

# Instructions for Form 662SF (Short Form) Alaska Mining License Tax Return

## WHAT'S NEW

The Alaska Department of Revenue Tax Division (DOR) is currently implementing a new tax revenue management system. The new system will allow us to process refunds more quickly, communicate with taxpayers in a more timely manner, and to account for information that we are required to report to the legislature.

### Form Changes

**Page 1** - A checkbox to indicate a new mailing address has been added to the "Mailing Address" line of the address section.

The "Inactive" checkbox has been removed. If your mine was inactive for the season, and you were licensed, you are still required to file a return. Complete the return, placing zeroes where appropriate.

First return and a final return checkboxes have been added.

Taxpayer type checkboxes: "Owner", "Lessor", "Operator" have been removed.

The checkbox, "Renew my mining license(s) for next year" has been removed. A license application must be submitted each year.

Lines have been added to page 1 to accommodate the Film Production Tax Credit. Line numbers have been shifted to accommodate the change. See the "Legislative Changes" section and the "Specific Instructions" section of these instructions for more information about the film credit.

The "Electronic Payment Information" section has been updated.

### Legislative Changes

Alaska Senate Bill 83 (SB 83) changed the interest rates applicable to delinquent taxes. Effective 1/1/14, the Alaska interest rates decreased from 11% compounded quarterly, to 3.75%<sup>1</sup> calculated as simple interest. For delinquent balances outstanding at 1/1/14, interest will be calculated at 3.75% on the balance of tax due. The payoff amount at any date after 12/31/13 will include the tax balance, accrued interest at 3.75% from 1/1/14, and the interest balance at 12/31/13.

Effective 7/1/13, a film production tax credit may be claimed against your tax liability. In order to claim the credit, you must have acquired a credit certificate issued by the Film Office. Any unused credit may be carried forward but must be claimed before the expiration date on the certificate (six years from the date of issuance). For more information

about this credit, refer to AS 43.98.030 or contact the Film Office at 907-269-6620.

## GENERAL INFORMATION

### Who Can File a Mining License Tax Return Short Form?

This form can only be used by a cash basis taxpayer with one mining operation and no other related business activities. A taxpayer who has expenses that are incurred to support multiple business and/ or mining activities must use the Mining License Tax Return Long Form (662).

Only one short form can be filed by a taxpayer for a tax year.

### Form 662SF

Use this form to calculate the Alaska mining license tax on a mining operation that conducted mining during the tax year in Alaska, including operating and royalty interests. A mining operation is an operation by which valuable metals, ores, minerals, asbestos, gypsum, coal, or stone, are extracted, mined, or taken from the earth. A mining operation consists of a single mining property or several mining properties that are connected geographically.

### Who Must File a Mining License Tax Return?

A person engaged in one or more of the following activities in the state is in the business of mining and shall obtain a mining license and file a Mining License Tax Return:

1. A person owning and/or operating a mining property.
2. A person owning a mining property and receiving lease payments or royalty payments based on production from the property.
3. A person leasing a mining property.
4. A person possessing a mineral interest, whether an economic or production interest, in a producing property. An economic or production interest includes, but is not limited to: royalty, working or operating interests, net profits, overriding royalties, carried interests and production payments.

### Return Period

A taxpayer shall make the return either on a calendar year or fiscal year basis, in conformance with the basis used in making the return for federal income tax purposes. A taxpayer with a calendar year-end shall file a return on or before April 30th of the following calendar year. A taxpayer with a fiscal year-end shall file a return on or before the last day of the fourth month following the end of the fiscal year.

<sup>1</sup>Current as date of publication.

## How and Where to File

**File paper return** - Mail completed return to:

TAX DIVISION  
ALASKA DEPARTMENT OF REVENUE  
PO BOX 110420  
JUNEAU AK 99811-0420

## Payment

Tax payments can be made by Electronic Funds Transfer (EFT), wire transfer or check.

When a payment is greater than \$150,000, the payment must be made by EFT or wire transfer, see Alaska Regulation 15 AAC 05.310.

As we implement the new tax revenue management system, we are transitioning from using the Online Tax Information System (OTIS) payment center, to a new web-based portal named "Revenue Online." Since this is a transition year, these instructions refer to both systems.

A taxpayer may pay taxes electronically by using OTIS at [www.tax.alaska.gov](http://www.tax.alaska.gov) or Revenue Online at <https://online-tax.alaska.gov>. These systems may also be used to print a payment voucher for a payment to be made by wire or check.

OTIS and Revenue Online accommodate Automated Clearing House (ACH) debit payments. OTIS and Revenue Online do not accept credit cards or ACH credit transactions. If a taxpayer wishes to use OTIS, the taxpayer must be registered online in "myAlaska." As we transition to Revenue Online, the taxpayer will register directly with Revenue Online. A first-time taxpayer wishing to use these online systems should contact the DOR at 907-465-2320 or visit [www.tax.alaska.gov](http://www.tax.alaska.gov) for information.

If a bank account has a debit block, any online payment request will be rejected by the bank. Rejected payments may result in late payment, penalties and interest. If a bank account may have a debit block, the taxpayer is encouraged to contact its bank before making an online payment to register the State of Alaska as an authorized ACH debit originator. The company ID for the Alaska Department of Revenue is 0000902050.

A taxpayer making a payment by wire transfer is required to notify the State of Alaska, Treasury Division by 2:00 p.m. the business day prior to the wire transfer settlement date. Prepare the payment voucher on OTIS or Revenue Online and email to [cashmgmt@alaska.gov](mailto:cashmgmt@alaska.gov). If the payment covers multiple tax years, prepare a separate voucher for each year.

Make checks payable to the State of Alaska. Note: if the total payment exceeds \$150,000 the payment is required to be paid by EFT or wire transfer.

A check must be submitted with the appropriate return or payment voucher. Payment vouchers can be found on OTIS or Revenue Online.

Mail check with return or payment voucher to:

TAX DIVISION  
ALASKA DEPARTMENT OF REVENUE  
PO BOX 110420  
JUNEAU AK 99811-0420

## Penalties

**Late filing of return.** Returns not filed by the due date are subject to a failure to file penalty of 5% of the unpaid tax for each 30 day period or portion of a period the return is late, up to a maximum of 25%.

**Late payment of tax.** If the full amount of tax is not paid by the original due date of the return, even if an extension to file was granted, the return is subject to a failure to pay penalty of 5% of the unpaid tax for each 30 day period or portion of a period the payment is late, up to a maximum of 25%. An extension to file is not an extension to pay the tax. If during any period or portion of a period, both the failure to file and failure to pay penalties are applicable, only the failure to file penalty is imposed.

## Interest

Under Alaska Statute 43.05.225, interest will be assessed on any unpaid or delinquent tax. See the "Legislative Changes" section above for how interest will be calculated after 1/1/14. For rates prior to 1/1/14, refer to our website: [www.tax.alaska.gov](http://www.tax.alaska.gov).

## SPECIFIC INSTRUCTIONS

**Note:** Report all income and expenses in U.S. Dollars

**Line 1** - Enter the gross income from the mining operation. Gross income is the sale price, or value actually received, including cash, credits, in-kind exchange and other valuable consideration received for mined materials. Include the value of mined materials when the mined materials were traded for labor.

**Line 2** - Enter the total amount of royalties (cash, credits, in-kind exchanges and other valuable consideration) received. If the payment received was in kind (i.e. minerals), include the fair market value of the minerals on the date that payment was received. Complete Schedule C and include the lessee's name, address and social security number or federal employee identification number and the amount of royalty received.

**Line 3** - Add lines 1 and 2.

**Note:** If your only mining income is from receiving royalties, you may not take any deduction except for depletion under Alaska Statute 43.65.010(h).

**Line 4** - Enter the total amount of royalties (cash, credits, in-kind exchanges and other valuable consideration) paid. If the payment was made in kind (i.e. minerals) include the fair market value of the minerals on the date that payment was made. Complete Schedule B and include the lessor's name, address and social security number or federal employee identification number and the amount of royalty paid.

**Line 5** - Enter the amount of fuel, oil and lubricant expenses directly related to the mining operation.

**Line 6** - Enter the amount of maintenance and repair expenses directly related to the mining operation.

**Line 7** - Enter the amount of salary and wage expenses directly related to the mining operation.

**Line 8** - Enter the amount of transportation costs directly related to the mining operation. Examples include but are not limited to: transportation of the mining equipment to the claim and the expenses involved in getting employees to and from the mining operation.

**Line 9** - Enter the amount of depreciation for the property, plant and equipment directly related to the mining operation.

**Line 10** - Enter the amount of other expenses directly related to the mining operation. Attach a separate schedule itemizing the type and amount of other mining expenses that are not included on lines 4 through 9. Sum these expenses and put the total on line 10.

**Line 11** - Add lines 4 through 10.

**Line 12** - Subtract line 11 from line 3.

**Line 13** - Complete Schedule A to take a depletion expense.

**Line 14** - Subtract line 13 from line 12.

**Line 15** - A mining license tax exemption is allowed for three and one-half years after initial commercial production begins on the property if a Certificate of Exemption is issued for the mining property. Enter approved exemption amount for the new mining operation.

**Line 16** - Subtract line 15 from line 14.

**Line 17** - Enter the amount of tax due using the calculation instructions below.

Computation of tax. If line 16 is:

- \$ 40,000 or less; the tax is zero.
- Over \$ 40,000 and less than or equal to \$ 50,000; the tax is \$ 1,200 plus 3% of the excess over \$ 40,000.
- Over \$ 50,000 and less than or equal to \$ 100,000; the tax is \$ 1,500 plus 5% of the excess over \$ 50,000.
- Over \$ 100,000; the tax is \$ 4,000 plus 7% of the excess over \$ 100,000.

**Line 18** - Complete and attach Form 665 to take the exploration incentive credit.

**Line 19** - Complete and attach Schedule EC to take the mining business education credit. See Schedule EC for more information and instructions. Schedule EC can be found on the long form (662).

**Line 22** - Enter extension payment made if applicable.

**Line 23** - If this is an amended return, enter the total amount that was paid with the original return and/or with previous amendments. Otherwise enter zero.

**Line 24** - Subtract lines 21, 22 and 23 from line 20.

### **Schedule A - Depletion**

Use Schedule A to calculate the allowable depletion deduction for the mining operation.

#### **Cost Depletion Calculation**

**Line 1** - Enter the purchase cost of the property plus all development costs incurred while the property was in the development stage, less the residual value and the amount of cost or percentage depletion previously taken as a deduction for this property.

**Line 2** - Enter the estimated recoverable reserves remaining at the end of the tax year plus the units sold in the tax year.

**Line 3** - Enter the quotient of line 1 divided by line 2. This gives the unit cost.

**Line 4** - Enter the total number of units sold during the reporting period. This line must be filled out.

**Line 5** - Enter the product of line 3 multiplied by line 4.

The following example covers depletion using constant estimates.

The general method used for the calculation of depletion is the cost method.

- The first step of this method is to estimate the number of recoverable units which comprise the deposit.
- The units can be tons, ounces, etc. of material.
- The taxpayer must be consistent from year to year in the type of unit being calculated to insure uniformity.
- The second step takes the cost or adjusted basis of the property which pertains to the deposit and divides this basis by the total number of units to obtain the depletion cost per unit.
- Once the total number of units extracted is determined for the tax year, it is multiplied by the cost per unit to obtain the amount of depletion available.

The taxpayer purchases a claim for \$ 50,000 (line 1). The taxpayer estimates that there will be no residual value in the

claim after the property has been mined. The taxpayer is in the production phase and is selling product. The taxpayer estimates that there are 100,000 tons of ore to be extracted (line 2). For purposes of the computation for depletion, the basis of the mine is \$50,000. During the tax year, the taxpayer mines and sells 3,500 tons of ore (line 4). The first year depletion would be calculated as follows:

**Line 1** - Purchase price = \$50,000

**Line 2** - 100,000 estimated recoverable units (survey or other estimate method)

**Line 3** - Rate of Depletion per ton ( $\$50,000/100,000$ ) = \$0.50

**Line 4** - 3,500 units sold

**Line 5** - Depletion for year ( $3,500 \times \$0.50$ ) = \$1,750

First year depletion \$1,750

Second year basis of the property  $\$50,000 - \$1,750 = \$48,250$ .

If estimates of the amount of reserves were never adjusted, the above calculation for depletion would remain constant. The basis would be reduced each year by the amount of depletion until it is totally consumed and the taxpayer has no basis left in the property. While this scenario would certainly not be out of the ordinary, a revision in the estimate of reserves will affect the depletion calculation.

In the second year, the estimated recoverable units changes to 137,000 tons. The taxpayer mines and sells 7,000 tons. The calculation for depletion for year two would be as follows:

**Line 1** - Second year basis of the property  $\$50,000 - \$1,750 = \$48,250$

**Line 2** - Revised estimate of un-extracted units 137,000

**Line 3** - Rate of depletion ( $\$48,250/137,000$ ) = \$0.35

**Line 4** - 7,000 units sold

**Line 5** - Depletion for year ( $7,000 \times \$0.35$ ) = \$2,450

Second year depletion \$2,450

Third year basis of the property  $\$48,250 - \$2,450 = \$45,800$

### Percentage Depletion Calculation

**Line 6** - Total income from mining operation. Enter total from page 1, line 3 of the Mining License Tax Return - Short Form.

**Line 7** - Royalties Paid. Enter total from Schedule B, line 3 of the Mining License Tax Return - Short Form.

**Line 8** - Subtract line 7 from line 6.

**Line 9** - Applicable Depletion Percentage

Depletion percentages to be used

10% Coal mines

15% Metal mines, fluorspar, flake graphite, vermiculite, beryl, feldspar, mica, talc, lepidolite, spodumene, varite, ball and sagger clay, or rock asphalt mines and potash mines or deposits

23% Sulphur mines or deposits

If the material mined is not listed above, enter 0 on line 9.

**Line 10** - Multiply line 8 by line 9.

**Line 11** - Enter amount from page 1, line 3 of the Mining License Tax Return - Short Form.

**Line 12** - Enter amount from page 1, line 11, of the Mining License Tax Return - Short Form.

**Line 13** - Subtract line 12 from line 11.

**Line 14** - Limitation

Multiply line 13 by 50%. Percentage depletion is limited to 50% of net income from the property before the depletion deduction

**Line 15** - Compare the amounts on lines 10 and 14 and enter whichever is less.

**Line 16** - Compare the amounts on lines 5 and 15 and enter whichever is greater. Enter the amount on page 1, line 13 of the Mining License Tax Return - Short Form. The depletion deduction is the greater of cost or percentage depletion calculated each year.

### Royalties

Enter the federal ID, name, and the current mailing address for each person or company that taxpayer paid royalties to or received royalties from. Attach a separate schedule if necessary.

Royalty recipients may not take any deduction except for depletion under Alaska Statute 43.65.010(h).

Royalties that are paid or received "in-kind" must be reported as the fair market value of the mined material at the date that payment was paid or received.

Advance royalties should not be included in income until the tax year in which the mined material relating to the royalty is actually extracted per Alaska Administrative Code 15 AAC 65.110(a)(2).

### Need Help?

If you have questions not addressed in these instructions, need more information or require assistance, contact the Tax Division at [dor.tax.mining@alaska.gov](mailto:dor.tax.mining@alaska.gov) or call 907-269-6620.