

Instructions for Form 662SF 2015 Alaska Mining License Tax Return

The Tax Division Offers Electronic Filing

The Alaska Department of Revenue, Tax Division, offers electronic filing through Revenue Online, its tax revenue management system. It's an online portal where taxpayers can file and pay tax returns, view tax accounts and balances, apply for licenses, upload documents, and conduct other business with the Tax Division.

Revenue Online allows us to process refunds faster, communicate with taxpayers quicker, and to more efficiently account for information we are required to report to the Alaska Legislature.

See the "How and Where to File" section on Page 2 for more on filing electronically through Revenue Online.

General Information

Mining License Tax Return – Form 662SF

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 (Form 662).

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

Mining license applications are due each year and are filed separate from the mining license tax return. Please use Form 661 to apply for a mining license.

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, including royalty, working or operating interests, net profits, overriding royalties, carried interests and production payments.

Note: Mining license applications are due each year and are filed separate from the mining license tax return. Please use Form 661 to apply for a mining license.

Return Due Date

A taxpayer shall file 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. An entity with a calendar year-end shall file a return on or before April 30 of the following calendar year. An entity 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.

Extension of Time to File

Upon application, the Tax Division will, at its discretion, grant an extension of time to file a mining license tax return. The application for extension of time to file (Form 668) can be found on the Tax Division's website at www.tax.alaska.gov.

An application for an extension of time for filing a return must be filed with the division no later than the date the return is due, and must include a complete statement of the reasons for the request for an extension.

An extension of time for filing the return does not extend the time for payment of the total amount of tax due.

Form Changes

Page 1 – The mining license number is required on Page 1. The first return and final return checkboxes have been deleted, along with the "Electronic Payment Information" section.

Avoid Common Mistakes

To facilitate the processing of your return, be sure to do the following:

1. Use the correct form. If you have more than one mining license, you must use Form 662.
2. File with the correct taxpayer name. If you are filing as an individual, you must use the name reported on your 1040 federal return. If you are filing as a company, use the same name as it appeared on the prior mining license tax return. If the company name has changed, please call us.
3. Provide the correct federal employer identification number (FEIN) or Social Security number (SSN).
4. Provide the name and phone number of a contact person who is authorized to answer any questions the Tax Division may have regarding the return. The contact person must be an officer or employee who is authorized to answer any such questions. The Tax Division cannot discuss taxpayer information with an outside party unless we have received a Power of Attorney.
5. Only use U.S. dollars when reporting income and expenses. This includes, but is not limited to, royalties paid and royalties received. **Do not use ounces or any other unit of measure unless the line item indicates units are to be used.**
6. If you have multiple licenses, use Form 662 and file a separate schedule for each license. Do not use

the same mining license number on more than one schedule.

7. Attach schedules as required by the forms. Schedules providing detail are required as explained in the instructions. Attaching complete schedules will ensure a valid filing and prevent unnecessary correspondence with the Tax Division. Be sure that attached schedules are properly referenced and agree to the totals reported on the form.
8. **Sign the return.** The return is not valid until it has been signed. The return must be signed and dated by a person legally authorized to do so.

How and Where to File

Filing Your Return

Taxpayers are encouraged to file their returns electronically using Revenue Online at <http://online-tax.alaska.gov>.

Or you may file a paper return by mail. The returns and other forms are on the Tax Division's website at www.tax.alaska.gov. Please mail your completed return to:

Alaska Department of Revenue
Tax Division
PO Box 110420
Juneau, AK 99811-0420

How to Pay

You may pay your taxes electronically through Revenue Online, <http://online-tax.alaska.gov>, or access it from our home page at www.tax.alaska.gov. You may also pay by wire transfer or mail in a check.

Note: If your payment is \$150,000 or more, you must pay electronically through Revenue Online or by a wire transfer. See Alaska Administrative Code 15 AAC 05.310 for more information.

Pay Electronically

Revenue Online uses Automated Clearing House (ACH) debit payments. It does not accept credit cards or ACH credit transactions.

If you are making a payment using Revenue Online for the first time, click on "Enroll Now" on the sign-in page and follow the prompts. If you have questions, call the Tax Division at 907.269.0041 or 907.269.6627.

Check with your bank before setting up a debit (ACH) payment to determine if your account has a debit block. Debit blocks (or filters) control electronic transactions posted to bank accounts and only accept transactions from authorized ACH debit originators.

If you have a debit block on your account, you must ask your bank to list the State of Alaska as an authorized ACH debit originator on your account, and give your bank the Department of Revenue's company ID (0000902050). If you don't give that information to your bank, your bank will reject your tax payment, and rejected payments may result in late payment penalties and interest.

Pay by Wire Transfer

To make a payment by wire transfer, you must notify the

Department of Revenue, Treasury Division by 2:00PM Alaska Time **the business day prior** to the wire transfer settlement date.

For the notification, prepare a payment voucher on Revenue Online, and email it to dor.trs.cashmgmt@alaska.gov. The notice must include the taxpayer's name, total payment amount, settlement date, tax type, purpose of the payment, and that the funds are for the Department of Revenue. If your payment covers multiple tax periods, prepare a separate voucher for each period.

Contact the Treasury Division for the State of Alaska's bank information at dor.trs.cashmgmt@alaska.gov or 907.465.2320. Ask your bank to initiate a wire transfer of funds through the Federal Reserve wire transfer system to be received and credited to the State of Alaska.

If you don't have email or want confirmation that a wire transfer was successful, call 907.465.2360.

Pay by Check

Make checks payable to the State of Alaska. Mail your check and tax return to our Juneau office at the address below. To mail in your check without your tax return, fill out and print off a payment voucher from Revenue Online.

Alaska Department of Revenue
Tax Division
PO Box 110420
Juneau, AK 99811-0420

Penalties

Late Filing of a 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 taxes. 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. For current and historical rates, refer to our website at www.tax.alaska.gov.

Line-by-Line Instructions

Note: Report all income and expenses in U.S. dollars.

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.

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Line 1 – Gross income from mining operation. 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 – Royalties received. Enter the total amount of royalties (cash, credits, in-kind exchanges and other valuable consideration) received. If the payment received was in kind (in minerals, for example), include the fair market value of the minerals on the date that the payment was received. Complete Schedule C and include the lessee's name, address and Social Security number or federal employer identification number and the amount of royalty received.

Line 3 – Total income from mining operation. Add lines 1 and 2 and enter the result here.

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

Line 4 – Royalties paid. Enter the total amount of royalties paid (cash, credits, in-kind exchanges and other valuable consideration). If the payment was made in kind (such as with 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 employer identification number and the amount of royalty paid.

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

Line 6 – Maintenance and repairs. Enter the amount of maintenance and repair expenses directly related to the mining operation.

Line 7 – Salaries and wages. Enter the amount of salary and wage expenses directly related to the mining operation.

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

Line 9 – Depreciation. Depreciation on all mining equipment, buildings and other facilities located in Alaska is allowed as a deduction. A property's basis for computing depreciation is the adjusted basis of the asset for federal income tax purposes on the date the asset is placed in service in Alaska. Depreciation on mining assets may be computed using any of the methods allowed under secs. 167 and 168 of the Internal Revenue Code (26 U.S.C. 167 and 168). In place of the depreciation expense deduction, a person may elect to amortize the cost of pollution control facilities used in the mining operation in accordance with sec. 169 of the Internal Revenue Code (26 U.S.C. 169) (15 AAC 65.125(b)(2)(f)).

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

Line 10 – Other expenses. 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. Add those expenses and put the total on line 10.

Line 11 – Total expenses. Add lines 4 through 10 and enter the result here.

Line 12 – Net income before depletion. Subtract line 11 from line 3 and enter the result here.

Line 13 – Depletion expense. Complete Schedule A to take a depletion expense.

Line 14 – Taxable income before exemption for new mining operation. Subtract line 13 from line 12 and enter the result here.

Line 15 – Exemption for new mining operation. An exemption for the mining license tax is allowed for three and one-half (3½) years after initial commercial production begins on the property if the Tax Division has issued a certificate of exemption. Please contact the division at 907.269.6620 with questions regarding the exemption.

Line 16 – Net taxable income. Subtract line 15 from line 14 and enter the result here.

Line 17 – Tax. 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 – Exploration incentive credit. Enter the amount from line 5 of Form 665 Exploration Incentive Credit.

Line 19 – Mining business education credit. Enter the amount, if any, from line 6 of Schedule EC – Mining Business Education Credit. Contributions used to calculate a credit against any other taxes (such as Alaska corporation net income tax) cannot be used as a credit against the Mining License Tax. See Schedule EC for more information and instructions.

Line 21 – Film production tax credit. Enter the amount of the film production tax credit from the certificate issued by the Department of Revenue. You must attach the original certificate to the tax return.

Line 22 – Amount paid with extension. Enter the amount you paid with your extension, if applicable.

Line 23 – If filing an amended return, enter the total amount of tax paid on the original return and/or previous amendments. Otherwise, enter zero.

Line 24 – Net tax due or (overpayment). 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.

Line 1 – Cost or basis of mining property (less residual value). 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 – Estimated recoverable units at the beginning of the tax year. Enter the estimated recoverable reserves remaining at the end of the tax year plus the units sold in the tax year.

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

Line 4 – Number of units sold this tax period. Enter the total number of units sold during the reporting period. Use the same unit measure as the prior year. **This line must be filled out.**

Line 5 – Cost depletion deduction. Enter the product of line 3 multiplied by line 4.

Line 6 – Total income from mining operation. Enter the total from page 1, line 3 of this form (Form 662SF, Mining License Tax Return – Short Form).

Line 7 – Royalties Paid. Enter the total from Schedule B, line 3 of this form (Form 662SF).

Line 8 – Depletion base. Subtract line 7 from line 6.

Line 9 – Enter the 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 – Percentage depletion. Multiply line 8 by line 9 and enter the result here.

Line 11 – Enter the amount from page 1, line 3 of this form (Form 662SF).

Line 12 – Enter the amount from page 1, line 11 of this form (Form 662SF).

Line 13 – Subtract line 12 from line 11 and enter the result here.

Line 14 – Limitation. Multiply line 13 by 50%. The percentage depletion is limited to 50% of the 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 – Depletion deduction. Compare the amounts on lines 5 and 15 and enter whichever is greater here. Enter the amount on page 1, line 13 of this form (Form 662SF). The depletion deduction is the greater of cost or percentage depletion calculated each year.

Royalties

Enter the name, address and federal employer identification number of each individual, partnership or corporation to whom royalties were paid to or royalties received 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 in U.S. dollars at the fair market value of the mined material on 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 15 AAC 65.110(a)(2).

Additional Assistance

These instructions are not in place of Alaska statutes or regulations and are offered only for the convenience of the taxpayer in completing the return.

If you have questions or require assistance, contact the Tax Division at dor.tax.mining@alaska.gov or call 907.269.6620.