

**STATE OF ALASKA**  
**DEPARTMENT OF REVENUE**  
*Tax Division*



*Fiscal Year 2001*  
**ANNUAL REPORT**

*On the internet at:*  
[www.tax.state.ak.us](http://www.tax.state.ak.us)

---

Tony Knowles  
Governor

Wilson L. Condon  
Commissioner

---

# 2001

*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 covers fiscal year 2001 which ended June 30, 2001.*

---

# Table of Contents

## Overview

<a href="#">Tax Division Overview</a>	4
<a href="#">Three Year Comparison of Revenue Collections (Table 1)</a>	5
<a href="#">General Fund Income and Excise Tax Collections (Chart 1)</a>	6
<a href="#">Income and Excise Tax Returns Filed (Chart 2)</a>	7
<a href="#">New Legislation</a>	8

## Organization

<a href="#">Key Contacts</a>	9
<a href="#">Organization Chart</a>	10
<a href="#">Functions</a>	11

## Programs Detail

<a href="#">Revenue Collections Detail (Table 2)</a>	14
<a href="#">Program Revenue and Cost Detail (Table 3)</a>	18
<a href="#">Collections from Audit and Tax Examiner Assessments (Table 4)</a>	19

### Programs

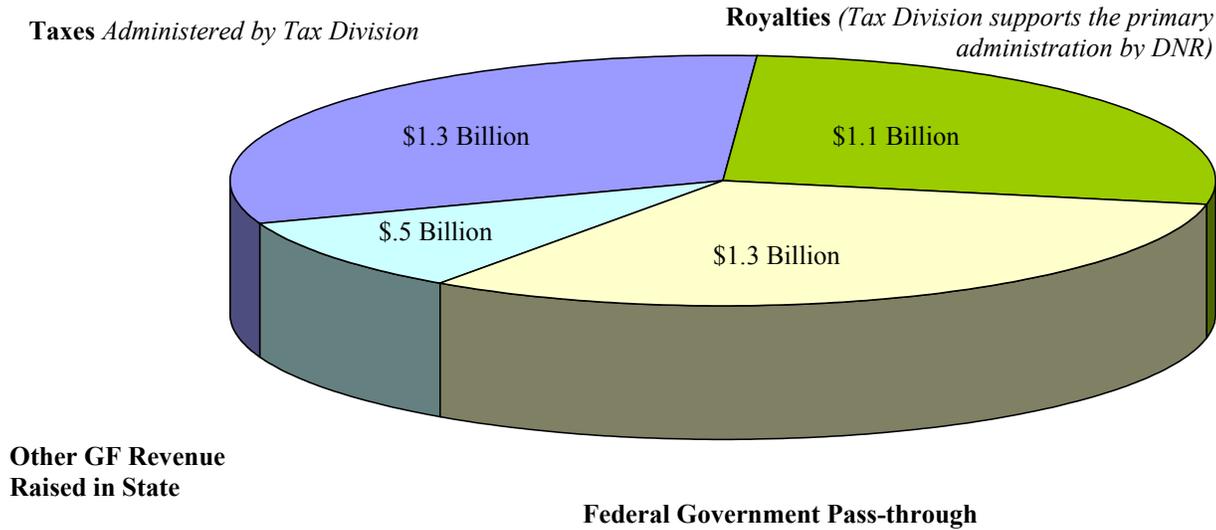
<a href="#">Alcoholic Beverages Tax</a>	20
<a href="#">Games of Chance and Contests of Skill</a>	20
<a href="#">Conservation Surcharge on Oil</a>	22
<a href="#">Corporation Net Income Tax</a>	22
<a href="#">Corporation Tax Return Filing Activity (Chart 3)</a>	23
<a href="#">Corporation Tax Liabilities Statistics (Table 5)</a>	24
<a href="#">Dive Fishery Management Assessment</a>	26
<a href="#">Electric Cooperative Tax</a>	26
<a href="#">Estate Tax</a>	27
<a href="#">Fisheries Business Tax</a>	27
<a href="#">Fishery Resource Landing Tax</a>	29
<a href="#">Mining License Tax</a>	30
<a href="#">Motor Fuel Tax</a>	31
<a href="#">Oil and Gas Property Tax</a>	32
<a href="#">Oil and Gas Royalty</a>	33
<a href="#">Oil and Gas Production Tax</a>	34
<a href="#">Regulatory Cost Charges</a>	35
<a href="#">Salmon Enhancement Tax</a>	35
<a href="#">Salmon Marketing Tax</a>	36
<a href="#">Seafood Marketing Assessment</a>	37
<a href="#">Telephone Cooperative Tax</a>	37
<a href="#">Tobacco Tax</a>	38
<a href="#">Audit Program</a>	39
<a href="#">Appeals Program</a>	39

## Appendices

<a href="#">Appendix A - Historical Overview of Tax Programs</a>	40
<a href="#">Appendix B - State and Federal Tax Rate Comparison</a>	
<a href="#">Alcohol Tax Rates - Liquor</a>	43
<a href="#">Alcohol Tax Rates - Wine</a>	44
<a href="#">Alcohol Tax Rates - Beer</a>	45
<a href="#">Gasoline Tax Rates</a>	46
<a href="#">Aviation Fuel Tax Rates</a>	47
<a href="#">Cigarette Tax Rates</a>	48
<a href="#">Tobacco Products Tax Rates</a>	49
<a href="#">Corporation Income Tax Rates</a>	50
<a href="#">Individual Income Tax Rates</a>	51
<a href="#">Sales Tax Rates</a>	52

## 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. During FY 2001 two-thirds of the General Fund Revenue is a result of collections from tax programs and oil and gas royalties that we directly administer or have shared responsibility for. See the chart below for a detail of FY 2001 General Fund revenues of \$4.2 billion dollars (source: State of Alaska Comprehensive Annual Financial Report FY 2001 page 8).



Tax programs administered by the Division:

### Oil and Gas Taxes

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

### Excise Taxes

- Alcoholic Beverage
- Mining License
- Motor Fuel
- Tobacco/Cigarette

### 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
- Salmon Enhancement
- Salmon Marketing
- Seafood Marketing

### Regulatory Programs

- Charitable Gaming
- Oil and Gas Royalty/Net Profit Share Lease Audit
- Revenue Sources Reporting
- Salmon Price Reporting

### Recently Repealed Tax Types

- Oil and Gas Conservation

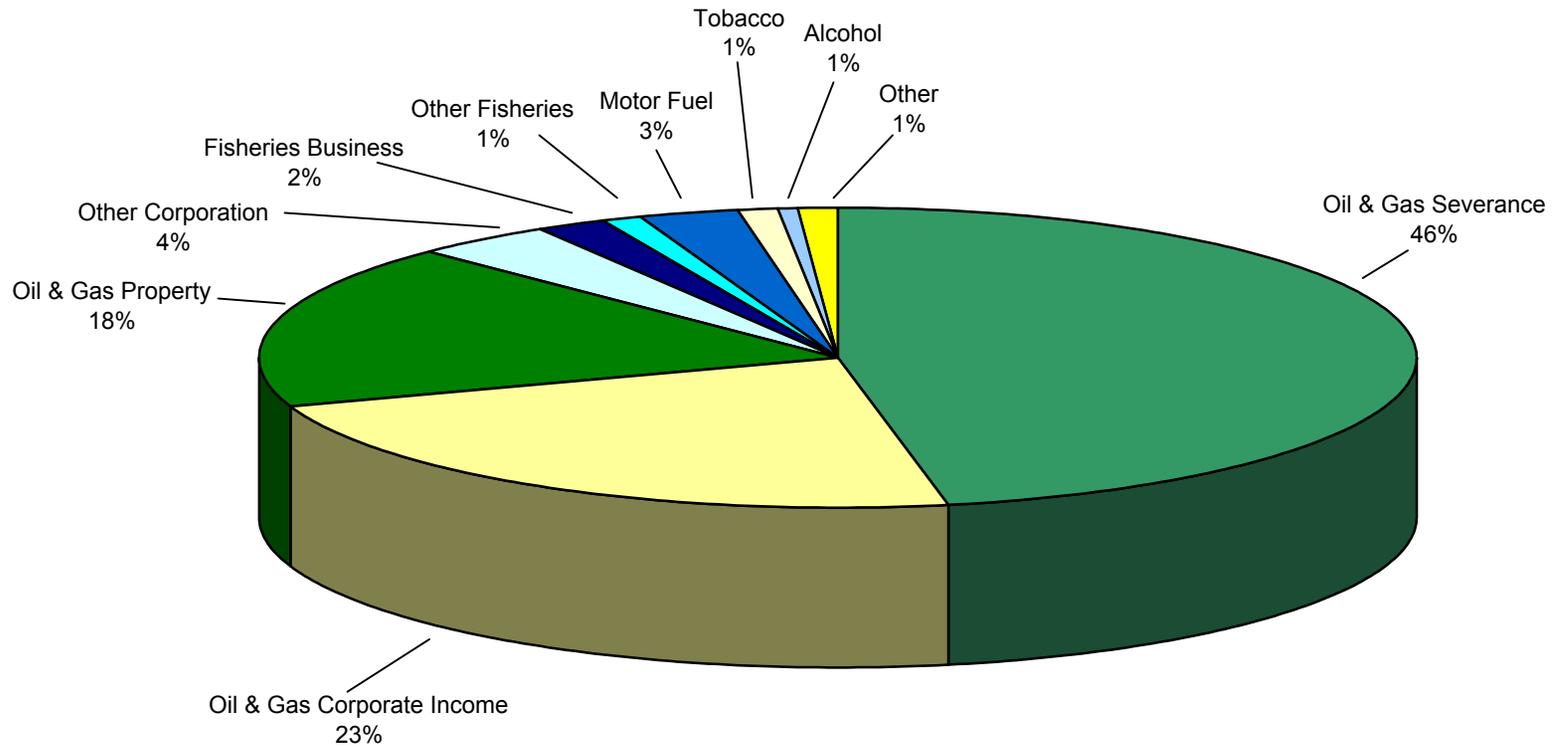
**Table 1**  
**Three Year Comparison of Revenue Collections**

<b>FUND SOURCE</b>	<b>FY 01</b>	<b>% Fund Total</b>	<b>FY 00</b>	<b>% Fund Total</b>	<b>FY 99</b>	<b>% Fund Total</b>
<b>General Fund</b>						
Oil and Gas -						
Production Tax	\$694,390,581	46.4%	\$693,160,141	51.9%	\$358,615,218	26.9%
Conservation Tax	-	0.0%	-	0.0%	1,444,868	0.1%
Conservation Surcharge	9,432,048	0.6%	9,557,925	0.7%	11,075,483	0.8%
Property <sup>1</sup>	265,283,557	17.7%	265,964,643	19.9%	271,191,963	20.3%
Corporate Income	338,122,779	22.6%	162,659,761	12.2%	145,008,939	10.9%
Total Oil and Gas	<u>1,307,228,965</u>	<u>87.4%</u>	<u>1,131,342,470</u>	<u>84.8%</u>	<u>787,336,471</u>	<u>81.8%</u>
Corporate Income - Other than Oil and Gas	59,459,158	4.0%	56,298,256	4.2%	53,846,758	5.6%
Motor Fuel	37,738,514	2.5%	42,137,861	3.2%	37,724,682	3.9%
Fisheries Business	30,494,634	2.0%	36,688,618	2.7%	25,911,888	2.7%
Tobacco	16,349,935	1.1%	16,312,091	1.2%	15,233,232	1.6%
Alcoholic Beverages	12,002,959	0.8%	12,655,546	0.9%	12,159,513	1.3%
Fishery Resource Landing	7,348,739	0.5%	5,278,404	0.4%	5,896,347	0.6%
Salmon Enhancement	3,643,990	0.2%	5,142,886	0.4%	3,903,103	0.4%
Unclaimed Property <sup>2</sup>	0	0.0%	5,116,277	0.4%	2,651,606	0.3%
APUC Regulatory Cost Charges	4,827,912	0.3%	4,509,745	0.3%	4,274,572	0.4%
Salmon Marketing	2,554,607	0.2%	3,687,313	0.3%	2,620,154	0.3%
Seafood Marketing	3,156,843	0.2%	3,514,614	0.3%	2,656,959	0.3%
Mining License	1,729,156	0.1%	3,449,882	0.3%	633,143	0.1%
Estate	2,683,080	0.2%	2,455,527	0.2%	1,726,985	0.2%
Gaming	2,380,311	0.2%	2,335,279	0.2%	2,183,155	0.2%
Electric Cooperative	1,742,103	0.1%	1,732,813	0.1%	1,660,080	0.2%
Telephone Cooperative	1,587,391	0.1%	1,502,251	0.1%	2,008,282	0.2%
Dive Fisheries	222,794	0.0%	229,078	0.0%	0	0.0%
<b>Total General Fund</b>	<b>1,495,151,091</b>	<b>100.0%</b>	<b>1,334,388,911</b>	<b>100.0%</b>	<b>962,426,930</b>	<b>100.0%</b>
<b>Constitutional Budget Reserve Fund (CBRF)</b>						
Oil & Gas Corporate Income	4,301,073	11.0%	423,386,828	96.0%	19,802,312	45.1%
Oil and Gas Severance	34,792,502	88.9%	17,518,663	4.0%	24,082,448	54.9%
Oil and Gas Property	29,457	0.1%	0	0.0%	0	0.0%
<b>Total CBRF</b>	<b>39,123,032</b>	<b>100.0%</b>	<b>440,905,491</b>	<b>100.0%</b>	<b>43,884,760</b>	<b>100.0%</b>
<b>School Fund</b>						
Tobacco	30,659,662	100.0%	32,986,320	100.0%	32,732,439	100.0%
Cigarette License Fees	2,795	0.0%	5,320	0.0%	3,395	0.0%
<b>Total School Fund</b>	<b>30,662,457</b>	<b>100.0%</b>	<b>32,991,640</b>	<b>100.0%</b>	<b>32,735,834</b>	<b>100.0%</b>
<b>Total All Funds</b>	<b>\$1,564,936,580</b>	<b>100.0%</b>	<b>\$1,808,286,042</b>	<b>100.0%</b>	<b>\$1,039,047,524</b>	<b>100.0%</b>

<sup>1</sup> Includes credit for municipal property tax paid (\$220,196,880 in FY 2001, \$220,926,762 in FY 2000, and \$222,351,529 in FY 99).

<sup>2</sup> The Unclaimed Property Section was transferred to the Treasury Division in FY 01; Amounts include refunds to owners and other states (\$1,498,923 in FY 00, \$850,087 in FY 99)

**Chart 1  
General Fund Tax Collections**



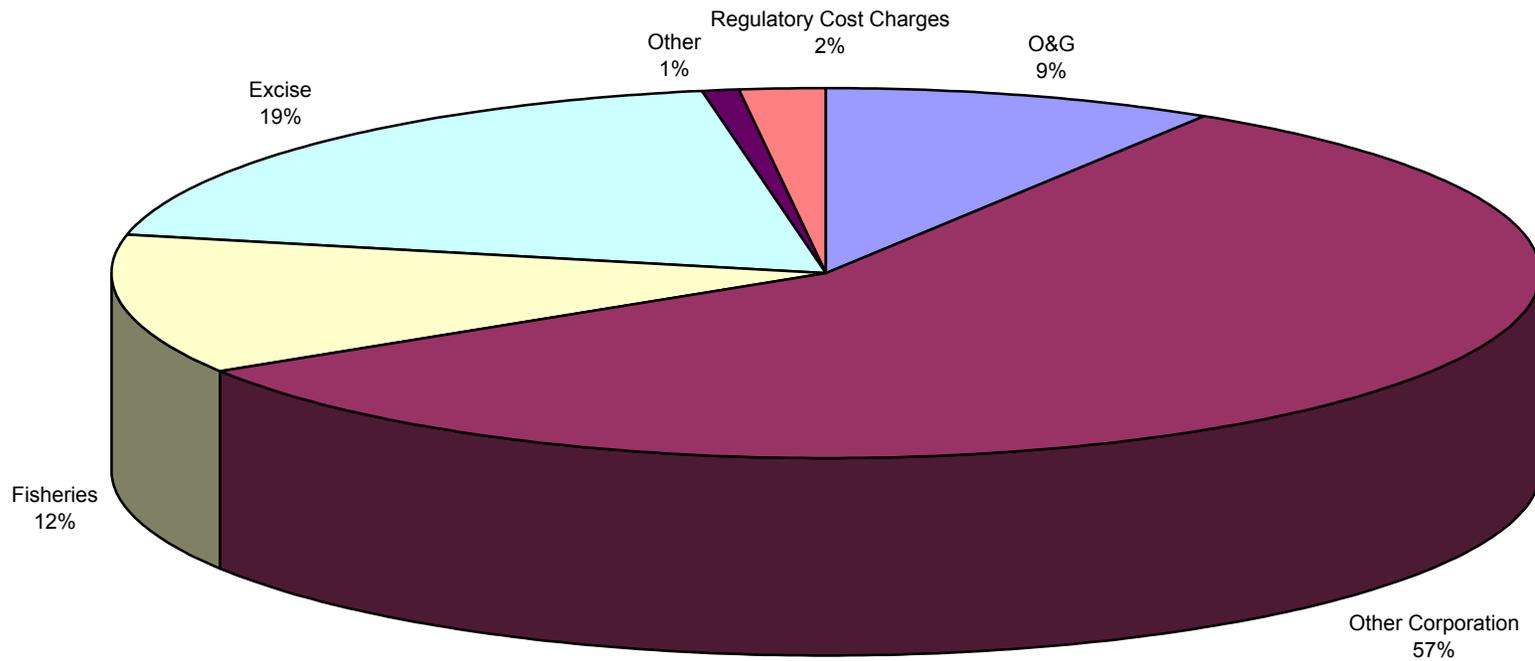
**Total Tax Collections: \$1,495,151,091**

**Oil & Gas Severance** includes the production tax and the conservation surcharge on oil and gas.

**Other Fisheries** includes resource landing, dive fisheries, salmon enhancement and marketing taxes, and seafood marketing assessment collections.

**Other** includes estate, electric and telephone cooperative, gaming and mining license tax.

**Chart 2  
Tax Returns Filed**



**Total Tax Returns Filed: 26,151**

<b>Oil and Gas</b>	<b>2,347</b>	<b>Fisheries</b>	<b>3,170</b>	<b>Other</b>	<b>266</b>
Severance	2,218	Salmon Marketing	956	Estate	47
Oil & Gas Corporate	33	Fisheries Business	702	Electric Cooperative	16
Oil & Gas Property	96	Salmon Enhancement	965	Mining License	196
<b>Other Corporate</b>	<b>14,907</b>	Seafood Marketing	431	Telephone Cooperative	7
<b>Excise</b>	<b>4,979</b>	Fishery Resource Landing	96		
Motor Fuel	3,909	Dive Fisheries	20		
Tobacco	728	<b>APUC Regulatory Cost Charges</b>	<b>482</b>		
Alcohol	342				

~ **NEW LEGISLATION** ~

The 2001 legislature passed four bills that directly affect the Tax Division. The Governor signed the following bills into law:

**HB 154 (Ch 42 SLA 2001) - Fisheries Business Tax/Fishery Resource Landing Tax.** This bill modifies the tax payment security requirements necessary to obtain a state fisheries business tax license. The existing requirement for a whole-salmon exporter is expanded 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. Additionally, the bill requires quarterly payment of estimated fishery resource landing taxes.

This bill took effect September 23, 2001.

**HB 228 (Ch 88 SLA 2001) – Sale of Tobacco Products.** This bill gives the Department of Revenue 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 the state’s cigarette and tobacco products licensees from importing and selling cigarettes in Alaska made by nonparticipating manufacturers that fail to comply with the agreement.

The sections of this bill relevant to the Tax Division took effect July 1, 2001.

**SB 151 (Ch 78 SLA 2001) – Bristol Bay Salmon Classic.** The state’s charitable gaming laws allow certain organizations to conduct “salmon classic” games of chance. This legislation adds the Bristol Bay Native Corporation Education Foundation to the list, allowing the Education Foundation to conduct a fund-raising salmon classic with prize money awarded to the person who guesses closest to the total number of salmon harvested commercially in the five Bristol Bay fishing districts between June 1 and September 30 each year.

This bill took effect January 1, 2002.

**SB 158 (Ch 38 SLA 2001) – Study of State Participation in Gas Line Ownership.** This legislation directs the Department of Revenue to prepare a detailed report on the merits of the state taking an ownership and/or financing stake in a North Slope natural gas commercialization project. The report is due in January 2002. The bill also directs the department to study the merits of a publicly owned corporation taking an equity stake in the natural gas project. The bill directs the department to contract with a financial adviser and other experts for the report.

This bill took effect June 26, 2001.

## Key Contacts

Juneau Office  
Alaska Department of Revenue  
Tax Division  
11<sup>th</sup> Floor, State Office Building  
PO Box 110420  
Juneau, AK 99811-0420  
907.465.2320 Voice  
907.465.2375 Fax

Anchorage Office  
Alaska Department of Revenue  
Tax Division  
Robert B. Atwood Building  
550 West 7<sup>th</sup> Avenue, Suite 500  
Anchorage, AK 99501-3556  
907.269.6620 Voice  
907.269.6644 Fax

Dan E. Dickinson, Director  
Anchorage Office  
907.269.6620

Larry E. Meyers, Deputy Director  
Anchorage Office  
907.269.6620

Charles E. Harlamert, Chief of Operations  
Juneau Office  
907.465.2320

Home Page: [www.tax.state.ak.us](http://www.tax.state.ak.us)  
Individual e-mail: First Name\_Last Name@revenue.state.ak.us

---

### **Operations**

Karen Smith, Operations Manager  
Juneau Office  
907.465.3691

### **Accounting and Collections**

Bertram Hermano, Supervisor  
Juneau Office  
907.465.3684

### **Appeals**

Carl Meyer, Chief of Appeals  
Juneau Office  
907.465.2343

### **Gaming**

Jeff Prather, Supervisor  
Juneau Office  
907.465.3410

### **Audit – Oil & Gas Severance**

Bruce Kinney, Audit Manager  
Anchorage Office  
907.269.1042

### **Audit – Corporation and Other**

Mark Graber, Audit Manager  
Anchorage Office  
907.269.6626

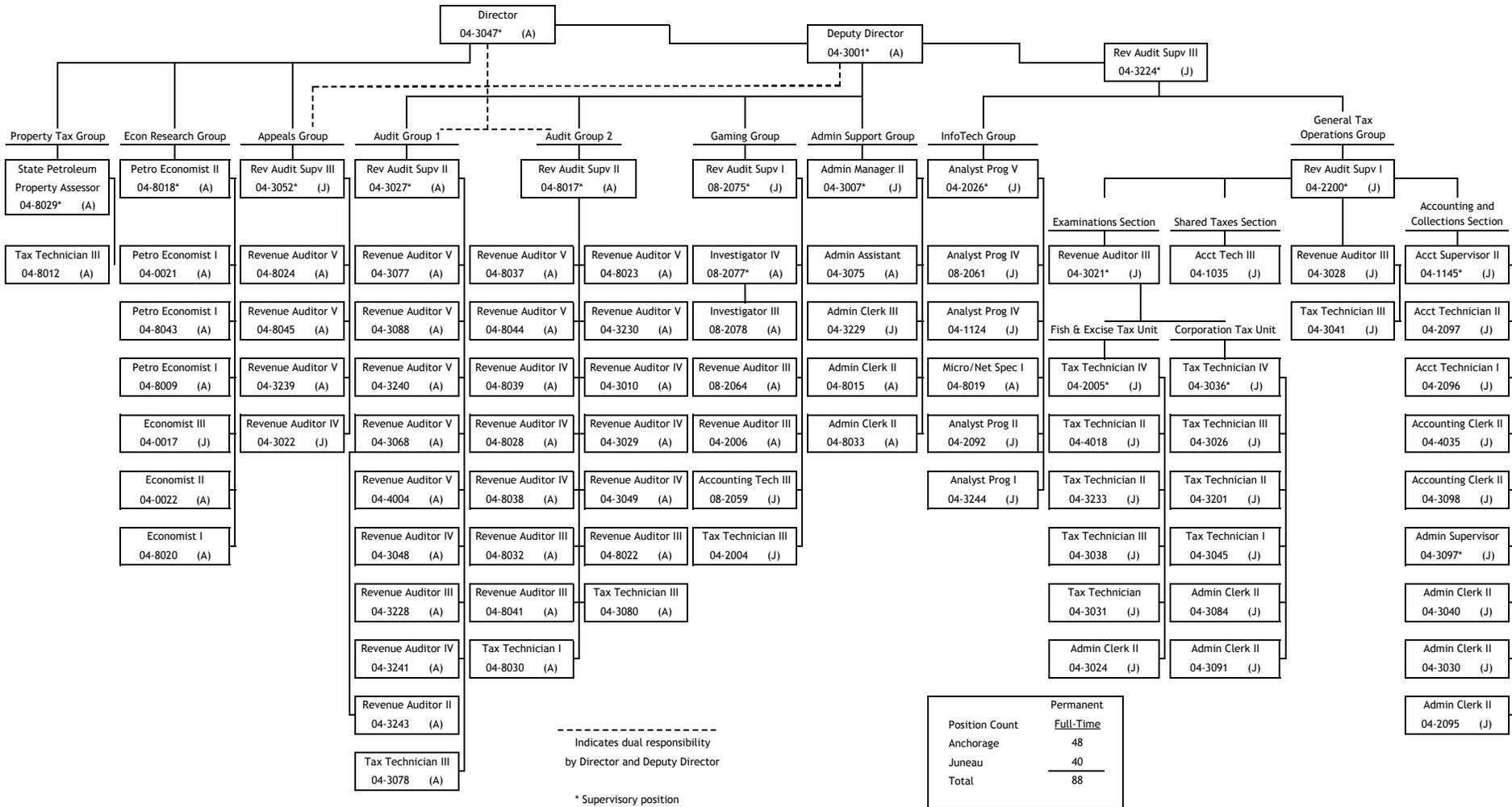
### **Research**

Chuck Logsdon, Chief Petroleum Economist  
Anchorage Office  
907.369.1019

### **Property Tax**

Randy Hoffbeck, Petroleum Property  
Assessor  
Anchorage Office  
907.369.1029

# FY 2001 Organization Chart



## FUNCTIONS

During the fiscal year, the Tax Division was staffed by 88 full-time positions maintained offices in Juneau and Anchorage. The division's FY 2001 operating budget was \$6.7 million. The Division is organized according to the functional groups of **Operations, Audit, Appeals, Gaming, Property Tax, and Economic Research**; and the support groups, **Information Technology and Administrative Support**.

### OPERATIONS

**Operations**, located in Juneau and staffed by 33 full-time positions (including 4 computer programmers and a manager) is responsible for receipt and processing of all tax returns and payments other than oil and gas severance and property taxes. Oil and gas severance and property tax returns and payments are received and processed by the Anchorage audit group.

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.

Operations is comprised of four sections: *Accounting and Collections, Licensing and Examination, Compliance and Shared Taxes*.

**Accounting and Collections**, staffed by 9 full-time positions, is responsible for receiving and processing tax payments, data entry of tax return information into the division's tax accounting system (TAS), and reconciling TAS revenues to the state's accounting system (AKSAS).

Accounting and Collections is responsible for processing payments, which includes data capturing payment information into TAS and reconciling activity to deposit summary information. The unit also posts assessments for additional taxes and penalties into TAS.

Accounting and Collections generates management reports as a part of its reconciliation process and for identifying exception items. Special management reports are generated for division staff upon request.

Accounting and Collections is responsible for enforcement of delinquent accounts. Enforcement activities include contacting taxpayers for payment and taking appropriate actions to collect delinquencies such as filing liens and levying assets.

**Examination and Compliance**, staffed by 13 full-time positions, is responsible for examining selected returns and issuing licenses to taxpayers. As part of the examination process, tax examiners generate assessments for additional taxes and penalties.

The section is comprised of two examination units: *Corporation Tax, and Fish and Excise Tax*.

**Corporation Tax** is responsible for processing and examining corporation net income tax returns. In addition to the corporation returns, the unit receives partnership and other information returns associated with the corporate net income tax.

The corporation tax exam group examines returns based on priority criteria, which include large dollar tax liabilities, large refund or credit claims and returns with exceptions identified by TAS.

The unit assists in updating corporation tax return forms to reflect changes in federal and Alaska tax laws. The unit maintains corporation tax return files, taxpayer correspondence and estimated payment documents. Returns and related documents older than three years are archived by the unit.

Corporation tax also approves clearances from state agencies who are making final payment on state contracts.

**Fish and Excise Tax** unit is responsible for processing and examining returns other than corporation returns and for licensing taxpayers. The Fish and Excise Tax unit also:

- ◆ Licenses fisheries businesses which 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.
- ◆ Administers the fish processor surety bonding program. This program requires that fisheries processors and buyers secure a \$2,000, \$10,000, \$20,000, \$50,000 or \$100,000 bond, depending on their activity, as surety against future claims from employees and fishers.
- ◆ Administers the following licensing programs: motor fuel (qualified dealers), mining, alcoholic beverages and tobacco.

- ◆ Examines motor fuel tax refunds requested by consumers who purchased and paid tax-on motor fuel but used the fuel for off-highway or exempt purposes.
- ◆ Publishes statewide average price information (compiled by Department of Fish and Game) for fishery resources landed in the state. The average price information is used by taxpayers for calculating their fishery resource landing tax liabilities.

**Compliance**, staffed by 2 positions, is responsible for securing returns from businesses and individuals required to file tax returns with the state.

Compliance compares data from external agencies, such as IRS and Alaska Department of Community and Economic Development, against Tax Division files to identify potential taxpayers. Compliance also follows up on compliance leads from internal and external sources.

**Shared Taxes**, staffed by 1 full-time position, is responsible for sharing taxes and fees, when applicable, to municipalities in accordance with statutory requirements. Shared Taxes accounts for revenues subject to sharing and periodically issues warrants to communities for their portion of tax collections. In addition, the Shared Tax position prepares an annual report, which summarizes salmon enhancement tax data. This data is used by the Department of Community and Economic Development for determining appropriations to regional aquaculture associations.

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*

Amounts are shared based on the location of where the tax or fee was derived.

For FY 2001, the Tax Division shared \$20.9 million to 120 Alaska communities. The division publishes an annual report summarizing amounts shared by community. The annual report is distributed to the public via the Internet. The report is available on the division's website at [www.tax.state.ak.us](http://www.tax.state.ak.us).

For fisheries business and fishery resource landing tax programs, taxes sourced from activities in the

unorganized borough are subject to sharing to municipalities through an allocation program administered by Department of Community and Economic Development (DCED).

The Tax Division transmits funds to DCED each year for allocation. For FY 2001, the division transmitted \$1.6 million for additional sharing.

**AUDIT**

Audit is comprised of two audit groups differentiated by the tax types on which they focus. Audit Group 1 is responsible for auditing corporate net income tax (including oil and gas corporate income taxes), fisheries taxes, and excise taxes. Audit Group 2 is responsible for auditing oil and gas severance and property taxes. Audit Group 2 is also responsible for auditing oil and gas royalties on behalf of the Department of Natural Resources which administers Alaska's oil and gas royalty program.

Both audit groups are based in Anchorage. Audit Group 1 is staffed by 9 revenue auditors and 1 tax technician who are supervised by an audit manager. Audit Group 2 consists of 13 revenue auditors and 2 tax technicians supervised by an audit manager.

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

**APPEALS**

Appeals is located in Juneau and Anchorage and professionally staffed by 5 full-time positions. Appeals staff conduct conferences on protested assessments and issue informal conference decisions of the Department of Revenue for all tax types administered by the division, Charitable Gaming, and Unclaimed Property.

Appeals staff represent the department as counsel in disputed cases before the Office of Tax Appeals and represent the division before a Department Hearing Examiner in gaming and unclaimed property cases. Appeals staff work closely with the Department of Law in these and various other matters. Appeals staff perform a myriad of special projects in a legal, technical or tax context and is involved in drafting proposed legislation and regulations.

## **GAMING**

Gaming is located in Juneau and Anchorage and is staffed by 1 supervisor, 2 investigators, 2 auditors, 1 tax examiner and 1 accounting technician. Gaming is responsible for overseeing charitable gaming activities conducted in the state.

Gaming issues annual permits 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.

## **PROPERTY TAX**

The Oil and Gas Property tax group is located in Anchorage and is staffed by 1 property tax assessor and 1 tax technician. The unit 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 an MOA and by engineering and appraisal experts working under contract. The unit performs compliance and collection functions and is responsible for processing returns. Audits may be initiated by the division or the taxpayer. Audits and appraisals conducted by the unit are typically highly specialized valuations for which the unit uses outside experts on an as needed basis.

## **ECONOMIC RESEARCH**

Economic Research, located in Anchorage and Juneau, is staffed by 7 full-time positions. The group 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 which contains historical and forecasted revenue information to assist the governor and legislature in developing the state's budget.

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.

Table 2 - Revenue Collections Detail

	FY 01	FY 00	FY 99
<b>OIL AND GAS TAXES</b>			
General Fund revenue			
Severance Taxes			
Oil & Gas Production	\$ 694,390,581	\$ 693,160,141	\$ 358,615,383
Oil & Gas Conservation	-	-	1,444,868
Oil & Gas Hazardous Release	9,432,048	9,557,925	11,075,483
Credits	0	0	(165)
Severance tax total	<u>703,822,629</u>	<u>702,718,066</u>	<u>371,135,569</u>
Property Tax	265,283,557	265,964,643	271,191,963
Local credits	<u>(220,196,879)</u>	<u>(220,926,762)</u>	<u>(222,351,529)</u>
Property tax total	<u>45,086,678</u>	<u>45,037,881</u>	<u>48,840,434</u>
Oil & Gas Corporate Income Tax	338,319,616	162,859,823	145,217,589
Alaska Education Credit	<u>(196,837)</u>	<u>(200,062)</u>	<u>(208,650)</u>
Oil & Gas Corporate Income Tax total	<u>338,122,779</u>	<u>162,659,761</u>	<u>145,008,939</u>
<b>Total Oil &amp; Gas Tax Receipts - General Fund</b>	<b>1,087,032,086</b>	<b>910,415,708</b>	<b>564,984,942</b>
Constitutional Budget Reserve Fund - CBRF			
Severance Tax			
Oil & Gas Corporate Income Tax	34,792,502	17,518,663	24,082,448
Oil and Gas Property	29,457	-	-
<b>Total Receipts - CBRF</b>	<u><b>39,123,032</b></u>	<u><b>440,905,491</b></u>	<u><b>43,884,760</b></u>
<b>Total Oil &amp; Gas Receipts - All Funds</b>	<u><b>\$ 1,126,155,117</b></u>	<u><b>\$ 1,351,321,199</b></u>	<u><b>\$ 608,869,702</b></u>
<b>CORPORATE NET INCOME TAX - other than oil &amp; gas corporations</b>			
Corporate Income Tax			
Alaska Education Credit	60,426,111	57,725,752	55,487,278
	<u>(966,953)</u>	<u>(1,427,496)</u>	<u>(1,640,520)</u>
<b>Total Receipts</b>	<u><b>\$ 59,459,158</b></u>	<u><b>\$ 56,298,256</b></u>	<u><b>\$ 53,846,758</b></u>
<b>TOBACCO *</b>			
Cigarette			
Tobacco Products	\$ 41,653,232	\$ 43,772,545	\$ 43,230,240
Penalties and Interest	5,378,631	5,420,817	4,875,964
Less .4% Deductions**	36,485	176,327	48,873
	<u>(58,751)</u>	<u>(71,278)</u>	<u>(189,406)</u>
<b>Total Receipts</b>	<u><b>47,009,597</b></u>	<u><b>49,298,411</b></u>	<u><b>47,965,671</b></u>
Less Amount Transferred to School Fund	<u>(30,659,662)</u>	<u>(32,986,320)</u>	<u>(32,732,439)</u>
<b>Amount Retained in General Fund</b>	<u><b>\$ 16,349,935</b></u>	<u><b>\$ 16,312,091</b></u>	<u><b>\$ 15,233,232</b></u>

\* Beginning with Fiscal Year 2000, tobacco revenues are recorded on an accrual basis. Fiscal Year 1999 is reported on the cash basis. July 1999 revenue not included in the above FY 2000 or FY 99 revenue was \$1,143,450.

\*\* General Fund only, does not include FY 2000 deductions of \$129,814 from School Fund revenues.

Table 2 - Revenue Collections Detail

	<b>FY 01</b>	<b>FY 00</b>	<b>FY 99</b>
<b>MOTOR FUEL</b>			
Highway	\$ 26,948,664	\$ 25,463,515	\$ 25,637,024
Marine	5,869,754	6,121,871	6,631,548
Jet Fuel	3,971,044	7,443,784	4,467,768
Aviation Gasoline	793,403	837,169	853,039
Total Tax	37,582,866	39,866,339	37,589,379
Penalties and Interest	155,648	2,271,522	135,303
<b>Total Receipts</b>	<b>37,738,514</b>	<b>42,137,861</b>	<b>37,724,682</b>
Less Aviation Fuel Tax Shared	(161,385)	(150,115)	(194,653)
<b>Amount Retained by State</b>	<b>\$ 37,577,129</b>	<b>\$ 41,987,746</b>	<b>\$ 37,530,029</b>
<b>FISHERIES BUSINESS</b>			
<i>Established</i>			
Shore-based	\$ 18,978,589	\$ 20,850,730	\$ 14,402,102
Floating	5,835,215	9,378,615	6,487,405
Cannery	4,490,084	5,959,592	4,362,254
<i>Developing</i>			
Shore-based	21,113	31,147	23,720
Floating	3,464	10,422	2,860
Total Tax	29,328,465	36,230,506	25,278,341
Prepayments	998,502	749,250	767,365
Penalties and Interest	418,843	24,087	83,661
License Fees	18,650	16,415	13,850
Total Tax Before Credits	30,764,460	37,020,258	26,143,217
Less Credits			
Winn Brindle	(265,011)	(317,500)	(231,329)
Alaska Education Credit	(4,815)	(14,140)	0
<b>Total Receipts</b>	<b>30,494,634</b>	<b>36,688,618</b>	<b>25,911,888</b>
Less Fisheries Tax Shared			
Department of Revenue	(13,702,505)	(17,097,294)	(11,645,747)
Department of Community and Economic Development	(1,350,886)	(1,403,629)	(1,508,709)
<b>Amount Retained by State</b>	<b>\$ 15,441,242</b>	<b>\$ 18,187,695</b>	<b>\$ 12,757,432</b>
<b>DEC Seafood Processor License Fees*</b>	<b>\$ 423,717</b>	<b>\$ 432,338</b>	<b>\$ 424,190</b>
<b>ALCOHOLIC BEVERAGES *</b>			
Liquor	\$ 6,182,071	\$ 6,181,862	\$ 6,091,190
Beer	4,905,533	5,259,907	4,892,770
Wine	1,211,943	1,211,430	1,173,088
Penalties, Interest and Refunds	(296,588)	2,347	2,465
<b>Total Receipts</b>	<b>\$ 12,002,959</b>	<b>\$ 12,655,546</b>	<b>\$ 12,159,513</b>

\*Beginning with Fiscal Year 2001, alcoholic beverage revenues are recorded on an accrual basis. Fiscal Years 2000 and 1999 are reported on the cash basis. July 2000 revenue not included in the above FY 2001 or FY 2000 revenue was \$1,380,383.

Table 2 - Revenue Collections Detail

	<b>FY 01</b>	<b>FY 00</b>	<b>FY 99</b>
<b>SALMON ENHANCEMENT</b>			
Tax by Aquacultural Region			
Southern Southeast	\$ 754,475	\$ 1,453,543	\$ 1,378,130
Northern Southeast	1,193,322	1,083,582	800,122
Cook Inlet	187,202	486,826	197,903
Prince William Sound	761,167	930,027	618,155
Kodiak	479,706	724,245	718,675
Chignik	260,739	460,724	169,279
Total Tax	3,636,612	5,138,947	3,882,264
Penalties and Interest	7,378	3,939	20,839
<b>Total Receipts</b>	<b>\$ 3,643,990</b>	<b>\$ 5,142,886</b>	<b>\$ 3,903,103</b>
<b>FISHERY RESOURCE LANDING</b>			
Tax Before Credits	\$ 5,553,210	\$ 4,654,176	\$ 4,492,485
Pre-Payments	2,480,391	1,044,998	1,144,293
Penalties, Interest and Refunds	30,995	(19,066)	476,829
Less Credits			
CDQ Contributions	(102,960)	(86,854)	(35,482)
Winn Brindle	(5,000)	(2,752)	(16,528)
Alaska Education Credit	(607,897)	(312,098)	(165,250)
<b>Total Receipts</b>	<b>7,348,738</b>	<b>5,278,404</b>	<b>5,896,347</b>
Less Landing Tax Subject to Sharing*			
Department of Revenue	(2,995,313)	(2,893,298)	(2,274,380)
Department of Community and Regional Affairs	(246,740)	(210,866)	(151,627)
<b>Amount to be Retained by State</b>	<b>\$ 4,106,686</b>	<b>\$ 2,174,240</b>	<b>\$ 3,470,340</b>
<b>REGULATORY COMMISSION of ALASKA</b>			
Electric Utilities	\$ 1,269,376	\$ 1,330,303	\$ 1,253,338
Telephone Utilities	2,126,418	1,345,434	1,391,419
Other Utilities	798,832	1,236,009	1,061,041
Pipeline Carriers	633,288	597,999	568,774
<b>Total Receipts</b>	<b>\$ 4,827,913</b>	<b>\$ 4,509,745</b>	<b>\$ 4,274,572</b>
<b>SALMON MARKETING</b>			
Tax	\$ 2,554,607	\$ 3,680,472	\$ 2,614,425
Penalties and Interest		6,841	5,729
<b>Total Receipts</b>	<b>\$ 2,554,607</b>	<b>\$ 3,687,313</b>	<b>\$ 2,620,154</b>
<b>SEAFOOD MARKETING ASSESSMENT</b>			
Fisheries Business	\$ 2,510,251	\$ 3,059,133	\$ 2,182,417
Fishery Resource Landing	646,591	455,481	474,542
<b>Total Receipts</b>	<b>\$ 3,156,843</b>	<b>\$ 3,514,614</b>	<b>\$ 2,656,959</b>

Table 2 - Revenue Collections Detail

	<b>FY 01</b>	<b>FY 00</b>	<b>FY 99</b>
<b>MINING LICENSE</b>			
<b>General Fund</b>			
Current Year Tax Before Credits	\$ 5,311,921	\$ 4,753,274	\$ 2,985,679
Less Alaska Special Industrial Incentive Credit	(3,582,765)	(1,239,641)	(2,189,587)
Less Alaska Education Credit		(63,751)	(162,949)
<b>Total Receipts</b>	<b>\$ 1,729,156</b>	<b>\$ 3,449,882</b>	<b>\$ 633,143</b>
<b>ESTATE</b>			
<b>Total Receipts</b>	<b>\$ 2,683,080</b>	<b>\$ 2,455,527</b>	<b>\$ 1,726,985</b>
<b>GAMING</b>			
3% Pull Tab Tax	\$ 1,920,753	\$ 1,916,124	\$ 1,755,115
1% Net Proceeds Fee	320,428	288,519	292,788
Licensing Fees	139,130	130,636	135,252
<b>Total Receipts</b>	<b>\$ 2,380,311</b>	<b>\$ 2,335,279</b>	<b>\$ 2,183,155</b>
<b>ELECTRIC COOPERATIVE</b>			
<b>Total Receipts</b>	<b>\$ 1,742,103</b>	<b>\$ 1,732,813</b>	<b>\$ 1,660,080</b>
Less Cooperative Taxes Shared	(1,667,265)	(1,657,937)	(1,589,987)
<b>Amount Retained by State</b>	<b>\$ 74,838</b>	<b>\$ 74,876</b>	<b>\$ 70,093</b>
<b>TELEPHONE COOPERATIVE</b>			
<b>Total Receipts</b>	<b>\$ 1,587,391</b>	<b>\$ 1,502,251</b>	<b>\$ 2,008,282</b>
Less Cooperative Taxes Shared	(1,504,026)	(1,399,696)	(1,934,655)
<b>Amount Retained by State</b>	<b>\$ 83,365</b>	<b>\$ 102,555</b>	<b>\$ 73,627</b>
<b>DIVE FISHERY MANAGEMENT ASSESSMENT</b>			
Southeast Alaska - Management Area A	\$ 222,794	\$ 229,078	n/a
<b>Total Receipts</b>	<b>\$ 222,794</b>	<b>\$ 229,078</b>	<b>n/a</b>
<b>CIGARETTE LICENSE FEES</b>			
<i>(Transferred Directly to School Fund)</i>			
<b>Total Receipts</b>	<b>\$ 2,795</b>	<b>\$ 5,320</b>	<b>\$ 3,395</b>

**Table 3**  
**Program Revenue and Cost Detail**

(Sorted by Revenue)

	Returns	Revenue	Program		Per FTE <sup>2</sup>	
			Cost <sup>1</sup>	FTE <sup>2</sup>	Revenue	Cost
<b>Tax Program</b>						
Severance <sup>3</sup>	2,218	\$738,615,131	\$1,689,032	18.7	\$39,498,135	\$90,323
Oil and Gas Corporate Income <sup>4</sup>	33	342,423,852	569,856	5.7	60,074,360	99,975
Oil and Gas Property	96	265,313,014	788,762	4.4	60,298,412 *	179,264 *
Corporate Income (non-Oil & Gas)	14,907	59,459,158	1,120,759	20.7	2,872,423	54,143
Tobacco <sup>5</sup>	728	47,012,392	158,061	2.7	17,411,997	58,541
Motor Fuel	3,909	37,738,514	457,911	8.4	4,492,680	54,513
Fisheries Business <sup>6</sup>	702	30,494,634	352,689	6.4	4,764,787	55,108
Alcoholic Beverages	342	12,002,959	43,082	0.9	***	***
Fishery Resource Landing	96	7,348,739	58,230	1.0	7,348,739	58,230
APUC Regulatory Cost Charges	482	4,827,912	18,113	0.4	***	***
Salmon Enhancement	965	3,643,990	36,211	0.8	***	***
Seafood Marketing Assessments	431	3,156,843	65,734	1.2	2,630,703	54,779
Estate	47	2,683,080	17,684	0.4	***	***
Salmon Marketing	956	2,554,607	35,879	0.8	***	***
Electric Cooperative	16	1,742,103	4,423	0.1	***	***
Mining License	196	1,729,156	15,676	0.3	***	***
Telephone Cooperative	7	1,587,391	18,262	0.1	***	***
Dive Fishery	20	222,794	3,950	0.1	***	***
<b>Total Tax Programs</b>	<b>26,151</b>	<b>1,562,556,269</b>	<b>5,454,314</b>	<b>73.1</b>	<b>21,375,599 **</b>	<b>74,614 **</b>
	(Reports)					
Gaming Program	3,952	2,380,311	819,520	9.7	245,393	84,487
<b>Total Gaming</b>	<b>3,952</b>	<b>2,380,311</b>	<b>819,521</b>	<b>9.7</b>		
Royalty <sup>7</sup>	n/a	n/a	180,658	1.9	0	95,083
<b>Subtotal All Programs</b>	<b>30,103</b>	<b>1,564,936,580</b>	<b>6,454,493</b>	<b>84.7</b>		
Unclaimed Property Program <sup>8</sup>	n/a	n/a	93,263	3.3		
<b>Total All Programs</b>	<b>30,103</b>	<b>1,564,936,580</b>	<b>6,547,756</b>	<b>88.0</b>		

<sup>1</sup> Includes total operating costs of the division.<sup>2</sup> Full-time equivalent staff position<sup>3</sup> Includes CBRF receipts of \$34,792,502<sup>4</sup> Includes CBRF receipts of \$4,301,073<sup>5</sup> Includes school fund receipts (tobacco =\$30,659,662, cigarette licenses=\$2,795,).<sup>6</sup> Includes Salmon Price Reporting with a cost of 1 FTE. No revenue generated.<sup>7</sup> Department of Natural Resources collected \$1,141,044,000 in revenues from this program during FY 2001. Of this amount, \$35,211,189 resulted from audits performed by the Tax Division<sup>8</sup> Unclaimed Property was transferred from the Tax Division effective January 1, 2001.

\* Because Oil &amp; Gas Property tax audit functions are performed by outside contractors who are not included in the FTE count, these revenue and cost per FTE statistics are not comparable to other programs.

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

\*\*\* Combined revenues and costs for these programs are \$30,993,992 and \$193,280 respectively. These programs require 3.9 FTE positions. Combined revenue and cost per FTE are \$7,947,177 and \$49,559, respectively.

**Table 4  
Collections from Audit and Tax Examiners Assessments**

*(Sorted by total collections)*

<b>Tax Type</b>	<b>Collections from Assessments</b>			<b>Staffing (FTE)<sup>1</sup></b>		<b>Per FTE<sup>1</sup></b>	
	<b>Audit</b>	<b>Exam</b>	<b>Total</b>	<b>Audit</b>	<b>Exam</b>	<b>Audit</b>	<b>Exam</b>
Royalty	\$35,211,189	\$0	\$35,211,189	1.8	**	\$19,561,772	***
Severance	34,792,502	0	34,792,502	11.7	2.0	2,973,718	***
Oil and Gas Corporate Income	4,301,073	45,677	4,346,750	3.7	0.3	1,162,452	***
Corporate Income	3,296,522	522,289	3,818,811	4.4	4.5	749,209	\$116,064
Fisheries Business	0	588,046	588,046	1.1	2.2	***	267,294
Tobacco	146,269	10,318	156,587	1.0	0.7	146,269	***
Motor Fuel	83,884	56,613	140,496	1.6	2.4	52,427	23,589
Fishery Resource Landing	0	56,867	56,867	0.1	0.3	***	***
Estate	0	9,394	9,394	**	0.1	***	***
Seafood Marketing	0	6,210	6,210	**	**	***	***
Salmon Enhancement	0	1,179	1,179	**	0.3	***	***
Alcoholic Beverage	0	633	633	0.1	0.2	***	***
APUC	0	0	0	**	**	***	***
Salmon Marketing	0	0	0	**	**	***	***
Oil and Gas Property	0	0	0	0.5	1.0	***	***
Mining	0	0	0	**	**	***	***
Telephone Cooperatives	0	0	0	**	**	***	***
Dive Fisheries	0	0	0	**	**	***	***
Charitable Gaming	0	0	0	2.0	1.0	***	***
<b>Total</b>	<b>\$77,831,439</b>	<b>\$1,297,226</b>	<b>\$79,128,663</b>	<b>28.0</b>	<b>15.0</b>	<b>\$2,779,694 *</b>	<b>\$86,482 *</b>

<sup>1</sup>Full -time equivalent staff position

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

\*\* Audit or exam staff dedicated toward these programs was less than .1 FTE position.

\*\*\* 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

The alcoholic beverages tax is levied on alcoholic beverages sold in or transferred into Alaska. Alcoholic beverages taxes are collected primarily from wholesalers and distributors.

#### Rate

	<i>Per Gallon</i>
Liquor	\$5.60
Wine	\$.85
Beer	\$.35

#### Returns

Returns are filed monthly and due with payment of taxes by the last day of the month following the month in which sales were made.

#### Exemptions

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

#### Disposition of Revenue

All revenue derived from the alcohol beverages tax is deposited in the General Fund.

#### History

The alcohol beverages tax dates back to 1933 when a tax on beer and wine was enacted at a rate of 5¢ per gallon. Alcohol tax returns were required to be filed monthly.

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

Since 1937, minor changes to statutes were made; however, rates were increased significantly in keeping with rate changes made by other states over time. No changes have been made since 1983.

Alcoholic beverages tax rates have changed as follows.

<i>Liquor</i>	<i>Per Gallon</i>
1937	\$.50
1941	\$1.00
1945	\$1.60
1946	\$2.00
1947	\$3.00
1957	\$3.50
1961	\$4.00
1983	\$5.60

#### *Wine*

1933	\$.05
1937	\$.15
1947	\$.25
1957	\$.50
1961	\$.60
1983	\$.85

#### *Beer*

1933	\$.05
1947	\$.10
1957	\$.25
1983	\$.35

#### FY 2001 Statistics

Tax Collections	\$12,002,959
Number of Returns	342
Number of Taxpayers	28
Program Cost	\$43,082
Staffing ( <i>full-time equivalent</i> )	.9

	<i>Taxable Gallons Sold</i>
Beer	13,806,196
Wine	1,408,500
Liquor	1,109,366

## Games of Chance and Contests of Skill

### 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 fees for games of chance and contests of skill are as follows:

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.

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.

## **Reports**

Reports are required as follows:

*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 \$50,00 or more.

Annual reports are due for the calendar year, accompanied with payment of the additional fee, if required under AS 05.15.020(b), by March 15th of the following year.

*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.

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.

## **Exemptions**

None

## **Disposition of Revenue**

Permit fees and fees associated with Annual Financial Statements are deposited in the General Fund.

## **History**

1960 – Gaming is legalized and the Department of Revenue is given oversight for all gaming activities.

1984 – Pull-tabs are authorized by regulation.

1988 – Operators are legalized. Pull-tabs legalized by statute and prize limits are increased.

1989 – Gaming transferred to the Department of Commerce & Economic Development.

1993 – HB 168 changed various aspects of the statutes governing charitable gaming in Alaska. The significant changes follow: Third party vendors were brought under statutory control which allow permittees to contract with them directly to sell pull-tabs; department 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 required a minimum of 10 percent of adjusted gross income for all other activities.

1994 – Regulations designed to implement the new gaming statute were filed with the Lieutenant Governor. A suit to prevent the state from implementing the new regulations was filed and the court subsequently granted the request to enjoin the regulations.

1995 – The Governor appointed a fourteen member task force to make recommendations regarding the administration of charitable gaming. The task force was given a broad mandate to look into all aspects of charitable gaming and to provide a report on its findings and recommendations to the Commissioner of Revenue.

1996 – Comprehensive rewrite of regulations were adopted after completion of the public hearing process.

Three new gaming activities were created: "Sled Dog Race Classic", "Deep Freeze Classic" and "Snow Machine Classic". Also, the McGrath Kuskokwim River Ice Classic and the Creamer's Field Goose Classic were created

Cruise ships were allowed to conduct gambling activities in Alaska waters during the 1995 season. Cruise ships were required to pay a fee to game in Alaska, generating over \$500,000 in revenue during the 1995 season for the State. This law sunseted after 1995. Additionally, Monte Carlo nights were eliminated.

Permittees are no longer allowed to donate net proceeds of their gaming activities to certain political organizations.

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

#### FY 2001 Statistics

Fees Collected	\$2,380,311
Number of Reports	3,952
Number of Permittees	1,184
Program Cost	\$819,520
Staffing	9.7

### Conservation Surcharge on Oil AS 43.55

#### Description

The Conservation Surcharge on Oil is imposed on 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), Oil and Gas Conservation Tax (AS 43.57), 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 2001 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 such time as the newly created hazardous substance release fund achieved 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 2001 Statistics

Tax Collections	\$ 9,432,048
Number of Returns*	2,218
Number of Taxpayers*	17

\* The Conservation Surcharge on Oil is reported on the same return and by the same taxpayers as are Alaska's other severance taxes: the Oil and Gas Conservation Tax (AS 43.57) and the Oil and Gas Production Tax (AS 43.55). Program cost and staffing related to each individual tax is not segregated. The total severance tax cost and staffing is reported in the discussion of Oil and Gas Production Tax.

### Corporation Net Income Tax (Including Oil & Gas Corporation Net Income Tax) AS 43.20

#### Description

Corporation net income tax is levied 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. Alaska taxable income is determined by applying the apportionment factor to the corporation's modified federal taxable income.

A corporation engaged in business solely in Alaska computes its tax liability on 100% of its taxable income.

Multistate corporations apportion income to Alaska under a "water's edge" apportionment method. Oil and gas corporations apportion income on a worldwide apportionment method.

#### Rate

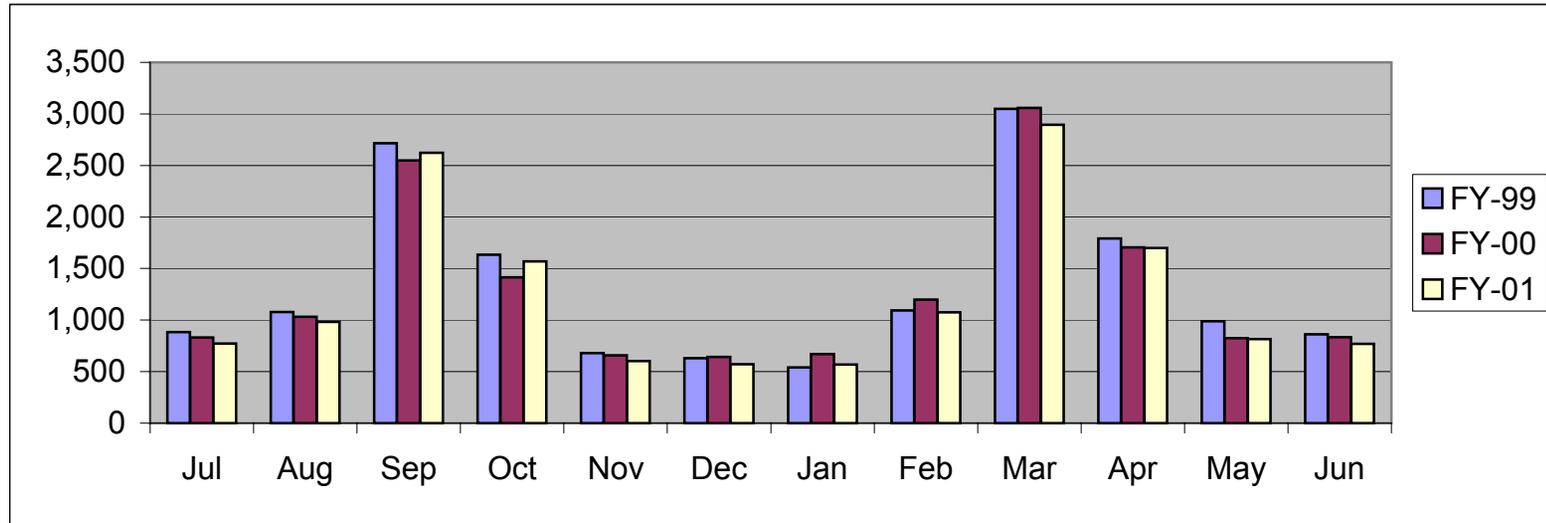
Corporation tax rates are graduated from 1% to 9.4% in \$10,000 increments of Alaska taxable income. The maximum rate of 9.4% applies to income over \$90,000.

#### Returns

Returns are filed annually based on the corporation's fiscal year. Payment of taxes is due two and a half months from the close of the fiscal year. Tax payments over \$150,000 are required to be remitted by wire transfer or electronic funds transfer (EFT). The payment due date may not be extended.

### Chart 3 Corporate Net Income Tax Filing Activity For Fiscal Years 1999, 2000 and 2001

*Number of Returns Filed by Month*



Fiscal Year	FY 2001	FY 2000	FY 1999
<b>Total Returns Filed</b>	14940	15422	15947

**Detail of FY 2001 Filing Activity**

Entity Type	Original	Amended	NOL*	Incomplete	Total
Subchapter C	6548	541	293	66	7448
Subchapter S	5769	46	2	0	5817
Exempt	1191	4	4	0	1199
Homeowners Assoc.	439	2	2	0	443
Oil & Gas	28	5	0	0	33
<b>Total</b>	<u>13975</u>	<u>598</u>	<u>301</u>	<u>66</u>	<u>14940</u>

\*Net operating loss carryback

**Table 5  
Corporate Net Income Tax Liabilities Statistics**

*Tax liabilities reported on original returns filed in FY01*

<b>Tax Liability Reported</b>	<b>Oil and Gas Corporations</b>			<b>Other than Oil and Gas Corporations</b>			<b>All Corporations</b>		
	<b># Filers</b>	<b>Amount</b>	<b>% Total</b>	<b># Filers</b>	<b>Amount</b>	<b>% Total</b>	<b># Filers</b>	<b>Amount</b>	<b>% Total</b>
Above \$1 million	6	98,302,147	95.56%	7	12,580,646	30.01%	13	\$110,882,793	76.58%
\$500,000 - \$1 million	4	2,896,076	2.82%	9	6,320,308	15.08%	13	\$9,216,384	6.37%
\$100,000 - \$499,999	5	1,514,174	1.47%	59	12,363,062	29.49%	64	\$13,877,236	9.58%
\$50,000 - \$99,999	1	63,782	0.06%	47	3,288,957	7.85%	48	\$3,352,739	2.32%
\$10,000 - \$49,999	3	97,235	0.09%	223	5,162,023	12.31%	226	\$5,259,258	3.63%
\$1,000 - \$9,999	0	0	0.00%	531	1,889,916	4.51%	531	\$1,889,916	1.31%
\$100 - \$999	0	0	0.00%	701	279,118	0.67%	701	\$279,118	0.19%
\$1 - \$99	1	50	0.00%	1,151	35,114	0.08%	1,152	\$35,164	0.02%
Zero Tax	8	0	0.00%	11,219	0	0.00%	11,227	\$0	0.00%
<b>Total</b>	<b>28</b>	<b>\$102,873,464</b>	<b>100.00%</b>	<b>13,947</b>	<b>\$ 41,919,144</b>	<b>100.00%</b>	<b>13,975</b>	<b>\$144,792,608</b>	<b>100.00%</b>

*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.*

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. In any case, payment is due March 15.*

Corporations make quarterly estimated tax payments based on past activity and the current year's accrued tax liability. Estimated payments over \$100,000 are required to be remitted by wire transfer.

### Exemptions

Corporations recognized under Subchapter S of the Internal Revenue Code are generally exempt from corporation income tax, as are limited liability companies (LLCs) that are treated as partnerships for federal tax purposes. 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% 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. The credit may be applied against 100% of corporation net income taxes due.

### Disposition of Revenue

Revenue derived from corporation net income taxes is deposited in the General Fund except as noted below.

For oil and gas corporations only, revenue received subsequent to a tax assessment issued by the Department is deposited in the Constitutional Budget Reserve Fund.

### 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 - the tax rate was increased to 18%.

1975 - the 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 - the Alaska legislature enacted a bill requiring oil and gas corporations to calculate taxable income based on a "separate accounting" method which required that the corporations 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 - the Alaska education credit was authorized.

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

1994 - the legislature authorized the oil and gas exploration incentive credit. The credit is limited to \$30 million and may be applied against 100% of corporation taxes due.

1995 - the legislature authorized the minerals exploration incentive credit. The credit is limited to \$20 million and may be applied against 50% of corporation taxes due over a 15-year period.

1998 – the legislature enacted a bill exempting earnings from the operation of ships and aircraft between Alaska and foreign countries by foreign corporations

### FY 2001 Statistics

Tax Collections – Oil and Gas Corporations	
General Fund	\$338,122,779
CBRF	\$ 4,301,073
Number of Returns	33
Number of Taxpayers	28
Program Cost	\$569,856
Staffing ( <i>full-time equivalent</i> )	5.7

Tax Collections – Other Corporations	
General Fund	\$59,459,158
Number of Returns	14,907
Number of Taxpayers	12,490
Program Cost	\$1,120,759
Staffing ( <i>full-time equivalent</i> )	20.7

---

## Dive Fishery Management Assessment Tax

### AS 43.76.150

#### Description

The dive fishery management assessment is levied on the value of fisheries resources taken using dive gear. The assessment only applies in the management areas, on the species, and at the 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	5%
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

All revenue derived from the dive fishery management assessment is deposited 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 21, 1997.

1999 – The Southeast Regional Dive Fishery Association elects a dive fishery management assessment on geoducks, sea cucumbers and sea urchins harvested in the Southeast Alaska administrative area (Management Area A). The assessment is effective on April 1, 1999 at the rate of 5% for geoduck and sea cucumber and 7% for sea urchin.

### FY 2001 Statistics

Tax Collections	\$222,794
Number of Returns	20
Number of Taxpayers	12
Program Cost	\$3,950
Staffing ( <i>full-time equivalent is less than .1</i> )	

---

## Electric Cooperative Tax

### AS 10.25.555

#### Description

The electric cooperative tax is based on kilowatt-hours furnished by qualified electric cooperatives recognized under AS 10. Taxes are collected from cooperatives.

#### Rate

The electric cooperative tax is based on a mill rate depending on the length of time in which the cooperative has furnished electricity to consumers as follows:

<i>Length</i>	<i>Rate Per kWh</i>
Less than 5 years	.25 mill
5 years or longer	.5 mill
<i>(1 mill = .1¢)</i>	

#### 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. The electric cooperative tax is paid in lieu of corporation income taxes.

#### Disposition of Revenue

All revenue derived from electric cooperative taxes is deposited in the General Fund. Electric cooperative taxes sourced from within municipalities are shared 100% to respective municipalities. Electric cooperative

taxes sourced from outside of municipalities are retained by the state.

### 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. The tax rate was based on the length of time in which the cooperative had provided electricity to consumers.

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

1980 - the tax base for calculating the electric cooperative tax was changed from gross revenue to kilowatt-hours. Current mill rates were also adopted.

### FY 2001 Statistics

Tax Collections	\$1,742,103
Number of Returns	16
Number of Taxpayers	16

Program Cost	\$4,423
Staffing ( <i>full-time equivalent is less than .1</i> )	

---

## Estate Tax

### AS 43.31

#### Description

The estate tax is levied 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 return.

#### Returns

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

The tax 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 due date may be extended for up to 15 years.

#### Exemptions

Estates under \$675,000 (\$650,000 in 1999) 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

All revenue derived from estate taxes is deposited in 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 and were dependent on variable factors that were changed over the years.

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

### FY 2001 Statistics

Tax Collections	\$2,683,080
Number of Returns	47
Number of Death Certificates Issued	612
Program Cost	\$17,684
Staffing ( <i>full-time equivalent</i> )	.4

---

## Fisheries Business Tax

### AS 43.75

#### Description

The fisheries business tax is levied on fisheries businesses and persons who process or export fisheries resources from Alaska. The tax is based on the fisheries value paid to commercial fishers or fair market value when there is no arms length transaction. Fisheries business taxes are collected primarily from licensed processors and persons who export unprocessed fish from Alaska.

#### Rate

Fisheries business tax rates are based on processing activity, whether in or outside of the state, and whether a fishery resource is classified as "established" or "developing" by the Alaska Department of Fish and Game.

Rates are as follow:

<i>Processing Activity</i>	<i>Rate</i>
<b><i>Established</i></b>	
Floating	5%
Salmon Cannery	4.5%
Shore-based	3%
<b><i>Developing</i></b>	
Floating	3%
Shore-based	1%

## **Returns**

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

Taxpayers are required to file returns for post-season (bonus) payments made to fishers after the calendar year return is filed. Returns for these payments are due with additional taxes by the last day of the month following the payment.

## **Exemptions**

Commercial fishers who process fish to maintain its quality before being sold to a licensed processor are 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 for each tax year.

*Scholarship Contributions* - Taxpayers who make contributions 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.

## **Disposition of Revenue**

All revenue derived from the fisheries business tax is deposited in the General Fund. Revenue from the tax may be appropriated by the legislature for revenue sharing as follows:

### *Processing Activity Inside Municipality*

For taxes sourced from processing activities within a municipality, 50% of the taxes are shared to respective municipalities in which processing took place. If a municipality is within a borough, the 50% amount to be shared is generally split equally between the municipality and borough.

### *Processing Activity Outside Municipality*

For taxes sourced from processing activities outside a municipality (unorganized borough), 50% of the taxes are shared through an allocation program administered by the Alaska Department of 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.

After passage of the Organic Act in 1912, which established an organized territorial government in Alaska, the First Territorial Legislature adopted fisheries taxes in 1913 as follows: "salmon pack" tax which applied to

salmon canneries based on canned salmon (7¢ per case); and "cold storage" tax which applied to other fisheries and was based on business receipts. Over the years between 1913 and 1949, the tax was amended 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, i.e. per case, or business receipts. The new "raw fish" tax applied to canneries only (salmon 4%, crab and clams 2%, and other 1% of value).

1951 - the legislature enacted a tax on floating processors at 4% of value. The tax rate for salmon canneries was increased to 6%. Also, licensing requirements for fisheries businesses were enacted. The license fee was established at \$25.

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 for security as part of licensing was adopted.

1979 - the legislature adopted the modern tax structure with different tax rates for established and developing species. Also the shared tax percentage was increased to 20%.

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

1986 - the legislature authorized the fisheries business tax credit program which provided for a tax credit of up to 50% of fisheries business taxes due. Under the credit program, processors were allowed a tax credit for capital expenditures associated with constructing and improving shore-side processing operations. The tax credit program was effective for tax years 1987 through 1989 with a carryforward provision through 1991. Approximately \$47.5 million of credits were claimed under this program. Also, in 1986 the Winn Brindle scholarship credit was enacted allowing for a credit of up to 5% of fisheries business taxes due.

1987 - the Alaska education tax credit program was enacted allowing for a tax credit up to \$100,000 against fisheries business taxes due.

1990 - provisions for a civil penalty (up to \$5,000 for each infraction) for processing without a license was enacted. Penalties may be assessed progressively in increments of up to \$5,000 up to a maximum of

\$25,000 for the fifth and subsequent assessments. Also in 1990, the legislature enacted a provision that authorized sharing 50% of taxes sourced from processing activities in the unorganized borough. This program took effect July 1, 1992.

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

1993 - Under executive order effective July 1, 1993, the fish processor surety bonding program was transferred from Department of Labor to Department of Revenue.

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

2001 - HB154 modified the tax payment security requirements necessary to obtain a state fisheries business tax license. The existing requirement for a whole-salmon exporter is expanded 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. Additionally, the bill requires quarterly payment of estimated fishery resource landing taxes.

#### FY 2001 Statistics

Tax Collections	\$30,494,634
Number of Returns	702
Number of Taxpayers	465

Program Cost	\$352,689
Staffing ( <i>full-time equivalent</i> )	6.4

#### Fisheries Business Licenses Issued

Shore-based	179
Floating	372
Exporter	87
Total	638

## Fishery Resource Landing Tax AS 43.77

### Description

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

Fishery resource landing taxes are collected primarily from factory trawlers and floating processors which process fishery resources outside of the state's 3-mile limit and bring their products into Alaska for transshipment.

### Rate

Fishery resource landing tax rates are based on whether the resource is classified as "established" or "developing" by the Alaska Department of Fish and Game. Rates are as follow:

	Rate
Established	3%
Developing	1%

### Returns

Returns are filed on a calendar year basis and are due with payment of tax on March 31 of the following year. Taxpayers generally make quarterly estimated tax payments which are due on the last day of each calendar quarter.

The department 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 department issues statewide average prices. The department extended the due date for calendar year 2000 returns to June 30, 2001.

### 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 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.

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

*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

All revenue derived from the fishery resource landing tax is deposited in the General Fund.

Revenue from the tax may be appropriated by the legislature for revenue sharing as follows.

### *Landings Inside Municipality*

For taxes sourced from landings within a municipality, 50% of taxes (3% portion) are shared to respective municipalities in which landings occurred. If a municipality is within a borough, the 50% amount to be shared is generally split equally between the municipality and borough.

### *Landings Outside Municipality*

For taxes sourced from landings outside a municipality (unorganized borough), 50% of the taxes are shared through an allocation program administered by the Alaska Department of Community and Regional Affairs.

## History

The fishery resource landing tax was enacted in 1993. The tax became effective January 1, 1994. Department of Revenue adopted regulations regarding administration of the tax. Regulations took effect April 20, 1994.

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

1995 - in May 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 structure of the fisheries business tax program. The rate was revised to 3% for established species and 1% for developing species. The .3% portion of the previous 3.3% tax rate was broken out and incorporated into seafood marketing assessment statutes. Also in 1996, landing tax statutes were amended to provide for tax credits for education and Winn Brindle scholarship contributions. All changes were retroactive to January 1, 1994, the inception date of the landing tax.

1997 - in April 1997, AFTA dismissed its challenge to the landing tax. In June 1997, 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 by municipalities, were released to municipalities.

2001 - HB154 requires quarterly payment of estimated fishery resource landing taxes.

## FY 2001 Statistics

Tax Collections	\$7,348,739
Number of Returns	96
Number of Taxpayers	70
Program Cost	\$58,230
Staffing ( <i>full-time equivalent</i> )	1.0

## 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. Mining license taxes are primarily collected from businesses engaged in coal and hard rock mining in the state.

### Rate

<i>Mining Net Income</i>	<i>Rate</i>
\$0 - 40,000	No Tax
\$40,001 - \$50,000	3% of Net Income
\$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.

*Special Industrial Incentive Investment* - Taxpayers may claim a credit for investment in gas processing and mining projects in Alaska. The credit is calculated as a percentage, from 40% to 100%, of allowable federal investment tax credit and is limited to 60% of Alaska tax. The credit may not be carried forward to tax years beginning after December 31, 1999 (see AS 43.20.042).

### Disposition of Revenue

All revenue derived from the mining license tax is deposited in the General Fund except payments received subsequent to a tax assessment which are deposited in the Constitutional Budget Reserve Fund (CBRF).

### History

The mining license tax dates back to 1913 and has been restructured several times over the years. The original mining license tax, enacted in 1913, imposed a .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 .75% to 4% for net income over \$1 million. The tax-free net income base was decreased to \$5,000.

1937 - the tax-free net income base was eliminated and all net income was subject to tax. A nine-tier tax structure was adopted with tax rates ranging from .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.

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 may be applied against 50% of mining license liabilities over a 15-year period.

### FY 2001 Statistics

Tax Collections	
General Fund	\$1,729,156
CBRF	-0-
Number of Returns	196
Number of Taxpayers	185
Program Cost	\$15,676
Staffing ( <i>full-time equivalent</i> )	.3

---

## Motor Fuel Tax

### AS 43.40

#### Description

The motor fuel tax is levied on motor fuel sold, transferred or used within Alaska. Motor fuel taxes are collected primarily from wholesalers and distributors who are licensed as "qualified dealers" with the department.

#### Rate

	<i>Per Gallon</i>
Highway	8¢
Marine	5¢
Aviation Gasoline	4.7¢
Jet Fuel	3.2¢
Gasohol*	8¢/2¢

*\*2¢ tax applies only to months November through February in the Anchorage area. Otherwise, tax is 8¢ per gallon.*

#### Returns

Returns are filed monthly and are due with payment of tax by the last day of the month following the month in which sales were made. Taxpayers are allowed to deduct 1% of the tax due, limited to a maximum of \$100, to cover expenses of accounting and filing returns.

#### Refunds

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

**Exemptions**

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

*Heating fuel*  
*Federal and state agencies*  
*Foreign flights (jet fuel)*  
*Exports*  
*Power plants/utilities*  
*Charitable institutions*  
*Gasohol (only fuel blended with alcohol derived from wood or seafood waste)*

**Disposition of Revenue**

Nearly all revenue derived from motor fuel taxes is deposited in the General Fund. Revenue from each category is separately accounted for in the division's tax accounting system.

Sixty percent of taxes attributable to aviation fuel sales at municipally owned or operated airports are shared with the respective municipalities. Since most aviation fuel is sold at Anchorage and Fairbanks international airports, only a small portion of aviation fuel is shared to municipalities.

**History**

The motor fuel tax dates back to 1945 when a tax of 1¢ per gallon was imposed 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:

<i>Highway</i>	<i>Per Gallon</i>
1945	1¢
1947	2¢
1955	5¢
1960	7¢
1961	8¢
1964	7¢
1970	8¢
<i>Gasohol</i>	
1997	8¢/2¢ (2¢ November through February)
<i>Marine</i>	
1945	1¢
1947	2¢
1955	5¢
1957	2¢
1960	3¢
1971	4¢
1977	5¢
<i>Aviation Gasoline</i>	
1945	1¢
1947	2¢
1955	3¢
1968	4¢
1994	4.7¢

<i>Jet Fuel</i>	
1957	1.5¢
1968	2.5¢
1994	3.2¢

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

1997 - gasohol exemption repealed. The legislature enacted a provision that reduces the tax on gasohol from 8¢ to 2¢ per gallon for areas and times when gasohol use is mandated by law. However, gasohol which is blended with at least 10% alcohol derived from wood or seafood wastes is fully exempt.

Also, the foreign flight exemption was expanded 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 – bad debt credit. Taxpayers were authorized to take a credit for sales deemed to be worthless or to persons who file bankruptcy.

**FY 2001 Statistics**

Tax Collections (including penalties and interest)	\$37,738,514
Number of Returns	3,909
Number of Taxpayers	265
Program Cost	\$457,911
Staffing (full-time equivalent)	8.4

**Oil and Gas Exploration, Production, and Pipeline Transportation Property Taxes****AS 43.56****Description**

Oil and gas property tax is levied each year on the value of taxable exploration, production, and pipeline transportation property located within the state. Valuation procedures have been established 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 right 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 that are 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

All net revenue derived from oil and gas property taxes is deposited in the General Fund except as noted below.

Certain revenues received pursuant to a resolution of a dispute with taxpayers are deposited into the CBRF.

### History

Enacted in 1973 during the first special session of the eighth legislature to enhance the capability of the State to enlarge upon its already substantial contributions to

financing the services of local governments to their citizens. The State assists local governments by assessing property subject to the tax, insuring uniform treatment of all taxable property.

### FY 2001 Statistics

Tax Collections	
General Fund	\$265,283,557
CBRF	29,457
Less Municipal Tax Credit	<u>220,196,879</u>
Net Collections by State	\$45,116,135

Number of Returns	96
Number of Taxpayers	96

Program Costs	\$788,762
Staffing ( <i>full-time equivalent</i> )	4.4

## Oil and Gas Royalty and Net Profit Share Auditing

### AS 38.05

#### Description

Most Alaska oil and gas production occurs on lands leased by the state for exploration and development of oil and gas resources. As the land owner, the state earns revenue from leasing state-owned land in the form of a royalty or net profit share. Generally the leasing functions fall under the purview of the Department of Natural Resources.

AS 38.05.036 requires that the Department of Revenue conduct audits for the Department of Natural Resources of "reports, payments, and payments due relating to royalty and net profits under oil and gas contracts, agreements, or leases". All information obtained in the audits is made available to them.

#### Rate

The royalty rate is normally 12.5%. However, individual leases can carry rates as high as 20%.

#### Returns

Returns are filed monthly and due with payment of royalties on the last day of the month following the month of production.

#### History

This audit function has been delegated to the Department of Revenue since 1980. See AS 38.05.036.

## Oil and Gas Production Tax

### AS 43.55

#### Description

The production tax is imposed on all oil and gas produced in Alaska. The Oil and Gas Conservation Tax (AS 43.57), Conservation Surcharge on Oil (AS 43.55), and Oil and Gas Production Tax are severance taxes.

#### Rate

The rate of taxation for oil varies depending on the vintage of the field and is further subject to the economic limit factor (ELF). The ELF 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 5 years of production and 15% thereafter for fields coming into production after June 1981, and 15% for fields in production prior to June 1981. 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 appropriate tax rate is multiplied by the ELF to determine the effective tax rate.

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 not only non-linear but is three dimensional since there is a unique ELF 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.

Four of Alaska's 21 producing fields have an ELF higher than .1:

Field	ELF	Tax Rate
Prudhoe	0.971	13.76%
Alpine	0.830	10.17%
Kuparuk	0.493	7.40%
Pt. McIntyre	0.431	6.47%

These four fields account for more than 95% of all severance tax revenues.

The severance tax rate on gas is 10% of production value. There is a minimum tax of \$.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 20<sup>th</sup> day of the month following the month of production.

#### Exemptions

The tax is levied on all production except for public (government) royalty production.

#### 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 – An oil and gas production tax of 1% of production value is enacted.

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

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

1970 – The disaster oil and gas production tax is repealed. The oil production tax is changed 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 – A minimum oil production tax is established based on “cents per barrel” equivalent to percent of value tax on oil with wellhead value of \$2.65 per barrel.

1973 – The “stairstep” rate schedule is revised to lower production levels and the cents per barrel minimum is indexed to the wholesale price index for crude oil published by the US Bureau of Labor Statistics.

1977 – The gas production tax nominal rate is raised to 10%. The oil production tax nominal rate is raised to 12.25% and the oil and gas economic limit factors are adopted.

1981 – As part of legislation that repealed the separate accounting oil and gas corporation income tax, the nominal tax rate on oil produced prior to 1981 was raised to 15% and fields coming into production after 1981 are taxed at 12.25% for five years after which the rate increases to 15%. The oil economic limit factor is now subject to a rounding rule so that if the calculated factor is greater than or equal to .7 during the first 10 years of production, the factor is set to 1.0.

1989 – The economic limit factor for oil production taxes is changed to include a field size factor in the formula, the production at the economic limit is fixed (not rebuttable) at 300 barrels per well per day, and the “rounding” rule is dropped. The production at the economic limit for gas production is fixed at 3000 mcf per well per day.

### FY 2001 Statistics

Tax Collections - Production Tax only	
General Fund	\$694,390,581
CBRF	\$ 34,792,502
Number of Returns	2,218
Number of Taxpayers	17

Severance Taxes*	
Program Cost	\$1,689,032
Staffing ( <i>full-time equivalent</i> )	18.7

\* The Oil and Gas Production Tax is reported on the same return and by the same taxpayers as are Alaska’s other severance taxes: the Oil and Gas Conservation Tax (AS 43.57) and the Conservation Surcharge on Oil (AS 43.55). Program cost and staffing related to each individual tax is not segregated. Severance tax program cost and staffing represent the resources committed to all three levies.

## Regulatory Cost Charges

### AS 42.05.253/AS 42.06.285

#### Description

Regulatory cost charges are user fees levied on utilities to fund APUC's costs of regulating utilities and pipeline carriers in Alaska. Charges are passed on to consumers by regulated utilities, which collect and remit the charges to the Tax Division.

#### Rate

For FY 01, the following rates applied:

Electric Utilities	\$ .00028/kWh
Other Utilities and Pipeline Carriers	.568% of revenues

#### Returns

Quarterly returns and payment of RCCs are due on the 30<sup>th</sup> day following the calendar quarter. Utilities and carriers are required to file a copy of their returns with APUC.

#### Exemptions

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

## Disposition of Revenue

All revenue derived from the RCC program is deposited in the General Fund. The legislature may make appropriations from the General Fund to fund APUC based on regulatory cost charges collected.

### History

The Alaska legislature enacted the RCC program in 1992 to cover APUC's costs of regulating utilities. The RCC legislation provided for a sunset date of December 31, 1994. Rates went into effect through regulations which became effective November 1, 1992.

1994 - on December 31, 1994, the RCC program sunsetted as provided under the 1992 legislation that authorized the regulatory cost charges.

In the fall of 1994, APUC promulgated regulations which established RCC rates for FY 95 on an annualized basis. The regulations took effect December 1, 1994.

1995 - the legislature reauthorized the RCC program which became effective June 26, 1995. In the fall of 1995, APUC adopted regulations, effective October 1, 1995, to reestablish quarterly payments.

### FY 2001 Statistics

Total RCC Collections	\$4,827,912
Number of Returns	482
Number of Taxpayers	129
Program Cost	\$18,113
Staffing ( <i>full-time equivalent</i> )	.4

## Salmon Enhancement Tax

### AS 43.76

#### Description

The salmon enhancement tax is an elective tax levied on salmon sold in or exported from established regional aquaculture associations 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.

Salmon enhancement taxes are paid to processors at the time of sale or paid directly to the Department for salmon exported from the region. Processors remit taxes collected from fishers to the department.

**Rate**

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

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

**Returns**

Returns are filed monthly and are due with payment of tax by the last day of the month following the month in which purchases were made or salmon was exported.

Processors are required to file returns for payments, which are 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**

All revenue derived from the salmon enhancement tax is deposited in 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 established statutes authorizing 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.

1989 - the legislature amended statutes to allow for a 1% tax. Commercial fishers in the Kodiak aquaculture region elected a 2% tax.

1991 - commercial fishers in the Chignik aquaculture region elected a 2% tax.

**FY 2001 Statistics**

Tax Collections	\$3,643,990
Number of Returns	965
Number of Taxpayers	195

Program Cost	\$36,211
Staffing ( <i>full-time equivalent</i> )	.8

**Salmon Marketing Tax****AS 43.76****Description**

The salmon marketing tax is levied on all salmon sold in or exported from Alaska. Commercial fishers pay salmon marketing taxes to processors based on value of the salmon at the time of sale or fair market value when there is no arms length transaction. Taxes are paid directly to the department for salmon exported from the state. Processors remit taxes collected from fishers to the department.

**Rate**

The salmon marketing tax rate is 1% and is based on ex-vessel value of the salmon.

**Returns**

Returns are filed monthly and are due with payment of tax by the last day of the month following the month in which purchases were made or salmon was exported.

**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**

All revenue derived from the salmon marketing tax is deposited in the General Fund.

Under 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 programs administered by ASMI.

The legislation included a sunset date of June 30, 1998.

1998 – the Legislature extended the sunset date to June 30, 2003.

**FY 2001 Statistics**

Tax Collections	\$2,554,607
Number of Returns	956
Number of Taxpayers	193

Program Cost	\$35,879
Staffing ( <i>full-time equivalent</i> )	.8

**Seafood Marketing Assessment****AS 16.51.120****Description**

The seafood marketing assessment is levied on seafood products produced in Alaska. The assessment is also levied on unprocessed fisheries exported from Alaska. Assessments are generally collected from fisheries processors or landing taxpayers.

**Rate**

The seafood marketing assessment is .3% of the value of seafood products produced in Alaska.

**Returns**

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

Taxpayers are required to file returns for post-season (bonus) payments made to fishermen after the calendar year return was filed. 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**

All revenue derived from seafood marketing assessments is deposited in the General Fund.

**History**

1981 – the legislature enacted an elective seafood marketing assessment of .1%, .2% or .3% (elected by large processors in Alaska). In 1981, processors elected a .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 1, 1994. Prior to FY 96, revenue collected from the .3%

portion of the original 3.3% landing tax rate was accounted for in a separate account designated as (landing tax) seafood marketing assessments.

**FY 2001 Statistics**

Assessment Collections	\$3,156,843
Number of Returns	431
Number of Taxpayers	317

Program Cost	\$65,734
Staffing ( <i>full-time equivalent</i> )	1.2

**Telephone Cooperative Tax****AS 10.25.550****Description**

The telephone cooperative tax is levied on gross revenue of qualified telephone cooperatives under AS 10. Taxes are collected 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:

<i>Length</i>	<i>% of Revenue</i>
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. The telephone cooperative tax is paid in lieu of corporation income taxes.

**Disposition of Revenue**

Revenue from telephone cooperative taxes is deposited in the General Fund.

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

Telephone cooperative taxes sourced from outside of municipalities are retained by the state.

**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 2001 Statistics

Tax Collections	\$1,587,391
Number of Returns	7
Number of Taxpayers	7

Program Cost	\$18,262
Staffing ( <i>full-time equivalent less than .1</i> )	

## Tobacco Tax

### AS 43.50

#### Description

The tobacco tax is levied on cigarettes and tobacco products that are sold, imported, or transferred into Alaska. Tobacco taxes are collected primarily from licensed wholesalers and distributors.

#### Rate

The tax rate on cigarettes is 50 mills (5¢) per cigarette, or \$1 per pack of 20 cigarettes.

The tax rate on Other Tobacco Products, which include tobacco products other than cigarettes such as cigars and chewing tobacco, is 75% of wholesale price.

#### Returns

Returns are filed monthly and are due with payment of tax by the last day of the month following the month in which taxable sales, importation, or transfers were made. Taxpayers are allowed to deduct .4% of the tax due to cover expenses of accounting and filing returns.

#### Exemptions

Sales to authorized military personnel on a military exchange, commissary, or ship store; and sales to Indians within an Indian reservation are not subject to the tax.

#### Disposition of Revenue

Cigarette tax revenue is deposited in funds as follows:

School Fund	38 mills (76%)
General Fund	12 mills (24%)

All tobacco products revenue is deposited in the General Fund.

All cigarette and tobacco products license fees are deposited in the School Fund.

Revenue deposited in the School Fund is dedicated for rehabilitation, construction, repair and associated insurance costs of state school facilities.

#### History

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

1951 - the cigarette tax was increased to 5 cents per pack.

1955 - the tobacco products tax was eliminated and although the cigarette tax rate remained at 5 cents, it was converted to a mill rate per cigarette (2.5 mills per cigarette). The 1% deduction provision was also enacted.

1961 - the cigarette tax was increased to 4 mills per cigarette (8 cents per pack). Revenue from the additional 3 cents was dedicated to the General Fund.

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

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

1985 - the cigarette tax was increased to 8 mills per cigarette (16 cents per pack).

1988 - the tobacco products tax was enacted imposing a tax at 25% of the product wholesale price. Taxpayers were authorized to deduct 1% the tax due to cover accounting expenses.

1989 - the cigarette tax rate was increased to 14.5 mills (29 cents per pack of 20).

1997 – effective October 1, 1997, the cigarette tax rate was increased to 50 mills or \$1 per pack of 20; and the tobacco products tax rate was increased to 75% of wholesale price. The timely filing deduction percentage was reduced from 1% to .4%.

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 the state's cigarette and tobacco products licensees from importing and selling cigarettes in

Alaska made by nonparticipating manufacturers that fail to comply with the agreement.

### FY Statistics 2001

#### Tax Collections by Fund

General Fund	\$16,349,935
School Fund	<u>30,659,662</u>
<b>Total Tax Collections by Fund</b>	<b><u>\$47,009,597</u></b>

#### Tax Collections by Product

Cigarettes	\$41,653,232
Other Tobacco Products	5,378,631
Timely Filing Deductions	(58,751)
Penalties & Interest	<u>36,485</u>
<b>Total Collections by Product</b>	<b><u>\$47,009,597</u></b>

#### Cigarettes (individual cigarettes)

Reported on Tax Returns	
Taxable Cigarettes	813,112,290
Military and Indian Exempt Sales	8,565,920
Credits for Returns	<u>10,830,045</u>
Total Reported on Tax Returns	832,518,255
Military Sales Not Reported on Tax Returns	<u>57,218,400</u>
<b>Total Cigarettes</b>	<b><u>889,736,655</u></b>

#### Other Tobacco Products (value)

Reported on Tax Returns	
Taxable Products	\$7,314,690
Military and Exempt Sales	66,017
Credits for Returns	<u>96,616</u>
<b>Total Other Tobacco Products</b>	<b><u>\$7,477,323</u></b>

License Fee Collections	\$2,795
Number of Returns	728
Number of Taxpayers	63

Program Cost	\$158,061
Staffing (full-time equivalent)	2.7

## Audit Program

The division's audit program is comprised of two groups. Audit Group 1 is responsible for corporate income (including oil and gas corporation net income taxes), fisheries, and excise taxes. Audit Group 2 is responsible for oil and gas severance taxes and oil and gas royalties collected by the Department of Natural Resources. Both groups continue to successfully stay current with 100% audit coverage of Alaska's major taxpayers representing approximately 80% of the state's general purpose unrestricted General Fund revenue in FY 2001.

Collections from audit assessments comprise approximately 5% of all revenue collected by the division in FY 2001. Although this level of audit collections is down from FY 2000, it demonstrates the importance of

the audit program. These collections and those of past years often represent issues of recurring revenue. Thus, a significant portion of both past and present audit collections are repeated in the form of voluntary payments in subsequent returns.

### FY 2001 Statistics

Tax Type	Collections
Audit Group 1	
Corporate Net Income	
Oil and Gas	\$ 4,301,073
Other Corporations	3,296,522
Other Taxes	<u>230,153</u>
Audit Group 1 Total	\$ 7,827,748

Audit Group 2	
Production Tax	\$34,792,502
Royalties	<u>35,211,189</u>
Audit Group 2 Total	\$70,003,691

**Audit Total\*** **\$77,831,439**

\*Does not include receipts or refunds resulting from litigation.

## Appeals Program

Appeals staff continued to work independently and in cooperation with the Department of Law to expedite and resolve issues related to audit and compliance actions. Oil and Gas tax audits remained a priority and gaming cases became a priority as the Division focused on compliance issues in the gaming industry. Included within the appeals closed case statistics are formal settlements: cases were settled with 24 taxpayer/gaming groups covering 147 periods with receipts net of refunds totaling \$43,248,505 of which all but \$3,025,071 was deposited into the CBRF.

### FY 2001 Statistics

	Tax Periods*	Taxpayer Count
Beginning Inventory	307	70
Plus New Cases	410	117
Less Closed Cases	<u>(450)</u>	<u>(115)</u>
Ending Inventory	267	72

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

## Appendix A

### Historical Overview of Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Last Tax Change	Current Tax Structure	Latest Change
Alcoholic Beverages	AS 43.60	1937	Liquor 50¢/gallon	1983	Liquor \$5.60/gallon	1983 - tax rates increased
		1933	Wine 5¢/gallon		Wine 85¢/gallon	
			Beer 5¢/gallon		Beer 35¢/gallon	
Games of Chance and Contests of Skill	AS 05.15	1960		2001	\$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	The Bristol Bay Native Corporation Education Foundation is added to the list of charitable organizations allowed to conduct "salmon classic" games of chance.
Conservation Surcharge on Oil	AS 43.55	1989	5¢/bbl	1994	3¢/bbl increasing 5¢/bbl when fund balance drops below \$50m	1994 - tax rate split based on fund balance
Corporation Net Income	AS 43.20	1949	10% of federal income tax liability	1982	1% to 9.4% of net income	1998 - certain foreign owned marine vessel and aircraft income exempted
Dive Fishery Management Assessment	AS 43.76.150	1997	Voluntary tax of 1, 3, 5, or 7% of value.	1999	SE AK Management Area A Geoduck 5% Sea Cucumber 5% Sea Urchin 7%	1999 - the SE Alaska region elected to assess at current rates.
Electric Cooperative	AS 10.25.555	1959	1% of gross revenue if operating < 5 years 2% of gross revenue if operating ≥ 5 years	1980	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	1970	State tax credit on federal estate tax return	1991 - interest on delinquent tax subject to compound interest under AS 43.05.225

## Appendix A

### Historical Overview of Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Last Tax Change	Current Tax Structure	Latest Change
Fisheries Business	AS 43.75	1913	7¢ per case of canned salmon Other - dollar amount based on revenue	1995	Floating <sup>1</sup> - 5% of value Cannery <sup>1</sup> - 4.5% of value Shore-based <sup>1</sup> - 3% of value Floating <sup>2</sup> - 3% of value Shore-based <sup>2</sup> - 1% of value	2001 - exporters of unprocessed fish can obtain a fisheries business license by posting a \$50,000 surety bond.
Fishery Resource Landing	AS 43.77	1993	3.3% of unprocessed value	1996	3% of value <sup>1</sup> 1% of value <sup>2</sup>	2001 - quarterly payment of estimated fishery resource landing taxes is required.
Mining License	AS 43.65	1913	.5% of net income > \$5,000	1955	Tax on net income: No tax if ≤ \$40,000 3% if > \$40,000 and ≤ \$50,000 5% if > \$50,000 and ≤ \$100,000 7% if > \$100,000	1995 - minerals exploration incentive credit enacted
Motor Fuel	AS 43.40	1945	1¢ per gallon on all fuels	1970	Highway - 8¢/gallon	2001 - New regulations were adopted introducing new and clarifying existing policy in interpreting the statutes
				1977	Marine - 5¢/gallon	
				1994	Aviation Gas - 4.7¢/gallon Jet Fuel - 3.2¢/gallon	
Oil & Gas Property	AS 43.56	1973	20 mills on true and fair value	1973	20 mills on true and fair value	1996 - Oil and gas property education tax credit was enacted
Oil & Gas Production Tax	AS 43.55	1955	1% of production value	1981	12.25% of production value during first five years of production, 15% thereafter	1989 - ELF formula modified to include a field size factor, fix the 300 bbl/day economic limit, and cease rounding the ELF
Regulatory Cost Charge (APUC)	AS 42.05.253 (Utilities) AS 42.06.285 (Pipelines)	1992	Electric Utilities \$.000626/kWh	1998	Electric Utilities \$.000280/kWh	1998 - rates increased by regulation
			Other Utilities .653% gross revenue		Other Utilities .568% gross revenue	
			Pipelines .653% gross revenue		Pipelines .568% gross revenue	

<sup>1</sup> Established species    <sup>2</sup> Developing species

## Appendix A

### Historical Overview of Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Last Tax Change	Current Tax Structure	Latest Change
Salmon Enhancement	AS 43.76	1980	Voluntary tax of 1%; 2% or 3% of value as elected by fishers in an aquaculture region	1980	Southern Southeast - 3% Northern Southeast - 3% Cook Inlet - 2%	1991 - Chignik elected 2% tax
				1985	Pr. William Sound - 2%	
				1989	Kodiak - 2%	
				1991	Chignik - 2%	
Salmon Marketing	AS 43.76	1993	1% of value of salmon statewide	N/A	1% of value of salmon statewide	1998 - tax sunset date extended to June 30, 2003
Seafood Marketing	AS 16.51.120	1981	Voluntary assessment of 1%; .2% or .3% of value as elected by processors	1996	.3% of value of fishery resources produced in Alaska	1996 - fishery resources landed in Alaska included in seafood marketing assessment
Telephone Cooperative	AS 10.25.550	1959	1% of gross revenue if operating < 5 years	N/A	1% of gross revenue if operating < 5 years	N/A
			2% of gross revenue if operating ≥ 5 years		2% of gross revenue if operating ≥ 5 years	
Tobacco	AS 43.50	1949	Cigarettes - 3¢ per pack of 20 Tobacco 2¢ per ounce	1997	50 mills/cigarette (\$1 per pack of 20) 75% of wholesale price	2001 – HB 228 gives the Department of Revenue new tools to enforce the nationwide Master Settlement Agreement

#### 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	1978	Repealed	Tax repealed effective January 1, 1979
Oil & Gas Conservation	AS 43.56	1955	5 mills per barrel of oil or 50,000 cubic feet of natural gas	1999	Repealed	Tax repealed effective July 1, 1999
Coin-operated Devices	AS 43.35	1941	12.5% of gross receipts on coin-operated machines	1998	Repealed	Tax repealed effective January 1, 1999
Individual Income	AS 43.20	1949	10% of federal income tax liability	1980	Repealed	Tax repealed retroactive to 1979
School	AS 43.45	1919	\$5 tax on each male person	1980	Repealed	Tax repealed retroactive to 1980

## Appendix B

<b>Comparison of Alcohol Tax Rates - Liquor</b> <b>January 2001</b>
--

State	Rate (\$ per gallon)	Rank*	State	Rate (\$ per gallon)	Rank*
Alabama	Footnote 1	N/A	Montana	Footnote 1	N/A
<b>ALASKA</b>	<b>5.60</b>	<b>5</b>	Nebraska	3.00	19
Arizona	3.00	19	Nevada	2.05	29
Arkansas	2.50	23	New Hampshire	Footnote 1	N/A
California	3.30	17	New Jersey	4.40	10
Colorado	2.28	28	New Mexico	6.06	3
Connecticut	4.50	8	New York	6.44	2
Delaware	3.75	15	North Carolina	Footnote 1	N/A
Florida	6.50	1	North Dakota	2.50	23
Georgia	3.79	14	Ohio	Footnote 1	N/A
Hawaii	5.92	4	Oklahoma	5.56	6
Idaho	Footnote 1	N/A	Oregon	Footnote 1	N/A
Illinois	4.50	8	Pennsylvania	Footnote 1	N/A
Indiana	2.68	22	Rhode Island	3.75	15
Iowa	Footnote 1	N/A	South Carolina	2.72	21
Kansas	2.50	23	South Dakota	3.93	13
Kentucky	1.92	31	Tennessee	4.00	12
Louisiana	2.50	23	Texas	2.40	17
Maine	Footnote 1	N/A	Utah	Footnote 1	N/A
Maryland	1.50	32	Vermont	Footnote 1	N/A
Massachusetts	4.05	11	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	18
Missouri	2.00	30	Wyoming	Footnote 1	N/A
<b>Federal</b>	<b>13.50</b>	<b>N/A</b>	<b>U.S. Median</b>	<b>3.30</b>	<b>N/A</b>

**Footnote 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

<p><i>Comparison of Alcohol Tax Rates - Wine</i>  <b>January 2001</b></p>
---

State	Rate (\$ per gallon)	Rank*	State	Rate (\$ per gallon)	Rank*
Alabama	1.70	3	Montana	1.06	9
<b>ALASKA</b>	<b>.85</b>	<b>15</b>	Nebraska	.75	18
Arizona	.84	16	Nevada	.40	34
Arkansas	.75	18	New Hampshire	Footnote 1	N/A
California	.20	43	New Jersey	.70	22
Colorado	.32	38	New Mexico	1.70	3
Connecticut	.60	24	New York	.19	45
Delaware	.97	11	North Carolina	.79	17
Florida	2.25	1	North Dakota	.50	30
Georgia	1.51	5	Ohio	.32	38
Hawaii	1.36	7	Oklahoma	.72	21
Idaho	.45	33	Oregon	.67	23
Illinois	.73	20	Pennsylvania	Footnote 1	N/A
Indiana	.47	32	Rhode Island	.60	24
Iowa	1.75	2	South Carolina	.90	13
Kansas	.30	40	South Dakota	.93	12
Kentucky	.50	30	Tennessee	1.10	8
Louisiana	.11	46	Texas	.20	43
Maine	.60	24	Utah	Footnote 1	N/A
Maryland	.40	34	Vermont	.55	27
Massachusetts	.55	27	Virginia	1.51	5
Michigan	.51	29	Washington	.87	14
Minnesota	.30	40	West Virginia	1.00	10
Mississippi	.35	37	Wisconsin	.25	42
Missouri	.36	36	Wyoming	Footnote 1	N/A
<b>Federal</b>	<b>1.07</b>	<b>N/A</b>	<b>U.S. Median</b>	<b>.60</b>	<b>N/A</b>

**Footnote 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 State Alcohol Tax Rates - Beer*  
January 2001

State	Rate (\$ per gallon)	Rank	State	Rate (\$ per gallon)	Rank
Alabama	.53	3	Montana	.14	35
<b>ALASKA</b>	<b>.35</b>	<b>10</b>	Nebraska	.23	19
Arizona	.16	30	Nevada	.09	42
Arkansas	.23	19	New Hampshire	.30	14
California	.20	21	New Jersey	.12	38
Colorado	.08	44	New Mexico	.41	8
Connecticut	.19	23	New York	.135	36
Delaware	.16	30	North Carolina	.53	3
Florida	.48	5	North Dakota	.16	30
Georgia	.48	5	Ohio	.18	27
Hawaii	.92	1	Oklahoma	.40	9
Idaho	.15	33	Oregon	.08	44
Illinois	.185	26	Pennsylvania	.08	44
Indiana	.12	38	Rhode Island	.10	41
Iowa	.19	23	South Carolina	.77	2
Kansas	.18	27	South Dakota	.27	15
Kentucky	.08	44	Tennessee	.13	37
Louisiana	.32	13	Texas	.19	23
Maine	.35	10	Utah	.35	10
Maryland	.09	42	Vermont	.265	16
Massachusetts	.11	40	Virginia	.26	18
Michigan	.20	21	Washington	.261	17
Minnesota	.15	33	West Virginia	.18	27
Mississippi	.43	7	Wisconsin	.06	48
Missouri	.06	48	Wyoming	.02	50
<b>Federal</b>	<b>.58</b>	<b>N/A</b>	<b>U.S. Median</b>	<b>.185</b>	<b>N/A</b>

SOURCE: *Federation of Tax Administrators*

## Appendix B

<b>Comparison of Highway Gasoline Tax Rates</b> <b>January 2001</b>
--

State	Rate (¢ per gallon)	Other Tax <sup>(1)</sup> (¢ per gallon)	Total (¢ per gallon)	Rank
Alabama	16	2	18	36
<b>ALASKA</b>	<b>8</b>	<b>0</b>	<b>8</b>	51
Arizona	18	0	18	38
Arkansas	20.5	0.1	20.6	41
California	18	0.0	18	4
Colorado	22	0	22	22
Connecticut	25	0	25	2
Delaware	23	0	23	20
Dist of Columbia	20	0	20	30
Florida	4	9.3	13.3	8
Georgia	7.5	0	7.5	50
Hawaii	16	0	16	1
Idaho	25	1	26	13
Illinois	19	0.3	19.3	14
Indiana	15	0	15	37
Iowa	20	0	20	28
Kansas	20	0	20	39
Kentucky	15	1.4	16.4	47
Louisiana	20	0	20	31
Maine	22	0	22	40
Maryland	23.5	0	23.5	19
Massachusetts	21	0	21	25
Michigan	19	0	19	11
Minnesota	20	0	20	23
Mississippi	18	0.4	18.4	29
Missouri	17	0.05	17.05	44
Montana	27	0	27	9
Nebraska	23.9	0.9	24.8	18
Nevada	24	0	24	3
New Hampshire	18	1	19	35
New Jersey	10.5	0.04	10.54	48
New Mexico	17	1	18	43
New York	8	0	8	5
North Carolina	24.3	0.25	24.55	26
North Dakota	21	0	21	32
Ohio	22	0	22	24
Oklahoma	16	1	17	45
Oregon	24	0	24	16
Pennsylvania	12	13.9	25.9	10
Rhode Island	28	1	29	6
South Carolina	16	0	16	46
South Dakota	22	0	22	17
Tennessee	20	1.4	21.4	27
Texas	20	0	20	33
Utah	24.5	0	24.5	15
Vermont	19	1	20	34
Virginia	17.5	0	17.5	42
Washington	23	0	23	21
West Virginia	20.5	5.15	25.65	12
Wisconsin	26.4	0	26.4	7
Wyoming	13	1	14	49
<b>Federal</b>	<b>18.3</b>	<b>0.1</b>	<b>18.4</b>	<b>N/A</b>
<b>U.S. Average*</b>	<b>17.9</b>	<b>5.7</b>	<b>23.6</b>	<b>N/A</b>

<sup>(1)</sup> Includes state sales tax, gross receipts tax and underground storage tank taxes.  
State sales taxes are based on selected city average retail gasoline prices as of February 9, 2001.

\* Weighted average

SOURCE: American Petroleum Institute, *A Summary of Nationwide and State-by-State Motor Fuel Taxes as of March 2001*.

## Appendix B

<b>Comparison of Aviation Fuel Tax Rates</b> <b>October 2001</b>
---

State	Jet Fuel (¢ per gallon)	Rank <sup>1</sup>	Aviation Gas (¢ per gallon)	Rank <sup>2</sup>	Dedicated to Aviation
Alabama	1.3	27	3.9	31	Yes
<b>ALASKA</b>	<b>3.2</b>	<b>17</b>	<b>4.7</b>	<b>28</b>	<b>No</b>
Arizona	1.5	26	5.0	22	Yes(avgas)
Arkansas	Sales Tax	N/A	Sales Tax	N/A	Yes
California	2.0	22	18.0	2	Yes(excise)
Colorado	4.0	13	6.0	16	Yes
Connecticut	None	N/A	None	N/A	N/A
Delaware	None	N/A	23.0	N/A	No
Florida	6.9	3	6.9	15	Yes
Georgia	Sales Tax	N/A	1.0	36	No
Hawaii	1.0	28	1.0	36	Yes(excise)
Idaho	4.5	12	5.5	20	Yes
Illinois	Sales Tax	N/A	Sales Tax	N/A	No
Indiana	Sales Tax	N/A	15.0	4	No
Iowa	3.0	18	8.0	11	Yes
Kansas	Sales Tax	N/A	Sales Tax	N/A	No
Kentucky	Sales Tax	N/A	15.0	4	No
Louisiana	Sales Tax	N/A	Sales Tax	N/A	Yes
Maine	3.4	16	19.0	1	No
Maryland	None	N/A	7.0	14	No
Massachusetts	5.0	7	10.0	9	Yes(avgas)
Michigan	3.0	18	3.0	33	Yes(excise)
Minnesota	5.0	7	5.0	22	Yes
Mississippi	5.25	6	6.4	16	Yes
Missouri	Sales Tax	N/A	9.0	10	Yes(avgas)
Montana	3.0	18	3.0	33	Yes
Nebraska	3.0	18	5.0	22	Yes
Nevada	1.0	28	10.5	8	Yes
New Hampshire	2.0	22	4.0	29	No
New Jersey	2.0	22	17.0	7	Yes
New Mexico	Sales Tax	N/A	17.0	3	Yes
New York	8.0	1	8.0	11	No
North Carolina	Sales Tax	N/A	Sales Tax	N/A	No
North Dakota	8.0	1	8.0	11	Yes
Ohio	Sales Tax	N/A	Sales Tax	N/A	No
Oklahoma	0.08	32	0.08	39	No
Oregon	0.5	31	3.0	33	Yes
Pennsylvania	1.7	25	3.5	32	Yes
Rhode Island	None	N/A	None	N/A	N/A
South Carolina	Sales Tax	N/A	Sales Tax	N/A	Yes
South Dakota	4.0	13	6.0	16	Yes
Tennessee	1.0	28	1.0	36	Yes
Texas	None	N/A	None	N/A	N/A
Utah	4.0	13	4.0	29	Yes
Vermont	Sales Tax	N/A	19.0	4	No
Virginia	5.0	7	5.0	22	Yes
Washington	5.5	5	5.5	20	Yes(excise)
West Virginia	4.85	11	4.85	27	Yes
Wisconsin	6.0	4	6.0	16	No
Wyoming	5.0	7	5.0	22	Yes
<b>Federal</b>	<b>4.3</b>	<b>N/A</b>	<b>19.3</b>	<b>N/A</b>	<b>Yes</b>
<b>U.S. Mean</b>	<b>3.3</b>	<b>N/A</b>	<b>7.1</b>	<b>N/A</b>	<b>N/A</b>

<sup>1</sup>Out of 32 states with tax rates

<sup>2</sup>Out of 39 states with tax rates

SOURCE: *National Business Aircraft Association, Inc.*  
*1998-99 State Aviation Tax Report*

## Appendix B

<p><i>Comparison of Cigarette Tax Rates</i> January 2001</p>
--

State	Rate (\$ per pack)	Rank	State	Rate (\$ per pack)	Rank
Alabama	0.165	42	Montana	0.18	38
<b>ALASKA</b>	<b>1.00</b>	<b>2</b>	Nebraska	0.34	25
Arizona	0.58	14	Nevada	0.35	24
Arkansas	0.315	28	New Hampshire	0.52	16
California	0.87	4	New Jersey	0.80	6
Colorado	0.20	37	New Mexico	0.21	36
Connecticut	0.50	18	New York	1.11	1
Delaware	0.24	31	North Carolina	0.05	48
Florida	0.339	26	North Dakota	0.44	20
Georgia	0.12	45	Ohio	0.24	31
Hawaii	1.00	2	Oklahoma	0.23	35
Idaho	0.28	30	Oregon	0.68	11
Illinois	0.58	14	Pennsylvania	0.31	29
Indiana	0.155	43	Rhode Island	0.71	10
Iowa	0.36	23	South Carolina	0.07	47
Kansas	0.24	31	South Dakota	0.33	27
Kentucky	0.03	49	Tennessee	0.13	44
Louisiana	0.24	31	Texas	0.41	22
Maine	0.74	9	Utah	0.515	17
Maryland	0.66	12	Vermont	0.44	20
Massachusetts	0.76	7	Virginia	0.025	50
Michigan	0.75	8	Washington	0.825	5
Minnesota	0.48	19	West Virginia	0.17	40
Mississippi	0.18	38	Wisconsin	0.59	13
Missouri	0.17	40	Wyoming	0.12	45
<b>Federal</b>	<b>0.24</b>	<b>N/A</b>	<b>U.S. Median</b>	<b>0.34</b>	<b>N/A</b>

SOURCE: *Federation of Tax Administrators*

## Appendix B

***Comparison of Tobacco Products Tax Rates  
January 2001***

State	Rate	State	Rate
Alabama	.6¢ - 4.4¢/ounce	Montana	12.5% Wholesale Price
<b>ALASKA</b>	<b>75% Wholesale Price</b>	Nebraska	15% Wholesale Price
Arizona	6.5¢/ounce	Nevada	30% Wholesale Price
Arkansas	23% Manufacturer Price	New Hampshire	21.6% Wholesale Price
California	66.5% Wholesale Price	New Jersey	48% Wholesale Price
Colorado	20% Manufacturer Price	New Mexico	25% Product Value
Connecticut	20% Wholesale Price	New York	20% Wholesale Price
Delaware	15% Wholesale Price	North Carolina	2% Manufacturer Price
Florida	25% Wholesale Price	North Dakota	28% Wholesale Price
Georgia	13% 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	Pennsylvania	N/A
Indiana	15% Wholesale Price	Rhode Island	20% Wholesale Price
Iowa	22% Wholesale Price	South Carolina	5% - 36% Manufacturer Price
Kansas	10% Manufacturer Price	South Dakota	10% Wholesale Price
Kentucky	N/A	Tennessee	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	75% Wholesale Price	Virginia	N/A
Michigan	16% Wholesale Price	Washington	74.9% Wholesale Price
Minnesota	35% Wholesale Price	West Virginia	N/A
Mississippi	15% Manufacturer Price	Wisconsin	20% Wholesale Price
Missouri	10% Manufacturer Price	Wyoming	20% Wholesale Price
<b>Federal</b>	<b>12¢/pound</b>	<b>U.S. Median</b>	<b>N/A - different tax structures</b>

Tobacco products include chewing tobacco and snuff.

N/A - Not Applicable

SOURCE: *Federation of Tax Administrators*

## Appendix B

<b>Comparison of Corporation Income Tax Rates 2001 Tax Year</b>
---

State	Rate (%)	Tax Brackets		Number of Brackets
		Lowest	Highest	
Alabama	6.5	Flat Rate		1
<b>ALASKA</b>	<b>1.0 - 9.4</b>	<b>\$10,000</b>	<b>\$90,000</b>	<b>10</b>
Arizona	6.9868	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	8.0	Flat Rate		1
Illinois	7.3	Flat Rate		1
Indiana	7.9	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	<i>Not Based on Income</i>			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	<i>No Corporation Income Tax</i>			N/A
New Hampshire	8.0	Flat Rate		1
New Jersey	9.0	Flat Rate		1
New Mexico	4.8 - 7.6	\$500,000	\$1,000,000	3
New York	8.0	Flat Rate		1
North Carolina	6.9	Flat Rate		1
North Dakota	3.0 - 10.5	\$3,000	\$50,000	6
Ohio	5.1 - 8.5	\$50,000		2
Oklahoma	6.0	Flat Rate		1
Oregon	6.6	Flat Rate		1
Pennsylvania	9.99	Flat Rate		1
Rhode Island	9.0	Flat Rate		1
South Carolina	5.0	Flat Rate		1
South Dakota	<i>No Corporation Income Tax</i>			N/A
Tennessee	6.0	Flat Rate		1
Texas	<i>Tax Based on Capital and Surplus</i>			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	<i>No Corporation Income Tax</i>			N/A
West Virginia	9.0	Flat Rate		1
Wisconsin	7.9	Flat Rate		1
Wyoming	<i>No Corporation Income Tax</i>			N/A
<b>Federal</b>	<b>15.0 - 35.0</b>	<b>\$22,100</b>	<b>\$ 10,000,000</b>	<b>4</b>

SOURCE: Federation of Tax Administrators

## Appendix B

**Comparison of Individual Income Tax Rates\***  
2001 Tax Year

State	Rate (%)	Tax Brackets		Number of Brackets
		Lowest	Highest	
Alabama	2.0 - 5.0	\$500	\$3,000	3
<b>ALASKA</b>	<b>No State Income Tax</b>			N/A
Arizona	2.87 - 5.04	\$10,000	\$150,000	5
Arkansas	1.0 - 7.0	\$2,999	\$25,000	6
California	1.0 - 9.3	\$5,454	\$35,792	6
Colorado	4.63	Flat Rate		1
Connecticut	3.0 - 4.5	\$10,000	\$10,000	2
Delaware	2.2 - 5.95	\$5,000	\$60,000	7
Florida	<i>No State Income Tax</i>			N/A
Georgia	1.0 - 6.0	\$750	\$7,000	6
Hawaii	1.5 - 8.5	\$2,000	\$40,000	8
Idaho	2.0 - 8.2	\$1,000	\$20,000	8
Illinois	3.0	Flat Rate		1
Indiana	3.4	Flat Rate		1
Iowa	.36 - 8.98	\$1,162	\$52,290	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	\$10,000	\$50,000	3
Maine	2.0 - 8.5	\$4,150	\$16,500	4
Maryland	2.0 - 4.8	\$1,000	\$3,000	4
Massachusetts	5.60	Flat Rate		1
Michigan	4.2	Flat Rate		1
Minnesota	5.35 - 7.85	\$17,570	\$57,710	3
Mississippi	3.0 - 5.0	\$5,000	\$10,000	3
Missouri	1.5 - 6.0	\$1,000	\$9,000	10
Montana	2.0 - 11.0	\$2,100	\$73,000	10
Nebraska	2.51 - 6.68	\$2,400	\$26,500	4
Nevada	<i>No State Income Tax</i>			N/A
New Hampshire	<i>Tax Limited to Dividends and Interest</i>			N/A
New Jersey	1.4 - 6.37	\$20,000	\$75,000	6
New Mexico	1.7 - 8.2	\$5,500	\$65,000	7
New York	4.0 - 6.85	\$8,000	\$20,000	5
North Carolina	6.0 - 7.75	\$12,750	\$60,000	3
North Dakota	2.67 - 12.0	\$3,000	\$50,000	8
Ohio	0.691 - 6.98	\$5,000	\$200,000	9
Oklahoma	0.5 - 6.75	\$1,000	\$10,000	8
Oregon	5.0 - 9.0	\$2,350	\$5,850	3
Pennsylvania	2.8	Flat Rate		1
Rhode Island	<i>25.5% Federal Tax Liability</i>			N/A
South Carolina	2.5 - 7.0	\$2,310	\$11,550	6
South Dakota	<i>No State Income Tax</i>			N/A
Tennessee	<i>Tax Limited to Dividends and Interest</i>			N/A
Texas	<i>No State Income Tax</i>			N/A
Utah	2.3 - 7.0	\$750	\$3,750	6
Vermont	<i>24% Federal Tax Liability</i>			N/A
Virginia	2.0 - 5.75	3,000	17,000	4
Washington	<i>No State Income Tax</i>			N/A
West Virginia	3.0 - 6.5	\$10,000	\$60,000	5
Wisconsin	4.6 - 6.75	\$1,500	\$112,500	4
Wyoming	<i>No State Income Tax</i>			N/A
<b>Federal</b>	<b>15.0 - 39.6</b>	<b>\$22,100</b>	<b>\$250,000</b>	<b>5</b>

\* Rates apply to unmarried individuals

SOURCE: Federation of Tax Administrators

## Appendix B

<i>Comparison of Sales Tax Rates</i> January 1, 2001
---

State	Rate (%)	Exemptions		
		Food	Prescription Drugs	Nonprescription Drugs
Alabama	4.0	No	Yes	No
<b>ALASKA</b>		<b>No State Sales Tax</b>		
Arizona	5.0	Yes	Yes	No
Arkansas	5.125	No	Yes	No
California	7.0	Yes	Yes	No
Colorado	2.9	Yes	Yes	No
Connecticut	6.0	Yes	Yes	No
Delaware		<i>No State Sales Tax</i>		
Florida	6.0	Yes	Yes	Yes
Georgia	4.0	Yes	Yes	No
Hawaii	4.0	No	Yes	No
Idaho	5.0	No	Yes	No
Illinois	6.25	1%	1%	1%
Indiana	5.0	Yes	Yes	No
Iowa	5.0	Yes	Yes	No
Kansas	4.9	No	Yes	No
Kentucky	6.0	Yes	Yes	No
Louisiana	4.0	No	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	No	Yes	No
Montana		<i>No State Sales Tax</i>		
Nebraska	5.0	Yes	Yes	No
Nevada	6.5	Yes	Yes	No
New Hampshire		<i>No State Sales Tax</i>		
New Jersey	6.0	Yes	Yes	Yes
New Mexico	5.0	No	Yes	No
New York	4.0	Yes	Yes	Yes
North Carolina	4.0	Yes	Yes	No
North Dakota	5.0	Yes	Yes	No
Ohio	5.0	Yes	Yes	No
Oklahoma	4.5	No	Yes	No
Oregon		<i>No State Sales Tax</i>		
Pennsylvania	6.0	Yes	Yes	Yes
Rhode Island	7.0	Yes	Yes	Yes
South Carolina	5.0	4%	Yes	No
South Dakota	4.0	No	Yes	No
Tennessee	6.0	No	Yes	No
Texas	6.25	Yes	Yes	No
Utah	4.750	No	Yes	No
Vermont	5.0	Yes	Yes	Yes
Virginia	4.5	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