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STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

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February 7, 2005

Honorable Bruce Weyhrauch, Chair
House Ways and Means Committee

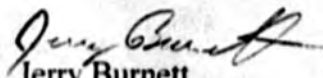
Representative Weyhrauch,

At the February 7, 2005 House Ways and Means Committee meeting, a number of questions were asked that require written information be provided to you and members of your committee.

Attached are:

1. Comparison of tourism related taxes including cruiseship landing fees and passenger fees charged in other states and foreign ports, from research done by the Tax Division in 2004
2. FY 2006 Tax Division budget request
3. 2004 Alaska Fisheries Business Tax Return instructions, includes developing species list, from Department of Revenue website
4. FY 2004 Shared Taxes and Fees report from Department of Revenue website
5. Memo regarding cost shifting from Tim Cottongim, DOR and Mining tax comparison from Westernmine.com
6. Spreadsheet showing value of timber exports from Alaska by Brett Fried, DOR
7. State Timber Taxes Overview prepared by Dan Stickel, DOR

If there are any questions please feel free to call me at 465-2302.


Jerry Burnett
Special Assistant

cc: Representative Norm Rokeburg
Representative Peggy Wilson ✓
Representative Paul Seaton
Representative Ralph Samuels
Representative Carl Moses
Representative Max Gruenberg

1. Tourism taxes and fees

Alaska Department of Revenue - Tax Division

Table 1. State Sales Tax Rates

State	State Rate	Maximum Local Rate [1]	Maximum State/Local Rate [1]	State	State Rate	Maximum Local Rate [1]	Maximum State/Local Rate [1]
1. Alabama	4.00%	7.00%	11.00%	24. Nebraska	5.50%	1.50%	7.00%
2. Arizona	5.60%	4.50%	10.10%	25. Nevada	6.50%	1.00%	7.50%
3. Arkansas	5.13%	5.50%	10.63%	26. New Jersey	6.00%	N/A	6.00%
4. California*	6.00%	2.75%	8.75%	27. New Mexico	5.00%	2.25%	7.25%
5. Colorado	2.90%	7.00%	9.90%	28. New York	4.25%	4.50%	8.75%
6. Connecticut	6.00%	N/A	6.00%	29. North Carolina	4.50%	3.00%	7.50%
7. Florida	6.00%	1.50%	7.50%	30. North Dakota	5.00%	2.50%	7.50%
8. Georgia	4.00%	3.00%	7.00%	31. Ohio	6.00%	2.00%	8.00%
9. Hawaii	4.00%	N/A	4.00%	32. Oklahoma	4.50%	6.00%	10.50%
10. Idaho	6.00%	3.00%	9.00%	33. Pennsylvania	6.00%	1.00%	7.00%
11. Illinois	6.25%	3.00%	9.25%	34. Rhode Island	7.00%	N/A	7.00%
12. Indiana	6.00%	N/A	6.00%	35. South Carolina	5.00%	2.00%	7.00%
13. Iowa	5.00%	2.00%	7.00%	36. South Dakota	4.00%	2.00%	6.00%
14. Kansas	5.30%	3.00%	8.30%	37. Tennessee	7.00%	2.75%	9.75%
15. Kentucky	6.00%	N/A	6.00%	38. Texas	6.25%	2.00%	8.25%
16. Louisiana	4.00%	6.25%	10.25%	39. Utah	4.75%	2.25%	7.00%
17. Maine	5.00%	N/A	5.00%	40. Vermont	6.00%	1.00%	7.00%
18. Maryland	5.00%	N/A	5.00%	41. Virginia	3.50%	1.00%	4.50%
19. Massachusetts	5.00%	N/A	5.00%	42. Washington	6.50%	2.40%	8.90%
20. Michigan	6.00%	N/A	6.00%	43. West Virginia	6.00%	N/A	6.00%
21. Minnesota	6.50%	1.00%	7.50%	44. Wisconsin	5.00%	1.00%	6.00%
22. Mississippi	7.00%	0.25%	7.25%	45. Wyoming	4.00%	2.00%	6.00%
23. Missouri	4.23%	4.50%	8.73%				

[1] Highest local rate known to be actually levied by at least one jurisdiction. Includes local taxes for general purposes and those earmarked for specific purposes (e.g. transit). Taxes applying only to specified sales (e.g. lodging or meals) are excluded.

Source: The Federation of Tax Administrators -- January 2004

Alaska Department of Revenue - Tax Division

Table 1a. Statewide Sales Tax Rates on Accommodations

State	State Rate	State	State Rate
1. Alabama*	4.00%	25. Nebraska*	6.50%
2. Arizona*	5.50%	26. Nevada*	1.00%
3. Arkansas*	7.13%	27. New Hampshire*	8.00%
4. Colorado	2.90%	28. New Jersey	6.00%
5. Connecticut*	12.00%	29. New Mexico	5.00%
6. Delaware*	8.00%	30. New York	4.25%
7. Florida	6.00%	31. North Carolina	4.50%
8. Georgia	4.00%	32. North Dakota	5.00%
9. Hawaii*	7.25%	33. Ohio	6.00%
10. Idaho*	8.00%	34. Oklahoma	4.50%
11. Illinois*	6.00%	35. Oregon*	1.00%
12. Indiana	6.00%	36. Pennsylvania	6.00%
13. Iowa	5.00%	37. Rhode Island*	12.00%
14. Kansas	5.30%	38. South Carolina	5.00%
15. Kentucky	6.00%	39. South Dakota*	5.00%
16. Louisiana	4.00%	40. Tennessee	7.00%
17. Maine*	7.00%	41. Texas*	6.00%
18. Maryland	5.00%	42. Utah	4.75%
19. Massachusetts	5.00%	43. Vermont*	9.00%
20. Michigan	6.00%	44. Virginia	3.50%
21. Minnesota	6.50%	45. Washington	6.50%
22. Mississippi	7.00%	46. West Virginia	6.00%
23. Missouri	4.23%	47. Wisconsin	5.00%
24. Montana*	7.00%	48. Wyoming	4.00%

* These states have a separate accommodations tax that either applies in addition to or instead of the sales tax rate. The listed rate is the total statewide tax on accommodations.

Sources: Statewide sales tax rates from the Federation of Tax Administrators -- January 2004. Statewide accommodations tax rates from sources shown on Table 2.

Alaska Department of Revenue - Tax Division

Table 2. Statewide Transient Accommodations Tax Rates

State	Lodging Taxes (%)		Sales Taxes (%)		Sales Tax Applies		Total (%)
	Statewide	Local Highest	Statewide	Local Highest	Statewide Lodging	Local Lodging	Lodging Highest
Alabama ¹	4	7	4	6	no	no	11
Arizona ²	5.5	6.57	5.6	3	no	no	12.07
Arkansas ³	2	none	5.13	3	yes	yes	10.13
Connecticut ⁴	12	none	6	none	no	n/a	12
Delaware ⁵	8	2	none	none	n/a	n/a	10
Hawaii ⁶	7.25	none	4	none	yes	n/a	11.25
Idaho ⁷	2	4	6	3	yes	no	12
Illinois ⁸	6	8.5	6.25	3	no	no	14.5
Maine ⁹	7	none	5	none	no	no	7
Montana ¹⁰	7	3	none	none	n/a	n/a	10
Nebraska ¹¹	1	4	5.5	1.5	yes	yes	12
Nevada ¹²	1	11	6.5	1.0	no	no	12
New Hampshire ¹³	8	2	none	none	n/a	n/a	10
Oregon ¹⁴	1	12.45	none	none	n/a	n/a	13.45
Rhode Island ¹⁵	5	none	7	none	yes	n/a	12
South Dakota ¹⁶	1	3	4	2	yes	no	8
Texas ¹⁷	6	11	6.25	2	no	no	17
Vermont ¹⁸	9	1	5	1	no	no	10

¹ Alabama Department of Revenue (334.242.1380). Maximum county lodging tax rates of 5% in the Mountain Lakes Area and maximum city lodging rate of 2%.

² The Arizona Department of Revenue (602.716.6927). The local rate used here is for Phoenix (county 4.8% and city 1.77%) Statewide and local sales taxes do not apply.

³ Arkansas Department of Finance and Administration (504.682.7140). Local and statewide sales tax applies to lodging and there is an additional 2% "tourism tax" that applies to "tourist attractions, rented accommodations of less than a month, watercraft rental, boat motors and related marine equipment, life jackets and cushions, water skis, and oars and paddles."

⁴ The Connecticut Department of Revenue Services (860.266.6829). Statewide sales tax does not apply.

⁵ Delaware Department of Finance Division of Revenue (302.577.8455). Maximum city tax rate of 2%.

⁶ Hawaii Department of Taxation (808.587.1440). Statewide sales tax rate does apply to lodging.

⁷ Idaho Tax Commission (208.972.7660). Accommodations are subject to the 6 percent state sales tax plus a 2% statewide Travel and Convention Tax. Additionally, in Boise there is a 4% Auditorium District Tax.

⁸ Illinois Department of Revenue (312.814.5232). Lodging tax rate of 6% on 94% of gross receipts, plus in Chicago there is a 2.5% Metropolitan Pier and Exposition Authority Tax, a 4% city tax and a 2% Sports Facilities Authority Tax.

⁹ Maine Revenue Service - Sales, Fuel and Special Tax Division (207.624.9693). Maine has a higher sales tax on hotels (7%), liquor (7%), prepared food (7%) and vehicle rentals (10%) then it does on other tangible personal property (5%).

¹⁰ Montana Department of Revenue (406.444.2031). Montana has a 4% statewide lodging facility use tax, and a local resort tax with a maximum rate of 3%. In addition, there is a statewide 3% sales tax that was enacted by the 2003 legislature on rental vehicles and accommodations.

¹¹ Nebraska Department of Revenue (402.471.5729). Nebraska has a 1% statewide lodging tax, a 2% maximum local lodging county tax if the population is less than 300,000 and 4% for larger counties. The statewide and local sales taxes do apply.

¹² Nevada Legislative Council Bureau (Russell Guindon, 775.684.6821). Nevada has a 1% statewide accommodations tax and county taxes that range from 5% to 11%.

¹³ New Hampshire Department of Revenue Administration (603.271.6121). New Hampshire has a statewide 8% tax on lodging with a maximum tax rate of 2% for local lodging taxes.

¹⁴ Oregon Department of Revenue (503.945.8113). The highest local lodging tax is in Troutdale (city 6.95% and county 5.5%).

¹⁵ Rhode Island Division of Taxation (401.222.2950). The statewide hotel tax of 5% is in addition to the 7% statewide sales tax.

¹⁶ South Dakota Department of Revenue and Regulation (605.733.3311). South Dakota has a 1% "Tourism Tax" on hotels and lodging establishments, campgrounds, recreational equipment rentals, recreational services, spectator events, visitor attractions and visitor intensive businesses. With the exception of visitor-intensive businesses (June-September), the tax applies for the full year. In addition, the 4% statewide sales tax and local bed tax on lodging of 3% do apply.

¹⁷ Texas State Comptroller's Office (512.936.6269). Apparently, Houston has the highest local rate with 6% statewide, 7% city, 2% county and 2% special district taxes. Statewide and local sales taxes do not apply.

¹⁸ Vermont Department of Taxes (802.828.2551). Vermont has a 9% tax on "rooms" with a local option "rooms" tax of 1%. Statewide and local sales taxes do not apply.

Alaska Department of Revenue – Tax Division

Table 3. Cruise Ship Port Fees in Selected U.S. Ports			
City/Port	Passenger Fees	Selected Port Fees	
		Docking	Other
CALIFORNIA			
Los Angeles	\$9.35 for passengers embarking/debarking, no charge for in-transit passengers	\$72-\$10,340	
San Diego	\$5 for passengers embarking/disembarking, \$4 for in-transit passengers	\$3.72/foot for 688 foot vessel	
FLORIDA			
Port Canaveral	\$1.30-\$5.05 depends on length of trip	\$2.10-\$9/foot	\$185-\$740/movement based on ship length and day of week
Port Everglades	\$6.20/each embark/disembark & in transit, multi-day cruises; \$1.41/each embark/disembark & in-transit, daily cruise (minimum 25 cruises/month)	\$0.167/GRT, multi-day cruises; \$0.077/GRT, daily cruise (minimum 25/month)	\$215-\$273/day harbormaster rate; \$226-\$490/movement line handler rate (tie ups)
Tampa Port Authority	\$5.75 embark/disembark & in-transit	\$4.36-\$7.982/foot length overall (LOA)	\$0.35/foot LOA harbormaster fees, \$250/service for line handling (+OT & holiday rates)
HAWAII			
Ports of Hawaii	\$2.50 embark/disembark	\$25-\$2,857/day/arbor, based on LOA and harbor	\$25-\$637.50 (based on overall length), port entry fee/harbor
MASSACHUSETTS			
Cruiseport Boston	\$8.50	\$2/foot, minimum \$1,200	
TEXAS			
Port of Galveston	\$4/passenger in-transit, \$4.25 for embark/disembark	\$1.91-\$9.74/foot	
Port of Houston	\$4/passenger for embark/disembark	\$5.60-\$10.62/foot based on LOA	harbor fee \$385/visit, wharf cleaning fee \$207/visit, line handling done by others
WASHINGTON			
Port of Seattle	\$5.50-\$6.00 embark/disembark for homeport vessels, \$6.00 embark/disembark, \$6.00 for in-transit	\$153-\$14,077/day based on LOA (90% of regular dockage fees)	

Alaska Department of Revenue -Tax Division

Table 4. Summary of Head Taxes in Caribbean Region, 2003

Destination	Head Tax (\$)	Incentives
Antigua/Barbuda	7.50	Incentives to \$6
Aruba	3.50	Incentives to \$2
Bahamas	15	Incentives to \$7.50, 2 nd port is free
Barbados	6	
Belize	5	
Bermuda ¹ -	60	Arrival Tax, regardless of length of stay
-	14	Per night, May through August
-	10	Per night, September through April
Bonaire	0	
British Virgin Islands	7	Incentives to \$2
Cayman Islands -	11.22	Seasonal
	9.27	Year-round
Costa Rica	2.50	
Curacao	3.50	Incentives to \$1.75
Dominica	5	Incentives to \$3
Dominican Republic	1	
Grenada	4.50	
Guadeloupe - Pointe-a-Pitre	1.85	
Jamaica - Ocho Rios	15	Incentives to \$8.50
- Montego Bay	13	Incentives to \$8.50
Martinique	0	
Mexico - Cozumel	3.85	
Nicaragua	2	
Panama	4.50	Rebates to \$12
Puerto Rico - San Juan	10.30	Incentives to \$8.50
St. Kitts	5	Incentives to \$3.50
St. Lucia	6.50	Incentives to \$6
St. Marten	5	
St. Vincent and the Grenadines	6	
Trinidad & Tobago	5	
U.S. Virgin Islands - St. Thomas	7.50	Fixed until 2006
- St. Croix	0	Fixed until 2006
Port Canaveral	5.05	In-transit
Port Everglades	6.62	In-transit
Key West	8	
Miami	7.25	In-transit
Palm Beach	4	In-transit
Tampa	5.75	In-transit

Source: Florida Caribbean Cruise Association

Alaska Department of Revenue - Tax Division

Table 5. 2003 Municipal Sales Tax Rates and Revenues

Municipality	Sales Tax	Revenues
1. Adak	3%	\$570,978
2. Aleknagik	5%	\$106,606
3. Ambler	3%	\$20,600
4. Angoon	3%	\$100,471
5. Aniak	2%	\$48,847
6. Bethel	5%	\$4,603,797
7. Brevig Mission	3%	\$29,146
8. Buckland	2%	\$24,231
9. Chefnak	2%	\$5,840
10. Chevak	3%	\$83,738
11. Clarks Point	5%	\$5,895
12. Cordova	6%	\$2,124,800
13. Craig	5%	\$1,231,647
14. Deering	3%	\$10,128
15. Dillingham	6%	\$1,838,724
16. Diomedea	3%	\$13,198
17. Eek	2%	\$21,400
18. Elim	2%	\$37,073
19. Emmonak	3%	\$122,902
20. False Pass	2%	\$82,598
21. Fort Yukon	3%	\$99,279
22. Galena	3%	\$150,000
23. Gambell	3%	\$65,989
24. Haines Borough	5.5%	\$1,899,249
25. Homer	3.50%	\$3,978,578
26. Hoonah	5%	\$374,101
27. Hooper Bay	4%	\$160,299
28. Hydaburg	4%	\$11,273
29. Juneau, City & Borough of	5%	\$29,739,796
30. Kake	5%	\$142,142
31. Kenai	3%	\$3,953,561
32. Kenai Peninsula Borough	2%	\$14,370,582
33. Ketchikan	3.5%	\$7,364,065
34. Ketchikan Gateway Borough	2%	\$4,832,084
35. Kiana	2%	\$24,937
36. King Cove	3%	\$926,188
37. Kivalina	2%	\$19,184
38. Klawock	5.5%	\$457,237
39. Kodiak	6%	\$7,003,452
40. Kotlik	3%	\$80,658
41. Kotzebue	6%	\$2,405,615
42. Koyuk	2%	\$28,948
43. Kwethluk	5%	\$91,607
44. Larsen Bay	3%	\$6,317
45. Manokotak	2%	\$24,807
46. Marshall	4%	\$52,845
47. Mekoryuk	2%	\$7,616
48. Mountain Village	3%	\$82,776

Alaska Department of Revenue – Tax Division

Table 5 (continued). 2003 Municipal Sales Tax Rates and Revenues

Municipality	Sales Tax	Revenues
49. Napakiak	2%	\$26,779
50. Nenana	4%	\$127,480
51. Newhalen	2%	NR
52. Nightmute	2%	\$9,687
53. Nome	4%	\$2,621,576
54. Nondalton	3%	\$692
55. Noorvik	3%	\$106,979
56. North Pole	3%	\$1,336,630
57. Nunam Iqua (Sheldon Point)	2%	\$4,185
58. Nunapitchuk	3%	\$38,238
59. Ouzinkie	3%	\$8,134
60. Palmer	3%	\$2,914,417
61. Pelican	4%	\$46,570
62. Petersburg	6%	\$2,312,188
63. Pilot Station	4%	\$58,166
64. Port Alexander	4%	\$13,475
65. Quinhagak	3%	\$70,150
66. St. Mary's	3%	\$106,347
67. St. Michael	4%	\$85,092
68. Saint Paul	3%	\$294,629
69. Sand Point	3%	\$338,881
70. Savoonga	3%	\$34,789
71. Saxman	3.50%	\$92,811
72. Scammon Bay	2%	\$26,700
73. Selawik	3%	\$74,991
74. Seldovia	2%/4.5%	\$116,133
75. Seward	3%	\$2,165,586
76. Shaktoolik	2%	\$30,000
77. Shishmaref	2%	NR
78. Shungnak	2%	\$16,910
79. Sitka, City & Borough of	5%	\$7,119,114
80. Skagway	4%	\$2,531,977
81. Soldotna	3%	\$5,232,283
82. Stebbins	3%	\$55,504
83. Tanana	2%	\$19,628
84. Teller	3%	\$18,523
85. Tenakee Springs	1%	\$6,612
86. Thorne Bay	5%	\$79,252
87. Togiak	2%	\$58,000
88. Toksook Bay	2%	\$22,365
89. Unalakleet	5%	\$253,717
90. Unalaska	3%	\$5,906,859
91. Wasilla	2%	\$6,497,070
92. White Mountain	1%	\$7,390
93. Whittier	3%	\$117,418
94. Wrangell	7%	\$1,761,568
95. Yakutat, City & Borough of	4%	\$588,561
TOTAL SALES TAX REPORTED		\$ 132,839,856
Source -- 2003 Alaska Taxable		

Alaska Department of Revenue –Tax Division

Table 6. Municipal and Alaska Ferry Transient Accommodations

Municipality	Rate (%)	Revenue (\$)	Tax Base (\$)	Tax Base (%)
1. Aleknagik*	5	6,574	131,480	0.0%
2. Angoon*	3	9,244	308,133	0.1%
3. Aniak	2	1,254	62,700	0.0%
4. Atka	10	3,957	39,570	0.0%
5. Bethel	3	77,250	2,575,000	0.9%
6. Bristol Bay Borough	10	57,244	572,440	0.2%
7. Cold Bay	8	16,536	206,700	0.1%
8. Cordova	6	54,418	906,967	0.3%
9. Denali Borough	7	1,233,331	17,619,014	6.1%
10. Dillingham	10	39,162	391,620	0.1%
11. Fairbanks	8	1,821,459	22,768,238	7.9%
12. Fairbanks North Star Bor.	8	1,305,822	16,322,775	5.6%
13. Haines Borough	4	101,683	2,542,075	0.9%
14. Juneau, City & Borough	7	940,000	13,428,571	4.6%
Kenai Peninsula Borough**	**	**	17,562,950**	6.1%
15. Ketchikan	6	273,338	4,555,633	1.6%
16. Ketchikan Gateway Bor.	4	32,771	819,275	0.3%
17. Klawock	6	29,196	486,600	0.2%
18. Kodiak	5	101,795	2,035,900	0.7%
19. Kodiak Island Borough	5	30,412	608,240	0.2%
20. Kotzebue	6	46,212	770,200	0.3%
21. Lake & Peninsula Bor.	6	117,639	1,960,650	0.7%
22. Matanuska-Susitna Bor.	5	676,780	13,535,600	4.7%
23. Municipality of Anchorage	8	11,007,248	137,590,600	47.5%
24. Nome	4	88,988	2,224,700	0.8%
25. Pelican	10	3,872	38,720	0.0%
26. Petersburg	4	33,077	826,925	0.3%
27. Port Alexander	6	1,688	28,133	0.0%
28. Port Lions	5	3,409	68,180	0.0%
29. Sand Point	7	3,194	45,629	0.0%
30. Seward	4	217,482	5,437,050	1.9%
31. Sitka, City & Borough	6	311,892	5,198,200	1.8%
32. Skagway	8	91,782	1,147,275	0.4%
33. Tenakee Springs	6	1,981	33,017	0.0%
34. Unalakleet	5	5,395	107,900	0.0%
35. Unalaska	5	125,792	2,515,840	0.9%
36. Valdez	6	256,803	4,280,050	1.5%
37. Wrangell***	***	***	***	***
38. Yakutat, City & Borough***	***	***	***	***
Alaska Ferries	N/A	N/A	4,695,000	1.6%
TOTAL BED TAX REPORTED		\$19,128,680	\$289,884,600	

*Used 2002 Alaska Taxable document for these two communities.

**Estimate of the bed tax base for the Kenai Peninsula Borough from Troy Tankersley (KPB, 2003) of \$23,000,000. KPB has a sales tax on accommodations. The KPB tax base is reduced by the Seward tax base to avoid double counting, since Seward has a separate accommodations tax.

***Wrangell is not included because it has a per night tax of \$4 and for Yakutat bed taxes were not separately reported.

Source: 2003 Alaska Taxable, the Kenai Peninsula Borough and the State Department of Transportation and Public Facilities.

Alaska Department of Revenue –Tax Division

Table 6a. Combined Sales and Bed Tax Rates

Municipality	Sales Tax	Bed Tax	Combined Rate
1. Aleknagik	5.0%	5.0%	10.0%
2. Angoon	3.0%	3.0%	6.0%
3. Aniak	2.0%	2.0%	4.0%
4. Bethel	5.0%	3.0%	8.0%
5. Cordova ¹	6.0%	6.0%	12.0%
6. Dillingham ²	6.0%	10.0%	10.0%
7. Haines Borough	5.5%	4.0%	10.0%
8. Juneau, City & Borough of ³	5.0%	7.0%	12.0%
9. Ketchikan	3.5%	6.0%	9.5%
10. Ketchikan Gateway Borough	2.0%	4.0%	6.0%
11. Klawock	5.5%	6.0%	11.5%
12. Kodiak	6.0%	5.0%	11.0%
13. Kotzebue ⁴	6.0%	6.0%	12.0%
14. Nome	4.0%	4.0%	8.0%
15. Pelican ⁵	4.0%	6.0%	10.0%
16. Petersburg	6.0%	4.0%	10.0%
17. Port Alexander	4.0%	6.0%	10.0%
18. Sand Point	3.0%	7.0%	10.0%
19. Seward	3.0%	4.0%	7.0%
20. Sitka, City & Borough of	5.0%	6.0%	11.0%
21. Skagway ⁶	4.0%	4.0%	8.0%
22. Tenakee Springs	1.0%	6.0%	7.0%
23. Unalakleet	5.0%	5.0%	10.0%
24. Unalaska	3.0%	5.0%	8.0%
25. Wrangell	7.0%	\$4/per night	**
26. Yakutat, City & Borough of	4.0%	4.0%	8.0%

** Combined rate for Wrangell unavailable because bed tax rate is a flat tax of \$4 per night.

¹Cordova's sales tax rate applies to lodging. Confirmed by telephone call to the city of Cordova (424-6200).

²In Dillingham the sales tax does not apply to lodging. Confirmed by telephone call to the city of Dillingham (842-5211).

³Juneau's sales tax rate applies to lodging. Confirmed by telephone call to the city of Juneau (Joan, 586-0362).

⁴Kotzebue's sales tax rate applies to lodging. Confirmed by telephone call to the city of Kotzebue (442-3401).

⁵According to both Betty and Carol at the city of Pelican, the bed tax is 6 percent and the sales tax is 4 percent for a combined rate of 10 percent. Alaska Taxable shows a bed tax rate of 10 percent and sales tax rate of 4 percent.

⁶Skagway's sales tax rate applies to lodging but total tax is 8 percent. Confirmed by telephone call to the city of Skagway (983-2854).

Caution: The source of the data is the 2003 Alaska Taxable document. Only those municipal codes with the highest combined sales tax and bed tax rates were checked (see footnotes).

Alaska Department of Revenue –Tax Division

Table 7. Cruise Ship Port Fees in Major Alaska Ports

City/Port	Cruise Ship Passenger Fees	Selected Port Fees		
		Docking	Lighting	Other
Dutch Harbor		\$150-\$3,000 for vessels under 800'. \$3,000 + \$3.75/foot for each foot over 800') rates for 12-hour period		3% tax on shore tours
Haines		\$0.60 to \$2.40/foot length over all (LOA) plus surcharge of \$0.15- \$0.60/foot	\$250/day	\$100/day for passenger accommodation ladder and 4% tax on shore tours
Juneau (City)	\$5	\$0.70-\$2.56/foot	\$374/24-hour period	\$25/hour for transfer bridge, \$0.23/net ton for port dues
Ketchikan (City)	\$4 docked passenger and \$2 lightered passenger	\$0.31-\$2.42/foot/day, depends on LOA and number of days	\$280	\$1.60-\$2.70/foot LOA for port development fee, \$30- \$125 for a monthly port access pass for vehicles
Seward (ARRC)	\$4.30 "service & facility charges"	\$1.30-\$3.50/foot, \$50 minimum	\$450/day	
Sitka		\$500/ship/day for use of lightering dock		
Skagway (City)		\$1 per passenger, \$125 minimum		
Skagway (White Pass)	\$6.40	\$250/day for vessels under 300'. \$500 for vessels 301'-400', and \$2.10/foot for vessels over 401'		
Valdez			\$100-\$2,568, depending on LOA	
Whittier (ARRC)	\$4.30 "service & facility charges"	\$1.30-\$3.50/foot, \$50 minimum	\$450/day	
Wrangell		\$0.75-\$1.50/foot		7% city sales tax on all fees

Source: Legislative Research Report 00.072, February 5, 2002, Page 10. Passenger fee data updated (2004) by Department of Revenue.

Notes and Sources: "Docking and lightering rates for 24-hour period, except as noted.

Dutch Harbor- Port of Dutch Harbor Terminal Tariff, Section 2, Items 225 & 272, and Jim Severns, Director, Port of Dutch Harbor.

Haines- Dave Gross, Harbormaster.

Juneau- Joe Graham, Port Director. Table shows Juneau's 2001 fees which expired on December 31, 2001 and are being renegotiated.

Ketchikan- Ketchikan Municipal Code, Section 12.08.100-110.

Seward- Dock tariff, Alaska Railroad Corporation (ARRC), Items 80, 180, 230, and Karen Morrissey, Director of Real Estate. The Seward dock is owned by the ARRC, and fees (including passenger fees) are established by and paid to the corporation.

Skagway- Lizzie Carlson, Assistant Clerk, City of Skagway, 907.938.2854, and Curt Dodd, Chief Financial Officer, White Pass & Yukon Railroad, 907.983.2214. The City of Skagway owns 1/3 of the Alaska Marine Highway dock and charges cruise ships for docking there. Most ships dock at the dock owned by the White Pass & Yukon Railroad, and the railroad sets the fees.

Valdez- Valdez port rates, Rule 3, Items 300-310, website <http://www.glenrate.com/valdez/t0000020.htm> (accessed January 28, 2002).

Whittier- Karen Morrissey, Director of Real Estate, January 24, 2002. The dock is owned by the ARRC and, according to the corporation, cruise ships have not docked in Whittier since the early 1990s when the City implemented a passenger fee in addition to the fee imposed by the ARRC.

Wrangell- Carol Rushmore, Economic Development Director, City of Wrangell.

2. Tax Division Budget Request

Tax Division

Corporate Audit Program Revitalization

Tax Division – Corporate Audit Program Revitalization

Outcome: Increased Tax Revenues over next five years (and beyond)

Strategy: Investment in Tax Division to produce additional tax revenues from out of state corporations

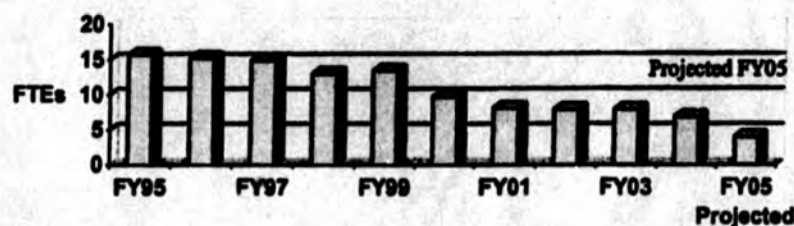
Target: An additional \$5 million a year in tax revenues by year 5 of the investment

Measure: Incremental revenues from enforcement activities

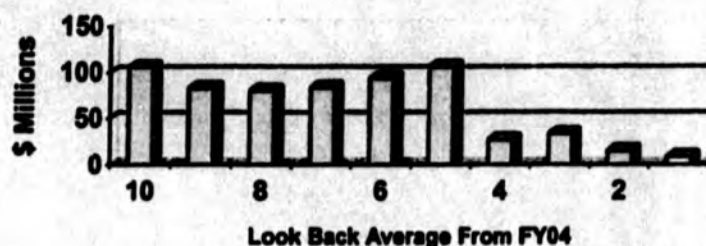
FY2006 Investment	Funding	
\$ 998.6 GF 8 FTEs	Personal Services	553.6
5 Revenue Auditors IIIs, Range 18	Travel	9.0
1 Economist II, Range 16	Contractual	400.0
1 Petroleum Economist I, Range 22	Supplies/Equip	36.0
1 Tax Technician III, Range 14	Total	998.6

Corporate Income tax has born the brunt of shifting resources to higher priorities. This is the first year of a five year plan to correct this imbalance.

Corporate Audit Effort



Corporate Audit Collections



Corporate audit effort has fallen 75% over 10 years as a result of budget pressures, resource diversion, and the inability to compete for experienced professionals. FY2005 audit effort will be at an all time low.

Tax Division – Corporate Audit Program Revitalization

This investment will allow the Tax Division to:

1. Hire and train auditors. Shift recruitment effort from the ineffective "hire knowledge" strategy to a "hire talent and train" strategy. The Tax Division can better compete for inexperienced but talented employees provided an effective training program exists. The Tax Division will contract with training experts in the field of federal and state taxation to develop a training program and materials that enable us to grow productive auditors internally from the labor pool in which we are more competitive.

The State's salary and benefit package has become uncompetitive for revenue auditors who have the experience and knowledge to perform corporate income tax audits. As a result, the division's efforts to recruit experienced corporate auditors have been unsuccessful. The Tax Division does not possess the capability to train inexperienced auditors. Auditors are diverted to research and legislative responsibilities. As a result, full time equivalent resources dedicated to audits of corporate income tax, the most impacted tax type, has declined to less than four FTEs. The Tax Division can no longer stay current with audits of Alaska's major oil and gas corporate income taxpayers. In addition, the Division needs to bolster its audit work in the fisheries and oil and gas production tax arenas.

2. Engage experts to identify and target strategies and opportunities targeting non-Alaskan corporations. The division would contract with multi-state and international tax experts to measure audit risk, identify audit targets, and recover lost revenue from abusive tax shelters through a combination of enforcement and amnesty programs targeting multi-state (non-Alaskan) corporations.
3. Actively coordinate with other state and federal agencies to identify and correct non-filers, abusive tax shelters, and common revenue recovery opportunities.
4. Leverage audit resources with Tax Technicians by re-establishing the compliance program to identify and correct non-filers and conduct targeted revenue producing projects using federal and state information exchanges and data mining technology.
5. Fill positions in the Oil and Gas Production tax and fisheries tax enforcement currently supported by audit staff. The Tax Division needs to invest efforts now in the Governor's development initiatives; in particular a project to bring Alaska's North Slope stranded gas to market. Hiring two additional economists will allow more analysis of appropriate tax structures, incentives and reforms to encourage natural resource development. Much of this work is now being performed by senior audit staff, and hiring additional economists will help in the effort to bolster audit hours.

3. Developing Species List

State of Alaska
Department of Revenue
www.state.ak.us

2004
Alaska Fisheries Business Tax Return
(Includes Seafood Marketing Assessment Return)



Contents
Instructions
Developing Commercial Fisheries List
Species Code List
Tax Return Forms
Processing Activity Schedules

Mailing Address
State of Alaska
Department of Revenue
Tax Division
PO Box 110420
Juneau, AK 99811-0420

2004 Alaska Fisheries Business Tax Return

INSTRUCTIONS FORM 04-574

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WHO MUST FILE?

Any person or business that has, or is required to have an Alaska Fisheries Business License under AS 43.75, including:

- Persons or businesses who processed fisheries resources in Alaska.
- Licensed fisheries businesses that had fisheries resources processed by a fisheries business in Alaska.
- Persons or businesses who bought frozen fisheries resources for resale or export from a person excluded from the fisheries business tax.
- Persons or businesses who transported unprocessed fisheries resources out of Alaska.
- Commercial fishers who process fisheries resources.

Examples of those required to file include canneries, cold storages, custom processors, commercial fishers who process their catch, freezer ships, and processing plants.

DUE DATE

To avoid interest and penalties, file and pay all tax due with this form on or before **March 31, 2005**.

WHAT'S NEW !

The Department of Revenue offers a Tax Online Payment System (TOPS). TOPS has replaced Alaska State Automated Payments (ASAP) system. You may make instant payments electronically or schedule your payment up to one year in advance. TOPS may be used to avoid wire transfer fees. Information and instructions are located at: <https://www.tax.state.ak.us/tops/>

Salmon Product Development and Utilization Tax Credits allow credit against fisheries business tax liability to encourage the development of salmon products and the utilization of salmon waste. The amount of the tax credit cannot exceed 50% of the taxpayer's fisheries tax liability for processing of salmon during the tax year. The credit will sunset on December 31, 2005. Unused credits earned may be carried forward for three years. Visit our website for more information.

IF YOU NEED HELP

If you have questions not addressed in these instructions, need more information, or require assistance, contact us:

Telephone: 907.465.3775

Email: fish_excise@revenue.state.ak.us

Website: www.tax.state.ak.us

AVOID COMMON MISTAKES

- If your company has one or more licenses, and the aggregate tax payment (including seafood marketing assessment) is greater than \$150,000, you must wire transfer funds or to avoid wire transfer fees use TOPS (online payment system). See Wire Transfer General Instructions.
- Enter your name and fisheries business license number as *they appear* on your 2004 Fisheries Business License. Sign and date the form before submission.
- Use the *correct schedules*. The Alaska Fisheries Business Tax Return contains separate schedules for each *processing* activity. Complete all schedules that correspond with your business processing activities for the year. See *Processing Activity Schedules*.
- Use the *correct processing location code* so that we can share your tax with the proper community. See *Alaska Fisheries Processing Location Code Maps and Directory*. (Note: your return is incomplete without all processing location codes.)
- If you received a Fisheries Business License for 2004, you *must file a return even if you had no activity for 2004*. Write "no processing or exporting" across the tax liability section on the front of the tax return, enter zeros on lines 1a through 1c, and sign at the bottom of the return. A *liability may still exist for Salmon Enhancement and Salmon Marketing taxes*.
- Remember to report and claim tax prepayments. The annual licensing fee of \$25 is not a tax prepayment.

2004 Alaska Fisheries Business Tax Return INSTRUCTIONS FORM 04-574

GENERAL INSTRUCTIONS

You may reproduce or photocopy the forms in this booklet as needed, or request additional forms from the department help desk. (See "If You Need Help" on Page 1) Forms are also available on our website at www.tax.state.ak.us.

Estimated Tax

Monthly estimated tax payments are mandatory for taxpayers that have elected and meet the requirements of AS 43.75.055(c). Those payments are due on or before the 15th day of the month following the month in which the tax liability for the payment of the taxes was incurred. Use Form 04-568. All other taxpayers may make voluntary estimated tax payments. Voluntary payments other than online payments and wire transfer payments must be accompanied by Form 04-574E.

Extension for Filing Return

If you need an extension for filing your return, contact the Alaska Department of Revenue. An application for extension must be submitted to the department no later than 15 calendar days before the return is due. Note: An extension of time to file is not an extension of time to pay taxes. You must remit full tax payment by the March 31 tax due date.

Wire Transfer Requirement

If your company has one or more licenses and your aggregate tax payment (including seafood marketing assessment) is greater than \$150,000, you must wire transfer the funds (to avoid wire transfer fees use TOPS located at: www.tax.state.ak.us)

Notify the State of Alaska, Treasury Division regarding the particulars of the transfer the day before the wire transfer is to be made either by fax at 907.465.4019 or via e-mail to cashmgmt@revenue.state.ak.us.

Wire payments to:

State Street Bank & Trust Company
225 Franklin Street
Boston, MA 02110
ABA #011000028

Credit: State of Alaska General Investment Fund, AY01
Account #00657189

Additional Wire Transfer Information: *Instruct your bank to indicate your Federal EIN and note that the payment is for fisheries business tax in the OBI (other bank information) field on the wire transfers.*

TOPS (Tax Online Payment System)

The Department of Revenue offers a Tax Online Payment System (TOPS). You may make instant payments electronically or schedule your payment weeks or months in advance. Information and instructions are available at: <https://www.tax.state.ak.us/tops/>

Penalties for Failure to File or Pay

A penalty will be assessed for failure to timely file the return or failure to timely pay the tax. Each penalty is computed at 5% per 30-day period or fraction of a period up to a maximum of 25% on the tax not paid by the payment due date.

Interest Rates on Tax Due

The current interest rate is 11%, compounded quarterly.

Amended Returns

To correct a previously filed Form 04-574, check the amended box in the upper right corner of the return and attach a statement explaining the reason for the amendment. Complete the entire form using the corrected amounts.

PROCESSING ACTIVITY SCHEDULES

The Alaska Fisheries Business Tax Return (Form 04-574) contains a separate schedule for each processing activity. The forms you need depend on your business activities. Refer to the following schedule descriptions to determine which forms you must complete with your return.

Schedule 1 – Caught and Processed

Use this schedule to report fisheries resources your company caught and processed. Use the correct processing location code. Note: If you are a fisher who catches and processes fisheries resources on your boat and the total taxable value of fisheries resources does not exceed \$50,000, you may qualify to use the Catcher Processor Combined Fisheries Tax Return, Form 04-570.

Schedule 2 – Purchased and Processed

Use this schedule to report fisheries resources your company purchased and processed. Include fisheries resources that were purchased from fishermen claiming exclusion from the fisheries business tax. Use the processing location code assigned to the area where the processing took place.

Schedule 3 – Transported Unprocessed

Use this schedule to report fisheries resources transported unprocessed outside the taxing jurisdiction of Alaska. You must include the name and address of purchaser for each fishery resource transported unprocessed.

Schedule 4 – Custom Processing by Others

Use this schedule to report fisheries resources that were custom processed for your company by another fisheries business in Alaska. Use the processing location code assigned to the area where the processing took place.

2004 Alaska Fisheries Business Tax Return INSTRUCTIONS FORM 04-574

Schedule 5 – Custom Processing for Others

Use this schedule to report fisheries resources your company custom processed for someone not licensed as a fisheries business in Alaska. Use the processing location code assigned to the area where the processing took place.

Schedule 6 – Custom Processor Information

Use this schedule to report established and developing fisheries resources your company custom processed for another licensed fisheries business.

Schedule 7 – Sold Unprocessed in Alaska

Use this schedule to report all fisheries resources sold unprocessed inside the state by your company.

Schedule 8 – Pounds Discarded

Use this schedule to report all established and developing resources that were reported by your company to the Alaska Department of Fish and Game as discarded.

PROCESSING LOCATION CODES

Fisheries Business Tax is shared with organized boroughs and incorporated cities within the State of Alaska. Each processing area or incorporated city has an assigned code and maps are provided to help identify the correct location code to use. A complete directory of maps is included in the Alaska Fisheries Processing Location Code Maps and Directory. This booklet is available on our website at www.tax.state.ak.us or you may request a copy from the Shared Tax Coordinator at 907.465.3776.

If fisheries resources were:

- Processed within the city limits of an incorporated city in Alaska, use the location code of that incorporated city.
- Processed in an area that is not within the city limits of an incorporated city, use the location code for that area.
- Exported unprocessed outside of Alaska, use location code 8888.

Enter one location code in the assigned block for each completed line entry. If you processed the same species in more than one of the coded areas or incorporated cities, use a separate line for each location. Note that your return is incomplete if you leave out the processing location code.

OTHER FORMS

Form 04-578 -Alaska Seafood Marketing Assessment

The Seafood Marketing Assessment is computed on the aggregate value of all seafood resources. If you have one or more fisheries business licenses, you are required

Form 04-574 (Rev. 12/04)

to file only one seafood marketing assessment return for the aggregate total value. Persons or businesses that produce *more than \$50,000* of seafood resources in Alaska must pay this tax.

Form 04-584 Fisheries Business Tax Exclusions

Complete this form only if you are a fisher claiming exclusion from payment of the fisheries business tax for fisheries resources frozen aboard a fishing vessel and sold to a licensed processor. You are responsible for the tax on all fisheries resources that are exported or that are processed and sold to someone that is not a licensed fisheries business.

Form 04-585 Alaska Fisheries Business Report of Bonus or Other Additional Payments

Complete this form if you make additional payments or pay bonuses related to fisheries activity previously reported on your 2004 Fisheries Business Tax Return (schedules 1-5 are required).

Form 04-586 Seafood Marketing Assessment Report of Bonus or Other Additional Payments

Complete this form if you make additional payments or pay bonuses related to fisheries activity previously reported on your 2004 Seafood Marketing Assessment return.

Forms 04-585 and 04-586 (described above) should be submitted to the department along with tax due no later than the last day of the month following the month in which the payments were made. *If you make additional payments before filing your fisheries business return, you should include those payments as part of the values reported on your fisheries business tax return (Form 04-574).*

Schedule SPDU - Salmon Product Development and Utilization Credit

Complete this form if qualified for the Salmon Product Development and Utilization Credit. Forms and instructions are in a separate booklet available on our website at www.tax.state.ak.us.

Salmon Product Development Credit applies to investment in new equipment used to develop value added salmon products. The credit is 50% of a qualified investment in new property.

Salmon Utilization Credit applies to investment resulting in full utilization of salmon waste. A taxpayer may claim a salmon utilization tax credit up to 50% of the amount of qualified expenditure in the state for full utilization of salmon.

Limitations. Salmon Product Development and Utilization credits claimed may not exceed 50% of the tax

2004 Alaska Fisheries Business Tax Return INSTRUCTIONS FORM 04-574

liability for salmon. An investment for which credit is claimed under one salmon credit may not be used to claim a credit under the other credit.

The salmon credit may not be taken by a taxpayer in arrears in the payment of assessments under AS 16.51.120, (Alaska Seafood Marketing), contributions under AS 23.20, (unemployment insurance), or taxes or assessments collected or owed under AS 43 (including but not limited to Fishery Business, Salmon Enhancement/Salmon Marketing, etc.).

TAX CREDIT SCHEDULES

Schedule WB - A.W. "Winn" Brindle Scholarship is a tax credit for contributions made during the tax year to the A.W. "Winn" Brindle Memorial Scholarship. The credit is limited to 5% of the business tax liability.

Schedule EC - Education Credit is a tax credit for cash contributions accepted for direct instruction, research and educational support purposes, including library and museum acquisitions. Contributions accepted for endowment purposes are also eligible for the credit. The contributions must be given to a regionally accredited, public or private nonprofit, two or four-year college or university foundation in Alaska. The credit is subject to the limitations described below.

Limitations. The Education Credit is limited to 50% of contributions of not more than \$100,000; and 100% of the next \$100,000 of contributions.

Taxpayers that are claiming this credit should attach a schedule showing their computations and enter the total credit claimed on line 4 of Schedule EC.

The total contributions qualifying for this credit (line 1 of Schedule EC) cannot be claimed as charitable contribution deduction. Contributions claimed as a credit on this return may not be claimed as a credit against other state taxes.

Complete only one schedule. If your fisheries business files more than one return, use schedules WB and EC for only one return.

DEFINITIONS

Processing means any activity, which modifies the physical condition of a fisheries resource, including butchering, freezing, salting, cooking, canning, dehydrating, or smoking. Processing does not include decapitating shrimp, and gutting, gilling, sliming, or icing a fisheries resource solely for the purpose of maintaining the quality of the fresh resources. The removal, rinsing and icing of salmon roe is also not considered processing.

Value means the market value of the fisheries resource if taking of the fisheries resource is done in company-owned or company-subsidized boats operated by employees of the company or in boats that are operated under lease to or from the company or other arrangement with the company and if the fisheries resource is delivered to the company.

For fisheries resources other than those described above, the value of fisheries resources processed is generally the value of the price paid to the fisher for the fisheries resources. This includes, but is not limited to, indirect consideration and bonus amounts paid for fuel, supplies, gear, tender fees, ice, handling, or delivery, either at the time of purchase of the resources or tendered as a deferred or delayed payment.

PAYMENT CONDITIONS AND ELECTRONIC TRANSFER

PAYMENT

Checks must be made payable to the Alaska Department of Revenue. Payment should be submitted with the appropriate return and must be identified by name, address, tax year and Social Security Number or Federal Employer Identification Number (EIN).

The Department of Revenue offers a Tax Online Payment System (TOPS). You may make instant payments electronically or schedule your payment up to one year in advance. Information and instructions are available on our Website at:
<https://www.tax.state.ak.us/tops/>

MAIL RETURN AND TAX PAYMENT TO

Alaska Department of Revenue
Tax Division
PO Box 110420
Juneau, AK 99811-0420

State of Alaska
2004 Fisheries Business Tax Return
Developing Commercial Fisheries List

Effective January 1 - December 31, 2004

Developing commercial fisheries are taxed at a lower rate than established commercial fisheries. A developing commercial fishery is one that has been so designated by the Alaska Department of Fish and Game (AS 16.05.050(11)). Below is a list of fish and shellfish species considered to be developing commercial fisheries.

CAUTION: Please make sure that any species you list on the 2004 Developing Schedules 1-5 are included in the list below. Species not listed are considered to be established commercial fisheries and must be reported on the 2004 Established Schedules 1-5.

If you claim any species on the Developing Schedules 1-5 that are not included in the list below, your return may be adjusted to reflect the higher tax for established commercial fisheries.

Developing Statewide

Aquatic plants
 Arrowtooth flounder

Hagfish
 Lamprey
 Sandfish

Snails (except abalone)
 Squid

Developing in Certain Areas

Alaska Mackerel

Developing species in the Aleutian Islands (in NMFS statistical areas 541, 542 and 543), jig gear only.

Abalone

Developing in all waters except the Southeast/Yakutat Area (5 AAC 38.100).

Black Rockfish

Developing in the Westward Region only west of 164° 44' W Long. and in Southeast (5 AAC 28.100). Black Rockfish are established in Cook Inlet.

Clams

Developing in all waters except hardshell and razor clams are established in the Cook Inlet Area (5 AAC 38.300) and geoduck clams are established in Southeast Alaska (5 AAC 38.100).

Corals

Established in all areas. No commercial fisheries for corals are allowed.

Crab (except Dungeness, *C. bairdi* and *C. opilio* tanner, hair crab, red, blue, and brown king crab) developing in all waters, unless otherwise noted.

King Crab (Red Blue and Golden(brown))

Developing in the St Lawrence Island section of the Bering Sea (5 AAC 34.905(3)).

Flatfish (flounder and sole)

Developing in all waters except in Southeast (5 AAC 8.105(1)(2)(3)). Yellow Fin, Turbot and Rock Sole are established statewide.

Freshwater Finfish, all species

Developing in all waters, except that eulachon smelt fisheries permitted in Prince William Sound and Southeastern Alaska are established.

Halibut

Developing in section 4D-N (St. Lawrence).

Herring, food and bait

Developing in the following waters:

- (1) Chignik (5 AAC 27.550)
- (2) Alaska Peninsula - Aleutian Islands (5 AAC 27.600), except for the Eastern Aleutians Area comprised of the Unimak, Akutan, and Unalaska Districts and that portion of the Umnak District East of Samalga Pass where fisheries are established.

Developing in the Bering Sea and Chukchi sea area waters only in the following districts:

- (1) Port Clarence Districts; (5 AAC 27.905(c))
- (2) Kotzebue District (5 AAC 27.905(d)).

Herring, sac roe

Developing in the Kuskokwim, Bering Sea and Chukchi Sea area waters only in the following districts.

- (1) Port Clarence Districts; (5 AAC 27.905(c))
- (2) Kotzebue District (5 AAC 27.905(d))
- (3) Nunivak District (5 AAC 27.875(d)).
- (4) Norton Sound District (5 AAC 27.905 (b))

Lingcod

Developing in all waters except Southeast (5 AAC 28.105(1)(2)(3)), Prince William Sound (5 AAC 28.200), and Cook Inlet (5 AAC 28.300).

Octopus

Developing in all waters, except octopi are established in the Cook Inlet area (5 AAC 38.300)

Other groundfish (general)

Developing in all waters except as noted above, and excluding pollock, Pacific cod, sablefish, halibut, yellowfin sole, Greenland turbot, rock sole and forage fish species which are established statewide.

Rockfish (Except Black Rockfish)

Developing in all waters except in Prince William Sound (5 AAC 28.200), Cook Inlet (5 AAC 28.300), and the Gulf of Alaska including Southeast (5 AAC 28.100, 5 AAC 28.400, 5 AAC 28.500, and 5 AAC 28.550).

Pacific ocean perch

Developing in all waters except the Gulf of Alaska (5 AAC 28.100, 5 AAC 28.400, 5 AAC 28.500, 5 AAC 28.550) and Bering Sea-Aleutian Islands (5 AAC 28.600, 5 AAC 28.700).

Salmon

Chum: Developing in the Norton Sound/Port Clarence area (5 AAC 04.200 (a) (b) (4) (5) (6)) and Kotzebue Area (5 AAC 03.100).

Pink: Developing in the Alka/Amlia Island area (5 AAC 11.100), and the Arctic-Yukon-Kuskokwim Region (5 AAC 03.100, 5 AAC 04.100, 5 AAC 05.100, and 5 AAC 07.100).

Sea Cucumber

Developing in the waters of the Westward Region statistical area "J" west of 159° west longitude (5 AAC 38.400)

Sea Urchin

Green sea urchin: Developing in all waters, except in Cook Inlet area (5 AAC 38.300).

Red sea urchin: Developing in all waters, except in the Cook Inlet area (5 AAC 38.300) and Southeast area (5 AAC 38.100).

Shrimp (pot gear)

Developing in the Westward Region (Kodiak, Alaska Peninsula/Aleutian Island area (5 AAC 31.500)). Pot Shrimp fisheries are established in the Southeast area (5 AAC 31.100), Prince William Sound (5 AAC 31.200) and Cook Inlet (5 AAC 31.300).

Shrimp (all types of trawl gear)

Developing in the Bering Sea waters north of latitude 54° 36'.

Sidestriped shrimp are established for trawl gear in Prince William Sound.

Species Code List for Fisheries Business
Use this list when completing schedules for your return.

Species Code	Common Name	Species Code	Common Name
860	abalone	129	flounder, starry
521	arctic char (anadromous)	610	grayling
520	arctic char (general)	193	greenling, atka mackerel
522	arctic char (nonanadromous)	190	greenling, general
630	blackfish	194	greenling, kelp
855	blue mussel	191	greenling, rock
590	burbot	192	greenling, whitespot
810	clam, butter	213	grenadier (rattail)
820	clam, cockle	100	groundfish, general
842	clam, eastern softshell	212	hagfish, pacific
849	clam, general (deadloss)	200	halibut
815	clam, geoduck	230	herring byproducts
840	clam, little-neck	233	herring, bait
830	clam, razor	235	herring, food
812	clam, surf	231	herring, roe on kelp
260	cod, longfin	232	herring, roe only
110	cod, pacific (gray)	234	herring, with sac roe
899	coral	570	inconnu (sheefish)
922	crab, blue king	650	lake chub
927	crab, blue king (deadloss)	601	lamprey, arctic
900	crab, box	603	lamprey, brook
909	crab, box (deadloss)	600	lamprey, pacific
923	crab, brown king	602	lamprey, river
928	crab, brown king (deadloss)	130	lingcod
910	crab, dungeness	640	longnose sucker
919	crab, dungeness (deadloss)	870	octopus
920	crab, king (general)	880	oysters
929	crab, king (general, deadloss)	141	perch, pacific ocean
940	crab, korean horsehair	500	pike, northern
949	crab, korean horsehair (deadloss)	270	pollock (whiting)
951	crab, multispina	970	pollock (whiting—CDQ)
921	crab, red king	97	prowfish
926	crab, red king (deadloss)	142	rockfish, black
924	crab, scarlet king	167	rockfish, blue
925	crab, scarlet king (deadloss)	137	rockfish, bocaccio
937	crab, tanner (bairdi, deadloss)	146	rockfish, canary
930	crab, tanner (general)	149	rockfish, china
939	crab, tanner (general, deadloss)	138	rockfish, copper
938	crab, tanner (opilio, deadloss)	159	rockfish, darkblotched
931	crab, tanner, bairdi	154	rockfish, dusky
933	crab, tanner, grooved	135	rockfish, greenstripe
932	crab, tanner, opilio	136	rockfish, northern
934	crab, tanner, triangle	139	rockfish, other
953	crab, verrilli	147	rockfish, quillback
531	dolly varden (anadromous)	140	rockfish, red
530	dolly varden (general)	153	rockfish, redbanded
532	dolly varden (nonanadromous)	158	rockfish, redstripe
210	eels or eel-like fish	150	rockfish, rosethorn
118	flatfish, deep water	151	rockfish, rougheye
119	flatfish, shallow water	166	rockfish, sharpchin
133	flounder, alaska plaice	152	rockfish, shortraker
121	flounder, arrowtooth	157	rockfish, silvergray
120	flounder, general	143	rockfish, thornyhead (idiots)

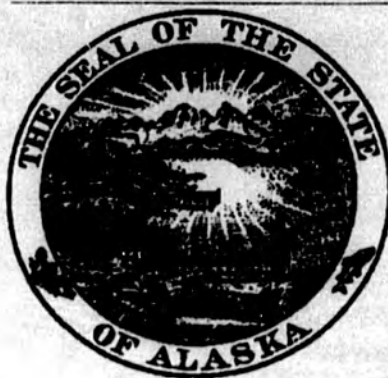
Species Code List for Fisheries Business

Use this list when completing schedules for your return.

Species Code	Common Name	Species Code	Common Name
148	rockfish, tiger	700	skate, general
168	rockfish, unspecified demersal	516	smelt, capelin
169	rockfish, unspecified pelagic	511	smelt, eulachon
144	rockfish, unspecified slope	510	smelt, general
156	rockfish, widow	512	smelt, longfin
145	rockfish, yelloweye (red snapper)	514	smelt, pond
175	rockfish, yellowmouth	513	smelt, rainbow
155	rockfish, yellowtail	515	smelt, surf
710	sablefish (blackcod)	890	snails
999	salmon byproducts	126	sole, butter
401	salmon roe, chinook	124	sole, dover
405	salmon roe, chum	128	sole, english
403	salmon roe, coho	122	sole, flathead
404	salmon roe, pink	131	sole, petrale
402	salmon roe, sockeye	125	sole, rex
410	salmon, chinook	123	sole, rock
411	salmon, chinook under 21 in.	132	sole, sand
450	salmon, chum	127	sole, yellowfin
430	salmon, coho	875	squid, california market
490	salmon, groundfish bycatch	661	stickleback, ninespine
440	salmon, pink	660	stickleback, threespine
400	salmon, roe (unspecified)	680	sturgeon, general
420	salmon, sockeye	681	sturgeon, green
170	sardine, pacific (pilchard)	683	sturgeon, siberian
220	saury, pacific	682	sturgeon, white
852	scallop, (deadloss)	250	tomcod, pacific
851	scallop, pink (or calico)	670	trout perch
850	scallop, weathervane	555	trout, brook
161	sculpin, coastrange	561	trout, cutthroat (anadromous)
163	sculpin, fourhorn	560	trout, cutthroat (general)
160	sculpin, general	562	trout, cutthroat (nonanadromous)
164	sculpin, prickly	550	trout, lake
165	sculpin, ruffle	541	trout, rainbow
162	sculpin, slimy	540	trout, steelhead
895	sea cucumber	720	tuna, albacore
896	sea urchin	134	turbot, greenland
180	shad	101	waste fish (from trawl shrimp)
689	shark, general	584	whitefish, arctic cisco
690	shark, salmon	585	whitefish, bering cisco
691	shark, spiny dogfish	588	whitefish, broad
969	shrimp, (general, deadloss)	580	whitefish, general
964	shrimp, coonstripe	589	whitefish, humpback
960	shrimp, general	583	whitefish, least cisco
963	shrimp, humpy	587	whitefish, pygmy
961	shrimp, pink	586	whitefish, round
962	shrimp, sidestripe	211	wrymouths
965	shrimp, spot		

4. Shared Taxes and Fees Report

STATE OF ALASKA
DEPARTMENT OF REVENUE
Tax Division



Fiscal Year 2004
SHARED TAXES AND FEES
ANNUAL REPORT

Now on the internet at:
www.tax.state.ak.us

Frank Murkowski
Governor

William A. Corbus
Commissioner

2004

This annual report gives an overview of shared tax and fee programs administered by the Department of Revenue and reports current and historical amounts shared to municipalities in Alaska. This report also includes highlights and other information related to these programs.

The information included in this report covers fiscal year 2004 which ended June 30, 2004.

Introduction

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

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

<i>Tax Type</i>	<i>Statutory Reference</i>	<i>Share %</i>
Aviation Motor Fuel	43.40.010	60%
Electric Cooperative	10.25.570	100%
Fisheries Business	43.75.130	50%
Fishery Resource Landing	43.77.060	50%
Telephone Cooperative	10.25.570	100%
<i>License Fee Type</i>		
Liquor License	04.11.610	100%

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

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FY 2004 in Retrospect

Shared taxes and fees increased for the first time since fiscal year 2000. For fiscal year 2004, the increase from the previous year was \$3.8 million. The majority of the increase is attributed to the increase in fisheries taxes collected in this fiscal year; higher values of salmon, halibut, shellfish and ground fish were reported. Amounts shared under other tax and license fee programs for fiscal year 2003 were consistent with previous years.

The Department of Revenue shared taxes and fees with 123 communities throughout Alaska and the Department of Community and Economic Development (DCED). Municipalities and boroughs receiving the largest combined amount of shared taxes and fees for FY 2004:

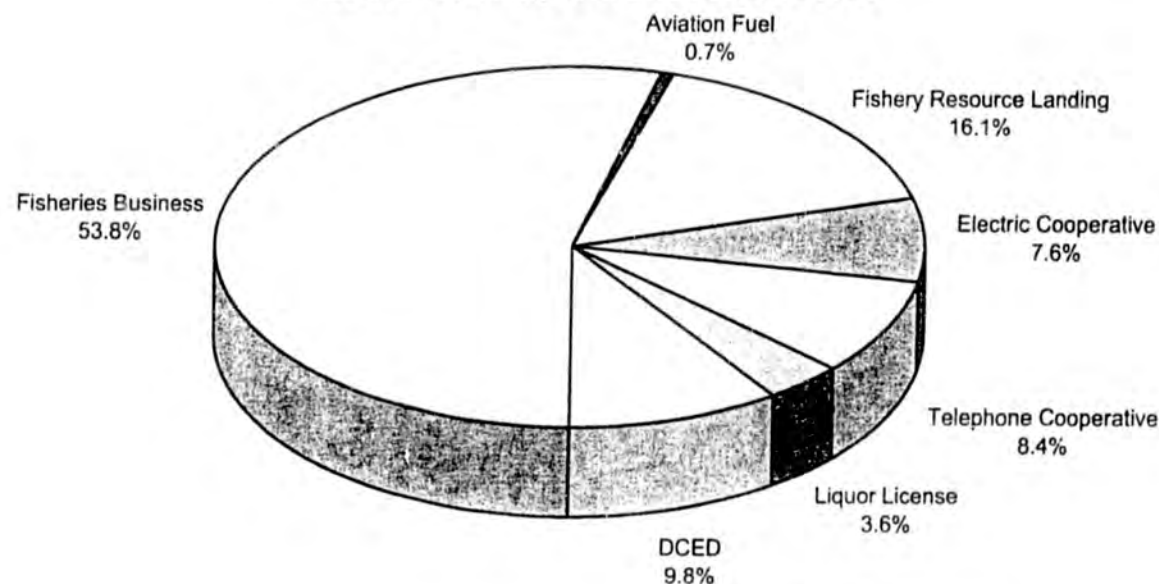
Top Municipalities:

Unalaska	\$ 6,870,075
Anchorage	1,395,392
Aleutians East Borough	1,380,437
Kenai Peninsula Borough	851,275
Kodiak Island Borough	743,410
Others	<u>10,010,137</u>
	21,250,726

Additional sharing through DCED	<u>2,301,684</u>
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Total	<u>\$ 23,552,410</u>
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Chart 1 - Summary of Shared Taxes and Fees



-- Prior Year Comparison --

Tax Type	FY 2004		FY 2003		FY 2002	
	Share Amount	% of Total	Share Amount	% of Total	Share Amount	% of Total
Fisheries Business	\$12,672,941	53.8%	\$10,806,426	55.2%	\$11,158,745	52.8%
Fishery Resource Landing	3,781,803	16.1%	2,628,023	13.4%	4,313,979	20.4%
Telephone Cooperative	1,981,543	8.4%	1,709,074	8.7%	1,283,540	6.1%
Electric Cooperative	1,794,011	7.6%	1,752,988	8.9%	1,719,948	8.1%
Liquor License Fees	855,450	3.6%	840,700	4.3%	861,750	4.1%
Aviation Motor Fuel	164,978	0.7%	169,600	0.9%	158,781	0.7%
Subtotal	\$21,250,726	90.2%	\$17,906,811	91.4%	\$19,496,743	92.2%
Additional Sharing w/DCED:						
Fisheries Business	1,725,251	7.3%	1,362,651	7.0%	1,396,076	6.6%
Fishery Resource Landing	576,433	2.5%	321,440	1.6%	256,648	1.2%
Subtotal	\$2,301,684	9.8%	\$1,684,091	8.6%	\$1,652,724	7.8%
Grand Total	\$23,552,410	100%	\$19,590,902	100%	\$21,149,467	100%

Table 1
Summary of Shared Taxes and Fees by Municipality

Municipality	FY 2004	FY 2003	Difference
Anchorage	\$1,395,392	\$1,352,032	\$43,360
Juneau	362,250	359,273	2,977
Sitka	494,506	383,869	110,637
Total Municipalities	2,252,148	2,095,174	156,974
Borough			
Aleutians East	1,380,437	1,233,959	146,478
Bristol Bay	528,641	463,154	65,487
Denali	51,647	52,462	(815)
Fairbanks North Star	254,464	282,104	12,360
Haines	99,971	125,351	(25,380)
Kenai Peninsula	851,275	707,102	144,173
Ketchikan Gateway	376,252	276,871	99,381
Kodiak Island	743,410	645,835	97,575
Lake and Peninsula	113,987	89,347	24,640
Matanuska-Susitna	695,000	697,648	(2,648)
North Slope	246,673	172,785	73,888
Northwest Arctic	9,130	691	8,439
Yakutat	58,842	98,050	(39,208)
Total Boroughs	5,449,729	4,845,359	604,370
City			
Adak	388,450	364,304	24,146
Akhiok	8	31	(23)
Akutan	643,898	599,706	44,192
Alakanuk	857	779	78
Aleknagik	2,008	1,017	991
Amblar	7,776	555	7,221
Anderson	5,554	5,619	(65)
Anvik	206	202	4
Atka	24,465	19,337	5,128
Barrow	22,487	22,977	(490)
Brevig Mission	388	358	30
Buckland	9,928	0	9,928
Chefornak	19	40	(21)
Chevak	1,139	1,015	124
Chignik	76,649	52,316	24,333
Chuathbaluk	97	86	11
Clark's Point	639	1,551	(912)
Coffman Cove	4,222	1,099	3,123
Cold Bay	2,724	4,816	(2,092)
Cordova	520,899	458,468	62,431
Craig	24,212	18,384	5,828
Deering	5,019	0	5,019
Delta Junction	5,877	4,814	1,063
Dillingham	167,371	142,501	24,870

Table 1
Summary of Shared Taxes and Fees by Municipality

City	FY 2004	FY 2003	Difference
Eek	326	319	7
Egegik	36,409	35,674	735
Elim	601	592	9
Emmonak	5,127	1,206	3,921
Fairbanks	200,666	206,284	(5,618)
False Pass	0	6,058	(6,058)
Fort Yukon	0	1,500	(1,500)
Galena	2,500	1,500	1,000
Gambell	823	819	4
Goodnews Bay	308	322	(14)
Grayling	249	239	10
Holy Cross	337	345	(8)
Homer	207,514	133,368	74,146
Hoonah	137,652	97,241	40,411
Hooper Bay	1,191	1,140	51
Houston	13,595	9,078	4,517
Huslia	413	432	(19)
Hydaburg	2,106	1,741	365
Kake	32,731	0	32,731
Kaltag	319	340	(21)
Kasaan	161	1,199	(1,038)
Kenai	137,738	107,810	29,928
Ketchikan	184,725	173,958	10,767
Kiana	11,297	679	10,618
King Cove	328,953	215,092	113,861
Kivalina	10,249	553	9,696
Klawock	6,416	1,516	4,900
Kobuk	3,822	0	3,822
Kodiak	655,224	525,802	131,422
Kotzebue	137,290	10,031	127,259
Koyuk	629	552	77
Larsen Bay	28,060	24,372	3,688
Lower Kalskag	268	265	3
Manokotak	1,668	1,682	(14)
Marshall	511	508	3
McGrath	5,500	4,000	1,500
Mekoryuk	2,023	2,967	(944)
Mountain Village	1,265	1,215	50
Nenana	8,172	7,352	820
New Stuyahok	605	564	41
Newhalen	241	250	(9)
Nightmute	256	233	23
Nome	26,934	23,788	3,146
Nondalton	317	324	(7)
Noorvik	14,856	992	13,864
North Pole	61,868	59,673	2,195
Nulato	527	532	(5)
Nunapitchuk	539	509	30

Table 1
Summary of Shared Taxes and Fees by Municipality

City	FY 2004	FY 2003	Difference
Old Harbor	337	745	(408)
Palmer	144,774	151,574	(6,800)
Pelican	8,487	48,548	(40,061)
Petersburg	552,967	476,492	76,475
Pilot Point	0	4	(4)
Pilot Station	820	819	1
Port Alexander	2	482	(480)
Port Lions	526	520	6
Quinhagak	8,277	4,592	3,685
Russian Mission	375	377	(2)
Saint George	1,500	0	1,500
Saint Mary's	864	804	60
Saint Michael	650	565	85
Saint Paul	353,227	336,290	16,937
Sand Point	201,048	147,379	53,669
Savroonga	908	874	34
Scammon Bay	486	492	(6)
Selawik	15,903	1,243	14,660
Seldovia	3,500	5,716	(2,216)
Seward	332,753	266,040	66,713
Shageluk	184	183	1
Shaktoolik	408	392	16
Shishmaref	857	776	81
Shungnak	6,771	691	6,080
Skagway	12,650	4,550	8,100
Soldotna	41,812	42,826	(1,014)
Stebbins	650	653	(3)
Tanana	0	1,500	(1,500)
Tenakee Springs	224	0	224
Togiak	39,258	7,589	31,669
Toksook Bay	1,850	1,576	274
Unalakleet	2,829	1,890	939
Unalaska	6,870,075	5,381,214	1,488,861
Upper Kalskag	299	294	5
Valdez	399,684	316,922	82,762
Wales	287	276	11
Wasilla	236,756	244,151	(7,395)
Whittier	46,122	66,588	(20,466)
Wrangell	72,856	88,060	(15,204)
Total Cities	13,548,849	10,966,278	2,582,571
Grand Total	<u>\$21,250,726</u>	<u>\$17,906,811</u>	<u>\$3,343,915</u>

Shared Taxes and Fees Overview

Tax Program	Description	Sharing Cycle		FY 2004 Statistics	
		Disbursal Date	Period	Tax Shared	Total Municipalities
Aviation Motor Fuel Tax <i>AS 43.40.010</i>	60% of aviation motor fuel taxes collected at a municipally owned and operated, or leased and operated, airport, less costs for collection, are shared with the municipality. The Tax Division allocates the amounts to municipalities based on informational schedules of sales activity at the municipal airport filed by fuel sellers	July	Preceding Fiscal Year	\$ 164,978	8
Electric Cooperative Tax <i>AS 10.25.570</i>	100% of electric cooperative taxes are shared to cities or organized boroughs where the revenue was earned. Electric cooperative taxes are based on kilowatt-hours sold by qualified electric cooperatives recognized under AS 10.25.020	July	Preceding Fiscal Year	\$ 1,794,011	79
Fisheries Business Tax <i>AS 43.75.130</i>	50% of fisheries business taxes are shared with the municipalities where fishery resources were processed. Taxes are shared as follows: 1) If processing occurred within an incorporated city, which is not located within an organized borough, 50% of the tax collected is shared with the city 2) If processing occurred in an incorporated city, which is located within an organized borough, 25% of the tax collected is shared with the city and 25% of the tax is shared with the borough 3) If processing occurred at a location within an organized borough but not within an incorporated city, 50% of the tax collected is shared with the borough 4) If processing occurred in the unorganized borough, 50% of the tax is shared with municipalities statewide through an allocation program administered by DCED. The amount of FY 2004 fisheries business tax subject to allocation by DCED was \$1,725,251.	August	Preceding Fiscal Year	\$ 12,672,941	57
Fishery Resource Landing Tax <i>AS 43.77.060</i>	50% of fishery resource landing taxes are shared with the municipality where fishery resources were landed. The mechanics for sharing landing taxes are the same as fisheries business taxes, except that the proration applies to boroughs incorporated after January 1, 1994. If landings occurred in the unorganized borough, 50% of the tax is shared with municipalities statewide through an allocation program administered by DCED. The amount of FY 2004 fishery resource landing tax subject to allocation by DCED was \$576,433.	September	Preceding Fiscal Year	\$ 3,781,803	17
Telephone Cooperative Tax <i>AS 10.25.570</i>	100% of telephone cooperative taxes are shared to organized cities or boroughs where the revenue was earned	July	Preceding Fiscal Year	\$ 1,981,543	28
Liquor License Fees <i>AS 04.11.610</i>	100% of biennial license fees, excluding wholesale license fees, are shared to municipalities. Sharing is dependent on municipalities enforcing local, state and federal laws, which relate to the manufacture and sale of alcoholic beverages	January & July	Preceding Six Months	\$ 855,450	39

Total Shared \$ 21,250,726

Table 2
FY 2004 Shared Amounts by Municipality by Tax and License Type

	<i>Total</i>	<i>Aviation Fuel</i>	<i>Electric Co-op</i>	<i>Fisheries Business</i>	<i>Fishery Landing</i>	<i>Telephone Co-op</i>	<i>Liquor License</i>
Municipality							
Anchorage	\$1,395,392	\$19,103	\$662,937	\$42,777	\$0	\$309,425	\$361,150
Juneau	362,250	82,015	0	221,435	0	0	58,800
Sitka	494,506	0	0	474,029	477	0	20,000
Total Municipalities	2,252,148	101,118	662,937	738,241	477	309,425	439,950
Borough							
Aleutians East	1,380,437	0	0	1,365,445	14,992	0	0
Bristol Bay	528,641	0	9,146	450,975	0	58,020	10,500
Denali	51,647	0	17,728	0	0	33,919	0
Fairbanks North Star	294,464	0	294,104	360	0	0	0
Haines	99,971	0	0	94,421	0	0	5,550
Kenai Peninsula	851,275	0	164,084	676,737	6,101	4,353	0
Ketchikan Gateway	376,252	42,360	0	327,692	0	0	6,200
Kodiak Island	743,410	0	26,338	716,677	395	0	0
Lake and Peninsula	113,987	0	928	113,059	0	0	0
Matanuska-Susitna	695,001	0	141,961	386	0	552,654	0
North Slope	246,673	0	0	0	0	246,673	0
Northwest Arctic	9,129	0	692	0	0	8,437	0
Yakutat	58,842	0	0	47,862	1,980	0	9,000
Total Boroughs	5,449,729	42,360	654,981	3,793,614	23,468	904,056	31,250
City							
Adak	388,450	0	0	302,677	82,073	0	3,700
Akhiok	8	0	0	0	8	0	0
Akutan	643,898	0	0	632,084	11,814	0	0
Alakanuk	857	0	857	0	0	0	0

Table 2
FY 2004 Shared Amounts by Municipality by Tax and License Type

	<i>Total</i>	<i>Aviation Fuel</i>	<i>Electric Co-op</i>	<i>Fisheries Business</i>	<i>Fishery Landing</i>	<i>Telephone Co-op</i>	<i>Liquor Licenses</i>
Aleknagik	2,008	0	252	0	0	1,756	0
Ambler	7,776	0	605	0	0	7,171	0
Anderson	5,554	0	970	0	0	4,584	0
Anvik	206	0	206	0	0	0	0
Atka	24,465	0	0	24,402	63	0	0
Barrow	22,487	0	22,487	0	0	0	0
Brevig Mission	388	0	388	0	0	0	0
Buckland	9,928	0	0	0	0	9,928	0
Chefornak	19	0	0	19	0	0	0
Chevak	1,139	0	1,139	0	0	0	0
Chignik	76,649	0	0	76,649	0	0	0
Chuathbaluk	97	0	97	0	0	0	0
Clark's Point	639	0	0	0	0	639	0
Coffman Cove	4,222	0	0	4,222	0	0	0
Cold Bay	2,724	0	0	0	224	0	2,500
Cordova	520,899	0	10,886	448,958	0	50,905	10,150
Craig	24,212	0	0	20,412	0	0	3,800
Deering	5,019	0	0	0	0	5,019	0
Delta Junction	5,877	0	5,877	0	0	0	0
Dillingham	167,371	0	8,139	99,889	0	54,743	4,600
Eek	326	0	326	0	0	0	0
Egegik	36,409	0	0	36,409	0	0	0
Elim	601	0	601	0	0	0	0
Emmonak	5,127	0	1,301	3,826	0	0	0
Fairbanks	200,666	0	124,587	279	0	0	75,800
Galena	2,500	0	0	0	0	0	2,500
Gambell	823	0	823	0	0	0	0
Goodnews Bay	308	0	308	0	0	0	0
Grayling	249	0	249	0	0	0	0
Holy Cross	337	0	337	0	0	0	0
Homer	207,514	0	26,548	156,890	226	0	23,850
Hoonah	137,652	0	0	133,052	0	0	4,600

Table 2
FY 2004 Shared Amounts by Municipality by Tax and License Type

	<i>Total</i>	<i>Aviation Fuel</i>	<i>Electric Co-op</i>	<i>Fisheries Business</i>	<i>Fishery Landing</i>	<i>Telephone Co-op</i>	<i>Liquor License</i>
Hooper Bay	1,191	0	1,159	32	0	0	0
Houston	13,595	0	5,049	0	0	8,546	0
Huslia	413	0	413	0	0	0	0
Hydaburg	2,106	0	0	2,106	0	0	0
Kake	32,731	0	0	32,731	0	0	0
Kaltag	319	0	319	0	0	0	0
Kasaan	161	0	0	161	0	0	0
Kenai	137,738	11,244	28,468	77,026	0	0	21,000
Ketchikan	184,725	0	0	142,925	0	0	41,800
Kiana	11,297	0	700	0	0	10,597	0
King Cove	328,953	0	0	326,453	0	0	2,500
Kivalina	10,249	0	549	0	0	9,700	0
Klawock	6,416	0	0	4,916	0	0	1,500
Kobuk	3,822	0	0	0	0	3,822	0
Kodiak	655,224	3,788	34,312	597,337	387	0	19,400
Kotzebue	137,290	0	10,348	0	0	126,942	0
Koyuk	629	0	629	0	0	0	0
Larsen Bay	28,060	0	0	28,060	0	0	0
Lower Kalskag	268	0	268	0	0	0	0
Manokotak	1,668	0	0	0	0	1,668	0
Marshall	511	0	511	0	0	0	0
McGrath	5,500	0	0	0	0	0	5,500
Mekoryuk	2,023	0	398	1,625	0	0	0
Mountain Village	1,265	0	1,265	0	0	0	0
Nenana	8,172	0	2,086	0	0	586	5,500
New Stuyahok	605	0	575	30	0	0	0
Newhalen	241	0	241	0	0	0	0
Nightmute	256	0	256	0	0	0	0
Nome	26,934	0	0	10,034	0	0	16,900
Nondalton	317	0	317	0	0	0	0
Noorvik	14,856	0	984	0	0	13,872	0
North Pole	61,868	0	55,986	32	0	0	5,800

Table 2
FY 2004 Shared Amounts by Municipality by Tax and License Type

	<i>Total</i>	<i>Aviation Fuel</i>	<i>Electric Co-op</i>	<i>Fisheries Business</i>	<i>Fishery Landing</i>	<i>Telephone Co-op</i>	<i>Liquor License</i>
Nulato	527	0	527	0	0	0	0
Nunapitchuk	539	0	539	0	0	0	0
Old Harbor	337	0	337	0	0	0	0
Palmer	144,774	2,861	20,418	0	0	111,695	9,800
Pelican	8,487	0	0	7,736	751	0	0
Petersburg	552,967	0	0	545,267	0	0	7,700
Pilot Station	820	0	820	0	0	0	0
Port Alexander	2	0	0	2	0	0	0
Port Lions	526	0	526	0	0	0	0
Quinhagak	8,277	0	794	7,483	0	0	0
Russian Mission	375	0	375	0	0	0	0
Saint George	1,500	0	0	0	0	0	1,500
Saint Mary's	864	0	864	0	0	0	0
Saint Michael	650	0	650	0	0	0	0
Saint Paul	353,227	0	0	328,120	24,507	0	600
Sand Point	201,048	0	0	195,686	2,862	0	2,500
Savoonga	908	0	908	0	0	0	0
Scammon Bay	486	0	486	0	0	0	0
Selawik	15,903	0	1,267	0	0	14,636	0
Seldovia	3,500	0	1,400	0	0	0	2,100
Seward	332,753	0	0	310,578	5,875	0	16,300
Shageluk	184	0	184	0	0	0	0
Shaktolik	408	0	408	0	0	0	0
Shishmaref	857	0	857	0	0	0	0
Shungnak	6,771	0	736	0	0	6,035	0
Skagway	12,650	0	0	0	0	0	12,650
Soldotna	41,812	2,163	23,250	699	0	0	15,700
Stebbins	650	0	650	0	0	0	0
Tenakee Springs	224	0	0	224	0	0	0
Togiak	39,258	0	1,147	38,111	0	0	0
Toksook Bay	1,850	0	588	1,262	0	0	0
Unalakleet	2,829	0	1,857	972	0	0	0

Table 2
FY 2004 Shared Amounts by Municipality by Tax and License Type

	<i>Total</i>	<i>Aviation Fuel</i>	<i>Electric Co-op</i>	<i>Fisheries Business</i>	<i>Fishery Landing</i>	<i>Telephone Co-op</i>	<i>Liquor License</i>
Unalaska	6,870,075	0	0	3,226,807	3,629,068	0	14,200
Upper Kalskag	299	0	299	0	0	0	0
Valdez	399,684	0	24,997	215,577	0	142,410	16,700
Wales	287	0	287	0	0	0	0
Wasilla	236,756	1,444	36,704	0	0	182,808	15,800
Whittier	46,122	0	2,402	38,420	0	0	5,300
Wrangell	72,856	0	0	60,856	0	0	12,000
Total Cities	13,548,849	21,500	476,093	8,141,086	3,757,858	768,062	384,250
Grand Total	<u>\$21,250,726</u>	<u>\$164,978</u>	<u>\$1,794,011</u>	<u>\$12,672,941</u>	<u>\$3,781,803</u>	<u>\$1,981,543</u>	<u>\$855,450</u>
 Number of Communities Shared With	 123	 8	 79	 57	 17	 28	 39

Table 3
Aviation Motor Fuel Tax

	<i>FY2004</i>	<i>FY2003</i>	<i>FY2002</i>	<i>FY2001</i>	<i>FY 2000</i>	<i>Total All Years</i>
Municipality						
Anchorage (Merrill Field)	\$19,103	\$19,191	\$18,480	\$18,142	\$16,675	\$91,591
Juneau	82,015	86,724	85,897	81,732	84,505	420,873
Total Municipalities	101,118	105,915	104,377	99,874	101,180	512,464
Borough						
Ketchikan Gateway	42,360	42,532	38,327	43,006	29,008	195,233
Total Borough	42,360	42,532	38,327	43,006	29,008	195,233
City						
Kenai	11,244	7,627	7,006	8,509	9,360	43,746
Kodiak	3,788	3,820	3,513	4,131	6,184	21,436
Palmer	2,861	5,410	1,200	1,794	1,543	12,808
Soldotna	2,163	2,635	2,372	2,290	1,968	11,428
Wasilla	1,444	1,661	1,986	1,781	872	7,744
Total Cities	21,500	21,153	16,077	18,505	19,927	97,162
Grand Total¹	<u>\$164,978</u>	<u>\$169,600</u>	<u>\$158,781</u>	<u>\$161,385</u>	<u>\$150,115</u>	<u>\$804,859</u>
 Cost of Collection	 \$6,494	 \$8,771	 \$9,717	 \$4,171	 \$6,007	 \$38,631
 Number of Communities Shared With	 8	 8	 8	 8	 8	 8

¹ Net of cost of collection.

Table 4
Electric Cooperative Tax

	<i>FY 2004</i>	<i>FY 2003</i>	<i>FY 2002</i>	<i>FY 2001</i>	<i>FY 2000</i>	<i>Total All Years</i>
Municipality						
Anchorage	\$662,937	\$641,284	\$625,784	\$618,133	\$612,281	\$3,160,419
Total Municipalities	662,937	641,284	625,784	618,133	612,281	3,160,419
Borough						
Bristol Bay	9,146	8,438	9,257	9,494	9,572	45,907
Denali	17,728	18,001	18,210	17,608	15,900	87,447
Fairbanks North Star	294,104	281,941	283,715	285,940	283,594	1,429,294
Kenai Peninsula	164,084	172,902	166,347	146,169	148,732	798,234
Kodiak Island	26,338	26,202	26,854	13,623	12,843	105,860
Lake and Peninsula	928	1,352	747	1,013	797	4,837
Matanuska-Susitna	141,961	136,170	129,245	123,570	122,890	653,836
Northwest Arctic	692	691	688	625	641	3,337
Total Boroughs	654,981	645,697	635,063	598,042	594,969	3,128,752
City						
Alakanuk	857	779	736	696	703	3,771
Aleknagik	252	247	246	338	348	1,431
Ambler	605	555	529	542	554	2,785
Anderson	970	962	953	1,026	1,067	4,978
Anvik	206	202	212	203	216	1,039
Barrow	22,487	22,977	24,039	24,147	24,525	118,175
Brevig Mission	388	358	344	313	260	1,663
Chevak	1,139	1,015	882	784	765	4,585
Chuathbaluk	97	86	90	0	86	359
Cordova	10,886	11,163	10,896	11,164	11,250	55,359
Delta Junction	5,877	4,814	4,598	4,550	5,301	25,140
Dillingham	8,139	7,979	7,968	8,111	8,346	40,543
Eek	326	319	322	289	295	1,551
Elim	601	592	494	422	412	2,521
Emmonak	1,301	1,206	1,146	1,199	1,199	6,051
Fairbanks	124,587	124,021	122,338	120,324	121,815	613,085

Table 4
Electric Cooperative Tax

	<i>FY 2004</i>	<i>FY 2003</i>	<i>FY 2002</i>	<i>FY 2001</i>	<i>FY 2000</i>	<i>Total All Years</i>
Gambell	823	819	896	916	869	4,323
Goodnews Bay	308	322	320	286	310	1,546
Grayling	249	239	241	237	250	1,216
Holy Cross	337	345	373	338	359	1,752
Homer	26,548	24,280	22,396	22,724	23,011	118,959
Hooper Bay	1,159	1,140	1,157	1,130	1,084	5,670
Houston	5,049	395	380	266	190	6,280
Huslia	413	432	417	395	370	2,027
Kaltag	319	340	341	351	331	1,682
Kenai	28,468	29,322	28,957	29,062	29,433	145,242
Kiana	700	679	663	646	621	3,309
Kivalina	549	553	517	507	498	2,624
Kodiak	34,312	34,256	35,167	35,220	35,489	174,444
Kotzebue	10,348	10,031	10,058	10,179	10,201	50,817
Koyuk	629	552	556	532	554	2,823
Lower Kalskag	268	265	265	266	225	1,289
Marshall	511	508	508	485	448	2,460
Mekoryuk	398	396	381	365	381	1,921
Mountain Village	1,265	1,215	1,171	1,148	1,154	5,953
Nenana	2,086	2,157	2,088	1,929	1,796	10,056
New Stuyahok	575	564	574	533	522	2,768
Newhalen	241	250	255	294	294	1,334
Nightmute	256	233	255	219	193	1,156
Nondalton	317	324	334	355	423	1,753
Noorvik	984	992	832	815	808	4,431
North Pole	55,986	55,073	54,046	47,563	47,646	260,314
Nulato	527	532	520	536	537	2,652
Nunapitchuk	539	509	500	477	475	2,500
Old Harbor	337	336	333	331	340	1,677
Palmer	20,418	19,686	18,940	18,844	18,328	96,216
Pilot Station	820	819	667	597	575	3,478
Port Lions	526	520	498	583	481	2,608

Table 4
Electric Cooperative Tax

	<i>FY 2004</i>	<i>FY 2003</i>	<i>FY 2002</i>	<i>FY 2001</i>	<i>FY 2000</i>	<i>Total All Years</i>
Quinhagak	794	730	687	623	579	3,413
Russian Mission	375	377	336	306	308	1,702
Saint Mary's	864	804	838	695	683	3,884
Saint Michael	650	565	553	528	508	2,804
Savoonga	908	874	837	800	760	4,179
Scammon Bay	486	492	505	476	457	2,416
Selawik	1,267	1,243	1,100	1,104	1,002	5,716
Seldovia	1,400	1,416	1,469	1,531	1,481	7,297
Shageluk	184	183	180	154	156	857
Shaktoolik	408	392	388	377	384	1,949
Shishmaref	857	776	771	727	714	3,845
Shungnak	736	691	674	653	625	3,379
Soldotna	23,250	23,196	22,811	22,426	22,107	113,790
Stebbins	650	653	686	643	603	3,235
Togiak	1,147	1,124	1,163	1,151	1,158	5,743
Toksook Bay	588	574	558	508	545	2,773
Unalakleet	1,857	1,845	1,952	1,975	2,060	9,689
Upper Kalskag	299	294	297	295	284	1,469
Valdez	24,997	25,804	26,002	26,282	26,300	129,385
Wales	287	276	265	250	265	1,343
Wasilla	36,704	35,463	33,834	34,422	31,781	172,204
Whittier	2,402	2,876	2,796	2,927	2,589	13,590
Total Cities	476,093	466,007	459,101	451,090	450,687	2,302,978
Grand Total ¹	<u>\$1,794,011</u>	<u>\$1,752,988</u>	<u>\$1,719,948</u>	<u>\$1,667,265</u>	<u>\$1,657,937</u>	<u>\$8,592,149</u>
Cost of Collection	\$3,078	\$3,262	\$4,268	\$2,278	\$911	\$13,797
Number of Communities Shared With	79	79	79	78	79	79

¹ Net of cost of collection

Table 5
Fisheries Business Tax

	FY2004	FY2003	FY 2002	FY 2001	FY 2000	To'al All Years
Municipality						
Anchorage	\$42,777	\$31,642	\$17,289	\$22,553	\$47,066	\$161,327
Juneau	221,435	218,549	189,554	238,262	175,840	1,043,640
Sitka	474,029	361,336	498,107	596,166	536,121	2,465,759
Total Municipalities	738,241	611,527	704,950	856,981	759,027	3,670,726
Borough						
Aleutians East	1,365,445	1,212,887	934,034	1,354,864	1,409,784	6,277,014
Bristol Bay	450,975	385,254	494,491	918,305	1,439,586	3,688,611
Fairbanks North Star	360	163	0	0	319	842
Haines	94,421	114,501	165,686	191,323	238,339	804,270
Kenai Peninsula	676,737	512,894	482,232	210,869	811,345	2,694,077
Ketchikan Gateway	327,692	234,339	374,535	312,454	408,607	1,657,627
Kodiak Island	716,677	573,595	759,211	1,282,125	923,772	4,255,380
Lake and Peninsula	113,059	87,995	161,968	246,046	357,468	966,536
Matanuska-Susitna	386	0	15	0	0	401
Yakutat	47,862	91,550	73,894	124,659	137,327	475,292
Total Boroughs	3,793,614	3,213,178	3,446,066	4,640,643	5,726,547	20,820,050
City						
Adak	302,677	322,497	185,603	0	0	810,777
Akutan	632,084	580,806	534,413	595,846	501,904	2,845,053
Angoon	0	0	3,081	0	2,411	5,492
Atka	24,402	19,337	13,433	16,218	11,466	84,856
Bethel	0	0	4,740	15,331	73,833	93,904
Chefornak	19	40	249	17	0	325
Chignik	76,649	52,316	82,644	126,568	235,538	573,715
Clark's Point	0	0	40,458	133,445	60,896	234,799
Coffman Cove	4,222	1,099	0	0	149	5,470
Cordova	448,958	386,605	437,955	549,830	516,438	2,339,786
Craig	20,412	4,784	4,230	5,918	23,979	59,323
Dillingham	99,889	78,807	49,069	176,288	202,898	606,951
Egegik	36,409	35,674	78,419	32,118	29,544	212,164
Emmonak	3,826	0	0	2,223	11,156	17,205
Fairbanks	279	163	0	0	0	442
False Pass	0	6,058	7,122	61,187	85,764	160,131

Table 5
Fisheries Business Tax

	<i>FY2004</i>	<i>FY2003</i>	<i>FY 2002</i>	<i>FY 2001</i>	<i>FY 2000</i>	<i>Total All Years</i>
Galena	0	0	0	0	153	153
Goodnews Bay	0	0	0	0	4,676	4,676
Haines	0	0	1,655	5,361	1,536	8,552
Homer	156,890	89,038	46,756	825	21,340	314,849
Hoonah	133,052	94,741	117,119	129,655	112,931	587,498
Hooper Bay	32	0	0	0	4,924	4,956
Hydaburg	2,106	1,741	0	0	1,654	5,501
Kake	32,731	0	106,354	23,524	48,619	211,228
Kaltag	0	0	267	0	0	267
Kasaan	161	1,199	0	0	0	1,360
Kenai	77,026	53,561	85,088	47,261	149,524	412,460
Ketchikan	142,925	141,758	276,572	253,049	328,763	1,143,067
King Cove	326,453	211,092	184,041	318,189	432,412	1,472,187
Klawock	4,916	1,516	700	2,062	702	9,896
Kodiak	597,337	467,426	562,000	841,405	616,528	3,084,696
Larsen Bay	28,060	24,372	16,784	55,415	102,160	226,791
Marshall	0	0	0	1,011	508	1,519
Mekoryuk	1,625	2,571	2,011	3,951	103	10,261
Nenana	0	0	0	0	49	49
New Stuyahok	30	0	0	0	0	30
Nome	10,034	8,988	2,043	0	0	21,065
North Pole	82	0	0	0	319	401
Palmer	0	0	15	0	0	15
Pelican	7,736	48,065	39,420	27,695	29,407	152,323
Petersburg	545,267	467,342	606,898	471,020	673,037	2,763,564
Pilot Point	0	4	12	3,054	89	3,159
Port Alexander	2	482	0	0	0	484
Port Heiden	0	0	0	0	4	4
Port Lions	0	0	0	152	1,411	1,563
Quinhagak	7,483	3,862	5,514	3,591	0	20,450
Saint George	0	0	0	136,933	446,984	583,917
Saint Paul	328,120	313,336	212,556	289,428	1,781,341	2,924,781
Sand Point	195,686	141,763	103,564	135,373	149,285	725,671
Savoonga	0	0	0	790	0	790
Seldovia	0	0	14	0	0	14
Seward	310,578	239,554	239,760	351,549	259,273	1,400,714

Table 5
Fisheries Business Tax

	FY2004	FY2003	FY 2002	FY 2001	FY 2000	Total All Years
Soldotna	699	595	1,160	189	13	2,656
Tenakee Springs	224	0	0	800	534	1,558
Togiak	38,111	6,465	74,257	157,601	333,574	610,008
Toksook Bay	1,262	1,002	4,206	1,664	1,134	9,268
Unalakleet	972	45	2,190	9,536	10,239	22,982
Unalaska	3,226,807	2,913,343	2,510,541	2,833,916	2,957,811	14,442,418
Valdez	215,577	127,552	245,372	258,379	274,316	1,121,196
Whittier	38,420	57,262	46,449	67,271	54,918	264,320
Wrangell	60,856	74,860	72,995	59,241	55,473	323,425
Total Cities	8,141,086	6,981,721	7,007,729	8,204,879	10,611,720	40,947,135
Grand Total	<u>\$12,672,941</u>	<u>\$10,806,426</u>	<u>\$11,158,745</u>	<u>\$13,702,505</u>	<u>\$17,097,294</u>	<u>\$65,437,911</u>
Number of Communities Shared With	57	52	55	54	61	73
Additional Sharing with DCED	\$1,725,251	\$1,362,651	\$1,396,076	\$1,350,886	\$1,403,629	\$5,513,243

Table 6
Fishery Resource Landing Tax

	<i>FY 2004</i>	<i>FY 2003</i>	<i>FY 2002</i>	<i>FY 2001</i>	<i>FY 2000</i>	<i>Total All Years</i>
Municipality						
Sitka	\$477	\$2,883	\$3,005	\$800	\$265	\$7,430
Total Municipalities	477	2,883	3,005	800	265	7,430
Borough						
Aleutians East	14,992	21,072	11,696	17,142	17,448	82,350
Kenai Peninsula	6,101	16,883	23,509	22,861	8,882	78,236
Kodiak Island	395	36,788	37,162	5,219	24,592	104,156
Lake and Peninsula	0	0	1,019	0	0	1,019
Yakutat	1,980	0	9,612	0	2,244	13,836
Total Boroughs	23,468	74,743	82,998	45,222	53,166	279,597
City						
Adak	82,073	41,807	72,841	0	0	196,721
Akhiok	8	31	0	0	0	39
Akutan	11,814	18,900	11,206	15,983	17,448	75,351
Atka	63	0	2,706	8,989	9,846	21,604
Clark's Point	0	72	0	0	0	72
Cold Bay	224	816	0	0	0	1,040
Homer	226	0	0	4,765	87	5,078
Kodiak	387	0	15,987	3,260	17,102	36,736
Old Harbor	0	409	0	0	0	409
Pelican	751	483	26	176	0	1,436
Petersburg	0	0	0	0	857	857
Port Lions	0	0	320	0	0	320
Saint Paul	24,507	18,954	20,392	16,567	72,529	152,949
Sand Point	2,862	1,016	490	0	0	4,368
Seward	5,875	7,738	28,273	18,096	8,795	68,777
Unalaska	3,629,068	2,460,171	4,075,735	2,881,455	2,713,203	15,759,632
Total Cities	3,757,858	2,550,397	4,227,976	2,949,291	2,839,667	16,325,389
GRAND TOTAL	<u>\$3,781,803</u>	<u>\$2,628,023</u>	<u>\$4,313,979</u>	<u>\$2,995,313</u>	<u>\$2,893,298</u>	<u>\$16,612,416</u>
Number of Communities Subject to Sharing	17	15	16	12	13	19
Additional Sharing with DCED	\$576,433	\$321,440	\$256,648	\$246,740	\$210,866	\$1,612,127

Table 7
Telephone Cooperative Tax

	<i>FY 2004</i>	<i>FY 2003</i>	<i>FY 2002</i>	<i>FY 2001</i>	<i>FY 2000</i>	<i>Total All Years</i>
Municipality						
Anchorage	\$309,425	\$314,365	\$209,740	\$265,596	\$286,707	\$1,385,833
Total Municipalities	309,425	314,365	209,740	265,596	286,707	1,385,833
Borough						
Bristol Bay	58,020	54,662	53,816	52,462	55,222	274,182
Denali	33,919	34,461	22,992	32,388	27,490	151,250
Kenai Peninsula	4,353	4,423	2,951	2,705	3,416	17,848
Matanuska-Susitna	552,654	561,478	374,610	448,918	438,862	2,376,522
North Slope	246,673	172,785	146,423	117,560	96,022	779,463
Northwest Arctic	8,437	0	3,103	3,412	3,042	17,994
Total Boroughs	904,056	827,809	603,895	657,445	624,054	3,617,259
City						
Aleknagik	1,756	770	1,641	1,554	1,871	7,592
Ambler	7,171	0	2,330	3,016	2,755	15,772
Anderson	4,584	4,657	3,107	3,825	5,146	21,319
Buckland	9,928	0	4,142	4,021	3,974	22,065
Clark's Point	639	1,479	1,094	1,036	935	5,183
Cordova	50,905	47,400	46,182	41,492	41,936	227,915
Deering	5,019	0	1,853	2,228	1,785	10,885
Dillingham	54,743	51,115	49,763	46,610	41,151	243,382
Houston	8,546	8,683	5,793	6,599	6,358	35,979
Kiana	10,597	0	4,670	3,486	4,003	22,756
Kivalina	9,700	0	3,203	2,868	2,679	18,450
Kobuk	3,822	0	1,432	1,241	1,500	7,995
Kotzebue	126,942	0	50,050	61,036	57,210	295,238
Manokotak	1,668	1,682	1,640	2,072	2,338	9,400
Nenana	586	595	397	94	0	1,672
Noorvik	13,872	0	6,101	4,711	5,296	29,980

Table 7
Telephone Cooperative Tax

	<i>FY 2004</i>	<i>FY 2003</i>	<i>FY 2002</i>	<i>FY 2001</i>	<i>FY 2000</i>	<i>Total All Years</i>
Palmer	111,695	113,478	75,711	104,024	76,059	480,967
Selawik	14,636	0	5,964	4,897	5,475	30,972
Seward	0	948	632	189	0	1,769
Shungnak	6,035	0	1,802	2,099	2,105	12,041
Valdez	142,410	150,366	77,984	132,120	115,425	618,305
Wasilla	182,808	185,727	123,914	151,767	110,934	755,150
Total Cities	768,062	566,900	469,905	580,985	488,935	2,874,787
Grand Total¹	<u>\$1,981,543</u>	<u>\$1,709,074</u>	<u>\$1,283,540</u>	<u>\$1,504,026</u>	<u>\$1,399,696</u>	<u>\$7,877,879</u>
Cost of Collection²	\$13,360	\$13,360	\$17,566	\$1,922	\$27,392	\$73,600
Number of Communities Shared With	28	18	29	29	27	29

¹ Net of cost of collection

² Costs of collection are based on the last full fiscal year. The FY 2000 increase is due to a major dispute with taxpayers which significant audit and appeals resources were applied.

Table 8
Liquor License Fees

	<i>FY 2004</i>	<i>FY 2003</i>	<i>FY 2002</i>	<i>FY 2001</i>	<i>FY 2000</i>	<i>Total All Years</i>
Municipality						
Anchorage	\$361,150	\$345,550	\$342,150	\$344,300	\$356,000	\$1,749,150
Juneau	58,800	54,000	59,200	53,700	65,200	290,900
Sitka	20,000	19,650	18,800	18,450	21,300	98,200
Total Municipalities	439,950	419,200	420,150	416,450	442,500	2,138,250
Borough						
Bristol Bay	10,500	14,800	11,750	14,800	13,000	64,850
Haines	5,550	10,850	10,850	10,700	12,650	50,600
Ketchikan Gateway	6,200	0	2,500	0	0	8,700
Kodiak Island	0	9,250	0	0	0	9,250
Yakutat	9,000	6,500	6,800	4,000	7,100	33,400
Total Boroughs	31,250	41,400	31,900	29,500	32,750	166,800
City						
Adak	3,700	0	3,700	0	0	7,400
Cold Bay	2,500	4,000	0	4,000	0	10,500
Cordova	10,150	13,300	15,050	13,300	16,550	68,350
Craig	3,800	13,600	5,800	11,100	5,800	40,100
Dillingham	4,600	4,600	4,000	5,200	4,000	22,400
Fairbanks	75,800	82,100	92,750	94,650	92,750	438,050
Fort Yukon	0	1,500	0	1,500	0	3,000
Galena	2,500	1,500	3,100	0	3,100	10,200
Homer	23,850	20,050	17,700	19,450	20,550	101,600
Hoonah	4,600	2,500	4,000	0	4,000	15,100
Kenai	21,000	17,300	26,400	17,300	26,400	108,400
Ketchikan	41,800	32,200	45,500	34,700	56,400	210,600
King Cove	2,500	4,000	2,500	4,000	2,500	15,500
Klawock	1,500	0	1,500	0	1,500	4,500
Kodiak	19,400	18,300	21,000	19,800	22,500	101,000
McGrath	5,500	4,000	5,500	0	4,000	19,000

Table 8
Liquor License Fees

	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000	Total All Years
Nenana	5,500	4,600	5,500	4,600	4,000	24,200
Nome	16,900	14,800	19,400	14,800	17,900	83,800
North Pole	5,800	4,600	7,300	4,600	7,300	29,600
Palmer	9,800	13,000	10,200	15,100	11,500	59,600
Pelican	0	0	2,500	0	600	3,100
Petersburg	7,700	9,150	9,550	8,100	11,600	46,100
Saint George	1,500	0	1,500	0	3,000	6,000
Saint Paul	600	4,000	600	4,000	600	9,800
Sand Point	2,500	4,600	2,500	4,600	3,100	17,300
Seldovia	2,100	4,300	1,500	4,600	2,750	15,250
Seward	16,300	17,800	19,400	17,900	19,400	90,800
Skagway	12,650	4,550	9,850	8,200	8,300	43,550
Soldotna	15,700	16,400	12,300	15,400	17,100	76,900
Tanana	0	1,500	0	1,500	0	3,000
Unalaska	14,200	7,700	14,200	7,700	15,000	58,800
Valdez	16,700	13,200	17,300	13,500	17,300	78,000
Wasilla	15,800	21,300	13,900	20,700	13,900	85,600
Whittier	5,300	6,450	5,300	3,950	5,300	26,300
Wrangell	12,000	13,200	8,400	13,200	8,000	54,800
Total Cities	384,250	380,100	409,700	387,450	426,700	1,988,200
GRAND TOTAL	<u>\$855,450</u>	<u>\$840,700</u>	<u>\$861,750</u>	<u>\$833,400</u>	<u>\$901,950</u>	<u>\$4,293,250</u>

**Number of Communities
Shared With**

39	38	39	34	34	46
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Appendix A - Shared Taxes and Fees Statutes

Aviation Motor Fuel Tax

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

Electric Cooperative Tax

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

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

Fisheries Business Tax

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

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

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

(3) to each borough

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendix A - Shared Taxes and Fees Statutes

Fisheries Business Tax (Continued)

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

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

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

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

AS 43.75.137. ADDITIONAL REFUND. To the extent that appropriations are available for the purpose, and notwithstanding the requirement of AS 37.07.080(e) that approval of the office of management and budget is required, an amount equal to 50 percent of the tax revenue that is collected under this chapter from fisheries businesses and is not subject to division with a municipality under AS 43.75.130 shall be transmitted each fiscal year, without the approval of the office of management and budget, by the department to the Department of Community and Economic Development for disbursement to eligible municipalities under AS 29.60.450.

Fishery Resource Landing Tax

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

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

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

(3) borough

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

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

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

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

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

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

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

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

(2) borough that is incorporated after the effective date of this Act (*January 1, 1994*), the following percentages of the tax revenue collected from taxes levied under this chapter on

Appendix A - Shared Taxes and Fees Statutes

Fishery Resource Landing Tax (Continued)

fishery resources landed in the cities located within the borough and accounted for under AS 43.77.050(b):

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

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

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

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

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

(d) To the extent that appropriations are available for the purpose, and notwithstanding the requirement of AS 37.07.080(e) that approval of the office of management and budget is required, an amount equal to 50 percent of the tax revenue that is collected under this chapter and is not subject to division with a municipality under (a) -- (c) of this section shall be transmitted each fiscal year, without the approval of the office of management and budget, by the department to the Department of Community and Economic Development for disbursement to eligible municipalities under AS 29.60.450.

Telephone Cooperative Tax

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

proportion that the revenue was earned within the city or the borough area outside the city.

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

Liquor License Fees

AS 04.11.610. REFUND TO MUNICIPALITIES.

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

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

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

Appendix B

Unified Municipalities and Boroughs

<u><i>Municipality/Borough</i></u>	<u><i>Classification</i></u>	<u><i>Date Incorporated</i></u>
Aleutians East Borough	Second Class	October 23, 1987
Municipality of Anchorage	Unified Home Rule	September 15, 1975
Bristol Bay Borough	Second Class	October 2, 1962
Denali Borough	Home Rule	December 7, 1990
Fairbanks North Star Borough	Second Class	January 1, 1964
Haines Borough	Home Rule	August 29, 1968
City and Borough of Juneau	Unified Home Rule	July 1, 1970
Kenai Peninsula Borough	Second Class	January 1, 1964
Ketchikan Gateway Borough	Second Class	September 6, 1963
Kodiak Island Borough	Second Class	September 24, 1963
Lake and Peninsula Borough	Home Rule	April 26, 1989
Matanuska-Susitna Borough	Second Class	January 1, 1964
North Slope Borough	Home Rule	July 2, 1972
Northwest Arctic Borough	Home Rule	June 2, 19
City and Borough of Sitka	Unified Home Rule	December 2, 1971
City and Borough of Yakutat	Home Rule	September 22, 1992

*Source: 2004 Alaska Municipal Officials
Directory*

Appendix C

Cities Within Organized Boroughs

Aleutians East Borough

Akutan
Cold Bay
False Pass
King Cove
Sand Point

Denali Borough

Anderson

Fairbanks North Star Borough

Fairbanks
North Pole

Kenai Peninsula Borough

Homer
Kachemak
Kenai
Seldovia
Seward
Soldotna

Ketchikan Gateway Borough

Ketchikan
Saxman

Kodiak Island Borough

Akhiok
Kodiak
Larsen Bay
Old Harbor
Ouzinkie
Port Lions

Lake and Peninsula Borough

Chignik
Egegik
Newhalen
Nondalton
Pilot Point
Port Heiden

Matanuska-Susitna Borough

Houston
Palmer
Wasilla

North Slope Borough

Anaktuvuk Pass
Atkasuk
Barrow
Kaktovik
Nuiqsut
Point Hope
Wainwright

Northwest Arctic Borough

Ambler
Buckland
Deering
Kiana
Kivalina
Kobuk
Kotzebue
Noorvik
Selawik
Shungnak

Source: 2004 Alaska Municipal Officials Directory

Appendix D Incorporated Cities Within Alaska

Home Rule Cities

Cordova
Fairbanks
Kenai
Ketchikan
Kodiak
Nenana
North Pole
Palmer
Petersburg
Seward
Valdez
Wrangell

First Class Cities

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

Second Class Cities

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

Second Class Cities

Bethel
Bettles
Brevig Mission
Buckland
Chefornak
Chevak
Chignik
Chuathbaluk
Clark's Point
Coffman Cove
Cold Bay
Deering
Delta Junction
Diomedes
Eagle
Eek
Egegik
Ekwok
Elim
Emmonak
False Pass
Fort Yukon
Gambell
Golovin
Goodnews Bay
Grayling
Gustavus¹
Holy Cross
Hooper Bay
Houston
Hughes
Huslia
Kachemak
Kaktovik
Kaltag
Kasaan
Kiana
Kivalina
Kobuk
Kotlik
Kotzebue
Koyuk
Koyukuk
Kupreanof
Kwethluk
Larsen Bay
Lower Kalskag
Manokotak
Marshall
McGrath
Mekoryuk

Second Class Cities

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

Organized Under Federal Law

Metlakatla

¹ Incorporated April 1, 2004

5. Mining Taxes

MEMORANDUM

State of Alaska
Department of Revenue

TO: Brett Fried
DATE: February 7, 2005
THRU:
TELEPHONE NO 465-3695
FROM: Tim Cottongim
SUBJECT: Mining Tax
Income Shifting

During the House Ways and Means Committee hearing on February 4, 2005 Representative Seaton asked whether it's possible that Alaska mining companies sell mined products to related companies at less than market value, thereby understating their gross revenue. The short answer is yes, it's possible. A definitive answer to Rep. Seaton's question would require an audit of the taxpayer's records to identify the buyer as well as the grade and mineral content of the resources sold. The mere sale to a related party is not in and of itself conclusive of undervaluation. We would also need to determine the quality of the resource being sold. Taxpayer's are not required to identify buyers or quality of mined products on the tax return.

Representative Wilson asked if a net income tax on mining was the norm. I'm attaching a chart of taxes imposed by the states as well as Canadian provinces, downloaded from the following website:

<http://www.westernmine.com/westernmine/taxcost.htm>

If more details are needed DNR can fax us the relevant pages from their subscription (about 30 pages).

Cost Data Center

Mining Cost Service

Mining Equipment Costs

Ask An Expert

Mining Labor Surveys

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Sherpa Underground

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STATE/PROVINCIAL MINING TAXES

U.S. and Canada

The most significant state taxes applicable to the U.S. mining industry can be loosely categorized as follows:

- corporate income taxes
- property taxes
- sales and use taxes
- special taxes on mine production or income

Mining Cost Service contains explanations and current rates for all of these taxes in the 31 states with significant mining industries as well as for taxes in all the Canadian Provinces. The following table provides a quick reference to the taxes that apply to mining in each of these states.

State	Income Tax	Property Tax	Sales and Use Tax	Mining and Other Taxes
Alabama	yes	yes	yes	Coal severance tax Local coal severance tax Iron ore severance tax Minerals severance tax
Alaska	yes	no* *In some organized boroughs and cities	no*	Mining license tax Production royalty on Alaska state lands
Arizona	yes	yes	yes	Severance tax on metalliferous minerals
Arkansas	yes	yes	yes	Severance tax on all natural resources Additional tax on coal Additional tax on stone and crushed rock
California	yes	yes	yes	Hazardous waste disposal fee

				EPA ID annual verification fee Environmental fee Facility fee Generator fee Onsite treatment facility fee Manifest fee
State	Income Tax	Property Tax	Sales and Use Tax	Mining and Other Taxes
Colorado	yes	yes	yes	Severance tax on metallic minerals, oil shale, and coal
Georgia	yes	yes	yes	Corporation net worth tax
Idaho	yes	yes	yes	Mine license tax
Illinois	yes	yes	yes	Personal property replacement tax
Indiana	yes	yes	yes	none
Kentucky	yes	yes	yes	Coal severance tax, Natural resource severance and processing tax
Maine	yes	yes	yes	Mining excise tax on metallic minerals
Michigan	yes	yes	yes	Low grade iron ore tax (in lieu of property tax)
Minnesota	yes	yes	yes	Ad Valorem tax on unmined natural iron ore Ad Valorem tax on unmined taconite Taconite production tax Ad Valorem tax on severed mineral interests Ad Valorem tax on auxiliary mining lands for taconite operations Net proceeds tax on minerals other than taconite or iron ore Aggregate material tax
State	Income Tax	Property Tax	Sales and Use Tax	Mining and Other Taxes
Missouri	yes	yes	yes	Mine inspection fees Metallic minerals waste management fee Industrial mineral mine land reclamation fee Coal mine land reclamation fee
Montana	yes	yes	no	Metal mines license tax Micaceous mineral mines license tax Resource indemnity and ground water assessment tax (RIGWAT) Cement and gypsum producers license tax Coal severance tax Coal gross proceeds tax Net proceeds tax on mines and mining claims not incl. coal and metal mines Metal gross proceeds tax
Nevada	no	yes	yes	Business license tax Proceeds of minerals tax
New Mexico	yes	yes	yes	Severance tax on all natural resources Resource extraction taxes

State	Income Tax	Property Tax	Sales and Use Tax	Ad valorem tax on copper Processor's tax on natural resources
				Mining and Other Taxes
North Carolina	yes	yes	yes	Highway use tax
North Dakota	yes	yes	yes	Coal severance tax Coal conversion facility privilege tax
Oregon	yes	yes	no	none
Pennsylvania	yes	yes	yes	Capital stock and franchise tax
South Carolina	yes	yes	yes	none
South Dakota	no	yes	yes	Energy minerals severance tax Minerals severance tax Conservation tax (for energy minerals)
Tennessee	yes	yes	yes	Coal severance tax Local minerals severance tax
Utah	yes	yes	yes	Corporate franchise tax Minerals severance tax

State	Income Tax	Property Tax	Sales and Use Tax	Mining and Other Taxes
Virginia	yes	yes	yes	Reclamation tax on coal
Washington	no	yes	yes	Business and occupation tax
West Virginia	yes	yes	yes	Severance tax on all natural resources Recapture tax Business franchise tax
Wisconsin	yes	yes	yes	Occupation tax on iron ore concentrates Occupation tax on coal Net proceeds occupation tax on mining of metallic minerals
Wyoming	no	yes	yes	Excise and severance tax on coal, oil shale, crude oil and gas, trona, uranium and other minerals

The most significant provincial taxes applicable to the **Canadian mining industry** are:

- corporate income taxes
- capital taxes
- property taxes
- sales taxes (In some provinces these are harmonized with the federal GST)
- special mining taxes

Province	Income Tax	Capital Tax	Property Tax	Sales Tax	Special Mining Taxes
Alberta	yes	no	yes	no	Minerals royalty
British			yes		Mineral tax

Columbia	yes	yes		yes	
Manitoba	yes	yes	yes	yes	Mining tax
New Brunswick	yes	yes	yes	yes	Metallic minerals tax
Newfoundland/ Labrador	yes	no	yes	no	Mining tax
Northwest Territories	yes	no	yes	no	Mining tax
Nova Scotia	yes	yes	yes	yes	Mining tax
Nunavit	yes	no	yes	no	Mining tax
Ontario	yes	yes	yes	yes	Mining tax
Prince Edward Island	yes	no	yes	yes	
Quebec	yes	yes	yes	yes	Mining tax
Saskatchewan	yes	yes	yes	yes	Mining tax Uranium royalty Potash production tax Coal Crown royalty Freehold production tax
Yukon Territory	yes	no	yes	no	Gold royalty Mining royalty

| Cost Data Center | Mining Cost Service | Mine & Mill Equipment Costs | Directory of Experts |
 | Mining Labor Surveys | Sherpa Open Pit | Sherpa Underground | Apex Software | Home Page |

| 222 W. Mission Ave., Suite 218 | Spokane, Washington 99201-2347 |
 | Phone: 1-800-400 MINE | 1-509-328-8023 | Fax: 1-509-328-2028 |
 | e-mail: Western.Mine@westernmine.com |

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6. Timber Export Values

Alaska Department of Revenue - Tax Division

Prepared by Brett Fried
Prepared on February 4, 2005

Value of Timber Exports From Alaska								
	1996	1997	1998	1999	2000	2001	2002	2003
Timber Exports								
Rough Wood	\$ 388.1	\$ 369.2	\$ 156.2	\$ 193.9	\$ 184.4	\$ 141.6	\$ 119.7	\$ 141.3
Fuel in Log/Chips	17.5	12.6	9.5	14.3	18.4	11.2	8.0	7.3
Lumber	19.9	21.2	5.6	13.4	5.5	2.3	0.9	3.2
Other	0.4	0.4	0.6	0.9	1.2	0.3	0.5	0.4
Total	\$ 425.9	\$ 403.4	\$ 171.9	\$ 222.5	\$ 209.5	\$ 155.4	\$ 129.1	\$ 152.2

Source: U.S. Census Bureau, Foreign Trade Division.

7. Timber Taxes Overview

State Timber Taxes Overview

Prepared by Dan Stickel 02/07/05

Timber Tax Types:

Ad valorem property tax (Current Use) - A tax, duty, or fee which varies based on the value of the products, services, or property on which it is levied.

Flat property tax - under this system the same amount of money per acre is collected on any acre of timberland without regard to its timber productivity or timber use value.

Yield Tax - is a tax on the value of the harvested timber. The tax is collected after the timber is harvested.

Severance Tax - is a flat tax on a specific unit of volume harvested (i.e., board feet, cubic feet, cords, tonnage etc.). The tax is collected after the timber is harvested.

State Timber Taxes:

State	Tax System	Available Details
Alabama	Ad valorem, Severance	Forest lands assessed at 10% of current use value. Severance tax varies based on wood type; pine lumber taxed at \$0.50 per 1,000 board feet.
Alaska	No Tax on Timber	
Arizona	Flat tax, Severance	Forest lands assessed at 25% of cash value. Severance tax is \$2.13 per 1,000 board feet for ponderosa pine and \$1.51 for other wood types.
Arkansas	Ad valorem, Severance	Forest lands assessed at 20% of current use value. There is a \$0.15 per acre forest fire protection tax. Severance tax is \$0.178 per ton for pine and \$0.125 per ton for other wood types.
California	Ad valorem, Yield	Tax is 1% on published value; values range from \$32 to \$279 per acre based on forest regions defined in statute. Yield tax is 2.9% of value.
Colorado	Ad valorem	Assessed at 13% of current use value.
Connecticut	Ad valorem, Yield	Up to 10 mill tax on value of land used for timber. Yield tax of 2 to 10 percent of timber proceeds, based on duration of forest land classification. Conveyance tax of 1 to 10 percent on forest land sold during first 10 years of ownership.
Delaware	Ad valorem, exemption	\$0.26 to \$0.455 per \$100 of current use value; 30-year exemption.
Florida	Ad valorem	Forest lands assessed based on full current use value.
Georgia	Ad valorem, Yield	Land assessed at 40% of current use value. For yield tax, county tax rate is applied to fair market value when harvested.
Hawaii	Ad valorem	\$4.93 to \$9.89 per \$1,000 taxable value; land valued based on agricultural productivity.
Idaho	Ad valorem, Yield	Tax is 1% of bare land value. Yield tax is 3% of value.
Illinois	Ad valorem, Yield	Land valued based on productivity; assessed at approximately 5.6% of economic value. Yield tax is 4% of gross value.
Indiana	Ad valorem, Flat	Forests classified as woodlands assessed at 1/3 of value. Other classifications are assessed at \$1.00 per acre.
Iowa	Ad valorem, exemption	Assessed based on current use value. Certain forest, fruit, prairies, and wetlands exempt.
Kansas	Ad valorem	Tax based on mill rate times 30 percent of productive use value.
Kentucky	Ad valorem	Tax is \$0.135 per \$100 of current use value.
Louisiana	Ad valorem, Severance	Local mill rate times current use value. Also \$0.08 per acre forest protection tax. \$4.89 to \$43.18 per ton severance tax.
Maine	Ad valorem	Forest land valued at \$32.90 to \$360.50 per acre based on wood type and county; assessment based on value times local assessment rate.
Maryland	Ad valorem	Agricultural land and forest conservation land assessed at 50% of current use value; other land at 40% of market value.

Alaska Department of Revenue - Tax Division

State	Tax System*	Available Details
Massachusetts	Flat tax, Yield	Forest land taxed at local rate times 5% times market value. Yield tax is 8% of value.
Michigan	Flat tax, Yield	Private forests taxed at \$1.00 per acre; commercial forests taxed at \$1.10 per acre. Yield tax is 5% of assessed value of timber.
Minnesota	Flat tax	Property tax rebate of at least \$1.50 per forest acre when enrolled in sustainable forest program.
Mississippi	Ad valorem	Taxed at 15% of current use value.
Missouri	Flat tax, Yield	Flat tax of \$3.00 per acre; \$1.00 per acre if enrolled prior to 1974; Yield tax is 6%.
Montana	Ad valorem, Severance	Tax based on a portion of current use value. Severance tax is \$0.15 per 1,000 board feet.
Nebraska	Ad valorem	Assessed at 80% of current use value.
Nevada	Ad valorem	Assessed at 35% of current use value.
New Hampshire	Flat tax, Yield	Land valued at \$44 to \$170 per acre depending on forest type and stewardship. Yield tax is 10% of value.
New Jersey	Ad valorem	Taxed based on current use value.
New Mexico	Ad valorem, Yield	Taxed based on current use value, Yield tax is 0.125% of value.
New York	Ad valorem, Flat, Yield	Forest lands may exempt up to 80% of assessed value. Yield tax is 6% of value.
N. Carolina	Ad valorem, Severance	Taxed based on current use value. Severance tax of up to \$0.50 per 1,000 board feet.
N. Dakota	Flat tax	Tax is \$0.50 per acre.
Ohio	Ad valorem, Flat	Agricultural forest land taxed based on current use (generally \$100 per acre); stewardship land taxed at 50% of assessed value with a \$50 enrollment fee.
Oklahoma	Ad valorem	Taxed based on current use value.
Oregon	Ad valorem	Taxed at full value based on productivity.
Pennsylvania	Ad valorem	Taxed at full value based on productivity.
Rhode Island	Ad valorem, exemption	Taxed based on current use value; Under 300 acres of certain tree types can obtain an exemption.
S. Carolina	Ad valorem, Severance	Assessed at 4% of market value; Severance tax of up to \$0.50 per 1,000 board feet.
S. Dakota	Ad valorem	Taxed based on current use value.
Tennessee	Ad valorem	Taxed at 25% of current use value.
Texas	Ad valorem	Taxed based on productivity value.
Utah	Ad valorem	Taxed based on current use value.
Vermont	Ad valorem	Taxed based on current use value.
Virginia	Ad valorem, Severance	Taxed based on current use value. Severance tax of up to \$1.15 per 1,000 board feet.
Washington	Ad valorem, Yield	Taxed based on current use value. Yield tax is 5%.
W. Virginia	Ad valorem, Yield	Taxed based on productivity value. Yield tax is 3.22%.
Wisconsin	Flat tax, Yield	Flat tax is \$0.83 per acre; Yield tax is 10%.
Wyoming	Ad valorem	Taxed at 9.5% of productivity value.

Source: All information is as reported by the National Timber Tax Website, www.timbertax.org, accessed on 02/04/05

Note: Timber tax laws are complex and have many caveats. The tax information listed here is for general information purposes, as reported by the National Timber Tax Website. Many tax structures include the concept of "current use" or "productivity" value. This approach to tax valuation considers the income, production potential, or quality of land, as opposed to fair market value, when making assessments for property tax purposes.

State of Alaska January 25, 2005 Certificate of Participation

Overview

The State Bond Committee (SBC) determined late last year that certain outstanding Certificates of Participation (COP's, also called bonds) offered savings sufficient to pursue a refinancing (refunding). Four series were identified as current refunding candidates, including the Palmer Fire Facility (DNR), the Fairbanks Courthouse (Court System), the Anchorage Health Lab (H&SS), and the Soldotna Maintenance Facility (DOT). In a current refunding, all outstanding bonds are called.

The SBC authorized a competitive Internet auction. Some issuers would have instead chosen a negotiated sale given the complexity of calling these 4 separate bond issues. Legal and financial documents were compiled by SBC with assistance of SBC bond counsel and financial advisor.

The refunding issue was pre-qualified for bond insurance by providing information to financial guaranty firms, and asking them to bid on what it would cost for them to insure the bonds to the AAA level. The bonds were rated as a low AA (a notch below the state's general obligation credit rating because the debt service is subject to annual appropriation), and qualifying for insurance allows the winning bidder to purchase insurance for some or all of the maturities. Also, having an insurer ready to insure the bonds at a low cost doesn't hurt marketability.

Pricing

The January 25th auction closed at 8 am Alaska time during a SBC meeting. Market conditions are a main consideration on auction day. On the 25th, the market was moving away (interest rates were trending up from 5 to 10 basis points) from the SBC, a situation that proponents of negotiated sales say argues for a negotiated sale rather than an auction. Despite market conditions, a record number (10) of underwriting firms bid on the COP's. The winning bid was 10 basis points below the next highest bid, a significant difference but not an unlikely event given the large number of bidders. The winning firm was obviously much more willing to take risk on this day than most firms. In a negotiated sale, the SBC would have taken all the market condition risk.

The winning bidder resells the bonds to investors of course, and the spread (amount the bidder keeps) was only \$1.60 per bond (\$1,000) for these bonds which means that for risk, working up the bid, underwriter's counsel, and placing the bonds with investors through their sales force, the firm will receive \$41,160. A recent spread on a comparably sized State of Alaska public corporation bond issue sold by negotiation was \$8.95 per bond which would have resulted in a fee of \$230,240 for this sale. Negotiated sales can and often do bring unnecessary costs to public debt issuers.

The refunding COP's will carry a true interest cost of just over 3.1%, and provide savings in debt service to the GF of \$1,167,718, or about \$136,000 per year; not a solution to the fiscal gap but a good morning's work and a direct benefit of state fiscal policies.

As a rule, SBC financings are closed using fax machines and the Internet. The expensive traditions of having officials travel to a major city for a day or two, and the once almost obligatory closing dinner, do not comport with Department of Revenue and SBC practices today.

HOUSE WAYS AND MEANS COMMITTEE
ALASKA CORPORATE INCOME TAX BRIEFING
FEBRUARY 4, 2005

Statute/Regulations: AS 43.20.073/15 AAC 20

FY 04 Collections: \$39.5 million

Taxpayers: Generally Large Multistate Corporations (Annual Report Table 5, p.29)

Basic Features: Water's Edge Combination and Apportionment of Federal Taxable Income.

"Apportionment" means AK taxable income is determined by formula, as opposed to separate accounting of income and expense within AK.

"Combination" means the apportionment formula is applied to the total federal taxable income of the *combined group of unitary* corporations, not just the corporate affiliate doing business in AK.

"Water's edge" means only the income and factors of affiliated corporations doing business in the US are combined (as opposed to worldwide combination and apportionment which includes foreign subsidiaries).

Basic Formula:

US Federal Consolidated Taxable Income
multiplied by *Alaska Apportionment Factor (%)* =
Alaska Taxable Income
multiplied by AK tax rate (graduated rates, 9.4% max.) =
Alaska Tax (before credits).

Alaska Apportionment Factor = average of three factors considered to be the activities producing income:

$$\frac{\text{AK Property}}{\text{US Property}} + \frac{\text{AK Payroll}}{\text{US Payroll}} + \frac{\text{Alaska Sales}}{\text{US Sales}} \quad \text{divide by 3} = \text{AK factor (\%)}$$

Status Report

- Non-oil and gas corps are second priority to oil and gas.
- Limited audit resources currently available.
- Current efforts is to focus on known problems by using IRS tax shelter information and single issue "slam dunk" audits (i.e. inclusion of tax haven corporations).
- Division plan is to rebuild auditor ranks - new positions requested, training program in development.
- Professional contract planned to review water's edge audit procedures.

House Ways and Means Committee
Excise Tax Overview
February 4, 2005

Tax Type	Overview	Number of Taxpayers FY 2004	Tax Rates	Actual Revenue FY 2004	Projected Revenue FY 2005	Projected Revenue FY 2006
Motor Fuel	Alaska levies the motor fuel tax on motor fuel sold, transferred or used within Alaska. The Division collects motor fuel taxes primarily from wholesalers and distributors who hold "qualified dealer" licenses issued by the Division.	255	Highway - \$.08/gallon Marine - \$.05/gallon Aviation Gasoline - \$.047/gallon Jet Fuel - \$.032/gallon	\$41,367,326	\$39,500,000	\$39,500,000
Tire Fee	Effective September 26, 2003, Alaska began levying a tire fee on all new tires sold in Alaska. The fee applies to retail sales in Alaska of each new tire for motor vehicles designed for highway use. Effective July 1, 2004, an additional tire fee is imposed on the sale of tires with metal studs or spikes weighing more than 1.1 grams each ("heavy studs"). The studded tire fee also applies to the installation of heavy studs in a new or used tire. The Division collects tire fees primarily from tire dealerships.	131	Sale of new tire - \$2.50 per tire Studded tire fee (sale or installation) - \$5.00 per tire (Note: The total fee on a new studded tire is \$7.50 per tire.)	\$826,674	\$2,600,000	\$2,600,000
Vehicle Rental	Alaska levies an excise tax on costs and fees charged for the lease or rental of a passenger or recreational vehicle if the lease or rental period does not exceed 90 consecutive days. The tax is levied upon the individual renting the vehicle and collected by the rental/lease agency.	122	Passenger vehicle - 10% Recreational vehicle - 3%	\$2,711,572	\$6,700,000	\$6,700,000
Tobacco	Alaska levies a tax on cigarettes and other tobacco products. The cigarette tax is levied on cigarettes imported into the state for sale or personal consumption. The tobacco products tax is levied on other tobacco products (other than cigarettes) imported into the state for sale. The Division collects tobacco taxes primarily from licensed wholesalers, distributors, and retailers.	102	Cigarette Tax thru 12/31/04 - \$.05/cigarette 1/1/05 - 6/30/06 - \$.08/cigarette 7/1/06 - 6/30/07 - \$.09/cigarette 7/1/07 and after - \$.10/cigarette Other Tobacco Products Tax 75% of the wholesale price	\$48,856,173	\$51,800,000	\$64,000,000
Alcoholic Beverage	Alaska levies a tax on the first sale of alcoholic beverages in Alaska. The division collects alcoholic beverage taxes primarily from wholesalers and distributors.	27	Liquor - \$12.80/gallon Wine - \$2.50/gallon Beer & Hard Cider - \$1.07/gallon Small Brewery Beer - \$.35/gallon	\$32,746,144	\$31,800,000	\$31,800,000
Total Revenues - All Excise Tax Types				\$126,507,889	\$132,400,000	\$144,600,000

HOUSE WAYS AND MEANS COMMITTEE
ALASKA FISH TAX BRIEFING
FEBRUARY 4, 2005

Fisheries Business Tax

Statute/Regulations: AS 43.75/15 AAC 75

FY 04 Collections:	\$29.24 million
Less Amount Shared with Municipalities:	<u>(14.39)</u> million
Amount Retained by State:	<u>\$14.84</u> million

Number of Taxpayers: 525

Basic Features: Imposed on in-state processors and exporters of unprocessed fish. The tax is based on actual price paid (if an in-state purchase to an unrelated party) or market value of the raw (unprocessed) fish.

Tax Rates: Floating processors – 5%
Salmon canneries – 4.5%
Shore based processors – 3%

(The tax rates on "developing" species are discounted 2 percentage points)

Resource Landing Tax

Statute/Regulations: AS 43.77/15 AAC 77

FY 04 Collections:	\$6.86 million
Less Amount Shared with Municipalities:	<u>(4.36)</u> million
Amount Retained by State:	<u>\$2.50</u> million

Number of Taxpayers: 42

Basic Features: Imposed on out-of-state floating processors that first land their fish in the state. The tax is based on the "statewide average price" established by the Department of Fish & Game.

Tax Rate: All processors – 3%

(The tax rate on "developing" species is discounted 2 percentage points.)

Seafood Marketing Assessment Tax

Statute/Regulations: AS 16.51/15 AAC 116.600-700

FY 04 Collections:

From Fisheries Business taxpayers	\$2.80 million
From Fishery Resource Landing taxpayers	.49 million
Total:	<u>\$3.29</u> million

Number of Taxpayers: 211

Basic Features: Imposed on in-state processors and exporters of unprocessed fish, and out-of-state floating processors that first land their fish in the state. The tax from fisheries business and fishery resource landing taxpayers is based on valuation rules for the respective tax type, and applies only if total value exceeds \$50,000. Proceeds from this tax fund the Alaska Seafood Marketing Institute (ASMI).

Tax Rate: All processors – .5%

(This rate took effect January 1, 2005. The previous rate was .3%.)

Salmon Enhancement Tax

Statute/Regulations: AS 43.76.001-040/15 AAC 76

FY 04 Collections: \$3.03 million

Number of Taxpayers: 195

Basic Features: Paid by fishermen on salmon sold in or exported from established aquaculture regions. The tax is based on actual price paid (if the sale is within the region to an unrelated party) or market value of the salmon. Proceeds from this tax are appropriated to the applicable regional aquaculture association.

Tax Rate:

- Southern Southeast Aquaculture Region – 3%
- Northern Southeast Aquaculture Region – 3%
- Cook Inlet Aquaculture Region – 2%
- Prince William Sound Aquaculture Region – 2%
- Kodiak Aquaculture Region – 2%
- Chignik Aquaculture Region – 2%

Dive Fishery Management Assessment Tax

Statute/Regulations: AS 43.76.150-210

FY 04 Collections: \$.25 million

Number of Taxpayers: 16

Basic Features: Paid by dive fishers on geoducks, sea cucumbers and sea urchins sold in or exported from established dive fishery development regions. The tax is based on actual price paid (if the sale is within the region to an unrelated party) or market value of the resource.

Tax Rate:

Southeast Dive Fishery Development Region

Geoduck – 7%

Sea Cucumber – 5%

Sea Urchin – 7%

(The tax rate on geoducks took effect October 1, 2004. The previous rate was 5%.)

1/28/05

to LEG library -

References were
also made to charts
in the Fall Revenue
Forecast Booklet.

Giving Austerman
Ways + Means
Committee Aide

Table 2-8. Difference Between Unrestricted General Purpose Revenue and General Fund Budget "The Gap" (1)
\$ million

Fiscal Year	Total Unrestricted General Purpose Revenue	General Fund Appropriation	"Gap"
Actual 2004	2,361.7	2,319.1	42.6
2005	2,985.5	2,332.5	653.0
2006	2,300.6	2,332.5	(31.9)
2007	1,986.9	2,332.5	(345.6)
2008	1,700.5	2,332.5	(632.0)
2009	1,615.6	2,332.5	(716.9)
2010	1,588.6	2,332.5	(743.9)
2011	1,603.1	2,332.5	(729.4)
2012	1,549.2	2,332.5	(783.3)
2013	1,475.2	2,332.5	(857.3)
2014	1,416.2	2,332.5	(916.3)
2015	1,348.6	2,332.5	(983.9)

(1) The FY 2005-2015 budget of \$2,332.5 million is simply a reference point for analysis. Any budget estimate used to determine "The Gap" will have its detractors — some will contend spending should be cut, while others will argue just as strongly that spending should be increased to reflect inflation and population growth.

Table 2-9. When Would the CBRF Be Gone? ⁽¹⁾

Annual State Budget	State Spending and Oil Price Variables				Fall 2004		
	\$18/bbl	\$23/bbl	\$25/bbl	\$28/bbl	DOR Forecast	\$30/bbl	\$32/bbl
\$2.2 billion	Dec-2007	Apr-2009	Feb-2010	Mar-2012	Mar-2012	Apr-2014	Jul-2016
\$2.3 billion	Sep-2007	Sep-2008	May-2009	Nov-2010	Feb-2011	Jun-2012	Jul-2014
\$2.4 billion	Jul-2007	May-2008	Nov-2008	Dec-2009	Apr-2010	Jan-2011	Sep-2012
\$2.5 billion	May-2007	Jan-2008	Jun-2008	Apr-2009	Sep-2009	Jan-2010	Apr-2011

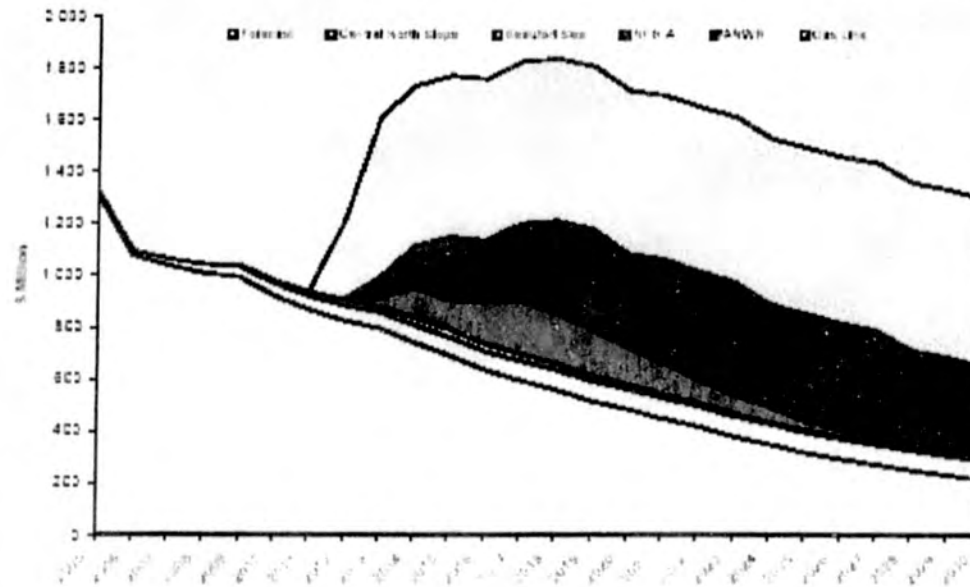
(1) Department of Revenue fall 2004 forecast; Fiscal Driver Model of Oil Revenue and CBRF Performance. FY 2005 deposits to the CBRF are not included. Matrix budget and price starts in FY 2006.

When Would the CBRF Reach \$1 Billion?⁽¹⁾

Annual State Budget					Fall 2004		
	\$18 bbl	\$23 bbl	\$25 bbl	\$28 bbl	DOR Forecast	\$30 bbl	\$32 bbl
\$2.2 billion	Dec/06	Sep/07	Apr/08	Nov/09	Jun/10	Dec/11	Sep/14
\$2.3 billion	Sep/06	Apr/07	Aug/07	Aug/08	May/09	Sep/09	Aug/11
\$2.4 billion	Aug/06	Feb/07	May/07	Mar/08	Dec/08	Jan/09	May/10
\$2.5 billion	Jul/06	Dec/06	Feb/07	Sep/07	Jul/08	Apr/08	Mar/09

(1) Department of Revenue fall 2004 forecast, Fiscal Driver Model of Oil Revenue and CBRF Performance. FY 2005 deposits to the CBRF are not included. Matrix budget and price starts in FY 2006.

Figure 3-6. Possible Increases to the State's Severance Tax and Royalty Revenue from Future Exploration and Gas Line Project



STATE OF ALASKA
DEPARTMENT OF REVENUE
Tax Division



Fiscal Year 2004
ANNUAL REPORT OF DIVISION OPERATIONS

On the internet at:
www.tax.state.ak.us

Frank Murkowski
Governor

William A. Corbus
Commissioner

2004 Annual Report of Division Operations

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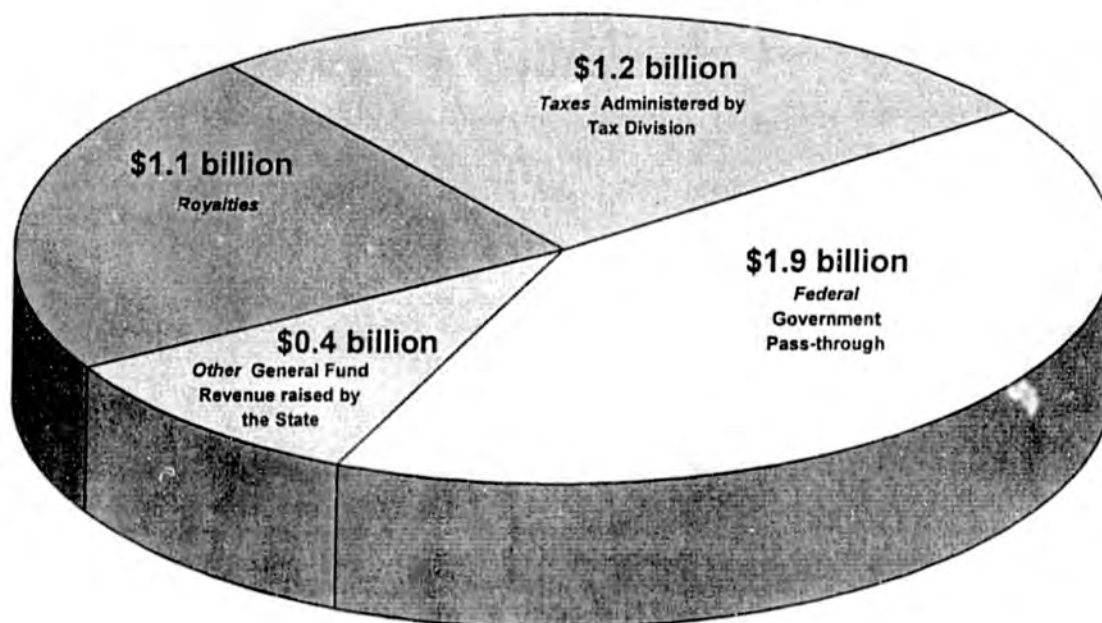
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TAX DIVISION OVERVIEW

The Tax Division continues to have extensive responsibility for administering the tax programs that help pay for a significant portion of state government. After federal dollars, taxes administered by the Tax Division is the next largest category of General Fund revenues, followed by oil and gas royalties and the small but all purpose "other". See the chart below for a detail of FY 2004 General Fund revenues of \$4.6 billion dollars. (Source: October 2004 preliminary data from the Alaska State Accounting System.)

Preliminary FY 2004 General Fund Revenue Chart



Tax programs administered by the Division

Oil and Gas Taxes

- Oil and Gas Corporate Income
- Oil and Gas Production
- Oil and Gas Property
- Oil and Gas Surcharge

Excise Taxes

- Alcoholic Beverage
- Cigarette/Tobacco
- Mining License
- Motor Fuel
- Tire
- Vehicle Rental

Other Taxes

- Alaska Regulatory Commission Fees
- Electrical Coop
- Estate
- Telephone Coop

Corporate Income Taxes (Non-Oil and Gas)

- Corporate Income

Fisheries Taxes

- Dive Fisheries
- Fisheries Business
- Fisheries Resource Landing
- Salmon Enhancement
- Salmon Marketing
- Seafood Marketing

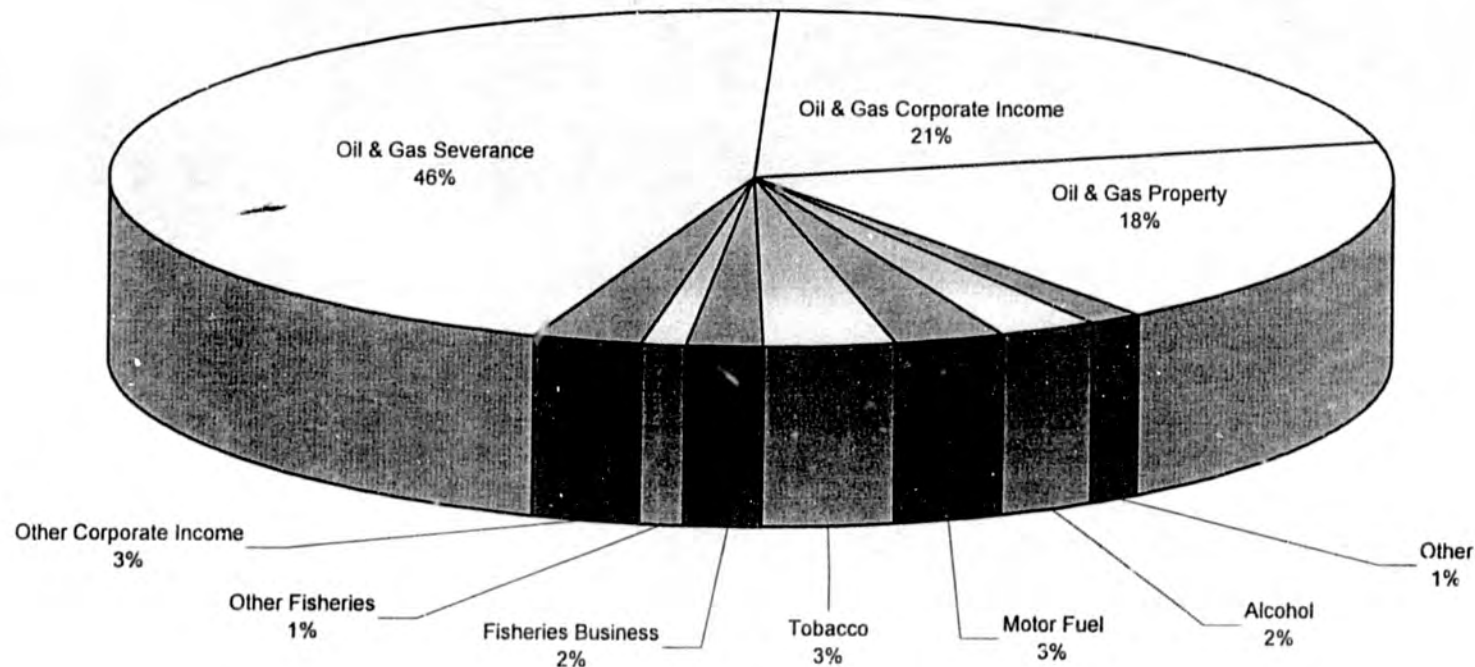
Other Programs

- Charitable Gaming
- Salmon Price Reporting
- Revenue Sources Reporting

Table 1
Three Year Comparison of Revenue Collections

FUND SOURCE	FY 04	% Fund Total	FY 03	% Fund Total	FY 02	% Fund Total
General Fund (including sub funds)						
Oil and Gas						
Production Tax	\$642,819,003	45.6%	\$589,731,934	49.1%	\$486,740,276	43.3%
Property ¹	266,210,393	18.8%	268,844,716	22.4%	270,354,442	24.1%
Corporate Income	298,832,852	21.2%	151,088,300	12.5%	178,386,310	15.9%
Conservation Surcharge	9,052,517	0.6%	9,232,859	0.8%	9,597,043	0.9%
Total Oil and Gas	1,216,914,765	86.2%	1,018,897,809	84.8%	945,078,071	84.1%
Motor Fuel ²	41,367,326	2.9%	37,352,972	3.1%	40,352,396	3.6%
Corporate Income - Other than Oil and Gas	39,546,080	2.8%	47,712,454	3.9%	53,449,415	4.8%
Alcoholic Beverages	32,746,144	2.3%	25,360,808	2.1%	12,889,256	1.1%
Fisheries Business ²	29,244,605	2.1%	26,002,713	2.2%	25,292,371	2.3%
Tobacco	15,990,447	1.1%	16,287,785	1.4%	15,534,977	1.4%
Fishery Resource Landing ²	6,860,773	0.5%	9,876,465	0.8%	7,223,775	0.6%
RCA Regulatory Cost Charges	5,655,595	0.4%	5,839,379	0.5%	5,855,577	0.5%
Seafood Marketing	3,294,577	0.2%	2,989,931	0.2%	2,698,456	0.2%
Mining License	3,224,684	0.2%	351,387	0.0%	466,430	0.0%
Salmon Enhancement ²	3,033,565	0.2%	2,422,051	0.2%	3,701,801	0.3%
Gaming	2,423,278	0.2%	2,585,507	0.2%	2,512,205	0.2%
Estate	2,250,662	0.2%	1,221,757	0.1%	3,117,413	0.3%
Vehicle Rental	2,711,572	0.2%	0	0.0%	0	0.0%
Telephone Cooperative ²	2,101,198	0.1%	1,836,740	0.2%	1,352,643	0.1%
Salmon Marketing	1,963,779	0.1%	1,412,041	0.1%	1,986,718	0.2%
Electric Cooperative ²	1,861,290	0.1%	1,817,958	0.2%	1,786,712	0.2%
Tire Fee	826,674	0.1%	0	0.0%	0	0.0%
Dive Fisheries	253,503	0.0%	204,738	0.0%	192,110	0.0%
Total General Fund	1,412,270,517	100.0%	1,202,172,495	100.0%	1,123,490,326	100.0%
¹ Includes credit for municipal property tax paid (\$218,798,614 in FY 2004, \$220,096,442 in FY 2003 and \$220,713,351 in FY 2002)						
² Prior to sharing with municipalities or aquaculture associations						
Constitutional Budget Reserve Fund (CBRF)						
Oil and Gas Severance	4,236,962	50.6%	3,681,970	17.6%	24,243,395	27.0%
Oil & Gas Corporate Income	4,035,122	48.3%	17,221,507	82.2%	65,649,583	73.0%
Oil and Gas Property	87,868	1.1%	(2,929)	0.0%	0	0.0%
Mining License	0	0.0%	44,867	0.2%	0	0.0%
Total CBRF	8,359,952	100.0%	20,945,415	100.0%	89,892,978	100.0%
School Fund						
Tobacco	32,865,726	100.0%	30,606,828	100.0%	30,272,141	100.0%
Cigarette License Fees	4,740	0.0%	5,520	0.0%	3,220	0.0%
Total School Fund	32,870,466	100.0%	30,612,348	100.0%	30,275,361	100.0%
Total All Funds	\$1,453,500,935	100.0%	\$1,253,730,25^P	100.0%	\$1,243,658,665	100.0%

Chart I
Tax Division Collections



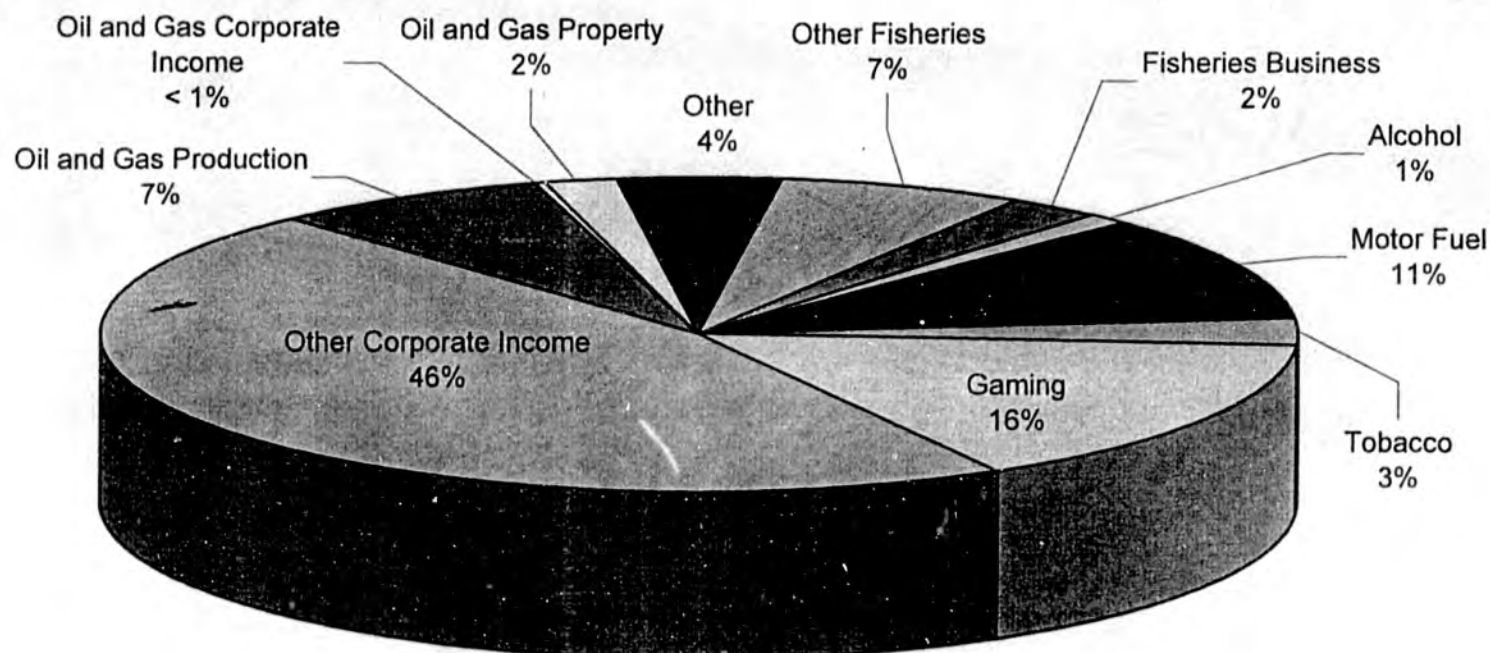
Total Tax Collections: \$ 1,453,500,935

Oil & Gas Severance includes the production tax and the conservation surcharge on oil and gas.

Other Fisheries includes resource landing, dive fisheries, salmon enhancement and marketing taxes, and seafood marketing assessment collections.

Other includes RCC, estate, electric and telephone cooperative, gaming, mining license tax, tire and vehicle tax.

Chart 2
Tax Returns Filed



(figures include original and amended returns)

Total Tax Returns Filed: 31,461					
Oil and Gas		Other Fisheries		Other	
Production	2,318	Salmon Marketing	900	Estate	48
Corporate Income	69	Salmon Enhancement	885	Electric Cooperative	18
Property	687	Seafood Marketing	276	Mining License	144
		Fishery Resource Landing	62	Telephone Cooperative	9
Other Corporate Income	14,619	Dive Fisheries	42	APUC Reg Cost Charges	523
				Tire Fee	389
Motor Fuel	3,401	Fisheries Business	782	Vehicle Rental	201
Alcohol	291	Tobacco	862	Gaming	4,935

2004 NEW LEGISLATION

The 2004 legislature passed 11 bills that directly affect the Tax Division. The Governor signed the following bills into law:

HB 341 (Ch 156 SLA 2004) - Dive Fishery Management Assessment. Under prior law, qualified regional dive fishery development associations were authorized to impose management assessments at 1%, 3%, 5%, and 7% of the value of fishery resources taken in a dive gear fishery. This bill authorizes three additional rates: 2%, 4%, and 6%.

The bill took effect October 1, 2004.

HB 347 (Ch 29 SLA 2004) - Exempt Taxis from Vehicle Rental Tax. This bill adds taxicabs to the list of vehicles exempt from the vehicle rental tax established last year in HB 271 (Ch 105 SLA 2003) which became effective January 1, 2004.

The bill took effect May 8, 2004 and was made retroactive to January 1, 2004. In the bill, the Department of Revenue is instructed to refund any tax collected or remitted for taxicab rentals between January 1, 2004 and the effective date of the bill.

HB 366 (Ch 162 SLA 2004) - Animal Classics Charitable Gaming. This bill allows the Department of Revenue to issue permits for an animal classic game, providing the animal classic was in existence prior to November 1, 2002. An animal classic is a game of chance relating to certain actions by rodents or chickens.

The bill took effect July 25, 2004.

HB 417 (Ch 138 SLA 2004) - Alaska Natural Gas Development Authority. This bill amends the Act establishing the Alaska Natural Gas Development Authority. The amendment adds a Prudhoe Bay to Cook Inlet pipeline as an option for the Development Authority to review for economic viability.

The bill took effect July 1, 2004.

HB 419 (Ch 53 SLA 2004) - Regional Seafood Development Associations Tax. This bill authorizes qualified regional seafood development associations to hold an election to impose seafood development taxes of 0.5% to 2% of the value of fishery resources taken in a fishery. The bill establishes processes for imposition of, changes to, or termination of seafood development taxes. The bill also establishes seafood development regions and indicates upon whom tax liability falls.

The bill took effect September 7, 2004.

SB 241 (Ch 14 SLA 2004) - Appropriation: North Slope Natural Gas. This bill appropriated \$1.65 million to the Department of Revenue for work related to bringing North Slope natural gas to market. Under the Stranded Gas Development Act (SGDA) the Commissioner of Revenue is charged with negotiating a contract for stranded gas development, and the Tax Division devotes significant resources in supporting the Commissioner in his stranded gas responsibilities. Five sponsors including major pipeline companies and the largest lessees of North Slope Gas have applied for consideration under the SGDA, and active negotiations are being carried out with two of those sponsors.

The bill took effect April 9, 2004.

2004 NEW LEGISLATION

SB 273 (Ch 31 SLA 2004) – ASMI Board / Seafood Taxes & Assessments. This bill amends the size of the Alaska Seafood Marketing Institute (ASMI) board to seven governor-appointed members and sets qualifications for members. The bill directs ASMI to hold a member election, to be certified by the Director of Elections with assistance from the Commissioner of the Department of Revenue, to determine whether to retain the assessment. If the assessment is retained, a second vote will determine whether to increase the seafood marketing assessment from 0.3% to 0.5%. If the increase passes, the current 1% Salmon Marketing Tax will end. If the increase fails, the current assessment will remain and the board will increase to nine members. The bill also establishes processes for future changes to and termination of assessments as well as a minimum processing threshold for paying assessments.

The bill was signed into law May 13, 2004 with an immediate effective date.

Note: Elections were held as prescribed in law. The vote retained the Seafood Marketing assessment, increased the Seafood Marketing rate to 0.5% and eliminated the Salmon Marketing Tax effective January 1, 2005.

SB 286 (Ch 147 SLA 2004) – Direct Marketing Fisheries Business / Taxes. This bill authorized a new type of fisheries business license, the direct marketing fisheries business license. The tax rates for holders of this license are set at the shore based rate; 1% of the value of developing commercial fish species and 3% of the value of other commercial fish species. This bill also clarifies who must pay the Salmon Marketing Tax and the Salmon Enhancement Tax. When selling to a buyer who does not withhold the tax, fishermen must now pay the tax on an annual return. The Department of Revenue is directed to adopt regulations necessary to administer the new tax policies.

The section directing the Department of Revenue to adopt necessary regulations took effect July 4, 2004. The regulations, as well as the other provisions of the bill, will take effect January 1, 2005.

SB 291 (Ch 11 SLA 2004) – Unstamped Cigarettes. During the 2003 legislative session, the legislature passed a bill requiring that all cigarettes imported into the state after December 31, 2003 must be affixed with a tax stamp showing that the cigarette tax has been paid. That same bill included a transition period whereby businesses were allowed to sell unstamped cigarettes until March 31, 2004 if the cigarettes had been imported into the state prior to January 1, 2004. This 90-day transition period would have been adequate; however, at the same time, cigarette manufacturers significantly changed their returned goods policies and refused to take unstamped cigarettes back from retailers in the state. Therefore, the legislature passed SB 291 which extended the transition period for selling unstamped cigarettes in the state from March 31, 2004 to June 30, 2004.

The bill took effect April 2, 2004.

SB 322 (Ch 52 SLA 2004) – Salmon Enhancement Tax. This bill authorizes additional salmon enhancement tax rates, subject to elections held by qualified regional associations. In addition to the current 1%, 2% or 3% options, ten additional options are now available, ranging from 4% to 30% of the value of salmon sold or removed from the state.

The bill took effect September 7, 2004.

SB 1001 (Ch 1 FSSLA 2004) – Tobacco Tax; Licensing; Penalties. This bill increases Alaska's tax on cigarettes from \$1.00 per pack of twenty to \$1.60 on January 1, 2005, to \$1.80 on July 1, 2006, and to \$2.00 on July 1, 2007. This bill also imposes an additional tax of \$.25 per pack of twenty on cigarettes produced by manufacturers that did not sign the tobacco Master Settlement Agreement and makes changes to escrow requirements of these same manufacturers.

2004 NEW LEGISLATION

The bill increases license fees for manufacturers and retailers of cigarettes and provides additional tools to the Department of Revenue and law enforcement agencies to combat cigarette smuggling and tax evasion. The bill also allows for seizure of materials, vehicles, money, property and other assets when those assets are used in first degree misconduct involving unstamped cigarettes or stamps.

The bill also changes the cigarette shipping restrictions by allowing businesses that have a cigarette license to mail cigarettes to individuals who have signed an affidavit attesting that they are at least 19 years of age or older.

The bill was signed July 24, 2004. Changes to the cigarette shipping rules were effective immediately. Changes to escrow requirements for tobacco manufacturers took effect July 1, 2004. All other provisions of this bill will take effect January 1, 2005.

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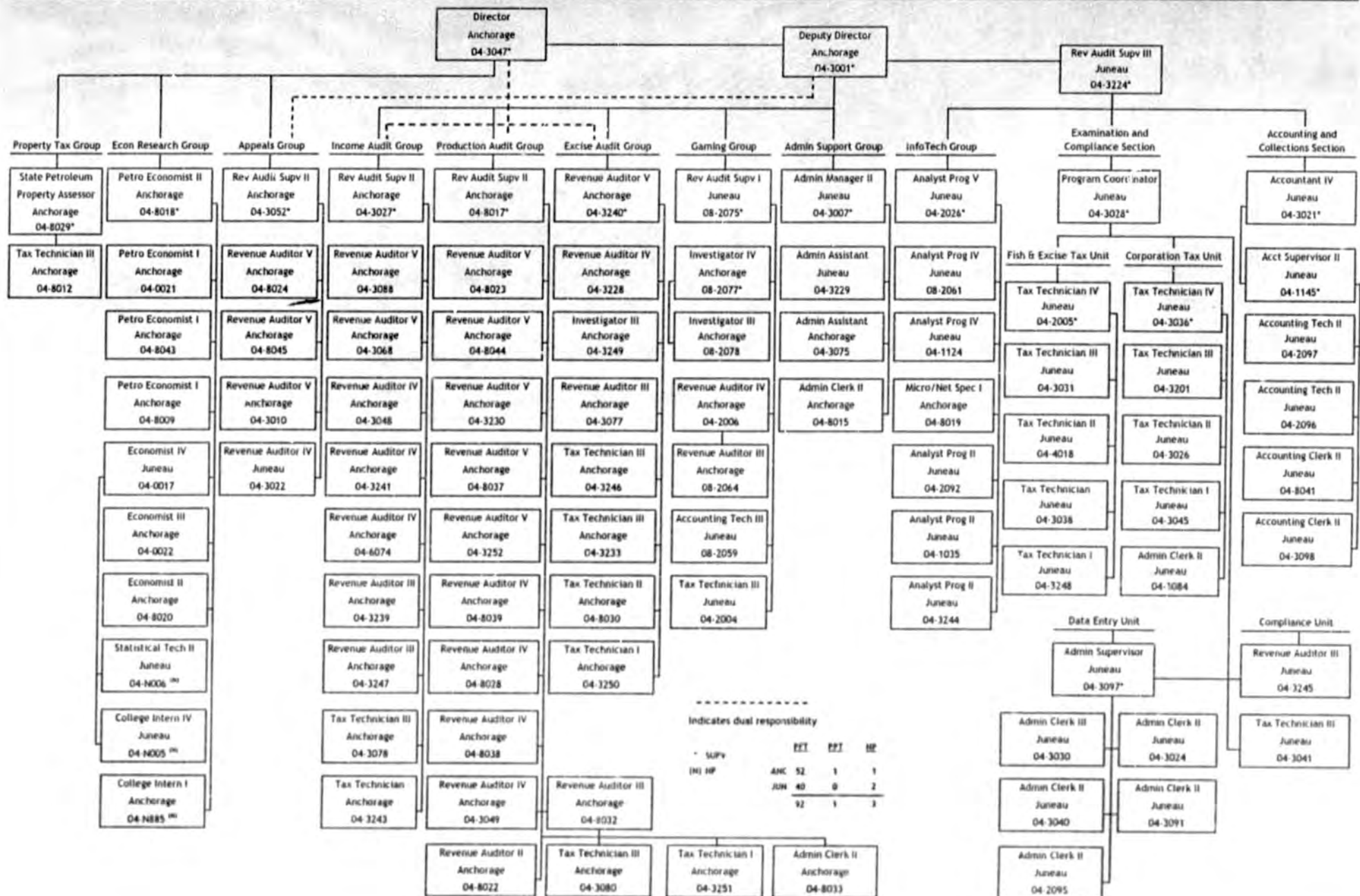
New Units in FY 2005**Fishery Tax and Licensing**

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FY 2004 Tax Division Organization Chart



FUNCTIONS

During fiscal year 2004, the Tax Division was staffed by 92 full time, one permanent part time and three non perm/college intern positions, and maintained offices in Juneau and Anchorage. The Division's FY 2004 operating budget was \$7.13 million. The Division is organized according to the functional groups of **Accounting and Collections, Appeals, Audit, Economic Research, Examination and Compliance** (renamed Examination and Processing in FY 2005), **Fisheries** (new in FY 2005) **Gaming, Investigations** (new in FY 2005), **Property Tax**; and the support groups of **Administrative Support** and **Information Technology**.

OPERATIONS

Operations, staffed by 32 full time positions in Juneau and one position in Anchorage, is responsible for receipt and processing of tax returns and payments other than oil and gas severance and property taxes. The Anchorage based Oil and Gas Severance Audit Group receives oil and gas severance and property tax returns, examines and processes the payments.

Operations oversees four groups: **Accounting and Collections, Examination and Compliance, Fisheries** (new in FY 2005) and **Information Technology**.

In conjunction with provisions for the Constitutional Budget Reserve Fund, *Operations* is responsible for accounting for oil and gas settlement payments received by the state and maintains a database of settlement payments.

Accounting and Collections, staffed by six full time positions, is responsible for receiving and processing tax payments and reconciling Tax Accounting System (TAS) revenues to the state's accounting system (AKSAS).

Accounting and Collections is responsible for processing payments, which includes data capturing payment information into TAS and reconciling activity to deposit summary information. The unit also posts assessments for additional taxes and penalties into TAS.

Accounting and Collections generates management reports as a part of its reconciliation process and for identifying exception items. This section generates special management reports for Division staff upon request.

Accounting and Collections is responsible for enforcement of delinquent accounts. Enforcement activities include contacting taxpayers for payment and taking appropriate actions to collect delinquencies such as filing liens and levying assets.

Accounting and Collections is also responsible for *Shared Taxes and Reporting*.

Shared Tax is responsible for sharing taxes and fees, when applicable, to municipalities in accordance with statutory requirements. Shared Taxes accounts for revenues subject to sharing and periodically issues warrants to communities for their portion of tax collections. The amount shared is based upon where the tax or fee was derived. In FY 2004, the Tax Division shared \$21,250,726 to 123 Alaska communities.

The following taxes and fees are subject to sharing:

- Aviation Motor Fuel Tax*
- Electric Cooperative Tax*
- Fisheries Business Tax*
- Fishery Resource Landing Tax*
- Liquor License Fees*
- Telephone Cooperative Tax*

A Shared Tax Report is prepared annually, which summarizes the amounts shared with each community. The Division distributes the annual report to the public via the Internet. The report is available on the Division's website at www.tax.state.ak.us.

For fisheries business and fishery resource landing tax programs, taxes sourced from activities in the unorganized borough are subject to sharing to municipalities through an allocation program administered by Department of Commerce, Community and Economic Development (Commerce). The Tax Division transmits funds to Commerce each year for allocation. For FY 2004, the Division transmitted \$2,301,684 for additional sharing.

FUNCTIONS

Accounting and Collections is also responsible for *Reporting*. This section is responsible for summarizing and reporting of financial data and providing financial oversight and control of agency accounting functions. This section supports the Division in reporting needs which include: design and modification of accounting systems; evaluation, design and maintenance of appropriate systems of internal accounting controls over tax payments; refunds and disbursement of all tax programs including those taxes subject to sharing and pass through.

Examination and Compliance, staffed by 19 full time positions, is responsible for data entry of tax return information into the Division's Tax Accounting System (TAS), examining selected returns and issuing licenses to taxpayers. As part of the examination process, tax examiners generate assessments for additional taxes and penalties. This unit is also responsible for ensuring taxpayer compliance.

Within Examination and Compliance are two examination units responsible for different tax types: *Corporation Tax*, and *Fish and Excise Tax*.

Corporation Tax is responsible for processing and examining corporation net income tax returns. The unit also receives partnership and other information returns associated with the corporate net income tax.

Corporation Tax examines returns based on priority criteria, which include large dollar tax liabilities, large refund or credit claims and returns with exceptions.

The unit assists in updating corporation tax return forms to reflect changes in federal and Alaska tax laws. The unit maintains corporation tax return files, taxpayer correspondence and estimated payment documents.

Corporation Tax also approves clearances from state agencies that are making final payment on state contracts.

Fish and Excise Tax is responsible for processing and examining returns other than corporation returns and for licensing taxpayers.

The *Fish and Excise Tax* unit also:

Licenses fisheries businesses that process or export fisheries resources from the state. As part of the licensing function, the section accounts for cash prepayments and other forms of security submitted by processors to secure payment of their fisheries business tax liabilities.

Administers the fish processor surety bonding program. This program requires that fisheries processors and buyers secure a \$2,000, \$10,000, \$20,000, \$50,000 or \$100,000 bond, depending on their activity, as surety against future claims from employees and fishers.

Administers the fisheries and mining licensing programs, as well as examination of estate and mining license tax returns.

Compliance is responsible for securing returns from businesses and individuals required to file tax returns with the state.

Compliance compares data from external agencies, such as IRS and Alaska Department of Commerce, Community and Economic Development, against Tax Division files to identify potential taxpayers. *Compliance* also follows up on compliance leads from internal and external sources.

Information Technology is staffed by seven full time positions. The unit maintains the Division's Tax Accounting System (TAS), provides technical support for tax management issues and implements technical support systems specific to a tax environment. This unit provides a crucial technical liaison between the Alaska State Accounting System and the Tax Accounting System. This unit is also responsible for providing technical upgrades that enhance customer service to Alaska's taxpayers.

AUDIT

The audit function consists of three groups based in Anchorage. The Division staffs *Audit - Income Group* with 10 full time positions, *Audit - Oil and Gas Production Group* with 15 full time positions and *Audit - Excise Group* with eight full time positions.

Audit - Income Group is responsible for auditing corporate net income tax (including oil and gas corporate income taxes).

FUNCTIONS

Audit - Oil and Gas Production Group is responsible for auditing oil and gas severance taxes, property taxes, and compliance by the owners of the Trans Alaska Pipeline System with the TAPS settlement methodology in setting their tariffs.

The *Audit - Excise Group* is responsible for licensing and examination functions for Alcohol, Cigarettes and Tobacco, Motor Fuels, Tire Fee and Vehicle Rental. This unit is also responsible for audit of all excise taxes.

The audit groups represent the Division's core technical and analytical resource providing support in many functions of the Division. *Audit* plays a critical role in drafting and implementing regulations, conducts special projects, and provides support to Appeals.

APPEALS

Appeals is located in Anchorage and staffed by five full time positions. *Appeals* conducts conferences on protested assessments and issues informal conference decisions of the Department of Revenue for all programs and tax types administered by the Division.

Appeals represents the department as counsel in disputed cases before the Office of Tax Appeals and represents the Division before a Department Hearing Examiner in gaming and unclaimed property cases.

Appeals works closely with the Department of Law in these and various other matters. *Appeals* performs many special projects in a legal, technical or tax context, including drafting proposed legislation and regulations.

GAMING

Gaming is located in Juneau and Anchorage and is staffed with seven full time positions. *Gaming* is responsible for overseeing charitable gaming activities conducted in the state.

Gaming issues annual permits and licenses to non-profit organizations and operators to conduct charitable gaming activities in the state. The *Gaming* section publishes its own annual report that includes more detailed descriptions of this program.

PROPERTY TAX

The Division staffs the Oil and Gas *Property Tax* group in Anchorage with two full time positions. The unit is responsible for assessment, compliance, audit, collection, and administrative processing of property tax assessments. Many of the unit's duties are performed by municipal authorities under a Memorandum of Agreement (MOA) and by engineering and appraisal experts working under contract. The unit performs compliance and collection functions and is responsible for processing returns. The Division or taxpayers may initiate audits. Audits and appraisals conducted by the unit are typically highly specialized valuations for which the unit uses outside experts on an as needed basis.

ECONOMIC RESEARCH

Economic Research, located in Anchorage and Juneau, is staffed by seven full time positions, one non perm and two college interns. The group is responsible for monitoring and forecasting the state's General Fund revenues.

Economic Research monitors state and national economic conditions and conducts research needed to anticipate economic and business trends that affect tax revenue. The unit works with other state agencies to compile information for the *Revenue Sources Book*, a semi-annual publication that contains historical and forecasted revenue information to assist the governor and legislature in developing the state's budget.

The *Economic Research* group publishes statewide average price information (from data provided by Department of Fish and Game) for fishery resources landed in the state. Taxpayers use the average price information to calculate their fishery resource landing tax liabilities.

The *Economic Research* group prepares and presents to the legislature fiscal notes projecting the costs and revenues from proposed legislation that would affect the state fiscal system.

Table 2 - Revenue Collections Detail

	FY 04	FY 03	FY 02
OIL AND GAS TAXES			
General Fund revenue			
Severance Taxes			
Oil & Gas Production	\$ 642,819,003	\$ 589,731,934	\$ 486,740,276
Oil & Gas Hazardous Release	9,052,517	9,232,859	9,597,043
Credits	0	0	0
Severance tax total	651,871,520	598,964,793	496,337,319
Property Tax	266,210,393	268,844,716	270,354,442
Local credits	(218,798,614)	(220,096,442)	(220,713,351)
Property tax total	47,411,779	48,748,274	49,641,091
Oil & Gas Corporate Income Tax	299,137,852	151,395,925	178,790,762
Alaska Education Credit	(305,000)	(307,625)	(404,452)
Oil & Gas Corporate Income Tax total	298,832,852	151,088,300	178,386,310
Total Oil & Gas Tax Receipts - General Fund	998,116,151	798,801,367	724,364,720
Constitutional Budget Reserve Fund - CBRF			
Oil and Gas Severance Tax	4,236,962	3,681,970	24,243,395
Oil & Gas Corporate Income Tax	4,035,122	17,221,507	65,649,583
Oil and Gas Property	87,868	(2,929)	0
Total Receipts - CBRF	8,359,952	20,900,548	89,892,978
Total Oil & Gas Receipts - All Funds	\$ 1,006,476,103	\$ 819,701,915	\$ 814,257,698
CORPORATE NET INCOME TAX - other than oil & gas corporations			
Corporate Income Tax	40,244,959	48,405,650	54,350,230
Alaska Education Credit	(693,879)	693,196	(900,815)
Veteran's Memorial Fund Credit	(5,000)	0	0
Total Receipts	\$ 39,546,080	\$ 47,712,454	\$ 53,449,415
TOBACCO			
Cigarette	\$ 42,573,286	\$ 40,239,153	\$ 39,760,717
Tobacco Products	6,561,826	6,657,704	6,042,653
Penalties and Interest	76,154	61,263	66,672
Deductions and Stamp Discount	(355,093)	(63,507)	(62,924)
Total Receipts	48,856,173	46,894,613	45,807,118
Less Amount Transferred to School Fund	(32,865,726)	(30,606,828)	(30,272,141)
Amount Retained in General Fund	\$ 15,990,447	\$ 16,287,785	\$ 15,534,977

Table 2 - Revenue Collections Detail

	FY 04	FY 03	FY 02
MOTOR FUEL			
Highway	\$ 30,872,676	\$ 26,518,253	\$ 28,723,637
Marine	5,266,275	5,938,976	5,806,527
Jet Fuel	3,950,421	4,067,223	4,863,137
Aviation Gasoline	1,227,908	834,042	771,289
Total Tax	41,317,280	37,358,494	40,164,590
Penalties and Interest*	50,046	(5,522)	187,806
Total Receipts	41,367,326	37,352,972	40,352,396
Less Aviation Fuel Tax Shared	(164,978)	(169,600)	(158,781)
Amount Retained by State	\$ 41,202,348	\$ 37,183,372	\$ 40,193,615
FISHERIES BUSINESS			
<i>Established</i>			
Shore-based	\$ 18,480,806	\$ 17,128,133	\$ 17,117,467
Floating	4,635,435	3,984,657	4,105,428
Cannery	3,069,518	2,150,977	3,117,556
<i>Developing</i>			
Shore-based	133,286	21,879	22,717
Floating	540	158	200
Total Tax	26,319,585	23,285,804	24,363,368
Prepayments	4,662,239	2,999,554	1,041,507
Penalties and Interest	87,197	30,813	27,756
License Fees	16,613	16,245	15,525
Total Tax Before Credits	31,085,634	26,332,416	25,448,156
Less Credits			
Winn Brindle	(169,121)	(176,114)	(153,991)
Alaska Education Credit	(302,500)	(153,589)	(1,794)
Salmon Product Development and Utilization Credit	(1,369,408)	0	0
Total Receipts	29,244,605	26,002,713	25,292,371
Less Fisheries Tax Shared with Municipalities			
Direct to Municipalities	(12,672,941)	(10,806,426)	(11,158,745)
Department of Community and Economic Development	(1,725,251)	(1,362,651)	(1,396,076)
Amount Retained by State	\$ 14,846,413	\$ 13,833,636	\$ 12,737,550
DEC Seafood Processor License Fees	\$ 402,050	\$ 424,495	\$ 400,316
ALCOHOLIC BEVERAGES			
Liquor	\$ 14,138,141	\$ 11,246,889	\$ 6,565,654
Beer	13,654,111	10,695,105	4,977,703
Wine	4,257,955	3,010,269	1,337,547
Beer Qualifying for Reduced Rate of Tax	691,183	407,277	0
Penalties, Interest and Refunds	4,754	1,268	8,352
Total Receipts	\$ 32,746,144	25,360,808	12,889,256
Less Amount Transferred to Alcohol and Other Drug Abuse Treatment and Prevention Fund	(16,372,730)	(11,222,078)	-
Unrestricted Amount Retained in General Fund	\$ 16,373,414	\$ 14,138,730	\$ 12,889,256

Table 2 - Revenue Collections Detail

	FY 04	FY 03	FY 02
SALMON ENHANCEMENT			
Tax by Aquacultural Region			
Southern Southeast	\$ 821,631	\$ 560,456	\$ 1,329,122
Northern Southeast	732,380	659,790	874,190
Prince William Sound	653,603	559,046	705,283
Kodiak	352,935	279,692	451,211
Cook Inlet	310,497	244,719	165,972
Chignik	129,765	109,035	169,673
Total Tax	3,000,811	2,412,738	3,695,451
Penalties and Interest	32,754	9,313	6,350
Total Receipts	\$ 3,033,565	\$ 2,422,051	\$ 3,701,801
FISHERY RESOURCE LANDING			
Tax Before Credits	\$ 5,091,447	\$ 8,602,123	\$ 6,079,681
Pre-Payments	2,409,115	2,779,920	2,411,160
Penalties, Interest and Refunds	635,352	96,072	518,814
Less Credits			
CDQ Contributions	(370,141)	(396,650)	(227,505)
Winn Brindle	(5,000)	(5,000)	(2,500)
Alaska Education Credit	(900,000)	(1,200,000)	(1,555,875)
Total Receipts	6,860,773	9,876,465	7,223,775
Less Landing Tax Shared with Municipalities			
Direct to Municipalities	(3,781,803)	(2,628,024)	(4,313,979)
Department of Community and Regional Affairs	(576,433)	(321,440)	(256,648)
Amount to be Retained by State	\$ 2,502,537	\$ 6,927,001	\$ 2,653,148
REGULATORY COMMISSION of ALASKA			
Telephone Utilities	2,218,859	2,388,840	2,181,803
Electric Utilities	\$ 1,795,454	\$ 1,488,845	\$ 1,530,750
Other Utilities	1,036,199	1,155,708	1,335,354
Pipeline Carriers	605,083	805,986	807,670
Total Receipts	\$ 5,655,595	\$ 5,839,379	\$ 5,855,577
SALMON MARKETING			
Tax	\$ 1,907,811	\$ 1,406,087	\$ 1,968,797
Penalties and Interest	55,968	5,954	17,921
Total Receipts	\$ 1,963,779	\$ 1,412,041	\$ 1,986,718
SEAFOOD MARKETING ASSESSMENT			
Paid by Fisheries Business taxpayers	\$ 2,799,859	\$ 2,167,147	\$ 2,122,361
Paid by Fishery Resource Landing taxpayers	494,718	822,784	576,095
Total Receipts	\$ 3,294,577	\$ 2,989,931	\$ 2,698,456

Table 2 - Revenue Collections Detail

	FY 04	FY 03	FY 02
MINING LICENSE			
General Fund			
Current Year Tax Before Credits	\$ 3,326,281	\$ 383,691	\$ 497,552
Less Alaska Special Industrial Incentive Credit			
Less Mineral Exploration Incentive Credit	0	(29,736)	(28,282)
Less Alaska Education Credit	(101,597)	(2,568)	(2,840)
Total Receipts - General Fund	3,224,684	351,387	466,430
Constitutional Budget Reserve Fund			
Current Year Tax	0	44,867	0
Total Receipts - CBRF	0	44,867	0
Total Mining License Receipts - All Funds	\$ 3,224,684	\$ 396,254	\$ 466,430
ESTATE			
Total Receipts	\$ 2,250,662	\$ 1,221,757	\$ 3,117,413
CHARITABLE GAMING			
3% Pull Tab Tax	\$ 1,887,015	\$ 2,077,176	\$ 2,045,124
1% Net Proceeds Fee	386,220	370,524	325,218
Licensing Fees	150,043	137,807	141,863
Total Receipts	\$ 2,423,278	\$ 2,585,507	\$ 2,512,205
ELECTRIC COOPERATIVE			
Total Receipts	\$ 1,861,290	\$ 1,817,958	\$ 1,786,712
Less Cooperative Taxes Shared	(1,794,011)	(1,752,988)	(1,719,948)
Amount Retained by State	\$ 67,279	\$ 64,970	\$ 66,764
TELEPHONE COOPERATIVE			
Total Receipts	\$ 2,101,198	\$ 1,836,740	\$ 1,352,643
Less Cooperative Taxes Shared	(1,981,543)	(1,709,074)	(1,283,540)
Amount Retained by State	\$ 119,655	\$ 127,666	\$ 69,103
DIVE FISHERY MANAGEMENT ASSESSMENT			
Southeast Alaska - Management Area A	\$ 253,503	\$ 204,738	\$ 192,110
Total Receipts	\$ 253,503	\$ 204,738	\$ 192,110
CIGARETTE LICENSE FEES			
(Transferred Directly to School Fund)			
Total Receipts	\$ 4,740	\$ 5,520	\$ 3,220

Table 2 - Revenue Collections Detail

	FY 04	FY 03	FY 02
TIRE FEE			
Non-Studded	\$ 826,651		
Studded	0		
Penalties and Interest	23		
Total Receipts	\$ 826,674	N/A	N/A
VEHICLE RENTAL			
Passenger Vehicle	\$ 2,623,614		
Recreational Vehicle	87,557		
Penalties and Interest	401		
Total Receipts	\$ 2,711,572	N/A	N/A

Table 3

Program Revenue and Cost Detail

Tax Programs Detail

(Sorted by Revenue)

	2004 Statistics		2004 Program		2004 Per FTE ²	
	Returns	Revenue	Cost ¹	FTE ²	Revenue	Cost
Tax Program						
Oil and Gas Severance ³	2,318	\$656,108,482	\$2,175,441	24.1	\$27,224,418	\$90,267
Oil and Gas Corporate Income ⁴	69	302,867,974	559,364	7.1	42,657,461	78,784
Oil and Gas Property ⁵	687	266,298,261	388,541	3.1	85,902,665 *	125,336
Tobacco ⁶	862	48,860,913	441,223	5.4	9,048,317	81,708
Motor Fuel	3,401	41,367,326	308,298	4.5	9,192,739	68,511
Corporate Income (non-Oil & Gas)	14,619	39,546,080	1,334,347	20.2	1,957,727	66,057
Alcoholic Beverages ⁷	291	32,746,144	165,157	2.9	11,291,774	56,951
Fisheries Business	782	29,244,605	431,995	7.5	3,899,281	57,599
Fishery Resource Landing	62	6,860,773	40,330	0.6	***	***
Regulatory Cost Charges	523	5,655,595	15,969	0.3	***	***
Seafood Marketing Assessments	276	3,294,577	47,999	0.8	4,118,221	59,999
Mining License	144	3,224,684	12,850	0.2	***	***
Salmon Enhancement	885	3,033,565	36,324	0.6	***	***
Vehicle Rental Tax	201	2,711,572	70,273	1.0	2,711,572	70,273
Estate	48	2,250,662	23,990	0.4	***	***
Telephone Cooperative	9	2,101,198	1,172	0.0	***	***
Salmon Marketing	900	1,963,779	36,324	0.6	***	***
Electric Cooperative	18	1,861,290	3,515	0.1	***	***
Tire Fee	389	826,674	79,318	1.0	826,674	79,318
Dive Fishery	42	253,503	6,524	0.1	***	***
Total Tax Programs	26,526	\$1,451,077,657	\$6,178,954	80.5	\$18,093,238 **	\$76,757 **
Gaming	4,935	\$2,423,278	\$824,946	11.5	\$210,720	\$71,734
Royalty⁸	n/a	n/a	\$133,100	0.0		
Total All Programs	31,461	\$1,453,500,935	\$7,137,000	92.0		

¹ Includes total operating costs of the division.² Full-time equivalent staff position.³ Includes CBRF receipts of \$4,236,962.⁴ Includes CBRF receipts of \$4,035,122.⁵ Includes CBRF receipts of \$87,868.⁶ Includes school fund receipts (tobacco \$32,865,726 and cigarette licenses \$4,740).⁷ Includes alcohol and other drug abuse treatment fund receipts \$16,372,730.⁸ Department of Natural Resources assumed responsibility for collection of revenues for this program in FY2004 and these funds were transferred to them.

* Revenue and cost statistics are not comparable to other programs as some audit functions performed by outside contractors.

** Total revenue and cost per FTE is based on average revenue and costs for all tax programs.

*** Combined program revenues (\$27,205,049) and costs (\$179,998) require 2.9 FTE positions. Combined revenue and cost per FTE are \$9,381,051 and \$62,068 respectively.

Table 4
Revenue Collected From Enforcement Activity

(Sorted by total collections)

Tax Type	Audit	Exam	Total	Staffing (FTE) ¹		Per FTE ¹	
				Audit	Exam	Audit	Exam
Corporate Income	\$4,491,444	\$281,890	\$4,773,334	3.0	4.3	\$1,497,148	\$65,556
Oil and Gas Production	4,236,962	0	4,236,962	11.5	2.1	368,431	**
Oil and Gas Corporate Income	4,035,122	62,742	4,097,864	4.2	0.7	960,743	**
Motor Fuel	23,806	846,656	870,462	0.7	1.0	**	846,656
Tobacco	65,000	56,433	121,433	1.1	2.8	59,091	20,155
Fisheries Business	0	100,874	100,874	0.1	3.4	**	29,669
Oil and Gas Property	87,868	0	87,868	0.0	1.0	**	**
Fishery Resource Landing	0	76,408	76,408	0.1	0.4	**	**
Salmon Enhancement	0	13,570	13,570	0.0	0.3	**	**
Estate	0	13,502	13,502	0.0	0.0	**	**
Seafood Marketing	0	8,773	8,773	0.0	0.4	**	**
Salmon Marketing	0	6,292	6,292	0.0	0.3	**	**
Alcoholic Beverage	0	1,081	1,081	0.8	1.0	**	**
Charitable Gaming	0	0	0	3.3	1.0	**	**
Mining	0	0	0	0.0	0.0	**	**
Telephone/Electric Co-ops	0	0	0	0.0	0.0	**	**
Dive Fisheries	0	0	0	0.0	0.1	**	**
RCA	0	0	0	0.0	0.0	**	**
Tire Fee	0	0	0	0.6	0.1	**	**
Vehicle Rental	0	0	0	0.6	0.1	**	**
Total	\$12,940,202	\$1,468,221	\$14,408,423	26.0	19.0	\$497,700 *	\$77,275 *

¹ Full Time Equivalent staff position

* Total revenue and cost per FTE is based on average revenue and costs for all tax programs.

** Collections per FTE not provided since audit or exam FTE positions allocated to these programs are less than one or there were no collections allocable to FTE positions.

ALCOHOLIC BEVERAGES TAX**AS 43.60****Description**

Alaska levies a tax on alcoholic beverages sold in Alaska. The Division collects alcoholic beverage taxes primarily from wholesalers and distributors.

Rates

<i>Product</i>	<i>Current Rate Per Gallon</i>
Liquor (more than 21% alcohol)	\$12.80
Wine (21% alcohol or less)	2.50
Beer (Malt Beverages and Cider)	1.07
Beer (Small Breweries)	0.35

Returns

Taxpayers file returns and pay tax monthly. The returns and payment are due by the last day of the month following the month in which sales were made in the state.

Exemptions

Sales to facilities operated by one of the uniformed services of the United States are exempt.

Disposition of Revenue

The Division deposits all alcoholic beverage tax revenue into the General Fund. The Department of Administration separately accounts for 50% of the tax collected and deposits it into the alcohol and other drug abuse treatment and prevention fund.

History

The alcoholic beverage tax dates back to 1933 when the Legislature enacted a tax on beer and wine at a rate of 5¢ per gallon. Taxpayers filed alcoholic beverage tax returns monthly.

In 1937, the territorial legislature enacted a tax on liquor at a rate of 50¢ per gallon. At the same time, the rate for wine increased to 15¢ per gallon.

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

The legislature significantly increased the tax rates on all three alcoholic beverages effective October 1, 2002. However, this legislation allows breweries meeting the qualifications of 26 U.S.C. 5051(a)(2) (small breweries) to pay tax at the lower rate of 35 cents per gallon on the first 60,000 barrels of beer (malt beverages) sold in Alaska. At the same time, the legislature created the alcohol and other drug abuse treatment and prevention fund and directed that 50% of the alcoholic beverage tax be deposited into this fund for alcohol and drug abuse treatment programs.

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

<i>Liquor</i>	<i>Per Gallon</i>
1937	\$.50
1941	\$1.00
1945	\$1.60
1946	\$2.00
1947	\$3.00
1957	\$3.50
1961	\$4.00
1983	\$5.60
2002	\$12.80

<i>Wine</i>	<i>Per Gallon</i>
1933	\$.05
1937	\$.15
1947	\$.25
1957	\$.50
1961	\$.60
1983	\$.85
2002	\$2.50

<i>Beer (Malt Beverages)</i>	<i>Per Gallon</i>
1933	\$.05
1947	\$.10
1957	\$.25
1983	\$.35
2002	\$1.07

<i>Beer (Malt Beverages) Produced by Small Breweries</i>	<i>Per Gallon</i>
2002	\$.35

See following page for FY 2004 Statistics.

ALCOHOLIC BEVERAGES TAX

AS 43.60

FY 2004 Statistics

		<i>Product</i>	<i>Gallons</i>	<i>Tax Collected</i>
Tax Collections – Including penalties, interest & refunds	\$32,146,144	Liquor	1,104,542	\$14,138,141
Number of Returns	291	Wine	1,703,182	4,257,955
Number of Taxpayers	27	Beer, Malt Beverages and Cider	12,760,85 1	13,654,111
Program Cost	\$165,157	Beer, Small Breweries	1,974,809	691,183
Staffing (full-time equivalent)	2.9	Penalties, interest and refunds		4,754
		Total		\$32,746,144

CHARITABLE GAMING AS 05.15

Description

Under Alaska law, municipalities and qualified non-profit organizations may conduct certain charitable gaming activities. The purpose of these activities is to derive public benefit in the form of money for the charities and revenues for the state.

To ensure that the appropriate level of public benefit is being derived, the Division performs the following: 1) issues permits to charities; 2) licenses all operators, distributors and manufacturers; 3) collects fees and taxes; 4) audits various permittees and licensees; 5) inspects gaming locations; and 6) investigates complaints.

Rate

Annual permit and license fees for games of chance and contests of skill are as follows:

Permits:

1. \$20 for an applicant that did not hold a permit during the preceding year;
2. \$20 for an applicant that had gaming gross receipts of less than \$20,000 during the preceding year;
3. \$50 for an applicant that had gaming gross receipts of \$20,000 or more but not exceeding \$100,000 during the preceding year; or
4. \$100 for an applicant that had gaming gross receipts exceeding \$100,000 during the preceding year.

Licenses:

1. \$500 for an operator license applicant;
2. \$1,000 for a distributor license applicant; or
3. \$2,500 for a manufacturer license applicant.

Reports

The Division requires the following reports:

Municipalities and Qualified Organizations issued a permit: Quarterly reports are due the 45th day following each calendar quarter in which the permittee had gross receipts of \$50,000 or more.

Permittees file annual reports on a calendar year basis, accompanied with payment of the *additional* fee, if required under AS 05.15.020(b), by March 15th of the

following year. Under this statute, if the gross receipts for the activities were \$20,000 or more, an additional fee of one percent of the net proceeds received during the preceding year is due.

Operators and Multiple-Beneficiary Permits: Quarterly reports are due on the last business day of the month following each calendar quarter. Annual reports for the calendar year are due no later than February 28 of the following year.

Operator Reports to Permittees are due monthly and must include a daily summary of activity conducted under the permit issued to the authorizing permittee and an accounting of gross receipts, expenses, and net proceeds for the month.

Manufacturers: Each pull-tab manufacturer must report by the last business day of the month on each series of pull-tabs distributed in the preceding month

Distributors: Distributors must collect a tax of 3% of an amount equal to the gross receipts less prices awarded on each series of pull-tabs distributed. Distributors must report by the last business day of each month, each pull-tab series distributed in the preceding month, and pay the taxes collected.

Exemptions

None

Disposition of Revenue

The Division deposits permit and license fees, the 1% net proceeds fee and the 3% pull-tab tax into the General Fund.

History

1960 – The legislature legalizes gaming and gives oversight for all gaming activities to the Department of Revenue.

1984 – The Department authorizes pull-tabs.

1988 – The legislature legalizes operators. Pull-tabs legalized by statute, and prize limits are increased.

CHARITABLE GAMING AS 05.15

1989 – The Governor transfers the Charitable Gaming functions to the Department of Commerce, Community and Economic Development.

1993 - The Governor transfers the Charitable Gaming functions to the Department of Revenue.

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

1994 – The Department files regulations with the Lieutenant Governor that implement HB 168. Certain affected parties file suit to prevent the state from implementing the new regulations. The Alaska courts subsequently granted the request to enjoin the regulations.

1995 – The Governor appointed a fourteen member task force to make recommendations regarding the administration of charitable gaming. The task force had a broad mandate to look into all aspects of charitable gaming and to provide a report on its findings and recommendations to the Commissioner of Revenue.

The legislature legalized cruise ship gambling activities in Alaska waters during the 1995 season. The gaming statutes required cruise ships pay a fee to game in Alaska and this generated over \$500,000 in State revenue during the 1995 season. This law expired after 1995. Additionally, the legislature eliminated Monte Carlo nights.

1996 – The Department finished a comprehensive rewrite of the regulations and adopted new regulations after a series of public hearings.

The legislature created three new gaming activities: "Sled Dog Race Classic", "Deep Freeze Classic" and "Snow Machine Classic". The legislature also created

the McGrath Kuskokwim River Ice Classic and the Creamer's Field Goose Classic.

The legislature prohibited the donation of net proceeds from pull-tabs and bingo activities to registered lobbyists and certain political organizations.

2001 - Effective January 1, 2002, the legislature added the Bristol Bay Native Corporation Education Foundation to the list of qualified organizations allowed to conduct "salmon classic" games of chance.

The Department proposed regulations and held public hearings in an effort to address various issues including unlicensed operators, conflicts of interest, methods of accounting, capital contributions, loans and gifts, and rules for MBPs. Comments received during the public hearings indicated unhappiness with the process and confusion with the proposed regulations.

The Alaska Supreme Court in *Botehlo v. Griffin*, 25 P3d at 693 ruled that "Alaska's gaming laws create the effective equivalent of a charitable trust" by requiring a portion of the money spent on charitable gaming to benefit the public generally.

2002 –The Commissioner of Revenue appointed eleven members to a negotiated rule-making committee in an effort to garner input and suggestions and draft new proposed regulations. Members of the committee represented the interests of permittees, operators, MBPs, distributors, vendors, the public and the Department. The committee held nine meetings over five months to take public testimony, and draft new proposed regulations. The committee issued its final report on July 31, 2002.

Public hearings on the rule-making committee's proposed regulations were held in August, 2002. The Department used the consensus of the rule-making committee, public testimony and written comments as a basis for the regulations it adopted on November 19, 2002 and regulations were effective, January 1, 2003.

Effective January 1, 2003, the legislature added the Boys and Girls Club of the Kenai Peninsula to the list of qualified organizations allowed to conduct "mercury classic" games of chance.

**CHARITABLE GAMING
AS 05.15**

2003 - Effective January 1, 2004, the legislature allows a permittee that conducts a contest of skill and awards more than \$500,000 in prizes to the participants in that contest of skill, to exclude \$500,000 in prizes awarded to those participants from the \$1,000,000 maximum prize limitation.

2004 - Effective July 25, 2004, the legislature authorized the Department of Revenue to issue permits for a charitable animal classic game, providing the animal classic was in existence prior to November 1,

2002. An animal classic is a game of chance relating to certain activities.

FY 2004 Statistics

Taxes and Fees Collected	\$2,423,278
Number of Reports and Permit Applications	4,935
Program Cost	\$824,946
Staffing (<i>full time equivalent</i>)	11.5

CONSERVATION SURCHARGE ON OIL
AS 43.55

Description

The Conservation Surcharge on Oil applies to all oil production within Alaska. The surcharge is a per barrel tax on oil production intended to fund the oil and hazardous substance release prevention account of the oil and hazardous substance release prevention and response fund. The Oil and Gas Production Tax (AS 43.55) and Conservation Surcharge on Oil are severance taxes.

Rate

The surcharge is currently comprised of two components: 1) a \$.03/bbl charge on all oil production excluding public royalty barrels and 2) an additional \$.02/bbl charge on all oil production whenever the balance in the state oil and hazardous substance release prevention and response fund falls below \$50 million. The balance of the fund was \$50 million or greater for all of FY 2004 so that the surcharge was \$.03/bbl for the entire fiscal year.

History

1989-- Following the grounding of the Exxon Valdez, this tax was enacted in order to provide a hazardous substance release emergency fund. A \$.05/bbl

hazardous release surcharge is imposed on oil production until the newly created hazardous substance release fund achieves a balance of \$50 million.

1994--The hazardous release surcharge is modified to the so-called "split nickel" with an ongoing charge of \$.03/bbl and an additional charge of \$.02/bbl whenever the hazardous substance release fund balance falls below \$50 million.

FY 2004 Statistics

Tax Collections	\$9,052,517
Number of Returns*	2,318
Number of Taxpayers*	15

* The Conservation Surcharge on Oil is reported on the same return and by the same taxpayers as is Alaska's other production tax, Oil and Gas Production Tax (AS 43.55). The Division has not segregated program cost and staffing related to each individual tax. The Division reports the total production tax cost and staffing in the discussion of Oil and Gas Production Tax.

CORPORATION INCOME TAX
AS 43.20

Description

Alaska levies the corporate net income tax on net income of corporations that have nexus and derive income from sources within Alaska. Corporations compute their tax liability based on federal taxable income with Alaska adjustments.

Alaska uses an apportionment method to determine the portion of income that is taxable in the state. Corporations other than oil and gas apportion their income to Alaska by using a three-factor formula based on sales, property and payroll. Taxpayers determine Alaska taxable income by applying the apportionment factor to the corporation's modified federal taxable income.

Multi-state oil and gas corporations apportion income on a worldwide apportionment method. Other multi-state corporations apportion income to Alaska under a "water's edge" apportionment method. A corporation engaged in business solely in Alaska computes its tax liability on 100% of its taxable income.

Rate

Corporation tax rates increase from 1% to 9.4% in \$10,000 increments of Alaska taxable income. The maximum rate of 9.4% applies to income over \$90,000.

Returns

Corporations file returns annually. Tax payments are due two and a half months from the close of the fiscal year. Taxpayers must remit tax payments over \$150,000 by wire transfer or electronic funds transfer (EFT). The payment due date may not be extended.

Tax returns are due three and a half months after the close of the fiscal year. Corporations may extend their filing due date by six months.

Example: The filing due date for calendar year corporations is April 15. Corporations may extend their filing due date to October 15. Regardless of filing date, payment is due March 15.

Corporations make quarterly estimated tax payments based on past activity and the current year's accrued

tax liability. Taxpayers must remit estimated payments over \$100,000 by wire transfer or electronic funds transfer (EFT).

Exemptions

S-corporations and LLCs are generally exempt from corporation income tax and LLCs are treated as partnerships for Alaska tax purposes. Electric and telephone cooperatives, which are required to pay cooperative taxes under AS 10.25, are also exempt.

Credits

Education - Taxpayers who make contributions for educational purposes to accredited Alaska universities or colleges may take a tax credit for 50% of the first \$100,000 and 100% of the next \$100,000 of contributions. The maximum credit is \$150,000 per tax year.

Minerals Exploration Incentive - Taxpayers may take a credit for 100% of eligible costs of exploration activities related to determining existence, location, extent, or quality of a locatable mineral or coal deposit. An approved minerals exploration incentive credit may not exceed \$20 million and must be applied within 15 tax years after the taking of the credit is approved. Application of the credit is limited to 50% of the lesser of the taxpayer's mining license tax liability or 50% of the taxpayer's total corporation net income tax liability.

Oil and Gas Exploration Incentive - Taxpayers may take a credit for up to 50% on state land (or 25% on non state lands) of eligible oil and gas exploration costs. An approved oil and gas exploration incentive credit may not exceed \$5 million per project and is limited to \$30 million per taxpayer. Taxpayers may apply the credit against 100% of corporation net income taxes due.

Gas Exploration and Development Tax Credit allows a corporate income credit for 10 percent of qualifying expenditures incurred in exploration and development of natural gas reserves in Alaska, except for the North Slope.

CORPORATION INCOME TAX AS 43.20

Disposition of Revenue

The Division deposits revenue derived from corporation net income taxes into the General Fund except as noted below.

For oil and gas corporations only, the Division deposits into the Constitutional Budget Reserve fund those revenues received as a result of a tax assessment issued by the Division.

History

The corporation net income tax dates back to 1949 when the territorial legislature enacted the "Alaska Net Income Tax Act". The Act imposed a flat tax of 10% of the corporation's federal income tax liability.

1957 – Tax rate was increased to 18%.

1975 – Original income tax act repealed and an income tax act based on taxable income rather than federal tax liability was enacted. The tax was equal to 5.4% of taxable income with a surtax of 4% based on federal surtax exemptions. For 1975, the federal surtax exemption was \$50,000.

1978 – Oil and gas corporations required to calculate taxable income based on a "separate accounting" method requiring the corporations to account for Alaska activity only in determining taxable income (AS 43.21).

1981 – Separate accounting (AS 43.21) was repealed and the modern corporation tax rate structure was adopted (1% - 9.4%). With repeal of AS 43.21, all corporations file returns using worldwide combined reporting and use the same tax rate structure.

1984 – The legislature adopted the special industrial incentive investment tax credit.

1987 – Alaska education credit was authorized.

1991 – Alaska's legislature enacted a bill requiring corporations, except for oil and gas corporations, to calculate taxable income based on the "water's edge" combined reporting method. Oil and gas corporations continue to use the worldwide combined reporting method. Also, the legislature increased the Alaska

education credit maximum from \$100,000 to \$150,000.

1994 – Alaska's legislature authorized the Oil and Gas Exploration Incentive Credit. The legislature limited the credit to \$30 million and provided that taxpayers may apply the credit to 100% of corporation taxes due.

1995 – Alaska's legislature authorized the minerals exploration incentive credit. The legislature limited the credit to \$20 million and taxpayers may apply it against 50% of corporation taxes due over a 15-year period.

1998 – Alaska's legislature enacted a bill exempting foreign cruise ship and airline companies from tax.

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

2002 – The Oil and Gas Exploration Incentive Credit was extended to June 30, 2007.

2003 – Legislation authorized the Gas Exploration and Development Tax Credit.

FY 2004 Statistics

Tax Collections – Oil and Gas Corporations

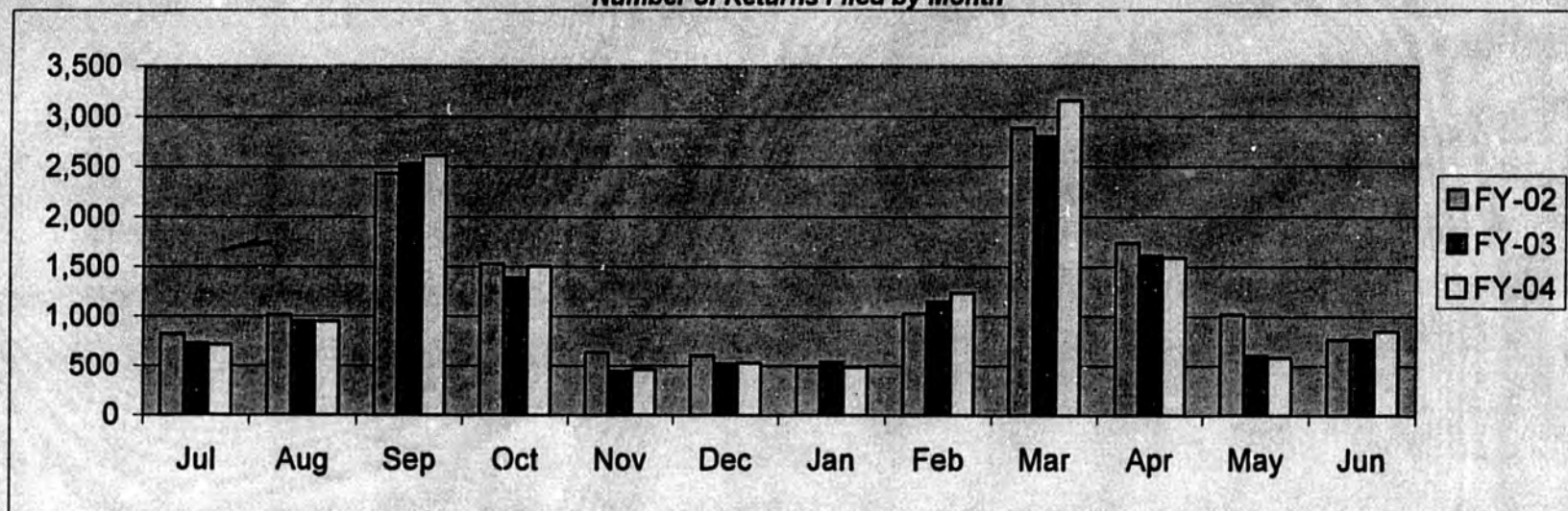
General Fund	\$298,832,852
CBRF	4,035,122
Total	302,867,974
Number of Returns	69
Number of Taxpayers	29
Program Cost	\$559,364
Staffing (full-time equivalent)	7.1

Tax Collections – Other Corporations

General Fund	\$39,546,080
Number of Returns	14,619
Number of Taxpayers	11,713
Program Cost	\$1,334,347
Staffing (full-time equivalent)	20.2

Chart 3
Corporations Filing Activity
For Fiscal Years 2002, 2003 and 2004

Number of Returns Filed by Month



Fiscal Year	FY 2004	FY 2003	FY 2002
Total Returns Filed	14,688	14,077	14,997

Detail of FY 2004 Filing Activity

Entity Type	Original	Amended	NOL*	Incomplete	Total
Subchapter C	6,423	843	333	0	7,599
Subchapter S	6,371	23	2	0	6,396
Exempt	116	4	7	0	127
Homeowners Assoc.	496	0	1	0	497
Oil & Gas	26	37	6	0	69
Total	13,432	907	349	0	14,688

*Net operating loss carryback

Table 5
Corporation Tax Liabilities Statistics

Tax liabilities reported on original returns filed in FY04

Tax Liability Reported	Oil and Gas Corporations			Other than Oil and Gas Corporations			All Corporations		
	# Filers	Amount	% Total	# Filers	Amount	% Total	# Filers	Amount	% Total
Above \$1 million	7	\$162,656,896	98.65%	7	\$15,582,554	32.74%	14	\$178,239,450	83.88%
\$500,000 - \$1 million	2	1,348,119	0.82%	12	9,706,776	20.39%	14	\$11,054,895	5.20%
\$100,000 - \$499,999	3	768,093	0.47%	51	12,928,761	27.16%	54	\$13,696,854	6.45%
\$50,000 - \$99,999	1	86,194	0.05%	42	2,994,969	6.29%	43	\$3,081,163	1.45%
\$10,000 - \$49,999	1	23,300	0.01%	197	4,568,022	9.60%	198	\$4,591,322	2.16%
\$1,000 - \$9,999	0	0	0.00%	441	1,586,338	3.33%	441	\$1,586,338	0.75%
\$100 - \$999	1	125	0.00%	488	207,198	0.44%	489	\$207,323	0.10%
\$1 - \$99	1	49	0.00%	878	26,320	0.06%	879	\$26,369	0.01%
Zero Tax	10	0	0.00%	9,920	0	0.00%	9,930	\$0	0.00%
Total	26	\$164,882,776	100.00%	12,036	\$47,600,938	100.00%	12,062	\$212,483,714	100.00%

Note: The \$212.5 million in tax liability reported on returns filed during FY04 is significantly less than corporate income tax revenue collections of \$338.3 million (Table 2, page 13, summing \$298.8 in oil and gas receipts and \$39.5 in non oil and gas receipts). Generally, corporate income taxpayers are required to make quarterly estimated payments. The return corresponding to these payments is filed during one of the two fiscal years following the year of payment. The corporate income tax receipts from estimated payments of \$338.3 million during FY04 reflect anticipated liabilities driven by historically high oil prices that will be reported on returns received during FY05 and FY06.

DIVE FISHERY MANAGEMENT ASSESSMENT TAX AS 43.76.150

Description

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

Rate

Southeast Alaska region commercial dive fishers elected the following rates for the Southeast Alaska administrative area (Management Area A):

Geoduck	5%
Sea Cucumber	5%
Sea Urchin	7%

Returns

Returns are filed quarterly and due on or before the last day of the month following the calendar quarter during which the fisheries resource was sold or exported.

Disposition of Revenue

The Division deposits all revenue derived from the dive fishery management assessment into the General Fund.

Under AS 43.76.200, the legislature may appropriate dive fishery management assessment revenue to the Department of Fish and Game for the purpose of funding the regional dive fishery development association.

History

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

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

2004 - Under prior law, qualified regional dive fishery development associations were authorized to impose management assessments at 1%, 3%, 5% and 7% of the value of fishery resources taken in a dive gear fishery. 2004 legislation authorized three additional rates: 2%, 4% and 6%, and geoduck fishers subsequently elected to increase the geoduck assessment to 7% as of November 1, 2004.

FY 2004 Statistics

Tax Collections	\$253,503
Number of Returns	42
Number of Taxpayers	16
Program Cost	\$6,524
Staffing (full time equivalent)	0.1

ELECTRIC COOPERATIVE TAX AS 10.25.555

Description

Alaska bases the electric cooperative tax on kilowatt-hours furnished by qualified electric cooperatives recognized under AS 10.25. The Division collects the tax from the cooperatives.

Rate

Alaska bases the electric cooperative tax on a mill rate depending on the length of time in which the cooperative has furnished electricity to consumers as follows:

<i>Length</i>	<i>Rate Per kWh</i>
Less than 5 years	.25 mill
5 years or longer	.5 mill (1 mill = .1¢)

Returns

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

Exemptions

All electric cooperatives are subject to the cooperative tax. Taxpayers pay the electric cooperative tax in lieu of corporation income taxes.

Disposition of Revenue

The Division deposits all revenue derived from electric cooperative taxes into the General Fund. Electric cooperative taxes sourced from within municipalities are shared 100% to respective municipalities less the amount expended by the state in their collection. The State retains electric

cooperative taxes sourced from outside of municipalities.

History

The electric cooperative tax dates back to 1959 when the first Alaska legislature enacted the "Electric and Telephone Cooperative Act" to promote cooperatives around the state. The original electric cooperative tax was based on gross revenue and due by April 1 of the following year. Alaska based the tax rate on the length of time the cooperative had provided electricity to consumers.

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

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

FY 2004 Statistics

Tax Collections	\$1,861,290
Number of Returns	18
Number of Taxpayers	16
Program Cost	\$3,515
Staffing (<i>full time equivalent</i>)	0.1

Note: Program Costs reflect the cost of the program. The amount retained by the state after sharing (Table 2, Page 16) represents these costs and unshared tax collected outside an organized borough or incorporated city.

ESTATE TAX
AS 43.31

Description

Alaska currently levies the estate tax on the transfer of an estate upon death.

Rate

The Alaska estate tax is the amount of state credit allowed on the estate's federal tax return.

Returns

Estates file returns and pay taxes within 15 months from the decedent's date of death.

The tax due date may be extended in one-year increments, not to exceed 5 years. Interest accrues on the amount of tax due during the extension period. The return due date may be extended for up to 15 years.

Exemptions

Estates under \$675,000 in 2001 and \$1 million in 2002 forward are generally exempt from paying estate taxes taking into consideration the estate tax credit (formerly the unified credit) allowed under the Internal Revenue Code.

Disposition of Revenue

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

History

The estate tax dates back to 1919 when the territorial legislature adopted a tax on inheritances and transfers of property from estates. Tax rates varied from 1% to 17.5% of the property's value.

1970 - The Alaska legislature enacted the current estate tax statutes. Estate tax statutes tie to the state credit allowed under Internal Revenue Code estate tax laws.

2001 - The federal Economic Growth and Tax Relief Reconciliation Act enacted. *As a consequence of the federal act, the state tax credit is being phased out gradually over a four year period beginning in 2002.*

FY 2004 Statistics

Tax Collections	\$2,250,662
Number of Returns	48
Number of Taxpayers	46
Number of Death Certificates Issued	725
Program Cost	\$23,990
Staffing (full time equivalent)	0.4

FISHERIES BUSINESS TAX

AS 43.75

Description

Alaska levies a fisheries business tax on fisheries businesses and persons who process or export fisheries resources from Alaska. Alaska bases the tax on the fisheries value paid to commercial fishers or fair market value when there is no arms length transaction. The Division collects fisheries business taxes primarily from licensed processors and persons who export unprocessed fish from Alaska.

Rate

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

Processing Activity

<i>Established</i>	<i>Rate</i>
Floating	5 %
Salmon Cannery	4.5 %
Shore-based	3 %
<i>Developing</i>	<i>Rate</i>
Floating	3 %
Shore-based	1 %

Returns

Fisheries businesses file calendar year returns that are due with payment on March 31 of the following year.

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

Exemptions

Commercial fishers who process and freeze fish on board to maintain its quality before sale to a licensed processor are exempt.

Credits

Educational: Taxpayers contributing to accredited Alaska universities or colleges for educational purposes may take a tax credit for 50% of the first \$100,000 and 100% of the next \$100,000 of contributions. The maximum credit is \$150,000 for each tax year.

Scholarship Contributions: Taxpayers contributing to the A.W. "Winn" Brindle memorial scholarship account may take a tax credit for the amount of contribution not to exceed 5% of their tax liability.

Salmon Product Development and Utilization Credit (2003) allows tax credits against the fisheries business tax on salmon for expenditures promoting the development of salmon products and the utilization of salmon waste. Effective June 11, 2003 and retroactive to January 1, 2003, the bill will sunset on December 31, 2005.

Disposition of Revenue

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

Processing Activity Inside Municipality

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

Processing Activity Outside Municipality

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

History

The fisheries business tax is the oldest tax in Alaska. In 1899, the U.S. Congress adopted a "salmon case" tax to fund fisheries-related activities in pre-territorial Alaska.

The Organic Act passed in 1912 established an organized territorial government in Alaska. In 1913, the First Territorial Legislature adopted the "salmon pack" tax which applied to salmon canneries based on canned salmon (7¢ per case); and the "cold storage" tax which applied to other fisheries and was based on business receipts. Between 1913 and 1949, the legislature amended the tax several times by changing

FISHERIES BUSINESS TAX

tax rates and expanding the tax base to include different fisheries.

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

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

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

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

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

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

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

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

1990 – The legislature enacted provisions for a civil penalty for processing without a license. The

Division may progressively assess penalties in increments of up to \$5,000 for each infraction to a maximum of \$25,000 for the fifth and subsequent assessments. The legislature also enacted a provision that authorized sharing 50% of taxes sourced from processing activities in the unorganized borough, effective July 1992.

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

1993 – Under executive order effective July 1, 1993, the Governor transferred the fish processor surety bonding program from the Department of Labor and Workforce Development to Department of Revenue.

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

2001 – The legislature modified the tax payment security requirements necessary to obtain a fisheries business tax license. The legislature expanded the existing requirement for a whole-salmon exporter to include any exporter of any unprocessed fisheries resource. Under the bill, exporters of unprocessed fish can obtain a fisheries business license by posting a \$50,000 surety bond. Additionally, the bill requires quarterly payment of estimated fishery resource landing taxes.

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

2003 - Salmon Product Development/Utilization Credit allows tax credits against the fisheries business tax for expenditures promoting the development of salmon products and the utilization of salmon waste. The amount of the tax credit cannot exceed 50% of the taxpayer's fisheries business liability for processing of salmon during the tax year.

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

FISHERIES BUSINESS TAX

2003 – Legislation allowed for monthly payment of the fisheries taxes in lieu of existing forms of security or prepayment as a prerequisite to licensure. Fisheries businesses who elect this option must post a \$50,000 bond or demonstrate \$100,000 equity in real property within the state. Effective September 8, 2003

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

FY 2004 Statistics

Fisheries License and Business Tax

<u>License Fees and Tax Collection</u>	
<i>Including penalties and interest.</i>	
<i>Less Win Brindle, Alaska Education and Salmon Product Development and Utilization Credits.</i>	\$29,244,605
Number of Returns	782
Number of Taxpayers	525

Fisheries Business License Information

Shore-based Licenses Issued	174
Floating Licenses Issued	332
Exporter Licenses Issued	76
Total Licenses Issued	582

Program Cost	\$431,995
Staffing (<i>full time equivalent</i>)	7.5

FISHERY RESOURCE LANDING TAX AS 43.77

Description

Alaska levies the fishery resource landing tax on fishery resources *processed outside* and *first* landed in Alaska, based on the unprocessed value of the resource. The unprocessed value is determined by multiplying a statewide average price per pound (derived from Alaska Department of Fish and Game data) by the unprocessed weight.

Alaska collects the fishery resource landing tax primarily from factory trawlers and floating processors that process fishery resources outside of the state's 3-mile limit and bring their products into Alaska for transshipment.

Rate

Tax rates are based on whether the resource is classified as "established" or "developing" by the Alaska Department of Fish and Game as follows:

<i>Classification</i>	<i>Rate</i>
Established	3%
Developing	1%

Returns

Taxpayers file returns and pay tax on a calendar year basis with a due date of March 31 of the following year. Taxpayers generally make quarterly estimated tax payments which are due on the last day of each calendar quarter.

The Division grants an automatic extension to file the landing return if it does not provide statewide average prices to taxpayers at least 30 days prior to the due date. If the extension applies, the due date is the last day of the month following the month in which the Division issues statewide average prices. The Division extended the due date for calendar year 2003 returns to June 30, 2004.

Exemptions

Unprocessed fishery resources landed in the state are exempt from the fishery resource landing tax, although they may be subject to the fisheries business tax.

Credits

Education - Taxpayers contributing to Alaska universities or colleges for educational purposes may take a tax credit for 50% of the first \$100,000 and 100% of the next \$100,000 of contributions. The maximum credit is \$150,000 for each tax year.

Scholarship Contributions - Taxpayers contributing to the A.W. "Winn" Brindle memorial scholarship account may take a tax credit for the amount of contributions not to exceed 5% of their tax liability.

CDQ - Taxpayers harvesting a fishery resource under a community development quota (CDQ) may claim a credit of up to 45.45% of fishery resource landing taxes for contributions to Alaska nonprofit corporations that are dedicated to fisheries industry-related expenditures.

Other Taxes - Taxes paid to another jurisdiction on fishery resources may be claimed as a credit against the fishery resource landing tax. The credit, equal to the amount of taxes paid in the other jurisdiction, may not exceed the fishery resource landing tax.

Disposition of Revenue

The Division deposits all revenue from the fishery resource landing tax into the General Fund. The legislature may appropriate revenue from the tax for revenue sharing as described below.

Landings Inside Municipality

The Division shares 50% of taxes (3%) from landings within a municipality with the respective municipalities in which landings occurred. If a municipality is within a borough, the Division divides the 50% shared amount between the municipality and borough.

Landings Outside Municipality

The Division shares 50% of the taxes from landings outside a municipality (unorganized borough) through an allocation program administered by the Alaska Department of Commerce, Community and Economic Development.

History

The legislature enacted the fishery resource landing tax in 1993, effective January 1994. Department of

FISHERY RESOURCE LANDING TAX

AS 43.77

Revenue adopted regulations regarding administration of the tax effective April 1994.

1994 – The American Factory Trawler Association (AFTA) filed litigation challenging the constitutionality of the landing tax.

1995 – The Alaska Supreme Court rejected AFTA's request based on AFTA's failure to exhaust administrative remedies with the Department of Revenue.

1996 – The landing tax was restructured to mirror the fisheries business tax program. The legislature revised the tax rate to 3% for established species and 1% for developing species. The 0.3% portion of the previous 3.3% tax rate was incorporated into seafood marketing assessment statutes. The legislature also amended the landing tax statutes to provide for tax credits for education and Winn Brindle scholarship contributions. All changes were retroactive to January 1994, the inception date of the landing tax.

1997 – AFTA dismissed its challenge to the landing tax and in June the state issued a formal hearing decision upholding the constitutionality of the tax. Shared tax amounts from calendar year 1994 and 1995 returns, previously held in escrow, were released to municipalities.

1999 – The American Fisheries Act (P.L. 105-277) required a fishery cooperative to execute a contract with each cooperative member that obligated the member to make a payment to the state for pollock harvested in the Alaska pollock fishery that is not landed in Alaska. AS 43.77.015 required that those payments be treated as if they were landing taxes.

2001 – Effective calendar year 2002, HB154 required quarterly payment of estimated fishery resource landing taxes.

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

FY 2004 Statistics

Tax Collections	
<i>Including penalties, interest and refunds</i>	
<i>Less CDQ contributions, Winn Brindle</i>	\$6,860,773
<i>Credit and Alaska Education Credit</i>	
Number of Returns	62
Number of Taxpayers	42
Program Cost	
Staffing (<i>full time equivalent</i>)	0.6

MINING LICENSE TAX

AS 43.65

Description

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

Rate

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

Returns

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

Exemptions

Except for sand and gravel operations, new mining operations are exempt from the mining license tax for a period of 3½ years after production begins.

Credits

Education - Taxpayers who make contributions for educational purposes to accredited Alaska universities or colleges may take a tax credit for 50% of the first \$100,000 and 100% of the next \$100,000 of contributions. The maximum credit is \$150,000 for each tax year.

Minerals Exploration Incentive - Taxpayers may take a credit for eligible costs of exploration activities related to determining existence, location, extent, or quality of a locatable mineral or coal deposit. An approved exploration incentive credit may not exceed \$20 million and must be applied within 15 tax years after the credit is approved. Application of the credit is limited to 50% of the lesser of the person's mining license tax liability related to the mining operation or 50% of the person's total mining license tax liability.

Disposition of Revenue

The Division deposits all revenue derived from the mining license tax into the General Fund with the exception of payments received after a tax

assessment. The Division deposits these amounts into the Constitutional Budget Reserve Fund (CBRF).

History

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

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

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

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

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

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

1951 - The 3½ year exemption was enacted whereby new mining operations are exempt from mining tax for a period of 3½ years from the date of production.

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

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

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

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

1995 - The legislature authorized the minerals exploration incentive credit. The credit is limited to

MINING LICENSE TAX

\$20 million and taxpayers may apply the credit against 50% of mining license liabilities over a 15-year period.

2002 – Alaska Veterans' Memorial Endowment, SB 267, provides credits of up to 50% for contributions of not more than \$100,000 and 75% of the next \$100,000 in contributions made to the Veterans' Memorial Endowment Fund. The tax credit expired on July 1, 2003.

FY 2004 Statistics

Tax Collections

General Fund (GF)

Less the Alaska Special Interest

Incentive, Mineral Exploration

Incentive and Alaska Education

Credits

CBRF

Total of GF and CBRF

\$3,224,684

-0-

\$3,224,684

Number of Returns

144

Number of Taxpayers

136

Program Cost

\$12,850

Staffing (full time equivalent)

0.2

MOTOR FUEL TAX AS 43.40

Description

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

Rates

	<i>Per Gallon Rate</i>
Highway	8¢
Marine	5¢
Aviation Gasoline	4.7¢
Jet Fuel	3.2¢

Returns

Taxpayers file returns and make payment monthly. There are four separate returns possible depending on fuel type. Returns can be filed for diesel, gasoline, aviation and/or gasohol.

The due date is the last day of the month following the month of sale or taxable use. Taxpayers can deduct 1% of the tax due, limited to a maximum of \$100 per return, as a timely filing credit.

Refunds

Consumers may claim a refund for the full tax rate if the consumer used the fuel for exempt purposes; or for the difference between the tax rate and 2¢ per gallon if the consumer used the fuel off-highway.

Resellers, usually retailers, may claim a refund for the full tax if the reseller paid the tax, and then sold the fuel for exempt use and did not collect the tax.

Exemptions

In addition to sales between qualified dealers, the following sales and use are exempt from motor fuel tax:

- Heating*
- Federal, state and local government agencies*
- Foreign flights (jet fuel)*
- Exports*
- Power plants/utilities*
- Charitable institutions*
- Gasohol (only fuel containing at least 10% alcohol derived from wood or seafood waste)*
- Bunker fuel (residual fuel oil known as #6 fuel oil)*

Disposition of Revenue

The Division deposits nearly all revenue derived from motor fuel taxes into the General Fund. Revenue from each category of fuel is accounted for separately in the Division's tax accounting system. For example, proceeds from tax on motor fuel used in boats and watercraft are deposited in a special watercraft fuel tax account and proceeds from tax on motor fuel used in highway vehicles are deposited in a special highway fuel tax account within the General Fund.

The Division shares with the respective municipalities sixty percent of taxes attributable to aviation fuel sales at municipally owned or operated airports. All other proceeds of the taxes on aviation fuel are paid into a special aviation fuel tax account.

History

The motor fuel tax dates back to 1945 when the legislature imposed a tax of 1¢ per gallon on all motor fuel. Over time, the legislature enacted separate tax rates for each of the fuel categories as they exist today. Motor fuel tax rates have changed as follows:

<i>Highway</i>	<i>Per Gallon</i>
1945	1¢
1947	2¢
1955	5¢
1960	7¢
1961	8¢
1964	7¢
1970	8¢

<i>Gasohol</i>	<i>Per Gallon</i>
1997	8¢/2¢
<i>(2¢ November through February where required)</i>	

<i>Marine</i>	<i>Per Gallon</i>
1945	1¢
1947	2¢
1955	5¢
1957	2¢
1960	3¢
1971	4¢
1977	5¢

MOTOR FUEL TAX

<i>Aviation Gasoline</i>	<i>Per Gallon</i>
1945	1¢
1947	2¢
1955	3¢
1968	4¢
1994	4.7¢

<i>Jet Fuel</i>	<i>Per Gallon</i>
1957	1.5¢
1968	2.5¢
1994	3.2¢

1994 – The legislature enacted a tax decrease for bunker fuel. The tax rate decreases from 5¢ to 1¢ per gallon on bunker fuel sales exceeding 4.1 million gallons. This tax decrease sunsetted on June 30, 1998.

1997 – The gasohol exemption was repealed. The legislature enacted a provision that reduces the tax on gasohol from 8¢ to 2¢ per gallon in areas and at times when the use of gasohol is required. However, gasohol has not been required since the winter of 2002-2003. Therefore, gasohol is currently taxed at the full tax rate of 8¢. In certain circumstances, gasohol that is blended with at least 10% alcohol derived from wood or seafood waste is fully exempt.

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

1998 - The legislature authorized taxpayers to take a "bad debt" credit for sales deemed to be worthless and for sales to persons who file bankruptcy.

2003 – Motor Fuel Tax: Government Agency Refunds. This legislation makes it easier for the state to issue motor fuel excise tax refunds for credit card purchases made by federal, state, and local government agencies.

FY 2004 Statistics

Tax Collections	\$41,367,326
<i>Including penalties and interest</i>	
Number of Returns	3,401
Number of Taxpayers	255
 Program Cost	 \$308,298
Staffing (<i>full time equivalent</i>)	4.5

OIL AND GAS EXPLORATION, PRODUCTION AND PIPELINE TRANSPORTATION PROPERTY TAXES AS 43.56

Description

Each year Alaska levies the oil and gas property tax on the value of taxable exploration, production, and pipeline transportation property located within the state. The Division has established procedures for the three distinct classes of property.

Exploration Property is valued at the estimated price which the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer, both conversant with the property and with prevailing general price levels.

Production Property value is determined on the basis of replacement cost of similar new property, less depreciation based on the economic life of the proven reserves.

Pipeline Transportation Property is generally valued based on its economic value relative to the reserves feeding into the pipeline.

Rate

The State tax rate is 20 mills, or 2%, of the assessed value.

Returns

Taxpayers file annual returns reporting taxable property as of January 1 of the assessment year. Returns are due on or before January 15. Payment is due on or before June 30.

Exemptions

Oil and gas reserves, oil or gas leases, and the lease or rights to explore or produce oil or gas are exempt, as are intangible drilling and exploration expenditures. Certain aircraft, motor vehicles, communication facilities, and buildings may be exempt even though they are associated with oil or gas exploration, production, or pipeline transportation. Oil or gas pipeline transportation systems owned and operated by a public utility are exempt.

Credits

Municipal property taxes paid. Taxpayers receive a credit against state oil and gas property tax for property taxes paid to municipalities on taxable property. The credit is limited to the amount of state tax otherwise due.

Oil or Gas Property Education Credit. Taxpayers who make contributions for educational purposes to Alaska universities or colleges may take a tax credit for 50% of the first \$100,000 and 100% of the next \$100,000 of contributions. The maximum credit is \$150,000 for each tax year.

Disposition of Revenue

The Division deposits in the General Fund all net revenue derived from oil and gas property taxes except as noted below.

The Division deposits revenues received pursuant to a resolution of a dispute with taxpayers into the CBRF.

History

The legislature enacted this tax in 1973 during the first special session of the eighth legislature. The State assists local governments by assessing property subject to the tax, insuring uniform treatment of all taxable property.

FY 2004 Statistics

Property Tax Billed	\$266,210,393
CBRF	87,868
Less Municipal Tax Credit	(218,798,614)
Net Tax Due to State	47,499,647
Number of Returns	687
Number of Taxpayers	104
Program Costs	\$388,541
Staffing (full time equivalent)	3.1

OIL AND GAS PRODUCTION TAX

AS 43.55

Description

Alaska imposes the production tax on all oil and gas produced in Alaska. The Oil and Gas Production Tax and the Conservation Surcharge on Oil are severance taxes.

Rate

The rate of taxation for oil varies depending on the vintage of the field and is further subject to the economic limit factor (ELF). The ELF varies depending on field size and well productivity.

The severance tax rate on oil is 12.25% of production value as determined at the point of production, for the first 5 years of production and 15% thereafter. There is a minimum tax of \$0.80/bbl.

Both the percent of value and the cents per barrel tax rates are subject to the ELF. The effective tax rate is the appropriate tax rate multiplied by the ELF.

The ELF formula results in lower tax rates for smaller, low productive fields and higher tax rates for larger highly productive fields. The formula is difficult to characterize in a simple way because it is based on a fraction that is calculated using fractional exponents and is unique for every combination of field size and well productivity. A field that produces 300 bbl/day per well or less has an ELF of zero i.e. no severance taxes are assessed.

In Fiscal Year 2004, four of Alaska's North Slope 24 producing fields had an ELF higher than 0.1:

Field	ELF	FY04 Tax Rate
Prudhoe	.8503	12.75 %
North Star	.8471	10.38 %
Alpine	.8421	10.32 %
Kuparuk	.1650	2.47 %
Pt. McIntyre	.0983	1.47 %
Borealis	.0757	0.93 %
Tarn	.0518	0.78 %

The 4 largest fields account for 98% of all production tax revenues.

The severance tax rate on gas is 10% of production value. There is a minimum tax of \$0.064/mcf. The gas severance tax rate is also subject to an ELF based on daily gas production per well.

Returns

Returns are filed monthly and due with payment of taxes on or before the 20th day of the month following the month of production.

Exemptions

The tax is levied on all production except for public (government) royalty production.

Credits

Education - Taxpayers who make contributions for educational purposes to accredited Alaska universities or colleges may take a tax credit for 50% of the first \$100,000 and 100% of the next \$100,000 of contributions. The maximum credit is \$150,000 per tax year.

Oil and Gas Exploration Incentive - There are two exploration credits available to the producers. The first "Oil and Gas Exploration Incentive" is approved by the commissioner of Department of Natural Resources, and the second "Oil and Gas Exploration Tax Credit" is approved by the Department of Revenue. A producer may claim either one, but not both.

Taxpayers may take a credit for up to 50% on state land (or 25% on non state lands) of oil and gas exploration costs approved by the commissioner of Natural Resources. An approved oil and gas exploration incentive credit may not exceed \$5 million per project and is limited to \$30 million per taxpayer. Taxpayers may apply the credit against 100% of oil and gas production taxes.

Oil and Gas Exploration Tax Credit - Explorers may take a credit against their production taxes of (1) 20% of allowable expenses for exploration wells drilled more than 3 miles from a preexisting well, (2) 20% of allowable expenses for exploration wells drilled more than 25 miles from the boundary of a unit or (3) 40% of allowable expenses for certain seismic work and for exploration wells that meet both condition (1) and (2). Once approved, the credit or any remaining portion of it

OIL AND GAS PRODUCTION TAX

can be either carried forward month to month until fully applied, or sold to another taxpayer.

To qualify the work must have been performed between July 1, 2003 and July 1, 2007. However the credits cannot be applied until after July 1, 2004 (i.e. in FY 2005).

Disposition of Revenue

All revenue derived from the Oil and Gas Production Tax is deposited in the General Fund except that payments received as a consequence of an assessment are deposited in the Constitutional Budget Reserve Fund (CBRF).

History

1955 – The legislature enacts an oil and gas production tax of 1% of production value.

1967 – A 1% disaster production tax is enacted to provide relief after the Fairbanks flood.

1968 – The legislature increases oil and gas production tax from 1% to 3% of production value.

1970 – The legislature repeals the disaster oil and gas production tax. The legislature changes the oil production tax to a graduated tax with rates of 3% on the first 300 barrels per day per well, 5% on the next 700 barrels per day per well, 6% on the next 1500 barrels per day and 8% on production exceeding 2500 barrels per day per well.

1972 – The legislature establishes a minimum oil production tax based on "cents per barrel" equivalent to percent of value tax on oil with wellhead value of \$2.65 per barrel.

1973 – The legislature revises the "stairstep" rate schedule to lower production levels. The legislature indexes the cents per barrel minimum to the wholesale price index for crude oil published by the US Bureau of Labor Statistics.

1977 – The legislature raises the nominal gas production tax rate to 10%. The legislature raises the nominal oil production tax rate to 12.25% and adopts the oil and gas economic limit factors.

1981 – As part of legislation that repealed the separate accounting oil and gas corporation income

tax, the nominal tax rate on oil produced prior to 1981 was raised to 15% and fields coming into production after 1981 are taxed at 12.25% for five years after which the rate increases to 15%. The oil economic limit factor is now subject to a rounding rule so that if the calculated factor is greater than or equal to 0.7 during the first 10 years of production, the factor is set to 1.0.

1989 – The legislature changes the economic limit factor for oil production taxes to include a field size factor in the formula, fixes the production at the economic limit (not rebuttable) at 300 barrels per well per day, and drops the rounding rule. The legislature fixes production at the economic limit for gas production at 3000 mcf per well per day.

2002 - Alaska Veterans' Memorial Endowment, SB 267, provides credits of up to 50% for contributions of not more than \$100,000 and 75% of the next \$100,000 in contributions made to the Veterans' Memorial Endowment Fund. The tax credit expired on July 1, 2003.

2003 – To encourage drilling for oil and gas within the state, AS 43.55.025 provided a new tax credit for exploration costs. The minimum credit is 20% and the maximum 40% for qualified expenditures.

FY 2004 Statistics

Tax Collections - Production Tax only	
General Fund	\$642,819,003
CBRF	\$4,236,962
Total of GF and CBRF	\$647,055,965

Number of Returns	2,318
Number of Taxpayers	15

Severance Taxes*	
Program Cost	\$2,175,441
Staffing (full time equivalent)	24.1

* The Oil and Gas Production Tax is reported on the same return and by the same taxpayers as Alaska's other production tax, Conservation Surcharge on Oil (AS 43.55). We have not segregated program cost and staffing related to each individual tax. Production tax program cost and staffing represent the resources committed to both levies.

REGULATORY COST CHARGES

AS 42.05 (Utilities) and AS 42.06 (Pipeline)

Description

Regulatory cost charges (RCC) are user fees levied on utilities to fund the Regulatory Commission of Alaska's (RCA) costs of regulating utilities and pipeline carriers in Alaska. Regulated utilities pass charges to consumers, collect, and remit the charges to the Division.

Rate

For FY04, the following rates applied:

Electric Utilities	\$.000392/kWh
<i>The following are based on a percentage of total revenues</i>	

Telephone Utilities	
Local Exchange	1.290 %
Inter Exchange	1.297 %
Pipeline Carriers	0.491 %
Natural Gas Utilities	0.106 %
Refuse Utilities	0.807 %
Water and Wastewater Utilities	0.867 %
Cable Utilities	1.601 %
District Heat Utilities	1.304 %

Rates are effective October 1 through September 30 and are based on the costs the RCA incurs when working on matters that pertain to a specific utility or pipeline carrier.

Returns

Quarterly returns and payment of RCCs are due on the 30th day following the calendar quarter. Utilities and carriers are required to file a copy of their returns with RCA.

Exemptions

Utilities not regulated by RCA are exempt from the RCC program.

Disposition of Revenue

The Division deposits all revenue derived from the RCC program into the General Fund. The legislature

may make appropriations from the General Fund to fund RCA based on regulatory cost charges collected.

History

The Alaska legislature enacted the RCC program in 1992 to cover RCA's costs of regulating utilities. The RCC legislation provided for a sunset date of December 1994. Rates went into effect through regulations, which became effective November 1992.

1994 – The RCC program sunsetted December 1994, as provided under the 1992 legislation that authorized the regulatory cost charges.

In the fall of 1994, RCA promulgated regulations which established RCC rates for FY95 on an annualized basis. The regulations took effect December 1994.

1995 – The legislature reauthorized the RCC program which became effective June 1995. Effective October 1995, RCA adopted regulations to reestablish quarterly payments.

1999 – The legislature required that separate RCC rates be calculated for each regulated utility and changed the methodology for calculating rates.

FY 2004 Statistics

Total RCC Collections	
<i>Electric, Telephone, Pipeline Carriers and other utilities</i>	\$5,655,595
Number of Returns	523
Number of Taxpayers	123
Program Cost	\$15,969
Staffing (full time equivalent)	0.3

SALMON ENHANCEMENT TAX AS 43.76

Description

The salmon enhancement tax is an elective tax levied on salmon sold in or exported from established aquaculture regions in Alaska. Commercial fishers in each region elect to pay a 2% or 3% tax based on the value of salmon sold in or exported from that region.

Fishers pay salmon enhancement taxes to buyers at the time of sale or to the Division for salmon exported from the region. Buyers remit taxes collected from fishers to the Division.

Rate

Commercial fishers elected tax rates for the following regional aquaculture associations:

<i>Region</i>	<i>Rate</i>	<i>Effective</i>
Southern Southeast	3 %	1981
Northern Southeast	3 %	1981
Cook Inlet	2 %	1981
Prince William Sound	2 %	1985
Kodiak	2 %	1988
Chignik	2 %	1991

Returns

Buyers file returns and pay tax monthly. The due date is the last day of the month following the month of purchase or export.

Buyers file returns for payments made to fishers after the close of the fishing season. Returns for these payments are due with additional taxes by the last day of the month following the payment.

Exemptions

Salmon harvested under a special harvest area permit (typically, salmon harvested by salmon hatcheries) is exempt from the salmon enhancement tax.

Disposition of Revenue

The Division deposits all salmon enhancement tax revenue into the General Fund.

Under AS 43.76.025(c), the legislature may appropriate salmon enhancement tax revenue to

provide financing for qualified regional aquaculture associations

History

The legislature adopted the Salmon Enhancement Act in 1980. The Act established statutes authorizing a 2% or 3% tax, upon election by commercial fishers within established aquaculture regions, on salmon transferred to buyers in Alaska. Commercial fishers in Southern and Northern Southeast aquaculture regions elected a 3% tax and Cook Inlet region elected a 2% tax.

1981 – The legislature amended the Act to subject salmon exported from Alaska to the tax.

1985 – Commercial fishers in the Prince William Sound aquaculture region elected a 2% tax.

1989 – The legislature amended statutes to allow for a 1% tax. Commercial fishers in the Kodiak aquaculture region elected a 2% tax.

1991 – Commercial fishers in the Chignik aquaculture region elected a 2% tax.

2004 – The legislature authorized additional salmon enhancement tax rates, subject to permit holder elections held by qualified regional associations. In addition to the current 1%, 2% or 3% options, ten additional options were made available, ranging from 4% to 30%. This bill also clarifies who must pay the Salmon Marketing Tax and the Salmon Enhancement Tax. When selling to a buyer who does not withhold the tax, fishermen must pay the tax on an annual return. The bill takes effect January 1, 2005.

FY 2004 Statistics

Tax Collections	\$3,033,565
<i>Including interest and penalties</i>	
Number of Returns	885
Number of Taxpayers	195
Program Cost	\$36,324
Staffing (<i>full time equivalent</i>)	0.6

SALMON MARKETING TAX AS 43.76

Description

Alaska levies the salmon marketing tax on all salmon sold in or exported from Alaska. Commercial fishers pay salmon marketing taxes to buyers based on value of the salmon at the time of sale or fair market value when there is no arms length transaction. Taxpayers pay tax directly to the Division for salmon exported from the state. Buyers remit taxes collected from fishers to the Division.

Rate

The salmon marketing tax rate is 1% and is based on the value of the salmon.

Returns

Taxpayers file returns and pay tax monthly. The due date is the last day of the month following the month of purchase or export.

Exemptions

Salmon harvested under a special harvest area permit (typically, salmon harvested by salmon hatcheries) are exempt from the salmon marketing tax.

Disposition of Revenue

The Division deposits the salmon marketing tax into the General Fund.

AS 43.76.120(d), the legislature may appropriate salmon marketing tax revenue to the Alaska Seafood

Marketing Institute (ASMI) for the purpose of supporting its salmon marketing program.

History

1993 - The legislature enacted a 1% salmon marketing tax to fund salmon marketing administered by ASMI to sunset June 30, 1998.

1998 - The legislature extended the sunset date to June 30, 2003.

2002 - The legislature extended the sunset date to June 30, 2008.

2004 - Legislation prescribed an election to determine the rates and retention of marketing assessments. Note: The election was held in the Fall of 2004 resulting in an increase to the Seafood Marketing Assessment rate to 0.5% and eliminating the Salmon Marketing Tax effective January 1, 2005.

FY 2004 Statistics

Tax Collections	\$1,963,779
<i>Including interest and penalties</i>	
Number of Returns	900
Number of Taxpayers	197
Program Cost	\$36,324
Staffing (<i>full time equivalent</i>)	0.6

SEAFOOD MARKETING ASSESSMENT AS 16.51.120

Description

Alaska levies the seafood marketing assessment on seafood products made in Alaska. Alaska also levies the assessment on unprocessed fisheries product exported from Alaska. The Division generally collects the tax from fisheries processors or landing taxpayers.

Rate

The seafood marketing assessment is 0.3% of the value of seafood products produced in Alaska.

Returns

Taxpayers file calendar year returns that are due with payment of the assessment on March 31 of the following year.

Taxpayers file returns for post-season (bonus) payments made to fishermen after the filing of the calendar year return. Returns for these payments are due with additional assessments by the last day of the month following the payments.

Exemptions

Processors and fishermen who produce less than \$50,000 of seafood products during a calendar year are exempt from the assessment.

Disposition of Revenue

The Division deposits all seafood marketing assessments into the General Fund.

History

1981 - The legislature enacted an elective seafood marketing assessment of 0.1%, 0.2% or 0.3% (elected by large processors in Alaska). In 1981, processors elected a 0.3% assessment to take effect in calendar year 1982.

1996 - The legislature amended seafood marketing assessment statutes to include fishery resources landed in Alaska. The legislation was retroactive to January 1994.

1994 - Prior to FY 96, revenue collected from the 0.3% portion of the original 3.3% landing tax rate was accounted for in a separate account designated as (landing tax) seafood marketing assessments.

2004 - ASMI Board / Seafood Taxes & Assessments bill amends the size of the Alaska Seafood Marketing Institute (ASMI) board to seven governor-appointed members and sets qualifications for members. The bill directs ASMI to hold elections and determine whether to retain the assessment. If the assessment is retained, a second vote will determine whether to increase the seafood marketing assessment from 0.3% to 0.5%. If the increase passes, the current 1% Salmon Marketing Tax will end. If the increase fails, the current assessment will remain and the board will increase to nine members. The bill also establishes processes for future changes to and termination of assessments as well as a minimum processing threshold for paying assessments.

Note: Elections were held as prescribed in law. The vote retained the Seafood Marketing assessment, increased the Seafood Marketing rate to 0.5% and eliminated the Salmon Marketing Tax effective January 1, 2005.

FY 2004 Statistics

Assessment Collections	\$3,294,577
Number of Returns	276
Number of Taxpayers	211
Program Cost	\$47,999
Staffing (full time equivalent)	.08

TELEPHONE COOPERATIVE TAX

AS 10.25.550

Description

Alaska levies the telephone cooperative tax on gross revenue of qualified telephone cooperatives under AS 10.25. The Division collects taxes from cooperatives.

Rate

The telephone cooperative tax rate is based on the length of time in which the cooperative has furnished telephone service to consumers as follows:

<i>Length</i>	<i>% of Revenue</i>
Less than 5 years	1%
5 years or longer	2%

Returns

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

Exemptions

All telephone cooperatives are subject to the cooperative tax. Cooperatives pay the telephone cooperative tax instead of corporate net income tax.

Disposition of Revenue

The Division deposits revenue from the telephone cooperative tax into the General Fund.

Telephone cooperative taxes sourced from within municipalities are shared 100% to respective

municipalities less the amount expended by the state in their collection.

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

History

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

1960 – The due date for filing returns was changed to March 1.

FY 2004 Statistics

Tax Collections	\$2,101,198
Number of Returns	9
Number of Taxpayers	7
Program Cost	\$1,172
Staffing (<i>full time equivalent</i>)	< 0.1

Note: Program Costs reflect the cost of the program. The amount retained by the state after sharing (Table 2, Page 16) represents these costs and unshared tax collected outside an organized borough or incorporated city.

TIRE FEE

AS 43.98.025

Description

Effective September 26, 2003, Alaska began levying a tire fee on all new tires sold in Alaska. The fee applies to retail sales in Alaska of each new tire for motor vehicles designed for highway use. Effective July 1, 2004, an additional tire fee is imposed on the sale of tires with metal studs or spikes weighing more than 1.1 grams each ("heavy studs"). The studded tire fee also applies to the installation of heavy studs in a new or used tire. The Tax Division collects tire fees primarily from tire dealerships.

Rate

The fee for the sale of all new tires is \$2.50 per tire, whether the tire is studded or not. The studded tire fee is \$5.00 per tire.

Returns

Taxpayers are required to file returns and remit the fee quarterly. The returns and payment are due 30 days following the calendar quarter in which the taxpayer made the sales. The first returns were due October 30, 2003.

Taxpayers may retain 5% of the amount collected, limited to a maximum of \$900 per quarter, to cover expenses associated with collecting and remitting the fees.

Exemptions

Fees imposed by AS 43.98.025 do not apply to the following tires and services if the purchaser provides the tire seller with a certificate of use:

- *Tires sold to federal, state, or local government agencies for official use*
- *Tires for resale*

The \$2.50 tire fee also does not apply to used tires and certain replacements of defective tires.

Disposition of Revenue

The Division deposits all revenue from the tire fee into the General Fund.

History

The law imposing the tire fee was passed in May 2003 and is comprised of two components.

The first part of the law imposes a \$2.50 fee on all new tires sold in Alaska for motor vehicles designed for highway use and became effective September 26, 2003. The first quarterly returns were due October 30, 2003.

The second part of the law imposes an additional \$5.00 fee per tire on all new tires with heavy studs and to the installation of heavy studs in new or used tires. This part of the law is effective July 1, 2004.

Both fees are imposed at the retail level.

FY 2004 Statistics

Tax Collections	\$826,674
Number of Returns	389
Number of Taxpayers	131
Program Cost	\$79,318
Staffing (<i>full-time equivalent</i>)	1.0

TOBACCO TAX

AS 43.50

Description

Alaska levies a tax on cigarettes and other tobacco products. The cigarette tax is levied on cigarettes imported into the state for sale or personal consumption. The tobacco products tax is levied on other tobacco products (other than cigarettes) imported into the state for sale. The Division collects tobacco taxes primarily from licensed wholesalers, distributors, and retailers.

Rates

The tax rate on cigarettes is 50 mills (5 cents) per cigarette, or \$1 per pack of 20 cigarettes. Beginning January 1, 2004, the cigarette tax must be paid by purchasing cigarette tax stamps. A cigarette tax stamp must be affixed to the bottom of every pack of cigarettes imported into Alaska for sale or personal consumption as proof that the cigarette tax has been paid.

The tax rate on Other Tobacco Products, which include tobacco products other than cigarettes such as cigars and chewing tobacco, is 75% of the wholesale price. The wholesale price is the established price at which a manufacturer sells tobacco products to a distributor. Beginning January 1, 2004, the Tax Division may adjust the wholesale price upon which tax was calculated if the wholesale price was not established in an arms-length transaction.

Legislation passed during a special legislative session in June 2004 will increase the cigarette tax rate to 80 mills (8 cents) per cigarette, or \$1.60 per pack of 20 cigarettes effective January 1, 2005. This same legislation includes additional cigarette tax increases of 10 mills (1 cent) per cigarette on July 1, 2006 and July 1, 2007. In addition, effective January 1, 2005, there is an additional tax of \$.25 per pack of twenty cigarettes on cigarette brands that are manufactured by manufacturers that did not sign the tobacco Master Settlement Agreement (NPM cigarettes). There was no increase in the other tobacco products tax rate.

Returns

Taxpayers must pay the cigarette tax by purchasing cigarette tax stamps. The other tobacco products tax is paid at the time a tax return is filed. Tax returns are required to be filed on a monthly basis and are due the

last day of the month following the month that cigarette tax stamps were purchased or other tobacco products were imported into the state for sale. Beginning January 1, 2004, taxpayers who purchase cigarette tax stamps are entitled to a stamp discount of 3% on the first \$1,000,000 and 2% on the second \$1,000,000 of cigarette tax stamps purchased in a calendar year. The total stamp discount in each calendar year may not exceed \$50,000. Taxpayers who import other tobacco products for sale may deduct 0.4% of the other tobacco products tax due to cover expenses of accounting and filing returns. Taxpayers could also deduct 0.4% of the cigarette tax due for tax periods prior to January 2004. There is no limit on this deduction.

Exemptions

Sales to authorized military personnel by a military exchange, commissary, or ship store; and sales by an Indian reservation business located within an Indian reservation to members of the reservation are not subject to the tax.

Disposition of Revenue

The Division deposits cigarette tax revenue as follows:

School Fund	38 mills (76%)
General Fund	12 mills (24%)

The Division deposits all tobacco products tax revenue into the General Fund.

The Division deposits all cigarette and tobacco products license fees into the School Fund.

The legislature dedicated all revenue deposited into the School Fund for rehabilitation, construction, repair and associated insurance costs of state school facilities.

The entire amount of the tax increases, including the additional \$.25 per pack tax on NPM cigarettes, passed during the special legislative session will be deposited in the General Fund. In addition, beginning January 1, 2005, the legislature may appropriate 8.9% of the receipts deposited in the General Fund to the Tobacco Use Education and Cessation Fund for tobacco cessation programs.

TOBACCO TAX

History

The tobacco tax dates to 1949 when the legislature enacted a tax of 3 cents per pack on cigarettes and 2 cents per ounce on tobacco. There were no exemptions provided in the tax legislation.

1951 – The legislature increased the cigarette tax to 5 cents per pack.

1955 – The legislature eliminated the tobacco products tax and, although the cigarette tax rate remained at 5 cents, the legislature converted the rate to a mill rate per cigarette (2.5 mills per cigarette). The legislature enacted a 1% deduction provision to cover accounting expenses.

1961 – The legislature increased the cigarette tax to 4 mills per cigarette (8 cents per pack). The legislature dedicated revenue from the additional 3 cents to the General Fund.

1977 – The legislature exempted military sales from the cigarette tax.

1983 – The Department of Revenue adopted regulations exempting sales of cigarettes to Indians within an Indian reservation from the cigarette tax.

1985 – The legislature increased the cigarette tax to 8 mills per cigarette (16 cents per pack).

1988 – The legislature enacted the tobacco products tax imposing a tax of 25% of the product wholesale price. The legislature authorized taxpayers to deduct 1% of the tax to cover accounting expenses.

1989 – The legislature increased the cigarette tax rate to 14.5 mills (29 cents per pack of 20).

1997 – Effective October 1, 1997, the legislature increased the cigarette tax rate to 50 mills or \$1 per pack of 20; and the tobacco products tax rate was increased to 75% of wholesale price. The legislature reduced the deduction percentage to cover accounting expenses from 1% to 0.4%.

2001 – Effective July 1, 2001, the Department of Revenue gained new tools to enforce the nationwide Master Settlement Agreement signed by the major cigarette producers and states. It allows the department to share information with other states and entities that may aid in the enforcement of the agreement. It also prohibits tobacco products licensees from importing

and selling cigarettes in Alaska made by nonparticipating manufacturers that fail to comply with the agreement.

2003 – Legislation effective June 17, 2003 requires all cigarette manufacturers to certify to the Division that they are either a signatory to the tobacco Master Settlement Agreement (MSA) or in compliance with Alaska Statute 45.53. The Division is required to post on its website a list of the compliant cigarette manufacturers and their brands. Only those brands of cigarettes included in the list may be sold in Alaska.

2004 – Effective January 1, 2004, the cigarette tax must be paid through the use of cigarette tax stamps. An Alaska cigarette tax stamp must be affixed to each cigarette pack prior to sale, distribution or consumption. Cigarettes found in the state that do not bear a cigarette tax stamp are contraband and subject to immediate seizure by the Department of Revenue or any other law enforcement agency in the state. Additionally, the sale of cigarettes at less than cost is prohibited.

During a special legislative session in June 2004, the legislature passed new legislation that will do the following:

- Effective January 1, 2005, the cigarette tax will increase by 30 mills to 8 cents per cigarette or \$1.60 per pack of twenty cigarettes. An additional tax of 12.5 mills or 25 cents per pack of twenty cigarettes will be assessed on cigarettes imported into the state for sale or personal consumption if the cigarettes were manufactured by a nonparticipating manufacturer (NPM). A nonparticipating manufacturer is a manufacturer that did not sign the tobacco Master Settlement Agreement. Revenue from the entire cigarette tax increase and the additional tax on NPM product will be deposited in the General Fund.
- Effective January 1, 2005, 8.9% of cigarette tax revenue deposited in the General Fund will be deposited into the Tobacco Use Education and Cessation Fund.
- Effective July 1, 2006, the cigarette tax will increase by 10 mills to 9 cents per cigarette or \$1.80 per pack of twenty cigarettes. The

TOBACCO TAX

revenue from this increase will be deposited in the General Fund.

or \$2.00 per pack of twenty cigarettes. The revenue from this increase will be deposited in the General Fund.

- Effective July 1, 2007, the cigarette tax will increase by 10 mills to 10 cents per cigarette

FY 2004 Statistics

Tax Collections by Fund

General Fund	\$15,990,447
School Fund	32,865,726
Total Tax Collections by Fund	\$48,856,173

Tax Collections by Product

Cigarettes	\$42,573,286
Other Tobacco Products	6,561,826
Subtotal	\$49,135,112
Accounting Expense Deduction	(22,936)
Tax Stamp Discount	(332,157)
Penalties & Interest	76,154
Total Collections by Product	\$48,856,173

Cigarettes sold or imported into the state - (individual cigarettes) as reported on returns*

Taxable Cigarettes	851,465,720
Military and Indian Exempt Sales	6,072,900
Credits for Returns	8,639,634
Total Cigarettes	866,178,254

*Does not include cigarettes for which tax stamps were purchased, but were not yet sold or imported into the state

Other Tobacco Products (value) as reported on returns

Taxable Products	\$8,749,101
Military and Indian Exempt Sales	107,065
Credits for Returns	201,226
Total Other Tobacco Products	\$9,057,392

License Fee Collections	4,740
Number of Returns	862
Number of Taxpayers	102

Program Cost	\$441,223
Staffing (full time equivalent)	5.4

VEHICLE RENTAL TAX

AS 43.52

Description

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

Rate

<i>Type of Vehicle</i>	<i>Rate</i>
Passenger	10%
Recreational	3%

Passenger Vehicle means a motor vehicle (self-propelled, but not by animal or human power) that is driven or moved on a highway or other public right-of-way in the state. Passenger vehicles do not include commercial vehicles, emergency or fire equipment, farm vehicles or recreational vehicles.

Recreational Vehicle means a motor vehicle or trailer for recreational dwelling purposes, a motor home or other vehicle with a motor home body style, a one-piece camper vehicle or any other self-propelled vehicle with living quarters.

Returns

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

Exemptions

Vehicle rental tax does not apply to rentals or leases to federal, state, or local government agencies or employees on official business. The rental agency

must obtain a completed Government Use Exemption Certificate from the renter that specifies the nature of the exemption and contains a signed certification by the renter that the lease or rental is authorized by the government agency and will be used for official use only.

The vehicle rental tax also does not apply to a lease or rental that contains a term exceeding 90 consecutive days or to the rental of taxicabs by taxicab drivers.

Disposition of Revenue

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

History

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

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

FY 2004 Statistics

Tax Collections	\$2,711,572
Number of Returns	201
Number of Taxpayers	122
Program Cost	\$70,273
Staffing (<i>full-time equivalent</i>)	1

AUDIT FUNCTION

Description

The audit unit historically consisted of two groups differentiated by tax types. Effective FY04, the Division reorganized the audit function and formed a third audit group, the excise tax audit group.

The income tax audit group is responsible for corporate income taxes, including oil and gas corporation net income tax audits.

The oil and gas production tax audit group is responsible for the oil and gas production tax audits.

The newly formed excise tax audit group is responsible for excise tax audits.

The audit groups with oil and gas responsibilities maintain 100% audit coverage of Alaska largest taxpayers in the oil and gas industry.

FY 2004 Statistics
Income Tax Audit Group - Receipts

Tax Type	Audit Collections	Total Tax Collections
Corporate Net Income		
Oil and Gas Corp Income	\$4,035,122	\$302,867,974
Other Corporations	4,491,444	39,546,080
Total	\$8,526,566	\$342,414,054

Oil and Gas Production Audit Group - Receipts

Tax Type	Audit Collections	Total Tax Collections
Oil and Gas Production Tax	\$4,236,962	\$656,108,482
Oil and Gas Property	87,868	266,298,261
Total	\$4,324,830	\$922,406,743

Excise Tax Audit Group - Receipts

Tax Type	Audit Collections	Total Tax Collections
Excise Tax	\$88,806	\$188,680,138
Total	\$88,806	\$188,680,138

Totals	Total Audit Collections	Total Tax Collections
	\$12,940,202*	\$1,453,500,935**

* Does not include receipts or refunds resulting from litigation.

** Includes all General Fund, credits, CBRF and School Funds.

APPEALS FUNCTION

Description

Appeals staff continued to work independently and in cooperation with the Department of Law to expedite and resolve issues related to audit and compliance actions. While oil and gas cases retained a priority due to the revenue and important issues involved, gaming cases also were a top priority as the Division continued to deal with compliance issues in the gaming industry.

FY 2004 Statistics

	Tax Periods*	Taxpayer Count
Beginning Inventory	156	47
Plus New Cases	180	73
Less Closed Cases	(102)	(47)
Ending Inventory	234	73

*Tax periods correspond to periodic tax return filing requirements of taxpayers. One taxpayer may have several tax periods in appeals at the same time.

Appendix A

Historical Overview of Tax Programs

Tax Type	Reference	Enacted	Original Tax	Current Tax Structure	Latest Change
Alcoholic Beverages	AS 43.60	1933	Wine 5 cents/gallon Beer 5 cents/gallon	Product Current Rate Per Gallon Liquor \$12.80 Wine 2.50 Beer (Malt Beverage) and Cider 1.07 Beer (Small Breweries) 0.35	Effective 10/1/2002, tax rates increase for alcoholic beverages as referenced under "Current Tax Structure". [Beer manufactured by breweries that meet the qualification of 26 U.S.C. 5051(a)(2) is taxed at the rate of \$.35/gallon on the first 60,000 barrels sold in Alaska].
Games of Chance and Contests of Skill	AS 05.15	1960		\$20 annual permit fee for new and renewal permittees. \$50 renewal permit fee for permittees with \$20,000 to \$100,000 in gross receipts. \$100 renewal permit fee for permittees with over \$100,000 in gross receipts. \$500 annual operator license fee. \$1,000 annual distributor fee. \$2,500 annual manufacturer license fee. 3% tax of an amount equal to the gross receipts less prizes awarded on each series of pull tabs distributed.	2004 - HB 366 authorizes permits for charitable animal classics, which are games of chance relating to certain actions by rodents or chickens.
Conservation Surcharge on Oil	AS 43.55	1989	5¢/bbl	3¢/bbl increasing to 5¢/bbl when fund balance drops below \$50m	1994 - tax rate split based on fund balance.
Corporate Net Income	AS 43.20	1949	10% of federal income tax liability	1% to 9.4% of net income	2003 - oil and gas CIT exploration/development credit initiated.
Dive Fishery Management Assessment	AS 43.76.150	1997	Voluntary tax of 1, 3, 5, or 7% of value	SE AK Management Area A Geoduck = 5% Sea Cucumber = 5% Sea Urchin = 7%	2004 - HB 341 added a three additional rates: 2, 4 and 6%.
Electric Cooperative	AS 10.25.555	1959	1% of gross revenue if operating < 5 years; 2% of gross revenue if operating ≥ 5 years	1/4 mill (\$.00025) per kWh if < 5 years; 1/2 mill (\$.0005) per kWh if ≥ 5 years	1980 - tax base on kWh rather than gross revenue.
Estate	AS 43.31	1919	(Inheritance Tax) Based on value of property	State tax credit on federal estate tax return	1991 - interest on delinquent tax subject to compound interest under AS 43.05.225. Beginning FY 2003, the state estate tax will phase out as a consequence of changes in federal law.
Fisheries Business	AS 43.75	1913	7¢ per case of canned salmon; Other -- dollar amount based on revenue	Floating - 5% ¹ and 3% ² of value Shore-based - 3% ¹ and 1% ² of value Cannery - 4.5% of value Direct Market - 3% ¹ and 1% ² of value	2004 - Direct Marketing Fisheries Business / Taxes - authorized new direct marketing fisheries business license with tax rates set at 1% of the value of developing commercial fish species and 3% of the value of other commercial fish species. Section directing DOR to adopt regulations took effect July 4, 2004. Regs and other bill provisions will take effect January 1, 2005.
Fishery Resource Landing	AS 43.77	1993	3.3% of unprocessed value	3% of value ¹ 1% of value ²	2001 - quarterly payment of estimated fishery resource landing taxes is required.
1 Established species 2 Developing species					

Appendix A
Historical Overview of Tax Programs

Tax Type	Legislative Reference	Year Enacted	Original Tax	Current Tax Structure	Latest Change
Motor Fuel	AS 43.40	1945	1¢ per gallon on all fuels	Highway - 8¢/gallon Marine - 5¢/gallon Aviation Gas - 4.7¢/gallon Jet Fuel - 3.2¢/gallon	2001 - regulations adopted introduced new and clarified existing policy for interpreting the statutes.
Oil & Gas Property	AS 43.56	1973	20 mills on full and true value	20 mills on full and true value	1996 - oil and gas property education tax credit was enacted.
Oil & Gas Production Tax	AS 43.55	1955	1% of production value	12.25% of production value during first five years of production, 15% thereafter	2003 - oil and gas tax credit enacted.
Regulatory Cost Charge (APUC)	AS 42.05.253 (Utilities) AS 42.06.285 (Pipelines)	1992	Electric Utilities: \$.000626/kWh Other Utilities: .653% gross revenue Pipelines: .653% gross revenue	Electric Utilities: \$.000280/kWh Other Utilities: .568% gross revenue Pipelines: .568% gross revenue	1998 - rates increased by regulation.
Salmon Enhancement	AS 43.76	1980	Voluntary tax of 1%, 2% or 3% of value as elected by fishers in an aquaculture region	Southern Southeast - 3% Northern Southeast - 3% Cook Inlet - 2% Pr. William Sound - 2% Kodiak - 2% Chignik - 2%	2004 - SB 286 clarified the incidence of the tax; when selling to a buyer who does not withhold the tax, fishermen must now pay the tax on an annual return. SB 322 added ten additional rate options ranging from 4 to 30%
Salmon Marketing	AS 43.76	1993	1% of value of salmon statewide	1% of value of salmon statewide.	Repealed effective January 1, 2005
Seafood Marketing	AS 16.51.120	1981	Voluntary assessment of .1%, .2% or .3% of value as elected by processors	0.3% of value of fishery resources produced in Alaska Rate set at 0.5% effective January 1, 2005.	2004 - SB 273 directed a member election of the Alaska Seafood Marketing Institute (ASMI). Fall election determined retention of Seafood Marketing Assessment and increased the rate to 0.5%.
Telephone Cooperative	AS 10.25.550	1959	1% of gross revenue if operating < 5 years; 2% of gross revenue if operating ≥ 5 years or longer	1% of gross revenue if operating < 5 years; 2% of gross revenue if operating ≥ 5 years or longer	N/A
Tire Fee	AS 43.98	2003	\$2.50 per new tire for highway-use motor vehicles Additional \$5.00 per tire with studs or spikes over 1.1 grams	\$2.50 per new tire for highway-use motor vehicles Additional \$5.00 per tire with studs or spikes over 1.1 grams	N/A
Tobacco	AS 43.50	1949	Cigarettes - 3¢ per pack of 20; Tobacco - 2¢ per ounce	50 mills/cigarette (\$1 per pack of 20) 75% of wholesale price	2004 - SB 1001 scheduled increases in the tax to \$1.60 per pack on Jan. 1, 2005, to \$1.80 per pack on July 1, 2006, and to \$2.00 on July 1, 2007. An additional tax of \$.25 per pack is imposed on manufacturers that did not sign the Master Settlement Agreement.
Vehicle Rental Tax	AS 43.52	2004	10% on passenger vehicle rentals of 90 days or less 3% on recreational vehicle rentals of 90 days or less	10% on passenger vehicle rentals of 90 days or less 3% on recreational vehicle rentals of 90 days or less	2004 - HB 347 added taxicabs to the list of vehicles exempt from the Vehicle Rental Tax.

Appendix A
Historical Overview of Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Latest Change
Repealed Tax Programs					
Business License	AS 43.70	1949	\$25 license fee plus .5% of gross receipts > \$20,000 plus .25% of gross receipts > \$50,000	Repealed	Tax repealed effective January 1, 1979
Oil & Gas Conservation	AS 43.57	1955	5 mills per barrel of oil or 50,000 cubic feet of natural gas	Repealed	Tax repealed effective July 1, 1999
Coin-operated Devices	AS 43.35	1941	12.5% of gross receipts on coin-operated machines	Repealed	Tax repealed effective January 1, 1999
Individual Income	AS 43.20	1949	10% of federal income tax liability	Repealed	Tax repealed retroactive to 1979
School	AS 43.45	1919	\$5 tax on each male person	Repealed	Tax repealed retroactive to 1980

Appendix B
Comparison of Alcohol Tax Rates - Liquor
January 2004

Since many states charge a sales tax as well as an alcohol tax, Alaska's total tax on alcohol is not actually the highest among the states.

State	Rate (\$ per gallon)	Rank*	State	Rate (\$ per gallon)	Rank*
Alabama	Footnote 1	N/A	Montana	Footnote 1	N/A
ALASKA	12.80	1	Nebraska	3.75	16
Arizona	3.00	21	Nevada	3.60	18
Arkansas	2.50	24	New Hampshire	Footnote 1	N/A
California	3.30	19	New Jersey	4.40	10
Colorado	2.28	29	New Mexico	6.06	4
Connecticut	4.50	8	New York	6.44	3
Delaware	3.75	15	North Carolina	Footnote 1	N/A
Florida	6.50	2	North Dakota	2.50	24
Georgia	3.79	14	Ohio	Footnote 1	N/A
Hawaii	5.92	5	Oklahoma	5.56	6
Idaho	Footnote 1	N/A	Oregon	Footnote 1	N/A
Illinois	4.50	8	Pennsylvania	Footnote 1	N/A
Indiana	2.68	23	Rhode Island	3.75	16
Iowa	Footnote 1	N/A	South Carolina	2.72	22
Kansas	2.50	24	South Dakota	3.93	13
Kentucky	1.92	31	Tennessee	4.40	10
Louisiana	2.50	24	Texas	2.40	28
Maine	Footnote 1	N/A	Utah	Footnote 1	N/A
Maryland	1.50	32	Vermont	Footnote 1	N/A
Massachusetts	4.05	12	Virginia	Footnote 1	N/A
Michigan	Footnote 1	N/A	Washington	Footnote 1	N/A
Minnesota	5.03	7	West Virginia	Footnote 1	N/A
Mississippi	Footnote 1	N/A	Wisconsin	3.25	20
Missouri	2.00	30	Wyoming	Footnote 1	N/A

1 - Sales are through state stores. Revenue is generated from various taxes, fees and net profits.

* Out of 32 states which levy a per gallon tax, highest to lowest.

N/A - Not Applicable

SOURCE: Federation of Tax Administrators

Appendix B
Comparison of Alcohol Tax Rates - Wine
January 2004

Since many states charge a sales tax as well as an alcohol tax, Alaska's total tax on alcohol is not actually the highest among the states.

State	Rate (\$ per gallon)	Rank*	State	Rate (\$ per gallon)	Rank*
Alabama	1.70	4	Montana	1.06	10
ALASKA	2.50	1	Nebraska	.95	13
Arizona	.84	17	Nevada	.70	22
Arkansas	.75	19	New Hampshire	Footnote 1	N/A
California	.20	43	New Jersey	.70	22
Colorado	.32	38	New Mexico	1.70	4
Connecticut	.60	25	New York	.19	45
Delaware	.97	12	North Carolina	.79	18
Florida	2.25	2	North Dakota	.50	31
Georgia	1.51	6	Ohio	.32	38
Hawaii	1.36	8	Oklahoma	.72	21
Idaho	.45	34	Oregon	.67	24
Illinois	.73	20	Pennsylvania	Footnote 1	N/A
Indiana	.47	33	Rhode Island	.60	25
Iowa	1.75	3	South Carolina	.90	15
Kansas	.30	40	South Dakota	.93	14
Kentucky	.50	31	Tennessee	1.21	9
Louisiana	.11	46	Texas	.20	43
Maine	.60	25	Utah	Footnote 1	N/A
Maryland	.40	35	Vermont	.55	28
Massachusetts	.55	28	Virginia	1.51	6
Michigan	.51	30	Washington	.87	16
Minnesota	.30	40	West Virginia	1.00	11
Mississippi	.35	37	Wisconsin	.25	42
Missouri	.36	36	Wyoming	Footnote 1	N/A

1 - Sales are through state stores. Revenue is generated from various taxes, fees and net profits.

* Out of 46 states which impose a per gallon tax, highest to lowest.

N/A - Not Applicable

SOURCE: Federation of Tax Administrators

Appendix B
Comparison of Alcohol Tax Rates -Beer
January 2004

Since many states charge a sales tax as well as an alcohol tax, Alaska's total tax on alcohol is not actually the highest among the states.

State	Rate (\$ per gallon)	Rank	State	Rate (\$ per gallon)	Rank
Alabama	.53	4	Montana	.14	36
ALASKA	1.07	1	Nebraska	.31	14
Arizona	.16	30	Nevada	.16	30
Arkansas	.23	20	New Hampshire	.30	15
California	.20	21	New Jersey	.12	38
Colorado	.08	44	New Mexico	.41	9
Connecticut	.19	23	New York	.11	40
Delaware	.16	30	North Carolina	.53	4
Florida	.48	6	North Dakota	.16	30
Georgia	.48	6	Ohio	.18	27
Hawaii	.92	2	Oklahoma	.40	11
Idaho	.15	34	Oregon	.08	44
Illinois	.185	26	Pennsylvania	.08	44
Indiana	.115	39	Rhode Island	.10	42
Iowa	.19	23	South Carolina	.77	3
Kansas	.18	27	South Dakota	.27	16
Kentucky	.08	44	Tennessee	.14	36
Louisiana	.32	13	Texas	.19	23
Maine	.35	12	Utah	.41	9
Maryland	.09	43	Vermont	.265	17
Massachusetts	.11	40	Virginia	.26	19
Michigan	.20	21	Washington	.261	18
Minnesota	.15	34	West Virginia	.18	27
Mississippi	.43	8	Wisconsin	.06	48
Missouri	.06	48	Wyoming	.02	50

SOURCE: Federation of Tax Administrators

Appendix B
Comparison of Highway Gasoline Tax Rates
January 2004

State	Rate (\$ per gallon)	Other Tax ⁽¹⁾ (\$ per gallon)	Total (\$ per gallon)	Rank
Alabama	16	2	18	37
ALASKA	8	0	8	50
Arizona	18	0	18	37
Arkansas	21.5	0	21.5	22
California	18	0	18	37
Colorado	22	0	22	20
Connecticut	25	0	25	9
Delaware	23	0	23	18
Dist of Columbia	20	0	20	27
Florida	4	10.3	14.3	48
Georgia	7.5	0	7.5	51
Hawaii	16	0	16	45
Idaho	25	1	26	6
Illinois	19	0.8	19.8	32
Indiana	18	0	18	37
Iowa	20.3	0	20.3	26
Kansas	24	0	24	13
Kentucky	15	1.4	16.4	44
Louisiana	20	0	20	27
Maine	24.6	0	24.6	10
Maryland	23.5	0	23.5	17
Massachusetts	21	0	21	24
Michigan	19	0	19	34
Minnesota	20	0	20	27
Mississippi	18	0.4	18.4	36
Missouri	17	0.03	17.03	42
Montana	27	0	27	4
Nebraska	24.8	0.9	25.7	7
Nevada	24	0	24	13
New Hampshire	18	1.5	19.5	33
New Jersey	10.5	4	14.5	47
New Mexico	17	1.9	18.9	35
New York	8	14.6	22.6	19
North Carolina	24.3	0.25	24.55	11
North Dakota	21	0	21	24
Ohio	24	0	24	13
Oklahoma	16	1	17	43
Oregon	24	0	24	13
Pennsylvania	12	14.2	26.2	5
Rhode Island	30	1	31	1
South Carolina	16	0	16	45
South Dakota	22	0	22	20
Tennessee	20	1.4	21.4	23
Texas	20	0	20	27
Utah	24.5	0	24.5	12
Vermont	19	1	20	27
Virginia	17.5	0	17.5	41
Washington	28	0	28	3
West Virginia	20.5	4.85	25.35	8
Wisconsin	28.5	0	28.5	2
Wyoming	13	1	14	49

⁽¹⁾ Includes state sales tax, gross receipts tax and underground storage tank taxes.

SOURCE: Federation of Tax Administrators

Appendix B
Comparison of Highway Aviation Fuel Tax Rates
January 2004

State	Jet Fuel (\$ per gallon)	Rank ¹	Aviation Gas (\$ per gallon)	Rank ²
Alabama	1.0	30	3.0	34
ALASKA	3.2	20	4.7	30
Arizona	3.05	21	5.0	24
Arkansas	Sales Tax	N/A	Sales Tax	N/A
California	2.0	25	18.0	5
Colorado	4.0	16	6.0	19
Connecticut	None	N/A	None	N/A
Delaware	None	N/A	23.0	1
Florida	6.0	7	6.0	19
Georgia	Sales Tax	N/A	1.0	37
Hawaii	1.0	30	1.0	37
Idaho	4.5	15	5.5	23
Illinois	11.0	1	11.0	9
Indiana	0.8	34	18.0	5
Iowa	3.0	22	8.0	13
Kansas	Sales Tax	N/A	Sales Tax	N/A
Kentucky	Sales Tax	N/A	16.4	7
Louisiana	Sales Tax	N/A	20.0	3
Maine	3.4	19	22.0	2
Maryland	7.0	5	7.0	16
Massachusetts	5.0	10	10.0	10
Michigan	3.0	22	3.0	34
Minnesota	5.0	10	5.0	24
Mississippi	5.25	9	6.4	18
Missouri	Sales Tax	N/A	Sales Tax	N/A
Montana	4.0	16	4.0	32
Nebraska	3.0	22	5.0	24
Nevada	1.0	30	1.0	37
New Hampshire	2.0	25	4.0	32
New Jersey	2.0	25	12.5	8
New Mexico	Sales Tax	N/A	Sales Tax	N/A
New York	8.0	3	8.0	13
North Carolina	Sales Tax	N/A	Sales Tax	N/A
North Dakota	8.0	3	8.0	13
Ohio	Sales Tax	N/A	Sales Tax	N/A
Oklahoma	0.08	35	0.08	40
Oregon	1.0	30	9.0	11
Pennsylvania	2.0	25	4.3	31
Rhode Island	None	N/A	None	N/A
South Carolina	Sales Tax	N/A	Sales Tax	N/A
South Dakota	4.0	16	6.0	19
Tennessee	1.4	29	1.4	36
Texas	None	N/A	None	N/A
Utah	9.0	2	9.0	11
Vermont	None	N/A	20.0	3
Virginia	5.0	10	5.0	24
Washington	6.5	6	6.5	17
West Virginia	4.85	14	4.85	29
Wisconsin	6.0	7	6.0	19
Wyoming	5.0	10	5.0	24

¹Out of 35 states with tax rates ²Out of 41 states with tax rates

SOURCE: National Business Aircraft Association, Inc. 2003 State Aviation Tax Report

Appendix B
Comparison of Cigarette Tax Rates
January 2004

State	Rate (\$ per pack)	Rank	State	Rate (\$ per pack)	Rank
Alabama	0.165	46	Montana	0.70	22
ALASKA	1.00	12	Nebraska	0.64	24
Arizona	1.18	11	Nevada	0.80	19
Arkansas	0.59	26	New Hampshire	0.52	33
California	0.87	18	New Jersey	2.05	1
Colorado	0.20	42	New Mexico	0.91	17
Connecticut	1.51	3	New York	1.50	5
Delaware	0.55	29	North Carolina	0.05	48
Florida	0.339	40	North Dakota	0.44	35
Georgia	0.37	37	Ohio	0.55	29
Hawaii	1.30	7	Oklahoma	0.23	41
Idaho	0.57	27	Oregon	1.28	8
Illinois	0.98	16	Pennsylvania	1.00	12
Indiana	0.555	28	Rhode Island	1.71	2
Iowa	0.36	38	South Carolina	0.07	47
Kansas	0.79	20	South Dakota	0.53	32
Kentucky	0.03	49	Tennessee	0.20	42
Louisiana	0.36	38	Texas	0.41	36
Maine	1.00	12	Utah	0.695	23
Maryland	1.00	12	Vermont	1.19	10
Massachusetts	1.51	3	Virginia	0.025	50
Michigan	1.25	9	Washington	1.425	6
Minnesota	0.48	34	West Virginia	0.55	29
Mississippi	0.18	44	Wisconsin	0.77	21
Missouri	0.17	45	Wyoming	0.60	25

SOURCE: Federation of Tax Administrators

Effective January 1, 2005, the Alaska cigarette tax will increase by 30 mills to 8 cents per cigarette or \$1.60 per pack of twenty cigarettes. An additional tax of 12.5 mills or 25 cents per pack of twenty cigarettes will be assessed on cigarettes imported into the state for sale or personal consumption if the cigarettes were manufactured by a manufacturer that did not sign the tobacco Master Settlement Agreement.

Similar changes are planned in other states and will impact the above rates and ratings.

Appendix B
Comparison of Tobacco Products Tax Rates
January 2004

State	Rate	State	Rate
Alabama	.6¢ - 4.4¢/ounce	Montana	25.0% Wholesale Price
ALASKA	75% Wholesale Price	Nebraska	20% Wholesale Price
Arizona	13.3¢/ounce	Nevada	30% Wholesale Price
Arkansas	32% Manufacturer Price	New Hampshire	19.0% Wholesale Price
California	46.76% Wholesale Price	New Jersey	30% Wholesale Price
Colorado	20% Manufacturer Price	New Mexico	25% Product Value
Connecticut	20% Wholesale Price	New York	37% Wholesale Price
Delaware	15% Wholesale Price	North Carolina	2% Wholesale Price
Florida	25% Wholesale Price	North Dakota	28% Wholesale Price
Georgia	23% Wholesale Price	Ohio	17% Wholesale Price
Hawaii	40% Wholesale Price	Oklahoma	30% - 40% Factory List Price
Idaho	40% Wholesale Price	Oregon	65% Wholesale Price
Illinois	18% Wholesale Price	Pennsylvania	N/A
Indiana	15% Wholesale Price	Rhode Island	30% Wholesale Price
Iowa	22% Wholesale Price	South Carolina	5% Manufacturer Price
Kansas	10% Manufacturer Price	South Dakota	10% Wholesale Price
Kentucky	N/A	Tennessee	6.6% Wholesale Price
Louisiana	33% Manufacturer Price	Texas	35.213% Manufacturer Price
Maine	62% Wholesale Price	Utah	35% Manufacturer Price
Maryland	15% Wholesale Price	Vermont	41% Manufacturer Price
Massachusetts	90% Wholesale Price	Virginia	N/A
Michigan	20% Wholesale Price	Washington	129.42% Wholesale Price
Minnesota	35% Wholesale Price	West Virginia	7% Wholesale Price
Mississippi	15% Manufacturer Price	Wisconsin	25% Manufacturer Price
Missouri	10% Manufacturer Price	Wyoming	20% Wholesale Price

Tobacco products include chewing tobacco and snuff.

N/A - Not Applicable

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Corporation Income Tax Rates

2004 Tax Year

State	Rate (%)	Tax Brackets		Number of Brackets
		Lowest	Highest	
Alabama	6.5	Flat Rate		1
ALASKA	1.0 - 9.4	\$10,000	\$90,000	10
Arizona	6.9680	Flat Rate		1
Arkansas	1.0 - 6.5	\$3,000	\$100,000	6
California	8.84	Flat Rate		1
Colorado	4.63	Flat Rate		1
Connecticut	7.5	Flat Rate		1
Delaware	8.7	Flat Rate		1
Florida	5.5	Flat Rate		1
Georgia	6.0	Flat Rate		1
Hawaii	4.4 - 6.4	\$25,000	\$100,000	3
Idaho	7.6	Flat Rate		1
Illinois	7.3	Flat Rate		1
Indiana	8.5	Flat Rate		1
Iowa	6.0 - 12.0	\$25,000	\$250,000	4
Kansas	4.0	Flat Rate		1
Kentucky	4.0 - 8.25	\$25,000	\$250,000	5
Louisiana	4.0 - 8.0	\$25,000	\$200,000	5
Maine	3.5 - 8.93	\$25,000	\$250,000	4
Maryland	7.0	Flat Rate		1
Massachusetts	9.5	Flat Rate		1
Michigan	Tax Based on Federal Taxable Income			N/A
Minnesota	9.8	Flat Rate		1
Mississippi	3.0 - 5.0	\$5,000	\$10,000	3
Missouri	6.25	Flat Rate		1
Montana	6.75	Flat Rate		1
Nebraska	5.58 - 7.81	\$50,000		2
Nevada	No Corporation Income Tax			N/A
New Hampshire	8.5	Flat Rate		1
New Jersey	9.0	Flat Rate		1
New Mexico	4.8 - 7.6	\$500,000	\$1,000,000	3
New York	7.5	Flat Rate		1
North Carolina	6.9	Flat Rate		1
North Dakota	3.0 - 10.5	\$3,000	\$50,000	6
Ohio	5.1 - 8.5	\$50,000		2
Oklahoma	6.0	Flat Rate		1
Oregon	6.6	Flat Rate		1
Pennsylvania	9.99	Flat Rate		1
Rhode Island	9.0	Flat Rate		1
South Carolina	5.0	Flat Rate		1
South Dakota	No Corporation Income Tax			N/A
Tennessee	6.5	Flat Rate		1
Texas	Tax Based on Capital and Surplus			N/A
Utah	5.0	Flat Rate		1
Vermont	7.0 - 9.75	\$10,000	\$250,000	4
Virginia	6.0	Flat Rate		1
Washington	No Corporation Income Tax			N/A
West Virginia	9.0	Flat Rate		1
Wisconsin	7.9	Flat Rate		1
Wyoming	No Corporation Income Tax			N/A

Source: Federation of Tax Administrators

Appendix B
Comparison of Individual Income Tax Rates*
2004 Tax Year

State	Rate (%)	Tax Brackets		Number of Brackets
		Lowest	Highest	
Alabama	2.0 - 5.0	\$500	\$3,000	3
ALASKA		No State Income Tax		N/A
Arizona	2.87 - 5.04	\$10,000	\$150,000	5
Arkansas	1.0 - 7.0	\$3,999	\$27,500	6
California	1.0 - 9.3	\$5,962	\$39,133	6
Colorado	4.63	Flat Rate		1
Connecticut	3.0 - 5.0	\$10,000	\$10,000	2
Delaware	2.2 - 5.95	\$5,000	\$60,000	6
Florida		No State Income Tax		N/A
Georgia	1.0 - 6.0	\$750	\$7,000	6
Hawaii	1.4 - 8.25	\$2,000	\$40,000	9
Idaho	1.6 - 7.8	\$1,104	\$22,074	8
Illinois	3.0	Flat Rate		1
Indiana	3.4	Flat Rate		1
Iowa	.36 - 8.98	\$1,211	\$54,495	9
Kansas	3.5 - 6.45	\$15,000	\$30,000	3
Kentucky	2.0 - 6.0	\$3,000	\$8,000	5
Louisiana	2.0 - 6.0	\$12,500	\$25,000	3
Maine	2.0 - 8.5	\$4,250	\$16,950	4
Maryland	2.0 - 4.75	\$1,000	\$3,000	4
Massachusetts	5.3	Flat Rate		1
Michigan	4.0	Flat Rate		1
Minnesota	5.35 - 7.85	\$194,400	\$63,860	3
Mississippi	3.0 - 5.0	\$5,000	\$10,000	3
Missouri	1.5 - 6.0	\$1,000	\$9,000	10
Montana	2.0 - 11.0	\$2,199	\$76,199	10
Nebraska	2.56 - 6.84	\$2,400	\$26,500	4
Nevada		No State Income Tax		N/A
New Hampshire		Tax Limited to Dividends and Interest		N/A
New Jersey	1.4 - 6.37	\$20,000	\$75,000	6
New Mexico	1.7 - 6.8	\$5,500	\$26,000	5
New York	4.0 - 7.70	\$8,000	\$500,000	7
North Carolina	6.0 - 8.25	\$12,750	\$120,000	4
North Dakota	2.1 - 5.54	\$28,400	\$311,950	5
Ohio	0.743 - 7.5	\$5,000	\$200,000	9
Oklahoma	0.5 - 7.0	\$1,000	\$10,000	8
Oregon	5.0 - 9.0	\$2,600	\$6,500	3
Pennsylvania	3.07	Flat Rate		1
Rhode Island		25% Federal Tax Liability		N/A
South Carolina	2.5 - 7.0	\$2,400	\$12,300	6
South Dakota		No State Income Tax		N/A
Tennessee		Tax Limited to Dividends and Interest		N/A
Texas		No State Income Tax		N/A
Utah	2.3 - 7.0	\$863	\$4,313	6
Vermont	3.6 - 9.5	\$29,050	\$319,100	5
Virginia	2.0 - 5.75	3,000	17,000	4
Washington		No State Income Tax		N/A
West Virginia	3.0 - 6.5	\$10,000	\$60,000	5
Wisconsin	4.6 - 6.75	\$8,610	\$129,150	4
Wyoming		No State Income Tax		N/A

* Rates apply to unmarried individuals

SOURCE: Federation of Tax Administrators

Appendix B
Comparison of Sales Tax Rates
2004 Tax Year

State	Rate (%)	Exemptions		
		Food	Prescription Drugs	Nonprescription Drugs
Alabama	4.0	No	Yes	No
ALASKA		No State Sales Tax		
Arizona	5.6	Yes	Yes	No
Arkansas	5.125	No	Yes	No
California	7.25	Yes	Yes	No
Colorado	2.9	Yes	Yes	No
Connecticut	6.0	Yes	Yes	Yes
Delaware		No State Sales Tax		
Florida	6.0	Yes	Yes	Yes
Georgia	4.0	Yes	Yes	No
Hawaii	4.0	No	Yes	No
Idaho	6.0	No	Yes	No
Illinois	6.25	1%	1%	1%
Indiana	6.0	Yes	Yes	No
Iowa	5.0	Yes	Yes	No
Kansas	5.3	No	Yes	No
Kentucky	6.0	Yes	Yes	No
Louisiana	4.0	Yes	Yes	No
Maine	5.0	Yes	Yes	No
Maryland	5.0	Yes	Yes	Yes
Massachusetts	5.0	Yes	Yes	No
Michigan	6.0	Yes	Yes	No
Minnesota	6.5	Yes	Yes	Yes
Mississippi	7.0	No	Yes	No
Missouri	4.225	1.225%	Yes	No
Montana		No State Sales Tax		
Nebraska	5.5	Yes	Yes	No
Nevada	6.5	Yes	Yes	No
New Hampshire		No State Sales Tax		
New Jersey	6.0	Yes	Yes	Yes
New Mexico	5.0	No	Yes	No
New York	4.25	Yes	Yes	Yes
North Carolina	4.5	Yes	Yes	No
North Dakota	5.0	Yes	Yes	No
Ohio	6.0	Yes	Yes	No
Oklahoma	4.5	No	Yes	No
Oregon		No State Sales Tax		
Pennsylvania	6.0	Yes	Yes	Yes
Rhode Island	7.0	Yes	Yes	Yes
South Carolina	5.0	No	Yes	No
South Dakota	4.0	No	Yes	No
Tennessee	7.0	6%	Yes	No
Texas	6.25	Yes	Yes	Yes
Utah	4.75	No	Yes	No
Vermont	6.0	Yes	Yes	Yes
Virginia	4.5	4%	Yes	Yes
Washington	6.5	Yes	Yes	No
West Virginia	6.0	No	Yes	No
Wisconsin	5.0	Yes	Yes	No
Wyoming	4.0	No	Yes	No

Source: Federation of Tax Administrators

fall 2004



Tax Division
Revenue Sources Book

Forecast and Historical Data

Frank H. Murkowski, Governor
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Fall 2004 Revenue Sources Book

December 9, 2004

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December 9, 2004

The Honorable Frank H. Murkowski
Governor of Alaska
P.O. Box 110001
Juneau, Alaska 99811-0001

Dear Governor Murkowski:

As is our tradition for this time of year, I am presenting you, the Legislature and the Alaska public with the Department of Revenue's latest Revenue Sources Book. Our Fall 2004 report includes a preliminary accounting of state revenues received in FY 2004, as well as projections for Fiscal 2005 through Fiscal 2015, and no doubt the unpredictable world oil market has a lot of people wondering exactly what we would say in this report.

We project Alaska North Slope crude oil prices will average \$43.61 per barrel for the fiscal year ending June 30, 2005. The year-to-date average is just under \$42 per barrel, and although prices fell last week we believe world supply uncertainties, and market concern over shortages, could keep prices above \$40 through the rest of the fiscal year.

Eventually, however, we see new supplies coming online, and a more rational approach in the markets, with prices backing off next year. Our forecast for Fiscal 2006 is \$34.50 a barrel for Alaska North Slope crude, and \$30.95 a barrel in Fiscal 2007.

Our forecast for Fiscal 2008 and beyond is \$25.50, higher than our Fall 2002 long-term forecast of \$22 but certainly much lower than today's markets and lower than many pundits predict. As we explain in our forecast, "Based on our experience, we are taking a more conservative approach and opting for a number closer to the middle of the OPEC price target range (of \$22 to \$28 per barrel)." We will always be cautious in our response to volatile oil markets.

And while Alaska profits from high oil prices, we continue to look ahead to building up North Slope production. Fiscal 2005 production is expected to average 934,000 barrels per day and hold steady until Fiscal 2008, when we project an increase to 945,000 barrels. The addition of oil from the National Petroleum Reserve-Alaska, forecast for Fiscal 2011, will boost total North Slope production to an estimated 975,000 barrels per day that year. NPR-A, and the smaller fields under development or evaluation on the North Slope, promise a strong future for Alaska.

The Fall 2004 Revenue Sources Book also includes an evaluation of possible oil production from the Arctic National Wildlife Refuge, and we share your hope that 2005 will be the year that Alaska finally sees congressional approval for responsible exploration and development in this area that is so important to our nation's energy needs. Using reasonable assumptions, ANWR could produce 220,000 barrels a day by 2016 and almost 400,000 barrels a day by 2024.

I invite questions on this report and wish you, the Legislature and all Alaskans a safe and happy holiday season, a prosperous new year, and a productive 2005.

Sincerely,



William A. Corbus
Commissioner

Dedication



This Fall 2004 Revenue Sources Book is dedicated to Chuck Logsdon, who retired sometime between July and November, 2004 as our chief petroleum economist. Chuck, who estimates he spent between 22.6 and 29.4 years at the Department of Revenue, issued more oil price and production forecasts than anyone in Alaska history.

His insights, dedication — and probably his last long-term forecast — will all be missed. Thank you, Chuck, for your years of service.

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1. Introduction

General Discussion

The purpose of the semi-annual Revenue Sources Book is to provide the governor, legislature and citizens of the state with a summary of our past collections of state revenue and a forecast of future revenue. Revenues are categorized into four major components: oil and gas royalties and taxes, non-oil taxes and fees, federal dollars and investment revenues.

Oil revenues continue to dominate the revenue picture — and will continue to provide 80% of Unrestricted General Purpose Revenue through FY 2008 and 75% through FY 2014. However, North Slope oil production has fallen. In FY 2004 ANS output was 0.980 million barrels per day compared to a peak of 2.006 million barrels a day in FY 1988.

Over that same period the market price of oil has come close to tripling. In 10 of the prior 13 years, the state has relied on annual draws from the Constitutional Budget Reserve Fund (CBRF) to fill the gap between unrestricted revenues and budget outlays. In the other three years — which includes FY 2004 — unrestricted revenues have been sufficient to pay for budgeted spending without a draw on the CBRF. FY 2005 also appears to fit into this category.

Alaska's total revenue picture also includes earnings from the Permanent Fund, federal revenue and reserves in the CBRF. We hope the information provided in this Sources Book is helpful in answering questions about where Alaska gets its revenue and what the state's revenue future looks like from today's perspective.

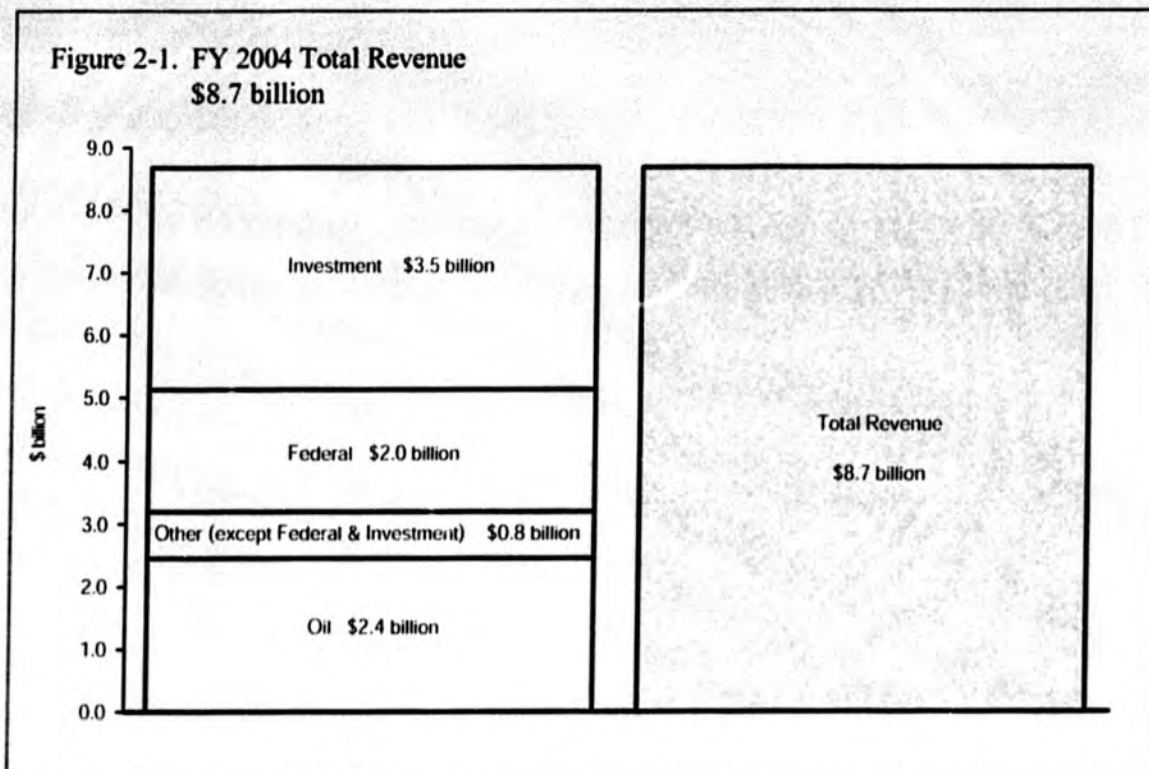
Fall 2004 Forecast

This publication is organized into the following 11 sections:

1. Introduction
2. Executive Summary
3. The Future: ANWR
Opportunities for new oil and gas production exist with development in the Arctic National Wildlife Refuge.
4. Oil Revenue
In FY 2004, oil and gas production tax, corporate income tax, property tax and royalty revenues contributed 87% of the state's General Fund unrestricted revenue. Oil revenues will continue to play a key role in Alaska's future.
5. Other Revenue (except Federal & Investment)
Revenue from non-oil sources includes alcohol, tobacco, fisheries, estate, motor fuel taxes, non-oil corporate income taxes and user fees.
6. Federal Revenue
Federal funding continues to be one of Alaska's biggest sources of revenue.
7. Investment Revenue
Investment earnings come from the Alaska Permanent Fund, Constitutional Budget Reserve Fund, General Fund and other state investments.
8. State Endowment Funds
This section provides a brief discussion about Alaska's six endowment funds.
9. Public Corporations and the University of Alaska
Seven public corporations and the University of Alaska are treated as separate component units of state government for financial reporting purposes.
10. Rosetta Stone
The Department of Revenue Sources Book and Legislative Finance's Summary of Appropriations are reconciled in this section.
11. Appendices
This section provides historical data on oil prices, production and revenue and a glossary of terms used in this publication.

2. Executive Summary

Total Governmental Revenue



**Table 2-1. Total Governmental Revenue by Major Component, Actual FY 2004 ⁽¹⁾ and Projected 2005-2006
\$ million**

	Actual FY 2004	Projected FY 2005	Projected FY 2006
OIL REVENUE			
<u>Unrestricted</u>			
Property Tax	47.3	47.2	45.3
Corporate Income Tax	298.8	404.0	296.0
Production Tax	651.9	798.3	568.9
Royalties (including Bonuses and Interest)	<u>1,056.1</u>	<u>1,419.1</u>	<u>1,061.7</u>
Subtotal	2,054.1	2,668.6	1,971.9
<u>Restricted</u>			
Royalties to Permanent Fund and School Fund	362.1	485.2	362.9
Tax Settlements to CBRF	8.4	20.0	20.0
NPR-A Royalties, Rents and Bonuses	<u>2.5</u>	<u>12.9</u>	<u>7.9</u>
Subtotal	373.0	518.1	390.8
Subtotal Oil Revenue	2,427.1	3,186.7	2,362.7

(1) Actuals have not been fully reconciled to the Comprehensive Annual Financial Report.

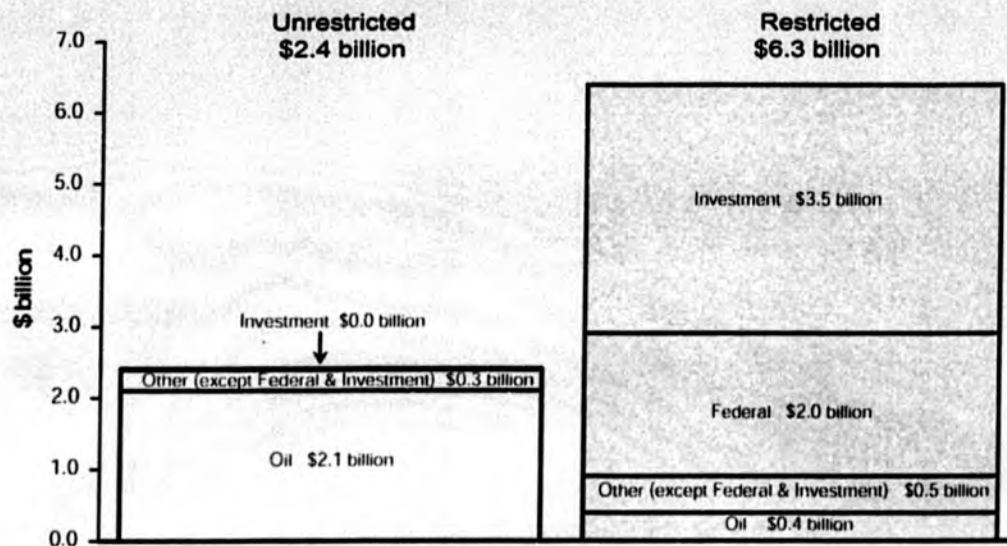
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Table 2-1. Total Governmental Revenue by Major Component, continued
\$ million

	Actual FY 2004	Projected FY 2005 FY 2006	
OTHER REVENUE (EXCEPT FEDERAL & INVESTMENT)			
<u>Unrestricted</u>			
Taxes	185.8	206.1	218.6
Charges for Services	11.1	13.1	13.1
Fines and Forfeitures	16.0	12.8	12.8
Licenses and Permits	41.0	40.4	42.0
Rents and Royalties	7.8	8.1	8.1
Other	<u>36.2</u>	<u>18.4</u>	<u>17.4</u>
Subtotal	297.9	298.9	312.0
<u>Restricted</u>			
Taxes	81.2	78.1	77.7
Charges for Services	226.0	244.9	244.9
Fines and Forfeitures	26.8	26.5	26.5
Licenses and Permits	28.7	28.7	28.7
Rents and Royalties	5.1	5.1	5.1
Other	<u>84.9</u>	<u>196.9</u>	<u>159.5</u>
Subtotal	452.7	580.2	542.4
Subtotal Other Revenue (except Federal & Investment)	750.6	879.1	854.4
FEDERAL REVENUE			
<u>Restricted</u>			
Federal Receipts	<u>1,951.7</u>	<u>3,019.3</u>	<u>3,019.3</u>
Subtotal Federal Revenue	1,951.7	3,019.3	3,019.3
INVESTMENT REVENUE			
<u>Unrestricted</u>			
Investments	9.2	16.4	15.1
Interest Paid by Others	<u>0.5</u>	<u>1.6</u>	<u>1.6</u>
Subtotal	9.7	18.0	16.7
<u>Restricted</u>			
Investments	4.0	22.0	23.7
Constitutional Budget Reserve Fund	53.2	118.3	102.6
Other Treasury Managed Funds	24.9	19.7	20.5
Alaska Permanent Fund (GASB) ⁽²⁾	<u>3,434.0</u>	<u>2,047.9</u>	<u>2,189.7</u>
Subtotal	3,516.1	2,207.9	2,336.5
Subtotal Investment Revenue	3,525.8	2,225.9	2,353.2
Grand Total	8,655.2	9,311.0	8,589.6

(2) Both realized and unrealized gains and losses are included per GASB 34 as interpreted by the Finance Division of the Department of Administration in its Comprehensive Annual Financial Report.

**Figure 2-2. FY 2004 Total Revenue: Unrestricted and Restricted
\$8.7 billion**



**Table 2-2. Total Governmental State Revenue, Actual FY 2004 ⁽¹⁾ and
Projected 2005-2006 Unrestricted ⁽²⁾ and Restricted by Major Source
\$ million**

	Actual FY 2004	Projected FY 2005	Projected FY 2006
Unrestricted			
Oil Revenue	2,054.1	2,668.6	1,971.9
Other Revenue (except Federal & Investment)	297.9	298.9	312.0
Investment Revenue	<u>9.7</u>	<u>18.0</u>	<u>16.7</u>
Subtotal	2,361.7	2,985.5	2,300.6
Restricted			
Oil Revenue	373.0	518.1	390.8
Other Revenue (except Federal & Investment)	452.7	580.2	542.4
Federal Revenue	1,951.7	3,019.3	3,019.3
Investment Revenue	<u>3,516.1</u>	<u>2,207.9</u>	<u>2,336.5</u>
Subtotal	6,293.5	6,325.5	6,289.0
Grand Total	8,655.2	9,311.0	8,589.6

(1) Actuals have not been fully reconciled to the Comprehensive Annual Financial Report.

(2) Total unrestricted revenue as reported for AKSAS (Alaska State Accounting System) with adjustments for certain municipal sharing of statewide taxes and additional spending restrictions.

Unrestricted General Purpose Revenue

Unrestricted General Purpose Revenue is the amount generally used for budget planning purposes and is designated in budget documents as general fund revenue. The table on the next two pages sets out actual FY 2004 Unrestricted General Purpose Revenue and our projections for FY 2005 and 2006.

We forecast Unrestricted General Purpose Revenue by first estimating General Fund Unrestricted Revenue, which includes all unrestricted revenues in the Alaska State Accounting System (AKSAS), as well as certain program receipts. After consulting with the Governor's Office of Management and Budget and the legislature, we adjust our forecast of General Fund Unrestricted Revenue to derive a forecast of total Unrestricted General Purpose Revenue. Reductions include: (1) earmarking revenue for specific programs, (2) pass-through revenue for qualified regional aquaculture and dive fishery associations, and (3) revenue shared with municipal governments and organizations (e.g., fisheries taxes.) Additions include transfers from the unclaimed property trust to the state treasury.

**Table 2-3. Unrestricted General Purpose Revenue, Actual FY 2004 ⁽¹⁾ and Projected 2005-2006
\$ million**

	Actual FY 2004	Projected	
		FY 2005	FY 2006
<u>Oil Revenue</u>			
Property Tax	47.3	47.2	45.3
Corporate Income Tax	298.8	404.0	296.0
Production Tax			
Oil and Gas Production	642.7	789.3	560.1
Oil and Gas Hazardous Release	<u>9.2</u>	<u>8.9</u>	<u>8.8</u>
Subtotal Production Tax	651.9	798.3	568.9
Royalties			
Mineral Bonuses and Rents	10.4	14.5	17.8
Oil and Gas Royalties	1,043.6	1,402.5	1,041.9
Interest	<u>2.1</u>	<u>2.1</u>	<u>2.1</u>
Subtotal Royalties	1,056.1	1,419.1	1,061.7
Total Oil Revenue	2,054.1	2,668.6	1,971.9
<u>Other Revenue (except Federal & Investment)</u>			
Other Taxes			
Sales and Use			
Alcoholic Beverages	16.3	15.9	15.9
Cigarette	9.4	14.9	27.1
Other Tobacco Products	6.6	6.7	7.2
Insurance Premium	43.7	45.8	47.1
Electric and Telephone Cooperative	0.2	0.2	0.2
Motor Fuel Taxes	41.2	39.3	39.3
Rental Vehicle Tax	2.7	6.7	6.7
Tire Fees	<u>0.8</u>	<u>2.6</u>	<u>2.6</u>
Subtotal	120.9	132.1	146.1
Corporate Income Tax	39.6	50.0	50.0
Fish Taxes			
Fisheries Business	14.9	12.5	12.5
Fishery Resource Landing	<u>2.5</u>	<u>2.9</u>	<u>2.9</u>
Subtotal	17.4	15.4	15.4
Other			
Mining	3.2	5.2	4.2
Estate	2.3	1.0	0.5
Charitable Gaming	<u>2.4</u>	<u>2.4</u>	<u>2.4</u>
Subtotal	7.9	8.6	7.1
Subtotal Other Taxes	185.8	206.1	218.6

(1) Actuals have not been fully reconciled to the Comprehensive Annual Financial Report.

(continued on next page)

Table 2-3. Unrestricted General Purpose Revenue, continued
\$ million

	Actual FY 2004	Projected FY 2005	FY 2006
<u>Other Revenue (except Federal & Investment), cont.</u>			
Charges for Services			
General Government	8.1	10.1	10.1
Natural Resources	1.3	1.3	1.3
Other	<u>1.7</u>	<u>1.7</u>	<u>1.7</u>
Subtotal Charges for Services	11.1	13.1	13.1
 Fines and Forfeitures	 16.0	 12.8	 12.8
 Licenses and Permits	 	 	
Motor Vehicle	38.8	38.0	39.0
Other	<u>2.2</u>	<u>2.4</u>	<u>3.0</u>
Subtotal Licenses and Permits	41.0	40.4	42.0
 Rents and Royalties	 	 	
Land Leasing, Rental and Sales	6.5	6.5	6.5
Coal Royalties	1.1	1.4	1.4
Cabin Rentals	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
Subtotal Rents and Royalties	7.8	8.1	8.1
 Other	 	 	
Miscellaneous	24.7	13.4	13.4
Unclaimed Property	<u>11.5</u>	<u>5.0</u>	<u>4.0</u>
Subtotal Other	36.2	18.4	17.4
 Total Other Revenue (except Federal & Investment)	 297.9	 298.9	 312.0
 <u>Investment Revenue</u>	 	 	
Investments	9.2	16.4	15.1
Interest Paid by Others	<u>0.5</u>	<u>1.6</u>	<u>1.6</u>
 Total Investment Revenue	 9.7	 18.0	 16.7
 Total Unrestricted Revenue	 2,361.7	 2,985.5	 2,300.6

Oil Price Forecast

Oil revenue will provide at least 75% of forecasted Unrestricted General Purpose Revenue through FY 2014. Two elements are critical to the oil revenue forecast: price and volume.

All of Alaska's oil production is delivered to refineries on the U.S. West Coast (including Alaska and Hawaii). Consequently, Alaska's royalty and production tax revenue depends in large part on the market price of Alaska North Slope crude oil (ANS) at U.S. West Coast refining centers. There is no price for Alaska oil on the New York Mercantile Exchange (NYMEX)⁽¹⁾ or other commodity exchange. However, the spot price of ANS is calculated by subtracting a market differential from the price of West Texas Intermediate (WTI) quoted on the NYMEX. Four different assessment services estimate that market differential and report a daily spot price for ANS.

Table 2-4, on the next page, contains actual oil prices for FY 2004 and the Department of Revenue's forecast of prices for the 11-year period beginning with the current fiscal year FY 2005 and continuing through FY 2015. The oil price forecast is based on a subjective assessment of market dynamics and trend analysis by participants at a Department of Revenue price scenario meeting. We project that oil prices will average \$25.50 per barrel (FY 2007-2015), a conservative estimate compared to the \$30 per barrel expected by many pundits.

Our forecast prices are higher than the average market prices experienced over the 18-year period since the 1986 oil price collapse but are consistent with prices since 1999. Figure 2-3 on the next page depicts: (1) the monthly West Coast ANS market price from December 1992 through September 2004; (2) the 60-month moving average West Coast market price for the same period; and (3) a set of ANS prices derived from NYMEX crude oil futures prices for October 1998 and October 2004.

Figure 2-3 illustrates a number of issues with respect to oil prices including:

- The volatility of month-to-month crude oil prices. Monthly ANS West Coast prices during the pertinent time period ranged from just under \$10 per barrel to nearly \$50 per barrel.
- The average of the 60-month moving averages is \$18.29 per barrel and has increased dramatically since 1999.
- The derived futures market price illustrates that the current futures market long-term convergence price has increased by about \$18.50 per barrel since October 1998.

A pressing question is whether the higher prices we have seen since 1999 will continue to stay at current levels or perhaps trend even higher. We assume that over the long-term, oil prices will average \$25.50 per barrel, close to the mid-point of the price range (\$22 to \$28 per barrel) by which OPEC determines its production quota policies. ANS West Coast price averaged \$28.32 per barrel from October 1999 to October 2004. We will continue to evaluate our assumption, with our next forecast due in April 2005.

(1) The NYMEX futures market is one source for a WTI quote. A daily WTI spot quote could also be determined by a reporting service's daily assessment of the WTI spot market.

Figure 2-3.
ANS West Coast and Futures Market Oil Prices

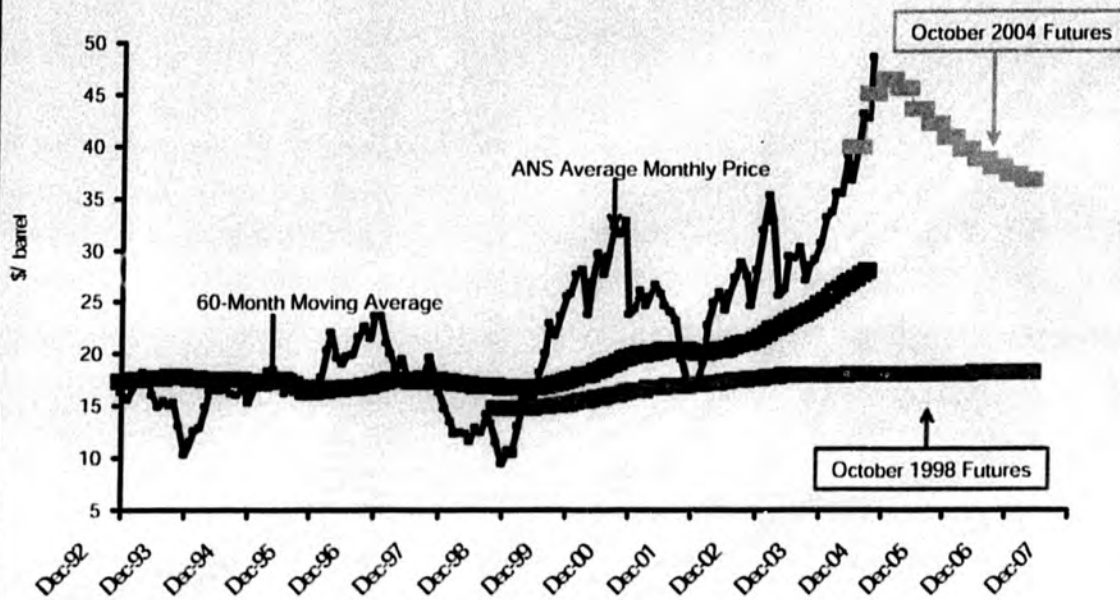


Table 2-4. Delivered Price for ANS Crude Oil
Average WTI, ANS West Coast and ANS Wellhead
\$ per barrel

Fiscal Year	WTI	ANS West Coast	ANS Wellhead
2005	46.30	43.61	38.83
2006	36.60	34.50	29.46
2007	32.95	30.95	25.79
2008	27.50	25.50	20.26
2009	27.50	25.50	20.16
2010	27.50	25.50	20.10
2011	27.50	25.50	20.00
2012	27.50	25.50	20.00
2013	27.50	25.50	19.81
2014	27.50	25.50	19.62
2015	27.50	25.50	19.43

Oil Production Forecast

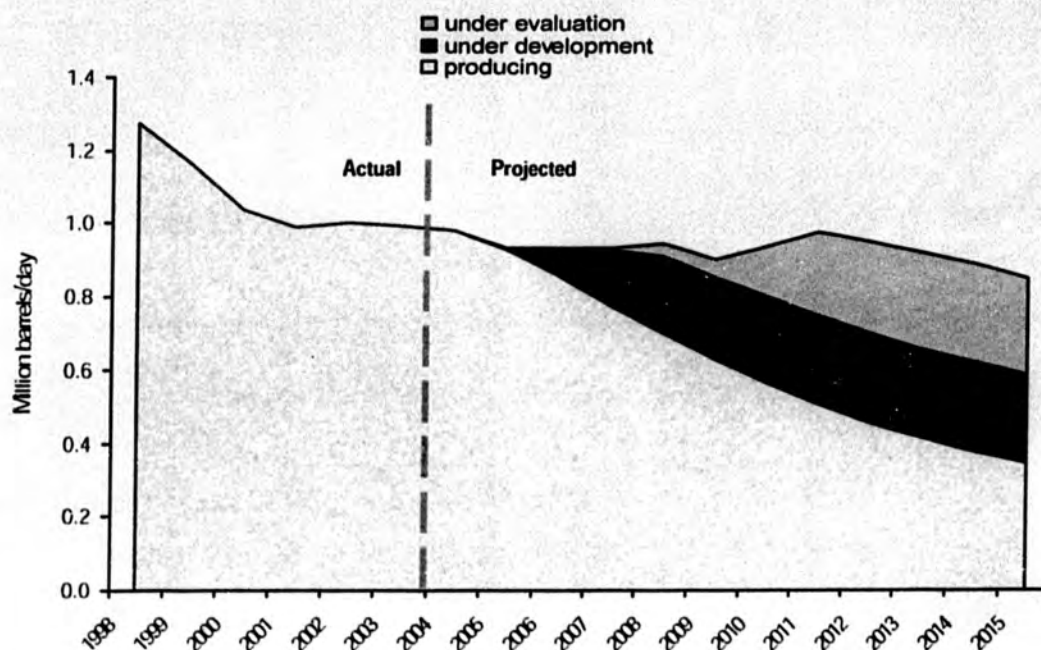
Alaska North Slope production peaked at 2.006 million barrels per day in 1988 and has steadily declined since. In FY 2004, ANS production averaged 0.980 million barrels per day, and we project FY 2005 production to be 0.934 million barrels per day.

Our production forecast has been revised since last spring. ANS production will continue above 0.90 million barrels per day through FY 2013 (0.919 million barrels per day), aided by new fields coming into production. We anticipate Nanuk and Fiord will add 17,000 barrels per day in FY 2007; Liberty, Oliktok and Point Thomson, 75,000 barrels per day in FY 2010; and the National Petroleum Reserve-Alaska (NPR-A), 20,000 barrels per day in FY 2011. We are also forecasting 10,000 to 20,000 barrels per day from additional known on and offshore fields in FY 2008 to FY 2010.

A detailed field-by-field production forecast can be found on Page 84 the appendices.

Last spring, we began to present the ANS production forecast in three parts: (1) currently producing, (2) currently under development and (3) currently being evaluated for development. We do this so that the reader will have an understanding about the uncertainty associated with the production forecast. We continue to forecast production of those reserves that have already been discovered and at minimum are being evaluated for development.

Figure 2-4. ANS Production Forecast by Category ⁽¹⁾



(1) Some of the oil forecasted in the under development and under evaluation categories are from new projects in fields currently producing.

Table 2-5. Alaska North Slope Production
millions of barrels/day

Fiscal Year	Currently Producing	Under Development	Under Evaluation	Total ANS
2005	0.927	0.007	0.000	0.934
2006	0.857	0.075	0.000	0.932
2007	0.773	0.154	0.007	0.935
2008	0.702	0.206	0.038	0.945
2009	0.631	0.221	0.051	0.904
2010	0.563	0.237	0.138	0.938
2011	0.506	0.241	0.228	0.975
2012	0.457	0.244	0.248	0.949
2013	0.414	0.244	0.261	0.919
2014	0.377	0.244	0.267	0.888
2015	0.345	0.243	0.262	0.850

New Oil Development

As production from the Prudhoe Bay and Kuparuk fields continues to decline, some of the decline will be offset by new oil development. In our reference-case forecast, new oil is defined as crude already discovered and under evaluation or under development. By FY 2008, as the table and figure below show, one-fourth of our forecasted oil production will come from projects requiring significant new investment.

Figure 2-5. New Oil as a Percentage of Projected Oil

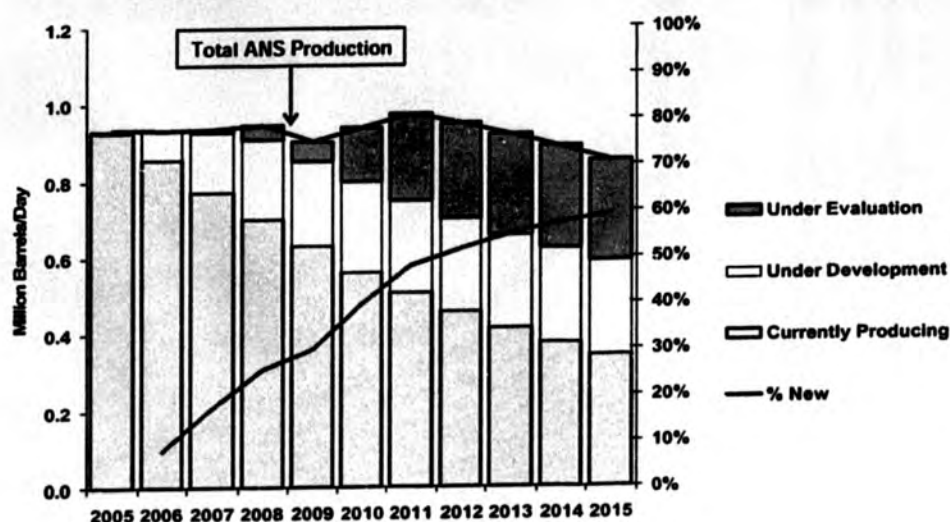


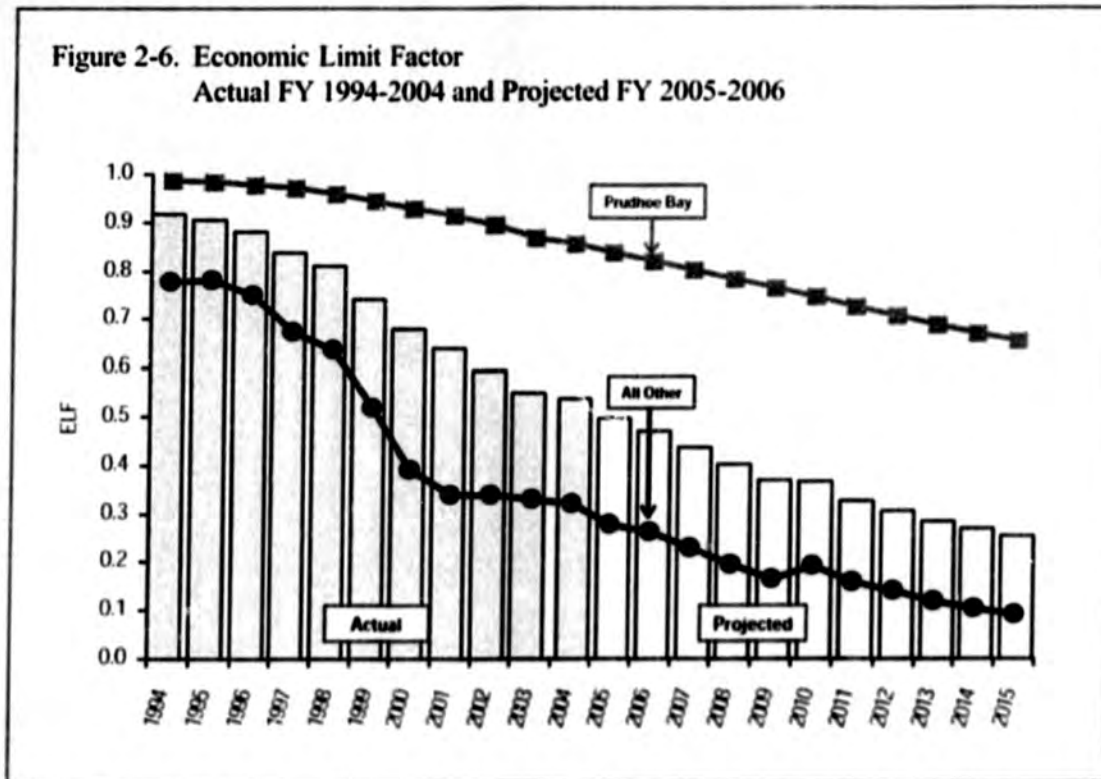
Table 2-6. New Oil as a Percentage of Total Oil
millions of barrels/day

Fiscal Year	Total New Oil	ANS Total	Percent New Oil
2005	0.007	0.934	0.0%
2006	0.075	0.932	8.0%
2007	0.161	0.935	17.2%
2008	0.243	0.945	25.7%
2009	0.272	0.904	30.1%
2010	0.375	0.938	39.9%
2011	0.468	0.975	48.1%
2012	0.492	0.949	51.9%
2013	0.505	0.919	55.0%
2014	0.511	0.888	57.5%
2015	0.505	0.850	59.4%

Economic Limit Factor

The average production tax rate on the North Slope has been falling as the result of the tax adjustment known as the Economic Limit Factor (ELF). The ELF is a factor that reduces the nominal production tax rate on a producing lease or property based on the average rate of production and the average per-well productivity from that field.⁽¹⁾ Since oil production rates and well productivity decline over time as an oil field is being depleted, the average production tax rate will fall as well. Further, the ELF reduces the tax rate on smaller oil fields such that most fields producing less than 20,000 barrels per day will pay little or no production tax.

An ever smaller percentage of Alaska's current and projected North Slope oil production will continue to come from old, declining fields, while new production will come from small fields. Therefore, the average tax rate will continue to fall. The average oil production tax rate for North Slope production in FY 1994 was 13.5%; we project it will average 6.9% for FY 2005.



The figure above illustrates the actual weighted average ELF for North Slope oil production since 1994 and our projections of that weighted average through FY 2015. The Prudhoe Bay ELF is also shown, as well as the average ELF for all of the other North Slope fields. The small spike in the other fields average ELF in FY 2010 represents the impact of the assumed startup of Point Thomson production.

(1) The nominal production tax rate is 15% except during a field's first five years of production, when it is 12.25%.

Longer-Term Unrestricted Revenue Outlook

Using the price and volume components developed for this fall 2004 forecast, the table below summarizes the department's forecast of total Unrestricted General Purpose Revenue through FY 2015.

Table 2-7. Total Unrestricted General Purpose Revenue
Actual FY 2004 ⁽¹⁾ and Projected FY 2005-2015
\$ million

Fiscal Year	Unrestricted Oil Revenue	Unrestricted Other (except Federal & Investment Revenue)	Unrestricted Investment Revenue	Total Revenue	Percent from Oil
2004	2,054.1	297.9	9.7	2,361.7	87
2005	2,668.6	298.9	18.0	2,985.5	90
2006	1,971.9	312.0	16.7	2,300.6	86
2007	1,651.7	318.5	16.7	1,986.9	83
2008	1,358.9	324.9	16.7	1,700.5	80
2009	1,272.9	326.0	16.7	1,615.6	79
2010	1,244.9	327.1	16.7	1,588.6	79
2011	1,258.4	328.0	16.7	1,603.1	79
2012	1,203.3	329.2	16.7	1,549.2	78
2013	1,128.1	330.4	16.7	1,475.2	77
2014	1,068.1	331.3	16.7	1,416.2	76
2015	999.7	332.3	16.7	1,348.6	74

(1) Actuals have not been fully reconciled to the Comprehensive Annual Financial Report.

Budget Gap and the Constitutional Budget Reserve

The table below reflects the amount needed to make up the difference between the Department of Revenue's forecast of Unrestricted General Purpose Revenue and the annual General Fund budget, shown here as a flat \$2,332.5 million (the authorized budget for FY 2005) for all operating, capital, debt service, lease payments and supplemental appropriations. ⁽¹⁾

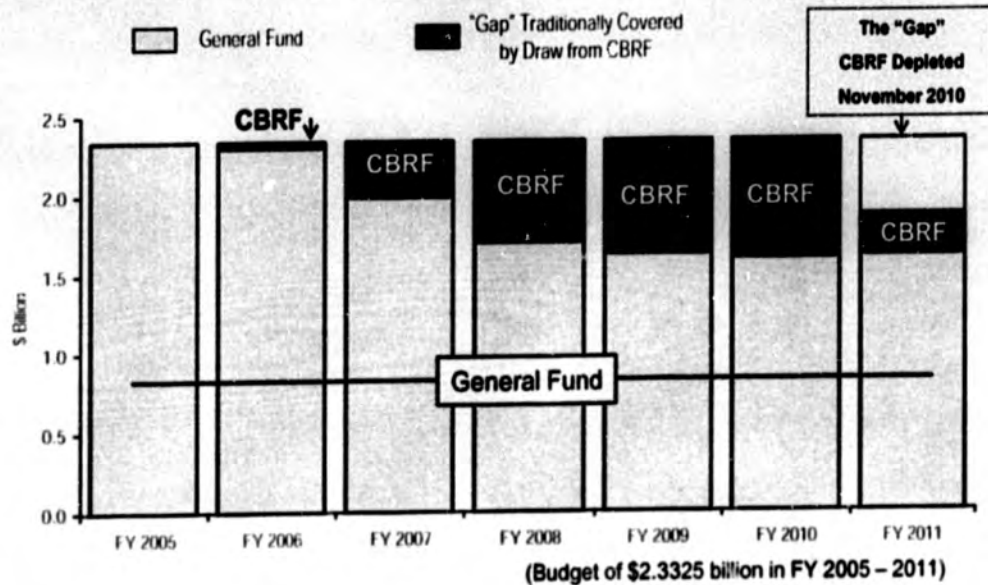
Table 2-8. Difference Between Unrestricted General Purpose Revenue and General Fund Budget "The Gap" ⁽¹⁾
\$ million

Fiscal Year	Total Unrestricted General Purpose Revenue	General Fund Appropriation	"Gap"
Actual 2004	2,361.7	2,319.1	42.6
2005 ⁽¹⁾	2,985.5	2,332.5	653.0
2006	2,300.6	2,332.5	(31.9)
2007	1,986.9	2,332.5	(345.6)
2008	1,700.5	2,332.5	(632.0)
2009	1,615.6	2,332.5	(716.9)
2010	1,588.6	2,332.5	(743.9)
2011	1,603.1	2,332.5	(729.4)
2012	1,549.2	2,332.5	(783.3)
2013	1,475.2	2,332.5	(857.3)
2014	1,416.2	2,332.5	(916.3)
2015	1,348.6	2,332.5	(983.9)

(1) The FY 2005-2015 budget of \$2,332.5 million is simply a reference point for analysis. Any budget estimate used to determine "The Gap" will have its detractors — some will contend spending should be cut, while others will argue just as strongly that spending should be increased to reflect inflation and population growth.

(1) http://www.gov.state.ak.us/omb/05_omb/fy05FiscalSummary.pdf

Figure 2-7. Spending Gap Traditionally Covered by Draw from CBRF Fills Gap FY 2005-2011 ⁽¹⁾



(1) FY 2005 deposits to the CBRF are not included. CBRF draws: FY 2006 of \$31.9 million; FY 2007, \$345.6 million; FY 2008, \$632.0 million; FY 2009, \$716.9 million; FY 2010, \$743.9 million; FY 2011, depleted in November 2010 after a \$259.8 million draw.

Table 2-9. When Would the CBRF Be Gone? ⁽¹⁾

Annual State Budget	State Spending and Oil Price Variables				Fall 2004		
	\$18/bbl	\$23/bbl	\$25/bbl	\$28/bbl	DOR Forecast	\$30/bbl	\$32/bbl
\$2.2 billion	Dec-2007	Apr-2009	Feb-2010	Mar-2012	Mar-2012	Apr-2014	Jul-2016
\$2.3 billion	Sep-2007	Sep-2008	May-2009	Nov-2010	Feb-2011	Jun-2012	Jul-2014
\$2.4 billion	Jul-2007	May-2008	Nov-2008	Dec-2009	Apr-2010	Jan-2011	Sep-2012
\$2.5 billion	May-2007	Jan-2008	Jun-2008	Apr-2009	Sep-2009	Jan-2010	Apr-2011

(1) Department of Revenue fall 2004 forecast, Fiscal Driver Model of Oil Revenue and CBRF Performance. FY 2005 deposits to the CBRF are not included. Matrix budget and price starts in FY 2006.

As approved by voters in 1990, all receipts from oil and gas tax and royalty settlements are deposited into the Constitutional Budget Reserve Fund (CBRF). The state has deposited about \$5.6 billion into the reserve fund, generating about \$1.6 billion in investment earnings. For 10 of the past 13 years, the state has relied on the CBRF to fill the difference between unrestricted revenue and the annual state budget. Through September 30, 2004, approximately \$5.5 billion had been withdrawn from the CBRF to balance the budget, leaving a balance of \$1.9 billion.

Table 2-9 reflects the CBRF depletion matrix and the time period the fund could continue to make up the difference between Unrestricted General Purpose Revenue and the General Fund budget at various oil prices and budget levels. For example, assuming no change in the state's fiscal system, and if we are correct in our oil price forecast and if we assume a flat total General Fund budget of \$2,332.5 million per year, the CBRF will be exhausted in November 2010. We make no assumption as to any deposit of a possible FY 2005 surplus to the CBRF.

3. The Future: ANWR

Proponents hope Congress will vote in 2005 to open the Arctic National Wildlife Refuge (ANWR) to oil and gas exploration and development, greatly expanding the opportunities for new production from Alaska's North Slope.

Looking ahead to success in Washington, D.C., and then later success when companies start drilling for oil, the first step in coming up with a possible ANWR production profile is to estimate the total amount of economically recoverable oil barrels in the area.

The U.S. Geological Survey (USGS) estimates there are 10.3 billion barrels of technically recoverable oil reserves in ANWR ⁽¹⁾: 7.7 billion barrels beneath federal lands and 2.6 billion barrels under state waters and Native corporation lands. These technically recoverable reserves represent the federal agency's best estimate of how much oil could be recovered using current technology, without reference to costs or oil prices.

It would require very high oil prices to produce all of these technically recoverable reserves. Some of these barrels are probably in accumulations too small to be commercially viable. Other barrels in slightly larger accumulations might be uneconomic due to their greater distance from existing pipe and production facilities or because they are at deeper, more expensive depths.

USGS economists estimate 5.2 billion barrels of the 7.7 billion barrels of technically recoverable oil from federal lands in ANWR could be economic to produce at \$26.20 per barrel for North Slope crude (2004 dollars). On one hand, this estimate alone appears too low because it excludes economically recoverable oil from Native lands and from state waters offshore of ANWR. On the other hand, it appears too high because it includes reserves from low-probability fields. If economic reserves from state and Native lands are included, and if low-probability fields are excluded, we get about 5 billion barrels of economically recoverable oil from federal lands, state waters and Native lands — pretty close to the USGS estimate of 5.2 billion barrels on federal lands alone.

In its recovery estimates, the USGS determined a minimum field size of about 256 million barrels was needed for an ANWR oil field to make economic sense at \$26.20 (2004 dollars), and the agency used that cut-off to eliminate smaller fields from its projection.

However, it is possible that oil recovery from ANWR could total less than 5 billion barrels.

USGS estimates technically recoverable reserves on the basis of "broad geologic knowledge and theory". Theory aside, the reality is there might be a lot less oil or a lot more. The 10.3 billion barrels of technically recoverable oil is the mean or 50% estimate. In the low case the agency sees only about half of this oil being there. As the agency said in its ANWR economics report: "Until a systematic subsurface evaluation is accomplished, uncertainty about the size and nature of the resource will remain significant." ⁽²⁾

(1) USGS Fact Sheet FS-028-01 (supersedes FS-040-98), April 2001, Arctic National Wildlife Refuge, 1002 Area, Petroleum Assessment, 1998, Including Economic Analysis.

(2) Economics of Undiscovered Oil in the 1002 Area of the Arctic National Wildlife Refuge by Emil D. Attanasi, ANWR Assessment Team, U.S. Geological Survey Open-File Report 98034 at EA-25.

This forecast of commercially recoverable reserves is also very sensitive to oil prices. USGS officials calculate that about 40% of the oil from federal lands economically recoverable at \$26.20 a barrel (2004 dollars) would be uneconomic to produce at \$19.60 a barrel (2004 dollars). The minimum field size for economic development would double from 256 million barrels to 500 million barrels at that price, putting a further strain on production estimates.

The USGS acknowledges in its report that it does not predict what the industry will do, only what is possible and economic given the volumes and distribution of oil believed to be there and the costs and prices assumed. The industry might have different views of those costs and prices, or believe that the risks associated with the area require a return higher than the 12% hurdle rate assumed by the federal agency. The USGS analysis is also "time independent," in that the agency makes no assumption about how quickly industry would move to explore and develop ANWR.

In addition to looking at possible reserves and possible production, it is important to remember that these reserves would not be produced immediately after federal approval of oil and gas development in ANWR. It would take time to hold a lease sale, undertake required environmental studies and explore, discover and build production facilities and pipelines to carry oil to market through the trans-Alaska pipeline.

The western border of ANWR is 50 miles east of the trans-Alaska oil line, far enough away to require an oil field large enough to support the economics of building its own processing facilities and regional pipeline. In addition, the producers would have to pay to transport this oil to market. USGS estimates developers would need a \$410 million (2004 dollars), 85-mile pipeline from the western area of ANWR to reach the trans-Alaska oil pipeline, with an additional 50 miles of pipe (at almost \$220 million in 2004 dollars) to bring oil to market from the eastern area of ANWR.

This regional pipeline, coupled with the cost of feeder lines from various fields, would add between \$1.30 and \$1.90 (2004 dollars) in transportation costs to each barrel of oil coming out of ANWR.

Meanwhile, the U.S. Energy Information Administration estimates it would take seven to 12 years for the first oil to flow from the date of congressional action.⁽³⁾ For this reason, we estimate first oil will flow from ANWR in 2014, nine years after assumed congressional approval in 2005.

How much oil could flow in 2014 would depend on how quickly exploration starts and how intense the effort, the size of any fields discovered, and the speed at which the fields are developed. Regarding field size, the USGS projects about a 50% chance of a major field at between 1 billion and 2 billion barrels, and believes there will be three to five fields with between 500 million and 1 billion barrels.

Although the agency believes there is a very small chance of finding a mega-field such as Prudhoe Bay's 13-plus billion barrels, the anticipated ANWR field sizes are large by most other standards, with the first field to come online projected at three to four times the size of Alpine, a little smaller than Kuparuk. The agency believes the next largest fields likely to be found and developed would be about 1½ times the size of Alpine's 400-plus million barrels.

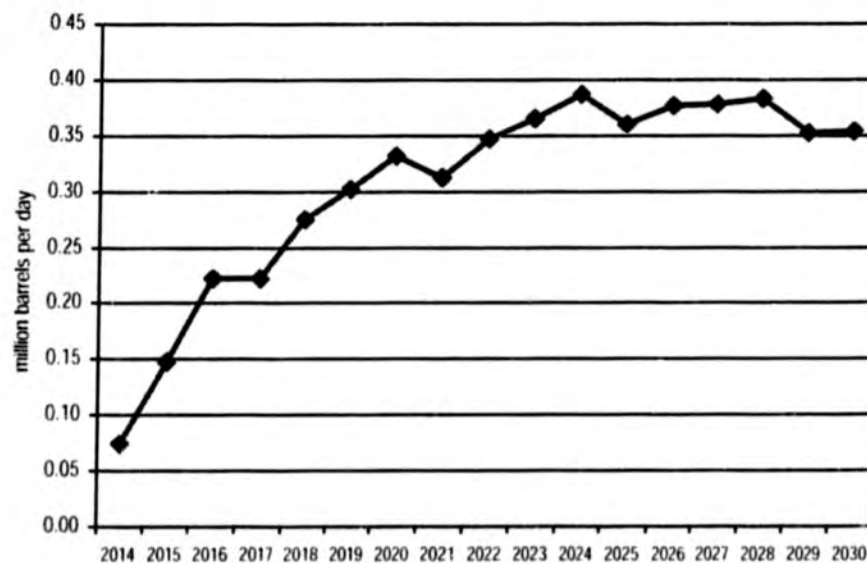
(3) Potential Oil Production from the Coastal Plain of the Arctic National Wildlife Refuge: Updated Assessment (2000) by Energy Information Administration, Resources and Production Division.

We believe that large fields in the western area of ANWR (the "undeformed" area where rocks are generally horizontal, as opposed to the eastern area of ANWR where the rocks are deformed, or folded and faulted) will be explored and produced first, followed by larger fields in the deformed area. The last fields to be developed, we assume, would be smaller fields in the western and then eastern area, and we also assume field development would be staggered in three-year intervals, a very aggressive development schedule.

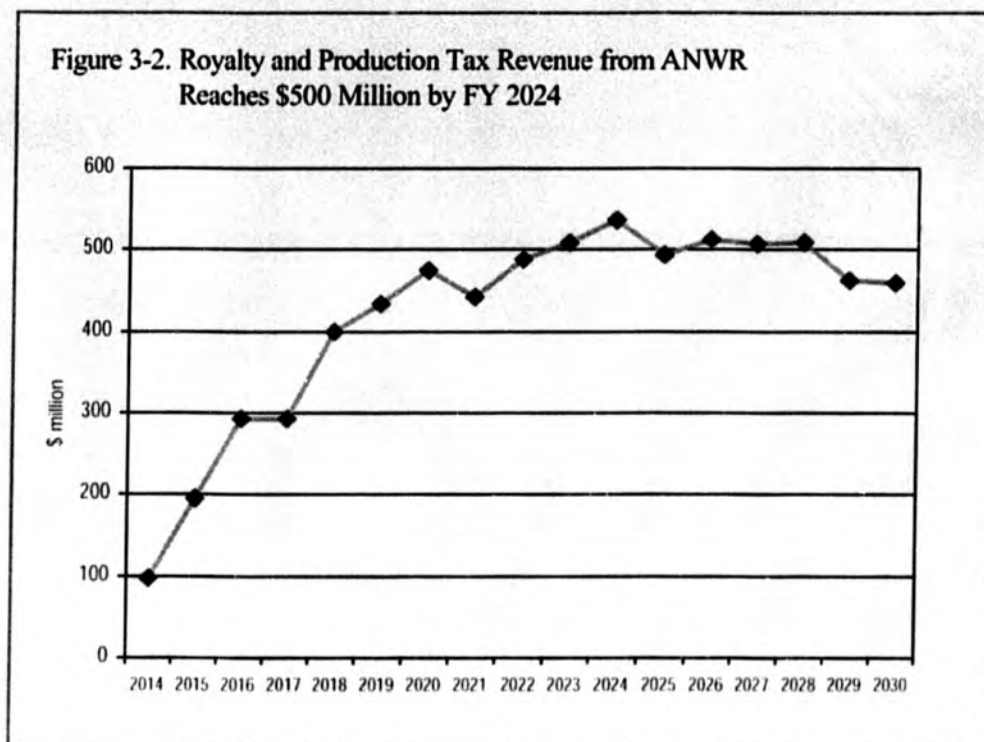
Based on these estimates and assumptions, five fields with a total of 3 billion barrels of reserves would be brought online by 2030, requiring approximately an additional \$700 million in exploration and development spending per year.

With this aggressive spending program, production could reach 220,000 barrels a day by 2016 and almost 400,000 barrels per day by 2024.

Figure 3-1. ANWR's Big Fields Could Deliver Big Boost to Alaska Production



At our estimated long-term oil price of \$25.50 per barrel for North Slope crude, ANWR production could yield \$500 million a year in royalty and production tax revenue by 2024. Of that, 60% would come from the state production tax and 40% from the state's share of federal royalties (assuming the state retains a 50% share of the royalties).



4. Oil Revenue

Figure 4-1. FY 2004 Oil Revenue
\$2.4 billion

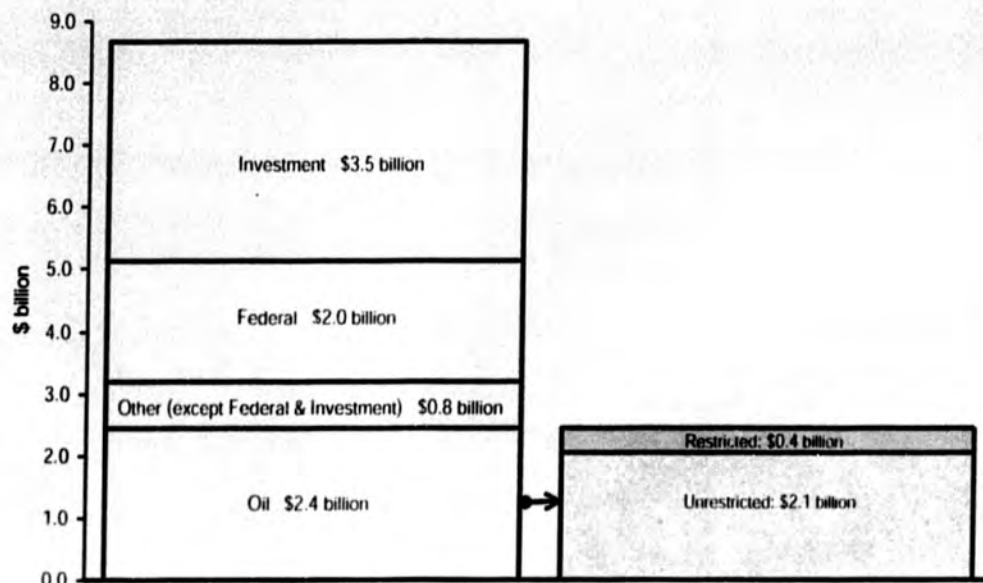


Table 4-1. Total Oil Revenue
Actual FY 2004⁽¹⁾ and Projected FY 2005-2006
\$ million

	Actual FY 2004	Projected	
		FY 2005	FY 2006
Unrestricted			
Property Taxes	47.3	47.2	45.3
Corporate Income Taxes	298.8	404.0	296.0
Production Taxes	651.9	798.3	568.9
Royalties (including Bonuses and Interest)	<u>1,056.1</u>	<u>1,419.1</u>	<u>1,061.7</u>
Total Unrestricted	2,054.1	2,668.6	1,971.9
Restricted			
Royalties to Permanent Fund and School Fund	362.1	485.2	362.9
Tax Settlements to CBRF	8.4	20.0	20.0
NPR-A Royalties, Rents and Bonuses	<u>2.5</u>	<u>12.9</u>	<u>7.9</u>
Total Restricted	373.0	518.1	390.8
Total Oil Revenue	2,427.1	3,186.7	2,362.7

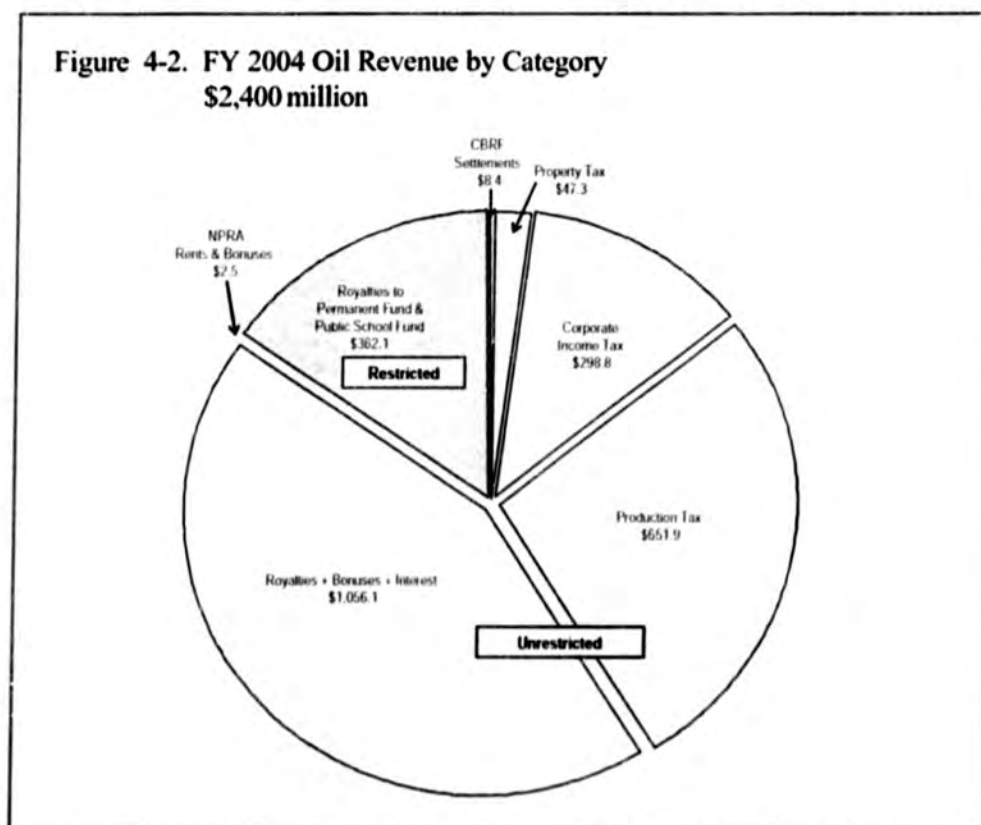
(1) Actuals have not been fully reconciled to the Comprehensive Annual Financial Report.

General Discussion

The state receives oil and gas revenue from four sources: oil and gas production tax, property tax, royalties and corporate income tax. The bulk of the revenue goes into the General Fund for general purpose spending. Of the royalties, 25% goes into the principal of the Alaska Permanent Fund and 0.5% goes into the Public School Trust Fund. There also are two other funds that receive specific oil and gas revenues: the state's share of all lease bonuses from the National Petroleum Reserve-Alaska (NPR-A) goes into the NPR-A Fund ⁽¹⁾, and settlements of tax and royalty disputes between the state and oil and gas producers go into the Constitutional Budget Reserve Fund (CBRF).

The figure below shows the actual amount of each tax and royalty source in FY 2004.

As can be seen from the figure, royalties and the production tax constitute the largest part of oil revenue — both restricted and unrestricted. This section begins with a discussion of these two revenue sources, both of which are driven by price and volume. We then review the price forecasting methodology that underlies this biannual report, as well as explore how market prices determine wellhead value. We also review our production forecast, and close this section with a discussion of oil and gas property taxes, oil and gas corporate income taxes and the restricted portions of oil revenue.



(1) This fund implements a federal requirement that the state use its share of NPR-A oil revenue to satisfy the needs of local communities most affected by development in the NPR-A. For detailed information on this fund, see Section XII-P of Treasury's Investment Policies and Procedures Manual.

Unrestricted Oil Revenue

Table 4-2 . Unrestricted Oil Revenue Projections
Actual FY 2004⁽¹⁾ and Projected FY 2005-2015
\$ million

Fiscal Year	Property Tax	Corporate Income Tax	Production Tax	Royalties ⁽²⁾	Total Oil
2004	47.3	298.8	651.9	1,056.1	2,054.1
2005	47.2	404.0	798.3	1,419.1	2,668.6
2006	45.3	296.0	568.9	1,061.7	1,971.9
2007	42.2	215.0	462.8	931.8	1,651.7
2008	40.0	188.0	400.4	730.5	1,358.9
2009	37.5	180.0	365.7	689.7	1,272.9
2010	37.3	175.0	346.5	686.1	1,244.9
2011	36.8	176.0	355.3	690.3	1,258.4
2012	36.1	182.0	315.8	669.4	1,203.3
2013	35.3	181.0	282.4	629.4	1,128.1
2014	34.5	176.0	250.3	607.3	1,068.1
2015	33.8	171.0	220.8	574.1	999.7

(1) Actuals have not been fully reconciled to the Comprehensive Annual Financial Report.

(2) Includes bonuses and interest.

Oil and Gas Production Taxes

All oil and gas production in Alaska — except the federal and state royalty share — is subject to the state's production taxes. The taxes consist of the oil and gas production tax and a hazardous release surcharge levied only on oil. All of these taxes are collected on a monthly basis.

Oil Production Tax

The tax rate for oil depends on the age of the field and the Economic Limit Factor (ELF). The ELF depends on total daily oil production and average daily per well production from each producing field.

The statutory production tax rate on oil is 12.25% of its value at the point of production for the first five years of field production and 15% thereafter. There is a minimum tax of 80 cents per taxable barrel.

The effective tax rate is calculated by multiplying the statutory tax rate, even if it is the minimum 80 cents per barrel, times the ELF. The ELF formula for oil production is:

$$ELF = \left[1 - \frac{(300 \times \text{wells})}{\text{volume}} \right]^{\left[\frac{(150,000)}{\text{volume}} \right]^{1.53333}}$$

"wells" is the number of producing wells in the field; "volume" is the total daily production for the field

The ELF formula results in lower effective tax rates for smaller, low-production fields and higher tax rates for larger, highly productive fields. There is a unique ELF for every combination of total daily field production and average daily per well production.

The taxable value of oil is determined by deducting allowable marine and pipeline transportation costs from the destination value of the oil at its disposition point. This point is defined as either a third-party sale or delivery to the producer's own refinery. The destination value for most dispositions is tied by regulation to the West Coast spot price of ANS crude oil.

Natural Gas Production Tax

The statutory production tax rate on natural gas is 10% of its value at the point of production, regardless of the age of the field. There is a minimum tax of 6.4 cents per thousand cubic feet.

To calculate the effective tax rate, multiply the statutory tax rate, even if it is the minimum 6.4 cents per thousand cubic feet, by the ELF. The ELF formula for natural gas production is:

$$\text{ELF} = 1 - (3000/\text{PPW})$$

PPW = average gas production per well per day from the field in thousand cubic feet

If the average daily per well gas production from a field is less than 3,000 cubic feet, the ELF is zero and no gas production taxes are assessed.

The taxable value of natural gas depends on the location of its disposition and its use. For Cook Inlet production, the value for gas sent to Japan as LNG is based on the sales price in Japan less marine, processing and pipeline costs; the value for sales to the Nikiski fertilizer plant is indexed to the current market price of anhydrous ammonia; the value for sales for local use is based on the average sales price for the contracts in effect each month. The small volume of taxable North Slope gas production is valued for tax purposes using the following formula linking it to the value for North Slope crude oil:

$$\text{ANS Gas Taxable Value/million cubic feet} = 0.10 (\text{average ANS oil per barrel netback value})$$

Hazardous Release Surcharge

This tax was enacted following the 1989 grounding of the Exxon Valdez to provide an emergency fund to deal with hazardous substance spills.

The surcharge is comprised of two components: (1) a 3 cents per barrel charge on all oil production, except federal and state royalty barrels, and (2) an additional 2 cents per barrel charge on all oil production except federal and state royalty barrels whenever the balance in the state Oil and Hazardous Substance Release Prevention and Response Fund falls below \$50 million. The balance of the fund was \$50 million or greater for all of FY 2004, so the surcharge was 3 cents per barrel for the entire fiscal year.

Oil Royalties

Almost all Alaska oil and gas production occurs on state lands leased for exploration and development. As the land owner, the state earns revenue from leasing as: (1) upfront bonuses, (2) annual rent charges and (3) a retained royalty interest in oil and gas production.

Generally, the state issues leases based on a competitive bonus bid system. It has always retained a royalty interest of at least 12.5%. The vast majority of current production is from leases that carry that rate. Some currently producing leases carry rates as high as 20%, and some leases also have a net profit-share production agreement.

State oil and gas leases provide that the state may take its oil royalty in barrels (in-kind) or as a percentage of the production value (in-value). In 2004, the state took approximately 56,200 barrels per day of Prudhoe Bay production in-kind and sold it to the Williams Alaska Petroleum Company and its successor, Flint Hills Resources, for their refinery in North Pole. The state's royalty share of Alaska North Slope production amounts to about 123,000 barrels per day.

The royalty oil taken in-value is valued according to a formula using a market basket of spot crude oil prices closely approximating the ANS West Coast spot price of oil less a transportation allowance back to the lease.

Oil Production Revenue Forecasting Methodology and Assumptions

The forecasted value of the state's anticipated oil production is based on projections of the destination market price of oil and the cost of shipping oil by pipeline and tanker to market. The forecast is the product of a formal oil price scenario meeting that includes state economists and financial professionals from the Department of Revenue, Department of Natural Resources, Department of Labor, the Governor's Office of Management and Budget and the University of Alaska.

To develop a production volume forecast, the Department of Revenue uses an engineering consultant in conjunction with assistance from the Alaska Department of Natural Resources and the Alaska Oil and Gas Conservation Commission. This production volume forecast is developed from estimates of oil and gas production by field.

Oil Price Forecast

Oil prices have risen to historically high levels since our last forecast. Unanticipated worldwide rapid demand growth has exceeded oil production, significantly drawing down inventories and consuming almost all available spare production capacity. This has happened in a world that is increasingly concerned about both security of supply from the Middle East and sufficiency of excess capacity to meet any potential interruptions of supply.

Review of What Has Happened Since the Spring Revenue Forecast

- According to the International Energy Agency, oil consumption has continued to grow at a torrid pace. Oil consumption in China is projected to grow by 16% in 2004. Oil consumption globally is on course to increase from 2003 to 2004 by 3.3%, the biggest annual increase since 1988.
- OPEC production continues to increase, currently averaging just over 30 million barrels per day compared to an average production rate of 26.8 million barrels per day in 2003.
- Non-OPEC production has also increased, with current production rates assessed at 27.4 million barrels per day compared to an average of 25.5 million barrels per day in 2003. Increases in the former Soviet Union and West Africa account for virtually all of the increase.

- With demand up and supply lagging, oil and oil-product inventories remain at historically low levels. At the same time, the dollar continues to be depressed in value relative to other major world currencies, pushing oil prices higher to compensate for the weaker dollar used as the international currency for oil trades. Meanwhile, the insurgency in Iraq continues to contribute to supply security concerns.

Short-Term Oil Price Forecast

Oil prices continue at historically high levels, though history suggests at some point there will be a downward correction. Given the state of market fundamentals, however, prices could temporarily even go higher. Meanwhile, high oil prices could sow the seeds for lower oil prices as both supply and demand responses occur. Looking ahead 30 months, we have put together two oil price scenarios. The low-price scenario assumes factors that push down prices. Accordingly, the high-price scenario is the opposite. The components of each scenario are in the table below.

Table 4-3. Fall 2004 Oil Price Scenarios

Low-Price Factors

- China's growth slows next year due to government policy and international pressure, while financial overheating and high oil prices slow Chinese export growth.
- U.S. and emerging Asia nations' economies slow down in response to high oil prices.
- OPEC's rapid increase in production capacity allows OPEC growth to exceed a slowing consumption growth; a supply glut begins to develop.
- The political unrest in the Middle East fails to have any discernable effect on oil supply availability. Investments in Russia, Africa and Canada add to worldwide production.

High-Price Factors

- The political unrest in the Middle East and other oil producing regions periodically results in disruptions in production and shipments to global markets.
- China's remarkable economic growth continues.
- Production increases by OPEC and non-OPEC suppliers are not able to keep pace with continued robust consumption growth.

Organization of Petroleum Exporting Countries

In some ways, OPEC may have contributed to the upward momentum in oil prices we have seen since last spring. In hindsight, it is hard to believe that only last February OPEC announced it would lower its quota by 1 million barrels per day — to 23.5 million barrels per day effective April 1. At the time, the cartel's view was that the market would require an output reduction in order to prevent oil prices from falling. On March 31, OPEC confirmed its commitment to this reduction in crude oil production. A preliminary estimate for OPEC March production was 25.7 million barrels per day, more than 2 million barrels per day above the new quota for April.

OPEC, however, realized by early summer that demand was putting stress on available supplies, and increased its quota by 2 million barrels per day in July, with a further increase of 0.5 million barrels per day in August. By September, OPEC production was estimated at 2 million barrels per day over the quota in a high-price market that attracted the usual practice of nations with spare capacity exceeding their quotas.

Current ANS Oil Market Situation

Alaska North Slope prices for FY 2005 have been at historic levels, averaging around \$42 per barrel from June to October 2004. The price of benchmark West Texas Intermediate (WTI) has averaged \$44.50 per barrel, implying an average discount for ANS of about \$2.50 per barrel. This is 80 cents per barrel more than the five-year average of \$1.70 per barrel. The WTI differential widened to \$6 per barrel in October 2004, as the sweet/sour spread globally began to reflect the surge of Middle East sour crude onto the market. The disruption of production of benchmark WTI (a light sweet crude oil) due to Hurricane Ivan contributed to the widening of the sweet/sour spread. We assume the differential will continue to be wide through the rest of 2004, but should narrow as we get deeper into the winter heating season in January and February.

ANS prices track the OPEC price basket of internationally traded crude oils and tend to price higher than the basket. The OPEC basket is the benchmark that OPEC uses to gauge the success of its production policy. Since January 2000, the average ANS price has been \$1.56 per barrel higher than the average OPEC basket price. ANS typically sells in direct competition with other waterborne crude oils from Latin America, Asia and the Middle East for delivery to U.S. West Coast refiners in Washington, California and Hawaii.

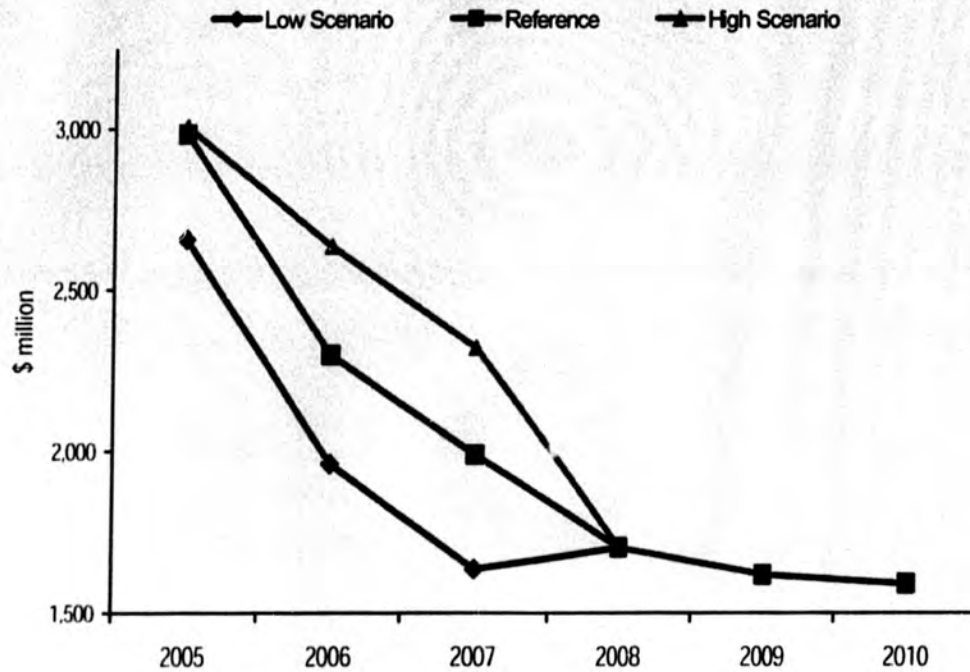
Prices Over the Longer Term

In the fall 2002 revenue forecast, we increased our assumption for ANS oil prices over the longer term to \$22 per barrel. We believed the accumulated evidence of OPEC's commitment to managing the market from 1999 through 2002, as well as higher prices over this period, supported the increase. At that time, we chose to benchmark our price to the low end of OPEC's target range. Experience had shown that the OPEC cartel is not perfect and that some cheating does occur, and we did not want to err with a long-term price forecast at the upper end of OPEC's target rate. Like all cartels, production discipline in an organization — with only voluntary compliance — creates strong economic incentives for individual members to overproduce.

OPEC has dramatically increased production since April 2004 in response to historically high oil prices. One factor currently driving oil prices upward is the realization by market participants that OPEC has only a limited ability to increase production without significant new investment. We believe this significant investment will occur in both OPEC and non-OPEC countries. We also believe the longer prices stay at current high levels (they may not be as high as in 1981 adjusting for inflation but they are still very high), the more likely there will be an effect on global economic growth.

In this forecast, we have chosen to increase our long-term price forecast to \$25.50 per barrel. This forecast target is an average. We expect oil prices to continue to exhibit extreme volatility and in any given year they could be much higher or lower than \$25.50 per barrel. Many pundits believe that oil prices above \$30 per barrel should be expected over the next four or five years. This could certainly happen; however, based on our experience we are taking a more conservative approach and opting for a number closer to the middle of the OPEC price target range.

**Figure 4-3. General Fund Unrestricted Revenue Forecast
Oil Price Scenarios**



**Table 4-4. Oil Price and General Fund Unrestricted Revenue
Reference Case Compared to Low and High Oil Price Scenarios**

FY	Low Case		Reference Case		High Case	
	\$/ barrel	\$million	\$/barrel	\$million	\$/barrel	\$million
2005	38.20	2,660.6	43.61	2,985.5	44.30	3,007.6
2006	29.05	1,960.1	34.50	2,300.6	39.85	2,634.6
2007	25.15	1,634.2	30.95	1,986.9	36.45	2,321.4
2008	25.50	1,700.5	25.50	1,700.5	25.50	1,700.5
2009	25.50	1,615.6	25.50	1,615.6	25.50	1,615.6
2010	25.50	1,588.6	25.50	1,588.6	25.50	1,588.6
2011	25.50	1,603.1	25.50	1,603.1	25.50	1,603.1
2012	25.50	1,549.2	25.50	1,549.2	25.50	1,549.2
2013	25.50	1,475.2	25.50	1,475.2	25.50	1,475.2
2014	25.50	1,416.2	25.50	1,416.2	25.50	1,416.2
2015	25.50	1,348.6	25.50	1,348.6	25.50	1,348.6

Other Transportation and Production Costs

Transportation Costs

The mandated replacement of vessels without double hulls with new, more expensive double-hulled vessels, and the continued use of smaller qualified vessels to replace larger vessels retired by compliance with the Federal Pollution Act of 1990 is likely to increase transportation costs in the future.

Trans-Alaska Pipeline System (TAPS) Tariffs

The TAPS tariff is determined according to the TAPS Settlement Methodology, a rate-making method approved by the Federal Energy Regulatory Commission that allows the TAPS owners to recover their costs, including an allowance for profit. Under the agreement, future tariffs will be determined by operating cost trends, the production rate and inflation. Preliminary negotiations between the state and pipeline owners have already started to revisit the TAPS Settlement Method, which is scheduled to expire December 31, 2011.

TAPS tariffs are filed on a calendar year basis, with new tariffs taking effect January 1 each year. The expected tariff filing for calendar year 2004 is \$3.02 per barrel. The fall 2004 forecast assumptions table below contains projected tariffs for FY 2004-2015.

Feeder Pipeline Costs

Additional transportation costs are also incurred to move the various crude oils that comprise ANS from North Slope production fields to Pump Station No. 1 of the Trans-Alaska Pipeline System. These include both feeder pipeline charges and other cost adjustments to account for the different qualities of oil entering the North Slope pipelines as well as market-location differentials for in-state sales. See the table below.

Wellhead Price

The combination of ANS wellhead value and production volume by field form the basis for both state production taxes and royalties. The wellhead value by field is calculated by subtracting the relevant marine transportation and pipeline tariff costs (as well as adjustments for North Slope feeder pipelines and pipeline quality bank) from the appropriate destination value. The table below reflects this calculation for FY 2004-2015.

**Table 4-5. Fall 2004 Forecast Assumptions
\$ per barrel**

Fiscal Year	Price	Transportation	TAPS Tariff	Other Deductions & Adjustments ⁽¹⁾	ANS Wellhead
2004	31.74	1.61	3.05	0.30	26.78
2005 ⁽²⁾	43.61	1.60	3.09	0.08	38.83
2006	34.50	1.65	3.22	0.17	29.46
2007	30.95	1.70	3.25	0.21	25.79
2008	25.50	1.75	3.23	0.26	20.26
2009	25.50	1.80	3.28	0.26	20.16
2010	25.50	1.85	3.19	0.36	20.10
2011	25.50	1.90	3.15	0.45	20.00
2012	25.50	1.95	3.06	0.49	20.00
2013	25.50	2.00	3.17	0.52	19.81
2014	25.50	2.05	3.28	0.54	19.62
2015	25.50	2.10	3.41	0.56	19.43

(1) Other deductions include other pipeline tariffs, quality bank charges, location differentials and amended information.

(2) FY 2005 includes reported information through August 2004.

Oil Production

We have made some minor changes in our ANS oil production forecast. The changes are summarized as follows:

- We have delayed the startup of Point Thomson one year from 2008 to 2010 pending negotiations between the state and developer ExxonMobil.
- We have accelerated and increased production from West Sak due to the successful application of drilling technology used to complete horizontal multi-lateral wells and the sanctioning of a new drillsite at J-Pad. We now believe that West Sak will produce close to 80,000 barrels per day by 2010, compared to our fall assumption of roughly 50,000 barrels per day.
- We have accelerated NPR-A development by one year, with production assumed to start at roughly 20,000 barrels per day in 2011 and peak at 70,000 barrels per day in FY 2014.
- We have increased Alpine's near-term output to reflect recently announced facility expansions.
- A review of development plans and production performance at producing fields has resulted in a very modest decrease in Milne Point production.

Figure 4-4 illustrates how the development timing can affect the production forecast over the next 12 years. The decline between FY 2005 and FY 2009 illustrates that until a combination of heavy oil (West Sak), NPR-A, Point Thomson and other new fields come on line, ANS production will continue to decline modestly year-to-year.

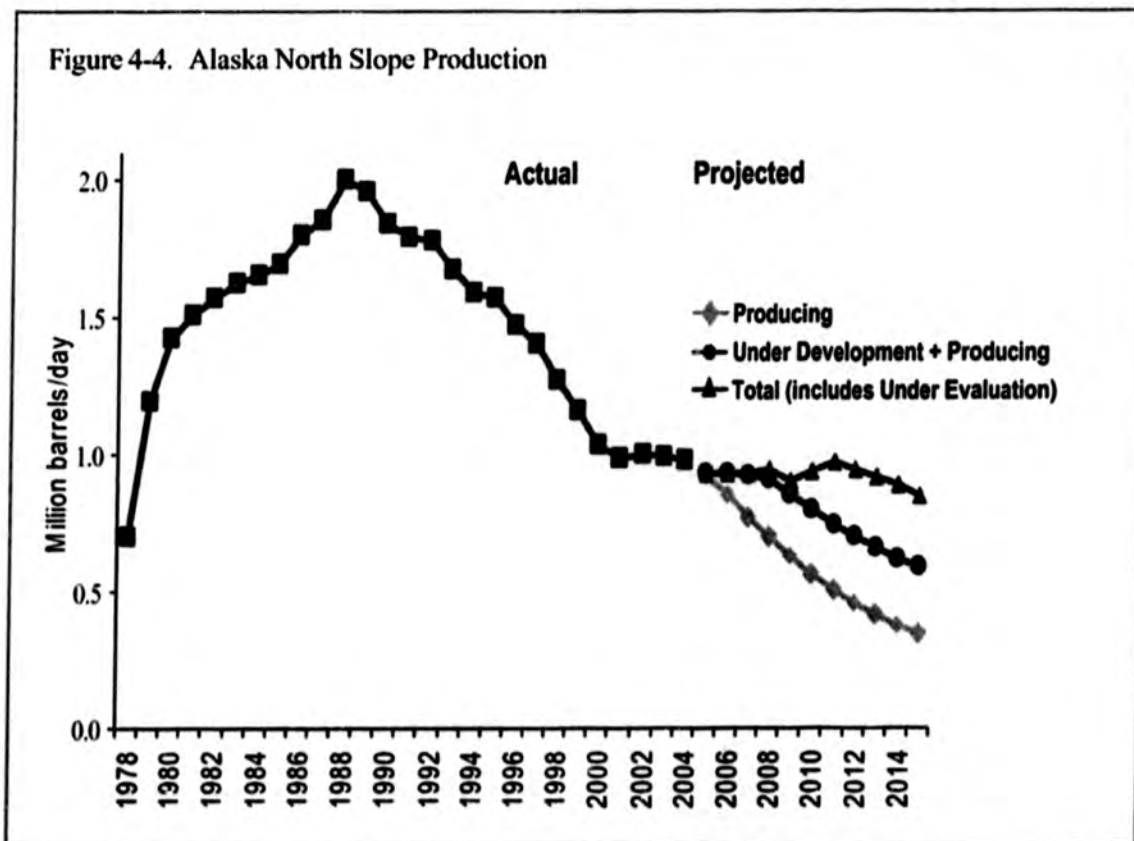


Table 4-6. Alaska Oil and NGL Production
million barrels per day

	Actual FY 2004	Projected	
		FY 2005	FY 2006
Prudhoe Bay	0.419	0.383	0.368
Midnight Sun	0.005	0.004	0.003
Polaris	0.003	0.003	0.004
Orion	0.003	0.008	0.015
Aurora	0.011	0.009	0.011
Borealis	0.032	0.027	0.029
Kuparuk	0.155	0.144	0.141
West Sak	0.009	0.015	0.030
Tabasco	0.004	0.005	0.004
Tarn	0.031	0.027	0.022
Meltwater	0.005	0.009	0.011
Milne Point	0.030	0.030	0.026
Schrader Bluff	0.020	0.021	0.025
Endicott	0.029	0.022	0.023
Lisburne	0.010	0.010	0.010
Point McIntyre	0.038	0.038	0.038
Niakuk	0.012	0.010	0.008
Alpine	0.099	0.102	0.112
Northstar	<u>0.066</u>	<u>0.066</u>	<u>0.053</u>
Total ANS	0.980	0.934	0.932
Cook Inlet	<u>0.029</u>	<u>0.024</u>	<u>0.022</u>
Total Alaska	1.010	0.958	0.954

Petroleum Property Tax

An annual tax is levied each year on the full and true value of property taxable under AS 43.56. The tax on oil and gas property is the only statewide property tax. The valuation procedure for three distinct classes of property — exploration, production and pipeline transportation — is described below.

Exploration Property

Value is based on the estimated price that the property would bring in an open market under prevailing market conditions in a sale between a willing seller and a willing buyer, both conversant with the property and with prevailing general price levels.

The state appraiser gathers raw data for determining market value by reviewing the details of equipment sales, attending auctions and reviewing trade journals. This data is then applied to the taxable property, taking into account age, capacity, physical and functional obsolescence.

Production Property

Value is determined on the basis of replacement cost new less depreciation, based on the economic life of the proven reserves.

In the case of an offshore oil or gas platform or onshore facility, the number of years of useful life is determined by estimating when the facility would reach its economic limit, not on the basis of the projected physical life of the property. The time period until the estimated operating revenue would equal operating expenses plus the current age of the facility equals the total life. The depreciation factor for the facility equals the years of remaining life *divided* by the total life.

Pipeline Transportation Property

The full and true value of taxable pipeline property is determined with due regard to the economic value of the property based on the estimated life of the proven reserves of gas or unrefined oil that will be transported by the pipeline. We rely upon several standard appraisal techniques to value Alaska pipelines. We primarily rely on the income method under which the value is the net present worth of all future income streams of the pipeline. The Trans-Alaska Pipeline from Prudhoe Bay represents more than 95% of Alaska's taxable pipeline transportation property.

The table on the next page illustrates the property tax distribution between local communities and the state for FY 2004. The property value is assessed by the state. A local tax is levied on the state's assessed value for oil and gas property within a city or borough, and is subject to the local property tax limitations established in AS 43.29.080 and AS 43.29.100. If a municipality has a tax rate of 20 mills or less, the state's mill rate is effectively 20 mills minus the local rate.

Table 4-7. FY 2004, Distribution of the Petroleum Property Tax
\$ million

Municipalities	Gross Tax	Local Share	State Share
North Slope	206.8	192.9	14.0
Unorganized	27.1	0.0	27.1
Valdez	13.3	13.3	0.0
Kenai	12.2	7.3	4.9
Fairbanks	5.4	4.3	1.1
Anchorage	0.9	0.8	0.2
Other Municipalities ⁽¹⁾	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>
Total	265.8	218.7	47.3

(1) Other municipalities include Matanuska-Susitna Borough, Cordova and Whittier.

Petroleum Corporate Income Tax

A petroleum corporation's Alaska income tax depends on the relative size of its Alaska vs. worldwide activities and the corporation's total worldwide net earnings. The corporation's Alaska taxable income is derived by apportioning its worldwide taxable income to Alaska using the average of three factors: the proportion in Alaska of the corporation's (1) tariffs and sales, (2) oil and gas production, and (3) oil and gas property. We begin our forecast by estimating the statistical relationship between historical collections of tax, the value of Alaska oil production and refinery margins. We then adjust the forecast for carryforwards and refunds.

In FY 2005, the carryforward and refund adjustment is under \$40 million. This adjustment is a result of oil companies overpaying their estimated quarterly income taxes. We are forecasting a 35% increase in petroleum corporate income tax revenue due to higher crude oil prices and continued high refining margins in FY 2005. In FY 2006, we are projecting revenue will decrease as a result of lower oil and gas prices and falling refining margins.

Restricted Oil Revenue

The table below reflects restricted oil and gas revenue.

According to Article IX, Section 15 of the Alaska Constitution, a minimum of 25% of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the state must be deposited into the Alaska Permanent Fund. In addition, AS 37.14.110 requires a contribution of 0.5% of all royalties and bonuses to the Public School Fund Trust. As explained earlier, settlements with or judgments against the oil industry involving tax and royalty disputes must be deposited in the CBRF, although in FY 2004 all CBRF deposits were tax related.

The state is entitled to 50% of all bonuses, rents and royalties from oil development activity in the federal NPR-A. All such revenue flows into the NPR-A Special Revenue Fund. All of the revenue in the fund each year is available for appropriation in the form of grants to municipalities that demonstrate present or future impact from NPR-A oil development. Of the revenue not appropriated to the municipalities, 25% goes to the Permanent Fund, 0.5% goes to the Public School Trust Fund, and the rest may be appropriated to the Power Cost Equalization and Rural Electric Capitalization Fund. Any remaining revenue after these appropriations lapses into the General Fund.

Table 4-8. Restricted Oil Revenue
Actual FY 2004⁽¹⁾ and Projected FY 2005-2006
\$ Million

	Actual FY 2004	Projected	
		FY 2005	FY 2006
<u>Restricted</u>			
Royalties to Permanent Fund & Public School Fund			
Royalties, Bonuses and Rents to the Permanent Fund	355.0	475.7	355.8
Royalties, Bonuses and Rents to the Public School Fund	<u>7.1</u>	<u>9.5</u>	<u>7.1</u>
Subtotal	362.1	485.2	362.9
Tax Settlements to the CBRF	8.4	20.0	20.0
NPR-A Royalties, Rents and Bonuses	<u>2.5</u>	<u>12.9</u>	<u>7.9</u>
Total Restricted	373.0	518.1	390.8

(1) Actuals have not been fully reconciled to the Comprehensive Annual Financial Report.

5. Other Revenue (except Federal & Investment)

Figure 5-1. FY 2004 Other Revenue (except Federal & Investment)
\$0.8 billion

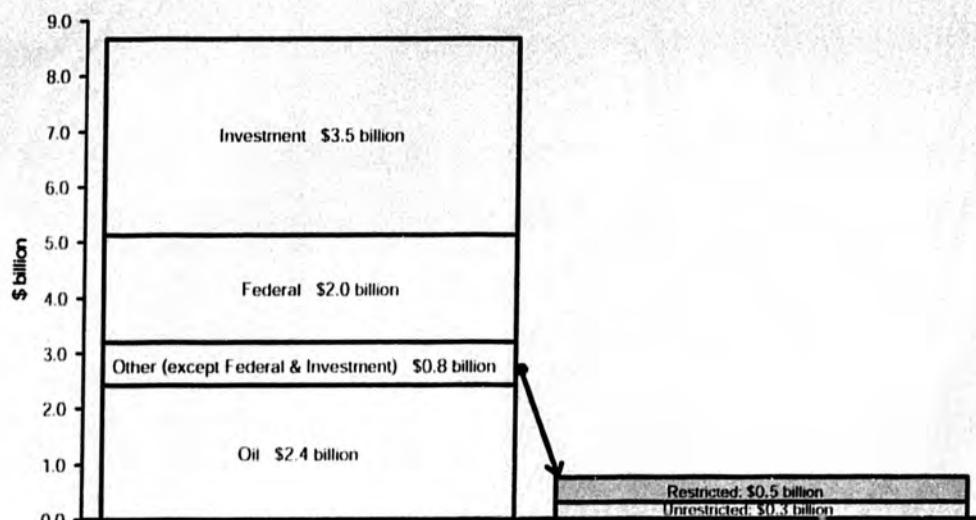


Table 5-1. Other Revenue (except Federal & Investment)
Actual FY 2004 ⁽¹⁾ and Projected FY 2005-2006
\$million

	Actual FY 2004	Projected	
		FY 2005	FY 2006
<u>Unrestricted</u>			
Taxes	185.8	206.1	218.6
Charges for Services	11.1	13.1	13.1
Fines and Forfeitures	16.0	12.8	12.8
Licenses and Permits	41.0	40.4	42.0
Rents and Royalties	7.8	8.1	8.1
Other	<u>36.2</u>	<u>18.4</u>	<u>17.4</u>
Total Unrestricted	297.9	298.9	312.0
<u>Restricted</u>			
Taxes	81.2	78.1	77.7
Charges for Services	226.0	244.9	244.9
Fines and Forfeitures	26.8	26.5	26.5
Licenses and Permits	28.7	28.7	28.7
Rents and Royalties	5.1	5.1	5.1
Other	<u>84.9</u>	<u>196.9</u>	<u>159.5</u>
Total Restricted	452.7	580.2	542.4
Total Other Revenue (except Federal & Investment)	750.6	879.1	854.4

(1) Actuals have not been fully reconciled to the Comprehensive Annual Financial Report.

General Discussion

Income from sources other than oil and state investments includes non-oil taxes, user fees and licenses. Many of these revenue sources are divided between unrestricted and restricted revenues; the amounts of each are reflected in Tables 5-2 through 5-7. Restricted revenue includes money deposited in funds other than the Unrestricted General Fund. For purposes of this forecast, restricted revenues also include receipts that the legislature customarily appropriates or sets aside for a particular purpose or program, such as sharing of fish tax revenue with municipalities.

Other Taxes

Alcoholic Beverages Tax

Alcoholic beverage taxes are collected primarily from wholesalers and distributors of alcoholic beverages sold in Alaska. The per-gallon tax rates on alcoholic beverages increased October 1, 2002, from \$0.35 to \$1.07 for beer, \$0.85 to \$2.50 for wine, and \$5.60 to \$12.80 for liquor. Qualifying small brewers continue to pay tax at the \$0.35 rate for beer. Also, starting October 1, 2002, 50% of the revenue is deposited in the Alcohol and Other Drug Abuse Treatment and Prevention Fund. Because the legislature "may use the annual estimated balance in the fund to make appropriations to the Department of Health and Social Services," this revenue is reflected as restricted in the Revenue Sources Book.

Charitable Gaming

Under Alaska law, municipalities and qualified nonprofit organizations may conduct certain charitable gaming activities. The purpose of these activities is to derive public benefit in the form of money for the charities and revenues for the state. The Department of Revenue collects permit and license fees, a 1% net proceeds fee, and a 3% pull-tab tax.

Corporate Income Tax

Corporations that do business in Alaska pay a corporate net income tax unless they are organized under a special IRS rule (Subchapter S) that generally applies only to small, closely held companies. Subchapter S corporations, in general, pay no state corporate income tax in Alaska. Other corporations that do business both inside and outside Alaska must apportion their income to determine how much income they earned here. Corporations other than oil and gas corporations apportion their income to Alaska by using a three-factor formula based on sales, property and payroll. Alaska taxable income is determined by applying the apportionment factor to the corporation's modified federal taxable income. Corporate tax rates are graduated from 1% to 9.4% in \$10,000 increments of Alaska taxable income. The maximum rate of 9.4% applies to income over \$90,000.

Electric Cooperative and Telephone Cooperative Taxes

The electric cooperative and telephone cooperative taxes date back to 1959, when the first Alaska legislature enacted the electric and telephone cooperative tax to promote cooperatives around the state. The electric cooperative tax is based on kilowatt hours furnished by qualified electric cooperatives recognized under Title 10 of Alaska statutes; the telephone cooperative tax is levied on gross revenue of qualified telephone cooperatives under Title 10. Revenue from co-ops located in municipalities is treated as restricted revenue in this forecast because it is shared 100% with the municipalities.

Estate Tax

This tax is levied on the transfer of an estate upon death. The Alaska estate tax is tied to the federal tax. The amount of the state tax equals the maximum state credit allowed on the estate's federal return. As a result of changes to the federal estate tax, the Alaska estate tax will be phased out by calendar year 2005. All revenue derived from estate taxes is deposited in the General Fund.

Fisheries Business Tax

The fisheries business tax is the oldest tax in Alaska, dating from 1913. The tax is levied on businesses that process or export fisheries resources from Alaska. Although the tax usually is levied on the act of processing, the tax is often referred to as a "raw fish tax" because it is generally based on the value paid to commercial fishers for the raw fishery resource. Tax rates vary from 1% to 5%, depending on whether a fishery resource is classified as "established" or "developing," and whether it was processed by an on-shore or floating processor. All revenue from the tax is deposited in the General Fund, but not all of it is considered unrestricted for the purposes of this forecast. Each year, the legislature appropriates half the revenue from the tax to qualified municipalities. Given that this sharing formula is in statute, and that the legislature customarily follows the statutory formula, this forecast considers the shared revenues to be restricted.

Fishery Resource Landing Tax

The fishery resource landing tax was enacted in 1993. The tax is levied on processed fishery resources first landed in Alaska, and is based on the unprocessed statewide average value of the resource. The tax is collected primarily from factory trawlers and floating processors that process fishery resources outside the state's 3-mile limit and bring their products into Alaska for shipment. The tax rates vary from 1% to 3%, based on whether the resource is classified as "established" or "developing." All revenue derived from the tax is deposited in the General Fund. However, by statute, 50% is available for sharing with municipalities along the same lines as the fisheries business tax and this forecast considers the shared revenues to be restricted.

Insurance Premium Tax

Insurance companies in Alaska do not pay corporate income tax or sales or other excise taxes. Instead, they pay an insurance premium tax. Receipts from this tax are deposited in the General Fund. However, receipts from the tax that are accounted for in the Workers Safety and Compensation Fund are shown as restricted.

Mining License Tax

This is a tax on the net income of all mining property in the state, ranging from 0% to 7%, less exploration and other credits. Except for sand and gravel operations, new mining operations are exempt from the mining license tax for a period of 3½ years after production begins.

Motor Fuel Tax

The motor fuel tax dates from 1945 when a tax of 1 cent per gallon was imposed on all motor fuel. The tax is levied on motor fuel sold, transferred or used within Alaska. Motor fuel taxes are collected primarily from wholesalers and distributors licensed as qualified dealers. Current per gallon rates are 8 cents for highway use, 5 cents for marine fuel, 4.7 cents for aviation gasoline, 3.2 cents for jet fuel, and a variable rate of 8 cents to 2 cents for gasohol, depending on the season, location and EPA mandate. Various uses of fuel are exempt from tax, including fuel used for heating or in flights to or from a foreign country. All revenue derived from motor fuel taxes is deposited in the General Fund, but 60% of the taxes attributable to aviation fuel sales at municipal airports are shared with the respective municipalities, and hence considered restricted for purposes of this forecast.

Rental Vehicle Tax

This is a 10% tax on passenger vehicle rentals of 90 days or less, and a 3% tax on rentals of recreational vehicles for 90 days or less. The vehicle rental tax provisions became effective January 1, 2004.

Seafood Assessments and Taxes

The Department of Revenue administers several different programs that raise money through seafood assessments. The money raised is then set aside for the legislature to appropriate for the benefit of the seafood industry — either in marketing or in management/development of the industry. The four programs are the salmon marketing tax, seafood marketing assessment, salmon enhancement tax and dive fishery management assessment. On January 1, 2005, the seafood marketing assessment will increase from 0.3% to 0.5% of the ex-vessel value of seafood products produced in Alaska and the salmon marketing tax will be eliminated. The rates for many of these assessments are determined by a vote of the appropriate association within the seafood industry or by members of the Alaska Seafood Marketing Institute. Although all revenue received under these assessments is deposited in the General Fund, for purposes of this forecast it is treated as restricted revenue. With the exception of the salmon enhancement tax, all other seafood assessments are reflected under the Charges for Services section of this forecast.

Motor Vehicle Tire Fee

The tire fee has two components. The first component is a tax of \$2.50 on all new tires sold in Alaska for motor vehicles intended for highway use. This part became effective September 26, 2003. The second part of the law imposes an additional \$5 fee per tire on all new tires with heavy studs, and \$5 on the installation of studs on a previously un-studded tire. This component of the law became effective July 1, 2004.

Tobacco Tax

The tobacco tax dates from 1949, when a tax of 3 cents per pack of cigarettes and 2 cents per ounce of tobacco was enacted. The tax is levied on cigarettes and tobacco products sold, imported or transferred into Alaska. Tobacco taxes are collected primarily from licensed wholesalers and distributors. The tax rate on cigarettes will increase from \$1 to \$1.60 per pack on January 1, 2005; to \$1.80 on July 1, 2006; and to \$2 on July 1, 2007. The tax rate on other tobacco products — such as cigars and chewing tobacco — is 75% of the wholesale price. The 76% of cigarette tax revenue that is deposited in the School Fund changes to 47.5% on January 1, 2005; to 42.2% on July 1, 2006; and to 38% on July 1, 2007. Although the remainder of the cigarette tax revenue is deposited into the General Fund, 8.9% is allocated to the Tobacco Use Education and Cessation Fund. All other tobacco products tax revenue is deposited in the General Fund and all cigarette and tobacco products license fees are deposited in the School Fund. Revenue deposited in the School Fund is dedicated to the rehabilitation, construction, repair and insurance costs of school facilities statewide.

Table 5-2. Other Tax (except Federal & Investment)
Actual FY 2004 ⁽¹⁾ and Projected FY 2005-2006
\$ million

	Actual FY 2004	Projected	
		FY 2005	FY 2006
<u>Unrestricted</u>			
Sales and Use Taxes			
Alcoholic Beverages ⁽²⁾	16.3	15.9	15.9
Cigarette ⁽²⁾	9.4	14.9	27.1
Other Tobacco Products ⁽²⁾	6.6	6.7	7.2
Insurance Premium	43.7	45.8	47.1
Electric and Telephone Cooperative	0.2	0.2	0.2
Motor Fuel Taxes	41.2	39.3	39.3
Rental Vehicle Tax ⁽²⁾	2.7	6.7	6.7
Tire Fees ⁽²⁾	<u>0.8</u>	<u>2.6</u>	<u>2.6</u>
Subtotal	120.9	132.1	146.1
Corporate Income Tax	39.6	50.0	50.0
Fish Taxes			
Fisheries Business	14.9	12.5	12.5
Fishery Resource Landing	<u>2.5</u>	<u>2.9</u>	<u>2.9</u>
Subtotal	17.4	15.4	15.4
Other			
Mining	3.2	5.2	4.2
Estate	2.3	1.0	0.5
Charitable Gaming	<u>2.4</u>	<u>2.4</u>	<u>2.4</u>
Subtotal	7.9	8.6	7.1
Total Unrestricted	185.8	206.1	218.6
<u>Restricted</u>			
Sales and Use Taxes			
Alcoholic Beverages (Alcohol & Drug Treatment) ⁽²⁾	16.3	15.9	15.9
Insurance Premium (Workers Safety & Compensation) ⁽³⁾	6.2	6.3	6.4
Electric and Telephone Cooperative (Municipal Share)	3.8	3.8	3.8
Cigarette (School Fund) ⁽²⁾	32.9	29.4	27.0
Cigarette (Tobacco Use Cessation) ⁽²⁾	0.0	0.8	2.7
Motor Fuel - Aviation (Municipal Share)	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
Subtotal	59.4	56.4	56.0
Fish Taxes			
Fisheries Business (Municipal Share)	14.4	14.4	14.4
Fishery Resource Landing (Municipal Share)	4.4	4.2	4.2
Salmon Enhancement (Aquaculture Association Share)	<u>3.0</u>	<u>3.1</u>	<u>3.1</u>
Subtotal	21.8	21.7	21.7
Total Restricted	81.2	78.1	77.7
Grand Total	267.0	284.2	296.3

(1) Actuals have not been fully reconciled to the Comprehensive Annual Financial Report.

(2) For these tax types revenues are accrued through August 15, instead of July 31.

(3) Includes service fees for employers who are self-insured.

Charges for Services

The revenues reported in this table do not include all charges for state services — just those that do not fit into other categories in this report. Most of these receipts are restricted revenue because they are returned to the program where they were generated.

The only unrestricted revenues listed in this category come from fees and other program charges that do not have program-receipt designations, or are not otherwise segregated and appropriated back to the program.

Marine Highway Fund

The revenue from certain transportation enterprises is reported here as a charge for state services. The Alaska Marine Highway Fund is in the General Fund and receives the revenue from operations of the state ferry system operations. The legislature has discretion over how the revenue is spent, but because it is customarily spent on Alaska Marine Highway operations, it is considered restricted for this forecast.

Program Receipts

The definition of program receipts under AS 37.05.146 is "fees, charges, income earned on assets and other state money received by a state agency in connection with the performance of its functions." The statute then lists all programs with program receipt authority. The statutory list includes many programs that are not included in the Charges for Services category because they are elsewhere in this forecast — such as federal receipts, trust funds and the Alaska Permanent Fund — or are not state money available for general appropriation. The table below lists some of the larger individual programs and the receipts from those programs.

Table 5-3. Charges for Services
Actual FY 2004 ⁽¹⁾ and Projected FY 2005-2006
\$ million

	Actual FY 2004	Projected FY 2005	Projected FY 2006
<u>Unrestricted</u>			
General Government	8.1	10.1	10.1
Natural Resources	1.3	1.3	1.3
Other	<u>1.7</u>	<u>1.7</u>	<u>1.7</u>
Total Unrestricted	11.1	13.1	13.1
<u>Restricted</u>			
General Government	2.2	2.2	2.2
Natural Resources	0.7	0.7	0.7
Marine Highway Receipts	43.6	47.0	47.0
Receipt-Supported Services ⁽¹⁾	88.2	84.3	84.3
Statutorily Designated ⁽¹⁾	73.3	90.0	90.0
Other ⁽²⁾	<u>18.0</u>	<u>20.7</u>	<u>20.7</u>
Total Restricted	226.0	244.9	244.9
 Grand Total	 237.1	 258.0	 258.0

(1) FY 2004 revenue is from the Alaska State Accounting System (AKSAS) and not fully reconciled with the Comprehensive Annual Financial Report. FY 2005 and 2006 estimates are from the Office of Management and Budget and reflect what agencies expect to receive in receipt-supported services.

(2) FY 2004 other restricted revenue includes the following categories: RCA receipts (\$5.8 million), test fisheries (\$1.6 million), timber sale receipts (\$0.4 million), oil and gas conservation (\$3.7 million) and DCED business licenses (\$6.5 million). FY 2005 and 2006 estimates are from the Office of Management and Budget and reflect what agencies expect to receive in other restricted program receipts.

Fines and Forfeitures

This category includes civil and criminal fines and forfeitures, and money received by the state from the settlement of various civil lawsuits. The majority of the receipts under this category are from tobacco litigation and other settlements.

Tobacco Settlement

The tobacco settlement was signed by 46 states (including Alaska) in November 1998. The first payment from the settlement was made in FY 2000. In 2000 and 2001, the legislature authorized the sale of 80% of the future revenue stream from the tobacco settlement to a new public corporation, the Northern Tobacco Securitization Corporation, a subsidiary of the Alaska Housing Finance Corporation. The new corporation, in turn, sold bonds based on this revenue stream, and paid to the state the money raised by the bond sale, which the legislature appropriated for schools, the university and harbor projects. Starting FY 2002, the remaining 20% of the settlement revenue each year will be deposited into the Tobacco Use Education and Cessation Fund. This forecast shows the 80% that goes directly to the Northern Tobacco Securitization Corporation for payment of the bonds and the 20% that goes to the Tobacco Use Education and Cessation Fund as restricted revenue.

Table 5-4. Fines and Forfeitures
Actual FY 2004 ⁽¹⁾ and Projected FY 2005-2006
\$ million

	Actual FY 2004	Projected FY 2005	Projected FY 2006
<u>Unrestricted</u>			
Fines and Forfeitures	16.0	12.8	12.8
Total Unrestricted	16.0	12.8	12.8
<u>Restricted</u>			
Tobacco Settlement (Northern Tobacco Securitization Corporation) ⁽²⁾	17.1	16.9	16.9
Tobacco Settlement (Tobacco Use Education & Cessation Fund) ⁽²⁾	4.3	4.2	4.2
Other	5.4	5.4	5.4
Total Restricted	26.8	26.5	26.5
Grand Total	42.8	39.3	39.3

(1) Actuals have not been fully reconciled to the Comprehensive Annual Financial Report.

(2) Revenue estimates for FY 2005 and 2006 are from Kentucky's tobacco settlement model modified for Alaska.

Licenses and Permits

Licenses and permits represent another source of government revenue derived from charges for participating in activities regulated by the state. The majority of the receipts under this category are from motor vehicle registration and fishing and hunting license fees.

Fishing and Hunting Licenses Fees

The majority of these fees are appropriated to a special revenue fund called the Fish and Game Fund. Money in the fund may only be spent for fish and game management purposes.

Motor Vehicle Registration Fees

Most motor vehicle registration fees are unrestricted license and permit revenue. However, some registration fees are reflected under restricted receipt-supported services.

Table 5-5. Licenses and Permits
Actual FY 2004 ⁽¹⁾ and Projected FY 2005-2006
\$ million

	Actual FY 2004	Projected	
		FY 2005	FY 2006
<u>Unrestricted</u>			
Motor Vehicles	38.8	38.0	39.0
Other Fees	<u>2.2</u>	<u>2.4</u>	<u>3.0</u>
Total Unrestricted	41.0	40.4	42.0
<u>Restricted</u>			
Fishing and Hunting			
Hunting and Fishing Fees (Fish and Game Fund)	23.1	23.1	23.1
Sanctuary Fees (Fish and Game Fund)	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Subtotal	23.2	23.2	23.2
Other Fees	<u>5.5</u>	<u>5.5</u>	<u>5.5</u>
Total Restricted	28.7	28.7	28.7
Grand Total	69.7	69.1	70.7

(1) Actuals have not been fully reconciled to the Comprehensive Annual Financial Report.

Rents and Royalties

The majority of the unrestricted receipts under this category are from leasing, rental and sale of state land. Certain restricted receipts are deposited in the Alaska Permanent Fund, Mental Health Trust Fund and Public School Trust Fund, and these are reported elsewhere in this forecast.

Table 5-6. Rents and Royalties
Actual FY 2004 ⁽¹⁾ and Projected FY 2005-2006
\$ million

	Actual FY 2004	Projected	
		FY 2005	FY 2006
<u>Unrestricted</u>			
Land Leasing, Rental and Sale	6.5	6.5	6.5
Coal Royalties	1.1	1.4	1.4
Cabin Rentals	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
Total Unrestricted	7.8	8.1	8.1
<u>Restricted</u>			
Land Leasing, Rental and Sale	<u>5.1</u>	<u>5.1</u>	<u>5.1</u>
Total Restricted	5.1	5.1	5.1
Grand Total	12.9	13.2	13.2

(1) Actuals have not been fully reconciled to the Comprehensive Annual Financial Report.

Other

This category includes unrestricted contributions, unclaimed property and miscellaneous other receipts.

Unclaimed Property

Under the unclaimed property statutes, a person or business holding abandoned property belonging to someone else must turn over the property to the state to hold the property in trust until claimed by its rightful owner. Most unclaimed property is in the form of cash (checking and savings accounts), stocks and bonds (including dividends) and safe-deposit box contents. Other property includes utility deposits, travelers checks and wages. Because not all unclaimed property owners are located, amounts received from holders exceed the refunds to owners. The Treasury Division maintains a minimum balance in the trust account and periodically transfers excess funds to the General Fund.

Dividends and Miscellaneous

The restricted portion of other revenues in this forecast includes transfers, frequently as dividends, from component organizations of state government, as well as certain miscellaneous revenues.

Table 5-7. Other Revenue
Actual FY 2004 ⁽¹⁾ and Projected FY 2005-2006
\$ million

	Actual FY 2004	Projected FY 2005	Projected FY 2006
<u>Unrestricted</u>			
Miscellaneous	24.7	13.4	13.4
Unclaimed Property ⁽²⁾	<u>11.5</u>	<u>5.0</u>	<u>4.0</u>
Total Unrestricted	36.2	18.4	17.4
<u>Restricted</u>			
Alaska Housing Finance Corporation ⁽³⁾	39.3	66.2	43.1
Alaska Industrial Development and Export Authority ⁽³⁾	16.5	26.3	8.8
Alaska Municipal Bond Bank Authority ⁽³⁾	0.8	1.5	0.3
Alaska Student Loan Corporation ⁽³⁾	2.0	80.6	85.0
Alaska Energy Authority ⁽³⁾	0.3	1.1	1.1
Alaska Science & Technology Foundation ⁽³⁾	4.8	0.0	0.0
Miscellaneous ⁽⁴⁾	<u>21.2</u>	<u>21.2</u>	<u>21.2</u>
Total Restricted	84.9	196.9	159.5
Grand Total	121.1	215.3	176.9

(1) Actuals have not been fully reconciled to the Comprehensive Annual Financial Report.

(2) FY 2004 includes a one-time transfer of \$11.5 million to the General Fund as a result of payments and interest from a former settlement.

(3) Payments from component units are reflected in the Comprehensive Annual Financial Report for FY 2004 and estimates from the Office of Management and Budget for FY 2005 and 2006. The large increase in Alaska Student Loan Corporation revenue in both FY 2005 and 2006 is due to proceeds from refinancing the Alaska Student Loan Corporation's loan portfolio.

(4) Revenue shown under account codes for "other" or "contributions" in the Alaska State Accounting System for General Fund subfunds and special revenue funds.

6. Federal Revenue

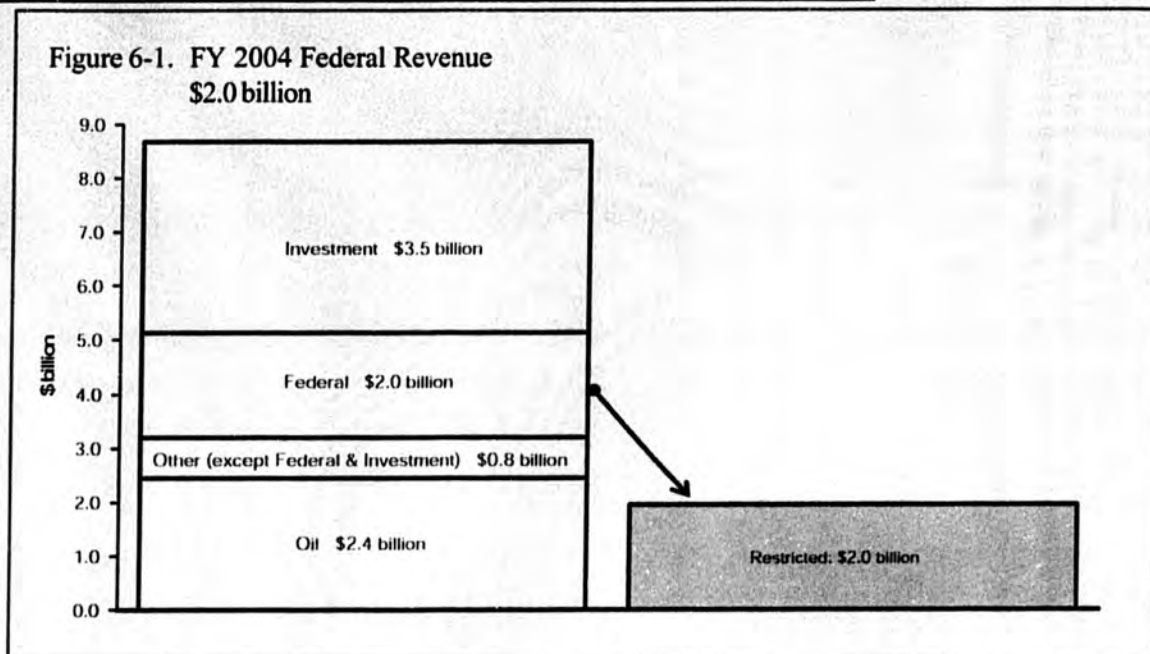


Table 6-1. Total Federal Revenue to the State
Actual FY 2004 and Projected FY 2005-2006
\$ million

	Actual FY 2004	Projected	
		FY 2005	FY 2006
<u>Restricted</u>			
Federal Receipts	1,951.7	3,019.3	3,019.3
Total Restricted	1,951.7	3,019.3	3,019.3

Source: FY 2004 is from the Comprehensive Annual Financial Report (General Fund and all other subfunds and non-major special revenue funds, federal revenues). FY 2005 and 2006 estimates are provided by the Office of Management and Budget and are based on agency projections of expected federal revenues to fund capital and operating budgets.

Federal government spending has figured prominently in Alaska's history and is still a major force today. The federal fiscal year (FFY) runs from October 1 through September 30, and in FFY 2003 the federal government spent \$7.9 billion in Alaska.⁽¹⁾ Part of that spending came from the activities of the various federal agencies, part was in the form of grants to state and municipal governments, and still another part came in payments to individuals.

In FFY 2003, Alaska taxpayers received \$1.89 in federal outlays for every \$1 paid in federal taxes.⁽²⁾ Per capita, more federal money is spent in Alaska than in any other state. Federal expenditures in Alaska in FFY 2003 increased 4.2% over FFY 2002.

(1) This and the data for the figures on the next page come from the U.S. Census Bureau, Consolidated Federal Funds Report for FY 2003, www.census.gov/prod/2004pubs/03cflfr.pdf

(2) U.S. Census Bureau, Tax Foundation's "State-by-State Tax Burden Allocation Model," www.taxfoundation.org/taxingspending.html

Figure 6-2. Annual Federal Spending Increase, Alaska and the U.S.

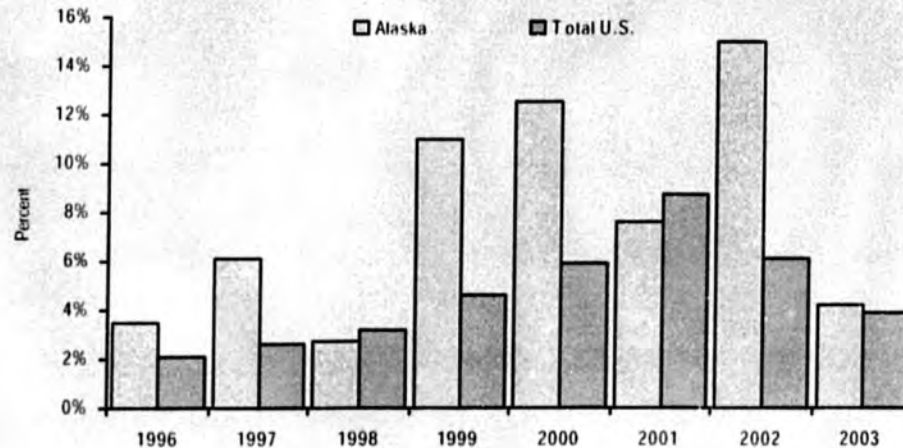
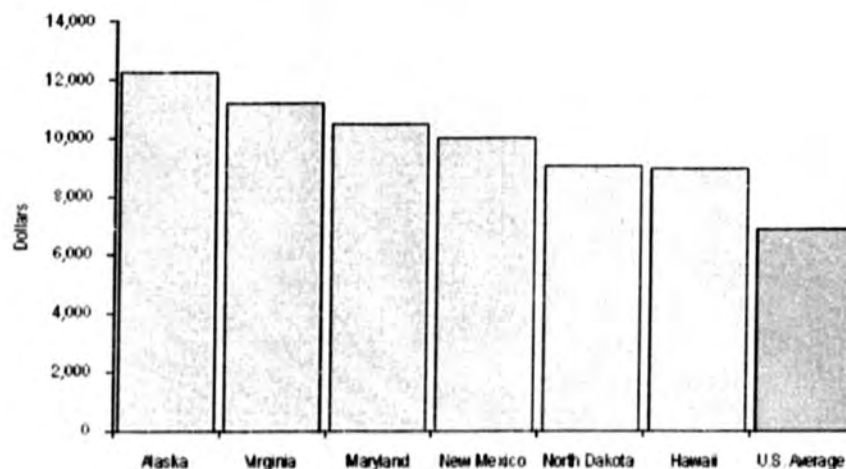


Figure 6-3. FFY 2003 Federal Spending per Capita, Top Six States



Among federal agencies, the Department of Defense spends the most in Alaska, followed by the Department of Health and Human Services. Together, these two departments account for nearly half of all federal spending in the state. Not surprisingly, a large portion of federal money flows into Alaska through salaries of federal employees. However, 39% of all federal spending is in the form of grants, mostly to state and municipal governments, but also to nonprofit organizations.

In the state's Fiscal Year 2004, Alaska's government received and spent nearly \$2 billion of federal funds. Federal funding generally is restricted to specific uses, such as road improvements, Medicaid payments and aid to schools. Potential changes to federal law, differing federal and state fiscal years and changing numbers of eligible Alaskans in certain programs make forecasting federal revenue difficult. The estimates we present for FY 2005 and 2006 are from the Office of Management and Budget and are based on state agency projections of expected federal revenues.

Table 6-2. Total Federal Spending, FFY 2003

By Agency			By Category		
	<u>\$million</u>	<u>percent</u>		<u>\$million</u>	<u>percent</u>
Defense	2,307	29	Grants	3,022	39
Health & Human Services	1,569	20	Salaries & Wages	1,617	20
Social Security	630	8	Procurement	1,680	21
Other Agencies	<u>3,438</u>	<u>43</u>	Retirement & Disability	1,041	13
Total	7,944	100	Other Direct Payments	<u>584</u>	<u>7</u>
				7,944	100

Source: U.S. Census Bureau, Consolidated Federal Funds Report for FY 2003, www.census.gov/prod/2004pubs/03dfr.pdf

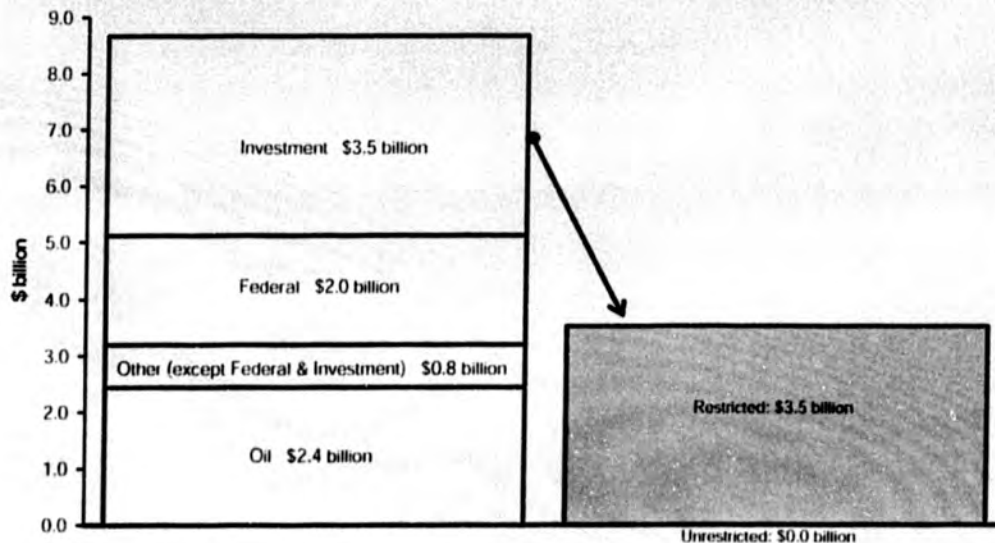
It is important to note that the state routinely budgets for more federal money than it actually receives. The legislature authorizes state agencies to receive and spend the maximum that federally funded programs might receive and need, but the actual amounts normally turn out to be less. Also, some of the federal money appropriated for multi-year capital projects is received and spent in years following the one in which the money is appropriated.

For FY 2005, the state is budgeted to receive \$3 billion in federal receipts. Most federal funding requires state matching money. The budgeted state match in FY 2005 is \$282 million. All federal funds, whether spent in the operating or capital budget, are restricted by legislative appropriation to specific uses. The largest categories of federal spending budgeted for FY 2005 are Medicaid (\$673 million), highways and airports (\$912 million) and education (\$296 million, which includes kindergarten through high school funding and the University of Alaska).

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7. Investment Revenue

**Figure 7-1. FY 2004 Investment Revenue
\$3.5 billion**



**Table 7-1. Total Investment Revenue ⁽¹⁾
Actual FY 2004 and Projected FY 2005-2006
\$ million**

	Actual FY 2004	Projected FY 2005	Projected FY 2006
Unrestricted			
Investments of Governmental Funds	9.2	16.4	15.1
Interest Paid by Others	<u>0.5</u>	<u>1.6</u>	<u>1.6</u>
Subtotal	9.7	18.0	16.7
Restricted			
Investments of Governmental Funds	4.0	22.0	23.7
Constitutional Budget Reserve Fund	53.2	118.3	102.6
Other Treasury-Managed Governmental Funds	24.9	19.7	20.5
Alaska Permanent Fund ⁽²⁾	<u>3,434.0</u>	<u>2,047.9</u>	<u>2,189.7</u>
Subtotal	3,516.1	2,207.9	2,336.5
Total	3,525.8	2,225.9	2,353.2

(1) Governmental Accounting Standards Board (GASB) principles require the recognition of changes in the value of investments as income or losses at the end of each reporting period, whether the investment is actually sold or not.

(2) Total Permanent Fund realized and unrealized earnings.

Investment Forecast

To forecast investment revenue for the current fiscal year — FY 2005 — we combine actual performance through September 30 with a projection for the remainder of the year. Forecasts and estimated capital market median returns are based on information supplied by the state's investment consultant, Callan Associates Inc., and its five-year capital market estimated returns.

Table 7-2. Callan Associates Inc.'s Five-Year Capital Market Estimated Returns

Asset Class	Benchmark for Asset Class	%/ year Median Expected Return	%/ year Expected Risk
<u>Equities</u>			
U.S. Broad	Callan Associates Inc. (CAI) Broad Market	9.0	16.9
U.S. Large Cap	Standard and Poors (S&P) 500	8.8	16.2
U.S. Small Cap	CAI Small	10.1	23.5
International	Morgan Stanley Capital International EAFE	9.3	20.3
<u>Fixed Income</u>			
Domestic Broad Market	Lehman Brothers Aggregate	4.75	4.50
Domestic Short Term (cash equivalent)	Three-Month U.S. Treasury Bill	2.70	0.70
Domestic Intermediate Term	Merrill Lynch 1- to 5-Year Government	4.00	3.15
International	Salomon Brothers Non-U.S. Government	4.65	9.60
<u>Other</u>			
Real Estate		7.6	16.5
<u>Economic Variables</u>			
Inflation		2.6	1.4

The continued volatility in the world's financial markets makes focus on the expected risk columns in the table above particularly appropriate. The numbers in this column represent a statistical measure called standard deviation, which is the most commonly used measure of risk in the investment world. The standard deviation allows you to estimate a range in which you would expect results to fall two-thirds of the time. For example, Callan estimates an average annual return for the domestic broad market fixed-income asset class of 4.75% and an expected risk for that asset class of 4.5%. That means Callan is forecasting that two-thirds of the time the annual return for the domestic broad fixed-income asset class will fall between 0.25% (the median expected average annual return of 4.75% minus the expected risk of 4.5%) and 9.25% (the median expected return plus the expected risk).

The probability that a particular asset class or portfolio will have a negative return over a given period of time is another way to reflect the riskiness of that asset class or portfolio. The investment income summary tables in this section of the revenue forecast include an estimate of the probability of negative returns for each fund over a one-year period.

Unrestricted Investment Revenue

Unrestricted investment revenue is earned on the General Fund non-segregated investments managed by the Treasury Division. Interest Paid by Others is interest received by the state other than on its investments. Oil and gas royalty interest is included in General Fund unrestricted oil revenue.

Table 7-3. Unrestricted Investment Revenue
Actual FY 2004 and Projected FY 2005-2006
\$ million

	Actual FY 2004	Projected FY 2005	Projected FY 2006
<u>Unrestricted</u>			
Investments	9.2	16.4	15.1
Interest Paid by Others	<u>0.5</u>	<u>1.6</u>	<u>1.6</u>
Total	9.7	18.0	16.7

Table 7-4. Investment Revenue Summary
Actual FY 2004 and Projected FY 2005-2006

Treasury Pool	Asset Allocation Percent Allocation	Performance Benchmark
Short-term, Fixed-Income Pool	50%	Three-Month U.S. Treasury Bill
Intermediate-Term, Fixed-Income Pool	50%	Merrill Lynch 1- to 5-Year Government Index
Investment Balance September 2004, 2004		\$1,831.7 million
Projected Annual Rate of Return		3.35 %
Probability of Negative Return Over 1 Year		2.52 %
Actual Total Investment Income, FY 2004		\$ 13.2 million
Projected Total Investment Income, FY 2005		\$ 38.4 million
Projected Total Investment Income, FY 2006		\$ 38.8 million

	\$ million		
	Actual FY 2004	Projected FY 2005	Projected FY 2006
Investment Revenue Unrestricted	9.2	16.4	15.1
Investment Revenue Restricted ⁽¹⁾	<u>4.0</u>	<u>22.0</u>	<u>23.7</u>
Total	13.2	38.4	38.8

(1) Includes subfunds of the General Fund.

Restricted Investment Revenue

Restricted investment revenue consists of earnings from governmental funds, the CBRF, other Treasury-managed governmental funds and the Alaska Permanent Fund.

Table 7-5. Restricted Investment Revenue
Actual FY 2004 and Projected FY 2005-2006
\$million

	Actual FY 2004	Projected FY 2005	FY 2006
<u>Restricted</u>			
Investments of Governmental Funds	4.0	22.0	23.7
Constitutional Budget Reserve Fund	53.2	118.3	102.6
Other Treasury Managed Governmental Funds	24.9	19.7	20.5
Alaska Permanent Fund ⁽¹⁾	<u>3,434.0</u>	<u>2,047.9</u>	<u>2,189.7</u>
Total Restricted	3,516.1	2,207.9	2,336.5

(1) Annual unrealized and realized earnings from Permanent Fund Table 7-10.

Table 7-6. CBRF Investment Revenue Summary
Actual FY 2004 and Projected, FY 2005-2006

Asset Allocation Regular Account

Treasury Pool	Percent Allocation	Performance Benchmark
Short-term, Fixed-Income Pool	22%	Three-Month U.S. Treasury Bill
Intermediate-term, Fixed-Income Pool	58%	Merrill Lynch 1- to 5-Year Government Index
Broad Market Fixed-Income Pool	20%	Lehman Brothers Aggregate Bond Index
Regular Account Balance September 30, 2004		\$1,504.9 Million
Projected Annual Rate of Return		3.86 %
Probability of Negative Return Over 1 Year		8.02 %

Asset Allocation Special Subaccount

Treasury Pool	Percent Allocation	Performance Benchmark
Broad Market Fixed-Income Pool	41%	Lehman Brothers Aggregate Bond Index
Domestic Equity Pool	43%	Russell 3000 Index
International Equity Pool	16%	MSCI EAFE Index
Special Subaccount Balance September 30, 2004		\$ 427.2 Million
Projected Annual Rate of Return		7.31 %
Probability of Negative Return Over 1 Year		24.35 %

Total Investment Income (\$million)

	Actual FY 2004	Projected	
		FY 2005	FY 2006
Regular Account	8.0	87.7	68.7
Special Subaccount	<u>45.2</u>	<u>30.6</u>	<u>33.9</u>
Total	53.2	118.3	102.6

Table 7-7. Constitutional Budget Reserve Fund Cash Flows
Actual FY 2004 and Projected FY 2005-2006
\$ million

	Actual FY 2004	Projected	
		FY 2005	FY 2006
Beginning Cash Balance CBRF	2,093.2	2,064.2	2,202.5
Beginning Main Account Balance	1,720.4	1,646.2	1,753.9
Earnings on Main Account Balance ⁽¹⁾	8.0	87.7	68.7
Petroleum Tax, Royalty Settlements ⁽²⁾	8.4	20.0	20.0
Loan to GF (prior year)	(124.3)	0.0	0.0
Loan to GF (current year) ^{(3) (4)}	33.7	0.0	(31.9)
Payback of Cash Flow Draw	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Ending Main Account Balance	1,646.2	1,753.9	1,810.7
Beginning Special Subaccount Balance	372.8	418.0	448.6
Earnings on Special Subaccount Balance ⁽¹⁾	45.2	30.6	33.9
Loan to GF from Special Subaccount	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Ending Special Subaccount Balance	418.0	448.6	482.5
Total CBRF Balance	2,064.2	2,202.5	2,293.2

(1) The earnings estimate for the main account is 3.86% and the earnings estimate for the special subaccount is 7.314%. These projections are based on Callan's capital market assumptions and Department of Revenue, Treasury Division's asset allocation.

(2) Settlement estimates are provided by the Department of Revenue and Department of Law.

(3) The FY 2004 surplus is based on the audited cash balance in the CBRF as of June 30, 2004.

(4) No FY 2005 deposit to the CBRF is shown.

The Treasury Division manages two other governmental funds, the Public School Trust and the Alaska Children's Trust.

**Table 7-8. Public School Trust Investment Revenue Summary
Actual FY 2004 and Projected FY 2005-2006**

Asset Allocation		
Treasury Pool	Percent Allocation	Performance Benchmark
Broad Market Fixed-Income Pool	57%	Lehman Brothers Aggregate Index
Domestic Equity Pool	43%	Russell 3000 Index

Public School Trust Fund Balance September 30, 2004	\$ 303.4 million
Projected Annual Rate of Return	6.58 %
Probability of Negative Return Over 1 Year	21.37 %

Total Investment Income and Distributable Income (\$ million)			
	Actual FY 2004	Projected FY 2005	Projected FY 2006
Public School Trust Total Investment Income	24.1	19.0	19.8
Public School Trust Distributable Income	9.6	10.4	10.9

**Table 7-9. Alaska Children's Trust Investment Revenue Summary
Actual FY 2004 and Projected FY 2005-2006**

Asset Allocation		
	Percent Allocation	Performance Benchmark
Treasury Pool		
Broad Market Fixed-Income Pool	57%	Lehman Brothers Aggregate Index
Domestic Equity Pool	43%	Russell 3000 Index
Alaska Children's Trust Balance September 30, 2004		\$ 10.4 million
Projected Annual Rate of Return		6.58 %
Probability of Negative Return Over 1 Year		21.37 %

Total Investment Income and Distributable Income (\$ million)			
	Actual FY 2004	Projected FY 2005 FY 2006	
Alaska Children's Trust* Total Investment Income	0.8	0.7	0.7
Alaska Children's Trust Distributable Income	0.3	0.4	0.4

Table 7-10. Alaska Permanent Fund Managed by the Permanent Fund Corporation ⁽¹⁾
Actual FY 2004 and Projected FY 2005-2006
\$ million

	Actual FY 2004	Projected FY 2005	FY 2006
Reserved Assets — Principal			
Total Reserved Assets — Beginning Balance	24,094.3	26,541.0	27,215.0
Contributions and Appropriations			
Contributions and Appropriations — Beginning Balance	22,988.0	23,525.7	24,652.7
Dedicated Petroleum Revenue	353.0	475.5	355.6
Inflation Proofing Transfer from Realized Earnings	170.0 ⁽²⁾	624.0	650.2
Deposits to Principal and Settlement Earnings	<u>14.7</u>	<u>27.5</u>	<u>21.1</u>
Subtotal — Contributions and Appropriations	23,525.7	24,652.7	25,679.6
Unrealized Appreciation/Depreciation			
Appreciation/Depreciation — Beginning Balance	1,106.3	3,015.3	2,562.2
Annual Unrealized Gain/Loss ⁽³⁾	<u>1,909.0</u>	<u>(453.1)</u>	<u>180.2</u>
Subtotal — Unrealized Appreciation/Depreciation	3,015.3	2,562.2	2,742.4
Total Reserved Assets — Ending Balance	26,541.0	27,215.0	28,422.0
Realized Earnings Account			
Realized Earnings Account — Beginning Balance	100.0	859.3	2,101.2
Annual Realized Earnings	1,525.0	2,501.0	2,009.5
Dividend Payment to the State of Alaska ⁽³⁾	(581.0)	(607.6)	(690.0)
Inflation Proofing Transfer to Reserved Assets	(170.0) ⁽²⁾	(624.0)	(650.2)
Other Transfers to Reserved Assets	(14.7)	(27.5)	(21.1)
Other Appropriations Out of the Fund	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Realized Earnings Account — Ending Balance	859.3	2,101.2	2,749.4
Market Value — Total Fund Invested Assets Value			
Contributions and Appropriations End-of-Year Balance	23,525.7	24,652.7	25,679.6
Unrealized Appreciation/Depreciation End-of-Year Balance	3,015.3	2,562.2	2,742.4
Realized Earnings End-of-Year Balance (Statutory Earnings)	<u>859.3</u>	<u>2,101.2</u>	<u>2,749.4</u>
Fund Balance (Market Value) End-of-Year Balance	<u>27,400.3</u>	<u>29,316.2</u>	<u>31,171.4</u>
Total Reported Earnings			
Annual Unrealized Gain/Loss ⁽³⁾	1,909.0	(453.1)	180.2
Annual Realized Earnings	<u>1,525.0</u>	<u>2,501.0</u>	<u>2,009.5</u>
Reported Earnings	3,434.0	2,047.9	2,189.7

(1) Data projected using July 1, 2004, financial statements and the fall 2004 revenue forecast. Callan Associates Inc.'s, 2004 capital market assumptions results in 7.61% median expected total return data for FY 2005 and FY 2006.

(2) \$354 million of FY 2004's projected inflation proofing of \$523 million was prefunded in FY 2003. There was additional legislation in FY 2004 for the remaining \$169 million balance.

(3) The Permanent Fund dividend payment is recorded as a liability at fiscal year end, and is paid out the following month.

8. State Endowment Funds

This section of the revenue forecast compares important attributes of six endowment funds. The University of Alaska endowment is included in this comparison because it is one of the Alaska's public endowment funds that use the annual distribution calculation method typical of the vast majority of endowments in the United States and Canada.⁽¹⁾

The fiduciary for each of these endowment funds has the responsibility for establishing an asset-allocation policy for the fund. The table below compares the asset-allocation policies for these endowments.

Under the standards adopted by the Governmental Accounting Standards Board (GASB), public funds calculate and report their income by recognizing changes in the value of securities as income, or losses, as they occur at the end of each trading day. They do this regardless of whether the securities are actually sold and the income, or losses, are taken or realized. All six of these endowments report annual income on this basis. However, as reflected in Table 8-2, four of them — two of the funds administered by the Alaska Permanent Fund Corporation (Alaska Permanent Fund and Mental Health Trust Fund), and the Public School Trust and Alaska Children's Trust — use other measures of annual income for determining their distributions.

In determining the amount of income available for distribution each year for the two funds managed by the Alaska Permanent Fund Corporation, gains or losses on individual investments are not recognized until the stock or bond is sold. For calculating distributable income for the Public School Trust and the Alaska Children's Trust, only interest earned and dividends received are treated as income. Gains and losses in the value of individual investments are never recognized as income. By law, those gains and losses remain with the principal of the fund.

Table 8-1. Target Asset Allocation — State Endowment Funds
percent

	Cash	U.S. Bonds	International Bonds	U.S. Equities	International Equities	Real Estate	Alternative Investments	Total
Alaska Permanent Fund	0	28	4	37	18	10	3	100
Mental Health Trust	0	28	4	37	18	10	3	100
Public School Trust	0	57	0	43	0	0	0	100
Alaska Children's Trust	0	57	0	43	0	0	0	100
Power Cost Equalization	0	37	0	46	17	0	0	100
University of Alaska Endowment	1	28	0	32	12	5	22	100

(1) The predominant practice, making annual distributions of 4% to 5% of the market value of the endowment, developed following a 1968 Ford Foundation study. See The Ford Foundation *Managing Educational Endowments* (New York, New York; 1968).

Table 8-2. Calculation of Annual Income — State Endowment Funds

	<u>Financial Reporting of Income</u>	<u>Distributable Income</u>
Alaska Permanent Fund	GASB (recognize gains and losses based on change in market value)	Interest earnings + dividends paid + gains and losses on investments actually sold
Mental Health Trust	GASB (recognize gains and losses based on change in market value)	Interest earnings + dividends paid + gains and losses on investments actually sold
Public School Trust	GASB (recognize gains and losses based on change in market value)	Interest earnings + dividends paid; gains and losses on value of securities are never income, they become part of principal
Alaska Children's Trust	GASB (recognize gains and losses based on change in market value)	Interest earnings + dividends paid; gains and losses on value of securities are never income, they become part of principal
Power Cost Equalization Endowment	GASB (recognize gains and losses based on change in market value)	GASB (recognize gains and losses based on change in market value)
University of Alaska Endowment	GASB (recognize gains and losses based on change in market value)	GASB (recognize gains and losses based on change in market value)

Table 8-3. Distributable Income Determination — State Endowment Funds

Alaska Permanent Fund	The annual distribution for the Permanent Fund Dividend follows the formula in AS 37.13.140-.150, which specifies that 10.5% of the past five years' total realized income shall be paid out as dividends but also sets the limitation that the annual distribution may never exceed 50% of the balance in the fund's Realized Earning Account (REA). The 50% limitation has never been triggered.
Mental Health Trust	The Mental Health Trust Board adopted a policy, beginning in FY 2001, to distribute 3.5% a year of the market value of the fund's total assets. The distribution rate had been 3% for FY 1996-1998 and 3.25% for FY 1999-2000. Because of recent declines in market value, the board is exploring a redefinition of "principal" so that losses in market value would be proportionally allocated to the principal account and the earnings account rather than assigning the entire value of any losses to the earning account.
Public School Trust	The annual distribution is 4.75% of a five-year moving average of the fund's principal market value so long as that amount does not exceed the interest and dividend earnings available in the earnings account. The trust has accumulated a sizable earnings account balance, providing a cushion for the fund to maintain its annual distributions in a sustained bear market.
Alaska Children's Trust	The annual distribution is 4.75% of a five-year moving average of the fund principal's market value so long as that amount does not exceed the interest and dividend earnings available in the earnings account. The trust has accumulated a sizable earnings account balance, providing a cushion for the fund to maintain its annual distributions in a sustained bear market.
Power Cost Equalization Endowment	The annual distribution is 7% of the fund's market value. For the initial transition years, state statute specifies that the fund shall use the market value on February 1 for the subsequent fiscal year's distribution. Thereafter, the fund is to distribute each year 7% of the monthly average market value for a specified 36-month period.
University of Alaska Endowment	The annual distribution is 5% of a five-year moving average of the market value of the fund.

Table 8-4. Inflation-Proofing Procedures — State Endowment Funds

Alaska Permanent Fund	An annual appropriation is needed to inflation proof the principal of the Permanent Fund (but not the accumulated earnings) pursuant to AS 37.13.145. The legislative appropriation requires a transfer from the Realized Earnings Account to the fund's principal an amount equal to the calculated U.S. Consumer Price Index's effect on the value of the principal, comprised of oil and gas royalty contributions and legislative appropriations. The Alaska Permanent Fund Corporation's Trustees have proposed a constitutional amendment that would inflation proof the entire fund — the principal and accumulated earnings — by limiting the annual distribution of earnings to 5% of a five-year moving average of the market value of the fund.
Mental Health Trust	The Mental Health Trust Authority has adopted two policies to inflation proof the fund. First, it limits distributions to 3.5% of the fund's market value. (The authority's ultimate goal, after further building up the principal, is to distribute 5% of the fund's market value each year, which would still allow enough retained earnings to inflation proof the fund.) Second, the authority also has adopted a policy transferring money from the reserve account to the principal whenever the reserve exceeds four times the annual income distribution, to help build up the fund's principal.
Public School Trust	The asset-allocation policy is such that — when combined with the requirement that the fund's capital gains and losses remain part of the principal — the retained capital gains are adequate to inflation proof the fund.
Alaska Children's Trust	The asset-allocation policy is such that — when combined with the requirement that the fund's capital gains and losses remain part of the principal — the retained capital gains are adequate to inflation proof the fund.
Power Cost Equalization Endowment	The legislature, in selecting a 7% distribution policy, expressly elected not to inflation proof this fund, but rather to distribute all, or almost all, of its anticipated annual earnings.
University of Alaska Endowment	The university's distribution policy of 5% of the moving five-year average of the fund's market value should allow for retained earnings to inflation proof the fund.

9. Public Corporations and the University of Alaska

Public Corporations

The state has established the following public corporations to carry out certain public policies:

1. Alaska Housing Finance Corporation (AHFC)
2. Alaska Industrial Development and Export Authority (AIDEA)
3. Alaska Energy Authority (AEA)
4. Alaska Student Loan Corporation (ASLC)
5. Alaska Municipal Bond Bank Authority (AMBBA)
6. Alaska Aerospace Development Corporation
7. Alaska Railroad Corporation

These seven corporations and the University of Alaska are components of state government whose activities are accounted for in the state's Comprehensive Annual Financial Report separately from the activities of primary state government.

Four of these corporations — the Alaska Housing Finance Corporation (AHFC), Alaska Industrial Development Authority (AIDEA), Alaska Student Loan Corporation (ASLC) and Alaska Municipal Bond Bank Authority (AMBBA) — pay some portion of their income as an annual "dividend" to the state.

The members of the AIDEA Board of Directors also serve as Board of Directors of AEA, though AIDEA and AEA continue to exist as separate legal entities. AEA has no employees, and AEA contracts to have AIDEA employees administer AEA programs. Other corporations have their own staffs and boards. While neither the sale of bonds nor the expenditure of bond proceeds by these corporations are subject to the state's Executive Budget Act, expenditures for the day-to-day administration of all of these corporations except the Alaska Railroad are subject to the Executive Budget Act.

The Alaska Commission on Postsecondary Education (ACPE) administers the ASLC programs. The ASLC has no employees, and the executive director of the ACPE serves as the executive officer of the ASLC.

The following six tables summarize the activities of these seven corporations.

Table 9-1. Public Corporations - Missions
What does the corporation do and how does it do it?

Alaska Housing Finance Corporation

Using proceeds from the sale of bonds backed by its corporate assets, AHFC purchases home mortgages from Alaska banks. Income from payments on these mortgages repays bond holders and adds to the corporation's income, enabling the corporation, since FY 1991, to pay an annual dividend and/or return of capital to the state. In addition to ensuring that Alaskans, especially low- and moderate-income Alaskans and residents of remote and underdeveloped areas of the state have adequate housing at reasonable cost, the corporation administers federally and state funded multi-family, senior and low-income housing, residential energy and home weatherization programs. In recent years, the legislature has authorized AHFC to finance the construction of schools, University of Alaska housing and other capital projects identified by the legislature.

Alaska Industrial Development and Export Authority

By lending money, guaranteeing loans or becoming an owner, AIDEA makes financing available for industrial, export and other business enterprises in Alaska. The corporation earns money from interest on its loans, investments, leases and operations of its properties. The corporation has paid an annual dividend to the state since FY 1997.

Alaska Energy Authority

AEA provides loans to utilities, communities and individuals to pay for the purchase or upgrade of equipment and for bulk fuel purchases. Additionally, the agency administers the Power Cost Equalization program, subsidizing rural electric costs with the Power Cost Equalization Endowment. AEA also receives federal and state money to provide technical advice and assistance in energy planning, emergency response management, energy infrastructure construction and conservation in rural Alaska. AEA also operates and maintains state-owned power projects, such as Bradley Lake and the Alaska Intertie.

Alaska Student Loan Corporation

The Alaska Student Loan Corporation uses proceeds from bond sales to finance education loans made by the Alaska Commission on Postsecondary Education. The loan repayments satisfy bond obligations and add to the corporation's capital asset base. Alaska statute authorizes the board of directors to annually declare a return to the state of a portion of its net income. The board has declared return of capital payments for each year beginning in FY 2001. Alaska statute also authorizes the corporation to issue bonds for the purpose of financing state projects.

Alaska Municipal Bond Bank Authority

The Bond Bank loans money to Alaska municipalities in Alaska for capital improvements. The bank's larger capital base, its reserve funds and its credit rating enable it to sell bonds at lower interest rates than the municipalities could obtain on their own. The Bond Bank earns interest on the money it holds in reserve and has returned a dividend to the state every year since 1977.

Alaska Aerospace Development Corporation

The corporation finances aerospace-related ventures in Alaska, including the establishment and operation of a commercial space vehicle launch facility in Kodiak, space science and engineering research and promoting tourism at the Poker Flat rocket range and other facilities.

Alaska Railroad Corporation

The corporation operates freight and passenger rail services between Seward and Fairbanks, including a spur line to Whittier. In addition, the corporation generates revenues from real estate it owns.

Table 9-2. Public Corporations - State Capitalization
How did the state capitalize the corporation?

Alaska Housing Finance Corporation

The legislature appropriated \$739.9 million in cash and \$292.5 million in mortgages held by the General Fund to the corporation between 1976 and 1984. The payments on those mortgages and additional mortgages purchased with the cash have helped build the corporation's asset base and allow it to return some capital to the state each year. In 1993, AHFC received an additional \$27.7 million in cash and \$9.3 million in equity when the legislature merged the Alaska State Housing Authority into AHFC.

Alaska Industrial Development and Export Authority

Between 1981 and 1991, the State of Alaska transferred various loan portfolios worth \$297.1 million and \$69.2 million in cash to this corporation. In 1998, the state transferred ownership of the Ketchikan Shipyard to AIDEA.

Alaska Energy Authority

The legislature established the AEA in 1976 to finance and operate power projects. This corporation has also administered rural energy programs at various times, including the present. As a result of legislatively mandated reorganizations, capital has moved into and out of the corporation. At the end of FY 2001, this corporation reported contributed capital of \$963.5 million.

Alaska Student Loan Corporation

In FY 1988, the state transferred \$260 million of existing student loans to this corporation. Additional appropriations of cash between FY 1988 and FY 1992 totaled \$46.7 million.

Alaska Municipal Bond Bank Authority

Between 1976 and 1986, the legislature appropriated \$18.6 million to the Bond Bank to be used for backing bond issues. In addition, the legislature gave the Bond Bank \$2.5 million in 1981 to cover an anticipated default by a municipality. The municipality did not default, and the Bond Bank retained the appropriation for its reserves.

Alaska Aerospace Development Corporation

Since 1993, the state has contributed \$10.9 million.

Alaska Railroad Corporation

The state bought the railroad from the federal government in 1985. The purchase price of \$22.7 million was recorded as the state's capitalization.

Table 9-3. Public Corporations - Financial Facts, FY 2004 ⁽¹⁾
\$ million

	Total Assets	Assets less Liabilities Book Value	Unrestricted Net Assets	FY 2004 Operating Budget	Total ⁽²⁾ Positions
Alaska Housing Finance Corporation	\$4,708	\$1,706	\$218	\$41	372
Alaska Industrial Development and Export Authority	\$1,148	\$823	\$837	\$7	65
Alaska Energy Authority	\$575	\$420	\$228	\$20	AIDEA ⁽³⁾
Alaska Student Loan Corporation	\$980	\$251	\$15	\$9	ACPE ⁽⁴⁾
Alaska Municipal Bond Bank Authority	\$392	\$40	\$16	\$1	1
Alaska Aerospace Development Corporation ⁽⁵⁾	\$94	\$60	\$2	\$12	33
Alaska Railroad Corporation ⁽⁶⁾	\$440	\$137	\$117	\$78	751

(1) All figures are effective as of June 30, 2004, except for the Alaska Railroad which reports on a calendar year basis.

(2) Permanent Full Time (PFT), Permanent Part Time (PPT) and Temporary (TMP) are included in total positions.

(3) The Alaska Industrial Development and Export Authority (AIDEA) provides staff for the activities of the Alaska Energy Authority (AEA). A significant portion of AIDEA's 65 member staff is engaged in AEA programs.

(4) The Alaska Commission on Postsecondary Education (ACPE) provides staff for the activities of the Alaska Student Loan Corporation (ASLC). A majority of ACPE's 104 member staff are engaged in ASLC programs.

(5) Unaudited.

(6) The Alaska Railroad reports financial data on a calendar year. Assets and book value shown in this table are from audited December 31, 2003, financial statements. The operating budget figure shown here is for CY 2004.

Table 9-4. Public Corporations - Revenue and Net Income
\$ million

	FY 2004 Revenue	FY 2004 Operating Income	FY 2004 Net Income
Alaska Housing Finance Corporation	\$306.0	\$42.5	(\$31.1)
Alaska Industrial Development and Export Authority	\$48.0	\$18.6	\$0.7
Alaska Energy Authority	\$82.9	(\$26.2)	(\$3.4)
Alaska Student Loan Corporation	\$38.6	\$24.8	\$9.0
Alaska Municipal Bond Bank Authority	\$11.6	(\$1.0)	(\$1.7)
Alaska Aerospace Development Corporation	\$10.0	(\$0.7)	(\$0.7)
Alaska Railroad Corporation ⁽¹⁾	\$127.6	\$11.9	\$14.5

(1) The Alaska Railroad reports financial data on a calendar year. CY 2003 covers the second half of FY 2003 and the first half of FY 2004.

Table 9-5. Public Corporations - Dividends to the State
How, if at all, does the corporation pay dividends to the state?

Alaska Housing Finance Corporation

The legislature in 2003 enacted SCSHB 256, adding language to state statute to modify an earlier transfer plan for AHFC to return capital to the state. The modified transfer plan calls for annual transfers as follows: FY 2004, \$103 million; FY 2005, \$103 million; FY 2006, \$103 million; FY 2007, the lesser of 95% net income or \$103 million; FY 2008, the lesser of 85% net income or \$103 million; FY 2009 and thereafter, the lesser of 75% of the corporation's net income or \$103 million.

Alaska Industrial Development and Export Authority

By statute, AIDEA must make available to the state each year not less than 25% and not more than 50% of its total net income for a base year defined as the year two years prior to the dividend year. The dividend is further limited to no more than the total amount of its *unrestricted* net income in the base year (AS 44.88.088).

Alaska Energy Authority

AEA does not pay a dividend or return capital to the state on a regular basis. However, in FY 2000 this corporation returned \$55.6 million of contributed capital to the Railbelt Energy Fund and the General Fund.

Alaska Student Loan Corporation

This corporation, at the discretion of its board of directors, may make available to the state a return of contributed capital or dividend for any base year in which the net income of the corporation is \$2 million or more. A base year is defined as the year two years before the payment year. If the board authorizes a payment, it must be between 10% and 35% of net income for the base year (AS 14.42.295). The corporation may also issue up to \$280 million of bonds to finance state projects identified by law (AS 14.42.220), with the corporation solely responsible for repaying the bonds from its own income and assets.

Alaska Municipal Bond Bank Authority

By statute, the Bond Bank annually returns earnings or income of its reserve fund, in excess of expenses, to the state.

Alaska Aerospace Development Corporation

AADC does not pay a dividend or return capital to the state.

Alaska Railroad Corporation

The corporation does not pay a cash dividend to the General Fund.

Table 9-6. Public Corporations - Operating Expenses and Dividends
\$million

	Operating Expenses Subject to the Executive Budget Act		Dividends and/or Return of Capital	
	Actual FY 2004	Budget FY 2005	Actual FY 2004	Budget FY 2005
Alaska Housing Finance Corporation	\$37.9	\$40.6	\$103.0	\$103.0
Alaska Industrial Development and Export Authority	\$5.7	\$6.8	\$18.2	\$22.0 ⁽¹⁾
Alaska Energy Authority	\$18.7	\$19.8	na	na
Alaska Student Loan Corporation	\$8.9	\$9.7	\$5.0	\$80.6
Alaska Municipal Bond Bank Authority	\$0.7	\$0.7	\$1.6	\$0.8
Alaska Aerospace Development Corporation	\$11.0	\$22.1	na	na
Alaska Railroad Corporation	na	na	na	na

(1) The FY 2005 AIDEA dividend authorized by the board is \$22 million.

University of Alaska

Table 9-7. University of Alaska

\$ million				
Lands and Facilities June 30, 2004	Total Assets June 30, 2004	Unrestricted Net Assets	FY 2005 Operating Budget	FY 2005 Total Positions ⁽²⁾
\$760.8 ⁽¹⁾	\$1,053.4	\$54.5	\$667.3	4,045

(1) Includes depreciation of \$493.4 million.

(2) Permanent Full Time (PFT), Permanent Part Time (PPT) and Temporary (TMP) are included in total positions.

10. Rosetta Stone

Introduction

The Department of Revenue's Revenue Sources Book, the Legislative Finance Division's Summary of Appropriations, and the Department of Administration Division of Finance's Comprehensive Annual Financial Report (CAFR) all present detailed information about where the state gets its money for budgeted day-to-day operations.

Although these three documents concern the same subject matter, they serve very different purposes. This Revenue Sources Book covers the first step in the process, estimating available general purpose or unrestricted revenue for appropriation the next fiscal year. It is published each fall, just before the legislative session, about seven months before the beginning of the fiscal year for which it is forecasting revenue. While our main focus in preparing this book is forecasting the state's unrestricted revenue, we also look at many sources of restricted revenues as well.

At the far end of the spectrum from this forecast is the CAFR. The CAFR reports what actually happened to state dollars during the prior fiscal year. It is published in December, about six months after the end of the fiscal year — about two years after publication of the Revenue Sources Book that had estimated available revenue for that year. In December 2004, a CAFR covering FY 2004 will be published. In April 2005, we will publish a comparison between the 2004 CAFR and the 2004 numbers in our spring forecast.

In between publication of our forecast and the CAFR, thousands of events occur and many different "snapshots" of the state's finances are taken. The Summary of Appropriations is one such snapshot, recording how much money the legislature and governor authorized in the legislative session then just ended. The Summary of Appropriations is published in July, right at the start of the fiscal year. The Summary of Appropriations for FY 2005 was published in July 2004.

Even though these three books concern the same subject matter, they present it differently. The purpose of this appendix is to reconcile these three documents. Going from one document to the other can be very difficult because each uses a different system to classify various kinds of state money, so a sum of money in one report may be broken up into many different pieces in a different report, or vice versa. In addition, some of the critical terms used in the classification are defined very differently among the books.

Defining "Fund"

Alaska's public finances are generally described under one of two different systems: accounting funds or budget funds. Many accounting funds have a corresponding budget fund. For other funds, a single budget fund can incorporate several entire accounting funds or parts of various accounting funds, and the reverse is true as well. Some budget funds have no corresponding accounting fund. As will be set forth below, a major difference between the two systems of funds is how each defines general fund.

Fewer than 100 of the approximately 181 budget funds are active ⁽¹⁾, and some of these are used to designate duplicate receipts. When a budget writer says money is coming from a particular fund, the writer identifies a source that may include money already set aside under that fund code or a revenue stream earmarked for that fund code. Of those funds, 72 show up in the FY 2005 Summary of Appropriations as "other revenues" and can be found in Tables 10-3 through 10-5.

Accounting funds are funds established under general accepted accounting principles as codified by the Governmental Accounting Standards Board (GASB).⁽²⁾ These rules apply to all the states, counties, cities and other public jurisdictions across the country. They are meant to increase the transparency of public finances and the accountability of public officials. Accountants track revenue into specific GASB-defined funds. However, when an accountant says money is coming from a particular fund, the accountant is identifying a source that may include money on hand and already set aside under that fund code or from a stream of revenues earmarked for that fund code.

(1) The list of fund codes can be found in several places, including "The Swiss Army Knife of Budget Handbook," <http://www.legfin.state.ak.us/>, with more recent additions found only in the budget itself.

(2) GASB is a sister organization to the more well known FASB or Financial Accounting Standards Board. GASB sets out generally accepted accounting principles (GAAP) for governmental entities; FASB sets out GAAP for private businesses. Both are under the auspices of the Financial Accounting Foundation.

Defining "General Fund"

The General Fund is the general operating fund of the state. All public money coming into the state treasury that is not authorized or required by law to be placed in a special fund constitutes the General Fund. As noted above, the accounting General Fund and the budgeting general fund are not the same. For example, the FY 2004 budget, passed in the spring of 2003, was predicated on \$1.8 billion in general fund revenue. The draft CAFR for FY 2004 shows General Fund revenue of \$4.7 billion for the period. Did \$2.9 billion go missing? No, the difference is because accountants and budget writers use the term "general fund" differently.

The accountants' General Fund starts with everything in the budget writers' general fund, which represents the core government dollars that are designated as unrestricted in this Revenue Sources Book. The accountants' General Fund, however, also includes the following:

- Subaccounts or subfunds of the General Fund. A budget writer will consider a General Fund subfund as a separate fund, and will discuss moving money from the general fund to the subfund. But such a transfer would not show up in the accountants' final report, because to the accountants it had no effect on the General Fund. For example, in conformance with GASB 34 standards, the Constitutional Budget Reserve is considered a subfund of the General Fund.
- Federal dollars that are spent in general fund programs. No accounting funds are defined by the fact that they have only federal dollars. On the other hand, six specific budget codes refer to different kinds of federal funds.

To distinguish between these two concepts in this document we will capitalize the accountants' General Fund and keep the budget writers' general fund in lowercase.

Reconciling This Revenue Sources Book with the State's Comprehensive Annual Financial Report

Budgeting is a dynamic process and there are many different budget documents available. This section compares the Fall 2004 Revenue Sources Book with one of the most accessible of these many budget documents, the Summary of Appropriations published by the Legislative Finance Agency every year. We have chosen the hard print version of the Summary of Appropriations for FY 2005, issued in the summer of 2004 just after the legislature passed the FY 2005 budget. For FY 2005, there will be many minor differences between the Revenue Sources Book and the Summary of Appropriations that simply reflect the difference between the budget document that was looking forward in July 2004 and the forecast that is looking backward from the vantage of November 2004 five months through FY 2005.

Page 1 of the Summary of Appropriations, reproduced on the next page, presents a total budget picture for FY 2005, with each item "boxed" on the reproduction.

Table 10-1. Total Budget
\$ million

FY 2005	
General Fund Revenue	1,971.9
Federal Revenue	3,011.5
Other Revenue	1,139.8
"Total Revenue"	6,123.2
Draw from CBRF	360.7
Permanent Fund Dividends	512.0
and Inflation Proofing	619.0
Total	7,615.0

Summary of Appropriations - 2004 Legislative Session - FY 2005 - FY 04/FY 05 Fiscal Summary
(\$ millions)

REVENUE (Excludes Permanent Fund Revenues)	FY04 Authorized			FY05 Enacted			GF Change
	GF	Federal	Other	GF	Federal	Other	
Unrestricted General Fund Revenue (1)	2,331.6			1,961.1			(370.5)
New Revenues (2)				10.8			
Bond Proceeds (3)						120.9	
Corporate Dividends (4)			123.5			130.6	90.6
Retained Corporate Dividends (4)			(53.0)			(53.9)	(53.9)
Federal and Other Funds		2,759.6	1,072.4		3,011.5	943.1	3,054.0
Total Revenue	2,331.6	2,759.6	1,142.9	1,971.9	3,011.5	1,139.8	(399.7)
APPROPRIATIONS							
Operating	2,233.1	1,633.5	977.9	2,323.8	1,544.3	986.3	90.8
Agency Operations (Non-Formula)	1,085.8	721.5	1,260.8	1,104.9	732.8	1,280.0	16.1
Formula Programs	1,060.5	730.4	140.5	1,150.4	772.3	134.0	89.9
Debt Service & Fund Capitalization	53.7	47.8	231.8	54.4	91.2	280.9	176.6
Revised Program Legislation (RPLs)		75.5	1.8				
Supplemental Appropriations	32.1	58.2	12.8	12.5			12.5
New Legislation				1.7		17.3	19.3
Duplicated Authorization (\$)			(609.6)			(725.9)	(725.9)
Capital	86.0	1,126.1	185.0	8.8	1,446.5	183.5	(77.2)
Project Appropriations	54.6	569.3	159.9	8.8	1,446.5	105.5	1,559.8
Bond Specific Projects			52.4			95.2	95.2
Revised Program Legislation (RPLs)		61.1	0.0				
Supplemental Appropriations	1.5	55.7	6.7				
Duplicated Authorization (\$)			(133.0)			(47.2)	(47.2)
Total Authorization (unduplicated)	2,319.1	2,769.6	1,142.9	2,332.7	3,011.5	1,139.8	13.6
Draw From CBR or (GF Lapse)	(12.5)			360.7			373.3
Permanent Fund Dividends			508.0			512.0	12.0
Permanent Fund Inflation Proofing & Other Transfers (6)		2.4	170.0			619.0	619.0
TOTAL WITH PERMANENT FUND	2,319.1	2,761.9	1,880.9	2,332.7	3,011.5	2,270.8	13.6

Draws from the Constitutional Budget Reserve Fund (CBRF) and appropriations for Permanent Fund dividends and inflation proofing described in the Summary of Appropriations are draws on pools of dollars already in place. If all the other revenues are spent dollar for dollar, then these appropriations are needed to get a picture of the complete budget. In the pertinent restricted revenue sections, the Revenue Sources Book describes the revenues that go into these funds. The Summary of Appropriations describes the money that is taken from these funds. The Revenue Sources Book includes an extensive discussion of both the PF and the CBRF in Section 7. Of course, when we project future balances for those funds we include both the revenue coming into and the dollars taken out of each.

Comparison of Revenue

In the next table there are four areas in these two reports that have close enough ties to be compared.

- What the Revenue Sources Book labels as Unrestricted General Purpose Revenue ties to what the Summary of Appropriations labels General Fund Revenue.
- What the Revenue Sources Book characterizes as Restricted Federal Revenues ties to federal revenue in the Summary of Appropriations.
- Finally, what the Summary of Appropriations characterizes as Other Revenue can be divided into three parts. The first, roughly half, covers items that do line up with what the Revenue Sources Book characterizes as Other Revenues (Except Federal & Investment). The second, again roughly half, does not. It generally represents draws from existing sources of money and not actual new revenues.
- The third piece, which represents a couple of percent of the Summary of Appropriation's Other Revenue, contains two items that line up with the Revenue Sources Book as investment revenue.

Restricted Oil Revenue and the remaining Restricted Investment Revenue found in the Revenue Sources Book — which flow primarily into the CBRF and PF — have no counterpart in the Summary of Appropriations.

Table 10-2. Comparison of FY 2005 Revenue Shown in Revenue Sources Book (RSB) and Summary of Appropriations

Revenue Sources Book, Table 10-2		Fiscal Summary, Table 10-1	
Description	\$ million	\$ million	Description
Unrestricted Revenue			
Oil	2,668.6		
Other (Excluding Federal & Investment)	298.9		
Investment	18.0		
Subtotal Unrestricted Revenue	2,985.5	1,971.9	General Fund Revenue
Restricted Revenue			
Oil Revenue	518.1		Nothing Comparable in Budget
Federal Revenue	3,019.3	3,011.5	Federal Revenue
Nothing Comparable in Revenue Sources Book		583.8	Items not in Revenue Sources Book (Table 10-3)
Other Revenue (excluding Fed & Investment)	580.2	543.5	Non-Oil Items in Forecast (Table 10-4)
Investment Revenue			
Found in Summary of Appropriations	19.7	12.5	Investment Items in Revenue Sources Book (Table 10-5)
		1,139.8	Subtotal Other Revenue
Not Found in Summary of Appropriations	2,188.2		Nothing Comparable in Budget
Subtotal Investment Revenue	2,207.9		
Subtotal Restricted Revenue	6,325.5		
Total Revenue in Revenue Sources Book	9,311.0	6,123.2	Revenue in Summary of Appropriations

General Fund Revenue

Conceptually, the \$1,971.9 million in revenue listed in the Summary of Appropriations corresponds to the \$2,985.5 million in Unrestricted General Purpose Revenue shown in the Revenue Sources Book.⁽¹⁾ Practically, in the Summary of Appropriations, general fund revenues are based on last year's spring 2004 forecast, issued in April 2004. This year's fall 2004 forecast is written in November, with one-third of FY 2005 behind us, and it looks like our unrestricted revenues will be \$2,985.5 million or 51% higher than originally forecast. Why? There are several reasons, but most of that astonishingly large difference can be traced to the high price of Alaska North Slope crude. This year prices have averaged much higher than anything seen in a generation. In April 2004, we estimated an average price for a barrel of ANS for FY 2005 at \$28.30. Now, almost one-half of the way through the fiscal year, we have revised this estimate up to \$43.61, or about \$15.31 higher, which will result in both higher oil royalty and production tax collections. Offsetting that to a small degree is below-forecast production. In the spring we projected production of 0.980 million barrels a day. We are now projecting about 46,000 barrels a day less, or 0.934 million barrels a day. In the special session, held after we issued the spring revenue forecast, the legislature passed Governor Murkowski's cigarette tax increase, which generates increased general fund revenue. In addition to several other minor adjustments in the non-oil and investment areas of the forecast, income tax collections from the oil and gas industry — driven by the high price of energy — appear to be about \$202 million more than anticipated. When added to other higher oil revenues, we see a total increase of \$1,013.6 million in Unrestricted General Purpose Revenue. As a consequence of this oil price increase, we forecast that instead of an annual draw from the CBRF to fund deficit spending, there will be a revenue surplus in FY05. That surplus cannot be calculated exactly until both supplemental FY 2005 spending in the 2005 legislature and the price of oil over the next six months are known.

(1) We call this category unrestricted revenue rather than general fund revenue because, while all the dollars here are general fund revenues, at least according to the accounting definition of General Fund, there are lots of General Fund revenues that are not included here.

Federal Revenue

The \$3,011.5 million in federal revenue listed in the Summary of Appropriations corresponds to the \$3,019.3 in the Revenue Sources Book. This number is developed by the Office of Management and the Budget (OMB), which asks each agency how much federal money it expects to receive and spend over the fiscal year. Our updated figure simply represents the better information we now have five months into the fiscal year.

Other Revenue

Although characterized as revenue in the Summary of Appropriations, a significant portion of the \$1,139.8 million⁽¹⁾ in this category appears not to be revenue as the Revenue Sources Book uses the term. Rather, as was explained earlier for the PF and CBRF, the figure in the Summary of Appropriations is the amount that will be used by state government for various purposes. It might represent a draw from an existing pool of money or current revenues or, more typically, a combination of the two. There does not appear to be any budget document that sets forth how much money is available in the various budget funds, nor a reconciliation of how well those figures will line up with actual cash on hand.⁽²⁾

Where those sources exist as investable dollars there is frequently actual revenue, which we will include in our investment numbers, but the draw rarely matches the forecast return. The budget draw is either larger than the investment return, implying that the source is being used up, or the budget draw is smaller than the investment return, implying that the source is being built up. In general, the budget draws are larger. Most of these investment revenues are discussed in Section 7.

Table 10-3 sets forth the items that are shown as sources of money for the budget in the Summary of Appropriations, but are not revenues or listed in the Revenue Sources Book. They are subcategorized into several types of sources in the discussion that follows.

Retirement-Related Trust Funds

The Alaska State Pension Investment Board manages public employee retirement funds. The Department of Revenue Treasury Division serves as staff to the Pension Board. The Revenue Sources Book does not show the dollars transferred between the retirement funds and the department to pay for the staff while the Summary of Appropriations does. Other trust funds hold money for current state employee benefits.

Mental Health Trust Fund

This fund was established in 1994 to settle a dispute concerning land that was set aside in a trust to support mental health services in Alaska. When the trust makes grants to state agencies to carry out the mission of the trust, these grants pass through the Mental Health Trust Authority Authorized Receipts Fund that is shown as their source for the budget. The cost of administering the trust is subject to the Executive Budget Act and funding for this expenditure is received in the Mental Health Administration Fund.

Permanent Fund

These are additional draws from the earnings of the Permanent Fund and CBRF to cover expenses related to operating these funds and issuing the Permanent Fund dividend. Actual revenue earned by the fund is included in both the Revenue Sources Book and the CAFR.

(1) The specific figures are derived from the Summary of Appropriation documents by first taking the detailed Summary of Appropriations found at Pages 15-21 for the operating budget and netting out duplicated fund sources found on Page 7, adding in the capital non-duplicated fund sources found on Page 11 and \$12.5 million in anticipated supplemental funding. The result (\$7,615 million) precisely matches total revenues plus anticipated CBRF draw as found in the fiscal summary. OMB budget codes designate each item as federal, general fund or other, so the sources can be divided between these three categories. To make our tables consistent with the total revenue line, we have excluded \$1,131 million in Permanent Fund earnings included in the operating budget summary for the first time.

(2) The CAFR does track cash on hand and investments in the General Fund.

Component Revenue Sources and State Enterprises

We have separated out those revenues of component organizations such as the University of Alaska that the legislature appropriates back to the organizations to carry out their missions. Their day-to-day expenditures are subject to the Executive Budget Act. The dollars being so appropriated show up in the budget documents. The gross revenue of these organizations can be found in Section 9 of this book. This category includes funds for the international airports and other state-operated enterprises

Revolving Loan Funds

These revenues represent the annual payments of interest and principle on the outstanding loans in each fund's portfolio. Even though the interest portion of those repayments represents revenue to the state, it is not included in our Revenue Sources Book.

Bond Proceeds

This money is in the budget because it is available for appropriation to spend on designated projects, but the money has only been borrowed through bond sales and must be paid back with interest. It is not revenue in any accounting sense of the word. In the private sector we have seen firms accused of criminal activity when they tried to pass off as actual revenues similarly borrowed money that had to be repaid.

**Table 10-3. Items in FY 2005 Summary of Appropriations Not in Revenue Sources Book
\$ million**

OMB Fund Number	OMB Fund Name	Summary of Appropriations Other Revenue from Table 10-2 not in Revenue Sources Book
Retirement-Related Trust Fund Sources		
1017	Benefit Systems Receipts	17.5
1023	FICA Administration Fund	0.2
1029	Public Employees Retirement Fund	25.2
1034	Teachers Retirement System Fund	12.3
1042	Judicial Retirement System	0.3
1053	Investment Loss Trust	0.1
1045	National Guard Retirement System	<u>0.3</u>
Subtotal		55.8
Mental Health Trust Fund Sources		
1092	Mental Health Trust Administration	12.9
1094	Mental Health Trust Authority Authorized Receipts	<u>1.3</u>
Subtotal		14.1
Permanent Fund and CBR		
1001	CBR	0.1
1179	Permanent Fund Corporation	2.0
1105	General Fund Program Receipts	<u>55.2</u>
Subtotal		57.4
Revolving Loan Funds		
1021	Agricultural Loan Fund	3.4
1036	Commercial Fishing Loan Fund	5.2
1046	Student Revolving Loan Fund	0.0
1062	Power Project Loan Fund	1.0
1074	Bulk Fuel Revenue Loan	<u>0.1</u>
Subtotal		9.6

(continued on next page)

Table 10-3. Items in FY 2005 Summary of Appropriations Not in Revenue Sources Book, continued
\$ million

OMB Fund Number	OMB Fund Name	Summary of Appropriations Other Revenue from Table 10-2 not in Revenue Sources Book
Component Revenue Sources and State Enterprises		
1027	International Airports Revenue Fund	85.5
1048	University Of Alaska Interest Restricted Receipts	260.6
1101	Alaska Aerospace Development Corporation Receipts	20.9
1106	Alaska Postsecondary Education Commission Receipts	<u>9.6</u>
Subtotal		376.5
Bond Proceeds		
1113	AHFC	45.0
1144	Clean Water Fund	<u>1.6</u>
Subtotal		46.6
Other Fund Sources not in Revenue Sources Book		
1040	Real Estate Surety	0.3
1059	Correctional Industry	3.1
1142	Retiree Health Insurance Management	0.1
1143	Retiree Health Insurance	0.1
1152	Alaska Fire Standards Council Receipts	0.2
1154	Shore Fisheries Development Lease	0.3
1164	Rural Economic Development Initiative	0.0
1166	Vessel Environmental Compliance Fund	0.7
1169	Power Cost Equalization Endowment	11.4
1173	Miscellaneous Earnings	7.5
1181	Veterans Endowment	0.0
1192	Mine Trust	<u>0.0</u>
Subtotal		23.7
Total		<u><u>583.8</u></u>

Other Fund Sources not in Revenue Sources Book

These remaining sources, many of which are quite small, represent many different things.

Table 10-4 are those items that line up fairly closely and are categorized as "other revenues" in both the restricted section of the Revenue Sources book and the Summary of Appropriations. They are divided into the same categories as Section 5, where a more complete discussion of each topic can be found.

Fines and Forfeitures

The state of Alaska was a participant in the so-called nationwide Master Settlement Agreement (MSA), in which the major cigarette manufacturers agreed to reimburse the state for the costs it will incur to treat its population made sick from smoking tobacco products. Through the legislatively created Northern Tobacco Securitization Corporation (NTSC), the state sold much of the stream of MSA payments up front for cash by issuing bonds backed by future settlement payments. Part of the money from the MSA also is set aside for tobacco-use related education, and that is found in both the Summary of Appropriations and the Revenue Sources Book. In the Revenue Sources Book we include estimated future settlement payments to the state that the NTSC will use to pay off the bonds. This latter stream of money is not shown in the Summary of Appropriations.

Licenses and Permits

This category lines up very closely between the two sources (see Revenue Sources Book, Page 44.)

Taxes

A portion of the state tax on cigarettes is dedicated to the Public School Fund. A portion of the insurance premium tax is earmarked for the Workers Safety and Compensation Fund. A portion of the alcohol tax is earmarked for the Alcohol and Drug Prevention and Treatment program. All of these are shown in both the Summary of Appropriations and the Revenue Sources Book (Pages 38-41). To help the reader tie these to the rest of the Revenue Sources Book, the tax dollars shared with the municipalities and various fishery industry promotion groups are shown here to tie to restricted total taxes in the Revenue Sources Book of \$25.7 million.

Charges for Services

The Revenue Sources Book (Pages 42 and 43) and the Summary of Appropriations draw on the same sources for most of these figures. They line up well, except for the category labeled the Alaska Marine Highway.

Rents and Royalties

This material lines up closely with Revenue Sources Book, Page 45.

**Table 10-4. Items in FY 2005 Summary of Appropriations Shown in Non-Oil Revenue in Sources Book
\$ million**

		Summary of Appropriations	Revenue Sources Book
		Comparable Other Revenue	Other Revenue
		from Table 10-2 in	(excluding Federal & Investment)
OMB Fund Number	OMB Fund Name	Revenue Sources Book	
Fines & Forfeitures			
1049	Training and Building	0.7	0.6
1168	Tobacco Use Education	4.7	4.2
	Other	0.0	4.8
	Northern Tobacco Securitization Corp Payments	<u>0.0</u>	<u>16.9</u>
Total Fines & Forfeitures		5.4	26.5
Licenses & Permits			
1024	Fish and Game Fund	26.0	23.2
1032	Fisherman's Fund	1.3	0.0
1093	Clean Air Protection	<u>3.9</u>	<u>5.5</u>
Total Licenses & Permits		31.2	28.7
Taxes			
1030	School Fund (Cigarette Tax)	30.2	29.4
1157	Workers' Safety and Compensation	4.5	6.3
1168	Tobacco Use Education	0.0	0.8
1180	Alcohol & Drug Prevention and Treatment Fund	<u>17.2</u>	<u>15.9</u>
Subtotal Earmarked Taxes		51.9	52.4
NB: Taxes shared with local municipalities			<u>25.7</u>
Total Taxes		51.9	78.1

(continued on next page)

Table 10-4. Items in FY 2005 Summary of Appropriations Shown in Non-Oil Revenue in Sources Book, continued
\$ million

OMB Fund Number	OMB Fund Name	Summary of Appropriations	
		Comparable Other Revenue from Table 10-2 in Revenue Sources Book	Revenue Sources Book Other Revenue (excluding Federal & Investment)
Charges for Services			
1076	Alaska Marine Highway System Fund	55.6	47.0
1108	Statutorily Designated Program Receipts	89.0	90.0
1156	Receipt-Supported Services	84.1	84.3
General Government			
1170	Small Business Economic Development Relief Fund	0.0	0.2
1172	Building Safety	1.7	1.4
	Other General Government	<u>0.0</u>	<u>0.6</u>
	Subtotal	1.7	2.2
1070	Fisheries Enhancement	0.5	0.0
1109	Test Fisheries Receipts	2.5	2.5
1117	Vocational Rehabilitation Small Business Enterprise	0.8	0.0
1141	Regulatory Commission of Alaska Receipts	7.8	7.8
1155	Timber Sales Receipts	0.7	0.7
1162	Alaska Oil & Gas Conservation Commission Rcpts	4.0	4.0
1175	Business License Receipts	5.7	5.7
	Miscellaneous	<u>0.0</u>	<u>0.7</u>
	Subtotal	21.3	20.7
Total Charges for Services		252.5	244.9
Rents and Royalties			
1153	Land Disposal Inc. Fund	<u>7.3</u>	<u>5.1</u>
Total Rents and Royalties		7.3	5.1
Other Public Corporations Dividends			
1104	Alaska Municipal Bond Bank	1.5	1.5
1107	Alaska Energy Authority	1.1	1.1
1139 & 1103	AHFC	66.2	66.2
1140 & 1102	AIDEA Dividend	26.3	26.3
1150	Alaska Student Loan Corporation	<u>80.6</u>	<u>80.6</u>
	Subtotal	175.7	175.7
Miscellaneous - Premiums and Contributions			
1018	Exxon Valdez Oil Spill Settlement	5.0	3.7
1031	Second Injury Fund	4.0	4.2
1054	State Employment and Training Program	5.6	4.9
1111	Fishermans' Fund Income	0.1	0.0
1151	Technical and Vocational Education Fund	4.7	4.9
	Miscellaneous	<u>0.0</u>	<u>3.5</u>
	Subtotal	19.5	21.2
Total Other		195.2	196.9
Total Comparable Other Revenue from Table 10-2		<u>543.5</u>	<u>580.2</u>

Other — Dividends from Public Corporations

How these dividends are passed on to general government is complex. For example the Alaska Housing Finance Corporation dividend can be broken into several pieces: capital project dollars spent directly by AHFC, dollars appropriated for debt retirement and dollars used to pay off AHFC bonds. However, only the first two uses are specifically identified in the Summary of Appropriations because the repayment of bonds is not part of AHFC's specific, line-item appropriation. See Section 9 of the Revenue Sources Book for the actual revenues earned by each of these corporations.

Other — Contributions and Other Miscellaneous

This shows contributions and other miscellaneous revenue found in Table 5-7 on Page 46. Much of this money is characterized as premiums or contributions.

Table 10-5 breaks out two items in Other Treasury Managed Funds in the investment revenues section of the Revenue Sources book that are directly comparable with the Summary of Appropriations. As shown in Section 7 of this book, these, and many other state funds calculate their earnings available for distribution differently than how GASB calculates earnings. For these two funds, the distributable income is a fixed percentage of the market value of the fund, whether that value is shrinking or growing. Thus, for example, the Pubic School Trust had \$10.4 million in distributable income, which represents 7% of the fund market value over the previous 36 months. But the fund actually gained \$19.0 million in value. Table 10-5 sets forth both the revenues and the dollars available for distribution. As might be expected, the distributable funds line up more closely with the Summary of Appropriations numbers than the actual revenues.

Table 10-5. FY 2005 Summary of Appropriations

**Items Shown in Investment Revenue in Revenue Sources Book
\$ million**

OMB Fund Number	OMB Fund Name	Summary of Appropriations Comparable Other Revenue from Table 10-2	Revenue Sources Book Comparable Investment Revenue from Table 10-2	Distributable Income from Investment Section
1098	Childrens Trust Fund Earnings	0.4	0.7	0.4
1066	Public School Trust Fund	<u>12.1</u>	<u>19.0</u>	<u>10.4</u>
	Total	12.5	19.7	10.8

11. Appendices

General Fund Unrestricted Revenue Sensitivity Matrices \$million

FY 2005

	Million barrels/day		
	0.90	0.95	1.00
\$/barrel			
25.00	1,890	1,940	1,980
26.00	1,950	2,000	2,040
27.00	2,000	2,050	2,100
28.00	2,060	2,110	2,170
29.00	2,110	2,170	2,230
30.00	2,160	2,230	2,290
31.00	2,220	2,280	2,350
32.00	2,270	2,340	2,410
33.00	2,320	2,400	2,480
34.00	2,380	2,460	2,540
35.00	2,430	2,520	2,600
36.00	2,490	2,570	2,660
37.00	2,540	2,630	2,720
38.00	2,590	2,690	2,780
39.00	2,650	2,750	2,850
40.00	2,700	2,800	2,910
41.00	2,760	2,860	2,970
42.00	2,810	2,920	3,030
43.00	2,860	2,980	3,090
44.00	2,920	3,040	3,150
45.00	2,970	3,090	3,220
46.00	3,030	3,150	3,280
47.00	3,080	3,210	3,340
48.00	3,130	3,270	3,400
49.00	3,190	3,330	3,460
50.00	3,240	3,380	3,520

FY 2006

	Million barrels/day		
	0.90	0.95	1.00
\$/barrel			
25.00	1,760	1,820	1,870
26.00	1,810	1,870	1,930
27.00	1,860	1,930	1,990
28.00	1,910	1,980	2,040
29.00	1,970	2,030	2,100
30.00	2,020	2,090	2,160
31.00	2,070	2,140	2,220
32.00	2,120	2,200	2,270
33.00	2,170	2,250	2,330
34.00	2,220	2,300	2,390
35.00	2,270	2,360	2,440
36.00	2,320	2,410	2,500
37.00	2,370	2,470	2,560
38.00	2,430	2,520	2,610
39.00	2,480	2,570	2,670
40.00	2,530	2,630	2,730
41.00	2,580	2,680	2,780
42.00	2,630	2,740	2,840
43.00	2,680	2,790	2,900
44.00	2,730	2,840	2,950
45.00	2,780	2,900	3,010
46.00	2,830	2,950	3,070
47.00	2,890	3,000	3,120
48.00	2,940	3,060	3,180
49.00	2,990	3,110	3,240
50.00	3,040	3,170	3,290

FY 2007

	Million barrels/day		
	0.90	0.95	1.00
\$/barrel			
25.00	1,640	1,700	1,750
26.00	1,690	1,750	1,810
27.00	1,740	1,800	1,860
28.00	1,790	1,850	1,920
29.00	1,840	1,910	1,970
30.00	1,890	1,960	2,030
31.00	1,940	2,010	2,080
32.00	1,990	2,060	2,140
33.00	2,040	2,120	2,190
34.00	2,090	2,170	2,250
35.00	2,140	2,220	2,300
36.00	2,190	2,270	2,360
37.00	2,240	2,330	2,410
38.00	2,290	2,380	2,470
39.00	2,340	2,430	2,520
40.00	2,390	2,480	2,580
41.00	2,440	2,530	2,630
42.00	2,490	2,590	2,690
43.00	2,540	2,640	2,740
44.00	2,580	2,690	2,800
45.00	2,630	2,740	2,850
46.00	2,680	2,800	2,910
47.00	2,730	2,850	2,960
48.00	2,780	2,900	3,020
49.00	2,830	2,950	3,070
50.00	2,880	3,010	3,130

Unrestricted Petroleum Production Tax and Royalty Revenue Forecast
\$ million

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<u>Alaska North Slope</u>											
Oil Royalty - net (1)	1,342.8	994.9	859.3	671.3	632.1	628.4	631.9	610.3	569.7	546.9	512.8
Oil Production Tax (2)	796.8	538.2	431.8	369.1	334.2	313.9	321.7	281.7	247.9	215.3	185.4
Hazardous Release Fund	8.7	8.6	8.6	8.8	8.3	8.7	9.1	8.9	8.5	8.2	7.9
Gas Royalty - net (1)	2.8	1.6	1.4	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Gas Production Tax	<u>2.5</u>	<u>2.2</u>	<u>1.9</u>	<u>1.4</u>	<u>1.4</u>	<u>1.4</u>	<u>1.3</u>	<u>1.3</u>	<u>1.3</u>	<u>1.3</u>	<u>1.2</u>
Subtotal	2,153.6	1,545.5	1,303.0	1,051.7	977.2	953.5	965.1	903.4	828.5	772.8	708.5
<u>Cook Inlet</u>											
Oil Royalty - net (1)	32.7	21.0	17.4	13.3	12.6	12.0	11.5	11.1	10.7	10.3	10.0
Oil Production Tax (2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hazardous Release Fund	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Gas Royalty - net (1)	26.3	26.5	27.4	28.2	29.2	30.1	31.1	32.1	33.2	34.3	35.4
Gas Production Tax	<u>20.1</u>	<u>19.7</u>	<u>20.3</u>	<u>20.9</u>	<u>21.6</u>	<u>22.3</u>	<u>23.0</u>	<u>23.7</u>	<u>24.5</u>	<u>25.3</u>	<u>26.1</u>
Subtotal	79.3	67.4	65.3	62.7	63.6	64.6	65.8	67.1	68.5	70.0	71.7
TOTAL PRODUCTION TAX and ROYALTY REVENUE	2,232.9	1,612.9	1,368.3	1,114.4	1,040.7	1,018.1	1,030.9	970.5	897.1	842.9	780.1
Bonuses	14.5	17.8	26.3	16.5	14.7	14.5	14.7	14.7	14.7	14.7	14.7
TOTAL PRODUCTION TAX + ROYALTIES + BONUSES	2,247.4	1,630.7	1,394.6	1,130.9	1,055.4	1,032.6	1,045.6	985.2	911.8	857.6	794.9

(1) Unrestricted oil and gas royalty revenue is net of Permanent Fund and Public School Fund contributions. Includes interest paid on royalties.
(2) Includes Exploration Credit.

Historical and Projected Crude Oil Prices
\$million

Fiscal Year	WTI		ANS West Coast		ANS Wellhead	
	nominal	real 2005	nominal	real 2005	nominal	real 2005
1990	20.06	30.66	17.22	26.32	11.90	18.18
1991	24.95	36.44	21.57	31.50	15.38	22.46
1992	20.69	28.86	16.64	23.21	11.21	15.64
1993	20.69	27.99	17.83	24.13	12.81	17.33
1994	16.69	21.93	14.05	18.46	9.57	12.57
1995	18.54	23.76	16.77	21.50	11.51	14.75
1996	19.20	23.88	17.74	22.07	12.60	15.67
1997	22.54	27.29	20.90	25.30	16.40	19.85
1998	18.03	21.34	15.86	18.77	11.91	14.09
1999	14.09	16.40	12.73	14.82	8.47	9.86
2000	24.82	28.33	23.27	26.56	18.82	21.48
2001	30.41	33.46	27.85	30.64	22.24	24.47
2002	23.80	25.36	21.78	23.21	16.80	17.90
2003	29.47	31.08	28.15	29.68	23.27	24.54
2004	33.10	34.18	31.74	32.78	26.78	27.65
2005	46.30	46.30	43.61	43.61	38.83	38.83
2006	36.60	35.67	34.50	33.63	29.46	28.72
2007	32.95	31.30	30.95	29.40	25.79	24.50
2008	27.50	25.46	25.50	23.61	20.26	18.76
2009	27.50	24.82	25.50	23.01	20.16	18.19
2010	27.50	24.19	25.50	22.43	20.10	17.68
2011	27.50	23.57	25.50	21.86	20.00	17.15
2012	27.50	22.98	25.50	21.31	20.00	16.71
2013	27.50	22.40	25.50	20.77	19.81	16.13
2014	27.50	21.83	25.50	20.24	19.62	15.58
2015	27.50	21.27	25.50	19.73	19.43	15.03

Historical and Projected Crude Oil Production million barrels per day

FY	(1) Prudhoe Bay	(2) PBU- Satellite	(3) Kuparuk Satellite	(4) Milne Point	(5) Endicott	(6) GPMA	Alpine	Nanuk	Northstar	Fiord	Point Thomson	NPRA	Liberty	(7) Known Onshore	(8) Known Offshore	Total ANS
1985	1.534	.	0.161	.	.	.	.	.	.	.	.	.	.	.	.	1.694
1986	1.555	.	0.238	.	0.009	.	.	.	.	.	.	.	.	.	.	1.802
1987	1.564	.	0.272	.	0.006	0.018	.	.	.	.	.	.	.	.	.	1.859
1988	1.605	.	0.287	.	0.000	0.069	0.044	.	.	.	.	.	.	.	.	2.006
1989	1.524	.	0.300	.	0.002	0.098	0.038	.	.	.	.	.	.	.	.	1.962
1990	1.396	.	0.300	.	0.011	0.103	0.037	.	.	.	.	.	.	.	.	1.846
1991	1.330	.	0.299	.	0.018	0.108	0.039	.	.	.	.	.	.	.	.	1.794
1992	1.300	.	0.316	.	0.020	0.111	0.037	.	.	.	.	.	.	.	.	1.783
1993	1.193	.	0.322	.	0.018	0.115	0.031	.	.	.	.	.	.	.	.	1.679
1994	1.082	.	0.308	.	0.018	0.099	0.085	.	.	.	.	.	.	.	.	1.593
1995	0.991	.	0.303	.	0.021	0.099	0.159	.	.	.	.	.	.	.	.	1.572
1996	0.891	.	0.283	.	0.022	0.089	0.189	.	.	.	.	.	.	.	.	1.474
1997	0.809	.	0.267	.	0.052	0.068	0.208	.	.	.	.	.	.	.	.	1.404
1998	0.713	.	0.260	0.001	0.053	0.058	0.190	.	.	.	.	.	.	.	.	1.275
1999	0.636	0.003	0.241	0.025	0.055	0.048	0.156	.	.	.	.	.	.	.	.	1.164
2000	0.570	0.004	0.212	0.037	0.053	0.044	0.115	.	.	.	.	.	.	.	.	1.035
2001	0.540	0.007	0.197	0.031	0.052	0.037	0.089	0.038	0.000	.	.	.	.	.	.	0.991
2002	0.487	0.026	0.176	0.039	0.052	0.033	0.075	0.096	0.000	0.019	.	.	.	.	.	1.004
2003	0.433	0.045	0.160	0.052	0.051	0.029	0.065	0.098	0.000	0.057	.	.	.	.	.	0.991
2004	0.419	0.052	0.155	0.049	0.051	0.029	0.061	0.099	0.000	0.066	.	.	.	.	.	0.980
2005	0.383	0.051	0.144	0.055	0.052	0.022	0.058	0.102	0.000	0.066	0.000	0.000	0.000	0.000	0.000	0.934
2006	0.368	0.061	0.141	0.066	0.051	0.024	0.056	0.112	0.000	0.053	0.000	0.000	0.000	0.000	0.000	0.932
2007	0.355	0.072	0.132	0.083	0.054	0.022	0.051	0.106	0.007	0.042	0.010	0.000	0.000	0.000	0.000	0.935
2008	0.341	0.078	0.125	0.099	0.055	0.020	0.046	0.103	0.014	0.034	0.020	0.000	0.000	0.000	0.010	0.945
2009	0.330	0.080	0.118	0.102	0.055	0.018	0.042	0.091	0.013	0.027	0.018	0.000	0.000	0.000	0.010	0.904
2010	0.315	0.075	0.112	0.106	0.054	0.017	0.039	0.087	0.011	0.022	0.015	0.030	0.000	0.035	0.010	0.938
2011	0.303	0.070	0.107	0.105	0.055	0.016	0.036	0.074	0.009	0.017	0.014	0.070	0.020	0.050	0.009	0.975
2012	0.291	0.065	0.102	0.100	0.055	0.015	0.033	0.064	0.008	0.014	0.012	0.065	0.038	0.048	0.018	0.949
2013	0.279	0.061	0.097	0.093	0.055	0.014	0.031	0.055	0.007	0.012	0.011	0.061	0.054	0.038	0.032	0.919
2014	0.269	0.057	0.093	0.087	0.055	0.013	0.029	0.047	0.006	0.010	0.009	0.057	0.070	0.031	0.036	0.888
2015	0.259	0.053	0.090	0.081	0.056	0.012	0.027	0.041	0.005	0.009	0.008	0.053	0.064	0.027	0.034	0.850

(1) Includes NGLs from Central Gas Facility shipped to TAPS

(2) Midnight Sun, Polaris, Aurora, Borealis and Orion

(3) West Sak, Tabasco, Tarn and Meltwater

(4) Milne Point, Schrader Bluff and Sag River

(5) Endicott, Sag Delta, Eider and Badami

(6) Lisburne, Point McIntyre, Niakuk, West Beach & North Prudhoe Bay State

(7) Sourdough, Yukon Gold and Flaxman

(8) Sandpiper and Other Offshore discoveries

Historical Petroleum Revenue
\$ million

FY	Corporate Petroleum Tax	Production Tax	Petroleum Property Tax	Reserve Tax	(1) (2) Royalties	(1) (2) Bonuses & Rents	(3) Petroleum Special Settlements	Total Petroleum Revenue	(4) Cumulative Total Petroleum Revenue	Total Unrestricted General Purpose Revenue	% of Total Unrestricted General Purpose Revenue
1978	8.4	107.7	173.0	.	150.6	1.8	.	441.5	2,797.8	764.9	58%
1979	232.6	173.8	163.4	.	250.2	1.6	.	821.6	3,619.4	1,133.0	73%
1980	547.5	506.5	168.9	.	689.4	344.2	.	2,256.5	5,875.9	2,501.2	90%
1981	860.1	1,170.2	143.0	.	1119.7	11.3	.	3,304.3	9,180.2	3,718.0	89%
1982	668.9	1,581.7	142.7	.	1174.4	7.1	.	3,574.8	12,755.0	4,108.4	87%
1983	236.0	1,493.7	152.6	.	1105.6	38.7	.	3,026.6	15,781.6	3,631.0	83%
1984	265.1	1,393.1	131.0	.	1058.5	13.9	.	2,861.6	18,643.2	3,390.1	84%
1985	168.6	1,389.4	128.4	.	1042.2	14.9	.	2,743.5	21,386.7	3,260.0	84%
1986	133.9	1,107.9	113.5	.	84.0	38.9	418.2	2,657.4	24,044.1	3,075.5	86%
1987	120.4	648.5	102.5	.	448.1	4.3	70.5	1,394.5	25,438.6	1,799.4	77%
1988	158.0	818.7	96.2	.	701.5	11.3	163.9	1,949.6	27,388.2	2,305.8	85%
1989	166.0	698.8	89.7	.	611.5	16.7	257.7	1,840.4	29,228.6	2,186.2	84%
1990	117.2	1,001.6	89.8	0.0	753.7	4.2	154.8	2,121.3	31,349.9	2,507.2	85%
1991	185.1	1,284.8	85.0	0.0	958.7	24.7	33.5	2,571.8	33,921.7	2,986.6	86%
1992	165.5	1,053.2	69.0	0.0	708.2	6.8	4.7	2,007.4	35,929.1	2,462.6	82%
1993	117.6	1,017.6	66.9	0.0	716.7	44.3	4.7	1,967.8	37,896.9	2,352.0	84%
1994	17.8	692.1	61.5	0.0	516.1	5.1	0.1	1,292.7	39,189.6	1,652.5	78%
1995	128.5	793.9	57.3	0.0	631.8	5.0	0.7	1,617.2	40,806.8	2,082.9	78%
1996	173.7	787.2	56.0	0.0	642.2	5.7	0.0	1,664.8	42,471.6	2,133.3	78%
1997	269.4	921.6	53.6	0.0	759.2	6.4	0.0	2,010.2	44,481.8	2,494.9	81%
1998	200.1	577.8	51.3	0.0	480.4	23.0	0.0	1,332.6	45,814.4	1,825.5	73%
1999	145.1	371.1	48.8	0.0	322.6	25.6	0.0	913.2	46,727.7	1,352.1	68%
2000	162.7	702.7	45.0	0.0	731.9	4.0	0.0	1,646.3	48,373.9	2,147.6	77%
2001	338.1	703.8	45.1	0.0	781.0	7.1	0.0	1,875.1	50,249.0	2,282.0	82%
2002	178.4	496.3	49.6	0.0	581.2	14.6	0.0	1,320.1	51,569.1	1,668.0	79%
2003	151.1	599.0	48.7	0.0	830.7	9.6	0.0	1,639.1	53,208.2	1,947.6	84%
2004	298.8	651.9	47.3	0.0	1,045.7	10.4	0.0	2,054.1	55,262.3	2,361.7	87%

(1) These categories are primarily composed of petroleum revenue.

(2) Royalties and bonuses and rents are net of Permanent Fund and Public School Fund contributions and Constitutional Budget Reserve Fund (CBRF) deposits.

(3) Revenue shown here is not subject to deposit in the CBRF. All other tax settlements are deposited in the CBRF.

(4) This table shows historical petroleum revenue for FY 1978-2004. The cumulative petroleum revenue total is based on revenue beginning in FY 1959.

Historical General Fund Unrestricted Revenue **\$million**

						(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
FY	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
TAX PORTION													
Property Tax	69.0	66.9	61.5	57.3	56.0	53.6	51.3	48.8	45.0	45.1	49.6	48.7	47.3
Sales/Use													
Alcoholic Beverages	12.0	11.9	12.0	12.0	12.0	11.6	11.8	12.2	12.7	12.0	12.9	25.3	32.6
Tobacco Products	14.3	14.0	14.1	14.4	14.2	13.7	15.4	15.2	16.3	16.3	15.5	16.3	16.0
Insurance Premium	25.5	26.3	26.1	27.9	28.2	28.4	33.7	28.4	28.7	32.2	37.4	43.3	49.2 (2)
Electric and Telephone Cooperative	2.1	2.2	2.6	2.3	2.5	2.7	2.3	3.7	3.2	3.3	3.1	3.7	4.0
Motor Fuel Tax (3)	43.3	40.8	40.5	39.6	37.7	35.3	35.6	37.8	42.1	37.5	40.2	37.4	41.4
Vehicle Rental / Tire Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.5
Total	97.2	95.2	95.3	96.2	92.2	94.6	91.7	97.3	103.0	101.3	109.1	126.0	147.4
Income Tax													
Corporate General	33.7	25.1	44.3	67.0	53.3	48.4	53.4	53.8	56.3	59.5	53.4	47.7	39.6
Corporate Petroleum	165.5	117.6	17.8	128.5	173.7	269.4	200.1	145.1	162.7	338.1	178.4	151.1	298.8
Total	199.2	142.7	62.1	195.5	227.0	317.8	253.5	198.9	219.0	397.6	231.8	198.8	338.4
Production Tax													
Oil and Gas Production	1,022.2	989.4	662.8	769.8	771.7	907.0	564.4	358.6	693.2	694.4	486.7	589.8	642.7
Oil and Gas Conservation	2.3	2.1	2.3	2.0	1.8	1.7	1.6	1.4	0.0	0.0	0.0	0.0	0.0
Oil and Gas Hazardous Release	28.7	26.1	27.0	22.1	13.7	12.9	11.8	11.1	9.5	9.4	9.6	9.2	9.2
Total	1,053.2	1,017.6	692.1	793.9	787.2	921.6	577.8	371.1	702.7	703.8	496.3	599.0	651.9
Other Natural Resource Tax													
Salmon and Seafood Marketing	2.8	3.6	5.8	7.9	8.6	7.6	5.6	5.3	7.2	5.7	4.8	4.4	5.3
Salmon Enhancement	4.2	6.8	5.0	5.7	5.2	4.2	4.2	3.9	5.3	3.6	3.7	2.4	3.0
Dive Fishery Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.3
Fisheries Business	30.1	42.2	33.9	39.0	38.2	31.0	28.5	25.9	36.7	30.5	25.3	26.0	29.3
Fish Landing	0.0	0.0	0.1	7.3	7.1	7.3	3.8	5.9	5.3	7.3	7.1	9.8	6.9
Total	37.1	52.6	44.8	59.9	59.1	50.1	42.1	41.0	54.7	47.3	41.1	42.8	44.8
Other Tax													
Estate	1.0	0.9	1.6	1.2	1.7	1.7	5.5	1.7	2.5	2.7	3.1	1.2	2.3
Other	2.1	2.0	2.2	2.6	2.5	2.4	3.9	2.9	2.5	4.3	3.2	3.0	5.6
Total	3.1	2.9	3.8	3.8	4.2	4.1	9.4	4.6	8.4	7.0	6.3	4.2	7.9
TOTAL TAXES	1,458.8	1,377.9	959.6	1,206.6	1,228.1	1,438.9	1,032.9	761.7	1,132.8	1,302.0	934.2	1,019.5	1,237.7

						(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
FY	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
NON TAXES													
Licenses and Permits	32.4	32.7	35.7	34.7	60.9	69.0	74.6	63.7	69.2	37.3	42.2	33.6	41.0
Intergovernmental Receipts													
Federal Shared Revenues	11.4	10.3	4.3	4.2	1.0	2.0	2.2	0.8	1.0	0.3	0.1	0.0	0.0
Charges for Services													
Marine Highways	42.3	40.8	40.4	41.5	38.5	38.6	37.1	38.8	38.3	37.6	32.2	41.5	43.6
Other	<u>44.1</u>	<u>14.3</u>	<u>18.0</u>	<u>18.1</u>	<u>36.9</u>	<u>39.5</u>	<u>34.9</u>	<u>31.8</u>	<u>43.7</u>	<u>27.0</u>	<u>19.1</u>	<u>13.9</u>	<u>11.1</u>
Total	86.4	55.1	58.4	59.6	75.4	78.1	72.0	70.6	82.0	64.6	51.3	55.4	54.7
Fines and Forfeitures	0.0	0.0	0.0	0.0	9.4	8.2	37.7	12.5	46.2	33.6	6.6	7.0	16.0
Rents and Royalties													
Mineral Bonuses, Rents, Royalties	6.5	44.3	5.2	5.6	6.9	7.4	23.0	25.6	4.0	7.1	14.6	9.6	10.4
Oil and Gas Royalties	702.4	711.3	512.1	628.3	642.2	759.2	480.4	322.6	727.9	781.0	581.2	830.7	1,045.7(4)
Timber Sales	0.6	0.6	0.4	0.6	1.5	1.9	0.8	0.3	0.3	0.4	0.2	0.0	0.2
Sale of State Property	<u>1.0</u>	<u>4.0</u>	<u>9.0</u>	<u>21.8</u>	<u>8.1</u>	<u>8.6</u>	<u>8.1</u>	<u>10.6</u>	<u>9.4</u>	<u>10.5</u>	<u>9.1</u>	<u>6.2</u>	<u>7.6</u>
Total	710.5	760.2	526.7	656.3	658.7	777.1	512.3	359.1	741.6	799.0	605.1	846.5	1,063.9
Investment Earnings	101.8	70.9	31.7	72.4	64.1	77.1	60.6	46.5	48.1	78.8	43.1	59.0	9.7(5)
Miscellaneous Revenue	61.4	45.0	36.2	49.2	35.8	44.6	33.5	37.3	27.1	34.9	42.3	9.4	36.2
Subtotal NON-TAX REVENUE	1,003.9	974.2	693.0	876.4	905.3	1,056.1	792.8	590.5	1,015.2	1,048.5	790.7	1,010.9	1,219.8
Plus: Income from prior years	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL NON-TAX REVENUE	1,003.9	974.2	693.0	876.4	905.3	1,056.1	792.8	590.5	1,015.2	1,048.5	790.7	1,010.9	1,219.8
TOTAL TAX REVENUE	1,458.8	1,377.9	959.6	1,206.6	1,228.1	1,438.9	1,032.9	761.7	1,132.8	1,302.1	934.2	1,019.5	1,237.7
TOTAL GENERAL FUND													
UNRESTRICTED REVENUE	2,462.7	2,352.1	1,652.6	2,083.0	2,133.4	2,495.0	1,825.8	1,352.2	2,148.0	2,350.6	1,724.9	2,030.4	2,459.2

(1) After FY 1996, all General Fund statutorily designated program receipts are excluded; after FY 2000, all receipt-supported services are excluded.

(2) Includes \$1.8 million in service fees from self-insured companies.

(3) Motor fuel tax includes aviation, highway and marine.

(4) Starting in FY 2001 oil and gas royalties adjusted to include interest earnings.

(5) Starting in FY 2001 investment revenue adjusted to exclude oil and gas royalty interest earnings.

Glossary of Terms Used in Revenue Sources Book

General Fund Revenue: General Fund Revenue has different meanings in different contexts. In the state's official financial reports, General Fund Revenue is used to designate the sum of Unrestricted General Purpose Revenue, General Fund subaccount revenue, program receipts and federal dollars spent through the General Fund.

General Fund Unrestricted Revenue: Revenue designated as General Fund in the state accounting system (AKSAS). This includes revenues we show as restricted in this report, such as shared taxes or Alaska Marine Highway System revenues.

Unrestricted General Purpose Revenue: Revenue not restricted by the constitution, state or federal law, trust or debt restrictions or customary practice. Most legislative and public debate over the budget each year centers on this category of revenue. In deriving this figure from General Fund Unrestricted Revenues, we have excluded customarily restricted revenues such as shared taxes and marine highway receipts.

Restricted Revenue: Revenue restricted by the constitution, state or federal law, trust or debt restrictions or customary practice. The legislature can of course at any time remove restrictions that are solely imposed by either Alaska statute or customary practice. When these dollars are restricted General Fund revenues, they are either recorded in a restricted subaccount of the General Fund or are General Fund taxes customarily shared with other entities or are program receipts.

Federal Revenue: When the federal government gives money to states, it restricts how that money can be used. Highway and airport construction funds, Medicaid and education funding cannot be used for other purposes. In addition to restricting how the money is spent, the federal government often requires states to put up matching funds to qualify for the federal funding.

Dedicated Revenue: Restricted revenue recognized as such under the applicable provisions of the Alaska Constitution fits into this category. Other than the mineral revenue constitutionally dedicated to the Permanent Fund, all of the other revenue sources in this category were restricted by statute before statehood and therefore are not subject to the constitutional prohibition against dedicated funds. They include such funds as the Fish and Game Fund, Disabled Fisherman's Fund and Public School Fund.

Restricted Program Receipts: This revenue is earmarked in state statute or by contract for specific purposes. Examples include University of Alaska tuition payments, marine highway receipts, payments to various revolving loan funds and public corporation receipts. Some of this revenue is actually dedicated as a consequence of the provisions of Article 18, Section 11 of the Alaska Constitution. The remainder, while statutorily earmarked, may be appropriated to purposes other than those reflected in the example if the legislature so chooses.

Customarily Restricted Revenue: Though not specifically dedicated by statute, these revenue sources have historically been treated by the legislature as if they were restricted. The largest item in this category is Permanent Fund earnings in excess of what is needed each year for dividends and inflation proofing. Though the money could be spent as unrestricted revenue, the legislature has always chosen to retain it in the Permanent Fund's Realized Earnings Account or appropriate it to the fund's principal.

Permanent Fund Statutory Income: The annual Permanent Fund dividend is based on statutory income. This is the sum of realized gains and losses of all Permanent Fund investment transactions during the year, plus interest, dividends and rents earned by the fund. Though the legislature may appropriate the earnings for any purpose it chooses, the historical practice has been to restrict the use of realized income to dividends and inflation proofing, and then either leaving the excess in the Realized Earnings Account or transferring it to the principal of the Permanent Fund.

Permanent Fund GASB (or Market) Income: Under standards adopted by the Governmental Accounting Standards Board, the Permanent Fund's income — and that of any other government fund — is the difference between the purchase price of the investments and their market value at a given point in time, plus any dividends, interest or rent earned on those investments. Under GASB standards, the Permanent Fund does not have to sell the investment to count the gain or loss as it changes value. It is called "marking to market," that is, measuring the value of the fund's investments by the current market price. This can produce a much different picture than Permanent Fund statutory income, which does not reflect fluctuating investment values until the assets are sold.

Constitutional Budget Reserve Fund: Created by voters in 1990, the Constitutional Budget Reserve Fund holds the proceeds from settlements of oil and gas and mining tax and royalty disputes since July 1, 1990 minus the withdrawals. It generally requires a three-quarters majority vote of each chamber of the legislature to withdraw money from the fund.

In accordance with AS 37.07.060 (b)(4), the Revenue Sources book is compiled biannually by the Alaska Department of Revenue to assist the governor in formulating a proposed comprehensive financial plan for presentation to the Alaska State Legislature. Within the publication are shown prior year actuals, revised current year estimates and future year projections.

Anticipated state income is projected through the use of a number of data sources:

(1) econometric models developed by the Department of Revenue to forecast unrestricted non-petroleum revenues;

(2) a petroleum revenue model created by the department's Tax Division; and

(3) estimates from individual state agencies.

We thank the various state agencies for their cooperation in computing anticipated revenues for publication in this Spring 2004 Revenue Sources Book.

The Department of Revenue complies with Title II of the Americans With Disabilities Act of 1990. This publication is available in alternative communication formats upon request. Please contact the division's representative at 907.465.3692 or 907.465.3678 (TDD) to make necessary arrangements.

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