

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

3071 SCOMM 142: HOUSE SPECIAL COMMITTEE ON WAYS & MEANS 2005-2006



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LIST OF FILES

MEMBERS:

REPRESENTATIVE WEYHRAUCH, CHAIR
REPRESENTATIVE GRUENBERG
REPRESENTATIVE MOSES
REPRESENTATIVE ROKEBERG
REPRESENTATIVE SAMUELS
REPRESENTATIVE SEATON
REPRESENTATIVE WILSON

Established by HR 6, 2005.

Contents: 30 files. See legislative homepage at
<http://www.legis.state.ak.us> for minutes and audio of meetings
1/14/05-4/18/06.

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3. 3/4/05, OVERVIEW: STATE INCOME TAX	
4. 3/18/05, ELF 101	
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SCOMM

142.1

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

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January 31, 2005

Honorable Bruce Weyhrauch, Chair
House Ways and Means Committee

Representative Weyhrauch,

At the January 28, 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. FY 2006 Capital budget request for the Department of Transportation
2. Debt Service to Maturity for all state debt
3. Assessed valuation of oil and gas properties in Alaska by community
4. Millage rates by community and millage rate limitations

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. FY 2006 Capital budget request for the Department of Transportation

Governor's Capital Budget - Appropriations Only (by department)
FY06 Governor's Capital Budget

Agency	Project Title	General Funds	AHFC Div (1139)	ASLC Bonds (1186)	Bond Funds (2000)	Federal Funds	Other Funds	Total Funds
Department of Transportation and Public Facilities								
	Airport Deferred Maintenance	0	0	0	1,500,000	0	0	1,500,000
	Airport Improvement Program	0	0	0	0	163,580,625	38,258,000	201,838,625
	Alaska Marine Highway System - Vessel and Terminal Overhaul and Rehabilitation	0	0	0	6,500,000	0	0	6,500,000
	Capital Improvement Program Equipment Replacement	0	0	0	0	0	1,500,000	1,500,000
	Congressional Earmarks	0	0	0	15,000,000	0	0	15,000,000
	Coordinated Transportation and Vehicles	100,000	0	0	0	0	400,000	500,000
	Corps of Engineers - Harbors Program Construction	2,600,000	0	0	0	0	0	2,600,000
	Corps of Engineers - Harbors Program Formulation	100,000	0	0	0	0	0	100,000
	Emergency and Non-Routine Repairs	0	0	0	500,000	0	0	500,000
	Facilities Deferred Maintenance and Critical Repairs	0	0	0	8,000,000	0	0	8,000,000
	Governor's Transportation Access to Resources Initiative	0	0	0	37,000,000	0	0	37,000,000
	Governor's Transportation Initiative	0	0	0	108,000,000	0	0	108,000,000
	Harbor Deferred Maintenance	0	0	0	3,000,000	0	0	3,000,000
	Highway Deferred Maintenance	0	0	0	3,000,000	0	0	3,000,000
	Hoonah Harbor Deferred Maintenance and Transfer	0	0	0	3,500,000	0	0	3,500,000
	Industrial Road Program	0	0	0	10,000,000	0	0	10,000,000
	Material Stockpiles - Dalton Highway, Glenn Highway, Richardson Highway and Tok Cutoff	0	0	0	600,000	0	0	600,000
	Petersburg: North Harbor Deferred Maintenance and Transfer	0	0	0	2,500,000	0	0	2,500,000
	State Equipment Fleet Replacement	0	0	0	0	0	10,000,000	10,000,000
	Statewide Federal Programs	421,000	0	0	56,500,000	52,039,300	0	108,960,300
	Statewide: Airport Lease Lots Development	0	0	0	4,000,000	0	0	4,000,000
	Surface Transportation Program	0	0	0	0	302,178,600	400,000	302,578,600
	WAN Infrastructure Upgrade	0	0	0	185,000	0	0	185,000
	Willow Maintenance Station Replacement	0	0	0	350,000	0	0	350,000
Department of Transportation and Public Facilities Subtotal		3,221,000	0	0	260,135,000	517,798,525	50,558,000	831,712,525

2. Debt Service to Maturity for all state debt

TABLE 1.1
State of Alaska
State and State Agency Debt by Type of Debt at June 30, 2004
\$(millions)

	principal outstanding	interest to maturity	total debt service to maturity
State Debt			
State of Alaska General Obligation Bonds	\$ 461.9	\$ 209.7	\$ 671.7
State Supported Debt			
Lease-Purchase Financings	72.3	16.9	89.2
State Reimbursement of Municipal School Debt Service	689.1	325.5	1,014.6
State Reimbursement of capital projects	53.4	26.3	79.7
Capital Leases	77.2	43.1	120.2
Total State Supported Debt	892.0	411.8	1,303.8
State Guaranteed Debt			
Alaska Housing Finance Corporation State Guaranteed Bonds 1991-2002 (Veterans' Mortgage Program)	218.8	262.7	481.5
State Moral Obligation Debt			
Alaska Industrial Development and Export Authority Revolving Fund Bonds	1.1	0.1	1.2
Alaska Municipal Bond Bank:			
1976 General Resolution General Obligation Bonds	267.8	71.5	339.3
1990 Series A General Resolution Revenue Bonds	0.8	0.5	1.3
1995 Series A General Resolution Revenue Bonds	2.4	1.1	3.5
1997 Series A General Resolution Revenue Bonds	14.6	7.9	22.5
1998 Series A General Revenue Bond	6.8	3.5	10.3
1998 Series B General Revenue Bond	1.3	0.2	1.5
1999 Series A General Revenue Bond	1.7	1.1	2.8
2000 Series A General Revenue Bond	0.9	0.2	1.1
2000 Series B General Revenue Bond	2.8	1.7	4.5
2001 Series A General Revenue Bond	1.6	0.7	2.3
2001 Series B General Revenue Bond	2.4	1.1	3.5
2002 Series A General Revenue Bond	6.2	1.6	7.8
2003 Series A General Revenue Bond	4.3	0.5	4.8
2003 Series B General Revenue Bond	19.0	3.4	22.4
Alaska Energy Authority:			
Power Revenue Bonds #1 (Bradley Lake Hydroelectric Project)	9.9	0.1	10.0
Power Revenue Bonds #2 (Bradley Lake Hydroelectric Project)	11.5	0.0	11.5
Power Revenue Refunding Bonds #3 (BLHP)	48.2	25.6	73.8
Power Revenue Refunding Bonds #4 (BLHP)	41.9	29.3	71.2
Power Revenue Refunding Bonds #5 (BLHP)	30.6	24.3	54.9
Utility Revenue Bonds (City and Borough of Sitka)	25.4	11.4	36.8
Utility Revenue Refunding Bonds (City and Borough of Sitka)	20.7	15.5	36.2
Alaska Student Loan Corporation Student Loan Revenue Bonds	547.7	186.7	734.4
Alaska Student Loan Corporation Student Capital Project Revenue Bonds	75.1	17.6	92.7
Total State Moral Obligation Debt	1,144.8	405.7	1,550.4
State Revenue Debt			
International Airports Revenue Bonds	427.1	274.4	701.5
University of Alaska Debt			
University of Alaska Revenue Bonds	84.4	47.8	132.2
University Indebtedness to AK Housing Finance Corporation (5)	27.8	6.9	34.7
Installment Contracts	0.9	0.1	1.0
Total University of Alaska Debt	113.1	54.8	167.9
Total State Revenue and University Debt	540.2	329.2	869.4

TABLE 1.1 (Continued)
State of Alaska
State and State Agency Debt by Type of Debt at June 30, 2004
\$(millions)

State Agency Debt			
Alaska Housing Finance Corporation:			
Commercial Paper	70.2	N/A	70.2
Reverse Repurchase Agreements	0.0	N/A	0.0
AHFC-Public Housing Division			
Wrangell 221 (d) (3) Indebtedness	0.6	0.0	0.6
Alaska Municipal Bond Bank Coastal Energy Loan Bonds	11.0	6.4	17.4
Alaska Railroad	32.0	7.0	39.0
Alaska Industrial Development and Export Authority Revolving Fund Bonds	0.9	0.1	1.0
Total State Agency Debt	<u>114.7</u>	<u>13.5</u>	<u>128.2</u>
State Agency Collateralized or Insured Debt			
Alaska Housing Finance Corporation:			
Collateralized Home Mortgage Bonds & Mortgage Revenue Bonds:			
1990 Through 2002 (First Time Homebuyer Program)	623.1	745.8	1,368.9
2000 & 2002 Taxable FTHB bonds	36.2	20.1	56.3
General Mortgage Revenue Bonds 1997 and 1999	717.1	1,032.9	1,750.0
Housing Development Bonds 1991 through 2002	342.4	221.2	563.6
General Housing Purpose Bonds 1992 and 1994	187.8	29.8	217.6
Government Purpose Bonds 1995, 1997 & 2001	503.3	300.0	803.3
State Capital Project Bonds, 1999, 2001 and 2002	216.7	61.0	277.7
State Building Lease Bonds, 1999 Series A	32.5	13.5	46.0
Alaska Industrial Development and Export Authority:			
Revolving Fund and Refunding Revolving Fund Bonds	214.3	131.9	346.2
Power Revenue Bonds, First Series (Snettisham Hydro Project)	87.8	89.8	177.6
Total State Agency Collateralized or Insured Debt	<u>2,961.2</u>	<u>\$ 2,646.0</u>	<u>\$ 5,607.2</u>
Total State and State Agency Debt	<u>6,333.6</u>		
Municipal Debt			
School G.O. Debt	1,034.7	\$ N/A	\$ N/A
Other G.O. Debt	1,072.2	N/A	N/A
Revenue Debt	513.8	N/A	N/A
Total Municipal Debt	<u>2,620.7</u>		
Less: State Reimbursable Debt and Capital Leases *	<u>-819.7</u>		
	<u>1,801.0</u>		
Total Alaska Public Debt	<u><u>\$ 8,134.6</u></u>		

NOTES

1. Collateral for this issue consists of AHFC real estate-owned properties.
2. Multifamily housing bonds.
3. Interest is not calculated on Z-bonds.
4. Defeased bond issue.
5. University debt owed to AHFC is double counted in detail, but eliminated from Total Alaska Public Debt

* Reimbursable school G.O. debt is included in "state supported debt"

Capital Leases are included in State Agency Collateralized or Insured Debt

State Reimbursement of Capital Projects is included in University and Municipal Debt

Sources: 2004 annual reports and financial statements of AHFC, ASHA, Bond Bank, AIDEA, AEA, University of Alaska, Railroad, and AMFA and other information provided by State agencies directly.

3. Assessed valuation of oil and gas properties in Alaska by community

TABLE 8
FULL VALUE DETERMINATION
As of January 1, 2003

Boroughs/Unified Municipalities	AS 29.45	AS 43.56	Full Value Determination	Population	Per Capita Full Value
	Local Taxable Full Value	State Taxable Oil & Gas Full Value			
Aleutians East Borough	\$96,072,577	\$0	\$96,072,577	2,729	\$35,204
Akutan	\$9,313,400	\$0	\$9,313,400	748	\$12,451
Cold Bay	\$5,077,900	\$0	\$5,077,900	116	\$43,775
False Pass	\$1,750,900	\$0	\$1,750,900	79	\$22,163
King Cove	\$29,263,800	\$0	\$29,263,800	794	\$36,856
Sand Point	\$42,179,600	\$0	\$42,179,600	919	\$45,897
Outside Cities	\$8,486,977	\$0	\$8,486,977	73	\$116,260
Municipality of Anchorage	\$21,168,491,500	\$46,183,220	\$21,214,674,720	269,070	\$78,844
Bristol Bay Borough	\$150,077,100		\$150,077,100	1,159	\$129,488
Denali Borough	\$159,351,900	\$0	\$159,351,900	1,886	\$84,492
Anderson	\$7,391,500	\$0	\$7,391,500	592	\$12,486
Outside Cities	\$151,960,400	\$0	\$151,960,400	1,294	\$117,435
Fairbanks North Star Borough	\$5,147,973,900	\$270,805,700	\$5,418,779,600	84,791	\$63,907
City of Fairbanks	\$1,610,730,400	\$0	\$1,610,730,400	29,670	\$54,288
City of North Pole	\$297,685,700	\$0	\$297,685,700	1,683	\$176,878
Outside Cities	\$3,239,557,800	\$270,805,700	\$3,510,363,500	53,438	\$65,690
Haines Borough	\$219,311,400	\$0	\$219,311,400	2,360	\$92,929
City & Borough of Juneau	\$2,934,769,500	\$0	\$2,934,769,500	30,981	\$94,728
Kenai Peninsula Borough	\$4,704,395,200	\$638,617,190	\$5,343,012,390	51,187	\$104,382
City of Homer	\$448,443,700	\$0	\$448,443,700	4,721	\$94,989
Kachemak City	\$37,184,600	\$0	\$37,184,600	419	\$88,746
City of Kenai	\$479,530,700	\$5,226,090	\$484,756,790	7,166	\$67,647
City of Seldovia	\$25,907,000	\$0	\$25,907,000	308	\$84,114
City of Seward	\$244,988,900	\$0	\$244,988,900	2,794	\$87,684
City of Soldotna	\$400,714,900	\$0	\$400,714,900	3,944	\$101,601
Outside Cities	\$3,067,625,400	\$633,391,100	\$3,701,016,500	31,835	\$116,256
Ketchikan Gateway Borough	\$1,109,849,800	\$0	\$1,109,849,800	13,670	\$81,189
City of Ketchikan	\$651,474,600	\$0	\$651,474,600	7,845	\$83,043
City of Saxman	\$19,617,500	\$0	\$19,617,500	394	\$49,791
Outside Cities	\$438,757,700	\$0	\$438,757,700	5,431	\$80,788
Kodiak Island Borough	\$995,067,200	\$0	\$995,067,200	13,852	\$71,836
Akhiok	\$712,700	\$0	\$712,700	48	\$14,848
City of Kodiak	\$560,795,500	\$0	\$560,795,500	6,544	\$85,696
Larsen Bay	\$6,269,700	\$0	\$6,269,700	107	\$58,595
Old Harbor	\$5,474,400	\$0	\$5,474,400	229	\$23,906
Ouzinkie	\$3,634,900	\$0	\$3,634,900	189	\$19,232
Port Lions	\$8,171,500	\$0	\$8,171,500	251	\$32,556
Outside Cities	\$410,008,500	\$0	\$410,008,500	6,484	\$63,234
Lake & Peninsula Borough	\$61,977,700	\$0	\$61,977,700	1,641	\$37,768
Chignik	\$12,609,595	\$0	\$12,609,595	77	\$163,761
Egegik	\$5,026,000	\$0	\$5,026,000	88	\$57,114
Newhalen	\$3,323,249	\$0	\$3,323,249	156	\$21,303
Nondalton	\$3,576,615	\$0	\$3,576,615	207	\$17,278
Pilot Point	\$1,728,381	\$0	\$1,728,381	76	\$22,742
Port Heiden	\$2,709,703	\$0	\$2,709,703	108	\$25,090
Outside Cities	\$33,004,157	\$0	\$33,004,157	929	\$35,527

TABLE 8 - Continued
FULL VALUE DETERMINATION
As of January 1, 2003

Boroughs/Unfied Municipalities	AS 29.45 Local Taxable Full Value	AS 43.56 State Taxable Oil & Gas Full Value	Full Value Determination	Population	Per Capita Full Value
Matanuska-Susitna Borough	\$4,113,300,300	\$1,971,470	\$4,115,271,770	65,241	\$63,078
City of Houston	\$68,517,800	\$0	\$68,517,800	1,279	\$53,571
City of Palmer	\$326,099,000	\$0	\$326,099,000	5,159	\$63,210
City of Wasilla	\$504,878,800	\$0	\$504,878,800	6,343	\$79,596
Outside Cities	\$3,213,804,700	\$1,971,470	\$3,215,776,170	52,460	\$61,300
North Slope Borough	\$277,332,100	\$10,463,871,080	\$10,741,203,180	9,402	\$1,142,438
Anaktuvak Pass	\$3,735,100	\$0	\$3,735,100	302	\$12,368
Atkasuk	\$3,660,100	\$0	\$3,660,100	231	\$15,845
City of Barrow	\$143,180,600	\$0	\$143,180,600	4,434	\$32,292
Kaktovik	\$4,986,200	\$0	\$4,986,200	306	\$16,295
Nulqsut	\$5,283,700	\$0	\$5,283,700	443	\$11,927
Point Hope	\$3,382,100	\$0	\$3,382,100	709	\$4,770
Wainwright	\$8,611,900	\$0	\$8,611,900	543	\$15,860
Outside Cities	\$104,492,400	\$10,463,871,080	\$10,568,363,480	2,434	\$4,341,973
Northwest Arctic Borough	\$382,139,300	\$0	\$382,139,300	7,266	\$52,593
Ambler	\$3,538,400	\$0	\$3,538,400	295	\$11,995
Buckland	\$3,208,200	\$0	\$3,208,200	426	\$7,531
Deering	\$1,905,000	\$0	\$1,905,000	129	\$14,767
Kiana	\$5,157,000	\$0	\$5,157,000	399	\$12,925
Kivalina	\$3,456,400	\$0	\$3,456,400	383	\$9,025
Kobuck	\$1,124,900	\$0	\$1,124,900	106	\$10,612
Kotzebue	\$82,248,800	\$0	\$82,248,800	3,107	\$26,472
Noorvik	\$6,586,700	\$0	\$6,586,700	677	\$9,729
Selawik	\$8,089,300	\$0	\$8,089,300	778	\$10,398
Shungnak	\$3,022,600	\$0	\$3,022,600	249	\$12,139
Outside Cities	\$263,802,000	\$0	\$263,802,000	717	\$367,925
City & Borough of Sitka	\$732,809,900	\$0	\$732,809,900	8,894	\$82,394
City & Borough of Yakutat	\$52,855,600	\$0	\$52,855,600	724	\$73,005
SUMMARY	\$42,305,774,977	\$11,421,448,660	\$53,727,223,637	564,853	\$95,117

Local Taxable	→	The full value of real & personal property that can be taxed under state law as equalized by the Office of the State Assessor according to standards defined in Attorney General Opinion No. 18, 1962.
State Taxable Oil & Gas Property, AS 43.56	→	The assessed value of oil and gas exploration, production and transportation property as determined by the Department of Revenue, Tax Division.
Full Value Determination	→	The full value of property taxable under state law (AS 29.45) and oil & gas property assessed by the State Department of Revenue under AS 43.56
Per Capita Value	→	The average per capita value based upon total full value <u>including</u> oil and gas property. Population is based on the State Revenue Sharing Program.

4. Millage rates by community and millage rate limitations

TABLE 5
HISTORICAL SUMMARY OF MUNICIPAL PROPERTY TAX RATES
(2001-2003)

Mill levies are listed for the cities located within the municipality. The mill rates will not be listed for all service areas, however, a range of mill rates is presented for each municipality. For a specific service area mill rate, contact the local municipal assessment office. An assessment jurisdiction mailing list can be found on the State Assessors web site

Municipality	2001	2002	2003
MUNICIPALITY OF ANCHORAGE (Unified Home Rule)			
General Government	1.24	1.56	1.50
Education	8.20	7.81	7.37
Fire	1.82	1.68	1.64
Roads/Drainage	3.61	2.97	3.10
Police	2.40	2.39	2.25
Parks & Recreation	0.72	0.73	0.74
Building Safety	0.01	0.01	0.01
TOTAL	18.00	17.17	16.61
Smallest mill rate reported	8.87		
Largest mill rate reported	16.61		
Total number of service areas reported	44		
Revenue cap set at previous years revenue plus CPI, new construction, bonding, voter approved services, taxes for new judgements and special appropriations on an emergency basis.			

BRISTOL BAY BOROUGH
(Second Class)

General Government	4.00	4.00	8.86*
Education	4.50	5.00	4.14
Solid Waste	1.00	1.00	0.00
Public Safety	2.50	2.00	0.00
Waste Water	1.00	1.00	0.00
TOTAL	13.50	13.00	13.00
Mill rate is areawide. *No further breakdown received for 2003			
No tax cap			

FAIRBANKS NORTH STAR BOROUGH
(Second Class)

City of Fairbanks (Home Rule)

School & Library Bonds	0.982	0.931	0.992
General Government (Boro)	4.709	4.756	4.934
General Government (City)	6.426	6.511	6.516
Education	8.169	8.006	7.767
TOTAL	20.286	20.204	20.209
Smallest mill rate reported	16190		
Largest mill rate reported	31.096	City of North Pole	17.880
Total number of service areas reported	127	Borough Levy	15.403

Revenue cap set at previous years revenue plus CPI, new construction, bonding, voter approved services, taxes for new judgements and special appropriations on an emergency basis.

TABLE 5
Continued

Municipality	2001	2002	2003
HAINES BOROUGH			
Home Rule Borough			
General Government	5.85	5.85	4.04
Education	6.50	6.23	6.23
Fire District	-0-	-0-	1.81
TOTAL	12.35	12.08	12.08
Smallest mill rate reported	6.23		
Largest mill rate reported	12.08	(This service area is within the old city boundaries)	
Total number of service areas reported	4		
No tax cap			
CITY AND BOROUGH OF JUNEAU			
(Unified Home Rule)			
Education/administration	6.00*	6.00*	6.72
Fire	0.75	0.75	0.68
Police	4.72**	4.72**	4.24
TOTAL	11.47	11.47	11.64
Smallest mill rate reported	6.72		
Largest mill rate reported	11.64	* includes schools, bond debt & general gov't.	
Total number of service areas reported	3	** includes Police, Transit, Streets & Parks	
Tax Cap set at 12 mills			
KENAI PENINSULA BOROUGH			
(Second Class)			
City of Kenai (Home Rule)			
General Government	3.50	3.50	5.00
Borough	7.00	6.50	6.50
Hospital	0.40	0.40	0.50
Kenai Peninsula College	0.10	0.10	0.10
TOTAL	11.00	10.50	12.10
Smallest mill rate reported	8.10	City of Seldovia	13.85
Largest mill rate reported	12.20	City of Homer	13.35
Total number of service areas reported	15	City of Seward	9.72
		City of Soldotna	11.35
		City of Kachemak	9.35
		Borough Levy	6.50
Borough tax cap set at 8 mills			

TABLE 5
continued

Municipality	2001	2002	2003
KETCHIKAN GATEWAY BOROUGH			
(Second Class)			
City of Ketchikan (Home Rule)			
General Government	0.57	0.57	0.57
Education	6.23	6.23	6.43
Police	1.43	1.43	1.43
Fire	1.07	1.07	1.07
Public Works	3.90	3.90	3.90
TOTAL	13.20	13.20	13.40
Smallest mill rate reported	8.00		
Largest mill rate reported	11.40	Borough Levy	8.20
Total number of service areas reported	12	City of Saxman	7.00 (no city levy & no borough public works levy)
Borough Tax Cap set at 8 mills			
KODIAK ISLAND BOROUGH			
(Second Class)			
City of Kodiak (Home Rule)			
General Government	2.83	2.44	2.44
Borough/Education	8.42	8.81	8.81
TOTAL	11.25	11.25	11.25
Smallest mill rate reported	9.25		
Largest mill rate reported	12.75		
Total number of service areas reported	10	Borough Levy	9.25
No borough tax cap			
MATANUSKA-SUSITNA BOROUGH			
(Second Class)			
City of Wasilla (First Class)			
Borough/Education	11.94	13.133	11.702
City	1.00	0.90	0.500
Fire	1.00	1.00	1.000
TOTAL	13.94	15.033	13.202
Smallest mill rate reported	12.845	City of Palmer	14.702
Largest mill rate reported	18.745	City of Houston	14.702
Total number of service areas reported	27	Borough Levy	12.145
No borough tax cap			

TABLE 5
continued

Municipality	2001	2002	2003
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NORTH SLOPE BOROUGH (Home Rule)**

General Government	6.02	6.47*	7.32*
Education	N/B	N/B	N/B
Debt Service	12.870	12.03	11.24
TOTAL	18.890	18.890	18.56

*Mill levy is areawide

N/B= No breakdown given for school and general government. 7.32 mills is inclusive of both.

No local tax cap-Use 225% state cap formula-(see mill rate explanation)

CITY & BOROUGH OF SITKA (Unified Home Rule)

General Government	3.00	3.00	2.00
Education	3.00	3.00	4.00
TOTAL	6.00	6.00	6.00

Mill levy is areawide

Tax cap set at 6 mills

CITY & BOROUGH OF YAKUTAT (Home Rule)

General Government / Education	9.00	9.00	9.00
TOTAL	9.00	9.00	9.00

Mill levy is for road accessed property only

Property without road access is taxed at 6.0 mills

No tax cap

** See "Explanation of Millage Rates" on next page.

North Slope Borough

EXPLANATION OF MILLAGE RATES:

AS 29.45.090(a) restricts the mill rate for the municipal operating budget to a maximum of 3% or 30 mills. (There is no limit on taxes to pay bonds.)

The 30 mill limit on operating revenues is levied against an assessed value not to exceed that produced by the following formula:

Average Per Capita Full Value X 225% X municipal population, or, for FY 04:

$$\$87,017 \times 2.25 \times 13,341 = \$2,612,011,043 \quad (\text{Assessed Value Limit for operating budget})$$

$$\$2,612,011,043 \times 30 \text{ mills} = \$78,369,331 \quad (\text{FY 04 statutory tax limit for operating budget})$$

Actual FY 04 projected operating budget: \$78,360,331

$$\frac{\$78,360,331}{\$2,612,011,043} = 30.00 \text{ mills (operating budget rate- under the 30 mill tax limit)}$$

DEVELOPMENT OF ACTUAL OVERALL RATE (Based on full oil and gas values)

FY 04 projected budget for debt service (payment of bonds): \$120,347,000

Estimated Actual Assessed Value: \$10,710,000,000

$$\frac{\$120,347,000}{\$10,710,000,000} = 11.24 \text{ mills (levy to satisfy debt service)}$$

$$\frac{\$78,360,331}{\$10,710,000,000} = 7.32 \text{ mills (levy to satisfy operating budget)}$$

$$11.24 + 7.32 = 18.56 \text{ mills (actual overall rate)}$$

Mill Rate Calculation Based on the Reduced Values Derived from 225% Formula

Debt service—
 $\frac{\$120,347,000}{\$2,612,011,043}$ 46.07 mills

Operating Budget—
 $\frac{\$78,369,331}{\$2,612,011,043}$ 30.00 mills

Total Mills based upon 225%
formula values-- **76.07 mills**

Note: The population used here is different from the population used in other areas of this publication due to the fact that the North Slope Borough is allowed to use a larger portion of the workforce in Prudhoe Bay to count in the tax cap formula. The revenue sharing calculation uses a smaller population count. Also, the mill rate calculated here may be somewhat different than the one shown on page 24 due to the differences in actual assessed values at the time of this calculation and the borough calculation.

TABLE 5
continued

Municipality	2001	2002	2003
CITY OF CORDOVA (Home Rule)			
General Government/Education	13.50	13.50	13.50
TOTAL	13.50	13.50	13.50
Smallest mill rate reported	12.50		
Largest mill rate reported	12.50		
Total number of service areas reported	1		
No tax cap			
CITY OF CRAIG (First Class)			
General Government	6.00	6.00	6.00
TOTAL	6.00	6.00	6.00
Mill rate is areawide			
No tax cap			
CITY OF DILLINGHAM (First Class)			
General Government	11.00	11.00	11.00
TOTAL	11.00	11.00	11.00
Mill rate is areawide			
No tax cap			
CITY OF EAGLE (Second Class)			
General Government	0.00	0.00	0.00
TOTAL	0.00	0.00	0.00
Mill rate is areawide. Note: There has been no property tax levied since 1998.			
CITY OF NENANA (First Class)			
General Government	12.00	12.00	12.00
TOTAL	12.00	12.00	12.00
Mill rate is areawide			
Tax cap 2% value (20 mills)			
CITY OF NOME (First Class)			
General Government	6.367	6.400	6.900
Education	6.233	6.200	6.100
TOTAL	12.60	12.60	13.00
Mill rate is areawide			
No tax cap			

TABLE 5
continued

Municipality	2001	2002	2003
CITY OF PELICAN (First Class)			
General Government	6.00	6.00	6.00
TOTAL	6.00	6.00	6.00
Mill rate is areawide			
No tax cap			
CITY OF PETERSBURG (Home Rule)			
General Government	10.17	10.17	10.17
TOTAL	10.17	10.17	10.17
Tax cap set at 1% (10 mills) plus .17 mills for pool debt service			
CITY OF SKAGWAY (First Class)			
General Government	8.27	8.27	7.78
TOTAL	8.27	8.27	7.78
Smallest mill rate reported	1.40		
Largest mill rate reported	8.27		
Total number of service areas reported	5		
No tax cap			
CITY OF UNALASKA (First Class)			
General Government	11.78	11.78	11.78
TOTAL	11.78	11.78	11.78
Mill rate is areawide			
No tax cap			
CITY OF VALDEZ (Home Rule)**			
General Government	14.0933	14.0510	14.0395
Education	5.9067	5.9490	5.9605
TOTAL	20.0000	20.0000	20.0000
Tax cap set at 20 mills – cap does not apply to bonds			
CITY OF WHITTIER (Second Class)			
General Government	5.00	5.00	5.00
TOTAL	5.00	5.00	5.00
Mill rate is areawide			
No tax cap			
CITY OF WRANGELL (Home Rule)			
General Government	7.41	7.401	8.88
Education	2.60	2.60	3.12
TOTAL	10.00	10.00	12.00
Smallest mill rate reported	1.20		
Largest mill rate reported	12.00		
Total number of service areas reported	3		
No tax cap			

**See "Explanation of Millage Rates" on next page

City of Valdez

EXPLANATION OF MILLAGE RATES

AS 29.45.090(a) restricts the mill rate for the municipal operating budget to a maximum of 3% or 30 mills.
(There is no limit on taxes to pay bonds.)

The 30 mill limit on operating revenues is levied against an assessed value not to exceed that produced by the following formula:

Average Per Capita Full Value X 225% X municipal population; or, for Tax Year (TY) 03

$\$87,017 \times 2.25 \times 4,171 = \$816,632,791$ (Assessed Value Limit for operating budget)

$\$816,632,791 \times 30 \text{ mills} = \$24,498,984$ (TY 03 statutory tax limit for operating budget)

TY 03 operating budget: \$21,291,000 (property tax portion)

$$\frac{\$ 21,291,000}{\$ 816,632,791} = 26.072 \text{ mills (effective operating rate)}$$

DEVELOPMENT OF ACTUAL OVERALL RATE:

TY 03 budget for debt service (payment of bonds): \$-0-

Actual assessed value: \$1,058,620,905

$$\frac{\$ -0-}{\$ 1,058,620,905} = 0.00 \text{ mills (levy to satisfy debt service)}$$

$$\frac{\$ 21,291,000}{\$ 1,058,620,905} = 20.11 \text{ mills (levy to satisfy operating budget)}$$

$$0.000 + 20.11 = 20.11 \text{ mills (actual overall rate for operating \& debt service only)}$$

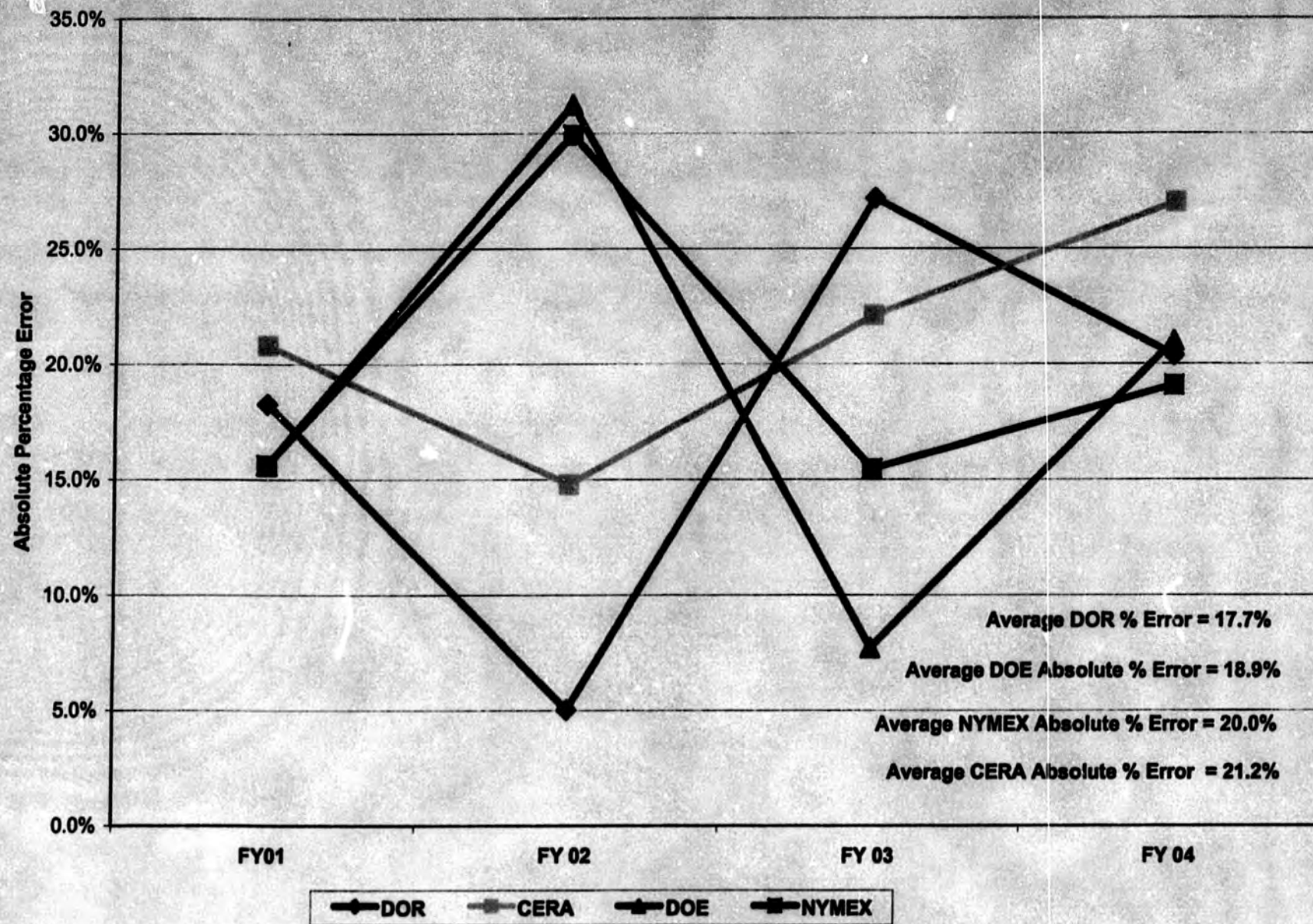
The mill rate calculated here may be somewhat different than the one shown on page 27 due to the differences in actual assessed values at the time of this calculation and the city calculation

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

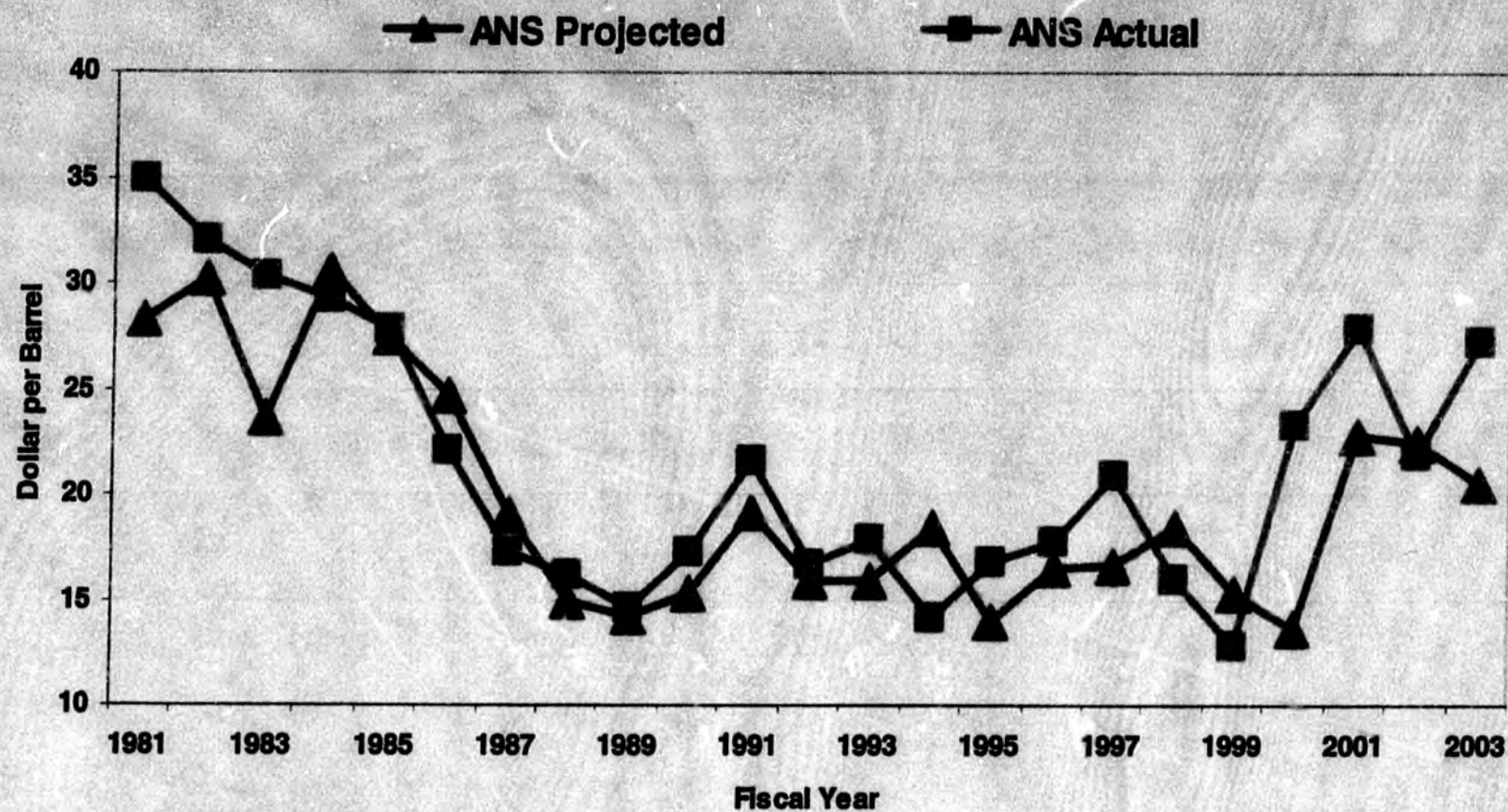
Annual State Budget	Fall 2004						
	\$18 bbl	\$23 bbl	\$25 bbl	\$28 bbl	DOR Forecast	\$30 bbl	\$32 bbl
\$2.2 billion	Dec/06	Sep/07	Apr/08	Nov/09	Jun/10	Dec/11	Sep/14
\$2.3 billion	Sep/06	Apr/07	Aug/07	Aug/08	May/09	Sep/09	Aug/11
\$2.4 billion	Aug/06	Feb/07	May/07	Mar/08	Dec/08	Jan/09	May/10
\$2.5 billion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

Absolute Percentage Error in Forecasting Oil Prices for Next Year's Budget Cycle
(i.e. Spring 2000 forecast of average ANS Price for FY 2001)

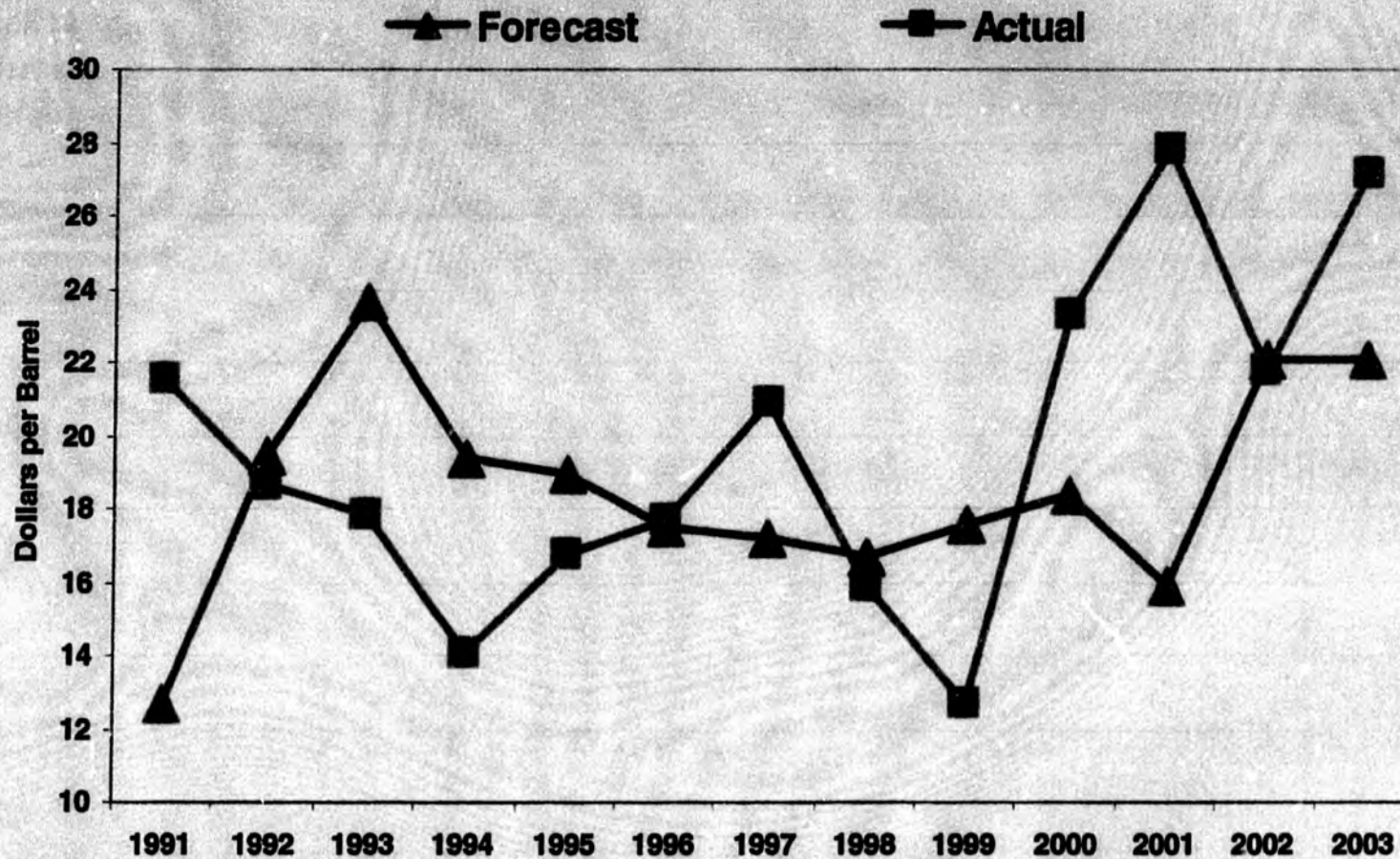


18-Months Ahead Oil Price Forecast ⁽¹⁾ Compared to Actual ANS Oil Prices



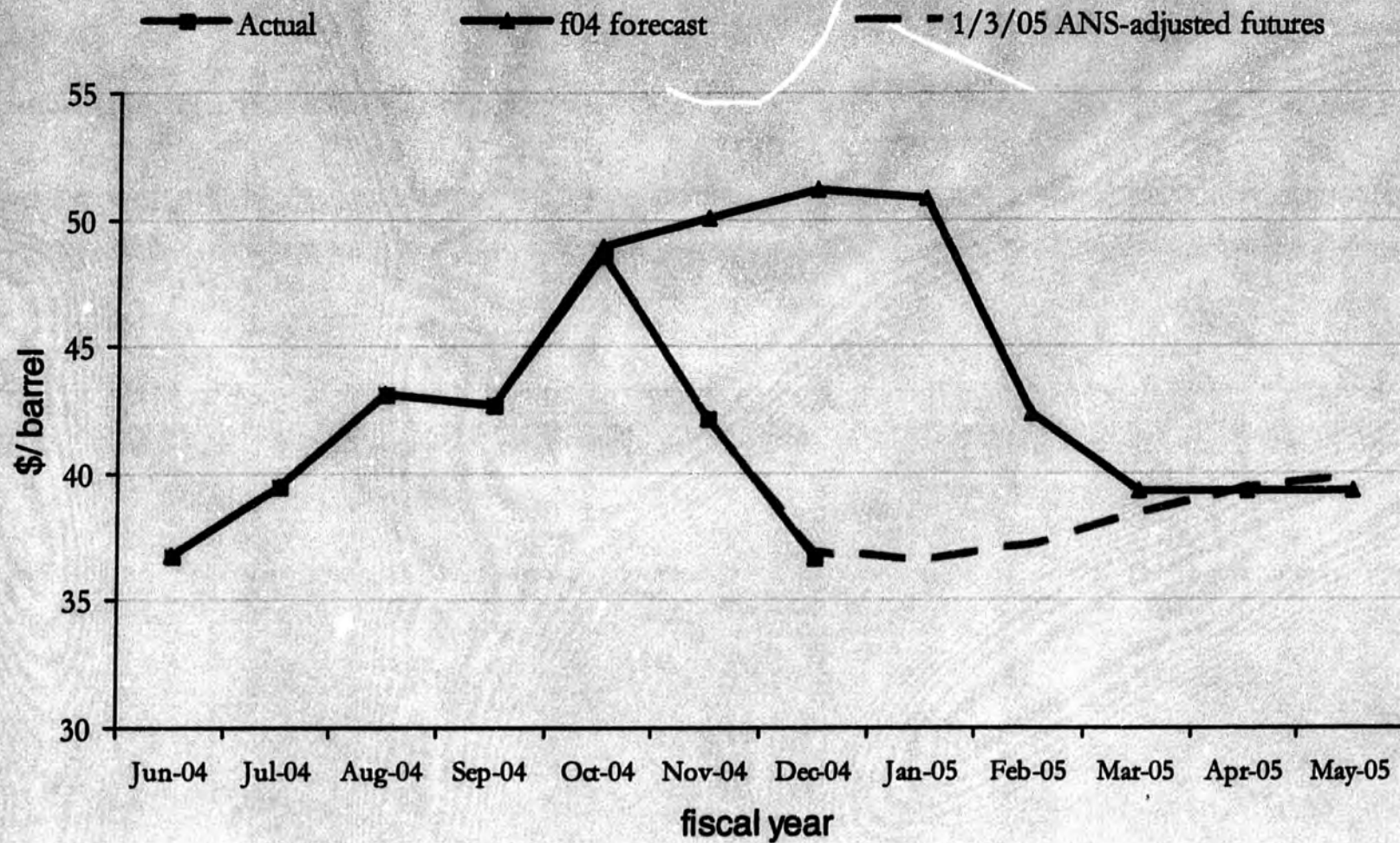
(1) FY 2002 forecast made March

Comparison of Oil Price Forecast 3 Years Out Fall Forecasts Since Fall 1988



FY 2005 ANS Price

Actual vs. Fall 2004 Forecast



MOODY'S ASSIGNS Aa3 UNDERLYING RATING TO ALASKA REFUNDING COPS

STATE'S OUTLOOK REMAINS STABLE

Alaska (State of)
State
Alaska

Moody's Rating

Issue	Underlying	
	Rating	Rating
Refunding Certificates of Participation, Series 2005A	Aa3	Aaa
Sale Amount	\$27,150,000	
Expected Sale Date	01/25/05	
Rating Description	Certificates of Participation	

Moody's Outlook - Stable

NEW YORK, January 6, 2005 — Moody's Investors Service has assigned a rating of Aa3 to the State of Alaska's Series 2005A refunding certificates of participation. Proceeds of the securities will refinance debt from as many as four issues to provide interest-rate savings, spread over the next eight years. Payment on the bonds will be made solely from funds appropriated annually for that purpose by the state legislature. Alaska's general obligation rating is Aa2 with a stable outlook, based on the state's conservative budgeting, low debt burden, and other factors. While these attributes also support a high-quality rating on the certificates of participation (COPs), the COPs are rated one level below the state's general obligation debt because of the requirement that lease payments backing the securities be appropriated annually by Alaska's legislature. The COPs are expected to be insured. Subject to Moody's review the insurance policy and related documents, they will carry an insurer's Aaa financial strength rating in addition to the underlying Aa3. The outlook for the state's debt is stable.

**GROWING USE OF SIMILAR DEBT SUGGESTS LOW NON-APPROPRIATION
RISK**

Moody's views the risk of non-appropriation as minimal, given the state's use of similar debt for other purposes. Alaska has been increasing its reliance on appropriation-backed debt to finance public facilities in recent years, including the issuance in August 2003 of \$14 million in Series 2003A securities to finance a food safety laboratory. Outstanding Alaska COPs totaled more than \$72 million at the end of fiscal 2004. Depending on market conditions at the time of issuance, the Series 2005 refunding certificates may be backed by as many as four lease agreements, whose payment streams would be consolidated under an amending document.

The leases contain no cross-default provisions, but the obligation of the agencies (the State of Alaska Court System in one instance and the Alaska State Department of Administration in the others) to pay from appropriated funds is absolute and unconditional. The agencies have no right to set-off or counter-claim, regardless of any contingencies and whether or not they possess or use the facilities. The agencies have pledged their best efforts to obtain appropriations for lease payments, and they are required to provide both property and liability insurance coverage for the leased facilities. Their ability to terminate the leases is limited to events of non-appropriation, in which case the property would be vacated so the trustee could re-let it. The August and February debt-service payment dates allow a buffer against any potential legislative delays.

FINANCED FACILITIES ARE ESSENTIAL TO STATE GOVERNMENT

Certificate investors derive further comfort from the fact that the facilities for which debt will be refunded by this transaction meet essential needs of state government. They consist of a courthouse in Fairbanks, a Department of Transportation and Public Facilities (DOTPF) garage and highway-equipment maintenance facility for the Kenai Peninsula District, a public health laboratory facility of the Department of Health and Social Services in Anchorage, and a fire-fighting facility near Palmer. The courthouse serves state trial and appellate court purposes. The DOTPF project replaced a facility that had been in use for almost 50 years. The health complex is a centralized laboratory outfitted to conduct research in virology and immunology, even during a natural disaster. The Palmer facility serves as a base for combating wildfires in south-central Alaska, and it includes a hangar for helicopters and other fire-fighting aircraft.

Moody's Investors Services Global Credit Research Rating Update 19 NOV 2004 Rating Update: Alaska (State of) MOODY'S REVISES OUTLOOK TO STABLE FROM NEGATIVE State AK Opinion NEW YORK, Nov 19, 2004 – Moody's has revised the outlook on the State of Alaska general obligations (rated Aa2) to stable from negative. The outlook change reflects the current and intermediate-term improvement in the state's financial condition based on the state's conservative budgeting and approach to forecasting revenue from its principal revenue source, oil, which accounts for about 84% of the state's general fund revenue. The state's Aa2 general obligation bond rating reflects the state's low debt burden, its expanding yet still narrow economic base, its sizable reserve fund balances, and its conservative financial planning efforts to accommodate the eventual limitation of oil revenues. These strengths are tempered by its economic and fiscal reliance on the oil and gas extraction industry, and its reliance on reserve balance draw-downs to meet operating budget commitments. The state has taken strong actions to reduce spending in order to balance its fiscal 2005 budget. Higher than budgeted oil prices will reduce expected reserve fund draw-downs and could result in a year-end budget surplus. However, the need to make progress toward adopting fiscal reforms that will enable the state to achieve sustainable structural budget balance still remains. Continued conservative financial management and adoption of structural fiscal reforms are vital to maintaining the state's high rating.

RISING OIL PRICES BOOST STATE REVENUES Oil industry tax and royalty payments comprise about 84% of total unrestricted General Fund revenues in the adopted fiscal 2005 budget. While recent increases in oil prices enabled the state to outperform budget estimates in fiscal 2004 and expected for fiscal 2005, oil price volatility has also resulted in substantial revenue shortfalls in fiscal 2002 and 2003. The state continues to face budget spending pressures resulting from the rising costs of programs like Medicaid, as well as policy driven goals to increase funding for schools. At the time of the assignment of the negative outlook, the state's drawdowns of the Constitutional Budget Reserve Fund amounted to about 35% of general fund spending. In addition, at the projected rates of drawdown, the CBRF would have been exhausted by the end of fiscal 2005. However, rising oil prices and disciplined spending controls enabled the state to reduce its dependence on the CBRF for budget balance, thereby extending its projected capacity to support the general fund spending. The budget for fiscal 2005 was adopted based on an expected oil price of \$28.30 per barrel, but for the first five months of the fiscal year the state has averaged about \$42 per barrel. If this price differential were to be maintained for the balance of the fiscal year, the adopted budget expected draw on the CBRF of about \$390 million would be eliminated and the budget could end the year with an operating surplus of \$300 - \$500 million. Further, if one assumes modest spending increases in future years and projects \$30 per barrel oil for the foreseeable future, the life of the CBRF would be extended beyond 2010.

LONG-TERM STRUCTURAL BUDGET BALANCE ISSUES REMAIN While rising oil prices have had a very beneficial effect on the state's finances and mitigated short-term budget imbalance risks, they have also quieted the concerns about the state's long-term structural budget imbalance. Proposals advanced by the governor and prior

administrations now have less urgency, but the state still faces spending pressure growth and slowly declining oil production. Ultimately, the state will still have to address the imbalance. Alaska's economy continues to have good job growth with employment up 1.6% for September over the prior September. Unemployment also remains high at 7.6% (September 2004) but below levels of recent years.

NATURAL GAS – A FUTURE STATE RESOURCE The state is actively supporting the development of its natural gas resources from the North Slope. Proposals to bring North Slope natural gas to commercial markets have been considered for some time, but recently rising demand for natural gas and rising prices have made these proposals more feasible. The recently enacted federal energy bill contained tax incentives and federal loan guarantees (up to \$18 billion) for development of the natural gas pipeline. While the completion of such a project could take a decade, the potential for a new state revenue to replace declining oil production now seems more likely.

DECLINE IN OIL PRODUCTION HAS SLOWED The "Prudhoe Curve", the long-term decline of Alaska's rich oil reserves, has slowed and coupled with currently high oil prices should provide ample time for the state to adequately prepare for its future in a post-oil resource economy. The Alaska Permanent Fund and the CBRF, respectively provide for long term and short term financial stability. The Alaska Permanent Fund has suffered some market losses in stock market declines of 2001 and 2002 but at \$29.1 billion (as of November 2004) remains an important state asset. Also important is the recognition by state elected and appointed officials of the finite nature of the resource that has brought wealth to the state and the need to reduce the demand for governmental services as that resource dwindles. While the State of Alaska has tax capacity, lacking any broad-based tax and access to the substantial asset of the Permanent Fund and its earnings, the state has not yet begun the transition to structural budget balance that will be necessary as oil revenues decline. Our rating of Aa2 with a stable outlook is predicated on the assumption that the state will ultimately make the hard decisions necessary to address its structural budget problems.

Fitch Rates Alaska's \$27MM COPs Underlying 'A+'

Fitch Ratings-New York-January 7, 2005: Fitch Ratings assigns the underlying rating of 'A+' to \$27.1 million State of Alaska refunding certificates of participation (COPs), series 2005A, for bids Jan. 25. Bond insurance is likely. The COPs mature through 2013.

Fitch also affirms the 'A+' underlying rating of \$14.1 million Alaska COPs (seafood and food safety laboratory facility), series 2003A, and the 'AA' underlying rating of \$461.9 million Alaska general obligation bonds. In addition, Fitch upgrades to 'A+' from 'A' the underlying rating of \$54.5 million Municipality of Anchorage, AK lease revenue bonds (correctional facility), series 2000, which, like the certificates, are supported by state lease appropriations for a facility already in operation.

The ratings reflect strong lease structures and Alaska's credit characteristics. Alaska's general obligations are rated 'AA' due to its moderate debt, conservative financial planning, and large reserves. Risks include the volatility of the state revenue system, which fluctuates with oil prices and production, and ongoing fiscal imbalances that require periodic draws on the state's reserves. A major issue in the near future will be a proposed gas pipeline from the North Slope.

The certificates represent interests in lease payments that require annual appropriation. The lease payments relate to four facilities that have been occupied for several years. The projects include fire protection, transportation maintenance, health laboratory, and courthouse facilities. The trustee entered into separate lease and trust agreements with the state court system for the courthouse and the Department of Administration for the other facilities. The state manages debt, including the COPs, in a centralized fashion, and the agencies agree to seek appropriations yearly.

Record high oil prices have helped Alaska, but the accompanying revenue growth highlights the state's dependence on oil. A \$363 million deficit draw from the constitutional budget reserve fund (CBRF) was expected in fiscal 2005. Instead, a \$650 million surplus now is projected, assuming the Alaska oil price for fiscal 2005 averages a record high \$43.61 per barrel. The \$43.61 forecast may be somewhat optimistic, but even if the average price reaches \$38.00, a significant, but smaller, surplus remains likely. The governor's fiscal 2006 budget proposes depositing \$291 million of the projected \$650 million windfall to the CBRF, thereby covering the fiscal 2006 deficit to result from a moderation in oil prices. The budget proposes spending the rest for priorities through fiscal 2007, including education. The CBRF balance of \$2.1 billion now equals 88% of annual general fund spending.

Efforts to build a gas pipeline have resumed. Proposals to be considered include the state taking a partial equity share of the project, which may cost \$20 billion. Officials believe that the pipeline and expanded oil and gas production in the Arctic may prove to be long-term solutions to the state's fiscal imbalances. Minimizing the financial risk related to the gas line will be an important issue. Other options for stabilizing future finances, including seeking voter approval to spend from the corpus of the \$29.5 billion permanent fund, have also been considered. Currently, the state may only spend from the fund's earnings reserve, and historically has used fund earnings only for dividends to qualified state residents, inflation-proofing the fund, deposits to the principal, and some operating expenses of the fund.

General obligation and lease debt totals \$621 million, a moderate 2.9% of personal income. About 61% amortizes within 10 years, an above-average pace. The governor has proposed a \$340 million bond for transportation backed by earnings from a special permanent fund sub-account.

RISING OIL PRICES HAVE HELPED ALASKA EXCEED FISCAL '04, '05 REVENUE ESTIMATES

Recent oil price increases have boosted state revenue to greater-than-forecast levels. Oil industry tax and royalty payments account for about 89% of total unrestricted state general purpose revenue projected for fiscal 2005. Alaska forecasts revenue from this source conservatively, recognizing that price volatility can work against the state. Dwindling production from North Slope oil fields and lower oil prices are projected to reduce oil revenues as a share of total unrestricted collections to less than 80% after fiscal 2008, and to less than 75% after fiscal 2014. The state has funneled oil revenues into two funds, the Alaska Permanent Fund and the Constitutional Budget Reserve Fund (CBRF), that respectively provide for long- and short-term financial stability. The Alaska Permanent Fund suffered losses in the equity-market declines of 2001 and 2002, but at \$29.1 billion (as of November 2004), it remains an important state asset.

STATE'S RELIANCE ON CBRF HAS BEEN REDUCED BY HIGHER OIL PRICES

Alaska has been able to scale back its reliance on the CBRF for budget balance because of the rising price of oil. This trend, together with restraint in spending growth, will defer the anticipated depletion of the CBRF. Assuming no increases in general fund spending and an eventual decline in oil prices to \$25.50 per barrel, the fund will be used up in November 2010. In 2002, the state projected CBRF depletion as early as October 2004. The budget for fiscal 2005 was adopted based on an expected oil price of \$28.30 per barrel, but for the first five months of the fiscal year, Alaska North Slope crude has averaged about \$42 per barrel. If this price differential is maintained for the rest of the fiscal year, the expected draw on the CBRF (about \$390 million) would be eliminated and the budget could end the year with a \$300 million to \$500 million operating surplus. The CBRF had provided about \$5.5 billion as of September 2004, bridging gaps in 10 of the past 13 years, and it retains a \$1.9 billion balance. The fund was capitalized with \$5.6 billion in oil royalty settlements, a sum that generated investment earnings of \$1.6 billion.

LONG-TERM STRUCTURAL BUDGET BALANCE ISSUES REMAIN

A potential draw-back of the recent rise in oil prices is that it may have lessened the political impetus to address the long-run gap between state

revenue and spending. Proposals advanced by the governor and prior administrations now have less urgency, but the state still faces spending pressure, particularly from programs such as Medicaid and education. The state lacks any broad-based tax and access to the substantial asset of the Permanent Fund and its earnings, and so, the state has not yet begun the transition to structural budget balance that will be needed as oil revenue declines. Ultimately, the state will have to address the imbalance, particularly in view of the oil production declines anticipated.

NATURAL GAS MAY EVENTUALLY REPLACE OIL AS SOURCE OF STATE REVENUE

A slowdown in the long-term depletion of Alaska's oil reserves, coupled with the recent rise in oil prices, may allow time for the state to prepare for a future in a post-oil economy. The state is actively supporting development of its natural gas resources from the North Slope. Rising natural gas prices have made proposals to bring North Slope natural gas to commercial markets appear more feasible. While the completion of such a project could take a decade, the potential for a new state revenue to replace declining oil production now seems more likely. The state last month received a joint proposal from three major oil companies to build a gas pipeline originating in the North Slope. The project, if carried out, would create an estimated 8,500 jobs. For now, Alaska's economy continues to generate jobs at a faster rate than the nation's. Through November, the state's average private-sector employment was up 2.3%, compared with a 1.1% gain for the nation. The state's labor market nevertheless retains a greater-than-average dependence on the public sector, especially the military. Government accounts for about 27% of the state's non-farm employment.

OUTLOOK:

Alaska's outlook is stable, based on Moody's expectation the state ultimately will make the hard decisions needed to address its structural budget imbalance, recognizing the finite nature of the resource that has brought wealth to the state and the need to reduce the demand for governmental services as that resource dwindles.

JANUARY 2003

Standard & Poors

Credit Profile

AFFIRMED

\$359.130 mil. Alaska gen purp GO bnds ser 2003A dtd 04/01/2003 due 08/01/2004-2023 AAA/AA(SPUR)

\$75.075 mil. Alaska go bnds (Transp Grant Eligible Projs) ser 2003B AA

OUTLOOK: STABLE

Rationale

The 'AA' rating on Alaska's GO bonds reflects the state's strong general credit characteristics, which include:

- * Strong financial management with prudent reserve policies in place to maintain and enhance significant financial reserves,
- * The continued extension of the North Slope oil production curve and a gradual slowing of the rate of decline in total oil production due to continued investments by oil companies in exploration and development activity in the state, and
- * Moderate debt burden as the state continues to fund most capital projects on a pay-as-you-go basis.

An offsetting, though recently mitigated medium-term concern is the state's structural budget gap, which is currently addressed on an annual basis with the use of the state's Constitutional Budget Reserve Fund (CBRF). Projections from mid-fiscal 2004 indicated that the CBRF would be depleted by approximately 2006. Sustained very high oil prices (average year-to-date prices of \$41 per barrel) extend this projection to 2011. The state does not levy a broad-based income or sales tax.

Alaska, with a population of 648,818, is geographically the nation's largest state. Though most of the nation experienced considerable economic softness in 2001 and 2002, Alaska's economy remained relatively stable due to sustained high oil prices, reflecting the importance of that commodity on the state's general economic condition. However, other

sectors of the economy are also providing stability including trade, services, and transportation, which all showed gradual but steady employment gains through the 1990s. As a result, unemployment, in relative terms, has improved somewhat but remained above the national level at 7.42%. Technological developments in the oil industry combined with firm consolidation have to some degree offset job growth in other industries. Nonetheless, as it has since 1968 when it was discovered in Alaska's North Slope, oil production remains a major economic factor for the state with approximately 1 million barrels of production per day estimated through 2010.

Historically, the principal unrestricted revenue sources of the general fund have been oil and gas severance taxes and rents and royalties from oil and gas properties—87% of general fund revenues in 2004 and a projected 89% in 2005. Considering total state revenues, the most significant change in recent years has involved the state's permanent fund, the earnings of which have rivaled and even surpassed (as in 1998, 1999, and 2000—depending on stock market performance relative to oil prices) petroleum revenues as the largest and fastest growing source of state revenues. Reliance on these sources leaves the state revenue base vulnerable to a simultaneous drop in oil prices and market losses occurred in 2001—an event that is anomalous in historic terms, since usually financial markets tend to move higher when oil prices decline (and vice versa). On a GAAP basis for fiscal 2003, the fund grew in value (following two negative earning years), as net income was \$963 million. In fiscal 2004, net income was even stronger with positive earnings of \$3.4 billion, a robust rate of return of 14.23%. Total net assets of the permanent fund stood at \$27.4 billion as of June 30, 2004 and were even stronger at \$27.6 billion by September 2004.

Total general fund appropriations in fiscal 2005 are projected to be \$2.69 billion; however, instead of a \$363 million shortfall as projected at the end of the last legislative session, the state now forecasts a \$650 million windfall surplus for fiscal 2005. With the windfall, the state plans to plow back \$290 million into the CBRF while spending \$352 million over the 2005-2007 fiscal years. Most of these spending plans will take effect, if adopted, as part of the governor's recently proposed fiscal 2006 budget. Most supplemental and windfall appropriations are being earmarked for K-12 education, higher education, roads, and gas pipeline development. To relieve local government

financial stress related to retirement system costs, the state is allocating \$30 million to absorb 50% of the burden for local governments in fiscals 2006 and 2007. The recent 2005 forecast is based on oil prices of \$43.61 per barrel, roughly in line with the year-to-date average of \$42 per barrel. The surplus is explained by the fact that the budget was built around an expected price-per-barrel of \$28 with spending reductions of \$130 million. State revenue forecasts are based on prices per barrel of \$34.60 in 2006, \$30.95 in 2007, and \$25.50 thereafter.

Absent the sustained very high oil prices, the state had forecast a \$363 million budget shortfall between recurring revenues and expenditures. To address the state's structural budget deficit, since 1991 the legislature has appropriated money from the CBRF to the general fund in every fiscal year except 1997, when high oil prices resulted in small budget surpluses. In fiscal 2004, the draw was an insignificant \$11 million and in 2005, as discussed, the state anticipates depositing funds into the CBRF. As of June 30, 2004 the CBRF has a balance of just over \$2 billion—a more diverse revenue base would permit a smaller CBRF balance to cushion against the volatility of petroleum reserves. The Alaska Constitution requires the general fund to repay the money appropriated from the CBRF if the general fund has a surplus at the end of any fiscal year, but the general fund does not pay interest on the money it has borrowed from the CBRF.

Since 1983 the state capital improvement program (CIP) has been funded primarily on a "pay-as-you-go" basis and has not issued GO debt since. Prior to the current issuance, the state had no outstanding GO indebtedness as its previous GO debt matured in 2000. Following the 2003 issue, a total of \$461 million remains outstanding. Currently, the state has appropriation-backed debt totaling \$892 million. Given that resource-related revenues comprise the bulk of the state's revenue base, the existing per capita debt levels do not represent a financial burden to state residents.

Outlook

The stable outlook is based on Standard & Poor's Ratings Services' expectation that Alaska will maintain financial reserves at a level

sufficient to address continuing volatility in its petroleum-based economy.

Economy

Alaska's economy remains concentrated in the extraction, exploration, and production of oil and natural gas. Other important industries affecting Alaska's economy, to a much lesser extent, are the fishing, timber, minerals, and tourism industries. Fluctuations in world oil prices have a significant effect on employment and income levels in the state. Alaska suffered a severe recession in the mid-1980s following the collapse of oil prices; since then, however, relatively stable prices have contributed to steady economic growth over the past several years. Due to its sizeable rural population, Alaska's unemployment rate historically is higher than that of the nation. In recent years, as national unemployment increased, Alaska's unemployment rate held steady, partially closing a historic gap between the state and national unemployment rates. From 2000 to 2003, national unemployment increased 2.0% while the state's unemployment increased just 1.3%. In recent years, job decreases in timber and seafood manufacturing were offset by increases in health care (80% increase in employment since 1990), construction, and government jobs. Oil and gas employment was strong in 2001 but in 2002 returned to the levels recorded in 2000. Currently, unemployment is about 7.32% in the state. Alaska's total employment is affected by the price for all of the state's major commodities: oil, seafood, metals, and timber. In general, the state's economy will benefit from above-average rates of growth in healthcare, business services, and tourism-related industries over the next several years. Residential and governmental building has fueled job growth in the construction industry. Indicative of the gradual change in Alaska's economy is that in 1998, when oil prices declined, state employment figures continued to grow, albeit more slowly.

Employment losses in the mining sector, as oil companies operate with smaller crews, and in seafood- and timber-related manufacturing indicate a gradual decline in overall wealth and income levels, as new jobs are being created mainly in the lower-wage service and trade industries. Current economic projections indicate a continuation of these trends, with tourism, retail trade, and construction leading employment growth through the end of the decade. Hard-rock mining is on an upswing with

production underway at the Fort Knox gold mine near Fairbanks and several other promising sites under study. The continued economic softness in Asia will negatively affect the state's major exports, including seafood, timber, oil, and minerals.

Oil production on the North Slope of Alaska occurs primarily from the two principal oil fields of Prudhoe Bay and Kuparuk River. Oil production on the North Slope averaged 0.980 million barrels per day in 2004, which is essentially flat from 2001 production levels of 1.002 million barrels per day. Production on the North Slope peaked in 1988 at 2.01 million barrels per day. Total production in 2005 is estimated at 0.934 million barrels per day. Longer-term forecasts factor in new exploration and development, which should keep production at more than 1.0 million barrels per day through 2010, after which a decline of 5.5% per year is anticipated. Since 1989 production from the North Slope has declined 4.8% per year through fiscal 2002. It is noteworthy that enhanced recovery techniques employed by the oil companies continue to prolong the life of producing wells. In addition, smaller discoveries are economically viable due to the existing facilities on the North Slope, offsetting the gradual production decline at the Prudhoe and Kuparuk fields to some degree. As part of an agreement with the Federal Trade Commission to acquire ARCO, British Petroleum sold the bulk of ARCO's North Slope assets to Phillips Petroleum for approximately \$6.5 billion. The purchase of these assets transformed Phillips into one of America's 10 leading oil companies. The state continues to aggressively pursue expanding its potential for oil production. The much-debated subject of exploratory drilling for oil in the 2,000,000-acre Arctic National Wildlife Reserve (ANWR) is moving its way through Congress. With the re-election of George W. Bush and increased Republican majorities in both houses of Congress, the likelihood for opening up ANWR is increased considerably at the beginning of 2005. The state is also exploring the possibility of developing a natural gas pipeline (estimated cost \$18 billion) in order to derive the economic benefit from the estimated 36.2 trillion cubic feet of natural gas reserves. Voters approved the creation of the Alaska Natural Gas Pipeline Authority, which is charged with developing a plan for building a natural gas pipeline to Valdez where it would be converted to LNG and shipped throughout the world.

Finances

Despite the volatile nature of the economic base, Alaska's financial position has historically remained strong. Principal unrestricted revenue to the general fund has been oil and gas severance taxes and rents and royalties from oil and gas properties. Very strong oil prices have dominated the state's financial condition over the past year, increasing the importance of this revenue source. Between fiscal 1998 and 2000, however, investment earnings represented the largest source of revenue to the state. The subsequent downturn in the stock market, however, underscored the continued importance of oil-related revenues to the state since 2002. In fact, oil price improvement in 2004 and into fiscal 2005 led to a significantly smaller operating deficit in 2004 and the aforementioned windfall surplus in fiscal 2005 (projected).

On a GAAP basis, however, the state's general fund has a negative unreserved fund balance of \$1.9 million, equivalent to 35% of expenditures. When oil prices decline, an operating deficit is the result and is offset with appropriations from the constitutional budget reserve. However, over time, the average production tax rate on the North Slope has been falling as a result of the economic limit factor (ELF). Since production rates and well productivity decline over time as an oil field is produced, the average production tax rate falls reducing state revenue from this source. As a result, higher oil prices result in relatively less additional revenue for the state than in previous years.

Current projections indicate that the CBRF will not be depleted prior to 2011, thanks to sustained very high per barrel oil prices. The total CBRF position remains strong with a cash balance of \$2.1 billion in the constitutional budget reserve and more than \$859 million in the permanent fund earnings reserve at June 30, 2004. Reserve policies adopted in 1997 outline the uses of the budget reserve. While these policies outline short-, intermediate-, and long-term investment horizons, Alaska has allocated all of the Constitutional Budget Reserve budget reserve balance into short- and intermediate-term investments due to the current oil price environment.

The Alaska Constitution requires that "at least 25% of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses received by the state will be placed in a

permanent fund...." The state legislature subsequently doubled the constitutionally mandated rate of dedicated oil revenue contributions to 50% on mineral leases issued after Dec. 1, 1979, and for bonuses on mineral leases issued after Feb. 15, 1990. The state legislature has also made special appropriations to the principal account from other oil revenue and fund earnings. As a result, the Alaska permanent fund has grown from an initial deposit of \$734,000 in 1977 to a fund value currently in excess of \$27 billion.

As the value of the fund grows, it becomes an increasingly important component of the state's overall credit quality. Alaska reaps significant economic benefits from the fund through the annual dividend program—in which a portion of the fund's annual earnings are distributed as dividends to every resident of the state. The Permanent Fund is a significant underlying stabilizing force on Alaska's highly volatile financial results.

Debt

Alaska's direct debt burden is moderate but increasing following a period where limited amounts of new debt were issued, from the early 1980s through the late 1990s. Direct debt of the state that is not self-supported by other revenue streams totals \$2,087 per capita and 4.5% of market value. In recent years, the state has funded capital projects through GO bonds, cash on hand, and several series of lease-secured certificates of participation (COPs). The state's 2006 capital plan, as proposed, is \$1.4 billion. Capital spending will include an estimated \$823 million for transportation projects, \$163 million for health and human services, and \$92 million for university related projects. The state anticipates that approximately 50% of its capital program will be federally funded with 25% potentially being funded from earnings on proceeds from a settlement with Amerada Hess (an estimated \$440 million of corpus held in a sub-account of the Permanent Fund). Other funding would be from cash or the annual dividend transfer payment from the Alaska Housing Finance Corp. (AHFC).

In July 2003, the state passed HB 256 (2003 dividend plan), which obligates AHFC to transfer to the state the lesser of 75% of net income or \$103 million beginning in fiscal 2009. Before fiscal 2009, the

corporation will transfer \$103 million in fiscals 2004-2006, irrespective of net income, followed by the lesser of \$103 million, or 95% of net income (fiscal 2007), and, finally, the lesser of 85% of net income or \$103 million (fiscal 2008). Similar to a 1998 plan, the 2003 dividend plan gives AHFC credit for paying debt service on state capital project bonds and funding a nonhousing-related capital budget.

From 1983 to 2003, the state funded most of its capital needs with cash on a pay-go basis or from debt issued by the AHFC—in fact, all state GO debt matured in 2000. In 2003 the state issued its first series of GO bonds since 1983 and currently has \$461 million outstanding. The amortization of existing debt is well-matched to the oil production curve. The state has appropriation-backed debt totaling \$892 million outstanding. This includes \$689.1 million of state-reimbursed municipal school debt service support and \$203 million of lease-purchase and capital lease type financings. Reimbursement rates for locally issued GO bonds ranges between 70% and 100% depending on authorization, issue, and expenditure dates. The reimbursement program was created by statute in 1970 and expires in July 2005. The program has provided a mechanism whereby the state reimburses municipalities that operate school districts for the costs of qualified construction projects, subject to legislative appropriation. Over the past 10 years, the state has appropriated its full reimbursement amount. Standard & Poor's factors this commitment into the state's overall debt ratios.

SCOMM

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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

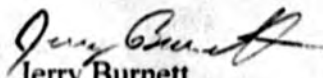
Representative Weyhrauch,

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

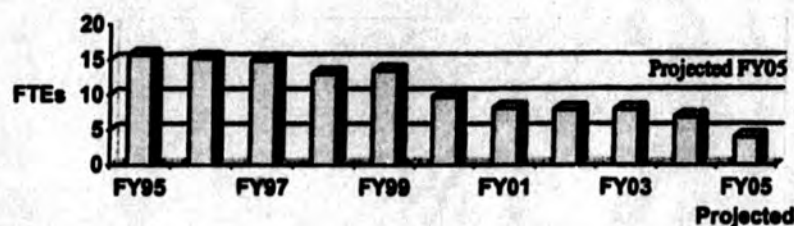
Target: An additional \$5 million a year in tax revenues by year 5 of the investment

Measure: Incremental revenues from enforcement activities

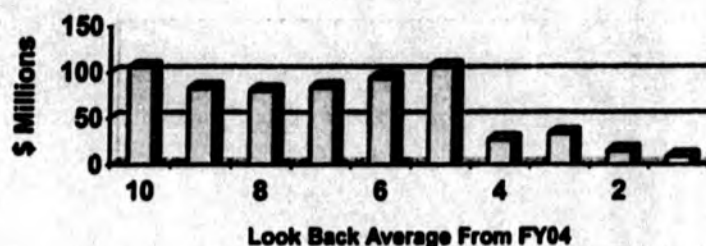
FY2006 Investment	Funding	
\$ 998.6 GF 8 FTEs	Personal Services	553.6
5 Revenue Auditors IIIs, Range 18	Travel	9.0
1 Economist II, Range 16	Contractual	400.0
1 Petroleum Economist I, Range 22	Supplies/Equip	36.0
1 Tax Technician III, Range 14	Total	998.6

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)

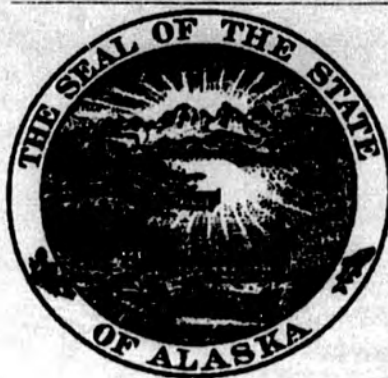
Species Code List for Fisheries Business

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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