STATE OF ALASKA

DEPARTMENT OF REVENUE
Income and Excise Audit Division

Fiscal Year 1997
ANNUAL REPORT

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Governor

Wilson L. Condon
Commissioner

This publication was released by the Alaska Department of Revenue and produced at a cost of $4.45 per copy including printing and binding at Alaska Litho located in Juneau, Alaska. Its purpose is to provide the public with comprehensive information and data regarding programs administered by Income and Excise Audit Division.

Dedication

This report is dedicated to Robert D. "R.D." Stevenson (1919 - 1996) who served as a territorial tax commissioner and served under various governors as the state's commissioner of Revenue. R.D. served the territorial and state Department of Revenue in various capacities from 1949 until his retirement in 1985. His value to Alaska through the years was immeasurable due to his professional knowledge, understanding of tax laws and total commitment to the interests of Alaska.

Report Author
Paul E. Dick

FY 97 in Retrospect

FY 97 was another banner year for General Fund non-severance tax collections. Collections totaled approximately $437.7 million, a 23% increase over FY 96 collections of $356.8 million. The increase was primarily attributable to large estimated corporation income tax payments paid by oil and gas corporations during the fiscal year.

Income and Excise Audit Division (IEAD) processed 21,293 tax returns and licensed 1,307 businesses during the fiscal year. IEAD continued efforts to enhance revenue, through increased focus on audit and compliance programs, and to identify efficiencies to streamline its operations. Where possible, IEAD took measures to utilize new technology in bringing efficiencies to tax programs.

Four tax-related bills were passed by the 1997 legislature. The most notable piece of legislation was a bill that increased cigarette tax rates to $1 per pack. This legislation moved Alaska from 28th highest to the highest cigarette tax rate in the nation. Another significant piece of legislation repealed the motor fuel tax exemption on gasohol and expanded the foreign flight exemption.

Following are highlights of the division for FY 97.

→ ***Record Corporation Tax Collections*** - General Fund corporation tax collections climbed to a record $317.9 million, up from FY 96 collections of $227 million.

→ ***Oil and Gas Settlements Top $50 million*** - Total collections from settlements of prior year oil and gas corporation tax assessments were $56 million. All settlement amounts were deposited into the state's Constitutional Budget Reserve Fund.

→ ***Motor Fuel Tax Collections Decline*** - Despite an overall increase in motor fuel sales, motor fuel tax collections decreased from FY 96 because of expanded sales of gasohol, which was fully exempt from motor fuel tax. Gasohol sales reached an all time high of 90.6 million gallons, up 7% over FY 96 sales of 84.4 million gallons.

→ ***Fishery Resource Landing Tax Upheld***. In June 1997, a formal hearing decision was issued in response to challenges to the landing tax by off-shore processor groups. The decision upheld the constitutionality of the landing tax.

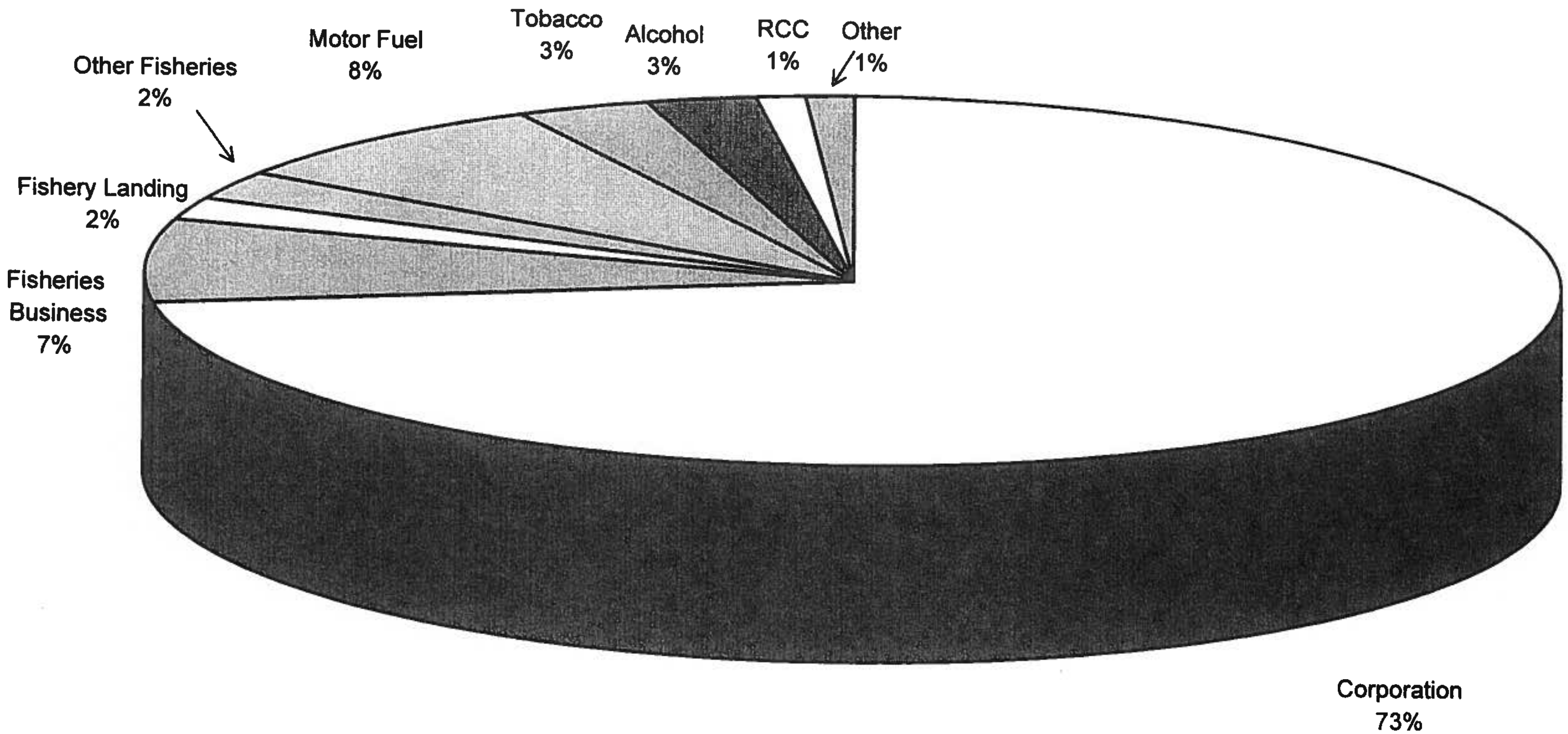
→ ***Consolidated Seafood Processor License Application*** - IEAD took the lead in consolidating license application requirements of three agencies (DOR, DF&G and DEC). The consolidated licensing process streamlined the licensing process and provided processors with one-stop shopping for obtaining their state processor licenses and permits.

→ ***Unclaimed Property Owner Names on the Net***. Unclaimed property owner names were published on the internet to provide the public with instant access to the division's unclaimed property file. The public can browse the division's unclaimed property database on-line at *www.revenue.state.ak.us/iea/property/ucpsrch.htm* to determine if they have any property on file with the division.

Table 1
Three Year Comparison of Revenue Collections

FUND SOURCE	FY 97	% Fund Total	FY 96	% Fund Total	FY 95	% Fund Total
General Fund						
Corporation	$317,881,916	72.6%	$227,056,475	63.6%	$195,616,185	59.3%
Motor Fuel	35,317,981	8.1%	37,740,055	10.6%	39,600,805	12.0%
Fisheries Business	30,967,567	7.1%	38,241,228	10.7%	39,034,046	11.8%
Tobacco	13,651,986	3.1%	14,157,919	4.0%	14,396,966	4.4%
Alcoholic Beverages	11,553,183	2.6%	11,985,466	3.4%	11,969,183	3.6%
Fishery Resource Landing	8,278,994	1.9%	7,137,876	2.0%	6,684,158	2.0%
APUC Regulatory Cost Charges	4,301,051	1.0%	1,868,258	0.5%	4,325,211	1.3%
Salmon Enhancement	4,189,791	1.0%	5,235,938	1.5%	5,689,520	1.7%
Salmon Marketing	3,522,739	0.8%	4,804,416	1.3%	4,710,610	1.4%
Seafood Marketing - Fisheries Business	2,562,621	0.6%	3,211,828	0.9%	3,242,042	1.0%
Estate	1,717,986	0.4%	1,658,011	0.5%	1,157,793	0.4%
Electric Cooperative	1,436,660	0.3%	1,377,992	0.4%	1,336,034	0.4%
Telephone Cooperative	1,302,139	0.3%	1,163,366	0.3%	1,064,816	0.3%
Seafood Marketing - Landing	536,609	0.1%	565,879	0.2%	617,838	0.2%
Mining License	387,036	0.1%	480,842	0.1%	343,259	0.1%
Coin-Operated Devices	90,165	0.0%	89,230	0.0%	102,061	0.0%
Individual Income	0	0.0%	5,457	0.0%	7,169	0.0%
Total General Fund	**437,698,424**	**100.0%**	**356,780,236**	**100.0%**	**329,897,696**	**100.0%**
Constitutional Budget Reserve Fund (CBRF)						
Corporation	56,030,847	100.0%	103,269,899	100.0%	304,209,414	100.0%
Mining License	20,805	0.0%	32,372	0.0%	138,648	0.0%
Total CBRF	**56,051,652**	**100.0%**	**103,302,271**	**100.0%**	**304,348,062**	**100.0%**
School Fund						
Tobacco	2,498,326	99.8%	2,608,452	99.9%	2,690,176	99.9%
Cigarette License Fees	3,950	0.2%	1,955	0.1%	2,525	0.1%
Total School Fund	**2,502,276**	**100.0%**	**2,610,407**	**100.0%**	**2,692,701**	**100.0%**
Total All Funds	***$496,252,352***	***100.0%***	***$462,692,914***	***100.0%***	***$636,938,459***	***100.0%***

Chart 1
General Fund Income and Excise Tax Collections

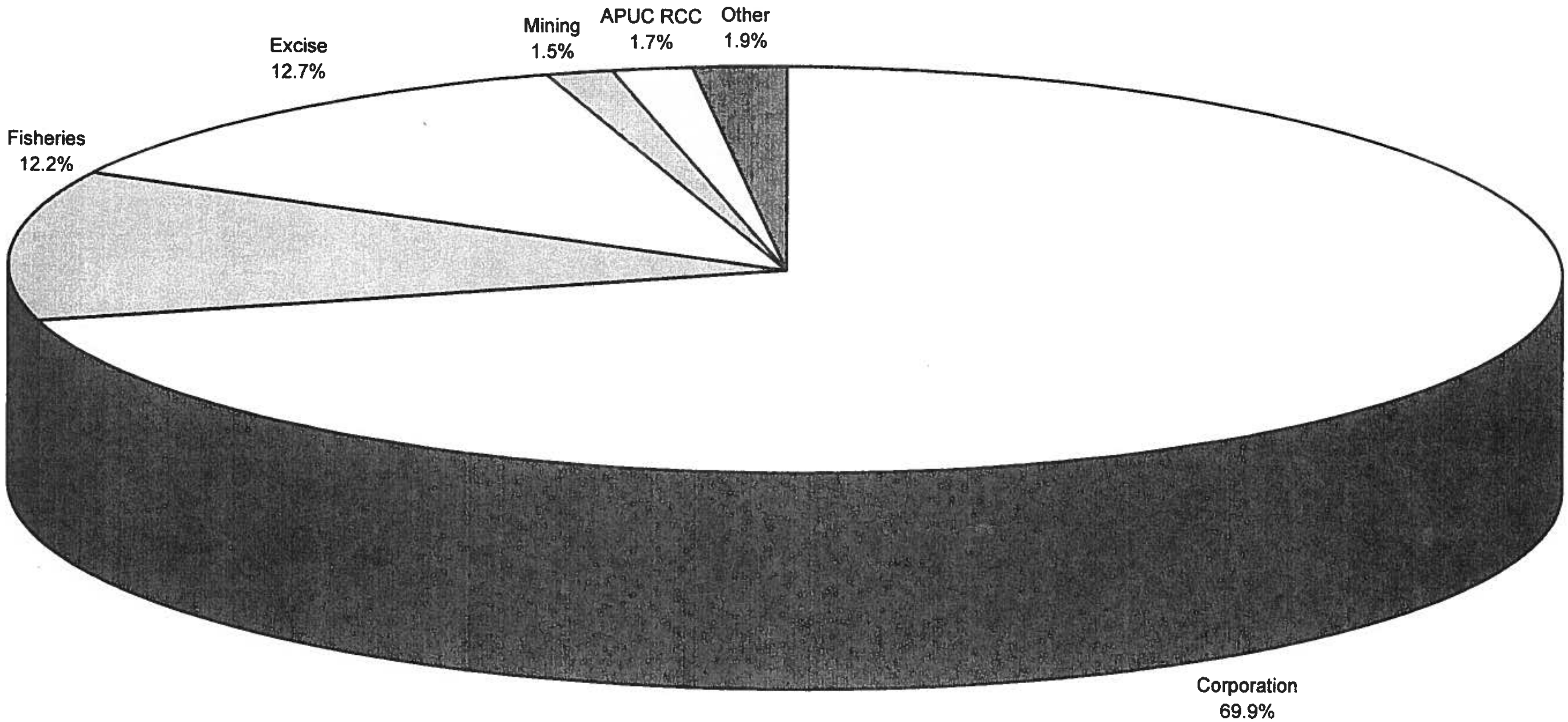


Total Tax Collections: $437,698,424

Other Fisheries *includes salmon enhancement and marketing taxes and seafood marketing assessment collections.*

Other *includes estate, electric and telephone cooperative, coin-operated devices and mining license tax collections.*

Chart 2
Income and Excise Tax Returns Filed



Total Tax Returns Filed: 21,293

Corporation	**14,887**	**Excise**	**2,701**	**Other**	**413**
Fisheries	**2,597**	*Motor Fuel*	1,910	*Coin-Operated Devices*	315
Salmon Marketing	800	*Tobacco*	567	*Estate*	73
Fisheries Business	710	*Alcohol*	224	*Electric Cooperative*	18
Salmon Enhancement	673	**Mining**	**324**	*Telephone Cooperative*	7
Seafood Marketing	315	**APUC RCC**	**371**		
Fishery Resource Landing	99				

HIGHLIGHTS

Record Corporation Tax Collections. General Fund corporate income tax revenue reached a record high with collections of $317.9 million. Collections were up from last year's collections of $227.1 million. FY 1997 collections were the highest on record since FY 1982 when the state collected $703.7 million in corporate tax revenue.

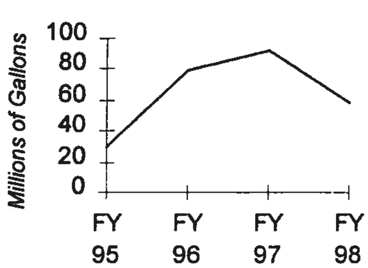
Record collections were attributable to increased estimated tax collections from oil and gas corporations. This correlated with higher than average oil prices experienced during the fiscal year.

The average of tax collections for the past 5 years is $189.0 million.

Oil and Gas Settlements Top $50 million. Total collections from settlements of prior year oil and gas corporation tax assessments were $56 million. All settlement amounts were deposited into the state's Constitutional Budget Reserve Fund.

Motor Fuel Tax Collections Decline. Motor fuel tax collections continued to decline as gasohol sales, which were exempt from the state's motor fuel tax, reached a record high of 90.6 million gallons. Sales were up 7% from FY 1996 sales of 84.4 million gallons.

Gasohol Sales



(FY 98 decrease due to repeal of gasohol exemption)

Gasohol sales have increased dramatically since the inception of gasohol sales in January 1995 when a federal clean air mandate took effect. The mandate, which is still in effect, requires that Anchorage motorists use gasohol during winter months November through February. Although the mandate is in effect only for winter months, Anchorage motor fuel distributors expanded gasohol sales to year round.

The increased level of gasohol sales prompted legislation in 1997 to repeal the exemption. Effective July 1, 1997, the exemption was repealed and gasohol is now taxed at the 8¢ per gallon state motor fuel tax rate, except that sales in Anchorage during winter months (when the mandate is in effect) are taxed at 2¢ per gallon.

Fishery Resource Landing Tax Upheld. In June 1997, a formal hearing decision was issued in response to challenges to the landing tax by off-shore processor groups. The decision upheld the constitutionality of the landing tax and found that the tax does not discriminate against interstate commerce. No taxpayers appealed the hearing decision.

The landing tax formal hearing led the way to releasing shared tax distributions to municipalities.

A provision of the landing tax, which took effect January 1, 1994, requires that half of landing tax collections be shared to municipalities affected by landing activity. While litigation was pending, the department required municipalities to hold shared landing tax distributions in escrow.

The formal hearing decision led the way to releasing shared tax distributions to municipalities. Shared tax distributions held in escrow totaled $6.1 million, of which Unalaska received $5.4 million.

Consolidated Seafood Processor License Application Implemented. IEAD staff took the lead in working with two other state agencies, Department of Fish and Game and Department of Environmental Conservation, to streamline application and reporting requirements for seafood processors doing business in Alaska. In the fall of 1996, the three agencies developed a single license application for seafood processors. The application took effect for the calendar year 1997 license period.

The single application consolidated all of the elements of each agency's forms into one application and replaced three applications forms that were required in past years. With implementation of the single application, the agencies provided a one stop shopping environment for state licensing requirements for processors.

In a survey conducted by the three agencies, processors gave overwhelming support for the single application form. Processors found that the single application simplified paperwork and reduced confusion about licensing requirements of each agency.

Motor Fuel Tax Reporting Enhanced. IEAD designed new motor fuel tax forms and implemented them in June 1997. The forms, designed with cooperation of industry, incorporate national standards adopted by other states and will increase the division's ability to track motor fuel activity in the state.

As part of implementation of the new forms, the division developed an Excel template for taxpayers to use when preparing filing returns. The Excel template will streamline reporting for taxpayers while providing greater accuracy in return data transmitted to the division.

Unclaimed Property Owner Names on the Internet. In December 1996, IEAD established an internet site to allow unclaimed property owners to search for their name to determine if they have any property held by the department.

The internet site has been a big success for the division. During FY 97, the unclaimed property internet site received nearly 7,500 hits. The site provides a link to the national unclaimed property administrators' home page which in turn provides links to other state unclaimed property sites. Our unclaimed property internet site address is *www.revenue.state.ak.us/iea/property/.*

New Unclaimed Property Data Base Designed. The division initiated efforts to implement a new unclaimed property database which utilizes modern relational database architecture. The database will enhance the division's ability to track unclaimed property and account for payment and refund activity of individual properties.

The design phase of the new database was completed in spring 1997. Programming of data entry screens and other applications is expected to be complete by the end of 1997. The database will utilize Sybase database management software and applications will be programmed in PowerBuilder.

Operating Budget Reduced. The division's operating budget has been reduced by $320,000 (8.9 %) over the past 3 years. To date, budget reductions have been met through operational efficiencies and reduced workloads resulting from the enactment of two pieces of legislation (nonresident affidavit program repeal in 1997 and unclaimed property program changes in 1996). No significant decrease in public services has resulted from the reductions. Reductions are delaying progress toward full utilization of new computer systems implemented in FY 97.

NEW LEGISLATION

The 1997 legislature passed four bills which directly affect Income and Excise Audit Division (IEAD). The Governor signed all of the bills into law. In addition, the FY 98 operating budget eliminated the Charitable Gaming Division, transferred the program into IEAD and significantly reduced the division's operating budget.

The most notable of these bills was one that increased tobacco tax rates. This legislation made Alaska the state with the highest cigarette tax rate in the nation. It was passed as a progressive effort to curb youth consumption of tobacco. Details of this and other legislation are outlined below.

SB 13 (Ch 48 SLA 1997) - Increase Tobacco Taxes. This bill increased the tax rate on cigarettes from $.29 to $1 per pack of 20 and increased the tax rate on tobacco products from 25% to 75% of the wholesale price of tobacco. Both increases took effect October 1, 1997.

Revenue from the cigarette tax rate increase is deposited into the School Fund and revenue from the tobacco products tax rate increase is deposited into the General Fund.

This bill is expected to generate new tobacco tax revenue as follows:

	(Millions of dollars)	
	FY 98	***FY 99***
School Fund	$16.0	$32.0
General Fund	.8	1.1
Total	**$16.8**	**$33.1**

FY 98 new revenue is less than FY 99 because (1) the rate increases were in effect for only three-fourths of FY 98, and (2) taxpayers stockpiled approximately 175 million cigarettes and $551,000 worth of other tobacco products before the October 1, 1997 effective date of rate increases.

HB 63 (Ch 88 SLA 1997) - Motor Fuel Tax Changes. This bill amended motor fuel statutes to affect the taxation of the following three fuel types: gasohol, jet fuel used in foreign flights, and bunker fuel. Amendments to each of fuel types are as follows.

Gasohol - This bill repealed the motor fuel tax exemption for gasohol (gasoline blended with ethanol) sold in the state. Effective July 1, 1997, the tax rate for gasohol is 8¢ per gallon, the same rate applied to highway motor fuel.

In Anchorage during winter months (November through February) when the use of gasohol is required to maintain compliance with the Clean Air Act, the tax rate on gasohol is reduced to 2¢ per gallon.

This legislation provided for a special tax exemption for gasohol that is blended with alcohol derived from wood (lignocellulose) or waste seafood. These types of gasohol are not currently in use. The limited exemption sunsets June 30, 2004 and is restricted to facilities that produce wood or waste seafood alcohol within the first five years of the facility's processing of alcohol.

Jet Fuel Used in Foreign Flights - This bill expanded the definition of "foreign flight" to include continuing flights that originate in a foreign country and pass through Alaska en route to another U.S. destination. These flights were previously subject to tax.

This bill disallows the foreign flight exemption for fuel supplied by a refiner who fails to comply with a voluntary agreement between the state and refiner. Qualifications for entering into an agreement are that refiners will expand capacity or produce more residual fuel oil (bunker fuel). The agreement would stipulate that the refiner agrees to hire Alaska residents and contract with Alaska vendors for materials and services associated with expansion of refinery capacity.

Bunker Fuel - This bill authorizes a tax exemption for residual fuel oil (bunker fuel) which is defined as number 6 fuel oil.

All of the provisions of this bill took effect July 1, 1997.

HB 198 (Ch 90 SLA 1997) - Dive Fishery Management Association and Assessment. This bill authorizes the formation of regional dive fishery development associations and the levy of a dive fishery assessment through an election by members of the associations. Revenue collected from assessments may be appropriated to the Department of Fish and Game for funding dive fishery development associations.

Approval to levy an assessment on a dive fishery must be met by a majority vote of dive fishery permit holders in the area in which the association is located. Permit holders may choose an assessment rate of 1%, 3%, 5% or 7%. Assessments are levied on the value of dive fishery species.

This bill took effect June 21, 1997. The state will not receive assessment revenue until associations are formed and permit holders approve a levy of an assessment on a dive fishery.

SB 49 (Ch 93 SLA 1997) - Service of Process on Nonresident Taxpayers. This bill repealed an annual requirement for nonresident taxpayers to file an affidavit and post a tax bond or other security with the department. The affidavit required taxpayers to state their estimated tax liabilities for the upcoming year.

A provision for waiver of filing a tax bond or other security was also repealed. Many taxpayers qualified for the waiver in past years.

This bill took effect January 1, 1998.

HB 75 (Ch 98 SLA 1997) - Operating Budget.. This bill eliminated the Charitable Gaming Division, cut $300,000 (30%) in funding, and transferred staff and functions associated with the gaming program to the Income and Excise Audit Division effective July 1, 1997. Charitable Gaming Division staff was reduced from 13 positions to 8 positions before being transferred to IEAD.

Division Organization

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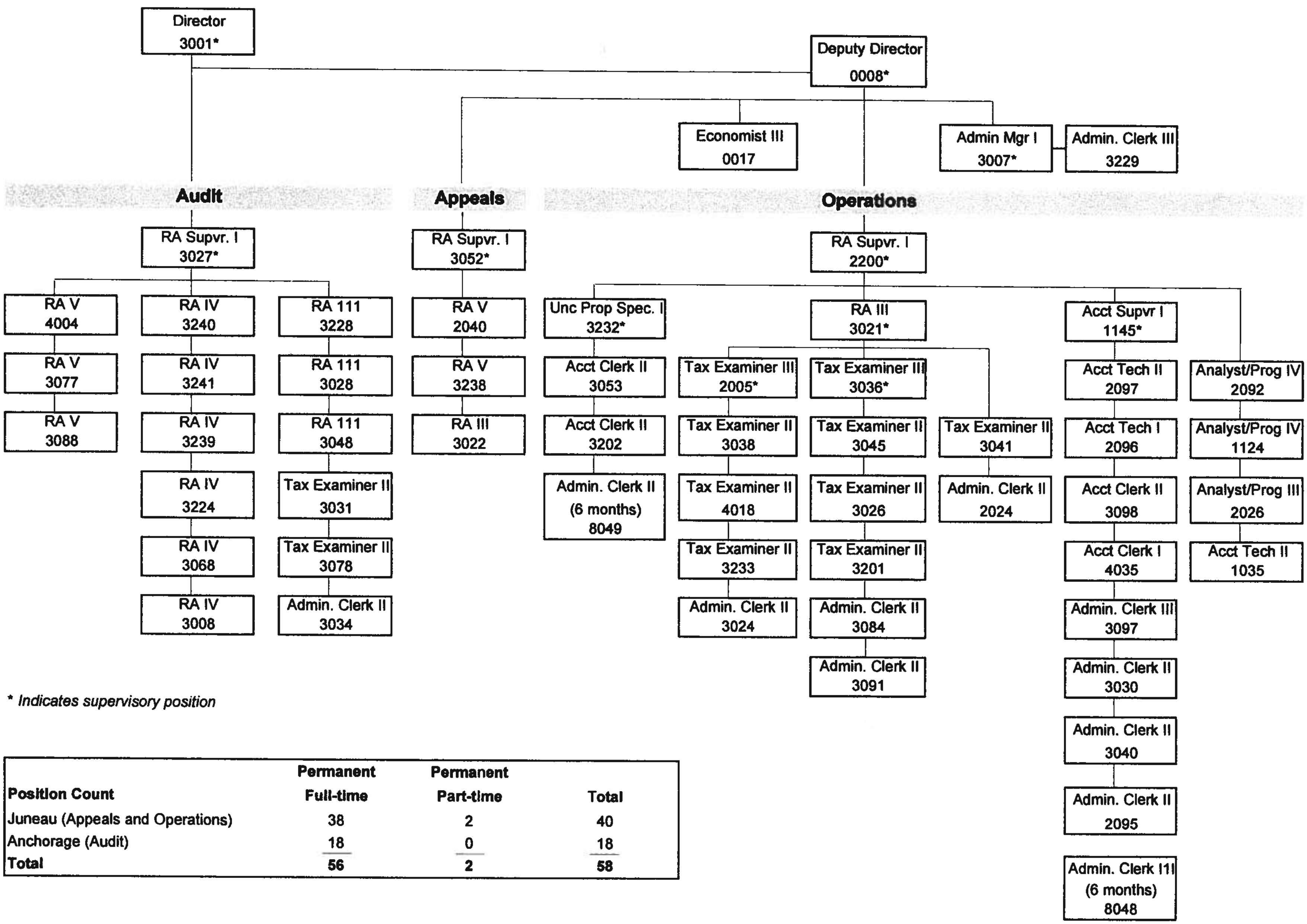
Organization Chart



* *Indicates supervisory position*

Position Count	Permanent Full-time	Permanent Part-time	Total
Juneau (Appeals and Operations)	38	2	40
Anchorage (Audit)	18	0	18
Total	**56**	**2**	**58**

FUNCTIONS

During the fiscal year, Income and Excise Audit Division (IEAD) was staffed by 56 full-time and 2 seasonal positions, and maintained offices in Juneau and Anchorage. The division's FY 97 operating budget was $3.4 million. IEAD was functionally organized as follows: **Operations, Audit, Appeals** and **Research**.

OPERATIONS

Operations, located in Juneau and staffed by 31 full-time and 2 seasonal positions (including 3 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 five units: ***Accounting and Collections, Examination and Licensing, 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 and Licensing

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 or $10,000 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 for Department of Commerce and Economic Development which summarizes salmon enhancement tax data. This data is used 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

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

Compliance compares data from external agencies, such as IRS and Alaska Department of 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 97, 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 to contractors with 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 97, IEAD shared $20.6 million to 127 Alaska communities. IEAD publishes an annual report summarizing amounts shared by community. The annual is 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 additional 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 97, IEAD transmitted $1.6 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 136,100, 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 $12.3 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 12 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 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, located in Juneau and Anchorage and staffed by 4 full-time positions, is responsible for hearing taxpayer appeals to tax assessments. Appeals receives taxpayer protests, or appeals, arising from assessments for additional taxes and penalties resulting from the division's audit or examination activities. Cases are assigned to an appeals officer who initiates the informal conference process.

The appeals officer's function is to review the tax assessment and develop further facts, information and argument with relevance to the matters in dispute. A written decision is issued to the taxpayer upon conclusion of the informal conference. If the taxpayer disagrees with the decision, a formal hearing may be requested.

Formal hearings are conducted by department hearing officers who report directly to the Commissioner. One of IEAD's appeals officer may present the division's case at the hearing, including opening and closing arguments, cross examine witnesses and utilize rules of evidence. Legal briefs may be filed by the appeals officer during various stages of the hearing process.

Appeals is responsible for participating in alternative resolutions or settlements of tax assessments. Officers negotiate with taxpayers and make recommendations to management and the Attorney General's office.

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 97	FY 96	FY 95
CORPORATION NET INCOME			
General Fund			
Oil and Gas Corporations	$269,783,582	$174,019,901	$129,440,334
Alaska Education Credit - Oil and Gas	(261,300)	(318,175)	(299,550)
Other Corporations	49,610,974	54,591,059	67,482,125
Alaska Education Credit - Other	(1,251,340)	(1,236,310)	(1,006,724)
Total Receipts - General Fund	**317,881,916**	**227,056,475**	**195,616,185**
Total Receipts - CBRF	**56,030,847**	**103,269,899**	**304,209,414**
Total Receipts - All Funds	**$373,912,763**	**$330,326,374**	**$499,825,599**
MOTOR FUEL			
Highway	$19,825,207	$21,027,021	$23,914,584
Marine	7,236,357	8,500,490	7,626,690
Jet Fuel	7,158,181	7,203,228	7,132,360
Aviation Gasoline	949,138	982,096	881,843
Total Tax	35,168,883	37,712,835	39,555,477
Penalties and Interest	149,098	39,185	45,328
Less Bunker Fuel Refund	0	(11,965)	0
Total Receipts	**35,317,981**	**37,740,055**	**39,600,805**
Less Aviation Fuel Tax Shared	(149,931)	(158,641)	(142,794)
Amount Retained by State	**$35,168,050**	**$37,581,414**	**$39,458,011**

** Taxpayers may deduct lesser of 1% of tax due or $100 if return is timely filed (AS 43.40.010).*

	FY 97	FY 96	FY 95
FISHERIES BUSINESS			
Established			
Shore-based	$17,401,264	$19,206,930	$19,552,652
Floating	8,859,684	12,080,160	12,778,626
Cannery	4,000,212	6,061,145	5,171,014
Developing			
Shore-based	55,287	60,700	40,693
Floating	1,827	23,970	30,946
Total Tax	30,318,274	37,432,905	37,573,931
Prepayments	917,757	1,278,117	1,765,854
Penalties and Interest	64,377	57,433	275,173
License Fees	19,000	18,850	15,700
Total Tax Before Credits	31,319,408	38,787,305	39,630,658
Less Credits			
Winn Brindle	(341,805)	(391,702)	(446,237)
Alaska Education	(10,036)	(154,375)	(150,375)
Total Receipts	**30,967,567**	**38,241,228**	**39,034,046**
Less Fisheries Tax Shared			
Department of Revenue	(14,107,371)	(18,876,407)	(18,600,221)
Department of Community and Regional Affairs	(1,275,991)	(827,033)	(849,798)
Amount Retained by State	**$15,584,205**	**$18,537,788**	**$19,584,027**
DEC Seafood Processor License Fees*	**$459,930**	**N/A**	**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.

Table 2
Revenue Collections Detail

	FY 97	FY 96	FY 95
TOBACCO			
Cigarette	$14,641,297	$15,278,692	$15,752,759
Tobacco Products	1,682,731	1,652,599	1,496,637
Penalties and Interest	(5,343)	2,878	11,329
Less 1% Deductions*	(168,373)	(167,798)	(173,583)
Total Receipts	**16,150,312**	**16,766,371**	**17,087,142**
Less Amount Transferred to School Fund	(2,498,326)	(2,608,452)	(2,690,176)
Amount Retained in General Fund	**$13,651,986**	**$14,157,919**	**$14,396,966**

** Taxpayers may deduct 1% of tax due (AS 43.50.090).*

	FY 97	FY 96	FY 95
ALCOHOLIC BEVERAGES			
Liquor	$ 5,666,584	$ 6,070,806	$ 6,120,156
Beer	4,741,501	4,778,361	4,778,807
Wine	1,143,670	1,137,606	1,068,230
Penalties and Interest	1,428	(1,307)	1,990
Total Receipts	**$11,553,183**	**$11,985,466**	**$11,969,183**

	FY 97	FY 96	FY 95
FISHERY RESOURCE LANDING			
Tax Before Credits	$5,511,197	$5,291,451	$1,994,474
Estimated Payments	2,815,260	1,813,521	4,751,775
Penalties and Interest	14,349	42,883	0
Less Credits			
CDQ Contributions	(61,812)	(9,979)	(60,179)
Winn Brindle	0	0	0
Alaska Education	0	0	0
Other Taxes	0	0	(1,912)
Total Receipts	**8,278,994**	**7,137,876**	**6,684,158**
Less Landing Tax Subject to Sharing*			
Department of Revenue	(2,721,293)	(3,276,695)	(2,834,835)
Department of Community and Regional Affairs	(329,993)	(43,977)	(61,570)
Amount to be Retained by State	**$5,227,708**	**$3,817,204**	**$3,787,753**

** 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 July as most taxpayers mailed their returns at the end of June.*

	FY 97	FY 96	FY 95
APUC REGULATORY COST CHARGES			
Electric Utilities	$1,266,004	$685,879	$1,829,389
Telephone Utilities	1,513,608	295,523	1,173,597
Other Utilities	980,299	595,982	410,177
Pipeline Carriers	541,140	290,874	912,048
Total Receipts	**$4,301,051**	**$1,868,258**	**$4,325,211**

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

Table 2
Revenue Collections Detail

	FY 97	FY 96	FY 95
SALMON ENHANCEMENT			
Tax by Aquacultural Region			
Southern Southeast	$1,426,761	$1,742,377	$1,747,633
Northern Southeast	662,910	906,483	1,651,425
Cook Inlet	646,182	503,716	728,696
Prince William Sound	636,767	691,893	560,927
Kodiak	558,391	1,096,604	758,812
Chignik	259,335	288,576	216,847
Total Tax	$4,190,346	$5,229,649	5,664,340
Penalties and Interest	(555)	6,289	25,180
Total Receipts	**$4,189,791**	**$5,235,938**	**$5,689,520**
SALMON MARKETING			
Tax	$3,506,726	$4,766,239	$4,689,746
Penalties and Interest	16,013	38,177	20,864
Total Receipts	**$3,522,739**	**$4,804,416**	**$4,710,610**
SEAFOOD MARKETING ASSESSMENT			
Fisheries Business	$2,562,621	$3,211,828	$3,242,042
Fishery Resource Landing	536,609	565,879	617,838
Total Receipts	**$3,099,230**	**$3,777,707**	**$3,859,880**
ESTATE			
Total Receipts	**$1,717,986**	**$1,658,011**	**$1,157,793**
ELECTRIC COOPERATIVE			
Total Receipts	**$1,436,660**	**$1,377,992**	**$1,336,034**
Less Cooperative Taxes Shared	(1,372,073)	(1,350,030)	(1,265,114)
Amount Retained by State	**$ 64,587**	**$ 27,962**	**$ 70,920**
TELEPHONE COOPERATIVE			
Total Receipts	**$1,302,139**	**$1,163,366**	**$1,064,816**
Less Cooperative Taxes Shared	(1,248,745)	(1,104,793)	(1,021,559)
Amount Retained by State	**$ 53,394**	**$ 58,573**	**$ 43,257**
MINING LICENSE			
General Fund			
Current Year Tax Before Credits	$537,036	$630,842	$493,259
Less Alaska Education Credit	(150,000)	(150,000)	(150,000)
Total Receipts - General Fund	**387,036**	**480,842**	**343,259**
Total Receipts - CBRF	**20,805**	**32,372**	**138,648**
Total Receipts - All Funds	**$407,841**	**$513,214**	**$481,907**

Table 2
Revenue Collections Detail

	FY 97	FY 96	FY 95
COIN-OPERATED DEVICES			
Tax Receipts	$89,240	$88,454	$100,380
Penalties and Interest	925	776	1,681
Total Receipts	**90,165**	**89,230**	**102,061**
Less Device Tax Shared	(35,330)	(32,219)	(47,015)
Amount Retained by State	**$ 54,835**	**$ 57,011**	**$ 55,046**
CIGARETTE LICENSE FEES *(Deposited Directly to School Fund)*			
Total Receipts	**$3,950**	**$1,955**	**$2,525**
INDIVIDUAL INCOME			
Total Receipts	**$ -**	**$5,457**	**$7,169**

Table 3
Program Revenue and Cost Detail

(Sorted by Revenue)

			Program		Per FTE[2]	
	Returns	Revenue	Cost[1]	FTE[2]	Revenue	Cost
Tax Program						
Corporation	14,887	$317,881,916	$2,406,035	38.6	$8,235,283	$62,333
Motor Fuel	1,910	35,317,981	282,671	4.7	7,514,464	60,143
Fisheries Business	710	30,967,567	182,955	3.2	9,677,365	57,173
Tobacco	567	16,150,312	39,865	0.8	***	***
Alcoholic Beverages	224	11,553,183	66,159	1.0	11,553,183	66,159
Fishery Resource Landing	99	8,278,994	35,803	0.7	***	***
APUC Regulatory Cost Charges	371	4,301,051	20,099	0.4	***	***
Salmon Enhancement	673	4,189,791	43,626	0.8	***	***
Salmon Marketing	800	3,522,739	43,542	0.8	***	***
Seafood Marketing Assessments	315	3,099,230	26,833	0.5	***	***
Estate	73	1,717,986	3,856	0.1	***	***
Electric Cooperative	18	1,436,660	1,834	<.1	***	***
Telephone Cooperative	7	1,302,139	860	<.1	***	***
Mining License	324	387,036	41,686	0.8	***	***
Coin-Operated Device	315	90,165	17,503	0.4	***	***
Total Tax Programs	**21,293**	**440,196,750**	**3,213,327**	**52.9**		
Unclaimed Property Program	*(Reports)* **1,848**	**2,352,401**	**226,515**	**4.1**		
Total All Programs	**23,141**	**$442,549,151**	**$3,439,842**	**57.0 ***		

Tax Programs	
Total Revenue per FTE	***$8,321,300***
Total Cost per FTE	***$60,739***

Unclaimed Property Program	
Total Revenue per FTE	***$573,756***
Total Cost per FTE	***$55,248***

[1] Includes total operating costs of the division.

[2] Full-time equivalent staff position

* 56 full-time and 2 seasonal (1 FTE)

*** Combined revenues and costs for these programs are $44,476,103 and $275,507, respectively. These programs require 5.4 FTE positions. Combined revenue and cost per FTE are $8,236,315 and $51,020.

Table 4
Collections from Audit and Tax Examiner Assessments

(Sorted by Total Collections)

Tax Type	Collections from Assessments			Staffing (FTE)[1]		Per FTE[1]	
	Audit	Exam	Total	Audit	Exam	Audit	Exam
Corporation							
Oil and Gas	$55,403,252	$ 0	$55,403,252	10.2	0.1	$5,443,035	$ 0
Non Oil and Gas	32,428	689,301	721,729	4.7	7.3	6,869	94,425
Motor Fuel	0	60,939	60,939	0.5	2.0	**	30,470
Fisheries Business	2,763	41,252	44,015	*	2.0	**	20,626
Salmon Enhancement	33,552	0	33,552	*	0.4	**	**
Tobacco	0	15,557	15,557	*	0.4	**	**
Fishery Resource Landing	0	9,831	9,831	*	0.4	**	**
Mining	0	8,868	8,868	0.1	0.5	**	**
Salmon Marketing	0	3,504	3,504	*	0.4	**	**
Seafood Marketing	633	2,481	3,114	*	0.2	**	**
Total	**$55,472,628**	**$ 831,733**	**$56,304,361**	**15.5**	**13.7**		

Total Collections per Audit FTE	***$3,578,879***
Total Collections per Exam FTE	***$60,710***

[1]Full-time equivalent staff position

* Combined audit 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 97 Statistics

Tax Collections	$11,553,183
Number of Returns	224
Number of Taxpayers	19
Program Cost	$66,159
Staffing *(full-time equivalent)*	1.0

	Taxable Gallons Sold
Beer	13,547,146
Wine	1,345,494
Liquor	1,011,890

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 derived 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.

In 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.

In 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.

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

In 1960, the present tax structure and rates were adopted and the filing basis was changed to calendar year.

FY 97 Statistics

Tax Collections	$90,165
Number of Returns	315
Number of Taxpayers	253
Program Cost	$17,503
Staffing *(full-time equivalent)*	.4

Corporation Net Income Tax
AS 43.20

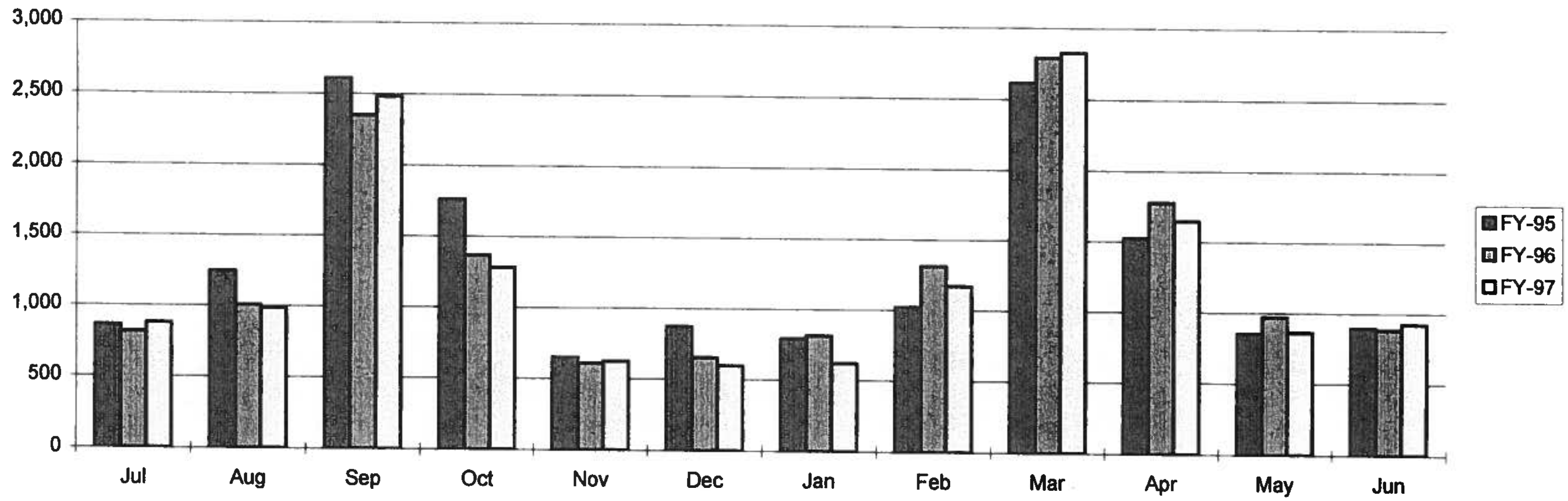
Description

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

Alaska uses an apportionment method to determine the portion of income that is taxable in the state. Corporations other than oil and gas apportion their income to Alaska by using a three-factor formula based on sales, property and payroll. Alaska taxable income is determined by applying the apportionment factor to the corporation's modified federal taxable income.

Chart 3
Corporation Filing Activity
For Fiscal Years 1995, 1996 and 1997

Number of Returns Filed by Month



Fiscal Year	*FY 97*	*FY 96*	*FY 95*
Total Returns Filed	14,887	15,367	15,779

Detail of FY 97 Filing Activity

Entity Type	Original	Amended	NOL*	Incomplete	Total
Subchapter C	7,177	560	456	222	8,415
Subchapter S	4,849	42	2	0	4,893
Exempt	1,100	13	1	0	1,114
Homeowners Association	415	1	0	0	416
Oil & Gas	36	13	0	0	49
Total	13,577	629	459	222	14,887

*Net operating loss carryback

Table 5
Corporation Tax Liabilities Statistics

Tax liabilities reported on original returns filed in FY 97

	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	6	$161,162,466	97.20%	4	$7,236,689	17.68%	10	$168,399,155	81.46%
$500,000 - $1 million	4	3,129,368	1.89%	15	10,737,397	26.23%	19	13,866,765	6.71%
$100,000 - $499,999	5	1,404,626	0.85%	53	11,949,087	29.19%	58	13,353,713	6.46%
$50,000 - $99,999	1	53,153	0.03%	53	3,636,859	8.89%	54	3,690,012	1.78%
$10,000 - $49,999	1	43,521	0.03%	206	4,720,318	11.53%	207	4,763,839	2.30%
$ 1,000 - $9,999	3	10,391	0.01%	658	2,277,593	5.56%	661	2,287,984	1.11%
$100 - $999	3	1,167	0.00%	816	331,666	0.81%	819	332,833	0.16%
$1 - $99	2	14	0.00%	1,301	39,954	0.10%	1,303	39,968	0.02%
Zero Tax	11	0	0.00%	10,435	0	0.00%	10,446	0	0.00%
Total	**36**	**$165,804,706**	**100.00%**	**13,541**	**$40,929,563**	**100.00%**	**13,577**	**$206,734,269**	**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.

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 based on sales, property and extraction.

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 for each 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 costs related to oil and gas exploration. 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 a percentage, ranging from 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.

In 1963, the tax rate was increased to 16% of the corporation's federal income tax liability.

In 1975, the Alaska legislature repealed the original income tax act and enacted an income tax act based on taxable income rather than federal tax liability. 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.

In 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).

In 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.

In 1984, the legislature adopted the special industrial incentive investment tax credit.

In 1987, the Alaska education credit was authorized. The maximum credit was $100,000.

In 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 calculation method was restructured and the maximum was increased to $150,000.

In 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.

In 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.

FY 97 Statistics

Tax Collections	
General Fund	$317,881,916
CBRF	$56,030,847
Number of Corporate Returns	14,887
Number of Taxpayers	11,832
Program Cost	$2,406,035
Staffing (full-time equivalent)	38.6

Return Type	*# Filed*
Original	
Oil and Gas	36
Other	13,541
Amended	
Oil and Gas	13
Other	616
Net Operating Loss Carryback	
Oil and Gas	0
Other	459
Incomplete	
Other	222
Total	**14,887**

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.

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

In 1980, the tax base for calculating the electric cooperative tax was changed from gross revenue to kilowatt hours. Mill rates as they exist today were also adopted.

FY 97 Statistics

Tax Collections	$1,436,660
Number of Returns	18
Number of Taxpayers	17
Program Cost	$1,834
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 $600,000 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.

In 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 97 Statistics

Tax Collections	$1,717,986
Number of Returns	73
Number of Death Certificates Issued	556
Program Cost	$3,856
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.

In 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).

In 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 was enacted. The license fee was established at $25.

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

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

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

In 1981, the shared tax percentage was increased to 50%.

In 1986, the Alaska 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.

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

In 1990, the Alaska legislature enacted provisions for assessing civil penalties up to $5,000 for each infraction of processing without a license. 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.

In 1990, the legislature also enacted a provision which authorized sharing 50% of taxes sourced from processing activities in the unorganized borough. This program took effect July 1, 1992.

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

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

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

FY 97 Statistics

Tax Collections	$30,967,567
Number of Returns	710
Number of Taxpayers	517
Program Cost	$182,955
Staffing *(full-time equivalent)*	3.2

Fisheries Business Licenses Issued

Shore-based	260
Floating	353
Exporter	148
Total	761

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 March 31 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 1996 returns to June 30, 1997.

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 Alaska legislature enacted the fishery resource landing tax 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.

In February 1994, the American Factory Trawler Association (AFTA) filed litigation challenging the constitutionality of the landing tax. In May 1995, the Alaska Supreme Court rejected AFTA's request based on AFTA's failure to exhaust administrative remedies with Department of Revenue.

In 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.

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 required to be held in escrow by municipalities, were released to municipalities.

FY 97 Statistics

Tax Collections	$8,278,994
Number of Returns	99
Number of Taxpayers	61
Program Cost	$35,803
Staffing (full-time equivalent)	.7

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 a percentage, ranging 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.

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.

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

In 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.

In 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.

In 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.

In 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.

In 1951, the 3½ year exemption was enacted whereby new mining operations are exempt from mining tax for a period of 3 ½ years from the date of production.

In 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.

In 1955, the rate structure as it exists today was adopted.

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

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

In 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 97 Statistics

Tax Collections	
General Fund	$387,036
CBRF	$20,805
Number of Returns	324
Number of Taxpayers	275
Program Cost	$41,686
Staffing *(full-time equivalent)*	.8

Motor Fuel Tax
AS 43.40

Description
The motor fuel tax is levied on motor fuel sold or transferred 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*	2¢

**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)

Table 6
Taxable Motor Fuel Gallons Sold in Alaska
For the Fiscal Year Ended June 30, 1997

	Highway		Aviation		Marine		
	Gasoline	Diesel	Gasoline	Jet Fuel	Gasoline	Diesel	Total
Gross Gallons Distributed	274,229,677	452,373,620	20,867,778	695,037,233	10,746,071	145,973,071	1,599,227,450
Less Exemptions*	(112,181,237)	(272,347,257)	(615,932)	(471,214,096)	(257,994)	(11,227,881)	(867,844,397)
Fuel Conversions	(71,391)	(987,956)	344	274,977	38,021	746,005	0
Total Taxable Gallons	**161,977,049**	**179,038,407**	**20,252,190**	**224,098,114**	**10,526,098**	**135,491,195**	**731,383,053**
Tax Rate	0.08	0.08	0.047	0.032	0.05	0.05	*Variable*
Gross Tax	**$12,958,164**	**$14,323,073**	**$951,853**	**$7,171,140**	**$526,305**	**$6,774,560**	**42,705,095**
Less Off-Highway Refunds							
Gallons Used Off-Highway	3,073,190	120,435,379	0	0	1,399,132	278,786	125,186,487
Refund Rate	(0.06)	(0.06)	N/A	N/A	(0.03)	(0.03)	*Variable*
Total Off-Highway Refunds	**(184,391)**	**(7,226,123)**	**0**	**0**	**(41,974)**	**(8,364)**	**(7,460,852)**
Net Tax (Gross Tax Less Refunds)	**$12,773,773**	**$7,096,950**	**$951,853**	**$7,171,140**	**$484,331**	**$6,766,196**	**$35,244,243**
Timely Filing Deductions	(29,260)	(16,256)	(2,715)	(12,959)	(947)	(13,223)	(75,360)
Net Collections	***$12,744,513***	***$7,080,694***	***$949,138***	***$7,158,181***	***$483,384***	***$6,752,973***	***$35,168,883***

***Detail of Exemptions (in Gallons)**

(Sorted by Total)	Highway		Aviation		Marine		
	Gasoline	Diesel	Gasoline	Jet Fuel	Gasoline	Diesel	Total
Exempt Gallons							
Foreign Flights	0	0	149,760	329,670,022	0	0	329,819,782
Heating Fuel	227,566	152,512,356	0	368,897	0	1,277,733	154,386,552
Gasohol	91,663,080	0	0	0	0	0	91,663,080
Federal Government	1,220,559	4,662,038	208,212	58,705,548	147,315	3,458,846	68,402,518
Exported	15,540,950	25,291,936	1,700	17,056,960	3,600	0	57,895,146
Public Utilities	193,543	47,386,319	0	0	82	0	47,579,944
State and Local Governments	2,873,214	15,964,203	248,664	257,479	105,391	6,469,819	25,918,770
Exempt Power Plants	143,483	7,415,639	0	88,029	753	0	7,647,904
Charitable Institutions	173,927	351,115	7,596	0	590	21,483	554,711
Other							
Oil and Gas Drilling Operations[1]	0	18,105,618	0	0	0	0	18,105,618
Foreign Trade Zone[2]	0	0	0	47,279,536	0	0	47,279,536
Domestic Flights - non-Alaska Air Miles[3]	0	0	0	17,787,125	0	0	17,787,125
Other	144,915	658,033	0	500	263	0	803,711
Total Exempt Gallons	**112,181,237**	**272,347,257**	**615,932**	**471,214,096**	**257,994**	**11,227,881**	**867,844,397**
Tax Rate	0.08	0.08	0.047	0.032	0.05	0.05	*Variable*
Tax Equivalent	**$8,974,499**	**$21,787,781**	**$28,949**	**$15,078,851**	**$12,900**	**$561,394**	**$46,444,373**

[1]Exemption granted by Department of Revenue as authorized under AS 43.40.100(K) and 15 AAC 40.020(c)(18). This exemption is for fuel injected into oil and gas wells to optimize drilling operations.

[2]Fuel voluntarily reported on tax returns. Since fuel imported through the FTZ is not subject to tax, importers are not currently required to report FTZ fuel. Total FY 97 FTZ imports are estimated at 56.4 million gallons based on information received from the Port of Anchorage.

[3]Fuel claimed by taxpayers under their interpretation of the foreign flight exemption. These claims are under dispute with the department.

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¢
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¢
Gasohol	
1997	8¢/2¢

(2¢ November through February)

In 1997, the gasohol exemption was repealed. The (8¢ per gallon) gasohol tax is reduced to 2¢ in areas and times when gasohol use is mandated. However, gasohol which is blended with at least 10% alcohol derived from wood or seafood wastes is fully exempt.

Also, the foreign flight exemption was expanded to include flights originating 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.

FY 97 Statistics

Tax Collections *(including penalties and interest)*	$35,317,981
Number of Returns	1,910
Number of Taxpayers	146
Number of Refunds	581
Number of Refund Claimants	184
Program Cost	$282,671
Staffing *(full-time equivalent)*	4.7

Refer to Table 9 on page 34 for detailed statistics on gallons sold, exempted and refunded for off-highway use.

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 97, the following rates applied:

Electric Utilities	$.000297/kWh
Other Utilities and Pipeline Carriers	.509% 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.

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.

In 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 97 Statistics

Total RCC Collections	$4,301,051
Number of Returns	371
Number of Taxpayers	103
Program Cost	$20,099
Staffing *(full-time equivalent)*	.4

Salmon Enhancement Tax
AS 43.76

Description
The salmon enhancement tax is an elective tax levied on salmon sold in or exported from established regional aquaculture associations in Alaska. Commercial fishers in each region elect to pay a 1%, 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 Alaska 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.

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

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

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

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

FY 97 Statistics

Tax Collections	$4,189,791
Number of Returns	673
Number of Taxpayers	150
Program Cost	$43,626
Staffing *(full-time equivalent)*	.8

Salmon Marketing Tax
AS 43.76

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

Rate
The salmon marketing tax rate is 1% and is based on the 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
The Alaska legislature enacted the 1% salmon marketing tax in 1993 to fund salmon marketing programs administered by ASMI.

The tax became effective July 1, 1993 and will sunset June 30, 1998 unless legislation is passed to extend it.

FY 97 Statistics

Tax Collections	$3,522,739
Number of Returns	800
Number of Taxpayers	177
Program Cost	$43,542
Staffing (full-time equivalent)	.8

Seafood Marketing Assessment
AS 16.51.120

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

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

Returns
Processors file calendar year returns which are due with payment of assessments 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 was filed. Returns for these payments are due with additional assessments by the last day of the month following the payments.

Exemptions
Processors which purchase 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
Provisions for an elective seafood marketing assessment of .1%, .2% or .3% (elected by large processors in Alaska) was enacted by the Alaska legislature in 1981. In 1981, processors elected a .3% assessment to take effect in calendar year 1982.

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

FY 97 Statistics

Fisheries Business	
Assessment Collections	$2,562,621
Number of Returns	250
Number of Taxpayers	236
Fishery Resource Landing	
Assessment Collections	$536,609
Number of Returns	65
Number of Taxpayers	59
Program Cost	$26,833
Staffing *(full-time equivalent)*	.5

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

The telephone cooperative tax dates back to 1959 when the first Alaska legislature enacted the "Electric and Telephone Cooperative Act" to promote cooperatives around the state. Telephone cooperative taxes were based on gross revenue and due by April 1 of the following year.

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

FY 97 Statistics

Tax Collections	$1,302,139
Number of Returns	7
Number of Taxpayers	7
Program Cost	$860
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

During FY 97, cigarettes are taxed at 14.5 mills per cigarette (29 cents per pack of 20). Effective October 1, 1997, the tax rate increased to $1 per pack of 20.

During FY 97, tobacco products, which include all tobacco products other than cigarettes, such as cigars and chewing tobacco, were taxed at 25% of wholesale price. Effective October 1, 1997, the tax rate increased to 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 were made. Taxpayers are allowed to deduct .4% (1% before October 1, 1997) 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 reservations.

Disposition of Revenue

The cigarette tax is comprised of two components: base (pre-statehood) rate of 2.5 mills (38 mills effective October 1, 1997) plus additional (post-statehood) rate of 12 mills. Tax and penalty revenue attributable to the 38 mills portion is deposited in the School Fund. All other cigarette tax revenue is deposited in the General Fund.

All tobacco products tax 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.

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

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

In 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.

In 1977, the legislature exempted military sales from the cigarette tax.

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

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

In 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.

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

In 1997, the cigarette tax rate was increased to $1 per pack of 20 (effective October 1). The tobacco products tax rate was increased to 75% of wholesale price. The timely filing deduction percentage was reduced from 1% to .4% of the total tax due.

FY 97 Statistics

Tax Collections by Fund	
General Fund	$13,651,986
School Fund	2,498,326
Total Tax Collections by Fund	**$16,150,312**
Tax Collections by Product	
Cigarettes	$14,641,297
Other Tobacco Products	1,682,731
Timely Filing Deductions	(168,373)
Penalties, Interest, Overpayments	(5,343)
Total Collections by Product	**$16,150,312**
Cigarettes *(individual cigarettes)*	
Reported on Tax Returns	
Taxable Cigarettes	1,009,744,620
Military and Indian Exempt Sales	8,221,232
Total Reported on Tax Returns	1,017,965,852
Military Sales Not Reported on Tax Returns	89,340,000
Total Cigarettes	**1,107,305,852**
Other Tobacco Products *(value)*	
Reported on Tax Returns	
Taxable Products	$6,730,924
Military and Exempt Sales	37,629
Total Other Tobacco Products	$6,768,553
License Fee Collections	$3,950
Number of Returns	567
Number of Taxpayers	47
Program Cost	$39,865
Staffing *(full-time equivalent)*	.8

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
For 1996 and thereafter, holders are required to report and remit unclaimed property by November 1 each year.

Prior to 1996, holders were required to report unclaimed property before November 1 but were not required to remit until May 1 of the following year. This took effect with legislation passed by the 1996 legislature.

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 $12.3 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.
In 1988, unused airline tickets were exempted retroactive to September 7, 1986.

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

In 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.

In 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 97 Statistics

	FY 97	*FY 96*	*FY 95*
Reports Received	1,848	1,569	1,369
Owner Names Reported	4,443	5,957	7,131
Owner Inquiries	3,948	4,408	4,368
Owners Refunded	880	1,178	1,015
Amount Refunded	$710,616	$1,158,853	$754,045

Program Cost	$226,515
Staffing *(full-time equivalent)*	4.1

Unclaimed Property Account Balance
As of June 30, 1997

Beginning Balance as of 6/30/96		$ 151,104
Add Deposits		2,352,401
Less Transfers and Refunds		
Transfer to General Fund		(1,457,900)
Refunds to Owners	(510,343)	
Refunds to Other States	(200,273)	
Total Refunds		(710,616)
Ending Balance as of 6/30/97		$ 334,989

Audit Program

In FY 97, there were 16,800 audit staff hours available to cover the responsibilities of the audit program. Audit directed most of these hours to corporate income tax - the largest source of revenue among tax types administered by the division. Audit assessments generated 99% of the division's total collections from assessment.

Audit's long-range plan is that by FY 99 all oil and gas audits will be started and completed within the state's three-year statute of limitations for assessment. Statute of limitations extensions will be the exception rather than the norm. During FY 97, Audit completed audits of 24 oil and gas corporate tax returns and 15 non-oil and gas corporate tax returns. Audit continued to reduce the inventory of unaudited oil and gas returns and is on track to meet the FY 99 goal. Audit directed 43% of available audit hours to oil and gas audits and 20% of available audit hours to regular corporate income tax audits.

While Audit places emphasis on the corporate income tax program, Audit is responsible for promoting voluntary compliance with all of the division's tax programs. Through continued audit efficiencies, Audit was able to expand audit activity to other tax types. In FY 97, Audit put emphasis on motor fuel, alcohol and excise taxes and completed audits of 46 such tax returns.

FY 97 Audit highlights include:

- drafted comprehensive revisions to corporate income tax regulations. These regulations had not been amended since they were first adopted in 1983. The goal was to improve the clarity, consistency and certainty of the regulations, particularly as they affect Alaska's oil and gas industry. Through a cooperative process with interested Alaska taxpayers, Audit identified areas of tax controversy that were in most need of clarification. Audit held several public working group meetings to gather public comment early in the drafting process. Audit's goal is to have the regulations in place for the 1998 tax year and to begin the second phase of regulatory clarifications shortly thereafter.
- continued improving the motor fuel tax program. This project was started during FY 96 using federal funds. The purpose of the project was to improve the division's ability to monitor tax compliance through computer technology and automated tax return examination as an alternative to routine field audits. Audit designed forms, developed data capture procedures and designed compliance tests. Audit actively solicited taxpayer participation in forms design in a cooperative effort to minimize administrative burdens on taxpayers while maintaining a viable system of tax reporting. The new motor fuel reporting system was implemented on July 1, 1997.

FY 97 Statistics

Additional Tax Collections from Audits

Tax Type	*Collections*
Corporation Tax	
Oil and Gas	$55,403,252
Other Corporations	32,428
Other Taxes	36,948
Total	**$55,472,628**

Appeals Program

Appeals, comprised of a staff of three, managed disputed tax cases related to all tax programs administered by the division. This consisted of engaging in the administrative procedures before the department and the newly established Office of Tax Appeals, as well as providing support for cases in court. Appeals also continued to provide technical assistance on operational and audit matters.

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 6 taxpayers covering 36 tax periods which generated $27,840,151. All but about $150,000 was deposited in the CBRF.

FY 97 Statistics

	*Tax Periods**	*Taxpayer Count*
Beginning Inventory	375	197
Plus New Cases	296	117
Less Closed Cases	(237)	(151)
Ending Inventory	434	163

** 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	Current Tax Structure	Last Tax Change	Current Tax Rate	Latest Change	Change
Alcoholic Beverages *Tax on alcoholic beverages sold in Alaska*	AS 43.60	1937	Liquor 50¢/gallon	Liquor	1983	$5.60 per gallon	1983	Increased alcohol tax rates
		1933	Wine 5¢/gallon	Wine	1983	$.85 per gallon		
			Beer 5¢/gallon	Beer	1983	$.35 per gallon		
Coin-Operated Device *Tax on coin-operated devices*	AS 43.35	1941	12½% of gross receipts on all machines	Class 1 Device	1960	$48 per device	1960	Decreased length of residency for distributors from 3 to 1 year
				Class 2 Device	1960	$120 per device		
				Class 3 Device	1960	$240 per device		
Corporation Net Income *Tax on corporate net income*	AS 43.20	1949	10% of federal income tax (for individuals and corporations)	Applies only to corporations	1982	1% to 9.4% of net income	1995	Minerals exploration incentive credit enacted
Electric Cooperative *Tax on electric services provided by cooperatives*	AS 10.25.555	1959	1% gross revenue if operating < 5 years 2% gross revenue if operating ≥ 5 years	Mills per kWh	1980	$.00025/kWh if in operation < 5 years $.0005/kWh if in operation ≥ 5 years	1980	Tax based on kWh rather than revenue
Estate *Tax on estate transfers*	AS 43.31	1919	(Inheritance Tax) Based on value of property transferred	Tax on transfer of estates	1970	State tax credit on federal return	1991	Provided for compound interest on tax per AS 43.05.225

Appendix A
Historical Overview of Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Last Tax Change	Current Tax Rate	Latest Change	Change
Fisheries Business *Tax on fisheries resources processed in or exported from Alaska*	AS 43.75	1913	7¢ per case of canned salmon Other - dollar amount based on revenues	Floating[1]	1979	5% of value	1995	Provision for reduced surety bond amount for small processors
				Cannery[1]	1979	4.5% of value		
				Shore-based[1]	1979	3% of value		
				Floating[2]	1979	3% of value		
				Shore-based[2]	1979	1% of value		
Fishery Resource Landing *Tax on processed fishery resources landed in Alaska*	AS 43.77	1993	3.3% of unprocessed value	Tax on unprocessed value	1996	3% of value[1]	1996	Tax split: 3% to landing tax and .3% to ASMI. 1% for developing species. Credits adopted.
						1% of value[2]		
Mining License *Tax on net income of mining activities*	AS 43.65	1913	.5% on net income > $5,000	Tax on net income of mining activities	1955	Tax on Net Income: No tax if ≤ $40,000 3% if >$40,000 ≤$50,000 5% if >$50,000 ≤$100,000 7% if > $100,000	1995	Minerals exploration incentive credit enacted
Motor Fuel *Tax on fuel sold in or brought into Alaska*	AS 43.40	1945	1¢ per gallon on all fuels	Highway	1970	8¢ per gallon	1997	Gasohol exemption repealed; bunker fuel exempted; foreign flights exemption expanded
				Marine	1977	5¢ per gallon		
				Aviation Gasoline	1994	4.7¢ per gallon		
				Jet Fuel	1994	3.2¢ per gallon		

[1] Established Species [2] Developing Species

Appendix A
Historical Overview of Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Last Tax Change	Current Tax Rate	Latest Change	Change
Regulatory Cost Charges *Cost charge on utilities and pipeline activities*	AS 42.05.253 Utilities	1992	Electricity $.000626/kWh	Rate per KwH	1995	$.000322 per kWh	1995	RCC program re-enacted
			Other Utilities .653% Revenues	Rate x Revenues		.582% of revenues		
	AS 42.06.285 Pipelines		.653% Revenues	Rate x Revenues		.582% of revenues		
Salmon Enhancement *Tax on value of salmon paid by fishers to fund salmon enhancement programs*	AS 43.76	1980	Voluntary tax of either 1%;2% or 3% of value as elected by fishers in a region	South Southeast North Southeast	1980	3% of value	1991	Chignik elected 2% tax
				Cook Inlet	1980	2% of value		
				Pr. William Sound	1985	2% of value		
				Kodiak	1989	2% of value		
				Chignik	1991	2% of value		
Salmon Marketing *Tax on value of salmon processed in or exported from Alaska*	AS 43.76	1993	1% of value	1% of value	N/A	1% of value	1993	Salmon marketing tax enacted
Seafood Marketing *Assessment on value of fisheries produced by processors*	AS 16.51.120	1981	Voluntary assessment of either .1%; .2% or .3% of value as elected by processors	Assessment on value of fisheries purchased over $50,000	1981	.3% of value	1996	Assessment applies to fishery resources subject to landing tax.

Appendix A
Historical Overview of Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Last Tax Change	Current Tax Rate	Latest Change	Change
Telephone Cooperative *Tax on telephone services provided by cooperatives*	AS 10.25.550	1959	1% gross revenues if operating < 5 years 2% gross revenue if operating ≥ 5 years	% of gross revenues	N/A	1% gross revenues if operating < 5 years 2% gross revenues if operating ≥ 5 years	1980	Broke out telephone from electric cooperative tax
Tobacco *Tax on cigarettes and tobacco imported or sold in Alaska*	AS 43.50	1949	Cigarettes 3¢ per pack	Cigarettes	1989	50 mills/cigarette ($1.00 per pack)	1997	Cigarette tax rate increased to $1/pack. Tobacco products tax rate increased to 75%
			Tobacco 2¢ per ounce *(Repealed in 1955)*	Tobacco	1988	75% of wholesale price		
Business License *Tax on % of gross business receipts*	AS 43.70	1949	$25 license fee plus .5% › $20,000 plus .25% › $100,000	Repealed	1978	N/A	1978	Tax repealed effective 1/1/79
Individual Income *Tax on income based on federal AGI*	AS 43.20	1949	10% of Federal income tax paid	Repealed	1980	N/A	1980	Tax repealed retroactive to 1979
School *Dollar amount per person tax*	AS 43.45	1919	$5 tax upon each male person	Repealed	1980	N/A	1980	Tax repealed retroactive to 1980

Appendix B

Comparison of Alcohol Tax Rates - Liquor
October 1997

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
October 1997

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
October 1997

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
October 1997

State	Rate (¢ per gallon)	Other Tax[1] (¢ per gallon)	Total (¢ per gallon)	Rank
Alabama	16	4.1	20.1	30
ALASKA	**8**	**0**	**8**	**50**
Arizona	18	1	19	37
Arkansas	18.5	0.2	18.7	40
California	18	10.0	28	6
Colorado	22	0	22	23
Connecticut	36	4.3	40.3	1
Delaware	23	0	23	18
Florida	12.8	9.8	22.6	22
Georgia	7.5	4.3	11.8	48
Hawaii	16	19.6	35.6	2
Idaho	25	0	25	14
Illinois	19	6.8	25.8	10
Indiana	15	4.4	19.4	36
Iowa	20	1	21	28
Kansas	18	1	19	37
Kentucky	15	1.4	16.4	46
Louisiana	20	0	20	31
Maine	19	0	19	37
Maryland	23.5	0	23.5	17
Massachusetts	21.5	0	21.5	26
Michigan	19	6.8	25.8	10
Minnesota	20	2	22	23
Mississippi	18	2.4	20.4	29
Missouri	17	0	17	43
Montana	27	0.8	27.8	7
Nebraska	24.5	0.8	25.3	13
Nevada	23	10.3	33.3	3
New Hampshire	18	1.7	19.7	35
New Jersey	10.5	4	14.5	47
New Mexico	17	1	18	42
New York	8	22.4	30.4	4
North Carolina	22.6	0.3	22.9	21
North Dakota	20	0	20	31
Ohio	22	0	22	23
Oklahoma	16	1	17	43
Oregon	24	0	24	16
Pennslyvania	12	14.8	26.8	8
Rhode Island	28	1	29	5
South Carolina	16	0.8	16.8	45
South Dakota	21	2	23	18
Tennesee	20	1.4	21.4	27
Texas	20	0	20	31
Utah	24	0.5	24.5	15
Vermont	19	1	20	31
Virginia	17.5	0.8	18.3	41
Washington	23	0	23	18
West Virginia	20.5	4.9	25.4	12
Wisconsin	23.8	3	26.8	8
Wyoming	9	0	9	49
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 August 22, 1997.

* Weighted average

SOURCE: *American Petroleum Institute*, *A Summary of Nationwide and State-by-State Motor Fuel Taxes as of September 1997*.

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
October 1997

State	Rate ($ per pack)	Rank	State	Rate ($ per pack)	Rank
Alabama	0.165	42	Montana	0.18	38
ALASKA	**1.00**	**1**	Nebraska	0.34	25
Arizona	0.58	8	Nevada	0.35	24
Arkansas	0.315	28	New Hampshire	0.37	19
California	0.37	19	New Jersey	0.40	18
Colorado	0.20	36	New Mexico	0.21	35
Connecticut	0.50	11	New York	0.56	9
Delaware	0.24	31	North Carolina	0.05	48
Florida	0.339	26	North Dakota	0.44	13
Georgia	0.12	45	Ohio	0.24	31
Hawaii[(1)]	0.80	7	Oklahoma	0.23	34
Idaho	0.28	30	Oregon	0.68	6
Illinois	0.44	13	Pennslyvania	0.31	29
Indiana	0.155	43	Rhode Island	0.71	5
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	17
Maine	0.37	19	Utah	0.515	10
Maryland	0.36	22	Vermont	0.44	13
Massachusetts	0.76	3	Virginia	0.025	50
Michigan	0.75	4	Washington	0.825	2
Minnesota	0.48	12	West Virginia	0.17	40
Mississippi	0.18	38	Wisconsin	0.44	13
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 $.60 to $.80 per pack effective September 1, 1997. The rate increases to $1.00 per pack effective July 1, 1998.

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Tobacco Products Tax Rates
October 1997

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	33.4% Wholesale Price
California	29.4% Wholesale Price	New Jersey	24% 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**

Tobacco products include chewing tobacco and snuff.

N/A - Not Applicable

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Corporation Income Tax Rates
1997 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	7.5	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	5.5 - 8.25	$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*
1997 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	3.0 - 5.6	$10,000	$150,000	5
Arkansas	1.0 - 7.0	$2,999	$25,000	6
California	1.0 - 9.3	$4,908	$223,390	8
Colorado	5.0	Flat Rate		1
Connecticut	3.0 - 4.5	$2,250	$2,250	2
Delaware	0.0 - 6.9	$4,500	$30,000	7
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	.4 - 9.98	$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	2.62 - 6.99	$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 - 6.85	$8,000	$20,000	4
North Carolina	6.0 - 7.75	$12,750	$60,000	3
North Dakota	2.67 - 12.0	$3,000	$50,000	8
Ohio	.693 - 7.004	$5,000	$200,000	9
Oklahoma	.5 - 7.0	$1,000	$10,000	8
Oregon	5.0 - 9.0	$2,200	$5,550	3
Pennsylvania	2.8	Flat Rate		1
Rhode Island	*27.5% 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
October 1997

State	Rate (%)	Exemptions: Food	Exemptions: Prescription Drugs	Exemptions: 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	5.0	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*