

# Annual Report



2009

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*Alaska Tax Division 2009 Annual Report*

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This annual report covers fiscal year 2009 ended June 30, 2009.

This report provides an overview of programs administered by the Tax Division and statistics of revenue collections and other information related to those programs.

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## Overview

The Tax Division administers the following programs. The programs generate a significant portion of General Fund revenue used for funding state government and programs throughout Alaska.

## Programs Administered by the Tax Division

### Oil and Gas Taxes

- Conservation Surcharge
- Corporate Income Production
- Property

### Corporate Income Tax (Other than oil and gas)

### Excise Taxes

- Alcoholic Beverages
- Commercial Passenger Vessel
- Motor Fuel
- Tire Fee
- Tobacco
- Vehicle Rental

### Fisheries Taxes

- Dive Fishery Management
- Fisheries Business
- Fishery Resource Landing
- Salmon Enhancement
- Seafood Development
- Seafood Marketing

### Other Taxes

- Electric Cooperative
- Estate
- Large Passenger Vessel
- Gambling Tax
- Mining License
- Regulatory Cost Charges
- Telephone Cooperative

### Other Programs

- Gaming
- Revenue Sources Reporting
- Salmon Price Reporting

## Retrospect

Fiscal year 2009 was just as busy and challenging for the Tax Division as it was in the previous two years. In August 2006, the Legislature passed legislation (Petroleum Profits Tax – PPT) that completely overhauled the existing oil and gas production tax. What had been a tax based on production, now is a tax based on profits. Then in November 2007, significant changes were made to PPT in legislation identified as Alaska’s Clear and Equitable Share (ACES). In addition to revising the PPT tax structure, ACES also significantly expanded oil and gas credit provisions.

The division continued to meet the challenges of these significant changes to the oil and gas production tax with the implementation of an oil and gas credit management program. This program allowed the division to expeditiously provide reports and data to the Governor’s office and legislators and streamlined the credit purchase and due diligence review process which resulted in the timely issuance of over 120 tax credit certificates totaling over \$310 million. In addition, the division held a number of public hearings and workshops on proposed regulations for oil and gas lease expenditures and overhead costs, oil and gas facility sharing, transportation, credits, mid-year changes and conforming regulations.

Along with oil and gas production tax, the division is responsible for the administration of 21 other tax types and the regulation of charitable gaming. The division is also called upon routinely to work with the governor’s office, legislators and other state departments to formulate policy and long-term fiscal planning for the state. The following are some highlights of major accomplishments of the division during FY 2009.

The division continued to work closely with the Commissioner of Revenue to provide critical resources in support of the Alaska Gasline Inducement Act (AGIA) process. The division assisted the legislature and the governor in dealing with fiscal issues and other legislation, and provided information and testimony on tobacco products tax, tax credit for tourism marketing, cruise ship gambling tax, repeal of the federal estate/gift tax, extension of motor fuel tax suspension, mining license tax and geothermal electricity production tax credit.

The division worked hard to meet its ongoing resource challenges by continuing recruitments for the auditor series positions: Corporate Income Tax Auditors responsible for the Alaska corporate net income tax; Oil and Gas Revenue Auditors responsible for production tax; and Tax Auditors responsible for other taxes and assessments. The division recruited and trained one production tax auditor, one tax auditor and one corporate income tax auditor during FY2009. In addition, the division hired two audit masters to focus on oil and gas tax matters and assist in oil and gas revenue forecasting. The division also entered into a contract with an outside audit firm to assist in auditing credits for the oil and gas production tax.

The investigations unit, in cooperation with the charitable gaming unit, started a project to remove persons convicted of various crimes from participating in charitable gaming as required by gaming statutes.

In conjunction with the Commissioner of Revenue and the Departments of Natural Resources and Commerce, Community and Economic Development, the division developed an economic modeling tool for Alaska's mineral resources. These agencies worked together to create a single economic model that can provide insights into the various economic questions that underlie the development of sound state policies and potential legislation affecting mining in Alaska.

The Appeals unit closed appeals from over 150 taxpayers of assessments in all tax types and charitable gaming.

The Information Technology group developed a web portal to allow online filing for charitable gaming manufacturers' pull-tab stamp purchases and reports and distributors' monthly pull-tab tax returns.

**Figure 1 - Three-Year Comparison of Revenue Collections**

Program (All Funds)	FY 2009	% Fund	FY 2008	% Fund	FY 2007	% Fund
Oil & Gas Production <sup>1</sup>	\$3,181,883,289	74.99%	\$6,874,597,863	80.89%	\$2,288,986,515	64.55%
Oil & Gas Corporate Income <sup>1</sup>	532,244,796	12.54%	996,991,095	11.73%	676,111,422	19.07%
Oil and Gas Property <sup>1,2</sup>	111,215,191	2.62%	81,565,946	0.96%	65,692,167	1.85%
Oil Conservation Surcharge	<u>11,131,929</u>	<u>0.26%</u>	<u>11,685,189</u>	<u>0.14%</u>	<u>10,103,767</u>	<u>0.28%</u>
<b>Total Oil and Gas</b>	<b><u>3,836,475,205</u></b>	<b><u>90.41%</u></b>	<b><u>\$7,964,840,093</u></b>	<b><u>93.72%</u></b>	<b><u>\$3,040,893,871</u></b>	<b><u>85.76%</u></b>
Corporate Income	120,934,805	2.85%	182,586,156	2.15%	177,011,212	4.99%
Tobacco <sup>3</sup>	73,075,035	1.72%	73,420,572	0.86%	72,675,033	2.05%
Commercial Passenger Vessel <sup>4,5</sup>	46,383,827	1.09%	46,839,178	0.55%	15,981,734	0.45%
Fisheries Business <sup>5</sup>	42,235,590	1.00%	34,992,328	0.41%	35,589,331	1.00%
Alcoholic Beverages <sup>5</sup>	38,496,361	0.91%	38,165,200	0.45%	36,038,464	1.02%
Mining License <sup>1</sup>	16,044,139	0.38%	54,408,228	0.64%	79,141,526	2.23%
Fishery Resource Landing <sup>5</sup>	10,962,929	0.26%	13,661,758	0.16%	11,011,954	0.31%
Motor Fuel <sup>5</sup>	10,064,276	0.24%	41,583,607	0.49%	39,685,312	1.12%
Regulatory Cost Charges	9,040,301	0.21%	8,407,631	0.10%	7,885,161	0.22%
Seafood Marketing Assessment	8,874,778	0.21%	8,713,682	0.10%	7,680,949	0.22%
Vehicle Rental	8,044,944	0.19%	8,452,873	0.10%	8,018,609	0.23%
Large Passenger Vessel Gambling	6,286,467	0.15%	6,757,501	0.08%	N/A	N/A
Salmon Enhancement	5,842,890	0.14%	5,484,160	0.06%	4,356,969	0.12%
Gaming	2,834,640	0.07%	2,711,404	0.03%	2,445,627	0.07%
Electric Cooperative <sup>5</sup>	2,087,402	0.05%	2,093,229	0.02%	2,029,554	0.06%
Telephone Cooperative <sup>5</sup>	2,039,822	0.05%	1,998,127	0.02%	2,062,277	0.06%
Tire Fee	1,509,726	0.04%	1,498,216	0.02%	1,511,917	0.04%
Seafood Development	1,385,482	0.03%	1,386,282	0.02%	1,266,333	0.04%
Dive Fishery Management	391,183	0.01%	373,120	0.00%	426,006	0.01%
Estate	174,613	0.00%	0	0.00%	133,081	0.00%
Salmon Marketing	<u>0</u>	<u>0.00%</u>	<u>0</u>	<u>0.00%</u>	<u>20,981</u>	<u>0.00%</u>
<b>Total</b>	<b><u>\$4,243,184,415</u></b>	<b><u>100.00%</u></b>	<b><u>\$8,498,373,345</u></b>	<b><u>100.00%</u></b>	<b><u>\$3,545,865,901</u></b>	<b><u>100.00%</u></b>

<sup>1</sup> Includes amounts transferred to the Constitutional Budget Reserve Fund.

<sup>2</sup> Amount is net of credits for local government property tax paid to municipalities.

<sup>3</sup> Includes amounts transferred to the School Fund and Tobacco Use Education and Cessation Fund.

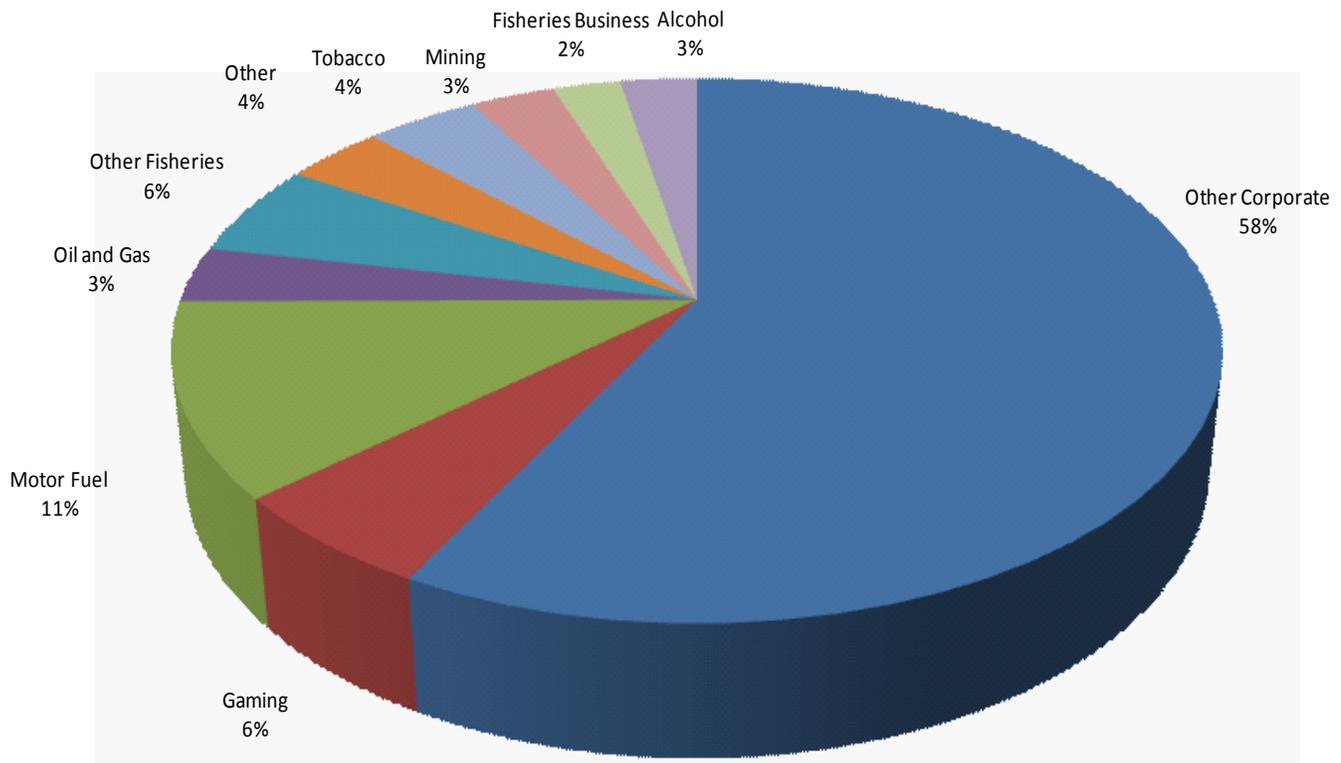
<sup>4</sup> Includes amounts transferred to the Regional Cruise Ship Impact Fund

<sup>5</sup> Prior to sharing with municipalities. See Figure 3 for amounts shared under each program.

**Note: Amounts below are included in program revenues above. These amounts were required to be transferred to the designated funds under provisions of the Alaska Constitution or Alaska Statutes.**

<b>Constitutional Budget Reserve Fund</b>						
Oil & Gas Production	\$81,060,671	66.63%	\$47,228,656	10.78%	\$17,510,672	17.32%
Oil & Gas Corporate	40,029,318	32.91%	391,092,988	89.22%	83,518,505	82.63%
Mining	557,958	0.46%	0	0.00%	0	0.00%
Oil & Gas Property	<u>0</u>	<u>0.00%</u>	<u>8,641</u>	<u>0.00%</u>	<u>50,640</u>	<u>0.05%</u>
<b>Total CBRF</b>	<b><u>\$121,647,947</u></b>	<b><u>100.00%</u></b>	<b><u>\$438,330,285</u></b>	<b><u>100.00%</u></b>	<b><u>\$101,079,817</u></b>	<b><u>100.00%</u></b>
<b>School Fund</b>	<b>\$23,127,219</b>	<b>100.00%</b>	<b>\$24,918,332</b>	<b>100.00%</b>	<b>\$26,972,936</b>	<b>100.00%</b>
<b>Alcohol and Other Drug Abuse Treatment and Prevention Fund</b>	<b>\$18,968,874</b>	<b>100.00%</b>	<b>\$19,080,505</b>	<b>100.00%</b>	<b>18,018,504</b>	<b>100.00%</b>
<b>Regional Cruise Ship Impact Fund</b>	<b>\$11,592,602</b>	<b>100.00%</b>	<b>\$11,684,836</b>	<b>100.00%</b>	<b>3,995,434</b>	<b>100.00%</b>
<b>Tobacco Use Education and Cessation Fund</b>	<b>\$3,356,490</b>	<b>100.00%</b>	<b>\$3,614,401</b>	<b>100.00%</b>	<b>\$3,282,925</b>	<b>100.00%</b>

**Figure 2 - Tax Returns Filed**



**Total Tax Returns Filed 26,153**

<b>Oil and Gas</b>	<b>870</b>	<b>Fisheries Business</b>	<b>653</b>	<b>Other</b>	<b>947</b>
Production	26			Vehicle Rental	415
Corporate Income	51	<b>Other Fisheries</b>	<b>1,452</b>	Tire Fee	340
Property	793	Salmon Enhancement	837	CPV Excise	157
<b>Other Corporate Income</b>	<b>15,092</b>	Seafood Marketing	298	Electric Cooperative	18
		Seafood Development	201	Telephone Cooperative	8
<b>Motor Fuel</b>	<b>2,998</b>	Fishery Resource Landing	72	LPV Gambling	5
		Dive Fishery Management	44	Estate	4
<b>Tobacco</b>	<b>1,084</b>	<b>Alcoholic Beverages</b>	<b>739</b>	<b>Gaming*</b>	<b>1,499</b>
<b>Mining</b>	<b>819</b>				

\*Annual financial statements and reports filed by permittees, operators, multiple beneficiary permittees, distributors and manufacturers.

## 2009 Legislation

**HB 4001 (Ch 1 4SSLA 08) - Aviation Fuel Tax Sharing.** This legislation appropriates funds necessary to share aviation fuel tax revenues for fiscal year 2009. Due to the suspension of all motor fuel tax as enacted under SB 4002 (see below), aviation fuel tax collections for fiscal year 2009 were significantly reduced. Aviation fuel tax sharing is based on the amount of taxes collected. This legislation compensates communities for the amount of aviation fuel taxes that would have been collected and shared under AS 43.40.010(e) had the aviation fuel tax not been suspended.

**SB 4002 (Ch 2 4SSLA 08) - Motor Fuel Tax Suspension.** This legislation suspended motor fuel taxes on all fuel types effective September 1, 2008 through August 31, 2009 and requires motor fuel taxpayers to submit monthly reports of all fuel sales during the period of suspension. This legislation authorizes the Department of Revenue to assess a penalty of up to \$5,000 against persons who fail to file a monthly report.

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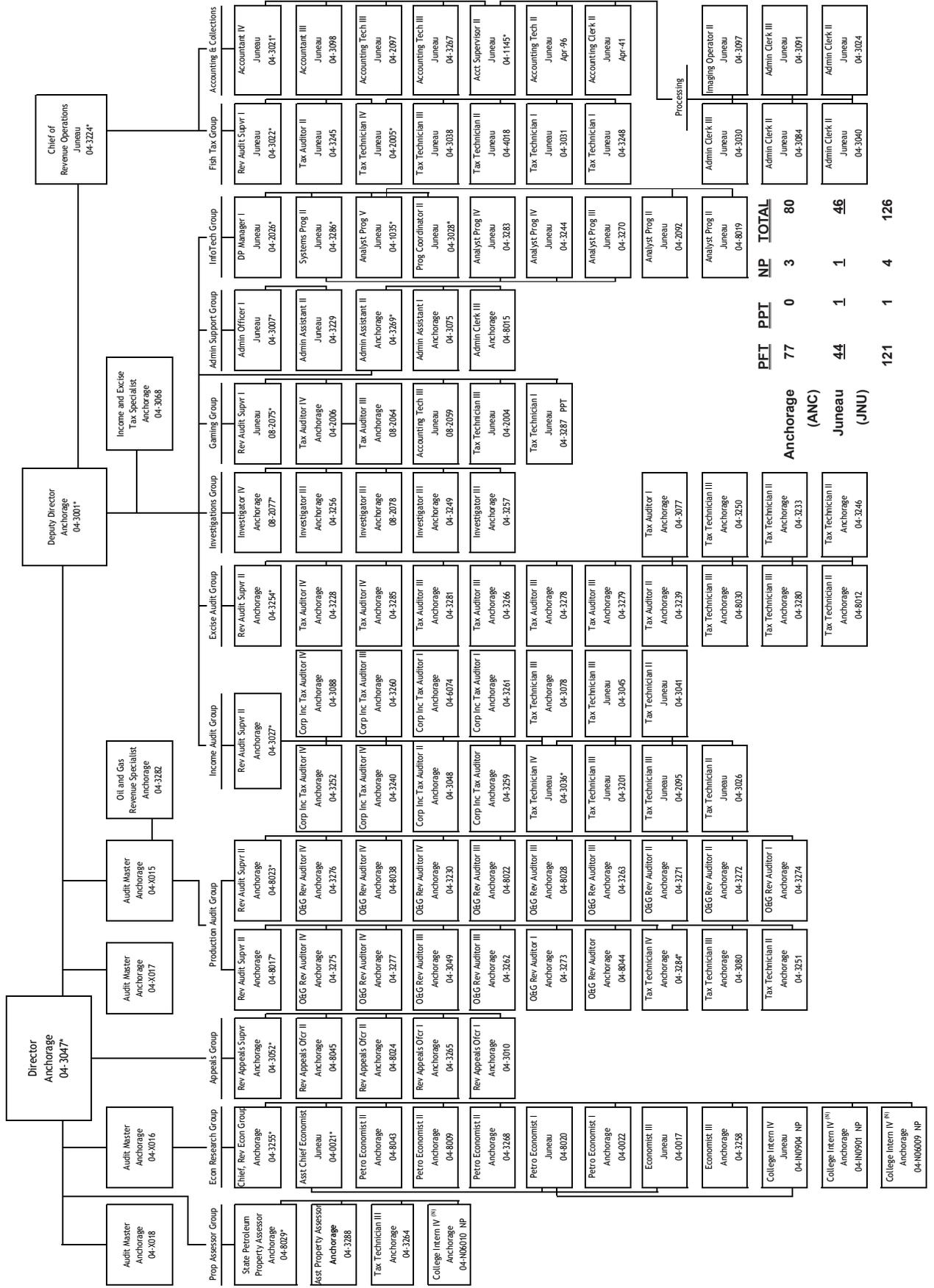
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**Organization Chart**  
As of June, 30, 2009



**Division Functions**

During fiscal year 2009, the Tax Division was staffed by 126 full-time and 4 non-permanent or college intern positions; and maintained offices in Juneau and Anchorage. The division's FY 2009 operating budget was \$13.2 million.

The division is organized according to the functional groups of Accounting and Collections, Appeals, Income Tax, Excise Tax, Oil & Gas Production Tax, Economic Research, Fisheries Tax Examination and Audit, Gaming, Investigations, Oil and Gas Property Tax and support groups; Administrative Support and Information Technology.

**Operations**

**Overview**

Operations receives and processes all tax returns and payments except oil and gas property tax returns which are processed in Anchorage. Operations is comprised of Accounting and Collections, Data Entry and Processing, and Fisheries Tax Examination and Audit.

Operations accounts for oil and gas settlement payments received by the state that are required to be deposited into the Constitutional Budget Reserve Fund.

**Accounting and Collections**

The Accounting and Collections unit summarizes and reports financial data, and provides financial oversight and control of agency accounting functions.

Accounting and Collections processes payments and reconciles revenues to the state's accounting system (AKSAS). The unit collects delinquent tax accounts, takes enforcement actions such as filing liens and levying assets, PFDs and wages. This unit also approves

clearances from state agencies that are making final payment on state contracts.

Accounting and Collections distributes taxes and fees to municipalities in accordance with statutory requirements and periodically issues warrants to communities for the statutory portion of tax collected. The amount shared is based upon where the tax or fee is derived. In FY 2009, Accounting and Collections distributed \$40,732,867 to 124 Alaska communities. The following taxes and fees are subject to sharing:

- Aviation Motor Fuel
- Commercial Passenger Vessel
- Electric Cooperative
- Fisheries Business
- Fishery Resource Landing
- Telephone Cooperative
- Alcoholic Beverage License

Taxes collected for fisheries business and resource landing activities in an unorganized borough are shared with municipalities through an allocation program administered by the Department of Commerce Community and Economic Development (DCCED). The Tax Division transmits funds to DCCED each year for allocation. For FY 2009, the division transmitted \$3,361,119 for additional sharing.

The division publishes an annual shared tax report which summarizes the amounts shared with each community. The annual report is available online at [www.tax.alaska.gov](http://www.tax.alaska.gov).

The unit data enters tax return information into the division's databases – TAS (Tax Accounting System) and DEE (Data Entry and Examination). More than 26,000 returns are processed annually through this unit, distributed to the appropriate examination unit and ultimately imaged or archived.

*The Tax Division's FY 2009 operating budget was \$13.2 million.*

*The Gaming group publishes an annual report that is available at [www.tax.alaska.gov](http://www.tax.alaska.gov).*

**Appeals**

The Appeals unit conducts informal conferences on protested assessments, issues informal conference decisions, and represents the division in formal hearings before the Office of Administrative Hearings. In addition, Appeals provides assistance for all programs and tax types administered by the division.

**Audit and Examination**

The audit groups are the division’s core technical and analytical resource that provide support for many functions in the division. Audit drafts and implements regulations, conducts special projects and provides support to Appeals.

The audit and examination functions are conducted within the following groups.

• **Corporate Income**

The Corporate Income Tax unit examines and audits corporate net income tax returns, including oil and gas corporate income tax returns.

The group’s examination section receives and examines corporation, partnership and other informational returns and assists with updating corporate tax return forms to reflect changes in federal and Alaska tax laws.

The unit conducts compliance activities such as securing returns from businesses and individuals required to file tax returns, comparing internal data with information from external agencies (IRS and Alaska Department of Commerce, Community and Economic Development) to identify potential taxpayers, and following up on compliance leads from internal and external sources.

• **Excise Taxes**

The Excise Tax unit licenses mining operations, alcoholic beverage manufacturers and distributors, tobacco manufacturers and distributors, and motor fuel qualified dealers. The unit examines and audits returns for the following tax types: alcoholic beverages, commercial passenger vessel, large passenger vessel gambling, mining license, motor fuel, tire fee, tobacco and vehicle rental.

• **Fish Tax**

The Fish Tax unit examines and audits returns for the following tax types: fisheries business, fishery resource landing, salmon enhancement, seafood development, dive fishery management, and Alaska seafood marketing assessments.

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

The unit administers the fish processor surety bonding program as surety against future claims from employees, fishermen and tenders.

The unit also administers the salmon production and wholesale salmon price report program, examines reports filed by large processors and publishes: 1) price reports on a tri-annual basis, 2) price reports on an annual basis, and 3) production reports on an annual basis.

• **Oil & Gas Production Tax**

The Oil and Gas Production Tax unit examines and audits oil and gas production tax returns and tax credit certificate applications. The unit is responsible for assessing additional tax due, issuing tax credits for exploration, credits for capital expenditures and credits for certain

losses. Cash purchases of eligible tax credit certificates are processed by this unit. Each quarter, the unit calculates prevailing values for gas produced from the Cook Inlet and from the Alaska North Slope. Data collected monthly by the unit includes current oil and gas sales contracts and invoices; lease expenditure data; joint interest billings; and production data. This data is used in audits and economic analyses. The unit also issues Advisory Bulletins on oil and gas matters and regulatory interpretations, and assists in development and drafting of regulations.

**Economic Research**

The Economic Research group is responsible for monitoring and forecasting state revenues. The unit monitors state and national economic conditions, national and international oil markets, and conducts research needed to anticipate economic and business trends that affect state tax revenue.

Economic Research manages publication of the Revenue Sources Book, an annual publication that contains historical and forecasted revenue information to assist the governor and legislature in developing the state’s budget. The book is available at [www.tax.alaska.gov](http://www.tax.alaska.gov). The team of economists uses a series of highly complex economic and revenue models and works with other state agencies to compile information for the publication.

In addition to the Revenue Sources Book, the Economic Research group produces official revenue forecasts each spring to provide revised information as budgets are being finalized. Also, the group provides monthly updates on the state’s cash flow and comparisons to the latest

official revenue forecast to provide the most up-to-date information.

The Economic Research group publishes important oil and gas data including average Alaska North Slope crude oil and natural gas prices and production. The price information, known as “prevailing value,” is one of the key variables used to determine tax liability for the oil and gas production tax. The group provides daily and weekly updates on oil and gas prices and production, with comparisons to the most recent official forecast.

Economic Research monitors trends in interstate and intrastate oil and gas pipelines and marine transportation costs. The group produces forecasts of tariffs for the state’s feeder pipelines, the Trans-Alaska oil pipeline, and marine transportation costs. The group assists in economic analysis for valuation of oil and gas pipelines for property tax purposes.

The Economic Research group evaluates potential changes to the state’s tax structure and fiscal system. The economists prepare and manage comprehensive economic models to estimate the fiscal impact of changing taxes on different stakeholder groups including the state, local and federal government and the taxpayers.

The Economic Research group responds to legislative requests on revenue related issues including preparation and presentation of fiscal notes projecting the costs and revenues from proposed legislation affecting the state fiscal system. The group also responds to requests from the administration, taxpayers and the public on revenue related issues. The group serves as an interface for the state with the media on issues

*The Economic Research group publishes a Revenue Sources Book that is available at [www.tax.alaska.gov](http://www.tax.alaska.gov).*

*The Investigations group investigates and inspects gaming operations and tobacco distributors and retailers.*

related to state revenue, oil and gas prices, and oil and gas production.

**Gaming**

Gaming issues annual permits to not-for-profit organizations to conduct gaming activities and licenses operators to conduct gaming activities on behalf of permittees. Gaming also issues licenses to pull-tab manufacturers and distributors.

Gaming processes reports and monitors financial compliance of permittees, operators, and distributors. The unit conducts compliance audits to ensure gaming activities are conducted within the scope of gaming laws.

The unit publishes an annual report that includes more detailed information and descriptions of the program. The report is available at [www.tax.alaska.gov](http://www.tax.alaska.gov).

**Information Technology**

The Information Technology Unit maintains databases and provides technical computer support to the division. The unit also maintains online applications, the division's websites, imaging systems, and provides assistance in forms publishing.

The unit researches, coordinates, develops and implements technical upgrades that enhance customer service to Alaska's taxpayers.

**Investigations**

The Investigations unit focuses on gaming and tobacco tax investigations by conducting field inspections. The group investigates and inspects gaming operations and tobacco distributors and

retailers. The unit investigates leads of potential violations within all tax programs administered by the division.

**Oil & Gas Property Tax**

Oil and Gas Property Tax conducts appraisals on all oil and gas related property in the State of Alaska. It also performs compliance and collection functions and processes oil and gas property tax returns.

Additionally, the division or municipalities may initiate audits. Audits and appraisals conducted by the unit are typically highly specialized valuations. The municipalities share in some of the unit's duties under a Memorandum of Agreement (MOA). Engineering and appraisal experts assist under contract as needed.

**Figure 3 - Revenue Collections Detail**

Listed in order of total amount of revenue collected in FY 2009

TAX TYPE	FY 2009	FY 2008	FY 2007
<b>OIL AND GAS TAXES</b>			
<b>General Fund revenue</b>			
Production	\$3,100,822,618	\$6,827,369,207	\$2,271,475,843
Conservation Surcharge	11,131,929	11,685,189	10,103,767
Property Tax	441,695,314	358,251,156	312,801,256
Local credits	<u>(330,480,123)</u>	<u>(276,693,851)</u>	<u>(247,159,729)</u>
Property tax total	111,215,191	81,557,305	65,641,527
Corporate Income Tax	492,611,228	606,354,607	593,049,417
Alaska Education Credit	<u>(395,750)</u>	<u>(456,500)</u>	<u>(456,500)</u>
Corporate Income tax total	<u>492,215,478</u>	<u>605,898,107</u>	<u>592,592,917</u>
<b>Total Tax Receipts - General Fund</b>	<b>3,715,385,216</b>	<b>7,526,509,808</b>	<b>2,939,814,054</b>
<b>Constitutional Budget Reserve Fund - CBRF</b>			
Production Tax	81,060,671	47,228,656	17,510,672
Corporate Income Tax	40,029,318	391,092,988	83,518,505
Property Tax	<u>0</u>	<u>8,641</u>	<u>50,640</u>
<b>Total Receipts - CBRF</b>	<b>121,089,989</b>	<b>438,330,285</b>	<b>101,079,817</b>
<b>Total Oil &amp; Gas Receipts - All Funds</b>	<b><u>\$3,836,475,205</u></b>	<b><u>\$7,964,840,093</u></b>	<b><u>\$3,040,893,871</u></b>
<b>CORPORATE NET INCOME TAX - Non Oil and Gas Corporations</b>			
Corporate Net Income Tax	\$118,285,179	\$179,614,285	\$172,207,487
Penalties and Interest	3,317,809	3,813,015	5,536,438
Alaska Education Credit	<u>(668,183)</u>	<u>(841,144)</u>	<u>(732,713)</u>
<b>Total Receipts</b>	<b><u>\$120,934,805</u></b>	<b><u>\$182,586,156</u></b>	<b><u>\$177,011,212</u></b>

**Figure 3 - Revenue Collections Detail***Listed in order of total amount of revenue collected*

TAX TYPE	FY 2009	FY 2008	FY 2007
<b>TOBACCO</b>			
Cigarette	\$63,000,237	\$64,451,094	\$64,235,755
Tobacco Products	10,242,503	9,234,129	8,506,365
Penalties and Interest	211,593	150,976	334,989
Cigarette License Fees	\$6,375	\$6,275	\$6,200
Deductions and Stamp Discounts	<u>(385,673)</u>	<u>(421,902)</u>	<u>(408,276)</u>
<b>Total Receipts</b>	<b><u>73,075,035</u></b>	<b><u>73,420,572</u></b>	<b><u>72,675,033</u></b>
School Fund*	(23,127,219)	(24,912,057)	(26,972,936)
Tobacco Use Education and Cessation Fund	<u>(3,356,490)</u>	<u>(3,614,401)</u>	<u>(3,282,925)</u>
<b>Amount Retained in General Fund</b>	<b><u>\$46,591,326</u></b>	<b><u>\$44,894,114</u></b>	<b><u>\$42,419,172</u></b>
* All cigarette license fees are included in this amount.			
<b>COMMERCIAL PASSENGER VESSEL EXCISE</b>			
Tax	\$46,370,407	\$46,739,342	\$15,981,734
Penalties and Interest	<u>13,420</u>	<u>99,836</u>	<u>0</u>
<b>Total Receipts</b>	<b><u>\$46,383,827</u></b>	<b><u>\$46,839,178</u></b>	<b><u>\$15,981,734</u></b>
Taxes shared to municipalities	(9,909,573)	(9,232,830)	(744,580)
Amount transferred to Regional Cruise Ship Impact Fund	<u>(11,592,602)</u>	<u>(11,684,836)</u>	<u>(3,995,434)</u>
<b>Amount Retained by State</b>	<b><u>\$24,881,653</u></b>	<b><u>\$25,921,512</u></b>	<b><u>\$11,241,720</u></b>

**Figure 3 - Revenue Collections Detail***Listed in order of total amount of revenue collected*

TAX TYPE	FY 2009	FY 2008	FY 2007
<b>FISHERIES BUSINESS</b>			
Established			
Shore-based	\$30,223,448	\$24,865,940	\$21,838,661
Floating	6,809,487	5,769,466	4,461,717
Cannery	5,069,742	5,218,570	3,603,230
Developing			
Shore-based	48,357	54,486	4,040
Floating	<u>249</u>	<u>802</u>	<u>2,523</u>
Total Tax	42,151,283	35,909,264	29,910,171
Prepayments	3,523,354	3,694,083	5,546,512
Penalties and Interest	311,942	504,207	169,178
License Fees	<u>13,500</u>	<u>13,975</u>	<u>14,725</u>
Less Credits			
Winn Brindle	(192,792)	(177,228)	(167,000)
Alaska Education	(450,000)	(450,000)	(300,000)
Salmon Product Development	<u>(3,121,697)</u>	<u>(4,501,973)</u>	<u>415,745</u>
<b>Total Receipts</b>	<b><u>42,235,590</u></b>	<b><u>34,992,328</u></b>	<b><u>35,589,331</u></b>
Fisheries Business Tax Shared			
Direct to Municipalities	(21,304,498)	(18,268,399)	(16,079,365)
DCCED* Municipal Allocation	<u>(1,635,638)</u>	<u>(1,920,635)</u>	<u>(1,530,472)</u>
<b>Amount Retained by State</b>	<b><u>\$19,295,454</u></b>	<b><u>\$14,803,294</u></b>	<b><u>\$17,979,494</u></b>
* Department of Commerce, Community and Economic Development			
<b>ALCOHOLIC BEVERAGES</b>			
Liquor	\$18,609,636	\$18,719,422	\$17,323,104
Beer	12,971,806	13,317,219	13,063,186
Wine	5,512,824	5,140,482	4,852,715
Beer qualifying for reduced tax rate	914,888	801,127	797,543
Penalties, Interest and Refunds	<u>487,207</u>	<u>186,950</u>	<u>1,916</u>
<b>Total Receipts</b>	<b><u>\$38,496,361</u></b>	<b><u>\$38,165,200</u></b>	<b><u>\$36,038,464</u></b>
Amount transferred to Alcohol and Other Drug Abuse Treatment and Prevention Fund	<u>(18,968,874)</u>	<u>(19,080,505)</u>	<u>(18,018,504)</u>
<b>Amount Retained in General Fund</b>	<b><u>\$19,527,487</u></b>	<b><u>\$19,084,695</u></b>	<b><u>\$18,019,960</u></b>

**Figure 3 - Revenue Collections Detail**

Listed in order of total amount of revenue collected

TAX TYPE	FY 2009	FY 2008	FY 2007
<b>MINING LICENSE</b>			
<b>General Fund</b>			
Tax Before Credits	\$15,486,880	\$54,569,042	\$79,393,532
Mineral Exploration Incentive Credit	(699)	0	(1,380)
Alaska Education Credit	<u>0</u>	<u>(160,814)</u>	<u>(250,626)</u>
<b>Total Receipts - General Fund</b>	<b><u>\$15,486,181</u></b>	<b><u>\$54,408,228</u></b>	<b><u>\$79,141,526</u></b>
Constitutional Budget Reserve Fund			
<b>Total Receipts - CBRF</b>	<b><u>557,958</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Total Receipts - All Funds</b>	<b><u>\$16,044,139</u></b>	<b><u>\$54,408,228</u></b>	<b><u>\$79,141,526</u></b>
<b>FISHERY RESOURCE LANDING</b>			
Tax Before Credits	\$11,003,129	\$14,085,200	\$12,002,293
Penalties, Interest and Refunds	93,042	1,042,373	583,309
Less Credits			
Alaska Education Credit	(150,000)	(1,050,000)	(1,200,000)
CDQ Contributions	<u>16,758</u>	<u>(415,815)</u>	<u>(373,648)</u>
<b>Total Receipts</b>	<b>10,962,929</b>	<b>13,661,758</b>	<b>11,011,954</b>
Fishery Resource Landing Tax Shared			
Direct to Municipalities	(4,572,051)	(5,286,500)	(4,617,769)
DCCED* Municipal Allocation	<u>(1,725,481)</u>	<u>(1,102,883)</u>	<u>(875,527)</u>
Amount to be Retained by State	<b><u>\$4,665,397</u></b>	<b><u>\$7,272,375</u></b>	<b><u>\$5,518,658</u></b>
* Department of Commerce, Community and Economic Development			
<b>MOTOR FUEL</b>			
Highway	\$6,892,576	\$30,675,818	\$29,360,245
Marine	2,320,266	5,627,878	5,576,852
Jet	586,000	4,526,804	4,124,896
Aviation	<u>235,849</u>	<u>673,940</u>	<u>685,844</u>
Total Tax *	10,034,691	41,504,440	39,747,837
Penalties and Interest	<u>29,585</u>	<u>79,167</u>	<u>(62,525)</u>
<b>Total Receipts</b>	<b>10,064,276</b>	<b>41,583,607</b>	<b>39,685,312</b>
Aviation Tax Shared	<u>(144,101)</u>	<u>(148,051)</u>	<u>(147,322)</u>
<b>Amount Retained by State</b>	<b><u>\$9,920,175</u></b>	<b><u>\$41,435,556</u></b>	<b><u>\$39,537,990</u></b>

\* Motor fuel tax was suspended for the period September 1, 2008 through August 31, 2009

**Figure 3 - Revenue Collections Detail***Listed in order of total amount of revenue collected*

TAX TYPE	FY 2009	FY 2008	FY 2007
<b>REGULATORY COST CHARGES</b>			
<b>Total Receipts</b>	<b><u>\$9,040,301</u></b>	<b><u>\$8,407,631</u></b>	<b><u>\$7,885,161</u></b>
<b>SEAFOOD MARKETING ASSESSMENT</b>			
Fisheries Business	\$6,740,918	\$6,447,727	\$5,862,128
Fishery Resource Landing	<u>2,133,860</u>	<u>2,265,955</u>	<u>1,818,821</u>
<b>Total Receipts</b>	<b><u>\$8,874,778</u></b>	<b><u>\$8,713,682</u></b>	<b><u>\$7,680,949</u></b>
<b>VEHICLE RENTAL</b>			
Passenger	\$7,626,372	\$8,050,884	\$7,635,227
Recreational	364,153	384,398	360,289
Penalties and Interest	<u>54,419</u>	<u>17,591</u>	<u>23,093</u>
<b>Total Receipts</b>	<b><u>\$8,044,944</u></b>	<b><u>\$8,452,873</u></b>	<b><u>\$8,018,609</u></b>
<b>LARGE PASSENGER VESSEL GAMBLING</b>			
Tax	\$6,286,467	\$6,757,501	
Penalties and Interest	<u>0</u>	<u>0</u>	Not Applicable
<b>Total Receipts</b>	<b><u>\$6,286,467</u></b>	<b><u>\$6,757,501</u></b>	
<b>SALMON ENHANCEMENT</b>			
Tax by Aquacultural Region			
Southern Southeast	\$1,141,446	\$1,496,031	\$1,020,406
Northern Southeast	1,771,256	1,296,163	1,501,978
Prince William Sound	1,757,181	1,440,700	785,835
Kodiak	571,342	662,473	614,891
Cook Inlet	434,733	458,668	304,677
Chignik	<u>165,039</u>	<u>120,714</u>	<u>112,352</u>
Total Tax	5,840,997	5,474,749	4,340,139
Penalties and Interest	<u>1,893</u>	<u>9,411</u>	<u>16,830</u>
<b>Total</b>	<b><u>\$5,842,890</u></b>	<b><u>\$5,484,160</u></b>	<b><u>\$4,356,969</u></b>

**Figure 3 - Revenue Collections Detail**

Listed in order of total amount of revenue collected

TAX TYPE	FY 2009	FY 2008	FY 2007
<b>GAMING</b>			
Pull-Tab Tax	\$2,241,650	\$2,219,335	\$2,013,865
Net Proceeds Fee	458,612	351,996	293,358
License and Permit Fees	<u>134,378</u>	<u>140,073</u>	<u>138,404</u>
<b>Total Receipts</b>	<b><u>\$2,834,640</u></b>	<b><u>\$2,711,404</u></b>	<b><u>\$2,445,627</u></b>
<b>ELECTRIC COOPERATIVE</b>			
<b>Total Receipts</b>	<b>\$2,087,402</b>	<b>\$2,093,229</b>	<b>\$2,029,554</b>
Taxes shared	<u>(2,057,093)</u>	<u>(2,016,589)</u>	<u>(1,953,262)</u>
<b>Amount Retained by State</b>	<b><u>\$30,309</u></b>	<b><u>\$76,640</u></b>	<b><u>\$76,292</u></b>
<b>TELEPHONE COOPERATIVE</b>			
<b>Total Receipts</b>	<b>\$2,039,822</b>	<b>\$1,998,127</b>	<b>\$2,062,277</b>
Taxes shared	<u>(1,931,876)</u>	<u>(1,884,515)</u>	<u>(1,953,132)</u>
<b>Amount Retained by State</b>	<b><u>\$107,946</u></b>	<b><u>\$113,612</u></b>	<b><u>\$109,145</u></b>
<b>TIRE FEE</b>			
Non-Studded	\$1,062,455	\$1,089,972	\$1,075,505
Studded	444,750	404,564	409,979
Penalties and Interest	<u>2,521</u>	<u>3,680</u>	<u>26,433</u>
<b>Total Receipts</b>	<b><u>\$1,509,726</u></b>	<b><u>\$1,498,216</u></b>	<b><u>\$1,511,917</u></b>
<b>SEAFOOD DEVELOPMENT ASSESSMENT</b>			
Tax by Development Region			
Bristol Bay (Drift Gillnet)	\$1,066,270	\$1,032,860	\$978,504
Prince William Sound (Drift Gillnet)	315,862	352,686	285,984
Prince William Sound (Set Gillnet)	2	Not Applicable	Not Applicable
Penalties and Interest	<u>3,348</u>	<u>736</u>	<u>1,845</u>
<b>Total Receipts</b>	<b><u>\$1,385,482</u></b>	<b><u>\$1,386,282</u></b>	<b><u>\$1,266,333</u></b>
<b>DIVE FISHERY MANAGEMENT ASSESSMENT</b>			
<b>Total Receipts *</b>	<b><u>\$391,183</u></b>	<b><u>\$373,120</u></b>	<b><u>\$426,006</u></b>
* All receipts are derived from Southeast Alaska Management Area A			
<b>ESTATE</b>			
<b>Total Receipts</b>	<b><u>\$174,613</u></b>	<b><u>\$ 0</u></b>	<b><u>\$133,081</u></b>

## Figure 4 - Program Revenue and Cost Detail

Sorted by Revenue	FY 2009 Statistics		FY 2009 Program		FY 2009 Per FTE	
	Returns	Revenue	Cost <sup>1</sup>	FTE <sup>2</sup>	Revenue	Cost
<b>Program</b>						
Oil & Gas Production <sup>3</sup>	26	\$3,193,015,218	\$4,603,555	44.3	\$72,077,093	\$103,918
Oil & Gas Corporate Income <sup>4</sup>	51	532,244,796	435,191	4.0	133,061,199	108,798
Corporate Income	15,092	120,934,805	2,606,837	25.0	4,837,392	104,273
Oil and Gas Property	793	111,215,191	412,848	3.7	30,058,160	111,580
Tobacco <sup>5</sup>	1,084	73,075,035	1,114,856	10.3	7,094,664	108,238
Commercial Passenger Vessel	157	46,383,827	143,416	1.4	33,131,305	102,440
Fisheries Business	653	42,235,590	669,975	6.5	6,497,783	103,073
Alcoholic Beverages <sup>6</sup>	739	38,496,361	155,734	1.5	25,664,241	103,823
Mining License <sup>7</sup>	819	16,044,139	599,413	5.7	2,814,761	105,160
Fishery Resource Landing	72	10,962,929	139,518	1.3	8,433,022	107,322
Motor Fuel	2,998	10,064,276	495,187	4.7	2,141,335	105,359
Regulatory Cost Charges	N/A	9,040,301	1,197	<.1	See Note 8	See Note 8
Seafood Marketing Assessment	298	8,874,778	34,990	0.3	See Note 8	See Note 8
Vehicle Rental	415	8,044,944	246,713	2.3	3,497,802	107,267
Large Passenger Vessel Gambling	5	6,286,467	98,617	0.9	See Note 8	See Note 8
Salmon Enhancement	837	5,842,890	111,982	1.1	5,311,718	101,802
Gaming	1,499	2,834,640	1,210,827	11.6	244,366	104,382
Electric Cooperative	18	2,087,402	1,666	<.1	See Note 8	See Note 8
Telephone Cooperative	8	2,039,822	1,666	<.1	See Note 8	See Note 8
Tire Fee	340	1,509,726	91,285	0.9	See Note 8	See Note 8
Seafood Development	201	1,385,482	31,889	0.3	See Note 8	See Note 8
Dive Fishery Management	44	391,183	13,665	0.1	See Note 8	See Note 8
Estate	4	174,613	0	<.1	See Note 8	See Note 8
<b>Total All Programs</b>	<b><u>26,153</u></b>	<b><u>\$4,243,184,415</u></b>	<b><u>\$13,221,027</u></b>	<b><u>126.0</u></b>	<b><u>\$33,676,0679</u></b>	<b><u>\$104,9299<sup>8</sup></u></b>

<sup>1</sup>Based on operating costs of the Tax Division.

<sup>2</sup>Full-Time Equivalent staff positions.

<sup>3</sup>Includes oil and gas conservation surcharge revenue of \$11,131,929; surcharges are reported on oil & gas production returns. Includes Constitutional Budget Reserve Fund receipts of \$81,060,671.

<sup>4</sup>Includes Constitutional Budget Reserve Fund receipts of \$40,029,318.

<sup>5</sup>Includes amounts transferred to School Fund and Tobacco Use and Cessation Fund; \$23,127,219 and \$3,356,490.

<sup>6</sup>Includes Alcohol and Other Drug Abuse Treatment and Prevention Fund receipts of \$18,968,874

<sup>7</sup>Includes Constitutional Budget Reserve Fund receipts of \$557,958.

<sup>8</sup>Combined program revenues (\$31,789,774) and costs (\$274,975) required 2.6 FTE.

<sup>9</sup>Reflects total revenue and total cost divided by FTE.

**Figure 5 - Revenue Collected from Assessments**

<b>Program</b>	<b>Audit</b>	<b>Exam</b>	<b>Total</b>
Oil and Gas Production	\$81,060,671	\$0	\$81,060,671
Oil and Gas Corporate Income	40,029,318	0	40,029,318
Corporate Income	8,898,516	1,534,198	10,432,714
Fisheries Business	774,134	127,949	902,083
Commercial Passenger Vessel Excise	0	782,530	782,530
Alcoholic Beverage	14,453	655,876	670,329
Tobacco	19	666,651	666,670
Mining	0	557,958	557,958
Fishery Resource Landing	119,389	(13,760)	105,629
Motor Fuel	0	96,321	96,321
Vehicle Rental	32,480	32,401	64,881
Dive Fisheries	0	37,475	37,475
Seafood Marketing	1,058	15,691	16,749
Tire Fee	2,128	4,301	6,429
Estate	0	2,956	2,956
Salmon Enhancement	0	2,737	2,737
Seafood Development	0	1,601	1,601
Gaming	0	1,566	1,566
<b>Total</b>	<b><u>\$130,932,166</u></b>	<b><u>\$4,506,451</u></b>	<b><u>\$135,438,617</u></b>

**Alcoholic Beverages Tax  
AS 43.60**

**Description**

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

**Rates**

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

**Returns**

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

**Exemptions**

Sales to facilities operated by one of the uniformed services of the United States are exempt if they fall within the guidelines of 4 USC 107.

**Disposition of Revenue**

The division deposits all alcoholic beverage tax revenue into the General Fund. The Department of Administration separately accounts for 50 percent of the tax collected and deposits it into the Alcohol and Other Drug Abuse Treatment and Prevention Fund.

**History**

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

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

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

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

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

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

*Fifty percent of taxes on alcoholic beverages is available to fund alcohol and drug abuse treatment programs.*

Wine	Per Gallon	Beer (Malt Beverages)	Per Gallon
1933	\$.05	1933	\$.05
1937	\$.15	1947	\$.10
1947	\$.25	1957	\$.25
1957	\$.50	1983	\$.35
1961	\$.60	2002	\$1.07
1983	\$.85		
2002	\$2.50		
		Beer (Small Breweries)	Per Gallon
		2002	\$.35

### FY 2009 Statistics

Product	Gallons	Tax Collected
Liquor	1,369,196	\$18,609,636
Beer, Malt Beverage & Cider	11,528,129	12,971,806
Wine	2,067,291	5,512,824
Beer, Small Brewery	2,424,106	914,888
Penalties, Interest and Refunds	N/A	487,207
<b>Total Tax Collected</b>	<b><u>17,388,722</u></b>	<b><u>\$38,496,361</u></b>
Transferred to Alcohol and Other Drug Abuse Treatment and Prevention Fund		(18,968,874)
<b>Total Tax Collections – General Fund</b>		<b><u>\$19,527,487</u></b>
Number of Returns		739
Number of Taxpayers		46
Program Cost		\$155,734
Staffing (full-time equivalent)		1.5

**Commercial Passenger Vessel (CPV) Excise Tax AS 43.52.200 – 295**

**Description**

Alaska imposes an excise tax on travel on commercial passenger vessels, typically cruise ships, that have 250 or more berths and provide overnight accommodations in the state’s marine waters. Passengers traveling on qualified commercial passenger vessels are liable for the tax.

**Rate**

The commercial passenger vessel excise tax rate is \$46 per passenger per voyage.

**Returns**

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

**Exemptions**

The CPV excise tax does not apply to passengers on board a commercial passenger vessel that does not anchor or moor in state marine waters with the intent to allow passengers to disembark.

**Disposition of Revenue**

The division deposits all proceeds from the CPV excise tax into the Commercial Vessel Passenger (CVP) Tax account in the general fund. Subject to appropriation by the legislature from this account, the division distributes \$5 per passenger to each of the first five ports of call in Alaska unless the port of call imposes a tax on travel on commercial passenger vessels engaged in activities involving overnight accommodations.

The division transfers 25% of the revenue deposited in the CVP Tax account into a Regional Cruise Ship Impact (RCSI) Fund, a sub-account of the CVP Tax account.

**History**

**2006** - The CPV excise tax was enacted by 2006 Primary Election Ballot Measure No. 2. The measure was approved by voters at the primary election of August 26, 2006. The results of the election were certified September 18, 2006 and the initiative’s provisions became effective December 17, 2006.

*The first full year of CPV excise tax collections was in FY 2008.*

**FY 2009 Statistics**

Tax Collections	\$46,383,827
Number of Returns	157
Number of Taxpayers	11
Program Cost	\$143,416
Staffing (full-time equivalent)	1.4

**Corporate Income Tax  
AS 43.20**

**Description**

Alaska levies a corporate income tax on Alaska taxable income.

For purposes of computing taxable income, Alaska, like many states, adopts the federal Internal Revenue Code (IRC) by reference, unless excepted to or modified by specific Alaska statutes.

For a corporation doing business only in Alaska, its taxable income is federal taxable income with certain Alaska modifications.

A corporation that does business both inside and outside Alaska apportions a percentage of the corporation's total income to Alaska using a formula. The Alaska percentage or "apportionment factor" is an average of three fractions based upon property, payroll and sales, inside and outside the state for all corporations except for oil and gas.

When a corporation is part of a group of corporations that operate as a unit to conduct a business, the taxpayer must apportion to Alaska a percentage of the combined incomes of all of the corporations in the "unitary" or "combined" group.

For unitary groups that are not oil and gas companies, Alaska adopts "water's edge combination". The combined group generally includes only those corporations with significant U.S. activity.

Oil and gas companies combine on a worldwide basis. Also, oil companies use a "modified" apportionment formula of property, sales and extraction. The extraction factor is the production of oil and gas in Alaska divided by production everywhere.

**Rate**

Alaska taxes corporate income at graduated rates ranging from 1 percent to 9.4 percent.

**Returns and Payments**

Corporations file returns annually, with the return due three and one-half months after the close of the tax year, one month after the federal tax return is due. Alaska honors the federal filing extensions.

Corporations must make quarterly estimated payments and the total tax is due two and one-half months from the end of the tax year. There are no extensions to pay the tax. Estimated payments of more than \$100,000 and payments accompanying a return greater than \$150,000 must be made online or by wire transfer.

**Exemptions**

Generally, Alaska follows the IRC when determining an entity's taxable status.

Alaska adopts the flow-through federal provisions that exempt S-Corporations from tax. Federally, S-Corporations are treated as partnerships and S-Corporation shareholders report their proportionate share of the corporation's earnings.

Alaska treats Limited Liability Companies (LLCs) as partnerships if they file as partnerships federally. Electric and telephone cooperatives pay tax under AS 10.25 and are exempt from the corporate income tax.

**Credits**

Under Alaska's blanket adoption of the IRC, taxpayers can claim all federal incentive credits. Federal credits that refund other federal taxes are not allowed. Multistate taxpayers apportion their total federal incentive credits. Alaska specific credits include:

*Corporate income is taxed at graduated rates ranging from 1 percent to 9.4 percent.*

**Education** - Taxpayers that contribute to vocational education programs or accredited Alaska universities or colleges for educational purposes may claim a tax credit for 50 percent of the first \$100,000 and 100 percent of the next \$100,000 of contributions. The maximum credit is \$150,000 for each tax year.

**Minerals Exploration Incentive**

- Taxpayers may claim a credit for 100 percent of 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 the lesser of 50 percent of the taxpayer's mining license tax liability or 50 percent of its corporate tax liability.

**Oil and Gas Exploration Incentive**

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

**Gas Exploration and Development**

- Taxpayers may take a corporate income tax credit for 10 percent of qualifying expenditures incurred in exploration and development of natural gas reserves in Alaska, except for the North Slope.

**Film Production** - Taxpayers may take a credit for certain expenses incurred in producing films in Alaska. The credit varies from 30% to 44% and is administered by the Dept. of Commerce, Community, and Economic Development in

cooperation with the Department of Revenue.

**Disposition of Revenue**

The Division deposits most corporate net income tax collections into the General Fund. For oil and gas corporations only, the Division deposits collections from audit assessments into the Constitutional Budget Reserve Fund.

**History**

**1949** - The territorial legislature enacts the Alaska Net Income Tax Act. It is 10 percent of the federal income tax liability on income earned in Alaska. The tax applies to individuals and corporations.

**1959** - Alaska adopts the Uniform Division of Income for Tax Purposes Act (UDITPA) within AS 43.20. This is a model statute that was developed by the states to address concerns of the U.S. Congress that states were collectively taxing more than 100% of the earnings of multistate corporations. UDITPA requires multistate corporations to apportion a percentage of their total income to the state by the apportionment formula of property payroll and sales. The standard UDITPA formula apportions 100% of the corporation's income among the states where the taxpayer does business.

**1970** - Alaska enacts the Multistate Tax Compact in AS 43.19, and becomes one of the early members of the Multistate Tax Commission. The Compact incorporates the standard three-factor apportionment formula of UDITPA. A main purpose of the Compact and the Commission is to promote the enactment of UDITPA, and the uniform application of UDITPA apportionment formula by the states. Uniform application of UDITPA promotes the full reporting of income by taxpayers and avoids the taxation of the same income by more than one state.

*A voter initiative passed in August 2006 subjects cruise ship operators to the Alaska corporate income tax.*

**1975** - The legislature repeals the original tax and makes major revisions. Alaska enacts its own tax rates rather than basing the tax on the federal tax liability. Alaska adopts the federal Internal Revenue Code by reference, unless excepted to, or modified by other Alaska statutes. The tax rate was 5.4% of Alaska taxable income with a surtax of 4 percent based on federal surtax exemptions. For 1975, the surtax exemption was \$50,000.

**1978** - The legislature finds that the standard three-factor apportionment formula does not fairly reflect Alaska income for oil and gas corporations. Alaska enacts AS 43.21 and requires oil and gas companies to calculate Alaska taxable income using separate accounting. The oil and gas companies challenge AS 43.21.

**1980** - The legislature repeals the parts of AS 43.20 that impose the individual income tax and retains the exemption for S-Corporations.

**1981** - In an effort to stem the growing amount of disputed oil and gas income taxes and related litigation, the legislature seeks a compromise tax method. The legislature repeals separate accounting under AS 43.21, and enacts AS 43.20.072, the current "modified" apportionment formula for oil and gas corporations. The modified formula drops the payroll factor and adds the "extraction factor". The legislature also enacts the current graduated tax rate structure with a maximum rate of 9.4%.

**1987** - The legislature enacts the Alaska Education Credit.

**1991** - The legislature enacts water's edge apportionment with AS 43.20.073. Water's edge apportionment does not apply to oil and gas taxpayers, who continue to report on a worldwide basis.

**1998** - The Department of Revenue wins the OSG Bulkships case. The Alaska Supreme Court holds that AS 43.20 does not adopt Internal Revenue Code Section 883 by reference. Federally, Sec. 883 exempts from tax foreign corporations that operate ships and aircraft, and avoids double taxation. The Court says that formulary apportionment in AS 43.19 also avoids double taxation and therefore AS 43.19 is an exception to Sec. 883. During the next session, the legislature specifically adopts Sec. 883 and grants explicit tax exemption to the foreign corporations operating cargo ships, cruise ships, and aircraft in Alaska.

**2006** - A voter initiative that subjects cruise ship operators to Alaska corporate income tax passed in August 2006. Prior to the initiative, cruise ship operators were exempt from taxation through the department's adoption of Internal Revenue Code Section 883.

**2008** - The legislature amended education credit provisions to include cash contributions accepted for secondary level vocational courses and programs by a school district in Alaska and by a state-operated vocational technical education and training school.

The legislature authorized tax credits for qualified film production expenditures incurred in Alaska. Tax credits may be sold, transferred, exchanged, or conveyed and must be used within three years after being granted by the Alaska Department of Commerce, Community and Economic Development (DCCED). The maximum of credits claimed by all taxpayers over the life of the credit program may not exceed \$100 million.

Figure 6 - Corporations Filing Activity

	Fiscal Year	FY 2009	FY 2008	FY 2007
Total Returns Filed		15,092	16,062	15,185
<b>Detail of FY 2009 Filing Activity</b>				
<b>Entity Type</b>	<b>Original</b>	<b>Amended</b>	<b>NOL<sup>1</sup></b>	<b>Total</b>
Subchapter C	5,882	940	154	6,976
Subchapter S	7,053	84	1	7,138
Exempt	153	11	4	168
Homeowners Assoc.	605	3	4	612
Other <sup>2</sup>	101	3	1	105
<b>Total Non Oil &amp; Gas</b>	<b>13,794</b>	<b>1,041</b>	<b>164</b>	<b>14,999</b>
Oil & Gas	25	68	0	93
<b>Grand Total</b>	<b>13,819</b>	<b>1,109</b>	<b>164</b>	<b>15,092</b>

<sup>1</sup>Net operating loss

<sup>2</sup>Entities that filed federal returns other than categories listed above, i.e. Foreign, Political, Cooperative, etc.



**Dive Fishery Management Assessment AS 43.76.150**

**Description**

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

**Rate**

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

Geoduck	7%
Sea Cucumber	5%
Sea Urchin	7%

**Returns**

Buyers file returns and pay tax quarterly. The due date is the last day of the month following the calendar quarter of purchase.

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

Fishermen selling to unlicensed buyers or exporting from the region file returns and pay taxes annually.

The due date is March 31 following the year of sale or export.

**Disposition of Revenue**

The division deposits all revenue derived from the dive fishery management assessment into the General Fund.

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

**History**

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

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

**2004** - The legislature authorized three additional rates: 2 percent, 4 percent and 6 percent. Geoduck fishermen subsequently elected to increase the geoduck assessment to 7 percent as of November 1, 2004.

**2005** - The legislature authorized an annual filing due date of March 31 for dive fishermen who export or sell to unlicensed buyers, effective January 1, 2005.

*The dive fishery management assessment is currently imposed in Southeast Alaska only.*

**FY 2009 Statistics**

Tax Collections	\$391,183
Number of Returns	44
Number of Taxpayers	19
Program Cost	\$13,665
Staffing (full-time equivalent)	0.1

**Electric Cooperative Tax  
AS 10.25.555**

**Description**

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

**Rate**

The electric cooperative tax is based on a rate per kilowatt hour (kWh) and on the length of time the cooperative has furnished electricity to consumers as follows.

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

**Returns**

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

**Exemptions**

All qualified electric cooperatives are subject to the cooperative tax. Cooperatives pay the electric cooperative tax in lieu of corporate net income tax.

**Disposition of Revenue**

The division deposits all revenue derived from electric cooperative taxes into the General Fund.

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

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

**History**

**1959** - The legislature enacted the electric 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 electric cooperative tax returns was April 1 of the following year.

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

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

*Electric cooperatives pay the electric cooperative tax in lieu of corporate net income tax.*

**FY 2009 Statistics**

Tax Collections	\$2,087,402
Number of Returns	18
Number of Taxpayers	18
Program Cost	\$1,666
Staffing (full-time equivalent)	<.1

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

*The Estate tax was phased out by federal law – it no longer applies to estates of decedents whose date of death is January 1, 2005 or later.*

**Estate Tax  
AS 43.31**

**Description**

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

**Rate**

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

**Returns**

State returns are required only for estates of decedents whose date of death was before January 1, 2005, and the estate has a federal filing requirement. Estates of decedents whose date of death is January 1, 2005 or later are not required to file a report.

Estate returns and tax payments are due 15 months from the decedent’s date of death.

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

**Exemptions**

Estates under \$1.5 million were generally exempt from paying estate taxes prior to 2005, taking into consideration the estate tax credit (formerly the unified credit) allowed under the Internal Revenue Code.

**Disposition of Revenue**

The division deposits all revenue derived from estate taxes into the General Fund.

**History**

**1919** - The territorial legislature adopted a tax on inheritances and transfers of property from estates. Tax rates varied from 1 percent to 17.5 percent of the property’s value.

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

**1991** - Interest on delinquent tax is subject to compound interest under AS 43.05.225.

**2001** - The federal Economic Growth and Tax Relief Reconciliation Act enacted. As a consequence of the federal act, the state tax credit was phased out gradually over a four-year period. The state tax credit no longer applies to estates of decedents whose date of death is January 1, 2005 or later. However, the division may continue to collect tax from estates for years prior to January 1, 2005, as a result of returns filed, audits, or other enforcement activities.

**FY 2009 Statistics**

Tax Collections	\$174,613
Number of Returns	4
Number of Taxpayers	4
Program Cost	-
Staffing (full-time equivalent)	<.1

## Fisheries Business Tax AS 43.75

### Description

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

### Rate

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

#### Processing Activity

Established	Rate
Floating	5%
Salmon Cannery	4.5%
Shore-based	3%
Developing	Rate
Floating	3%
Shore-based	1%

### Returns

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

After filing the calendar year return, taxpayers file returns to report post-season bonus payments made

to fishermen. Returns for these payments are due with additional taxes by the last day of the month following the month of bonus payments.

### Exemptions

Commercial fishermen who process fish on board their vessel are exempt from the tax if they sell to a licensed processor.

### Credits

**Education** - Taxpayers that contribute to vocational education programs or accredited Alaska universities or colleges for educational purposes may claim a tax credit for 50 percent of the first \$100,000 and 100 percent of the next \$100,000 of contributions. The maximum credit is \$150,000 for each tax year.

**Scholarship Contributions** - Taxpayers that contribute to the A.W. “Winn” Brindle memorial scholarship account may claim a tax credit for the amount of contribution not to exceed 5 percent of their tax liability.

**Salmon Product Development** - Taxpayers are allowed tax credits against the fisheries business tax on salmon for expenditures promoting the development of salmon products. The credit on salmon for expenditures promoting the development of salmon products was extended to December 31, 2011.

### Disposition of Revenue

The division deposits all revenue derived from the fisheries business tax into the General Fund. The legislature may appropriate revenue from the tax for revenue sharing described below.

*The Fisheries Business Tax is Alaska's oldest tax, enacted in 1899.*

*The first fisheries business tax was enacted in 1899 by the U.S. Congress.*

**Processing Activity Inside Municipality**

The division shares 50 percent of tax collected with the incorporated city or organized borough in which the processing took place. If an incorporated city is within an organized borough, the division divides the (50 percent) shareable amount equally between the incorporated city and the organized borough.

**Processing Activity Outside Municipality**

The division shares 50 percent of tax collected from processing activities outside an incorporated city or an organized borough through an allocation program administered by the Department of Commerce, Community and Economic Development.

**History**

**1899** - the U.S. Congress adopted a “salmon case” tax to fund fisheries-related activities in pre-territorial Alaska. The Organic Act passed in 1912 established an organized territorial government in Alaska. In 1913, the First Territorial Legislature adopted the “salmon pack” tax which applied to salmon canneries based on canned salmon (7¢ per case); and the “cold storage” tax which applied to other fisheries and was based on business receipts. Between 1913 and 1949, the legislature amended the tax several times by changing tax rates and expanding the tax base to include different fisheries.

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

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

**1962** - The legislature adopted provisions for sharing taxes (10 percent) and requiring calendar year returns for all businesses.

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

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

**1981** - The shared tax percentage was increased to 50 percent.

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

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

*The Alaska Legislature extended the Salmon Product Development credit in 2008 to end in December 2011.*

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

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

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

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

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

**2003** - The legislature authorized a Salmon Product Development/ Utilization (SPDU) Credit that allows tax credits against fisheries business taxes for expenditures promoting the value added processing of salmon products and the utilization of salmon waste in Alaska. The amount of the

tax credit cannot exceed 50 percent of the taxpayer's fisheries business liability for processing of salmon during the tax year.

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

The legislature authorized monthly payment of the fisheries taxes in lieu of existing forms of security or prepayment as a prerequisite to being licensed. Fisheries businesses that elect the monthly payment option must post a \$50,000 bond or have \$100,000 equity in real property in the state. The provisions of this legislation took effect September 8, 2003.

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

**2005** - Effective May 18, 2005, the legislature modified the surety and tax payment requirements for obtaining a fisheries business license. The legislature reduced the amount of surety bonding for small primary fish buyers from \$10,000 to \$2,000. The legislation also added requisites for obtaining a fisheries business license; before being issued a license, a fisheries business must have fully paid (including penalties and interest) taxes administered by the Tax Division, seafood marketing assessments, employment security contributions, OSHA penalties, and municipal fishery taxes.

**2006** - The legislature extended the Salmon Product Development Credit for expenditures made through

*56% of the fisheries business licenses issued for 2009 were derived from online applications.*

December 31, 2008. The Salmon Utilization Credit was not extended.

**2008** - The legislature amended education credit provisions to include cash contributions accepted for secondary level vocational courses and programs by a school district in Alaska and by a state-operated vocational technical education and training school.

The legislature enacted legislation to extend the salmon product

development tax credit program by three years. The legislation extended the ending date for placing specified property in service to qualify for the credit from December 31, 2008 to December 31, 2011. This legislation expanded the list of qualified property to include conveyors used for producing value-added salmon products and requires that the Department of Revenue develop and implement procedures for pre-determining if investments qualify for the salmon product development tax credit.

**FY 2009 Statistics**

**Fisheries Business Tax**

License Fees and Tax Collections \$42,235,590

*Including penalties, interest and credits.*

<b>Fisheries Business Licenses Issued</b>	<b>Online</b>	<b>Paper</b>	<b>Total</b>
Direct Marketer	137	103	240
Shore-based	91	71	162
Catch/Processor	39	28	67
Floating	19	18	37
Cannery	14	14	28
Exporter	<u>5</u>	<u>3</u>	<u>8</u>
<b>Total</b>	<b><u>305</u></b>	<b><u>237</u></b>	<b><u>542</u></b>

Number of Returns 653

Number of Taxpayers 471

Program Cost \$669,975

Staffing (full-time equivalent) 6.5

*Fishery resource landing tax revenues are primarily derived from fish processed in the Bering Sea and landed in Unalaska.*

**Fishery Resource Landing Tax**  
**AS 43.77**

**Description**

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

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

**Rate**

Tax rates are based on whether the resource is classified as “established” or “developing” by the Alaska Department of Fish and Game. Tax rates are:

Classification	Rate
Established	3%
Developing	1%

**Returns**

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

The division grants an automatic extension to file the landing return if it does not provide statewide average prices to taxpayers at least 30 days prior to the due date. If the extension applies, the due date is the last day of the month following the month in which the division issues statewide average prices.

**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 that contribute to vocational education programs or accredited Alaska universities or colleges for educational purposes may claim a tax credit for 50 percent of the first \$100,000 and 100 percent of the next \$100,000 of contributions. The maximum credit is \$150,000 for each tax year.

**Scholarship Contributions** - Taxpayers that contribute to the A.W. “Winn” Brindle memorial scholarship account may claim a tax credit for the amount of contributions not to exceed 5 percent of their tax liability.

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

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

**Disposition of Revenue**

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

**Landings Inside Municipality**

The division shares 50 percent of taxes from landings within a municipality with the respective municipalities in which landings occurred. If a municipality is within a borough, the division divides the (50 percent) shareable amount between the municipality and borough.

**Landings Outside Municipality**

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

**History**

**1993** - The legislature enacted the fishery resource landing tax effective January 1994. The rate was 3.3 percent of the unprocessed value of the resource. The Department of Revenue adopted regulations regarding administration of the tax, effective April 1994.

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

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

**1996** - The landing tax was restructured to mirror the fisheries business tax program. The legislature revised the tax rate to 3 percent for established species and 1 percent for developing species. The 0.3 percent portion of the previous 3.3 percent tax rate was incorporated into seafood marketing assessment statutes (AS 16.51). The legislature also amended the landing tax

statutes to provide for tax credits for education and A.W. "Winn" Brindle scholarship contributions. All changes were retroactive to January 1994, the inception date of the landing tax.

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

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

**2001** - The legislature amended landing tax statutes to require quarterly payment of estimated fishery resource landing taxes, effective calendar year 2002.

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

**2008** - The legislature amended education credit provisions to include cash contributions accepted for secondary level vocational courses and programs by a school district in Alaska and by a state-operated vocational technical education and training school.

*Fishery resource landing tax revenues are shared with municipalities for taxes attributable to landings within a municipality.*

**FY 2009 Statistics**

Tax Collections	\$10,962,929
<i>Including penalties, interest and credits.</i>	
Number of Returns	72
Number of Taxpayers	60
Program Cost	\$139,518
Staffing (full-time equivalent)	1.3

*Pollock and pacific cod are the two highest value fisheries reported by landing taxpayers.*

**Gaming  
AS 05.15**

**Description**

Under Alaska law, municipalities and qualified nonprofit organizations may conduct certain gaming activities. The purpose of these activities is to derive public benefit in the form of money for nonprofits 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 nonprofits; 2) licenses all operators and pull-tab distributors and manufacturers; 3) collects fees and taxes; 4) audits various permittees and licensees; 5) inspects gaming locations; and 6) investigates complaints. The division also provides education and orientation information to the public and to prospective permittees and licensees.

**Rate**

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

**Permits**

- \$20 if an applicant did not have a permit during the preceding year
- \$20 if an applicant had gaming gross receipts of less than \$20,000 during the preceding year
- \$50 if an applicant had gaming gross receipts of \$20,000 or more but not exceeding \$100,000 during the preceding year
- \$100 if an applicant had gaming gross receipts exceeding \$100,000 during the preceding year

**Licenses**

- \$500 for an operator license
- \$1,000 for a pull-tab distributor license
- \$2,500 for a pull-tab manufacturer license

**Reports**

The division requires the following reports:

- Municipalities and qualified organizations file quarterly reports that are due the 45th day following each calendar quarter in which the permittee had gross receipts of \$50,000 or more.
- Permittees file annual reports on a calendar year basis, accompanied with payment of the additional fee, if required under AS 05.15.020(b), by March 15th of the following year. Under this statute, if the gross receipts for the activities were \$20,000 or more, an additional fee of 1 percent of the net proceeds received during the preceding year is due.
- Operators and multiple-beneficiary permittees file quarterly reports that 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. (See below for explanation of the multiple-beneficiary permit.)
- Operators are required to submit a report to permittees monthly. The report must include a daily summary of activity conducted under the permit and an accounting of gross receipts, expenses and net proceeds for the month.
- Pull-tab manufacturers must report by the last business day of the month on each series of pull-tabs distributed in the preceding month.
- Distributors must collect a tax of 3 percent of an amount equal to the gross receipts less prizes awarded on each series of pull-tabs distributed. Distributors must report by the last business day of each month each pull-tab series distributed in the preceding month and pay the taxes collected.

*Municipalities and qualified nonprofits may conduct certain gaming activities that benefit nonprofits in Alaska.*

**Exemptions**

There are no exemptions that apply to gaming.

**Disposition of Revenue**

The division deposits permit and license fees, net proceeds fees and pull-tab taxes into the General Fund.

**History**

**1960** - The legislature legalized gaming and gave oversight for all gaming activities to the Department of Revenue.

**1984** - The Department authorized pull-tabs.

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

**1989** - Under Administrative Order, gaming functions transferred to the Department of Commerce, Community and Economic Development.

**1993** - Under Administrative Order, gaming functions transferred to the Department of Revenue.

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

**1995** - The legislature legalized cruise ship gambling activities in Alaska waters during the 1995

season. The gaming statutes required that cruise ships pay a fee to game in Alaska, and this generated more than \$500,000 in State revenue during the 1995 season. This law expired after 1995. Additionally, the legislature eliminated Monte Carlo nights.

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

**2001** - The legislature added the Bristol Bay Native Corporation Education Foundation to the list of qualified organizations allowed to conduct “salmon classic” games of chance, effective January 1, 2002.

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

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

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

**2004** - The legislature authorized the Department of Revenue to issue permits for animal classic games, providing the animal classic was in existence prior to November 1, 2002, effective July 25, 2004.

**2005** - The legislature authorized the Department of Revenue to issue permits for two new games of chance – "Calcutta pools" (related to amateur and professional sporting events) and a "crane classic" (the best guess of the time of arrival of the first Sandhill Crane to a particular place), effective September 5, 2005.

**2008** - The legislature authorized broadcasting for dog mushers' contests, charitable raffles and lotteries (in addition to fish derbies and classics that were previously authorized for broadcasting). The legislation recognizes the cabbage classic at the Giant Cabbage Weigh-off at the Alaska State Fair in Palmer operated by the Palmer Rotary Club as an authorized gaming activity. The legislation also raised the maximum award of non-bingo prizes that a permittee may award each year in self-conducted (without an operator) gaming activity from \$1 million to \$2 million. The legislation took effect July 18, 2008.

### FY 2009 Statistics

Taxes and Fees Collected	\$2,834,640
Program Cost	\$1,210,827
Staffing (full-time equivalent)	11.6

<b>Applications*</b>	<b>Online</b>	<b>Paper</b>	<b>Total</b>
Permittees	398	701	1,099
Operators	N/A	29	29
Multiple-beneficiary Permittees	2	14	16
Distributors	7	5	12
Manufacturers	<u>5</u>	<u>3</u>	<u>8</u>
<b>Total Applications</b>	<b><u>412</u></b>	<b><u>752</u></b>	<b><u>1,164</u></b>

N/A - Online application not available

### Reports

Permittees	1,113
Operators	89
Multiple-beneficiary Permittees	73
Distributors	139
Manufacturers	<u>85</u>
<b>Total Reports</b>	<b><u>1,499</u></b>

\* Based on a calendar year.

**Large Passenger Vessel (LPV) Gambling Tax AS 43.35**

**Description**

Alaska imposes a tax on adjusted gross income of gambling activities aboard large passenger vessels in the state. Gambling activities include the use of playing cards, dice, roulette wheels, coin-operated instruments or machines, or other objects or instruments used for gaming or gambling, and any other gambling activities aboard large passenger vessels in Alaska. The tax is imposed on the operator of gaming or gambling activities.

**Rate**

The large passenger vessel gambling tax rate is 33% of adjusted gross income. Adjusted gross income means gross income less prizes awarded and federal and municipal taxes paid or owed on the income.

**Returns**

Operators of gaming and gambling activities on large passenger vessels file calendar year returns that are due April 15 of the following year.

**Exemptions**

There are no exemptions for the LPV gambling tax.

**Disposition of Revenue**

The division deposits all proceeds from the LPV gambling tax into the Commercial Vessel Passenger (CVP) tax account in the general fund.

**History**

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

*The first year of LPV gambling tax collections was in FY 2008.*

**FY 2009 Statistics**

Tax Collections	\$6,286,467
Number of Returns	5
Number of Taxpayers	5
Program Cost	\$98,617
Staffing (full-time equivalent)	0.9

**Mining License Tax  
AS 43.65**

**Description**

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

**Rates**

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

**Returns**

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 that contribute to vocational education programs or accredited Alaska universities or colleges for educational purposes may claim a tax credit for 50 percent of the first

\$100,000 and 100 percent of the next \$100,000 of contributions. The maximum credit is \$150,000 for each tax year.

**Minerals Exploration Incentive**

- Taxpayers may claim 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 the lesser of 50 percent of the person's mining license tax liability related to the mining operation for which eligible mining costs were incurred or 50 percent of the person's total mining license tax liability for all mining operations.

**Disposition of Revenue**

The division deposits revenue from the mining license tax into the General Fund. Payments received after a tax assessment are deposited into the Constitutional Budget Reserve Fund (CBRF).

**History**

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

**1915** - The territorial legislature increased the tax rate to 1 percent. 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 percent to 1.75 percent for net income of more than \$1 million.

*The mining license tax structure adopted in 1955 is still in place today.*

**1935** - The territorial legislature restructured the tax to an eight-tier tax structure with rates ranging from 0.75 percent to 4 percent for net income of more than \$1 million. The legislature decreased tax-free net income to \$5,000.

**1937** - The tax-free net income base was eliminated and all net income was subject to tax. A nine-tier tax structure was adopted with tax rates ranging from 0.75 percent to 8 percent for net income of more than \$1 million.

**1947** - The mining license tax was restructured by reinstating a tax-free net income base of \$1,000 and restructuring the tax rates to a five-tier structure with rates ranging from 4 percent to 8 percent for net income of more than \$100,000.

**1951** - The legislature authorized a 3½ year exemption for new mining operations. This exemption does not apply to sand and gravel mining operations.

**1953** - The tax-free net income base was increased to \$10,000 and rates changed to range from 3 percent to 7 percent for net income of more than \$100,000.

**1955** - The rate structure as it exists today was adopted.

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

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

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

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

**2008** - The legislature amended education credit provisions to include cash contributions accepted for secondary level vocational courses and programs by a school district in Alaska and by a state-operated vocational technical education and training school.

### FY 2009 Statistics

#### Tax Collections

General Fund	\$15,486,181
Constitutional Budget Reserve Fund	<u>557,958</u>
<b>Total</b>	<b><u>\$16,044,139</u></b>

Number of Returns	819
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Number of Taxpayers	455
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Program Cost	\$599,413
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Staffing (full-time equivalent)	5.7
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*The motor fuel tax dates back to 1945 when the legislature imposed a tax of 1¢ per gallon on all motor fuel.*

**Motor Fuel Tax  
AS 43.40**

**Description**

Alaska levies a motor fuel tax on motor fuel sold, transferred or used within Alaska. The division collects motor fuel taxes primarily from wholesalers and distributors that hold “qualified dealer” licenses issued by the division.

**Rates**

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

**Returns**

Taxpayers file returns and make payment monthly. There are four separate returns: diesel, gasoline, aviation and gasohol.

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

**Refunds**

6¢ per gallon is refundable if fuel is used in a vehicle off-highway.

Consumers may claim a refund for the full tax rate if the consumer paid the full tax rate at purchase and then used the fuel for exempt purposes. Consumers may also claim a partial refund of the tax if a lesser rate was paid at purchase or if the consumer used the fuel for partially exempt purposes.

Resellers, usually retailers, may claim a refund for the full tax if the reseller paid the tax, and then sold

the fuel for exempt use and did not collect the tax.

**Exemptions**

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

- Heating
- Federal, state and local government agencies
- Foreign flights (jet fuel)
- Exports
- Power plants/utilities
- Charitable institutions
- Bunker fuel (residual fuel oil or #6 fuel oil)

**Disposition of Revenue**

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

The division shares with the respective municipalities 60 percent of taxes attributable to aviation fuel sales at municipally owned or operated airports. All other proceeds of the taxes on aviation fuel are deposited into a special aviation fuel tax account.

**History**

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

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

Gasohol	Rate Per Gallon
1997	8¢ / 2¢ (2¢ November through February where required)

Marine	Rate Per Gallon
1945	1¢
1947	2¢
1955	5¢
1957	2¢
1960	3¢
1971	4¢
1977	5¢

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

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

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

**1997** - The legislature repealed the gasohol exemption. The legislature enacted a provision that reduces the tax on gasohol from 8¢ to 2¢ per gallon in areas and at times when the use of gasohol is required. However, gasohol has not been required since the winter of 2002-2003 and gasohol is currently taxed at the full tax rate of 8¢.

Legislation was also passed that fully exempted gasohol blended with at least 10 percent alcohol derived from wood or seafood waste. This legislation expired on June 30, 2004.

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

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

**2003** - The legislature enacted legislation that made it easier for the state to issue motor fuel excise tax refunds for credit card purchases made by federal, state and local government agencies.

**2004** - The provision that exempted gasohol blended with at least 10 percent alcohol derived from wood

or seafood waste from the motor fuel tax expired on June 30, 2004. Currently all gasohol is taxed at the rate of 8 cents per gallon.

September 1, 2008 through August 31, 2009. Motor fuel distributors are required to file monthly reports of all fuel sales during the period of suspension.

**2008** - In special session, the legislature suspended the motor fuel tax on all fuel types effective

### FY 2009 Statistics

#### Tax Collections

Highway	\$6,892,576
Marine Fuel	2,320,266
Jet Fuel	586,000
Aviation Gasoline	235,849
Penalties & Interest	<u>29,585</u>
Total Tax Collections	\$10,064,276
Less Aviation Fuel Tax Shared	<u>(144,101)</u>
Total Amount Retained by State	<u><b>\$9,920,175</b></u>

Note: The motor fuel tax was suspended from September 1, 2008 through August 31, 2009

Motor Fuel Type	Gallons
Highway	387,605,882
Marine Fuel	92,130,418
Jet Fuel	142,330,582
Aviation Gasoline	13,138,602
Gasohol	-49,149

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

Number of Returns	2,998
Number of Taxpayers	207
Program Cost	\$495,187
Staffing (full-time equivalent)	4.7

**Oil Conservation Surcharges AS 43.55.201/300**

the oil and hazardous substance release prevention account in the oil and hazardous substance release prevention and response fund.

**Description**

Conservation surcharges apply to all oil production in Alaska and are in addition to oil and gas production taxes. Surcharges apply to each barrel of oil produced in the state less any oil the ownership or right to which is exempt from taxation.

**History**

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

**Rate and Disposition of Revenue**

Each taxable barrel of oil is subject to the following two surcharges:

- Conservation Surcharge (AS 43.55.201) of \$.01 per barrel. Revenue derived from this surcharge may be appropriated to the response account in the oil and hazardous substance release prevention and response fund.
- Additional Conservation Surcharge (AS 43.55.300) or \$04 per barrel. Revenue derived from this additional surcharge may be appropriated to

**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.

**2006** - The legislature set the Conservation Surcharge rate at \$.01 per barrel and the Additional Conservation Surcharge rate at \$.04 per barrel.

*The Oil conservation surcharge revenues fund a hazardous substance release emergency fund.*

**FY 2009 Statistics**

Tax Collections	\$11,131,929
Number of Returns*	
Number of Taxpayers*	

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

**Oil and Gas Production Tax**  
**AS 43.55**

**Description**

Alaska levies an annual tax on oil and gas production tax value derived from production activities in the state.

The legislature amended oil and gas production tax statutes in a special session that ended November 2007 that culminated in the passage of Alaska’s Clear and Equitable Share (ACES).

Like the PPT legislation enacted in 2006, ACES tax is levied on the production tax value of oil and gas production. ACES continues to authorize credits for certain losses and capital expenditures, exploration activities, prior year investments and “small” producers, as the PPT did. However, ACES amended the rate and timing of some of these credits and enhanced certain credits to further encourage investments in Alaska.

The ACES tax also subjects legacy fields Prudhoe Bay and Kuparuk to a standard deduction for lease operating expenditures. The standard deduction amount is based on 2006 operating expenditures reported by respective companies with a 3 percent per year inflation component. The standard deduction provision sunsets at the end of calendar year 2009.

With regard to administrative changes, ACES requires more thorough reporting from companies. Taxpayers are required to report volumes and expenditures used to calculate their estimated monthly installment payments. Annually, on March 31, taxpayers submit tax filings that “true up” any tax liabilities or overpayments made throughout the year. At the same time, they also submit an annual information report.

The ACES legislation provides for audit masters who are exempt from the state classified pay scale. In FY 2009, the Division employed three audit masters in the oil and gas production tax group. The law also extended the length of time the auditors have to complete production tax audits from three to six years. The department expects that these two provisions will enable the state to be more thorough in its audits of oil and gas production tax returns.

The majority of the ACES tax is retroactive to July 1, 2007, although some provisions are retroactive to the implementation of the PPT (April 1, 2006). One section of the law, impacting tax credits for exploration, was effective July 1, 2008. Section AS 43.55.028 and related citations were effective January 1, 2008. In October 2008, the Division implemented regulations specifying the calculation of prevailing value for gas produced from the North Slope and regulations further detailing taxpayers’ monthly information reporting requirements.

Work on regulations began December 2007 and is an on-going project. The first annual information report for the economic research group was filed by taxpayers (producers and explorers) March 31, 2009. Throughout the year, tax credit forms were updated to reflect the changes made with the implementation of ACES.

**Rate**

The base tax rate is 25 percent of the production tax value per BTU equivalent barrel of taxable oil and gas. When the average monthly production tax value is more than \$30 per barrel, but not more than \$92.50, there is an additional 0.4 percent progressive tax for each additional dollar of production tax value per barrel. When the average monthly production tax value exceeds \$92.50 per

*The Alaska Legislature amended the oil and gas production tax with passage of ACES legislation in a special session ended November 2007.*

*In 2006, the filing requirement for the oil and gas production tax changed from monthly to calendar year. Taxpayers are required to make monthly estimated payments.*

barrel, the progressive tax rate is the sum of 25 percent and 0.1 percent of the difference between the average monthly production tax value and \$92.50. The maximum tax may not exceed 75 percent.

### Returns

Oil and gas taxpayers make calendar year filings that are due with payment no later than March 31 of the following year. Taxpayers are required to make monthly estimated payments, based on activities of the prior month, due the last day of the following month. Taxpayers are also required to submit monthly information reports that summarize production volumes, production tax values, lease expenditures incurred and credits applied. A tax return is still being drafted.

### Exemptions

The tax on oil and gas is levied on all production except for public (government) royalty production. Oil and gas used on a lease or property for drilling, production or repressuring is not taxed.

### Credits

#### Exploration Incentive - AS

38.05.180(i) - Lessees of state land drilling an exploratory well or conducting certain seismic exploration on that land are eligible for this credit. The credit is 50 percent of the cost of the exploration expenditures and may not exceed 50 percent of the production tax or state royalty against which it is applied. This credit is administered by the Department of Natural Resources, but may be applied to oil and gas production tax.

#### Exploration Incentive (Assignable)

- AS 41.09.010 - This is a distinct incentive program administered by the Department of Natural Resources. The credit is available to be claimed against royalty obligations, corporate income tax and production tax. Taxpayers may take a credit for up to 50 percent on state land (or 25

percent on non state lands) of eligible oil and gas exploration expenditures. An approved incentive credit under this statute may not exceed \$5 million per project and is limited to \$30 million per taxpayer.

#### Education - AS 43.55.019 -

Taxpayers that contribute to vocational education programs or accredited Alaska universities or colleges for educational purposes may claim a tax credit for 50 percent of the first \$100,000 and 100 percent of the next \$100,000 of contributions. The maximum credit is \$150,000 for each tax year. This credit is not transferable.

#### Qualified Capital Expenditure -

AS 43.55.023(a) - Taxpayers that incur qualified capital expenditures may apply for a 20 percent credit, however, not more than half of the credit may be applied against a tax levied by AS 43.55.011(e) for a single calendar year. This credit, when certificated, is transferable. Taxpayers may also apply the 20 percent credit to their annual oil and gas production tax filings without certification.

#### Carried-Forward Annual Loss - AS

43.55.023(b) - Taxpayers that incur lease expenditures that are not deductible in calculating production tax values generate a "loss carryforward" and they may apply for a tax credit in the amount of 25 percent of that loss. When certificated, half of the credit is available for use in the calendar year it is issued and the other half may be used in the years following. If not certificated, the entire credit may be applied on the taxpayer's annual filing. These credits are transferable.

#### Transitional Investment

**Expenditure** - AS 43.55.023(i) - The "TIE" credit is generated by qualified capital expenditures made during the period April 1, 2001, through March 31, 2006. The credit is 20 percent of those qualified capital expenditures, not to exceed one-tenth of qualified

*Oil and Gas Production Tax revenue received as a consequence of an assessment or litigation is deposited in the Constitutional Budget Reserve Fund.*

capital expenditures incurred after March 31, 2006 and before January 1, 2008. Producers and explorers without commercial production in Alaska before January 1, 2008 are eligible for this credit. TIE credit is not transferable and is available until 2013.

**New Area Development - AS**

43.55.024(a) - Taxpayers that produce in areas outside the Cook Inlet and south of 68 degrees north latitude are eligible for a tax credit of not more than \$6 million per year. This credit sunsets the later of 2016 or the ninth calendar year after first year of production. The credit is not certificated and is not transferable.

**Small Producer - AS 43.55.024(c)**

- Taxpayers with Alaska oil and gas production less than 100,000 BTU equivalent barrels a day are eligible for a small producer credit. When average oil and gas production is no more than 50,000 barrels per day, the credit is \$12 million per year. When production exceeds 50,000 barrels a day, but is less than 100,000 barrels a day, the credit is allocated based on production volumes. This credit sunsets the later of 2016 or the ninth calendar year after first year of production. The credit is not certificated and is not transferable.

**Alternative Credit for Exploration -**

AS 43.55.025 - Taxpayers that incur qualified exploration expenditures are eligible for this credit, which is 30 percent (20 percent for work performed prior to July 1, 2008) or 40 percent, depending on the qualifications of the exploration project. Taxpayers must obtain a pre-approval and submit certain data to the Department of Natural Resources as part of the application process. Credit applications under AS 43.55.025 are audited prior to issuance of the credit certificates. Certificates must be eventually issued, but the credit may also be ap-

plied to tax prior to the issuance of a certificate.

Note that this credit has been available since 2003 - pre-dating the oil and gas tax law revisions of 2006 and 2007. The scope of this credit is more specific than that provided for under AS 43.55.023.

**Cash Purchases of Tax Credit Certificates - AS 43.55.028 -**

Effective January 1, 2008, a tax credit fund was established so that the State may purchase certain tax credit certificates from oil and gas taxpayers. Taxpayers make written application to the Department for cash purchases, in whole or in part, of tax credit certificates. The Department reviews the applications for compliance with the requirements set forth in AS 43.55.028(e).

**Disposition of Revenue**

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

**History**

**1955** - The legislature enacts an oil and gas production tax of 1 percent of production value.

**1967** - A 1 percent disaster production tax is enacted to provide relief after the Fairbanks flood.

**1968** - The legislature increases oil and gas production tax from 1 percent to 3 percent of production value.

**1970** - The legislature repeals the disaster oil and gas production tax. The legislature changes the oil production tax to a graduated tax with rates of 3 percent on the first 300 barrels per day per well, 5 percent on the next 700 barrels per day per well, 6 percent on the next 1500 barrels per day

and 8 percent on production exceeding 2500 barrels per day per well.

**1972** - The legislature establishes a minimum oil production tax based on “cents per barrel” equivalent to percent of value tax on oil with wellhead value of \$2.65 per barrel.

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

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

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

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

**2002** - The legislature authorized credits of up to 50 percent for contri-

butions of not more than \$100,000 and 75 percent of the next \$100,000 in contributions made to the Alaska Veterans’ Memorial Endowment Fund. The tax credit expired July 1, 2003.

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

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

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

**2005** - The legislature extended and amended the requirements applicable to the credit that may be claimed for certain oil and gas exploration expenses incurred in Cook Inlet against oil and gas production taxes. This legislation also amended the credit against those taxes for certain exploration expenditures from leases or properties in the state. The legislation was signed into law July 21, 2005 with an immediate effective date.

**2006** - In August 2006, legislation was passed during a special session that made sweeping revisions to the oil and gas production tax. The Petroleum Production Tax (PPT) established new tax rates on oil and gas production; repealed the economic limit factor; and provided numerous credits for certain qualifying expenditures and taxpayers.

**2007** - The legislature amended PPT legislation in a special session that ended November 2007 and culminated in the passage of Alaska's Clear and Equitable Share (ACES). Like the PPT legislation enacted in 2006, the ACES tax is levied on the production tax value of oil and gas produced in the state. The base tax rate under ACES is 25 percent (it was 22.5 percent under PPT) and the progressive surcharge tax rate under ACES is 0.4 percent for every dollar the production tax value per barrel exceeds \$30 (it was 0.25 percent on production tax values exceeding \$40 per barrel under PPT). For production tax values greater than \$92.50 per barrel, the progressivity rate changes to 0.1 percent for every additional dollar of production tax value.

secondary level vocational courses and programs by a school district in Alaska and by a state-operated vocational technical education and training school.

The alternative credit for exploration was increased from 20 to 30 percent for certain projects and an oil and gas tax credit fund was established for the cash purchases of tax credit certificates.

**2008** - The legislature amended education credit provisions to include cash contributions accepted for

**FY 2009 Statistics**

**Tax Collections**

General Fund	\$3,100,822,618
Constitutional Budget Reserve Fund	<u>81,060,671</u>
<b>Total</b>	<b><u>\$3,181,883,289</u></b>

Number of Returns	26
Number of Taxpayers	17
Number of Explorers	32

Program Cost	\$4,603,555
Staffing (full-time equivalent)	44.3

**Oil and Gas Property Taxes (Exploration, Production and Pipeline Transportation Properties) AS 43.56**

**Description**

Alaska levies an oil and gas property tax on the value of taxable exploration, production and pipeline transportation property in the state. The division has established procedures for the three distinct classes of property.

- **Exploration Property** - valued on 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** - valued on the basis of replacement cost of similar new property, less depreciation based on the economic life of the proven reserves.
- **Pipeline Transportation Property** - generally valued on its economic value relative to the reserves feeding into the pipeline.

**Rate**

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

**Returns**

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

**Exemptions**

Oil and gas reserves, oil or gas leases, and the lease or rights to explore or produce oil or gas are exempt, as are intangible drilling and exploration expenditures.

Certain aircraft, motor vehicles, communication facilities, and buildings may be exempt even though they are associated with oil or gas exploration, production, or pipeline transportation. Oil or gas pipeline transportation systems owned and operated by a public utility are exempt.

**Credits**

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

**Education Credit** - Taxpayers that contribute to vocational education programs or accredited Alaska universities or colleges for educational purposes may claim a tax credit for 50 percent of the first \$100,000 and 100 percent of the next \$100,000 of contributions. The maximum credit is \$150,000 for each tax year.

**Disposition of Revenue**

The division deposits revenue from oil and gas property taxes into the General Fund. Payments received after a tax assessment are deposited into the Constitutional Budget Reserve Fund (CBRF).

**History**

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

**2008** - The legislature amended education credit provisions to include cash contributions accepted for secondary level vocational courses and programs by a school district in Alaska and by a state-operated vocational technical education and training school.

*Oil or gas pipeline transportation systems owned and operated by a public utility are exempt from property tax.*

**FY 2009 Statistics**

Property Taxes Billed	\$441,695,314
Less Municipal Tax Credit	<u>(330,480,123)</u>
<b>Total Tax Collections</b>	<b><u>\$111,215,191</u></b>
Number of Returns	793
Number of Taxpayers	122
Program Cost	\$412,848
Staffing (full-time equivalent)	3.7

*The Alaska legislature enacted the RCC program in 1992 to fund the cost of regulating utilities.*

**Regulatory Cost Charges  
Utilities AS 42.05.254(e)  
Pipeline AS 42.06.286(c)**

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

**Description**

Alaska levies regulatory cost charges (RCC) on regulated utilities. The charges fund the Regulatory Commission of Alaska (RCA) that regulates utilities and pipeline carriers in Alaska. Regulated utilities collect charges from consumers and remit the collections to the Tax Division.

**History**

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

**Rate**

Rates are available on the Alaska Regulatory Commission's web site at <https://rca.alaska.gov/RCAWeb/RCALibrary/FormsLibrary.aspx>. Select the RCC Quarterly Report Form for calendar year of interest to obtain rates for that period.

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

**Returns**

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

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

**Exemptions**

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

**1999** - The legislature authorized separate RCC rates for each regulated utility and changed the methodology for calculating rates.

**Disposition of Revenue**

The division deposits all revenue derived from the RCC program into

**2007** - Alaska Regulatory Commission implemented online report filing through their web site. RCA assumed responsibility for processing returns and collecting data; the division continues to collect revenue as required by statute.

**FY 2009 Statistics**

Total RCC Collections	\$9,040,301
<i>Electric, Telephone, Pipeline Carriers and Other Utilities</i>	
Program Cost	\$1,197
Staffing (full-time equivalent)	<0.1

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

**Salmon Enhancement Tax AS 43.76**

**Description**

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

Fishermen pay salmon enhancement taxes to licensed buyers at the time of sale, or to the division for salmon sold to unlicensed buyers or exported from the region. Buyers remit taxes collected from fishermen to the division.

**Rate**

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

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

**Returns**

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

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

Fishermen selling to unlicensed buyers or exporting from the region file returns and pay taxes annually. The due date is March 31 following the year of sale or export.

**Exemptions**

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

**Disposition of Revenue**

The division deposits all salmon enhancement tax revenue into the General Fund.

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

**History**

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

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

**1985** - Commercial fishermen in the Prince William Sound aquaculture region elected a 2 percent tax.

**1988** - Commercial fishermen in the Kodiak aquaculture region elected a 2 percent tax.

**1989** - The legislature amended statutes to allow for a 1 percent tax.

**1991** - Commercial fishermen in the Chignik aquaculture region elected a 2 percent tax.

**2004** - The legislature authorized additional salmon enhancement tax rates, subject to permit holder elections held by qualified regional associations. In addition to the current 1 percent, 2 percent or 3 percent options, 10 additional options were made available, ranging from 4

percent to 30 percent. This legislation clarified who must pay the Salmon Enhancement Tax. When a buyer does not withhold the tax, fishermen must pay the tax with an annual return. The legislation took effect January 1, 2005.

#### FY 2009 Statistics

Tax Collections	\$5,842,890
<i>Including interest and penalties</i>	
Number of Returns	837
Number of Taxpayers	215
Program Cost	\$111,982
Staffing (full-time equivalent)	1.1

**Seafood Development Tax  
AS 43.76.350**

annually. The due date is March 31 following the year of sale or export.

**Description**

The seafood development tax is an elective tax levied on certain fishery resources using specific gear types sold in or exported from designated seafood development regions. Fishermen pay seafood development taxes to licensed buyers at the time of sale or to the division for resources sold to unlicensed buyers or exported from Alaska. Buyers remit taxes collected from fishermen to the division.

**Exemptions**

Resources harvested under special harvest area permit (typically, salmon harvested on behalf of salmon hatcheries) is exempt from the seafood development tax.

**Disposition of Revenue**

The Division deposits all seafood development tax revenue into the General Fund.

**Rate**

Commercial fishermen harvesting salmon elected tax rates for the following development regions and gear types:

Under AS 43.76.380(d), the legislature may appropriate seafood development tax revenue to provide financing for qualified regional seafood development associations.

**History**

**2004** - The legislature adopted the Seafood Development Tax Act. The Act authorized a tax of between ½ and 2 percent, upon election by commercial fishermen harvesting within designated regions, on fishery resources transferred to buyers in or exported from Alaska.

**2005** - Commercial salmon drift gillnet fishermen in the Prince William Sound seafood development region elected a 1% tax.

**2006** - Commercial salmon drift gillnet fishermen in the Bristol Bay seafood development region elected a 1% tax.

**2009** - Commercial salmon set gillnet fishermen in the Prince William Sound Seafood Development Region elected a 1% tax.

Region	Rate	Effective
Prince William Sound (drift gillnet)	1%	2005
Bristol Bay (drift gillnet)	1%	2006
Prince William Sound (set gillnet)	1%	2009

**Returns**

Buyers file returns and pay tax monthly. The due date is the last day of the month following the month of purchase. Buyers file returns for bonus payments made to fishermen after the close of the fishing season. Returns for these payments are due with additional taxes by the last day of the month following the bonus payment. Fishermen selling to unlicensed buyers or exporting from Alaska file returns and pay taxes

*The seafood development tax is an elective tax levied on certain fishery resources using specific gear types.*

**FY 2009 Statistics**

Tax Collections <i>Including interest and penalties</i>	\$1,385,482
Number of Returns	201
Number of Taxpayers	49
Program Cost	\$31,889
Staffing (full-time equivalent)	0.3

**Seafood Marketing Assessment AS 16.51.120**

**Description**

Alaska levies a seafood marketing assessment on seafood processed or first landed in Alaska. The state also levies the assessment on unprocessed fisheries products exported from Alaska. The Tax Division collects the assessment from seafood processors and fishermen who export fishery resources out of Alaska.

**Rate**

The seafood marketing assessment is 0.5 percent of the value of seafood products exported from, processed or first landed in Alaska.

**Returns**

Taxpayers file calendar year returns with payment before April 1 of the following year. Taxpayers file monthly returns for postseason (bonus) payments made to fishermen after the filing of the calendar year return. Returns for these payments are due with additional assessments by the last day of the month following the bonus payments.

**Exemptions**

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

**Disposition of Revenue**

The division deposits all seafood marketing assessments into the General Fund. The legislature may appropriate funds to the Alaska Seafood Marketing Institute.

**History**

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

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

**2004** - The legislature directed ASMI to hold elections and determine whether to retain the assessment and a second election to determine whether to increase the assessment from 0.3 percent to 0.5 percent. Elections were held as prescribed by law. The vote retained the Seafood Marketing Assessment, increased the Seafood Marketing rate to 0.5 percent and eliminated the Salmon Marketing Tax effective January 1, 2005.

*The seafood marketing assessment is levied on seafood processed or first landed in Alaska. Assessments fund the Alaska Seafood Marketing Institute.*

**FY 2009 Statistics**

Assessment Collections	\$8,874,778
Number of Returns	298
Number of Taxpayers	247
Program Cost	\$34,990
Staffing (full-time equivalent)	0.3

*Telephone cooperatives pay the telephone cooperative tax in lieu of corporate net income tax.*

**Telephone Cooperative Tax AS 10.25.550**

Cooperatives pay the telephone cooperative tax in lieu of corporate net income tax.

**Description**

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

**Disposition of Revenue**

The division deposits revenue from the telephone cooperative tax into the General Fund.

**Rate**

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

Telephone cooperative taxes sourced from within municipalities are shared 100 percent to respective municipalities less the amount expended by the state for collection of taxes.

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

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

**History**

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

**Returns**

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

**1960** - The legislature changed the due date for filing returns to "before March 1".

**Exemptions**

All qualified telephone cooperatives are subject to the cooperative tax.

**FY 2009 Statistics**

Tax Collections	\$2,039,822
Number of Returns	8
Number of Taxpayers	8
Program Cost	\$1,666
Staffing (full-time equivalent)	<.1

**Tire Fee  
AS 43.98.025**

**Description**

Alaska imposes a tire fee on all new tires sold in Alaska. An additional tire fee is imposed on the sale of tires with metal studs weighing more than 1.1 grams each (heavy studs). The additional tire fee also applies to the installation of heavy studs in new or used tires. The division collects tire fees primarily from tire dealerships.

**Rate**

A \$2.50 tire fee applies to each new tire. An additional \$5 fee applies to each studded tire (\$7.50 total tire fee for new studded tires).

**Returns**

Taxpayers are required to file returns and remit fees quarterly. Returns and payment are due 30 days following the calendar quarter in which the new tires were sold or studs were installed.

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

**Exemptions**

The following tires and services are exempt if the purchaser provides the tire seller with a certificate of use:

- Tires and services sold to federal, state or local government agencies for official use.
- Tires for resale.

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

**Disposition of Revenue**

The division deposits all revenue from the tire fee into the General Fund.

**History**

**2003** - The legislature enacted the tire fee, effective 9/26/2003.

*Alaska imposes a tire fee on all new tires sold in Alaska.*

**FY 2009 Statistics**

New tires (non-studded)	\$1,062,455
Studded tires and stud installations	444,750
Penalties & Interest	<u>2,521</u>
<b>Tax Collections</b>	<b><u>\$1,509,726</u></b>
Number of Returns	340
Number of Taxpayers	91
Program Cost	\$91,285
Staffing (full-time equivalent)	0.9

**Tobacco Tax  
AS 43.50**

**Description**

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

**Rates**

**Cigarettes** - See rates table below. The cigarette tax must be paid through purchase of cigarette tax stamps. A stamp must be affixed to the bottom of every pack of cigarettes imported into the state for sale or personal consumption.

**Nonparticipating Manufacturer Equity Tax** – An additional tax of 12.5 mills (25 cents per pack of 20 cigarettes) is levied on each cigarette imported or acquired from a manufacturer that did not sign the tobacco Master Settlement Agreement. All revenue collected from this tax is deposited in the General Fund.

**Other Tobacco Products** - The tax rate on Other Tobacco Products, which includes tobacco products other than cigarettes such as cigars and chewing tobacco, is 75

percent of the wholesale price. The wholesale price is the established price at which a manufacturer sells tobacco products to a distributor. The division may adjust the wholesale price upon which tax was calculated if the wholesale price was not established in an arms-length transaction.

Legislation passed during a special legislative session in June 2004 increased the cigarette tax rate to 90 mills (9 cents) per cigarette on July 1, 2006 and 100 mills (10 cents) per cigarette on July 1, 2007. In addition, as of January 1, 2005, there is an additional tax of \$.25 per pack of 20 cigarettes on cigarette brands that are manufactured by manufacturers that did not sign the tobacco Master Settlement Agreement (NPM cigarettes). There was no increase in the other tobacco products tax rate.

**Returns**

Taxpayers must pay the cigarette tax by purchasing cigarette tax stamps. The other tobacco products tax is paid at the time a tax return is filed. Tax returns are required to be filed on a monthly basis and are due the last day of the month following the month that cigarette tax stamps were purchased or other tobacco products were imported into the state for sale.

Taxpayers that purchase cigarette tax stamps are entitled to a stamp discount of 3 percent on the first \$1,000,000 and 2 percent on the second \$1,000,000 of cigarette tax

**Cigarette Tax Rates**

Since July 1, 2007	Per cigarette	Per 20
Base Rate (School Fund)	38 mills \$0.038	\$0.76
Additional Tax (General Fund)	62 mills 0.062	1.24
<b>Total</b>	<b>100 mills \$0.10</b>	<b>\$2.00</b>

*8.9% of cigarette tax revenues deposited in the General Fund are deposited into the Tobacco Use Education and Cessation Fund.*

stamps purchased in a calendar year. The total stamp discount in each calendar year may not exceed \$50,000. Taxpayers who import other tobacco products for sale may deduct 0.4 percent of the other tobacco products tax due to cover expenses of accounting and filing returns. There is no limit on this deduction.

**Exemptions**

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

**Disposition of Revenue**

Cigarette Taxes – Revenue from the base rate is deposited in the School Fund. Revenue from the additional tax is initially deposited into the General Fund. Of the amount deposited in the General Fund, 8.9 percent of revenue is deposited into the Tobacco Use Education and Cessation Fund, a subfund of the General Fund.

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

**History**

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

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

**1955** - The legislature eliminated the tobacco products tax and, although the cigarette tax rate remained at 5

cents, the legislature converted the rate to a mill rate per cigarette (2.5 mills per cigarette). The legislature enacted a 1 percent deduction provision to cover accounting expenses. The legislature also created the School Fund and directed all proceeds from the cigarette tax be deposited in this fund.

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

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

**1983** - The Department of Revenue adopted regulations exempting sales of cigarettes by Indian Reservation businesses to members of the reservation.

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

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

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

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

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

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

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

**2003** – The legislature required all cigarette manufacturers to certify to the division that they are either a signatory to the tobacco Master Settlement Agreement (MSA) or in compliance with Alaska Statute

45.53. The division is required to post on its website a list of the compliant cigarette manufacturers and their brands. Only those brands of cigarettes included in the list may be sold in Alaska.

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

During a special session in June 2004, the legislature passed legislation that:

- Increased the cigarette tax by 30 mills to 8 cents per cigarette or \$1.60 per pack of 20 cigarettes, effective January 1, 2005.
- Levied an additional tax of 12.5 mills or 25 cents per pack of 20 cigarettes on cigarettes imported into the state for sale or personal consumption if the cigarettes were manufactured by a nonparticipating manufacturer (NPM). A nonparticipating manufacturer is a manufacturer that did not sign the tobacco Master Settlement Agreement. Revenue from the entire cigarette tax increase and the additional tax on NPM product is deposited in the General Fund.
- Required 8.9 percent of cigarette tax revenue deposited in the General Fund to be deposited into the Tobacco Use Education and Cessation Fund, effective January 1, 2005. Amounts deposited in the fund may be appropriated by the legislature for tobacco use education and cessation programs.

- Increased the cigarette tax by 10 mills to 9 cents per cigarette or \$1.80 per pack of 20 cigarettes, effective July 1, 2006. The revenue from this increase will be deposited in the General Fund.
  - Increased the cigarette tax by 10 mills to 10 cents per cigarette or \$2.00 per pack of 20 cigarettes, effective July 1, 2007. The revenue from this increase will be deposited in the General Fund.
- 2008** - Effective August 1, 2008, only fire-safe certified cigarettes can be imported into Alaska

### FY 2009 Statistics

#### Tax Collections by Product

Cigarettes	\$63,000,237
Other Tobacco Products	<u>10,242,503</u>
Subtotal	73,242,740
License Fee Collections	6,375
Penalties & Interest	211,593
Accounting Expense & Tax Stamp Deduction	<u>(385,673)</u>
<b>Total Collections by Product</b>	<b><u>\$73,075,035</u></b>

#### Tax Collections by fund

General Fund	\$46,591,326
School Fund	23,127,219
Tobacco Use Education and Cessation Fund	<u>3,356,490</u>
<b>Total Tax Collections All Funds</b>	<b><u>\$73,075,035</u></b>

#### Cigarettes sold or imported into the state – (individual cigarettes) as reported on returns\*

Total Cigarettes	653,665,303
Military and Indian Exempt Sales	(22,660,010)
Credits for Returns	<u>(2,183,116)</u>
<b>Taxable Cigarettes</b>	<b><u>628,822,177</u></b>

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

#### Other Tobacco Products (value) as reported on returns

Total products	\$14,903,260
Military and Indian Exempt Sales	(144,045)
Credits for Returns	<u>(1,170,192)</u>
<b>Taxable Other Tobacco Products</b>	<b><u>\$13,589,023</u></b>

Number of Returns	1,084
Number of Taxpayers	171
Program Cost	\$1,114,856
Staffing (full-time equivalent)	10.3

*The legislature may appropriate the balance in the vehicle rental tax account for tourism development and marketing.*

**Vehicle Rental Tax  
AS 43.52**

**Description**

Alaska levies an excise tax on fees and costs charged for the lease or rental of a passenger or recreational vehicle. The tax is levied on individuals renting vehicles and is collected by the rental/lease agency.

**Rate**

Vehicle Type	Rate (fees & costs)
Passenger	10%
Recreational	3%

**Returns**

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

**Exemptions**

Vehicle rental tax does not apply to:

- rentals or leases to federal, state, or local government agencies or employees on official business
- a lease or rental that contains a term exceeding 90 consecutive days or to the rental of taxicabs by taxicab drivers
- trucks rented by individuals for moving personal property and for

vehicles provided to customers by automobile dealers as replacement transportation during warranty, recall or service contract repairs.

**Disposition of Revenue**

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

**History**

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

**2004** - The legislature exempted the rental of taxicabs by taxicab drivers from the vehicle rental tax. Effective May 8, 2004 and retroactive to January 1, 2004, the division refunded any tax collected or remitted for taxi cab rentals between January 1 and May 8, 2004.

**2006** - The legislature exempted trucks rented by individuals for moving personal property and for vehicles provided to customers by automobile dealers as replacement transportation during warranty, recall or service contract repairs, effective January 27, 2006.

**FY 2009 Statistics**

Passenger vehicle rental	\$7,626,372
Recreational vehicle rental	364,153
Penalties & interest	54,419
<b>Total Tax Collections</b>	<b><u>\$8,044,944</u></b>
Number of Returns	415
Number of Taxpayers	112
Program Cost	\$246,713
Staffing (full-time equivalent)	2.3

**Investigations Function**

The Investigations Group consists of a Chief Investigator and four Investigator III's. The focus of the Investigations Group is Cigarette / Tobacco Tax Investigations, and Gaming Regulatory Compliance. The Investigators frequently conduct both administrative and criminal cases related to other tax types including Motor Fuel, Vehicle Rental, Mining, and other Excise Taxes. The investigations are generally initiated by periodic field inspections, tips from the public, and referral from various law enforcement agencies.

**Tobacco Investigations**

The Investigations Group ensures that all cigarettes imported or sold in Alaska are properly stamped with the Alaska Tax Stamp in accordance of AS 43.50. The investigators seize unstamped or improperly stamped cigarettes and any other tobacco products designated as contraband within the provisions of Alaska statutes. At the time of the investigation, investigators determine potential violations of cigarette minimum pricing and shipping statutes. Most of the tobacco investigations are initiated by field inspections, complaints by citizens and referrals from the

Internet Tobacco Auditors and law enforcement.

**Gaming Investigations**

The Investigations Group investigates potential gaming statute violations by licensed vendors, permittees, operators, and distributors. These investigations are generally initiated by routine inspections of premises where licensed activity is conducted, citizen complaints, and requests from Gaming Auditors.

During these inspections, the investigators educate the permittees, licensees, and the public about gaming laws and regulations.

**Other Investigations**

The Investigations Group provides investigative support to all groups within the Tax Division and may be called upon to investigate any of the tax types administered by the division, frequently including tax fraud and other tax evasion related crimes.

*The Investigations Group is called upon to investigate potential violations of any of the tax types administered by the division.*

*Appeals conducts informal conferences and issues decisions in taxpayer appeals of assessments for all tax types*

### Appeals Function

The Appeals Group consists of four appeals officers and a supervisor. The appeals officers and supervisor conduct informal conferences and issue informal conference decisions in taxpayer appeals of assessments for all tax types administered by the Department of Revenue along with charitable gaming appeals. Appeals officers work with Department of Law attorneys to resolve issues related to audit and compliance actions. Appeals officers also participate with Department of Law attorneys as a team to represent the Department of Revenue in formal hearings before the Office of Administrative Hearings and in settlement negotiations. Appeals officers also advise audit

staff regarding issues involved in active or past litigation.

Oil and gas production tax cases and corporate income tax cases are a priority due to the complexity of the issues and the amount of tax revenue involved. These cases require more resources to complete than the other tax types administered by the Department of Revenue.

#### FY 2009 Statistics

	Tax Periods*	Taxpayer Count
Beginning Inventory	201	68
Plus New Cases	471	148
Less Closed Cases	<u>(508)</u>	<u>(151)</u>
<b>Ending Inventory</b>	<b><u>164</u></b>	<b><u>65</u></b>

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

**Audit Function**

The income audit group is responsible for auditing corporate income taxes, including oil and gas corporate income tax returns.

The production audit group is responsible for auditing oil and gas production and property tax returns.

The excise audit group is responsible for auditing excise tax returns including alcoholic beverages, commercial passenger vessel, large passenger vessel, mining license,

motor fuel, vehicle rental and tobacco taxes, and tire fees.

The gaming audit group is responsible for financial compliance of permittees, operators and distributors.

The fish audit group is responsible for auditing fisheries-related tax returns including fisheries business, fishery resource landing, salmon enhancement, seafood development taxes, dive fishery management and seafood marketing assessments.

**FY 2009 Statistics**

**Audit Collections**

**Production Audit**

Oil and Gas Production	\$81,060,671
Oil and Gas Property	0
<b>Total Production Audit</b>	<b><u>\$81,060,671</u></b>

**Income Audit (Corporate Net Income)**

Oil and Gas Corporations	\$40,029,318
Other Corporations	8,898,516
<b>Total Income Audit</b>	<b><u>\$48,927,834</u></b>

**Fish Audit**

Fisheries Business	\$774,134
Fishery Resource Landing	119,389
Seafood Marketing	1,058
<b>Total Fish Audit</b>	<b><u>\$894,581</u></b>

**Excise Audit**

Tobacco	\$19
Alcoholic Beverages	14,453
Vehicle Rental	32,480
Tire Fee	2,128
<b>Total Excise Audit</b>	<b><u>\$49,080</u></b>

<b>Total</b>	<b><u>\$130,932,166</u></b>
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*The audit group includes income audit, production audit, excise audit, gaming audit and fish audit.*

## Salmon Price Reports AS 43.80

### Description

Alaska requires large processors that sell salmon products at wholesale to provide production and price information to the Fish Tax unit, which is used to publish average wholesale price information for the legislature and public.

### Reports

Processors selling salmon products at wholesale are required to file price reports on salmon for the periods January–April, May–August, and September–December. The tri-annual reports are due by the end of the month following the tri-annual period.

Processors must also file annual reconciliation reports by January 31 of the following year.

### Exemptions

Processors excluded from the tax under AS 43.75.017 and processors that sell 1,000,000 pounds or less of salmon products annually are exempt from the report filing requirements.

### History

**1980** - The legislature enacted salmon price reporting requirements for salmon canneries. Effective September 10, 1980, the Department of Revenue was required to compute and report to the legislature the average wholesale prices obtained for canned salmon reported by Alaska salmon canneries during the months of August, September, October, November and December for the previous five years.

**1983** - The legislature imposed a semi-annual report filing requirement on salmon canneries. Effective July 9, 1983, salmon canneries were required to report prices received for canned salmon for the periods October–March and April–September. Reports were due by

the end of the month following the semi-annual reporting period and were required to list products by case and specified can sizes. The legislation required the Department of Revenue to calculate monthly and annual wholesale price averages for each species of salmon in each unit category and to report to the legislature by the 15th day of each legislative session.

**1998** - The legislature expanded the reporting requirement to thermally processed salmon products and limited the reporting requirement to processors selling more than 240,000 pounds of thermally processed salmon products at wholesale during the calendar year. The legislation replaced the semi-annual filing with a tri-annual filing, and required processors to report all container sizes of thermally processed salmon. Effective September 1, 1998, all salmon canneries were required to report prices received for thermally processed salmon for the periods January–April, May–August and September–December. The reports were due by the end of the month following the tri-annual reporting period and were required to list thermally processed salmon products by whatever sizes sold.

**2000** - The legislature broadened the reporting requirement to include all processed salmon products and increased the reporting requirement to include only those processors selling more than 1,000,000 pounds of salmon products at wholesale. Effective September 1, 2000, large processors were required to provide areas of production for each salmon product sold at wholesale. The legislation requires salmon processors to file an annual report summarizing yearly activity, and requires the Department of Revenue to provide average wholesale prices paid for salmon products by March 15 of each year.

## Appendix A Historical Overview of Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Most Recent Change
<b>Alcoholic Beverages</b>	AS 43.60	1933	Wine 5¢/gallon Beer 5¢/gallon	Per Gallon Liquor \$12.80 Wine \$2.50 Beer (Malt Beverage) and Cider \$1.07 Beer (Small Breweries) \$0.35	2002 - Effective 10/1/2002, tax rates increased for alcoholic beverages as referenced under current tax structure.
<b>Commercial Passenger Vessel</b>	AS 43.52	2006	\$46/passenger	\$46/passenger	2006 - voter initiative passed authorizing \$46 tax
<b>Conservation Surcharge on Oil</b>	AS 43.55	1989	5¢/bbl	1¢/bbl increasing to 4¢/bbl when fund balance drops below \$50m	2006 - rates changed to 1¢/bbl and 4¢/bbl.
<b>Corporate Income</b>	AS 43.20	1949	10% of federal income tax liability	1% to 9.4% of net income	2008 - The legislature expanded the education credit to include contributions for vocational education and authorized a credit for film productions in Alaska.
<b>Dive Fishery Management Assessment</b>	AS 43.76.150	1997	Voluntary tax of 1, 3, 5, or 7% of value	SE AK Mgmt Area A Geoduck - 7% Sea Cucumber - 5% Sea Urchin - 7%	2005 - The legislature authorized an annual filing due date of March 31 for dive fishermen who export or sell to unlicensed buyers, effective January 1, 2005.
<b>Electric Cooperative</b>	AS 10.25.555	1959	1% of gross revenue if operating < 5 years  2% of gross revenue if operating ≥ 5 years	1/4 mill (\$.00025) per kWh if < 5 years; 1/2 mill (\$.0005) per kWh if ≥ 5 years	1980 - tax base on kWh rather than gross revenue
<b>Estate</b>	AS 43.31	1919	(Inheritance Tax) Based on value of property	State tax credit on federal estate tax return	1991 - interest on delinquent tax subject to compound interest under AS 43.05.225. Beginning FY 2003, the state estate tax will phase out as a consequence of changes in federal law
<b>Fisheries Business</b>	AS 43.75	1913	7¢ per case of canned salmon; Other -- dollar amount based on revenue	Floating 5% <sup>1</sup> and 3% <sup>2</sup> of value; Shore-based 3% <sup>1</sup> and 1% <sup>2</sup> of value; Cannery 4.5% of value; Direct Market 3% <sup>1</sup> and 1% <sup>2</sup> of value	2008 - The legislature expanded the education credit to include contributions for vocational education and extended the salmon product development tax credit program by 3 years.

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

**Appendix A (Continued)**

<b>Tax Type</b>	<b>Legal Reference</b>	<b>First Enacted</b>	<b>Original Tax</b>	<b>Current Tax Structure</b>	<b>Most Recent Change</b>
<b>Fishery Resource Landing</b>	AS 43.77	1993	3.3% of unprocessed value  <sup>1</sup> Established species	3% of value <sup>1</sup> 1% of value <sup>2</sup>  <sup>2</sup> Developing species	2008 - The legislature expanded the education credit to include contributions for vocational education.
<b>Gaming</b>	AS 05.15	1960		\$20 annual permit fee for new and renewal permittees. \$50 renewal permit fee for permittees with \$20,000 to \$100,000 in gross receipts. \$100 renewal permit fee for permittees with over \$100,000 in gross receipts. \$500 annual operator license fee. \$1,000 annual distributor fee. \$2,500 annual manufacturer license fee. 3% tax of an amount equal to the gross receipts less prizes awarded on each series of pull tabs distributed.	2008 - The legislature authorized broadcasting for dog mushers' contests, raffles and lotteries; and authorized the cabbage classic at the Alaska state fair.
<b>Large Passenger Vessel Gambling</b>	AS 05.16	2006	33% of adjusted gross income from gambling activities	33% of adjusted gross income from gambling activities	2006 - voter initiative passed authorizing gambling tax
<b>Mining License</b>	AS 43.65	1913	5% tax on mining net income of more than \$5,000	On net income <\$40,000 no tax. >\$40,001 \$1,200 plus 3% >\$50,001 \$1,500 plus 5% >\$100,000 \$4,000 plus 7%	2008 - The legislature expanded the education credit to include contributions for vocational education.
<b>Motor Fuel</b>	AS 43.40	1945	1¢ per gallon on all fuels	Highway - 8¢/gallon Marine - 5¢/gallon Aviation Gas- 4.7¢/gallon Jet Fuel - 3.2¢/gallon	2008 - Effective September 1, 2008 through August 31, 2009, motor fuel taxes on all fuel types are suspended.
<b>Oil &amp; Gas Production</b>	AS 43.55	1955	1% of production value	25 percent of the production tax value per BTU equivalent barrel of taxable oil and gas. When the average monthly production tax value is more than \$30 per barrel, but not more than \$92.50, there is an additional 0.4 percent progressive tax for each additional dollar of production tax value per barrel. When the average monthly production tax value exceeds \$92.50 per barrel, the tax rate is the sum of 25 percent and 0.1 percent of the difference between the average monthly production tax value and \$92.50. The maximum tax may not exceed 75 percent.	2008 - The alternative credit for exploration was increased from 20 to 30 percent for certain projects and an oil and gas tax credit fund was established for the cash purchases of tax credit certificates.

## Appendix A (Continued)

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Most Recent Change
<b>Oil &amp; Gas Property</b>	AS 43.56	1973	20 mills on full and true value	20 mills on full and true value	2008 - The legislature expanded the education credit to include contributions for vocational education.
<b>Regulatory Cost Charge</b>	AS 42.05.253 (Utilities) AS 42.06.285 (Pipelines)	1992	Electric Utilities: \$.000626/kWh  Other Utilities: .653% gross revenue Pipelines: .653% gross revenue	See RCA website at rca.alaska.gov	Rates change annually. See RCA web site.
<b>Salmon Enhancement</b>	AS 43.76	1980	Voluntary tax of 1%, 2% or 3% of value as elected by fishermen in a Seafood Development region	Southern Southeast - 3% Northern Southeast - 3% Cook Inlet 2% Pr. William Sound 2% Kodiak - 2% Chignik - 2%	2004 - SB 286 clarified the incidence of the tax; when selling to a buyer who does not withhold the tax, fishermen must now pay the tax on an annual return. Ten additional rates ranging from 4 to 30%
<b>Seafood Development</b>	AS 43.76.350	2005	Voluntary tax of 0.5%-2% of value as elected by fishermen in seafood development region	Pr. William Sound 1% (drift & set gillnet) Bristol Bay 1% (drift gillnet)	2009 - Commercial salmon set gillnet fishermen in the Prince William Sound seafood development region elected a 1% tax.
<b>Seafood Marketing</b>	AS 16.51.120	1981	Voluntary assessment of .1%, .2% or .3% of value as elected by processors	Rate set at 0.5% effective January 1, 2005.	2004 - SB 273 directed a member election of the Alaska Seafood Marketing Institute (ASMI). Fall election determined retention of Seafood Marketing Assessment and increased the rate to 0.5%.
<b>Telephone Cooperative</b>	AS 10.25.550	1959	1% of gross revenue if operating < 5 years; 2% of gross revenue if operating ≥ 5 years or longer	1% of gross revenue if operating < 5 years; 2% of gross revenue if operating ≥ 5 years or longer	1960 - The legislature changed the due date for filing returns to "before March 1".
<b>Tire Fee</b>	AS 43.98	2003	\$2.50 per new tire for highway-use motor vehicles Additional \$5 per tire with studs over 1.1 grams	\$2.50 per new tire for highway-use motor vehicles; Additional \$5 per tire with studs over 1.1 grams	No changes since tire fee enacted in 2003.

## Appendix A (Continued)

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Most Recent
<b>Tobacco</b>	AS 43.50	1949	Cigarettes - 3¢ per pack of 20; Tobacco - 2¢ per ounce	100 mills/cigarette (\$2.00 per pack of 20) 75% of wholesale price	2004 - SB 1001 increases the tax to \$1.60 per pack on Jan. 1, 2005, to \$1.80 per pack on July 1, 2006, and to \$2.00 on July 1, 2007. An additional tax of \$.25 per pack is imposed on manufacturers that did not sign the Master Settlement Agreement.
<b>Vehicle Rental</b>	AS 43.52	2004	10% on passenger vehicle rentals of 90 days or less 3% on recreational vehicle rentals of 90 days or less	10% on passenger vehicle rentals of 90 days or less 3% on recreational vehicle rentals of 90 days or less	2006 - exemptions for trucks for moving personal property and vehicles as replacement transportation.
<b>Repealed Tax Programs</b>					
<b>Business License</b>	AS 43.70	1949	\$25 license fee plus .5% of gross receipts > \$20,000 plus .25% of gross receipts > \$50,000	Repealed 1979 Reinstated 1988 and transferred to DCCED	Tax repealed effective January 1, 1979. License program transferred to DCCED by Executive Order effective July 1, 1988.
<b>Oil &amp; Gas Conservation</b>	AS 43.57	1955	5 mills per barrel of oil or 50,000 cubic feet of natural gas	Repealed	Tax repealed effective July 1, 1999.
<b>Coin-operated Devices</b>	AS 43.35	1941	12.5% of gross receipts on coin-operated machines	Repealed	Tax repealed effective January 1, 1999.
<b>Individual Income</b>	AS 43.20	1949	10% of federal income tax liability	Repealed	Tax repealed retroactive to 1979.
<b>Salmon Marketing</b>	AS 43.76	1993	1% of value of salmon	1% of value of salmon	Repealed effective January 1, 2005.
<b>School</b>	AS 43.45	1919	\$5 tax on each male person	Repealed	Tax repealed retroactive to 1980.

## Appendix B

### Comparison of Alcohol Tax Rates – Liquor

#### January 2008

State	Rate (\$ per gallon)	Rank*	State	Rate (\$ per gallon)	Rank*
Alabama	Footnote <sup>1</sup>	N/A	Montana	Footnote <sup>1</sup>	N/A
<b>Alaska</b>	<b>12.80</b>	<b>1</b>	Nebraska	3.75	16
Arizona	3.00	21	Nevada	3.60	18
Arkansas	2.50	24	New Hampshire	Footnote <sup>1</sup>	N/A
California	3.30	19	New Jersey	4.40	11
Colorado	2.28	29	New Mexico	6.06	4
Connecticut	4.50	9	New York	6.44	3
Delaware	5.46	7	North Carolina	Footnote <sup>1</sup>	N/A
Florida	6.50	2	North Dakota	2.50	24
Georgia	3.79	15	Ohio	Footnote <sup>1</sup>	N/A
Hawaii	5.98	5	Oklahoma	5.56	6
Idaho	Footnote <sup>1</sup>	N/A	Oregon	Footnote <sup>1</sup>	N/A
Illinois	4.50	9	Pennsylvania	Footnote <sup>1</sup>	N/A
Indiana	2.68	23	Rhode Island	3.75	16
Iowa	Footnote <sup>1</sup>	N/A	South Carolina	2.72	22
Kansas	2.50	24	South Dakota	3.93	14
Kentucky	1.92	31	Tennessee	4.40	11
Louisiana	2.50	24	Texas	2.40	28
Maine	Footnote <sup>1</sup>	N/A	Utah	Footnote <sup>1</sup>	N/A
Maryland	1.50	32	Vermont	Footnote <sup>1</sup>	N/A
Massachusetts	4.05	13	Virginia	Footnote <sup>1</sup>	N/A
Michigan	Footnote <sup>1</sup>	N/A	Washington	Footnote <sup>1</sup>	N/A
Minnesota	5.03	8	West Virginia	Footnote <sup>1</sup>	N/A
Mississippi	Footnote <sup>1</sup>	N/A	Wisconsin	3.25	20
Missouri	2.00	30	Wyoming	Footnote <sup>1</sup>	N/A

<sup>1</sup> 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 (FTA)

NOTE: Due to staffing shortage, FTA did not update the tax rate tables for 2009. They anticipate updating the tables for 2010.

## Appendix B

### Comparison of Alcohol Tax Rates – Wine

#### January 2008

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

<sup>1</sup> 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 (FTA)

NOTE: Due to staffing shortage, FTA did not update the tax rate tables for 2009. They anticipate updating the tables for 2010.

## Appendix B

### Comparison of Alcohol Tax Rates – Beer

#### January 2008

State	Rate (\$ per gallon)	Rank	State	Rate (\$ per gallon)	Rank
Alabama	.53	4	Montana	.14	36
<b>Alaska</b>	<b>1.07</b>	<b>1</b>	Nebraska	.31	14
Arizona	.16	30	Nevada	.16	30
Arkansas	.23	20	New Hampshire	.30	15
California	.20	21	New Jersey	.12	38
Colorado	.08	44	New Mexico	.41	8
Connecticut	.19	23	New York	.11	40
Delaware	.16	30	North Carolina	.53	4
Florida	.48	6	North Dakota	.16	30
Georgia	.32	12	Ohio	.18	27
Hawaii	.93	2	Oklahoma	.40	10
Idaho	.15	34	Oregon	.08	44
Illinois	.185	26	Pennsylvania	.08	44
Indiana	.115	39	Rhode Island	.10	42
Iowa	.19	23	South Carolina	.77	3
Kansas	.18	27	South Dakota	.27	16
Kentucky	.08	44	Tennessee	.14	36
Louisiana	.32	12	Texas	.19	23
Maine	.35	11	Utah	.41	8
Maryland	.09	43	Vermont	.265	17
Massachusetts	.11	40	Virginia	.26	19
Michigan	.20	21	Washington	.261	18
Minnesota	.15	34	West Virginia	.18	27
Mississippi	.4268	7	Wisconsin	.06	48
Missouri	.06	48	Wyoming	.02	50

Source: Federation of Tax Administrators (FTA)

NOTE: Due to staffing shortage, FTA did not update the tax rate tables for 2009. They anticipate updating the tables for 2010.

## Appendix B

### Comparison of Highway Gasoline Tax Rates

#### January 2008

State	Rate (¢ per gallon)	Other Tax <sup>1</sup> (¢ per gallon)	Total (¢ per gallon)	Rank	State	Rate (¢ per gallon)	Other Tax <sup>1</sup> (¢ per gallon)	Total (¢ per gallon)	Rank
Alabama	16	2	18	39	Montana	27	0	27	9
<b>Alaska *</b>	<b>8</b>	<b>0</b>	<b>8</b>	<b>51</b>	Nebraska	23	0.9	23.9	17
Arizona	18	0	18	39	Nevada	24	0.055	24.055	14
Arkansas	21.5	0	21.5	23	New Hampshire	18	1.625	19.625	34
California	18	0	18	39	New Jersey	10.5	4	14.5	49
Colorado	22	0	22	21	New Mexico	17	1.875	18.875	36
Connecticut	25	0	25	11	New York	8	16.4	24.4	13
Delaware	23	0	23	19	North Carolina	29.9	0.25	30.15	6
Dist of Columbia	20	0	20	29	North Dakota	23	0	23	19
Florida	4	11.6	15.6	48	Ohio	28	0	28	7
Georgia	7.5	11	18.5	37	Oklahoma	16	1	17	44
Hawaii	17	0	17	45	Oregon	24	0	24	15
Idaho	25	1	26	10	Pennsylvania	12	19.2	31.2	4
Illinois	19	1.1	20.1	14	Rhode Island	30	1	31	5
Indiana	18	0	18	39	South Carolina	16	0	16	47
Iowa	20.7	0	20.7	27	South Dakota	22	0	22	21
Kansas	24	0	24	15	Tennessee	20	1.4	21.4	24
Kentucky	19.6	1.4	21	25	Texas	20	0	20	29
Louisiana	20	0	20	29	Utah	24.5	0	24.5	12
Maine	27.6	0	27.6	8	Vermont	19	1	20	29
Maryland	23.5	0	23.5	18	Virginia	17.5	0	17.5	44
Massachusetts	21	0	21	25	Washington	36	0	36	1
Michigan	19	0	19	35	West Virginia	20.5	11.7	32.2	3
Minnesota	20	0	20	29	Wisconsin	30.9	2	32.9	2
Mississippi	18	0.4	18.4	38	Wyoming	13	1	14	50
Missouri	17	0.55	17.55	43					

<sup>1</sup> Includes state sales tax, gross receipts tax and underground storage tank taxes.

\* Tax suspended effective September 1, 2008 through August 31, 2009.

Source: Federation of Tax Administrators (FTA)

NOTE: Due to staffing shortage, FTA did not update the tax rate tables for 2009. They anticipate updating the tables for 2010.

## Appendix B

### Comparison of Aviation Fuel Tax Rates January 2008

State	Jet Fuel (¢ per gallon)	Rank <sup>1</sup>	Aviation Gas (¢ per gallon)	Rank <sup>2</sup>	State	Jet Fuel (¢ per gallon)	Rank <sup>1</sup>	Aviation Gas (¢ per gallon)	Rank <sup>2</sup>
Alabama	1	30	3	33	Montana	4.0	17	4.0	31
<b>Alaska *</b>	<b>3.2</b>	<b>21</b>	<b>4.7</b>	<b>30</b>	Nebraska	3.0	23	5.0	25
Arizona	3.05	22	5.0	25	Nevada	1	30	1.0	37
Arkansas	Sales Tax	N/A	Sales Tax	N/A	New Hampshire	2.0	26	4.0	31
California	2.0	26	18.0	5	New Jersey	12.5	1	12.5	9
Colorado	4.0	17	6.0	21	New Mexico	Sales Tax	N/A	17.0	8
Connecticut	None	N/A	None	N/A	New York	8.0	5	8.0	14
Delaware	None	N/A	23.0	1	North Carolina	Sales Tax	N/A	Sales Tax	N/A
Florida	6.9	9	6.9	19	North Dakota	8.0	5	8.0	14
Georgia	Sales Tax	N/A	1.0	37	Ohio	Sales Tax	N/A	Sales Tax	N/A
Hawaii	2	26	2	35	Oklahoma	0.08	34	0.08	39
Idaho	6	10	7	17	Oregon	1.0	30	9.0	12
Illinois	11.0	2	11.0	10	Pennsylvania	2.0	13	5.3	24
Indiana	0.8	33	18.0	5	Rhode Island	None	N/A	None	N/A
Iowa	3.0	23	8.0	14	South Carolina	Sales Tax	N/A	Sales Tax	N/A
Kansas	Sales Tax	N/A	Sales Tax	N/A	South Dakota	4.0	17	6.0	21
Kentucky	Sales Tax	N/A	18.3	4	Tennessee	1.4	29	1.4	36
Louisiana	Sales Tax	N/A	Sales Tax	3	Texas	None	N/A	None	N/A
Maine	3.4	20	22.0	2	Utah	9.0	4	9.0	12
Maryland	7.0	8	7.0	17	Vermont	Sales Tax	N/A	20.0	3
Massachusetts	7.2	7	17.9	7	Virginia	5.0	13	5.0	25
Michigan	3.0	23	3.0	33	Washington	11.0	2	11.0	10
Minnesota	5.0	13	5.0	25	West Virginia	5% of average	N/A	5% of average	N/A
Mississippi	5.25	12	6.4	20	Wisconsin	6.0	10	6.0	21
Missouri	Sales Tax	N/A	Sales Tax	N/A	Wyoming	5.0	13	5.0	25

<sup>1</sup>Out of 34 states with tax rates

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

\*Tax suspended effective September 1, 2008 through August 31, 2009.

Source: National Business Aircraft Association, Inc. 2008 State Aviation Tax Report

## Appendix B

### Comparison of Cigarette Tax Rates

#### January 2008

State	Rate (\$ per pack)	Rank	State	Rate (\$ per pack)	Rank
Alabama	0.425	42	Montana	1.70	13
<b>Alaska</b>	<b>2.00</b>	<b>4</b>	Nebraska	0.64	35
Arizona	2.00	4	Nevada	0.80	32
Arkansas	0.59	38	New Hampshire	1.08	24
California	0.87	30	New Jersey	2.575	1
Colorado	0.84	31	New Mexico	0.91	29
Connecticut	2.00	4	New York	1.50	16
Delaware	1.15	23	North Carolina	0.35	45
Florida	0.339	46	North Dakota	0.44	41
Georgia	0.37	43	Ohio	1.25	20
Hawaii	1.80	10	Oklahoma	1.03	25
Idaho	0.57	39	Oregon	1.18	22
Illinois	0.98	28	Pennsylvania	1.35	19
Indiana	0.995	27	Rhode Island	2.46	2
Iowa	1.36	18	South Carolina	0.07	51
Kansas	0.79	33	South Dakota	1.53	14
Kentucky	0.30	47	Tennessee	0.62	36
Louisiana	0.36	44	Texas	1.41	17
Maine	2.00	4	Utah	0.695	34
Maryland	2.00	4	Vermont	1.79	11
Massachusetts	1.51	15	Virginia	0.30	47
Michigan	2.00	4	Washington	2.025	3
Minnesota	1.23	21	West Virginia	0.55	40
Mississippi	0.18	49	Wisconsin	1.77	12
Missouri	0.17	50	Wyoming	0.60	37

Source: Federation of Tax Administrators (FTA)

NOTE: Due to staffing shortage, FTA did not update the tax rate tables for 2009. They anticipate updating the tables for 2010.

## Appendix B

### Comparison of Tobacco Products Tax Rates January 2008

State	Rate	State	Rate
Alabama	.6¢ - 5.25¢/ounce	Montana	50% Wholesale Price
<b>Alaska</b>	<b>75% Wholesale Price</b>	Nebraska	20% Wholesale Price
Arizona	23.8¢/ounce	Nevada	30% Wholesale Price
Arkansas	32% Manufacturer Price	New Hampshire	19% Wholesale Price
California	45.13% Wholesale Price	New Jersey	30% Wholesale Price
Colorado	40% Manufacturer Price	New Mexico	25% Product Value
Connecticut	20% Wholesale Price	New York	37% Wholesale Price
Delaware	15% Wholesale Price	North Carolina	3% Wholesale Price
Florida	25% Wholesale Price	North Dakota	16¢ - 60¢/ounce
Georgia	10% Wholesale Price	Ohio	17% Wholesale Price
Hawaii	40% Wholesale Price	Oklahoma	60% - 80% Factory List Price
Idaho	40% Wholesale Price	Oregon	65% Wholesale Price
Illinois	18% Wholesale Price	Pennsylvania	N/A
Indiana	24% Wholesale Price	Rhode Island	40% Wholesale Price
Iowa	50% Wholesale Price	South Carolina	5% Manufacturer Price
Kansas	10% Wholesale Price	South Dakota	35% Wholesale Price
Kentucky	7.5% Wholesale Price	Tennessee	6.6% Wholesale Price
Louisiana	33% Manufacturer Price	Texas	40% Manufacturer Price
Maine	78% Wholesale Price	Utah	35% Manufacturer Price
Maryland	15% Wholesale Price	Vermont	41% Manufacturer Price
Massachusetts	90% Wholesale Price	Virginia	10% Wholesale Price
Michigan	32% Wholesale Price	Washington	75% Wholesale Price
Minnesota	70% Wholesale Price	West Virginia	7% Wholesale Price
Mississippi	15% Manufacturer Price	Wisconsin	50% Manufacturer Price
Missouri	10% Manufacturer Price	Wyoming	20% Wholesale Price

*Tobacco products include chewing tobacco and snuff.*

*N/A - Not Applicable*

Source: Federation of Tax Administrators (FTA)

NOTE: Due to staffing shortage, FTA did not update the tax rate tables for 2009. They anticipate updating the tables for 2010.

## Appendix B

### Comparison of Corporate Income Tax Rates

#### January 2008

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	6.968		Flat Rate	1
Arkansas	1.0 - 6.5	\$3,000	\$100,000	6
California	8.84		Flat Rate	1
Colorado	4.63		Flat Rate	1
Connecticut	7.5		Flat Rate	1
Delaware	8.7		Flat Rate	1
Florida	5.5		Flat Rate	1
Georgia	6.0		Flat Rate	1
Hawaii	4.4 - 6.4	\$25,000	\$100,000	3
Idaho	7.6		Flat Rate	1
Illinois	7.3		Flat Rate	1
Indiana	8.5		Flat Rate	1
Iowa	6.0 - 12.0	\$25,000	\$250,000	4
Kansas	4.0		Flat Rate	1
Kentucky	4.0 - 6.0	\$50,000	\$100,000	3
Louisiana	4.0 - 8.0	\$25,000	\$200,000	5
Maine	3.5 - 8.93	\$25,000	\$250,000	4
Maryland	8.3		Flat Rate	1
Massachusetts	9.5		Flat Rate	1
Michigan	4.95		Flat Rate	1
Minnesota	9.8		Flat Rate	1
Mississippi	3.0 - 5.0	\$5,000	\$10,000	3
Missouri	6.25		Flat Rate	1

Source: Federation of Tax Administrators (FTA)

NOTE: Due to staffing shortage, FTA did not update the tax rate tables for 2009. They anticipate updating the tables for 2010.

**Appendix B**  
**Comparison of Corporate Income Tax Rates**  
**January 2008**  
**(Continued)**

State	Rate (%)	Tax Brackets		Number of Brackets
		Lowest	Highest	
Montana	6.75		Flat Rate	1
Nebraska	5.58 - 7.81	\$50,000		2
Nevada	No Corporation Income Tax			N/A
New Hampshire	8.5		Flat Rate	1
New Jersey	9.0		Flat Rate	1
New Mexico	4.8 - 7.6	\$500,000	\$1,000,000	3
New York	7.5		Flat Rate	1
North Carolina	6.9		Flat Rate	1
North Dakota	2.6 - 6.5	\$3,000	\$30,000	5
Ohio	5.1 - 8.5	\$50,000		2
Oklahoma	6.0		Flat Rate	1
Oregon	6.6		Flat Rate	1
Pennsylvania	9.99		Flat Rate	1
Rhode Island	9.0		Flat Rate	1
South Carolina	5.0		Flat Rate	1
South Dakota	No Corporation Income Tax			N/A
Tennessee	6.5		Flat Rate	1
Texas	Tax Based on Capital and Surplus			N/A
Utah	5.0		Flat Rate	1
Vermont	6.0 - 8.5	\$10,000	\$250,000	3
Virginia	6.0		Flat Rate	1
Washington	No Corporation Income Tax			N/A
West Virginia	8.5		Flat Rate	1
Wisconsin	7.9		Flat Rate	1
Wyoming	No Corporation Income Tax			N/A
Federal	15.0 - 39.0	\$50,000	\$18,333.333	8

Source: Federation of Tax Administrators (FTA)

NOTE: Due to staffing shortage, FTA did not update the tax rate tables for 2009. They anticipate updating the tables for 2010.

## Appendix B

### Comparison of Individual Income Tax Rates\*

#### January 2008

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>			<b>N/A</b>
Arizona	2.59 - 4.54	\$10,000	\$150,000	5
Arkansas	1.0 - 7.0	\$3,699	\$31,100	6
California	1.0 - 9.3	\$6,827	\$44,815	6
Colorado	4.63	Flat Rate		1
Connecticut	3.0 - 5.0	\$10,000	\$10,000	2
Delaware	2.2 - 5.95	\$5,000	\$60,000	6
Florida	No State Income Tax			N/A
Georgia	1.0 - 6.0	\$750	\$7,000	6
Hawaii	1.4 - 8.25	\$2,400	\$48,000	9
Idaho	1.6 - 7.8	\$1,237	\$24,736	8
Illinois	3.0	Flat Rate		1
Indiana	3.4	Flat Rate		1
Iowa	.36 - 8.98	\$1,379	\$62,055	9
Kansas	3.5 - 6.45	\$15,000	\$30,000	3
Kentucky	2.0 - 6.0	\$3,000	\$75,000	6
Louisiana	2.0 - 6.0	\$12,500	\$25,000	3
Maine	2.0 - 8.5	\$4,849	\$19,450	4
Maryland	2.0 - 5.5	\$1,000	\$500,000	7
Massachusetts	5.3	Flat Rate		1
Michigan	4.35	Flat Rate		1
Minnesota	5.35 - 7.85	\$21,800	\$71,591	3
Mississippi	3.0 - 5.0	\$5,000	\$10,000	3
Missouri	1.5 - 6.0	\$1,000	\$9,000	10

\* Rates apply to unmarried individuals

Source: Federation of Tax Administrators (FTA)

NOTE: Due to staffing shortage, FTA did not update the tax rate tables for 2009. They anticipate updating the tables for 2010.

**Appendix B**  
**Comparison of Individual Income Tax Rates\***  
**January 2008**  
**(Continued)**

State	Rate (%)	Tax Brackets		Number of Brackets
		Lowest	Highest	
Montana	1.0 - 6.9	\$2,500	14,900	7
Nebraska	2.56 - 6.84	\$2,400	\$27,001	4
Nevada	No State Income Tax			N/A
New Hampshire	Tax Limited to Dividends and Interest			N/A
New Jersey	1.4 - 8.97	\$20,000	\$500,000	6
New Mexico	1.7 - 5.3	\$5,500	\$16,000	4
New York	4.0 - 6.85	\$8,000	\$20,000	5
North Carolina	6.0 - 7.75	\$12,750	\$60,000	3
North Dakota	2.1 - 5.54	\$31,850	\$349,701	5
Ohio	0.618 - 6.24	\$5,000	\$200,000	9
Oklahoma	0.5 - 5.5	\$1,000	\$8,701	7
Oregon	5.0 - 9.0	\$2,900	\$7,300	3
Pennsylvania	3.07	Flat Rate		1
Rhode Island	25% Federal Tax Liability			N/A
South Carolina	0 - 7.0	\$2,670	\$13,350	6
South Dakota	No State Income Tax			N/A
Tennessee	Tax Limited to Dividends and Interest			N/A
Texas	No State Income Tax			N/A
Utah	5.0	Flat Rate		1
Vermont	3.6 - 9.5	\$32,550	\$357,700	5
Virginia	2.0 - 5.75	3,000	17,000	4
Washington	No State Income Tax			N/A
West Virginia	3.0 - 6.5	\$10,000	\$60,000	5
Wisconsin	4.6 - 6.75	\$9,700	\$145,460	4
Wyoming	No State Income Tax			N/A

\* Rates apply to unmarried individuals

Source: Federation of Tax Administrators (FTA)

NOTE: Due to staffing shortage, FTA did not update the tax rate tables for 2009. They anticipate updating the tables for 2010.

## Appendix B

### Comparison of Sales Tax Rates

#### January 2008

State	Rate (%)	State	Rate (%)
Alabama	4.0	Montana	No State Sales Tax
<b>Alaska</b>	<b>No State Sales Tax</b>	Nebraska	5.5
Arizona	5.6	Nevada	6.5
Arkansas	6.0	New Hampshire	No State Sales Tax
California	7.25	New Jersey	7.0
Colorado	2.9	New Mexico	5.0
Connecticut	6.0	New York	4.0
Delaware	No State Sales Tax	North Carolina	4.25
Florida	6.0	North Dakota	5.0
Georgia	4.0	Ohio	5.5
Hawaii	4.0	Oklahoma	4.5
Idaho	6.0	Oregon	No State Sales Tax
Illinois	6.25	Pennsylvania	6.0
Indiana	6.0	Rhode Island	7.0
Iowa	5.0	South Carolina	6.0
Kansas	5.3	South Dakota	4.0
Kentucky	6.0	Tennessee	7.0
Louisiana	4.0	Texas	6.25
Maine	5.0	Utah	4.65
Maryland	6.0	Vermont	6.0
Massachusetts	5.0	Virginia	5.0
Michigan	6.0	Washington	6.5
Minnesota	6.5	West Virginia	6.0
Mississippi	7.0	Wisconsin	5.0
Missouri	4.225	Wyoming	4.0

Source: Federation of Tax Administrators (FTA)

NOTE: Due to staffing shortage, FTA did not update the tax rate tables for 2009. They anticipate updating the tables for 2010.