STATE OF ALASKA

DEPARTMENT OF REVENUE
Tax Division

Fiscal Year 2005

ANNUAL REPORT OF DIVISION OPERATIONS

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

Frank Murkowski
Governor

William A. Corbus
Commissioner

2005

This annual report provides an overview of programs administered by the Tax Division and reports revenue collections and other information related to those programs. This report also explains the organizational structure of the division.

The information contained in this report covers fiscal year 2005: July 1, 2004 to June 30, 2005

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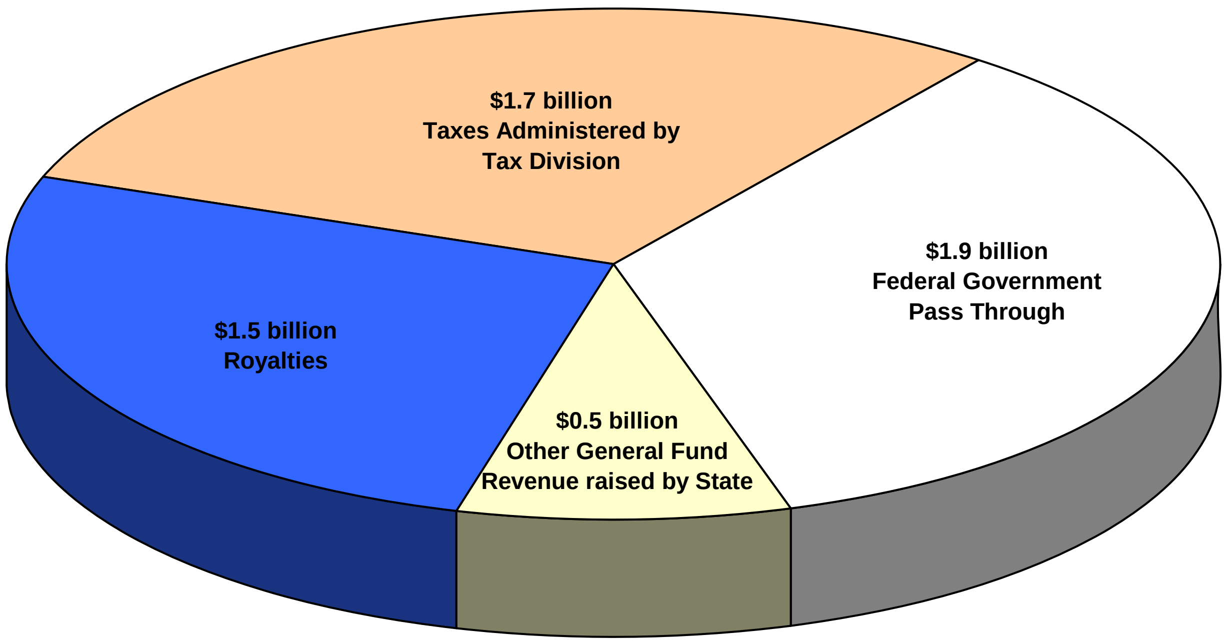
TAX DIVISION OVERVIEW

The Tax Division continues to have extensive responsibility for administering the tax programs that help pay for a significant portion of state government. After federal dollars, taxes administered by the Tax Division are the next largest category of General Fund revenues, followed by oil and gas royalties and the small but all purpose "other". See the chart below for a detail of FY 2005 General Fund revenues of $5.6 billion dollars. (*Source: October 2005 preliminary data from the Alaska State Accounting System.)*



Tax programs administered by the Division

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

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

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

Corporate Income Taxes (Non-Oil and Gas)
- Corporate Income

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

Other Programs
- Charitable Gaming
- Salmon Price Reporting
- Revenue Sources Reporting

Table 1
Three Year Comparison of Revenue Collections

FUND SOURCE	FY05	% Fund	FY04	% Fund	FY03	%Fund
General Fund (including sub funds)						
Oil and Gas						
Production Tax	$859,334,819	45.4%	$ 642,819,003	45.6%	$589,731,934	49.1%
Corporate Income	524,230,130	27.7%	298,832,852	21.2%	151,088,300	12.5%
Property[1]	260,828,754	13.8%	266,210,393	18.8%	268,844,716	22.4%
Conservation Surcharge	8,330,521	0.4%	9,052,517	0.6%	9,232,859	0.8%
Total Oil and Gas	1,652,724,224	87.3%	1,216,914,765	86.2%	1,018,897,809	84.8%
Corporate Income - Other than Oil and Gas	61,625,072	3.3%	39,546,080	2.8%	47,712,454	3.9%
Motor Fuel[2]	39,564,566	2.1%	41,367,326	2.9%	37,352,972	3.1%
Alcoholic Beverages	35,516,650	1.9%	32,746,144	2.3%	25,360,808	2.1%
Fisheries Business[2]	25,559,474	1.4%	29,244,605	2.1%	26,002,713	2.2%
Tobacco[3]	25,105,819	1.3%	15,990,447	1.1%	16,287,785	1.4%
Mining License	10,317,238	0.5%	3,224,684	0.2%	351,387	0.0%
Fishery Resource Landing[2]	8,645,226	0.5%	6,860,773	0.5%	9,876,465	0.8%
Vehicle Rental	7,498,991	0.4%	2,711,572	0.2%	0	0.0%
RCA Regulatory Cost Charges	6,481,427	0.3%	5,655,595	0.4%	5,839,379	0.5%
Salmon Enhancement[2]	3,811,492	0.2%	3,033,565	0.2%	2,422,051	0.2%
Seafood Marketing	3,523,372	0.2%	3,294,577	0.2%	2,989,931	0.2%
Gaming	2,457,812	0.1%	2,423,278	0.2%	2,585,507	0.2%
Salmon Marketing	2,455,256	0.1%	1,963,779	0.1%	1,412,041	0.1%
Telephone Cooperative[2]	2,029,808	0.1%	2,101,198	0.1%	1,836,740	0.2%
Electric Cooperative[2]	1,939,598	0.1%	1,861,290	0.1%	1,817,958	0.2%
Tire Fee	1,578,885	0.1%	826,674	0.1%	0	0.0%
Estate	1,538,592	0.1%	2,250,662	0.2%	1,221,757	0.1%
Dive Fisheries	411,267	0.0%	253,503	0.0%	204,738	0.0%
Total General Fund	**1,892,784,769**	**100.0%**	**1,412,270,517**	**100.0%**	**1,202,172,495**	**100.0%**

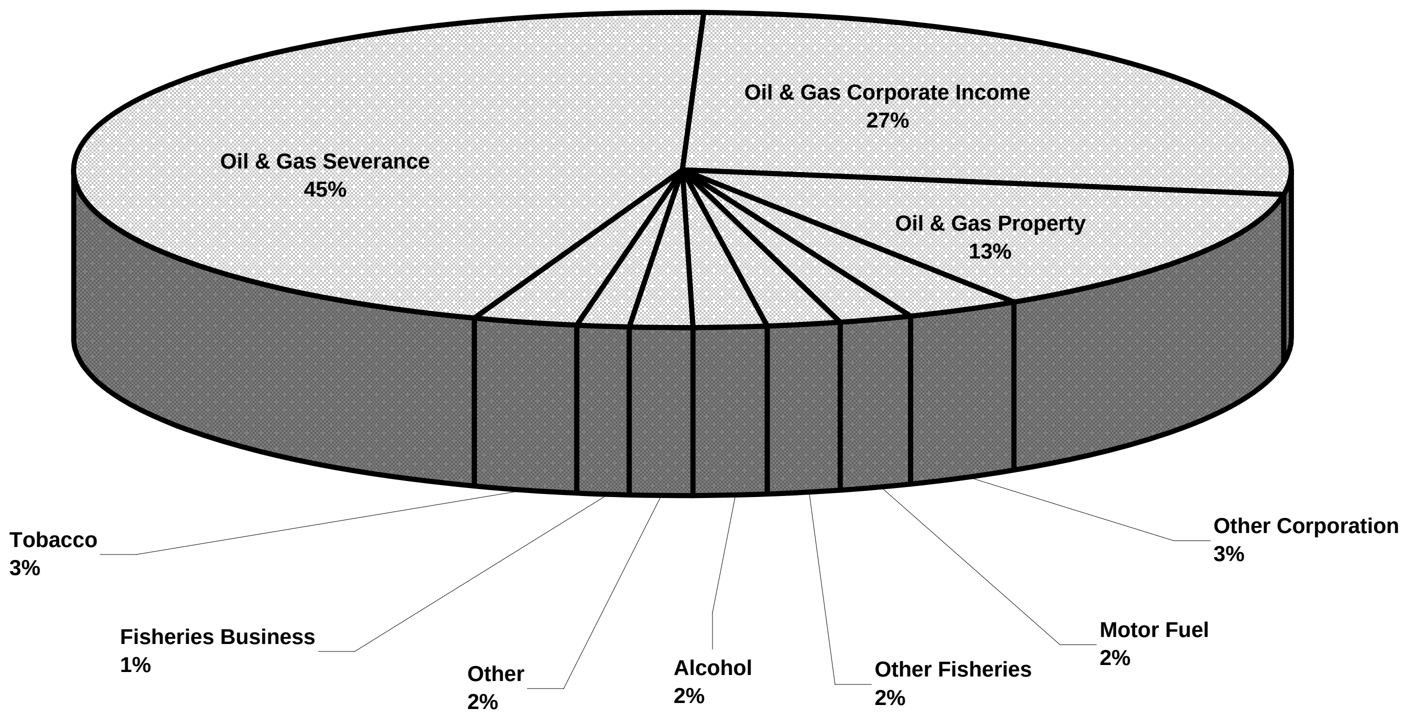
[1] Includes credit for municipal property tax paid ($218,294,036 in FY 2005, $218,798,614 in FY 2004 and $220,096,442 in FY 2003)

[2] Prior to sharing with municipalities or aquaculture associations

[3] Less amount transferred to School Fund and Tobacco Cessation Fund

FUND SOURCE	FY05	% Fund	FY04	% Fund	FY03	%Fund
Constitutional Budget Reserve Fund (CBRF)						
Oil and Gas Severance	21,310,000	77.8%	4,236,962	50.6%	3,681,970	17.6%
Oil & Gas Corporate Income	5,714,388	20.8%	4,035,122	48.3%	17,221,507	82.2%
Oil and Gas Property	376,915	1.4%	87,868	1.1%	-2,929	0.0%
Mining License	0	0.0%	0	0.0%	44,867	0.2%
Total CBRF	**27,401,303**	**100.0%**	**8,359,952**	**100.0%**	**20,945,415**	**100.0%**
School and Cessation Funds						
Tobacco School Fund	29,942,898	96.4%	32,865,726	100.0%	30,606,828	100.0%
Tobacco Cessation Fund	1,111,100	3.6%				
Cigarette License Fees	7,455	0.0%	4,740	0.0%	5,520	0.0%
Total School and Cessation Funds	**31,061,453**	**100.0%**	**32,870,466**	**100.0%**	**30,612,348**	**100.0%**
Total All Funds	***$1,951,247,525***	***100.0%***	***$1,453,500,935***	***100.0%***	***$1,253,730,258***	***100.0%***

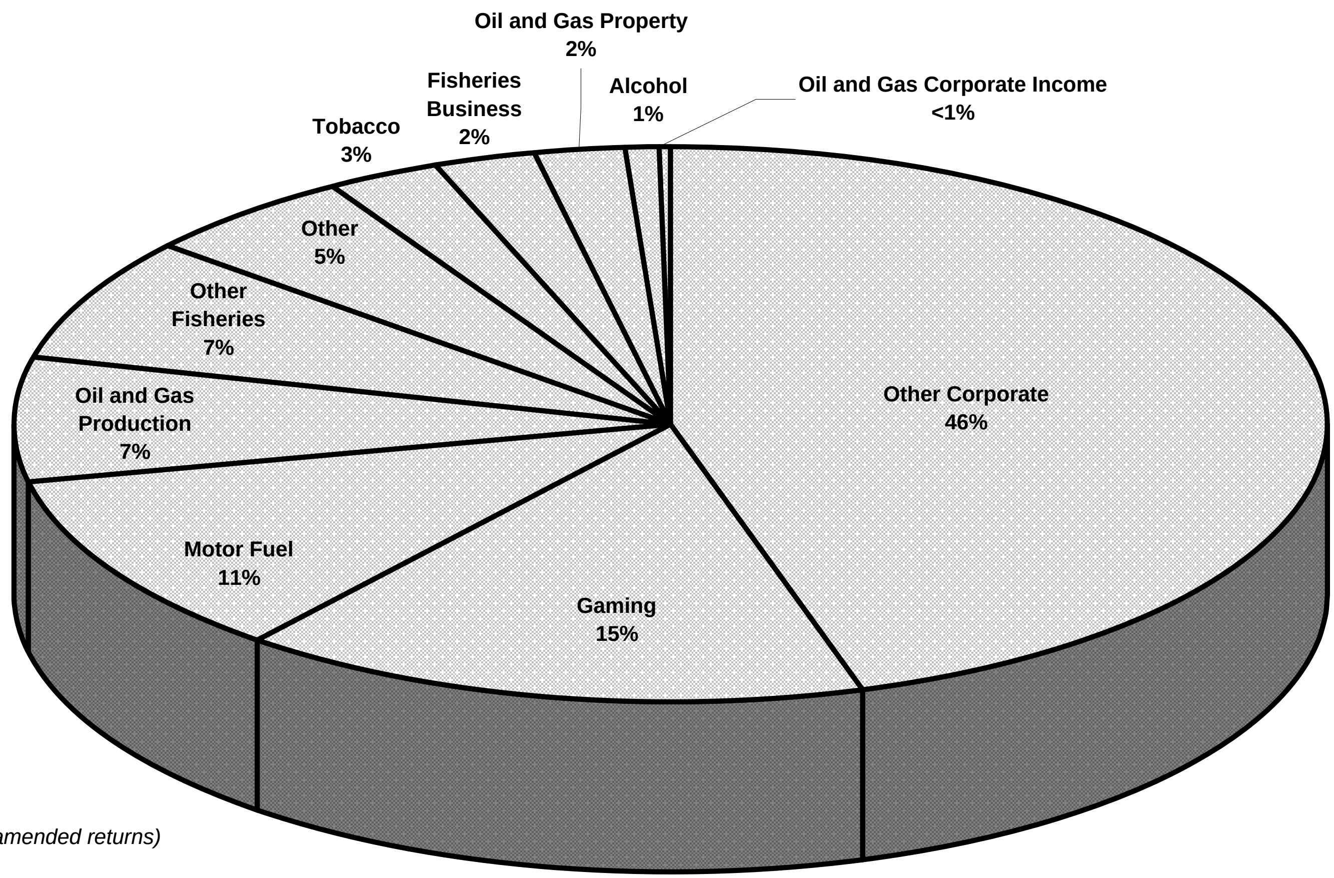
Chart I
Tax Division Collections



Total Tax Collections:	$	1,951,247,525

Oil & Gas Severance *includes the production tax and the conservation surcharge on oil.*
Other Fisheries *includes resource landing, dive fisheries, salmon enhancement and marketing taxes, and seafood marketing assessment collections.*
Other *includes RCC, estate, electric and telephone cooperative, gaming, mining license tax, tire and vehicle tax.*

Chart 2
Tax Returns Filed



(figures include original and amended returns)

Total Tax Returns Filed: 32,019

Oil and Gas		***Fisheries Business***	**745**	**Other**	**1,692**
Production	**2,357**			*Estate*	49
Corporate Income	**63**	**Other Fisheries**	**2,268**	*Electric Cooperative*	18
Property	**719**	*Salmon Marketing*	857	*Mining License*	190
		Salmon Enhancement	953	*Telephone Cooperative*	9
Other Corporate Income	**14,504**	*Seafood Marketing*	295	*APUC Reg Cost Charges*	538
		Fishery Resource Landing	90	*Tire Fee*	392
Motor Fuel	**3,462**	*Dive Fisheries*	73	*Vehicle Rental*	496
Alcohol	**310**	**Tobacco**	**919**	**Gaming**	**4,980**

2005 NEW LEGISLATION

The 2005 legislature passed three bills that directly affect the Tax Division and one bill went in to effect in this fiscal year. The Governor signed the following bills into law:

HB 61 (Ch 43 SLA 05) – Gaming: Calcutta Pools and Crane Classics - Effective September 5, 2005 the legislature authorized the Department of Revenue to issue permits for two new games of chance: "Calcutta pools" (related to amateur and professional sporting events) and a "crane classic" (the best guess of the time of arrival of the first Sandhill Crane to a particular place).

HB 286 (Ch 43 SLA 05) – **Value of Royalty on Gas Production/Tax Credit** This bill amended the manner of determining the royalty received by the state on gas production by directing the commissioner of the Department of Natural Resources to accept the transfer price of gas as established by the Regulatory Commission of Alaska under certain conditions. This legislation also extended and amended the requirements applicable to the credit that may be claimed for certain oil and gas exploration expenses incurred in Cook Inlet against oil and gas production (severance) taxes. This legislation also amended the credit against those taxes for certain exploration expenditures from leases or properties in the state. The bill was signed in to law July 21, 2005 with an immediate effective date.

HB 419 (Ch 44 SLA 05) – **Regional Seafood Development Tax** This bill provides authority for the Department of Commerce, Community and Economic Development to select, through an application process, a marketing association for each region that is funded through the collection of a seafood development tax in the qualifying regional marketing area. The rate is uniform for all fisheries and fishery resource in the region and the intent is to aid seafood development programs with a regional focus. The bill went in to effect September 7, 2004.

SB 124 (Ch 31 SLA 05) – **Fishery Business Security Requirements** This bill adds Employment Security Contributions, OSHA fines and Seafood Marketing Assessment to the list of obligations that a processor must be current in order to hold a fishery business license. The bill will effectively streamline collection activity for non compliance. The bill was signed in to law May 17, 2005 with an immediate effective date.

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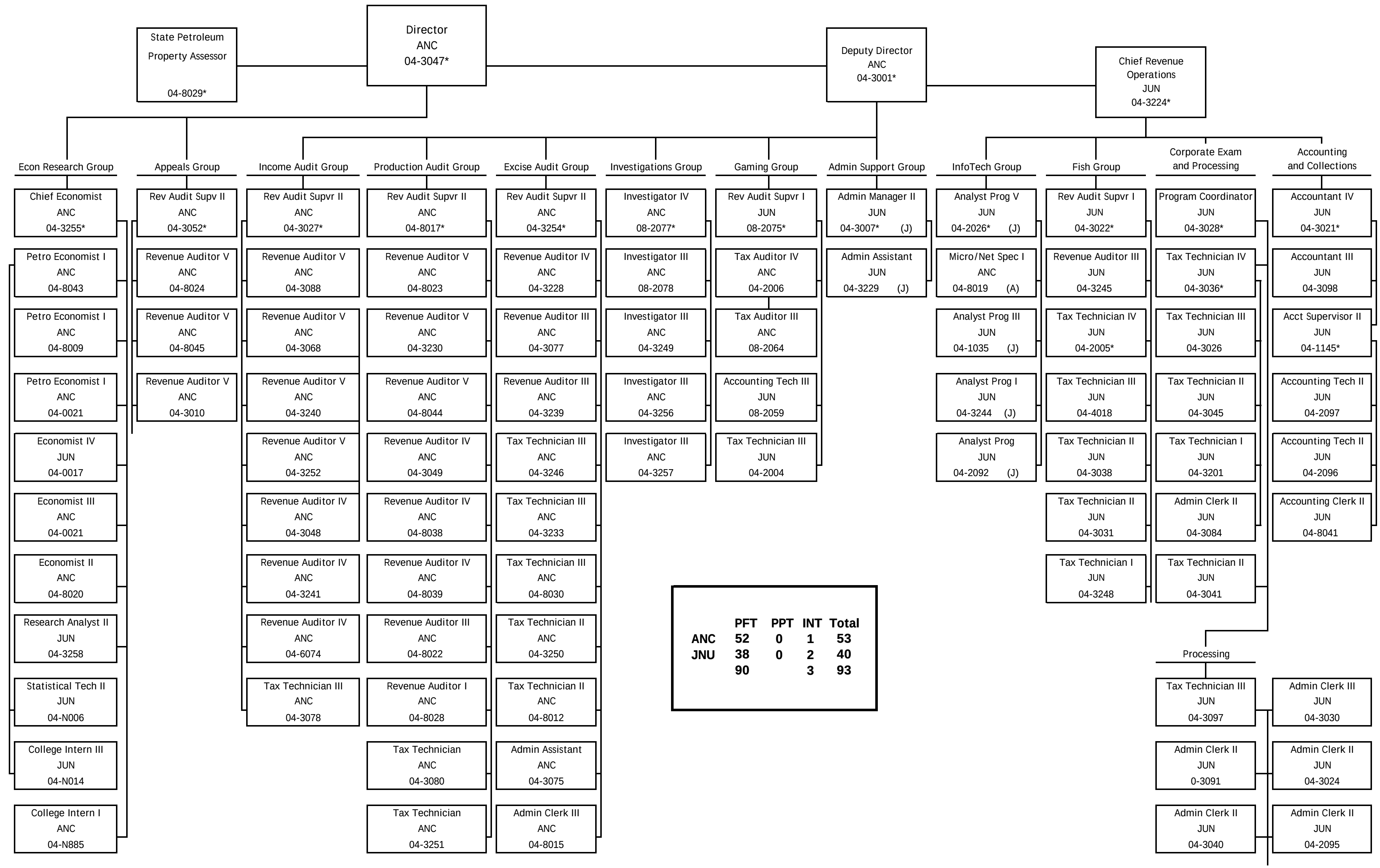
FY2005 Tax Division Organization Chart



DIVISION FUNCTIONS

During fiscal year 2005, the Tax Division was staffed by 90 full time and three non perm/college intern positions, and maintained offices in Juneau and Anchorage. The Division's FY 2005 operating budget was $7.5 million.

The Division is organized according to the functional groups of **Accounting and Collections, Appeals,** three **Audit Units, Economic Research, Examination and Processing, Fisheries, Gaming, Investigations, Property Tax;** and the support groups of **Administrative Support** and **Information Technology.**

OPERATIONS - JUNEAU

Operations is responsible for receipt and processing of all tax returns and payments except oil and gas severance and property taxes which are processed by the *Oil and Gas Production Group (see Audit)*. *Operations* includes **Accounting and Collections, Examination and Processing, Fisheries** and **Information Technology**.

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

Accounting and Collections is responsible for processing payments and reconciling Tax Accounting System (TAS) revenues to the state's accounting system (AKSAS). The unit includes an enforcement function to collect delinquent tax accounts, taking actions such as filing liens and levying assets. This unit also approves clearances from state agencies that are making final payment on state contracts.

Accounting and Collections manages the *Shared Tax* function. When applicable, taxes and fees are distributed to municipalities in accordance with statutory requirements, as well as periodically issuing warrants to communities for their portion of tax collected. The amount shared is based upon where the tax or fee was derived. In FY 2005, the Tax Division distributed $21,861,554 to 121 Alaska communities. The following taxes and fees are subject to sharing:

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

Taxes collected for fisheries business and resource landing activities in an unorganized borough are subject to sharing to municipalities through an allocation program administered by Department of Commerce, Community and Economic Development (Commerce). The Tax Division transmits funds to Commerce each year for allocation. For FY 2005, the Division transmitted $2,342,991 for additional sharing.

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

Accounting and Collections generates management reports as a part of its reconciliation process and is also responsible for *Financial Reporting* (summarizing and reporting of financial data and providing financial oversight and control of agency accounting functions).

Examination and Processing is responsible for *Processing* and the *Corporation Tax*. The primary function of both units is to efficiently and accurately process a high volume of tax returns.

The ***Processing*** **Unit** is responsible for data entry of tax return information into the Division's various database systems: TAS (Tax Accounting System) and DEE (Data Entry and Examination). Over 30,000 returns are processed annually through this unit, distributed to the appropriate examination unit and ultimately filed or archived.

The Processing unit is also responsible for the examination of three Excise taxes (Mining, Estate and the Alaska Public Utilities Commission).

The ***Corporation Tax*** Unit examines corporate tax returns for accuracy and generates assessments for additional taxes and penalties. Returns are examined based on priority criteria, which include large dollar tax liabilities, large refund or credit claims and returns with exceptions.

The unit receives partnership and other informational returns associated with the corporate net income tax and assists in updating corporate tax return forms to reflect changes in federal and Alaska tax laws.

The *Corporation Tax Unit* is responsible for compliance activities such as: securing returns from businesses and individuals required to file tax returns; comparing internal data with information from external agencies (IRS and Alaska Department of Commerce, Community

DIVISION FUNCTIONS

and Economic Development) to identify potential taxpayers; and following up on compliance leads from internal and external sources.

Fisheries Tax unit is responsible for processing license requests and examining tax returns for all fisheries related taxes.

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

The *Fisheries Unit* also administers the fish processor surety bonding program. This program requires that fisheries processors and buyers secure a bond (from $2,000 to $100,000 depending on their activity), as surety against future claims from employees and fishers.

This unit also examines returns for Dive Fishery, Fisheries Resource Landing Tax, Alaska Seafood Marketing Tax, Salmon Enhancement and Salmon Marketing Tax.

Information Technology unit maintains the Division's multiple database systems, provides technical support for tax management issues and implements technical support systems specific to a tax environment. This unit provides a crucial technical liaison between the Alaska State Accounting System and the Tax Accounting System.

This unit is also responsible for researching, coordinating, developing and implementing technical upgrades that enhance customer service to Alaska's taxpayers.

GAMING – JUNEAU AND ANCHORAGE

Gaming is responsible for overseeing charitable gaming activities conducted in the state. Gaming issues annual permits and licenses to non-profit organizations and operators to conduct charitable gaming activities in the state. The *Gaming* section publishes its own annual report that includes more detailed descriptions of this program and can be found on the Division's website at *www.tax.state.ak.us*.

ECONOMIC RESEARCH – JUNEAU & ANCHORAGE

Economic Research is responsible for monitoring and forecasting the state's General Fund revenues.

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

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

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

AUDIT - ANCHORAGE

The audit function consists of three groups based in Anchorage: the ***Audit - Income Group***, the ***Audit - Oil and Gas Production Group*** and the ***Audit - Excise Group***.

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

Audit - Oil and Gas Production Group receives oil and gas severance and property tax returns, examines and processes the payments. This group is also responsible for auditing oil and gas severance taxes, property taxes and compliance by the owners of the Trans Alaska Pipeline System with the TAPS settlement methodology in setting their tariffs. The Anchorage based Oil and Gas Severance Audit Group

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

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

APPEALS - ANCHORAGE

Appeals conducts informal conferences on protested assessments, issues informal conference decisions and provides assistance for all programs and tax types administered by the Division.

DIVISION FUNCTIONS

The Appeals section represents the division as counsel in disputed cases before the Office of Administrative Hearings.

PROPERTY TAX- ANCHORAGE

Oil and Gas ***Property Tax*** is responsible for assessment, compliance, audit, collection, and administrative processing of property tax assessments. Many of the unit's duties are performed by municipal authorities under a Memorandum of Agreement (MOA) and by engineering and appraisal experts working under contract.

The unit performs compliance and collection functions and is responsible for processing returns. The Division or taxpayers may initiate audits. Audits and appraisals conducted by the unit are typically highly specialized valuations for which the unit uses outside experts on an as needed basis.

INVESTIGATIONS - ANCHORAGE

On October 1, 2004, the Tax Division created a new ***Investigations Group*** with a primary responsibility for focusing on charitable gaming and tobacco tax investigations by conducting field inspections of gaming locations and of cigarette distributors and retailers and investigate potential charitable gaming violations and cigarette and tobacco violations.

Table 2 - Revenue Collections Detail

Listed in order of total amount of revenue collected.

TAX TYPE	FY 05	FY 04	FY 03
OIL AND GAS TAXES			
General Fund revenue			
Severance Taxes			
Oil & Gas Production	$ 859,334,819	$ 642,819,003	$ 589,731,934
Oil & Gas Hazardous Release	8,330,521	9,052,517	9,232,859
Credits	0	0	0
Severance tax total	867,665,340	651,871,520	598,964,793
Property Tax	260,828,754	266,210,393	268,844,716
Local credits	(218,294,036)	(218,798,614)	(220,096,442)
Property tax total	42,534,718	47,411,779	48,748,274
Oil & Gas Corporate Income Tax	524,427,805	299,137,852	151,395,925
Alaska Education Credit	(197,675)	(305,000)	(307,625)
Oil & Gas Corporate Income Tax total	524,230,130	298,832,852	151,088,300
Total Oil & Gas Tax Receipts - General Fund	**1,434,430,188**	**998,116,151**	**798,801,367**
Constitutional Budget Reserve Fund - CBRF			
Oil and Gas Severance Tax	21,310,000	4,236,962	3,681,970
Oil & Gas Corporate Income Tax	5,714,388	4,035,122	17,221,507
Oil and Gas Property	376,915	87,868	(2,929)
Total Receipts - CBRF	**27,401,303**	**8,359,952**	**20,900,548**
Total Oil & Gas Receipts - All Funds	**$ 1,461,831,491**	**$ 1,006,476,103**	**$ 819,701,915**
CORPORATE NET INCOME TAX - Non Oil and Gas Corporations			
Corporate Income Tax	62,164,517	40,244,959	48,405,650
Alaska Education Credit	(539,445)	(693,879)	(693,196)
Veteran's Memorial Fund Credit	0	(5,000)	0
Total Receipts	**$ 61,625,072**	**$ 39,546,080**	**$ 47,712,454**
MOTOR FUEL			
Highway	$ 29,918,920	$ 30,872,676	$ 26,518,253
Marine	4,718,509	5,266,275	5,938,976
Jet Fuel	4,193,390	4,391,412	4,067,223
Aviation Gasoline	729,827	786,917	834,042
Total Tax	39,560,646	41,317,280	37,358,494
Penalties and Interest*	3,920	50,046	(5,522)
Total Receipts	**39,564,566**	**41,367,326**	**37,352,972**
Less Aviation Fuel Tax Shared	(150,708)	(164,978)	(169,600)
Amount Retained by State	**$ 39,413,858**	**$ 41,202,348**	**$ 37,183,372**

Table 2 - Revenue Collections Detail

Listed in order of total amount of revenue collected.

TAX TYPE	FY 05	FY 04	FY 03
ALCOHOLIC BEVERAGES			
Liquor	$ 16,034,366	$ 14,138,141	$ 11,246,889
Beer	14,115,672	13,654,111	10,695,105
Wine	4,594,941	4,257,955	3,010,269
Beer Qualifying for Reduced Rate of Tax	770,757	691,183	407,277
Penalties, Interest and Refunds	914	4,754	1,268
Total Receipts	**$ 35,516,650**	**$ 32,746,144**	**25,360,808**
Less Amount Transferred to Alcohol and Other Drug Abuse Treatment and Prevention Fund	(17,758,496)	(16,372,730)	(11,222,078)
Unrestricted Amount Retained in General Fund	**$ 17,758,154**	**$ 16,373,414**	**$ 14,138,730**

* Interest paid on refunds exceeded penalties and interest collected on assessments in FY 2003.

TAX TYPE	FY 05	FY 04	FY 03
FISHERIES BUSINESS			
Tax Before Credits	$ 28,141,351	$ 30,661,407	$ 26,091,599
Penalties, Interest and Refunds	153,357	312,646	204,590
License Fees	14,724	15,473	16,922
Less Credits			
Winn Brindle	(135,700)	(168,894)	(176,114)
Alaska Education Credit	(300,000)	(302,500)	(153,589)
Salmon Product Development and Utilization Credit	(2,314,258)	(1,379,475)	0
Total Receipts	**25,559,474**	**29,138,657**	**25,983,408**
Less Fisheries Tax Shared with Municipalities			
Direct to Municipalities	(13,485,788)	(12,672,941)	(10,806,426)
Department of Community and Economic Development	(1,738,224)	(1,725,251)	(1,362,651)
Amount Retained by State	**$ 10,335,462**	**$ 14,740,465**	**$ 13,814,331**
DEC Seafood Processor License Fees	**$ 400,670**	**$ 402,050**	**$ 424,495**
TOBACCO			
Cigarette	$ 48,755,317	$ 42,573,286	$ 40,239,153
Tobacco Products	7,774,876	6,561,826	6,657,704
Penalties and Interest	99,802	76,154	61,263
Deductions and Stamp Discount	(470,178)	(355,093)	(63,507)
Total Receipts	**56,159,817**	**48,856,173**	**46,894,613**
Less Amount Transferred to School Fund	(29,942,898)	(32,865,726)	(30,606,828)
Less Amount Transferred to Tobacco Cessation Fund	(1,111,100)	0	0
Amount Retained in General Fund	**$ 25,105,819**	**$ 15,990,447**	**$ 16,287,785**
Cigarette License Fees			
(Transferred Directly to School Fund)			
Total Receipts	**$ 7,455**	**$ 4,740**	**$ 5,520**

Table 2 - Revenue Collections Detail

Listed in order of total amount of revenue collected.

TAX TYPE	FY 05	FY 04	FY 03
MINING LICENSE			
General Fund			
Current Year Tax Before Credits	$ 10,467,238	$ 3,326,281	$ 383,691
Less Alaska Special Industrial Incentive Credit			
Less Mineral Exploration Incentive Credit	0	0	(29,736)
Less Alaska Education Credit	(150,000)	(101,597)	(2,568)
Total Receipts - General Fund	**10,317,238**	**3,224,684**	**351,387**
Constitutional Budget Reserve Fund			
Current Year Tax	0	0	44,867
Total Receipts - CBRF	**0**	**0**	**44,867**
Total Mining License Receipts - All Funds	**$ 10,317,238**	**$ 3,224,684**	**$ 396,254**
FISHERY RESOURCE LANDING			
Tax Before Credits	$ 9,520,641	$ 7,230,715	$ 11,018,953
Penalties, Interest and Refunds	406,971	672,967	220,301
Less Credits			
CDQ Contributions	(232,386)	(370,141)	(396,650)
Winn Brindle	0	(5,000)	(5,000)
Alaska Education Credit	(1,050,000)	(900,000)	(1,200,000)
Total Receipts	**8,645,226**	**6,628,541**	**9,637,604**
Less Landing Tax Shared with Municipalities			
Direct to Municipalities	(3,624,314)	(3,781,803)	(2,628,024)
Department of Community and Economic Development	(604,767)	(576,433)	(321,440)
Amount to be Retained by State	**$ 4,416,145**	**$ 2,270,305**	**$ 6,688,140**
VEHICLE RENTAL			
Passenger Vehicle	$ 7,147,231	$ 2,623,614	
Recreational Vehicle	327,811	87,557	
Penalties and Interest	23,949	401	
Total Receipts	**$ 7,498,991**	**$ 2,711,572**	**N/A**
REGULATORY COMMISSION of ALASKA			
Telephone Utilities	$ 2,446,667	$ 2,218,859	$ 2,388,840
Electric Utilities	1,967,201	1,795,454	1,488,845
Other Utilities	1,411,969	1,036,199	1,155,708
Pipeline Carriers	655,590	605,083	805,986
Total Receipts	**$ 6,481,427**	**$ 5,655,595**	**$ 5,839,379**

Table 2 - Revenue Collections Detail

Listed in order of total amount of revenue collected.

TAX TYPE	FY 05	FY 04	FY 03
SALMON ENHANCEMENT			
Tax by Aquacultural Region			
Southern Southeast	$ 915,005	$ 821,631	$ 560,456
Northern Southeast	1,230,090	732,380	659,790
Prince William Sound	590,840	653,603	559,046
Kodiak	483,596	352,935	279,692
Cook Inlet	496,670	310,497	244,719
Chignik	70,860	129,765	109,035
Total Tax	3,787,061	3,000,811	2,412,738
Penalties and Interest	24,431	32,754	9,313
Total Receipts	**$ 3,811,492**	**$ 3,033,565**	**$ 2,422,051**
SEAFOOD MARKETING ASSESSMENT			
Paid by Fisheries Business taxpayers	$ 2,494,591	$ 2,905,806	$ 2,186,452
Paid by Fishery Resource Landing taxpayers	1,028,781	726,950	1,133,175
Total Receipts	**$ 3,523,372**	**$ 3,632,756**	**$ 3,319,627**
CHARITABLE GAMING			
3% Pull Tab Tax	$ 1,944,158	$ 1,887,015	$ 2,077,176
1% Net Proceeds Fee	357,176	386,220	370,524
Licensing Fees	156,478	150,043	137,807
Total Receipts	**$ 2,457,812**	**$ 2,423,278**	**$ 2,585,507**
SALMON MARKETING			
Tax	$ 2,442,826	$ 1,907,811	$ 1,406,087
Penalties and Interest	12,430	55,968	5,954
Total Receipts	**$ 2,455,256**	**$ 1,963,779**	**$ 1,412,041**
TELEPHONE COOPERATIVE			
Total Receipts	**$ 2,029,808**	**$ 2,101,198**	**$ 1,836,740**
Less Cooperative Taxes Shared	(1,926,187)	(1,981,543)	(1,709,074)
Amount Retained by State	**$ 103,621**	**$ 119,655**	**$ 127,666**
ELECTRIC COOPERATIVE			
Total Receipts	**$ 1,939,598**	**$ 1,861,290**	**$ 1,817,958**
Less Cooperative Taxes Shared	(1,868,400)	(1,794,011)	(1,752,988)
Amount Retained by State	**$ 71,198**	**$ 67,279**	**$ 64,970**

Table 2 - Revenue Collections Detail

Listed in order of total amount of revenue collected.

TAX TYPE	FY 05	FY 04	FY 03
TIRE FEE			
Non-Studded	$ 1,136,589	$ 826,651	
Studded	436,440	0	
Penalties and Interest	5,856	23	
Total Receipts	**$ 1,578,885**	**$ 826,674**	**N/A**
ESTATE			
Total Receipts	**$ 1,538,592**	**$ 2,250,662**	**$ 1,221,757**
DIVE FISHERY MANAGEMENT ASSESSMENT			
Southeast Alaska - Management Area A	$ 411,267	$ 253,503	$ 204,738
Total Receipts	**$ 411,267**	**$ 253,503**	**$ 204,738**

Table 3
Program Revenue and Cost Detail

(Sorted by Revenue)	FY2005 Statistics		FY2005 Program		FY2005 Per FTE[2]	
Tax Program	**Returns**	**Revenue**	**Cost[1]**	**FTE[2]**	**Revenue**	**Cost**
Oil and Gas Severance[3]	2,357	$888,975,340	$2,196,375	20.8	$42,739,199	$105,595
Oil and Gas Corporate Income[4]	63	529,944,518	629,778	6.1	86,876,150	103,242
Oil and Gas Property[5]	719	261,205,669	412,593	2.6	100,463,719 *	158,690
Corporate Income *(non-Oil & Gas)*	14,504	61,625,072	1,356,263	18.2	3,385,993	74,520
Tobacco[6]	919	56,167,272	635,749	8.8	6,382,645	72,244
Motor Fuel	3,462	39,564,566	293,147	4.7	8,417,993	62,372
Alcoholic Beverages[7]	310	35,516,650	191,509	3.1	11,456,984	61,777
Fisheries Business	745	25,559,474	543,963	9.3	2,748,331	58,491
Mining License	190	10,317,238	11,756	0.2	***	***
Fishery Resource Landing	90	8,645,226	50,508	0.7	***	***
Vehicle Rental Tax	496	7,498,991	105,624	1.7	4,411,171	62,132
Regulatory Cost Charges	538	6,481,427	14,110	0.3	***	***
Salmon Enhancement	953	3,811,492	38,135	0.8	***	***
Seafood Marketing Assessments	295	3,523,372	60,440	1.0	3,523,372	60,440
Salmon Marketing	857	2,455,256	38,134	0.7	***	***
Telephone Cooperative	9	2,029,808	3,067	0.0	***	***
Electric Cooperative	18	1,939,598	3,405	0.1	***	***
Tire Fee	392	1,578,885	58,958	0.9	***	***
Estate	49	1,538,592	35,166	0.6	***	***
Dive Fishery	73	411,267	6,265	0.1	***	***
Total Tax Programs	**27,039**	**$1,948,789,713**	**$6,684,945**	**80.7**	**$24,148,571** **	**$82,837** **
Gaming	**4,980**	**2,457,812**	**812,155**	**9.3**	**$264,281**	**$87,328**
Total All Programs	**32,019**	**$1,951,247,525**	**$7,497,100**	**90.0**		

[1] Includes total operating costs of the division.

[2] Full-time equivalent staff position

[3] Includes CBRF receipts of $21,310,000

[4] Includes CBRF receipts of $5,714,388

[5] Includes CBRF receipts of $376,915

[6] Includes school fund receipts (tobacco $29,942,898, cessation $1,111,100 and cigarette licenses $7,455)

[7] Includes alcohol and other drug abuse treatment fund receipts $17,758,496

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

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

*** Combined program revenues ($39,208,789) and costs ($259,504) require 4.4 FTE. Combined revenue and cost per FTE are $8,911,088 and $58,978 respectively.

Table 4
Revenue Collected From Enforcement Activity

(Sorted by total collections)

Tax Type	Audit	Exam	Total	Staffing (FTE)[1] Audit	Staffing (FTE)[1] Exam	Per FTE[1] Audit	Per FTE[1] Exam
Oil and Gas Production	$21,310,000	0	$ 21,310,000	8.4	1.9	$2,536,905	-
Oil and Gas Corporate Income	5,714,388	821,850	6,536,238	4.1	0.5	1,393,753	1,643,700
Corporate Income	1,061,791	$242,299	1,304,090	2.5	5.4	424,716	44,870
Motor Fuel	0	471,222	471,222	1.0	1.0	-	471,222
Oil and Gas Property	376,915	0	376,915	0.0	0.2	**	-
Fisheries Business	0	213,961	213,961	0.0	3.5	-	61,132
Estate	52,755	156,396	209,151	0.2	0.0	**	-
Fishery Resource Landing	0	66,257	66,257	0.0	0.5	-	**
Tobacco	0	17,851	17,851	5.4	2.1	-	8,500
Charitable Gaming	0	6,629	6,629	4.8	1.0	-	6,629
Seafood Marketing	0	6,587	6,587	0.0	0.4	-	**
Vehicle Rental	0	494	494	1.1	0.3	-	**
Alcoholic Beverage	0	353	353	1.0	1.4	-	252
Tire Fee	0	323	323	0.5	0.2	-	-
Dive Fisheries	0	292	292	0.0	0.0	-	-
Mining	0	0	0	0.0	0.0	-	-
Telephone/Electric Co-ops	0	0	0	0.0	0.0	-	-
RCA	0	0	0	0.0	0.0	-	-
Salmon Enhancement	0	0	0	0.0	0.3	-	-
Salmon Marketing	0	0	0	0.0	0.3	-	-
Total	**$28,515,849**	**$2,004,514**	**$30,520,363**	**29.0**	**19.0**	**$983,305 ***	**$105,501**

1 Full Time Equivalent staff position

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

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

ALCOHOLIC BEVERAGES TAX
AS 43.60

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

Rates

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

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

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

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

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

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

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

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

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

Liquor	***Per Gallon***
1937	$.50
1941	$1.00
1945	$1.60
1946	$2.00
1947	$3.00
1957	$3.50
1961	$4.00
1983	$5.60
2002	$12.80

Wine	***Per Gallon***
1933	$.05
1937	$.15
1947	$.25
1957	$.50
1961	$.60
1983	$.85
2002	$2.50

Beer (Malt Beverages)	***Per Gallon***
1933	$.05
1947	$.10
1957	$.25
1983	$.35
2002	$1.07

Beer (Malt Beverages) Produced by Small Breweries	***Per Gallon***
2002	$.35

See following page for FY 2005 Statistics.

ALCOHOLIC BEVERAGES TAX
AS 43.60

FY 2005 Statistics

Product	**Gallons**	**Tax Collected**
Liquor	1,252,685	$16,034,366
Wine	1,837,976	4,594,941
Beer, Malt Beverage & Cider	13,192,217	14,115,672
Beer, Small Brewery	2,202,163	770,757
Penalties, Interest and Refunds		914
Total Tax Collected *Including Penalties, Interest & Refunds*		**$35,516,650**
Less Amt Transferred to Alcohol and Other Drug Abuse Treatment & Prevention Fund		(17,758,496)
Total Tax Collections – General Fund		**$17,758,154**

Number of Returns	310
Number of Taxpayers	26
Program Cost	$191,509
Staffing *(full-time equivalent)*	3.1

CHARITABLE GAMING
AS 05.15

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

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

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

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

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

Reports
The Division requires the following reports:

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

Permittees file annual reports on a calendar year basis, accompanied with payment of the *additional* fee, if required under AS 05.15.020(b), by March 15th of the following year. Under this statute, if the gross receipts for the activities were $20,000 or more, an additional fee of one percent of the net proceeds received during the preceding year is due.

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

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

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

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

Exemptions
None

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

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

1984 – The Department authorizes pull-tabs.

CHARITABLE GAMING
AS 05.15

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

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

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

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

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

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

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

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

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

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

2004 - Effective July 25, 2004, the legislature authorized the Department of Revenue to issue permits for a charitable animal classic game, providing the animal classic was in existence prior to November 1, 2002.

2005 – Effective September 5, 2005, the legislature authorized the Department of Revenue to issue permits for Calcutta pools and crane classics.

FY 2005 Statistics

Taxes and Fees Collected	$2,457,812
Number of Reports and Permit Applications	4,980
Program Cost	$812,155
Staffing *(full time equivalent)*	9.3

CONSERVATION SURCHARGE ON OIL
AS 43.55

Description

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

Rate

The surcharge is currently comprised of two components: 1) a $.03/bbl charge on all oil production excluding public royalty barrels and 2) an additional $.02/bbl charge on all oil production whenever the balance in the state oil and hazardous substance release prevention and response fund falls below $50 million. The balance of the fund was $50 million or greater for all of FY 2005 so that the surcharge was $.03/bbl for the entire fiscal year.

History

1989 - Following the grounding of the Exxon Valdez, this tax was enacted in order to provide a hazardous substance release emergency fund. A $.05/bbl hazardous release surcharge is imposed on oil production until the newly created hazardous substance release fund achieves a balance of $50 million.

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

FY 2005 Statistics

Tax Collections	$8,330,521
Number of Returns*	2,357
Number of Taxpayers*	14

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

CORPORATION INCOME TAX
AS 43.20

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

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

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

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

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

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

Example: The filing due date for calendar year corporations is April 15. Corporations may extend their filing due date to October 15. Regardless of filing date, payment is due March 15.
Corporations make quarterly estimated tax payments based on past activity and the current year's accrued tax liability. Taxpayers must remit estimated payments over $100,000 by wire transfer or electronic funds transfer (EFT).

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

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

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

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

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

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

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

CORPORATION INCOME TAX
AS 43.20

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

1957 – Tax rate was increased to 18%.

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

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

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

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

1987 – Alaska education credit was authorized.

1991 – Alaska's legislature enacted a bill requiring corporations, except for oil and gas corporations, to calculate taxable income based on the "water's edge" combined reporting method. Oil and gas corporations continue to use the worldwide combined reporting method. Also, the legislature increased the Alaska education credit maximum from $100,000 to $150,000.

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

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

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

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

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

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

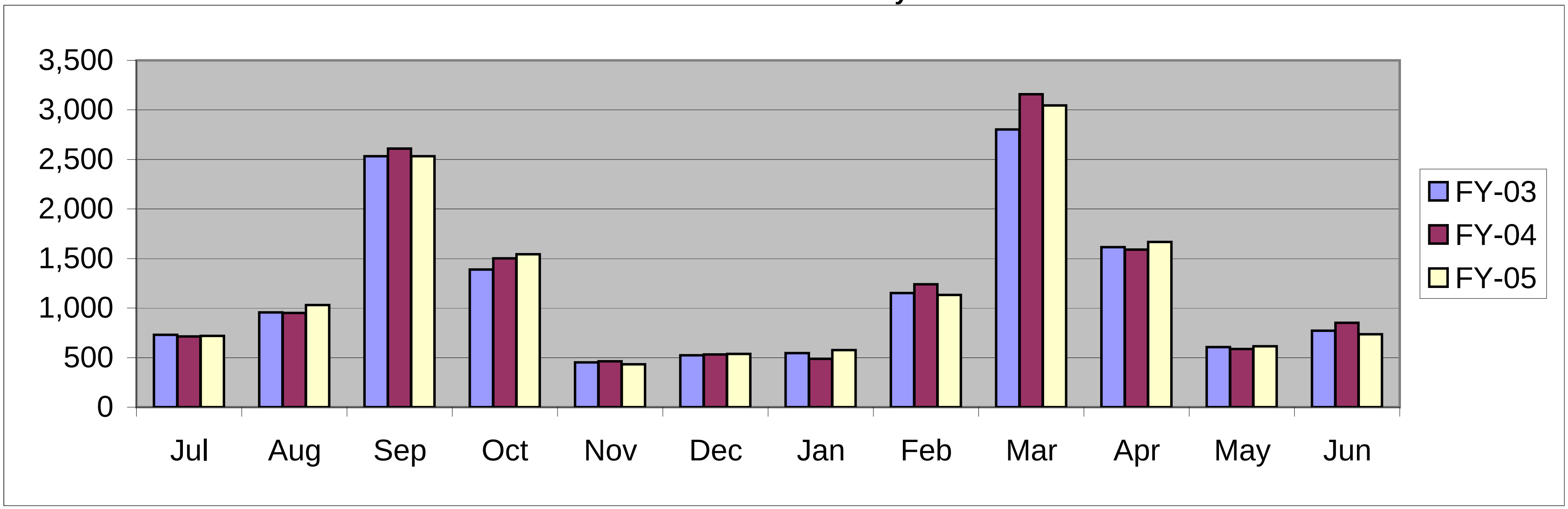
2005 Statistics

Tax Collections Oil and Gas Corporations	
General Fund	$524,230,130
CBRF	5,714,388
Total	$529,944,518
Number of Returns	63
Number of Taxpayers	26
Program Cost	$629,778
Staffing: Full Time Equivalent	6.1

Tax Collections Other Corporations	
General Fund	$61,625,072
Number of Returns	14,504
Number of Taxpayers	11,736
Program Cost	$1,356,263
Staffing: Full Time Equivalent	18.2

Chart 3
Corporations Filing Activity
For Fiscal Years 2003, 2004 and 2005

Number of Returns Filed by Month



Fiscal Year	FY 2005	FY 2004	FY 2003
Total Returns Filed	**14,567**	**14,688**	**14,077**

Detail of FY 2005 Filing Activity

Entity Type	Original	Amended	NOL*	Total
Subchapter C	6,659	793	247	7,699
Subchapter S	6,228	8	2	6,238
Exempt	67	1	0	68
Homeowners Assoc.	498	0	1	499
Oil & Gas	21	40	2	63
	13,473	842	252	14,567

*Net operating loss carryback

Table 5
Corporation Tax Liabilities Statistics

Tax liabilities reported on original returns filed in FY05

	Oil and Gas Corporations			Other than Oil and Gas Corporations			All Corporations		
Tax Liability Reported	**# Filers**	**Amount**	**% Total**	**# Filers**	**Amount**	**% Total**	**# Filers**	**Amount**	**% Total**
Above $1 million	8	$284,979,448	99.54%	5	$7,467,849	17.80%	13	$292,447,297	89.09%
$500,000 - $1 million	1	822,103	0.29%	15	9,730,457	23.19%	16	10,552,560	3.21%
$100,000 - $499,999	2	458,727	0.16%	62	13,897,146	33.12%	64	14,355,873	4.37%
$50,000 - $99,999	0	0	0.00%	60	4,330,557	10.32%	60	4,330,557	1.32%
$10,000 - $49,999	0	0	0.00%	197	4,723,270	11.26%	197	4,723,270	1.44%
$1,000 - $9,999	4	31,628	0.01%	450	1,589,446	3.79%	454	1,621,074	0.49%
$100 - $999	2	1,085	0.00%	497	196,450	0.47%	499	197,535	0.06%
$1 - $99	1	4	0.00%	868	26,793	0.06%	869	26,797	0.01%
Zero Tax	3	0	0.00%	10,241	0	0.00%	10,244	0	0.00%
Total	**21**	**$286,292,995**	**100.00%**	**12,395**	**$41,961,968**	**100.00%**	**12,416**	**$328,254,963**	**100.00%**

Note: Amounts reflect tax liabilities reported on the taxpayer original returns. Liabilities may differ from amounts remitted by the taxpayer during the fiscal year due to timing differences resulting from estimated tax payments, credits and final payment of taxes reported and amended returns.

DIVE FISHERY MANAGEMENT ASSESSMENT TAX
AS 43.76.150

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

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

Geoduck	7%
Sea Cucumber	5%
Sea Urchin	7%

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

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

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

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

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

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

2005 - Effective January 1, 2005, the legislature changed the quarterly filing due date to an annual filing due date for dive fishers that export or sell to unlicensed buyers. The return due date for dive fishers that export from the state or that sell to unlicensed buyers in the state is March 31 of the year following the year the dive fisheries resources were exported or sold.

FY 2005 Statistics

Tax Collections	$411,267
Number of Returns	73
Number of Taxpayers	23
Program Cost	$6,265
Staffing *(full time equivalent)*	0.1

ELECTRIC COOPERATIVE TAX
AS 10.25.555

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

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

Length	*Rate Per kWh*
Less than 5 years	.25 mill
5 years or longer	.5 mill
	(1 mill = .1¢)

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

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

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

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

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

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

FY 2005 Statistics

Tax Collections	$1,939,598
Number of Returns	18
Number of Taxpayers	17
Program Cost	$3,405
Staffing *(full time equivalent)*	0.1

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

ESTATE TAX
AS 43.31

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

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

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

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

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

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

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

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

2001 – The federal Economic Growth and Tax Relief Reconciliation Act enacted. *As a consequence of the federal act, the state tax credit is being phased out gradually over a four year period beginning in 2002. As of January 1, 2005, the state tax credit is no longer available to offset federal tax. The Alaskan estate tax, being a function of the federal credit for state tax, is no longer applicable.*

FY 2005 Statistics

Tax Collections	$1,538,592
Number of Returns	49
Number of Taxpayers	46
Number of Death Certificates Issued	775
Program Cost	$35,166
Staffing *(full time equivalent)*	0.6

FISHERIES BUSINESS TAX
AS 43.75

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

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

Processing Activity

Established	*Rate*
Floating	5 %
Salmon Cannery	4.5 %
Shore-based	3 %

Developing	*Rate*
Floating	3 %
Shore-based	1 %

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

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

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

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

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

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

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

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

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

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

FISHERIES BUSINESS TAX

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2003 - Salmon Product Development/Utilization Credit allows tax credits against the fisheries business tax for expenditures promoting the 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

FISHERIES BUSINESS TAX

taxpayer's fisheries business liability for processing of salmon during the tax year.

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

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

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

2005 – Effective May 18, 2005, the legislature modified the surety and tax payment requirements for obtaining a fisheries business license. The legislature reduced the amount of surety bonding for small primary fish buyers from $10,000 to $2,000. The legislation added as a condition for obtaining a fisheries business license full payment of delinquent: taxes under AS 43, seafood marketing assessments, employment security contributions, OSHA penalties, and local fishery sales taxes.

FY 2005 Statistics

Fisheries License and Business Tax	
License Fees and Tax Collection *Including penalties and interest.* *Less Winn Brindle, Alaska Education and Salmon Product Development & Utilization Credits.*	$25,559,474
Number of Returns	745
Number of Taxpayers	524

Fisheries Business License Information	
Shore-based Licenses Issued	189
Floating Licenses Issued	358
Exporter Licenses Issued	24
Total Licenses Issued	571
Program Cost	$543,963
Staffing *(full time equivalent)*	9.3

FISHERY RESOURCE LANDING TAX
AS 43.77

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

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

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

Classification	*Rate*
Established	3%
Developing	1%

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

The Division grants an automatic extension to file the landing return if it does not provide statewide average prices to taxpayers at least 30 days prior to the due date. If the extension applies, the due date is the last day of the month following the month in which the Division issues statewide average prices. The Division extended the due date for calendar year 2004 returns to June 30, 2005.

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

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

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

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

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

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

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

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

FISHERY RESOURCE LANDING TAX

History

The legislature enacted the fishery resource landing tax in 1993, effective January 1994. The Department of Revenue adopted regulations regarding administration of the tax, effective April 1994.

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

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

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

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

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

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

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

FY 2005 Statistics

Tax Collections *Including penalties, interest and refunds Less CDQ contributions, Winn Brindle Credit and Alaska Education Credit*	$8,645,226
Number of Returns	90
Number of Taxpayers	63
Program Cost	$50,508
Staffing (*full time equivalent*)	0.7

MINING LICENSE TAX
AS 43.65

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

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

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

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

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

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

Disposition of Revenue
The Division deposits all revenue derived from the mining license tax into the General Fund with the exception of payments received after a tax assessment. The Division deposits these amounts into the Constitutional Budget Reserve Fund (CBRF).

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

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

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

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

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

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

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

MINING LICENSE TAX

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

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

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

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

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

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

FY 2005 Statistics

Tax Collections	
General Fund (GF)	$10,317,238
Less the Alaska Special Industrial Incentive, Mineral Exploration Incentive & Alaska Education Credits	
CBRF	0.0
Total of GF and CBRF	$10,317,238
Number of Returns	190
Number of Taxpayers	180
Program Cost	$11,756
Staffing *(full time equivalent)*	0.2

MOTOR FUEL TAX
AS 43.40

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

Rates

	Per Gallon Rate
Highway	8¢
Marine	5¢
Aviation Gasoline	4.7¢
Jet Fuel	3.2¢

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

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

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

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

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

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

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

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

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

Highway	*Per Gallon*
1945	1¢
1947	2¢
1955	5¢
1960	7¢
1961	8¢
1964	7¢
1970	8¢

Gasohol	*Per Gallon*
1997	8¢ and 2¢

(2¢ November through February where required)

Marine	*Per Gallon*
1945	1¢
1947	2¢
1955	5¢
1957	2¢
1960	3¢

MOTOR FUEL TAX

Marine (cont.)	*Per Gallon*
1971	4¢
1977	5¢

Aviation Gasoline	*Per Gallon*
1945	1¢
1947	2¢
1955	3¢
1968	4¢
1994	4.7¢

Jet Fuel	*Per Gallon*
1957	1.5¢
1968	2.5¢
1994	3.2¢

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

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

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

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

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

FY 2005 Statistics

Motor Fuel Tax	Tax Collected
Highway	$29,918,920
Marine Fuel	4,718,509
Jet Fuel	4,193,390
Aviation Gasoline	729,827
Penalties& Interest	3,920
Tax Collections	$39,564,566
Including penalties and interest	
Less Aviation Fuel Tax Shared	(150,708)
Total Amount Retained by State	$39,413,858

Motor Fuel Type	Gallons**
Highway	364,919,370
Marine Fuel	99,486,265
Jet Fuel	152,685,651
Aviation Gasoline	16,496,206

** Gallons noted may not compute if calculated as:
Gallons X Tax Rate = Tax Collected
Gallons are recorded on the tax return and calculated based on the return tax period, whereas tax collections are calculated based on the amount received within a time period and may include payments or refunds from a previous tax period.

Number of Returns	3,462
Number of Taxpayers	248

Program Cost	$293,147
Staffing *(full time equivalent)*	4.7

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

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

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

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

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

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

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

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

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

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

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

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

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

FY 2005 Statistics

Property Tax Billed	$260,828,754
CBRF	376,915
Less Municipal Tax Credit	(218,294,036)
Net Tax Due to State	$42,911,633
Number of Returns	719
Number of Taxpayers	116
Program Costs	$412,593
Staffing *(full time equivalent)*	2.6

OIL AND GAS PRODUCTION TAXES
AS 43.56

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

Rate
The rate of taxation for oil varies depending on the age of the field and the economic limit factor (ELF) which varies depending on field size and well productivity.

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

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

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

On January 12, 2005 the Tax Division issued a decision to aggregate certain Prudhoe Bay area oil fields for purposes of calculating the economic limit factor (ELF). The Prudhoe Bay Initial participating area, the Aurora, the Borealis, the Midnight Sun, the Orion, the Polaris, and the Point McIntyre participating areas are the fields that were aggregated under this decision. That decision was effective for oil produced on or after February 12, 2005. The decision has been appealed by the taxpayers.

The table below reflects the aggregated Prudhoe Bay area ELF. In Fiscal Year 2005, four of Alaska's North Slope 24 producing fields had an ELF higher than 0.1:

Field	*ELF*	*FY05 Tax Rate*
Prudhoe	.843033	12.6455%
North Star	.834275	10.2199%
Alpine	.829133	10.1569%
Kuparuk	.050742	00.7611%
Tarn	.009742	00.1461%

The 3 largest fields account for 94% of all production tax revenues.

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

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

Exemptions
The tax on oil is levied on all production except for public (government) royalty production. The tax on gas is levied on all production except for public (government) royalty production and gas used in production operations including enhanced recovery, or flared for safety purposes.

Credits
Education - Taxpayers making contributions to accredited Alaska universities or colleges for educational purposes may take a tax credit for 50% of the first $100,000, 100% of the next $100,000 of contributions with a maximum credit of $150,000 per tax year.

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

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

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

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

The legislature extended the time until July 1, 2010 for qualifying work south of the Brooks Range and including the Alaska Peninsula and Bristol Bay, the Nenana Basin, the Red Dog Mine Area, the Healy Basin and Cook Inlet. The new rules also changed the 3 mile and 25 mile rules for the Cook Inlet to reflect a more mature exploration area.

The table below reports the credits issued under the program through September 30, 2005:

Area	Project	*Number of Projects*	*Credits Issued*
20 % Credits Issued:			
Cook Inlet	Wells	1	$392,293
North Slope	Wells	3	$3,588,666
Total 20 % credits issued		4	$3,980,959
40 % Credits Issued:			
Cook Inlet	Seismic	1	$754,619
Cook Inlet	Wells	0	$0
North Slope	Seismic	0	$0
North Slope	Wells	1	$9,719,482
Total 40 % credits issued		2	$10,474,101
Total credits issued, (through 9/30/05)		6	$14,455,060

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

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

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

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

1970 – The legislature repeals the disaster oil and gas production tax. The legislature changes the oil production tax to a graduated tax with rates of 3% on the first 300 barrels per day per well, 5% on the next 700 barrels per day per well, 6% on the next 1500 barrels per day and 8% on production exceeding 2500 barrels per day per well.
1972 – The legislature establishes a minimum oil production tax based on "cents per barrel" equivalent to percent of value tax on oil with wellhead value of $2.65 per barrel.

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

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

1981 – As part of legislation that repealed the separate accounting oil and gas corporation income tax, the nominal tax rate on oil produced prior to1981 was raised to 15% and fields coming into production after 1981 are taxed at 12.25% for five years after which the rate increases to 15%. The oil economic limit factor is now subject to a rounding rule so that if the calculated factor is greater than or equal to 0.7 during the first 10 years of production, the factor is set to 1.0.

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

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

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

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

2005 – To expand the exploration credit enacted the previous year, the deadline was extended until July 1, 2010 for qualifying work south of the Brooks Range (i.e. non-North Slope). New rules also changed the 3 mile and 25 mile rules for the Cook Inlet allowing closer

OIL AND GAS PRODUCTION TAXES
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distances between potential exploration targets and existing wells and production units.

Note: The Oil and Gas Production Tax is reported on the same return and by the same taxpayers as Alaska's other production tax, Conservation Surcharge on Oil (AS 43.55). We have not segregated program cost and staffing related to each individual tax. Production tax program cost and staffing represent the resources committed to both levies. Tax collections are calculated after reduction of exploration tax credits applied against production tax obligations. For FY2005, there were no Exploration Tax Credits claimed.

FY 2005 Statistics

Tax Collections - Production Tax only	
General Fund	$859,334,819
CBRF	21,310,000
Total of GF and CBRF	$880,644,819
Number of Returns	2,357
Number of Taxpayers	14
Severance Taxes	
Program Cost	$2,196,375
Staffing *(full time equivalent)*	20.8

REGULATORY COST CHARGES
AS 42.05 (Utilities) and AS 42.06 (Pipeline)

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

Rate
For FY05, the following rates applied:

Electric Utilities	$.000397/kWh
The following are based on a percentage of total revenues	
Telephone Utilities	
Local Exchange	1.877 %
Inter Exchange	1.207 %
Pipeline Carriers	0.431 %
Natural Gas Utilities	0.513 %
Refuse Utilities	0.619 %
Water and Wastewater Utilities	0.540 %
Cable Utilities	2.455 %
District Heat Utilities	0.036 %

Rates are typically effective October 1 through September 30 and are based on the costs the RCA incurs when working on matters that pertain to a specific utility or pipeline carrier. New rates for FY06 took effect on July 1, 2005 resulting in dual rates within FY 2005.

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

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

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

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

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

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

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

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

FY 2005 Statistics

Total RCC Collections	$6,481,427
Electric, Telephone, Pipeline Carriers and other utilities	
Number of Returns	538
Number of Taxpayers	118
Program Cost	14,110
Staffing *(full time equivalent)*	.03

SALMON ENHANCEMENT TAX
AS 43.76

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

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

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

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

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

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

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

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

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

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

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

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

1988 – Commercial fishers in the Kodiak aquaculture region elected a 2% tax.

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

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

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

FY 2005 Statistics

Tax Collections	
Including interest and penalties	$3,811,492
Number of Returns	953
Number of Taxpayers	204
Program Cost	$38,135
Staffing *(full time equivalent)*	.8

SALMON MARKETING TAX
AS 43.76

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

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

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

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

Disposition of Revenue
The Division deposits the salmon marketing tax into the General Fund.

AS 43.76.120(d), the legislature may appropriate salmon marketing tax revenue to the Alaska Seafood Marketing Institute (ASMI) for the purpose of supporting its salmon marketing program.

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

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

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

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

FY 2005 Statistics

Tax Collections	$2,455,256
Including interest and penalties	
Number of Returns	857
Number of Taxpayers	199
Program Cost	$38,134
Staffing (*full time equivalent*)	.7

SEAFOOD MARKETING ASSESSMENT
AS 16.51.120

Description
Alaska levies the seafood marketing assessment on seafood products made or first landed in Alaska. Alaska also levies the assessment on unprocessed fisheries products exported from Alaska. The Division collects the tax from fisheries processors, exporters and landing taxpayers.

Rate
The seafood marketing assessment is 0.3% of the value of seafood products produced or first landed in Alaska.

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

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

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

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

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

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

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

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

FY 2005 Statistics

Assessment Collections	$3,523,372
Number of Returns	295
Number of Taxpayers	209
Program Cost	$60,440
Staffing *(full time equivalent)*	1.0

TELEPHONE COOPERATIVE TAX
AS 10.25.550

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

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

Length	*% of Revenue*
Less than 5 years	1%
5 years or longer	2%

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

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

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

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

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

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

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

FY 2005 Statistics

Tax Collections	$2,029,808
Number of Returns	9
Number of Taxpayers	7
Program Cost	$3,067
Staffing *(full time equivalent)*	0.0

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

TIRE FEE
AS 43.98.025

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

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

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

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

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

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

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

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

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

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

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

Both fees are imposed at the retail level.

FY 2005 Statistics

Fee on new tires	$1,136,589
Fee on studded tires and stud installations	436,440
Penalties & Interest	5,856
Total Fee Collected	**$1,578,885**
Tires Sold	**Number****
New tires	524,347
Less tax exempt	(47,675)
Taxable new tires sold	**476,672**
Studded tires sold	87,395
Stud installations performed	5,797
Less tax exempt studded tires and stud installations	(3,673)
Taxable studded tires sold and stud installations performed	**89,519**
Number of Returns	392
Number of Taxpayers	119
Program Cost	$58,958
Staffing *(full-time equivalent)*	.9

** Figures represent tires sold in FY05 (as recorded on tax returns), whereas fee collections reflect money received within FY05 and may include payments or refunds from a previous tax period.

TOBACCO TAX
AS 43.50

Description

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

Rates

The tax rate on cigarettes is 80 mills (8 cents) per cigarette, or $1.60 per pack of 20 cigarettes. As of January 1, 2004, the cigarette tax must be paid by purchasing cigarette tax stamps. A cigarette tax stamp must be affixed to the bottom of every pack of cigarettes imported into Alaska for sale or personal consumption as proof that the cigarette tax has been paid.

The tax rate on Other Tobacco Products, which 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. As of January 1, 2004, the Tax Division may adjust the wholesale price upon which tax was calculated if the wholesale price was not established in an arms-length transaction.

Legislation passed during a special legislative session in June 2004 increased the cigarette tax rate to 90 mills (9 cents) per cigarette on July 1, 2006 and 100 mills (10 cents) per cigarette on July 1, 2007. In addition, as of January 1, 2005, there is an additional tax of $.25 per pack of twenty cigarettes on cigarette brands that are manufactured by manufacturers that did not sign the tobacco Master Settlement Agreement (NPM cigarettes). There was no increase in the other tobacco products tax rate.

Returns

Taxpayers must pay the cigarette tax by purchasing cigarette tax stamps. The other tobacco products tax is paid at the time a tax return is filed. Tax returns are required to be filed on a monthly basis and are due the last day of the month following the month that cigarette tax stamps were purchased or other tobacco products were imported into the state for sale. Taxpayers who purchase cigarette tax stamps are entitled to a stamp discount of 3% on the first $1,000,000 and 2% on the second $1,000,000 of cigarette tax stamps purchased in a calendar year. The total stamp discount in each calendar year may not exceed $50,000. Taxpayers who import other tobacco products for sale may deduct 0.4% of the other tobacco products tax due to cover expenses of accounting and filing returns. There is no limit on this deduction.

Exemptions

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

Disposition of Revenue

The Division deposits cigarette tax revenue as follows:

School Fund	38 mills (47.5%)
General Fund	42 mills (52.5%)

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

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

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

History

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

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

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

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

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

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

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

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

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

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

1999 – Effective June 3, 1999, Alaska became a signatory to the nationwide tobacco Master Settlement Agreement (MSA). The MSA is an agreement between 46 states, including the State of Alaska, and certain cigarette manufacturers which have voluntarily agreed to reimburse states for costs associated with cigarette smoking. The Agreement applies only to "participating manufacturers," those manufacturers who have agreed to participate in the settlement.

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

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

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

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

During a special legislative session in June 2004, the legislature passed new legislation that did the following:

On January 1, 2005, the cigarette tax increased by 30 mills to 8 cents per cigarette or $1.60 per pack of twenty cigarettes. An additional tax of 12.5 mills or 25 cents per pack of twenty cigarettes is assessed on cigarettes imported into the state for sale or personal consumption if the cigarettes were manufactured by a nonparticipating manufacturer (NPM). A nonparticipating manufacturer is a manufacturer that did not sign the tobacco Master Settlement Agreement. Revenue from the entire cigarette tax increase and the additional tax on NPM product is deposited in the General Fund.

Effective January 1, 2005, 8.9% of cigarette tax revenue deposited in the General Fund is deposited

TOBACCO TAX

into the Tobacco Use Education and Cessation Fund.

Effective July 1, 2006, the cigarette tax will increase by 10 mills to 9 cents per cigarette or $1.80 per pack of twenty cigarettes. The revenue from this increase will be deposited in the General Fund.

Effective July 1, 2007, the cigarette tax will increase by 10 mills to 10 cents per cigarette or $2.00 per pack of twenty cigarettes. The revenue from this increase will be deposited in the General Fund.

FY 2005 Statistics

Tax Collections by Fund	
General Fund	$25,105,819
School Fund	29,942,898
Tobacco Cessation Fund	1,111,100
Total Tax Collections by Fund	$56,159,817

Tax Collections by Product	
Cigarettes	$48,755,317
Other Tobacco Products	7,774,876
Subtotal	$56,530,193
Accounting Expense Deduction	(30,896)
Tax Stamp Discount	(439,282)
Penalties & Interest	99,802
Total Collections by Product	$56,159,817

Cigarettes sold or imported into the state - (individual cigarettes) as reported on returns*	
Taxable Cigarettes	792,530,974
Military and Indian Exempt Sales	20,612,100
Credits for Returns	39,730,351
Total Cigarettes	852,873,425

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

Other Tobacco Products (value) as reported on returns	
Taxable Products	$10,366,501
Military and Indian Exempt Sales	134,744
Credits for Returns	281,566
Total Other Tobacco Products	$10,782,811

License Fee Collections	$7,455
Number of Returns	919
Number of Taxpayers	157
Program Cost	$635,749
Staffing (full time equivalent)	8.8

VEHICLE RENTAL TAX
AS 43.52

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

Rate

Type of Vehicle	*Rate*
Passenger	10%
Recreational	3%

Passenger Vehicle means a motor vehicle (self-propelled, but not by animal or human power) that is driven or moved on a highway or other public right-of-way in the state. Passenger vehicles do not include commercial vehicles, emergency or fire equipment, farm vehicles or recreational vehicles.

Recreational Vehicle means a motor vehicle or trailer for recreational dwelling purposes, a motor home or other vehicle with a motor home body style, a one-piece camper vehicle or any other self-propelled vehicle with living quarters.

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

Exemptions
Vehicle rental tax does not apply to rentals or leases to federal, state, or local government agencies or employees on official business. The rental agency must obtain a completed Government Use Exemption Certificate from the renter that specifies the nature of the exemption and contains a signed certification by the renter that the lease or rental is authorized by the government agency and will be used for official use only.

The vehicle rental tax also does not apply to a lease or rental that contains a term exceeding 90 consecutive days or to the rental of taxicabs by taxicab drivers.

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

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

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

FY 2005 Statistics

Passenger vehicle rental	$7,147,231
Recreational vehicle rental	327,811
Penalties & interest	23,949
Total Tax Collections	**$7,498,991**
Number of Returns	496
Number of Taxpayers	145
Program Cost	$105,624
Staffing *(full-time equivalent)*	1.7

INVESTIGATION FUNCTION

Description

On October 1, 2004, the Tax Division created a new Investigations Group consisting of four field investigators and a supervisor. The Investigations Group primarily focuses on charitable gaming and tobacco tax investigations, conducting field inspections of gaming locations and potential charitable gaming violations, as well as cigarette distributors and retailers. and potential cigarette and tobacco violations.

Cigarette Tax Stamp Investigations

The Investigations Group ensures that all cigarettes sold in Alaska are affixed with cigarette tax stamps in accordance with AS 43.50. The investigators seize unstamped or improperly stamped cigarettes and any other tobacco products otherwise designated as contraband within the provisions of Alaska Statutes. The investigators make recommendations to suspend or revoke a cigarette excise tax license or tobacco endorsement for violations of cigarette tax stamp laws. At the time of investigation, investigators determine potential violations of cigarette minimum pricing and cigarette shipping statutes.

Investigations are initiated by complaints from citizens, requests from revenue auditors, and/or routine field inspections of premises where cigarettes are sold. During investigations, the investigators are responsible for the education of cigarette and tobacco products licensees and cigarette retailers in the area of cigarette and tobacco products excise taxes, minimum pricing and shipping restrictions.

Charitable Gaming Investigations

The Investigations Group investigates potential charitable gaming permit or license violations and illegal gambling. Investigations are initiated by routine inspections of premises where charitable gaming activities are located, complaints from citizens of suspected gaming violations, and requests from revenue auditors. During investigations, investigators educate permittees, licensees and the public about charitable gaming laws and regulations.

Other Investigations

The Investigations Group provides investigative support to all groups within the Tax Division and may be called upon to investigate potential violations of any of the tax types administered by the Division, including tax evasion or tax fraud.

FY 2005 Statistics

	Gaming	Tobacco	Total
Inspections	159	677	**836**
Other Action	54	17*	**71**
Total	**213**	**694**	**907**

* Tobacco Packs Seized: 30,716

APPEALS FUNCTION

Description

Appeals officers conduct informal conferences and issue informal conference decisions in taxpayer appeals of assessments for all tax types administered by the Department of Revenue. Appeals officers work with Department of Law attorneys to resolve issues related to audit and compliance actions. Appeals officers also participate with Department of Law attorneys as a team to represent the Department of Revenue in formal hearings before the Office of Administrative Hearings and to negotiate settlements of tax controversies. Oil and gas cases and other corporate income tax cases are a priority due to the complexity of the issues and the amount of tax revenue involved, but Fisheries Business and Fisheries Resource Landing tax appeals, and Tobacco Tax appeals, became increasingly numerous.

FY 2005 Statistics

	Tax Periods*	Taxpayer Count
Beginning Inventory	234	73
Plus New Cases	136	81
Less Closed Cases	(172)	(76)
Ending Inventory	198	78

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

AUDIT FUNCTION

Description

The audit unit historically consisted of two groups differentiated by tax types. Effective FY05, the Division reorganized the audit function and formed a third audit group, the excise tax audit group.

The **income tax audit group** is responsible for corporate income taxes, including oil and gas corporation net income tax audits.

The **oil and gas production tax audit group** is responsible for the oil and gas production tax audits.

The **excise tax audit group** is responsible for all audits except corporate income, and oil and gas tax audits.

FY 2005 Statistics

Income Tax Audit Group - Receipts

Tax Type	***Audit Collections***	***Total Tax Collections***
Corporate Net Income		
Oil and Gas Corp Income	$5,714,388	$529,944,518
Other Corporations	1,061,791	61,625,072
Total	**$6,776,179**	**$591,569,590**

Oil and Gas Production Audit Group - Receipts

Tax Type	***Audit Collections***	***Total Tax Collections***
Oil and Gas Production Tax	$21,310,000	$888,975,340
Oil and Gas Property	376,915	42,911,633
Total	**$21,686,915**	**$931,886,973**

Excise Tax Audit Group – Receipts

Tax Type	***Audit Collections***	***Total Tax Collections***
Excise Tax	$52,755	$427,790,962
Total	**$52,755**	**$427,790,962**

Totals

Total Audit Collections	***Total Tax Collections***
$28,515,849*	**$1,951,247,525****

* Does not include receipts or refunds resulting from litigation.

*** Includes all General Fund, credits, CBRF and School Funds*

Appendix A

Historical Overview of Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Latest Change
Alcoholic Beverages	AS 43.60	1933	Wine 5 cents/gallon Beer 5 cents/gallon	Product Current Rate Per Gallon Liquor $12.80 Wine 2.50 Beer (Malt Beverage) and Cider 1.07 Beer (Small Breweries) 0.35	Effective 10/1/2002, tax rates increase for alcoholic beverages as referenced under "Current Tax Structure". [Beer manufactured by breweries that meet the qualification of 26 U.S.C. 5051(a)(2) is taxed at the rate of $.35/gallon on the first 60,000 barrels sold in Alaska].
Games of Chance and Contests of Skill	AS 05.15	1960		$20 annual permit fee for new and renewal permittees. $50 renewal permit fee for permittees with $20,000 to $100,000 in gross receipts. $100 renewal permit fee for permittees with over $100,000 in gross receipts. $500 annual operator license fee. $1,000 annual distributor fee. $2,500 annual manufacturer license fee. 3% tax of an amount equal to the gross receipts less prizes awarded on each series of pull tabs	2005 - HB 61 authorized Calcutta Pools and Crane Classics
Conservation Surcharge on Oil	AS 43.55	1989	5¢/bbl	3¢/bbl increasing to 5¢/bbl when fund balance drops below $50m	1994 - tax rate split based on fund balance.
Corporate Net Income	AS 43.20	1949	10% of federal income tax liability	1% to 9.4% of net income	2003 - oil and gas CIT exploration/development credit initiated.
Dive Fishery Management Assessment	AS 43.76.150	1997	Voluntary tax of 1, 3, 5, or 7% of value	SE AK Management Area A Geoduck = 7% Sea Cucumber = 5% Sea Urchin = 7%	2004 - HB 341 added a three additional rates: 2, 4 and 6%. Geoduck increased from 5 to 7%
Electric Cooperative	AS 10.25.555	1959	1% of gross revenue if operating < 5 years; 2% of gross revenue if operating ≥ 5 years	1/4 mill ($.00025) per kWh if < 5 years; 1/2 mill ($.0005) per kWh if ≥ 5 years	1980 - tax base on kWh rather than gross revenue.
Estate	AS 43.31	1919	(Inheritance Tax) Based on value of property	State tax credit on federal estate tax return	1991 - interest on delinquent tax subject to compound interest under AS 43.05.225. Beginning FY 2003, the state estate tax will phase out as a consequence of changes in federal law.
Fisheries Business	AS 43.75	1913	7¢ per case of canned salmon; Other -- dollar amount based on revenue	Floating - 5%[1] and 3%[2] of value Shore-based - 3%[1] and 1%[2] of value Cannery - 4.5% of value Direct Market - 3%[1] and 1%[2] of value	2005 - Fishery Business Security Requirements added Employment Security contributions, OSHA fines and ASMI to compliance list to obtain a Fishery Business License.
Fishery Resource Landing	AS 43.77	1993	3.3% of unprocessed value	3% of value[1] 1% of value[2]	2001 - quarterly payment of estimated fishery resource landing taxes is required.

1 Established species 2 Developing species

Appendix A

Historical Overview of Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Latest Change
Motor Fuel	AS 43.40	1945	1¢ per gallon on all fuels	Highway - 8¢/gallon Marine - 5¢/gallon Aviation Gas - 4.7¢/gallon Jet Fuel - 3.2¢/gallon	2001 - regulations adopted introduced new and clarified existing policy for interpreting the statutes.
Oil & Gas Property	AS 43.56	1973	20 mills on full and true value	20 mills on full and true value	1996 - oil and gas property education tax credit was enacted.
Oil & Gas Production Tax	AS 43.55	1955	1% of production value	12.25% of production value during first five years of production, 15% thereafter	2003 - oil and gas tax credit enacted. 2005 - Amended manner of determining royalty received by state on gas production.
Regulatory Cost Charge (APUC)	AS 42.05.253 (Utilities) AS 42.06.285 (Pipelines)	1992	Electric Utilities: $.000626/kWh Other Utilities: .653% gross revenue Pipelines: .653% gross revenue	Electric Utilities: $.000280/kWh Other Utilities: .568% gross revenue Pipelines: .568% gross revenue	1998 - rates increased by regulation.
Salmon Enhancement	AS 43.76	1980	Voluntary tax of 1%, 2% or 3% of value as elected by fishers in an aquaculture region	Southern Southeast - 3% Northern Southeast - 3% Cook Inlet - 2% Pr. William Sound - 2% Kodiak - 2% Chignik - 2%	2004 - SB 286 clarified the incidence of the tax; when selling to a buyer who does not withhold the tax, fishermen must now pay the tax on an annual return. SB 322 added ten additional rate options ranging from 4 to 30%
Salmon Marketing	AS 43.76	1993	1% of value of salmon statewide	1% of value of salmon statewide.	Repealed effective January 1, 2005
Seafood Marketing	AS 16.51.120	1981	Voluntary assessment of .1%, .2% or .3% of value as elected by processors	0.3% of value of fishery resources produced in Alaska Rate set at 0.5% effective January 1, 2005.	2004 - SB 273 directed a member election of the Alaska Seafood Marketing Institute (ASMI). Fall election determined retention of Seafood Marketing Assessment and increased the rate to 0.5%
Telephone Cooperative	AS 10.25.550	1959	1% of gross revenue if operating < 5 years; 2% of gross revenue if operating ≥ 5 years or longer	1% of gross revenue if operating < 5 years; 2% of gross revenue if operating ≥ 5 years or longer	N/A
Tire Fee	AS 43.98	2003	$2.50 per new tire for highway-use motor vehicles Additional $5.00 per tire with studs or spikes over 1.1 grams	$2.50 per new tire for highway-use motor vehicles Additional $5.00 per tire with studs or spikes over 1.1 grams	N/A
Tobacco	AS 43.50	1949	Cigarettes - 3¢ per pack of 20; Tobacco - 2¢ per ounce	50 mills/cigarette ($1 per pack of 20) 75% of wholesale price	2004 - SB 1001 scheduled increases in the tax to $1.60 per pack on Jan. 1, 2005, to $1.80 per pack on July 1, 2006, and to $2.00 on July 1, 2007. An additional tax of $.25 per pack is imposed on manufacturers that did not sign the Master Settlement Agreement.
Vehicle Rental Tax	AS 43.52	2004	10% on passenger vehicle rentals of 90 days or less 3% on recreational vehicle rentals of 90 days or less	10% on passenger vehicle rentals of 90 days or less 3% on recreational vehicle rentals of 90 days or less	2004 - HB 347 added taxicabs to the list of vehicles exempt from the Vehicle Rental Tax.

Appendix A

Historical Overview of Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Latest Change
			Repealed Tax Programs		
Business License	AS 43.70	1949	$25 license fee plus .5% of gross receipts > $20,000 plus .25% of gross receipts > $50,000	Repealed	Tax repealed effective January 1, 1979
Oil & Gas Conservation	AS 43.57	1955	5 mills per barrel of oil or 50,000 cubic feet of natural gas	Repealed	Tax repealed effective July 1, 1999
Coin-operated Devices	AS 43.35	1941	12.5% of gross receipts on coin-operated machines	Repealed	Tax repealed effective January 1, 1999
Individual Income	AS 43.20	1949	10% of federal income tax liability	Repealed	Tax repealed retroactive to 1979
School	AS 43.45	1919	$5 tax on each male person	Repealed	Tax repealed retroactive to 1980

Appendix B

Comparison of Alcohol Tax Rates - Liquor

January 2005

Since many states charge a sales tax as well as an alcohol tax, Alaska's total tax on alcohol is not actually the highest among the states.

State	Rate ($ per gallon)	Rank*	State	Rate ($ per gallon)	Rank*
Alabama	Footnote 1	N/A	Montana	Footnote 1	N/A
ALASKA	**12.80**	**1**	Nebraska	3.75	16
Arizona	3.00	21	Nevada	3.60	18
Arkansas	2.50	24	New Hampshire	Footnote 1	N/A
California	3.30	19	New Jersey	4.40	10
Colorado	2.28	29	New Mexico	6.06	4
Connecticut	4.50	8	New York	6.44	3
Delaware	3.75	15	North Carolina	Footnote 1	N/A
Florida	6.50	2	North Dakota	2.50	24
Georgia	3.79	14	Ohio	Footnote 1	N/A
Hawaii	5.98	5	Oklahoma	5.56	6
Idaho	Footnote 1	N/A	Oregon	Footnote 1	N/A
Illinois	4.50	8	Pennslyvania	Footnote 1	N/A
Indiana	2.68	23	Rhode Island	3.75	16
Iowa	Footnote 1	N/A	South Carolina	2.72	22
Kansas	2.50	24	South Dakota	3.93	13
Kentucky	1.92	31	Tennesee	4.40	10
Louisiana	2.50	24	Texas	2.40	28
Maine	Footnote 1	N/A	Utah	Footnote 1	N/A
Maryland	1.50	32	Vermont	Footnote 1	N/A
Massachusetts	4.05	12	Virginia	Footnote 1	N/A
Michigan	Footnote 1	N/A	Washington	Footnote 1	N/A
Minnesota	5.03	7	West Virginia	Footnote 1	N/A
Mississippi	Footnote 1	N/A	Wisconsin	3.25	20
Missouri	2.00	30	Wyoming	Footnote 1	N/A

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

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

N/A - Not Applicable

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Alcohol Tax Rates - Wine

January 2005

Since many states charge a sales tax as well as an alcohol tax, Alaska's total tax on alcohol is not actually the highest among the states.

State	Rate ($ per gallon)	Rank*	State	Rate ($ per gallon)	Rank*
Alabama	1.70	4	Montana	1.06	10
ALASKA	**2.50**	**1**	Nebraska	.95	13
Arizona	.84	17	Nevada	.70	22
Arkansas	.75	19	New Hampshire	Footnote 1	N/A
California	.20	43	New Jersey	.70	22
Colorado	.32	37	New Mexico	1.70	4
Connecticut	.60	25	New York	.19	45
Delaware	.97	12	North Carolina	.79	18
Florida	2.25	2	North Dakota	.50	31
Georgia	1.51	6	Ohio	.30	38
Hawaii	1.38	8	Oklahoma	.72	21
Idaho	.45	34	Oregon	.67	24
Illinois	.73	20	Pennslyvania	Footnote 1	N/A
Indiana	.47	33	Rhode Island	.60	25
Iowa	1.75	3	South Carolina	.90	15
Kansas	.30	38	South Dakota	.93	14
Kentucky	.50	31	Tennesee	1.21	9
Louisiana	.11	46	Texas	.20	43
Maine	.60	25	Utah	Footnote 1	N/A
Maryland	.40	35	Vermont	.55	28
Massachusetts	.55	28	Virginia	1.51	6
Michigan	.51	30	Washington	.87	16
Minnesota	.30	38	West Virginia	1.00	11
Mississippi	.35	36	Wisconsin	.25	42
Missouri	.30	38	Wyoming	Footnote 1	N/A

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

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

N/A - Not Applicable

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Alcohol Tax Rates -Beer
January 2005

Since many states charge a sales tax as well as an alcohol tax, Alaska's total tax on alcohol is not actually the highest among the states.

State	Rate ($ per gallon)	Rank	State	Rate ($ per gallon)	Rank
Alabama	.53	4	Montana	.14	36
ALASKA	**1.07**	**1**	Nebraska	.31	14
Arizona	.16	30	Nevada	.16	30
Arkansas	.23	20	New Hampshire	.30	15
California	.20	21	New Jersey	.12	38
Colorado	.08	44	New Mexico	.41	9
Connecticut	.19	23	New York	.11	40
Delaware	.16	30	North Carolina	.53	4
Florida	.48	6	North Dakota	.16	30
Georgia	.48	6	Ohio	.18	27
Hawaii	.93	2	Oklahoma	.40	11
Idaho	.15	34	Oregon	.08	44
Illinois	.185	26	Pennslyvania	.08	44
Indiana	.115	39	Rhode Island	.10	42
Iowa	.19	23	South Carolina	.77	3
Kansas	.18	27	South Dakota	.28	16
Kentucky	.08	44	Tennesee	.14	36
Louisiana	.32	13	Texas	.19	23
Maine	.35	12	Utah	.41	9
Maryland	.09	43	Vermont	.265	17
Massachusetts	.11	40	Virginia	.26	19
Michigan	.20	21	Washington	.261	18
Minnesota	.15	34	West Virginia	.18	27
Mississippi	.43	8	Wisconsin	.06	48
Missouri	.06	48	Wyoming	.02	50

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Highway Gasoline Tax Rates
January 2005

State	Rate (¢ per gallon)	Other Tax[1] (¢ per gallon)	Total (¢ per gallon)	Rank
Alabama	16	2	18	37
ALASKA	**8**	**0**	**8**	**50**
Arizona	18	0	18	37
Arkansas	21.5	0	21.5	23
California	18	0	18	37
Colorado	22	0	22	21
Connecticut	25	0	25	11
Delaware	23	0	23	18
Dist of Columbia	22.5	0	22.5	20
Florida	4	10.5	14.5	47
Georgia	7.5	0	7.5	51
Hawaii	16	0	16	45
Idaho	25	0	25	11
Illinois	19	1.1	20.1	28
Indiana	18	0	18	37
Iowa	20.5	0	20.5	27
Kansas	24	0	24	14
Kentucky	16	1.4	17.4	42
Louisiana	20	0	20	29
Maine	25.2	0	25.2	10
Maryland	23.5	0	23.5	16
Massachusetts	21	0	21	25
Michigan	19	0	19	34
Minnesota	20	0	20	29
Mississippi	18	0.4	18.4	36
Missouri	17	0.03	17.03	43
Montana	27	0	27	5
Nebraska	25.4	0.9	26.3	8
Nevada	23	0	23	18
New Hampshire	18	1.5	19.5	33
New Jersey	10.5	4	14.5	47
New Mexico	17	1.9	18.9	35
New York	8	15.2	23.2	17
North Carolina	26.6	0.25	26.85	7
North Dakota	21	0	21	25
Ohio	26	0	26	9
Oklahoma	16	1	17	44
Oregon	24	0	24	14
Pennslyvania	12	18	30	2
Rhode Island	30	1	31	1
South Carolina	16	0	16	45
South Dakota	22	0	22	21
Tennesee	20	1.4	21.4	24
Texas	20	0	20	29
Utah	24.5	0	24.5	13
Vermont	19	1	20	29
Virginia	17.5	0	17.5	41
Washington	28	0	28	4
West Virginia	20.5	6.5	27	5
Wisconsin	29.1	0	29.1	3
Wyoming	13	1	14	49

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

SOURCE: *Federation of Tax Administrators*

Appendix B
Comparison of Aviation Fuel Tax Rates
January 2005

State	Jet Fuel (¢ per gallon)	Rank[1]	Aviation Gas (¢ per gallon)	Rank[2]
Alabama	0.8	33	2.4	36
ALASKA	**3.2**	**21**	**4.7**	**31**
Arizona	3.05	22	5.0	25
Arkansas	Sales Tax	N/A	Sales Tax	N/A
California	2.0	26	18.0	5
Colorado	4.0	17	6.0	21
Connecticut	None	N/A	None	N/A
Delaware	None	N/A	23.0	1
Florida	6.9	7	6.9	18
Georgia	Sales Tax	N/A	1.0	38
Hawaii	1.0	31	1.0	38
Idaho	4.5	16	5.5	24
Illinois	11.0	2	11.0	11
Indiana	0.8	33	18.0	5
Iowa	3.0	23	8.0	14
Kansas	Sales Tax	N/A	Sales Tax	N/A
Kentucky	Sales Tax	N/A	16.4	8
Louisiana	Sales Tax	N/A	20.0	3
Maine	3.4	20	22.0	2
Maryland	7.0	6	7.0	17
Massachusetts	6.2	9	14.7	9
Michigan	3.0	23	3.0	35
Minnesota	5.0	12	5.0	25
Mississippi	5.25	11	6.4	20
Missouri	Sales Tax	N/A	Sales Tax	N/A
Montana	4.0	17	4.0	33
Nebraska	3.0	23	5.0	25
Nevada	2.0	26	1.0	38
New Hampshire	2.0	26	4.0	33
New Jersey	12.5	1	12.5	10
New Mexico	Sales Tax	N/A	17.0	7
New York	8.0	4	8.0	14
North Carolina	Sales Tax	N/A	Sales Tax	N/A
North Dakota	8.0	4	8.0	14
Ohio	Sales Tax	N/A	Sales Tax	N/A
Oklahoma	0.08	35	0.08	41
Oregon	1.0	31	9.0	12
Pennslyvania	2.0	26	4.3	32
Rhode Island	None	N/A	None	N/A
South Carolina	Sales Tax	N/A	Sales Tax	N/A
South Dakota	4.0	17	6.0	21
Tennesee	1.4	30	1.4	37
Texas	None	N/A	None	N/A
Utah	9.0	3	9.0	12
Vermont	None	N/A	20.0	3
Virginia	5.0	12	5.0	25
Washington	6.5	8	6.5	19
West Virginia	4.85	15	4.85	30
Wisconsin	6.0	10	6.0	21
Wyoming	5.0	12	5.0	25

[1]Out of 35 states with tax rates [2]Out of 41 states with tax rates

SOURCE: *National Business Aircraft Association, Inc.2004 State Aviation Tax Report*

Appendix B

Comparison of Cigarette Tax Rates

January 2005

State	Rate ($ per pack)	Rank	State	Rate ($ per pack)	Rank
Alabama	0.425	38	Montana	1.70	4
ALASKA	**1.60**	**5**	Nebraska	0.64	26
Arizona	1.18	13	Nevada	0.80	22
Arkansas	0.59	28	New Hampshire	0.52	35
California	0.87	20	New Jersey	2.40	2
Colorado	0.87	20	New Mexico	0.91	19
Connecticut	1.51	6	New York	1.50	8
Delaware	0.55	31	North Carolina	0.05	49
Florida	0.339	43	North Dakota	0.44	37
Georgia	0.37	40	Ohio	0.55	31
Hawaii	1.40	10	Oklahoma	1.03	15
Idaho	0.57	29	Oregon	1.18	13
Illinois	0.98	18	Pennslyvania	1.35	11
Indiana	0.555	30	Rhode Island	2.46	1
Iowa	0.36	41	South Carolina	0.07	48
Kansas	0.79	23	South Dakota	0.53	34
Kentucky	0.03	50	Tennesee	0.20	44
Louisiana	0.36	41	Texas	0.41	39
Maine	1.00	16	Utah	0.695	25
Maryland	1.00	16	Vermont	1.19	12
Massachusetts	1.51	6	Virginia	0.20	44
Michigan	2.00	3	Washington	1.425	9
Minnesota	0.48	36	West Virginia	0.55	31
Mississippi	0.18	46	Wisconsin	0.77	24
Missouri	0.17	47	Wyoming	0.60	27

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Tobacco Products Tax Rates

January 2005

State	Rate		State	Rate	
Alabama		.6¢ - 5.25¢/ounce	Montana	50%	Wholesale Price
ALASKA	**75%**	**Wholesale Price**	Nebraska	20%	Wholesale Price
Arizona		13.3¢/ounce	Nevada	30%	Wholesale Price
Arkansas	32%	Manufacturer Price	New Hampshire	19%	Wholesale Price
California	46.76%	Wholesale Price	New Jersey	30%	Wholesale Price
Colorado	40%	Manufacturer Price	New Mexico	25%	Product Value
Connecticut	20%	Wholesale Price	New York	37%	Wholesale Price
Delaware	15%	Wholesale Price	North Carolina	2%	Wholesale Price
Florida	25%	Wholesale Price	North Dakota	28%	Wholesale Price
Georgia	10%	Wholesale Price	Ohio	17%	Wholesale Price
Hawaii	40%	Wholesale Price	Oklahoma	30% - 40%	Factory List Price
Idaho	40%	Wholesale Price	Oregon	65%	Wholesale Price
Illinois	18%	Wholesale Price	Pennslyvania		N/A
Indiana	15%	Wholesale Price	Rhode Island	30%	Wholesale Price
Iowa	22%	Wholesale Price	South Carolina	5%	Manufacturer Price
Kansas	10%	Manufacturer Price	South Dakota	10%	Wholesale Price
Kentucky		N/A	Tennesee	6.6%	Wholesale Price
Louisiana	33%	Manufacturer Price	Texas	35.213%	Manufacturer Price
Maine	62%	Wholesale Price	Utah	35%	Manufacturer Price
Maryland	15%	Wholesale Price	Vermont	41%	Manufacturer Price
Massachusetts	90%	Wholesale Price	Virginia	10%	Wholesale Price
Michigan	32%	Wholesale Price	Washington	129.42%	Wholesale Price
Minnesota	35%	Wholesale Price	West Virginia	7%	Wholesale Price
Mississippi	15%	Manufacturer Price	Wisconsin	25%	Manufacturer Price
Missouri	10%	Manufacturer Price	Wyoming	20%	Wholesale Price

Tobacco products include chewing tobacco and snuff.

N/A - Not Applicable

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Corporation Income Tax Rates

2005 Tax Year

State	Rate (%)	Tax Brackets Lowest	Tax Brackets Highest	Number of Brackets
Alabama	6.5	Flat Rate		1
ALASKA	**1.0 - 9.4**	**$10,000**	**$90,000**	**10**
Arizona	6.968	Flat Rate		1
Arkansas	1.0 - 6.5	$3,000	$100,000	6
California	8.84	Flat Rate		1
Colorado	4.63	Flat Rate		1
Connecticut	7.5	Flat Rate		1
Delaware	8.7	Flat Rate		1
Florida	5.5	Flat Rate		1
Georgia	6.0	Flat Rate		1
Hawaii	4.4 - 6.4	$25,000	$100,000	3
Idaho	7.6	Flat Rate		1
Illinois	7.3	Flat Rate		1
Indiana	8.5	Flat Rate		1
Iowa	6.0 - 12.0	$25,000	$250,000	4
Kansas	4.0	Flat Rate		1
Kentucky	4.0 - 8.25	$25,000	$250,000	5
Louisiana	4.0 - 8.0	$25,000	$200,000	5
Maine	3.5 - 8.93	$25,000	$250,000	4
Maryland	7.0	Flat Rate		1
Massachusetts	9.5	Flat Rate		1
Michigan	*Tax Based on Federal Taxable Income*			N/A
Minnesota	9.8	Flat Rate		1
Mississippi	3.0 - 5.0	$5,000	$10,000	3
Missouri	6.25	Flat Rate		1
Montana	6.75	Flat Rate		1
Nebraska	5.58 - 7.81	$50,000		2
Nevada	*No Corporation Income Tax*			N/A
New Hampshire	8.5	Flat Rate		1
New Jersey	9.0	Flat Rate		1
New Mexico	4.8 - 7.6	$500,000	$1,000,000	3
New York	7.5	Flat Rate		1
North Carolina	6.9	Flat Rate		1
North Dakota	2.6 - 7.0	$3,000	$30,000	5
Ohio	5.1 - 8.5	$50,000		2
Oklahoma	6.0	Flat Rate		1
Oregon	6.6	Flat Rate		1
Pennslyvania	9.99	Flat Rate		1
Rhode Island	9.0	Flat Rate		1
South Carolina	5.0	Flat Rate		1
South Dakota	*No Corporation Income Tax*			N/A
Tennesee	6.5	Flat Rate		1
Texas	*Tax Based on Capital and Surplus*			N/A
Utah	5.0	Flat Rate		1
Vermont	7.0 - 9.75	$10,000	$250,000	4
Virginia	6.0	Flat Rate		1
Washington	*No Corporation Income Tax*			N/A
West Virginia	9.0	Flat Rate		1
Wisconsin	7.9	Flat Rate		1
Wyoming	*No Corporation Income Tax*			N/A

Source: Federation of Tax Administrators

Appendix B

Comparison of Individual Income Tax Rates*

2005 Tax Year

State	Rate (%)	Tax Brackets Lowest	Tax Brackets Highest	Number of Brackets
Alabama	2.0 - 5.0	$500	$3,000	3
ALASKA	***No State Income Tax***			
Arizona	2.87 - 5.04	$10,000	$150,000	5
Arkansas	1.0 - 7.0	$3,999	$28,500	6
California	1.0 - 9.3	$6,147	$40,346	6
Colorado	4.63	Flat Rate		1
Connecticut	3.0 - 5.0	$10,000	$10,000	2
Delaware	2.2 - 5.95	$5,000	$60,000	6
Florida	*No State Income Tax*			
Georgia	1.0 - 6.0	$750	$7,000	6
Hawaii	1.4 - 8.25	$2,000	$40,000	9
Idaho	1.6 - 7.8	$1,129	$22,577	8
Illinois	3.0	Flat Rate		1
Indiana	3.4	Flat Rate		1
Iowa	.36 - 8.98	$1,242	$55,890	9
Kansas	3.5 - 6.45	$15,000	$30,000	3
Kentucky	2.0 - 6.0	$3,000	$8,000	5
Louisiana	2.0 - 6.0	$12,500	$25,000	3
Maine	2.0 - 8.5	$4,350	$17,350	4
Maryland	2.0 - 4.75	$1,000	$3,000	4
Massachusetts	5.3	Flat Rate		1
Michigan	3.9	Flat Rate		1
Minnesota	5.35 - 7.85	$19,890	$65,350	3
Mississippi	3.0 - 5.0	$5,000	$10,000	3
Missouri	1.5 - 6.0	$1,000	$9,000	10
Montana	2.0 - 6.9	$2,300	$13,900	7
Nebraska	2.56 - 6.84	$2,400	$26,500	4
Nevada	*No State Income Tax*			
New Hampshire	*Tax Limited to Dividends and Interest*			
New Jersey	1.4 - 8.97	$20,000	$500,000	6
New Mexico	1.7 - 6.0	$5,500	$16,000	4
New York	4.0 - 7.70	$8,000	$500,000	7
North Carolina	6.0 - 8.25	$12,750	$120,000	4
North Dakota	2.1 - 5.54	$29,050	$319,100	5
Ohio	0.743 - 7.5	$5,000	$200,000	9
Oklahoma	0.5 - 6.55	$1,000	$10,000	8
Oregon	5.0 - 9.0	$2,650	$6,550	3
Pennslyvania	3.07	Flat Rate		1
Rhode Island	*25% Federal Tax Liability*			
South Carolina	2.5 - 7.0	$2,460	$12,300	6
South Dakota	*No State Income Tax*			
Tennesee	*Tax Limited to Dividends and Interest*			
Texas	*No State Income Tax*			
Utah	2.3 - 7.0	$863	$4,313	
Vermont	3.6 - 9.5	$29,900	$326,450	5
Virginia	2.0 - 5.75	3,000	17,000	4
Washington	*No State Income Tax*			
West Virginia	3.0 - 6.5	$10,000	$60,000	5
Wisconsin	4.6 - 6.75	$8,840	$132,580	4
Wyoming	*No State Income Tax*			

* Rates apply to unmarried individuals

SOURCE: *Federation of Tax Administrators*

Appendix B
Comparison of Sales Tax Rates
2004 Tax Year

		Exemptions		
State	Rate (%)	Food	Prescription Drugs	Nonprescription Drugs
Alabama	4.0	No	Yes	No
ALASKA	***No State Sales Tax***			
Arizona	5.6	Yes	Yes	No
Arkansas	6.0	No	Yes	No
California	7.25	Yes	Yes	No
Colorado	2.9	Yes	Yes	No
Connecticut	6.0	Yes	Yes	Yes
Delaware	*No State Sales Tax*			
Florida	6.0	Yes	Yes	Yes
Georgia	4.0	Yes	Yes	No
Hawaii	4.0	No	Yes	No
Idaho	6.0	No	Yes	No
Illinois	6.25	1%	1%	1%
Indiana	6.0	Yes	Yes	No
Iowa	5.0	Yes	Yes	No
Kansas	5.3	No	Yes	No
Kentucky	6.0	Yes	Yes	No
Louisiana	4.0	Yes	Yes	No
Maine	5.0	Yes	Yes	No
Maryland	5.0	Yes	Yes	Yes
Massachusetts	5.0	Yes	Yes	No
Michigan	6.0	Yes	Yes	No
Minnesota	6.5	Yes	Yes	Yes
Mississippi	7.0	No	Yes	No
Missouri	4.225	1.225%	Yes	No
Montana	*No State Sales Tax*			
Nebraska	5.5	Yes	Yes	No
Nevada	6.5	Yes	Yes	No
New Hampshire	*No State Sales Tax*			
New Jersey	6.0	Yes	Yes	Yes
New Mexico	5.0	No	Yes	No
New York	4.25	Yes	Yes	Yes
North Carolina	4.5	Yes	Yes	No
North Dakota	5.0	Yes	Yes	No
Ohio	6.0	Yes	Yes	No
Oklahoma	4.5	No	Yes	No
Oregon	*No State Sales Tax*			
Pennslyvania	6.0	Yes	Yes	Yes
Rhode Island	7.0	Yes	Yes	Yes
South Carolina	5.0	No	Yes	No
South Dakota	4.0	No	Yes	No
Tennesee	7.0	6%	Yes	No
Texas	6.25	Yes	Yes	Yes
Utah	4.75	No	Yes	No
Vermont	6.0	Yes	Yes	Yes
Virginia	5.0	4%	Yes	Yes
Washington	6.5	Yes	Yes	No
West Virginia	6.0	No	Yes	No
Wisconsin	5.0	Yes	Yes	No
Wyoming	4.0	No	Yes	No

Source: Federation of Tax Administrators