

# Annual Report



## Fiscal Year 2012

Available online at [www.tax.alaska.gov](http://www.tax.alaska.gov)

*Alaska Tax Division 2012 Annual Report*



This annual report covers fiscal year 2012, which ended June 30, 2012.

The purpose of this report is to provide an overview of programs administered by the Tax Division ("Division") and statistics of revenue collections and other information related to those programs.

*Alaska Tax Division 2012 Annual Report*

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## Our Mission

To collect taxes, inform stakeholders, and regulate charitable gaming.

## Overview

The programs administered by the Tax Division generate a significant portion of General Fund revenue used for funding state government and programs throughout Alaska. These programs include:

### Oil and Gas Taxes

- Conservation Surcharge
- Production
- Property

### Corporate Income Tax

### 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
- Mining License
- Regulatory Cost Charges
- Telephone Cooperative

### Other Programs

- Gaming
- Revenue Forecasting
- Salmon Price Reporting

## Retrospect

The Tax Division (Division) faced many challenges during fiscal year 2012 (FY 2012). The main challenge continues to be the ability to provide current revenue information in light of aging or non-existent information management systems. Although the Legislature provided funding for a new revenue management system, that system is in the early stages of implementation and will not be fully functional for at least three to five years. The early stages of implementation have included selecting an outside contractor to assist in drafting a "Request for Proposal" (RFP) to solicit bids for a system, and also provide project management services during the life of the project.

Other challenges included the continued implementation of the significant changes made to the oil and gas production tax as well as providing assistance to the governor and legislature in evaluating the current oil and gas tax structure and its potential negative effect on current and future oil and gas exploration and development in Alaska.

Along with oil and gas production tax, the Division is responsible for the administration of 20 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. Following are some highlights of major accomplishments of the Division during FY 2012:

- In addition to evaluating potential changes to Alaska's oil and gas production tax, assisted both the governor and the legislature in dealing with various other fiscal issues and provided information and testimony on education, film production, research and development, veterans, and renewable energy tax credits as well as proposed changes to the passenger vehicle, motor fuel, corporate income and mining license taxes.
- Successfully selected a project manager to draft a request for proposal for a new tax revenue management system and oversee implementation of that system.
- Continued work on a project to identify and standardize critical information needed from the oil and gas industry to enhance the quality of oil and gas audits and our ability to more accurately estimate future production tax revenues for state budgeting purposes.
- Initiated work on identifying data needs, and identifying and defining data elements necessary for oil and gas production tax administration and economic forecasting.
- Assessed over \$40 million in additional production tax and interest liabilities as the result of closing multiple audits covering tax years 2005 through 2009 (it is important to note that these audits include both production tax audits, and production tax credit audits).
- Continued to provide critical resources in support of the governor's plans regarding a gas line.

**Retrospect continued**

- Continued training of Corporate Income Tax Auditors responsible for the Alaska corporate net income tax and Oil and Gas Revenue Auditors responsible for oil and gas production tax.
- Distributed shared taxes and fees of over \$48 million to 130 communities throughout Alaska.
- Closed appeals from over 132 taxpayers of assessments in all tax types and charitable gaming.

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

Program (All Funds)	FY 2012	% Fund	FY 2011	% Fund	FY 2010	% Fund
Oil & Gas Production <sup>1</sup>	\$6,131,605,503	83.39%	\$4,606,102,504	78.52%	\$3,320,509,475	76.73%
Oil & Gas Corporate Income <sup>1</sup>	571,772,010	7.78%	572,966,245	9.77%	491,876,513	11.37%
Oil and Gas Property <sup>1 and 2</sup>	215,414,779	2.93%	184,254,471	3.14%	118,768,329	2.74%
Other Corporate Income	98,492,182	1.34%	157,676,608	2.69%	81,910,562	1.89%
Tobacco <sup>3</sup>	71,405,625	0.97%	73,055,396	1.25%	71,985,643	1.66%
Fisheries Business <sup>5</sup>	53,097,514	0.72%	44,462,246	0.76%	31,945,400	0.74%
Motor Fuel <sup>5</sup>	40,980,346	0.56%	39,617,286	0.68%	28,834,020	0.67%
Mining License <sup>1</sup>	40,695,833	0.55%	49,588,119	0.85%	29,725,100	0.69%
Alcoholic Beverages <sup>6</sup>	38,692,797	0.53%	38,730,319	0.66%	38,756,760	0.90%
Commercial Passenger Vessel <sup>4 and 5</sup>	16,372,480	0.22%	31,997,310	0.55%	44,205,582	1.02%
Fishery Resource Landing <sup>5</sup>	12,013,308	0.16%	7,083,988	0.12%	12,552,075	0.29%
Salmon Enhancement	10,060,538	0.14%	7,851,054	0.13%	4,877,106	0.11%
Seafood Marketing Assessment	9,710,180	0.13%	8,622,211	0.15%	7,812,697	0.18%
Oil & Gas Conservation Surcharge	9,448,398	0.13%	9,670,333	0.16%	10,318,732	0.24%
Vehicle Rental	8,529,633	0.12%	8,280,292	0.14%	7,332,686	0.17%
Regulatory Cost Charges	8,510,552	0.12%	9,796,244	0.17%	9,666,038	0.22%
Large Passenger Vessel Gambling	5,155,954	0.07%	5,764,962	0.10%	6,312,053	0.15%
Gaming	2,586,847	0.04%	2,537,686	0.04%	2,609,282	0.06%
Telephone Cooperative <sup>5</sup>	2,067,213	0.03%	1,897,512	0.03%	2,046,583	0.05%
Electric Cooperative <sup>5</sup>	2,046,510	0.03%	2,025,707	0.03%	2,038,375	0.05%
Seafood Development	1,915,156	0.03%	2,143,116	0.04%	1,578,861	0.04%
Tire Fee	1,419,884	0.02%	1,500,800	0.03%	1,427,771	0.03%
Dive Fishery Management	682,534	0.01%	603,219	0.01%	523,024	0.01%
Salmon Marketing	0	0.00%	0	0.00%	-11,781	0.00%
Estate	0	0.00%	0	0.00%	-19,510	0.00%
<b>Total</b>	<b><u>\$7,352,675,776</u></b>	<b><u>100.00%</u></b>	<b><u>\$5,866,227,627</u></b>	<b><u>100.00%</u></b>	<b><u>\$4,327,581,376</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.

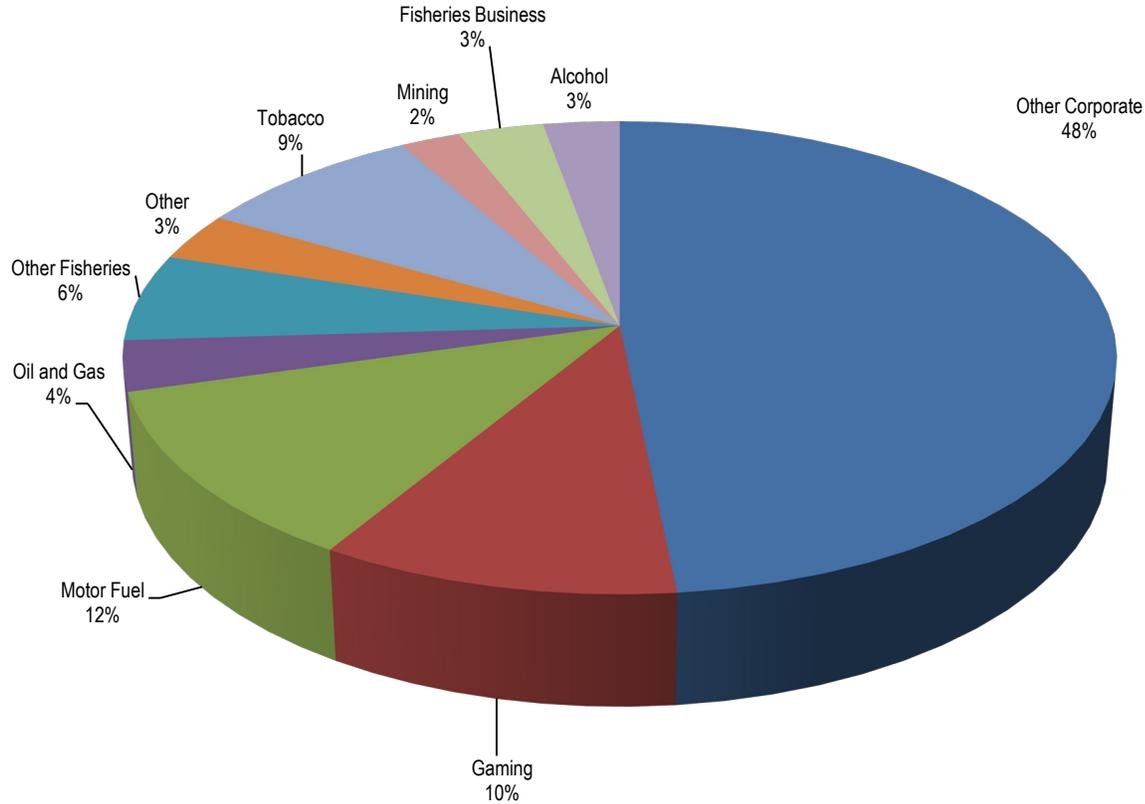
<sup>6</sup> Includes amounts transferred to the Alcohol and Other Drug Abuse Treatment and Prevention Fund.

<sup>7</sup> The legislation establishing the Regional Cruise Ship Impact Fund was repealed beginning in FY2012.

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

<b>Constitutional Budget Reserve Fund</b>						
Oil & Gas Production	(\$5,058,795)	-4.95%	\$62,872,010	37.44%	\$459,807,918	90.94%
Oil & Gas Corporate	2,956,805	2.89%	30,851,341	18.37%	45,756,692	9.05%
Mining	53,648	0.05%	607,605	0.36%	48,116	.01%
Oil & Gas Property	<u>104,235,535</u>	<u>102.00%</u>	<u>73,618,541</u>	<u>43.83%</u>	<u>0</u>	<u>0.00%</u>
<b>Total CBRF</b>	<b><u>\$102,187,193</u></b>	<b><u>100.00%</u></b>	<b><u>\$167,949,497</u></b>	<b><u>100.00%</u></b>	<b><u>\$505,612,726</u></b>	<b><u>100.00%</u></b>
<b>School Fund</b>	<b>\$22,549,956</b>	<b>100.00%</b>	<b>\$23,155,813</b>	<b>100.00%</b>	<b>\$23,440,125</b>	<b>100.00%</b>
<b>Alcohol and Other Drug Abuse Treatment and Prevention Fund</b>	<b>\$19,330,107</b>	<b>100.00%</b>	<b>\$19,362,716</b>	<b>100.00%</b>	<b>\$19,231,568</b>	<b>100.00%</b>
<b>Regional Cruise Ship Impact Fund<sup>7</sup></b>	<b>\$0</b>	<b>100.00%</b>	<b>\$8,757,054</b>	<b>100.00%</b>	<b>\$11,006,316</b>	<b>100.00%</b>
<b>Tobacco Use Education and Cessation Fund</b>	<b>\$3,273,499</b>	<b>100.00%</b>	<b>\$3,361,917</b>	<b>100.00%</b>	<b>\$3,403,221</b>	<b>100.00%</b>

**Figure 2 - Tax Returns Filed**



**Total Tax Returns Filed 28,823**

<b>Oil and Gas</b>	<b>993</b>	<b>Alcoholic Beverages</b>	<b>815</b>	<b>Mining</b>	<b>650</b>
Production	29				
Corporate Income	87	<b>Fisheries Business</b>	<b>913</b>	<b>Gaming*</b>	<b>2975</b>
Property	877				
<b>Other Corporate Income</b>	<b>13,948</b>	<b>Other Fisheries</b>	<b>1,719</b>	<b>Other</b>	<b>945</b>
		Salmon Enhancement	891	Vehicle Rental	464
<b>Motor Fuel</b>	<b>3,418</b>	Seafood Marketing	446	Tire Fee	315
		Seafood Development	244	CPV Excise	133
<b>Tobacco</b>	<b>2,447</b>	Fishery Resource Landing	78	Electric Cooperative	17
		Dive Fishery Management	60	Telephone Cooperative	7
				LPV Gambling	9

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

## 2012 Legislation

### **SB 84 (Ch 7 FSSLA 11) – Education Tax Credit.**

This legislation extended the expiration date of the \$5 million annual credit limit from January 1, 2014 to January 1, 2021, and expanded the type of contributions eligible for the credit.

Cash contributions to the following now qualify for the Education Tax Credit:

- For an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association
- For Alaska Native cultural or heritage programs provided by a nonprofit agency for educational support, including mentoring and tutoring, to in-state grades K – 12 public school staff and students
- For education, research, rehabilitation, and facilities by an in-state institution that qualifies as a coastal ecosystem learning center under the Coastal American Partnership that provides education, research and rehabilitation

This legislation became effective on July 1, 2011.

## Key Contacts

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### Oil & Gas Production Tax

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### Gaming

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### Oil & Gas Production Tax Credits

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### Information Technology

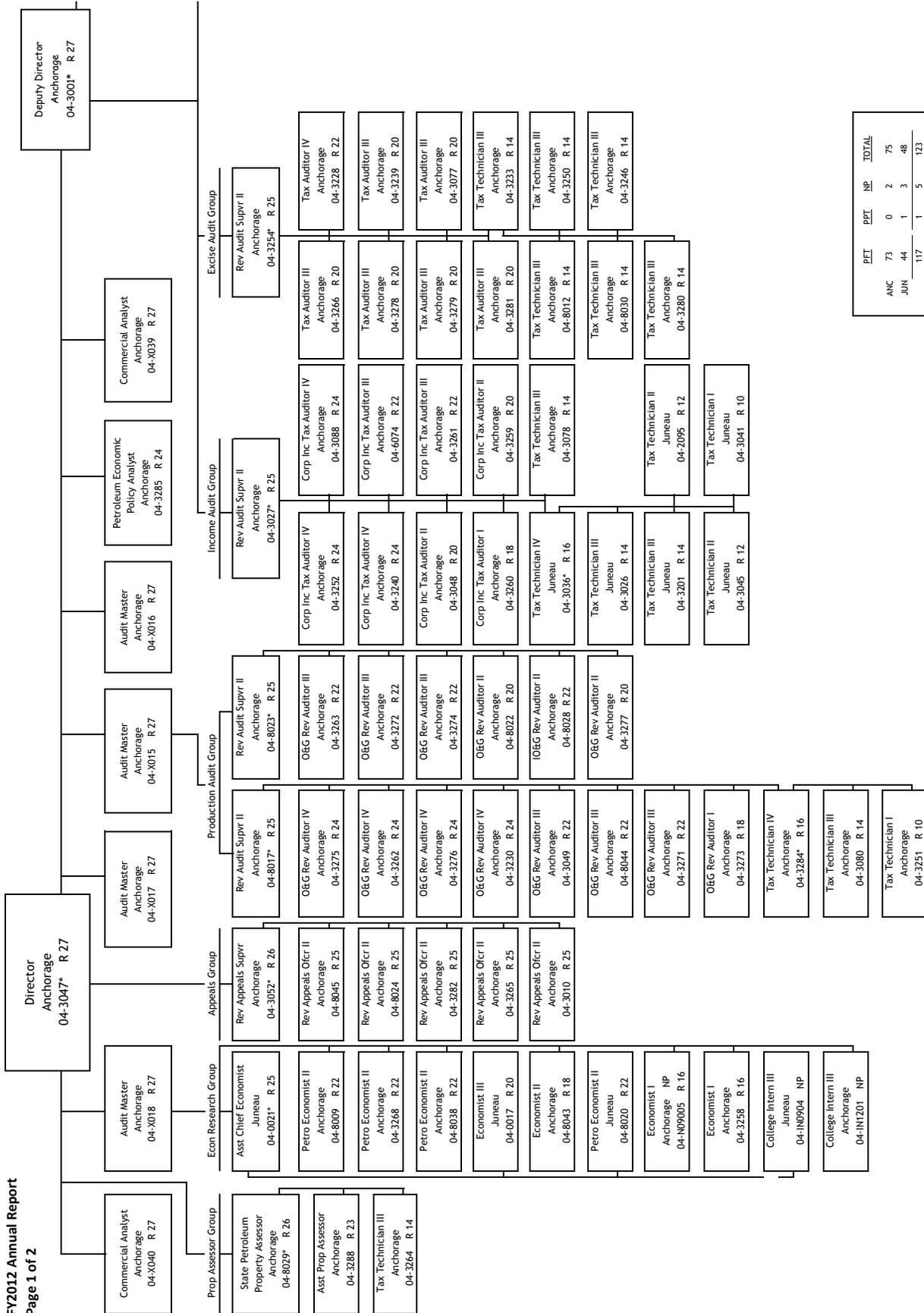
Donald McDonald  
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### Oil & Gas Property Tax

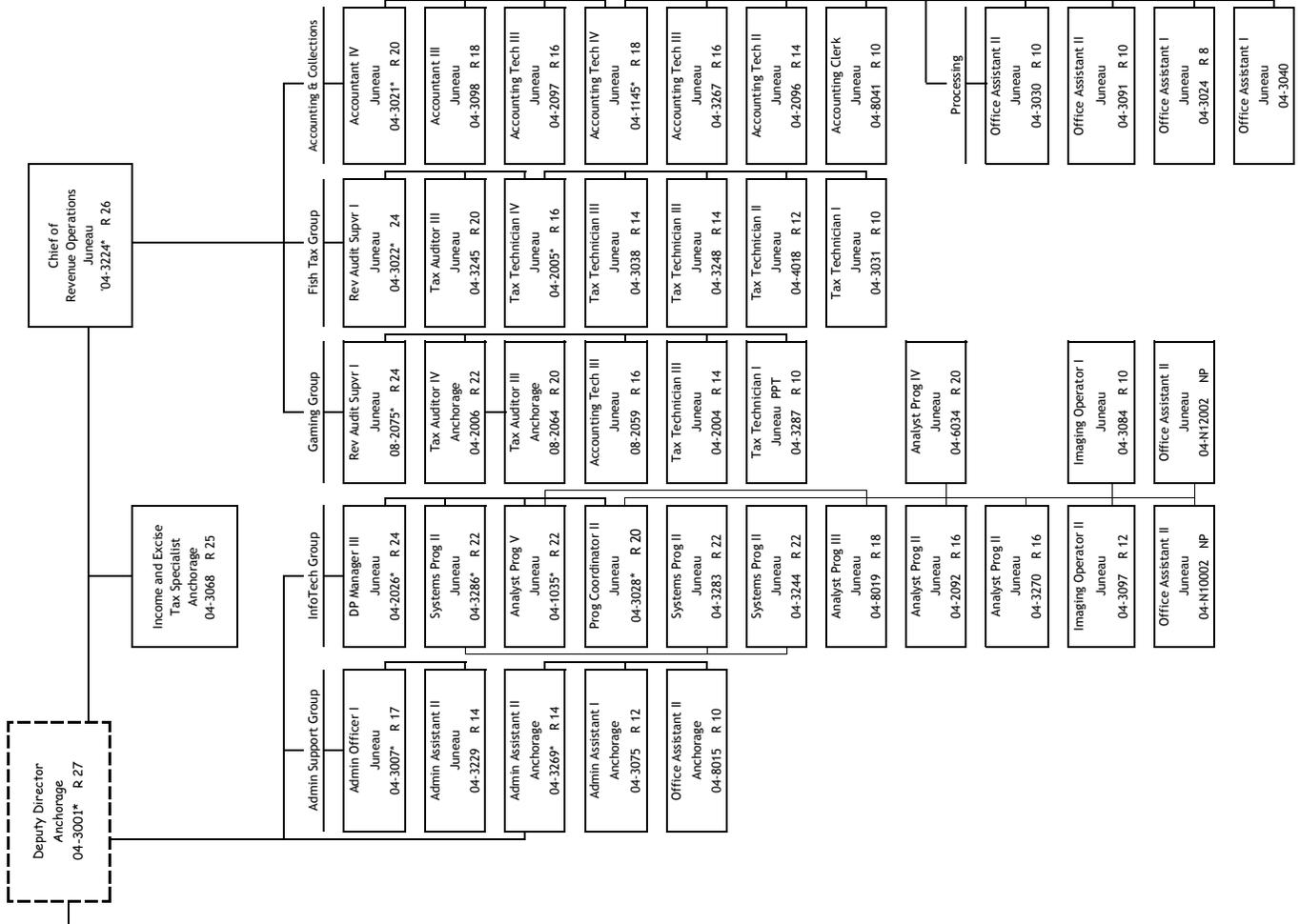
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### Investigations

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	PET	PFT	NP	TOTAL
ANC	73	0	2	75
JUN	44	1	3	48
	117	1	5	123



**Division Functions**

During FY 2012, the Tax Division was staffed by 123 full-time and 8 non-permanent or college intern positions. The Division's FY 2012 operating budget was \$15.2 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, Gaming, Oil and Gas Property Tax and the support groups of Administrative Support and Information Technology.

**Operations**

**Overview**

The Division maintains offices in both Juneau and Anchorage.

Tax returns and payments, except oil and gas property and oil and gas production tax returns, are processed in Juneau. Juneau operations consist of Data Entry and Processing, Accounting and Collections, Fisheries Tax Examination and Audit, Corporate Income Tax Examination, and Gaming Licensing and Examination.

The Juneau office also maintains records for minerals related settlement payments received by the state that are required to be directed to the Constitutional Budget Reserve Fund (CBRF).

Anchorage operations consist of Oil and Gas Production Tax Audit and Examination, Corporate Income Tax Audit, Excise Tax Audit and Examination, Gaming Audit, Economic Research, Oil and Gas Property Tax Assessment and Audit, and Appeals.

**Accounting and Collections**

The Accounting and Collections unit processes and deposits payments, and reconciles revenues recorded in the Division's tax database to the state's accounting system (AKSAS). Accounting and Collections applies payments, processes assessment letters, issues refunds, makes corrections to accounts, and processes AKSAS financial journal entries when required.

Accounting and Collections processes financial journal entries to ensure that tax revenues are deposited into certain funds as required by the Alaska Constitution and statutes.

The unit also collects delinquent tax accounts and takes enforcement actions such as filing liens, levying assets and wages, and garnisheeing Permanent Fund Dividends. The unit approves tax clearances from state agencies that are making final payment on state contracts, summarizes and reports financial data, and provides financial oversight and control of agency accounting functions.

The unit also 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. 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

The Division publishes an annual shared tax report which summarizes the amounts shared with each community. The annual report is

The Tax Division's FY 2012 operating budget was \$15.2 million.

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

available online at [www.tax.alaska.gov](http://www.tax.alaska.gov). This report includes information regarding the shared taxes and fees program.

**Appeals**

The Appeals unit conducts informal conferences on protested assessments, issues informal conference decisions, and participates 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 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**

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 seafood marketing assessments.

The unit licenses fisheries businesses that process, catch 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) tri-annual price reports,
- 2) annual price reports, and
- 3) annual production reports.

• **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. Monthly data collected by the unit includes current oil and gas sales contracts and invoices; lease expenditure data; joint interest billings; and production data. These data are 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 the 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 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.

The Economic Research group also publishes and reports important oil and gas data including average Alaska North Slope crude oil, and natural gas prices and production.

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 also assists in economic analysis for valuation of oil and gas pipelines for property tax purposes.

The Economic Research group analyzes, evaluates, and makes recommendations on potential changes to the state’s tax structure and fiscal system. The economists prepare and manage 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 for proposed legislation. 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 related to state revenue, oil and gas prices, and oil and gas production.

**Gaming**

The Gaming unit 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.

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

The Information Technology Group maintains the Divisions online applications database

The unit 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.

**Oil & Gas Property Tax**

The Oil and Gas Property Tax unit 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.

Audits and appraisals conducted by the unit are typically highly specialized valuations. Engineering and appraisal experts assist under contract as needed.

**Figure 3 - Revenue Collections Detail**

Listed in order of total amount FY 2012 total receipts

All receipts are General Fund unless otherwise designated

TAX TYPE	FY 2012	FY 2011	FY 2010
<b>Oil and Gas Production Tax and Surcharges</b>			
<b>General Fund</b>			
Production Tax	\$6,136,664,298	\$4,543,230,494	\$2,860,701,557
Conservation Surcharge	<u>9,448,398</u>	<u>9,670,333</u>	<u>10,318,732</u>
<b>Total Receipts - General Fund</b>	<b>6,146,112,696</b>	<b>4,552,900,827</b>	<b>2,871,020,238</b>
<b>Constitutional Budget Reserve Fund - CBRF</b>	<b><u>(5,058,795)</u></b>	<b><u>62,872,010</u></b>	<b><u>459,807,918</u></b>
<b>Total Receipts - All Funds</b>	<b><u>\$6,141,053,900</u></b>	<b><u>\$4,615,772,837</u></b>	<b><u>\$3,330,828,207</u></b>
<b>Oil &amp; Gas Corporate Income Tax</b>			
<b>General Fund</b>			
Tax	\$542,800,061	\$542,519,052	\$376,719,507
Penalties and Interest	26,578,144	50,851	71,199,752
Gas Exploration and Development Credit	*****	*****	(1,347,938)
Alaska Education Credit	<u>(563,000)</u>	<u>(455,000)</u>	<u>(451,500)</u>
<b>Total Receipts - General Fund</b>	<b>568,815,205</b>	<b>542,114,903</b>	<b>446,119,821</b>
<b>Constitutional Budget Reserve Fund - CBRF</b>	<b><u>2,956,805</u></b>	<b><u>30,851,341</u></b>	<b><u>45,756,692</u></b>
<b>Total Receipts - All Funds</b>	<b><u>\$571,772,010</u></b>	<b><u>\$572,966,245</u></b>	<b><u>\$491,876,513</u></b>
<b>Oil and Gas Property Tax</b>			
<b>General Fund</b>			
Property Tax	\$489,458,832	\$476,951,412	\$497,474,575
Credit for Municipal Taxes Paid	<u>(378,279,588)</u>	<u>(366,315,482)</u>	<u>(378,706,246)</u>
<b>Total Receipts - General Fund</b>	<b>111,179,244</b>	<b>110,635,930</b>	<b>118,768,329</b>
<b>Constitutional Budget Reserve Fund - CBRF</b>	<b><u>104,235,535</u></b>	<b><u>73,618,541</u></b>	<b><u>0</u></b>
<b>Total Receipts - All Funds</b>	<b><u>\$215,414,779</u></b>	<b><u>\$184,254,471</u></b>	<b><u>\$118,768,329</u></b>
<b>Other Corporate Income Tax</b>			
Tax	97,625,356	147,303,831	\$76,760,863
Penalties and Interest	1,908,541	11,457,715	5,594,174
Alaska Education Credit	<u>(1,041,715)</u>	<u>(1,084,939)</u>	<u>(414,475)</u>
<b>Total Receipts - General Fund</b>	<b><u>\$98,492,182</u></b>	<b><u>\$157,676,608</u></b>	<b><u>\$81,910,562</u></b>

\*\*\*\*\*: This category represents too few taxpayers and is not available for disclosure per AS 43.05.230. The credit amount is included in the line reported as Tax.

**Figure 3 - Revenue Collections Detail**

Listed in order of total amount FY 2012 total receipts

All receipts are General Fund unless otherwise designated

TAX TYPE	FY 2012	FY 2011	FY 2010
<b>Tobacco Tax</b>			
Cigarette	\$59,630,927	\$61,637,410	\$61,879,232
Tobacco Products	12,035,633	11,686,212	10,384,508
Penalties and Interest	87,812	86,950	72,877
Cigarette License Fees	4,975	4,750	6,000
Deductions and Stamp Discounts	<u>(353,722)</u>	<u>(359,925)</u>	<u>(356,974)</u>
<b>Total Receipts</b>	<b>71,405,625</b>	<b>73,055,396</b>	<b>71,985,643</b>
School Fund*	(22,549,956)	(23,155,813)	(23,440,125)
Tobacco Use Education and Cessation Fund	<u>(3,273,499)</u>	<u>(3,361,917)</u>	<u>(3,403,221)</u>
<b>Amount Retained in General Fund</b>	<b><u>\$45,582,170</u></b>	<b><u>\$46,537,666</u></b>	<b><u>\$45,142,297</u></b>
* All cigarette license fees are included in this amount.			
<b>Commercial Passenger Vessel Excise Tax</b>			
Tax	\$16,371,209	\$31,986,662	\$44,025,266
Penalties and Interest	<u>1,271</u>	<u>10,649</u>	<u>180,316</u>
<b>Total Receipts</b>	<b>\$16,372,480</b>	<b>\$31,997,310</b>	<b>\$44,205,582</b>
Taxes shared to municipalities	(14,165,215)	(9,145,743)	(10,086,943)
Amount transferred to Regional Cruise Ship Impact Fund - this is a state fund	<u>0</u>	<u>(8,757,054)</u>	<u>(11,006,316)</u>
<b>Amount Retained in General Fund</b>	<b><u>\$2,207,265</u></b>	<b><u>\$14,094,513</u></b>	<b><u>\$23,112,323</u></b>
<b>Alcoholic Beverages Tax</b>			
Liquor	\$20,139,046	\$19,944,505	\$19,394,015
Beer	11,562,357	12,106,069	12,832,923
Wine	5,788,517	5,564,705	5,332,658
Beer qualifying for reduced tax rate	1,193,074	1,105,372	1,003,157
Penalties, Interest and Refunds	<u>9,804</u>	<u>9,669</u>	<u>194,007</u>
<b>Total Receipts</b>	<b>38,692,797</b>	<b>38,730,319</b>	<b>\$38,756,760</b>
Amount transferred to Alcohol and Other Drug Abuse Treatment and Prevention Fund	<u>(19,330,107)</u>	<u>(19,362,716)</u>	<u>(19,231,568)</u>
<b>Amount Retained in General Fund</b>	<b><u>\$19,362,690</u></b>	<b><u>\$19,367,603</u></b>	<b><u>\$19,525,192</u></b>

**Figure 3 - Revenue Collections Detail**

Listed in order of total amount FY 2012 total receipts

All receipts are General Fund unless otherwise designated

TAX TYPE	FY 2012	FY 2011	FY 2010
<b>Fisheries Business Tax</b>			
Established			
Shore-based	\$38,007,287	\$32,930,706	\$22,769,614
Floating	7,356,146	6,337,078	5,045,905
Cannery	5,151,867	6,347,450	4,792,527
Developing			
Shore-based	65,474	53,585	44,158
Floating	725	340	1,037
<b>Total Tax</b>	<b>50,581,499</b>	<b>45,669,159</b>	<b>32,653,241</b>
Prepayments	2,405,470	1,314,972	3,612,603
Penalties and Interest	995,246	157,442	313,438
License Fees	12,250	12,475	13,250
Less Credits			
Winn Brindle	(175,338)	(184,817)	(123,060)
Alaska Education	(650,015)	(449,730)	(450,000)
Salmon Product Development	(71,598)	(2,057,255)	(4,074,071)
<b>Total Receipts</b>	<b>53,097,514</b>	<b>44,462,246</b>	<b>31,945,400</b>
Fisheries Business Tax Shared			
Direct to Municipalities	(24,576,578)	(22,216,898)	(16,255,158)
DCCED* Municipal Allocation	(2,075,432)	(2,153,491)	(1,686,964)
<b>Amount Retained by State</b>	<b><u>\$26,445,504</u></b>	<b><u>\$20,091,857</u></b>	<b><u>\$14,003,278</u></b>
* Department of Commerce, Community and Economic Development			
<b>Mining License Tax</b>			
<b>General Fund</b>			
Tax Before Credits	\$46,792,131	\$50,085,541	\$29,673,039
Penalties and Interest	6,926	(34,164)	98,416
Mineral Exploration Incentive Credit	(5,873,944)	(949,466)	0
Alaska Education Credit	(282,928)	(121,397)	(94,471)
<b>Total Receipts - General Fund</b>	<b>40,642,185</b>	<b>48,980,514</b>	<b>29,676,984</b>
<b>Constitutional Budget Reserve Fund (CBRF)</b>	<b><u>53,648</u></b>	<b><u>607,605</u></b>	<b><u>48,116</u></b>
<b>Total Receipts - All Funds</b>	<b><u>\$40,695,833</u></b>	<b><u>\$49,588,119</u></b>	<b><u>\$29,725,100</u></b>

**Figure 3 - Revenue Collections Detail**

Listed in order of total amount FY 2012 total receipts

All receipts are General Fund unless otherwise designated

TAX TYPE	FY 2012	FY 2011	FY 2010
<b>Motor Fuel Tax</b>			
Highway	\$30,640,300	\$29,878,551	\$23,427,554
Marine	5,864,080	5,199,186	2,092,010
Jet	3,893,422	3,885,642	2,947,084
Aviation	<u>534,871</u>	<u>578,541</u>	<u>337,014</u>
Total Tax *	40,932,673	39,541,920	28,803,662
Penalties and Interest	<u>47,673</u>	<u>75,366</u>	<u>30,358</u>
<b>Total Receipts</b>	<b><u>40,980,346</u></b>	<b><u>39,617,286</u></b>	<b><u>28,834,020</u></b>
Aviation Tax Shared	<u>(145,658)</u>	<u>(142,478)</u>	<u>(130,566)</u>
<b>Amount Retained by State</b>	<b><u>\$40,834,688</u></b>	<b><u>\$39,474,808</u></b>	<b><u>\$28,703,454</u></b>
* Motor fuel tax was suspended for the period September 1, 2008 through August 31, 2009			
<b>Fishery Resource Landing Tax</b>			
Tax Before Credits	\$13,298,352	\$10,141,719	\$10,701,244
Penalties, Interest and Refunds	17	(1,725,434)	3,563,499
Less Credits			
Alaska Education Credit	(838,167)	(798,000)	(948,000)
CDQ Contributions	<u>(446,894)</u>	<u>(534,297)</u>	<u>(764,668)</u>
<b>Total Receipts</b>	<b><u>12,013,308</u></b>	<b><u>7,083,988</u></b>	<b><u>12,552,075</u></b>
Fishery Resource Landing Tax Shared			
Direct to Municipalities	(4,825,254)	(3,176,680)	(3,542,908)
DCCED* Municipal Allocation	<u>(860,942)</u>	<u>(1,252,767)</u>	<u>(752,016)</u>
<b>Amount Retained by State</b>	<b><u>\$6,327,112</u></b>	<b><u>\$2,654,541</u></b>	<b><u>\$8,257,151</u></b>
* Department of Commerce, Community and Economic Development			
<b>Regulatory Cost Charges</b>			
<b>Total Receipts</b>	<b><u>\$8,510,552</u></b>	<b><u>\$9,796,244</u></b>	<b><u>\$9,666,038</u></b>
<b>Seafood Marketing Assessment</b>			
Fisheries Business	\$8,031,441	\$6,961,962	\$5,350,686
Fishery Resource Landing	<u>1,678,739</u>	<u>1,660,249</u>	<u>2,462,011</u>
<b>Total Receipts</b>	<b><u>\$9,710,180</u></b>	<b><u>\$8,622,211</u></b>	<b><u>\$7,812,697</u></b>

**Figure 3 - Revenue Collections Detail***Listed in order of total amount FY 2012 total receipts**All receipts are General Fund unless otherwise designated*

TAX TYPE	FY 2012	FY 2011	FY 2010
<b>Vehicle Rental Tax</b>			
Passenger	\$8,132,668	\$7,836,341	\$7,011,525
Recreational	359,002	339,191	301,603
Penalties and Interest	<u>37,963</u>	<u>104,760</u>	<u>19,558</u>
<b>Total Receipts</b>	<b><u>\$8,529,633</u></b>	<b><u>\$8,280,292</u></b>	<b><u>\$7,332,686</u></b>
<b>Large Passenger Vessel Gambling Tax</b>			
Tax	\$5,155,954	\$5,667,463	\$6,309,939
Penalties and Interest	<u>0</u>	<u>97,499</u>	<u>2,114</u>
<b>Total Receipts</b>	<b><u>\$5,155,954</u></b>	<b><u>\$5,764,962</u></b>	<b><u>\$6,312,053</u></b>
<b>Salmon Enhancement Tax</b>			
Tax by Aquacultural Region			
Southern Southeast	\$2,566,327	\$1,717,587	\$1,438,151
Northern Southeast	3,039,301	1,711,943	1,232,922
Prince William Sound	1,859,754	2,980,774	894,977
Kodiak	968,183	534,098	743,241
Cook Inlet	1,108,174	609,547	374,389
Chignik	<u>515,130</u>	<u>288,397</u>	<u>201,001</u>
Total Tax	10,056,869	7,842,346	4,884,681
Penalties and Interest	<u>3,669</u>	<u>8,708</u>	<u>(7,575)</u>
<b>Total Receipts</b>	<b><u>\$10,060,538</u></b>	<b><u>\$7,851,054</u></b>	<b><u>\$4,877,106</u></b>
<b>Gaming Tax and Fees</b>			
Pull-Tab Tax	\$2,068,951	\$1,985,902	\$2,144,998
Net Proceeds Fee	373,421	406,734	320,149
License and Permit Fees	<u>144,475</u>	<u>145,050</u>	<u>144,135</u>
<b>Total Receipts</b>	<b><u>\$2,586,847</u></b>	<b><u>\$2,537,686</u></b>	<b><u>\$2,609,282</u></b>

**Figure 3 - Revenue Collections Detail**

Listed in order of total amount FY 2012 total receipts

All receipts are General Fund unless otherwise designated

TAX TYPE	FY 2012	FY 2011	FY 2010
<b>Telephone Cooperative Tax</b>			
<b>Total Receipts</b>	<b>\$2,067,213</b>	<b>\$1,897,512</b>	<b>\$2,046,583</b>
Taxes shared	<u>(1,913,065)</u>	<u>(1,769,193)</u>	<u>(1,931,256)</u>
<b>Amount Retained by State</b>	<b><u>\$154,147</u></b>	<b><u>\$128,318</u></b>	<b><u>\$115,327</u></b>
<b>Electric Cooperative Tax</b>			
<b>Total Receipts</b>	<b>\$2,046,510</b>	<b>\$2,025,707</b>	<b>\$2,038,375</b>
Taxes shared	<u>(2,016,815)</u>	<u>(1,994,349)</u>	<u>(2,009,002)</u>
<b>Amount Retained by State</b>	<b><u>\$29,696</u></b>	<b><u>\$31,357</u></b>	<b><u>\$29,373</u></b>
<b>Seafood Development Assessment</b>			
Tax by Development Region			
Bristol Bay (Drift Gillnet)	\$1,374,015	\$1,575,461	\$1,251,268
Prince William Sound (Drift Gillnet)	525,176	549,133	317,460
Prince William Sound (Set Gillnet)	16,748	15,439	9,772
Penalties and Interest	<u>(783)</u>	<u>3,083</u>	<u>361</u>
<b>Total Receipts</b>	<b><u>\$1,915,156</u></b>	<b><u>\$2,143,116</u></b>	<b><u>\$1,578,861</u></b>
<b>Tire Fee</b>			
Non-Studded	\$1,048,855	\$1,081,406	\$1,034,158
Studded	351,003	412,186	392,349
Penalties and Interest	<u>20,026</u>	<u>7,208</u>	<u>1,264</u>
<b>Total Receipts</b>	<b><u>\$1,419,884</u></b>	<b><u>\$1,500,800</u></b>	<b><u>\$1,427,771</u></b>
<b>Dive Fishery Management Assessment</b>			
<b>Total Receipts *</b>	<b><u>\$682,534</u></b>	<b><u>\$603,219</u></b>	<b><u>\$523,024</u></b>
* All receipts are derived from Southeast Alaska Management Area A			
<b>Estate Tax</b>			
<b>Total Receipts</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$(19,510)</u></b>
<b>Salmon Marketing Tax<sup>1</sup></b>			
Tax	\$0	\$0	\$(5,933)
Penalties and Interest	<u>0</u>	<u>0</u>	<u>\$(5,848)</u>
<b>Total Receipts</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$(11,781)</u></b>

<sup>1</sup>Repealed effective January 1, 2005

## Figure 4 - Program Revenue and Cost Detail

Sorted by Revenue

Program	FY 2012 Statistics		FY 2012 Program		FY 2012 Per FTE	
	Returns	Revenue	Cost <sup>1</sup>	FTE <sup>2</sup>	Revenue	Cost
Oil & Gas Production <sup>3</sup>	29	\$6,141,053,900	\$5,128,627	32.9	\$186,658,173	\$155,885
Oil & Gas Corporate Income <sup>4</sup>	87	571,722,010	889,813	6.0	95,295,335	148,302
Oil and Gas Property <sup>5</sup>	877	215,414,779	518,622	3.6	59,837,439	144,062
Other Corporate Income	13,948	98,492,182	3,232,508	31.9	3,087,529	101,333
Tobacco	2,447	71,405,625	723,028	6.4	11,157,129	112,973
Fisheries Business	913	53,097,514	785,515	7.3	7,273,632	107,605
Motor Fuel	3,418	40,980,346	656,535	6.2	6,609,733	105,893
Mining License <sup>6</sup>	650	40,695,833	674,581	6.1	6,671,448	110,587
Alcoholic Beverages	815	38,692,797	305,883	2.6	14,881,845	117,647
Commercial Passenger Vessel	133	16,372,480	124,813	1.0	16,372,480	124,813
Fishery Resource Landing	78	12,013,308	204,011	1.9	6,322,794	107,374
Salmon Enhancement	891	10,060,538	158,851	1.8	5,589,188	88,251
Seafood Marketing Assessment	446	9,710,180	80,527	0.8	see note 7	see note 7
Vehicle Rental	464	8,529,633	231,170	2.5	3,411,853	92,468
Regulatory Cost Charges <sup>9</sup>	see note 9	8,510,552	see note 9	<.1	see note 9	see note 9
Large Passenger Vessel Gambling	9	5,155,954	37,642	0.3	see note 7	see note 7
Gaming	2,975	2,586,847	1,230,503	9.8	263,964	125,562
Telephone Cooperative	7	2,067,213	3,597	<.1	see note 7	see note 7
Electric Cooperative	17	2,046,510	3,597	<.1	see note 7	see note 7
Seafood Development	244	1,915,156	43,764	0.5	see note 7	see note 7
Tire Fee	315	1,419,884	138,231	1.1	1,290,804	125,665
Dive Fishery Management	<u>60</u>	<u>682,534</u>	<u>24,686</u>	<u>0.3</u>	see note 7	see note 7
<b>Total</b>	<b><u>28,823</u></b>	<b><u>\$7,352,675,776</u></b>	<b><u>\$15,196,504</u></b>	<b><u>123</u></b>	<b><u>\$59,777,852</u></b> <sup>8</sup>	<b><u>\$123,549</u></b> <sup>8</sup>

<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 \$9,448,398; surcharges are reported on oil & gas production returns. Includes Constitutional Budget Reserve Fund receipts of (\$5,058,795).

<sup>4</sup>Includes Constitutional Budget Reserve Fund receipts of \$2,956,805.

<sup>5</sup>Includes Constitutional Budget Reserve Fund receipts of \$104,235,535.

<sup>6</sup>Includes Constitutional Budget Reserve Fund receipts of \$53,648.

<sup>7</sup>Combined program revenues (\$21,577,547) and costs (\$193,813) required approximately 2.0 FTE.

<sup>8</sup>Reflects total revenue and total cost divided by FTE.

<sup>9</sup>Regulatory Cost Charges returns and reports are the responsibility of the Alaska Regulatory Commission. The Tax Division is responsible for reporting the revenue received.

**Figure 5 - Revenue Collected from Assessments**

<b>Program</b>	<b>Audit</b>	<b>Exam</b>	<b>Total</b>
Oil and Gas Property	\$104,235,535	\$0	\$104,235,535
Corporate Income	1,469,765	2,157,698	3,627,463
Fisheries Business	3,122,073	194,525	3,316,598
Oil and Gas Corporate Income	2,956,805	0	2,956,805
Oil and Gas Production <sup>1</sup>	(5,058,795)	0	(5,058,795)
Tobacco	84	421,688	421,772
Alcoholic Beverage	301,298	10,745	312,043
Motor Fuel	0	157,389	157,389
Vehicle Rental	26,848	72,071	98,919
Tire Fee	33,099	54,511	87,610
Seafood Marketing	0	74,589	74,589
Commercial Passenger Vessel Excise	0	68,097	68,097
Mining	53,648	0	53,648
Fishery Resource Landing	0	52,781	52,781
Charitable Gaming	0	5,624	5,624
Salmon Enhancement	0	3,573	3,573
Large Passenger Vessel Gambling	0	0	0
Estate	0	0	0
Telephone/Electric Co-ops	0	0	0
Salmon Marketing	0	0	0
Seafood Development	0	(12,590)	(12,590)
Dive Fisheries	0	(21,919)	(21,919)
<b>Total</b>	<b><u>\$107,140,360</u></b>	<b><u>\$3,238,782</u></b>	<b><u>\$110,379,142</u></b>

<sup>1</sup>The amount reported is net revenue collected and includes a current year refund of taxes overpaid in a previous fiscal year. Revenue from the prepayment of potential tax liability was recognized in the prior period when it was received.

**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 five cents per gallon. Taxpayers filed alcoholic beverage tax returns monthly.

In 1937, the territorial legislature enacted a tax on liquor at a rate of fifty cents per gallon. At the same time, the rate for wine increased to fifteen cents 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 thirty-five cents per gallon on the first 60,000 barrels of beer (malt beverages) sold in Alaska. At the same time, the legislature created the Alcohol and Other Drug Abuse Treatment and Prevention Fund and directed that 50% of the alcoholic beverage tax be deposited into this fund for alcohol and drug abuse treatment programs.

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

Liquor	Per Gallon
1937	\$0.50
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 collected on alcoholic beverages is available to fund alcohol and drug abuse treatment programs

Wine	Per Gallon	Beer (Malt Beverages)	Per Gallon
1933	\$0.05	1933	\$0.05
1937	\$0.15	1947	\$0.10
1947	\$0.25	1957	\$0.25
1957	\$0.50	1983	\$0.35
1961	\$0.60	2002	\$1.07
1983	\$0.85		
2002	\$2.50		
		Beer (Small Breweries)	Per Gallon
		2002	\$0.35

## FY 2012 Statistics

Product	Gallons	Tax Collected
Liquor	1,572,282	\$20,139,046
Beer, Malt Beverage & Cider	10,687,432	11,562,357
Wine	2,314,903	5,788,517
Beer, Small Brewery	3,405,102	1,193,074
Penalties, Interest and Refunds	N/A	9,804
<b>Total</b>	<b><u>17,979,719</u></b>	<b><u>\$38,692,797</u></b>
Transferred to Alcohol and Other Drug Abuse Treatment and Prevention Fund		(19,330,107)
<b>Total Tax Collections – General Fund</b>		<b><u>\$19,362,690</u></b>
Number of Returns		815
Number of Taxpayers		55
Program Cost		\$305,833
Staffing (full-time equivalent)		2.6

**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 \$34.50 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 seven ports of call in Alaska. The tax is further reduced by any municipality taxes, imposed on a passenger, that were in effect prior to December 17, 2007.

The Division transfers 25% of the revenue deposited in the CVP Tax Account into a Regional Cruise Ship Impact 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.

**2010** - During the 2010 legislative session, the CPV tax was reduced from \$46 to \$34.50 per passenger. The tax is further reduced by any municipal taxes imposed on a passenger that were in effect prior to December 17, 2007. This legislation increased the number of ports of call which may receive \$5 per passenger from 5 to 7, and removed the provision that prohibited a port of call from sharing in the CPV revenue if it imposed its own tax. The legislation also repealed the regional cruise ship impact fund. These changes are effective for the 2011 cruise season.

Significant changes were made to the CPV tax during the 2010 legislative session

**FY 2012 Statistics**

Tax Collections	<b>\$16,372,480</b>
Number of Returns	133
Number of Taxpayers	11
Program Cost	\$124,813
Staffing (full-time equivalent)	1.0

**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 factors: property, payroll, and sales, inside and outside the state.

When a corporation is part of a group of corporations that operates 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 divided over 10 tax brackets.

**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 are allowed a credit for contributions to Alaska universities and accredited nonprofit Alaska two-year or four-year colleges for facilities, direct instruction, research, and educational support purposes. The tax credit can also be taken for donations to a school district or state-operated vocational technical education and training school for vocational education courses, programs, and facilities. Donations for an annual intercollegiate sport tournament, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership also qualify. The credit is 50% of the first \$100,000, 100% of the contribution over \$100,000 and up to \$300,000 and 50% of the remaining amount over \$300,000. The total allowable credit may not exceed \$5 million.

**Minerals Exploration Incentive** - Taxpayers may claim a credit for 100% of eligible costs of exploration activities related to determining existence, location, extent, or quality of a locatable mineral or coal deposit. An approved 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% of the taxpayer's mining license tax liability or 50% of its corporate tax liability.

**Gas Exploration and Development** - Taxpayers may take a corporate income tax credit for 25% of qualifying expenditures incurred in exploration and development of natural gas reserves in Alaska, except for the North Slope. The credit may be applied against 75% of the tax liability.

**Gas Storage Facility Tax Credit** - Taxpayers may take a credit for costs incurred to establish a gas storage facility in Alaska. The available credit

is \$1.50 per 1,000 cubic feet of gas storage capacity, with a maximum credit available of \$15,000,000 or 25% of costs incurred to establish the facility. This is a refundable tax credit.

**LNG Storage Facility Tax Credit-**

Taxpayers may take a credit for costs incurred to establish a LNG (Liquefied Natural Gas) storage facility in Alaska. The available credit is equal to 50% of the costs incurred, not to exceed \$15,000,000. This is a refundable tax credit.

**Veteran Employment Tax Credit-**

Taxpayers may take a credit for the employment of a veteran. The available credit is \$3,000 for hiring a disabled veteran or \$2,000 for a veteran who is not disabled.

**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 Alaska Department of Commerce, Community, and Economic Development (DCCED) in cooperation with the Department of Revenue. This credit may be transferred.

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

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.

**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 ("IRC") 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% 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 the IRC Section 883 by reference. Federally, Section 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 Section 883. During the next session, the legislature specifically adopts Section 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

passes in August 2006. Prior to the initiative, cruise ship operators were exempt from taxation through the Department's adoption of IRC Section 883.

**2008** - The legislature amends the 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 authorizes 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 DCCED. The maximum of credits claimed by all taxpayers over the life of the credit program may not exceed \$100 million.

**2010** - The legislature amends the education credit by increasing the maximum credit allowed from \$150,000 to \$5 million effective January 1, 2011. In addition, the legislature expands contributions eligible for the credit to include contributions made for construction and maintenance of facilities by state operated vocational education schools and two or four-year colleges. The increase in the credit from \$150,000 to \$5 million expires December 31, 2013. On January 1, 2014, the maximum credit allowed will revert to \$150,000.

The legislature expands the Gas Exploration and Development Credit, increasing it from 10% to 25% effective January 1, 2010. The utilization limit was raised from 50% to 75% of the tax liability.

The legislature authorizes tax credits for expenditures to establish gas storage in Alaska. The available credit is \$1.50 per 1,000 cubic feet of gas storage capacity, with

a maximum credit available of \$15,000,000 or 25% of costs incurred to establish the facility. This is a refundable tax credit.

**2011** - The legislature enacted legislation extending the date that the \$5 million annual education credit limit expires from January 1, 2014 to January 1, 2021. It is then scheduled to return to \$150,000. In addition, the legislature expanded contributions eligible for the credit to include contributions made after June 30, 2011 to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership.

The legislature enacted the veteran employment tax credit, providing a credit of \$3,000 for hiring a disabled veteran, or \$2,000 for hiring a veteran who is not disabled.

The legislature enacted the LNG (Liquefied Natural Gas) Storage Facility Tax Credit, granting a credit for costs incurred to establish an LNG storage facility in Alaska. The available credit is equal to 50% of the costs incurred, not to exceed \$15,000,000. This is a refundable tax credit.

The legislature passed legislation exempting certain small corporations from the corporate income tax. For tax years beginning after 12/31/11, corporations that have assets less than \$50,000,000 and that meet certain other requirements are exempt from paying corporate income tax. Certain industries are excluded from the exemption.

FY 2012 Statistics	
<b>Oil and Gas Corporate Returns</b>	
Number of Returns	87
Number of Taxpayers	32
Program Cost	\$889,813
Staffing (full-time equivalent)	6.0
<b>Other than Oil and Gas Corporate Returns</b>	
Number of Returns	13,948
Number of Taxpayers	11,884
Program Cost	\$3,232,508
Staffing (full-time equivalent)	31.9
<b>Total - All Returns</b>	
Number of Returns	14,035
Number of Taxpayers	11,916
Program Cost	\$4,122,321
Staffing (full-time equivalent)	37.9

Figure 6 - Corporations Filing Activity

Fiscal Year	FY 2012	FY 2011	FY 2010
Total Returns Filed	14,035	16,330	16,648

Entity Type	Original	Amended	NOL <sup>1</sup>	Total
Subchapter C	5,650	902	143	6,695
Subchapter S	5,974	13	2	5,989
Exempt	201	9	2	212
Homeowners Assoc.	762	6	2	770
Other <sup>2</sup>	<u>226</u>	<u>50</u>	<u>6</u>	<u>282</u>
<b>Total Non Oil &amp; Gas</b>	<b>12,813</b>	<b>980</b>	<b>155</b>	<b>13,948</b>
Oil & Gas	<u>27</u>	<u>52</u>	<u>8</u>	<u>87</u>
<b>Grand Total</b>	<b><u>12,840</u></b>	<b><u>1,032</u></b>	<b><u>163</u></b>	<b><u>14,035</u></b>

	Taxpayers
Non Oil and Gas	11,884
Oil and Gas	32

<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% for geoduck and sea cucumber and 7% for sea urchin.

**2004** - The legislature authorized three additional rates: 2%, 4%, and 6%. Geoduck fishermen subsequently elected to increase the geoduck assessment to 7% from November 1, 2004 through October 31, 2006.

**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.

**2006** - Geoduck fishermen elected to continue the 7 percent assessment on geoducks after October 31, 2006.

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

**FY 2012 Statistics**

Tax Collections	<b>\$682,534</b>
Number of Returns	60
Number of Taxpayers	19
Program Cost	\$24,686
Staffing (full-time equivalent)	0.3

**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 = \$0.001)

**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% 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 kWh. The legislature adopted the current mill rates.

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

**FY 2012 Statistics**

Tax Collections	<b>\$2,046,510</b>
Number of Returns	17
Number of Taxpayers	17
Program Cost	\$3,597
Staffing (full-time equivalent)	<.1

*Note: Program Costs reflect the cost of the program. The amount retained by the state after sharing (Figure 3) represents prior year costs and unshared tax collected in the current year outside of an organized borough or incorporated city.*

The Alaska estate tax 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 tax returns and 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 IRC.

**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 IRC 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 was 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 where the date of death was prior to January 1, 2005, as a result of returns filed, audits, or other enforcement activities.

## 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.

### Exclusion

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

### Credits

**Education** - Taxpayers are allowed a credit for contributions to Alaska universities and accredited nonprofit Alaska two-year or four-year colleges for facilities, direct instruction, research, and educational support purposes. The tax credit can also be taken for donations to a school district or state-operated vocational technical education and training school for vocational education courses, programs, and facilities. Donations for an annual intercollegiate sport tournament, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership also qualify. The credit is 50% of the first \$100,000, 100% of the contribution over \$100,000 and up to \$300,000 and 50% of the remaining amount over \$300,000. The total allowable credit may not exceed \$5 million.

**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% 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

The Fisheries Business Tax is Alaska’s oldest tax, enacted in 1899

for expenditures promoting the development of salmon products was extended to December 31, 2015.

**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:

**Processing Activity Inside Municipality**

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

**Processing Activity Outside Municipality**

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

**History**

**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 cents per case); and the “cold storage” tax which applied to other fisheries and was based on business receipts. Between 1913 and 1949, the legislature amended the tax several times by changing tax rates and

expanding the tax base to include different fisheries.

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

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

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

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

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

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

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

50% of the fisheries business tax collected is shared with incorporated cities and/or organized boroughs

The Alaska Legislature extended the Salmon Product Development credit in 2010 to end in December 2015

allowing a credit of up to 5% of fisheries business taxes due.

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

**1990** - The legislature enacted provisions for a civil penalty for processing without a license. The Division may progressively assess penalties in increments of up to \$5,000 for each infraction to a maximum of \$25,000 for the fifth and subsequent assessments. The legislature also enacted a provision that authorized sharing 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.

**1993** - The Department of Labor surety bond program transferred to the Department of Revenue under Executive Order 85, effective July 1, 1994.

**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% for contributions of not more than \$100,000 and 75%

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% 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

95% of the fisheries business licenses issued for 2012 were applied for online

a fisheries business license. Before being issued a license, a fisheries business must have fully paid (including penalties and interest) taxes administered by the 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 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 extended 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.

**2010** - The legislature amended the education credit by increasing the maximum credit allowed from \$150,000 to \$5 million effective January 1, 2011. In addition, the legislature expanded contributions eligible for the credit to include contributions made for construction and maintenance of facilities by state operated vocational education schools and two or four-year colleges. The increase in the credit

from \$150,000 to \$5 million expires December 31, 2013. On January 1, 2014, the maximum credit allowed will revert to \$150,000.

The legislature extended the salmon product development tax credit program by four years. The legislation extended the last date for placing qualified property in service from December 31, 2011 to December 31, 2015. The legislation expanded the list of qualified property to include ice making machines.

The legislature authorized the Department to withhold or suspend a fisheries business license if a fisheries business fails to pay the permit buyback fee imposed by the National Marine Fisheries Service under 16 U.S.C. 1861a.

**2011** - The legislature extended the date that the \$5 million annual education credit limit expires from January 1, 2014 to January 1, 2021. It is then scheduled to return to \$150,000. In addition, the legislature expanded contributions eligible for the credit to include contributions made after June 30, 2011 to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership.

### FY 2012 Statistics

#### Fisheries Business Tax

Tax Collections and License Fees **\$53,097,514**

*Including penalties, interest and credits.*

<b>Fisheries Business Licenses Issued</b>	<b>Online</b>	<b>Paper</b>	<b>Total</b>
Direct Marketer	194	12	206
Shore-based	156	7	163
Catch/Processor	42	1	43
Floating	37	1	38
Cannery	26	0	26
Exporter	<u>10</u>	<u>1</u>	<u>11</u>
<b>Total</b>	<b><u>465</u></b>	<b><u>22</u></b>	<b><u>487</u></b>
Number of Returns			913
Number of Taxpayers			433
Program Cost			\$785,515
Staffing (full-time equivalent)			7.3

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

**Description**

Alaska levies a fishery resource landing tax on fishery resources processed outside of 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.

The Division 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, but may be subject to the fisheries business tax.

**Credits**

**Education** - Taxpayers are allowed a credit for contributions to Alaska universities and accredited nonprofit Alaska two-year or four-year colleges for facilities, direct instruction, research, and educational support purposes. The tax credit can also be taken for donations to a school district or state-operated vocational technical education and training school for vocational education courses, programs, and facilities. Donations for an annual intercollegiate sport tournament, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership also qualify. The credit is 50% of the first \$100,000, 100% of the contribution over \$100,000 and up to \$300,000 and 50% of the remaining amount over \$300,000. The total allowable credit may not exceed \$5 million.

**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% 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 majority of fishery resource landing tax revenues are derived from fish processed in the Bering Sea and landed in Unalaska

the fishery resource landing tax. The credit, equal to the amount of taxes paid in the other jurisdiction, may not exceed the fishery resource landing tax.

**Disposition of Revenue**

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

**Landings Inside Municipality**

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

**Landings Outside Municipality**

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

**History**

**1993** - The legislature enacted the fishery resource landing tax effective January 1994. The rate was 3.3% 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% for established species and 1% for developing species. The 0.3% portion of the previous 3.3% tax rate was incorporated into seafood marketing assessment statutes (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% for contributions of not more than \$100,000 and 75% 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

50% of the fishery resource landing tax collected is shared with incorporated cities and/or organized boroughs

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

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.

contributions made after June 30, 2011 to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership.

**2010** - The legislature amended the education credit by increasing the maximum credit allowed from \$150,000 to \$5 million effective January 1, 2011. In addition, the legislature expanded contributions eligible for the credit to include contributions made for construction and maintenance of facilities by state operated vocational education schools and two or four-year colleges. The increase in the credit from \$150,000 to \$5 million expires December 31, 2013. On January 1, 2014, the maximum credit allowed will revert to \$150,000.

**2011** - The legislature enacted legislation extending the date that the \$5 million annual education credit limit expires from January 1, 2014 to January 1, 2021. It is then scheduled to return to \$150,000. In addition, the legislature expanded contributions eligible for the credit to include

**FY 2012 Statistics**

Tax Collections	<b>\$12,013,308</b>
<i>Including penalties, interest and credits.</i>	
Number of Returns	78
Number of Taxpayers	67
Program Cost	\$204,011
Staffing (full-time equivalent)	1.9

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

**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:

- 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**

The 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 or for an initial permit;
- \$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; and
- \$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; and
- \$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% 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.
- 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% 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.

**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 by regulation.

**1988** - The legislature legalized operators, authorized pull-tabs, and increased prize limits.

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

**1993** - Under administrative order, gaming functions transferred back to the Department of Revenue and organized as a separate gaming division.

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% to 30% of adjusted gross income for pull-tab games and require a minimum of 10% 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 revenue during the 1995 season. This law expired after 1995.

**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 *Botehlo v. Griffin*, 25 P3d at 693 ruled that “Alaska’s gaming laws create the effective equivalent of a charitable trust” by requiring a portion of the money spent on 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 2012 Statistics**

Taxes and Fees Collected	<b>\$2,586,847</b>
Program Cost	\$1,230,503
Staffing (full-time equivalent)	9.8

<b>Applications*</b>	<b>Online</b>	<b>Paper</b>	<b>Total</b>
Permittees	530	745	1,275
Operators	N/A	28	28
Multiple-beneficiary Permittees	2	14	16
Distributors	8	0	8
Manufacturers	6	1	7
Amended Applications	<u>N/A</u>	<u>324</u>	<u>324</u>
<b>Total Applications</b>	<b><u>546</u></b>	<b><u>1,112</u></b>	<b><u>1,658</u></b>

N/A - Online application not available

<b>Reports*</b>	
Permittees	2553
Operators	147
Multiple-beneficiary Permittees	90
Distributors	100
Manufacturers	<u>85</u>
<b>Total Reports</b>	<b><u>2,975</u></b>

\* Based on a calendar year.  
(Looking for all applications received during calendar year 2012)

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

**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**

**2006** - 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.

**2010** - The legislature created the “large passenger vessel gaming and gambling tax account” as a subaccount of the CVP tax account and directs all proceeds from the LPV Gambling tax to be deposited in this new account.

**FY 2012 Statistics**

Tax Collections	<b>\$5,155,954</b>
Number of Returns	9
Number of Taxpayers	8
Program Cost	\$37,642
Staffing (full-time equivalent)	0.3

**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 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**

New mining operations are exempt from the mining license tax for a period of 3½ years after production begins.

Quarry rock, sand and gravel, and marketable earth mining operations are exempt from the mining license tax effective January 1, 2012

**Credits**

**Education** - Taxpayers are allowed a credit for contributions to Alaska universities and accredited

nonprofit Alaska two-year or four-year colleges for facilities, direct instruction, research, and educational support purposes. The tax credit can also be taken for donations to a school district or state-operated vocational technical education and training school for vocational education courses, programs, and facilities. Donations for an annual intercollegiate sport tournament, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership also qualify. The credit is 50% of the first \$100,000, 100% of the contribution over \$100,000 and up to \$300,000 and 50% of the remaining amount over \$300,000. The total allowable credit may not exceed \$5 million.

**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% of the person's mining license tax liability related to the mining operation for which eligible mining costs were incurred or 50% 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

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

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%. The tax-free net income base remained at \$5,000.

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

**1935** - The territorial legislature restructured the tax to an eight-tier tax structure with rates ranging from 0.75% to 4% for net income 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% to 8% 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% to 8% 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% to 7% 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% of mining license liabilities over a 15-year period.

**2002** - The legislature authorized credits of up to 50% for contributions of not more than \$100,000 and 75% of the next \$100,000 in contributions made to the 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.

**2010** - The legislature amended the education credit by increasing the maximum credit allowed from \$150,000 to \$5 million effective January 1, 2011. In addition, the legislature expanded contributions eligible for the credit to include contributions made for construction and maintenance of facilities by state operated vocational education schools and two or four-year colleges. The increase in the credit from \$150,000 to \$5 million expires December 31, 2013. On January 1, 2014, the maximum credit allowed will revert to \$150,000.

**2011** - The legislature enacted legislation extending the date that

the \$5 million annual education credit limit expires from January 1, 2014 to January 1, 2021. It is then scheduled to return to \$150,000. In addition, the legislature expanded contributions eligible for the credit to include contributions made after June 30, 2011 to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership.

**2012** - The legislature enacted legislation exempting quarry rock, sand and gravel, and marketable earth mining operations from the mining license tax. This legislation has a retroactive effective date of January 1, 2012.

#### FY 2012 Statistics

##### Tax Collections

General Fund	\$40,642,185
Constitutional Budget Reserve Fund	<u>53,648</u>
<b>Total</b>	<b><u>\$40,695,833</u></b>
Number of Returns	650
Number of Taxpayers	551
Program Cost	\$674,581
Staffing (full-time equivalent)	6.1

The motor fuel tax dates back to 1945 when the legislature imposed a tax of \$0.01 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	\$0.08
Marine	\$0.05
Aviation Gasoline	\$0.047
Jet Fuel	\$0.032

**Returns**

Taxpayers file returns and make payments 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**

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
- 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% 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 \$0.01 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	\$0.01
1947	\$0.02
1955	\$0.05
1960	\$0.07
1961	\$0.08
1964	\$0.07
1970	\$0.08

Gasohol	Rate Per Gallon
---------	-----------------

1997	\$0.08 / \$0.02
------	-----------------

*(\$0.02 November through February where required)*

Marine	Rate Per Gallon
--------	-----------------

1945	\$0.01
1947	\$0.02
1955	\$0.05
1957	\$0.02
1960	\$0.03
1971	\$0.04
1977	\$0.05

Aviation Gasoline	Rate Per Gallon
-------------------	-----------------

1945	\$0.01
1947	\$0.02
1955	\$0.03
1968	\$0.04
1994	\$0.047

Jet Fuel	Rate Per Gallon
----------	-----------------

1957	\$0.015
1968	\$0.025
1994	\$0.032

**1994** - The legislature enacted a tax decrease for bunker fuel. The tax rate decreases from \$0.05 to \$0.01 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 \$0.08 to \$0.02 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 \$0.08 per gallon.

Legislation was also passed that fully exempted gasohol blended with at least 10% 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. This provision expired July 1, 2008.

**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% 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 \$0.08 per gallon.

**2008** - In special session, the legislature suspended the motor fuel tax on all fuel types effective September 1, 2008 through August

31, 2009. Motor fuel distributors were required to file monthly reports of all fuel sales during the period of suspension.

**2009** - The motor fuel tax was reinstated effective September 1, 2009

### FY 2012 Statistics

#### Tax Collections

Highway	\$30,640,300
Marine Fuel	5,864,080
Jet Fuel	3,893,422
Aviation Gasoline	534,871
Penalties & Interest	<u>47,673</u>
Total Receipts	40,980,346
Less Aviation Fuel Tax Shared	<u>(145,658)</u>
<b>Total Amount Retained by State</b>	<b><u>\$40,834,688</u></b>

#### Motor Fuel Type

	Gallons
Highway	367,035,083.3
Marine Fuel	107,911,854.6
Jet Fuel	122,194,835.0
Aviation Gasoline	11,358,554.7
Gasohol	0.0

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

Number of Returns	3,418
Number of Taxpayers	254
Program Cost	\$656,535
Staffing (full-time equivalent)	6.2

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

**Oil Conservation Surcharges  
AS 43.55.201/300**

**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.

**Rate and Disposition of Revenue**

Each taxable barrel(“bbl”) of oil is subject to the following two surcharges:

- Conservation Surcharge (AS 43.55.201) of \$0.01 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. This surcharge is suspended when the balance of the fund is over \$50 million per AS 43.55.221.
- Additional Conservation Surcharge (AS 43.55.300) or \$0.04 per barrel. Revenue derived from this additional surcharge may be appropriated to the oil and hazardous substance release prevention account in the oil and hazardous substance release prevention and response fund.

**History**

**1989** - Following the grounding of the Exxon Valdez, this tax was enacted in order to provide a hazardous substance release emergency fund. A \$0.05/bbl hazardous release surcharge is imposed on oil production until the newly created hazardous substance release fund achieves a balance of \$50 million.

**1994** - The hazardous release surcharge is modified to the so-called “split nickel” with an ongoing charge of \$0.03/bbl and an additional charge of \$0.02/bbl whenever the hazardous substance release fund balance falls below \$50 million.

**2006** - The legislature set the Conservation Surcharge rate at \$0.01/bbl and the Additional Conservation Surcharge rate at \$0.04/bbl.

**FY 2012 Statistics**

Tax Collections\*

**\$9,448,398**

\* 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.

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.

Work on regulations began December 2007 and is on-going. The Division has implemented regulations regarding: the calculation of prevailing value for gas produced from the North Slope; taxpayers’ monthly information reporting requirements; mid-year changes; civil penalties; overall conforming changes; Cook Inlet & Gas allocations; lease expenditures; overhead; .025 credits; transportation; and AGIA qualifications.

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

**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 activity in the prior month, which are 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.

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

### Exemptions

The tax on oil and gas is levied on all production except for state and federal 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% of the cost of the exploration expenditures and may not exceed 50% 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 up to 50% on state land (or 25% 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 are allowed a credit for contributions to Alaska universities and accredited nonprofit Alaska two-year or four-year colleges for facilities, direct instruction, research, and educational support purposes. The tax credit can also be taken for donations to a school district or state-operated vocational technical education and training school for vocational education courses, programs, and facilities. Donations for an annual intercollegiate sport tournament, Alaska Native cultural or

heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership also qualify. The credit is 50% of the first \$100,000, 100% of the contribution over \$100,000 and up to \$300,000 and 50% of the remaining amount over \$300,000. The total allowable credit may not exceed \$5 million.

#### Qualified Capital Expenditure - AS

43.55.023(a) - Taxpayers that incur qualified capital expenditures may apply for a 20% 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% credit to their annual oil and gas production tax filings without certification.

In 2010, the legislature passed AS 43.55.023(l), which allows credit of 40% of qualified well lease expenditures incurred south of 68 degrees North latitude for oil or gas operations. These credits can be applied against production tax liabilities, transferred to another company, or purchased by the state.

#### 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% 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

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

period April 1, 2001, through March 31, 2006. The credit is 20% of those qualified capital expenditures, not to exceed one-tenth of qualified 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 per day, but is less than 100,000 barrels per 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% (20% for work performed prior to July 1, 2008) or 40%, depending on the qualifications of the exploration project. Taxpayers must obtain pre-approval from 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 applied 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.

**Cook Inlet Jack-Up Rig Credit - AS 43.55.025(a)(5)** was passed by the legislature in 2010 to incentivize investment in a jack-up rig for use in Cook Inlet. The credit is available to the first three unaffiliated persons that drill an offshore exploration well for oil or gas in Cook Inlet. Credit under this program will be granted for the lesser of 100% of exploration expenditures or \$25 million to the first person who drills a qualifying well under the program. Credit for the lesser of 90% of exploration expenditures or \$22.5 million is available to the second person, and credit for the lesser of 80% of exploration expenditures or \$20 million is available to the third person who drills a qualifying well under the program.

Credit under this program may be granted in the form of a cash reimbursement from the state or it may be applied against tax liabilities. If the drilling under this program results in sustained production of oil or gas, 50% of the amount of the credit received shall be repaid to the state over a 10-year period.

**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% of production value.

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

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

**1970** - The legislature repealed the disaster oil and gas production tax. The legislature changes the oil production tax to a graduated tax with rates of 3% on the first 300 barrels per day per well, 5% on the next 700 barrels per day per well, 6% on the next 1500 barrels per day per well and 8% on production exceeding 2500 barrels per day per well.

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

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

**1977** - The legislature raises the nominal gas production tax rate to 10%. The legislature raises the nominal oil production tax rate to 12.25%

and adopts the oil and gas economic limit factors.

**1981** - As part of legislation that repealed the separate accounting oil and gas corporation income tax, the nominal tax rate on oil produced prior to 1981 was raised to 15% and fields coming into production after 1981 are taxed at 12.25% for five years after which the rate increases to 15%. The oil economic limit factor is now subject to a rounding rule so that if the calculated factor is greater than or equal to 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% for contributions of not more than \$100,000 and 75% 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% and the maximum 40% for qualified expenditures.

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

**2005** - To expand the 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% (it was 22.5% under PPT) and the progressive surcharge tax rate under ACES is 0.4% for every dollar the production tax value per barrel exceeds \$30 (it was 0.25% 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% for every additional dollar of production tax value.

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

**2010** - The legislature amended the alternative tax credit provisions to add tax credits for drilling exploration wells using a jack-up rig in the Cook Inlet. The first three unaffiliated persons drilling wells that penetrate and evaluate prospects in the pre-Tertiary zone are entitled to credits of 100%, 90% or 80%, respectively of the first \$25 million of exploration expenditures. Other changes include a new 40% tax credit for well lease expenditures incurred south of 68 degrees North latitude, elimination of the splitting of tax credits for lease expenditures incurred in the state south of 68 degrees North latitude after June 30, 2010, and elimination of the future investment requirement for the purchase of transferable tax credit certificates by the state.

The legislature amended the education credit by increasing the maximum credit allowed from \$150,000 to \$5 million effective January 1, 2011. In addition, the legislature expanded contributions eligible for the credit to include contributions made for construction and maintenance of facilities by state operated vocational education schools and two or four-year colleges. The increase in the credit from \$150,000 to \$5 million expires December 31, 2013. On January 1, 2014, the maximum credit allowed will revert to \$150,000.

**2011** - The legislature enacted legislation extending the date that the \$5 million annual education credit limit expires from January 1, 2014 to January 1, 2021. It is then scheduled to return to \$150,000. In addition, the

legislature expanded contributions eligible for the credit to include contributions made after June 30, 2011 to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership.

**FY 2012 Statistics**

**Tax Collections**

General Fund \$6,136,664,298

Constitutional Budget Reserve Fund (5,058,795)

**Total** **\$6,131,605,503**

Number of Returns 29

Number of Taxpayers 19

Program Cost \$5,128,627

Staffing (full-time equivalent) 32.9

**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; and
- **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 are allowed a credit for contributions to Alaska universities and accredited nonprofit Alaska two-year or four-year colleges for facilities, direct instruction, research, and educational support purposes. The tax credit can also be taken for donations to a school district or state-operated vocational technical education and training school for vocational education courses, programs, and facilities. Donations for an annual intercollegiate sport tournament, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership also qualify. The credit is 50% of the first \$100,000, 100% of the contribution over \$100,000 and up to \$300,000 and 50% of the remaining amount over \$300,000. The total allowable credit may not exceed \$5 million.

**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).

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

**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, ensuring 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.

**2010** - The legislature amended the education credit by increasing the maximum credit allowed from \$150,000 to \$5 million effective January 1, 2011. In addition, the legislature expanded contributions eligible for the credit to include contributions made for construction and maintenance of facilities by state operated vocational education schools and two or four-year colleges. The increase in the credit from \$150,000 to \$5 million expires December 31, 2013. On January 1,

2014, the maximum credit allowed will revert to \$150,000.

**2011** - The legislature enacted legislation extending the date that the \$5 million annual education credit limit expires from January 1, 2014 to January 1, 2021. It is then scheduled to return to \$150,000. In addition, the legislature expanded contributions eligible for the credit to include contributions made after June 30, 2011 to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership.

**FY 2012 Statistics**

Property Taxes Billed	\$489,458,832
Less Municipal Tax Credit	<u>(378,279,588)</u>
<b>Total Tax Collections</b>	<b><u>111,179,244</u></b>
Number of Returns	877
Number of Taxpayers	147
Program Cost	\$518,622
Staffing (full-time equivalent)	3.6

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.

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

**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.

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

**Exemptions**

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

**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.

**Disposition of Revenue**

The Division deposits all revenue derived from the RCC program into

**FY 2012 Statistics**

Total RCC Collections

**\$8,510,552**

*Electric, Telephone, Pipeline Carriers and Other Utilities*

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 the 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) are exempt from the salmon enhancement tax.

**Disposition of Revenue**

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

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

**History**

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

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

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

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

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

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

**2004** - The legislature authorized additional salmon enhancement tax rates, subject to permit holder elections held by qualified regional associations. In addition to the current 1%, 2%, or 3% options, 10 additional options were made available ranging from 4% to 30%.

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 2012 Statistics

Tax Collections	<b>\$10,060,538</b>
<i>Including interest and penalties</i>	
Number of Returns	891
Number of Taxpayers	202
Program Cost	\$158,851
Staffing (full-time equivalent)	1.8

**Regional Seafood Development Tax AS 43.76.350**

**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.

**Rate**

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

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

**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.

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%, 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.

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

**FY 2012 Statistics**

Tax Collections <i>Including interest and penalties</i>	<b>\$1,915,156</b>
Number of Returns	244
Number of Taxpayers	41
Program Cost	\$43,764
Staffing (full-time equivalent)	0.5

**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% 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 worth 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%, 0.2% or 0.3% (elected by large processors in Alaska). In 1981, processors elected a 0.3% assessment to take effect in calendar year 1982.

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

**2004** - The legislature directed the Alaska Seafood Marketing Institute (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% to 0.5%. Elections were held as prescribed by law. The vote retained the Seafood Marketing Assessment, increased the Seafood Marketing rate to 0.5% and eliminated the Salmon Marketing Tax effective January 1, 2005.

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

**FY 2012 Statistics**

Assessment Collections	<b>\$9,710,180</b>
Number of Returns	446
Number of Taxpayers	154
Program Cost	\$80,527
Staffing (full-time equivalent)	0.8

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 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% 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.

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

**Returns**

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

**Exemptions**

All qualified telephone cooperatives are subject to the cooperative tax.

**FY 2012 Statistics**

Tax Collections	<b>\$2,067,213</b>
Number of Returns	7
Number of Taxpayers	7
Program Cost	\$3,597
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% 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 2012 Statistics**

New tires (non-studded)	\$1,048,855
Studded tires and stud installations	351,003
Penalties & Interest	<u>20,026</u>
<b>Tax Collections</b>	<b><u>\$1,419,884</u></b>
Number of Returns	315
Number of Taxpayers	82
Program Cost	\$138,231
Staffing (full-time equivalent)	1.1

**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 the 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 (“NPM”) Equity Tax**

An additional tax of 12.5 mills (\$0.25 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% 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 arm’s-length transaction.

**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% on the first \$1,000,000 and 2% on the second \$1,000,000 of cigarette tax stamps purchased in a calendar year. The total stamp discount in each calendar year may not exceed \$50,000. Taxpayers who import other tobacco products for sale may deduct 0.4% of the other tobacco products tax due to cover expenses of accounting and filing returns. There is no limit on this deduction.

**Exemptions**

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

**Disposition of Revenue**

Cigarette Taxes – Revenue from the base rate is deposited in the School Fund. Revenue from the additional tax is initially deposited

**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

into the General Fund. Of the amount deposited in the General Fund, 8.9% 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 \$0.03 per pack on cigarettes and \$0.02 per ounce on tobacco. There were no exemptions provided in the tax legislation.

**1951** - The legislature increased the cigarette tax to \$0.05 per pack.

**1955** - The legislature eliminated the tobacco products tax and, although the cigarette tax rate remained at \$0.05, the legislature converted the rate to a mill rate per cigarette (2.5 mills per cigarette). The legislature enacted a 1% deduction provision to cover accounting expenses. 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 (\$0.08 per pack). The legislature dedicated revenue from the additional \$0.03 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 (\$0.16 cents per pack).

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

**1989** - The legislature increased the cigarette tax rate to 14.5 mills (\$0.29 per pack of 20).

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

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

The Agreement includes language to prevent “nonparticipating manufacturers” (those manufacturers who have not agreed to participate in the settlement) from deriving short-term profits and from becoming judgment-proof before liability arises. This language requires every nonparticipating manufacturer to place funds in an escrow account for each cigarette sold in the state. 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 AS 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 \$0.08 per cigarette or \$1.60 per pack of 20 cigarettes, effective January 1, 2005.

- Levied an additional tax of 12.5 mills or \$0.25 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% 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 \$0.09 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 \$0.10 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.

**2010** - The legislature changed the methodology for establishing the minimum price at which cigarettes must be sold.

### FY 2012 Statistics

#### Tax Collections

Cigarettes	\$59,630,927
Tobacco Products	12,035,633
Penalties & Interest	87,812
License Fee Collections	4,975
Accounting Expense & Tax Stamp Deduction	<u>(353,722)</u>

**Total Collections by Product** **\$71,405,625**

#### Tax Collections by Fund

General Fund	\$45,582,170
School Fund	22,549,956
Tobacco Use Education and Cessation Fund	<u>3,273,499</u>

**Total Tax Collections All Funds** **\$71,405,625**

#### Cigarettes Sold or Imported into the State – (Individual Cigarettes) as Reported on Returns\*

Total Cigarettes	601,742,621
Military and Indian Exempt Sales	(5,004,500)
Credits for Returns	<u>(869,780)</u>

**Taxable Cigarettes** **595,868,341**

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

#### Tobacco Products as Reported on Returns

Total Wholesale Value Reported	\$16,503,897
Military and Indian Exempt Sales	(151,542)
Credits for Returns	<u>(291,079)</u>

**Taxable Wholesale Value of Tobacco Products** **\$16,061,276**

Number of Returns	2,447
Number of Taxpayers	263
Program Cost	\$723,028
Staffing (full-time equivalent)	6.4

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 if the lease or rental does not exceed a period of 90 consecutive days. 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, local, or foreign government agencies or employees on official business
- trucks with a gross vehicle weight rating greater than 8,500 pounds used for moving personal property and for vehicles provided to customers by automobile dealers as replacement transportation during warranty, recall or service contract repairs
- taxi cabs are excluded from the tax under AS 43.52.099. Specifically, taxi cabs do not meet the definition of a “passenger vehicle”. There is no exemption certificate required for taxi cabs. Similarly, rental trucks and replacement transportation do

not meet the “passenger vehicle” definition. However, there is an exemption certificate required for these transactions

**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 2012 Statistics**

Passenger vehicle rental	\$8,132,668
Recreational vehicle rental	359,002
Penalties & interest	<u>37,963</u>
Total Tax Collections	<b><u>\$8,529,633</u></b>
Number of Returns	464
Number of Taxpayers	118
Program Cost	\$231,170
Staffing (full-time equivalent)	2.5

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

**Appeals Function**

The Appeals Group consists of five 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 Division 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 Division 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 Division.

**FY 2012 Statistics**

	<b>Tax Periods*</b>	<b>Taxpayer Count</b>
Beginning Inventory	244	65
Plus New Cases	424	137
Less Closed Cases	<u>397</u>	<u>132</u>
<b>Ending Inventory</b>	<b><u>271</u></b>	<b><u>70</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 both 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 2012 Statistics**

**Audit Collections**

**Production Audit**

Oil and Gas Production <sup>1</sup>	\$(5,058,795)
Oil and Gas Property	<u>104,235,535</u>
<b>Total Production Audit</b>	<b><u>\$99,176,740</u></b>

**Income Audit** (Corporate Net Income)

Oil and Gas Corporations	\$2,956,805
Other Corporations	<u>1,469,765</u>
<b>Total Income Audit</b>	<b><u>\$4,426,570</u></b>

**Fish Audit**

Fisheries Business	\$3,122,073
Fishery Resource Landing	0
Other fisheries taxes	<u>0</u>
<b>Total Fish Audit</b>	<b><u>\$3,122,073</u></b>

**Excise Audit**

Alcoholic Beverage	\$301,298
Vehicle Rental	26,848
Tire Fee	33,099
Tobacco	84
Mining	<u>53,648</u>
<b>Total Excise Audit</b>	<b><u>\$414,977</u></b>

<b>Total</b>	<b><u>\$107,140,360</u></b>
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<sup>1</sup>The amount reported is net revenue collected and includes a current year refund of taxes overpaid in a previous fiscal year. Revenue from the prepayment of potential tax liability was recognized in the prior period when it was received.

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. This information 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.

**Salmon Price Reports**  
AS 43.80 (Continued)**FY 2012 Statistics**

Number of Reports	114
Number of Filers	38

## 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	Per Gallon Wine \$0.05 Beer \$0.05	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	\$34.50/passenger	2010 - Effective 10/31/10, tax reduced from \$46 to \$34.50 per passenger. The number of ports of call for sharing increased from 5 to 7. Regional cruise ship impact fund repealed.
<b>Conservation Surcharge on Oil</b>	AS 43.55	1989	\$0.05/bbl	\$0.01/bbl increasing to \$0.04¢/bbl when fund balance drops below \$50m	2006 - rates changed to \$0.01/bbl and \$0.04/bbl.
<b>Corporate Income</b>	AS 43.20	1949	10% of federal income tax liability	1% to 9.4% of net income	<p>2011 - Effective 1/1/2011, maximum education credit increased from \$150,000 to \$5 million. Eligible contributions for credit expanded to include contributions for construction and maintenance of university, college or vocational education facilities.</p> <p>The legislature enacted the veteran employment tax credit, providing a credit of \$3,000 for hiring a disabled veteran, or \$2,000 for hiring a veteran who is not disabled.</p> <p>The legislature enacted the LNG (Liquefied Natural Gas) Storage Facility Tax Credit, granting a credit for costs incurred to establish an LNG storage facility in Alaska. The available credit is equal to 50% of the costs incurred, not to exceed \$15,000,000. This is a refundable tax credit.</p> <p>The legislature passed legislation exempting certain small corporations from the corporate income tax. For tax years beginning after 12/31/11, corporations that have assets less than \$50,000,000 and that meet certain other requirements are exempt from paying corporate income tax.</p>

## Appendix A (Continued)

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Most Recent Change
<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 attributable to Alaska	2001 - The federal Economic Growth and Tax Relief Reconciliation Act was 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.
<b>Fisheries Business</b>	AS 43.75	1913	\$0.07 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	2011 - Effective 7/1/2011, eligible contributions for education credit expanded to include contributions to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for K-12 public schools and Alaska Sea Life Center. Sunset provision reverting \$5 million annual credit limit back to \$150,000 extended to 2021.

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

Appendix A (Continued)

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Most Recent Change
<b>Fishery Resource Landing</b>	AS 43.77	1993	3.3% of unprocessed value	3% of value <sup>1</sup> 1% of value <sup>2</sup>	2011 - Effective 7/1/2011, eligible contributions for education credit expanded to include contributions to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for K-12 public schools and a facility in the state that qualifies as a coastal ecosystem learning center under the coastal American Partnership. Sunset provision reverting \$5 million annual credit limit back to \$150,000 extended to 2021.
<sup>1</sup> Established species <sup>2</sup> Developing species					
<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	2010 - Large passenger vessel gaming and gambling tax account (sub-account of CPV tax account) established.
<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%	2012 - Effective 1/1/2012, quarry rock, sand and gravel, and marketable earth mining operations are exempt from the mining license tax.
<b>Motor Fuel</b>	AS 43.40	1945	\$0.01 per gallon on all fuels	Highway - \$0.08/gallon Marine - \$0.05/gallon Aviation Gas- \$0.047/gallon Jet Fuel - \$0.032¢/gallon	2009 - The motor fuel tax was reinstated effective September 1, 2009.

## Appendix A (Continued)

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Most Recent Change
<b>Oil &amp; Gas Production</b>	AS 43.55	1955	1% of production value	25% 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% 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% and 0.1% of the difference between the average monthly production tax value and \$92.50. The maximum tax may not exceed 75%.	<p>2010 - Tax credit for 40% of well lease expenditures incurred south of 68 degrees North latitude, and the issuance of tax credits certificates in the full amount of the credit for expenditures incurred south of 68 degrees North latitude. Each change is effective for expenditures incurred after June 30, 2010.</p> <p>Credit for use of a jack-up rig in the Cook Inlet equal to 100%/90%/80% respectively of the first \$25 million of exploration expenditure incurred for the drilling of the first 3 exploration wells by unaffiliated persons using the jack-up rig.</p> <p>Effective 7/1/2011, maximum education credit increased from \$150,000 to \$5 million. Eligible contributions for credit expanded to include contributions for construction and maintenance of university, college or vocational education facilities.</p>
<b>Oil &amp; Gas Property</b>	AS 43.56	1973	20 mills on full and true value	20 mills on full and true value	2010 - Effective 1/1/2011, maximum education credit increased from \$150,000 to \$5 million. Eligible contributions for credit expanded to include contributions for construction and maintenance of university, college or vocational education facilities.
<b>Regulatory Cost Charge</b>	AS 42.05.253 (Utilities) AS 42.06.285 (Pipelines)	1992	Electric Utilities: \$.000626/kWh  Other Utilities: Pipelines: .653% gross revenue	See RCA website at <a href="http://rca.alaska.gov">rca.alaska.gov</a>	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.

## Appendix A (Continued)

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Most Recent Change
<b>Salmon Enhancement</b>	AS 43.76	1980	Voluntary tax of 1%, 2% or 3% of value as elected by fishermen in an aquaculture region	Southern Southeast - 3% Northern Southeast - 3% Cook Inlet - 2% Pr. William Sound - 2% Kodiak - 2% Chignik - 2%	2004 - SB 286 clarified the incidence of the tax; when selling to a buyer who does not withhold the tax, fishermen must now pay the tax on an annual return. 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.
<b>Tobacco</b>	AS 43.50	1949	Cigarettes - \$0.03 per pack of 20; Tobacco - \$0.02 per ounce	100 mills/cigarette (\$2.00 per pack of 20) Tobacco - 75% of wholesale price	2010 - The legislature changed the methodology for establishing the minimum price at which cigarettes must be sold.
<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.

## Appendix A (Continued)

## Repealed Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Most Recent Change
<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 - State Tax Rate Comparisons

### Alcohol – Liquor

#### January 2012<sup>(a)</sup>

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	5.50	8
Colorado	2.28	29	New Mexico	6.06	5
Connecticut	4.50	11	New York	6.44	4
Delaware	5.46	9	North Carolina	Footnote <sup>1</sup>	N/A
Florida	6.50	3	North Dakota	2.50	24
Georgia	3.79	15	Ohio	Footnote <sup>1</sup>	N/A
Hawaii	5.98	6	Oklahoma	5.56	7
Idaho	Footnote <sup>1</sup>	N/A	Oregon	Footnote <sup>1</sup>	N/A
Illinois	8.55	2	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	12
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	10	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

(a) Data available from January 2010

## Appendix B - State Tax Rate Comparisons

### Alcohol – Wine

#### January 2012<sup>(a)</sup>

State	Rate (\$ per gallon)	Rank*	State	Rate (\$ per gallon)	Rank*
Alabama	1.70	4	Montana	1.06	11
<b>Alaska</b>	<b>2.50</b>	<b>1</b>	Nebraska	.95	14
Arizona	.84	19	Nevada	.70	23
Arkansas	.75	21	New Hampshire	Footnote <sup>1</sup>	N/A
California	.20	44	New Jersey	.875	17
Colorado	.28	42	New Mexico	1.70	4
Connecticut	.60	25	New York	.30	37
Delaware	.97	13	North Carolina	.79	20
Florida	2.25	2	North Dakota	.50	31
Georgia	1.51	6	Ohio	.30	37
Hawaii	1.38	9	Oklahoma	.72	22
Idaho	.45	34	Oregon	.67	24
Illinois	1.39	8	Pennsylvania	Footnote <sup>1</sup>	N/A
Indiana	.47	33	Rhode Island	.60	25
Iowa	1.75	3	South Carolina	.90	16
Kansas	.30	37	South Dakota	.93	15
Kentucky	.50	31	Tennessee	1.21	10
Louisiana	.11	46	Texas	.20	44
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	18
Minnesota	.30	37	West Virginia	1.00	12
Mississippi	.35	36	Wisconsin	.25	43
Missouri	.30	37	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

(a) Data available from January 2010

**Appendix B - State Tax Rate Comparisons**  
**Alcohol – Beer**  
**January 2012<sup>(a)</sup>**

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	21	New Hampshire	.30	15
California	.20	22	New Jersey	.12	39
Colorado	.08	44	New Mexico	.41	8
Connecticut	.19	25	New York	.14	36
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	.235	20	Pennsylvania	.08	44
Indiana	.115	40	Rhode Island	.10	42
Iowa	.19	25	South Carolina	.77	3
Kansas	.18	27	South Dakota	.27	16
Kentucky	.08	44	Tennessee	.14	36
Louisiana	.32	12	Texas	.20	22
Maine	.35	11	Utah	.41	8
Maryland	.09	43	Vermont	.265	17
Massachusetts	.11	41	Virginia	.26	19
Michigan	.20	22	Washington	.261	18
Minnesota	.15	34	West Virginia	.18	27
Mississippi	.4268	7	Wisconsin	.06	48
Missouri	.06	48	Wyoming	.02	50

(a) Data available from January 2010

## Appendix B - State Tax Rate Comparisons

### Highway Gasoline

### January 2012

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	18.0	41	Montana	27		27.0	14
<b>Alaska*</b>	<b>8</b>		<b>8.0</b>	<b>51</b>	Nebraska	26.7	0.9	27.6	13
Arizona	18	1	19.0	37	Nevada	23	0.805	23.805	22
Arkansas	21.5	0.3	21.8	29	New Hampshire	18	1.625	19.625	36
California	35.7	5.5	41.2	1	New Jersey	10.5	4	14.5	49
Colorado	22		22.0	27	New Mexico	17	1.875	18.875	39
Connecticut	25		25.0	18	New York	8	17.8	25.8	17
Delaware	23		23.0	25	North Carolina	38.9	0.25	39.15	2
Dist of Columbia	23.5		23.5	23	North Dakota	23		23.0	26
Florida	4	12.6	16.6	48	Ohio	28		28.0	11
Georgia	7.5	12.9	20.4	32	Oklahoma	16	1	17.0	46
Hawaii	17		17.0	45	Oregon	30		30.0	9
Idaho	25	1	26.0	16	Pennsylvania	12	19.2	31.2	7
Illinois	19	1.1	20.1	33	Rhode Island	32	1	33.0	5
Indiana	18		18.0	42	South Carolina	16	0.75	16.75	47
Iowa	21	1	22.0	28	South Dakota	22	2	24.0	21
Kansas	24		24.0	20	Tennessee	20	1.4	21.4	30
Kentucky	26.4	1.4	27.8	12	Texas	20		20.0	35
Louisiana	20		20.0	34	Utah	24.5		24.5	19
Maine	29.5		30.0	8	Vermont	19	7.13	26.13	15
Maryland	23.5		23.5	24	Virginia	17.5		17.5	43
Massachusetts	21		21.0	31	Washington	37.5		37.5	3
Michigan	19		19.0	38	West Virginia	20.5	12.9	33.4	4
Minnesota	28.0	.1	28.1	10	Wisconsin	30.9	2	32.9	6
Mississippi	18	0.4	18.4	40	Wyoming	13	1	14.0	50
Missouri	17	0.3	17.3	44					

<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.

## Appendix B - State Tax Rate Comparisons

### Aviation Fuel

#### January 2012<sup>(a)</sup>

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	16	4.0	31
<b>Alaska</b>	<b>3.2</b>	<b>20</b>	<b>4.7</b>	<b>30</b>	Nebraska	3.0	22	5.0	25
Arizona	3.05	21	5.0	25	Nevada	1	30	2.0	37
Arkansas	Sales Tax	N/A	Sales Tax	N/A	New Hampshire	2.0	25	4.0	31
California	2.0	25	18.0	6	New Jersey	12.5	1	12.5	9
Colorado	4.0	16	6.0	21	New Mexico	Sales Tax	N/A	17.0	8
Connecticut	None	N/A	None	N/A	New York	8.0	6	8.0	14
Delaware	None	N/A	23.0	3	North Carolina	Sales Tax	N/A	Sales Tax	N/A
Florida	6.9	9	6.9	19	North Dakota	8.0	6	8.0	14
Georgia	Sales Tax	N/A	1.0	37	Ohio	Sales Tax	N/A	Sales Tax	N/A
Hawaii	2	25	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	1.6	25	5.4	24
Indiana	0.8	33	18.0	6	Rhode Island	None	N/A	None	N/A
Iowa	3.0	22	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	16	6.0	21
Kentucky	Sales Tax	N/A	21.8	4	Tennessee	1.4	29	1.4	36
Louisiana	Sales Tax	N/A	Sales Tax	N/A	Texas	None	N/A	None	N/A
Maine	3.4	19	29.5	1	Utah	9.0	5	9.0	12
Maryland	7.0	8	7.0	17	Vermont	Sales Tax	N/A	20.0	5
Massachusetts	10.7	4	25.2	2	Virginia	5.0	13	5.0	25
Michigan	3.0	22	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

(a) Data available from January 2010

Source: National Business Aircraft Association, Inc. 2011 State Aviation Tax Report

## Appendix B - State Tax Rate Comparisons

### Cigarette

### January 2012

State	Rate (\$ per pack)	Rank	State	Rate (\$ per pack)	Rank
Alabama (a)	0.425	46	Montana	1.70	15
<b>Alaska</b>	<b>2.00</b>	<b>10</b>	Nebraska	0.64	37
Arizona	2.00	10	Nevada	0.80	34
Arkansas	1.15	28	New Hampshire	1.68	17
California	0.87	32	New Jersey	2.70	6
Colorado	0.84	33	New Mexico	1.66	18
Connecticut	3.40	3	New York (a)	4.35	1
Delaware	1.60	19	North Carolina	0.45	44
Florida (b)	1.339	24	North Dakota	0.44	45
Georgia	0.37	47	Ohio	1.25	25
Hawaii	3.20	4	Oklahoma	1.03	29
Idaho	0.57	41	Oregon	1.18	27
Illinois (a)	0.98	31	Pennsylvania	1.60	19
Indiana	0.995	30	Rhode Island	3.46	2
Iowa	1.36	23	South Carolina	0.57	41
Kansas	0.79	35	South Dakota	1.53	21
Kentucky (c)	0.60	39	Tennessee (a) (c)	0.62	38
Louisiana	0.36	48	Texas	1.41	22
Maine	2.00	10	Utah	1.70	15
Maryland	2.00	10	Vermont	2.62	7
Massachusetts	2.51	9	Virginia (a)	0.30	49
Michigan	2.00	10	Washington	3.025	5
Minnesota (d)	1.23	26	West Virginia	0.55	43
Mississippi	0.68	36	Wisconsin	2.52	8
Missouri (a)	0.17	50	Wyoming	0.60	39

(a) Counties and cities may impose an additional tax on a pack of cigarettes: in Alabama, 1¢ to 6¢; Illinois, 10¢ to 15¢; Missouri, 4¢ to 7¢; New York City, \$1.50; Tennessee, 1¢; and Virginia, 2¢ to 15¢.

(b) Florida's rate includes a surcharge of \$1 per pack.

(c) Dealers pay an additional enforcement and administrative fee of 0.1¢ per pack in Kentucky and 0.05¢ in Tennessee.

(d) In addition, Minnesota imposes an in lieu cigarette sales tax determined annually by the Department.

## Appendix B - State Tax Rate Comparisons

### Tobacco Products

#### January 2012

State	Rate	State	Rate
Alabama (2)	Cigars \$0.03 - \$0.405/10 cigars Tobacco/Snuff \$0.01 - \$0.08/ounce	Mississippi	15% Manufacturer Price
<b>Alaska</b>	<b>75% Wholesale Price</b>	Missouri	10% Manufacturer Price
Arizona	Cigars \$0.337 - \$1.10/10 cigars Tobacco/Snuff 23.8¢/ounce	Montana	50% Wholesale Price
Arkansas	68% Manufacturer Price	Nebraska	20% Wholesale Price
California (3)	31.73% Wholesale Price	Nevada	30% Wholesale Price
Colorado	40% Manufacturer Price	New Hampshire	48% Wholesale Price
Connecticut (4)	50% Wholesale Price	New Jersey	30% Wholesale Price
Delaware	15% Wholesale Price	New Mexico	25% Product Value
Florida (5)	85% Wholesale Price	New York	75% Wholesale Price
Georgia	Little Cigars \$0.025/10 cigars Other Cigars 23% Wholesale Price Tobacco 10% Wholesale Price	North Carolina	12.8% Wholesale Price
Hawaii (6)	Cigars 50% Wholesale Price Tobacco/Snuff 70% Wholesale Price	North Dakota	
Idaho	40% Wholesale Price		Cigars & Tobacco 28% Wholesale Price
Illinois	18% Wholesale Price		Chew Tobacco/Snuff \$0.16 - \$0.60/ounce
Indiana	24% Wholesale Price	Ohio	17% Wholesale Price
Iowa (6)	50% Wholesale Price	Oklahoma	Cigars \$0.36-\$1.20/10 cigars Tobacco/Snuff 60% - 80% Factory List Price
Kansas	10% Wholesale Price	Oregon	65% Wholesale Price
Kentucky	15% Wholesale Price	Pennsylvania	N/A
Louisiana	Cigars 8%-20% Manufacturer Price Tobacco/Snuff 20%-33% Manufacturer Price	Rhode Island	80% Wholesale Price
Maine	Chewing Tob./Snuff \$2.02 / ounce Smoking Tob./Cigars 20% Wholesale Price	South Carolina	5% Manufacturer Price
Maryland	15% Wholesale Price	South Dakota	35% Wholesale Price
Massachusetts	Smokeless Tobacco 90% Wholesale Price Smoking Tob./Cigars 30% Wholesale Price	Tennessee	6.6% Wholesale Price
Michigan	32% Wholesale Price	Texas (7)	Cigars \$0.01 - \$0.15/10 cigars Tobacco/Snuff \$1.16/ounce
Minnesota	70% Wholesale Price	Utah	86% Manufacturer Price
		Vermont	92% Manufacturer Price
		Virginia	10% Wholesale Price
		Washington	95% Wholesale Price
		West Virginia	7% Wholesale Price
		Wisconsin	71% Manufacturer Price
		Wyoming (8)	20% Wholesale Price

Tobacco products include chewing tobacco and snuff.

- (1) The volume-based tax rates were converted to cents per 10 cigars or per ounce for consistency.
- (2) Alabama's cigar tax rate rises with the retail price; the rate on smoking tobacco and snuff depends on package weight.
- (3) California adjusts the tax rate annually, effective July 1st each year.
- (4) Connecticut taxes snuff tobacco at \$1.00 per ounce.
- (5) Florida's rate includes a 60% surtax.
- (6) Little cigars are taxed as cigarettes.
- (7) The Texas rate on tobacco is scheduled to increase on September 1, 2012.
- (8) Or 10% of retail price in Wyoming.

Source: Federation of Tax Administrators (FTA) - [www.taxadmin.org](http://www.taxadmin.org)

## Appendix B - State Tax Rate Comparisons

### Corporate Income

### January 2012

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>\$9,999</b>	<b>\$90,000</b>	<b>10</b>
Arizona	6.968		Flat Rate	1
Arkansas	1.0 - 6.5	\$3,000	\$100,001	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	\$100,001	3
Idaho	7.6		Flat Rate	1
Illinois	9.5		Flat Rate	1
Indiana	8.5		Flat Rate	1
Iowa	6.0 - 12.0	\$25,000	\$250,001	4
Kansas	4.0		Flat Rate	1
Kentucky	4.0 - 6.0	\$50,000	\$100,001	3
Louisiana	4.0 - 8.0	\$25,000	\$200,001	5
Maine	3.5 - 8.93	\$25,000	\$250,000	4
Maryland	8.25		Flat Rate	1
Massachusetts	8.0		Flat Rate	1
Michigan	6.0		Flat Rate	1
Minnesota	9.8		Flat Rate	1
Mississippi	3.0 - 5.0	\$5,000	\$10,001	3
Missouri	6.25		Flat Rate	1

Source: Federation of Tax Administrators (FTA) - [www.taxadmin.org](http://www.taxadmin.org)

**Appendix B - State Tax Rate Comparisons**  
**Corporate Income**  
**January 2012**  
**(Continued)**

State	Rate (%)	Tax Brackets		Number of Brackets
		Lowest	Highest	
Montana	6.75		Flat Rate	1
Nebraska	5.58 - 7.81		\$100,000	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	7.1		Flat Rate	1
North Carolina	6.9		Flat Rate	1
North Dakota	1.7 - 5.2	\$25,000	\$50,001	3
Ohio	Tax Based on Commercial Activity			N/A
Oklahoma	6.0		Flat Rate	1
Oregon	6.6 - 7.6		\$250,001	2
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	\$25,000	3
Virginia	6.0		Flat Rate	1
Washington	No Corporation Income Tax			N/A
West Virginia	7.5		Flat Rate	1
Wisconsin	7.9		Flat Rate	1
Wyoming	No Corporation Income Tax			N/A

Source: Federation of Tax Administrators (FTA) - [www.taxadmin.org](http://www.taxadmin.org)

## Appendix B - State Tax Rate Comparisons Individual Income\* January 2012

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	\$150,001	5
Arkansas	1.0 - 7.0	\$3,899	\$32,700	6
California	1.0 - 9.3	\$7,124	\$46,767	6
Colorado	4.63	Flat Rate		1
Connecticut	3.0 - 6.5	\$10,000	\$500,001	3
Delaware	2.2 - 6.95	\$5,000	\$60,001	6
Florida	No State Income Tax			N/A
Georgia	1.0 - 6.0	\$750	\$7,001	6
Hawaii	1.4 - 11	\$2,400	\$200,001	12
Idaho	1.6 - 7.8	\$1,315	\$26,320	8
Illinois	5.0	Flat Rate		1
Indiana	3.4	Flat Rate		1
Iowa	.36 - 8.98	\$1,439	\$64,756	9
Kansas	3.5 - 6.45	\$15,000	\$30,001	3
Kentucky	2.0 - 6.0	\$3,000	\$75,001	6
Louisiana	2.0 - 6.0	\$12,500	\$50,001	3
Maine	2.0 - 8.5	\$4,949	\$19,750	4
Maryland	2.0 - 5.5	\$1,000	\$500,001	7
Massachusetts	5.3	Flat Rate		1
Michigan	4.35	Flat Rate		1
Minnesota	5.35 - 7.85	\$22,770	\$74,781	3
Mississippi	3.0 - 5.0	\$5,000	\$10,001	3
Missouri	1.5 - 6.0	\$1,000	\$9,001	10

\* Rates apply to unmarried individuals

Source: Federation of Tax Administrators (FTA) - [www.taxadmin.org](http://www.taxadmin.org)

**Appendix B - State Tax Rate Comparisons**  
**Individual Income\***  
**January 2012**  
**(Continued)**

State	Rate (%)	Tax Brackets		Number of Brackets
		Lowest	Highest	
Montana	1.0 - 6.9	\$2,600	15,401	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 Income Only			N/A
New Jersey	1.4 - 8.97	\$20,000	\$500,000	6
New Mexico	1.7 - 4.9	\$5,500	\$16,001	4
New York	4.0 - 8.97	\$8,000	\$500,001	7
North Carolina	6.0 - 7.75	\$12,750	\$60,000	3
North Dakota	1.84 - 4.86	\$34,000	\$373,651	5
Ohio	0.587 - 5.925	\$5,050	\$200,001	9
Oklahoma	0.5 - 5.5	\$1,000	\$8,701	7
Oregon	5.0 - 11.0	\$2,000	\$250,001	5
Pennsylvania	3.07	Flat Rate		1
Rhode Island	3.75 - 5.99	\$55,000	\$125,001	3
South Carolina	0 - 7.0	\$2,740	\$13,701	6
South Dakota	No State Income Tax			N/A
Tennessee	Tax Limited to Dividends and Interest Income Only			N/A
Texas	No State Income Tax			N/A
Utah	5.0	Flat Rate		1
Vermont	3.55 - 8.95	\$34,000	\$373,651	5
Virginia	2.0 - 5.75	3,000	17,001	4
Washington	No State Income Tax			N/A
West Virginia	3.0 - 6.5	\$9,999	\$60,000	5
Wisconsin	4.6 - 7.75	\$10,070	\$221,661	5
Wyoming	No State Income Tax			N/A

\* Rates apply to unmarried individuals

## Appendix B - State Tax Rate Comparisons Sales January 2012

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	6.6	Nevada	6.85
Arkansas	6.0	New Hampshire	No State Sales Tax
California	7.25	New Jersey	7.0
Colorado	2.9	New Mexico	5.125
Connecticut	6.35	New York	4.0
Delaware	No State Sales Tax	North Carolina	4.75
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	7.0	Rhode Island	7.0
Iowa	6.0	South Carolina	6.0
Kansas	6.3	South Dakota	4.0
Kentucky	6.0	Tennessee	7.0
Louisiana	4.0	Texas	6.25
Maine	5.0	Utah	4.7
Maryland	6.0	Vermont	6.0
Massachusetts	6.25	Virginia	4.0
Michigan	6.0	Washington	6.5
Minnesota	6.875	West Virginia	6.0
Mississippi	7.0	Wisconsin	5.0
Missouri	4.225	Wyoming	4.0