The background of the cover is a photograph of a vast, open landscape under a bright blue sky with scattered white clouds. In the foreground, several large, grey, cylindrical pipes are supported by vertical metal posts. The ground is dry and yellowish-brown. In the distance, there are low, rolling hills and mountains under a hazy sky.

Alaska Department of Revenue | Tax Division
2013 Annual Report



This annual report covers fiscal year 2013, which ended June 30, 2013.

The purpose of this report is to provide an overview of programs administered by the Tax Division (Division) and statistics of revenue collections and other information related to those programs.

Alaska Department of Revenue | Tax Division
2013 Annual Report

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IN MEMORIUM



JIM FLETCHER, JR.
1954 – 2013

The 2013 Annual Report is dedicated to Jim Fletcher, Jr., a Tax Division employee, whose creative talents contributed greatly to the report. Jim became a member of the Tax Division team as a Regulations Specialist in January 2013. In addition to assisting in drafting regulations, Jim was the division’s public information officer, confidentiality trainer, and creative consultant for the Annual Report. Although his time with the division was short, Jim’s innovative and creative ideas were much appreciated and can be seen throughout this report. In addition to making improvements to the layout and presentation of the Annual Report, Jim designed the new Tax Division logo which is debuted in this report. Jim was a highly creative and imaginative individual who also possessed a quick wit. He will be missed.

KEY CONTACTS

Matthew R. Fonder, Director

Anchorage Office
907-269-6620

Johanna Bales, Deputy Director

Anchorage Office
907-269-6620

Anna Kim, Chief of Revenue Operations

Juneau Office
907-465-2320

Corporate Income Tax

Robynn Wilson
Anchorage Office
907-269-6634

Excise Taxes

Brandon Spanos
Anchorage Office
907-269-6736

Fisheries Taxes

Tim Cottongim
Juneau Office
907-465-3695

Gaming

Jeff Prather
Juneau Office
907-465-3410

Oil & Gas Production Tax

Jenny Rogers
Anchorage Office
907-269-1015

Oil & Gas Production Tax Credits

Destin Greeley
Anchorage Office
907-269-6642

Oil & Gas Property Tax

James Greeley
Anchorage Office
907-269-1029

Accounting and Collections

Abigail Scott
Juneau Office
907-465-3776

Alaska Film Office

Kelly Mazzei
Anchorage Office
907-269-1018

Appeals

Hollie Kovach
Anchorage Office
907-269-6640

Economic Research

John Tichotsky
Anchorage Office
907-269-8902

Information Technology

Donald McDonald
Juneau Office
907-465-2387

Investigations

David Dishman
Anchorage Office
907-269-1046

MISSION AND OVERVIEW

The mission of the Tax Division is to collect taxes, inform stakeholders, and regulate charitable gaming.

The programs administered by the Tax Division generate a significant portion of General Fund revenue used for funding state government and programs throughout Alaska. These programs include:

Oil and Gas Taxes

Conservation Surcharge
Production
Property
Corporate Income Tax

Excise Taxes

Alcoholic Beverages
Commercial Passenger Vessel
Motor Fuel
Tire Fee
Tobacco
Vehicle Rental

Fisheries Taxes

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

Other Taxes

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

Other Programs

Film Tax Credit Administration
Gaming
Revenue Forecasting
Salmon Price Reporting



RETROSPECT

The greatest strength of the Tax Division (Division) is its employees. The Division began the development of a Tax Revenue Management System (TRMS) in FY 2013 which will enhance future productivity within the Division. However, until implementation is complete, the main challenge for the Division continues to be the ability to manage and report information with isolated information management systems. TRMS remains in the early stage of implementation and will not be fully functional for at least four years. However, in FY 2014, corporate income tax and several excise tax programs will be functioning. Implementation this fiscal year included providing inventories and specifying business processes with outside contractors to maintain the current level of information for the excise tax, and corporate income tax programs.

Significant changes made to the oil and gas production tax continued to be a challenge to implement. The Division provided assistance to the governor and legislature in evaluating the current oil and gas tax structure and its potential negative effect on current and future oil and gas exploration and development in Alaska.

Along with oil and gas production tax, the Division is responsible for the administration of 20 other tax types and the regulation of charitable gaming. The Division is also called upon routinely to work with the governor's office, legislators, and other state departments to formulate policy and long-term fiscal planning

for the state. Following are some highlights of major accomplishments of the Division during FY 2013:

- In addition to evaluating changes to Alaska's oil and gas production tax, the Division assisted both the governor and the legislature in dealing with various other fiscal issues and provided information and testimony on film production tax credits as well as changes to the vehicle rental, corporate income taxes, fishery resource landing, mining license, and fisheries business taxes.
- Continued the identification process to standardize critical information needed from the oil and gas industry to enhance the quality of oil and gas audits and the Division's ability to more accurately estimate future production tax revenues for state budgeting purposes.
- Assessed nearly \$70 million in additional production tax and interest liabilities as the result of closing multiple audits covering tax years 2005 through 2010 (it is important to note that these audits include both production tax audits, and production tax credit audits).
- Continued training of Corporate Income Tax Auditors responsible for the Alaska corporate net income tax and Oil and Gas Revenue Auditors responsible for oil and gas production tax.
- Distributed shared taxes and fees of over \$49 million to 127 communities throughout Alaska.
- Closed appeals from over 132 taxpayers of assessments in all tax types and charitable gaming.

2013 LEGISLATION

HB 56 (CH 7 SLA 13) - PASSENGER VEHICLE RENTAL TAX

Effective May 10, 2013, HB 56 Chapter 7 SLA 13 excluded motorcycles and motor-driven cycles as defined by AS 28.90.990 from the passenger vehicle rental tax.

SB 7 (CH 21 SLA 13) - CORPORATE INCOME TAX; FILM TAX CREDIT

SB 7 relates to both the taxable corporate income and the ability of certain film productions to receive tax credits. The tax brackets in AS 43.20.011 were amended. The new tax rate for each taxable income range is as follows:

At least	But less than	Your tax is	Plus	Of the amount over
\$0	\$25,000	\$0	0%	\$0
25,000	49,000	0	2%	25,000
49,000	74,000	480	3%	49,000
74,000	99,000	1230	4%	74,000
99,000	124,000	2230	5%	99,000
124,000	148,000	3480	6%	124,000
148,000	173,000	4920	7%	148,000
173,000	198,000	6670	8%	173,000
198,000	222,000	8670	9%	198,000
\$222,000 or more		\$10,830	9.4%	\$222,000

SB 7 also impacted film tax credits by restricting the following productions from eligibility: news, weather, current events programming, productions filmed for internal use, political advertisements, and film deemed to contain sexually explicit conduct as defined by 18 U.S.C 2556. Lastly, any production that solicits funds, excluding commercials for national distribution, is not eligible for tax credits. The film office has authority

to determine if a film has qualified expenditures and applicable tax credits.

SB 21 (CH 10 SLA 13) - OIL AND GAS PRODUCTION TAX

On May 21, 2013, Governor Parnell signed SB 21 Chapter 10 SLA 13 into law. This law is referred to as the More Alaska Production Act (MAPA). Major provisions of this law are:

- 1) Production tax rate amended to 35% of the annual PTV in AS 43.55.011(e), and eliminates the progressivity index under AS 43.55.011(g) effective January 1, 2014.
- 2) Establishes AS 43.55.160(f), which defines production subject to the gross value reduction (GVR). The GVR is 20% of the Gross Value at the Point of Production (GVPP) for production which qualifies.
- 3) Establishes AS 43.55.160(g) which is an additional 10% reduction in GVPP for lease or properties qualifying under AS 43.55160(f) where all leases have greater than a 12.5% royalty.
- 4) Amends qualified capital expenditure (QCE) credits for areas north of 68 degrees North latitude. The law eliminates credits for QCE's incurred after December 31, 2013; however, QCE credits for expenditures incurred south of 68 degrees North latitude remain.
- 5) Changed the timing of applicability of credits so that 100% of credits based on expenditures incurred north of 68 degrees North latitude after January 1, 2013 are available for immediate use.
- 6) Carry-forward annual loss credits incurred north of 68 degrees North latitude increase to 45% of excess lease expenditures beginning January 1, 2014 through December 31, 2015, and decrease to 35% of excess lease expenditures beginning January 1, 2016. The credit for annual losses incurred south of 68% North latitude remains at 25%.

2013 LEGISLATION (CONT.)

7) Establishes new non-transferable tax credits based on oil production for leases or properties north of 68 degrees North latitude beginning January 1, 2014. Under AS 43.55.024(i), established a \$5 per barrel credit for oil which qualifies for the GVR under AS 43.55.160(f). AS 43.55.024(j) establishes a sliding scale credit based on the GVPP per barrel of oil for production which does not meet the criteria for the GVR under AS 43.55.160(f). The credit ranges from \$8 to \$0 based on the average GVPP per barrel each month.

8) Extended the sunset date for the alternative tax credit for oil and gas exploration from July 1, 2016 to January 1, 2022 in AS 43.55.025(b) for exploration wells drilled outside of the Cook Inlet sedimentary basin and south of 68 degrees North latitude. This extension does not apply to the basin credits for exploration wells in AS 43.55.025(m) or the basin credits for seismic exploration in AS 43.55.025(n).

9) Extends the sunset of tax limitation on production from leases or properties outside of the Cook Inlet

Sedimentary basin and do not include land that is north of 68 degrees North latitude in AS 43.55.011(p) from 2022 to 2027.

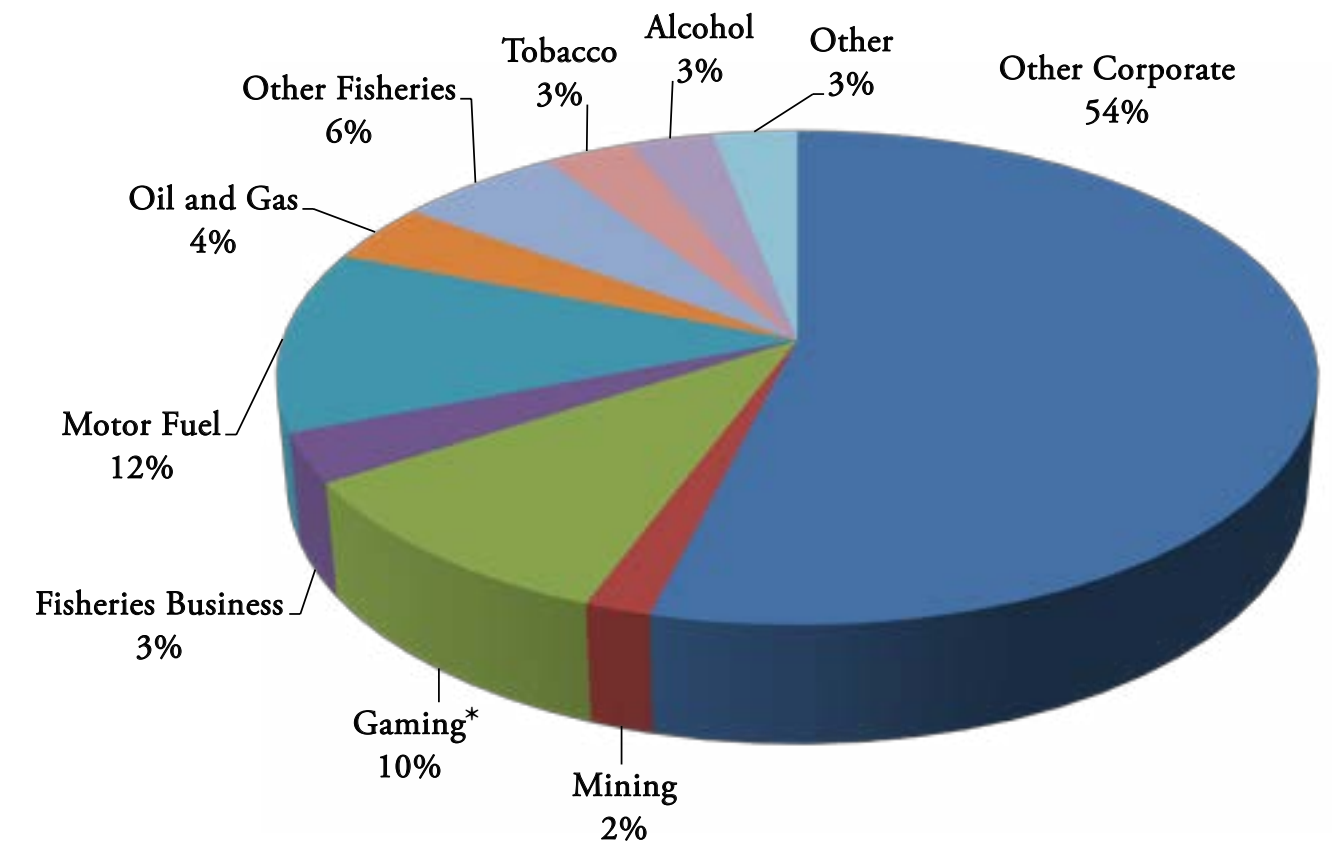
10) Changes the interest on delinquent tax liabilities to three percentage points above rate charged member banks in the 12th Federal Reserve District, and interest is no longer compounded quarterly.

SB 83 (CH 55 SLA 13) - CORPORATION INCOME TAX; OIL AND GAS TAX

SB 83 Chapter 55 SLA 13 retroactively exempts income received by regional aquaculture associations, and income received by salmon hatchery permit holders from the sale of salmon, salmon eggs or from a cost recovery fishery from corporate income tax beginning June 30, 2007 by amending AS 43.20.012.

TAX RETURNS FILED

By Tax Program for Fiscal Year 2013



Total Tax Returns Filed 29,529

Oil and Gas	1,068	Fisheries Business	923	Mining	514
Production	57	Other Fisheries	1,693	Gaming*	2,846
Corporate Income	74	Salmon Enhancement	870	Other	872
Property	937	Seafood Marketing	488	Vehicle Rental	411
Other Corporate Income	16,428	Seafood Development	218	Tire Fee	292
Motor Fuel	3,414	Fishery Resource Landing	65	CPV Excise	132
Tobacco	901	Dive Fishery Management	52	Electric Cooperative	21
Alcoholic Beverages	870			Telephone Cooperative	6
				LPV Gambling	10

*Annual financial statements and reports filed by permittees, operators, multiple-beneficiary permittees, distributors and manufacturers.

STATEMENT OF REVENUES

Listed in order of total amount Fiscal Year 2013 total receipts.

REVENUES	FY 2013	% FUND	FY 2012	% FUND	FY 2011	% FUND
Oil & Gas Production ¹	\$3,972,676,016	78.53%	\$6,131,605,503	83.39%	\$4,606,102,504	78.52%
Oil & Gas Corporate Income ¹	541,369,380	10.70%	571,772,010	7.78%	572,966,245	9.77%
Other Corporate Income	112,486,134	2.22%	98,492,182	1.34%	157,676,608	2.69%
Oil and Gas Property ^{1,2}	99,282,078	1.96%	215,414,779	2.93%	184,254,471	3.14%
Tobacco ³	69,574,661	1.38%	71,405,625	0.97%	73,055,396	1.25%
Mining License ¹	46,787,690	0.92%	40,695,833	0.55%	49,588,119	0.85%
Fisheries Business ⁵	44,245,752	0.87%	53,097,514	0.72%	44,462,246	0.76%
Motor Fuel ⁵	42,056,832	0.83%	40,980,346	0.56%	39,617,286	0.68%
Alcoholic Beverages ⁶	39,591,090	0.78%	38,692,797	0.53%	38,730,319	0.66%
Commercial Passenger Vessel ^{4,5}	17,174,502	0.34%	16,372,480	0.22%	31,997,310	0.55%
Fishery Resource Landing ⁵	13,381,669	0.26%	12,013,308	0.16%	7,083,988	0.12%
Seafood Marketing Assessment	9,563,546	0.19%	9,710,180	0.13%	8,622,211	0.15%
Regulatory Cost Charges	9,144,029	0.18%	8,510,552	0.12%	9,796,244	0.17%
Salmon Enhancement	8,454,033	0.17%	10,060,538	0.14%	7,851,054	0.13%
Vehicle Rental	8,382,991	0.17%	8,529,633	0.12%	8,280,292	0.14%
Oil & Gas Conservation Surcharge	7,797,770	0.15%	9,448,398	0.13%	9,670,333	0.16%
Large Passenger Vessel Gambling	5,983,333	0.12%	5,155,954	0.07%	5,764,962	0.10%
Gaming	2,452,446	0.05%	2,586,847	0.04%	2,537,686	0.04%
Telephone Cooperative ⁵	2,222,538	0.04%	2,067,213	0.03%	1,897,512	0.03%
Electric Cooperative ⁵	2,072,147	0.04%	2,046,510	0.03%	2,025,707	0.03%
Seafood Development	1,795,302	0.04%	1,915,156	0.03%	2,143,116	0.04%
Tire Fee	1,400,879	0.03%	1,419,884	0.02%	1,500,800	0.03%
Dive Fishery Management	772,526	0.02%	682,534	0.01%	603,219	0.01%
Salmon Marketing	0	0.00%	0	0.00%	0	0.00%
Estate	0	0.00%	0	0.00%	0	0.00%
Total	\$5,058,667,345	100.00%	\$7,352,675,776	100.00%	\$5,866,227,627	100.00%

¹ Includes amounts transferred to the Constitutional Budget Reserve Fund.

² Amount is net of credits for local government property tax paid to municipalities.

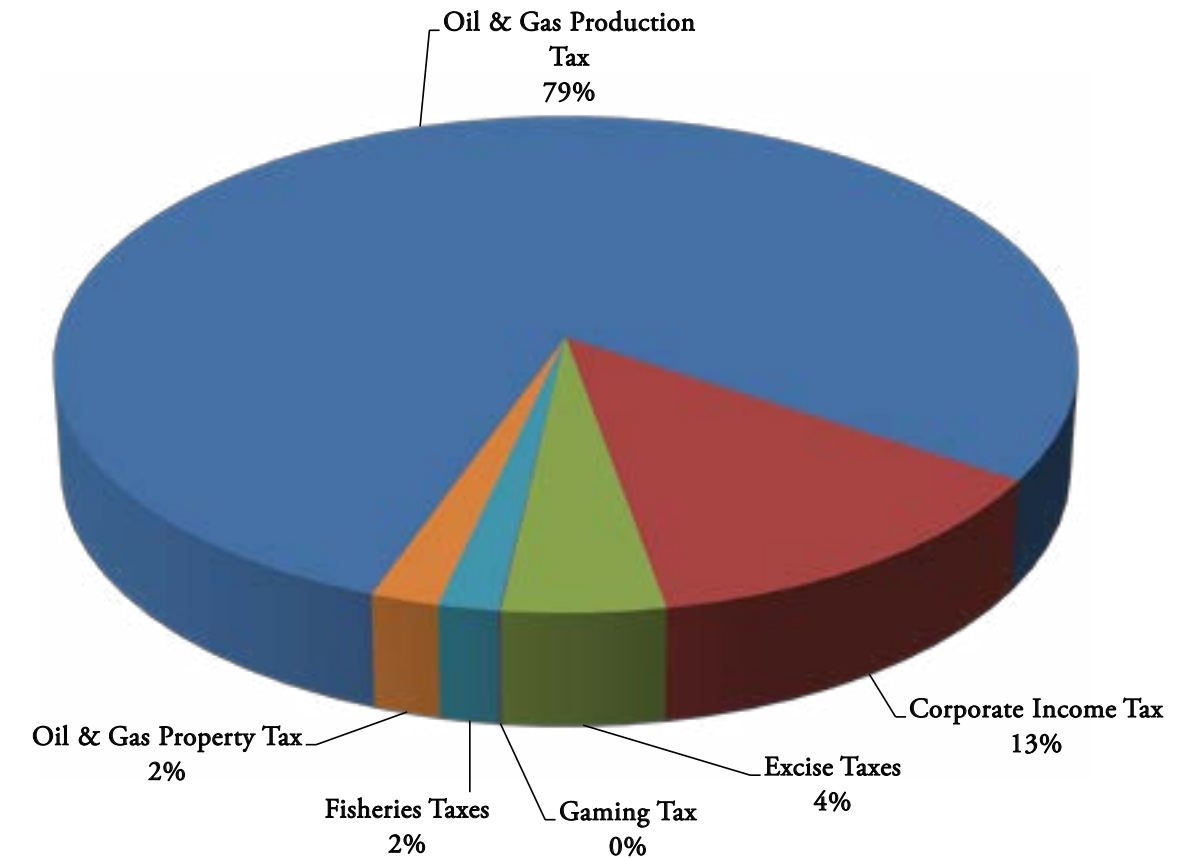
³ Includes amounts transferred to the School Fund and Tobacco Use Education and Cessation Fund.

⁴ Includes amounts transferred to the Regional Cruise Ship Impact Fund.

⁵ Prior to sharing with municipalities. See Revenue Collection Detail for amounts shared under each program.

⁶ Includes amounts transferred to the Alcohol and Other Drug Abuse Treatment and Prevention Fund.

REVENUES BY TAX PROGRAM

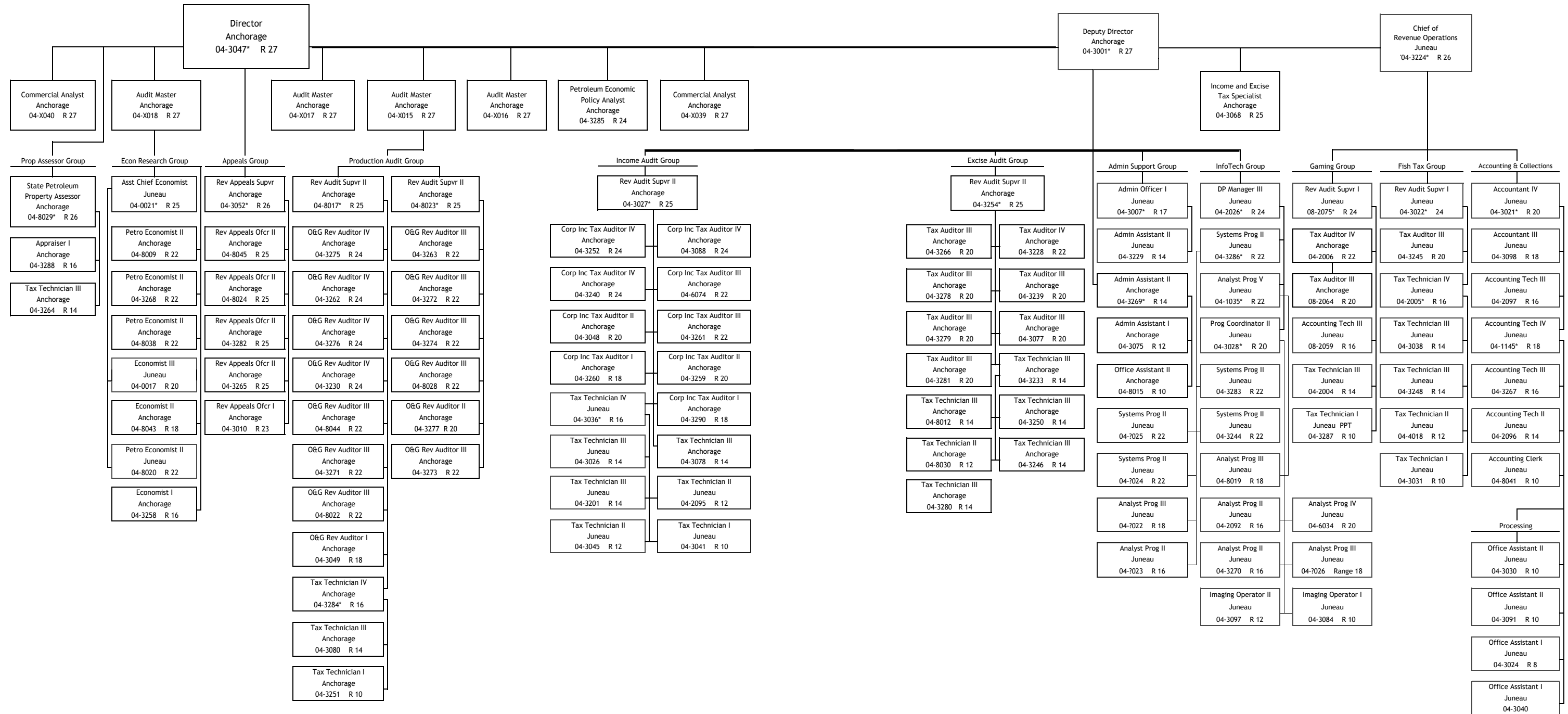


REVENUES	FY 2013	% FUND	FY 2012	% FUND	FY 2011	% FUND
Constitutional Budget Reserve Fund						
Oil & Gas Production	\$69,794,551	39.50%	\$(5,058,795)	-4.95%	\$62,872,010	37.44%
Oil & Gas Corporate	106,805,732	60.45%	2,956,805	2.89%	30,851,341	18.37%
Mining	56,308	0.03%	53,648	0.05%	607,605	0.36%
Oil & Gas Property	21,122	0.01%	104,235,535	102.00%	73,618,541	43.83%
Total CBRF	\$176,677,713	100.00%	\$102,187,193	100.00%	\$167,949,497	100.00%
School Fund	\$21,611,515	100.00%	\$22,549,956	100.00%	\$23,155,813	100.00%
Alcohol and Other Drug Abuse Treatment and Prevention Fund	\$19,772,471	100.00%	\$19,330,107	100.00%	\$19,362,716	100.00%
Regional Cruise Ship Impact Fund ¹	\$0	100.00%	\$0	100.00%	\$8,757,054	100.00%
Tobacco Use Education and Cessation Fund	\$3,137,465	100.00%	\$3,273,499	100.00%	\$3,361,917	100.00%

¹ The legislation establishing the Regional Cruise Ship Impact Fund was repealed beginning in FY2012.

Note: Amounts above are included in program revenues left. These amounts were required to be transferred to the designated funds identified above under provisions of the Alaska Constitution or Alaska Statutes.

DIVISION ORGANIZATION CHART



DIVISION FUNCTIONS

During FY 2013, the Tax Division was staffed by one-hundred twenty-three full-time, one part-time, and two non-permanent or college intern positions. The Division's FY 2013 operating budget was \$15.8 million.

The Division is organized according to the functional groups of Accounting and Collections, Alaska Film Office, Appeals, Income Tax, Excise Tax, Oil & Gas Production Tax, Economic Research, Fisheries Tax, Gaming, Oil and Gas Property Tax, and the support groups of Administrative Support and Information Technology.

OVERVIEW

The Division maintains offices in both Juneau and Anchorage.

Tax returns and payments, except oil and gas property and oil and gas production tax returns, are processed in Juneau. Juneau operations consist of Data Entry and Processing, Accounting and Collections, Fisheries Tax Examination and Audit, Corporate Income Tax Examination, and Gaming Licensing and Examination.

The Juneau office also maintains records for minerals related settlement payments received by the state that are required to be directed to the Constitutional Budget Reserve Fund (CBRF).

Anchorage operations consist of Oil and Gas Production Tax Audit and Examination, Corporate Income Tax Audit, Excise Tax Audit and Examination, Gaming Audit, Economic Research, Oil and Gas Property Tax Assessment and Audit, and Appeals.

ACCOUNTING AND COLLECTIONS

The Accounting and Collections unit processes and deposits payments, and reconciles revenues recorded in the Division's tax database to the state's accounting system (AKSAS). Accounting and Collections applies payments, processes assessment letters, issues refunds, makes corrections to accounts, and processes AKSAS financial journal entries when required.

Accounting and Collections processes financial journal entries to ensure that tax revenues are deposited into certain funds as required by the Alaska Constitution and statutes.

The unit also collects delinquent tax accounts and takes enforcement actions such as filing liens, levying assets and wages, and garnishing Permanent Fund Dividends. The unit approves tax clearances from state agencies that are making final payment on state contracts, summarizes and reports financial data, and provides financial oversight and control of agency accounting functions.

The unit also distributes taxes and fees to municipalities in accordance with statutory requirements, and periodically issues warrants to communities for the statutory portion of tax collected. The amount shared is based upon where the tax or fee is derived. The following taxes and fees are subject to sharing:

- Aviation Motor Fuel
- Commercial Passenger Vessel
- Electric Cooperative
- Fisheries Business
- Fishery Resource Landing
- Telephone Cooperative
- Alcoholic Beverage

The Division publishes an annual shared tax report which summarizes the amounts shared with each community. The annual report is available online at www.tax.alaska.gov. This report includes information regarding the shared taxes and fees program.

ALASKA FILM OFFICE

The Alaska Film Office administers the Alaska Film Production Incentive Program. This entails reviewing film tax credit applications and examining, and auditing cost reports to make recommendations to the Film Commission for credit approval.

APPEALS

The Appeals unit conducts informal conferences on protested assessments, issues informal conference decisions, and participates in formal hearings before the Office of Administrative Hearings. In addition, Appeals provides assistance for all programs and tax types administered by the Division.

AUDIT AND EXAMINATION

The audit units are the Division's core technical and analytical resource that provide support for many functions in the Division. Audit drafts and implements regulations, conducts special projects, and provides support to Appeals.

The audit and examination functions are conducted within the following groups:

Corporate Income

The Corporate Income Tax unit examines and audits corporate net income tax returns, including oil and gas corporate income tax returns.

The group's examination section receives and examines corporation, partnership and other informational returns, and assists with updating corporate tax return forms to reflect changes in federal and Alaska tax laws.

The unit conducts compliance activities such as securing returns from businesses required to file tax returns, comparing internal data with information from external agencies (IRS and Alaska Department of Commerce, Community and Economic Development) to identify potential taxpayers, and following up on compliance leads from internal and external sources.

Excise Taxes

The Excise Tax unit licenses mining operations, alcoholic beverage manufacturers and distributors, tobacco manufacturers and distributors, and motor fuel qualified dealers. The unit examines and audits returns for the following tax types: alcoholic beverages, commercial

passenger vessel, large passenger vessel gambling, mining license, motor fuel, tire fee, tobacco, and vehicle rental.

Fisheries Taxes

The Fish Tax unit examines and audits returns for the following tax types: fisheries business, fishery resource landing, salmon enhancement, seafood development, dive fishery management, and seafood marketing assessments.

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

The unit administers the fish processor surety bonding program as surety against future claims from employees, fishermen, and tenders.

The unit also administers the salmon production and wholesale salmon price report program, examines reports filed by large processors, and publishes: 1) tri-annual price reports, 2) annual price reports, and 3) annual production reports.

Oil & Gas Production Tax

The Oil and Gas Production Tax unit examines and audits oil and gas production tax returns and tax credit certificate applications. The unit is responsible for assessing additional tax due, issuing tax credits for exploration, credits for capital expenditures, and credits for certain losses. Cash purchases of eligible tax credit certificates are also processed by this unit.

Each quarter, the unit calculates prevailing values for gas produced from the Cook Inlet and from the Alaska North Slope.

Monthly data collected by the unit includes current oil and gas sales contracts and invoices, lease expenditure data, joint interest billings, and production data. These data are used in audits and economic analyses.

DIVISION FUNCTIONS (CONT.)

The unit also assists in the issuance of Advisory Bulletins on oil and gas matters, regulatory interpretations, and assists in development and drafting of regulations.

CRIMINAL INVESTIGATIONS

In October 2010, the Department of Revenue consolidated the individual Tax, PFD, and CSSD investigations units into one Criminal Investigations Unit (CIU).

It is the mission of the CIU Tax Program to investigate suspected violations of Tax and Gaming statutes and regulations for the Excise / Audit Group in the Tax Division. Of these tax types, Tobacco, Gaming, and Vehicle Rental, and Motor Fuel taxes make up the majority of CIU's Tax Program's cases and compliance work.

ECONOMIC RESEARCH

The Economic Research group is responsible for monitoring and forecasting state revenues.

The *Revenue Sources Book* is published annually by the Economic Research group. The publication contains historical and forecasted revenue information to assist the governor and legislature in developing the state's budget. It can be found at tax.alaska.gov. The economists work with other state agencies to compile information for the publication. The *Revenue Sources Book* is updated each spring.

This group also publishes and reports important oil and gas data including average Alaska North Slope crude oil prices and daily production.

Economic Research monitors trends and forecasts tariffs of oil and gas pipelines and marine transportation costs. The group also assists in economic analysis for valuation of oil and gas pipelines for property tax purposes.

The Economic Research group analyzes, and makes recommendations on potential changes to the state's tax structure and fiscal system. This group estimates

and presents the fiscal impact of changing taxes on stakeholders.

GAMING

The Gaming unit issues annual permits to not-for-profit organizations to conduct gaming activities and licenses operators to conduct gaming activities on behalf of permittees. Gaming also issues licenses to pull-tab manufacturers and distributors.

The unit processes reports and monitors financial compliance of permittees, operators, and distributors. The unit conducts compliance audits to ensure gaming activities are conducted within the scope of gaming laws.

The unit publishes an annual report that includes more detailed information and descriptions of the program. The report is available at tax.alaska.gov.

INFORMATION TECHNOLOGY

The Information Technology unit maintains databases and provides technical computer support to the Division. The unit also maintains online applications, the Division's websites, imaging systems, and provides assistance in forms publishing.

The unit researches, coordinates, develops and implements technical upgrades that enhance customer service to Alaska's taxpayers.

OIL & GAS PROPERTY TAX

The Oil and Gas Property Tax Group conducts appraisals on all property in Alaska being used in the exploration, production and pipeline transportation of unrefined oil and gas for statewide central assessment purposes. It then levies a 20 mill (2%) property tax on those assessments. It also performs compliance and collection functions.

REVENUE COLLECTIONS DETAIL

Listed in order of total amount Fiscal Year 2013 total receipts.

All receipts are General Fund unless otherwise designated.

	FY 2013	FY 2012	FY 2011
OIL AND GAS PRODUCTION TAX AND SURCHARGES			
General Fund			
Production Tax	\$3,902,881,465	\$6,136,664,298	\$4,543,230,494
Conservation Surcharge	7,797,770	9,448,398	9,670,333
Total Receipts - General Fund	3,910,679,235	6,146,112,696	4,552,900,827
Constitutional Budget Reserve Fund - CBRF			
	69,794,551	(5,058,795)	62,872,010
Total Receipts - All Funds	\$3,980,473,786	\$6,141,053,900	\$4,615,772,837
OIL & GAS CORPORATE INCOME TAX			
General Fund			
Tax	\$436,259,337	\$542,800,061	\$542,519,052
Penalties and Interest	833,672	26,578,144	50,851
Gas Exploration and Development Credit	0	0	0
Alaska Education Credit	(2,529,361)	(563,000)	(455,000)
Total Receipts - General Fund	434,563,648	568,815,205	542,114,904
Constitutional Budget Reserve Fund - CBRF			
	106,805,732	2,956,805	30,851,341
Total Receipts - All Funds	\$541,369,380	\$571,772,010	\$572,966,245
OIL AND GAS PROPERTY TAX			
General Fund			
Property Tax	\$528,608,662	\$489,458,832	\$476,951,412
Credit for Municipal Taxes Paid	(429,347,706)	(378,279,588)	(366,315,482)
Total Receipts - General Fund	99,260,956	111,179,244	110,635,930
Constitutional Budget Reserve Fund - CBRF			
	21,122	104,235,535	73,618,541
Total Receipts - All Funds	\$99,282,078	\$215,414,779	\$184,254,471
OTHER CORPORATE INCOME TAX			
General Fund			
Tax	112,242,300	97,625,356	147,303,831
Penalties and Interest	2,976,911	1,908,541	11,457,715
Alaska Education Credit	(2,733,077)	(1,041,715)	(1,084,939)
Total Receipts - General Fund	\$112,486,134	\$98,492,182	\$157,676,608

REVENUE COLLECTIONS DETAIL (CONT.)

	FY 2013	FY 2012	FY 2011
TOBACCO TAX			
Cigarette	\$57,247,497	\$59,630,927	\$61,637,410
Tobacco Products	12,599,764	12,035,633	11,686,212
Penalties and Interest	81,041	87,812	86,950
Cigarette License Fees	4,950	4,975	4,750
Deductions and Stamp Discounts	(358,591)	(353,722)	(359,925)
Total Receipts	69,574,661	71,405,625	73,055,396
School Fund*	(21,611,515)	(22,549,956)	(23,155,813)
Tobacco Use Education and Cessation Fund	(3,137,465)	(3,273,499)	(3,361,917)
Amount Retained in General Fund	\$44,825,681	\$45,582,170	\$46,537,666
* All cigarette license fees are included in this amount.			
COMMERCIAL PASSENGER VESSEL EXCISE TAX			
Tax	\$17,172,200	\$16,371,209	\$31,986,662
Penalties and Interest	2,302	1,271	10,649
Total Receipts	\$17,174,502	\$16,372,480	\$31,997,310
Taxes shared to municipalities	(14,394,385)	(14,165,215)	(9,145,743)
Amount transferred to Regional Cruise Ship Impact Fund - this is a state fund	0	0	(8,757,054)
Amount Retained in General Fund	\$2,780,117	\$2,207,265	\$14,094,513
ALCOHOLIC BEVERAGES TAX			
Liquor	\$21,001,209	\$20,139,046	\$19,944,505
Beer	11,373,704	11,562,357	12,106,069
Wine	5,874,936	5,788,517	5,564,705
Beer qualifying for reduced tax rate	1,287,948	1,193,074	1,105,372
Penalties, Interest and Refunds	53,293	9,804	9,669
Total Receipts	39,591,090	38,692,797	38,730,319
Amount transferred to Alcohol and Other Drug Abuse Treatment and Prevention Fund	(19,772,471)	(19,330,107)	(19,362,716)
Amount Retained in General Fund	\$19,818,619	\$19,362,690	\$19,367,603

	FY 2013	FY 2012	FY 2011
FISHERIES BUSINESS TAX			
Established			
Shore-based	\$34,797,124	\$38,007,287	\$32,930,706
Floating	5,578,323	7,356,146	6,337,078
Cannery	6,478,824	5,151,867	6,347,450
Developing			
Shore-based	50,442	65,474	53,585
Floating	493	725	340
Total Tax	46,905,206	50,581,499	45,669,159
Prepayments	454,134	2,405,470	1,314,972
Penalties and Interest	(404,333)	995,246	157,442
License Fees	11,575	12,250	12,475
Less Credits			
Winn Brindle	(238,749)	(175,338)	(184,817)
Alaska Education Credit	(650,000)	(650,015)	(449,730)
Salmon Product Development	(1,832,081)	(71,598)	(2,057,255)
Total Receipts	44,245,752	53,097,514	44,462,246
Fisheries Business Tax Shared			
Direct to Municipalities	(23,165,321)	(24,576,578)	(22,216,898)
DCCED* Municipal Allocation	(1,898,248)	(2,075,432)	(2,153,491)
Amount Retained by State	\$19,182,183	\$26,445,504	\$20,091,857
* Department of Commerce, Community and Economic Development			
MINING LICENSE TAX			
General Fund			
Tax Before Credits	\$53,017,927	\$46,792,131	\$50,085,541
Penalties and Interest	32,361	6,926	(34,164)
Mineral Exploration Incentive Credit	(5,975,341)	(5,873,944)	(949,466)
Alaska Education Credit	(343,564)	(282,928)	(121,397)
Total Receipts - General Fund	46,731,382	40,642,185	48,980,514
Constitutional Budget Reserve Fund (CBRF)	56,308	53,648	607,605
Total Receipts - All Funds	\$46,787,690	\$40,695,833	\$49,588,119

REVENUE COLLECTIONS DETAIL (CONT.)

	FY 2013	FY 2012	FY 2011
MOTOR FUEL TAX			
Highway	\$31,816,999	\$30,640,300	\$29,878,551
Marine	5,560,885	5,864,080	5,199,186
Jet	4,161,673	3,893,422	3,885,642
Aviation	480,195	534,871	578,541
Total Tax	42,019,752	40,932,673	39,541,920
Penalties and Interest	37,080	47,673	75,366
Total Receipts	42,056,832	40,980,346	39,617,286
Aviation Tax Shared	(162,346)	(145,658)	(142,478)
Amount Retained by State	\$41,894,486	\$40,834,688	\$39,474,808
FISHERY RESOURCE LANDING TAX			
Tax Before Credits	\$14,746,626	\$13,298,352	\$10,141,719
Penalties, Interest and Refunds	57,913	17	(1,725,434)
Less Credits			
Alaska Education Credit	(932,500)	(838,167)	(798,000)
CDQ Contributions	(490,371)	(446,894)	(534,297)
Total Receipts	13,381,669	12,013,308	7,083,988
Fishery Resource Landing Tax Shared			
Direct to Municipalities	(7,016,532)	(4,825,254)	(3,176,680)
DCCED* Municipal Allocation	(826,348)	(860,942)	(1,252,767)
Amount Retained by State	\$5,538,789	\$6,327,112	\$2,654,541
* Department of Commerce, Community and Economic Development			
REGULATORY COST CHARGES			
Total Receipts	\$9,144,029	\$8,510,552	\$9,796,244
SEAFOOD MARKETING ASSESSMENT			
Fisheries Business	\$7,600,819	\$8,031,441	\$6,961,962
Fishery Resource Landing	1,962,726	1,678,739	1,660,249
Total Receipts	\$9,563,546	\$9,710,180	\$8,622,211

	FY 2013	FY 2012	FY 2011
VEHICLE RENTAL TAX			
Passenger	\$8,002,079	\$8,132,668	\$7,836,341
Recreational	360,782	359,002	339,191
Penalties and Interest	20,130	37,963	104,760
Total Receipts	\$8,382,991	\$8,529,633	\$8,280,292
LARGE PASSENGER VESSEL GAMBLING TAX			
Tax	\$5,953,845	\$5,155,954	\$5,667,463
Penalties and Interest	29,488	0	97,499
Total Receipts	\$5,983,333	\$5,155,954	\$5,764,962
SALMON ENHANCEMENT TAX			
Tax by Aquacultural Region			
Southern Southeast	\$1,798,660	\$2,566,327	\$1,717,587
Northern Southeast	2,447,312	3,039,301	1,711,943
Prince William Sound	2,166,531	1,859,754	2,980,774
Kodiak	1,005,789	968,183	534,098
Cook Inlet	698,605	1,108,174	609,547
Chignik	329,024	515,130	288,397
Total Tax	8,445,920	10,056,869	7,842,346
Penalties and Interest	8,113	3,669	8,708
Total Receipts	\$8,454,033	\$10,060,538	\$7,851,054
GAMING TAX AND FEES			
Pull-Tab Tax	\$1,968,587	\$2,068,951	\$1,985,902
Net Proceeds Fee	339,874	373,421	406,734
License and Permit Fees	143,985	144,475	145,050
Total Receipts	\$2,452,446	\$2,586,847	\$2,537,686

REVENUE COLLECTIONS DETAIL (CONT.)

	FY 2013	FY 2012	FY 2011
TELEPHONE COOPERATIVE TAX			
Total Receipts	\$2,222,538	\$2,067,213	\$1,897,512
Taxes shared	(2,071,131)	(1,913,065)	(1,769,193)
Amount Retained by State	\$151,407	\$154,147	\$128,318
ELECTRIC COOPERATIVE TAX			
Total Receipts	\$2,072,147	\$2,046,510	\$2,025,707
Taxes shared	(2,037,896)	(2,016,815)	(1,994,349)
Amount Retained by State	\$34,251	\$29,696	\$31,357
SEAFOOD DEVELOPMENT ASSESSMENT			
Tax by Development Region			
Bristol Bay (Drift Gillnet)	\$1,184,028	\$1,374,015	\$1,575,461
Prince William Sound (Drift Gillnet)	579,480	525,176	549,133
Prince William Sound (Set Gillnet)	30,940	16,748	15,439
Penalties and Interest	854	(783)	3,083
Total Receipts	\$1,795,302	\$1,915,156	\$2,143,116
TIRE FEE			
Non-Studded	\$1,008,990	\$1,048,855	\$1,081,406
Studded	373,455	351,003	412,186
Penalties and Interest	18,435	20,026	7,208
Total Receipts	\$1,400,879	\$1,419,884	\$1,500,800
DIVE FISHERY MANAGEMENT ASSESSMENT			
Total Receipts *	\$772,526	\$682,534	\$603,219

* All receipts are derived from Southeast Alaska Management Area A

PROGRAM REVENUE AND COST DETAIL

Listed in order of total amount Fiscal Year 2013 revenue.

PROGRAM	RETURNS	FY 2013 TOTAL			FY 2013 PER FTE	
		REVENUE	COST ¹	FTE ²	REVENUE	COST
Oil & Gas Production ³	57	\$3,980,473,786	\$4,337,395	32.9	\$120,987,045	\$131,836
Oil & Gas Corporate Income ⁴	74	541,369,380	795,221	6.0	90,228,230	132,537
Other Corporate Income	16,428	112,486,134	4,756,109	31.9	3,526,211	149,094
Oil and Gas Property ⁵	937	99,282,078	540,438	3.6	27,578,355	150,122
Tobacco	901	69,574,661	517,874	6.4	10,871,041	80,918
Mining License ⁶	514	46,787,690	368,654	6.1	7,670,113	60,435
Fisheries Business	923	44,245,752	771,022	7.3	6,061,062	105,619
Motor Fuel	3,414	42,056,832	890,780	6.2	6,783,360	143,674
Alcoholic Beverages	870	39,591,090	347,605	2.6	15,227,342	133,694
Commercial Passenger Vessel	132	17,174,502	129,147	1.0	17,174,502	129,147
Fishery Resource Landing	65	13,381,669	176,010	1.9	7,042,984	92,637
Seafood Marketing Assessment	488	9,563,546	121,874	0.8	see note 7	see note 7
Regulatory Cost Charges ⁹	see note 9	9,144,029	see note 9	-0.1	see note 9	see note 9
Salmon Enhancement	870	8,454,033	219,300	1.8	4,696,685	121,833
Vehicle Rental	411	8,382,991	307,410	2.5	3,353,196	122,964
Large Passenger Vessel Gambling	10	5,983,333	22,572	0.3	see note 7	see note 7
Gaming	2,846	2,452,446	1,328,168	9.7	252,829	136,925
Telephone Cooperative	6	2,222,538	1,244	0.1	see note 7	see note 7
Electric Cooperative	21	2,072,147	4,344	0.1	see note 7	see note 7
Seafood Development	218	1,795,302	56,090	0.5	see note 7	see note 7
Tire Fee	292	1,400,879	125,683	1.1	1,273,526	114,257
Dive Fishery Management	52	772,526	23,936	0.3	see note 7	see note 7
Total	29,529	\$5,058,667,344	\$15,840,876	123.0	\$41,127,377	\$128,788⁸

¹ Based on operating costs of the Tax Division.

² Full-time Equivalent staff positions.

³ Includes oil and gas conservation surcharge revenue of \$7,797,770; surcharges are reported on oil & gas production returns. Includes Constitutional Budget Reserve Fund receipts of \$69,794,551.

⁴ Includes Constitutional Budget Reserve Fund receipts of \$106,805,732.

⁵ Includes Constitutional Budget Reserve Fund receipts of \$21,122.

⁶ Includes Constitutional Budget Reserve Fund receipts of \$56,308.

⁷ Combined program revenues (\$22,409,392) and costs (\$292,062) required approximately 2.0 FTE.

⁸ Reflects total revenue and total cost divided by FTE.

⁹ Regulatory Cost Charges returns and reports are the responsibility of the Alaska Regulatory Commission. The Tax Division is responsible for reporting the revenue received.

REVENUE COLLECTED FROM ASSESSMENTS

Listed in order of total amount Fiscal Year 2013 total revenue collected from assessments.

PROGRAM	AUDIT	EXAM	TOTAL
Oil and Gas Corporate Income	\$106,472,228	\$333,504	\$106,805,732
Oil and Gas Production	69,794,551	0	69,794,551
Corporate Income	1,255,086	1,231,219	2,486,305
Fisheries Business	1,889,131	(125,058)	1,764,073
Tobacco	125	592,076	592,201
Alcoholic Beverage	25,372	56,558	81,930
Fishery Resource Landing	0	78,047	78,047
Motor Fuel	0	66,282	66,282
Mining	56,308	0	56,308
Tire Fee	46,037	3,042	49,079
Vehicle Rental	26,848	12,906	39,755
Commercial Passenger Vessel Excise	0	22,323	22,323
Large Passenger Vessel Gambling	0	22,294	22,294
Oil and Gas Property	21,122	0	21,122
Seafood Marketing	0	8,592	8,592
Salmon Enhancement	0	8,272	8,272
Seafood Development	0	3,373	3,373
Dive Fisheries	0	23	23
Charitable Gaming	0	0	0
Estate	0	0	0
Telephone/Electric Co-ops	0	0	0
Salmon Marketing	0	0	0
Total	\$179,586,808	\$2,313,453	\$181,900,262

¹The amount reported is net revenue collected and includes a current year refund of taxes overpaid in a previous fiscal year. Revenue from the prepayment of potential tax liability was recognized in the prior period when it was received.

PROGRAM DETAIL

Programs listed alphabetically.

ALCOHOLIC BEVERAGES TAX

AS 43.60

DESCRIPTION

Alaska levies a tax on alcoholic beverages sold in Alaska. The tax is collected primarily from wholesalers and distributors of alcoholic beverages.

PRODUCT	TAX RATE PER GALLON
Liquor (more than 21% alcohol)	\$12.80
Wine (21% alcohol or less)	\$2.50
Beer (malt beverages and cider)	\$1.07
Beer (small breweries)	\$0.35

RETURNS

Taxpayers file returns and pay tax monthly. The returns and payment are due by the last day of the month following the month of sale.

EXEMPTIONS

Sales to facilities operated by one of the uniformed services of the United States are exempt if they fall within the guidelines of 4 USC 107.

DISPOSITION OF REVENUE

The Division deposits all alcoholic beverage tax revenue into the General Fund. The Department of Administration separately accounts for 50% of the tax collected and deposits it into the Alcohol and Other Drug Abuse Treatment and Prevention Fund.

HISTORY

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

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

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

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

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

YEAR	PER GALLON			
	LIQUOR	WINE	BEER (MALT BEVERAGES)	BEER (SMALL BREWERIES)
1933	-	\$0.05	\$0.05	-
1937	\$0.50	\$0.15	-	-
1941	\$1.00	-	-	-
1945	\$1.60	-	-	-
1946	\$2.00	-	-	-
1947	\$3.00	\$0.25	\$0.10	-
1957	\$3.50	\$0.50	\$0.25	-
1961	\$4.00	\$0.60	-	-
1983	\$5.60	\$0.85	\$0.35	-
2002	\$12.80	\$2.50	\$1.07	\$0.35

PROGRAM DETAIL (CONT.)

ALCOHOLIC BEVERAGES TAX (CONT.)

FY 2013 STATISTICS

PRODUCT	GALLONS	TAX COLLECTED
Liquor	1,640,194	\$21,001,209
Beer, Malt Beverage & Cider	10,632,745	11,373,704
Wine	2,382,470	5,874,936
Beer, Small Brewery	3,615,276	1,287,948
Penalties, Interest and Refunds	N/A	53,293
Total	18,270,685	\$39,591,090
Transferred to Alcohol and Other Drug Abuse Treatment and Prevention Fund		(19,772,471)
Total Tax Collections – General Fund		\$19,818,619
Number of Returns		870
Number of Taxpayers		61
Program Cost		\$347,605
Staffing (full-time equivalent)		2.6

COMMERCIAL PASSENGER VESSEL (CPV) EXCISE TAX

AS 43.52.200 – 295

DESCRIPTION

Alaska imposes an excise tax on travel on commercial passenger vessels, typically cruise ships that have 250 or more berths and provide overnight accommodations in the state’s marine waters. Passengers traveling on qualified commercial passenger vessels are liable for the tax.

RATE

The commercial passenger vessel excise tax rate is \$34.50 per passenger, per voyage.

RETURNS

Cruise ship companies and commercial passenger vessel owners file returns and pay taxes monthly. The due date is the last day of the month following the month in which voyages ended.

EXEMPTIONS

The CPV excise tax does not apply to passengers on board a commercial passenger vessel that does not anchor or moor in state marine waters with the intent to allow passengers to disembark.

DISPOSITION OF REVENUE

The Division deposits all proceeds from the CPV excise tax into the Commercial Vessel Passenger (CVP) Tax Account in the general fund. Subject to appropriation by the legislature from this account, the Division distributes \$5 per passenger to each of the first seven ports of call in Alaska. The tax is further reduced by any municipal taxes, imposed on a passenger, that were in effect prior to December 17, 2007.

HISTORY

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

2010 - During the 2010 legislative session, the CPV tax was reduced from \$46 to \$34.50 per passenger. The tax is further reduced by any municipal taxes imposed on a passenger that were in effect prior to December 17, 2007. This legislation increased the number of ports of call which may receive \$5 per passenger from 5 to 7, and removed the provision that prohibited a port of call from sharing in the CPV revenue if it imposed its own tax. The legislation also repealed the regional cruise ship impact fund. These changes are effective for the 2011 cruise season.

FY 2013 STATISTICS

Tax Collections	\$17,174,502
Number of Returns	132
Number of Taxpayers	12
Program Cost	\$129,147
Staffing (full-time equivalent)	1.0

PROGRAM DETAIL (CONT.)

CORPORATE INCOME TAX

AS 43.20

DESCRIPTION

Alaska levies a corporate income tax on Alaska taxable income.

For purposes of computing taxable income, Alaska, like many states, adopts the federal Internal Revenue Code (IRC) by reference, unless excepted to or modified by specific Alaska statutes.

For a corporation doing business only in Alaska, its taxable income is federal taxable income with certain Alaska modifications.

A corporation that does business both inside and outside Alaska apportions a percentage of the corporation's total income to Alaska using a formula. The Alaska percentage or "apportionment factor" is an average of three factors: property, payroll, and sales, inside and outside the state.

When a corporation is part of a group of corporations that operates as a unit to conduct a business, the taxpayer must apportion to Alaska a percentage of the combined incomes of all of the corporations in the "unitary" or "combined" group.

For unitary groups that are not oil and gas companies, Alaska adopts "water's edge combination." The combined group generally includes only those corporations with significant U.S. activity.

Oil and gas companies combine on a worldwide basis. Also, oil companies use a "modified" apportionment formula of property, sales, and extraction. The extraction factor is the production of oil and gas in Alaska divided by production everywhere.

RATE

Alaska taxes corporate income at graduated rates ranging from 0% to 9.4% divided over ten tax brackets.

RETURNS AND PAYMENTS

Corporations file returns annually, with the return due three and one-half months after the close of the tax year, one

month after the federal tax return is due. Alaska honors the federal filing extensions.

Corporations must make quarterly estimated payments and the total tax is due two and one-half months from the end of the tax year. There are no extensions to pay the tax. Estimated payments of more than \$100,000 and payments accompanying a return greater than \$150,000 must be made online or by wire transfer.

EXEMPTIONS

Generally, Alaska follows the IRC when determining an entity's taxable status.

Alaska adopts the flow-through federal provisions that exempt S-Corporations from tax. Federally, S-Corporations are treated as partnerships and S-Corporation shareholders report their proportionate share of the corporation's earnings.

Alaska treats Limited Liability Companies (LLCs) as partnerships if they file as partnerships federally.

Electric and telephone cooperatives pay tax under AS 10.25 and are exempt from the corporate income tax.

CREDITS

Under Alaska's blanket adoption of the IRC, taxpayers can claim all federal incentive credits. Federal credits that refund other federal taxes are not allowed. Multistate taxpayers apportion their total federal incentive credits. Alaska specific credits include:

Education

Minerals Exploration Incentive

Gas Storage Facility Tax Credit

LNG Storage Facility Tax Credit

Veteran Employment Tax Credit

Film Production

For specific information concerning these credits, see the Description of Credits on page 89.

DISPOSITION OF REVENUE

The Division deposits most corporate net income tax collections into the General Fund. For oil and gas corporations only, the Division deposits collections from audit assessments into the Constitutional Budget Reserve Fund.

HISTORY

1949 - The territorial legislature enacts the Alaska Net Income Tax Act. It is 10% of the federal income tax liability on income earned in Alaska. The tax applies to individuals and corporations.

1959 - Alaska adopts the Uniform Division of Income for Tax Purposes Act (UDITPA) within AS 43.20. This is a model statute that was developed by the states to address concerns of the U.S. Congress that states were collectively taxing more than 100% of the earnings of multistate corporations. UDITPA requires multistate corporations to apportion a percentage of their total income to the state by the apportionment formula of property payroll and sales. The standard UDITPA formula apportions 100% of the corporation's income among the states where the taxpayer does business.

1970 - Alaska enacts the Multistate Tax Compact in AS 43.19, and becomes one of the early members of the Multistate Tax Commission. The Compact incorporates the standard three-factor apportionment formula of UDITPA. A main purpose of the Compact and the Commission is to promote the enactment of UDITPA, and the uniform application of UDITPA apportionment formula by the states. Uniform application of UDITPA promotes the full reporting of income by taxpayers and avoids the taxation of the same income by more than one state.

1975 - The legislature repeals the original tax and makes major revisions. Alaska enacts its own tax rates rather than basing the tax on the federal tax liability. Alaska adopts the federal Internal Revenue Code ("IRC") by reference, unless excepted to, or modified by other Alaska statutes. The tax rate was 5.4% of Alaska taxable income with a surtax of 4% based on federal surtax exemptions. For 1975, the surtax exemption was \$50,000.

1978 - The legislature finds that the standard three-factor apportionment formula does not fairly reflect Alaska

income for oil and gas corporations. Alaska enacts AS 43.21, and requires oil and gas companies to calculate Alaska taxable income using separate accounting. The oil and gas companies challenge AS 43.21.

1980 - The legislature repeals the parts of AS 43.20 that impose the individual income tax and retains the exemption for S-Corporations.

1981 - In an effort to stem the growing amount of disputed oil and gas income taxes and related litigation, the legislature seeks a compromise tax method. The legislature repeals separate accounting under AS 43.21, and enacts AS 43.20.072, the current "modified" apportionment formula for oil and gas corporations. The modified formula drops the payroll factor and adds the "extraction factor." The legislature also enacts the current graduated tax rate structure with a maximum rate of 9.4%.

1987 - The legislature enacts the Alaska Education Credit.

1991 - The legislature enacts "water's edge apportionment" with AS 43.20.073. Water's edge apportionment does not apply to oil and gas taxpayers, who continue to report on a worldwide basis.

1998 - The Department of Revenue wins the OSG Bulkships case. The Alaska Supreme Court holds that AS 43.20 does not adopt the IRC Section 883 by reference. Federally, Section 883 exempts from tax foreign corporations that operate ships and aircraft, and avoids double taxation. The Court says that formulary apportionment in AS 43.19 also avoids double taxation and therefore AS 43.19 is an exception to Section 883. During the next session, the legislature specifically adopts Section 883 and grants explicit tax exemption to the foreign corporations operating cargo ships, cruise ships, and aircraft in Alaska.

2006 - A voter initiative that subjects cruise ship operators to Alaska corporate income tax passes in August 2006. Prior to the initiative, cruise ship operators were exempt from taxation through the Department's adoption of IRC Section 883.

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

PROGRAM DETAIL (CONT.)

- The legislature authorizes tax credits for qualified film production expenditures incurred in Alaska. Tax credits may be sold, transferred, exchanged, or conveyed, and must be used within three years after being granted by DCCED. The maximum of credits claimed by all taxpayers over the life of the credit program may not exceed \$100 million.

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

- The legislature expands the Gas Exploration and Development Credit, increasing it from 10% to 25% effective January 1, 2010. The utilization limit was raised from 50% to 75% of the tax liability.

- The legislature authorizes tax credits for expenditures to establish gas storage in Alaska. The available credit is \$1.50 per 1,000 cubic feet of gas storage capacity, with a maximum credit available of \$15,000,000 or 25% of costs incurred to establish the facility. This is a refundable tax credit.

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

- The legislature enacted the veteran employment tax credit, providing a credit of \$3,000 for hiring a disabled veteran, or \$2,000 for hiring a veteran who is not disabled.

- The legislature enacted the LNG (Liquefied Natural Gas) Storage Facility Tax Credit, granting a credit for costs incurred to establish an LNG storage facility in Alaska. The available credit is equal to 50% of the costs incurred, not to exceed \$15,000,000. This is a refundable tax credit.

- The legislature passed legislation exempting certain small corporations from the corporate income tax. For tax years beginning after 12/31/11, corporations that have assets less than \$50,000,000 and that meet certain other requirements are exempt from paying corporate income tax. Certain industries are excluded from the exemption.

FY 2013 STATISTICS

Oil and Gas Corporate Returns

Number of Returns	74
Number of Taxpayers	18
Program Cost	\$795,221
Staffing (full-time equivalent)	6.0

Other than Oil and Gas Corporate Returns

Number of Returns	16,428
Number of Taxpayers	12,086
Program Cost	\$4,756,109
Staffing (full-time equivalent)	31.9

Total - All Returns

Number of Returns	16,502
Number of Taxpayers	12,104
Program Cost	\$5,551,330
Staffing (full-time equivalent)	37.9

CORPORATIONS FILING ACTIVITY

FISCAL YEAR	2013	2012	2011
Total Returns Filed	16,502	14,035	16,330

DETAIL OF FY 2013 FILING ACTIVITY

ENTITY TYPE	ORIGINAL	AMENDED	NOL ¹	TOTAL
Subchapter C	7,417	892	111	8,420
Subchapter S	6,124	18	2	6,144
Exempt	369	8	5	382
Homeowners Assoc.	1,317	5	2	1,324
Other ²	87	70	1	158
Total Non-Oil and Gas	15,314	993	121	16,428
Oil and Gas	28	46	0	74
Grand Total	15,342	1,039	121	16,502

FY 2013 TAXPAYERS

ENTITY TYPE	# TAXPAYERS
Non-Oil and Gas	12,086
Oil and Gas	18

¹Net operating loss

²Entities that filed federal returns other than categories listed above, i.e. Foreign, Political, Cooperative, etc.

PROGRAM DETAIL (CONT.)

CORPORATE INCOME TAX LIABILITIES STATISTICS - ORIGINAL RETURNS

TAX LIABILITY REPORTED	OIL AND GAS CORPORATIONS			NON-OIL AND GAS CORPORATIONS			ALL CORPORATIONS		
	# FILERS	AMOUNT	% TOTAL	# FILERS	AMOUNT	% TOTAL	# FILERS	AMOUNT	% TOTAL
Above \$1 million	9	\$505,826,010	99.81%	23	\$73,719,196	59.39%	32	\$579,545,206	91.86%
\$500,000 - \$1 million	1	522,183	0.10%	16	10,976,271	8.84%	17	\$11,498,454	1.82%
\$100,000 - \$499,999	1	368,061	0.07%	107	23,525,369	18.95%	108	\$23,893,430	3.79%
\$50,000 - \$99,999	0	0	0.00%	90	6,483,707	5.22%	90	\$6,483,707	1.03%
\$10,000 - \$49,999	2	65,359	0.01%	278	6,799,641	5.48%	280	\$6,865,000	1.09%
\$1,000 - \$9,999	0	0	0.00%	644	2,309,568	1.86%	644	\$2,309,568	0.37%
\$100 - \$999	1	291	0.00%	712	272,226	0.22%	713	\$272,517	0.04%
\$1 - \$99	0	0	0.00%	1125	31,545	0.03%	1,125	\$31,545	0.01%
Zero Tax	14	0	0.00%	12319	0	0.00%	12,333	\$0	0.00%
Total	28	\$506,781,904	100.00%	15,314	\$124,117,524	100.00%	15,342	\$630,899,428	100.00%

Note: This figure shows the amount of total tax liability as reported on original corporate income tax returns filed during FY 2013. The Tax Division accounts for, and reports revenue based on receipt date of payments. Corporate taxpayers are required to make estimated tax payments throughout the year. Therefore, corporate income tax revenue reported in the Revenue Collections Detail on page 17 and this figure may be different. The difference between revenue reported in the two figures is due primarily to estimated tax payments received in a preceding or subsequent fiscal year.

DIVE FISHERY MANAGEMENT ASSESSMENT

AS 43.76.150

DESCRIPTION

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

RATE

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

Geoduck 7%

Sea Cucumber 5%

Sea Urchin 7%

RETURNS

Buyers file returns and pay tax quarterly. The due date is the last day of the month following the calendar quarter of purchase.

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

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

DISPOSITION OF REVENUE

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

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

HISTORY

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

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

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

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

2006 - Geoduck fishermen elected to continue the 7% assessment on geoducks after October 31, 2006.

FY 2013 STATISTICS

Tax Collections	\$772,526
Number of Returns	52
Number of Taxpayers	16
Program Cost	\$23,936
Staffing (full-time equivalent)	0.3

PROGRAM DETAIL (CONT.)

ELECTRIC COOPERATIVE TAX

AS 10.25.555

DESCRIPTION

Alaska levies an electric cooperative tax on kilowatt-hours furnished by qualified electric cooperatives recognized under AS 10.25.

RATE

The electric cooperative tax is based on a rate per kilowatt hour (kWh), and on the length of time the cooperative has furnished electricity to consumers as follows:

LENGTH	RATE PER KWH
Less than 5 years	.25 mill
5 years or longer	.5 mill

Note: (1 mill = \$0.001)

RETURNS

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

EXEMPTIONS

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

DISPOSITION OF REVENUE

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

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

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

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

HISTORY

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

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

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

FY 2013 STATISTICS

Tax Collections	\$2,072,147
Number of Returns	21
Number of Taxpayers	21
Program Cost	\$4,344
Staffing (full-time equivalent)	.1

Note: Program Costs reflect the cost of the program. The amount retained by the state after sharing (Revenue Collections Detail on page 22) represents prior year costs and unshared tax collected in the current year outside of an organized borough or incorporated city.

ESTATE TAX

AS 43.31

DESCRIPTION

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

RATE

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

RETURNS

State returns are required only for estates of decedents whose date of death was before January 1, 2005, and the estate has a federal filing requirement. Estates of decedents whose date of death is January 1, 2005 or later are not required to file a report.

Estate tax returns and payments are due fifteen months from the decedent’s date of death.

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

EXEMPTIONS

Estates under \$1.5 million were generally exempt from paying estate taxes prior to 2005, taking into consideration the estate tax credit (formerly the unified credit) allowed under the IRC.

DISPOSITION OF REVENUE

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

HISTORY

1919 - The territorial legislature adopted a tax on inheritances and transfers of property from estates. Tax rates varied from 1% to 17.5% of the property’s value.

1970 - The Alaska legislature enacted estate tax statutes currently in place. Estate tax statutes tie to the state credit allowed under IRC estate tax laws.

1991 - Interest on delinquent tax is subject to compound interest under AS 43.05.225.

2001 - The federal Economic Growth and Tax Relief Reconciliation Act was enacted. As a consequence of the federal act, the state tax credit was phased out gradually over a four-year period. The state tax credit no longer applies to estates of decedents whose date of death is January 1, 2005 or later. However, the Division may continue to collect tax from estates where the date of death was prior to January 1, 2005, as a result of returns filed, audits, or other enforcement activities.

PROGRAM DETAIL (CONT.)

FISHERIES BUSINESS TAX

AS 43.75

DESCRIPTION

Alaska levies a fisheries business tax (also known as the “raw fish tax”) on fisheries businesses and persons who process fisheries resources in, or export unprocessed fisheries resources from Alaska. The tax is based on the price paid to commercial fishermen for the raw resource, or fair market value when there is no arms-length transaction prior to processing or export. The Division collects fisheries business taxes from processors and persons who export unprocessed fishery resources from Alaska.

RATE

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

PROCESSING ACTIVITY

ESTABLISHED	RATE
Floating	5%
Salmon Cannery	4.5%
Shore-based	3%
DEVELOPING	RATE
Floating	3%
Shore-based	1%

RETURNS

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

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

EXCLUSION

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

CREDITS

The following credits are available for use against the liability of this specific tax:

Education

Scholarship Contributions

Salmon Product Development

For specific information concerning these credits, see the Description of Credits on page 89.

DISPOSITION OF REVENUE

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

PROCESSING ACTIVITY INSIDE MUNICIPALITY

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

PROCESSING ACTIVITY OUTSIDE MUNICIPALITY

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

HISTORY

1899 - the U.S. Congress adopted a “salmon case” tax to fund fisheries-related activities in pre-territorial Alaska. The Organic Act passed in 1912 established an organized territorial government in Alaska. In 1913, the First Territorial Legislature adopted the “salmon pack” tax which applied to salmon canneries based on

canned salmon (\$0.07 per case); and the “cold storage” tax which applied to other fisheries and was based on business receipts. Between 1913 and 1949, the legislature amended the tax several times by changing tax rates and expanding the tax base to include different fisheries.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PROGRAM DETAIL (CONT.)

FISHERIES BUSINESS TAX (CONT.)

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

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

2005 - Effective May 18, 2005, the legislature modified the surety and tax payment requirements for obtaining a fisheries business license. The legislature reduced the amount of surety bonding for small primary fish buyers from \$10,000 to \$2,000. The legislation also added requisites for obtaining a fisheries business license. Before being issued a license, a fisheries business must have fully paid (including penalties and interest) taxes administered by the Division, seafood marketing assessments, employment security contributions, OSHA penalties, and municipal fishery taxes.

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

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

- The legislature extended the salmon product development tax credit program by three years. The legislation extended the ending date for placing specified property in service to qualify for the credit from December 31, 2008 to December 31, 2011. This legislation expanded the list of qualified property

to include conveyors used for producing value-added salmon products and requires that the Department of Revenue develop and implement procedures for pre-determining if investments qualify for the salmon product development tax credit.

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

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

- The legislature authorized the Department to withhold or suspend a fisheries business license if a fisheries business fails to pay the permit buyback fee imposed by the National Marine Fisheries Service under 16 U.S.C. 1861a.

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

FY 2013 STATISTICS

Fisheries Business Tax

Tax Collections and License Fees **\$44,245,752**

Including penalties, interest and credits.

FISHERIES BUSINESS LICENSES ISSUED	ONLINE	PAPER	TOTAL
Direct Marketer	194	12	206
Shore-based	156	7	163
Catch/Processor	42	1	43
Floating	37	1	38
Cannery	26	0	26
Exporter	10	1	11
Total	465	22	487

Number of Returns 923

Number of Taxpayers 393

Program Cost \$771,022

Staffing (full-time equivalent) 7.3

PROGRAM DETAIL (CONT.)

FISHERY RESOURCE LANDING TAX

AS 43.77

DESCRIPTION

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

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

RATE

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

CLASSIFICATION	RATE
Established	3%
Developing	1%

RETURNS

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

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

EXEMPTIONS

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

CREDITS

The following credits are available for use against the liability of this specific tax:

Education

Scholarship Contributions

CDQ

Other Taxes

For specific information concerning these credits, see the Description of Credits on page 89.

DISPOSITION OF REVENUE

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

Landings Inside Municipality - The Division shares 50% of taxes from landings within a municipality with the respective municipalities in which landings occurred. If a municipality is within a borough, the Division divides the 50% shareable amount between the municipality and borough.

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

HISTORY

1993 - The legislature enacted the fishery resource landing tax effective January 1994. The rate was 3.3% of the unprocessed value of the resource. The Department of Revenue adopted regulations regarding administration of the tax, effective April 1994.

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

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

1996 - The landing tax was restructured to mirror the fisheries business tax program. The legislature revised the tax rate to 3% for established species and 1% for developing species. The 0.3% portion of the previous 3.3% tax rate was incorporated into seafood marketing assessment statutes (AS 16.51). The legislature also amended the landing tax statutes to provide for tax credits for education and A.W. "Winn" Brindle scholarship contributions. All changes were retroactive to January 1994, the inception date of the landing tax.

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

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

2001 - The legislature amended landing tax statutes to require quarterly payment of estimated fishery resource landing taxes, effective calendar year 2002.

2002 - The legislature authorized credits of up to 50% for contributions of not more than \$100,000 and 75% of the next \$100,000 in contributions made to the

Alaska Veterans' Memorial Endowment Fund. The tax credit expired July 1, 2003.

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

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

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

FY 2013 STATISTICS

Tax Collections **\$13,381,669**

Including penalties, interest and credits.

Number of Returns 65

Number of Taxpayers 50

Program Cost \$176,010

Staffing (full-time equivalent) 1.9

PROGRAM DETAIL (CONT.)

GAMING

AS 05.15

DESCRIPTION

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

To ensure that the appropriate level of public benefit is being derived, the Division:

- 1) issues permits to nonprofits;
- 2) licenses all operators and pull-tab distributors and manufacturers;
- 3) collects fees and taxes;
- 4) audits various permittees and licensees;
- 5) inspects gaming locations; and
- 6) investigates complaints.

The Division also provides education and orientation information to the public and to prospective permittees and licensees.

RATE

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

Permits

- \$20 if an applicant did not have a permit during the preceding year or for an initial permit;
- \$20 if an applicant had gaming gross receipts of less than \$20,000 during the preceding year;
- \$50 if an applicant had gaming gross receipts of \$20,000 or more, but not exceeding \$100,000 during the preceding year; and
- \$100 if an applicant had gaming gross receipts exceeding \$100,000 during the preceding year.

Licenses

- \$500 for an operator license;
- \$1,000 for a pull-tab distributor license; and
- \$2,500 for a pull-tab manufacturer license.

REPORTS

The Division requires the following reports:

- Municipalities and qualified organizations file quarterly reports that are due the 45th day following each calendar quarter in which the permittee had gross receipts of \$50,000 or more.
- Permittees file annual reports on a calendar year basis, accompanied with payment of the additional fee, if required under AS 05.15.020(b), by March 15th of the following year. Under this statute, if the gross receipts for the activities were \$20,000 or more, an additional fee of 1% of the net proceeds received during the preceding year is due.
- Operators and multiple-beneficiary permittees file quarterly reports that are due on the last business day of the month following each calendar quarter. Annual reports for the calendar year are due no later than February 28 of the following year.
- Operators are required to submit a report to permittees monthly. The report must include a daily summary of activity conducted under the permit and an accounting of gross receipts, expenses and net proceeds for the month.
- Pull-tab manufacturers must report by the last business day of the month on each series of pull-tabs distributed in the preceding month.
- Distributors must collect a tax of 3% of an amount equal to the gross receipts less prizes awarded on each series of pull-tabs distributed. Distributors must report by the last business day of each month each pull-tab series distributed in the preceding month and pay the taxes collected.

EXEMPTIONS

There are no exemptions that apply to gaming.

DISPOSITION OF REVENUE

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

HISTORY

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

1984 - The Department authorized pull-tabs by regulation.

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

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

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

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

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

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

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

- The Alaska Supreme Court in *Botelho v. Griffin*, 25 P3d at 693 ruled that “Alaska’s gaming laws create the

effective equivalent of a charitable trust” by requiring a portion of the money spent on gaming to benefit the public generally.

2002 - Effective January 1, 2003, the legislature added the Boys and Girls Club of the Kenai Peninsula to the list of qualified organizations allowed to conduct “mercury classic” games of chance.

2003 - Effective January 1, 2005, the legislature allows a permittee that conducts a contest of skill and awards more than \$500,000 in prizes to the participants in that contest of skill, to exclude \$500,000 in prizes awarded to those participants from the \$1,000,000 maximum prize limitation.

2004 - The legislature authorized the Department of Revenue to issue permits for animal classic games, providing the animal classic was in existence prior to November 1, 2002, effective July 25, 2004.

2005 - The legislature authorized the Department of Revenue to issue permits for two new games of chance – “Calcutta pools” (related to amateur and professional sporting events) and a “crane classic” (the best guess of the time of arrival of the first Sandhill Crane to a particular place), effective September 5, 2005.

2008 - The legislature authorized broadcasting for dog mushers’ contests, charitable raffles and lotteries (in addition to fish derbies and classics that were previously authorized for broadcasting). The legislation recognizes the cabbage classic at the Giant Cabbage Weigh-off at the Alaska State Fair in Palmer operated by the Palmer Rotary Club as an authorized gaming activity. The legislation also raised the maximum award of non-bingo prizes that a permittee may award each year in self-conducted (without an operator) gaming activity from \$1 million to \$2 million. The legislation took effect July 18, 2008.

2012 - The airwaves-- broadcasting-- may generally not be used to promote or conduct gaming activity under AS 05.15. There are limited exceptions in AS 05.15.640.

PROGRAM DETAIL (CONT.)

GAMING (CONT.)

Effective on September 10, 2012, CSHB 245 changed §640 to allow any gaming activity to be promoted over the Internet, in any format – websites, email, Facebook,

Twitter, etc. The bill also slightly expanded the forms of broadcasting that may be used to promote a raffle. Finally, CSHB 245 introduced a new snow classic to be operated and administered by the Four Valleys Community School in Girdwood.

FY 2013 STATISTICS

Taxes and Fees Collected

Taxes and Fees Collected	\$2,452,446
Program Cost	\$1,328,168
Staffing (full-time equivalent)	9.7

APPLICATIONS*	ONLINE	PAPER	TOTAL
Permittees	517	654	1,171
Operators	N/A	29	29
Multiple-beneficiary Permittees	1	16	17
Distributors	5	4	9
Manufacturers	7	2	9
Amended Applications	N/A	308	308
Total Applications	530	1,013	1,543

Reports*

Permittees	2440
Operators	151
Multiple-beneficiary Permittees	90
Distributors	90
Manufacturers	75
Total Reports	2,846

* Based on calendar year 2012.

LARGE PASSENGER VESSEL (LPV) GAMBLING TAX

AS 43.35

DESCRIPTION

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

RATE

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

RETURNS

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

EXEMPTIONS

There are no exemptions for the LPV gambling tax.

DISPOSITION OF REVENUE

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

HISTORY

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

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

FY 2013 STATISTICS

Tax Collections	\$5,983,333
Number of Returns	10
Number of Taxpayers	8
Program Cost	\$22,572
Staffing (full-time equivalent)	0.3

PROGRAM DETAIL (CONT.)

MINING LICENSE TAX

AS 43.65

DESCRIPTION

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

RATES

MINING NET INCOME	RATE
\$0 - \$40,000	No Tax
\$40,001 - \$50,000	\$1,200 plus 3% over \$40,000
\$50,001 - \$100,000	\$1,500 plus 5% over \$50,000
Over \$100,000	\$4,000 plus 7% over \$100,000

RETURNS

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

EXEMPTIONS

New mining operations are exempt from the mining license tax for a period of three and a half years after production begins.

Quarry rock, sand and gravel, and marketable earth mining operations are exempt from the mining license tax effective January 1, 2012

CREDITS

The following credits are available for use against the liability of this specific tax:

Education

Minerals Exploration Incentive

For specific information concerning these credits, see the Description of Credits on page 89.

DISPOSITION OF REVENUE

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

HISTORY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FY 2013 STATISTICS

Tax Collections

General Fund	\$46,731,382
Constitutional Budget Reserve Fund	56,308
Total	\$46,787,690

Number of Returns	514
Number of Taxpayers	452

Program Cost	\$368,654
Staffing (full-time equivalent)	6.1

PROGRAM DETAIL (CONT.)

MOTOR FUEL TAX

AS 43.40

DESCRIPTION

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

RATES

FUEL TYPE	RATE PER GALLON
Highway	\$0.08
Marine	\$0.05
Aviation Gasoline	\$0.047
Jet Fuel	\$0.032

RETURNS

Taxpayers file returns and make payments monthly. There are four separate returns: diesel, gasoline, aviation, and gasohol.

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

REFUNDS

Consumers may claim a refund for the full tax rate if the consumer paid the full tax rate at purchase and then used the fuel for exempt purposes. Consumers may also claim a partial refund of the tax if a lesser rate was paid at purchase or if the consumer used the fuel for partially exempt purposes.

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

EXEMPTIONS

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

- Heating
- Federal, state, and local government agencies
- Foreign flights (jet fuel)
- Exports
- Charitable institutions
- Bunker fuel (residual fuel oil or #6 fuel oil)

DISPOSITION OF REVENUE

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

The Division shares with the respective municipalities 60% of taxes attributable to aviation fuel sales at municipally owned or operated airports. All other proceeds of the taxes on aviation fuel are deposited into a special aviation fuel tax account.

HISTORY

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

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

1997 - The legislature repealed the gasohol exemption. The legislature enacted a provision that reduces the tax on gasohol from \$0.08 to \$0.02 per gallon in areas and at times when the use of gasohol is required. However,

gasohol has not been required since the winter of 2002-2003 and gasohol is currently taxed at the full tax rate of \$0.08 per gallon.

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

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

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

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

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

2008 - In special session, the legislature suspended the motor fuel tax on all fuel types effective September 1, 2008 through August 31, 2009. Motor fuel distributors were required to file monthly reports of all fuel sales during the period of suspension.

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

YEAR	HIGHWAY	GASOHOL	MARINE	AVIATION GASOLINE	JET FUEL
1945	\$0.01	-	\$0.01	\$0.01	-
1947	\$0.02	-	\$0.02	\$0.02	-
1955	\$0.05	-	\$0.05	\$0.03	-
1957	-	-	\$0.02	-	\$0.015
1960	\$0.07	-	\$0.03	-	-
1961	\$0.08	-	-	-	-
1964	\$0.07	-	-	-	-
1968	-	-	-	\$0.04	\$0.025
1970	\$0.08	-	-	-	-
1971	-	-	\$0.04	-	-
1977	-	-	\$0.05	-	-
1994	-	-	-	\$0.047	\$0.032
1997	-	\$0.08 / \$0.02*	-	-	-

*\$0.02 November through February where required

PROGRAM DETAIL (CONT.)

FY 2013 STATISTICS

Tax Collections

Highway	\$31,816,999
Marine Fuel	5,560,885
Jet Fuel	4,161,673
Aviation Gasoline	480,195
Penalties & Interest	37,080
Total Receipts	42,056,832
Less Aviation Fuel Tax Shared	(162,346)
Total Amount Retained by State	\$41,894,486

MOTOR FUEL TYPE	GALLONS
Highway	378,672,128.1
Marine Fuel	112,801,467.1
Jet Fuel	129,292,793.0
Aviation Gasoline	10,026,550.2
Gasohol	0.0

** Gallons noted may not compute if calculated as: Gallons X Tax Rate = Tax Collected

Gallons are recorded on the tax return and calculated based on the return tax period, whereas tax collections are calculated based on the amount received within a time period, and may include payments or refunds from a previous tax period.

Number of Returns	3,414
Number of Taxpayers	247
Program Cost	\$890,780
Staffing (full-time equivalent)	6.2

OIL CONSERVATION SURCHARGES

AS 43.55.201/300

DESCRIPTION

Conservation surcharges apply to all oil production in Alaska and are in addition to oil and gas production taxes. Surcharges apply to each barrel of oil produced in the state less any oil the ownership or right to which is exempt from taxation.

RATE AND DISPOSITION OF REVENUE

Each taxable barrel("bbl") of oil is subject to the following two surcharges:

- Conservation Surcharge (AS 43.55.201) of \$0.01 per barrel. Revenue derived from this surcharge may be appropriated to the response account in the oil and hazardous substance release prevention and response fund. This surcharge is suspended when the balance of the fund is over \$50 million per AS 43.55.221.
- Additional Conservation Surcharge (AS 43.55.300) or \$0.04 per barrel. Revenue derived from this additional surcharge may be appropriated to the oil and hazardous substance release prevention account in the oil and hazardous substance release prevention and response fund.

HISTORY

1989 - Following the grounding of the Exxon Valdez, this tax was enacted in order to provide a hazardous substance release emergency fund. A \$0.05/bbl hazardous release surcharge is imposed on oil production until the newly created hazardous substance release fund achieves a balance of \$50 million.

1994 - The hazardous release surcharge is modified to the so-called "split nickel" with an ongoing charge of \$0.03/bbl and an additional charge of \$0.02/bbl whenever the hazardous substance release fund balance falls below \$50 million.

2006 - The legislature set the Conservation Surcharge rate at \$0.01/bbl and the Additional Conservation Surcharge rate at \$0.04/bbl.

FY 2013 STATISTICS

Total Conservation Surcharge Collections* \$7,797,770

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

PROGRAM DETAIL (CONT.)

OIL AND GAS PRODUCTION TAX

AS 43.55

DESCRIPTION

Alaska levies an annual tax on oil and gas production tax value derived from production activities in the state.

The legislature amended oil and gas production tax statutes in a special session that ended November 2007 that culminated in the passage of Alaska's Clear and Equitable Share (ACES).

Like the PPT legislation enacted in 2006, ACES tax was levied on the production tax value of oil and gas production.

With regard to administrative changes, ACES required more thorough reporting from companies. Taxpayers were required to report volumes and expenditures used to calculate their estimated monthly installment payments. Annually, on March 31, taxpayers submit tax filings that "true up" any tax liabilities or overpayments made throughout the year. At the same time, they also submit an annual information report.

The ACES legislation provided for audit masters who are exempt from the state classified pay scale. In FY 2013, the Division employed four audit masters. The law also extended the length of time the auditors have to complete production tax audits from three to six years.

The majority of the ACES tax was retroactive to July 1, 2007, although some provisions are retroactive to the implementation of the PPT (April 1, 2006). One section of the law, impacting tax credits for exploration, was effective July 1, 2008. Section AS 43.55.028 and related citations were effective January 1, 2008.

The More Alaska Production Act (MAPA) was signed into law on May 21, 2013 and is effective January 1, 2014. Major provisions of this law are described on page 7. The detail in this section reflects FY 2013 law under ACES.

RATE

The base tax rate is 25% of the production tax value per BTU equivalent barrel of taxable oil and gas. When the average monthly production tax value is more than \$30

per barrel, but not more than \$92.50, there is an additional 0.4% progressive tax for each additional dollar of production tax value per barrel. When the average monthly production tax value exceeds \$92.50 per barrel, the progressive tax rate is the sum of 25% and 0.1% of the difference between the average monthly production tax value and \$92.50. The maximum tax may not exceed 75%.

RETURNS

Oil and gas taxpayers make calendar year filings that are due with payment no later than March 31 of the following year. Taxpayers are required to make monthly estimated payments, based on activity in the prior month, which are due the last day of the following month. Taxpayers are also required to submit monthly information reports that summarize production volumes, production tax values, lease expenditures incurred and credits applied.

EXEMPTIONS

The tax on oil and gas is levied on all production except for state and federal royalty production. Oil and gas used on a lease or property for drilling, production, or repressuring is not taxed.

CREDITS

The following credits are available for use against the liability of this specific tax:

Exploration Incentive

Exploration Incentive (Assignable)

Education

Qualified Capital Expenditure

Carried-Forward Annual Loss

Transitional Investment Expenditure

New Area Development

Small Producer

Alternative Credit for Exploration

Cook Inlet Jack-Up Rig Credit

Cash Purchases of Tax Credit Certificates

For specific information concerning these credits, see the Description of Credits on page 89.

DISPOSITION OF REVENUE

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

HISTORY

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

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

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

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

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

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

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

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

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

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

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

2005 - Prudhoe Bay area oil fields are aggregated for purposes of calculating the economic limit factor, effective February 1, 2005.

- To expand the tax credit for exploration enacted the previous year, the deadline was extended until July 1, 2010 for qualifying work south of the Brooks Range (i.e. non-North Slope). New rules also changed the 3 mile and 25 mile rules for the Cook Inlet allowing closer distances between potential exploration targets and existing wells and production units.

- The legislature extended and amended the requirements applicable to the credit that may be claimed for certain oil and gas exploration expenses incurred in Cook Inlet against oil and gas production taxes. This legislation also amended the credit against those taxes for certain exploration expenditures from leases or properties in the state. The legislation was signed into law July 21, 2005 with an immediate effective date.

2006 - In August 2006, legislation was passed during a special session that made sweeping revisions to the oil and gas production tax. The Petroleum Production Tax (PPT) established new tax rates on oil and gas production; repealed the economic limit factor; and provided numerous credits for certain qualifying expenditures and taxpayers.

2007 - The legislature amended PPT legislation in a special session that ended November 2007 and culminated in

PROGRAM DETAIL (CONT.)

OIL AND GAS PRODUCTION TAX (CONT.)

the passage of Alaska's Clear and Equitable Share (ACES). Like the PPT legislation enacted in 2006, the ACES tax is levied on the production tax value of oil and gas produced in the state. The base tax rate under ACES is 25% (it was 22.5% under PPT) and the progressive surcharge tax rate under ACES is 0.4% for every dollar the production tax value per barrel exceeds \$30 (it was 0.25% on production tax values exceeding \$40 per barrel under PPT). For production tax values greater than \$92.50 per barrel, the progressivity rate changes to 0.1% for every additional dollar of production tax value.

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

- The alternative credit for exploration was increased from 20 to 30% for certain projects and an oil and gas tax credit fund was established for the cash purchases of tax credit certificates.

2010 - The legislature amended the alternative tax credit provisions to add tax credits for drilling exploration wells using a jack-up rig in the Cook Inlet. The first three unaffiliated persons drilling wells that penetrate and evaluate prospects in the pre-Tertiary zone are entitled to credits of 100%, 90% or 80%, respectively of the first \$25 million of exploration expenditures. Other changes include a new 40% tax credit for well lease expenditures incurred south of 68 degrees North latitude, elimination of the splitting of tax credits for lease expenditures incurred in the state south of 68 degrees North latitude after June 30, 2010, and elimination of the future investment requirement for the purchase of transferable tax credit certificates by the state.

The legislature amended the education credit by increasing the maximum credit allowed from \$150,000 to \$5 million effective January 1, 2011. In addition, the legislature expanded contributions eligible for the credit to include contributions made for construction and maintenance of facilities by state operated vocational education schools and

two or four-year colleges. The increase in the credit from \$150,000 to \$5 million expires December 31, 2013. On January 1, 2014, the maximum credit allowed will revert to \$150,000.

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

2012 - The legislature enacted legislation that established a corporate income tax credit for a liquefied natural gas storage facility to be paid out of the oil and gas credit fund. Also, it established a limitation on tax for oil and gas produced from leases or properties outside the Cook Inlet sedimentary basin that do not include land north of 68 degrees North latitude. The tax limitation is set to expire in 2022. Further, exploration tax credits were established for drilling of exploration wells and seismic exploration expenditures in specific areas. These are referred to as the Middle Earth Basin credits.

FY 2013 STATISTICS

Tax Collections

General Fund	\$3,902,881,465
Constitutional Budget Reserve Fund	69,794,551
Total	\$3,972,676,016

Number of Returns	57
Number of Taxpayers	53

Program Cost	\$4,337,395
Staffing (full-time equivalent)	32.9

OIL AND GAS PROPERTY TAXES (EXPLORATION, PRODUCTION AND PIPELINE TRANSPORTATION PROPERTIES)

AS 43.56

DESCRIPTION

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

- **Exploration Property** - valued on the estimated price which the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer, both conversant with the property and with prevailing general price levels;
- **Production Property** - valued on the basis of replacement cost of similar new property, less depreciation based on the economic life of the proven reserves; and
- **Pipeline Transportation Property** - generally valued on its economic value relative to the reserves feeding into the pipeline.

RATE

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

RETURNS

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

EXEMPTIONS

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

systems owned and operated by a public utility are exempt.

CREDITS

The following credits are available for use against the liability of this specific tax:

Education Credit

Municipal property taxes paid

For specific information concerning these credits, see the Description of Credits on page 89.

DISPOSITION OF REVENUE

The Division deposits revenue from oil and gas property taxes into the General Fund. Payments received after a tax assessment are deposited into the Constitutional Budget Reserve Fund (CBRF).

HISTORY

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

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

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

2011 - The legislature enacted legislation extending the date that the \$5 million annual education credit limit expires from January 1, 2014 to January 1, 2021. It is then scheduled to return to \$150,000. In addition, the legislature expanded contributions eligible for the credit

PROGRAM DETAIL (CONT.)

OIL AND GAS PROPERTY TAXES (CONT.)

to include contributions made after June 30, 2011 to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership.

FY 2013 STATISTICS

Property Taxes Billed	\$528,608,662
Less Municipal Tax Credit	(429,347,706)
General Fund	99,260,956
Constitutional Budget Reserve Fund	21,122
Total Tax Collections	\$99,282,078
Number of Returns	937
Number of Taxpayers	153
Program Cost	\$540,438
Staffing (full-time equivalent)	3.6

REGULATORY COST CHARGES

Utilities AS 42.05.254(e) Pipeline AS 42.06.286(c)

DESCRIPTION

Alaska levies regulatory cost charges (RCC) on regulated utilities. The charges fund the Regulatory Commission of Alaska (RCA) that regulates utilities and pipeline carriers in Alaska. Regulated utilities collect charges from consumers and remit the collections to the Tax Division.

RATE

Rates are available on the Alaska Regulatory Commission's web site at <https://rca.alaska.gov/RCAWeb/RCALibrary/FormsLibrary.aspx>. Select the RCC Quarterly Report Form for calendar year of interest to obtain rates for that period.

RETURNS

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

EXEMPTIONS

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

DISPOSITION OF REVENUE

The Division deposits all revenue derived from the RCC program into the General Fund. The legislature may make appropriations from the General Fund to fund RCA based on regulatory cost charges collected.

HISTORY

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

1994 - In the fall of 1994, RCA promulgated regulations which established RCC rates for FY 1995 on an annualized basis. The regulations took effect December 1994.

1995 - The legislature reauthorized the RCC program that became effective June 1995. In October 1995, RCA adopted regulations to reestablish quarterly payments.

1999 - The legislature authorized separate RCC rates for each regulated utility and changed the methodology for calculating rates.

2007 - Alaska Regulatory Commission implemented online report filing through their web site. RCA assumed responsibility for processing returns and collecting data; the Division continues to collect revenue as required by statute.

FY 2013 STATISTICS

Total RCC Collections **\$9,144,029**
Electric, Telephone, Pipeline Carriers and Other Utilities

PROGRAM DETAIL (CONT.)

SALMON ENHANCEMENT TAX

AS 43.76

DESCRIPTION

The salmon enhancement tax is an elective tax levied on salmon sold in or exported from established aquaculture regions in Alaska. Fishermen pay salmon enhancement taxes to licensed buyers at the time of sale, or to the Division for salmon sold to unlicensed buyers or exported from the region. Buyers remit taxes collected from fishermen to the Division.

RATE

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

REGION	RATE	EFFECTIVE
Southern Southeast	3%	1981
Northern Southeast	3%	1981
Cook Inlet	2%	1981
Prince William Sound	2%	1985
Kodiak	2%	1988
Chignik	2%	1991

RETURNS

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

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

EXEMPTIONS

Salmon harvested under a special harvest area permit (typically, salmon harvested on behalf of salmon hatcheries) are exempt from the salmon enhancement tax.

DISPOSITION OF REVENUE

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

Under AS 43.76.025(c), the legislature may appropriate salmon enhancement tax revenue to provide financing for qualified regional aquaculture associations.

HISTORY

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

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

1985 - Commercial fishermen in the Prince William Sound aquaculture region elected a 2% tax.

1988 - Commercial fishermen in the Kodiak aquaculture region elected a 2% tax.

1989 - The legislature amended statutes to allow for a 1% tax.

1991 - Commercial fishermen in the Chignik aquaculture region elected a 2% tax.

2004 - The legislature authorized additional salmon enhancement tax rates, subject to permit holder elections held by qualified regional associations. In addition to the current 1%, 2%, or 3% options, 10 additional options were made available ranging from 4% to 30%. This legislation clarified who must pay the Salmon Enhancement Tax. When a buyer does not withhold the tax, fishermen must pay the tax with an annual return. The legislation took effect January 1, 2005.

FY 2013 STATISTICS

Tax Collections **\$8,454,033**

Including interest and penalties

Number of Returns 870
Number of Taxpayers 190

Program Cost \$219,300

Staffing (full-time equivalent) 1.8

REGIONAL SEAFOOD DEVELOPMENT TAX

AS 43.76.350

DESCRIPTION

The seafood development tax is an elective tax levied on certain fishery resources using specific gear types sold in or exported from designated seafood development regions. Fishermen pay seafood development taxes to licensed buyers at the time of sale or to the Division for resources sold to unlicensed buyers or exported from Alaska. Buyers remit taxes collected from fishermen to the Division.

RATE

Commercial fishermen harvesting salmon elected tax rates for the following development regions and gear types:

REGION	RATE	EFFECTIVE
Prince William Sound (drift gillnet)	1%	2005
Bristol Bay (drift gillnet)	1%	2006
Prince William Sound (set gillnet)	1%	2009

RETURNS

Buyers file returns and pay the tax monthly. The due date is the last day of the month following the month of purchase. Buyers file returns for bonus payments made to fishermen after the close of the fishing season. Returns for these payments are due with additional taxes by the last day of the month following the bonus payment. Fishermen selling to unlicensed buyers or exporting from Alaska file returns and pay taxes annually. The due date is March 31 following the year of sale or export.

EXEMPTIONS

Resources harvested under special harvest area permit (typically, salmon harvested on behalf of salmon hatcheries) are exempt from the seafood development tax.

DISPOSITION OF REVENUE

The Division deposits all seafood development tax revenue into the General Fund.

Under AS 43.76.380(d), the legislature may appropriate seafood development tax revenue to provide financing for qualified regional seafood development associations.

HISTORY

2004 - The legislature adopted the Seafood Development Tax Act. The Act authorized a tax of between 0.5% and 2%, upon election by commercial fishermen harvesting within designated regions, on fishery resources transferred to buyers in or exported from Alaska.

2005 - Commercial salmon drift gillnet fishermen in the Prince William Sound seafood development region elected a 1% tax.

2006 - Commercial salmon drift gillnet fishermen in the Bristol Bay seafood development region elected a 1% tax.

2009 - Commercial salmon set gillnet fishermen in the Prince William Sound Seafood Development Region elected a 1% tax.

FY 2013 STATISTICS

Tax Collections **\$1,795,302**

Including interest and penalties

Number of Returns 218

Number of Taxpayers 35

Program Cost \$56,090

Staffing (full-time equivalent) 0.5

PROGRAM DETAIL (CONT.)

SEAFOOD MARKETING ASSESSMENT

AS 16.51.120

DESCRIPTION

Alaska levies a seafood marketing assessment on seafood processed or first landed in Alaska. The state also levies the assessment on unprocessed fisheries products exported from Alaska. The Division collects the assessment from seafood processors and fishermen who export fishery resources out of Alaska.

RATE

The seafood marketing assessment is 0.5% of the value of seafood products exported from, processed, or first landed in Alaska.

RETURNS

Taxpayers file calendar year returns with payment before April 1 of the following year. Taxpayers file monthly returns for postseason (bonus) payments made to fishermen after the filing of the calendar year return. Returns for these payments are due with additional assessments by the last day of the month following the bonus payments.

EXEMPTIONS

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

DISPOSITION OF REVENUE

The Division deposits all seafood marketing assessments into the General Fund. The legislature may appropriate funds to the Alaska Seafood Marketing Institute

HISTORY

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

1996 - The legislature amended seafood marketing assessment statutes to include fishery resources landed in Alaska. The legislation was retroactive to January 1994. Prior to FY 96, revenue collected from the 0.3% portion of the original 3.3% landing tax rate was accounted for in a separate account designated as (landing tax) seafood marketing assessments.

2004 - The legislature directed the Alaska Seafood Marketing Institute (ASMI) to hold elections and determine whether to retain the assessment and a second election to determine whether to increase the assessment from 0.3% to 0.5%. Elections were held as prescribed by law. The vote retained the Seafood Marketing Assessment, increased the Seafood Marketing rate to 0.5% and eliminated the Salmon Marketing Tax effective January 1, 2005.

FY 2013 STATISTICS

Assessment Collections	\$9,563,546
Number of Returns	488
Number of Taxpayers	139
Program Cost	\$121,874
Staffing (full-time equivalent)	0.8

TELEPHONE COOPERATIVE TAX

AS 10.25.550

DESCRIPTION

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

RATE

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

RETURNS

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

EXEMPTIONS

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

DISPOSITION OF REVENUE

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

LENGTH	PERCENT OF REVENUE
Less than 5 years	1%
5 years or longer	2%

Telephone cooperative taxes sourced from within municipalities are shared 100% to respective municipalities less the amount expended by the state for collection of taxes.

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

HISTORY

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

1960 - The legislature changed the due date for filing returns to "before March 1."

FY 2013 STATISTICS

Tax Collections	\$2,222,538
Number of Returns	6
Number of Taxpayers	6
Program Cost	\$1,244
Staffing (full-time equivalent)	.1

PROGRAM DETAIL (CONT.)

TIRE FEE

AS 43.98.025

DESCRIPTION

Alaska imposes a tire fee on all new tires sold in Alaska. An additional tire fee is imposed on the sale of tires with metal studs weighing more than 1.1 grams each (heavy studs). The additional tire fee also applies to the installation of heavy studs in new or used tires. The Division collects tire fees primarily from tire dealerships.

RATE

A \$2.50 tire fee applies to each new tire. An additional \$5 fee applies to each studded tire (\$7.50 total tire fee for new studded tires).

RETURNS

Taxpayers are required to file returns and remit fees quarterly. Returns and payment are due 30 days following the calendar quarter in which the new tires were sold or studs were installed.

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

EXEMPTIONS

The following tires and services are exempt if the purchaser provides the tire seller with a certificate of use:

- Tires and services sold to federal, state or local government agencies for official use.
- Tires for resale.

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

DISPOSITION OF REVENUE

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

HISTORY

2003 - The legislature enacted the tire fee, effective 9/26/2003.

FY 2013 STATISTICS

New tires (non-studded)	\$1,008,990
Studded tires and stud installations	373,455
Penalties & Interest	18,435
Tax Collections	\$1,400,879
Number of Returns	292
Number of Taxpayers	81
Program Cost	\$125,683
Staffing (full-time equivalent)	1.1

TOBACCO TAX

AS 43.50

DESCRIPTION

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

RATES

Cigarettes - See rates table below. The cigarette tax must be paid through the purchase of cigarette tax stamps. A stamp must be affixed to the bottom of every pack of cigarettes imported into the state for sale or personal consumption.

Nonparticipating Manufacturer (NPM) Equity Tax

An additional tax of 12.5 mills (\$0.25 per pack of 20 cigarettes) is levied on each cigarette imported or acquired from a manufacturer that did not sign the tobacco Master Settlement Agreement (MSA). All revenue collected from this tax is deposited in the General Fund.

CIGARETTE TAX RATES SINCE JULY 1, 2007

	PER CIGARETTE	PER 20
Base Rate (School Fund)	38 mills \$0.038	\$0.76
Additional Tax (General Fund)	62 mills 0.062	1.24
Total	100 mills \$0.10	\$2.00

Other Tobacco Products (OTP)- The tax rate on OTP, which includes tobacco products other than cigarettes such as cigars and chewing tobacco, is 75% of the wholesale price. The wholesale price is the established price at which a manufacturer sells tobacco products to a distributor. The Division may adjust the wholesale price upon which tax was calculated if the wholesale price was not established in an arm's-length transaction.

RETURNS

Taxpayers must pay the cigarette tax by purchasing cigarette tax stamps. The other tobacco products tax is paid at the time a tax return is filed. Tax returns are required to be filed on a monthly basis and are due the last day of the month following the month that cigarette tax stamps were purchased or other tobacco products were imported into the state for sale.

Taxpayers that purchase cigarette tax stamps are entitled to a stamp discount of 3% on the first \$1,000,000 and 2% on the second \$1,000,000 of cigarette tax stamps purchased in a calendar year. The total stamp discount in each calendar year may not exceed \$50,000. Taxpayers who import other tobacco products for sale may deduct 0.4% of the other tobacco products tax due to cover expenses of accounting and filing returns. There is no limit on this deduction.

EXEMPTIONS

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

DISPOSITION OF REVENUE

Cigarette Taxes – Revenue from the base rate is deposited in the School Fund. Revenue from the additional tax is initially deposited into the General Fund. Of the amount deposited in the General Fund, 8.9% of revenue is deposited into the Tobacco Use Education and Cessation Fund, a subfund of the General Fund.

The Division deposits all cigarette and tobacco products license fees into the School Fund, to be used for the rehabilitation, construction, repair and associated insurance costs of state school facilities.

HISTORY

The tobacco tax dates to 1949 when the legislature enacted a tax of \$0.03 per pack on cigarettes and \$0.02 per ounce on tobacco. There were no exemptions provided in the tax legislation.

1951 - The legislature increased the cigarette tax to \$0.05 per pack.

PROGRAM DETAIL (CONT.)

TOBACCO TAX (CONT.)

1955 - The legislature eliminated the tobacco products tax and, although the cigarette tax rate remained at \$0.05, the legislature converted the rate to a mill rate per cigarette (2.5 mills per cigarette). The legislature enacted a 1% deduction provision to cover accounting expenses. The legislature also created the School Fund and directed all proceeds from the cigarette tax be deposited in this fund.

1961 - The legislature increased the cigarette tax to 4 mills per cigarette (\$0.08 per pack). The legislature dedicated revenue from the additional \$0.03 to the General Fund.

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

1983 - The Department of Revenue adopted regulations exempting sales of cigarettes by Indian Reservation businesses to members of the reservation.

1985 - The legislature increased the cigarette tax to 8 mills per cigarette (\$0.16 cents per pack).

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

1989 - The legislature increased the cigarette tax rate to 14.5 mills (\$0.29 per pack of 20).

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

1999 - Effective June 3, 1999, Alaska became a signatory to the nationwide tobacco Master Settlement Agreement (MSA). The MSA is an agreement between 46 states, including the State of Alaska, and certain cigarette manufacturers which have voluntarily agreed to reimburse states for costs associated with cigarette

smoking. The Agreement applies only to “participating manufacturers” (those manufacturers who have agreed to participate in the settlement).

The Agreement includes language to prevent “nonparticipating manufacturers” (those manufacturers who have not agreed to participate in the settlement) from deriving short-term profits and from becoming judgment-proof before liability arises. This language requires every nonparticipating manufacturer to place funds in an escrow account for each cigarette sold in the state. Per the agreement, the state is responsible to obtain data to determine the amount required to be placed in an escrow account by each nonparticipating manufacturer.

2001 - Effective July 1, 2001, the Department of Revenue gained new tools to enforce the nationwide MSA signed by the major cigarette producers and states. It allows the Department to share information with other states and entities that may aid in the enforcement of the agreement. It also prohibits tobacco products licensees from importing and selling cigarettes in Alaska made by nonparticipating manufacturers that fail to comply with the agreement.

2003 – The legislature required all cigarette manufacturers to certify to the Division that they are either a signatory to the tobacco MSA or in compliance with AS 45.53. The Division is required to post on its website a list of the compliant cigarette manufacturers and their brands. Only those brands of cigarettes included in the list may be sold in Alaska.

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

During a special session in June 2004, the legislature passed legislation that:

- Increased the cigarette tax by 30 mills to \$0.08 per cigarette or \$1.60 per pack of 20 cigarettes, effective January 1, 2005.
- Levied an additional tax of 12.5 mills or \$0.25 per pack of 20 cigarettes on cigarettes imported into the state for sale or personal consumption if the cigarettes were manufactured by a NPM. A NPM is a manufacturer that did not sign the tobacco MSA. Revenue from the entire cigarette tax increase and the additional tax on NPM product is deposited in the General Fund.
- Required 8.9% of cigarette tax revenue deposited in the General Fund to be deposited into the Tobacco Use Education and Cessation Fund, effective January 1, 2005. Amounts deposited in the fund may be appropriated by the legislature for tobacco use education and cessation programs.

- Increased the cigarette tax by 10 mills to \$0.09 per cigarette or \$1.80 per pack of 20 cigarettes, effective July 1, 2006. The revenue from this increase will be deposited in the General Fund.
- Increased the cigarette tax by 10 mills to \$0.10 per cigarette or \$2.00 per pack of 20 cigarettes, effective July 1, 2007. The revenue from this increase will be deposited in the General Fund.

2008 - Effective August 1, 2008, only fire-safe certified cigarettes can be imported into Alaska.

2010 - The legislature changed the methodology for establishing the minimum price at which cigarettes must be sold.

PROGRAM DETAIL (CONT.)

TOBACCO TAX (CONT.)

FY 2013 STATISTICS

Tax Collections

Cigarettes	\$57,247,497
Tobacco Products	12,599,764
Penalties & Interest	81,041
License Fee Collections	4,950
Accounting Expense & Tax Stamp Deduction	(358,591)
Total Collections by Product	\$69,574,661

Tax Collections by Fund

General Fund	\$44,825,681
School Fund	21,611,515
Tobacco Use Education and Cessation Fund	3,137,465
Total Tax Collections All Funds	\$69,574,661

Cigarettes Sold or Imported into the State – (Individual Cigarettes) as Reported on Returns*

Total Cigarettes	576,510,265
Military and Indian Exempt Sales	(4,550,600)
Credits for Returns	(2,426,945)
Taxable Cigarettes	569,532,720

*Excludes cigarettes for which tax stamps were purchased, but not yet sold or imported into the state

Tobacco Products as Reported on Returns

Total Wholesale Value Reported	\$17,143,371
Military and Indian Exempt Sales	(155,400)
Credits for Returns	(301,332)
Taxable Wholesale Value of Tobacco Products	\$16,686,639

Number of Returns	901
Number of Taxpayers	101

Program Cost	\$517,874
Staffing (full-time equivalent)	6.4

VEHICLE RENTAL TAX

AS 43.52

DESCRIPTION

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

RATE

VEHICLE TYPE	RATE (FEES & COSTS)
Passenger	10%
Recreational	3%

RETURNS

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

EXEMPTIONS

Vehicle rental tax does not apply to:

- rentals or leases to federal, state, local, or foreign government agencies or employees on official business
- trucks with a gross vehicle weight rating greater than 8,500 pounds used for moving personal property and for vehicles provided to customers by automobile dealers as replacement transportation during warranty, recall or service contract repairs
- taxi cabs are excluded from the tax under AS 43.52.099. Specifically, taxi cabs do not meet the definition of a “passenger vehicle.” There is no exemption certificate required for taxi cabs. Similarly, rental trucks and replacement transportation do not meet the “passenger vehicle” definition. However, there is an exemption certificate required for these transactions.

DISPOSITION OF REVENUE

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

HISTORY

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

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

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

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

FY 2013 STATISTICS

Passenger vehicle rental	\$8,002,079
Recreational vehicle rental	360,782
Penalties & interest	20,130
Total Tax Collections	\$8,382,991

Number of Returns	411
Number of Taxpayers	116

Program Cost	\$307,410
Staffing (full-time equivalent)	2.5

PROGRAM DETAIL (CONT.)

APPEALS

The Appeals Group consists of five appeals officers and a supervisor. The appeals officers and supervisor conduct informal conferences and issue informal conference decisions in taxpayer appeals of assessments for all tax types administered by the Division along with charitable gaming appeals. Appeals officers work with Department of Law attorneys to resolve issues related to audit and compliance actions. Appeals officers also participate with Department of Law attorneys as a team to represent the Division in formal hearings before the Office of Administrative Hearings and in settlement negotiations. Appeals officers also advise audit staff regarding issues involved in active or past litigation.

Oil and gas production tax cases and corporate income tax cases are a priority due to the complexity of the issues, and the amount of tax revenue involved. These cases require more resources to complete than the other tax types administered by the Division.

FY 2013 STATISTICS

	TAX PERIODS* TAXPAYER COUNT	
Beginning Inventory	271	70
Plus New Cases	248	120
Less Closed Cases	301	127
Ending Inventory	218	63

** Tax periods correspond to periodic tax return filing requirements of taxpayers. One taxpayer may have several tax periods in appeals at the same time.*

AUDIT FUNCTION

The income audit group is responsible for auditing corporate income taxes, including oil and gas corporate income tax returns.

The production audit group is responsible for auditing both oil and gas production and property tax returns.

The excise audit group is responsible for auditing excise tax returns including alcoholic beverages, commercial passenger vessel, large passenger vessel, mining license, motor fuel, vehicle rental and tobacco taxes, and tire fees.

The gaming audit group is responsible for financial compliance of permittees, operators and distributors.

The fish audit group is responsible for auditing fisheries-related tax returns including fisheries business, fishery resource landing, salmon enhancement, seafood development taxes, dive fishery management and seafood marketing assessments.

FY 2013 STATISTICS

TAX TYPE	AUDIT COLLECTIONS
Production Audit	
Oil and Gas Production ¹	\$69,794,551
Oil and Gas Property	21,122
Total Production Audit	\$69,815,673
Income Audit (Corporate Net Income)	
Oil and Gas Corporations	\$106,472,228
Other Corporations	1,255,086
Total Income Audit	\$ 107,727,314
Fish Audit	
Fisheries Business	\$ 1,889,131
Fishery Resource Landing	0
Other fisheries taxes	0
Total Fish Audit	\$1,889,131
Excise Audit	
Alcoholic Beverage	\$25,372
Vehicle Rental	26,848
Tire Fee	46,037
Tobacco	125
Mining	56,308
Total Excise Audit	\$154,690
Total	\$179,586,808

¹ The amount reported is net revenue collected and includes a current year refund of taxes overpaid in a previous fiscal year. Revenue from the prepayment of potential tax liability was recognized in the prior period when it was received.

PROGRAM DETAIL (CONT.)

SALMON PRICE REPORTS

AS 43.80

DESCRIPTION

Alaska requires large processors that sell salmon products at wholesale to provide production and price information to the Fish Tax unit. This information is used to publish average wholesale price information for the legislature and public.

REPORTS

Processors selling salmon products at wholesale are required to file price reports on salmon for the periods January–April, May–August, and September–December. The tri-annual reports are due by the end of the month following the tri-annual period.

Processors must also file annual reconciliation reports by January 31 of the following year.

EXEMPTIONS

Processors excluded from the tax under AS 43.75.017, and processors that sell 1,000,000 pounds or less of salmon products annually are exempt from the report filing requirements.

HISTORY

1980 - The legislature enacted salmon price reporting requirements for salmon canneries. Effective September 10, 1980, the Department of Revenue was required to compute and report to the legislature the average wholesale prices obtained for canned salmon reported by Alaska salmon canneries during the months of August, September, October, November and December for the previous five years.

1983 - The legislature imposed a semi-annual report filing requirement on salmon canneries. Effective July 9, 1983, salmon canneries were required to report prices received for canned salmon for the periods October–March and April–September. Reports were due by the end of the month following the semi-annual

reporting period and were required to list products by case and specified can sizes. The legislation required the Department of Revenue to calculate monthly and annual wholesale price averages for each species of salmon in each unit category and to report to the legislature by the 15th day of each legislative session.

1998 - The legislature expanded the reporting requirement to thermally processed salmon products and limited the reporting requirement to processors selling more than 240,000 pounds of thermally processed salmon products at wholesale during the calendar year. The legislation replaced the semi-annual filing with a tri-annual filing, and required processors to report all container sizes of thermally processed salmon. Effective September 1, 1998, all salmon canneries were required to report prices received for thermally processed salmon for the periods January–April, May–August and September–December. The reports were due by the end of the month following the tri-annual reporting period and were required to list thermally processed salmon products by whatever sizes sold.

2000 - The legislature broadened the reporting requirement to include all processed salmon products and increased the reporting requirement to include only those processors selling more than 1,000,000 pounds of salmon products at wholesale. Effective September 1, 2000, large processors were required to provide areas of production for each salmon product sold at wholesale. The legislation requires salmon processors to file an annual report summarizing yearly activity, and requires the Department of Revenue to provide average wholesale prices paid for salmon products by March 15 of each year.

FY 2013 STATISTICS

Number of Reports	107
Number of Filers	37

HISTORICAL OVERVIEW OF TAX PROGRAMS

Programs listed alphabetically.

TAX TYPE	LEGAL REFERENCE	FIRST ENACTED	ORIGINAL TAX	CURRENT TAX STRUCTURE	MOST RECENT CHANGE
Alcoholic Beverages	AS 43.60	1933	Per Gallon Wine \$0.05 Beer \$0.05	Per Gallon Liquor \$12.80 Wine \$2.50 Beer (Malt Beverage) and Cider \$1.07 Beer (Small Breweries) \$0.35	2002 - Effective 10/1/2002, tax rates increased for alcoholic beverages as referenced under current tax structure.
Commercial Passenger Vessel (CPV)	AS 43.52	2006	\$46/passenger	\$34.50/passenger	2010 - Effective 10/31/10, tax reduced from \$46 to \$34.50 per passenger. The number of ports of call for sharing increased from 5 to 7. Regional cruise ship impact fund repealed.
Conservation Surcharge on Oil	AS 43.55	1989	\$0.05/bbl	\$0.01/bbl increasing to \$0.04¢/bbl when fund balance drops below \$50m	2006 - rates changed to \$0.01/bbl and \$0.04/bbl.
Corporate Income	AS 43.20	1949	10% of federal income tax liability	0% to 9.4% of net income	2013 - The tax brackets in AS 43.20.011 were amended. The tax rate for each taxable income range is as described on page 7. Retroactively exempted income received by regional aquaculture associations, and income received by salmon hatchery permit holders; from the sale of salmon, salmon eggs or from a cost recovery fishery from corporate income tax beginning June 30, 2007 by amending AS 43.20.012.
Dive Fishery Management Assessment	AS 43.76.150	1997	Voluntary tax of 1%, 3%, 5%, or 7% of value	SE AK Mgmt Area A Geoduck - 7% Sea Cucumber - 5% Sea Urchin - 7%	2005 - The legislature authorized an annual filing due date of March 31 for dive fishermen who export or sell to unlicensed buyers, effective January 1, 2005.
Electric Cooperative	AS 10.25.555	1959	1% of gross revenue if operating < 5 years 2% of gross revenue if operating ≥ 5 years	1/4 mill (\$.00025) per kWh if < 5 years; 1/2 mill (\$.0005) per kWh if ≥ 5 years	1980 - tax base on kWh rather than gross revenue.

HISTORICAL OVERVIEW OF TAX PROGRAMS (CONT.)

TAX TYPE	LEGAL REFERENCE	FIRST ENACTED	ORIGINAL TAX	CURRENT TAX STRUCTURE	MOST RECENT CHANGE
Estate	AS 43.31	1919	(Inheritance Tax) Based on value of property	State tax credit on federal estate tax return attributable to Alaska	2001 - The federal Economic Growth and Tax Relief Reconciliation Act was enacted. As a consequence of the federal act, the state tax credit was phased out gradually over a four-year period. The state tax credit no longer applies to estates of decedents whose date of death is January 1, 2005 or later. However, the Division may continue to collect tax from estates for years prior to January 1, 2005, as a result of returns filed, audits, or other enforcement activities.
Fisheries Business	AS 43.75	1913	\$0.07 per case of canned salmon; Other -- dollar amount based on revenue	Floating 5% ¹ and 3% ² of value; Shore-based 3% ¹ and 1% ² of value; Cannery 4.5% of value; Direct Market 3% ¹ and 1% ² of value	2011 - Effective 7/1/2011, eligible contributions for education credit expanded to include contributions to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for K-12 public schools and Alaska Sea Life Center. Sunset provision reverting \$5 million annual credit limit back to \$150,000 extended to 2021.
Fishery Resource Landing	AS 43.77	1993	3.3% of unprocessed value	3% of value ¹ 1% of value ²	2011 - Effective 7/1/2011, eligible contributions for education credit expanded to include contributions to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for K-12 public schools and a facility in the state that qualifies as a coastal ecosystem learning center under the coastal American Partnership. Sunset provision reverting \$5 million annual credit limit back to \$150,000 extended to 2021.

¹ Established species
² Developing species

TAX TYPE	LEGAL REFERENCE	FIRST ENACTED	ORIGINAL TAX	CURRENT TAX STRUCTURE	MOST RECENT CHANGE
Gaming	AS 05.15	1960		\$20 annual permit fee for new and renewal permittees. \$50 renewal permit fee for permittees with \$20,000 to \$100,000 in gross receipts. \$100 renewal permit fee for permittees with over \$100,000 in gross receipts. \$500 annual operator license fee. \$1,000 annual distributor fee. \$2,500 annual manufacturer license fee. 3% tax of an amount equal to the gross receipts less prizes awarded on each series of pull tabs distributed.	2008 - The legislature authorized broadcasting for dog mushers' contests, raffles and lotteries; and authorized the cabbage classic at the Alaska State Fair.
Large Passenger Vessel Gambling (LPV)	AS 05.16	2006	33% of adjusted gross income from gambling activities	33% of adjusted gross income from gambling activities	2010 - Large passenger vessel gaming and gambling tax account (sub-account of CPV tax account) established.
Mining License	AS 43.65	1913	5% tax on mining net income of more than \$5,000	On net income <\$40,000 no tax. >\$40,001 \$1,200 plus 3% >\$50,001 \$1,500 plus 5% >\$100,000 \$4,000 plus 7%	2012 - Effective 1/1/2012, quarry rock, sand and gravel, and marketable earth mining operations are exempt from the mining license tax.
Motor Fuel	AS 43.40	1945	\$0.01 per gallon on all fuels	Highway - \$0.08/gallon Marine - \$0.05/gallon Aviation Gas- \$0.047/gallon Jet Fuel - \$0.032/gallon	2009 - The motor fuel tax was reinstated effective September 1, 2009.
Oil & Gas Production	AS 43.55	1955	1% of production value	25% of the production tax value per BTU equivalent barrel of taxable oil and gas. When the average monthly production tax value is more than \$30 per barrel, but not more than \$92.50, there is an additional 0.4% progressive tax for each additional dollar of production tax value per barrel. When the average monthly production tax value exceeds \$92.50 per barrel, the tax rate is the sum of 25% and 0.1% of the difference between the average monthly production tax value and \$92.50. The maximum tax may not exceed 75%.	2013 - See SB 21 on pages 7-8.

HISTORICAL OVERVIEW OF TAX PROGRAMS (CONT.)

TAX TYPE	LEGAL REFERENCE	FIRST ENACTED	ORIGINAL TAX	CURRENT TAX STRUCTURE	MOST RECENT CHANGE
Oil & Gas Production	AS 43.55	1955	1% of production value	In calendary year 2013, 25% of the production tax value (PTV) per BTU equivalent barrel of taxable oil and gas. When the average monthly production tax value is more than \$30 per barrel, but not more than \$92.50, there is an additional 0.4% progressive tax for each additional dollar of production tax value per barrel. When the average monthly production tax value exceeds \$92.50 per barrel, the tax rate is the sum of 25% and 0.1% of the difference between the average monthly production tax value and \$92.50. The maximum tax may not exceed 75%.	2013 - Effective 2014, production tax rate is 35% of the PTV. Production is subject to the gross value reduction (GVR), which is 20% of the Gross Value at the Point of Production (GVPP) for production which qualifies. An additional 10% reduction in GVPP exists for qualifying leases or properties where a royalty for all leases is greater than 12.5%. Qualified capital expenditure (QCE) credits for areas north of 68 degrees North latitude were eliminated for QCE's incurred after December 31, 2013. For further detail, see SB 21 on pages 7-8.
Oil & Gas Property	AS 43.56	1973	20 mills on full and true value	20 mills on full and true value	2010 - Effective 1/1/2011, maximum education credit increased from \$150,000 to \$5 million. Eligible contributions for credit expanded to include contributions for construction and maintenance of university, college or vocational education facilities.
Regulatory Cost Charge	AS 42.05.253 (Utilities) AS 42.06.285 (Pipelines)	1992	Electric Utilities: \$.000626/kWh Other Utilities: .653% gross revenue Pipelines: .653% gross revenue	See RCA website at rca.alaska.gov	2007 - Alaska Regulatory Commission implemented online report filing through their web site. RCA assumed responsibility for processing returns and collecting data; the division continues to collect revenue as required by statute.
Salmon Enhancement	AS 43.76	1980	Voluntary tax of 1%, 2% or 3% of value as elected by fishermen in an aquaculture region	Southern Southeast - 3% Northern Southeast - 3% Cook Inlet - 2% Pr. William Sound - 2% Kodiak - 2% Chignik - 2%	2004 - SB 286 clarified the incidence of the tax; when selling to a buyer who does not withhold the tax, fishermen must now pay the tax on an annual return. Ten additional rates ranging from 4% to 30%

TAX TYPE	LEGAL REFERENCE	FIRST ENACTED	ORIGINAL TAX	CURRENT TAX STRUCTURE	MOST RECENT CHANGE
Seafood Development	AS 43.76.350	2005	Voluntary tax of 0.5% - 2% of value as elected by fishermen in seafood development region	Pr. William Sound 1% (drift & set gillnet) Bristol Bay 1% (drift gillnet)	2009 - Commercial salmon set gillnet fishermen in the Prince William Sound seafood development region elected a 1% tax.
Seafood Marketing	AS 16.51.120	1981	Voluntary assessment of .1%, .2% or .3% of value as elected by processors	Rate set at 0.5% effective January 1, 2005.	2004 - SB 273 directed a member election of the Alaska Seafood Marketing Institute (ASMI). Fall election determined retention of Seafood Marketing Assessment and increased the rate to 0.5%.
Telephone Cooperative	AS 10.25.550	1959	1% of gross revenue if operating < 5 years; 2% of gross revenue if operating ≥ 5 years or longer	1% of gross revenue if operating < 5 years; 2% of gross revenue if operating ≥ 5 years	1960 - The legislature changed the due date for filing returns to "before March 1."
Tire Fee	AS 43.98	2003	\$2.50 per new tire for highway-use motor vehicles Additional \$5 per tire with studs over 1.1 grams	\$2.50 per new tire for highway-use motor vehicles; Additional \$5 per tire with studs over 1.1 grams	No changes since tire fee enacted in 2003.
Tobacco	AS 43.50	1949	Cigarettes - \$0.03 per pack of 20; Tobacco - \$0.02 per ounce	100 mills/cigarette (\$2.00 per pack of 20) Tobacco - 75% of wholesale price	2010 - The legislature changed the methodology for establishing the minimum price at which cigarettes must be sold.
Vehicle Rental	AS 43.52	2004	10% on passenger vehicle rentals of 90 days or less 3% on recreational vehicle rentals of 90 days or less	10% on passenger vehicle rentals of 90 days or less 3% on recreational vehicle rentals of 90 days or less	2013 - The legislature exempts motorcycles and motor-driven cycles.

REPEALED TAX PROGRAMS

Programs listed alphabetically.

TAX TYPE	LEGAL REFERENCE	FIRST ENACTED	ORIGINAL TAX	CURRENT TAX STRUCTURE	MOST RECENT CHANGE
Business License	AS 43.70	1949	\$25 license fee plus .5% of gross receipts > \$20,000 plus .25% of gross receipts > \$50,000	Repealed 1979 Reinstated 1988 and transferred to DCCED	Tax repealed effective January 1, 1979. License program transferred to DCCED by Executive Order effective July 1, 1988.
Coin-operated Devices	AS 43.35	1941	12.5% of gross receipts on coin-operated machines	Repealed	Tax repealed effective January 1, 1999.
Individual Income	AS 43.20	1949	10% of federal income tax liability	Repealed	Tax repealed retroactive to 1979.
Oil & Gas Conservation	AS 43.57	1955	5 mills per barrel of oil or 50,000 cubic feet of natural gas	Repealed	Tax repealed effective July 1, 1999.
Salmon Marketing	AS 43.76	1993	1% of value of salmon	1% of value of salmon	Repealed effective January 1, 2005.
School	AS 43.45	1919	\$5 tax on each male person	Repealed	Tax repealed retroactive to 1980.

STATE TAX RATE COMPARISONS

As of January 2013

ALCOHOL - LIQUOR

STATE	RATE (\$ PER GALLON)	RANK*	STATE	RATE (\$ PER GALLON)	RANK*
Alabama	Footnote ¹	N/A	Montana	Footnote ¹	N/A
Alaska	12.80	1	Nebraska	3.75	15
Arizona	3.00	21	Nevada	3.60	168
Arkansas	2.50	24	New Hampshire	Footnote ¹	N/A
California	3.30	19	New Jersey	5.50	8
Colorado	2.28	259	New Mexico	6.06	5
Connecticut	5.40	9	New York	6.44	4
Delaware	3.75	15	North Carolina	Footnote ¹	N/A
Florida	6.50	3	North Dakota	2.50	24
Georgia	3.79	14	Ohio	Footnote ¹	N/A
Hawaii	5.98	6	Oklahoma	5.56	7
Idaho	Footnote ¹	N/A	Oregon	Footnote ¹	N/A
Illinois	8.55	2	Pennsylvania	Footnote ¹	N/A
Indiana	2.68	23	Rhode Island	3.75	15
Iowa	Footnote ¹	N/A	South Carolina	2.72	22
Kansas	2.50	24	South Dakota	3.93	13
Kentucky	1.92	31	Tennessee	4.40	11
Louisiana	2.50	27	Texas	2.40	28
Maine	Footnote ¹	N/A	Utah	Footnote ¹	N/A
Maryland	1.50	32	Vermont	Footnote ¹	N/A
Massachusetts	4.05	12	Virginia	Footnote ¹	N/A
Michigan	Footnote ¹	N/A	Washington	Footnote ¹	N/A
Minnesota	5.03	10	West Virginia	Footnote ¹	N/A
Mississippi	Footnote ¹	N/A	Wisconsin	3.25	20
Missouri	2.00	30	Wyoming	Footnote ¹	N/A

¹ Sales are through state stores. Revenue is generated from various taxes, fees and net profits.

* Out of 32 states which levy a per gallon tax, highest to lowest.

N/A - Not Applicable

Source: Federation of Tax Administrators (FTA) - www.taxadmin.org

STATE TAX RATE COMPARISONS (CONT.)

As of January 2013

ALCOHOL - WINE

STATE	RATE (\$ PER GALLON)	RANK*	STATE	RATE (\$ PER GALLON)	RANK*
Alabama	1.70	5	Montana	1.06	11
Alaska	2.50	1	Nebraska	.95	15
Arizona	.84	20	Nevada	.70	24
Arkansas	.75	21	New Hampshire	Footnote ¹	N/A
California	.20	45	New Jersey	.875	18
Colorado	.28	42	New Mexico	1.70	4
Connecticut	.72	22	New York	.30	38
Delaware	.97	14	North Carolina	1.00	13
Florida	2.25	2	North Dakota	.50	31
Georgia	1.51	6	Ohio	.30	38
Hawaii	1.38	9	Oklahoma	.72	23
Idaho	.45	34	Oregon	.67	25
Illinois	1.39	8	Pennsylvania	Footnote ¹	N/A
Indiana	.47	33	Rhode Island	.60	26
Iowa	1.75	3	South Carolina	.90	17
Kansas	.30	38	South Dakota	.93	16
Kentucky	.50	31	Tennessee	1.21	10
Louisiana	.11	46	Texas	.204	44
Maine	.60	26	Utah	Footnote ¹	N/A
Maryland	.40	36	Vermont	.55	28
Massachusetts	.55	28	Virginia	1.51	6
Michigan	.51	30	Washington	.87	19
Minnesota	.30	38	West Virginia	1.00	12
Mississippi	.35	37	Wisconsin	.25	43
Missouri	.42	35	Wyoming	Footnote ¹	N/A

¹ Sales are through state stores. Revenue is generated from various taxes, fees and net profits.

* Out of 46 states which impose a per gallon tax, highest to lowest.

N/A - Not Applicable

Source: Federation of Tax Administrators (FTA) - www.taxadmin.org

ALCOHOL - BEER

STATE	RATE (\$ PER GALLON)	RANK*	STATE	RATE (\$ PER GALLON)	RANK*
Alabama	.53	6	Montana	.14	37
Alaska	1.07	1	Nebraska	.31	15
Arizona	.16	30	Nevada	.16	30
Arkansas	.234	21	New Hampshire	.30	16
California	.20	24	New Jersey	.12	39
Colorado	.08	46	New Mexico	.41	10
Connecticut	.24	20	New York	.14	36
Delaware	.16	33	North Carolina	.53	5
Florida	.48	7	North Dakota	.16	30
Georgia	.32	13	Ohio	.18	27
Hawaii	.93	2	Oklahoma	.40	11
Idaho	.15	34	Oregon	.08	44
Illinois	.231	22	Pennsylvania	.08	46
Indiana	.115	40	Rhode Island	.10	42
Iowa	.19	26	South Carolina	.77	3
Kansas	.18	27	South Dakota	.27	17
Kentucky	.08	45	Tennessee	.14	38
Louisiana	.32	13	Texas	.20	24
Maine	.35	12	Utah	.41	9
Maryland	.09	43	Vermont	.265	18
Massachusetts	.11	41	Virginia	.26	19
Michigan	.20	23	Washington	.261	4
Minnesota	.15	35	West Virginia	.18	29
Mississippi	.4268	8	Wisconsin	.06	48
Missouri	.06	49	Wyoming	.02	50

Source: Federation of Tax Administrators (FTA) - www.taxadmin.org

STATE TAX RATE COMPARISONS (CONT.)

As of January 2013

HIGHWAY GASOLINE

STATE	RATE (¢ PER GALLON)	OTHER TAX ¹ (¢ PER GALLON)	TOTAL (¢ PER GALLON)	RANK	STATE	RATE (¢ PER GALLON)	OTHER TAX ¹ (¢ PER GALLON)	TOTAL (¢ PER GALLON)	RANK
Alabama	16	2	18.0	41	Montana	27		27.0	13
Alaska	8		8.0	51	Nebraska	26.7	0.9	27.6	17
Arizona	18	1	19.0	37	Nevada	23	0.805	23.805	22
Arkansas	21.5	0.3	21.8	29	New Hampshire	18	1.625	19.625	35
California	35.7	5.5	41.2	1	New Jersey	10.5	4	14.5	49
Colorado	22		22.0	27	New Mexico	17	1.875	18.875	39
Connecticut	25		25.0	19	New York	8	17.8	25.8	15
Delaware	23		23.0	25	North Carolina	38.9	0.25	39.15	2
Dist of Columbia	23.5		23.5	23	North Dakota	23		23.0	25
Florida	4	12.6	16.6	47	Ohio	28		28.0	12
Georgia	7.5	12.9	20.4	36	Oklahoma	16	1	17.0	45
Hawaii	17		17.0	45	Oregon	30		30.0	8
Idaho	25	1	26.0	16	Pennsylvania	12	19.2	31.2	7
Illinois	19	1.1	20.1	33	Rhode Island	32	1	33.0	5
Indiana	18		18.0	41	South Carolina	16	0.75	16.75	48
Iowa	21	1	22.0	27	South Dakota	22	2	24.0	21
Kansas	24		24.0	18	Tennessee	20	1.4	21.4	30
Kentucky	26.4	1.4	27.8	10	Texas	20		20.0	34
Louisiana	20		20.0	32	Utah	24.5		24.5	20
Maine	29.5		30.0	8	Vermont	19	7.13	26.13	14
Maryland	23.5		23.5	23	Virginia	17.5		17.5	43
Massachusetts	21		21.0	31	Washington	37.5		37.5	3
Michigan	19		19.0	37	West Virginia	20.5	12.9	33.4	4
Minnesota	28.0	.1	28.1	11	Wisconsin	30.9	2	32.9	6
Mississippi	18	0.4	18.4	40	Wyoming	13	1	14.0	50
Missouri	17	0.3	17.3	44					

¹ Includes state sales tax, gross receipts tax and underground storage tank taxes.

Source: Federation of Tax Administrators (FTA) - www.taxadmin.org

AVIATION FUEL

STATE	JET FUEL (¢ PER GALLON)	RANK ¹	AVIATION GAS (¢ PER GALLON)	RANK ²	STATE	JET FUEL (¢ PER GALLON)	RANK ¹	AVIATION GAS (¢ PER GALLON)	RANK ²
Alabama	35	1	9.5	13	Montana	4	19	4	34
Alaska	3.2	23	4.7	33	Nebraska	3	24	5	28
Arizona	None	N/A	5	28	Nevada	1	33	2	37
Arkansas	Sales Tax	N/A	Sales Tax	N/A	New Hampshire	2	27	4	34
California	2	27	18	8	New Jersey	12.5	6	12.5	11
Colorado	4	19	6	24	New Mexico	Sales Tax	N/A	17	9
Connecticut	None	N/A	None	N/A	New York	7.4	10	7.4	19
Delaware	None	N/A	23	4	North Carolina	Sales Tax	N/A	Sales Tax	N/A
Florida	6.9	12	6.9	22	North Dakota	8	9	8	17
Georgia	Sales Tax	N/A	1	41	Ohio	Sales Tax	N/A	Sales Tax	N/A
Hawaii	2	27	2	37	Oklahoma	0.08	36	0.08	42
Idaho	6	13	7	20	Oregon	1	33	9	14
Illinois	1.1	32	1.1	40	Pennsylvania	2	27	5.9	27
Indiana	1	33	19	6	Rhode Island	None	N/A	None	N/A
Iowa	3	24	8	17	South Carolina	Sales Tax	N/A	Sales Tax	N/A
Kansas	Sales Tax	N/A	Sales Tax	N/A	South Dakota	4	19	6	24
Kentucky	Sales Tax	N/A	30.9	2	Tennessee	1.4	31	1.4	39
Louisiana	Sales Tax	N/A	Sales Tax	N/A	Texas	20	2	20	5
Maine	3.4	22	30	3	Utah	9	8	9	14
Maryland	7	11	7	20	Vermont	19	3	19	6
Massachusetts	16.1	4	32.8	1	Virginia	5	16	5	28
Michigan	3	24	3	36	Washington	11	7	11	12
Minnesota	5	16	5	28	West Virginia	14.2	5	14.2	10
Mississippi	5.25	15	6.4	23	Wisconsin	6	13	6	24
Missouri	Sales Tax	N/A	9	14	Wyoming	5	16	5	28

¹ Out of 36 states with tax rates

² Out of 42 states with tax rates

Source: Federation of Tax Administrators (FTA) - www.taxadmin.org

STATE TAX RATE COMPARISONS (CONT.)

As of January 2013

CIGARETTE

STATE	RATE (\$ PER PACK)	RANK	STATE	RATE (\$ PER PACK)	RANK
Alabama (a)	0.425	46	Montana	1.70	15
Alaska	2.00	10	Nebraska	0.64	37
Arizona	2.00	10	Nevada	0.80	34
Arkansas	1.15	28	New Hampshire	1.68	17
California	0.87	32	New Jersey	2.70	6
Colorado	0.84	33	New Mexico	1.66	18
Connecticut	3.40	3	New York (a)	4.35	1
Delaware	1.60	19	North Carolina	0.45	44
Florida (b)	1.339	24	North Dakota	0.44	45
Georgia	0.37	47	Ohio	1.25	25
Hawaii	3.20	4	Oklahoma	1.03	29
Idaho	0.57	41	Oregon	1.18	27
Illinois (a)	1.98	31	Pennsylvania	1.60	19
Indiana	1.98	30	Rhode Island	3.50	2
Iowa	1.36	23	South Carolina	0.57	41
Kansas	0.79	35	South Dakota	1.53	21
Kentucky (c)	0.60	39	Tennessee (a) (c)	0.62	38
Louisiana	0.36	48	Texas	1.41	22
Maine	2.00	10	Utah	1.70	15
Maryland	2.00	10	Vermont	2.62	7
Massachusetts	2.51	9	Virginia (a)	0.30	49
Michigan	2.00	10	Washington	3.025	5
Minnesota (d)	1.23	26	West Virginia	0.55	43
Mississippi	0.68	36	Wisconsin	2.52	8
Missouri (a)	0.17	50	Wyoming	0.60	39

(a) Counties and cities may impose an additional tax on a pack of cigarettes: in Alabama, \$0.01 to \$0.06; Illinois, \$0.10 to \$0.15; Missouri, \$0.04 to \$0.07; New York City, \$1.50; Tennessee, \$0.01; and Virginia, \$0.02 to \$0.15.

(b) Florida's rate includes a surcharge of \$1 per pack.

(c) Dealers pay an additional enforcement and administrative fee of \$0.01 per pack in Kentucky and \$0.05 in Tennessee.

(d) In addition, Minnesota imposes an in lieu cigarette sales tax determined annually by the Department.

Source: Federation of Tax Administrators (FTA) - www.taxadmin.org

TOBACCO PRODUCTS

STATE	RATE	STATE	RATE
Alabama (2)	Cigars \$0.03 - \$0.405/10 cigars Tobacco/Snuff \$0.01 - \$0.08/ounce	Mississippi	15% Manufacturer Price
Alaska	75% Wholesale Price	Missouri	10% Manufacturer Price
Arizona	Cigars \$0.337 - \$1.10/10 cigars Tobacco/Snuff 23.8¢/ounce	Montana	50% Wholesale Price
Arkansas	68% Manufacturer Price	Nebraska	20% Wholesale Price
California (3)	30.80% Wholesale Price	Nevada	30% Wholesale Price
Colorado	40% Manufacturer Price	New Hampshire	48% Wholesale Price
Connecticut (4)	50% Wholesale Price	New Jersey	30% Wholesale Price
Delaware	15% Wholesale Price	New Mexico	25% Product Value
Florida (5)	85% Wholesale Price	New York	75% Wholesale Price
Georgia	Little Cigars \$0.025/10 cigars Other Cigars 23% Wholesale Price Tobacco 10% Wholesale Price	North Carolina	12.8% Wholesale Price
Hawaii (6)	Cigars 50% Wholesale Price Tobacco/Snuff 70% Wholesale Price	North Dakota	Cigars & Tobacco 28% Wholesale Price Chew Tobacco/Snuff \$0.16 - \$0.60/ounce
Idaho	40% Wholesale Price	Ohio	17% Wholesale Price
Illinois	36% Wholesale Price	Oklahoma	Cigars \$0.36-\$1.20/10 cigars Tobacco/Snuff 60% - 80% Factory List Price
Indiana	24% Wholesale Price	Oregon	65% Wholesale Price
Iowa (6)	50% Wholesale Price	Pennsylvania	N/A
Kansas	10% Wholesale Price	Rhode Island	80% Wholesale Price
Kentucky	15% Wholesale Price	South Carolina	5% Manufacturer Price
Louisiana	Cigars 8%-20% Manufacturer Price Tobacco/Snuff 20%-33% Manufacturer Price	South Dakota	35% Wholesale Price
Maine	Chewing Tob./Snuff \$2.02 / ounce Smoking Tob./Cigars 20% Wholesale Price	Tennessee	6.6% Wholesale Price
Maryland	15% Wholesale Price	Texas (7)	Cigars \$0.01 - \$0.15/10 cigars Tobacco/Snuff \$1.19/ounce
Massachusetts	Smoking Tob./Cigars 30% Wholesale Price	Utah	86% Manufacturer Price
Michigan	32% Wholesale Price	Vermont	92% Manufacturer Price
Minnesota	70% Wholesale Price	Virginia	10% Wholesale Price
		Washington	95% Wholesale Price
		West Virginia	7% Wholesale Price
		Wisconsin	71% Manufacturer Price
		Wyoming (8)	20% Wholesale Price

Tobacco products include chewing tobacco and snuff.

(1) Alabama's cigar tax rate rises with the retail price; the rate on smoking tobacco and snuff depends on package weight.

(2) California adjusts the tax rate annually, effective July 1st each year.

(3) Connecticut taxes snuff tobacco at \$1.00 per ounce.

(4) Florida's rate includes a 60% surtax.

(5) Little cigars are taxed as cigarettes.

(6) The Texas rate on tobacco is scheduled to increase on September 1, 2012.

(7) Or 10% of retail price in Wyoming.

STATE TAX RATE COMPARISONS (CONT.)

As of January 2013

CORPORATE INCOME

STATE	RATE (%)	TAX BRACKETS		NUMBER OF BRACKETS
		LOWEST	HIGHEST	
Alabama	6.5	Flat Rate		1
Alaska	1.0 - 9.4	\$9,999	\$90,000	10
Arizona	6.968	Flat Rate		1
Arkansas	1.0 - 6.5	\$3,000	\$100,001	6
California	8.84	Flat Rate		1
Colorado	4.63	Flat Rate		1
Connecticut	7.5	Flat Rate		1
Delaware	8.7	Flat Rate		1
Florida	5.5	Flat Rate		1
Georgia	6.0	Flat Rate		1
Hawaii	4.4 - 6.4	\$25,000	\$100,001	3
Idaho	7.4	Flat Rate		1
Illinois	9.5	Flat Rate		1
Indiana	8.0	Flat Rate		1
Iowa	6.0 - 12.0	\$25,000	\$250,001	4
Kansas	4.0	Flat Rate		1
Kentucky	4.0 - 6.0	\$50,000	\$100,001	3
Louisiana	4.0 - 8.0	\$25,000	\$200,001	5
Maine	3.5 - 8.93	\$25,000	\$250,000	4
Maryland	8.25	Flat Rate		1
Massachusetts	8.0	Flat Rate		1
Michigan	6.0	Flat Rate		1
Minnesota	9.8	Flat Rate		1
Mississippi	3.0 - 5.0	\$5,000	\$10,001	3
Missouri	6.25	Flat Rate		1

CORPORATE INCOME

STATE	RATE (%)	TAX BRACKETS		NUMBER OF BRACKETS
		LOWEST	HIGHEST	
Montana	6.75	Flat Rate		1
Nebraska	5.58 - 7.81	\$100,000		2
Nevada	No Corporate Income Tax			N/A
New Hampshire	8.5	Flat Rate		1
New Jersey	9.0	Flat Rate		1
New Mexico	4.8 - 7.6	\$500,000	\$1,000,000	3
New York	7.1	Flat Rate		1
North Carolina	6.9	Flat Rate		1
North Dakota	1.68 - 5.15	\$25,000	\$50,001	3
Ohio	Tax Based on Commercial Activity			N/A
Oklahoma	6.0	Flat Rate		1
Oregon	6.6 - 7.6	\$10,000,000		2
Pennsylvania	9.99	Flat Rate		1
Rhode Island	9.0	Flat Rate		1
South Carolina	5.0	Flat Rate		1
South Dakota	No Corporate Income Tax			N/A
Tennessee	6.5	Flat Rate		1
Texas	Tax Based on Capital and Surplus			N/A
Utah	5.0	Flat Rate		1
Vermont	6.0 - 8.5	\$10,000	\$25,000	3
Virginia	6.0	Flat Rate		1
Washington	No Corporate Income Tax			N/A
West Virginia	7.0	Flat Rate		1
Wisconsin	7.9	Flat Rate		1
Wyoming	No Corporate Income Tax			N/A

STATE TAX RATE COMPARISONS (CONT.)

As of January 2013

INDIVIDUAL INCOME*

STATE	RATE (%)	TAX BRACKETS		NUMBER OF BRACKETS
		LOWEST	HIGHEST	
Alabama	2.0 - 5.0	\$500	\$3,000	3
Alaska	No State Income Tax			N/A
Arizona	2.59 - 4.54	\$10,000	\$150,001	5
Arkansas	1.0 - 7.0	\$4,099	\$34,000	6
California	1.0 - 12.3	\$7,455	\$500,000	9
Colorado	4.63	Flat Rate		1
Connecticut	3.0 - 6.7	\$10,000	\$250,000	6
Delaware	2.2 - 6.75	\$5,000	\$60,001	6
Florida	No State Income Tax			N/A
Georgia	1.0 - 6.0	\$750	\$7,001	6
Hawaii	1.4 - 11	\$2,400	\$200,001	12
Idaho	1.6 - 7.4	\$1,380	\$10,350	7
Illinois	5.0	Flat Rate		1
Indiana	3.4	Flat Rate		1
Iowa	.36 - 8.98	\$1,494	\$67,230	9
Kansas	3.0 - 4.90	\$15,000		2
Kentucky	2.0 - 6.0	\$3,000	\$75,001	6
Louisiana	2.0 - 6.0	\$12,500	\$50,001	3
Maine	0.0 - 8.0	\$5,200	\$20,900	3
Maryland	2.0 - 5.75	\$1,000	\$250,000	8
Massachusetts	5.25	Flat Rate		1
Michigan	4.25	Flat Rate		1
Minnesota	5.35 - 7.85	\$24,270	\$79,730	3
Mississippi	3.0 - 5.0	\$5,000	\$10,001	3
Missouri	1.5 - 6.0	\$1,000	\$9,001	10

* Rates apply to unmarried individuals

INDIVIDUAL INCOME

STATE	RATE (%)	TAX BRACKETS		NUMBER OF BRACKETS
		LOWEST	HIGHEST	
Montana	1.0 - 6.9	\$2,700	16,400	7
Nebraska	2.46 - 6.84	\$2,400	\$27,001	4
Nevada	No State Income Tax			N/A
New Hampshire	Tax Limited to Dividends and Interest Income Only			N/A
New Jersey	1.4 - 8.97	\$20,000	\$500,000	6
New Mexico	1.7 - 4.9	\$5,500	\$16,001	4
New York	4.0 - 8.82	\$8,200	\$1,029,250	8
North Carolina	6.0 - 7.75	\$12,750	\$60,000	3
North Dakota	1.51 - 3.99	\$36,250	\$398,350	5
Ohio	0.587 - 5.925	\$5,200	\$208,500	9
Oklahoma	0.5 - 5.25	\$1,000	\$8,701	7
Oregon	5.0 - 9.9	\$3,250	\$125,000	4
Pennsylvania	3.07	Flat Rate		1
Rhode Island	3.75 - 5.99	\$58,600	\$133,250	3
South Carolina	0 - 7.0	\$2,850	\$14,250	6
South Dakota	No State Income Tax			N/A
Tennessee	Tax Limited to Dividends and Interest Income Only			N/A
Texas	No State Income Tax			N/A
Utah	5.0	Flat Rate		1
Vermont	3.55 - 8.95	\$35,350	\$388,350	5
Virginia	2.0 - 5.75	3,000	17,001	4
Washington	No State Income Tax			N/A
West Virginia	3.0 - 6.5	\$10,000	\$60,000	5
Wisconsin	4.6 - 7.75	\$10,750	\$236,600	5
Wyoming	No State Income Tax			N/A

* Rates apply to unmarried individuals

STATE TAX RATE COMPARISONS (CONT.)

As of January 2013

SALES			
STATE	RATE	STATE	RATE
Alabama	4.0	Montana	No State Sales Tax
Alaska	No State Sales Tax	Nebraska	5.5
Arizona	6.6	Nevada	6.85
Arkansas	6.0	New Hampshire	No State Sales Tax
California	7.5	New Jersey	7.0
Colorado	2.9	New Mexico	5.125
Connecticut	6.35	New York	4.0
Delaware	No State Sales Tax	North Carolina	4.75
Florida	6.0	North Dakota	5.0
Georgia	4.0	Ohio	5.5
Hawaii	4.0	Oklahoma	4.5
Idaho	6.0	Oregon	No State Sales Tax
Illinois	6.25	Pennsylvania	6.0
Indiana	7.0	Rhode Island	7.0
Iowa	6.0	South Carolina	6.0
Kansas	6.3	South Dakota	4.0
Kentucky	6.0	Tennessee	7.0
Louisiana	4.0	Texas	6.25
Maine	5.0	Utah	5.95
Maryland	6.0	Vermont	6.0
Massachusetts	6.25	Virginia	5.0
Michigan	6.0	Washington	6.5
Minnesota	6.875	West Virginia	6.0
Mississippi	7.0	Wisconsin	5.0
Missouri	4.225	Wyoming	4.0

DESCRIPTION OF CREDITS

Credits listed alphabetically.

Alternative Credit for Exploration - AS 43.55.025 - Taxpayers that incur qualified exploration expenditures are eligible for this credit, which is 30% (20% for work performed prior to July 1, 2008) or 40%, depending on the qualifications of the exploration project. Taxpayers must obtain pre-approval from and submit certain data to the Department of Natural Resources as part of the application process. Credit applications under AS 43.55.025 are audited prior to issuance of the credit certificates. Certificates must be eventually issued, but the credit may also be applied to tax prior to the issuance of a certificate.

Note that this credit has been available since 2003 - pre-dating the oil and gas tax law revisions of 2006 and 2007. The scope of this credit is more specific than that provided for under AS 43.55.023.

This credit is applicable for Oil and Gas Production Tax.

Carried-Forward Annual Loss - AS 43.55.023(b) - Taxpayers that incur lease expenditures that are not deductible in calculating production tax values generate a "loss carryforward" and they may apply for a tax credit in the amount of 25% of that loss. When certificated, half of the credit is available for use in the calendar year it is issued and the other half may be used in the years following. If not certificated, the entire credit may be applied on the taxpayer's annual filing. These credits are transferable.

This credit is applicable for Oil and Gas Production Tax.

Cash Purchases of Tax Credit Certificates - AS 43.55.028 - Effective January 1, 2008, a tax credit fund was established so that the State may purchase certain tax credit certificates from oil and gas taxpayers. Taxpayers make written application to the Department for cash purchases, in whole or in part, of tax credit certificates. The Department reviews the applications for compliance with the requirements set forth in AS 43.55.028(e).

This credit is applicable for Oil and Gas Production Tax.

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

This credit is applicable for Fishery Resource Landing Tax.

Cook Inlet Jack-Up Rig Credit - AS 43.55.025(a) (5) was passed by the legislature in 2010 to incentivize investment in a jack-up rig for use in Cook Inlet. The credit is available to the first three unaffiliated persons that drill an offshore exploration well for oil or gas in Cook Inlet. Credit under this program will be granted for the lesser of 100% of exploration expenditures or \$25 million to the first person who drills a qualifying well under the program. Credit for the lesser of 90% of exploration expenditures or \$22.5 million is available to the second person, and credit for the lesser of 80% of exploration expenditures or \$20 million is available to the third person who drills a qualifying well under the program.

Credit under this program may be granted in the form of a cash reimbursement from the state or it may be applied against tax liabilities. If the drilling under this program results in sustained production of oil or gas, 50% of the amount of the credit received shall be repaid to the state over a 10-year period.

This credit is applicable for Oil and Gas Production Tax.

Education - Taxpayers are allowed a credit for contributions to Alaska universities and accredited nonprofit Alaska two-year or four-year colleges for facilities, direct instruction, research, and educational support purposes. The tax credit can also be taken for donations to a school district or state-operated vocational technical education and training school for vocational education courses, programs, and facilities. Donations for an annual intercollegiate sport tournament, Alaska Native cultural or heritage programs for public school staff and students, and a facility in

DESCRIPTION OF CREDITS (CONT.)

the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership also qualify. Contributions to the Alaska Higher Education Investment Fund established in 2012 also qualify. The credit is 50% of the first \$100,000, 100% of the contribution over \$100,000 and up to \$300,000 and 50% of the remaining amount over \$300,000. The total allowable credit may not exceed \$5 million.

This credit is applicable for Corporate Income Tax, Fisheries Business Tax, Fishery Resource Landing Tax, Mining License Tax, Oil and Gas Production Tax, and Oil and Gas Property Tax.

Exploration Incentive - AS 38.05.180(i) - Lessees of state land drilling an exploratory well or conducting certain seismic exploration on that land are eligible for this credit. The credit is 50% of the cost of the exploration expenditures and may not exceed 50% of the production tax or state royalty against which it is applied. This credit is administered by the Department of Natural Resources, but may be applied to oil and gas production tax.

This credit is applicable for Oil and Gas Production Tax.

Exploration Incentive (Assignable) - AS 41.09.010 - This is a distinct incentive program administered by the Department of Natural Resources. The credit is available to be claimed against royalty obligations, corporate income tax and production tax. Taxpayers may take a credit up to 50% on state land (or 25% on non state lands) of eligible oil and gas exploration expenditures. An approved incentive credit under this statute may not exceed \$5 million per project and is limited to \$30 million per taxpayer.

This credit is applicable for Oil and Gas Production Tax.

Film Production - Taxpayers may take a credit for certain expenses incurred in producing films in Alaska. The credit varies from 30% to 44% and is administered by the Department of Revenue. This credit may be transferred.

This credit is applicable for Corporate Income Tax.

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

This credit is applicable for Corporate Income Tax.

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

This credit is applicable for Corporate Income Tax.

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

This credit is applicable for Corporate Income Tax.

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

This credit is applicable for Corporate Income Tax and Mining License Tax.

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

This credit is applicable for Oil and Gas Property Tax.

New Area Development - AS 43.55.024(a) - Taxpayers that produce in areas outside the Cook Inlet and south of 68 degrees north latitude are eligible for a tax credit of not more than \$6 million per year. This credit sunsets the later of 2016 or the ninth calendar year after first year of production. The credit is not certificated and is not transferable.

This credit is applicable for Oil and Gas Production Tax.

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

This credit is applicable for Fishery Resource Landing Tax.

Qualified Capital Expenditure - AS 43.55.023(a) - Taxpayers that incur qualified capital expenditures may apply for a 20% credit, however, not more than half of the credit may be applied against a tax levied by AS 43.55.011(e) for a single calendar year. This credit, when certificated, is transferable. Taxpayers may also apply the 20% credit to their annual oil and gas production tax filings without certification.

In 2010, the legislature passed AS 43.55.023(l), which allows credit of 40% of qualified well lease expenditures incurred south of 68 degrees North latitude for oil or gas operations. These credits can be applied against production tax liabilities, transferred to another company, or purchased by the state.

This credit is applicable for Oil and Gas Production Tax.

Scholarship Contributions - Tax-payers that contribute to the A.W. "Winn" Brindle memorial scholarship account may claim a tax credit for the amount of contribution not to exceed 5% of their tax liability.

This credit is applicable for Fisheries Business Tax and Fishery Resource Landing Tax.

Salmon Product Development - Taxpayers are allowed tax credits against the fisheries business tax on salmon for expenditures promoting the development of salmon products. The credit on salmon for expenditures

promoting the development of salmon products was extended to December 31, 2015.

This credit is applicable for Fisheries Business Tax.

Small Producer - AS 43.55.024(c) - Taxpayers with Alaska oil and gas production less than 100,000 BTU equivalent barrels a day are eligible for a small producer credit. When average oil and gas production is no more than 50,000 barrels per day, the credit is \$12 million per year. When production exceeds 50,000 barrels per day, but is less than 100,000 barrels per day, the credit is allocated based on production volumes. This credit sunsets the later of 2016 or the ninth calendar year after first year of production. The credit is not certificated and is not transferable.

This credit is applicable for Oil and Gas Production Tax.

Transitional Investment Expenditure - AS 43.55.023(i) - The "TIE" credit is generated by qualified capital expenditures made during the period April 1, 2001, through March 31, 2006. The credit is 20% of those qualified capital expenditures, not to exceed one-tenth of qualified capital expenditures incurred after March 31, 2006 and before January 1, 2008. Producers and explorers without commercial production in Alaska before January 1, 2008 are eligible for this credit. TIE credit is not transferable and is available until 2013.

This credit is applicable for Oil and Gas Production Tax.

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

This credit is applicable for Corporate Income Tax.



Alaska Department of Revenue | Tax Division
2013 Annual Report

Anchorage Office

Alaska Department of Revenue
Tax Division
Robert B. Atwood Building
550 W 7th Avenue, Ste 500
Anchorage, AK 99501-3556
907-269-6620 Voice
907-269-6644 Fax

Juneau Office

Alaska Department of Revenue
Tax Division
11th Floor, State Office Building
PO Box 110420
Juneau, AK 99811-0420
907-465-2320 Voice
907-465-2375 Fax