executed. A lease for a
14 building, structure, or other facility to be built after the execution
15 of the lease agreement shall be for a term and amount sufficient to
16 permit the less r to recover the costs of construction of the structure,
17 building, or other facility. The performance by the department of
18 leases executed under this section is conditioned on the approval by the
19 legislature of the lease within 10 days of the time the legislature
20 convenes.

21 Sec. 44.47.330. AUTHORIZATION TO CONTRACT FOR MAINTENANCE. The
22 department is authorized to contract with persons in the community where
23 the group home is located for the operation and maintenance of the group
24 home in a manner which protects the health and safety of the residents.

25 Sec. 44.47.340. LOCATION OF GROUP HOMES. A group home established
26 under authority of secs. 320 - 400 of this chapter shall be located
27 where eligible persons are able to reside in familiar surroundings or in
28 close proximity to family and friends.

29 Sec. 44.47.350. RESIDENT HEALTH PERSONNEL. For the purpose of

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1 providing the residents of a group home established under secs. 320 -
2 400 of this chapter ready access to health personnel, the department
3 shall reserve living quarters in each group home for the use of a health
4 professional or paraprofessional, and the department shall fix the rent
5 for those quarters in a manner to ensure the continuous residence of a
6 health professional or paraprofessional in the home.

7 Sec. 44.47.360. ELIGIBILITY. Any person is eligible to reside at
8 a group home established under authority of secs. 320 - 400 of this
9 chapter, except that persons eligible to receive assistance under
10 AS 47.25.430 - 47.25.610, 47.25.620 - 47.25.780, or 47.25.790 - 47.25.-
11 970 shall be accorded priority in admissions.

12 Sec. 44.47.370. FEES. The department shall collect fees for
13 housing provided in a group home established under secs. 320 - 400 of
14 this chapter according to a schedule based on analysis of reasonable
15 ability to pay, and provide that no person is refused services because
16 of inability to pay for those services.

17 Sec. 44.47.380. REGULATIONS. The department may adopt regulations
18 in accordance with the Administrative Procedure Act (AS 44.62) to carry
19 out the purposes of this chapter.

20 Sec. 44.47.390. DELIVERY OF SOCIAL SERVICES. The Department of
21 Health and Social Services shall coordinate the delivery of services to
22 the residents of a group home established under secs. 320 - 400 of this
23 chapter.

24 Sec. 44.47.400. DEFINITIONS. In secs. 320 - 400 of this chapter,

25 (1) "department" means the Department of Community and
26 Regional Affairs;

27 (2) "group home" means an establishment providing living
28 quarters for four or more adults which is noncontiguous to another
29 institution and stresses normal family living.

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE

Second Session - Ninth Legislature

I. REQUEST

Bill No. HB 883
 Title: Group "Cottage" Homes
 Requested by: House CRA Date: 4/1/76
 Return Date Requested: 4/8/76
 Agency: Comm. & Regional Affairs Program: Community Services

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Community Services 21-22-3-09-00-00

A. EXPENDITURES: (Thousands of dollars)

| OBJECT | FY 76 | FY 77 | FY 78 | FY 79 | FY 80 | FY 81 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | | 43.4 | 47.7 | UNK | UNK | UNK |
| 200 TRAVEL | | 20.0 | 10.0 | UNK | UNK | UNK |
| 300 CONTRACTUAL | | 11.9 | 13.1 | UNK | UNK | UNK |
| 400 COMMODITIES | | 0.4 | 0.5 | UNK | UNK | UNK |
| 500 EQUIPMENT | | 2.4 | 0.5 | UNK | UNK | UNK |
| 600 LAND & STRUCTURES | | -0- | -0- | -0- | -0- | -0- |
| 700 GRANTS, CLAIMS, ETC. | | 134.4 | 141.4 | UNK | UNK | UNK |
| TOTAL | | 212.5 | 213.2 | UNK | UNK | UNK |

B. FUNDING: (Thousands of dollars)

| | | | | | | |
|---------------|--|-------|-------|-----|-----|-----|
| GENERAL FUND | | 212.5 | 213.2 | UNK | UNK | UNK |
| FEDERAL FUNDS | | -0- | -0- | -0- | -0- | -0- |
| OTHER | | -0- | -0- | -0- | -0- | -0- |

C. POSITIONS:

| | | | | | | |
|---------------------|---|-----|-----|-----|-----|-----|
| PERMANENT/TEMPORARY | / | 2/ | 2/ | UNK | UNK | UNK |
| MAN MONTHS (P./T.) | / | 24/ | 24/ | / | / | / |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

A. Assumptions:

1. This will be a pilot program for two years to study feasibility of providing service on a state-wide basis.
2. During the pilot program facilities will be provided in three locations: 1) Nome - 4 units; 2) Unalakleet - 2 units; 3) Shishmaref 1 unit.
3. Each unit will be designed to accomodate 5 single persons or couples.
4. Each unit will consist of 5 individual bedrooms and other areas as follows: two bathrooms, central kitchen, central dining area, central living-recreation area, utility & storage room. Total area per unit to be approximately 1300 sq. ft.

(continued)

IV. ATTACHMENTS

V. DATE: 4/7/76 PREPARED BY: Eric Lee

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

A. (continued)

5. Construction cost is computed at \$76.00 per sq. ft. based on data from: a) HUD costs for similar project in the Northwest. b) ASHA c) Division of Buildings d) costs for a similar current project in Barrow e) cost estimates by Regional Housing Authority
6. Administration and maintenance costs by building lessor are estimated at 10% of construction cost
7. Interest is computed at 8% compounded over 20 years
8. Utilities are estimated at \$100 per month per person.
9. State share of rent will average 80% of total costs to be recovered.

B. Program Summary

The pilot program will be operated in three locations to study feasibility of an ongoing statewide program to subsidize housing for qualified participants. Funding will consist of general funds only. Program administration costs are detailed as follows:

| | |
|---|------------------|
| 1. Positions: | |
| a) Program Coordinator @ range 19 | \$24,408 |
| b) Clerk Typist III @ range 8 | 11,484 |
| | <u>\$35,892</u> |
| benefits @ 21% | 7,538 |
| | <u>\$43,430</u> |
| 2. Travel: | |
| a) Hearings on regulations | \$10,000 |
| b) Site planning, preparation, coordination & monitoring | 10,000 |
| | <u>\$20,000</u> |
| 3. Contractual: | |
| a) Telephone | \$ 4,000 |
| b) postage | 300 |
| c) printing of regulations | 1,000 |
| d) advertising | 500 |
| e) office space 350 sq. ft. @ .85 | 3,570 |
| f) duplication services | 500 |
| g) transportation of new employee | 2,000 |
| | <u>\$11,890</u> |
| 4. Commodities: | |
| a) office supplies and reference materials | \$ 400 |
| 5. Equipment: | |
| a) two desks | \$ 635 |
| b) two chairs | 245 |
| c) file cabinet | 205 |
| d) bookcase | 75 |
| e) calculator | 440 |
| f) typewriter | 800 |
| | <u>\$ 2,400</u> |
| 6. Grants, Claims, etc. for subsidy payments to recipients | <u>\$134,400</u> |
| | |
| | <u>\$212,500</u> |

Note: Second year funding is based on a 10% inflation cost.

ALASKA STATE LEGISLATURE

NINTH Legislature SECOND Session

HOUSE BILL NO. 883
By COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

"An Act relating to the establishment of group homes."

Establishment of group homes.

Introduced in the House 3/29, 1976

HISTORY IN THE HOUSE

| | | | | | | | | | | | | | |
|-----------------|--|-----------------|----------------|------|----------------|------|------|--------|--------|---------|---------|---------|---------|
| 19 76 | Read first time and referred to Committee on Community and Regional Affairs and Finance | | | | | | | | | | | | |
| Mar 29 | Reported back with recommendation that | | | | | | | | | | | | |
| | Read second time and | | | | | | | | | | | | |
| | Read third time and | | | | | | | | | | | | |
| | <table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table> | PASS | Effective Date | Yeas | Yeas | Nays | Nays | Absent | Absent | Excused | Excused | | |
| PASS | Effective Date | | | | | | | | | | | | |
| Yeas | Yeas | | | | | | | | | | | | |
| Nays | Nays | | | | | | | | | | | | |
| Absent | Absent | | | | | | | | | | | | |
| Excused | Excused | | | | | | | | | | | | |
| | <table border="0"> <tr> <td colspan="2">Reconsideration</td> </tr> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table> | Reconsideration | | PASS | Effective Date | Yeas | Yeas | Nays | Nays | Absent | Absent | Excused | Excused |
| Reconsideration | | | | | | | | | | | | | |
| PASS | Effective Date | | | | | | | | | | | | |
| Yeas | Yeas | | | | | | | | | | | | |
| Nays | Nays | | | | | | | | | | | | |
| Absent | Absent | | | | | | | | | | | | |
| Excused | Excused | | | | | | | | | | | | |
| | Reported correctly engrossed Signed by Speaker Sent to Senate | | | | | | | | | | | | |

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

| | | | | | | | | | | | | | |
|-----------------|--|-----------------|----------------|------|----------------|------|------|--------|--------|---------|---------|---------|---------|
| 19 | Read first time and referred to Committee on | | | | | | | | | | | | |
| | Reported back with recommendation that | | | | | | | | | | | | |
| | Read second time and | | | | | | | | | | | | |
| | Read third time and | | | | | | | | | | | | |
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| PASS | Effective Date | | | | | | | | | | | | |
| Yeas | Yeas | | | | | | | | | | | | |
| Nays | Nays | | | | | | | | | | | | |
| Absent | Absent | | | | | | | | | | | | |
| Excused | Excused | | | | | | | | | | | | |
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| Reconsideration | | | | | | | | | | | | | |
| PASS | Effective Date | | | | | | | | | | | | |
| Yeas | Yeas | | | | | | | | | | | | |
| Nays | Nays | | | | | | | | | | | | |
| Absent | Absent | | | | | | | | | | | | |
| Excused | Excused | | | | | | | | | | | | |
| | Reported correctly engrossed Signed by President Returned to House | | | | | | | | | | | | |

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

| | |
|----|-----------------------------|
| 19 | Received from Senate |
| | Reported correctly enrolled |
| | Sent to Governor |
| | By Governor |
| | Filed with Lt. Governor |
| | Chapter No. |

Original sponsor: Community and Regional
Affairs Committee

Offered: 4/13/76
Referred: Finance

1 IN THE HOUSE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 883

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to cottage homes."

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

8 * Section 1. AS 44.47 is amended by adding new sections to read:

9 ARTICLE 8. COTTAGE HOMES.

10 Sec. 44.47.320. POWERS AND DUTIES. (a) The department shall

11 (1) subsidize the housing of eligible persons in cottage
12 homes with funds appropriated for that purpose in accordance with the
13 provisions of secs. 320 - 370 of this chapter;

14 (2) establish procedures whereby the eligibility of persons
15 receiving subsidies under secs. 320 - 370 of this chapter is periodi-
16 cally reviewed.

17 (b) The department may

18 (1) adopt regulations necessary to carry out the provisions
19 of this chapter;

20 (2) contract with local agencies to perform its duties under
21 secs. 320 - 370 of this chapter.

22 Sec. 44.47.330. ELIGIBILITY. A person residing in a cottage home
23 is eligible to receive a subsidy under secs. 320 - 370 of this chapter
24 if that person is eligible to receive assistance under AS 47.25.430 -
25 47.25.610, 47.25.620 - 47.25.780, or 47.25.790 - 47.25.970 or, alter-
26 natively, if that person is over age 65.

27 Sec. 44.47.340. AMOUNT OF SUBSIDY. A subsidy made to a person
28 under secs. 320 - 370 of this chapter is calculated by subtracting the
29 amount which the department determines the person can contribute to his

1 housing, based upon an analysis of that person's reasonable ability to
2 pay, from an amount which the department determines is the reasonable
3 cost of housing in the locality in which the cottage home is located,
4 taking into account cost-of-living information developed in accordance
5 with AS 39.27.030 and otherwise.

6 Sec. 44.47.350. METHOD OF PAYMENT. A subsidy made under secs.
7 320 - 370 of this chapter shall be made directly to a person residing
8 in a cottage home for expenditure as that person determines appropriate,
9 except that if the person consents, the department may remit payments
10 directly to a cottage home in the person's behalf.

11 Sec. 44.47.360. RESIDENT HEALTH PERSONNEL; PRIORITY OF ADMISSIONS.

12 (a) A cottage home that houses persons receiving subsidies under secs.
13 320 - 370 of this chapter may reserve living quarters in the home for
14 the use of a health professional or paraprofessional and fix the rent
15 for those quarters in a manner to encourage the continuous residence of
16 a health professional or paraprofessional in the home, in order to pro-
17 vide the persons residing in the home ready access to health personnel.

18 (b) A cottage home that houses persons receiving subsidies under
19 secs. 320 - 370 of this chapter shall accord persons eligible to receive
20 assistance under AS 47.25.430 - 47.25.610, 47.25.620 - 47.25.780, or
21 47.25.790 - 47.25.970 priority in admission to the home.

22 Sec. 44.47.370. DEFINITIONS. In secs. 320 - 370 of this chapter,

23 (1) "cottage home" means an establishment noncontiguous to
24 another institution which provides living quarters for four or more
25 persons and in which the residents share common food preparation, sani-
26 tation, dining, and recreation facilities and provide among themselves
27 for the purchase and preparation of food and for housekeeping necessary
28 to maintain the home in a safe and sanitary condition;

29 (2) "department" means the Department of Community and

Regional Affairs.

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Original sponsor: Community and Regional
Affairs Committee

Offered: 4/13/76
Referred: Finance

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Original sponsor: Community and Regional
Affairs Committee

Offered: 4/13/76
Referred: Finance

1 IN THE HOUSE

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Offered: 4/13/76
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