Annual Report 2018

Tax Division
Alaska Department of Revenue

tax.alaska.gov

This annual report covers fiscal year 2018, which ended June 30, 2018.

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

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Cover:
Kara Tetley took this photo after her float plane landed, on her visit to Pack Creek on Admiralty Island, a popular bear-viewing area since the 1930s. Pack Creek is 40 miles south of Juneau on the east side of Admiralty. The island is home to 1,500 brown bears, more than in all of the Lower 48, according to the U.S. Forest Service. (*Photo courtesy of Travel Juneau*)

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MISSION STATEMENT

The Tax Division's Mission

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

Charitable Gaming

Corporate Income Tax

Excise Taxes
Alcoholic Beverages
Commercial Passenger Vessel
Marijuana
Motor Fuel
Tire Fees
Tobacco
Vehicle Rental

Fisheries Taxes
Common Property Fishery
Dive Fishery Management
Fisheries Business
Fishery Resource Landing
Regional Seafood Development
Salmon Enhancement
Seafood Marketing

Oil and Gas Taxes
Production
Property
Conservation Surcharge

Other Taxes
Salmon Price and Production Reporting
Electric Cooperative
Large Passenger Vessel Gambling
Mining License
Regulatory Cost Charges
Telephone Cooperative

Legislative Changes in FY 2018 by Tax Type

Charitable Gaming

House Bill 18, signed into law by then-Gov. Bill Walker on Aug. 27, 2018, added a second race to the definition of "race classic" in Alaska Statute 05.15.690 (40). The new race, "Race to Alaska Classic," will be operated and administered by the Greater Ketchikan Chamber of Commerce.

Corporate Income Tax

HB 398 modifies how public utilities will compute corporate income for tax years beginning on or after Jan. 1, 2019. Public utilities will allocate and apportion income in the same manner as other corporations, notwithstanding Section 2, Article IV of AS 43.19 (Multistate Tax Compact).

Marijuana Excise Tax

The Legislature passed Senate Bill 104, an education curriculum bill, which includes a provision that deposits 25% of the state's marijuana excise taxes into the Marijuana Education and Treatment Fund, effective Oct. 28, 2018.

Oil and Gas Production Tax

In 2018, the Legislature passed HB 331 authorizing the selling of bonds to repurchase oil and gas tax credits. In recent years, due to budget shortfalls, Alaska stopped its prior practice of purchasing all requested tax credits as they were issued, instead using the department's historical interpretation of the statutory formula to limit total purchases. At the end of 2018, about $840 million in credits had accumulated that were awaiting state purchase.

The legislation allows the holders of those credits to offer them to the state at a discount, based on when they would expect to be paid. The state will sell bonds and use the proceeds to purchase the discounted credits. The savings due to the discount will offset the state's interest payments for the bonds.

The credit holders can obtain a lower discount rate, and thus a higher payment, by offering one of several incentives to the state. These include a commitment to reinvest the funds within two years, or offering an overriding royalty interest to the state.

The bonding authority expires in 2021. As of the date of publication, no bonds have been issued due to a legal challenge to HB 331, which is still in the courts.

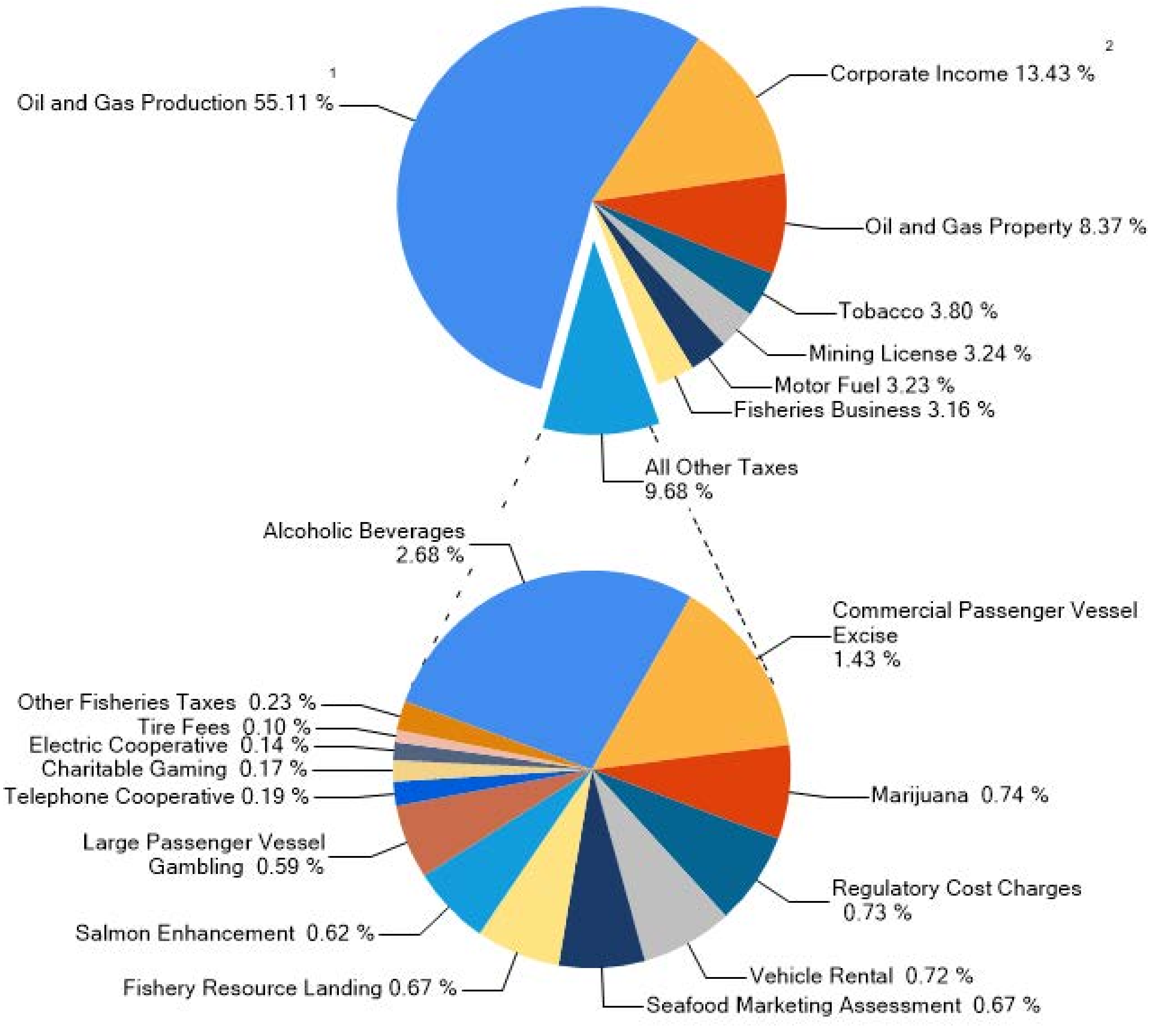
Various Tax Types

The Legislature passed House Bill 233, which amended the Education Credit applicable to corporate income tax, fisheries business tax, fishery resource landing tax, oil and gas production tax, oil and gas property tax, and mining license tax in the following respective statutes: AS 43.20.014, 43.75.018, 43.77.045, 43.55.019, 43.56.018 and 43.65.018.

The credit amount will be reduced from 100% to 75% of donations of between $100,000 and $300,000 starting Jan. 1, 2019, and will be further reduced to 50% of all contributions beginning Jan. 1, 2021.

Additionally, the total Education Credit that any taxpayer may claim for all parallel Education Credits will be reduced to $1 million a year from $5 million, beginning Jan. 1, 2019. HB 233 will also extend the credit to in-kind donations of equipment in addition to cash donations as of Jan. 1, 2019.

STATEMENT OF TOTAL REVENUE COLLECTED
Fiscal Year 2018



[1] Includes the oil and gas production tax and the oil conservation surcharge.

[2] Includes oil and gas and other corporate income tax.

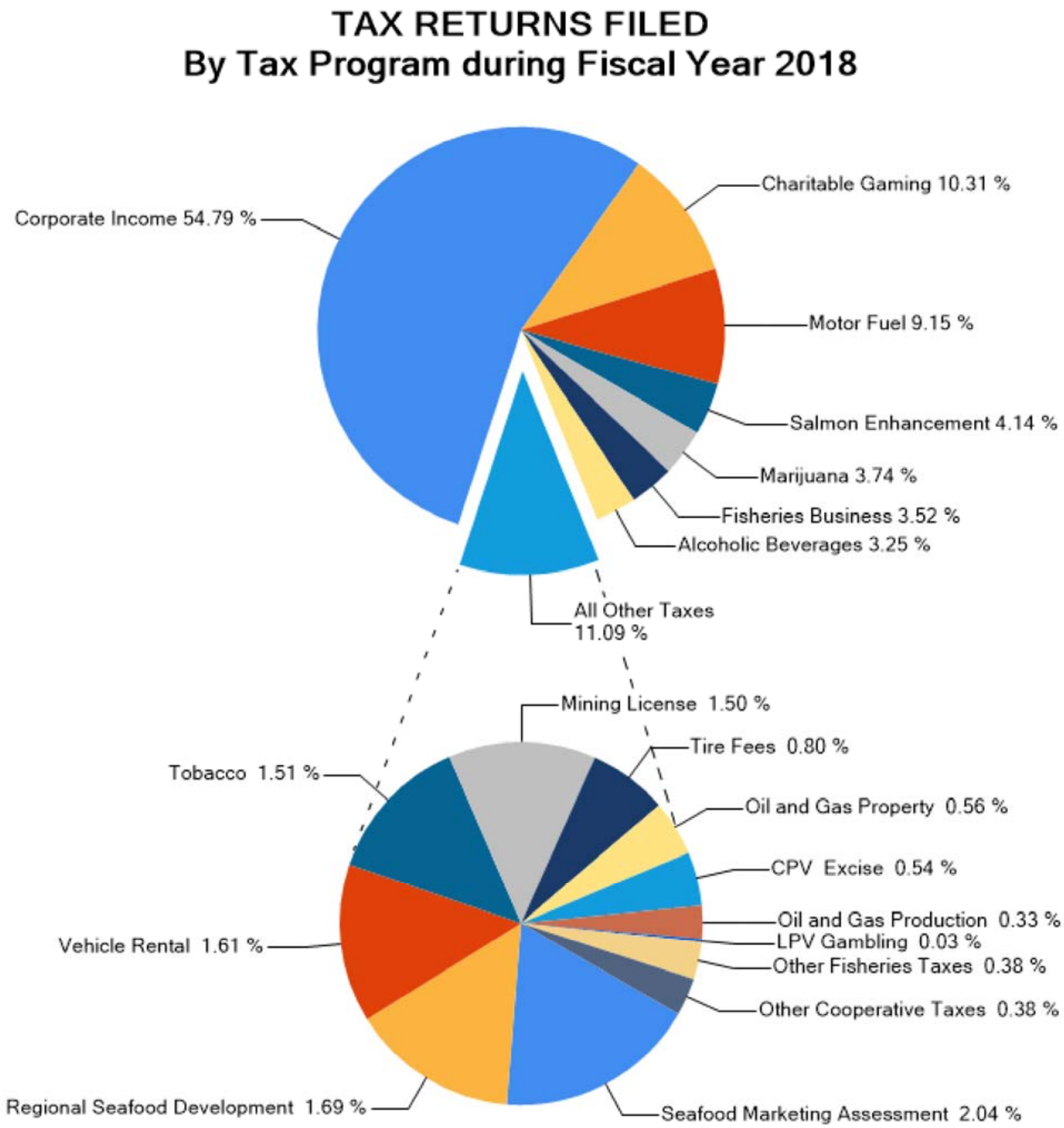
STATEMENT OF TOTAL REVENUE COLLECTED

REVENUE	FY 2018	Percentage of Total
Oil and Gas Production[1]	$796,921,100	54.51 %
Oil and Gas Property[1,2]	$122,341,348	8.37 %
Other Corporate Income	$119,556,313	8.18 %
Oil and Gas Corporate Income[1]	$76,764,546	5.25 %
Tobacco[3]	$55,499,521	3.80 %
Mining License[1]	$47,298,564	3.24 %
Motor Fuel[4]	$47,148,613	3.23 %
Fisheries Business[4]	$46,228,406	3.16 %
Alcoholic Beverages[5]	$39,217,273	2.68 %
Commercial Passenger Vessel[4]	$20,874,938	1.43 %
Marijuana[6]	$10,801,357	0.74 %
Regulatory Cost Charges	$10,671,388	0.73 %
Vehicle Rental	$10,572,076	0.72 %
Seafood Marketing Assessment	$9,860,220	0.67 %
Fishery Resource Landing[4]	$9,736,239	0.67 %
Salmon Enhancement	$9,123,337	0.62 %
Oil Conservation Surcharge	$8,656,363	0.59 %
Large Passenger Vessel Gambling	$8,585,045	0.59 %
Regional Seafood Development	$2,824,728	0.19 %
Telephone Cooperative[4]	$2,777,923	0.19 %
Gaming	$2,417,373	0.17 %
Electric Cooperative[4]	$2,041,017	0.14 %
Tire Fees	$1,406,940	0.10 %
Dive Fishery Management	$534,771	0.04 %
Common Property Fishery Assessment	$0	0 %
Total	$1,461,859,399	100%

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, Tobacco Use Education and Cessation Fund.
4 Prior to sharing with municipalities.
5 Includes amounts transferred to the Alcohol and Other Drug Abuse Treatment and Prevention Fund.
6 Includes amounts transferred to the Recidivism Reduction Fund.

REVENUE DISTRIBUTIONS
OTHER THAN TO THE GENERAL FUND

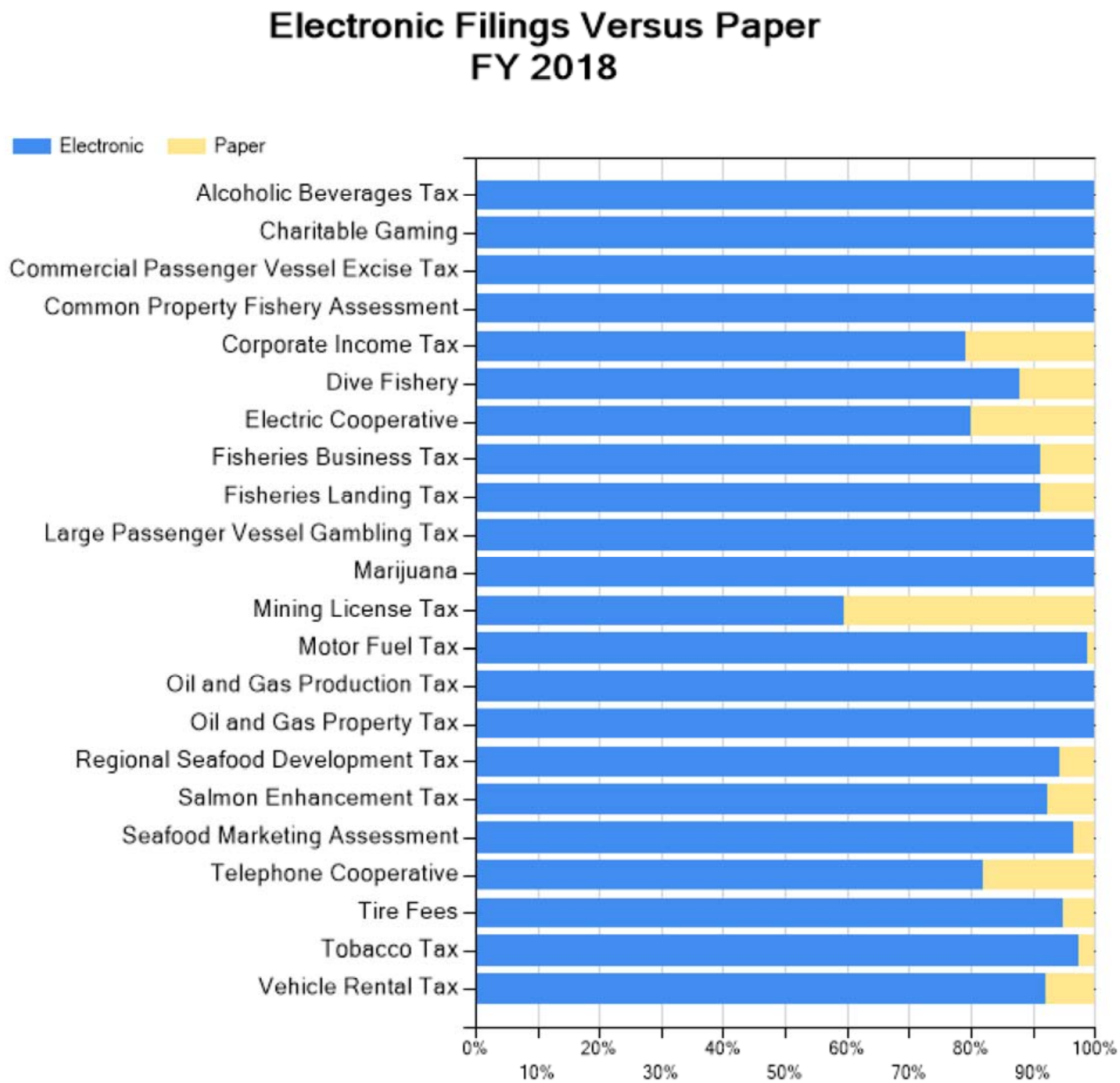
FUNDS	FY 2018	Percentage of Total
Constitutional Budget Reserve Fund		
Oil and Gas Production	$55,678,048	82.83 %
Oil and Gas Corporate Income	$10,377,817	15.44 %
Oil and Gas Property	$778,517	1.16 %
Mining License	$381,538	0.57 %
Total CBRF	$67,215,920	
Alcohol and Other Drug Abuse Treatment and Prevention Fund	**$19,606,072**	
School Fund	**$15,782,189**	
Tobacco Use Education and Cessation Fund	**$2,299,773**	
Recidivism Reduction Fund	**$5,358,227**	


TAX RETURNS FILED
By Tax Program during Fiscal Year 2018
Corporate Income 54.79 %
Charitable Gaming 10.31 %
Motor Fuel 9.15 %
Salmon Enhancement 4.14 %
Marijuana 3.74 %
Fisheries Business 3.52 %
Alcoholic Beverages 3.25 %
All Other Taxes 11.09 %
Mining License 1.50 %
Tire Fees 0.80 %
Tobacco 1.51 %
Oil and Gas Property 0.56 %
CPV Excise 0.54 %
Oil and Gas Production 0.33 %
LPV Gambling 0.03 %
Vehicle Rental 1.61 %
Other Fisheries Taxes 0.38 %
Other Cooperative Taxes 0.38 %
Regional Seafood Development 1.69 %
Seafood Marketing Assessment 2.04 %

Total Tax Returns Filed

TAX TYPE	FY 2018	Percentage of Total Returns
Corporate Income	17,535	54.79 %
Charitable Gaming	3,300	10.31 %
Motor Fuel	2,929	9.15 %
Salmon Enhancement	1,325	4.14 %
Marijuana	1,196	3.74 %
Fisheries Business	1,128	3.52 %
Alcoholic Beverages	1,040	3.25 %
Seafood Marketing Assessment	653	2.04 %
Regional Seafood Development	541	1.69 %
Vehicle Rental	514	1.61 %
Tobacco	483	1.51 %
Mining License	479	1.50 %
Tire Fees	257	0.80 %
Oil and Gas Property	180	0.56 %
CPV Excise	174	0.54 %
Oil and Gas Production	107	0.33 %
Dive Fishery Management Assessment	58	0.18 %
Fishery Resource Landing	57	0.18 %
Electric Cooperative	20	0.06 %
Telephone Cooperative	11	0.03 %
LPV Gambling	9	0.03 %
Common Property Fishery Assessment	7	0.02 %
Total	32,003	100%

ELECTRONIC RETURNS FILED



Electronic Filings Versus Paper
FY 2018

Tax Type	Electronic	Paper
Alcoholic Beverages Tax	1,040	0
Charitable Gaming	3,300	0
Commercial Passenger Vessel Excise Tax	174	0
Common Property Fishery Assessment	7	0
Corporate Income Tax	13,866	3,669
Dive Fishery	51	7
Electric Cooperative	16	4
Fisheries Business Tax	1,030	98
Fisheries Landing Tax	52	5
Large Passenger Vessel Gambling Tax	9	0
Marijuana	1,196	0
Mining License Tax	285	194
Motor Fuel Tax	2,890	39
Oil and Gas Production Tax	107	0
Oil and Gas Property Tax	180	0
Regional Seafood Development Tax	510	31
Salmon Enhancement Tax	1,222	103
Seafood Marketing Assessment	631	22
Telephone Cooperative	9	2
Tire Fees	244	13
Tobacco Tax	470	13
Vehicle Rental Tax	473	41
Total	27,762	4,241

CHARITABLE GAMING

Charitable Gaming

AS 05.15

Description

Municipalities and qualified nonprofit organizations are eligible to conduct gaming activities as set out in the Alaska Gaming Reform Act. The purpose of these activities is to derive public benefit in the form of money for these entities.

Qualified organizations include: civic or service organizations; religious, charitable, fraternal, veterans, labor, political, or educational organizations; police or fire departments and companies; dog mushers' associations, outboard motor associations, and fishing derby and nonprofit trade associations. Gaming activities include primarily the sale of pull-tabs, bingo and raffles.

The Charitable Gaming Program issues permits and licenses to conduct gaming activities, collects fees and taxes, conducts audits and investigates complaints.

Permits are issued annually with fees ranging from $20 to $100. Licenses are issued annually with fees ranging from $500 to $2,500. A 3% tax on pull-tabs sold by distributors is collected on a monthly basis. A 1% fee on net proceeds is collected annually from permittees if their gross receipts are $20,000 or more.

Returns

Monthly, quarterly, and annual returns are filed by permittees and licensees conducting gaming depending on the amount of gross receipts and the type of permit/license. Manufacturers and distributors file monthly reports. Operators must file monthly reports to permittees.

Disposition of Revenue

The Department of Revenue's Tax Division deposits permit and license fees, pull-tab taxes, and net proceeds fees into the General Fund.

History

1960 – The Alaska Legislature legalized gaming and gave oversight for all gaming activities to the department.

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 program.

– House Bill 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 (MBPs). 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 – the “Sled Dog Race Classic,” “Deep Freeze Classic, and “Snow Machine Classic.” The Legislature also created the “McGrath Kuskokwim River Ice Classic,” and “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.

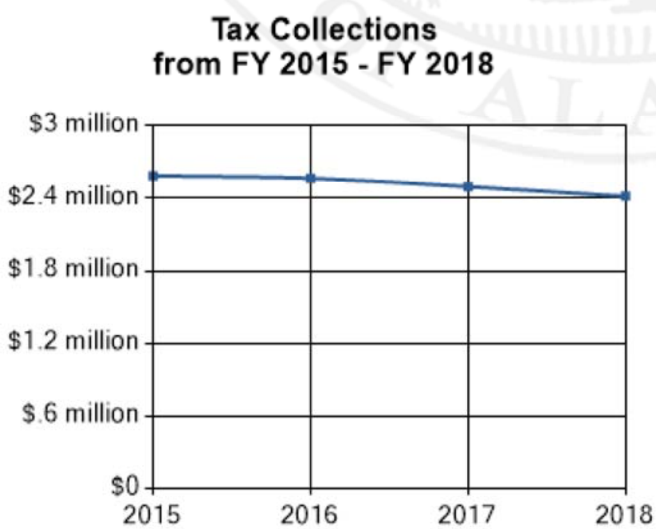
2014 – The Legislature made a change relating to games of chance and contests of skill to allow the department to issue permits for bull moose derbies. It also expanded the definition of “ice classic” to include the “Snow Town Ice Classic.” The change was made through HB 268 (CH 22 SLA 14).

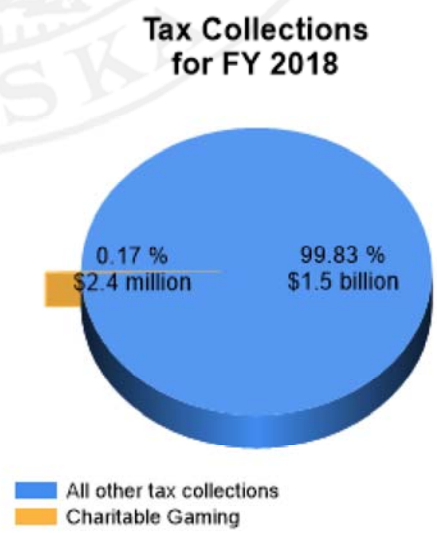
2016 – The department implemented a regulation authorizing the use of vending machines to sell raffle and lottery tickets.

2018 – HB 18, signed into law by then-Gov. Bill Walker on Aug. 27, 2018, added a second race to the definition of "race classic" in Alaska Statute 05.15.690 (40). The new race, "Race to Alaska Classic," will be operated and administered by the Greater Ketchikan Chamber of Commerce.

Collections Summary

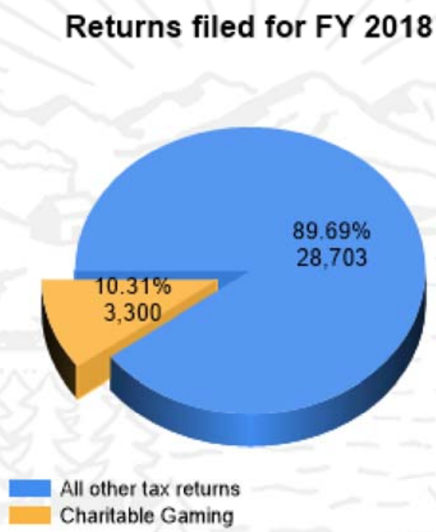
Fiscal Year	2018	2017	2016	2015
Pull-Tab Tax	$1,927,836	$1,969,712	$1,851,392	$2,082,493
Net Proceeds Fees	358,125	396,337	589,402	385,937
License and Permit Fees	131,412	132,541	128,313	120,230
Total Tax	**$2,417,373**	**$2,498,590**	**$2,569,107**	**$2,588,660**





Filing Information

Fiscal Year	2018	2017	2016	2015
Number of Returns	3,300	2,992	2,689	2,611
Number of Taxpayers	1,152	1,119	1,193	1,156



Applications

Fiscal Year	2018	2017	2016	2015
Permittees	1,097	1,063	1,137	1,102
Operators	25	25	24	23
Multiple-Beneficiary Permittees	13	14	16	15
Distributors	9	10	10	9
Manufacturers	8	7	6	7

Reports

Fiscal Year	2018	2017	2016	2015
Permittees	2,909	2,604	2,293	2,272
Operators	121	115	124	115
Multiple-Beneficiary Permittees	70	80	80	75
Distributors	116	121	120	85
Manufacturers	84	72	72	64

CORPORATE TAXES

Corporate Income Tax

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 excluded 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 inside and outside the state: property, payroll and sales.

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 Alaska return due 30 days after the federal tax return is due. Alaska honors the federal filing extensions. Electronic filing is required for returns filed after July 1, 2016.

Corporations must make quarterly estimated payments and the total tax is generally due the 15th day of the fourth month after 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, but not the requirement to file. Federally, S-Corporations are treated as partnerships and S-Corporation shareholders report their proportionate share of the corporation's earnings.

Certain small corporations are exempt from corporate income tax. These are corporations that have less than $50 million in assets and that meet certain industry requirements.

Limited Liability Companies

Alaska follows the federal tax treatment of Limited Liability Companies (LLCs). LLCs that file a federal partnership return will generally file a state partnership return if any of the partners are corporate or other pass-through entities.

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

Credits

Under Alaska's blanket adoption of the IRC, taxpayers can claim 18% of most 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 the Credit for the In-State Manufacture of Urea, Ammonia, or Gas-to-Liquid Products, and the Education Credit, Film Production Credit, LNG Storage Facility Credit, Minerals Exploration Incentive Credit, Alternative Tax Credit for Oil and Gas Exploration, Qualified Oil and Gas Service Industry Expenditure Credit, Qualified In-State Oil Refinery Infrastructure Expenditures Credit, and the Veteran Employment Credit.

For specific information concerning these credits, see the Corporate Income Tax Credits section below.

Disposition of Revenue

The Department of Revenue's Tax Division deposits most corporate net income tax collections into the General Fund. For oil and gas corporations only, the division deposits collections from 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 Alaska 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 excluded 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 is $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 (later renumbered AS 43.20.144), 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 combination" with AS 43.20.073. Water's edge apportionment does not apply to oil and gas taxpayers, who continue to report on a worldwide combined basis.

1998 – The Department of Revenue wins the Overseas Shipping Group Bulk Ships, Inc., case. The Alaska Supreme Court holds that AS 43.20 does not adopt the IRC Section 883 by reference. Federally, Section 883 exempts foreign corporations that operate ships and aircraft from the tax to avoid 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.

– The Legislature authorizes tax credits for qualified film production expenditures incurred in Alaska. The Film Production Tax Credits may be sold, transferred, exchanged or conveyed, and must be used within three years after being granted by the Alaska Department of Commerce, Community and Economic Development. 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 Jan. 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 Dec. 31, 2013. On Jan. 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 Jan. 1, 2010. The utilization limit is raised from 50% to 75% of the tax liability. The credit sunsets on Dec. 31, 2015.

– 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 million or 25% of costs incurred to establish the facility. This is a refundable tax credit.

2011 – The Legislature enacts legislation extending the date that the $5 million annual Education Credit limit expires from Dec. 31, 2013, to Dec. 31, 2020. It is then scheduled to return to $150,000. In addition, the Legislature expands 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 enacts 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 enacts 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 million. This is a refundable tax credit.

2013 – The Legislature passes Senate Bill 7 that relates to the taxable corporate income and the ability of certain film productions to receive tax credits. In addition, tax brackets for corporations under AS 43.20.011 are amended.

– The Legislature passes SB 83 that 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.

– The Legislature passes legislation exempting certain small corporations from the corporate income tax for tax years beginning after Dec. 31, 2012. Corporations that have assets less than $50 million and that meet certain other asset and industry requirements are exempt from paying corporate income tax.

– The Legislature passes SB 21, which provides a credit for qualified oil and gas service industry expenditures for tax years after Dec. 31, 2013.

2014 – The Legislature passes House Bill 278 (CH 15 SLA 14) that further expands qualifying Education Tax Credits to include cash contributions to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Alaska Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the U.S. Department of Labor under 29 U.S.C. 50-50b for direct instruction, research and educational support purposes.

In addition, tax credits are available for cash contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, funding for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Alaska Department of Education and Early Development, or certain qualified childhood early learning and development programs.

Tax credits are also available for cash contributions for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

– The Legislature passes HB 287 enacting the Qualified In-State Oil Refinery Infrastructure Expenditures Tax Credit that grants a credit of the lesser of 40% of qualified infrastructure expenditures incurred in the state during the year, or $10 million for each in-state refinery incurring qualified expenditures for tax years beginning after Dec. 31, 2014, and before Jan. 1, 2020.

2015 – The Legislature passes SB 39, repealing the film production incentive program. The repeal is effective July 1, 2015; all film projects that have previously received a written Notice of Qualification and meet statutory requirements are honored.

2017 – The Legislature passes HB 111, which allows a taxpayer to apply as a credit against the taxpayer's corporate income tax under AS 43.20 the Alternative Tax Credit for Oil and Gas Exploration earned by the taxpayer under AS 43.55.025 for exploration expenditures incurred for work performed on or after July 1, 2016.

2018 – The Legislature passes HB 398. For tax years beginning on or after Jan. 1, 2019, public utilities will allocate and apportion income in the same manner as other corporations, notwithstanding Section 2, Article IV of AS 43.19 (Multistate Tax Compact).

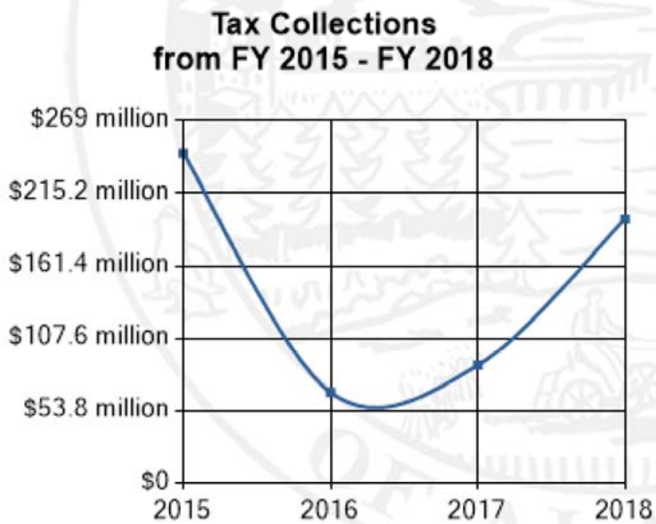
– The Legislature passed House Bill 233, which amended the Corporate Income Tax Education Credit in AS 43.20.014 (in conjunction with corresponding amendments to parallel Education Credits provided in other titles and chapters).

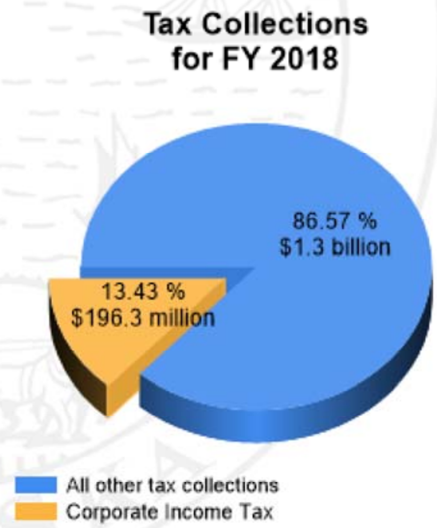
The credit amount was reduced from 100% to 75% of donations of between $100,000 and $300,000 starting Jan. 1, 2019, and was further reduced to 50% of all contributions beginning Jan. 1, 2021.

Additionally, the total Education Credit that any taxpayer may claim for all parallel Education Credits was reduced to $1 million a year from $5 million, beginning Jan. 1, 2019. HB 233 also extended the credit to in-kind donations of equipment in addition to cash donations as of Jan. 1, 2019.

Collections Summary

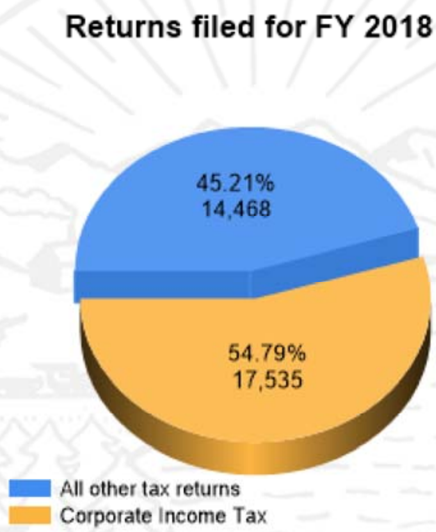
Fiscal Year	2018	2017	2016	2015
Oil and Gas Tax (General Fund)	$65,338,754	$(59,372,232)	$(58,835,272)	$86,539,119
Oil and Gas Penalties and Interest (General Fund)	1,047,975	0	0	8,227,905
Oil and Gas General Fund Total	66,386,729	(59,372,232)	(58,835,272)	94,767,025
Oil and Gas Constitutional Budget Reserve Total	10,377,817	61,792,353	32,691,408	13,922,197
Oil and Gas Total Collections	76,764,546	2,420,122	(26,143,864)	108,689,221
Non-Oil and Gas Tax	117,261,603	84,237,660	89,216,661	134,839,359
Non-Oil and Gas Penalties and Interest	2,294,710	2,309,568	1,027,281	1,383,890
Non-Oil and Gas Total Collections	119,556,313	86,547,228	90,243,942	136,223,249
CBRF	0	(1,192,401)	3,356,872	
Total Tax	**$196,320,859**	**$87,774,949**	**$67,456,950**	**$244,912,470**





Filing Information

Fiscal Year	2018	2017	2016	2015
Number of Returns	17,535	17,952	18,065	17,142
Number of Taxpayers	17,304	17,647	15,761	15,089



Corporate Income Tax Credits

Alternative Credit for Exploration – AS 43.55.025(a)(1)-(4) – Taxpayers who incur qualified exploration expenditures are eligible for this credit against oil and gas production tax. Credits earned for certain work performed on or after July 1, 2016, may be taken against corporate income tax.

The credit 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 the Alaska Department of Natural Resources and submit certain data as part of the application process for exploration well projects. 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. The credit is transferable and eligible for state repurchase.

The credit is set to expire for Middle Earth Wells on Dec. 31, 2021. It expired for Middle Earth Seismic on Dec. 31, 2017, and the North Slope and Cook Inlet areas on June 30, 2016. 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.

Education – AS 43.20.014, 43.75.018, 43.77.045, 43.55.019, 43.56.018 and 43.65.018 – The Education Credit is a nontransferable and nonrefundable credit applicable to the corporate income tax, fisheries business tax, fishery resource landing tax, oil and gas production tax, oil and gas property tax, and mining license tax.

Taxpayers can claim a credit for contributions to Alaska universities and accredited nonprofit Alaska two- 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 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 also qualify. Contributions to the Alaska Higher Education Investment Fund established in 2012 qualify as well.

The credit was set to end Dec. 31, 2018, but the Alaska Legislature in 2018 made changes to the law, and extended the credit to Dec. 31, 2024.

Before Jan. 1, 2019, the credit is only for cash contributions. As of Jan. 1, 2019, the credit will be for contributions of cash or equipment.

Before the year 2019, the credit allows the deduction of 50% of a business's annual contributions up to $100,000, 100% of the next $200,000 in donations, then 50% of donations above $300,000. A business, for example, is able to have $250,000 deducted from its taxes by paying $300,000 in donations. A business is allowed to claim up to $5 million in Education Credits per year across all eligible tax types.

As of Jan. 1, 2019, the deduction amounts and cap will be reduced. The credit, including the contribution categories eligible for the credit, will remain the same as before 2019, with two exceptions. First, the contributions between $100,000 and $300,000 – those contributions will allow a deduction of 75% of the contribution, not 100% like before 2019. Second, a business will be allowed to claim up to $1 million in education credits per year across eligible tax types, not up to $5 million like before 2019.

On Jan. 1, 2021, the credit will be further reduced to 50% of all contributions. A business will still be allowed to claim up to $1 million in education credits per year across eligible tax types.

Qualifying Education Tax Credits include contributions by taxpayers to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Alaska Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the U.S. Department of Labor under 29 U.S.C. 50-50b for direct instruction, research and educational support purposes.

In addition, tax credits for certain taxpayers are available for contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Alaska Department of Education and Early Development, or certain qualified childhood early learning and development programs.

Tax credits are also available for contributions by certain taxpayers for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

Exploration Incentive (Assignable) – AS 41.09.010 – This is a distinct incentive program administered by the Alaska Department of Natural Resources. The credit was repealed, effective Dec. 31, 2016.

The credit was available to be claimed against royalty obligations, corporate income tax and production tax. Taxpayers may have taken 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 have exceeded $5 million per project and was limited to $30 million per taxpayer.

Film Production Credit – AS 43.98.030, AS 21.09.210, AS 21.66.110, AS 43.20, AS 43.55, AS 43.56, AS 43.65, AS 43.75 and AS 43.77 – The Film Production Tax Credit under the Department of Revenue was effective July 1, 2013, and the Alaska Legislature repealed it July 1, 2015. The department stopped accepting new projects on the date it was repealed. It was a transferable credit for expenditures on eligible film production activities in Alaska. The film credits have six-year expiration dates to be used against Alaska tax liabilities; therefore, the department could see credits being taken until 2023 since credits were still being awarded in 2016.

LNG Storage Facility Tax Credit – AS 43.20.047 – The LNG (Liquefied Natural Gas) Storage Facility Tax Credit is a nontransferable, refundable credit for the costs incurred to establish a storage facility for LNG. The credit is for 50% of the costs incurred, not to exceed $15 million. The credit applies to facilities with a minimum storage capacity of 25,000 gallons of LNG that are public utilities regulated by the Regulatory Commission of Alaska. A facility must have been placed into service after Jan. 1, 2011, and start commercial operations before Jan. 1, 2020. The credit is refundable, subject to AS 43.55.028.

Minerals Exploration Incentive – AS 27.30.030 – The credit is for 100% of eligible costs of mineral and coal exploration activities, and is applicable to the corporate income tax, mining license tax and mineral production royalty. The credit may not exceed $20 million and must be applied within 15 years after the credit is approved.

For corporate income tax, the credit is limited to the lesser of 50% of the mining license tax liability at the mining operation where the exploration occurred or 50% of the total corporate income tax liability.

For the mining license tax, the credit is limited to the lesser of 50% of the mining license tax liability at the mining operation where the exploration occurred or 50% of total mining license tax liability.

For the mineral royalty, the credit is limited to 50% of the royalty liability from the mining operation where the exploration activity occurred.

Qualified In-State Oil Refinery Infrastructure Expenditures Tax Credit – AS 43.20.053 – The In-State Refinery Tax Credit began on Jan. 1, 2015, and is a credit for qualified infrastructure expenditures for in-state oil refineries incurred after Dec. 31, 2014, and before Jan. 1, 2020. The credit may not exceed 40% of total qualifying expenditures or $10 million per tax year per refinery, whichever amount is less. The credit can be applied against corporate income tax liability and carried forward for up to five years. It is also a refundable credit. The authorizing statute will sunset on Dec. 31, 2019.

Qualified Oil and Gas Service Industry Expenditure Credit – AS 43.20.049 – A taxpayer may claim a credit for 10% of qualified oil and gas service industry expenditures that are for in-state manufacture or in-state modification of oil and gas tangible personal property. The credit, which may be up to $10 million, is applied to corporate income tax liabilities. The credit is not transferable, but an unused credit may be carried forward for five years. If the taxpayer takes the credit, the taxpayer may not also deduct the expenditures.

Urea/Ammonia/Gas-to-Liquid Facility Credit – AS 43.20.052 – This credit allows an in-state company that produces urea, ammonia, or gas-to-liquids products to apply a credit to its corporate income tax based on natural gas purchased from state leases. The credit is equal to the amount of state royalty paid on natural gas purchased for the qualifying project.

The credit is not transferable or eligible for state purchase, it cannot be carried forward to future years, and it cannot be used to reduce a tax liability below zero. The credit is scheduled to be repealed on Jan. 1, 2024.

Veteran Employment Tax Credit – AS 43.20.048 – This credit is for corporate income taxpayers who employ qualified veterans in the state. The credit is $3,000 for hiring a disabled veteran, and $2,000 for a veteran who is not disabled, for at least 1,560 hours during 12 consecutive months after the employment date. For seasonal employment, the credit is $1,000 for hiring a veteran for at least 500 hours during the three consecutive months after the employment date.

EXCISE TAXES

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.

Returns

Taxpayers are required to file their tax returns electronically using Revenue Online.

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 Department of Revenue's Tax Division deposits all alcoholic beverage tax revenue into the General Fund. The Department of Administration then takes 50% of that money and transfers it into the Alcohol and Other Drug Abuse Treatment and Prevention Fund, a subfund of the General Fund. The other 50% of the alcoholic beverage tax revenue stays in the General Fund.

The Alaska Legislature may appropriate the money in the Alcohol and Other Drug Abuse Treatment and Prevention Fund to the Alaska Department of Health and Social Services to establish and maintain programs for the prevention and treatment of alcoholism, drug abuse, and inhalant abuse – the misuse of hazardous volatile materials and substances in an attempt to get high.

History

1933 – The alcoholic beverage tax dates back to 1933 when the Territorial Legislature enacted a tax on beer and wine at a rate of $0.05 per gallon. Taxpayers filed alcoholic beverage tax returns monthly.

1937 – The Territorial Legislature enacted a tax on liquor at a rate of $0.50 cents per gallon. At the same time, the rate for wine increased to $0.15 per gallon.

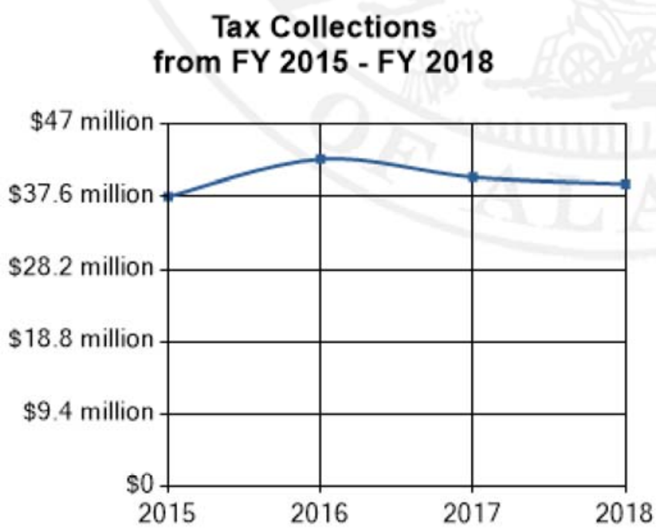
Since 1937, the Territorial Legislature and then Alaska Legislature have made minor changes to the alcoholic beverage tax statutes. In addition, between 1937 and 1983, the Legislature increased Alaska's tax rates to correspond with rate changes made by other states.

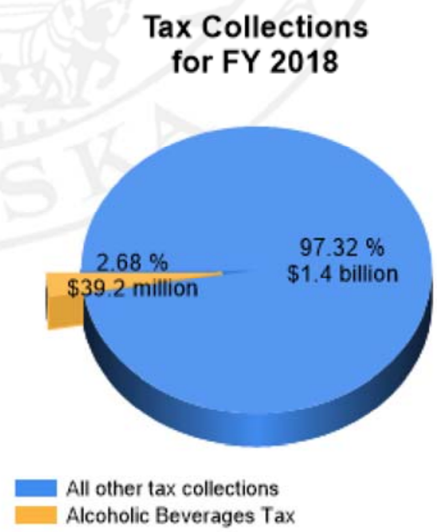
2002 – The Legislature significantly increased the tax rates on all three alcoholic beverages effective Oct. 1, 2002. However, this legislation allows breweries meeting the qualifications of 26 USC. 5051(a)(2) (small breweries) to pay tax at the lower rate of $0.35 cents per gallon on the first 60,000 barrels of beer (malt beverages) sold in Alaska. At the same time, the Legislature created the Alcohol and Other Drug Abuse Treatment and Prevention Fund, and directed that 50% of the alcoholic beverage tax be deposited into that fund for treatment programs for alcohol and drug abuse, and inhalant abuse (intentionally inhaling a substance) with the intention of getting high.

Between 1933 and 2002, alcoholic beverage tax rates have changed as follows:

	Per Gallon			
Year	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

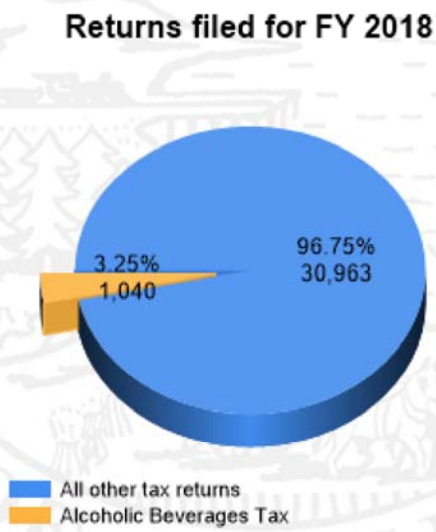
Gallons	Fiscal Year	2018	2017	2016	2015
Liquor		1,721,073	1,720,752	1,719,614	1,676,579
Beer, Malt Beverage and Cider		9,182,020	9,633,411	10,068,117	10,184,405
Wine		2,351,580	2,417,565	2,394,471	2,376,214
Beer, Small Brewery		4,234,469	4,194,044	4,160,059	3,947,554





Collections Summary

Fiscal Year	2018	2017	2016	2015
Liquor	$22,022,199	$22,179,736	$23,165,282	$19,385,984
Beer, Malt Beverage and Cider	9,865,224	10,301,812	11,419,470	10,902,805
Wine	5,850,411	6,113,315	6,280,182	5,971,367
Beer, Small Brewery	1,477,303	1,464,605	1,517,887	1,399,148
Penalties, Interest and Refunds	2,136	37,372	47,588	(52,916)
Total Tax	**$39,217,273**	**$40,096,840**	**$42,430,408**	**$37,606,388**
General Fund	19,611,201	20,073,019	22,222,097	17,670,540
Alcohol and Other Drug Abuse Treatment and Prevention Fund	19,606,072	20,023,821	20,208,311	19,935,848



Filing Information

Fiscal Year	2018	2017	2016	2015
Number of Returns	1,040	1,109	943	906
Number of Taxpayers	78	75	68	61

Commercial Passenger Vessel Excise Tax

AS 43.52.200 – 295

Description

Alaska imposes an excise tax on travel on commercial passenger vessels (CPVs), typically cruise ships, that have 250 or more berths, provide overnight accommodations, and spend more than 72 hours in Alaska waters over the course of one voyage.

Rate

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

If a commercial passenger vessel visits a port that levies a tax similar to the CPV tax, and that tax was in place before Dec. 17, 2007, the local tax imposed is allowed as a credit against the CPV tax. Only Juneau and Ketchikan had qualifying levies in place at that time. (Juneau's fee is currently $8 per passenger and Ketchikan's is $7.)

Returns

Taxpayers are required to file their tax returns electronically using Revenue Online.

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

Exceptions

The CPV excise tax does not apply to passengers onboard 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 Department of Revenue's Tax Division deposits all proceeds into the Commerical Passenger Vessel Tax account, a subfund of General Fund. Subject to appropriation by the Legislature, the Tax Division distributes $5 per passenger to each of the first seven ports of call in Alaska.

The Legislature may appropriate money from the Commercial Passenger Vessel Tax account to improve port facilities and harbor infrastructure and provide other services to commercial passenger vessels and passengers on board those vessels.

History

2006 – Alaska voters approved Ballot Measure No. 2 in the Aug. 26, 2006, primary election, enacting the CPV excise tax. The election results were certified Sept. 18, 2006, and the initiative's provisions became effective Dec. 17, 2006.

2010 – The Legislature modified the CPV tax from $46 to $34.50 per passenger, increased the number of ports of call that may receive $5 per passenger from five to seven, removed the provision that prohibited a port of call from receiving CPV revenue if it imposed its own tax, and repealed the Regional Cruise Ship Impact Fund.

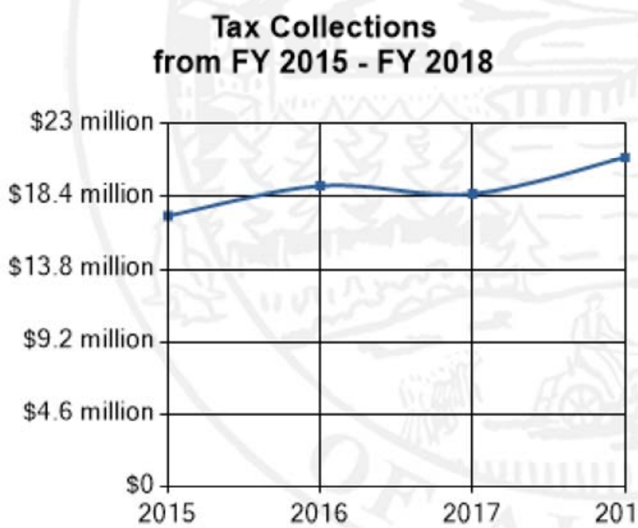
The amendment also included the provision mentioned earlier that if a commercial passenger vessel visiting a port that levies a tax similar to the CPV tax (a tax was that was in place before Dec. 17, 2007), the local tax imposed is allowed as a credit against the CPV tax.

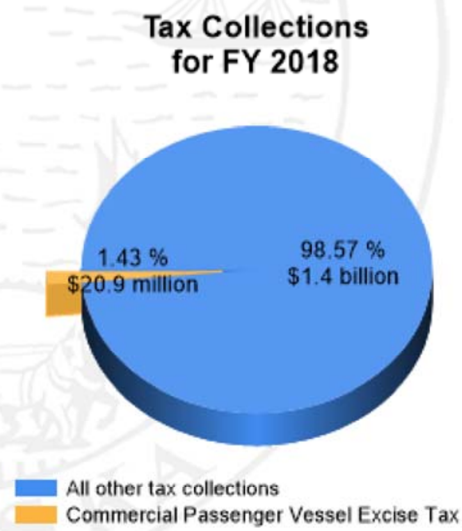
The amendment also added the phrase, “on the state’s marine water” to the definition of voyage, making it, “… any trip or itinerary lasting more than 72 hours on the state’s marine water.”

All the changes were in effect for the 2011 cruise season.

Collections Summary

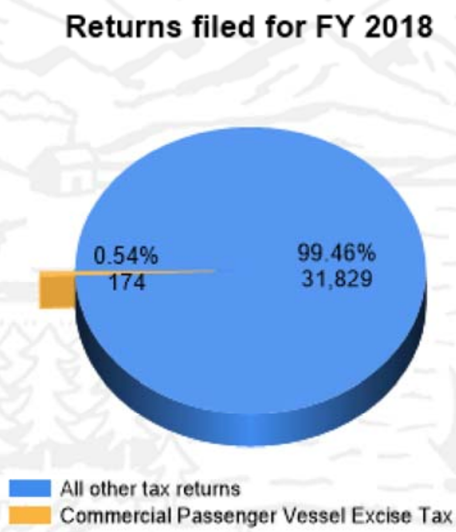
Fiscal Year	2018	2017	2016	2015
Total Tax	**$20,874,938**	**$18,567,290**	**$19,066,852**	**$17,201,836**
General Fund	4,112,918	2,543,535	3,315,927	2,150,386
Shared with Municipalities	(16,762,020)	(16,023,755)	(15,750,925)	(15,051,450)





Filing Information

Fiscal Year	2018	2017	2016	2015
Number of Returns	174	152	148	154
Number of Taxpayers	13	11	10	12



Marijuana Tax

AS 43.61

Description

Alaska levies a tax on marijuana sold in Alaska. Ballot Measure 2, the act to tax and regulate the production, sale, and use of marijuana, was passed Nov. 4, 2014. The Department of Revenue's Tax Division collects the marijuana tax from licensed marijuana cultivation facilities.

The marijuana tax is imposed when marijuana is sold or transferred from a marijuana cultivation facility to a retail marijuana store or marijuana product manufacturing facility.

Rates

The tax is $50 an ounce of marijuana bud and flower. The remainder of the plant is taxed at $15 an ounce. Beginning Jan. 1, 2019, a third rate will take effect through regulation. The new rate is $25 an ounce of immature or abnormal bud.

Returns

Taxpayers are required to file their tax returns electronically using Revenue Online.

Taxpayers file tax returns and make tax payments monthly. Returns and payments are due on or before the last day of the calendar month following the month when the marijuana sales or transfers took place.

Disposition of Revenue

The Tax Division deposits all revenue from the marijuana tax into the General Fund.

In 2016, the Alaska Legislature created a subfund within the General Fund, the Recidivism Reduction Fund, and directed the Alaska Department of Administration to separately account for 50% of the marijuana tax collected and deposit it into the Recidivism Reduction Fund. The Legislature may use the annual estimated balance in the fund to make appropriations to the departments of Corrections, Public Safety, and Health and Social Services for recidivism programs.

History

2014 – Ballot Measure 2, the act to tax and regulate the production, sale, and use of marijuana, was passed on Nov. 4, 2014. Pursuant to the ballot measure, Alaska will levy a tax on the marijuana sold in Alaska.

2016 – The Legislature passed Senate Bill 91, a comprehensive criminal reform bill, which included a provision that diverted half of the state's marijuana excise taxes to programs aimed at reducing repeat criminal offenders, under a newly created Recidivism Reduction Fund.

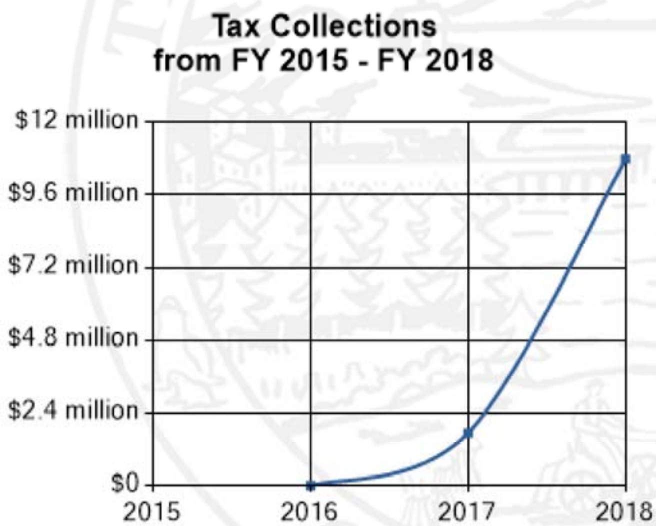
– The Department of Revenue adopted a regulation that set the tax as $50 for any part of a marijuana bud or flower, and $15 for the remainder of the plant.

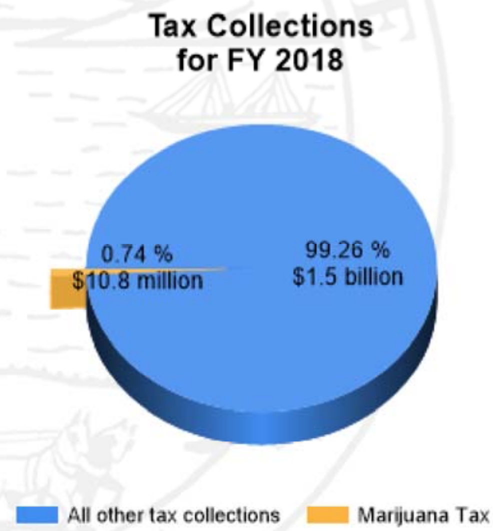
2018 – The Legislature passed Senate Bill 104, an education curriculum bill, which includes a provision that deposits 25% of the state's marijuana excise taxes into the Marijuana Education and Treatment Fund, effective Oct. 28, 2018.

– The department adopted changes to marijuana tax regulations in Title 15, Chapter 43 of the Alaska Administrative Code. The changes, which go into effect Jan. 1, 2019, add a third tax rate for immature or abnormal bud: $25 an ounce for buds or flowers that did not mature, that contain seeds or that failed testing because of mold. The changes stipulate that clones will be taxed at a flat rate of $1 per plant, and not by weight; and that packages of marijuana that contain a combination of any of the three tax rates will be taxed at the highest rate. The changes also added and updated definitions for different types and parts of the marijuana plant.

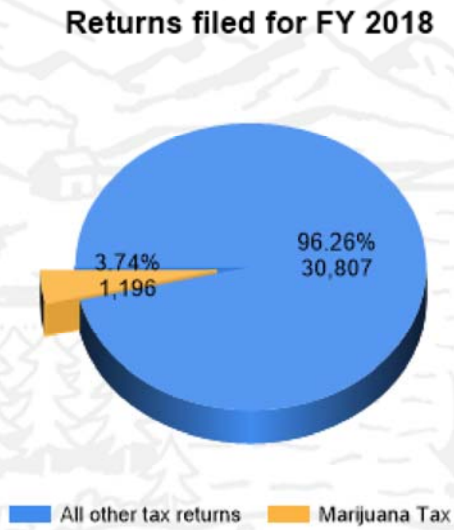
Collections Summary

Fiscal Year	2018	2017	2016
Total Tax	**$10,801,357**	**$1,749,497**	**$0**
General Fund	5,443,130	879,814	
Recidivism Reduction Fund	5,358,227	869,683	





Pounds	Fiscal Year 2018	2017
Bud or flower sold or transferred	11,263	1,857
Trim or other parts of plant sold or transferred	8,840	1,099



Filing Information

	Fiscal Year 2018	2017
Number of Returns	1,196	218
Number of Taxpayers	116	40

Motor Fuel Tax

AS 43.40

Description

Alaska levies a motor fuel tax and surcharge on motor fuel sold, transferred or used within Alaska. The Department of Revenue's Tax Division collects motor fuel taxes primarily from wholesalers and distributors that hold "qualified dealer" licenses issued by the division.

(A qualified dealer is a person who refines, imports, manufactures, produces, compounds or wholesales refined or motor fuel.)

Rates

Fuel Type	Rate/Gallon
Highway	$0.08
Marine	$0.05
Aviation Gasoline	$0.047
Jet Fuel	$0.032

In addition to the tax rates, there is a motor fuel surcharge, which is $0.0095 a gallon. It went into effect July 1, 2015.

Returns

Taxpayers are required to file their tax returns electronically using Revenue Online.

Taxpayers file tax returns and make tax payments monthly. There are four separate returns:

- Gasoline
- Diesel
- Aviation
- 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 and surcharge due, limited to a maximum of $100 per return, as a credit for timely filing to cover the expense of accounting and filing the monthly return.

Exemptions

Motor fuel tax exemptions – Fuel sold for heating, for use by federal, state and local government agencies, and charitable institutions, and for sales or transfers between qualified dealers; fuel sold for use in foreign flights (jet fuel), and as exports; and for fuel sold as bunker fuel (residual fuel oil or #6 fuel oil).

Surcharge exemptions – Sales of liquefied petroleum gas and aviation fuel; and refined fuels that are sold for use by federal and state government agencies, municipalities and electric cooperatives, sold or transferred between qualified dealers, and fuel that is sold to be refined and used outside the United States.

Refunds

Consumers may claim a refund for the full tax rate or surcharge if the consumer paid the full tax rate or surcharge at the time of purchase and then used the fuel for exempt purposes. Consumers may also claim a partial refund of the tax if a higher rate was paid at the time of 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, then sold the fuel for exempt use and did not collect the tax.

Deferrals

For diesel specifically, municipalities and federally recognized tribes may elect to defer the payment of tax on diesel purchased for their own official use and for resale to residents of the municipality or tribal members by filing Form 539 with the Tax Division. The municipalities and federally recognized tribes must receive approval prior to receiving untaxed fuel.

A list of approved municipalities and tribes is available on Revenue Online. (Select "Search for a License," then "Motor Fuel Tax Deferral Query.") Then, if the fuel for which taxes were deferred ends up being sold for a taxable use, the municipality or tribe must file a tax return and pay the tax.

Disposition of Revenue

The Tax Division deposits tax revenue from each fuel type into a specific revenue account for that fuel type in the General Fund, then the Legislature may appropriate that money for a use related to the specific fuel type.

For example, proceeds from tax on motor fuel used in boats and watercraft are deposited in a special watercraft fuel tax revenue account in the General Fund. The Legislature may appropriate that money for water and harbor facilities.

In another example, proceeds from tax on motor fuel used in highway vehicles are deposited in a special highway fuel tax revenue account in the General Fund, and the Legislature may appropriate that money for the Alaska Department of Transportation and Public Facilities.

For aviation fuel, the Tax Division shares with the respective municipalities 60% of taxes attributable to aviation fuel sales at municipally owned or operated airports. A current list of Airport Sponsors is available on the Alaska Department of Transportation and Public Facilities' Statewide Aviation Division webpage.

The Tax Division calculates the amount due to the municipalities based on reports filed by qualified dealers. Qualified dealers who collect tax at municipal airports must attach Schedule 532A to the aviation return.

History

The motor fuel tax dates back to 1945 when the Territorial Legislature imposed a tax of $0.01 per gallon on all motor fuel. Over time, the Alaska Legislature enacted separate tax rates for each of the fuel types as they exist today. The Legislature has also changed tax rates through the years.

1994 – The Legislature enacted a tax decrease for bunker fuel. The tax rate decreased 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, and 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. 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. (The legislation expired on June 30, 2004, as mentioned below.)

– 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. The 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 filed bankruptcy. The 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.

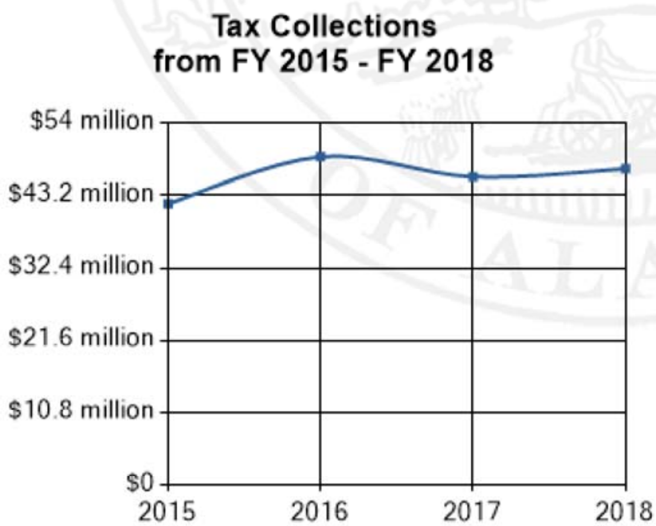
2004 – The 1997 provision that exempted gasohol blended with at least 10% alcohol derived from wood or seafood waste from the motor fuel tax expired on June 30, 2004. Beginning the next day, July 1, 2004, all gasohol has been taxed at the rate of $0.08 per gallon, the current rate.

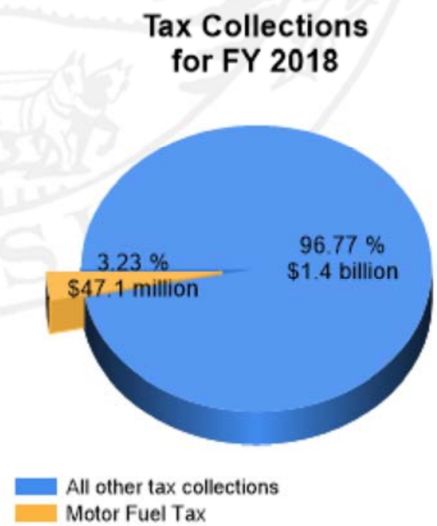
2008 – The Legislature in a special session suspended the motor fuel tax on all fuel types effective Sept. 1, 2008, through Aug. 31, 2009. Motor fuel distributors were required to file monthly reports of all fuel sales during the period of suspension.

2009 – The motor fuel tax suspension continued until Aug. 31, 2009. The motor fuel tax was reinstated the next day, on Sept. 1, 2009.

2015 – House Bill 158, effective July 1, 2015, added a surcharge of $0.0095 a gallon on refined fuel sold, transferred or used in Alaska. Refined fuels exempt from the surcharge when sold are liquefied petroleum gas and aviation fuel, as well as refined fuels for use by federal and state government agencies, to be sold or transferred between qualified dealers, and fuel sold to be refined and used outside the United States. The surcharge is collected in the same manner as the motor fuel tax.

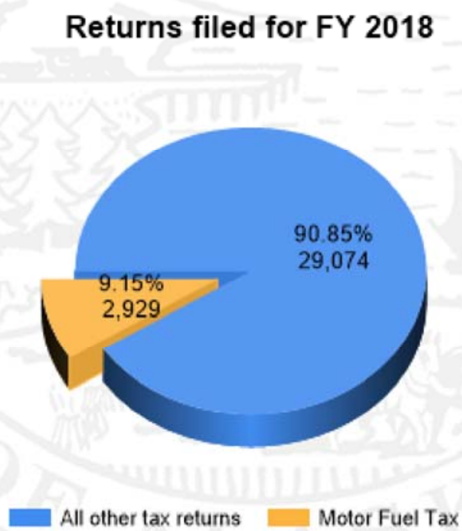
Gallons	Fiscal Year	2018	2017	2016	2015
Highway Fuel		369,230,096	366,035,525	370,470,349	374,209,493
Marine Fuel		110,570,346	109,067,821	119,178,582	107,101,975
Jet Fuel		130,502,936	137,352,645	138,389,441	127,544,195
Aviation Gasoline		9,175,739	9,470,564	9,652,514	10,195,669





Collections Summary

Fiscal Year	2018	2017	2016	2015
Highway Fuel	$30,555,948	$29,311,111	$31,825,609	$31,958,656
Marine Fuel	5,706,226	5,417,976	5,908,628	5,076,030
Jet Fuel	4,067,053	4,092,083	4,164,742	4,371,630
Aviation Gasoline	438,612	442,531	453,521	496,319
Diesel Surcharge	3,619,750	3,952,961	4,078,839	
Gasoline Surcharge	2,729,633	2,662,537	2,464,760	
Penalties and Interest	31,391	65,240	24,139	116,949
Total Tax	**$47,148,613**	**$45,944,439**	**$48,920,238**	**$42,019,584**
General Fund	47,049,908	45,820,059	48,773,877	41,877,783
Aviation Tax Shared with Municipalities	(98,705)	(124,380)	(146,361)	(141,801)



Filing Information

Fiscal Year	2018	2017	2016	2015
Number of Returns	2,929	2,995	3,204	3,253
Number of Taxpayers	110	265	116	119

Tire Fees

AS 43.98.025

Description

Alaska charges a fee for tires sold in Alaska for motor vehicles intended for highway use. The fee has two parts:

- The first part is a $2.50 fee for each new tire.
- The second part is an additional $5 fee for each new studded tire, or when studs are installed on new or used tires. The studs, called heavy studs, are made of metal and weigh more than 1.1 grams each.

The Department of Revenue's Tax Division collects tire fees primarily from retail businesses that sell new tires.

Rates

The total fees:

- New tires without studs – $2.50 per tire.
- New studded tires – $7.50 per tire.
- Studs installed on used tires or already purchased new tires – $5 per tire.

Returns

Taxpayers are required to file their tax returns electronically using Revenue Online.

Taxpayers file tax returns and make tax payments quarterly. Returns and payment are due the last day of the calendar month following the last day of the calendar quarter of the sale or installation. Taxpayers may retain 5% of the amount collected, up to $600 per quarter, to cover expenses for collecting and paying the 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, local and foreign government agencies for official use.
- Tires for resale.
- Tires designed for highway use to be used on a motor vehicle that is not designed for highway use.

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

Disposition of Revenue

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

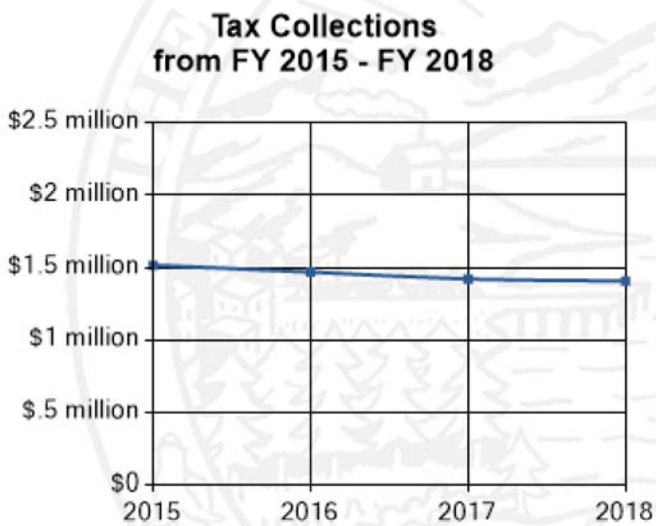
History

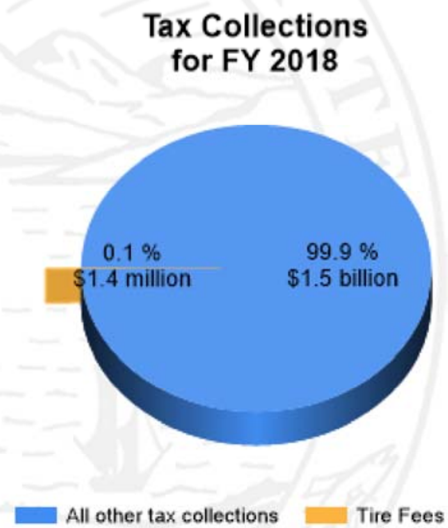
2003 – The Alaska Legislature enacted the tire fees effective Sept. 26, 2003.

2015 – The Legislature passed Senate Bill 33, which clarified the return filing date as the last day of the calendar month following the last day of the calendar quarter of the sale or installation. In addition, in regard to the 5% of collected fees that the taxpayer may retain to cover expenses associated with collecting and remitting the fees, the cap was reduced from $900 a quarter to $600 a quarter. SB 33 became effective May 12, 2015.

Collections Summary

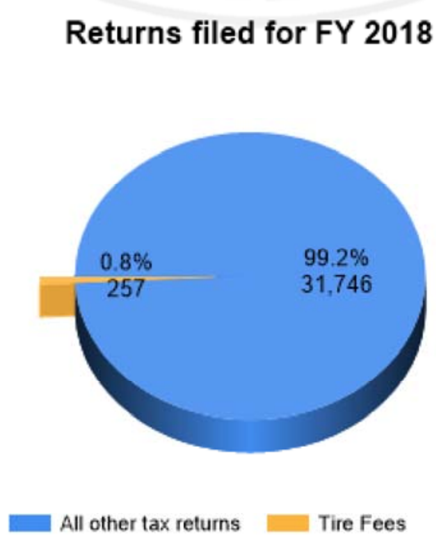
Fiscal Year	2018	2017	2016	2015
New Tires (Non-Studded)	$1,063,977	$1,070,317	$1,089,696	$1,133,124
Studded Tires and Stud Installations	347,096	343,899	379,326	373,883
Penalties, Interest and Refunds	(4,133)	7,004	360	8,798
Total Tax	**$1,406,940**	**$1,421,219**	**$1,469,382**	**$1,515,805**





Filing Information

Fiscal Year	2018	2017	2016	2015
Number of Returns	257	294	338	297
Number of Taxpayers	66	75	76	72



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 Department of Revenue's Tax 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.

Cigarette Tax Rates Since July 1, 2007

	Mill Rate	Tax Per Cigarette	Tax Per Pack (20 cigarettes)
Base Rate	38 mills	$0.038	$0.76
Additional Tax	62 mills	$0.062	$1.24
Total	100 mills	$0.10	$2.00

Non-Participating 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.

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 Tax 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 are required to file their tax returns electronically using Revenue Online.

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 who purchase cigarette tax stamps are entitled to a stamp discount of 3% on the first $1 million and 2% on the second $1 million 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 the revenue is deposited into the Tobacco Use Education and Cessation Fund, a subfund of the General Fund.

Cigarette and Tobacco Products License Fees – The Tax 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.

Other Tobacco Products – The Tax Division deposits all revenue from OTP into the General Fund.

History

The tobacco tax dates to 1949 when the Territorial 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 Territorial Legislature increased the cigarette tax to $0.05 per pack.

1955 – The Territorial 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 Territorial Legislature also created the School Fund and directed all proceeds from the cigarette tax be deposited in this fund.

1961 – The Alaska 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 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 Oct. 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 Alaska, and certain cigarette manufacturers that 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 "Non-Participating 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 Non-Participating Manufacturer to place funds in an escrow account for each cigarette sold in the state. Per the agreement, the State of Alaska is responsible to obtain data to determine the amount required to be placed in an escrow account by each Non-Participating Manufacturer.

2001 – Effective July 1, 2001, the department gained new tools to enforce the nationwide MSA signed by the major cigarette manufacturers 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 Non-Participating Manufacturers that fail to comply with the agreement.

2003 – The Legislature required all cigarette manufacturers to certify to the Tax 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 Jan. 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 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 Jan. 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 Non-Participating Manufacturer. An 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 Jan. 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 Aug. 1, 2008, only fire-safe certified cigarettes can be imported into Alaska.

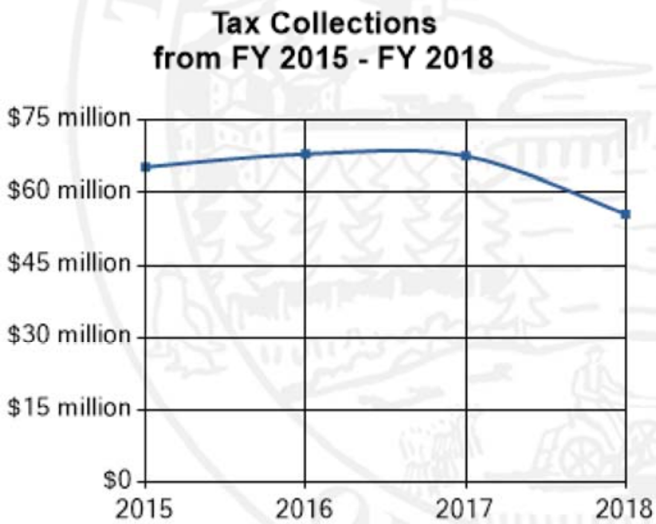
2010 – The Legislature changed the methodology for establishing the minimum price at which cigarettes must be sold.

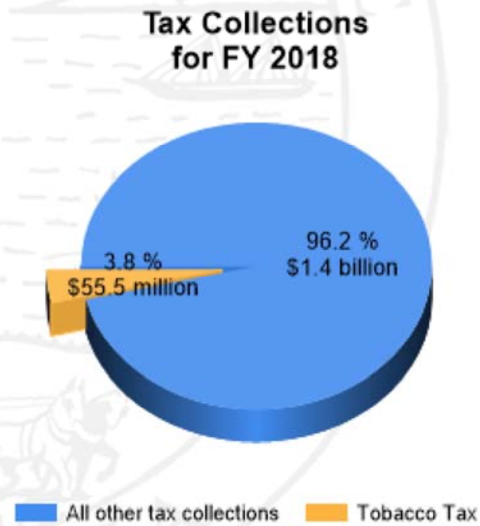
2014 – House Bill 193 (CH 74 SLA 14) added a new section to AS 43.50.150 granting the department the authority to collect, supervise, and enforce tobacco taxes in a manner that would allow the department to enter into agreements with a municipality to administer tobacco taxes on behalf of the municipality. These agreements may allow the department and a municipality to jointly administer cigarette stamps and audit taxpayers for cigarette/tobacco taxes.

The law requires municipalities to reimburse the state for administration costs if the municipality decides to enter into an agreement with the department. The department may also share taxpayer information with municipalities relating to tobacco tax.

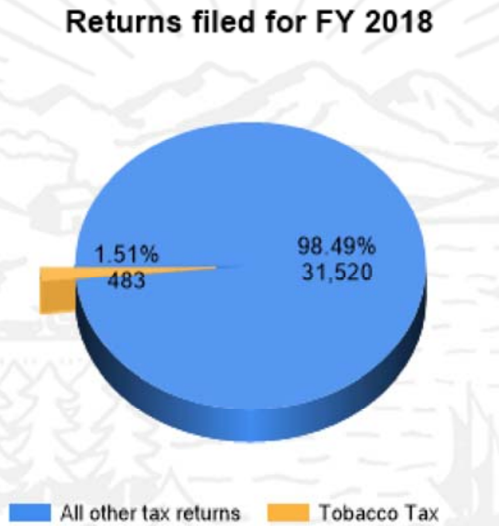
Collections Summary

Fiscal Year	2018	2017	2016	2015
Cigarette Tax	$42,879,773	$54,443,728	$55,270,369	$52,790,556
OTP Tax	12,974,802	13,396,271	12,963,602	12,805,977
Penalties and Interest	6,846	86,706	15,440	39,543
License Fee	2,100	2,470	3,425	3,450
Accounting Expense and Stamp Deduction	(364,000)	(374,507)	(334,330)	(398,094)
Total Tax	**$55,499,521**	**$67,554,668**	**$67,918,506**	**$65,241,432**
General Fund	37,417,560	43,192,820	45,152,376	40,504,473
School Fund	15,782,189	21,280,324	19,879,917	21,601,325
Tobacco Use Education and Cessation Fund	2,299,773	3,081,524	2,886,213	3,135,635





Filing Information Fiscal Year	2018	2017	2016	2015
Number of Returns	483	525	670	714
Number of Taxpayers	41	57	60	66



Cigarettes Fiscal Year	2018	2017	2016	2015
Total Cigarettes Reported on Tax Returns	461,916,080	498,951,760	521,428,678	549,993,906
Military and Indian Exempt Cigarettes	(4,587,600)	(4,454,400)	(4,662,400)	(21,912,600)
Cigarette Credits for Returns	(1,243,205)	(2,174,055)	(48,000)	(1,059,675)
Taxable Cigarettes	**456,085,275**	**492,323,305**	**516,718,275**	**527,021,631**

Value Fiscal Year	2018	2017	2016	2015
Other Tobacco Products	$19,300,419	$19,528,270	$18,730,045	$18,572,760
Military and Indian Exempt OTP	(185,517)	(142,259)	(125,014)	(148,179)
OTP Credits for Returns	(129,210)	(444,161)	(217,730)	(249,805)
Taxable OTP Wholesale	**$18,985,692**	**$18,941,849**	**$18,387,300**	**$18,174,776**

Vehicle Rental Tax

AS 43.60

Description

Alaska levies an excise tax on fees and costs charged for the rental or lease of a passenger or recreational vehicle if the rental or lease does not exceed 90 consecutive days.

The person working for the rental or leasing agency who provides the rental or leased vehicle collects the tax from the individual renting or leasing the vehicle. The rental or leasing agency in turn pays the tax to the Department of Revenue's Tax Division.

Rate

For passenger vehicles, the rate is 10% of the total fees and costs for renting or leasing. For recreational vehicles, the rate is 3% of the total fees and costs for renting or leasing.

Returns

Taxpayers are required to file their tax returns electronically using Revenue Online.

Vehicle rental and leasing agencies file tax returns and make tax payments quarterly. The returns and payments are due the last day of the month following the end of the calendar quarter in which the rental or leasing agencies collected the tax.

Exemptions

Vehicle rental tax does not apply to:

- Vehicle rentals or leases to federal, state, local or foreign government agencies or employees on official business.
- Rental trucks with a gross vehicle weight rating greater than 8,500 pounds used for moving personal property. Rental trucks do not meet the "passenger vehicle" definition.
- Vehicles provided to customers by automobile dealers as replacement transportation during warranty, recall or service contract repairs. Replacement transportation does not meet the "passenger vehicle" definition.
- Taxicabs, which are excluded from the tax under AS 43.52.099. They do not meet the "passenger vehicle" definition.
- Motorcycles and motor-driven cycles as defined by AS 28.90.990.

Exemption certificates are required for the following:

- Rental trucks, as defined above.
- Replacement vehicles, as defined above.

No exemption certificate is required for:

- Taxicabs.

Disposition of Revenue

The Tax Division deposits all revenue from the vehicle rental tax into the General Fund. The Alaska Legislature may appropriate the funds in the vehicle rental tax account for tourism development and marketing.

History

2003 – The Legislature enacted the vehicle rental tax on Aug. 20, 2003. The tax became effective Jan. 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 Jan. 1, 2004. The Tax Division, therefore, refunded the vehicle rental tax collected or remitted for taxicab rentals between Jan. 1, 2004, and May 8, 2004.

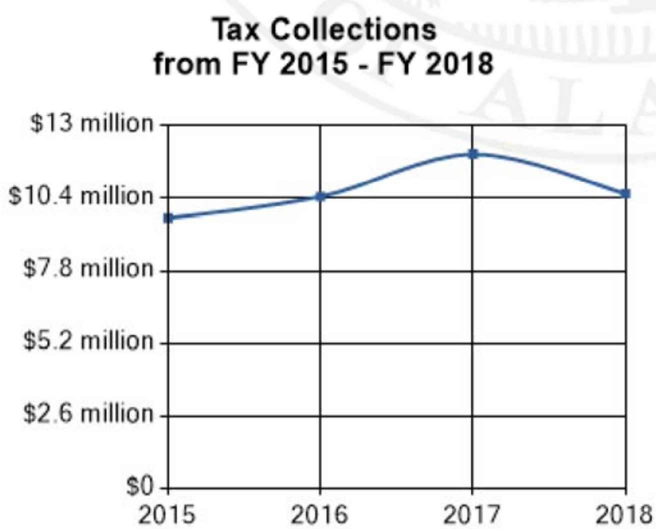
2006 – The Legislature exempted trucks from the vehicle rental tax that were rented by individuals for moving personal property and for vehicles provided to customers by automobile dealers as replacement transportation during warranty, recall or service contract repairs, effective Jan. 27, 2006.

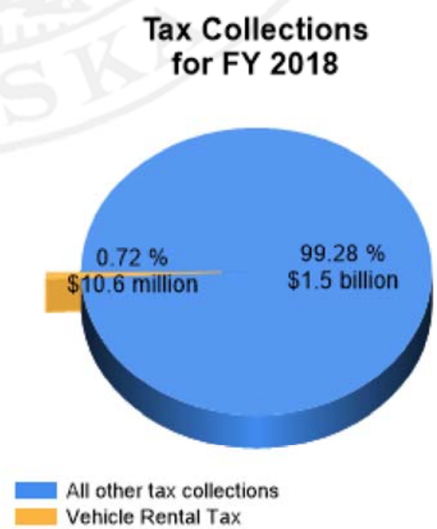
2013 – The Legislature excluded motorcycles and motor-driven cycles as defined by AS 28.90.990 from the vehicle rental tax, effective May 10, 2013.

2014 – House Bill 193 (CH 74 SLA 14) added a new subsection to AS 43.52.080 allowing the Department of Revenue to share taxpayer information with a municipality relating to vehicle rental tax, as long as the municipality grants similar privileges to the Department of Revenue, it provides adequate safeguards for taxpayer confidentiality, and it uses the information for tax purposes. Then-Gov. Sean Parnell signed HB 193 in to law on July 10, 2014; it became effective Oct. 8, 2014.

Collections Summary

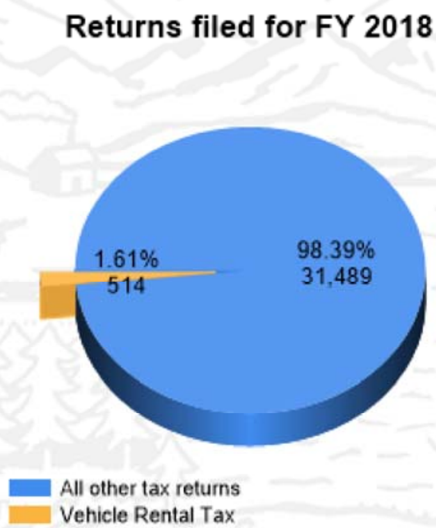
Fiscal Year	2018	2017	2016	2015
Passenger Vehicle Rental	$10,029,579	$10,887,757	$9,820,725	$9,215,480
Recreational Vehicle Rental	542,329	479,609	649,170	432,722
Penalties, Interest and Refunds	168	630,367	2,662	50,554
Total Tax	**$10,572,076**	**$11,997,733**	**$10,472,558**	**$9,698,755**





Filing Information

Fiscal Year	2018	2017	2016	2015
Number of Returns	514	509	475	452
Number of Taxpayers	142	128	123	114



FISHERIES TAXES

Common Property Fishery Assessment

AS 16.10.455

Description

The common property fishery assessment is a cost recovery fisheries assessment that the Alaska Legislature authorized in 2006. It allows hatcheries to establish a common property fishery and recoup costs through an assessment on fishery resources taken in the terminal harvest area. The program was first used in 2012 for the Hidden Falls Hatchery in Southeast Alaska, and the program has only been used for that hatchery.

Rate

A person subject to the common property fishery assessment under AS 16.10.455 shall pay an assessment as a percentage of the projected value of the salmon returning to the terminal harvest area, or as a flat rate on each pound of salmon harvested in the area, to the nearest whole cent. The Department of Revenue sets the assessment by March 1 of each year.

Returns

Buyers are responsible for the collection of the common property fishery assessment and filing an annual return for each business location. The due date is Oct. 31 of the year in which the common property fishery was conducted.

A buyer making a bonus or other additional payment to a person after Oct. 31 for salmon purchased in the previous reporting period shall collect the assessment and file a return of the bonus or additional payment made. The buyer shall file the return no later than the last day of the month following the month in which a bonus or additional payment was made.

History

2006 – The Legislature adopted the common property fishery assessment.

2012 – The program was first used in 2012 for the Hidden Falls Hatchery in Southeast Alaska.

2014 – The Legislature passed Senate Bill 71 (CH 69 SLA 14) that changed the methodology for determining the value of salmon for the common property fishery assessment.

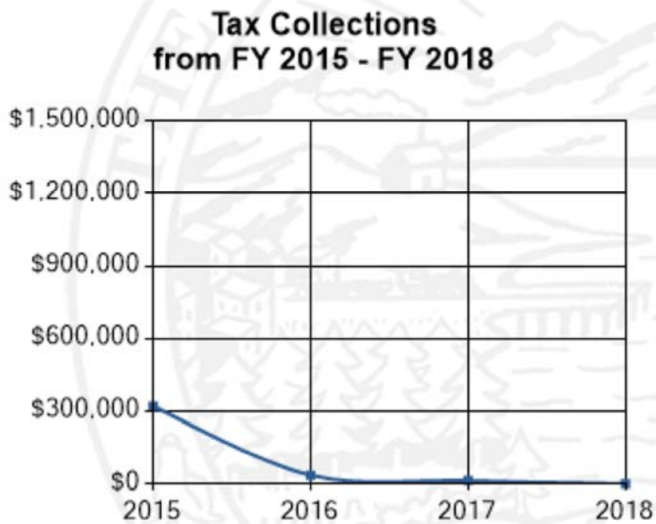
2017 – Based on a forecast for a poor 2017 Hidden Falls chum salmon return, the Northern Southeast Regional Aquaculture Association (NSRAA) board did not impose the common property fishery assessment for the fishing period ending July 31, 2017. If there had been an assessment, it would have been due Oct. 31, 2017, (fiscal year 2018). Because there was no assessment, there is a zero for FY 2018 in the Collections Summary table below.

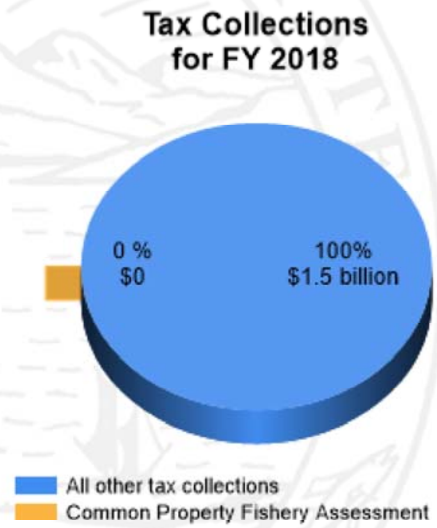
2018 – Similar to 2017, based on a forecast for a poor 2018 Hidden Falls chum salmon return, the NSRAA board did not impose the common property fishery assessment for the fishing period ending July 31, 2018. If there had been an assessment, it would have been due Oct. 31, 2018, (FY 2019). Because there was no assessment, there will be a zero for FY 2019 in the Collections Summary table in the FY 2019 Annual Report.

See the 2017 entry above for an explanation of the zero in the FY 2018 column in the Collections Summary table below.

Collections Summary

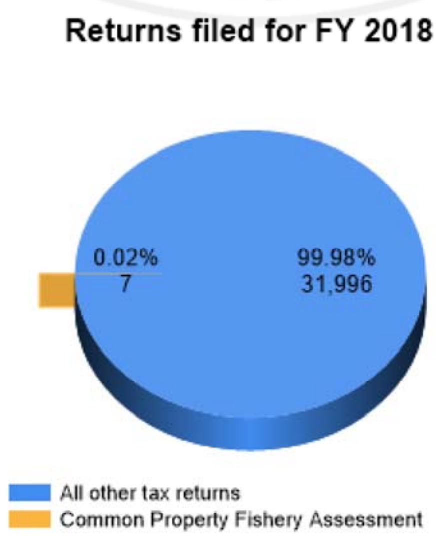
	Fiscal Year	2018	2017	2016	2015
Total Tax		**$0**	**$13,262**	**$36,062**	**$320,656**





Filing Information

	Fiscal Year	2018	2017	2016	2015
Number of Returns		7	7	8	8
Number of Taxpayers		5	7	6	7



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 the 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 Department of Revenue's Tax Division deposits all revenue derived from the dive fishery management assessment into the General Fund. Under AS 43.76.200, the Alaska Legislature may appropriate dive fishery management assessment revenue to the Alaska 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.

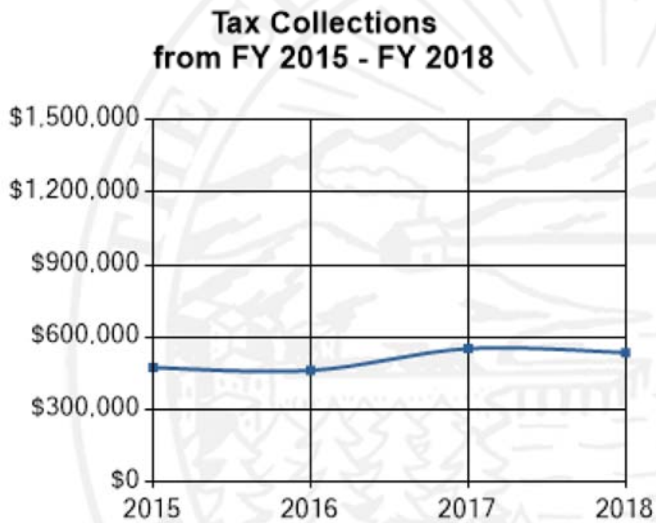
2004 – The Legislature authorized three additional rates: 2%, 4% and 6%. Geoduck fishermen subsequently elected to increase the geoduck assessment to 7% from Nov. 1, 2004, through Oct. 31, 2006.

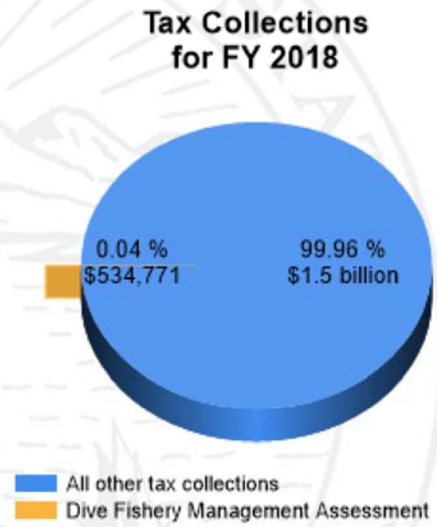
2005 – The Legislature authorized an annual filing due date of March 31 for dive fishermen who export or sell to unlicensed buyers, effective Jan. 1, 2005.

2006 – After Oct. 31, 2006, geoduck fishermen elected to continue the 7% assessment on geoducks.

Collections Summary

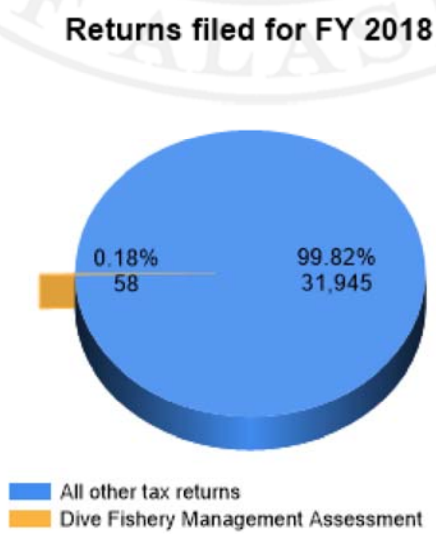
	Fiscal Year	2018	2017	2016	2015
Total Tax		**$534,771**	**$551,492**	**$460,822**	**$472,791**





Filing Information

	Fiscal Year	2018	2017	2016	2015
Number of Returns		58	60	56	56
Number of Taxpayers		19	19	20	17



Fisheries Business Tax

AS 43.75

Description

Alaska levies a fisheries business tax (also known as the “raw fish tax”) on fisheries businesses and people who process fisheries resources in Alaska, or export unprocessed fisheries resources from the state.

The tax is based on the price paid to commercial fishermen for the raw resource, or the fair market value when there is no arms-length transaction prior to processing or export.

The Department of Revenue's Tax Division collects fisheries business taxes from processors and people 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	5.0%
Salmon Cannery	4.5%
Shore-Based	3.0%

Developing	Rate
Floating	3.0%
Shore-Based	1.0%

Returns

Fisheries business taxpayers file annual returns that are due with their payment on March 31 of the following year. Or, in lieu of annual returns, taxpayers have the option to file monthly returns, where they file and pay by the 15th of each month to report their activities from the previous month.

Taxpayers are also required to file returns to report post-season bonus payments that they paid fishermen. Bonus returns and payments are due by the last day of the month following the month the bonus payment was made (for annual filers) or by the 15th of the following month (for monthly filers).

Exclusion

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

Credits

The Education Credit, Film Production Credit, and the Salmon and Herring Product Development Credit (often called the Product Development, or PD credit) are available for use against the liability of this specific tax. For more information, see the Fisheries Business Credits section below.

Disposition of Revenue

The Tax Division deposits all revenue derived from the fisheries business tax into the state's General Fund. The Alaska Legislature may appropriate revenue from the tax for revenue sharing described in the following two paragraphs:

Processing Activity Inside a Municipality

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

Processing Activity Outside a Municipality

The Tax Division shares 50% of tax collected from processing activities outside an incorporated city or an organized borough through an allocation program administered by the Alaska 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 that applied to salmon canneries based on canned salmon ($0.07 per case); and the "cold storage" tax that applied to other fisheries and was based on business receipts. Between 1913 and 1949, the Territorial 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 the 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 Alaska 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 Tax 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 Alaska Department of Labor and Workforce Development 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 also 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 fisheries business licenses 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 Jan. 1, 2003, the SPDU legislation sunset date was Dec. 31, 2005. Unused credits earned may be carried forward for three years.

– The Legislature authorized the 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 Sept. 8, 2003.

2004 – Legislation authorized a new direct marketing fisheries business license, and a 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 Jan. 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 Tax Division, seafood marketing assessments, employment security contributions, federal Occupational Safety and Health penalties, and municipal fishery taxes.

2006 – The Legislature extended the Salmon Product Development Credit for expenditures made through Dec. 31, 2008. The Salmon Utilization Credit, established in 2003, was not extended beyond the sunset date of Dec. 31, 2005.

2008 – The Legislature amended 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.

– 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 Dec. 31, 2008, to Dec. 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 predetermining 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 Jan. 1, 2011. In addition, the Legislature expanded contributions eligible for the credit to include contributions made for the 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 expired Dec. 31, 2013. The maximum credit allowed was to revert to $150,000 on Jan. 1, 2014. That date was extended in 2011 (see the 2011 entry below).

– 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 Dec. 31, 2011, to Dec. 31, 2015. The legislation also expanded the list of qualified property to include ice-making machines.

– The Legislature authorized the Department of Revenue to withhold or suspend a fisheries business license if a fisheries business fails to pay the permit buyback fee imposed by the federal 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 Jan. 1, 2014, to Jan. 1, 2021. It is then scheduled to return to $150,000. The Legislature also 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.

2014 – The Legislature passed House Bill 278 (CH 15 SLA 14) and changed AS 43.75 to further expand qualifying Education Tax Credits to include cash contributions to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Alaska Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the U.S. Department of Labor under 29 U.S.C. 50-50b for direct instruction, research and educational support purposes.

In addition, tax credits are available for cash contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, funding for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state-approved by the Alaska Department of Education and Early Development, or certain qualified childhood early learning and development programs.

Tax credits are also available for cash contributions for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

– HB 306 (CH 69 SLA 14) amended AS 43.75 and repealed certain existing tax credits (the Winn Brindle Scholarship Credit, Education Credit, Salmon Development Credit, and Film Production Credit) over the next five to six years if the Legislature does not reauthorize the credits before their sunset dates.

– The Legislature passed Senate Bill 71 (CH 69 SLA 14) that renamed the Salmon Product Development Tax Credit to the Salmon and Herring Product Development Tax Credit (Product Development or PD credit), which added herring. The credit on salmon and herring expenditures is for promoting the development of salmon and herring products. The credit was extended to Dec. 31, 2020.

2015 – The Legislature passed SB 39, which finalized the repeal of the Film Production Credit.

2016 – The A.W. “Winn” Brindle Scholarship Credit under HB 306 was repealed effective Dec. 31, 2016.

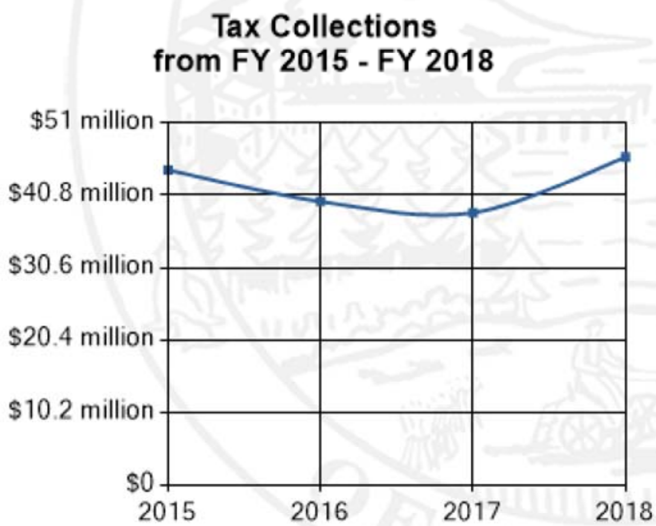
2018 – The Legislature passed House Bill 233, which amended the Fisheries Business Education Credit in AS 43.75.018 (in conjunction with corresponding amendments to parallel Education Credits provided in other titles and chapters).

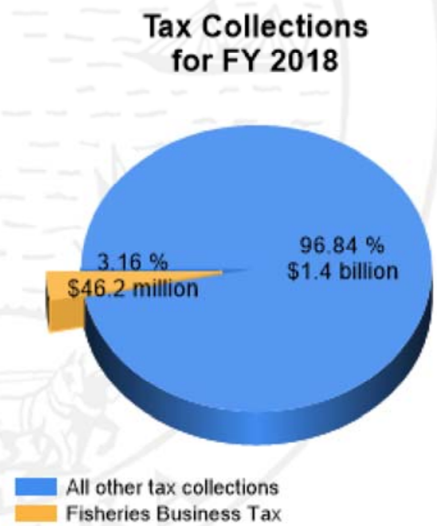
The credit amount was reduced from 100% to 75% of donations of between $100,000 and $300,000 starting Jan. 1, 2019, and was further reduced to 50% of all contributions beginning Jan. 1, 2021.

Additionally, the total Education Credit that any taxpayer may claim for all parallel Education Credits was reduced to $1 million a year from $5 million, beginning Jan. 1, 2019. HB 233 also extended the credit to in-kind donations of equipment in addition to cash donations as of Jan. 1, 2019.

Collections Summary

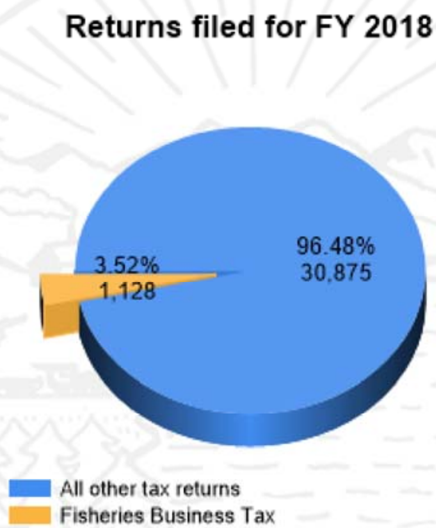
Fiscal Year	2018	2017	2016	2015
Established Shore-Based	$35,279,591	$30,167,981	$32,416,535	$33,859,642
Established Floating	4,569,016	4,515,272	3,118,600	4,412,960
Established Cannery	5,803,015	2,465,607	3,817,208	5,117,768
Developing	344	1,609	1,089	9,760
Prepayments	328,710	117,269	408,198	502,939
Penalties and Interest	234,630	1,048,784	125,525	491,989
License Fees	13,100	13,650	14,325	12,050
Total Tax	**$46,228,406**	**$38,330,171**	**$39,901,481**	**$44,407,109**
General Fund	21,233,058	15,462,926	22,251,627	21,316,683
Shared with Municipalities	(23,710,558)	(21,245,655)	(16,235,168)	(21,479,070)
DCCED Municipal Allocation	(1,284,789)	(1,621,591)	(1,414,686)	(1,611,355)





Filing Information

Fiscal Year	2018	2017	2016	2015
Number of Returns	1,128	1,062	976	753
Number of Taxpayers	514	469	405	347



Fisheries Business Tax Credits

Education – AS 43.20.014, 43.75.018, 43.77.045, 43.55.019, 43.56.018 and 43.65.018 – The Education Credit is a nontransferable and nonrefundable credit applicable to the corporate income tax, fisheries business tax, fishery resource landing tax, oil and gas production tax, oil and gas property tax, and mining license tax.

Taxpayers can claim a credit for contributions to Alaska universities and accredited nonprofit Alaska two- 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 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 also qualify. Contributions to the Alaska Higher Education Investment Fund established in 2012 qualify as well.

The credit was set to end Dec. 31, 2018, but the Alaska Legislature in 2018 made changes to the law, and extended the credit to Dec. 31, 2024.

Before Jan. 1, 2019, the credit is only for cash contributions. As of Jan. 1, 2019, the credit will be for contributions of cash or equipment.

Before the year 2019, the credit allows the deduction of 50% of a business's annual contributions up to $100,000, 100% of the next $200,000 in donations, then 50% of donations above $300,000. A business, for example, is able to have $250,000 deducted from its taxes by paying $300,000 in donations. A business is allowed to claim up to $5 million in Education Credits per year across all eligible tax types.

As of Jan. 1, 2019, the deduction amounts and cap will be reduced. The credit, including the contribution categories eligible for the credit, will remain the same as before 2019, with two exceptions. First, the contributions between $100,000 and $300,000 – those contributions will allow a deduction of 75% of the contribution, not 100% like before 2019. Second, a business will be allowed to claim up to $1 million in education credits per year across eligible tax types, not up to $5 million like before 2019.

On Jan. 1, 2021, the credit will be further reduced to 50% of all contributions. A business will still be allowed to claim up to $1 million in education credits per year across eligible tax types.

Qualifying Education Tax Credits include contributions by taxpayers to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Alaska Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the U.S. Department of Labor under 29 U.S.C. 50-50b for direct instruction, research and educational support purposes.

In addition, tax credits for certain taxpayers are available for contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Alaska Department of Education and Early Development, or certain qualified childhood early learning and development programs.

Tax credits are also available for contributions by certain taxpayers for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

Film Production Credit – AS 43.98.030, AS 21.09.210, AS 21.66.110, AS 43.20, AS 43.55, AS 43.56, AS 43.65, AS 43.75 and AS 43.77 – The Film Production Tax Credit under the Department of Revenue was effective July 1, 2013, and the Alaska Legislature repealed it July 1, 2015. The department stopped accepting new projects on the date it was repealed. It was a transferable credit for expenditures on eligible film production activities in Alaska. The film credits have six-year expiration dates to be used against Alaska tax liabilities; therefore, the department could see credits being taken until 2023 since credits were still being awarded in 2016.

Salmon and Herring Product Development – AS 43.75.035 – This credit is for eligible capital expenditures to expand value-added processing of Alaska salmon and herring. The credit is 50% of qualified investments up to 50% of the fisheries business tax liability incurred for processing salmon and herring during the tax year. The credit is not transferable, but it may be carried forward for three years. The statute is scheduled to sunset on Dec. 31, 2020. Herring products were added to the credit in 2014.

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

Rate

Tax rates are based on whether the resource is classified as "established" or "developing" by the Department of Fish and Game, and are based on the unprocessed value of the fishery resource. The rate for established fisheries is 3% and the rate for developing fisheries is 1%.

Returns

Taxpayers file returns and pay tax on a annual basis. The return is due on the last day of the month following the month that the Department of Revenue posts the statewide average fish prices, and any unpaid tax will be paid with the return.

The Department of Revenue may, under regulation it adopts, grant a reasonable extension of time for the filing. A grant of an extension of time for the filing doesn't extend the time of the payment of the tax.

The Department of Revenue's Tax 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 Tax 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 are available for use against the liability of this specific tax: the CDQ, Education, Film Production and Other Taxes credits. See the Fishery Resource Landing Tax Credits section below for more information.

Disposition of Revenue

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

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

Landings Outside a Municipality – The Tax 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 fishery 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, and 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 are not landed in Alaska. AS 43.77.015 required that those payments are treated as if they were landing taxes.

2001 – The Legislature amended the landing tax statutes to require the 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 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.

2010 – The Legislature amended the Education Credit by increasing the maximum credit allowed from $150,000 to $5 million effective Jan. 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 Dec. 31, 2013. The maximum credit allowed was to revert to $150,000 on Jan. 1, 2014. The date was extended in 2011 (see next entry).

2011 – The Legislature enacted legislation extending the date that the $5 million annual Education Credit limit expires from Jan. 1, 2014, to Jan. 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.

2014 – The Legislature passed House Bill 278 (CH 15 SLA 14) that further expanded qualifying Education Tax Credits to include cash contributions to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Alaska Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the U.S. Department of Labor under 29 U.S.C. 50-50b for direct instruction, research, and educational support purposes.

In addition, tax credits are available for cash contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, funding for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Alaska Department of Education and Early Development, or certain qualified childhood early learning and development programs.

Tax credits are also available for cash contributions for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

– HB 306 (CH 69 SLA 14) amended AS 43.77 and repealed certain existing tax credits (the "Winn" Brindle Scholarship Credit, Education Credit, CDQ Credit, and Film Production Credit) over the next five to six years if the Legislature does not reauthorize the credits before their sunset dates.

– The Legislature passed Senate Bill 71 (CH 69 SLA 14) that changed the due date for the Fishery Resource Landing Tax from a set date of April 1 to 30 days after the Tax Division publishes the statewide average prices.

2015 – The Legislature passed SB 39 that finalized the repeal of the Film Production Credit.

2016 – The A.W. "Winn" Brindle Scholarship Credit under HB 306 was repealed effective Dec. 31, 2016.

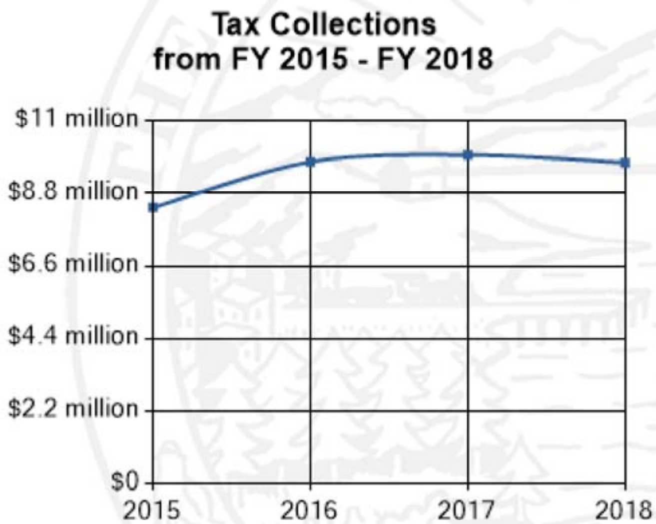
2018 – The Legislature passed House Bill 233, which amended the Fishery Resource Landing Tax Education Credit in AS 43.77.045 (in conjunction with corresponding amendments to parallel Education Credits provided in other titles and chapters).

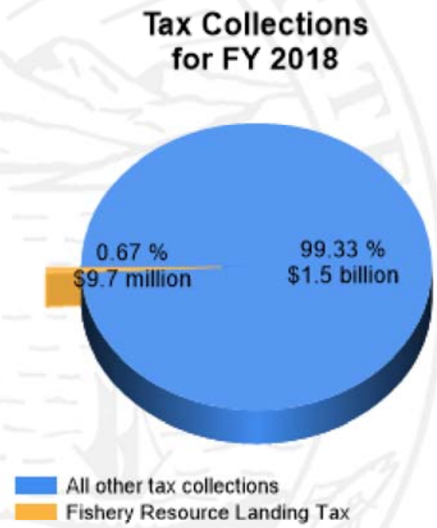
The credit amount was reduced from 100% to 75% of donations of between $100,000 and $300,000 starting Jan. 1, 2019, and was further reduced to 50% of all contributions beginning Jan. 1, 2021.

Additionally, the total Education Credit that any taxpayer may claim for all parallel Education Credits was reduced to $1 million a year from $5 million, beginning Jan. 1, 2019. HB 233 also extended the credit to in-kind donations of equipment in addition to cash donations as of Jan. 1, 2019.

Collections Summary

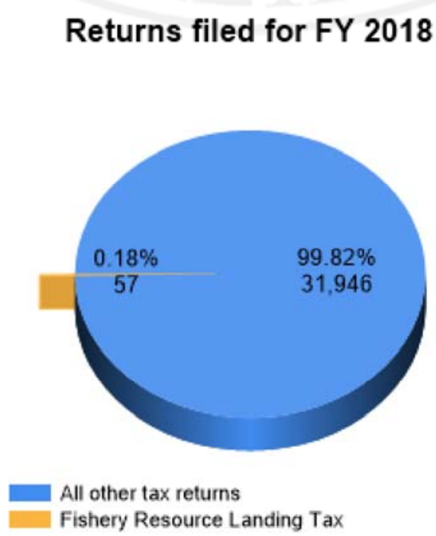
Fiscal Year	2018	2017	2016	2015
Total Tax	**$9,736,239**	**$9,968,676**	**$9,765,515**	**$8,376,628**
General Fund	3,464,070	4,858,918	336,863	5,141,814
Shared with Municipalities	(5,367,754)	(4,518,891)	(8,239,986)	(3,125,677)
DCCED Municipal Allocation	(904,416)	(590,867)	(1,188,666)	(109,137)





Filing Information

Fiscal Year	2018	2017	2016	2015
Number of Returns	57	71	66	99
Number of Taxpayers	56	66	55	68



Fishery Resource Landing Tax Credits

CDQ – AS 43.77.040 – The CDQ Credit is a nontransferable credit for contributions to an Alaska nonprofit corporation that is dedicated to fisheries industry-related expenditures. The credit is available only for fishery resources harvested under a CDQ. The credit is 100% of a taxpayer's contribution amount, up to the 45.45% of the taxpayer's tax liability on fishery resources harvested under a Community Development Quota. The authorizing statute is scheduled to sunset Jan. 1, 2021.

Education – AS 43.20.014, 43.75.018, 43.77.045, 43.55.019, 43.56.018 and 43.65.018 – The Education Credit is a nontransferable and nonrefundable credit applicable to the corporate income tax, fisheries business tax, fishery resource landing tax, oil and gas production tax, oil and gas property tax, and mining license tax.

Taxpayers can claim a credit for contributions to Alaska universities and accredited nonprofit Alaska two- 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 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 also qualify. Contributions to the Alaska Higher Education Investment Fund established in 2012 qualify as well.

The credit was set to end Dec. 31, 2018, but the Alaska Legislature in 2018 made changes to the law, and extended the credit to Dec. 31, 2024.

Before Jan. 1, 2019, the credit is only for cash contributions. As of Jan. 1, 2019, the credit will be for contributions of cash or equipment.

Before the year 2019, the credit allows the deduction of 50% of a business's annual contributions up to $100,000, 100% of the next $200,000 in donations, then 50% of donations above $300,000. A business, for example, is able to have $250,000 deducted from its taxes by paying $300,000 in donations. A business is allowed to claim up to $5 million in Education Credits per year across all eligible tax types.

As of Jan. 1, 2019, the deduction amounts and cap will be reduced. The credit, including the contribution categories eligible for the credit, will remain the same as before 2019, with two exceptions. First, the contributions between $100,000 and $300,000 – those contributions will allow a deduction of 75% of the contribution, not 100% like before 2019. Second, a business will be allowed to claim up to $1 million in education credits per year across eligible tax types, not up to $5 million like before 2019.

On Jan. 1, 2021, the credit will be further reduced to 50% of all contributions. A business will still be allowed to claim up to $1 million in education credits per year across eligible tax types.

Qualifying Education Tax Credits include contributions by taxpayers to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Alaska Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the U.S. Department of Labor under 29 U.S.C. 50-50b for direct instruction, research and educational support purposes.

In addition, tax credits for certain taxpayers are available for contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Alaska Department of Education and Early Development, or certain qualified childhood early learning and development programs.

Tax credits are also available for contributions by certain taxpayers for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

Film Production Credit – AS 43.98.030, AS 21.09.210, AS 21.66.110, AS 43.20, AS 43.55, AS 43.56, AS 43.65, AS 43.75 and AS 43.77 – The Film Production Tax Credit under the Department of Revenue was effective July 1, 2013, and the Alaska Legislature repealed it July 1, 2015. The department stopped accepting new projects on the date it was repealed. It was a transferable credit for expenditures on eligible film production activities in Alaska. The film credits have six-year expiration dates to be used against Alaska tax liabilities; therefore, the department could see credits being taken until 2023 since credits were still being awarded in 2016.

Other Taxes – AS 43.77.030 – 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.

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 Department of Revenue's Tax 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 fishery 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 a special harvest area permit (typically, salmon harvested on behalf of salmon hatcheries) are exempt from the seafood development tax.

Disposition of Revenue

The Tax Division deposits all seafood development tax revenue into the General Fund. Under AS 43.76.380(d), the Alaska 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.

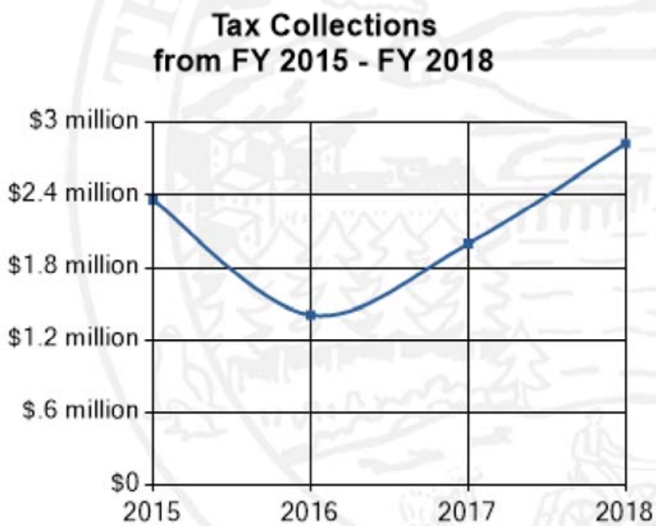
2006 – Commercial salmon drift gillnet fishermen in the Bristol Bay seafood development region elected a 1%

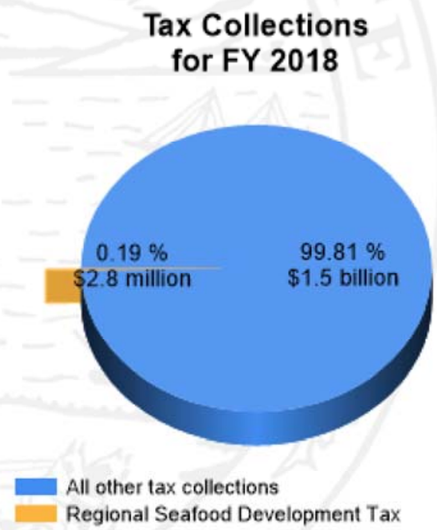
tax.

2009 – Commercial salmon set gillnet fishermen in the Prince William Sound seafood development region elected a 1% tax.

Collections Summary

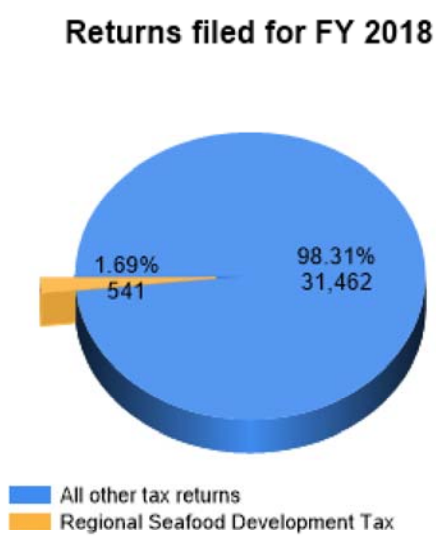
	Fiscal Year	2018	2017	2016	2015
Total Tax		**$2,824,728**	**$1,999,249**	**$1,409,426**	**$2,361,561**





Filing Information

	Fiscal Year	2018	2017	2016	2015
Number of Returns		541	324	274	189
Number of Taxpayers		53	30	30	34



Salmon Enhancement Tax

AS 43.76.001

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 Department of Revenue's Tax 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
Yakutat	2%	2013

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 Alaska 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 commercial fishermen in the Cook Inlet aquaculture 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.

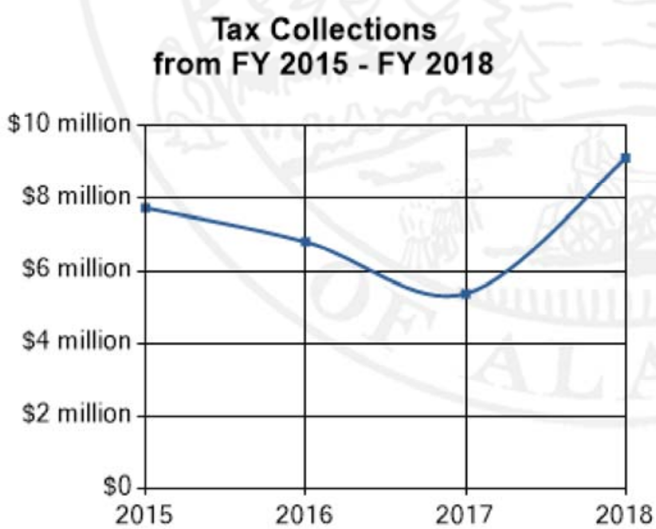
1991 – Commercial fishermen in the Chignik aquaculture region elected a 2% tax.

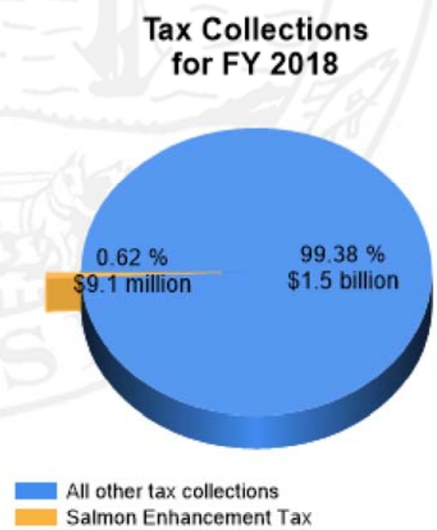
2004 – The Legislature authorized additional salmon enhancement tax rates, subject to permit holder elections held by qualified regional associations. In addition to the 1%, 2%, or 3% options, 10 additional options were made available ranging from 4% to 30%. This legislation clarified who must pay the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

2013 – Commercial fishermen in the Yakutat aquaculture region elected a 2% tax.

Collections Summary

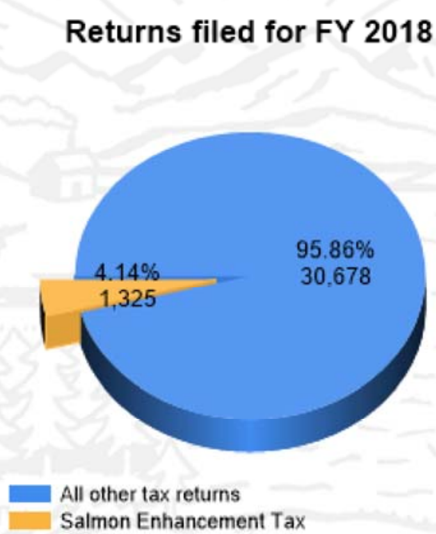
	Fiscal Year	2018	2017	2016	2015
Total Tax		**$9,123,337**	**$5,382,662**	**$6,805,741**	**$7,742,177**





Filing Information

Fiscal Year	2018	2017	2016	2015
Number of Returns	1,325	1,260	938	820
Number of Taxpayers	231	234	186	190



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 Department of Revenue's Tax 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 annual 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 Alaska Legislature may appropriate funds to the Alaska Seafood Marketing Institute (ASMI).

History

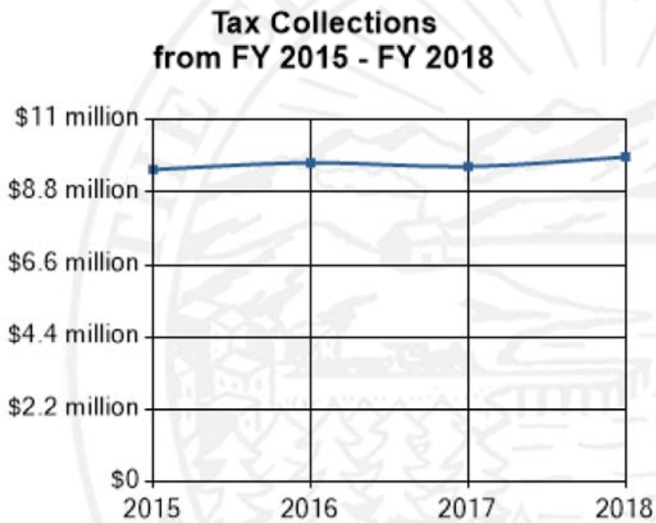
1981 – The Legislature enacted an elective seafood marketing assessment of 0.1%, 0.2%, or 0.3% (elected by large processors in Alaska). Processors elected a 0.3% assessment to take effect in calendar year 1982.

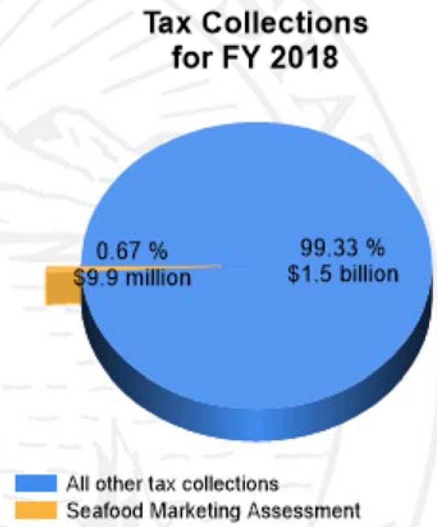
1996 – The Legislature amended the seafood marketing assessment statutes to include fishery resources landed in Alaska. The legislation was retroactive to January 1994. Prior to fiscal year 1996, revenue collected from the 0.3% portion of the original 3.3% landing tax rate was accounted for in a separate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

2004 – The Legislature directed the Alaska Seafood Marketing Institute to hold elections and determine whether to retain the assessment, and to hold 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 rate to 0.5% and eliminated the salmon marketing tax, effective Jan. 1, 2005.

Collections Summary

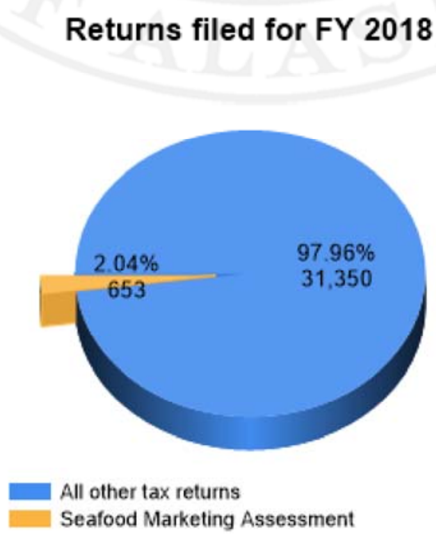
	Fiscal Year	2018	2017	2016	2015
Total Tax		**$9,860,220**	**$9,566,525**	**$9,681,785**	**$9,474,112**





Filing Information

	Fiscal Year	2018	2017	2016	2015
Number of Returns		653	613	468	377
Number of Taxpayers		143	149	128	130



OIL AND GAS TAXES

Oil and Gas Production Tax

AS 43.55

Description

Alaska levies an annual tax on oil and gas produced in the state. The tax is based on the net value of oil and gas, which is the value at the point of production multiplied by the taxable volume, less all lease expenditures allowed under AS 43.55.165. Lease expenditures include certain qualified capital and operating expenditures.

House Bill 111, passed in 2017 during the second special session of the 30th Alaska Legislature, is the most recent amendment to the Oil and Gas Production tax statutes under Alaska Statute 43.55. Most provisions of HB 111 take effect on Jan. 1, 2018, with some retroactivity to July 1, 2017.

Rate

The current tax rate oil and gas production is 35% of the production tax value, however, certain categories of oil and gas production are subject to either tax limitations or floors.

Production subject to tax limitations:

- The levy of tax on gas production from the Cook Inlet Sedimentary Basin may not exceed the amount obtained by multiplying the average rate of tax that imposed on each lease or property during the 12-month period beginning April 1, 2005, through March 31, 2006, times the taxable volumes produced during the year.
- For Cook Inlet leases or properties that commenced gas production after March 31, 2006, the levy of tax may not exceed the amount derived by multiplying the annual gas volumes produced by 17.7 cents per million cubic feet (mcf).
- The production tax levied on oil produced in the Cook Inlet Sedimentary Basin may not exceed $1.00 per barrel.
- The production tax levied on oil or gas produced from leases and properties in the state outside the Cook Inlet Sedimentary Basin and that do not include lands north of 68 degrees north latitude may not exceed 4% of the gross value of the oil or gas at the point of production.
- For gas produced from leases or properties north of 68 degrees north latitude that is used in-state, the levy of tax may not exceed the amount derived by multiplying the annual gas volumes produced by 17.7 cents per mcf.

Production subject to tax floor:

- The tax levied on oil and gas produced from leases and properties that include land north of 68 degrees north latitude, other than gas used in state, may not be less than 4% or 3% or 2% or 1% or zero of the gross value at the point of production of the oil or gas, based on the average price per barrel of North Slope crude on the U.S. West Coast during the year.

Returns

Taxpayers are required to report all values, volumes, transportation costs, expenditures and credits used to calculate their estimated monthly installment payments in the monthly report. The monthly reports are due the last day of the month following the month of activity.

Annually, on March 31, taxpayers submit an annual tax return that also "trues up" any tax liabilities or overpayments made throughout the year.

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: Alternative Credit for Exploration, Carried-Forward Annual Loss, Cook Inlet Jack-Up Rig, Education, Exploration Incentive, Exploration Incentive (Assignable), Film Production, New Area Development, Qualified Capital Expenditure, Small Producer, Transitional Investment Expenditure, and Well Lease Expenditure tax credits. Some of these credits may also be redeemed by the State of Alaska for cash. For specific information concerning these credits, see the Oil and Gas Production Credits section below.

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 Territorial 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 Alaska Legislature increases oil and gas production tax from 1% to 3% of production value.

1970 – The Legislature repeals the disaster oil and gas production tax. The Legislature changes the oil production tax to a graduated tax with rates of 3% on the first 300 barrels per day per well, 5% on the next 700 barrels per day per well, 6% on the next 1,500 barrels per day per well and 8% on production exceeding 2,500 barrels per day per well.

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

1973 – The Legislature revises the "stair-step" 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 U.S. 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 repeals the separate accounting oil and gas corporation income tax, the nominal tax rate on oil produced prior to 1981 is 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 3,000 mcf per well per day.

2002 – The Legislature authorizes credits of up to 50% for contributions of not more than $100,000 to the Alaska Veterans' Memorial Endowment Fund, and 75% of the next $100,000 in contributions to the endowment fund.

The tax credit expires July 1, 2003.

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

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

– To expand the tax credit for exploration enacted the previous year, the deadline is extended until July 1, 2010, for qualifying work south of the Brooks Range (for instance, non-North Slope). New rules also change 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 extends and amends 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 amends the credit against those taxes for certain exploration expenditures from leases or properties in the state. The legislation is signed into law July 21, 2005, with an immediate effective date.

2006 – In August 2006, legislation is passed during a special session that makes sweeping revisions to the oil and gas production tax. The Petroleum Production Tax (PPT) legislation establishes new tax rates on oil and gas production; repeals the economic limit factor; and provides numerous credits for certain qualifying expenditures and taxpayers.

2007 – The Legislature amends the PPT legislation in a special session that ends in November 2007. Like the PPT legislation enacted in 2006, the Alaska's Clear and Equitable Share (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 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.

– The Alternative Credit for Exploration is increased from 20% to 30% for certain projects, and an Oil and Gas Tax Credit Fund is established for the cash purchases of tax credit certificates.

2010 – The Legislature amends 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, the 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 the elimination of the future investment requirement for the purchase of transferable tax credit certificates by the state.

– The Legislature amends the Education Credit by increasing the maximum annual credit allowed from $150,000 to $5 million effective Jan. 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 Dec. 31, 2013. The maximum credit allowed is to revert to $150,000 on Jan. 1, 2014. That date was extended in 2011 (see below).

2011 – The Legislature enacts legislation extending the date that the $5 million annual Education Credit limit expires from Jan. 1, 2014, to Jan. 1, 2021. It is then scheduled to return to $150,000. In addition, the Legislature expands 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 enacts legislation that establishes 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 establishes 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 are established for drilling of exploration wells and seismic exploration expenditures in specific areas. These are referred to as the Middle Earth Basin Credits.

2013 – On May 21, 2013, Senate Bill 21 was signed into law. Major provisions of the law:

- The production tax rate is amended to 35% of the annual Production Tax Value (PTV) in AS 43.55.011 (e), and the progressivity index under AS 43.55.011(g) is eliminated, effective Jan. 1, 2014.

- The law 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 that qualifies.

- The law establishes AS 43.55.160(g), which is an additional 10% reduction in GVPP for lease or properties qualifying under AS 43.55.160(f), for all leases having a greater than 12.5% royalty.

- The law eliminates credits for qualified capital expenditures incurred after Dec. 31, 2013, for expenditures incurred on the North Slope. Credits for qualified capital expenditures incurred south of 68 degrees north latitude remain.

- The law changes the timing of applicability of credits so that 100% of credits based on expenditures incurred north of 68 degrees north latitude after Jan. 1, 2013, are available for immediate use.

- Carried-Forward Annual Loss Credits incurred north of 68 degrees north latitude increase to 45% of excess lease expenditures beginning Jan. 1, 2014, through Dec. 31, 2015, and decrease to 35% of excess lease expenditures beginning Jan. 1, 2016. The credit for annual losses incurred south of 68 degrees north latitude remains at 25%.

- The law establishes new non-transferable tax credits based on oil production for lease or properties north of 68 degrees north latitude beginning Jan. 1, 2014. AS 43.55.024(i) establishes a $5 per barrel credit for oil that qualifies 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.

- The sunset date for the Alternative Tax Credit for Oil and Gas Exploration is extended from July 1, 2016, to Jan. 1, 2022, in AS 43.55.025(b) for exploration wells drilled outside the Cook Inlet Sedimentary Basin and south of 68 degrees north latitude. The 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).

- The sunset of the tax limitation under AS 43.55.011(p) on production from leases or properties outside the Cook Inlet Sedimentary Basin that does not include land that is north of 68 degrees north latitude is extended from 2022 to 2027.

- The interest on delinquent tax liabilities is amended from 11% to 3 percentage points above the rate charged member banks in the 12th Federal Reserve District, and interest is no longer compounded quarterly.

2014 – The Legislature passes Senate Bill 138, which is the enabling legislation to allow the State of Alaska to participate as an equity owner in the Alaska Liquefied Natural Gas (AKLNG) project. The main objective of the AKLNG is to commercialize North Slope natural gas reserves from the Prudhoe Bay and Point Thomson fields. SB 138 establishes a framework by which the state could receive its royalty gas in kind (RIK) and production tax as gas (TAG) in lieu of receiving royalty and tax payments from the producers supplying the gas to the project.

The determination to receive the gas molecules in lieu of cash is subject to a best-interest finding. The intent is that the state will receive an amount of gas that is commensurate with its equity ownership in AKLNG infrastructure. AKLNG infrastructure includes a gas treatment plant (GTP) located on the North Slope, an 800-mile natural gas pipeline and a natural gas liquefaction facility located in Nikiski. As an equity owner, and a recipient of the RIK and TAG, the State of Alaska will bear the burden of marketing and monetizing its portion of the gas.

The legislation includes several changes to the oil and gas production tax statutes, which take effect on and after Jan. 1, 2022. A summary of the significant changes are:

- The production tax for gas produced on and after Jan. 1, 2022, is equal to 13% of the gross value at the point of production of the taxable gas.
- The production tax on oil produced on and after Jan. 1, 2022, is 35% of the annual production tax value of the taxable oil. The production tax value of the oil taxable under AS 43.55.011(e)(3) includes the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore for, develop, or produce oil and gas deposits in the state that includes land north of 68 degrees north latitude as adjusted under AS 43.55.170.
- The minimum tax will only be applicable to oil produced on and after Jan. 1, 2022, from leases or properties that include land north of 68 degrees north latitude.
- For gas produced on and after Jan. 1, 2022, a producer may make an election to pay the production tax as gas (TAG) for gas produced from oil and gas leases modified under AS 38.05.180(hh) in lieu of the tax otherwise levied for the gas by AS 43.55.011(e).

2016 – House Bill 247 passes in the 29th Legislature's fourth special session, and becomes effective Jan. 1, 2017. Major provisions of HB 247:

- After Dec. 31, 2016, interest on delinquent production tax is 7% plus the federal rate, compounded quarterly; after three years, the delinquent tax does not bear interest.
- The Alaska Department of Revenue will publish a report of the tax credit certificates purchased each year, including the aggregate amount purchased from each person the prior year. The report will be issued annually by April 30.
- The Cook Inlet gas and Gas Used In State tax ceilings are extended indefinitely.
- There is a $1 per barrel tax on Cook Inlet oil.
- The Cook Inlet credits for Qualified Capital Expenditures, Carried-Forward Annual Loss and Well Lease Expenditures sunset Dec. 31, 2017.
- The credit for exploration wells drilled in the Frontier Basin sunsets in 2017.
- The amount of cash purchases of credit certificates is limited, and the law provides for the relinquishment of credit over certain amounts.
- Cash purchases of credit certificates are prioritized based on local-hire provisions, and, again, the law provides for the relinquishment of credit over certain amounts.
- A cash repurchase may be withheld if the taxpayer has other obligation(s) to the State of Alaska for its oil and gas business.
- The number of years that the GVR may be claimed is limited.

2017 – The Legislature passes HB 111, which makes the following amendments and changes to the Oil and Gas Production tax statutes under AS 43.55:

- Amends the interest rate charged on delinquent taxes levied under AS 43.55. Delinquent oil and gas production taxes on and after Jan. 1, 2018, bear interest at a rate of 5.25 percentage points above the annual rate charged member banks by the 12th Federal Reserve District as of the first day of the quarter, compounded quarterly as of the last day of that quarter.
- Enables the use of a purchased credit certificate under AS 43.55.023, regardless of when earned, to satisfy a tax, interest, penalty, fee or other charge levied under AS 43.5.3011(e) for a prior year that has

not been subject to an administrative proceeding or litigation.

- Establishes July 1, 2017, as the cutoff for lease expenditures eligible for earning a transferable tax credit certificate.

- Exploration production tax credits earned under AS 43.55.025 for expenditures incurred for work performed on or after July 1, 2016, can be applied against corporate income tax levied by AS 43.20.

- A production tax credit certificate that is transferred, sold or conveyed under AS 43.55.025 may not be applied against the tax levied by AS 43.20.

  However, a production tax credit or portion of a production tax credit or production tax certificate or portion of a production tax certificate allowed under AS 43.55.025 may be applied to satisfy a tax, interest, penalty, fee or other charge levied by AS 43.55.011(e) for a prior year that has not been subject to an administrative proceeding or litigation, or to satisfy a tax in a later calendar year.

- The Oil and Gas Tax Credit Fund established under AS 43.55.028 may not be used to purchase a tax credit certificate for a credit earned under AS 43.55 for activity occurring on or after July 1, 2017.

- Any adjusted lease expenditures under AS 43.55.165 and AS 43.55.170 incurred to explore for, develop or produce oil or gas from a lease or property outside the Cook Inlet Sedimentary Basin that would otherwise be deductible by a producer in a calendar year but whose deduction would cause an annual production tax value to be less than zero may be used to establish a carried-forward annual loss.

- The producer's lease expenditure for the year may include the carried-forward annual loss from a prior year.

  During a calendar year that the taxpayer is subject to the minimum tax, the maximum amount of a carried-forward annual loss that the taxpayer may include in lease expenditures is the amount that will result in a production tax value, which, when multiplied by the statutory tax rate (35%), would equal the minimum tax.

- Carried-forward annual losses decrease by one-tenth of the value of the preceding year each year beginning Jan. 1 of the 11th year after the lease expenditure is carried forward if the lease or property did not commence regular production of oil or gas before or during the year the lease expenditure was incurred.

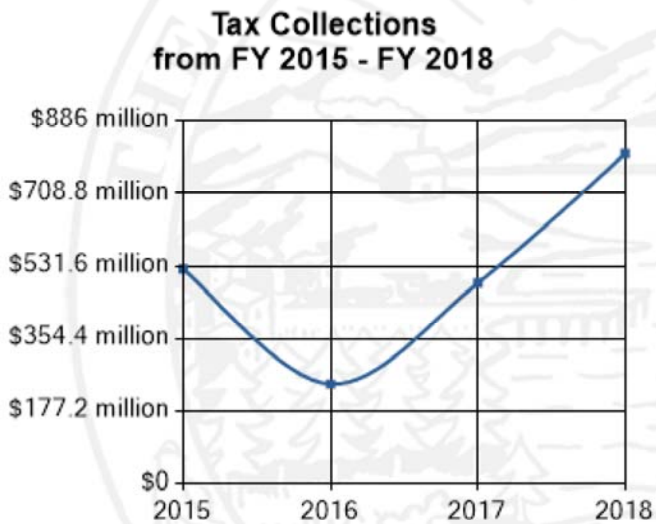
- Carried-forward annual losses decrease by one-tenth of the value of the preceding year each year beginning Jan. 1 of the eighth year after the lease expenditure is carried forward if the lease or property commenced regular production of oil or gas before or during the year the lease expenditure was incurred.

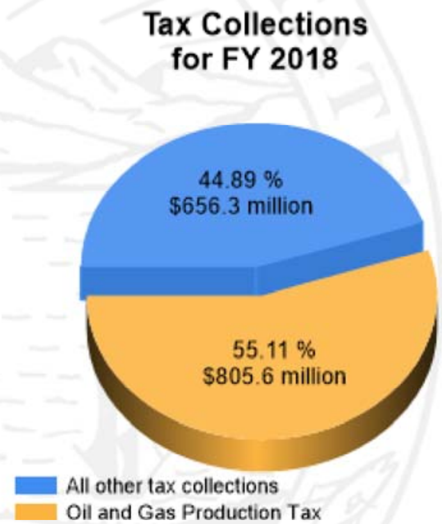
2018 – The Legislature passes HB 331, creating the Alaska Tax Credit Certificate Bond Corporation. The purpose of the corporation is to finance the purchase of transferable tax credit certificates issued under AS 43.55.023, production tax credit certificates issued under AS 43.55.025, and refunds and payments claimed under AS 43.20.046, 43.20.047 or 43.20.053. The corporation may issue up to $1 billion in subject-to-appropriation bonds. The proceeds from bonds issued would be disbursed, subject to appropriation, from the corporation to the Department of Revenue for the purchases. The corporation may not issue bonds unless it finds that the discount rate that the Department of Revenue would apply to the purchases would exceed the true interest cost on the bonds by at least 1.5%. The corporation did not issue any bonds in 2018.

Additionally, the Legislature passes HB 233, which amends the Oil and Gas Producer Education Credit in AS 43.55.019 (in conjunction with corresponding amendments to parallel Education Credits provided in other titles and chapters). The credit amount is reduced from 100% to 75% of donations of between $100,000 and $300,000 starting Jan. 1, 2019, and is further reduced to 50% of all contributions on Jan. 1, 2021. Additionally, the total Education Credit that any taxpayer may claim for all parallel Education Credits in a year is reduced to $1 million from $5 million. HB 233 also extends the credit to in-kind donations of equipment in addition to cash donations.

Collections Summary

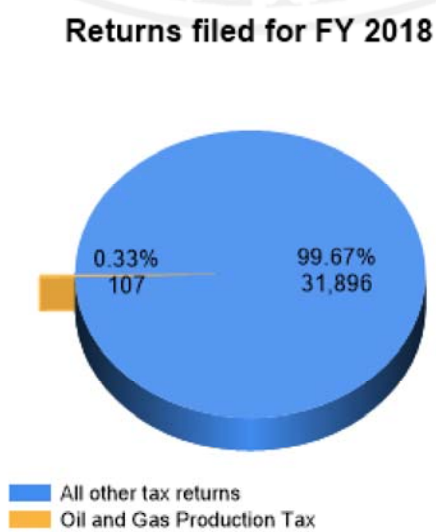
Fiscal Year	2018	2017	2016	2015
Total Tax	**$805,577,463**	**$490,837,994**	**$244,127,946**	**$524,009,352**
General Fund	741,243,052	132,830,541	161,796,260	381,552,650
CBR Fund	55,678,048	349,959,189	73,123,902	134,306,758
Conservation Surcharges	8,656,363	8,048,264	9,207,784	8,149,944





Filing Information

Fiscal Year	2018	2017	2016	2015
Number of Returns	107	135	114	86
Number of Taxpayers	60	64	60	64



Oil and Gas Production Tax Credits

Alternative Credit for Exploration – AS 43.55.025(a)(1)-(4) – Taxpayers who incur qualified exploration expenditures are eligible for this credit against oil and gas production tax. Credits earned for certain work performed on or after July 1, 2016, may be taken against corporate income tax.

The credit 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 the Alaska Department of Natural Resources and submit certain data as part of the application process for exploration well projects. 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. The credit is transferable and eligible for state repurchase.

The credit is set to expire for Middle Earth Wells on Dec. 31, 2021. It expired for Middle Earth Seismic on Dec. 31, 2017, and the North Slope and Cook Inlet areas on June 30, 2016. 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.

Carried-Forward Annual Loss – AS 43.55.023(b) – Taxpayers who incurred lease expenditures that were not deductible in calculating production tax values generated a "loss carry forward" and they may have applied for a tax credit. The credit, which was transferable and applicable to oil and gas production tax, expired Dec. 31, 2017.

For the North Slope, the credit rate was 35% in 2016-2017, and 45% in 2014-2015. For Cook Inlet, and Middle Earth (outside Cook Inlet and the North Slope), it was 15% in 2017, and 25% in 2014-2016.

Only half of the 2017 loss was eligible for purchase under AS 43.55.028.

Cook Inlet Jack-Up Rig Credit – AS 43.55.025(a)(5) – This credit was a transferable and state repurchase-eligible credit applicable to oil and gas production tax for exploration expenses for the first three wells drilled by the first jack-up rig brought into Cook Inlet. The credit expired on June 30, 2016; all work must have occurred before that date.

The credit was only for expenses incurred in drilling wells that evaluate prospects in the pre-tertiary zone; all three wells had to be drilled by unaffiliated parties using the same rig. The credit was 100% of costs for the first well up to $25 million, 90% of costs for the second well up to $22.5 million, and 80% of costs for the third well up to $20 million. If the exploration well was brought into production, the operator was to repay 50% of the credit over 10 years following production start-up.

Education – AS 43.20.014, 43.75.018, 43.77.045, 43.55.019, 43.56.018 and 43.65.018 – The Education Credit is a nontransferable and nonrefundable credit applicable to the corporate income tax, fisheries business tax, fishery resource landing tax, oil and gas production tax, oil and gas property tax, and mining license tax.

Taxpayers can claim a credit for contributions to Alaska universities and accredited nonprofit Alaska two- 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 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 also qualify. Contributions to the Alaska Higher Education Investment Fund established in 2012 qualify as well.

The credit was set to end Dec. 31, 2018, but the Alaska Legislature in 2018 made changes to the law, and extended the credit to Dec. 31, 2024.

Before Jan. 1, 2019, the credit is only for cash contributions. As of Jan. 1, 2019, the credit will be for contributions of cash or equipment.

Before the year 2019, the credit allows the deduction of 50% of a business's annual contributions up to $100,000, 100% of the next $200,000 in donations, then 50% of donations above $300,000. A business, for example, is able to have $250,000 deducted from its taxes by paying $300,000 in donations. A business is allowed to claim up to $5 million in Education Credits per year across all eligible tax types.

As of Jan. 1, 2019, the deduction amounts and cap will be reduced. The credit, including the contribution categories eligible for the credit, will remain the same as before 2019, with two exceptions. First, the contributions between $100,000 and $300,000 – those contributions will allow a deduction of 75% of the contribution, not 100% like before 2019. Second, a business will be allowed to claim up to $1 million in education credits per year across eligible tax types, not up to $5 million like before 2019.

On Jan. 1, 2021, the credit will be further reduced to 50% of all contributions. A business will still be allowed to claim up to $1 million in education credits per year across eligible tax types.

Qualifying Education Tax Credits include contributions by taxpayers to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Alaska Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the U.S. Department of Labor under 29 U.S.C. 50-50b for direct instruction, research and educational support purposes.

In addition, tax credits for certain taxpayers are available for contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Alaska Department of Education and Early Development, or certain qualified childhood early learning and development programs.

Tax credits are also available for contributions by certain taxpayers for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

Exploration Incentive – AS 38.05.180(i) – Lessees of state land drilling an exploratory well or conducting certain seismic exploration on that land were eligible for this credit. The credit was repealed, effective Dec. 31, 2016. The credit was 50% of the cost of the exploration expenditures, and it could not have exceeded 50% of the production tax or state royalty against which it was applied. This credit was administered by the Alaska Department of Natural Resources, but it was also applicable to oil and gas production tax.

Exploration Incentive (Assignable) – AS 41.09.010 – This is a distinct incentive program administered by the Alaska Department of Natural Resources. The credit was repealed, effective Dec. 31, 2016.

The credit was available to be claimed against royalty obligations, corporate income tax and production tax. Taxpayers may have taken 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 have exceeded $5 million per project and was limited to $30 million per taxpayer.

Film Production Credit – AS 43.98.030, AS 21.09.210, AS 21.66.110, AS 43.20, AS 43.55, AS 43.56, AS 43.65, AS 43.75 and AS 43.77 – The Film Production Tax Credit under the Department of Revenue was effective July 1, 2013, and the Alaska Legislature repealed it July 1, 2015. The department stopped accepting new projects on the date it was repealed. It was a transferable credit for expenditures on eligible film production activities in Alaska. The film credits have six-year expiration dates to be used against Alaska tax liabilities; therefore, the department could see credits being taken until 2023 since credits were still being awarded in 2016.

Frontier Basin Credits – AS 43.55.025(a)(6) and (7) – The Frontier Basin Credit provides a tax credit for exploration wells and seismic projects within six specific areas designated in AS 43.55.025(o), also called the "Frontier Basins."

The credit for exploration wells expired on July 1, 2016, and expenses incurred prior to that time were eligible for the credit so long as the exploration well was spudded by June 30, 2017; the credit for seismic exploration projects expired June 30, 2016.

The first two exploration wells drilled inside each of the six frontier basins were eligible for an 80% credit for up to $25 million of qualified expenditures. For seismic projects, the first project performed inside each of the six frontier basins was eligible to receive a 75% credit for up to $7.5 million of qualified expenditures.

The credit became effective Jan. 1, 2013, and was amended in 2016. Many requirements had to be met with the Alaska Department of Natural Resources to qualify for the credit, including pre-qualifications. The credit itself was allowed to be applied against a producer's tax liability in the year in which it was incurred and also before the certificate was issued. The credit certificate was allowed to be transferred, applied to tax liability, or cashed out with the state under AS 43.55.028 by the original applicant.

New Area Development – AS 43.55.024(a) – This credit is a tax credit of up to $6 million per company each year for oil and gas produced from Middle Earth (leases outside Cook Inlet and the North Slope). The credit sunsets the later of 2016 or the ninth calendar year after first year of production if the production started before May 1, 2016. The credit is not certificated and is not transferable.

Per Barrel Credit – AS 43.55.024(i) and (j) – The Per Barrel Credit is a production tax credit for each barrel of oil production on the North Slope. This credit is an integral part of the production tax calculation. It cannot be transferred or carried forward, and is not eligible for cash repurchase. The credit does not expire.

For "new areas" that qualify for a Gross Value Reduction (GVR), under AS 43.55.024(i), the credit is $5 per taxable barrel. Those areas are defined in AS 43.55.160(f) and (g). The $5 per barrel credit may not reduce the producer's liability for that production below zero.

For areas that do not qualify for a GVR, under AS 43.55.024(j), the credit ranges from $0 to $8 per taxable barrel based on the average gross value at point of production (GVPP) per barrel produced in the tax year. The credit operates on a sliding scale ranging from $0 per barrel when the GVPP is more than $150 per barrel, to $8 per barrel when the GVPP is less than $80 per barrel. The sliding scale credit cannot be used to reduce tax liability to below the minimum tax under AS 43.55.011 (f).

Qualified Capital Expenditure Credit and Well Lease Expenditure Credit – AS 43.55.023(a) and 43.55.023(l) – These are transferable credits for qualified oil and gas capital expenditures in the state outside the North Slope. Credits that were earned for expenses incurred prior to July 1, 2017, were eligible for repurchase by the State of Alaska. The credits can be taken in lieu of Exploration Credits under as 43.55.025, but are in addition to any net-operating loss credits under AS 43.55.23(b).

Before Jan. 1, 2017, companies could have qualified for a credit of 20% of eligible capital expenditures, or 40% of qualified well lease expenditures. As of Jan. 1, 2017, the Qualified Capital Expenditure Credit was reduced from 20% to 10% and the Well Lease Expenditure Credit was reduced from 40% to 20%.

On Jan. 1, 2018, both credits were repealed for Cook Inlet. There is no expiration date for Middle Earth (outside Cook Inlet and the North Slope).

Small Producer – AS 43.55.024(c) – The Small-Producer Credit is a nontransferable credit for oil and gas produced by small producers, defined as having average taxable oil and gas production of less than 100,000 Btu-equivalent barrels per day.

For producers that had commercial production prior to April 1, 2006, the credit expired on Dec. 31, 2016. For producers that did not have commercial production prior to April 1, 2006, the credit is available until the ninth calendar year following the start of commercial production if the production started before May 1, 2016.

If the taxpayer produces less than 50,000 Btu-equivalent barrels per day, the taxpayer may take up to a $12 million credit per year.

For production between 50,000 and 100,000 Btu-equivalent barrels per day, the credit is prorated. The credit is zero for producers with 100,000 or more Btu-equivalent barrels per day.

The credit may not be carried forward or transferred. The credit may only be used against tax liability, and only if the producer has a positive tax liability before the application of credits.

Transitional Investment Expenditure – AS 43.55.023(i) – The Transitional Investment Expenditure Credit was a nontransferable credit for qualified oil and gas expenditures incurred between March 31, 2001, and April 1, 2006. It was available until Dec. 31, 2013.

The credit was for 20% of qualified oil and gas capital expenditures incurred during the above time period, not to exceed 10% of the capital expenditures incurred between March 31, 2006, and Jan. 1, 2008.

Oil and Gas Property Tax

AS 43.56

Description

Alaska levies an oil and gas property tax on the value of exploration, production, and pipeline transportation property in the state. There are three established classifications of property and set procedures for generating the assessments:

- Exploration Property – Valued on the estimated price that 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 less depreciation based on the economic life of the proven reserves; and

- Pipeline Transportation Property – Valued based on its economic value. Typically, what is relied on is the replacement cost less depreciation, based on the economic life of the proven reserves feeding into the pipeline.

Rate

The state tax rate is 20 mills (2%) of the assessed value.

Returns

Taxpayers file annual property statements reporting oil and gas property as of Jan. 1 of the assessment year. They are due on or before Jan. 15. Payment is due on or before June 30.

Exclusions

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 expenses. 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 Education and Film credits, and the Municipal Property Taxes Paid are available for use against the liability of this specific tax. For information, see the Oil and Gas Property Tax Credits section below.

Disposition of Revenue

The Department of Revenue’s Tax 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 Alaska 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 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.

2010 – The Legislature amended the Education Credit by increasing the maximum credit allowed from $150,000 to $5 million effective Jan. 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 Dec. 31, 2013. On Jan. 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 Jan. 1, 2014, to Jan. 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.

2014 – The Legislature passed House Bill 278 (CH 15 SLA 14) further expanding qualifying Education Tax Credits to include cash contributions to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Alaska Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the U.S. Department of Labor under 29 U.S.C. 50-50b for direct instruction, research, and educational support purposes.

In addition, tax credits are available for cash contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, funding for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Alaska Department of Education and Early Development, or certain qualified childhood early learning and development programs.

Tax credits are also available for cash contributions for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

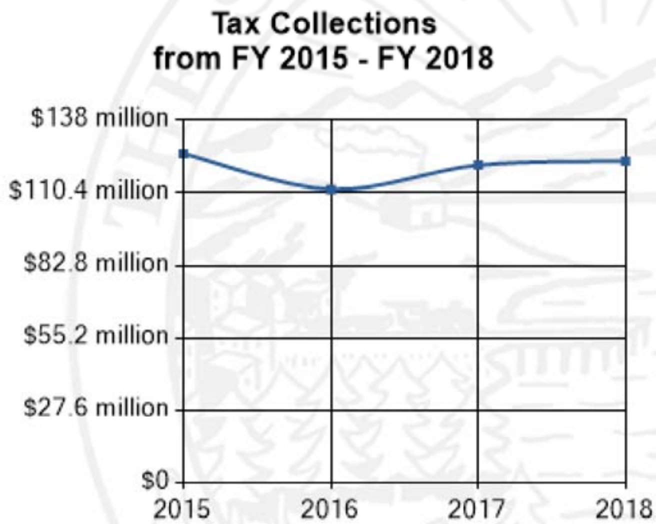
2018 – The Legislature passed House Bill 233, which amended the Oil and Gas Property Education Credit in AS 43.56.018 (in conjunction with corresponding amendments to parallel Education Credits provided in other titles and chapters).

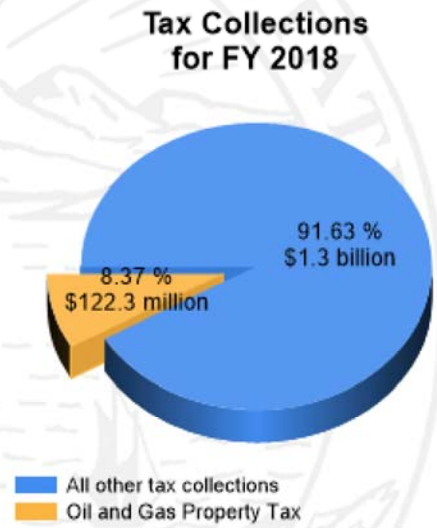
The credit amount was reduced from 100% to 75% of donations of between $100,000 and $300,000 starting Jan. 1, 2019, and was further reduced to 50% of all contributions beginning Jan. 1, 2021.

Additionally, the total Education Credit that any taxpayer may claim for all parallel Education Credits was reduced to $1 million a year from $5 million, beginning Jan. 1, 2019. HB 233 also extended the credit to in-kind donations of equipment in addition to cash donations as of Jan. 1, 2019.

Collections Summary

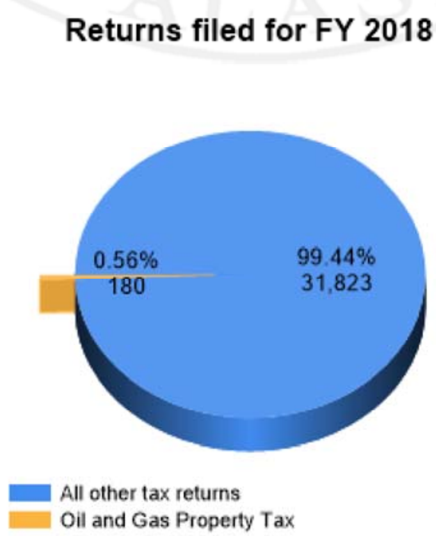
Fiscal Year	2018	2017	2016	2015
Total Tax	**$122,341,148**	**$120,804,810**	**$111,736,765**	**$125,194,434**
General Fund	121,562,631	120,414,600	111,737,664	125,185,585
CBR Fund	778,517	390,210	(899)	8,849





Filing Information

Fiscal Year	2018	2017	2016	2015
Number of Returns	180	174	164	151
Number of Taxpayers	128	132	132	151



Oil and Gas Property Tax Credits

Education – AS 43.20.014, 43.75.018, 43.77.045, 43.55.019, 43.56.018 and 43.65.018 – The Education Credit is a nontransferable and nonrefundable credit applicable to the corporate income tax, fisheries business tax, fishery resource landing tax, oil and gas production tax, oil and gas property tax, and mining license tax.

Taxpayers can claim a credit for contributions to Alaska universities and accredited nonprofit Alaska two- 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 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 also qualify. Contributions to the Alaska Higher Education Investment Fund established in 2012 qualify as well.

The credit was set to end Dec. 31, 2018, but the Alaska Legislature in 2018 made changes to the law, and extended the credit to Dec. 31, 2024.

Before Jan. 1, 2019, the credit is only for cash contributions. As of Jan. 1, 2019, the credit will be for contributions of cash or equipment.

Before the year 2019, the credit allows the deduction of 50% of a business's annual contributions up to $100,000, 100% of the next $200,000 in donations, then 50% of donations above $300,000. A business, for example, is able to have $250,000 deducted from its taxes by paying $300,000 in donations. A business is allowed to claim up to $5 million in Education Credits per year across all eligible tax types.

As of Jan. 1, 2019, the deduction amounts and cap will be reduced. The credit, including the contribution categories eligible for the credit, will remain the same as before 2019, with two exceptions. First, the contributions between $100,000 and $300,000 – those contributions will allow a deduction of 75% of the contribution, not 100% like before 2019. Second, a business will be allowed to claim up to $1 million in education credits per year across eligible tax types, not up to $5 million like before 2019.

On Jan. 1, 2021, the credit will be further reduced to 50% of all contributions. A business will still be allowed to claim up to $1 million in education credits per year across eligible tax types.

Qualifying Education Tax Credits include contributions by taxpayers to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Alaska Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the U.S. Department of Labor under 29 U.S.C. 50-50b for direct instruction, research and educational support purposes.

In addition, tax credits for certain taxpayers are available for contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Alaska Department of Education and Early Development, or certain qualified childhood early learning and development programs.

Tax credits are also available for contributions by certain taxpayers for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

Film Production Credit – AS 43.98.030, AS 21.09.210, AS 21.66.110, AS 43.20, AS 43.55, AS 43.56, AS 43.65, AS 43.75 and AS 43.77 – The Film Production Tax Credit under the Department of Revenue was effective July 1, 2013, and the Alaska Legislature repealed it July 1, 2015. The department stopped accepting new projects on the date it was repealed. It was a transferable credit for expenditures on eligible film production activities in Alaska. The film credits have six-year expiration dates to be used against Alaska tax liabilities; therefore, the department could see credits being taken until 2023 since credits were still being awarded in 2016.

Municipal Property Taxes Paid – AS 43.56.010 – Taxpayers receive a credit against state oil and gas property tax for property taxes paid to municipalities on taxable property. The credit is limited to the amount of state tax otherwise due.

Oil 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. The 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 Alaska Legislature set the conservation surcharge rate at $0.01/bbl and the additional conservation surcharge rate at $0.04/bbl.

Fiscal Year 2018 Statistics*

*The oil conservation surcharge is reported on the same return and by the same taxpayers as Alaska’s oil and gas production tax (AS 43.55). The Department of Revenue’s Tax 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.

See Oil & Gas Production for Oil Conservation Surcharges data.

OTHER TAXES

Alaska Salmon Price and Production Reports

Price and Production Report data.

AS 43.80

Description

Alaska requires large processors that sell salmon products at wholesale to provide production and price information to the Department of Revenue's Tax Division. This information is used to publish average wholesale price information for the Alaska Legislature and the public.

Reports

Processors selling salmon products at wholesale are required to file price reports on salmon for the periods January through April, May through August, and September through 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 Jan. 31 of the following year.

Exemptions

Processors excluded from the tax under AS 43.75.017, and processors that sell 1 million 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 Sept. 10, 1980, the department 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 through March, and April through September. Reports were due by the end of the month following the semi-annual reporting period, and the canneries were required to list products by case and specified can sizes. The legislation required the department to calculate monthly and annual wholesale price averages for each species of salmon in each unit category and to report that information to the Legislature by the 15th day of each legislative session.

1998 – The Legislature expanded the reporting requirement to include 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 Sept. 1, 1998, all salmon canneries were required to report prices received for thermally processed salmon for the periods January through April, May through August, and September through December. The reports were due by the end of the month following the tri-annual reporting period, and all the salmon canneries 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 million pounds of salmon products at wholesale. Effective Sept. 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 to publish average wholesale prices paid for salmon products by March 15 of each year.

2017 – Based on an industry request, the department approved a change in the way canning activity is reported to the department. Alaska salmon price and production filers in the past reported their canning activity in quarters (3.75 oz.), halves (7.5 oz.) or talls (14.75 oz.). Since the change, filers must now report their sales in 24-can cases. They will no longer be required to convert their canning activity to pounds. All thermally processed products in sizes other than quarters, halves and talls are reported in pounds.

Electric Cooperative Tax

AS 10.25.540

Description

Alaska levies an electric cooperative tax on kilowatt hours furnished by qualified electric cooperatives recognized under Alaska Statutes 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:

- For cooperatives that have furnished electric energy and power to consumers for less than five years as of Dec. 31 of the preceding calendar year, the tax is $0.00025 per kWh; or
- For cooperatives that have furnished electric energy and power to consumers for five years or longer as of the preceding calendar year, the tax is $0.0005 per kWh.

Returns

Taxpayers are required to file tax returns electronically using Revenue Online.

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 and excise taxes.

Disposition of Revenue

The Department of Revenue's Tax Division deposits all revenue derived from electric cooperative taxes into the General Fund.

Revenue from cooperatives located in municipalities are shared 100% with the municipalities, less the amount of money that the State of Alaska spends in collecting the taxes.

The small amount of revenue collected from cooperatives outside municipalities is retained by the State of Alaska.

History

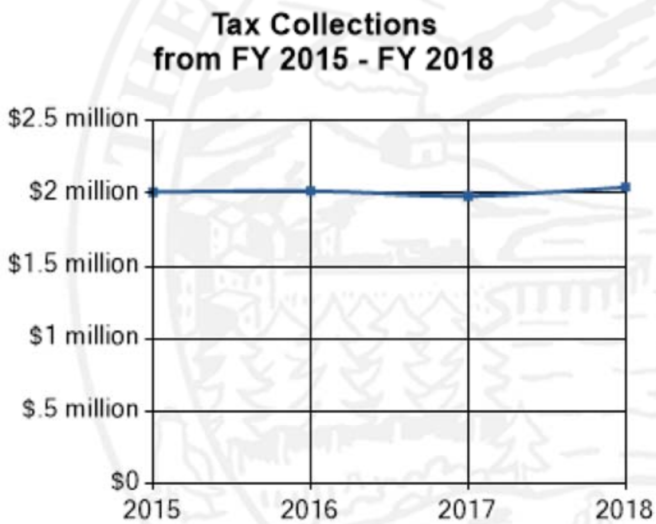
1959 – The Alaska Legislature enacted the electric cooperative tax as part of the "Electric and Telephone Cooperative Act" that was adopted to promote cooperatives around the state. The due date for filing electric cooperative tax returns was April 1 of the following year.

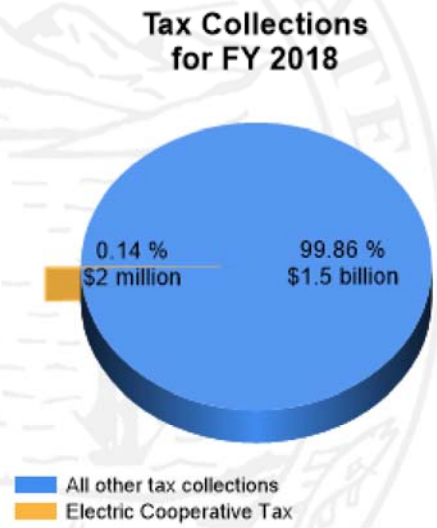
1960 – The Legislature changed the due date for paying taxes to March 1.

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. (As far as the electrical cooperative tax, one "mill" means one-tenth of one cent, according to AS 10.25.555.)

Collections Summary

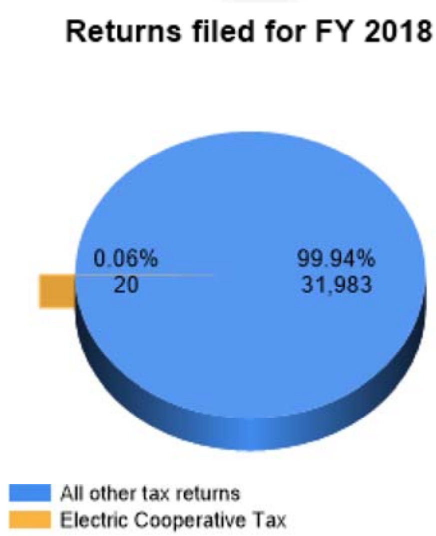
Fiscal Year	2018	2017	2016	2015
Total Tax	**$2,041,017**	**$1,983,534**	**$2,015,794**	**$2,008,278**
General Fund	47,554	46,696	44,206	6,974
Shared with Municipalities	(1,993,463)	(1,936,838)	(1,971,588)	(2,001,304)





Filing Information

Fiscal Year	2018	2017	2016	2015
Number of Returns	20	19	17	21
Number of Taxpayers	17	18	17	17



Large Passenger Vessel Gambling Tax

AS 43.35

Description

Alaska imposes a tax on the 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 (LPV) gambling tax rate is 33% of the adjusted gross income. Adjusted gross income means gross income less prizes awarded, and federal and municipal taxes paid or owed on the income.

Returns

Taxpayers are required to file their tax returns electronically using Revenue Online.

Operators of gaming and gambling activities on LPVs file calendar-year returns that are due April 15 of the following year.

Taxpayers may apply for an extension to file for up to six months after the April 15 due date.

Exemptions

There are no exemptions for the LPV gambling tax.

Disposition of Revenue

The Department of Revenue's Tax Division deposits all proceeds from the LPV gambling tax into an LPV gaming and gambling subfund of the commercial vessel passenger tax account in the General Fund. The commercial vessel passenger account, in turn, is a subfund in the General Fund.

The Alaska Legislature may appropriate money from the commercial passenger vessel tax subfund to improve port facilities and harbor infrastructure and provide other services to commercial passenger vessels and passengers on board those vessels.

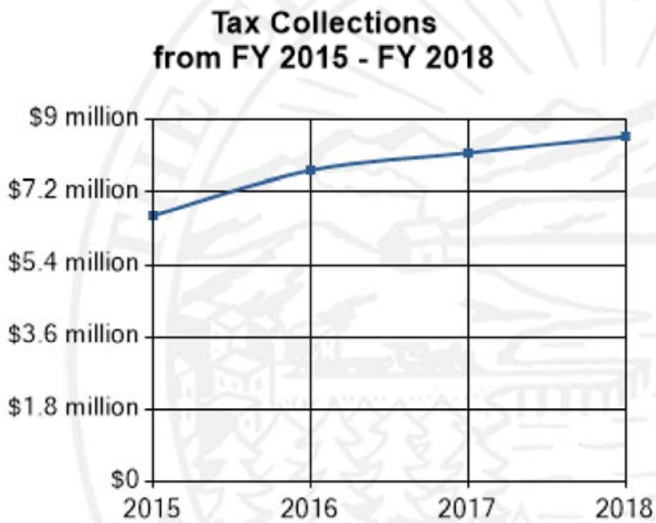
History

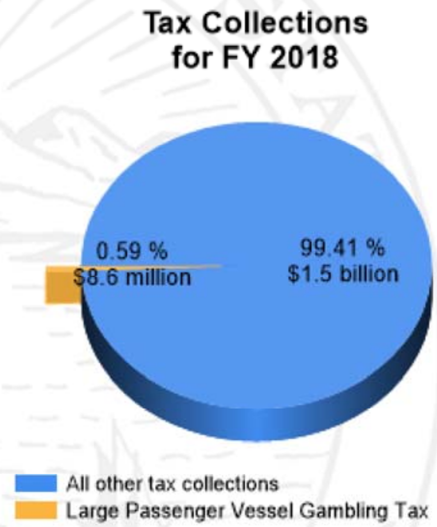
2006 – The LPV gambling tax was enacted by 2006 Primary Election Ballot Measure No. 2. The measure was approved by voters at the Aug. 26, 2006, primary election. The results of the election were certified Sept. 18, 2006, and the initiative's provisions became effective Dec. 17, 2006.

2010 – The Legislature created the "large passenger vessel gaming and gambling tax account" as a subfund of the commercial passenger vessel tax account in the General Fund and directed all proceeds from the LPV gambling tax to be deposited in the large passenger vessel gaming and gambling tax account.

Collections Summary

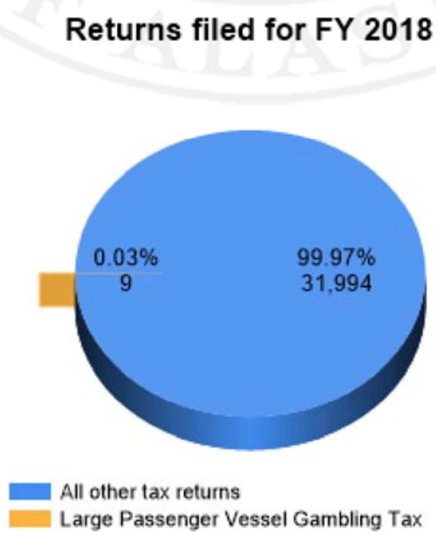
Fiscal Year	2018	2017	2016	2015
Total Tax	**$8,585,045**	**$8,169,456**	**$7,736,499**	**$6,611,786**





Filing Information

Fiscal Year	2018	2017	2016	2015
Number of Returns	9	10	7	10
Number of Taxpayers	9	10	7	9



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 Department of Revenue's Tax 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

Taxpayers are required to file their tax returns electronically using Revenue Online.

Taxpayers shall file their annual returns either on a calendar-year or fiscal-year basis, in conformance with the basis used for federal income tax purposes:

- Entities with calendar year-ends shall file returns on or before April 30 of the following calendar year.
- Entities with fiscal year-ends shall file returns on or before the last day of the fourth month following the end of the fiscal year.

Taxpayers may apply for an extension to file for up to six months after the return due date.

Exemptions

New qualifying mining operations are exempt from the mining license tax for a period of 3½ years after production begins. Quarry rock, sand and gravel, and marketable earth-mining operations are exempt from the mining license tax effective Jan. 1, 2012.

Credits

The following are available for use against the liability of this specific tax: Education, Film, and Minerals Exploration Incentive tax credits.

For specific information concerning these credits, see the Mining License Tax Credits section below.

Disposition of Revenue

The Tax Division deposits all revenue from the mining license tax into the General Fund, with the exception of payments received as a consequence of assessments after mining license tax audits or mining license tax litigation. The Tax Division deposits those payments into the Constitutional Budget Reserve Fund (CBRF).

History

The mining license tax dates back to 1913, and first the Territorial Legislature, then the Alaska 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 Territorial 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 Territorial Legislature authorized a 3½-year exemption for new mining operations; the exemption did 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 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 Education Tax Credit provisions were restructured and the maximum amount was increased to $150,000.

1995 – The Alaska Legislature authorized the Minerals Exploration Incentive Credit. The credit was limited to $20 million and taxpayers could 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 the Education Tax Credit provisions to include cash contributions accepted for secondary-level vocational courses and programs by a school district in Alaska, as well as by state-operated vocational technical education and training schools.

2010 – The Legislature amended the Education Tax Credit by increasing the maximum credit allowed from $150,000 to $5 million, effective Jan. 1, 2011. In addition, the Legislature expanded contributions eligible for the credit to include contributions made for the 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 expired Dec. 31, 2013. On Jan. 1, 2014, the maximum credit reverted to $150,000.

2011 – The Legislature enacted legislation extending the date that the $5 million annual Education Tax Credit limit expires from Jan. 1, 2014, to Jan. 1, 2021. On the latter date, it was 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. The legislation had a retroactive effective date of Jan. 1, 2012.

2013 – The Legislature authorized the use of Alaska Film Production Tax Credits against taxpayers' mining license tax liabilities.

2014 – The Legislature passed House Bill 278 (CH 15 SLA 14) that further expanded qualifying Education Tax Credits to include cash contributions to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Alaska Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the U.S. Department of Labor under 29 U.S.C. 50 - 50b for direct instruction, research, and educational support purposes.

In addition, tax credits are available for cash contributions accepted for facilities by public or private nonprofit elementary or secondary schools in the state, funding for scholarships awarded by nonprofit organizations to dual-credit students for certain educational expenses, for residential schools in the state approved by the Alaska Department of Education and Early Development, or certain qualified childhood early learning and development programs.

Tax credits are also available for cash contributions for science, technology, engineering and math (STEM) programs by nonprofit agencies or school districts for school staff and for students in grades kindergarten through 12 in the state and for the operation of nonprofit organizations dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

2015 – The Legislature passed Senate Bill 39, which finalized the repeal of the Film Production Tax Credit.

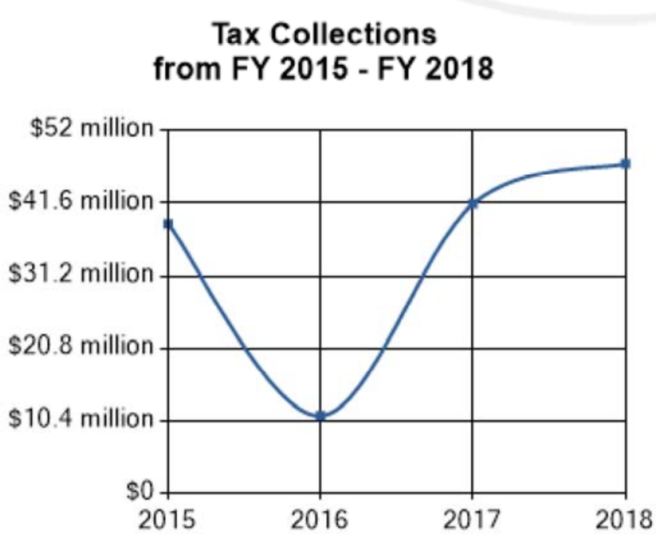
2018 – The Legislature passed House Bill 233, which amended the Mining Education Credit in AS 43.65.018 (in conjunction with corresponding amendments to parallel Education Credits provided in other titles and chapters).

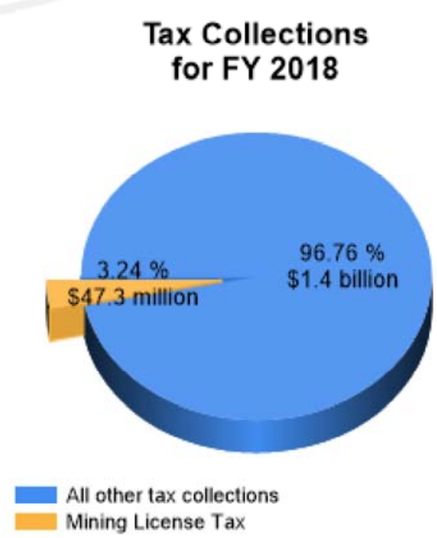
The credit amount was reduced from 100% to 75% of donations of between $100,000 and $300,000 starting Jan. 1, 2019, and was further reduced to 50% of all contributions beginning Jan. 1, 2021.

Additionally, the total Education Credit that any taxpayer may claim for all parallel Education Credits was reduced to $1 million a year from $5 million, beginning Jan. 1, 2019. HB 233 also extended the credit to in-kind donations of equipment in addition to cash donations as of Jan. 1, 2019.

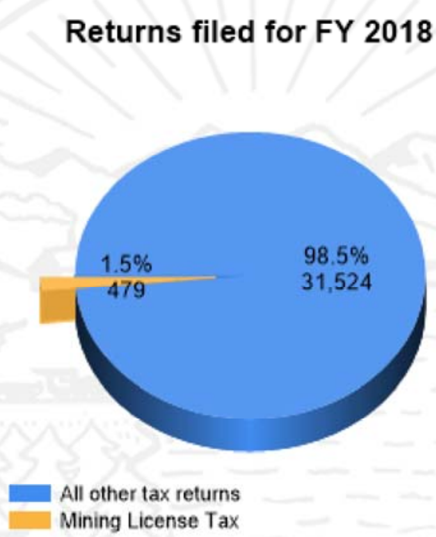
Collections Summary

Fiscal Year	2018	2017	2016	2015
Total Tax	**$47,298,564**	**$41,525,192**	**$11,137,900**	**$38,655,209**
General Fund	46,917,026	41,377,877	10,748,547	38,584,656
CBR Fund	381,538	147,315	389,353	70,553





Filing Information				
Fiscal Year	2018	2017	2016	2015
Number of Returns	479	566	679	616
Number of Taxpayers	423	462	503	468



Mining License Tax Credits

Education – AS 43.20.014, 43.75.018, 43.77.045, 43.55.019, 43.56.018 and 43.65.018 – The Education Credit is a nontransferable and nonrefundable credit applicable to the corporate income tax, fisheries business tax, fishery resource landing tax, oil and gas production tax, oil and gas property tax, and mining license tax.

Taxpayers can claim a credit for contributions to Alaska universities and accredited nonprofit Alaska two- 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 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 also qualify. Contributions to the Alaska Higher Education Investment Fund established in 2012 qualify as well.

The credit was set to end Dec. 31, 2018, but the Alaska Legislature in 2018 made changes to the law, and extended the credit to Dec. 31, 2024.

Before Jan. 1, 2019, the credit is only for cash contributions. As of Jan. 1, 2019, the credit will be for contributions of cash or equipment.

Before the year 2019, the credit allows the deduction of 50% of a business's annual contributions up to $100,000, 100% of the next $200,000 in donations, then 50% of donations above $300,000. A business, for example, is able to have $250,000 deducted from its taxes by paying $300,000 in donations. A business is allowed to claim up to $5 million in Education Credits per year across all eligible tax types.

As of Jan. 1, 2019, the deduction amounts and cap will be reduced. The credit, including the contribution categories eligible for the credit, will remain the same as before 2019, with two exceptions. First, the contributions between $100,000 and $300,000 – those contributions will allow a deduction of 75% of the contribution, not 100% like before 2019. Second, a business will be allowed to claim up to $1 million in education credits per year across eligible tax types, not up to $5 million like before 2019.

On Jan. 1, 2021, the credit will be further reduced to 50% of all contributions. A business will still be allowed to claim up to $1 million in education credits per year across eligible tax types.

Qualifying Education Tax Credits include contributions by taxpayers to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Alaska Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the U.S. Department of Labor under 29 U.S.C. 50-50b for direct instruction, research and educational support purposes.

In addition, tax credits for certain taxpayers are available for contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Alaska Department of Education and Early Development, or certain qualified childhood early learning and development programs.

Tax credits are also available for contributions by certain taxpayers for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

Film Production Credit – AS 43.98.030, AS 21.09.210, AS 21.66.110, AS 43.20, AS 43.55, AS 43.56, AS 43.65, AS 43.75 and AS 43.77 – The Film Production Tax Credit under the Department of Revenue was effective July 1, 2013, and the Alaska Legislature repealed it July 1, 2015. The department stopped accepting new projects on the date it was repealed. It was a transferable credit for expenditures on eligible film production activities in Alaska. The film credits have six-year expiration dates to be used against Alaska tax liabilities; therefore, the department could see credits being taken until 2023 since credits were still being awarded in 2016.

Minerals Exploration Incentive – AS 27.30.030 – The credit is for 100% of eligible costs of mineral and coal exploration activities, and is applicable to the corporate income tax, mining license tax and mineral production royalty. The credit may not exceed $20 million and must be applied within 15 years after the credit is approved.

For corporate income tax, the credit is limited to the lesser of 50% of the mining license tax liability at the mining operation where the exploration occurred or 50% of the total corporate income tax liability.

For the mining license tax, the credit is limited to the lesser of 50% of the mining license tax liability at the mining operation where the exploration occurred or 50% of total mining license tax liability.

For the mineral royalty, the credit is limited to 50% of the royalty liability from the mining operation where the exploration activity occurred.

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 Department of Revenue's Tax Division.

The RCA is responsible for RCC returns and reports, and the division is responsible for reporting the revenue received.

Rate

Rates are available on the Alaska Regulatory Commission's website at http://rca.alaska.gov/RCAWeb/RCALibrary/SampleMonthlyRates.aspx.

Returns

Quarterly returns and payment of RCCs are due on the 30th day following the calendar quarter. Returns are filed with the RCA, and payments are made to the Department of Revenue's Tax Division.

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

History

1992 – The 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 that became effective in November 1992.

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

1995 – The Legislature reauthorized the RCC program, 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 – The RCA implemented online report filing through the its website. RCA assumed responsibility for processing returns and collecting data; the division continued to collect revenue as required by statute.

2012 – The RCA required mandatory electronic filing and service in all docket proceedings effective February 2012, with an opportunity for a waiver.

FY 2018 Statistics

Total RCC collections in FY 2018 were $10,671,388.

Telephone Cooperative Tax

AS 10.25.550

Description

Alaska levies a telephone cooperative tax on gross revenue of qualified telephone cooperatives under Alaska Statutes 10.25. The Department of Revenue's Tax 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:

- For telephone cooperatives that have furnished telephone service to customers for less than five years, the tax is 1% of revenue.
- For telephone cooperatives that have furnished telephone service to customers for five years or longer, the tax is 2% of revenue.

Returns

Taxpayers are required to file tax returns electronically using Revenue Online.

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 Department of Revenue's Tax Division deposits revenue from the telephone cooperative tax into the General Fund.

Revenue from cooperatives located in municipalities are shared 100% with the municipalities, less the amount of money that the State of Alaska spends in collecting the taxes.

The small amount of revenue collected from cooperatives outside municipalities is retained by the State of Alaska.

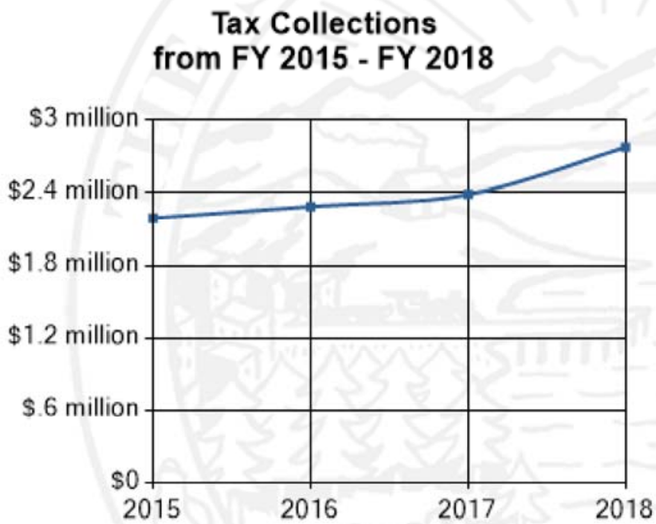
History

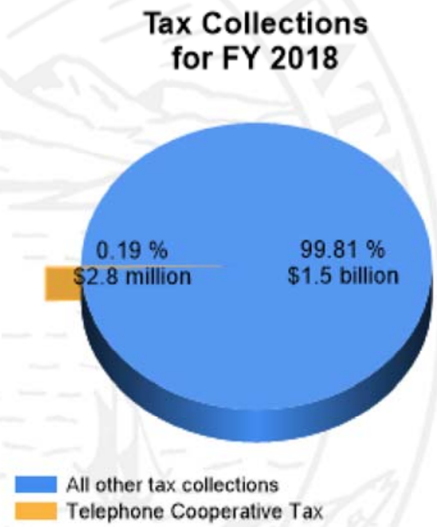
1959 – The Alaska Legislature enacted the telephone cooperative tax as part of the "Electric and Telephone Cooperative Act" to promote cooperatives around the state. The due date for filing telephone cooperative tax returns was April 1 of the following year.

1960 – The Legislature changed the due date for filing returns to "before March 1."

Collections Summary

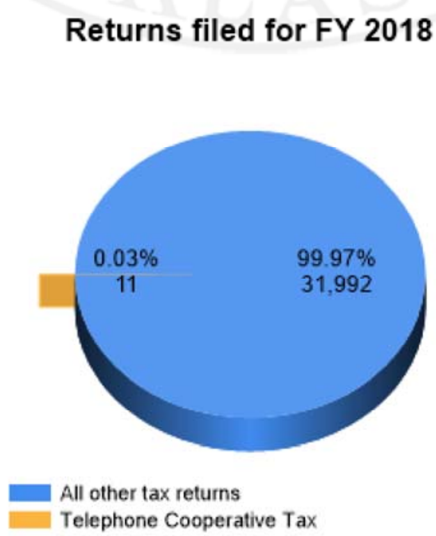
	Fiscal Year	2018	2017	2016	2015
Total Tax		**$2,777,923**	**$2,386,181**	**$2,287,312**	**$2,191,258**
General Fund		167,643	147,010	163,923	216,138
Shared with Municipalities		(2,610,280)	(2,239,171)	(2,123,389)	(1,975,119)





Filing Information

	Fiscal Year	2018	2017	2016	2015
Number of Returns		11	7	8	11
Number of Taxpayers		7	7	7	7



Alternative Credit for Exploration – AS 43.55.025(a)(1)-(4) – Taxpayers who incur qualified exploration expenditures are eligible for this credit against oil and gas production tax. Credits earned for certain work performed on or after July 1, 2016, may be taken against corporate income tax.

The credit 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 the Alaska Department of Natural Resources and submit certain data as part of the application process for exploration well projects. 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. The credit is transferable and eligible for state repurchase.

The credit is set to expire for Middle Earth Wells on Dec. 31, 2021. It expired for Middle Earth Seismic on Dec. 31, 2017, and the North Slope and Cook Inlet areas on June 30, 2016. 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.

Carried-Forward Annual Loss – AS 43.55.023(b) – Taxpayers who incurred lease expenditures that were not deductible in calculating production tax values generated a "loss carry forward" and they may have applied for a tax credit. The credit, which was transferable and applicable to oil and gas production tax, expired Dec. 31, 2017.

For the North Slope, the credit rate was 35% in 2016-2017, and 45% in 2014-2015. For Cook Inlet, and Middle Earth (outside Cook Inlet and the North Slope), it was 15% in 2017, and 25% in 2014-2016.

Only half of the 2017 loss was eligible for purchase under AS 43.55.028.

CDQ – AS 43.77.040 – The CDQ Credit is a nontransferable credit for contributions to an Alaska nonprofit corporation that is dedicated to fisheries industry-related expenditures. The credit is available only for fishery resources harvested under a CDQ. The credit is 100% of a taxpayer's contribution amount, up to the 45.45% of the taxpayer's tax liability on fishery resources harvested under a Community Development Quota. The authorizing statute is scheduled to sunset Jan. 1, 2021.

Cook Inlet Jack-Up Rig Credit – AS 43.55.025(a)(5) – This credit was a transferable and state repurchase-eligible credit applicable to oil and gas production tax for exploration expenses for the first three wells drilled by the first jack-up rig brought into Cook Inlet. The credit expired on June 30, 2016; all work must have occurred before that date.

The credit was only for expenses incurred in drilling wells that evaluate prospects in the pre-tertiary zone; all three wells had to be drilled by unaffiliated parties using the same rig. The credit was 100% of costs for the first well up to $25 million, 90% of costs for the second well up to $22.5 million, and 80% of costs for the third well up to $20 million. If the exploration well was brought into production, the operator was to repay 50% of the credit over 10 years following production start-up.

Education – AS 43.20.014, 43.75.018, 43.77.045, 43.55.019, 43.56.018 and 43.65.018 – The Education Credit is a nontransferable and nonrefundable credit applicable to the corporate income tax, fisheries business tax, fishery resource landing tax, oil and gas production tax, oil and gas property tax, and mining license tax.

Taxpayers can claim a credit for contributions to Alaska universities and accredited nonprofit Alaska two- 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 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 also qualify. Contributions to the Alaska Higher Education Investment Fund established in 2012 qualify as well.

The credit was set to end Dec. 31, 2018, but the Alaska Legislature in 2018 made changes to the law, and extended the credit to Dec. 31, 2024.

Before Jan. 1, 2019, the credit is only for cash contributions. As of Jan. 1, 2019, the credit will be for contributions of cash or equipment.

Before the year 2019, the credit allows the deduction of 50% of a business's annual contributions up to $100,000, 100% of the next $200,000 in donations, then 50% of donations above $300,000. A business, for example, is able to have $250,000 deducted from its taxes by paying $300,000 in donations. A business is allowed to claim up to $5 million in Education Credits per year across all eligible tax types.

As of Jan. 1, 2019, the deduction amounts and cap will be reduced. The credit, including the contribution categories eligible for the credit, will remain the same as before 2019, with two exceptions. First, the contributions between $100,000 and $300,000 – those contributions will allow a deduction of 75% of the contribution, not 100% like before 2019. Second, a business will be allowed to claim up to $1 million in education credits per year across eligible tax types, not up to $5 million like before 2019.

On Jan. 1, 2021, the credit will be further reduced to 50% of all contributions. A business will still be allowed to claim up to $1 million in education credits per year across eligible tax types.

Qualifying Education Tax Credits include contributions by taxpayers to a public or private nonprofit elementary or secondary school in the state, a nonprofit regional training center recognized by the Alaska Department of Labor and Workforce Development, or an apprenticeship program in the state that is registered with the U.S. Department of Labor under 29 U.S.C. 50-50b for direct instruction, research and educational support purposes.

In addition, tax credits for certain taxpayers are available for contributions accepted for a facility by a public or private nonprofit elementary or secondary school in the state, for a scholarship awarded by a nonprofit organization to a dual-credit student for certain educational expenses, for a residential school in the state approved by the Alaska Department of Education and Early Development, or certain qualified childhood early learning and development programs.

Tax credits are also available for contributions by certain taxpayers for science, technology, engineering and math (STEM) programs by a nonprofit agency or school district for school staff and for students in grades kindergarten through 12 in the state and for the operation of a nonprofit organization dedicated to providing educational opportunities that foster public service leadership for future generations of residents of the state.

Exploration Incentive – AS 38.05.180(i) – Lessees of state land drilling an exploratory well or conducting certain seismic exploration on that land were eligible for this credit. The credit was repealed, effective Dec. 31, 2016. The credit was 50% of the cost of the exploration expenditures, and it could not have exceeded 50% of the production tax or state royalty against which it was applied. This credit was administered by the Alaska Department of Natural Resources, but it was also applicable to oil and gas production tax.

Exploration Incentive (Assignable) – AS 41.09.010 – This is a distinct incentive program administered by the Alaska Department of Natural Resources. The credit was repealed, effective Dec. 31, 2016.

The credit was available to be claimed against royalty obligations, corporate income tax and production tax. Taxpayers may have taken 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 have exceeded $5 million per project and was limited to $30 million per taxpayer.

Film Production Credit – AS 43.98.030, AS 21.09.210, AS 21.66.110, AS 43.20, AS 43.55, AS 43.56, AS 43.65, AS 43.75 and AS 43.77 – The Film Production Tax Credit under the Department of Revenue was effective July 1, 2013, and the Alaska Legislature repealed it July 1, 2015. The department stopped accepting new projects on the date it was repealed. It was a transferable credit for expenditures on eligible film production activities in Alaska. The film credits have six-year expiration dates to be used against Alaska tax liabilities; therefore, the department could see credits being taken until 2023 since credits were still being awarded in 2016.

Frontier Basin Credits – AS 43.55.025(a)(6) and (7) – The Frontier Basin Credit provides a tax credit for exploration wells and seismic projects within six specific areas designated in AS 43.55.025(o), also called the "Frontier Basins."

The credit for exploration wells expired on July 1, 2016, and expenses incurred prior to that time were eligible for the credit so long as the exploration well was spudded by June 30, 2017; the credit for seismic exploration projects expired June 30, 2016.

The first two exploration wells drilled inside each of the six frontier basins were eligible for an 80% credit for up to $25 million of qualified expenditures. For seismic projects, the first project performed inside each of the six frontier basins was eligible to receive a 75% credit for up to $7.5 million of qualified expenditures.

The credit became effective Jan. 1, 2013, and was amended in 2016. Many requirements had to be met with the Alaska Department of Natural Resources to qualify for the credit, including pre-qualifications. The credit itself was allowed to be applied against a producer's tax liability in the year in which it was incurred and also before the certificate was issued. The credit certificate was allowed to be transferred, applied to tax liability, or cashed out with the state under AS 43.55.028 by the original applicant.

LNG Storage Facility Tax Credit – AS 43.20.047 – The LNG (Liquefied Natural Gas) Storage Facility Tax Credit is a nontransferable, refundable credit for the costs incurred to establish a storage facility for LNG. The credit is for 50% of the costs incurred, not to exceed $15 million. The credit applies to facilities with a minimum storage capacity of 25,000 gallons of LNG that are public utilities regulated by the Regulatory Commission of Alaska. A facility must have been placed into service after Jan. 1, 2011, and start commercial operations before Jan. 1, 2020. The credit is refundable, subject to AS 43.55.028.

Minerals Exploration Incentive – AS 27.30.030 – The credit is for 100% of eligible costs of mineral and coal exploration activities, and is applicable to the corporate income tax, mining license tax and mineral production royalty. The credit may not exceed $20 million and must be applied within 15 years after the credit is approved.

For corporate income tax, the credit is limited to the lesser of 50% of the mining license tax liability at the mining operation where the exploration occurred or 50% of the total corporate income tax liability.

For the mining license tax, the credit is limited to the lesser of 50% of the mining license tax liability at the mining operation where the exploration occurred or 50% of total mining license tax liability.

For the mineral royalty, the credit is limited to 50% of the royalty liability from the mining operation where the exploration activity occurred.

Municipal Property Taxes Paid – AS 43.56.010 – 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.

New Area Development – AS 43.55.024(a) – This credit is a tax credit of up to $6 million per company each year for oil and gas produced from Middle Earth (leases outside Cook Inlet and the North Slope). The credit sunsets the later of 2016 or the ninth calendar year after first year of production if the production started before May 1, 2016. The credit is not certificated and is not transferable.

Other Taxes – AS 43.77.030 – 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.

Per Barrel Credit – AS 43.55.024(i) and (j) – The Per Barrel Credit is a production tax credit for each barrel of oil production on the North Slope. This credit is an integral part of the production tax calculation. It cannot be transferred or carried forward, and is not eligible for cash repurchase. The credit does not expire.

For "new areas" that qualify for a Gross Value Reduction (GVR), under AS 43.55.024(i), the credit is $5 per taxable barrel. Those areas are defined in AS 43.55.160(f) and (g). The $5 per barrel credit may not reduce the producer's liability for that production below zero.

For areas that do not qualify for a GVR, under AS 43.55.024(j), the credit ranges from $0 to $8 per taxable barrel based on the average gross value at point of production (GVPP) per barrel produced in the tax year. The credit operates on a sliding scale ranging from $0 per barrel when the GVPP is more than $150 per barrel, to $8 per barrel when the GVPP is less than $80 per barrel. The sliding scale credit cannot be used to reduce tax liability to below the minimum tax under AS 43.55.011 (f).

Qualified Capital Expenditure Credit and Well Lease Expenditure Credit – AS 43.55.023(a) and 43.55.023(l) – These are transferable credits for qualified oil and gas capital expenditures in the state outside the North Slope. Credits that were earned for expenses incurred prior to July 1, 2017, were eligible for repurchase by the State of Alaska. The credits can be taken in lieu of Exploration Credits under as 43.55.025, but are in addition to any net-operating loss credits under AS 43.55.23(b).

Before Jan. 1, 2017, companies could have qualified for a credit of 20% of eligible capital expenditures, or 40% of qualified well lease expenditures. As of Jan. 1, 2017, the Qualified Capital Expenditure Credit was reduced from 20% to 10% and the Well Lease Expenditure Credit was reduced from 40% to 20%.

On Jan. 1, 2018, both credits were repealed for Cook Inlet. There is no expiration date for Middle Earth (outside Cook Inlet and the North Slope).

Qualified In-State Oil Refinery Infrastructure Expenditures Tax Credit – AS 43.20.053 – The In-State Refinery Tax Credit began on Jan. 1, 2015, and is a credit for qualified infrastructure expenditures for in-state oil refineries incurred after Dec. 31, 2014, and before Jan. 1, 2020. The credit may not exceed 40% of total qualifying expenditures or $10 million per tax year per refinery, whichever amount is less. The credit can be applied against corporate income tax liability and carried forward for up to five years. It is also a refundable credit. The authorizing statute will sunset on Dec. 31, 2019.

Qualified Oil and Gas Service Industry Expenditure Credit – AS 43.20.049 – A taxpayer may claim a credit for 10% of qualified oil and gas service industry expenditures that are for in-state manufacture or in-state modification of oil and gas tangible personal property. The credit, which may be up to $10 million, is applied to corporate income tax liabilities. The credit is not transferable, but an unused credit may be carried forward for five years. If the taxpayer takes the credit, the taxpayer may not also deduct the expenditures.

Salmon and Herring Product Development – AS 43.75.035 – This credit is for eligible capital expenditures to expand value-added processing of Alaska salmon and herring. The credit is 50% of qualified investments up to 50% of the fisheries business tax liability incurred for processing salmon and herring during the tax year. The credit is not transferable, but it may be carried forward for three years. The statute is scheduled to sunset on Dec. 31, 2020. Herring products were added to the credit in 2014.

Small Producer – AS 43.55.024(c) – The Small-Producer Credit is a nontransferable credit for oil and gas produced by small producers, defined as having average taxable oil and gas production of less than 100,000 Btu-equivalent barrels per day.

For producers that had commercial production prior to April 1, 2006, the credit expired on Dec. 31, 2016. For producers that did not have commercial production prior to April 1, 2006, the credit is available until the ninth calendar year following the start of commercial production if the production started before May 1, 2016.

If the taxpayer produces less than 50,000 Btu-equivalent barrels per day, the taxpayer may take up to a $12 million credit per year.

For production between 50,000 and 100,000 Btu-equivalent barrels per day, the credit is prorated. The credit is zero for producers with 100,000 or more Btu-equivalent barrels per day.

The credit may not be carried forward or transferred. The credit may only be used against tax liability, and only if the producer has a positive tax liability before the application of credits.

Transitional Investment Expenditure – AS 43.55.023(i) – The Transitional Investment Expenditure Credit was a nontransferable credit for qualified oil and gas expenditures incurred between March 31, 2001, and April 1, 2006. It was available until Dec. 31, 2013.

The credit was for 20% of qualified oil and gas capital expenditures incurred during the above time period, not to exceed 10% of the capital expenditures incurred between March 31, 2006, and Jan. 1, 2008.

Urea/Ammonia/Gas-to-Liquid Facility Credit – AS 43.20.052 – This credit allows an in-state company that produces urea, ammonia, or gas-to-liquids products to apply a credit to its corporate income tax based on natural gas purchased from state leases. The credit is equal to the amount of state royalty paid on natural gas purchased for the qualifying project.

The credit is not transferable or eligible for state purchase, it cannot be carried forward to future years, and it cannot be used to reduce a tax liability below zero. The credit is scheduled to be repealed on Jan. 1, 2024.

Veteran Employment Tax Credit – AS 43.20.048 – This credit is for corporate income taxpayers who employ qualified veterans in the state. The credit is $3,000 for hiring a disabled veteran, and $2,000 for a veteran who is not disabled, for at least 1,560 hours during 12 consecutive months after the employment date. For seasonal employment, the credit is $1,000 for hiring a veteran for at least 500 hours during the three consecutive months after the employment date.
