STATE OF ALASKA

DEPARTMENT OF REVENUE
Income and Excise Audit Division

Fiscal Year 1998
ANNUAL REPORT

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Tony Knowles
Governor

Wilson L. Condon
Commissioner

Dedication

This report is dedicated to Paul Dick who founded the annual report and was primary author for many years. Paul is now working as the Chief of Operations for the Permanent Fund Division

Report Author
Brett Fried

1998

This annual report gives an overview of tax programs administered by the Income and Excise Audit Division and reports revenue collections and other information related to those programs. This report also includes highlights and explains the organizational structure of the division.

Information included in this report covers fiscal year 1998 which ended June 30, 1998.

The information in this annual report is updated on our web site. Please go to http://www.revenue.state.ak.us/iea/98REPORT for the most current information.

Table of Contents

Executive Summary

FY 98 in Retrospect

The Income and Excise Audit Division collected $415 million in FY 98. General Fund collections were $376 million, School Fund collections were $16 million and Constitutional Budget reserve collections were $23 million. For the General Fund this is a 15% decrease from record FY 97 collections ($442 million), and an 11% increase over average collections for the last five years. The decrease from FY 97 was primarily attributable to lower oil & gas corporate income tax payments

Income and Excise Audit Division (IEAD) processed 24,479 tax returns, 5,779 reports and 874 licenses during the fiscal year. IEAD continued efforts to enhance revenue, through increased focus on audit and compliance programs, and to streamline its operations. Where possible, IEAD took measures to utilize new technology to bring efficiencies to tax programs.

Four tax-related bills were passed by the 1998 legislature. The most notable piece of legislation was a bill that repealed the coin-operated devices tax program. This tax was a nominal tax levied on entertainment and amusement devices. Repeal of the coin-operated devices was recommended by the division to reduce the paper work burden on Alaskan businesses.

Following are highlights of the division for FY 98.

→ ***Record Tobacco Tax Collections*** – Total cigarette tax revenues increased from $14.6 million to $28.5 million and other tobacco (e.g., cigars, chew and snuff) tax revenues increased from $1.7 million to $3.5 million. The increase in cigarette tax revenues ($13.9 million) went directly to the School Fund.

→ ***Gaming Application Streamlined*** – The division reduced the amount of paperwork necessary to file gaming applications and lowered the processing time to within 7 days of receipt of the gaming application.

→ ***New Gaming Database Implemented*** – A database has been created to track financial and other gaming data.

→ ***Progress on Long Term Oil and Gas Audit Plan*** – There has been a great deal of progress in making oil and gas audits more current. At the end of FY 98, audits for the most current audit cycles were in progress for all but two of the major oil and gas taxpayers.

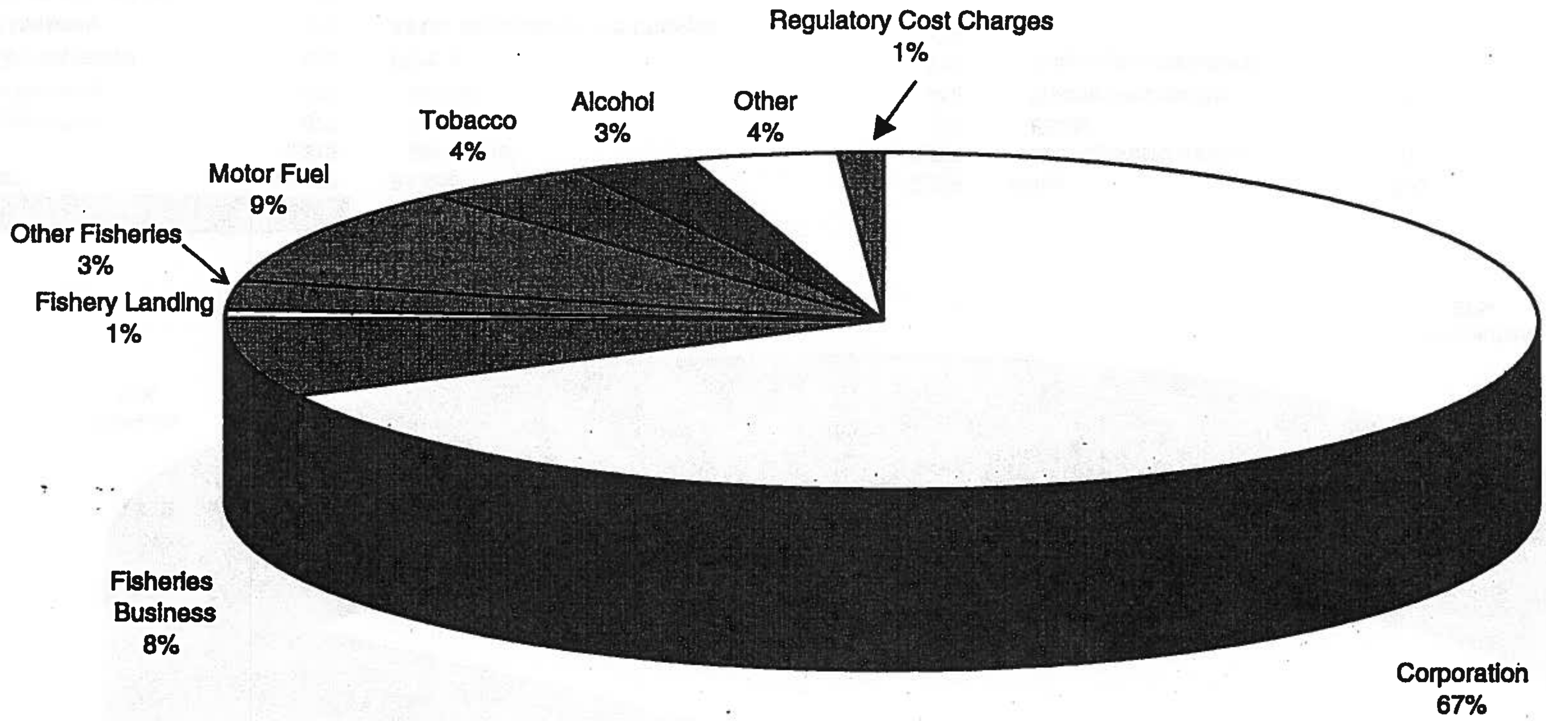
→ ***Corporate Income Tax Regulations Finalized*** - During FY 97 Audit began a comprehensive review of corporate income tax regulations and selected certain priority areas that needed clarification by regulation. Public comment and legal review of the regulations continued during FY 98. In October 1997, final regulations were adopted and are effective for 1998 returns.

Table 1
Three Year Comparison of Revenue Collections

FUND SOURCE	FY 98	% Fund Total	FY 97	% Fund Total	FY 96	% Fund Total
General Fund						
Corporation	$253,479,732	67.4%	$317,881,916	71.9%	$227,056,475	62.8%
Motor Fuel	35,645,306	9.5%	35,317,981	8.0%	37,740,055	10.4%
Fisheries Business	28,464,413	7.6%	30,967,567	7.0%	38,241,228	10.6%
Tobacco	15,399,531	4.1%	13,651,986	3.1%	14,157,919	3.9%
Alcoholic Beverages	11,771,505	3.1%	11,553,183	2.6%	11,985,466	3.3%
Estate	5,466,488	1.5%	1,717,986	0.4%	1,658,011	0.5%
Fishery Resource Landing	3,767,704	1.0%	8,278,994	1.9%	7,137,876	2.0%
Salmon Enhancement	4,186,701	1.1%	4,189,791	0.9%	5,235,938	1.4%
APUC Regulatory Cost Charges	3,769,005	1.0%	4,301,051	1.0%	1,868,258	0.5%
Salmon Marketing	2,811,707	0.7%	3,522,739	0.8%	4,804,416	1.3%
Seafood Marketing - Fisheries Business	2,449,064	0.7%	2,562,621	0.6%	3,211,828	0.9%
Unclaimed Property[1]	2,408,310	0.6%	2,352,401	0.5%	2,485,202	0.7%
Gaming[2]	2,133,945	0.6%	2,093,406	0.5%	2,070,343	0.6%
Mining License	1,661,651	0.4%	387,036	0.1%	480,842	0.1%
Electric Cooperative	1,556,685	0.4%	1,436,660	0.3%	1,377,992	0.4%
Telephone Cooperative	794,158	0.2%	1,302,139	0.3%	1,163,366	0.3%
Seafood Marketing - Landing	429,721	0.1%	536,609	0.1%	565,879	0.2%
Coin-Operated Devices	72,610	0.0%	90,165	0.0%	89,230	0.0%
Total General Fund	**376,268,236**	**100.0%**	**442,144,231**	**100.0%**	**361,330,324**	**100.0%**
Constitutional Budget Reserve Fund (CBRF)						
Corporation	22,167,854	98.3%	56,030,847	100.0%	103,269,899	100.0%
Mining License	375,575	1.7%	20,805	0.0%	32,372	0.0%
Total CBRF	**22,543,429**	**100.0%**	**56,051,652**	**100.0%**	**103,302,271**	**100.0%**
School Fund						
Tobacco	16,417,149	100.0%	2,498,326	99.8%	2,608,452	99.9%
Cigarette License Fees	5,695	0.0%	3,950	0.2%	1,955	0.1%
Total School Fund	**16,422,844**	**100.0%**	**2,502,276**	**100.0%**	**2,610,407**	**100.0%**
Total All Funds	**$415,234,509**	**100.0%**	**$500,698,159**	**100.0%**	**$467,243,002**	**100.0%**

[1] *Includes refunds to owners and other states ($548,428 in FY 98, $710.616 in FY 97 and $1,158,853 in FY 96).*
[2] *Prior to July 1997, gaming revenues were collected by the Gaming Division.*

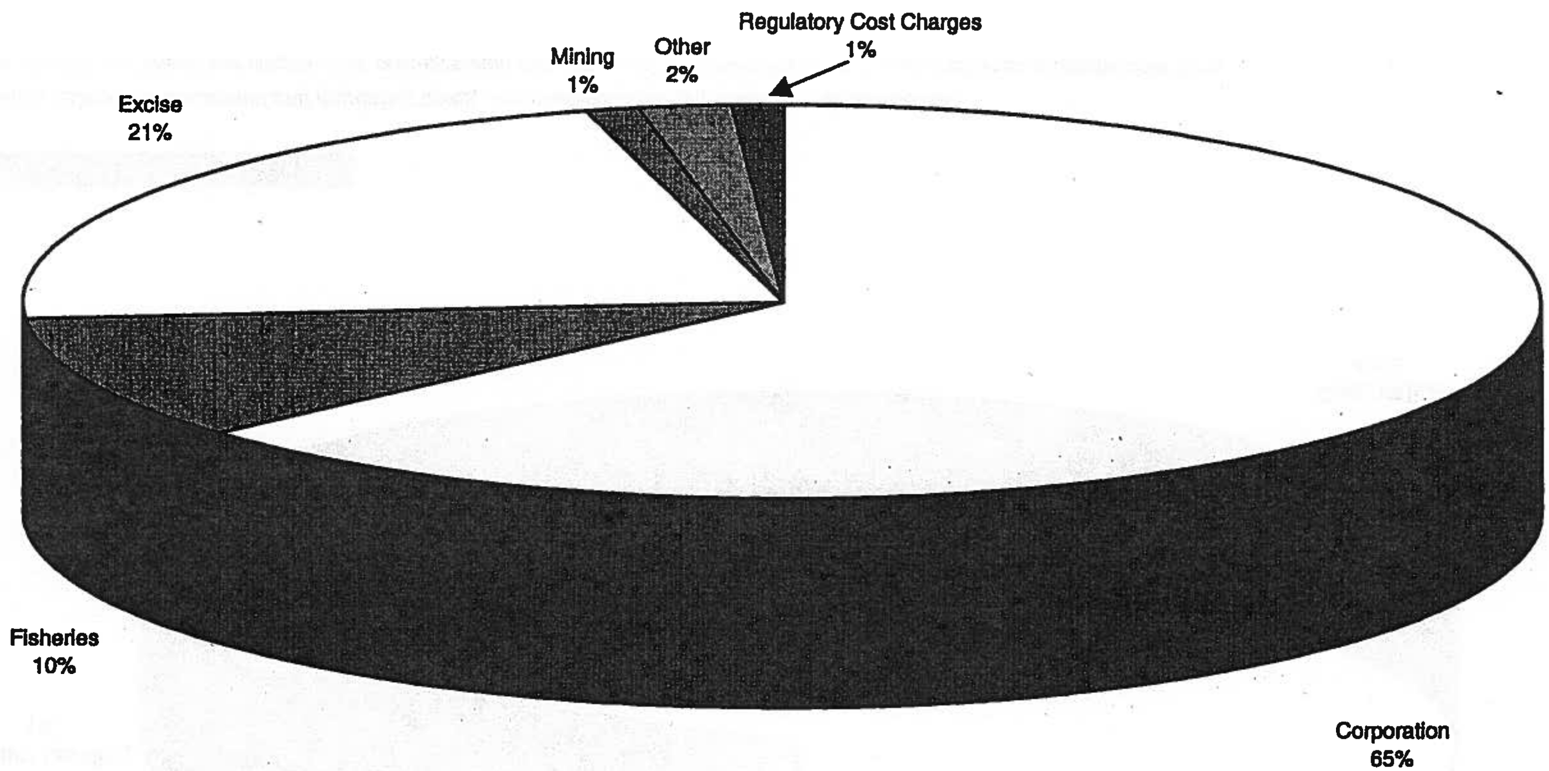
Chart 1
General Fund Income and Excise Tax Collections



Total Tax Collections: $376,268,286

Other Fisheries *includes salmon enhancement and marketing taxes, and seafood marketing assessment collections.*
Other *includes estate, electric and telephone cooperative, coin-operated devices, gaming, mining license tax, and unclaimed property collections.*

Chart 2
Income and Excise Tax Returns Filed



Total Tax Returns Filed: 24,479

Corporation	15,853	**Excise**	5,264	**Other**	406
Fisheries	2,372	*Motor Fuel*	4,306	*Coin-Operated Devices*	311
Salmon Marketing	677	*Tobacco*	700	*Estate*	71
Fisheries Business	638	*Alcohol*	258	*Electric Cooperative*	17
Salmon Enhancement	623	**Mining**	290	*Telephone Cooperative*	7
Seafood Marketing	340	**APUC Regulatory Cost Charges**	294		
Fishery Resource Landing	94				

- HIGHLIGHTS -

Gaming Application Streamlined. Annual gaming permit applications were revised to reduce paperwork for applicants and streamline the issuance of permits to the organizations conducting charitable gaming activities in the state. The new application form took effect for the calendar year 1998 permit cycle.

The division revised the application form to be more concise and reduced the number of attachments required with the application. Procedures for processing applications were streamlined and as a result, cut the processing time for issuing renewal permits to within 7 days of receipt by the division.

New Gaming Database. In FY 98, the division completed the design of a database to track gaming activities and financial information associated with gaming.

Tobacco Tax Increase. In October 1997, the cigarette tax rate was increased from $.29 to $1.00 per pack (of 20 cigarettes). The increase of cigarette revenue ($13.9 million) went directly to the school fund. Additionally, the Other Tobacco Products tax rate was increased from 25% to 75% of the wholesale value. The increase in revenue ($1.8 million) went to the General Fund.

Audit Works on Tobacco Tax Compliance. Audit participated in the tobacco tax compliance group formed as a result of the increases in tobacco tax rates. Additionally, worked to develop compliance measurement reports and played a key role in federal investigation of suspected tax irregularities.

Audit Continues to Close the Gap between Oil & Gas Returns Filed and Audited. Audit continued to close the gap between oil and gas corporate income tax returns filed and returns audited. Audit remained on track to have all major oil and gas returns filed through 1996 audited by the end of 1999.

Corporate Income Tax Regulations Finalized. During FY 97, Audit began a comprehensive review of corporate income tax regulations and selected certain priority areas that needed clarification by regulation. Public comment and legal review of the regulations continued during FY 98. In October 1997, final regulations were adopted and are effective for 1998 tax returns.

Unclaimed Property Database Continues to Improve. During FY 98, three vital components of the new database were implemented. The data entry component and the cash processing component were completed in November of 1997 and the claims component was in full production by April of 1998. All cash reports for FY 98 were keyed using the new system. The listing of owners in the database is linked directly to the Unclaimed Property web site. This insures that current and accurate information is readily available to all interested parties.

NEW LEGISLATION

The 1998 legislature passed six bills that directly affect the Income and Excise Audit Division (IEAD). The Governor signed all of the bills into law.

The most notable was SB 240 that repealed the coin-operated devices tax program.

HB 472 (Ch 35 SLA 1998) – Corporation Tax Exclusion for Business Income from Foreign Ships and Aircraft. This bill exempts from the Alaska income tax earnings from the operation of ships and aircraft between Alaska and foreign countries by foreign corporations (as reflected in Internal Revenue Code Section 883).

This bill was precipitated by an Alaska Supreme Court decision (*State v. OSG Bulk Ships, Inc.*) issued in February 1998 which upheld the state's position that income from foreign ships and aircraft was not expressly excluded under the state's corporation net income tax statutes (AS 43.20).

The provisions of this bill are retroactive to January 1, 1993.

HB 392 (Ch 37 SLA 1998) – Changes in Canned Salmon Wholesale Price Reports. This bill changed filing requirements for the wholesale canned salmon price report under AS 43.80. The changes were as follows.

Change in filing period. Reports are required to be submitted to the department three times a year rather than twice a year. The report periods will be January through April; May through August; and September through December.

Change to thermal processed. The scope of report information was expanded to include thermally processed salmon products – previous reports required just *canned* salmon information. Thermally processed salmon includes canned salmon and other products processed by the application of heat that are shelf-stable and do not require refrigeration.

Change in size categories. The previously defined size categories (one-pound, one-half-pound, etc.) were eliminated and information will be required by actual size of container.

New report threshold. Reports will not be required of processors who sell less than 240,000 pounds of thermally processed salmon at wholesale during a calendar year.

SB 240 (Ch 39 SLA 1998) – Repeal of Coin-Operated Devices Tax Program. This bill repealed the tax and other provisions related to coin-operated devices (AS 43.35) effective January 1, 1999. The coin-operated devices tax was a nominal $48 annual tax levied on entertainment and amusement devices, such as a video game machines, billiards, jukeboxes and pinball machines, which are operated by coin or token.

Repeal of the coin-operated devices tax program was recommended by the division as a measure to reduce burdens for Alaska businesses and direct more resources toward compliance efforts for large tax programs. Total tax collections under this program for FY 98 were $72,610 of which $26,973 was shared to municipalities. The tax was enacted in 1941 and last changed in 1960.

HB 50 (Ch 55 SLA 1998) – Allow Broadcasting of Raffles and Classics. This bill amended charitable gaming statutes to authorize the use of broadcasting to promote a fish derby or type of classic or sweepstakes defined under gaming statutes. Broadcasters are limited to 12 hours of broadcasting for authorized activities in a calendar year.

This bill took effect May 30, 1998.

HB 239 (Ch 82 SLA 1998) – Motor Fuel Tax Credit for Bad Debts. This bill authorizes taxpayers to claim credits against motor fuel tax liabilities for sales treated as bad debts for federal tax purposes or to persons who subsequently declare bankruptcy. The credit is nonrefundable and limited to the amount of taxes remitted to the department for the tax due on the sales.

This bill took effect July 1, 1998.

HB 73 (Ch 111 SLA 1998) – Extension of Salmon Marketing Tax. This bill extended the sunset date for the 1% statewide salmon marketing tax to June 30, 2003.

Division Organization

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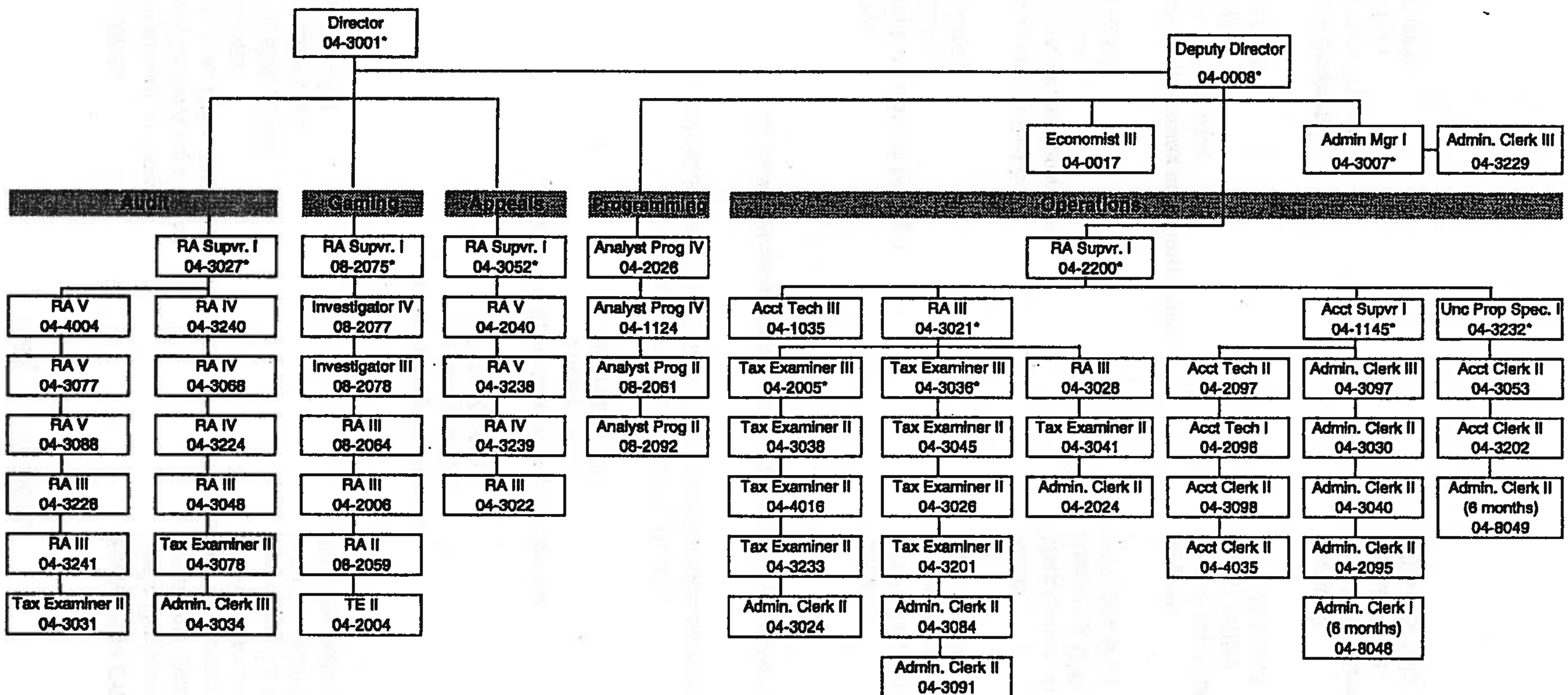
Organization Chart



** Indicates supervisory position*

Position Count	Permanent Full-time	Permanent Part-time	Total
Juneau	43	2	45
Anchorage (Audit and Gaming)	20	0	20
Total	63	2	65

FUNCTIONS

During the fiscal year, Income and Excise Audit Division (IEAD) was staffed by 63 full-time and 2 seasonal positions, and maintained offices in Juneau and Anchorage. The division's FY 98 operating budget was $4.0 million. IEAD was functionally organized as follows: **Operations, Audit, Appeals Gaming,** and **Research.**

OPERATIONS

Operations, located in Juneau and staffed by 33 full-time and 2 seasonal positions (including 4 computer programmers and a manager), is responsible for receipt and processing of tax returns and payments.

In conjunction with provisions for the Constitutional Budget Reserve Fund, Operations is responsible for accounting for oil and gas settlement payments received by the state. Operations receives payment characteristic forms from oil and gas agencies which direct how payments are to be allocated between different funds, and maintains a database of settlement payments.

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

Accounting and Collections

Accounting and Collections, staffed by 9 full-time and 1 seasonal positions, is responsible for receiving and processing tax payments, data entering tax return information into the division's tax accounting system (TAS), and reconciling TAS revenues to the state's accounting system (AKSAS).

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

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

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

Examination, Licensing and Compliance

Examination and Licensing, staffed by 12 full-time positions, is responsible for examining selected returns and issuing licenses to taxpayers. As part of the examination process, tax examiners generate assessments for additional taxes and penalties.

The Unit is comprised of two examination sections: *Corporation Tax, and Fish and Excise Tax.*

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

Corporation Tax examines returns based on priority criteria which include large dollar tax liabilities, large refund or credit claims and returns identified from exception listings (primarily accounts with TAS balances differing from return information).

Corporation Tax assists in updating corporation tax return forms to reflect changes in federal and Alaska tax laws and is responsible for mailing the return forms to corporate taxpayers on file with the division. The section maintains corporation tax return files, taxpayer correspondence and estimated payment documents. Returns and related documents older than three years are archived by the unit.

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

- Licenses fisheries businesses which process or export fisheries resources from the state. As part of the licensing function, the section accounts for cash prepayments and other forms of security submitted by businesses to secure their tax liabilities as required by statutes.

- Administers the fish processor surety bonding program. This program requires that fisheries processors and buyers secure a $2,000, $10,000, $20,000, $50,000 or $100,000 bond, depending on their activity, as surety against future claims from employees and fishers.

- Administers the following licensing programs: motor fuel (qualified dealers), mining, alcoholic beverages and tobacco.

- Examines motor fuel tax refunds requested by consumers who purchased and paid tax on motor fuel but used the fuel for off-highway or exempt purposes.

- Prepares an annual report which summarizes salmon enhancement tax data. This data is used by the Department of Commerce and Economic Development for determining appropriations to regional aquaculture associations. The report also includes data in the report relating to the location where the salmon was purchased versus where caught.

- Prepares semi-annual wholesale canned salmon reports required under AS 43.80.050. The report is distributed to legislators, processors and other agencies.

- Publishes statewide average price information (compiled by Department of Fish and Game) for fishery resources landed in the state. The average price information is used by taxpayers for calculating their fishery resource landing tax liabilities.

Compliance, staffed by 3 positions, is responsible for securing returns from businesses and individuals required to file tax returns with the state.

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

During FY 98, Compliance administered the nonresident affidavit program. This program required that nonresident corporations report and secure tax liabilities each year. Many nonresident taxpayers requested waivers for securing their tax liability as provided under statutes and regulations for the program. The nonresident affidavit program was repealed January 1, 1998 (Ch 93 SLA 1997). Compliance also approves clearances from state agencies who are making final payment on state contracts.

Shared Taxes

Shared Taxes, staffed by 1 full-time position, is responsible for sharing taxes and fees, when applicable, to municipalities in accordance with statutory requirements. Shared Taxes accounts for revenues subject to sharing and periodically issues warrants to communities for their portion of tax collections.

The following taxes and fees are subject to sharing:

Aviation Motor Fuel Tax
Coin-Operated Device Tax
Electric Cooperative Tax
Fisheries Business Tax
Fishery Resource Landing Tax
Liquor License Fees
Telephone Cooperative Tax

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

For FY 98, IEAD shared $19.3 million to 129 Alaska communities. IEAD publishes an annual report summarizing amounts shared by community. The annual report is distributed to the legislature, municipal officials and public. The report is available on the division's internet homepage at *www.revenue.state.ak.us*.

For fisheries business and fishery resource landing tax programs, taxes sourced from activities in the unorganized borough are subject to sharing to municipalities through an allocation program administered by Department of Community and Regional Affairs (DCRA).

IEAD transmits funds to DCRA each year for allocation. For FY 98, IEAD transmitted $1.3 million for additional sharing.

Unclaimed Property

Unclaimed Property, staffed by 3 full-time and 1 seasonal positions, is responsible for administering the state's unclaimed property program under AS 34.45.

Unclaimed property is a fiduciary program which requires that the state hold in trust personal and intangible property presumed to be abandoned or unclaimed as defined under AS 34.45. Intangible property includes money, deposits, checks, stocks, bonds, interest, dividends, etc.

Persons holding unclaimed property, or holders, are required to report and remit property annually to the Unit. Holders are required to make an attempt to locate owners before remitting property to the Unit.

Unclaimed Property attempts to locate persons throughout the year and publishes an annual advertisement each spring to notify Alaskans that they have unclaimed property on file with the state. The advertisement, with a distribution base of 197,000 generates thousands of inquiries by Alaskans seeking to claim their property.

Because not all unclaimed property owners are located, amounts received from holders exceed refunds to owners. IEAD maintains a minimum balance in the unclaimed property trust account, from which refunds are paid, and periodically transfers excess funds to the General Fund.

Since the program's inception in 1986, the division has transferred approximately $13.6 million to the General Fund.

The Unit maintains an inventory of tangible personal property submitted by holders. The property is stored in a secured vault in Alaska.

AUDIT

Audit is located in Anchorage and staffed by 9 revenue auditors, 2 tax examiners and 1 administrative clerk who are supervised by 1 audit manager. Audit is responsible for the division's audit program that covers all tax types administered by IEAD. Audit places emphasis on oil and gas and large corporate taxpayers. Most of the revenue collected from tax assessments is generated by Audit activities.

In addition, Audit provides professional level technical support and guidance to division staff in Juneau. Audit assists appeals staff with analysis and support during the appeals process. Audit is also responsible for special research projects, analysis of proposed legislation and regulations, and taxpayer assistance in the Anchorage area.

APPEALS

Appeals is located in Juneau and Anchorage and staffed by 5 full-time positions. Appeals staff conducts conferences on protested assessments and issues informal conference decisions for all tax types administered by the Income & Excise audit Division.

Appeals staff represents the Department as counsel in disputed cases before the Office of Tax Appeals and works closely with the Department of Law in various matters. Appeals staff performs a myriad of special projects in a legal, technical, or tax context and is involved in drafting proposed legislation and regulations.

GAMING

Gaming is located in Juneau and Anchorage and is staffed by 1 supervisor, 2 investigators, 3 auditors and 1 tax examiner. Gaming is responsible for overseeing charitable gaming activities conducted in the state.

Gaming also issues annual permits to non-profit organizations and operators to conduct charitable gaming activities in the state. The Gaming section publishes its own annual report that includes more detailed descriptions of this program.

RESEARCH

Research, located in Juneau and staffed by 1 full-time position, is responsible for monitoring and forecasting the state's General Fund revenues. Research works with the department's Oil and Gas Audit Division and other state agencies to compile information for the *Revenue Sources Book*, a semi-annual publication which contains historical and forecasted revenue information.

Research monitors state and national economic conditions and conducts research needed to anticipate economic and business trends that affect tax revenue. Research also prepares fiscal notes and analyses of proposed tax legislation.

Tax Programs Detail

Table 2 - Revenue Collections Detail

	FY 98	FY 97	FY 96
CORPORATION NET INCOME			
General Fund			
Oil and Gas Corporations	$200,309,040	$269,783,582	$174,019,901
Alaska Education Credit - Oil and Gas	(251,250)	(261,300)	(318,175)
Other Corporations	55,004,667	49,610,974	54,591,059
Alaska Education Credit - Other	(1,582,725)	(1,251,340)	(1,236,310)
Total Receipts - General Fund	253,479,732	317,881,916	227,056,475
Total Receipts - CBRF*	22,167,854	56,030,847	103,269,899
Total Receipts - All Funds	$275,647,586	$373,912,763	$330,326,374

** Does not include $299,726 adjustment (from the 1994 tax period) made in FY 98 from the General Fund to the CBRF.*

	FY 98	FY 97	FY 96
MOTOR FUEL			
Highway	$23,924,533	$19,825,207	$21,027,021
Marine	6,184,334	7,236,357	8,500,490
Jet Fuel	4,376,469	7,158,181	7,203,228
Aviation Gasoline	930,976	949,138	982,096
Total Tax	35,416,313	35,168,883	37,712,835
Penalties and Interest	228,993	149,098	39,185
Less Bunker Fuel Refund	0	0	(11,965)
Total Receipts	35,645,306	35,317,981	37,740,055
Less Aviation Fuel Tax Shared	(144,240)	(149,931)	(158,641)
Amount Retained by State	$35,501,066	$35,168,050	$37,581,414
TOBACCO			
Cigarette	$28,493,462	$14,641,297	$15,278,692
Tobacco Products	3,504,168	1,682,731	1,652,599
Penalties and Interest	1,394	(5,343)	2,878
Less 1.0% Deductions*	(182,345)	(168,373)	(167,798)
Total Receipts	31,816,679	16,150,312	16,766,371
Less Amount Transferred to School Fund	(16,417,149)	(2,498,326)	(2,608,452)
Amount Retained in General Fund	$15,399,530	$13,651,986	$14,157,919

** After Oct. 1, 1997, the amount taxpayers could deduct for expenses was changed from 1% of tax due to .4% of tax due (AS 43.50.090).*

	FY 98	FY 97	FY 96
FISHERIES BUSINESS			
Established			
Shore-based	$17,915,533	$17,401,264	$19,206,930
Floating	5,955,145	8,859,684	12,080,160
Cannery	3,348,301	4,000,212	6,061,145
Developing			
Shore-based	46,154	55,287	60,700
Floating	3,073	1,827	23,970
Total Tax	27,268,206	30,318,274	37,432,905
Prepayments	1,610,403	917,757	1,278,117
Penalties and Interest	(85,556)	64,377	57,433
License Fees	13,766	19,000	18,850
Total Tax Before Credits	28,806,819	31,319,408	38,787,305
Less Credits			
Winn Brindle	(261,593)	(341,805)	(391,702)
Alaska Education	(80,813)	(10,036)	(154,375)
Total Receipts	28,464,413	30,967,567	38,241,228

Table 2 - Revenue Collections Detail

	FY 98	FY 97	FY 96
Less Fisheries Tax Shared			
Department of Revenue	(12,966,262)	(14,107,371)	(18,876,407)
Department of Community and Regional Affairs	(1,208,039)	(1,275,991)	(827,033)
Amount Retained by State	**$14,290,112**	**$15,584,205**	**$18,537,788**
DEC Seafood Processor License Fees*	**$446,685**	**$459,930**	**N/A**

*** Effective FY 97, DOR began collecting DEC license fees as a result of implementation of a consolidated processor application form. DOR, DEC and DF&G consolidated their application forms into a single application for the 1997 calendar year.**

	FY 98	FY 97	FY 96
ALCOHOLIC BEVERAGES			
Liquor	$ 5,802,936	$ 5,666,584	$ 6,070,806
Beer	4,840,070	4,741,501	4,778,361
Wine	1,124,855	1,143,670	1,137,606
Penalties, Interest and Refunds	3,645	1,428	(1,307)
Total Receipts	**$11,771,505**	**$11,553,183**	**$11,985,466**
ESTATE			
Total Receipts	**$5,466,488**	**$1,717,986**	**$1,658,011**
SALMON ENHANCEMENT			
Tax by Aquacultural Region			
Southern Southeast	$1,219,054	$1,426,761	$1,742,377
Northern Southeast	889,784	662,910	906,483
Cook Inlet	795,511	646,182	503,716
Prince William Sound	715,585	636,767	691,893
Kodiak	459,200	558,391	1,096,604
Chignik	103,498	259,335	288,576
Total Tax	$4,182,632	$4,190,346	$5,229,649
Penalties and Interest	4,069	(555)	6,289
Total Receipts	**$4,186,701**	**$4,189,791**	**$5,235,938**
APUC REGULATORY COST CHARGES			
Electric Utilities	$1,243,813	$1,266,004	$685,879
Telephone Utilities	1,075,244	1,513,608	295,523
Other Utilities	938,865	980,299	595,982
Pipeline Carriers	511,084	541,140	290,874
Total Receipts	**$3,769,005**	**$4,301,051**	**$1,868,258**

FY 96 reflects half-year revenue because the RCC program had sunsetted in FY 95 and was not reestablished until December 1995.

	FY 98	FY 97	FY 96
FISHERY RESOURCE LANDING			
Tax Before Credits	$3,452,330	$5,518,697	$5,291,451
Pre-Payments	1,209,982	2,815,260	1,813,521
Penalties, Interest and Refunds	(672,379)	14,349	42,883
Less Credits			
CDQ Contributions	(65,348)	(69,312)	(9,979)
Winn Brindle	(5,000)	0	0
Alaska Education	(151,881)	0	0
Other Taxes	0	0	0
Total Receipts	3,767,704	8,278,994	7,137,876

Table 2 - Revenue Collections Detail

	FY 98	FY 97	FY 96
Less Landing Tax Subject to Sharing*			
Department of Revenue	(3,057,782)	(2,721,293)	(3,276,695)
Department of Community and Regional Affairs	(53,273)	(329,993)	(43,977)
Amount to be Retained by State	**$656,650**	**$5,227,708**	**$3,817,204**

Reflects amounts based on returns filed through July 31 following the respective fiscal year. Because landing tax returns were not due until June 30 of each fiscal year, the department did not receive returns until the following fiscal year.

	FY 98	FY 97	FY 96
SEAFOOD MARKETING ASSESSMENT			
Fisheries Business	$2,449,064	$2,562,621	$3,211,828
Fishery Resource Landing	429,721	536,609	565,879
Total Receipts	**$2,878,785**	**$3,099,230**	**$3,777,707**
SALMON MARKETING			
Tax	$2,807,991	$3,506,726	$4,766,239
Penalties and Interest	3,716	16,013	38,177
Total Receipts	**$2,811,707**	**$3,522,739**	**$4,804,416**
UNCLAIMED PROPERTY*			
Total Receipts	**$2,408,310**	**$2,352,401**	**$2,485,202**
Less amount Refunded to Owners and Other States	(548,428)	(710,616)	(1,158,853)
Less amount Retained in the Trust Account	(409,082)	(183,885)	580,251
Amount Transferred to the General Fund	**1,450,800**	**1,457,900**	**1,906,600**
GAMING*			
3% Pull Tab Tax	$1,752,432	$1,681,054	$1,620,716
1% Net Proceeds Fee	274,537	264,881	286,978
Licensing Fees	106,976	147,471	162,649
Total Receipts	**$2,133,945**	**$2,093,406**	**$2,070,343**

In FY 98 the Gaming Division was transferred to the Income and Excise Audit Division.

	FY 98	FY 97	FY 96
MINING LICENSE			
General Fund			
Current Year Tax Before Credits	$1,811,651	$537,036	$630,842
Less Alaska Education Credit	(150,000)	(150,000)	(150,000)
Total Receipts - General Fund	**1,661,651**	**387,036**	**480,842**
Total Receipts - CBRF	**375,575**	**20,805**	**32,372**
Total Receipts - All Funds	**$2,037,226**	**$407,841**	**$513,214**
ELECTRIC COOPERATIVE			
Total Receipts	**$1,556,685**	**$1,436,660**	**$1,377,992**
Less Cooperative Taxes Shared	(1,492,987)	(1,372,073)	(1,350,030)
Amount Retained by State	**$ 63,698**	**$ 64,587**	**$ 27,962**

Table 2 - Revenue Collections Detail

	FY 98	FY 97	FY 96
TELEPHONE COOPERATIVE			
Total Receipts	**$794,158**	**$1,302,139**	**$1,163,366**
Less Cooperative Taxes Shared	(764,027)	(1,248,745)	(1,104,793)
Amount Retained by State	**$ 30,131**	**$ 53,394**	**$ 58,573**
COIN-OPERATED DEVICES			
Tax Receipts	$72,545	$89,240	$88,454
Penalties and Interest	65	925	776
Total Receipts	72,610	90,165	89,230
Less Device Tax Shared	(26,973)	(35,330)	(32,219)
Amount Retained by State	**$ 45,637**	**$ 54,835**	**$ 57,011**
CIGARETTE LICENSE FEES *(Deposited Directly to School Fund)*			
Total Receipts	$5,695	$3,950	$1,955

Table 3
Program Revenue and Cost Detail

(Sorted by Revenue)

			Program		Per FTE	
	Returns	Revenue	Cost[1]	FTE[2]	Revenue	Cost
Tax Program						
Corporation[3]	15,853	$275,647,586	$2,202,971	35.8	$7,699,653	$61,536
Motor Fuel	4,306	35,645,306	197,320	3.2	11,139,158	61,663
Tobacco[4]	700	31,822,375	135,867	1.9	16,748,618	71,509
Fisheries Business	638	28,464,413	233,197	3.7	7,693,085	63,026
Alcoholic Beverages	258	11,771,505	45,329	0.8	14,714,381	56,661
Estate	71	5,466,488	8,568	0.1	***	***
Salmon Enhancement	623	4,186,701	60,035	1.0	***	***
APUC Regulatory Cost Charges	294	3,769,005	19,441	0.3	***	***
Fishery Resource Landing	94	3,767,704	75,932	1.2	***	***
Seafood Marketing Assessments	340	2,878,785	55,647	0.9	***	***
Salmon Marketing	677	2,811,707	55,764	1.0	***	***
Mining License	290	2,037,226	54,880	0.9	***	***
Electric Cooperative	17	1,556,685	3,853	0.1	***	***
Telephone Cooperative	7	794,158	3,310	0.1	***	***
Coin-Operated Device	311	72,610	19,408	0.3	***	***
Total Tax Programs	**24,479**	**410,692,254**	**3,171,522**	**51.3**		
	(Reports)					
Unclaimed Property Program	1,865	2,408,310	230,663	3.9	$617,515	$59,144
Gaming Program	3,914	2,133,945	627,201	9.0	237,105	69,689
Total Gaming & Unclaimed Property	**5,779**	**4,542,255**	**857,864**	**12.9**		
Total All Programs	**30,258**	**415,234,509**	**4,029,386**	**64.2 ***		

Tax Programs	
Total Revenue per FTE	***$8,005,697***
Total Cost per FTE	***$61,823***

Unclaimed Property and Gaming Programs	
Total Revenue per FTE	***$352,113***
Total Cost per FTE	***$66,501***

[1] Includes total operating costs of the division.

[2] Full-time equivalent staff position

[3] Includes CBRF receipts ($22,167,854).

[4] Includes school fund receipts (tobacco =$16,417,149, cigarette licenses=$5,695).

* 63 full-time, 2 seasonal (1 FTE) and 1 summer intern (.2 FTE)

*** Combined revenues and costs for these programs are $27,341,069 and $356,838, respectively. These programs require 5.9 FTE positions. Combined revenue and cost per FTE are $4,634,079 and $60,481, respectively.

Table 4
Collections from Audit and Tax Examiner Assessments

(Sorted by Total Collections)

Tax Type	Collections from Assessments			Staffing (FTE)		Per FTE[1]	
	Audit	Exam	Total	Audit	Exam	Audit	Exam
Corporation							
Oil and Gas	$ 22,167,854	$ 21,374	$ 22,189,228	8.9	0.1	$2,490,770	$213,740
Non Oil and Gas	138,920	573,281	712,201	4.1	7.5	$33,883	76,437
Motor Fuel	135,131	6,989	142,120	0.3	1.6	$450,437	4,368
Fisheries Business	0	96,211	96,211	0.2	1.8	**	53,451
Alcoholic Beverage	29,631	464	30,095	*	0.3	**	**
Fishery Resource Landing	0	13,926	13,926	0.1	0.4	**	**
Seafood Marketing	0	6,992	6,992	0.1	0.2	**	**
Tobacco	0	1,043	1,043	0.3	0.5	**	**
Estate	0	412	412	0.0	*	**	**
Mining	0	0	0	0.1	0.5	**	**
Salmon Enhancement	0	0	0	0.2	0.4	**	**
Salmon Marketing	0	0	0	0.2	0.3	**	**
APUC	0	0	0	*	0.2	**	**
Total	**$ 22,471,536**	**$ 720,692**	**$ 23,192,228**	**14.5**	**13.8**		

Total Audit Collections per Audit FTE	***$1,549,761***
Total Exam Collections per Exam FTE	***$52,224***

[1]Full-time equivalent staff position

* Combined audit and exam staff dedicated toward these programs was less than .1 FTE position.

** Collections per FTE not provided since combined FTE positions allocated to these programs are less than one.

Alcoholic Beverages Tax
AS 43.60

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

Rate

	Per Gallon
Liquor	$5.60
Wine	$.85
Beer	$.35

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

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

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

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

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

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

Alcoholic beverages tax rates have changed as follows.

Liquor	*Per Gallon*
1937	$.50
1941	$1.00
1945	$1.60
1946	$2.00
1947	$3.00
1957	$3.50
1961	$4.00
1983	$5.60
Wine	
1933	$.05
1937	$.15
1947	$.25
1957	$.50
1961	$.60
1983	$.85
Beer	
1933	$.05
1947	$.10
1957	$.25
1983	$.35

FY 98 Statistics

Tax Collections	$11,771,505
Number of Returns	258
Number of Taxpayers	22
Program Cost	$45,329
Staffing *(full-time equivalent)*	.8

	Taxable Gallons Sold
Beer	13,770,475
Wine	1,321,855
Liquor	1,036,869

Coin-Operated Devices Tax
AS 43.35

Description
The coin-operated devices tax is levied on entertainment and amusement devices, such as video game machines, billiards, jukeboxes and pinball machines which are operated by coin or token. Coin-operated devices taxes are collected primarily from businesses which place machines in their establishments.

Rate
Each coin-operated device in operation is taxed based on its classification as defined under statutes as follows:

Type	*Per Year*
Class 1	$48
Class 2	$120
Class 3	$240

Class 1 devices include video and pinball games, billiards, jukeboxes and other similar amusement and gaming devices.

Class 2 devices include coin-operated bingo and gambling machines which release free plays. These devices are illegal under Alaska law.

Class 3 devices include slot machines and other gambling machines which provide for a cash payout. These devices are illegal under Alaska law.

Coin-operated devices taxes are prorated by month for machines placed in operation after January of each year.

Returns
Taxpayers file returns for machines which will be operated during the following year. Returns are due with payment of taxes by December 31 each year.

Taxpayers are required to file returns and pay prorated taxes prior to installation for machines placed in operation during the year.

Disposition of Revenue
All revenue from coin-operated devices taxes is deposited in the General Fund.

Fifty percent of taxes sourced from machines placed in municipalities are shared to respective municipalities on an annual basis by the Department.

History
The coin-operated devices tax originated in 1941. The tax was 12½% of gross receipts of the machine.

1946 - the coin-operated device tax was replaced with a fee and a stamp was issued for each machine. Provisions for quarterly returns and sharing 50% of revenue were adopted.

1947 - provisions for the fee were repealed and the tax restored. The territorial legislature adopted the following rates: amusement devices $50; and gaming devices $200 per year.

1949 - provisions for prorating taxes on a quarterly basis were adopted.

1960 - tax structure and rates were adopted as follows: $48 for class 1; $120 for class 2 and $240 for class 3 devices per year. The tax rates were prorated by month for persons who placed coin-operated devices in operation after January. The filing basis was changed to calendar year.

The coin-operated devices tax was repealed effective January 1, 1999.

FY 98 Statistics

Tax Collections	$72,610
Number of Returns	311
Number of Taxpayers	213
Program Cost	$19,408
Staffing *(full-time equivalent)*	.3

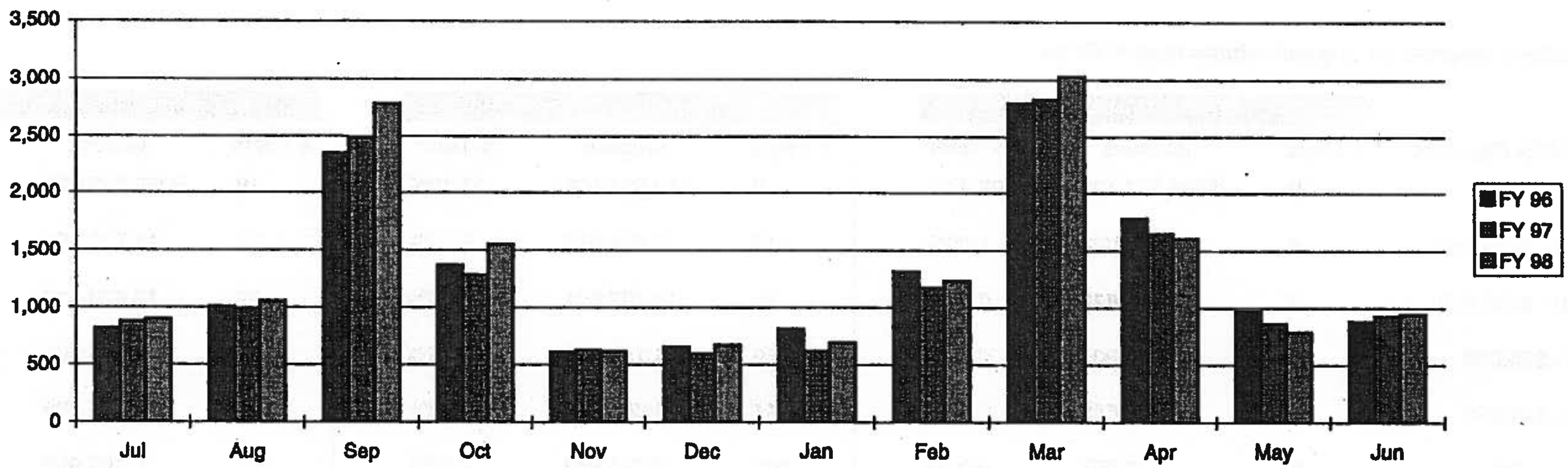
Corporation Net Income Tax
AS 43.20

Description
Corporation net income tax is levied on net income of corporations that have nexus and derive income from sources within Alaska. Corporations compute their tax liability based on federal taxable income with Alaska adjustments.

Alaska uses an apportionment method to determine the portion of income that is taxable in the state. Corporations other than oil and gas apportion their income to Alaska by using a three-factor formula based on

Chart 3
Corporation Filing Activity
For Fiscal Years 1996, 1997 and 1998

Number of Returns Filed by Month



Fiscal Year	*FY 98*	*FY 97*	*FY 96*
Total Returns Filed	15,853	14,887	15,367

Detail of FY 98 Filing Activity

Entity Type	Original	Amended	NOL*	Incomplete	Total
Subchapter C	7,770	589	428	73	8,860
Subchapter S	5,282	46	6	0	5,334
Exempt	1,101	92	0	0	1,193
Homeowners Association	417	4	1	0	422
Oil & Gas	28	13	3	0	44
Total	14,598	744	438	73	15,853

*Net operating loss carryback

Table 5
Corporation Tax Liabilities Statistics

Tax liabilities reported on original returns filed in FY 98

	Oil and Gas Corporations			Other than Oil and Gas Corporations			All Corporations		
Tax Liability Reported	**# Filers**	**Amount**	**% Total**	**# Filers**	**Amount**	**% Total**	**# Filers**	**Amount**	**% Total**
Above $1 million	9	$236,698,493	98.40%	9	$19,634,109	37.13%	18	$256,332,602	87.36%
$500,000 - $1 million	4	3,136,020	1.30%	13	8,638,679	16.34%	17	11,774,699	4.01%
$100,000 - $499,999	2	565,822	0.24%	57	13,107,691	24.79%	59	13,673,513	4.66%
$50,000 - $99,999	1	60,909	0.03%	59	4,164,091	7.88%	60	4,225,000	1.44%
$10,000 - $49,999	2	76,589	0.03%	214	4,881,316	9.23%	216	4,957,905	1.69%
$ 1,000 - $9,999	5	16,057	0.01%	598	2,091,843	3.96%	603	2,107,900	0.72%
$100 - $999	1	347	0.00%	817	316,658	0.60%	818	317,005	0.11%
$1 - $99	3	207	0.00%	1,353	41,600	0.08%	1,356	41,807	0.01%
Zero Tax	1	0	0.00%	11,450	0	0.00%	11,451	0	0.00%
Total	28	$240,554,444	100.00%	14,570	$52,875,987	100.00%	14,598	$293,430,431	100.00%

Note: Amounts reflect tax liabilities reported on the taxpayer original returns. Liabilities may differ from amounts remitted by the taxpayer during the fiscal year due to timing differences resulting from estimated tax payments, credits and final payment of taxes reported.

sales, property and payroll. Alaska taxable income is determined by applying the apportionment factor to the corporation's modified federal taxable income.

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

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

Rate

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

Returns

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

Returns are due three and a half months after the close of the fiscal year. Corporations may extend their filing due date by six months.

> *Example: The filing due date for calendar year corporations is April 15. Corporations may extend their filing due date to October 15. In any case, payment is due March 15.*

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

Exemptions

Insurance companies, which are required to pay an insurance premiums tax under AS 21.09.210(f), limited liability companies (LLC) and corporations recognized under Subchapter S of the Internal Revenue Code are exempt from corporation income tax. Electric and telephone cooperatives, which are required to pay cooperative taxes under AS 10.25, are also exempt.

Credits

Education - Taxpayers who make contributions for educational purposes to Alaska universities or colleges may take a tax credit for 50% of the first $100,000 and 100% of the next $100,000 of contributions. The maximum credit is $150,000 per tax year.

Minerals Exploration Incentive - Taxpayers may take a credit for 100% of eligible costs of exploration activities related to determining existence, location, extent, or quality of a locatable mineral or coal deposit. An approved minerals exploration incentive credit may not exceed $20 million and must be applied within 15 tax years after the taking of the credit is approved. Application of the credit is limited to 50% of the lesser of the taxpayer's mining license tax liability or 50% of the taxpayer's total corporation net income tax liability.

Oil and Gas Exploration Incentive - Taxpayers may take a credit for up to 50% of eligible oil and gas exploration costs. An approved oil and gas exploration incentive credit may not exceed $5 million per project and is limited to $30 million per taxpayer. The credit may be applied against 100% of corporation net income taxes due.

Special Industrial Incentive Investment - Taxpayers may claim a credit for investment in gas processing and mining projects in Alaska. The credit is calculated as 40% to 100%, of allowable federal investment tax credit and is limited to 60% of Alaska tax. The credit may not be claimed on investments made after December 31, 1994 and may not be carried forward to tax years beginning after December 31, 1999.

Disposition of Revenue

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

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

History

The corporation net income tax dates back to 1949 when the territorial legislature enacted the "Alaska Net Income Tax Act". The Act imposed a flat tax of 10% of the corporation's federal income tax liability.

1957 - the tax rate was increased to 18%.

1975 - the original income tax act was repealed and an income tax act based on taxable income rather than federal tax liability was enacted. The tax was equal to 5.4% of taxable income with a surtax of 4% based on federal surtax exemptions. For 1975, the federal surtax exemption was $50,000.

1978 - the Alaska legislature enacted a bill requiring oil and gas corporations to calculate taxable income based on a "separate accounting" method which required that the corporations account for Alaska activity only in determining taxable income (AS 43.21).

1981 - separate accounting (AS 43.21) was repealed and the modern corporation tax rate structure was adopted (1% - 9.4%). With repeal of AS 43.21, all corporations file returns using worldwide combined reporting and use the same tax rate structure.

1984 - the legislature adopted the special industrial incentive investment tax credit.

1987 - the Alaska education credit was authorized.

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

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

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

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

FY 98 Statistics

Tax Collections	
General Fund	$253,479,732
CBRF	$22,167,854
Number of Corporate Returns	15,853
Number of Taxpayers	12,497
Program Cost	$2,202,971
Staffing (full-time equivalent)	35.8

Return Type	*# Filed*
Original	
Oil and Gas	28
Other	14,570
Amended	
Oil and Gas	13
Other	731
Net Operating Loss Carryback	
Oil and Gas	3
Other	435
Incomplete	
Other	73
Total	15,853

Electric Cooperative Tax
AS 10.25.555

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

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

Length	*Rate Per kWh*
Less than 5 years	.25 mill
5 years or longer	.5 mill

(1 mill = .1¢)

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

Exemptions
All electric cooperatives are subject to the cooperative tax. The electric cooperative tax is paid in lieu of corporation income taxes.

Disposition of Revenue
All revenue derived from electric cooperative taxes is deposited in the General Fund. Electric cooperative taxes sourced from within municipalities are shared 100% to respective municipalities. Electric cooperative taxes sourced from outside of municipalities are retained by the state.

History
The electric cooperative tax dates back to 1959 when the first Alaska legislature enacted the "Electric and Telephone Cooperative Act" to promote cooperatives around the state. The original electric cooperative tax was based on gross revenue and due by April 1 of the following year. The tax rate was based on the length of time in which the cooperative had provided electricity to consumers.

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

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

FY 98 Statistics

Tax Collections	$1,556,685
Number of Returns	17
Number of Taxpayers	17
Program Cost	$3,853
Staffing *(full-time equivalent)*	.1

Estate Tax
AS 43.31

Description
The estate tax is levied on the transfer of an estate upon death.

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

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

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

Exemptions
Estates under $625,000 are generally exempt from paying estate taxes taking into consideration the unified estate tax credit allowed under the Internal Revenue Code.

Disposition of Revenue

All revenue derived from estate taxes is deposited in the General Fund.

History

The estate tax dates back to 1919 when the territorial legislature adopted a tax on inheritances and transfers of property from estates. Tax rates varied from 1% to 17.5% of the property's value and were dependent on variable factors which were changed over the years.

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

FY 98 Statistics

Tax Collections	$5,466,488
Number of Returns	71
Number of Death Certificates Issued	589
Program Cost	$8,568
Staffing *(full-time equivalent)*	.1

Fisheries Business Tax
AS 43.75

Description

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

Rate

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

Rates are as follow:

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

Returns

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

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

Exemptions

Commercial fishers who process fish to maintain its quality before being sold to a licensed processor are exempt.

Credits

Education - Taxpayers who make contributions for educational purposes to Alaska universities or colleges may take a tax credit for 50% of the first $100,000 and 100% of the next $100,000 of contributions. The maximum credit is $150,000 for each tax year.

Scholarship Contributions - Taxpayers who make contributions to the A.W. "Winn" Brindle memorial scholarship account may take a tax credit for the amount of contributions not to exceed 5% of their tax liability.

Disposition of Revenue

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

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

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

History

The fisheries business tax is the oldest tax in Alaska. In 1899, the U.S. Congress adopted a "salmon case" tax to fund fisheries-related activities in pre-territorial Alaska.

After passage of the Organic Act in 1912, which established an organized territorial government in Alaska, the First Territorial Legislature adopted fisheries taxes in 1913 as follows: "salmon pack" tax which applied to salmon canneries based on canned salmon (7¢ per case); and "cold storage" tax which applied to other fisheries and was based on business receipts. Over the years between 1913 and 1949, the tax was amended several times by changing tax rates and expanding the tax base to include different fisheries.

1949 - the territorial legislature restructured the fisheries business tax to be based on value of the fisheries rather than volumes, i.e. per case, or business receipts. The new "raw fish" tax applied to canneries only (salmon 4%, crab and clams 2%, and other 1% of value).

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

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

1967 - the tax rate on salmon canneries was amended to 3% and provisions for security as part of licensing was adopted.

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

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

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

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

1990 - provisions for a civil penalty (up to $5,000 for each infraction) for processing without a license was enacted. Penalties may be assessed progressively in increments of up to $5,000 up to a maximum of $25,000 for the fifth and subsequent assessments. Also in 1990, the legislature enacted a provision which authorized sharing 50% of taxes sourced from processing activities in the unorganized borough. This program took effect July 1, 1992.

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

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

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

FY 98 Statistics

Tax Collections	$28,464,413
Number of Returns	638
Number of Taxpayers	460
Program Cost	$233,197
Staffing *(full-time equivalent)*	3.7

Fisheries Business Licenses Issued

Shore-based	219
Floating	237
Exporter	70
Total	526

Fishery Resource Landing Tax *AS 43.77*

Description

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

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

Rate

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

	Rate
Established	3%
Developing	1%

Returns

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

The department grants an automatic extension to file the landing return if it does not provide statewide average prices to taxpayers at least 30 days prior to the due date. If the extension applies, the due date is the last day of the month following the month in which the department issues statewide average prices. The department extended the due date for calendar year 1997 returns to June 30, 1998.

Exemptions

Unprocessed fishery resources landed in the state are exempt from the fishery resource landing tax, although they may be subject to the fisheries business tax.

Credits

Education - Taxpayers who make contributions for educational purposes to Alaska universities or colleges may take a tax credit for 50% of the first $100,000 and 100% of the next $100,000 of contributions. The maximum credit is $150,000 for each tax year.

Scholarship Contributions - Taxpayers who make contributions to the A.W. "Winn" Brindle memorial scholarship account may take a tax credit for the amount of contributions not to exceed 5% of their tax liability.

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

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

Disposition of Revenue

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

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

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

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

History

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

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

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

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

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

FY 98 Statistics

Tax Collections	$3,767,704
Number of Returns	94
Number of Taxpayers	70
Program Cost	$75,932
Staffing (*full-time equivalent*)	1.2

Mining License Tax
AS 43.65

Description

The mining license tax is levied on mining net income and royalties received in connection with mining properties and activities in Alaska. Mining license taxes are primarily collected from businesses engaged in coal and hard rock mining in the state.

Rate

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

Returns

Mining licensees file annual returns based on the mining business' fiscal year. Calendar year returns and payment of tax are due April 30; fiscal year returns and payment are due before the first day of the fifth month after the close of the fiscal year.

Exemptions

Except for sand and gravel operations, new mining operations are exempt from the mining license tax for a period of 3½ years after production begins.

Credits

Education - Taxpayers who make contributions for educational purposes to Alaska universities or colleges may take a tax credit for 50% of the first $100,000 and 100% of the next $100,000 of contributions. The maximum credit is $150,000 for each tax year.

Minerals Exploration Incentive - Taxpayers may take a credit for eligible costs of exploration activities related to determining existence, location, extent, or quality of a locatable mineral or coal deposit. An approved exploration incentive credit may not exceed $20 million and must be applied within 15 tax years after the credit is approved. Application of the credit is limited to 50% of the lesser of the person's mining license tax liability related to the mining operation or 50% of the person's total mining license tax liability.

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

Disposition of Revenue

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

History

The mining license tax dates back to 1913 and has been restructured several times over the years. The original mining license tax, enacted in 1913, imposed a .5% tax on mining net income over $5,000. There was no tax on net income less than $5,000.

1915 - the territorial legislature increased the tax rate to 1%. The tax-free net income base remained at $5,000.

1927 - the tax-free net income base was increased to $10,000 and a three-tier tax rate structure was adopted with rates ranging from 1% to 1.75% for net income over $1 million.

1935 - the territorial legislature restructured the tax to a eight-tier tax structure with rates ranging from .75% to 4% for net income over $1 million. The tax-free net income base was decreased to $5,000.

1937 - the tax-free net income base was eliminated and all net income was subject to tax. A nine-tier tax structure was adopted with tax rates ranging from .75% to 8% for net income over $1 million.

1947 - the mining license tax was restructured by reinstating the tax-free net income base ($1,000) and restructuring the tax rates to a five-tier structure with rates ranging from 4% to 8% for net income over $100,000.

1951 - the 3½ year exemption was enacted whereby new mining operations are exempt from mining tax for a period of 3½ years from the date of production.

1953 - the tax-free net income base was increased to $10,000 and rates changed to range from 3% to 7% for net income over $100,000.

1955 - the rate structure as it exists today was adopted.

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

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

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

FY 98 Statistics

Tax Collections	
General Fund	$1,661,651
CBRF	$375,575
Number of Returns	290
Number of Taxpayers	258
Program Cost	$54,880
Staffing *(full-time equivalent)*	.9

Motor Fuel Tax
AS 43.40

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

Rate

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

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

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

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

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

Heating fuel
Federal and state agencies
Foreign flights (jet fuel)
Exports
Power plants/utilities
Charitable institutions
Bunker fuel (#6 fuel oil)
Gasohol (only fuel blended with alcohol derived from wood or seafood waste)

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

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

History

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

Highway	*Per Gallon*
1945	1¢
1947	2¢
1955	5¢
1960	7¢
1961	8¢
1964	7¢
1970	8¢
Gasohol	
1997	8¢/2¢
	(2¢ November through February)
Marine	
1945	1¢
1947	2¢
1955	5¢
1957	2¢
1960	3¢
1971	4¢
1977	5¢
Aviation Gasoline	
1945	1¢
1947	2¢
1955	3¢
1968	4¢
1994	4.7¢
Jet Fuel	
1957	1.5¢
1968	2.5¢
1994	3.2¢

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

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

Also, the foreign flight exemption expanded to include flights originating in foreign countries regardless of the flight's next destination. An exemption for bunker fuel (residual fuel oil known as #6 fuel oil) was enacted.

1998 – bad debt credit. Taxpayers authorized to take a credit for sales deemed to be worthless or to persons who file bankruptcy.

FY 98 Statistics

Tax Collections *(including penalties and interest)*	$35,645,306
Number of Returns	4,306
Number of Taxpayers	329
Program Cost	$197,320
Staffing *(full-time equivalent)*	3.2

Regulatory Cost Charges
AS 42.05.253/AS 42.06.285

Description

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

Rate
For FY 98, the following rates applied:

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

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

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

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

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

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

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

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

FY 98 Statistics

Total RCC Collections	$3,769,005
Number of Returns	294
Number of Taxpayers	102
Program Cost	$19,441
Staffing *(full-time equivalent)*	.3

Salmon Enhancement Tax
AS 43.76

Description
The salmon enhancement tax is an elective tax levied on salmon sold in or exported from established regional aquaculture associations in Alaska. Commercial fishers in each region elect to pay a 2% or 3% tax based on the value of salmon sold in or exported from that region.

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

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

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

Processors are required to file returns for payments, which are made to fishers after the close of the fishing season. Returns for these payments are due with additional taxes by the last day of the month following the payment.

Exemptions

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

Disposition of Revenue

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

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

History

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

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

1985 - commercial fishers in the Prince William Sound aquaculture region elected a 2% tax.

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

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

FY 98 Statistics

Tax Collections	$4,186,701
Number of Returns	623
Number of Taxpayers	164
Program Cost	$60,035
Staffing *(full-time equivalent)*	1.0

Salmon Marketing Tax
AS 43.76

Description

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

Rate

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

Returns

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

Exemptions

Salmon harvested under a special harvest area permit (typically, salmon harvested by salmon hatcheries) are exempt from the salmon marketing tax.

Disposition of Revenue

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

Under AS 43.76.120(d), the legislature may appropriate salmon marketing tax revenue to the Alaska Seafood Marketing Institute (ASMI) for the purpose of supporting its salmon marketing program.

History
1993 - the legislature enacted a 1% salmon marketing tax to fund salmon marketing programs administered by ASMI.

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

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

FY 98 Statistics

Tax Collections	$2,811,707
Number of Returns	677
Number of Taxpayers	160
Program Cost	$55,764
Staffing (*full-time equivalent*)	1.0

Seafood Marketing Assessment
AS 16.51.120

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

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

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

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

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

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

History
1981 – the legislature enacted an elective seafood marketing assessment of .1%, .2% or .3% (elected by large processors in Alaska). In 1981, processors elected a .3% assessment to take effect in calendar year 1982.

1996 - the legislature amended seafood marketing assessment statutes to include fishery resources landed in Alaska. The legislation was retroactive to January 1, 1994. Prior to FY 96, revenue collected from the .3% portion of the original 3.3% landing tax rate was accounted for in a separate account designated as (landing tax) seafood marketing assessments.

FY 98 Statistics

Fisheries Business	
Assessment Collections	$2,449,064
Number of Returns	262
Number of Taxpayers	235
Fishery Resource Landing	
Assessment Collections	$429,721
Number of Returns	78
Number of Taxpayers	60
Program Cost	$55,647
Staffing (*full-time equivalent*)	.9

Telephone Cooperative Tax
AS 10.25.550

Description
The telephone cooperative tax is levied on gross revenue of qualified telephone

cooperatives under AS 10. Taxes are collected from cooperatives.

Rate

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

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

Returns

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

Exemptions

All telephone cooperatives are subject to the cooperative tax. The telephone cooperative tax is paid in lieu of corporation income taxes.

Disposition of Revenue

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

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

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

History

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

1960 - the due date for filing returns was changed to March 1.

FY 98 Statistics

Tax Collections	$794,158
Number of Returns	7
Number of Taxpayers	7
Program Cost	$3,310
Staffing *(full-time equivalent)*	.1

Tobacco Tax
AS 43.50

Description

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

Rate

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

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

Returns

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

Exemptions

Sales to authorized military personnel on a military exchange commissary or ship store; and sales to Indians within an Indian reservation.

Disposition of Revenue

Cigarette tax revenue is deposited in funds as follows:

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

All tobacco products revenue is deposited in the General Fund.

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

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

History

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

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

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

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

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

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

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

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

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

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

FY 98 Statistics

Tax Collections by Fund	
General Fund	$15,399,530
School Fund	16,417,149
Total Tax Collections by Fund	**$31,816,679**
Tax Collections by Product	
Cigarettes	$28,493,462
Other Tobacco Products	3,504,168
Timely Filing Deductions	(182,345)
Penalties, Interest, Overpayments	(1,349)
Total Collections by Product	**$31,816,679**
Cigarettes ***(individual cigarettes)***	
Reported on Tax Returns	
Taxable Cigarettes	976,202,669
Military and Indian Exempt Sales	8,224,120
Credits for Returns	27,739,780
Total Reported on Tax Returns	1,012,166,569
Military Sales Not Reported on Tax Returns	92,529,000
Total Cigarettes	**1,104,695,569**
Other Tobacco Products ***(value)***	
Reported on Tax Returns	
Taxable Products	$6,846,397
Military and Exempt Sales	37,803
Credits for Returns	214,611
Total Other Tobacco Products	**$7,098,811**
License Fee Collections	$5,695
Number of Returns	700
Number of Taxpayers	64
Program Cost	$135,867
Staffing *(full-time equivalent)*	1.9

Unclaimed Property
AS 34.45

Description
Property is considered unclaimed when a holder has no record of an owner or knows the name of an owner but does not have a correct address. Unclaimed property statutes apply only to intangible and personal property.

Unclaimed property is considered abandoned after it remains unclaimed for a period of time (dormancy period). Following the dormancy period, holders are required to report and remit unclaimed property to the state. Dormancy periods vary by type of property as prescribed by statutes.

Before reporting property to IEAD, holders are required to make reasonable efforts in locating owners.

Unclaimed property is held in trust by the state until the property is claimed by its rightful owner. The state attempts to locate owners while property is held in trust. There is no statute of limitations for owners to claim property.

Most unclaimed property is in the form of cash (checking and savings accounts), stocks and bonds (including dividends) and safe-deposit contents. Other property includes utility deposits, traveler checks and wages.

Each year, Unclaimed Property receives reports of thousands of names of persons who cannot be located by holders.

In addition to year-round efforts to locate owners, Unclaimed property attempts to locate owners every winter by publishing their names in major Alaska newspapers. Owner names are published on the internet under the division's home page at *www.revenue.state.ak.us/iea.*

Owners may file a petition at any time to claim properties held under the unclaimed property program. Upon verification, property is promptly returned to its rightful owner.

Unclaimed Property maintains an inventory of safe-deposit contents and other personal property submitted by holders under this program.

Following are abandonment periods for property commonly reported under the unclaimed property program.

Type of Property	*Years*
Safe deposit box contents	1
Utility deposits	1
Wages	1
Life insurance proceeds	2
Customer overpayments	5
Savings/Checking accounts	7
Stocks and bonds	7
Travelers checks	15

Reports
Holders are required to report and remit unclaimed property by November 1 each year. The reports include property that is deemed unclaimed as of June 30 each year.

Exemptions
The following properties are exempt from the unclaimed property program.

Unused airline tickets
Unemployment compensation overpayments
Permanent fund dividends
ANCSA (Native) corporation stocks

Disposition of Funds
All funds received through the unclaimed property program are deposited into the Unclaimed Property Trust account in the General Fund.

Because not all unclaimed property owners are located, amounts received from holders exceed refunds to owners. IEAD maintains a minimum balance in the trust account and periodically transfers excess funds to the General Fund. Since the program's inception, IEAD has transferred approximately $13.6 million to the General Fund.

History

In 1986, the Alaska legislature adopted the Uniform Unclaimed Property Act which went into effect September 7, 1986. Stocks issued by corporations organized under ANCSA were exempted from unclaimed property statutes.

1988 - unused airline tickets were exempted retroactive to September 7, 1986.

1989 - overpaid contributions by employers to the unemployment compensation fund were exempted retroactive to September 7, 1986.

1992 - as part of the 1992 Budget Act (Ch 405 SLA 92), IEAD was ordered to privatize the unclaimed property program effective July 1, 1992. The program was not privatized because vendor proposals to a Request for Proposal issued by IEAD exceeded the state's budgeted costs for administering the program. Also in 1992, permanent fund dividends were exempted effective April 1, 1992.

1996 - provisions for simultaneous report and remit were enacted and the aggregate reporting amount was increased to $100. Insurance companies were put on the same reporting cycle as all other holders. Maximum percentages were established for fee finders: 20% for property less than $500; and 10% for property $500 or more.

FY 98 Statistics

	FY 98	*FY 97*	*FY 96*
Reports Received	1,865	1,848	1,569
Owner Names Reported	3,192	4,443	5,957
Owner Inquiries	3,607	3,948	4,408
Owners Refunded	840	880	1,178
Amount Refunded	$548,468	$710,616	$1,158,853

Program Cost	$230,663
Staffing *(full-time equivalent)*	3.9

Unclaimed Property Account Balance
As of June 30, 1998

Beginning Balance as of 7/1/97		$ 334,989
Add Deposits		2,408,310
Less Transfers and Refunds		
Transfer to General Fund		(1,450,800)
Refunds to Owners	(548,428)	
Refunds to Other State	0	
Total Refunds		(548,428)
Ending Balance as of 6/30/98		$ 744,071

Audit Program

In FY 98, there were 14,954 audit staff hours available for the Division's audit program. The total available audit staff hours decreased by over 2,000 hours (-13% from FY 97) reflecting in part a decrease in the number of positions due to early retirement. Audit's top priority continued to be corporate income tax--the largest source of revenue among the taxes administered by the Division. Audit assessments generated 99% of the division's total collections from assessment.

Besides the corporate income tax, Audit is also responsible for promoting voluntary compliance with all of the division's tax programs. Through continued evaluation and improvement of the oil and gas corporate audit process, audit was able to devote more audit time to other tax types.

FY 98 Statistics

Additional Tax Collections from Audits

Tax Type	*Collections*
Corporation Tax	
Oil and Gas	$22,167,854
Other Corporations	138,920
Other Taxes	164,762
Total	$22,471,536

Appeals Program

Appeals staff continued to operate in cooperation with the Department of Law to expedite and resolve tax issues related to audit actions. Cases were settled with 12 taxpayers covering 58 tax periods and generating $20,750,330. All but about $905,144 was deposited in the CBRF.

FY 98 Statistics

	*Tax Periods**	*Taxpayer Count*
Beginning Inventory	434	163
Plus New Cases	307	143
Less Closed Cases	(383)	(202)
Ending Inventory	358	104

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

Appendices

Appendix A
Historical Overview of Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Last Tax Change	Current Tax Structure	Latest Change
Alcoholic Beverages	AS 43.60	1937	Liquor 50¢/gallon	1983	Liquor $5.60/gallon	1983 - tax rates increased
		1933	Wine 5¢/gallon		Wine 85¢/gallon	
			Beer 5¢/gallon		Beer 35¢/gallon	
Corporation Net Income	AS 43.20	1949	10% of federal income tax liability	1982	1% to 9.4% of net income	1998 - income under foreign treaty exempt
Electric Cooperative	AS 10.25.555	1959	1% of gross revenue if operating < 5 years	1980	1/4 mill ($.00025) per kWh if < 5 years	1980 - tax base on kWh rather than gross revenue
			2% of gross revenue if operating ≥ 5 years		1/2 mill ($.0005) per kWh if ≥ 5 years	
Estate	AS 43.31	1919	(Inheritance Tax) Based on value of property	1970	State tax credit on federal estate tax return	1991 - interest on delinquent tax subject to compound interest under AS 43.05.225
Fisheries Business	AS 43.75	1913	7¢ per case of canned salmon Other - dollar amount based on revenue	1979	Floating[1] - 5% of value Cannery[1] - 4.5% of value Shore-based[1] - 3% of value Floating[2] - 3% of value Shore-based[2] - 1% of value	1995 - Provision for reduced surety bond for small processors

[1] Established species [2] Developing species

Appendix A

Historical Overview of Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Last Tax Change	Current Tax Structure	Latest Change
Fishery Resource Landing	AS 43.77	1993	3.3% of unprocessed value	1996	3% of value[1] 1% of value[2]	1996 - Tax split: 3% to landing tax and .3% to ASMI. 1% for developing species. Credits adopted
Mining License	AS 43.65	1913	.5% of net income > $5,000	1955	Tax on net income: No tax if ≤ $40,000 3% if > $40,000 and ≤ $50,000 5% if > $50,000 and ≤ $100,000 7% if > $100,000	1995 - minerals exploration incentive credit enacted
Motor Fuel	AS 43.40	1945	1¢ per gallon on all fuels	1970	Highway - 8¢/gallon	1998 - Provision for credit for sales deemed as bad debt or to persons in bankruptcy
				1977	Marine - 5¢/gallon	
				1994	Aviation Gas - 4.7¢/gallon	
				1994	Jet Fuel - 3.2¢/gallon	
Regulatory Cost Charge (APUC)	AS 42.05.253 (Utilities) AS 42.06.285 (Pipelines)	1992	Electric Utilities $.000626/kWh	1998	Electric Utilities $.000280/kWh	1998 - rates increased by regulation
			Other Utilities .653% gross revenue		Other Utilities .568% gross revenue	
			Pipelines .653% gross revenue		Pipelines .568% gross revenue	
Salmon Enhancement	AS 43.76	1980	Voluntary tax of 1%; 2% or 3% of value as elected by fishers in an aquaculture region	1980	Southern Southeast - 3%	1991 - Chignik elected 2% tax
				1980	Northern Southeast - 3%	
				1980	Cook Inlet - 2%	
				1985	Pr. William Sound - 2%	
				1989	Kodiak - 2%	
				1991	Chignik - 2%	

[1] Established species [2] Developing species

Appendix A

Historical Overview of Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Last Tax Change	Current Tax Structure	Latest Change
Salmon Marketing	AS 43.76	1993	1% of value of salmon statewide	N/A	1% of value of salmon statewide	1998 - tax sunset date extended to June 30, 2003
Seafood Marketing	AS 16.51.120	1981	Voluntary assessment of 1%; .2% or .3% of value as elected by processors	1996	.3% of value of fishery resources produced in Alaska	1996 - fishery resources landed in Alaska included in seafood marketing assessment
Telephone Cooperative	AS 10.25.550	1959	1% of gross revenue if operating < 5 years	N/A	1% of gross revenue if operating < 5 years	N/A
			2% of gross revenue if operating ≥ 5 years		2% of gross revenue if operating ≥ 5 years	
Tobacco	AS 43.50	1949	Cigarettes - 3¢ per pack of 20	1997	50 mills/cigarette ($1 per pack of 20)	1997 - tax rates increased
			Tobacco 2¢ per ounce	1997	75% of wholesale price	

Repealed Tax Programs

Business License	AS 43.70	1949	$25 license fee plus .5% of gross receipts > $20,000 plus .25% of gross receipts > $50,000	1978	Repealed	Tax repealed effective January 1, 1979
Coin-operated Devices	AS 43.35	1941	12.5% of gross receipts on coin-operated machines	1998	Repealed	Tax repealed effective January 1, 1999
Individual Income	AS 43.20	1949	10% of federal income tax liability	1980	Repealed	Tax repealed retroactive to 1979
School	AS 43.45	1919	$5 tax on each male person	1980	Repealed	Tax repealed retroactive to 1980

Appendix B

Comparison of Alcohol Tax Rates - Liquor
July 1998

State	Rate ($ per gallon)	Rank*	State	Rate ($ per gallon)	Rank*
Alabama	Footnote 1	N/A	Montana	Footnote 1	N/A
ALASKA	**5.60**	**5**	Nebraska	3.00	18
Arizona	3.00	18	Nevada	2.05	28
Arkansas	2.50	22	New Hampshire	Footnote 1	N/A
California	3.30	16	New Jersey	4.40	9
Colorado	2.28	27	New Mexico	6.06	3
Connecticut	4.50	8	New York	6.44	2
Delaware	3.75	14	North Carolina	Footnote 1	N/A
Florida	6.50	1	North Dakota	2.50	22
Georgia	3.79	13	Ohio	Footnote 1	N/A
Hawaii	5.92	4	Oklahoma	5.56	6
Idaho	Footnote 1	N/A	Oregon	Footnote 1	N/A
Illinois	2.00	29	Pennslyvania	Footnote 1	N/A
Indiana	2.68	21	Rhode Island	3.75	14
Iowa	Footnote 1	N/A	South Carolina	2.72	20
Kansas	2.50	22	South Dakota	3.93	12
Kentucky	1.92	31	Tennesee	4.00	11
Louisiana	2.50	22	Texas	2.40	26
Maine	Footnote 1	N/A	Utah	Footnote 1	N/A
Maryland	1.50	32	Vermont	Footnote 1	N/A
Massachusetts	4.05	10	Virginia	Footnote 1	N/A
Michigan	Footnote 1	N/A	Washington	Footnote 1	N/A
Minnesota	5.03	7	West Virginia	Footnote 1	N/A
Mississippi	Footnote 1	N/A	Wisconsin	3.25	17
Missouri	2.00	29	Wyoming	Footnote 1	N/A
Federal	**13.50**	**N/A**	**U.S. Median**	**3.25**	**N/A**

Footnote 1 - Sales are through state stores. Revenue is generated from various taxes, fees and net profits.

* Out of 32 states which levy a per gallon tax, highest to lowest.

N/A - Not Applicable

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Alcohol Tax Rates - Wine

July 1998

State	Rate ($ per gallon)	Rank*	State	Rate ($ per gallon)	Rank*
Alabama	1.70	3	Montana	1.06	9
ALASKA	**.85**	**15**	Nebraska	.75	18
Arizona	.84	16	Nevada	.40	33
Arkansas	.75	18	New Hampshire	Footnote 1	N/A
California	.20	43	New Jersey	.70	21
Colorado	.32	37	New Mexico	1.70	3
Connecticut	.60	23	New York	.19	45
Delaware	.97	11	North Carolina	.79	17
Florida	2.25	1	North Dakota	.50	29
Georgia	1.51	5	Ohio	.32	37
Hawaii	1.36	7	Oklahoma	.72	20
Idaho	.45	32	Oregon	.67	22
Illinois	.23	42	Pennslyvania	Footnote 1	N/A
Indiana	.47	31	Rhode Island	.60	23
Iowa	1.75	2	South Carolina	.90	13
Kansas	.30	39	South Dakota	.93	12
Kentucky	.50	29	Tennesee	1.10	8
Louisiana	.11	46	Texas	.20	43
Maine	.60	23	Utah	Footnote 1	N/A
Maryland	.40	33	Vermont	.55	26
Massachusetts	.55	26	Virginia	1.51	5
Michigan	.51	28	Washington	.87	14
Minnesota	.30	39	West Virginia	1.00	10
Mississippi	.35	36	Wisconsin	.25	41
Missouri	.36	35	Wyoming	Footnote 1	N/A
Federal	**1.07**	**N/A**	**U.S. Median**	**.73**	**N/A**

Footnote 1 - Sales are through state stores. Revenue is generated from various taxes, fees and net profits.

* Out of 46 states which impose a per gallon tax, highest to lowest.

N/A - Not Applicable

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of State Alcohol Tax Rates - Beer
July 1998

State	Rate ($ per gallon)	Rank	State	Rate ($ per gallon)	Rank
Alabama	.53	3	Montana	.14	35
ALASKA	**.35**	**10**	Nebraska	.23	18
Arizona	.16	28	Nevada	.09	41
Arkansas	.23	18	New Hampshire	.35	10
California	.20	20	New Jersey	.12	37
Colorado	.08	43	New Mexico	.41	8
Connecticut	.19	22	New York	.16	28
Delaware	.16	28	North Carolina	.48	4
Florida	.48	4	North Dakota	.16	28
Georgia	.48	4	Ohio	.18	25
Hawaii	.91	1	Oklahoma	.40	9
Idaho	.15	32	Oregon	.08	43
Illinois	.07	47	Pennslyvania	.08	43
Indiana	.12	37	Rhode Island	.10	40
Iowa	.19	22	South Carolina	.77	2
Kansas	.18	25	South Dakota	.27	15
Kentucky	.08	43	Tennesee	.13	36
Louisiana	.32	14	Texas	.19	22
Maine	.35	10	Utah	.35	10
Maryland	.09	41	Vermont	.27	15
Massachusetts	.11	39	Virginia	.26	17
Michigan	.20	20	Washington	.15	32
Minnesota	.15	32	West Virginia	.18	25
Mississippi	.43	7	Wisconsin	.06	48
Missouri	.06	48	Wyoming	.02	50
Federal	**.58**	**N/A**	**U.S. Median**	**.19**	**N/A**

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Highway Gasoline Tax Rates
July 1998

State	Rate (¢ per gallon)	Other Tax[1] (¢ per gallon)	Total (¢ per gallon)	Rank
Alabama	16	3.4	19.4	35
ALASKA	**8**	**0**	**8**	**50**
Arizona	18	1	19	36
Arkansas	18.5	0.2	18.7	39
California	18	9.2	27.2	9
Colorado	22	0	22	22
Connecticut	32	3.1	35.1	2
Delaware	23	0	23	19
Florida	13	15.1	28.1	7
Georgia	7.5	3.4	10.9	49
Hawaii	16	20.4	36.4	1
Idaho	25	0	25	13
Illinois	19	5.2	24.2	16
Indiana	15	3.6	18.6	40
Iowa	20	1	21	28
Kansas	18	1	19	36
Kentucky	15	1.4	16.4	46
Louisiana	20	0	20	30
Maine	19	0	19	36
Maryland	23.5	0	23.5	18
Massachusetts	21.5	0	21.5	26
Michigan	19	6.1	25.1	12
Minnesota	20	2	22	22
Mississippi	18	2.4	20.4	29
Missouri	17	0	17	43
Montana	27	0.8	27.8	8
Nebraska	23.5	0.9	24.4	15
Nevada	23	10	33	3
New Hampshire	18	1.7	19.7	34
New Jersey	10.5	4	14.5	47
New Mexico	17	1	18	42
New York	8	22.4	30.4	4
North Carolina	21.6	0.3	21.9	25
North Dakota	20	0	20	31
Ohio	22	0	22	22
Oklahoma	16	1	17	43
Oregon	24	0	24	17
Pennslyvania	12	14.3	26.3	10
Rhode Island	28	1	29	5
South Carolina	16	0.8	16.8	45
South Dakota	21	2	23	19
Tennesee	20	1.4	21.4	27
Texas	20	0	20	31
Utah	24	0.5	24.5	14
Vermont	19	1	20	31
Virginia	17.5	0.7	18.2	41
Washington	23	0	23	19
West Virginia	20.5	4.9	25.4	11
Wisconsin	25.4	3	28.4	6
Wyoming	13	1	14	48
Federal	**18.3**	**N/A**	**18.3**	**N/A**
U.S. Average*	**17.8**	**4.8**	**22.6**	**N/A**

(1) Includes state sales tax, gross receipts tax and underground storage tank taxes. State sales taxes are based on selected city average retail gasoline prices as of April 1998.

* Weighted average

SOURCE: *American Petroleum Institute*, *A Summary of Nationwide and State-by-State Motor Fuel Taxes as of July 1998*.

Appendix B

Comparison of Aviation Fuel Tax Rates
October 1997

State	Jet Fuel (¢ per gallon)	Rank[1]	Aviation Gas (¢ per gallon)	Rank[2]	Dedicated to Aviation
Alabama	1.2	27	3.6	31	Yes
ALASKA	3.2	17	4.7	28	No
Arizona	1.5	26	5.0	22	Yes
Arkansas	Sales Tax	N/A	Sales Tax	N/A	Yes
California	2.0	22	18.0	2	Yes
Colorado	4.0	13	6.0	16	Yes
Connecticut	None	N/A	None	N/A	N/A
Delaware	None	N/A	None	N/A	N/A
Florida	6.9	3	6.9	15	Yes
Georgia	Sales Tax	N/A	1.0	36	No
Hawaii	1.0	28	1.0	36	Yes
Idaho	4.5	12	5.5	20	Yes
Illinois	Sales Tax	N/A	Sales Tax	N/A	No
Indiana	Sales Tax	N/A	15.0	4	No
Iowa	3.0	18	8.0	11	No
Kansas	Sales Tax	N/A	Sales Tax	N/A	No
Kentucky	Sales Tax	N/A	15.0	4	No
Louisiana	Sales Tax	N/A	Sales Tax	N/A	Yes
Maine	3.4	16	19.0	1	No
Maryland	None	N/A	7.0	14	No
Massachusetts	5.0	7	10.0	9	Yes
Michigan	3.0	18	3.0	33	Yes
Minnesota	5.0	7	5.0	22	Yes
Mississippi	5.25	6	6.0	16	Yes
Missouri	Sales Tax	N/A	9.0	10	Yes
Montana	3.0	18	3.0	33	Yes
Nebraska	3.0	18	5.0	22	Yes
Nevada	1.0	28	10.5	8	Yes
New Hampshire	2.0	22	4.0	29	No
New Jersey	2.0	22	12.5	7	Yes
New Mexico	Sales Tax	N/A	17.0	3	Yes
New York	8.0	1	8.0	11	No
North Carolina	Sales Tax	N/A	Sales Tax	N/A	No
North Dakota	8.0	1	8.0	11	Yes
Ohio	Sales Tax	N/A	Sales Tax	N/A	No
Oklahoma	0.08	32	0.08	39	No
Oregon	0.5	31	3.0	33	Yes
Pennslyvania	1.7	25	3.5	32	Yes
Rhode Island	None	N/A	None	N/A	N/A
South Carolina	Sales Tax	N/A	Sales Tax	N/A	No
South Dakota	4.0	13	6.0	16	Yes
Tennesee	1.0	28	1.0	36	Yes
Texas	None	N/A	None	N/A	N/A
Utah	4.0	13	4.0	29	Yes
Vermont	Sales Tax	N/A	15.0	4	No
Virginia	5.0	7	5.0	22	Yes
Washington	5.5	5	5.5	20	Yes
West Virginia	4.85	11	4.85	27	Yes
Wisconsin	6.0	4	6.0	16	No
Wyoming	5.0	7	5.0	22	Yes
Federal	4.3	N/A	19.3	N/A	Yes
U.S. Mean	3.3	N/A	7.1	N/A	N/A

[1]Out of 32 states with tax rates
[2]Out of 39 states with tax rates

SOURCE: *National Business Aircraft Association, Inc.*
1996-97 State Aviation Tax Report

Appendix B

Comparison of Cigarette Tax Rates
July 1998

State	Rate ($ per pack)	Rank	State	Rate ($ per pack)	Rank
Alabama	0.165	42	Montana	0.18	37
ALASKA	**1.00**	**1**	Nebraska	0.34	25
Arizona	0.58	12	Nevada	0.35	24
Arkansas	0.315	28	New Hampshire	0.37	21
California[(1)]	0.87	3	New Jersey	0.80	5
Colorado	0.20	36	New Mexico	0.21	35
Connecticut	0.50	16	New York	0.56	14
Delaware	0.24	31	North Carolina	0.05	48
Florida	0.339	26	North Dakota	0.44	18
Georgia	0.12	45	Ohio	0.24	31
Hawaii[(1)]	1.00	1	Oklahoma	0.23	34
Idaho	0.28	30	Oregon	0.68	10
Illinois	0.58	12	Pennslyvania	0.31	29
Indiana	0.155	43	Rhode Island	0.71	9
Iowa	0.36	22	South Carolina	0.07	47
Kansas	0.24	31	South Dakota	0.33	27
Kentucky	0.03	49	Tennesee	0.13	44
Louisiana	0.20	36	Texas	0.41	20
Maine	0.74	8	Utah	0.515	14
Maryland	0.36	22	Vermont	0.44	18
Massachusetts	0.76	6	Virginia	0.025	50
Michigan	0.75	7	Washington	0.825	4
Minnesota	0.48	17	West Virginia	0.17	40
Mississippi	0.18	38	Wisconsin	0.59	11
Missouri	0.17	40	Wyoming	0.12	45
Federal	**0.24**	**N/A**	**U.S. Median**	**0.339**	**N/A**

[(1)]Cigarette tax rate increased from $.37 to $.87 per pack on January 1, 1999.

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Tobacco Products Tax Rates
July 1998

State	Rate	State	Rate
Alabama	.6¢ - 4.4¢/ounce	Montana	12.5% Wholesale Price
ALASKA	**75% Wholesale Price**	Nebraska	15% Wholesale Price
Arizona	6.5¢/ounce	Nevada	30% Wholesale Price
Arkansas	23% Manufacturer Price	New Hampshire	27.1% Wholesale Price
California (1)	61.5% Wholesale Price	New Jersey	48% Wholesale Price
Colorado	20% Manufacturer Price	New Mexico	25% Product Value
Connecticut	20% Wholesale Price	New York	20% Wholesale Price
Delaware	15% Wholesale Price	North Carolina	2% Manufacturer Price
Florida	25% Wholesale Price	North Dakota	28% Wholesale Price
Georgia	13% Wholesale Price	Ohio	17% Wholesale Price
Hawaii	40% Wholesale Price	Oklahoma	30% - 40% Factory List Price
Idaho	40% Wholesale Price	Oregon	65% Wholesale Price
Illinois	18% Wholesale Price	Pennslyvania	N/A
Indiana	15% Wholesale Price	Rhode Island	20% Wholesale Price
Iowa	22% Wholesale Price	South Carolina	5% - 36% Manufacturer Price
Kansas	10% Manufacturer Price	South Dakota	10% Wholesale Price
Kentucky	N/A	Tennesee	6% Wholesale Price
Louisiana	33% Manufacturer Price	Texas	35.2% Manufacturer Price
Maine	62% Wholesale Price	Utah	35% Manufacturer Price
Maryland	N/A	Vermont	41% Manufacturer Price
Massachusetts	75% Wholesale Price	Virginia	N/A
Michigan	16% Wholesale Price	Washington	74.9% Wholesale Price
Minnesota	35% Wholesale Price	West Virginia	N/A
Mississippi	15% Manufacturer Price	Wisconsin	20% Wholesale Price
Missouri	10% Manufacturer Price	Wyoming	N/A
Federal	**12¢/pound**	**U.S. Median**	**N/A - different tax structures**

(1) Tobacco products tax rate increased from 26.2% of wholesale price to 61.5% on January 1, 1999.

Tobacco products include chewing tobacco and snuff.

N/A - Not Applicable

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Corporation Income Tax Rates
1998 Tax Year

State	Rate (%)	Tax Brackets Lowest	Tax Brackets Highest	Number of Brackets
Alabama	5.0	Flat Rate		1
ALASKA	**1.0 - 9.4**	**$10,000**	**$90,000**	**10**
Arizona	9.0	Flat Rate		1
Arkansas	1.0 - 6.5	$3,000	$100,000	6
California	8.84	Flat Rate		1
Colorado	5.0	Flat Rate		1
Connecticut	10.5	Flat Rate		1
Delaware	8.7	Flat Rate		1
Florida	5.5	Flat Rate		1
Georgia	6.0	Flat Rate		1
Hawaii	4.4 - 6.4	$25,000	$100,000	3
Idaho	8.0	Flat Rate		1
Illinois	7.3	Flat Rate		1
Indiana	7.9	Flat Rate		1
Iowa	6.0 - 12.0	$25,000	$250,000	4
Kansas	4.0	Flat Rate		1
Kentucky	4.0 - 8.25	$25,000	$250,000	5
Louisiana	4.0 - 8.0	$25,000	$200,000	5
Maine	3.5 - 8.93	$25,000	$250,000	4
Maryland	7.0	Flat Rate		1
Massachusetts	9.5	Flat Rate		1
Michigan	*Not Based on Income*			N/A
Minnesota	9.8	Flat Rate		1
Mississippi	3.0 - 5.0	$5,000	$10,000	3
Missouri	6.25	Flat Rate		1
Montana	6.75	Flat Rate		1
Nebraska	5.58 - 7.81	$50,000		2
Nevada	*No Corporation Income Tax*			N/A
New Hampshire	7.0	Flat Rate		1
New Jersey	9.0	Flat Rate		1
New Mexico	4.8 - 7.6	$500,000	$1,000,000	3
New York	9.0	Flat Rate		1
North Carolina	7.3	Flat Rate		1
North Dakota	3.0 - 10.5	$3,000	$50,000	6
Ohio	5.1 - 8.9	$50,000		2
Oklahoma	6.0	Flat Rate		1
Oregon	6.6	Flat Rate		1
Pennslyvania	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
Tennesee	6.0	Flat Rate		1
Texas	*Tax Based on Capital and Surplus*			N/A
Utah	5.0	Flat Rate		1
Vermont	7.0 - 9.75	$10,000	$250,000	4
Virginia	6.0	Flat Rate		1
Washington	*No Corporation Income Tax*			N/A
West Virginia	9.0	Flat Rate		1
Wisconsin	7.9	Flat Rate		1
Wyoming	*No Corporation Income Tax*			N/A
Federal	**15.0 - 35.0**	**$22,100**	**$ 10,000,000**	**4**

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Individual Income Tax Rates*
1998 Tax Year

State	Rate (%)	Tax Brackets Lowest	Tax Brackets Highest	Number of Brackets
Alabama	2.0 - 5.0	$500	$3,000	3
ALASKA	No State Income Tax			N/A
Arizona	2.9 - 5.2	$10,000	$150,000	5
Arkansas	1.0 - 7.0	$2,999	$25,000	6
California	1.0 - 9.3	$4,908	$223,390	6
Colorado	5.0	Flat Rate		1
Connecticut	3.0 - 4.5	$2,250	$2,250	2
Delaware	3.1 - 6.9	$4,500	$30,000	6
Florida	No State Income Tax			N/A
Georgia	1.0 - 6.0	$750	$7,000	6
Hawaii	2.0 - 10.0	$1,500	$20,500	8
Idaho	2.0 - 8.2	$1,000	$20,000	8
Illinois	3.0	Flat Rate		1
Indiana	3.4	Flat Rate		1
Iowa	.36 - 8.98	$1,112	$50,040	9
Kansas	4.4 - 7.75	$20,000	$30,000	3
Kentucky	2.0 - 6.0	$3,000	$8,000	5
Louisiana	2.0 - 6.0	$10,000	$50,000	3
Maine	2.0 - 8.5	$4,150	$16,500	4
Maryland	2.0 - 5.0	$1,000	$3,000	4
Massachusetts	5.95	Flat Rate		1
Michigan	4.4	Flat Rate		1
Minnesota	6.0 - 8.5	$16,510	$54,250	3
Mississippi	3.0 - 5.0	$5,000	$10,000	3
Missouri	1.5 - 6.0	$1,000	$9,000	10
Montana	2.0 - 11.0	$1,900	$66,399	10
Nebraska	2.51 - 6.68	$2,400	$26,500	4
Nevada	No State Income Tax			N/A
New Hampshire	Tax Limited to Dividends and Interest			N/A
New Jersey	1.4 - 6.37	$20,000	$75,000	6
New Mexico	1.7 - 8.5	$5,500	$65,000	7
New York	4.0 - 7.125	$8,000	$20,000	5
North Carolina	6.0 - 7.75	$12,750	$60,000	3
North Dakota	2.67 - 12.0	$3,000	$50,000	8
Ohio	.713 - 7.201	$5,000	$200,000	9
Oklahoma	.5 - 7.0	$1,000	$10,000	8
Oregon	5.0 - 9.0	$2,200	$5,550	3
Pennslyvania	2.8	Flat Rate		1
Rhode Island	27.0% Federal Tax Liability			N/A
South Carolina	2.5 - 7.0	$2,280	$11,400	6
South Dakota	No State Income Tax			N/A
Tennesee	Tax Limited to Dividends and Interest			N/A
Texas	No State Income Tax			N/A
Utah	2.3 - 7.0	$750	$3,750	6
Vermont	25% Federal Tax Liability			N/A
Virginia	2.0 - 5.75	3,000	17,000	4
Washington	No State Income Tax			N/A
West Virginia	3.0 - 6.5	$10,000	$60,000	5
Wisconsin	4.9 - 6.93	$7,500	$15,000	3
Wyoming	No State Income Tax			N/A
Federal	**15.0 - 39.6**	**$22,100**	**$250,000**	**5**

* Rates apply to unmarried individuals

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Sales Tax Rates
July 1, 1998

			Exemptions	
State	Rate (%)	Food	Prescription Drugs	Nonprescription Drugs
Alabama	4.0	No	Yes	No
ALASKA		***No State Sales Tax***		
Arizona	5.0	Yes	Yes	No
Arkansas	4.6	No	Yes	No
California	6.0	Yes	Yes	No
Colorado	3.0	Yes	Yes	No
Connecticut	6.0	Yes	Yes	No
Delaware		*No State Sales Tax*		
Florida	6.0	Yes	Yes	Yes
Georgia	4.0	No	Yes	No
Hawaii	4.0	No	Yes	No
Idaho	5.0	No	Yes	No
Illinois	6.25	1%	1%	1%
Indiana	5.0	Yes	Yes	No
Iowa	5.0	Yes	Yes	No
Kansas	4.9	No	Yes	No
Kentucky	6.0	Yes	Yes	No
Louisiana	4.0	No	Yes	No
Maine	6.0	Yes	Yes	No
Maryland	5.0	Yes	Yes	Yes
Massachusetts	5.0	Yes	Yes	No
Michigan	6.0	Yes	Yes	No
Minnesota	6.5	Yes	Yes	Yes
Mississippi	7.0	No	Yes	No
Missouri	4.225	No	Yes	No
Montana		*No State Sales Tax*		
Nebraska	4.5	Yes	Yes	No
Nevada	6.5	Yes	Yes	No
New Hampshire		*No State Sales Tax*		
New Jersey	6.0	Yes	Yes	Yes
New Mexico	5.0	No	No	No
New York	4.0	Yes	Yes	Yes
North Carolina	4.0	No	Yes	No
North Dakota	5.0	Yes	Yes	No
Ohio	5.0	Yes	Yes	No
Oklahoma	4.5	No	Yes	No
Oregon		*No State Sales Tax*		
Pennslyvania	6.0	Yes	Yes	Yes
Rhode Island	7.0	Yes	Yes	Yes
South Carolina	5.0	No	Yes	No
South Dakota	4.0	No	Yes	No
Tennesee	6.0	No	Yes	No
Texas	6.25	Yes	Yes	No
Utah	4.750	No	Yes	No
Vermont	5.0	Yes	Yes	No
Virginia	3.5	No	Yes	No
Washington	6.5	Yes	Yes	No
West Virginia	6.0	No	Yes	No
Wisconsin	5.0	Yes	Yes	No
Wyoming	4.0	No	Yes	No

SOURCE: *Federation of Tax Administrators*