

SCOMM

142.6

Statewide Alaska Fish Revenue**Fish Taxes (includes municipal share)****Fish Resource Taxes**

<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>
\$4.7	\$4.4	\$5.3
\$3.7	\$2.4	\$3.0
\$0.2	\$0.2	\$0.2
\$25.3	\$26.0	\$29.2
\$7.2	\$9.9	\$6.9
\$41.1	\$42.9	\$44.6

Salmon and Seafood Marketing Taxes

Salmon Enhancement Tax

Dive Fishery Management

Fisheries Business Tax

Fishery Resource Landing Tax

Total Fish Resource Taxes*

* Note: Although all fish tax revenue is general fund revenue, customarily fifty percent of the fisheries business and fishery resource landing tax revenue is shared to qualifying communities. Also, customarily, revenue from Salmon and Seafood Marketing taxes is appropriated to the Alaska Seafood Marketing Institute and revenue from the Salmon Enhancement tax goes to qualifying aquaculture associations.

Corporation Fish Income Tax Revenue****\$2.1 \$1.8 \$3.2**

** Liabilities as reflected on original corporate income tax returns. Based on information provided on tax returns as interpreted by DOR. Liabilities may differ from amounts remitted by the taxpayer during the fiscal year due to timing differences resulting from the timing of estimated payments, refunds and filing extensions.

Total Fish Tax Revenue**\$43.2 \$44.7 \$47.8****Other Fish Revenue***

Licenses and Permits

\$23.4 \$23.2 \$23.2

Test Fisheries

\$2.2 \$2.0 \$1.6**Total Other Fish Revenue****\$25.6 \$25.2 \$24.8****Total Fish Revenue****\$68.8 \$69.9 \$72.6**

Source: Alaska Department of Revenue - Tax Division

Caution - Does not include revenue from local taxes or fees and is not an exhaustive list of "Other Fish Revenue Sources." For example, we did not include the fish industry component of fines and forfeitures or charges for services.

Statewide Alaska Mining Revenue**Mining Resource Taxes, Rents and Royalties**

	<u>CY 01</u>	<u>CY 02</u>	<u>CY 03</u>
Mining License Tax Revenue	\$2.1	\$0.5	\$1.0
Rents and Royalties	<u>\$3.2</u>	<u>\$3.1</u>	<u>\$3.9</u>
Total Mining Resource Taxes	\$5.3	\$3.6	\$4.9
Corporation Mining Income Tax Revenue**	\$0.0	\$0.3	**
Total Mining Tax Revenue*	<u>\$5.3</u>	<u>\$3.9</u>	<u>\$4.9</u>

*Corporation tax revenues are from returns received in Fiscal Year 2003 & 2004. With extensions this often equates to calendar year 2001 & 2002. Liabilities as reflected on original corporate income tax returns. Based on information provided on tax returns as interpreted by DOR. Liabilities may differ from amounts remitted by the taxpayer during the fiscal year due to timing differences resulting from the timing of estimated payments, refunds and filing extensions.

** Corporation income tax revenue from the mining sector not available for calendar year 2003.

Other Mining Tax Revenue*

Material Sales	1.6	1.8	0.9
Fees	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Total Other Mining Revenue	<u>1.7</u>	<u>1.9</u>	<u>1.0</u>
Total Mining Revenue	\$7.0	\$5.8	\$5.9

Sources: Alaska Department of Revenue and Alaska Department of Community & Economic Development, Division of Community & Business Development and Department of Natural Resources, Division of Geological & Geophysical Surveys & Division of Mining, Land & Water. "Alaska's Mineral Industry 2003", Table 25, page 40.

TABLE 2

2004 Municipal Sales Tax, Special Tax and Revenues

Municipality	Sales Tax	Revenues	Special Tax	Revenues
Adak	3%	\$660,000	2% Fuel Transfer Tax	\$41,374
Akhiok	No		No	
Akiak	No		No	
Akutan	NR		NR	
Alakanuk	No		No	
Aleknagik	5%	\$93,429	5% Bed Tax	\$618
Aleutians East Borough	No		2% Raw Fish Tax	\$2,807,902
Allakaket	No	NR	NR	
Ambler	3%	\$22,470	No	
Anaktuvuk Pass	No		No	
Municipality of Anchorage	No		8% Bed Tax & Car Rental/15% Tobacco Tax/Aircraft (flat)	\$10,287,972/ \$4,456,172/ \$4,734,327/\$203,390
Anderson	No		8% Utility Tax	\$41,357
Angoon	3%	\$124,648	3% Bed Tax	\$23,073
Aniak	2%	\$49,357	No	
Anvik	No		No	
Atka	No		2% Raw Fish Tax/ 10% Bed Tax	\$32,795/\$1,702
Atkasuk	No		No	
Barrow	No		No	
Bethel	5%	\$4,880,743	3% Bed/5% Alcohol/5% Gaming/MVRT	\$74,937/\$57,003/\$489,168/\$62,952
Bettles	No		\$.02/gal. Fuel Transfer Tax	\$4,711
Brevig Mission	3%	\$29,781	No	
Bristol Bay Borough	No		3% Raw Fish Tax/10% Bed Tax	\$312,605 / \$51,132
Buckland	6%	\$20,602	No	
Chefornak	2%	24,027	2% Raw Fish Tax	\$149
Chevak	NR	NR	No	
Chignik	No		1%salmon tax/1% other seafood	\$66,920/\$13,303
Chuathbaluk	No		No	
Clarks Point	NR	NR	No	
Coffman Cove	No		No	
Cold Bay	No		8% Bed Tax/\$.04/gal. Fuel Tax	\$19,900/\$30,872
Cordova	6%	\$2,033,859	6% Bed Tax/6% Vehicle Rental Tax	\$79,030/\$13,509
Craig	5%	\$1,240,569	6% Liquor Tax	\$97,785
Deering	3%	\$19,120	No	
Delta Junction	No		No	
Denali Borough	No		Sev Tax \$.05/yd gravel-\$.05 ton-coal-\$. Bed Tax 7%	\$55,862/\$1,599,969
Dillingham	6%	\$2,014,814	10% Bed Tax / 10% Liquor Tax/6% Gaming	\$40,444/\$197,039/\$91,068
Diomedes	3%	\$15,564	No	
Eagle	No		No	
Eek	2%	\$23,850	No	
Egegik	No		2% Raw Fish Tax	\$202,571
Ekwok	No		No	
Elim	2%	\$29,031	No	
Emmonak	NR		No	
Fairbanks	No		8% Bed Tax/ 5% Alcohol Tax/ 8% Tobacco Tax	\$1,786,027/\$1,162,928/\$799,567
Fairbanks North Star Borough	No		8% Bed Tax	\$1,375,192
False Pass	2%	\$108,529	6% Bed Tax	\$564
Fort Yukon	3%	\$113,899	No	
Galena	3%	\$134,000	No	
Gambell	3%	\$65,989	No	
Golovin	No		No	
Goodnews Bay	No		No	
Grayling	No		No	
Gustavus	2%	NR	4% Bed Tax as of 4-1-04	None reported yet
Haines Borough	5.5%	\$1,865,653	4% Bed Tax/4% Tour Tax	\$64,268/\$20,423
Holy Cross	No		No	
Homer	3.50%	\$4,353,146	No	

TABLE 2 - continued

2004 Municipal Sales Tax, Special Tax and Revenues

Municipality	Sales Tax	Revenues	Special Tax	Revenues
Hoonah	5%	\$522,404	No	
Hooper Bay	4%	\$153,668	No	
Houston	2%	53472.44	No	
Hughes	No		No	
Huslia	No		No	
Hydaburg	4%	\$23,906	No	
Juneau, City & Borough of	5%	\$30,539,500	7% Bed Tax/ 3% Liquor Tax/ \$.30/pack Tobacco Tx	\$825,000/\$660,000/\$311,737
Kachemak	No		No	
Kake	5%	\$34,492	No	
Kaktovik	No		No	
Kaltag	No		No	
Kasaan	No		No	
Kenai	3%	\$3,680,000	No	
Kenai Peninsula Borough	2%	\$14,910,977	No	
Ketchikan	3.5%	\$7,933,224	6% Bed Tax	\$301,834
Ketchikan Gateway Borough	2%	\$4,071,818	4% Bed Tax	\$37,365
Kiana	2%	\$24,937	No	
King Cove	4%	\$434,863	4% Seafood Proc/Business impact tax-flat	\$795,862/\$100,000
Kivalina	NR	NR	No	
Klawock	5.5%	\$477,389	6% Bed Tax	\$5,844
Kobuk	No		No	
Kodiak	6%	\$7,130,691	5% Bed Tax	\$110,466
Kodiak Island Borough	No		9.25 mill Severance Tax/5% Bed Tax	\$799,693/\$56,177
Kotlik	3%	\$77,831	No	
Kotzebue	6%	\$2,423,193	6% Bed Tax/ 6% Alcohol Tax	\$40,690/\$21,064
Koyuk	2%	\$34,788	No	
Koyukuk	No		No	
Kupreanof	No		No	
Kwethluk	5%	\$106,538	No	
Lake & Peninsula Borough	No		2% Raw Fish Tax/Guide Fees/6% Bed Tax	\$574,192/\$23,098/\$134,509
Larsen Bay	3%	\$7,019	No	
Lower Kalskag	NR	NR	NR	
Manokotak	2%	\$1,185	No	
Marshall	4%	\$52,402	No	
Matanuska-Susitna Borough	No		5% Bed Tax	\$716,992
McGrath	No		No	
Mekoryuk	2%	\$13,000	No	
Metlakatla	No		No	
Mountain Village	3%	\$109,776	No	
Napakiak	3%	\$43,770	No	
Napaskiak	No		No	
Nenana	4%	\$136,808	No	
New Stuyahok	No		No	
Newhalen	2%	NR	NR	
Nightmute	2%	\$1,628	No	
Nikolai	No		No	
Nome	5%	\$3,484,362	4% Bed Tax	\$94,741
Nondalton	NR		No	
Noorvik	3%	\$109,032	No	
North Pole	3%	\$1,563,306	No	
North Slope Borough	No		No	
Northwest Arctic Borough	No		No	
Nuiqsut	No		No	

TABLE 2- continued

2004 Municipal Sales Tax, Special Tax and Revenues

Municipality	Sales Tax	Revenues	Special Tax	Revenues
Nulato	No		No	
Nunam Iqua (Sheldon Point)	2%	\$6,003	No	
Nunapitchuk	3%	\$32,730	No	
Old Harbor	3%	\$26,775	No	
Ouzinkie	3%	\$5,266	No	
Palmer	3%	\$3,066,089	No	
Pelican	4%	\$57,253	10% Bed Tax	\$2,528
Petersburg	6%	\$2,140,917	4% Bed Tax	\$37,920
Pilot Point	3%	110000	3% Fish Tax	\$3,000
Pilot Station	4%	\$54,556	No	
Platinum	No		No	
Point Hope	No		No	
Port Alexander	4%	\$14,250	6% Bed Tax	\$1,916
Port Heiden	No		No	
Port Lions	No		5% Bed Tax	\$4,558
Quinhagak	3%	\$77,506	No	
Ruby	No		No	
Russian Mission	No		No	
St. George	NR	NR	NR	
St. Mary's	3%	\$107,105	No	
St. Michael	NR		No	
Saint Paul	3%	\$281,808	3% Raw Fish Tax	\$601,253
Sand Point	3%	\$461,115	7% Bed Tax/2% Raw Fish Tax	\$5,236/\$526,295
Savoonga	3%	\$50,000	No	
Saxman	NR		No	
Scammon Bay	2%	\$26,571	No	
Selawik	5%	\$63,565	No	
Seldovia	4%/6.5%	\$107,299	No	
Seward	4%	\$2,674,839	4% Bed Tax	\$215,145
Shageluk	No		No	
Shaktolik	NR		No	
Shishmaref	2%	\$34,129	No	
Shungnak	NR		No	
Sitka, City & Borough of	5%/6%	\$7,527,857	6% Bed Tax/ \$.02/gal Fuel Tax	\$299,348/ \$7,437
Skagway	4%	\$2,531,977	8% Bed Tax	\$91,782
Soldotna	3%	\$5,694,134	No	
Stebbins	3%	\$45,646	No	
Tanana	2%	\$21,116	No	
Teller	3%	\$15,098	No	
Tenakee Springs	1%	\$7,121	6% Bed Tax	\$1,218
Thorne Bay	5%	\$156,704	No	
Togiak	2%	\$76,097	2% Raw Fish Tax	\$32,680
Toksook Bay	NR		No	
Unalakleet	5%	\$271,753	5% Bed Tax/5% Alcohol Tax	\$5,803/\$5,527
Unalaska	3%	\$6,350,610	2% Raw Fish Tax/ 5% Bed Tax	\$4,190,139/\$110,649
Upper Kalskag	No		No	
Valdez	No		6% Bed Tax	\$289,526
Wainwright	No		No	
Wales	NR	NR	NR	
Wasilla	2.5%	\$7,135,574	No	
White Mountain	1%	\$10,472	No	
Whittier	3%	\$176,461	Passenger Trans. Tax/3% Alcohol Tax	\$120,887/\$6,450
Wrangell	7%	\$1,872,949	\$4 per night Bed Tax	\$20,180
Yakutat, City & Borough of	4%	\$575,212	1% Raw Fish Tax/4% Bed & Car Rental Tx	\$11,362/\$64,529
TOTAL SALES TAX REPORTED		\$ 137,945,620	TOTAL SPECIAL TAXES REPORTED	\$43,659,859

Alaska Department of Revenue - Tax Division

Draft Non-Petroleum Corporation Income Tax Liabilities by Sector¹

	FY 2004		FY 2003 (revised)		FY 2002		FY 2001		FY 2000		FY 1999		FY 1998	
Business Activity	%	Tax Liability	%	Tax Liability	%	Tax Liability	%	Tax Liability	%	Tax Liability	%	Tax Liability	%	Tax Liability
Airlines	1%	530,353	1%	440,708	5%	2,145,349	4%	1,829,425	5%	2,705,322	2%	1,157,714	2%	1,735,467
Construction	6%	2,748,782	4%	1,538,641	4%	1,935,919	3%	1,357,780	3%	1,673,615	3%	1,638,376	3%	2,050,289
Finance	20%	9,616,568	20%	8,344,407	20%	8,994,254	9%	3,690,786	19%	10,636,659	20%	10,161,632	20%	9,170,326
Fish ²	7%	3,166,355	4%	1,798,904	5%	2,077,476	7%	3,039,414	4%	1,966,142	3%	1,359,905	3%	1,483,496
Manufacturing ³	4%	1,703,282	3%	1,181,278	4%	1,727,297	4%	1,755,109	3%	1,782,218	6%	3,081,797	6%	3,784,507
Mining ⁴	1%	323,706	0%	32,704	0%	18,665	1%	285,815	0%	75,900	1%	398,435	1%	246,792
Real Estate	3%	1,198,843	3%	1,269,993	1%	539,347	4%	1,525,122	3%	1,427,584	3%	1,745,832	3%	1,330,113
Retail	19%	9,104,931	23%	9,781,726	14%	6,319,374	11%	4,601,219	11%	6,067,087	10%	5,040,997	10%	5,241,579
Restaurants / Bars		98,834		103,094		**		**		**		**		**
Services	20%	9,530,500	20%	8,553,472	18%	8,186,279	21%	8,704,506	17%	9,481,634	21%	11,118,228	21%	7,657,407
Healthcare Services		1,758,083		1,213,974		**		**		**		**		**
Oil & Gas Services		2,980,771		5,121,833		2,600,000		900,000		2,900,000		5,300,000		**
Tourism ⁵		2,796,901		759,826		**		**		**		**		**
Transportation ⁶	7%	3,232,112	7%	2,818,573	8%	3,548,633	7%	2,828,536	6%	3,120,394	7%	3,669,637	7%	3,157,115
Utility & Comm.	1%	687,827	2%	708,840	6%	2,782,964	18%	7,373,389	17%	9,172,989	12%	6,241,187	12%	9,178,023
Wholesale	11%	5,401,905	12%	5,246,561	13%	5,823,224	10%	4,359,367	10%	5,670,993	9%	4,571,731	9%	4,999,215
Other Sectors ⁷	1%	355,774	1%	530,553	1%	540,349	1%	568,676	2%	1,164,398	3%	1,310,741	3%	2,841,659
Total ⁸	100%	\$47,600,938	100%	\$42,246,360	100%	\$44,639,129	100%	\$41,919,145	100%	\$54,944,935	100%	\$51,496,211	100%	\$52,875,988

Prepared 11/29/04

¹ Reporting a tax liability on an original corporate income tax return. Liabilities may differ from amounts remitted by the taxpayer during the fiscal year due to timing differences resulting from estimated tax payments, credits and final payment of taxes. Based upon information provided on tax returns as interpreted by DOR. Prior years have been updated for consistency purposes.

² Includes fish processors that are usually classified under Manufacturing.

³ Fish processing included under Fisheries and wood products manufacturing included under Other Sectors.

⁴ Does not include oil and gas extraction.

⁵ Tourism includes hotels, lodges, guided tour operators. Air transportation including helicopters is included in Airlines category; other transportation is included in Transportation category.

⁶ Airline transportation is included in its own sector above.

⁷ Forestry and Insurance sectors combined for confidentiality reasons.

⁸ In FY 1997 and FY 1999, total general corporation income tax liabilities were updated and, consequently, do not match the liabilities shown in our annual reports.

** Not estimated

Please note when evaluating data:

- Timing of returns may distort data; we may receive no returns or multiple returns from a given taxpayer in a year, depending on whether the corporation used a 6-month extension.
- Only Subchapter C corporations pay corporate income tax. Thus industry representation is dependent upon the form of organization of businesses in each industry.
- Industry classifications are based on DOR interpretations of each corporation's Alaska businesses and may not match classifications based on NAICS codes.

Table 25. *Revenues paid to the State of Alaska and municipalities by Alaska's mineral industry, 1998–2003^a*

	1998	1999	2000	2001	2002	2003
State mineral rents and royalties						
State claim rentals ^b	\$ 1,170,812	\$ 1,982,453	\$ 1,975,376	\$ 1,736,522	\$ 1,908,228	\$ 2,129,440
Production royalties	9,489	14,214	6,175	1,933	23,447	270,734
Annual labor	118,020	90,720	79,907	103,274	124,741	224,519
Subtotal	1,298,321	2,087,387	2,061,458	1,841,729	2,056,416	2,624,693
State coal rents and royalties						
Rents	331,716	205,983	233,249	198,545	256,927	237,912
Royalties	1,937,899	2,615,858	1,482,803	1,168,043	860,633	1,064,208
Bonus	0	0	372,000	0	0	0
Offshore Prospecting Permits	0	0	0	0	0	0
Subtotal	2,269,615	2,821,841	2,088,052	1,366,588	1,117,560	1,302,120
State material sales						
Mental Health	40,269	32,407	33,928	118,545	151,993	134,512
Division of Land	1,043,602	586,550	449,343	1,515,769	1,595,708	542,311
SPCO	28,491	28,941	41,395	12,894	24,725	208,309
Subtotal	1,112,362	647,898	524,666	1,647,208	1,772,426	885,132
State mining miscellaneous fees						
Filing Fees	2,510	4,288	5,400	3,000	3,000	4,700
Penalty Fees	0	8,000	0	0	450	0
Explore incentive app filing fee	2,000	3,000	0	0	0	0
Bond pool payment	79,929	70,692	50,100	53,866	45,208	44,878
Surface coal mining app fee	6,890	2,500	1,830	3,700	2,530	1,005
APMA mining fees	18,975	19,288	18,550	13,175	11,975	15,113
Subtotal	110,304	107,768	75,880	73,741	63,163	65,696
Mining license ^c	1,797,292	1,296,663	2,712,541	2,068,232	469,270	1,030,845
State total	6,587,894	6,961,557	7,462,597	6,997,498	5,478,835	5,908,486
Payments to Municipalities	7,934,000	8,818,819	9,196,500	9,763,220	9,703,208	10,510,048
TOTAL	\$14,521,894	\$15,780,376	\$16,659,097	\$16,760,718	\$15,182,043	\$16,418,534

^aDoes not include state corporate income taxes, which were not released for this study.^bIncludes upland lease and offshore lease rentals.^cIncludes metals, coal, and material.

N/A = not available.

SOURCE: Municipalities, companies, and DNR Financial Services Section.

ALASKA'S TAX AND ROYALTY SCHEME ON MINERAL PRODUCTION

Alaska's tax and royalty scheme, as it pertains to mineral production, consists of several components. The primary components of this scheme are the mining license tax, the corporate income tax, and the net income royalty.

Mining License Tax

One major component of Alaska's tax and royalty scheme on mineral production dates back to territorial days. The mining license tax, as enacted in 1913, imposed a 0.5% tax on mining net income over \$5,000. In the 40 years that followed, the tax rates and structure changed several times until 1955, when the territorial legislature adopted the rate structure that exists today.¹

The mining license tax is levied on mining *net income*—income that remains after expenses are paid—and on royalties received in connection with mining properties and activities. New mining operations (excluding sand and gravel operations) are exempt from paying the annual mining license tax for a period of three and one-half years prior to the start of production. The rates for the mining license tax are as follows.

Table 1: Mining License Tax Rates

Mining Net Income	Tax Base	Plus	Of the Amount Over
\$0 -- \$40,000		No Tax	
\$40,001 -- \$50,000	\$1,200	3%	\$40,000
\$50,001 -- \$100,000	\$1,500	5%	\$50,000
Over \$100,000	\$4,000	7%	\$100,000
Source: AS 43.65.010.			

Corporate Income Tax

The corporate income tax also dates back to territorial days when the Alaska Net Income Tax Act (ANITA) was passed, which levied a flat tax of 10% of each corporation's federal tax liability. The ANITA has undergone significant changes over the years, but its current rate structure was put into place 24 years ago, with the enactment of Chapter 116 SLA 1981. The current income tax rates for corporations are as follows.

¹ "Mining License Tax, AS 43.65," *Tax Division FY 2004 Annual Report*, p. 38-39, Alaska Department of Revenue, Tax Division; we include a copy of these pages from the report as Attachment A.

Table 2: Corporate Income Tax Rates

<i>If your Alaska taxable income is:</i>				
At least	But less than	Your Tax is	Plus	Of the Amount Over
-0-	10,000	-0-	1%	-0-
10,000	20,000	100	2%	10,000
20,000	30,000	300	3%	20,000
30,000	40,000	600	4%	30,000
40,000	50,000	1,000	5%	40,000
50,000	60,000	1,500	6%	50,000
60,000	70,000	2,100	7%	60,000
70,000	80,000	2,800	8%	70,000
80,000	90,000	3,600	9%	80,000
90,000 or more		4,500	9.4%	90,000
Source: AS 43.20.011.				

It is important to note that not all miners or mining companies operating in the state have formed corporations and pay the corporate income tax. Additionally, many corporations engaged in mining in the state experience years when they report negative net incomes; in such years, those corporations would not pay any income tax to the state.

Net Income Royalty

In 1989, the legislature authorized collection of a 3% production royalty, the third component in the Alaska tax and royalty scheme on mineral production.² Also referred to as a net income royalty because it is assessed on the *net income* of mining companies, the royalty applies to revenues received from minerals produced from state mining claims or mining leases during each calendar year. Payment of the 3% royalty, the rate that has been in effect since 1989, is in exchange for the right to extract from state land the minerals produced.³

OTHER FEES AND TAXES

State Claim Rentals and Annual Labor Requirements

Two other fees imposed on the mining industry in Alaska include the state claim rentals and the annual labor requirements. Miners whose claims are located on state land must pay an annual

² AS 38.05.212.

³ Alaska Department of Natural Resources, "Fact Sheet: Production Royalty."

rental fee. For the first five years since the claim was located, the fee is \$0.66 per acre; for years 5-10, the fee is \$1.32 per acre; and for the 11th year and beyond, the fee is \$3.30 per acre.⁴

There is also an annual labor requirement imposed on the industry. In any given year, miners with claims of 40 acres or less must have provided a minimum of \$100 worth of labor developing the claim; those with up to 160 acres must have provided a minimum of \$400 worth of labor. If the labor is not performed, mining companies must pay this amount to the State.

Property Tax

Mining operations that occur in taxing jurisdictions are subject to property taxes. For example, the Greens Creek mine near Juneau pays property taxes to the City and Borough of Juneau. Although state law prohibits taxation of resources in place, buildings, equipment, and other infrastructure may be taxed by local jurisdictions.

Other Fees and Penalties

Like other industries, the mineral industry pays the State for other miscellaneous items, including various filing and application fees. The State also assesses penalties for late payments and other violations of state code.

TAX CREDIT PROGRAMS

There are currently two credit programs available to mining companies to reduce their state tax and/or royalty burden. Another credit program was available to the mineral, but this program was terminated in 1999.

The Alaska education tax credit, enacted in 1987, allows mineral industry taxpayers who make contributions for educational purposes to take a tax credit for an amount equal to 50% of contributions up to \$100,000 and 100% of the next \$100,000 in contributions, not to exceed \$150,000 for any taxpayer in one year.⁵ The credit is applicable to the state mining tax or corporate income tax.

The mineral exploration incentive credit, authorized in 1995, allows mineral industry taxpayers to take a credit for 50% of their mining tax liability, their corporate income tax liability, or their royalty liability owed to the State, for eligible costs of exploration activities related to determining existence, location, extent, or quality of a locatable mineral or coal deposit. Credit for any one taxpayer cannot exceed \$20 million and must be applied within 15 tax years after the credit is approved.⁶

⁴ The annual rental requirement applies to mining claims, leasehold locations, upland mining leases, and off-shore mining leases. The requirement for prospecting sites is \$200 for the two-year rental.

⁵ AS 43.65.018.

⁶ AS 27.30.010 - 099.

The special industrial incentive investment tax credit program, authorized in 1984, was enacted to conform to portions of the U.S. Internal Revenue Code.⁷ Under the program, mining companies could take credit in varying amounts for qualified investments of up to \$250 million. This program ended for new investment credits in 1994 and for credits carried forward, in 1999. Therefore, no special industrial incentive credits were taken in FYs 02 through 04; Tax Division reports show that credits of \$3.6 million, \$1.2 million, and \$2.2 million were taken in FY 01, FY 00, and FY 99, respectively.⁸

ESTIMATED MINERAL PRODUCTION AND THE AMOUNT OF REVENUE COLLECTED FROM THE MINING INDUSTRY

A report entitled "Alaska's Mineral Industry 2003—Special Report 58," produced by the Department of Natural Resources (DNR), Division of Geological and Geophysical Surveys, provides a very useful compilation of mining industry activities in 2003 and prior years. Several tables from that publication are particularly useful in the context of this report; we provide a copy of the report as Attachment B.

One of the tables in the DNR report provides the estimated production of minerals from 2001 through 2003, by mineral type. The table also contains the estimated values of the minerals produced, based on average prices for the years reported. Table 3 below provides information extracted from that table on metal minerals; we include a copy of the complete table as it appears in the DNR publication is included in Attachment B.⁹

Table 3: Estimated Mineral Production in Alaska, 2001 - 2003

Metals	Quantity Produced			Estimated Values (in \$)		
	2001	2002	2003	2001	2002	2003
Gold (ounces)	550,644	562,094	528,191	149,246,000	174,283,000	191,934,000
Silver (ounces)	16,798,000	17,858,183	18,589,100	73,408,000	82,326,000	95,300,000
Copper (tons)	1,400	1,600	-	1,988,000	2,272,000	-
Lead (tons)	127,385	146,462	162,479	56,049,000	61,514,000	64,279,000
Zinc (tons)	634,883	718,106	714,769	507,907,000	502,674,000	536,348,000
TOTALS				788,598,000	823,069,000	887,861,000

Notes: Estimated values are based on average prices for each year.

Source: Table 10, "Alaska's Mineral Industry 2003 -- Special Report 58," Department of Natural Resources, Division of Geological and Geophysical Surveys, p. 25; we include a copy of this publication as Attachment B.

⁷ AS 43.20.042.

⁸ Department of Revenue, Tax Division, *FY 01 Annual Report*, p. 17.

⁹ See Attachment B, p. 25 (Table 10).

Another table from the DNR report provides information about the amount of revenue paid to the State and to local governments by the mineral industry, from 1998 through 2003. We present a condensed version of this below; a copy of the complete table as it appears in the DNR publication is included with our report in Attachment B.¹⁰

Table 4: Revenues Paid to the State of Alaska and Local Governments by the Mineral Industry, 1998 - 2003

Type of Fee or Tax	1998	1999	2000	2001	2002	2003
Mineral Rents and Royalties	1,298,321	2,087,387	2,061,458	1,841,729	2,056,416	2,624,693
Coal Rents and Royalties	2,269,615	2,821,841	2,088,052	1,366,588	1,117,560	1,302,120
Material Sales	1,112,362	647,898	524,666	1,647,208	1,772,426	885,132
Mining Miscellaneous Fees	110,304	107,768	75,880	73,741	63,163	65,696
Mining License Tax	1,797,292	1,296,663	2,712,541	2,068,232	469,270	1,030,845
Total Payments to State	6,587,894	6,961,557	7,462,597	6,997,498	5,478,835	5,908,486
Total Payments to Local Gov'ts	7,934,000	8,818,819	9,196,500	9,763,220	9,703,208	10,510,048
TOTAL PAYMENTS	14,521,894	15,780,376	16,659,097	16,760,718	15,182,043	16,418,534

Notes: Not included are amounts paid for corporate income taxes; such information is proprietary, rather than public, information.

Source: Table 25, "Alaska's Mineral Industry 2003 -- Special Report 58," Department of Natural Resources, Division of Geological and Geophysical Surveys, p. 40; we include a copy of this publication as Attachment B.

Preliminary reports from officials at the Department of Natural Resources and the Department of Revenue indicate that 2004 was a very productive year in mining terms. According to the Tax Division's *FY 2004 Annual Report*, Mining License Tax receipts were almost ten times the amount collected in fiscal year 2003, with collections of \$396,254 in FY 03 and \$3,224,684 in FY 04.¹¹ Early indications in 2005 support the departments' predictions that mineral industry production will remain at its high level throughout the year.¹²

NET INCOME OF MINING OPERATIONS IN ALASKA

As discussed above, the three major components of the tax and royalty scheme for mining operations in Alaska—the mining license tax, the corporate income tax, and the royalty—are levied on mining net income, less any tax credits received. Mining companies reporting negative net income in any given year are not required to pay these taxes and/or royalties to the State in that year.

Confidentiality requirements prevent Department of Revenue officials from disclosing information about the net incomes of individual businesses in the state. As such, department officials could provide only aggregated information on the net incomes of Alaska mining operations, as follows.

¹⁰ See Attachment B, p. 40 (Table 25).

¹¹ These numbers are reported on a fiscal year basis, and therefore do not reconcile with the numbers presented in Table 3, which are reported on a calendar year basis.

¹² Kerwin Krause, Geologist, Department of Natural Resources; Mr. Krause can be reached at (907) 269-6652.

Table 5: Aggregate Net Income of Mining Operations in Alaska, FY 2003 and 2004

Net Income Return Information	FY 2003	FY 2004
Number of Returns Filed	190	144
Dollar Value, Returns with Positive Net Income	9,179,586	19,512,905
Dollar Value, Returns with Negative Net Income	(133,614,349)	(52,971,832)
Notes: Information from mining license tax returns filed during the fiscal year. Amounts will not correspond to cash received because of prepayments, refunds, and timing issues. Source: Brett Fried, Economist, Department of Revenue, 465-3682.		

According to the net income information shown in Table 5, the State would have received tax and royalty revenue on only \$9.2 million in FY 03 and \$19.5 million in FY 04 from the over 140 mining operations that filed returns in each of those years.

Brett Fried, Economist, Department of Revenue, prepared an estimate of the amount of tax that could be collected if the State were to levy a hypothetical flat tax of 3% on mineral production.¹³ His work is shown below; as you will see, Mr. Fried used the estimated mineral quantities and values as reported in the DNR special report discussed previously.

¹³ Brett Fried, Economist, Department of Revenue, can be reached at 465-3682.

Table 25. Revenues paid to the State of Alaska and municipalities by Alaska's mineral industry, 1998–2003^a

	1998	1999	2000	2001	2002	2003
State mineral rents and royalties						
State claim rentals ^b	\$ 1,170,812	\$ 1,982,453	\$ 1,975,376	\$ 1,736,522	\$ 1,908,228	\$ 2,129,440
Production royalties	9,489	14,214	6,175	1,933	23,447	270,734
Annual labor	118,020	90,720	79,907	103,274	124,741	224,519
Subtotal	1,298,321	2,087,387	2,061,458	1,841,729	2,056,416	2,624,693
State coal rents and royalties						
Rents	331,716	205,983	233,249	198,545	256,927	237,912
Royalties	1,937,899	2,615,858	1,482,803	1,168,043	860,633	1,064,208
Bonus	0	0	372,000	0	0	0
Offshore Prospecting Permits	0	0	0	0	0	0
Subtotal	2,269,615	2,821,841	2,088,052	1,366,588	1,117,560	1,302,120
State material sales						
Mental Health	40,269	32,407	33,928	118,545	151,993	134,512
Division of Land	1,043,602	586,550	449,343	1,515,769	1,595,708	542,311
SPCO	28,491	28,941	41,395	12,894	24,725	208,309
Subtotal	1,112,362	647,898	524,666	1,647,208	1,772,426	885,132
State mining miscellaneous fees						
Filing Fees	2,510	4,288	5,400	3,000	3,000	4,700
Penalty Fees	0	8,000	0	0	450	0
Explore incentive app filing fee	2,000	3,000	0	0	0	0
Bond pool payment	79,929	70,692	50,100	53,866	45,208	44,878
Surface coal mining app fee	6,890	2,500	1,830	3,700	2,530	1,005
APMA mining fees	18,975	19,288	18,550	13,175	11,975	15,113
Subtotal	110,304	107,768	75,880	73,741	63,163	65,696
Mining license ^c	1,797,292	1,296,663	2,712,541	2,068,232	469,270	1,030,845
State total	6,587,894	6,961,557	7,462,597	6,997,498	5,478,835	5,908,486
Payments to Municipalities	7,934,000	8,818,819	9,196,500	9,763,220	9,703,208	10,510,048
TOTAL	\$14,521,894	\$15,780,376	\$16,659,097	\$16,760,718	\$15,182,043	\$16,418,534

^aDoes not include state corporate income taxes, which were not released for this study.^bIncludes upland lease and offshore lease rentals.^cIncludes metals, coal, and material.

N/A = not available.

SOURCE: Municipalities, companies, and DNR Financial Services Section.

Table 12. Average metal prices, 1993–2003

	Gold (\$/oz)	Silver (\$/oz)	Copper (\$/lb)	Zinc (\$/lb)	Lead (\$/lb)
1993	359.00	4.30	0.87	0.44	0.18
1994	386.00	5.41	1.05	0.45	0.35
1995	395.00	5.43	1.33	0.48	0.34
1996	387.60	5.19	1.03	0.49	0.37
1997	330.76	4.91	1.03	0.59	0.28
1998	293.88	5.53	0.75	0.46	0.24
1999	278.70	5.20	0.71	0.49	0.23
2000	279.10	4.96	0.82	0.51	0.21
2001	271.04	4.37	0.71	0.40	0.22
2002	310.06	4.61	0.71	0.35	0.21
2003	363.38	4.88	0.81	0.38	0.23

Table 10. Estimated mineral production in Alaska, 2001-2003^a

	Quantity			Estimated values ^b		
	2001	2002	2003	2001	2002	2003
Metals						
Gold (ounces)	550,644	562,094	528,191 ^c	\$149,246,000	\$174,283,000	\$191,934,000
Silver (ounces)	16,798,000	17,858,183	18,589,100	73,408,000	82,326,000	95,300,000
Copper (tons)	1,400	1,600	0 ^d	1,988,000	2,272,000	0
Lead (tons)	127,385	146,462	162,479	56,049,000	61,514,000	64,279,000
Zinc (tons)	634,883	718,106	714,769	507,907,000	502,674,000	536,348,000
Subtotal				\$788,598,000	\$823,069,000	\$887,861,000
Industrial minerals						
Jade and soapstone (tons)	2.0	2.0	0 ^e	\$25,000	\$25,000	\$0
Sand and gravel (million tons)	10.4	22.4	11.9	55,221,000	120,698,000	64,140,000
Rock (million tons)	3.1	3.2	0.9	27,176,000	31,442,000	10,406,000
Subtotal				\$82,422,000	\$152,165,000	\$74,546,000
Energy minerals						
Coal (tons)	1,537,000	1,158,000	1,088,000	\$48,108,000	\$37,400,000	\$38,080,000
Peat (cubic yards)	36,000	35,000	35,000 ^f	180,000	175,000	175,000
Subtotal				\$48,288,000	\$37,575,000	\$38,255,000
TOTAL				\$919,308,000	\$1,012,809,000	\$1,000,662,000

^aProduction data from DGGs questionnaires, phone interviews with mine and quarry operators, Alaska Department of Transportation and Public Facilities, and federal land management agencies.

^bValues for selected metal production based on average prices for each year; for 2003—gold (\$363.58/ounce unless other value provided by operator); silver (\$4.88/ounce); copper (\$0.81/lb); zinc (\$0.38/lb); lead (\$0.23/lb). All other values provided by mine operators. Values rounded to nearest \$1,000.

^cHardrock gold 504,591 ounces, placer gold 23,600 ounces.

^dGreens Creek has historically been credited with a small copper concentrate production; no credit was experienced for 2003 production.

^eJade and soapstone credit has been dropped.

^fProjected only; no reports from producers.

Major Metal-Mineral Mining Operations in Alaska

Name	Major Mineral(s)	Land Ownership
Red Dog	Zinc	Nana Corporation
Fort Knox	Gold	Mental Health Trust (satellite on state land)
Greens Creek	Silver/ Zinc/ Gold/ Lead	Federal and Private
Pogo	Gold	State
Illinois Creek	Gold/ Silver	State

Metal Mines Taxation Comparison of All Taxes

State	Property Tax	Severance Tax	License Tax	Sales and Use Tax	Other Taxes or Fees
1 Arizona	On average, the tax rate is 12.18% of the assessed value of the real and personal property of the company	2.5% of the net severance base (Severance Base = 50% of the difference between the gross value of production and the production costs)	None	None	6.968% of net proceeds
2 California	Personal and real property are valued annually. They are taxed locally. The ore body is valued and taxed as a part of the property taxes.	None	None	Personal property is subject to a sales tax	Each mining company pays a pro rata share (between \$100 - \$4,000) for publication of the State Mining and Geology Board Annual Report; a fee of \$5.00/roy oz of gold and \$0.10/roy oz of silver is levied for Abandoned Mine Reclamation.
3 Colorado ¹	Personal and real property are valued annually. They are taxed locally.	0% to 2.25% of gross income	None	Personal property is subject to a sales tax	None
4 Idaho	Personal and real property are valued annually. They are taxed locally.	None	1% of the net value of the royalties	With the proper certificates, most of the personal property used in the mining operation is exempt from the sales tax	None
5 Montana ²	Personal and real property are valued annually. The property tax is levied at the state and local level.	3% of the annual gross proceeds are subject to tax for property tax purposes. This is an ad valorem tax on the value of production.	0% of the first \$250,000 gross value of production; 1.8% of the gross value of production of gold, silver or other platinum-group metal for dore, bullion or metal or other processed concentrate	None	None
6 Nevada	The state values real and personal property of a centrally valued property. Other than the state debt service amount, all property taxes are collected locally.	2% to 5% of net proceeds	None	Personal property is subject to a sales tax	A state levy of \$0.17/\$100 of assessed value is used for state debt service and is assessed against all real and personal property.
7 New Mexico ³	Both real and personal property based on an average production value. Maximum mill levies are established in law with voter approved increases allowed.	Copper = 0.5% of taxable value; rare earth and other metals = 0.125% of taxable value; gold and silver = 0.20% of taxable value	none	Personal property is subject to a sales tax	75% excise tax on the gross value received for the severed product, regardless of deductions
8 North Dakota ⁴	The mine is subject to any local real property taxes; the resource in the ground is not.	\$0.375/ton severance tax; \$0.02ignite research tax	None	Personal property is not taxed in North Dakota but purchase of machinery and equipment is subject to a sales tax	none
9 Oregon ⁵	Personal property is valued at 100% of market value. The state prepares manual and valuation schedules which are applied locally. Effective tax rate is approximately \$15 per \$1,000 of market value (1.5%).	None	None	None	None
10 South Dakota ⁶	2 mills on the dollar maximum for state levy; 1 mill maximum for state highway levy Other property taxes are variable by county	10% of net profits of precious metals, \$4/oz of gold; 4.5% of taxable value (posted field price) of energy minerals	None	Personal property is subject to a sales tax	\$1 - \$4 per oz of gold if London price is \$500/oz or greater; through June 30, 2004, 2% of the first \$50,000,000 of gross yield and 1% of all additional revenue over \$50,000,000
11 Utah ⁷	Used for local purposes only, approx 1% of market value	2.6% of the taxable value	None	Personal property is subject to a sales tax	None
12 Washington ⁸	A maximum of 3.6 mills/\$1,000 of value of real and personal property for state education equalization. Personal property is valued annually. The state prepares valuation schedules but the property is taxed locally.	None	None	Personal property is subject to a sales tax	None
13 Wyoming	Property taxes are levied on a local basis. The rates range from 6% to 8.6%	2% of gross product of miscellaneous minerals	None	Personal property is subject to a sales tax	None

Source: 2004 State Tax Handbook, Western Mine Engineering Company website, individual state statutes, agencies and individuals.

¹ For mines begun after July 1, 1989 Colorado does not levy a tax on the first \$15,000,000 of gross income. For mines begun before July 1, 1989 the first \$11,000,000 of gross income is exempt. The tax is 2.25% on all gross income above \$9 thousand.² Under the Resource Integrity and Groundwater Assessment Act, a 1/2 of 1% tax on the gross value of minerals extracted. This tax is in addition to the gross proceeds tax.³ The severance tax in New Mexico is levied against the gross value of sales less 50% deduction for expenses. The gross value of sales is calculated separately for each mineral type.⁴ "Energy minerals," any minerals fuel including, but not limited to coal, lignite, petroleum, oil, natural gas, uranium and thorium and any combination of minerals used in the production of energy.⁵ According to the Oregon Dept. of Geology and Mineral Industries website there are no active commercial metal mines in the state.⁶ The 4.5% tax on energy minerals is in lieu of all other taxes except sales, use and property taxes from all taxing jurisdictions. Numerous production and reclamation expenses, depreciation costs and local tax reductions and other expenses are allowed before determining "net profits."⁷ In Utah the taxable value is 30% of the gross proceeds for all metals except beryllium. For beryllium the taxable value is 20% of gross proceeds. Ore shipped out of state has a taxable value of 30% of gross proceeds.⁸ Washington levies a business and occupation tax.

Alaska Department of Revenue
Tax Division

Prepared by Brett Fried
Prepared on January 18, 2004
Produced for Representative Seaton

Draft Proposed Tax on the "Gross Value" of Minerals in Alaska

		Quantity*	Estimated*	Proposed
		2003	Values 2003	Tax @ 3%
Metals				
Gold	(ounces)	528,191	\$191,934,000	\$5,758,020
Silver	(ounces)	18,589,100	\$95,300,000	\$2,859,000
Lead	(tons)	162,479	\$64,279,000	\$1,928,370
Zinc	(tons)	714,769	\$536,348,000	\$16,090,440
Subtotal			\$887,861,000	\$26,635,830
Industrial minerals				
Sand and gravel	(million tons)	11.9	\$64,140,000	\$1,924,200
Rock	(million tons)	0.9	\$10,406,000	\$312,180
Subtotal			\$74,546,000	\$2,236,380
Energy minerals				
Coal	(tons)	1,088,000	\$38,080,000	\$1,142,400
Peat	(cubic yards)	35,000	\$175,000	\$5,250
			\$38,255,000	\$1,147,650
Total			\$1,000,662,000	\$30,019,860

*Quantity and value from the Department of Natural Resources, Division of Geological & Geophysical Surveys. "Special Report 58: Alaska's Mineral Industry 2003." Table 10. pg 25.

Assumptions:

- (1) Assumes production value (quantity x market price) is the same as gross value. That is, Alaska exports raw ore that must be smelted prior to sale. Production value is the value of the final product not the value of the raw ore in Alaska. There were only, approximately, \$67 million of exploration and development expenditures in Alaska in 2003 (DNR, Table 1, pg. 58).
- (2) Assumes that the 2003 production value is representative of future production values. The average production value for the last five years has been close to one billion.
- (3) Assumes mining companies will not change their behavior as a result of the tax.

Mining

BILL CORBOS

465-3761 - MINING TAX

Brett Fried

- 465-3682 - Nat. Resources

Alan Keig (H.)

789-8110

~~Representing~~
Representing
Alaska Miners Assoc
Council of Alaska Producers

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AL Clough

Deputy Commissioner
Dept of Community &
Economic Development