1995
Annual Report

Income and Excise Audit Division (IEAD) within Department of Revenue is responsible for administering Alaska's corporation net income, excise and miscellaneous tax programs. IEAD is also responsible for administering the state's unclaimed property program.

This annual report presents highlights and activities of the Division for the fiscal year ended June 30, 1995. The report provides revenue collections, program information, a brief history of tax programs and summary tax data for fiscal year 1995 and prior years.

The objectives of this annual report are as follows:

1) Provide a brief overview of each tax program and unclaimed property.

2) Provide updated information, statistical data and charts for revenue analyses and comparisons.

3) Highlight policy issues and trends for future revenue planning.

For easy reference, this report is organized as outlined in the table of contents.

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Executive Summary

FY 95 in Retrospect

In the fiscal year ended June 30, 1995, Income and Excise Audit Division (IEAD) processed 23,000 tax returns and collected approximately $637 million in revenue. During the fiscal year, IEAD continued efforts to enhance revenue through acceleration of prior year audits and implementation of advanced technology and compliance programs. IEAD staff continued to identify new ways to increase efficiencies in order to handle a steady growth in workloads without additional staffing.

As Alaska's oil revenues continues to decline, more focus is placed on tax programs administered by IEAD. General Fund tax collections from programs administered by IEAD as compared to total General Fund tax revenue has increased from 19% in FY 90 to 27% in FY 95. Highlights for FY 95 are summarized below.

→ ***Increased Revenue Collections -*** IEAD's FY 95 revenue collections were the second highest in its history, second to FY 93. Collections are categorized by fund as follows:

Fund	*Source*	*Collections*
General Fund	Current year revenue	$329,897,696
Constitutional Budget Reserve Fund	Settlements of prior year assessments	304,348,062
School Fund	Portion of current year cigarette taxes	2,692,701
Total		**$636,938,459**

→ ***Aviation Motor Fuel Tax Rate Increase*** - Effective September 27, 1994, aviation motor fuel tax rates increased .7¢ per gallon. Additional tax collections from the .7¢ increase were approximately $1.1 million.

→ ***Gasohol Sales Result in $2.4 Million Revenue Loss*** - For the first time since gasohol was fully exempted from motor fuel tax in 1980, taxpayers claimed exemptions for gasohol sales. In order to meet requirements of the Federal Clean Air Act, the Municipality of Anchorage mandated sales of gasohol for the months of January and February 1995. Approximately 30.3 million gallons of gasohol were sold in the Anchorage area.

→ ***Tax Accounting System*** - KPMG Peat Marwick completed its contract for design and initial programming of a new tax accounting system (TAS) which utilizes modern relational database technology. IEAD computer programmers expanded TAS programs to bring TAS on line by the end of the fiscal year. TAS is a comprehensive taxpayer database designed to enhance revenue collections and compliance.

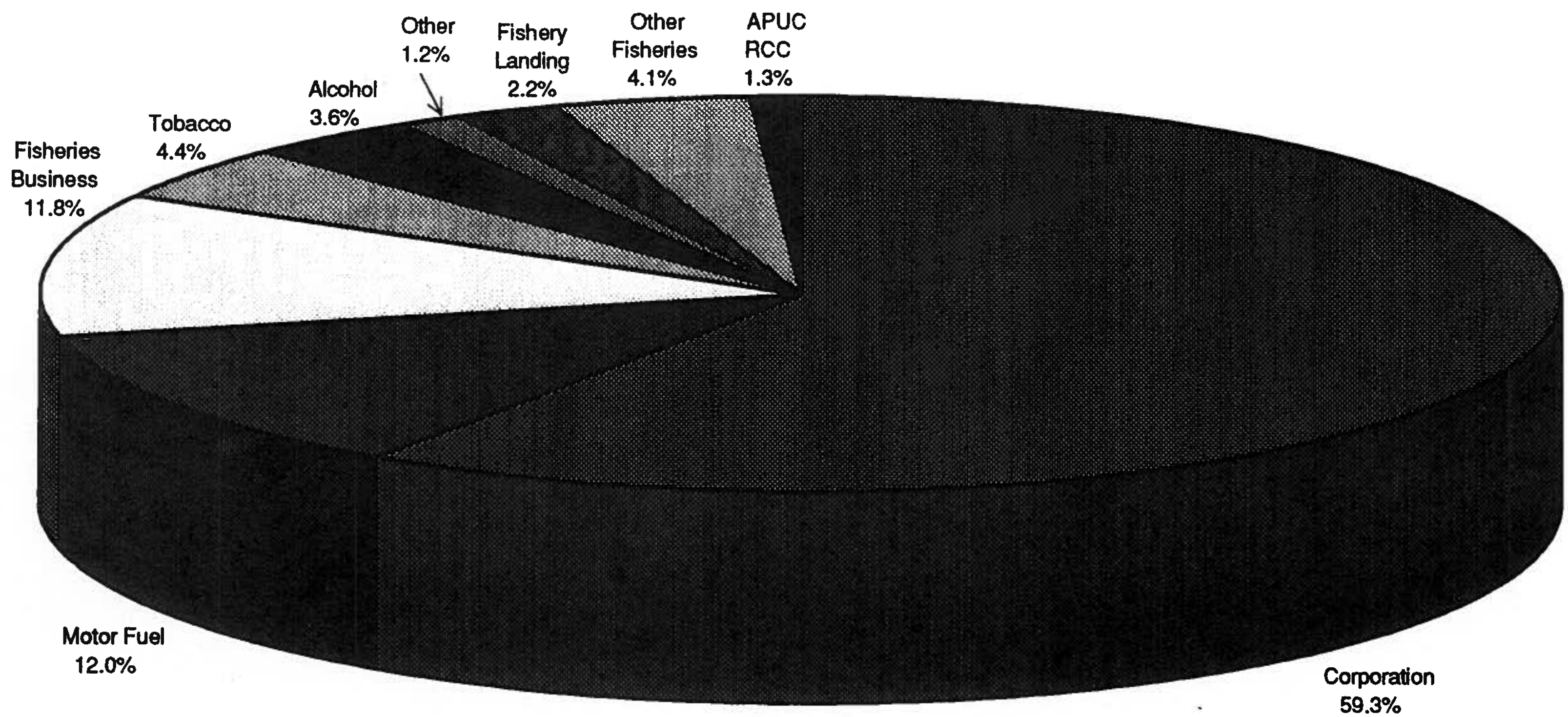
→ ***First-Year Landing Tax Returns Filed*** - Collections of calendar year 1994 fishery resource landing taxes were approximately $6.9 million. Taxpayers paid taxes under protest and requested an administrative appeal, challenging that the tax is unconstitutional and invalid. As of publication, taxpayers' challenges were still under administrative appeal status.

Table 1 - Three-Year Comparison of Revenue Collections
Fiscal Years 1993 - 1995

Fund Source	FY 95	% Fund Total	FY 94	% Fund Total	FY 93	% Fund Total
General Fund						
Corporation	$195,616,185	59.3%	$ 61,756,687	33.9%	$ 142,665,194 *	53.3%
Motor Fuel	39,600,805	12.0%	40,506,773	22.2%	40,742,908	15.2%
Fisheries Business	39,034,046	11.8%	33,928,444	18.6%	42,165,834	15.7%
Tobacco	14,396,966	4.4%	14,133,113	7.7%	14,042,686	5.2%
Alcoholic Beverages	11,969,183	3.6%	11,955,614	6.6%	11,898,804	4.4%
Fishery Resource Landing	7,301,996	2.2%	102,424	0.1%	N/A	N/A
Salmon Enhancement	5,689,520	1.7%	4,954,215	2.7%	6,745,835	2.5%
Salmon Marketing	4,710,610	1.4%	3,018,943	1.7%	N/A	N/A
APUC Regulatory Cost Charges	4,325,211	1.3%	4,270,723	2.3%	2,380,341	0.9%
Seafood Marketing Assessments	3,242,042	1.0%	2,725,225	1.5%	3,563,247	1.3%
Electric Cooperative	1,336,034	0.4%	1,355,282	0.7%	1,275,532	0.5%
Estate	1,157,793	0.4%	1,616,313	0.9%	918,402	0.3%
Telephone Cooperative	1,064,816	0.3%	1,253,906	0.7%	903,378	0.3%
Mining License	343,259	0.1%	161,894	0.1%	414,140	0.2%
Coin-Operated Device	102,061	0.0%	95,505	0.1%	108,194	0.0%
Individual Income	7,169	0.0%	16,000	0.0%	16,460	0.0%
Alaska Business License	0	0.0%	573,629	0.3%	0	0.0%
Total General Fund	**329,897,696**	**100.0%**	**182,424,690**	**100.0%**	**267,840,955**	**100.0%**
Constitutional Budget Reserve Fund (CBRF)						
Corporation	304,209,414	100.0%	32,048,325	100.0%	639,866,148 *	100.0%
Mining License	138,648	0.0%	7,491	0.0%	11,467	0.0%
Total CBRF	**304,348,062**	**100.0%**	**32,055,816**	**100.0%**	**639,877,615**	**100.0%**
School Fund						
Tobacco	2,690,176	99.9%	2,654,890	99.9%	2,668,122	99.9%
Cigarette License Fees	2,525	0.1%	3,435	0.1%	3,760	0.1%
Total School Fund	**2,692,701**	**100.0%**	**2,658,325**	**100.0%**	**2,671,882**	**100.0%**
Total All Funds	***$636,938,459***	***100.0%***	***$217,138,831***	***100.0%***	***$910,390,452***	***100.0%***

* Amounts restated in accordance with a May 1995 Attorney General's Opinion that amounts received from unassessed years which are part of a settlement be deposited in CBRF.

Table 2 - General Fund Income and Excise Tax Collections

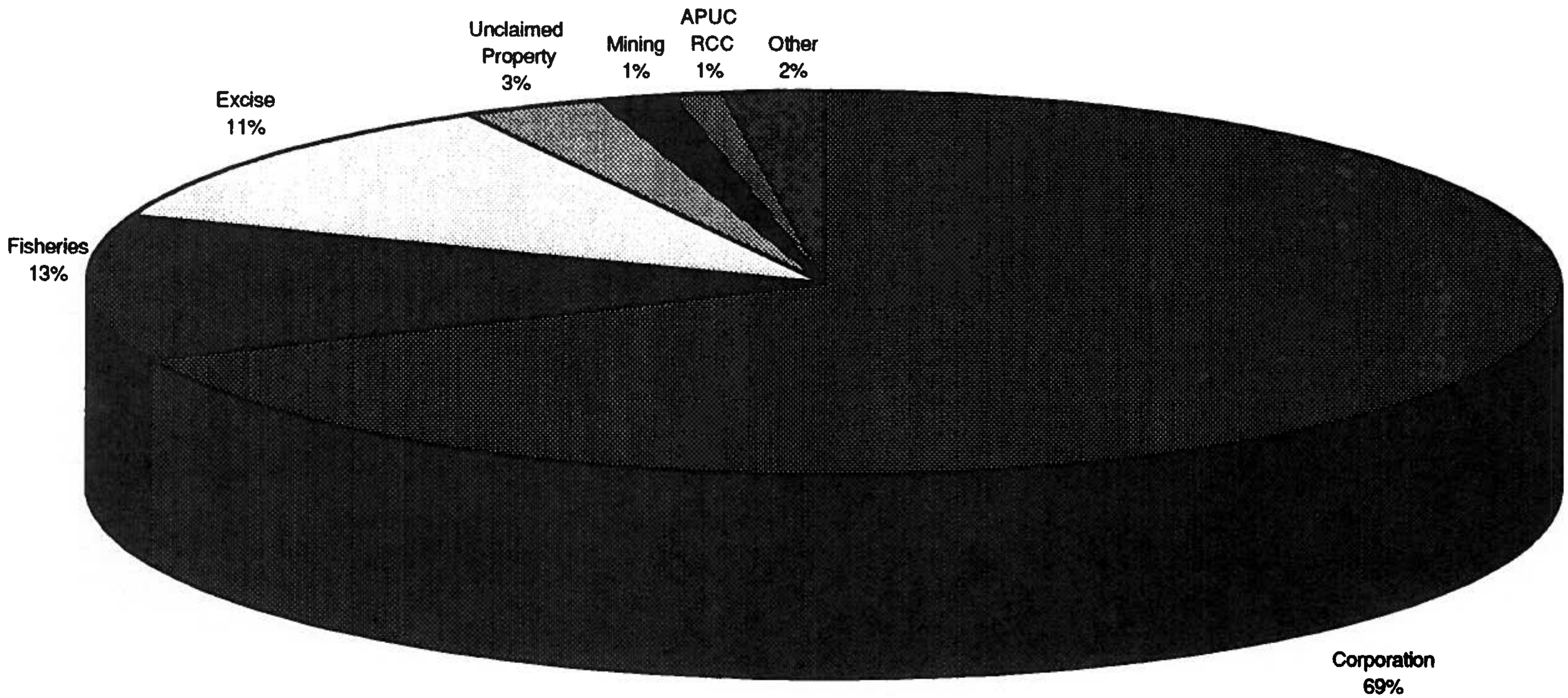


Total Tax Collections: $329,897,696

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

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

Table 3 - Income and Excise Return Filing Volumes



Total Returns Filed: 23,076

Corporation	15,779	***Excise***	2,645	***Other***	523
Fisheries	2,815	*Motor Fuel*	1,717	*Coin-Operated Devices*	439
Salmon Marketing	891	*Tobacco*	796	*Estate*	50
Fisheries Business	802	*Alcohol*	132	*Electric Cooperative*	27
Salmon Enhancement	663	***Unclaimed Property***	712	*Telephone Cooperative*	7
Seafood Marketing	382	***Mining***	325		
Fishery Resource Landing	77	***APUC RCC***	277		

~ HIGHLIGHTS ~

Corporation Tax Collections Rebound. General Fund corporation tax collections for FY 95 were the highest in the program's history. Increased corporation tax collections in FY 95 are generally attributed to a greater level of business activity in Alaska. Prior year tax collections were low because of large refunds issued as a result of amended returns.

General Fund tax collections increased from $61.8 million in FY 94 to $195.6 million in FY 95. Average corporation tax revenue for the past 5 years was $155 million.

Aviation Motor Fuel Tax Increase Implemented. Effective September 27, 1994, aviation tax rates increased .7¢ per gallon (4¢ to 4.7¢ on aviation gasoline and 2.5¢ to 3.2¢ on jet fuel). IEAD informed taxpayers of the increase in August 1994 and mailed revised motor fuel tax forms to taxpayers in September.

As part of the monthly filing requirement for September 1994, taxpayers were required to file a supplemental return for the period September 27 to 30.

Additional tax collections from the .7¢ portion of the increase were approximately $1.1 million.

Gasohol Sales Result in $2.4 million Revenue Loss. Alaska statutes fully exempt gasohol (fuel at least 10% alcohol) from the state's 8¢ per gallon motor fuel tax.

In order to meet requirements of the Federal Clean Air Act, the Municipality of Anchorage was mandated to implement an oxygenated fuel program beginning January 1, 1995. Anchorage officials selected gasohol, a mixture of gasoline and at least 10% ethanol, for its oxygenated fuel program.

The oxygenated fuel program resulted in 30.3 million gallons of gasohol sales in FY 95, equivalent to approximately to $2.4 million in motor fuel taxes. Beginning FY 96, the oxygenated fuel program will expand to include the period November 1 to March 1.

Design and Programming of New Tax Accounting Completed. IEAD awarded a contract in FY 94 to KPMG Peat Marwick for design and initial programming of an enhanced computerized tax accounting system (TAS). TAS was initiated as part of the Department's mandate to replace obsolete Wang systems with systems which utilize modern relational database technology.

KPMG worked closely with IEAD in designing TAS as a comprehensive taxpayer database to provide enhanced availability of information, greater reliance on automation and electronic means of passing data between internal and external databases. TAS will provide IEAD with an expanded taxpayer database to enhance compliance programs and maximize tax collections.

TAS was implemented July 1, 1995. The system utilizes Sybase relational database and PowerBuilder applications software in a windows environment.

First-Year Landing Tax Returns Filed. The fishery resource landing tax (AS 43.77) took effect January 1, 1994. Calendar year 1994 landing tax returns were due June 30, 1995 and FY 95 tax collections yielded $7.3 million.

During 1994, the American Factory Trawler Association (AFTA) filed suit against the state requesting that the court declare the landing tax as invalid and unconstitutional. Alaska Superior and Supreme courts both rejected AFTA's suit on the basis that AFTA taxpayers need to exhaust the administrative appeals process before litigating through the court system. Landing taxpayers filed returns under protest and as of the date of this report's publication, taxpayers are organizing to pursue an administrative appeal. Landing tax statutes provide that half of the 3% portion of the 3.3% tax be shared with a municipality in which a landing was made. The total FY 95 amount to be shared is approximately $2.9 million.

Oil and Gas Corporation Tax Settlements Deposited into CBRF. Collections from settlements of prior year oil and gas corporation tax assessments yielded $304.3 million. As required under Article IX of the Alaska Constitution, oil and gas corporation tax settlements were deposited into the Constitutional Budget Reserve Fund (CBRF).

State Receives $1 million from Settlement of Unclaimed Property Litigation. In February 1988, the State of Delaware commenced suit against the State of New York in U.S. Supreme Court alleging that New York improperly took securities for which owners were unknown. Alaska subsequently intervened in the action and pleaded claims against New York.

In December 1994, an agreement was executed between all parties whereby each state will receive an allocation of a $175 million settlement, with a minimum allocation of $1 million, over ten years. Since Alaska's calculated allocation was less than the minimum amount, Alaska will receive $1 million. A $100,000 payment, the first of ten equal installments, was received in February 1995.

Continued Compliance Efforts Result in 1,600 Tax Returns from Nonfilers. IEAD secured 1,600 new corporation tax returns from implementation of a program to compare IRS and Alaska Department of Commerce and Economic Development (DCED) records with the division's taxpayer records. This program involved running a computer program to identify nonfilers from records which did not match.

Audit Offices Consolidated. IEAD consolidated its Seattle field office with its Anchorage office in August 1994. The consolidation was part of the division's efforts to centralize its audit program into one office.

As a result of consolidation, seven positions were transferred from Seattle to Alaska - six to Anchorage and one to Juneau. Further, consolidation increased efficiencies through development of audit teams and facilitated in closure of aged audit cases.

Unclaimed Property Seminars Result in Increased Compliance. First-time seminars were held in the fall of 1994 to inform unclaimed property holders of reporting requirements under the state's Unclaimed Property Act. Seminars were held in Anchorage, Fairbanks and Juneau.

The seminars increased holder awareness of reporting requirements and unclaimed property statutes.

CBRF Lump Sum Settlement Transfers. As part of its accounting responsibilities associated with CBRF, IEAD identified $94.3 million to be transferred into CBRF in accordance with an Attorney General's opinion issued May 1995. The opinion directs that whole amounts from settlements be deposited in CBRF even though part may be for taxes not assessed at the time of settlement.

The $94.3 million comprised a portion of four settlements previously deposited into the General Fund because those amounts had not been assessed by the department at the time of settlement.

~ NEW LEGISLATION ~

Three bills which directly impact Income and Excise Audit Division were passed by the 1995 legislature and signed into law by the governor. The bills are summarized below.

SB 47 (Ch 1 SLA 95) - APUC Extension and Regulatory Cost Charge. This bill reauthorized the regulatory cost charge (RCC) program which had expired December 31, 1994 under provisions of Ch 2 FSSLA 92. RCCs are user fees charged to consumers by utilities and pipeline carriers regulated by the Alaska Public Utilities Commission (APUC). Revenue collected from RCCs is a funding source for APUC.

This bill also reauthorized the Department of Revenue to collect and enforce payment of RCCs. Income and Excise Audit Division will resume responsibility for collecting, enforcing and accounting for RCCs on July 1, 1995.

HB 140 (Ch 46 SLA 95) - Small Fish Processor Surety Bonds. This bill decreased the amount of surety bond for fish processors that process 30,000 pounds or less of fish a year, a threshold established in the bill for defining small processors. Under AS 44.25, fisheries processors are required to post a $10,000 bond with the Department as security for future claims which may be brought against them. However, under this bill, the amount of bond for small processors is $2,000.

Processors which initially post a $2,000 bond but subsequently process more than 30,000 pounds of fish in a year are required to notify the Department and comply with the $10,000 bond requirement. This bill took effect August 24, 1995.

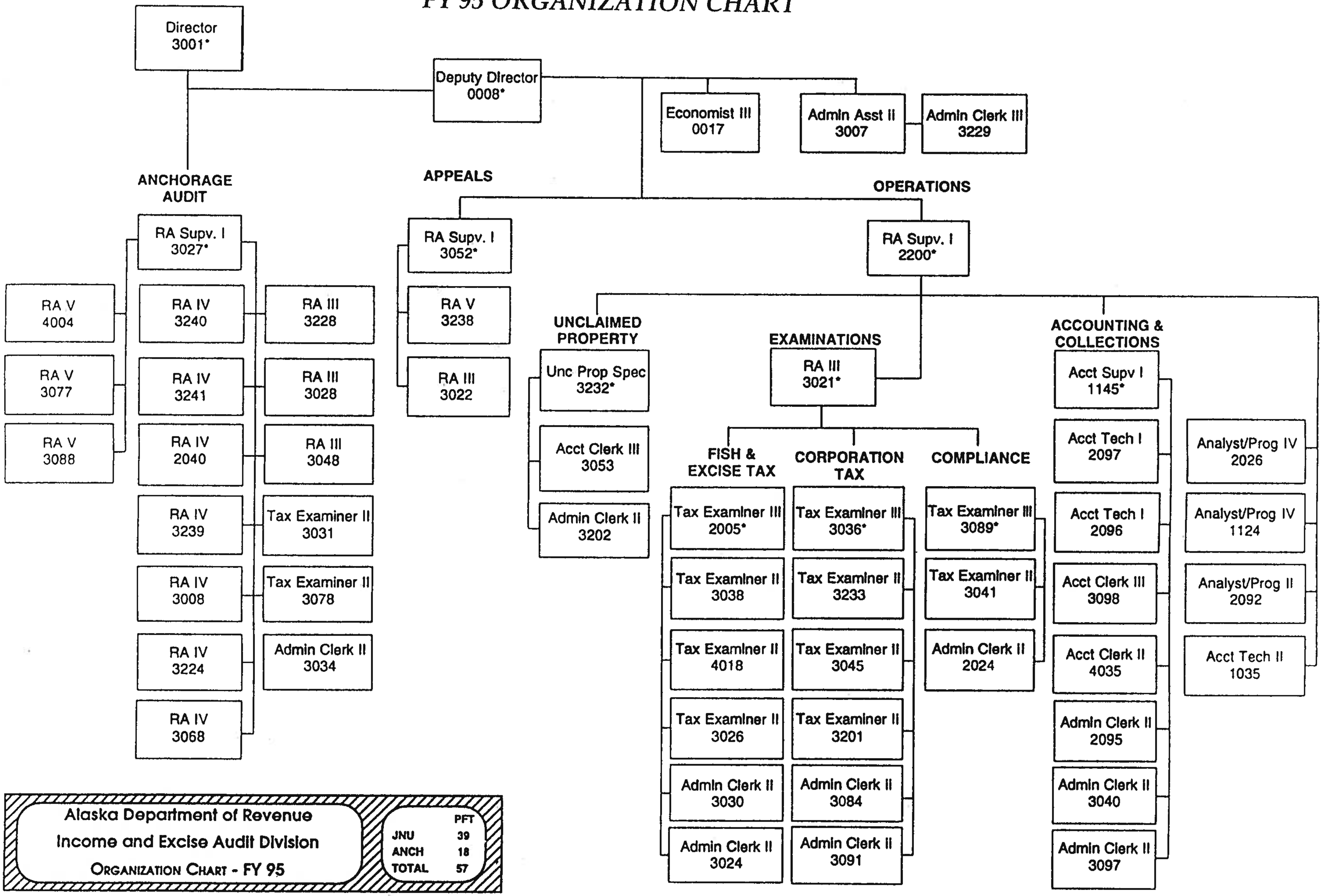
HB 197 (Ch 86 SLA 95) - Mineral Exploration Incentive Credits. This bill authorizes the commissioner of Department of Natural Resources to grant exploration incentive credits to qualified applicants for costs of activities related to determining the existence, location, extent and quality of locatable or leasable mineral or coal deposits. Eligible costs include those incurred before the mine construction commencement or reopening date. This bill does not pertain to oil and gas exploration activities.

Credits may be claimed against corporation income (AS 43.20) and mining license (AS 43.65) taxes administered by Department of Revenue, and royalties and rents administered by Department of Natural Resources. For taxes; credits are limited to 50% of the mining tax liability (calculated separately for the mining operation which qualifies for an exploration credit) with further limitation of 50% of the tax liability reported on the respective tax return.

The total exploration incentive credit may not exceed $20 million for an individual mining operation and must be applied within 15 years. This legislation is retroactive to January 1, 1995 and applies to activities that qualify for the credit that are undertaken after May 15, 1995.

Organization

FY 95 ORGANIZATION CHART



Alaska Department of Revenue
Income and Excise Audit Division
ORGANIZATION CHART - FY 95

	PFT
JNU	39
ANCH	18
TOTAL	57

DIRECTORY

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Shared Taxes
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(907) 465-2321

~ COMPONENT FUNCTIONS ~

During the fiscal year, Income and Excise Audit Division (IEAD) was staffed by 57 full-time positions and maintained offices in Juneau and Anchorage. The division's FY 95 operating budget was $3.5 million. IEAD was functionally organized into four components: **Operations, Audit, Appeals** and **Research**.

OPERATIONS COMPONENT

Operations, located in Juneau and staffed by 32 full-time positions (including 3 computer programmers and a manager), is responsible for receipt and processing of tax returns and 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 8 full-time positions, is responsible for receiving and processing tax payments, data entering tax information from returns received by the division, reconciling tax revenues, and maintaining the division's tax accounting system (TAS).

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.

In conjunction with provisions for the Constitutional Budget Reserve Fund, Accounting and Collections is responsible for accounting for oil and gas settlement payments received by the state. The Unit receives payment characteristic forms from oil and gas agencies which direct how payments are to be allocated between different funds. The Unit maintains a database of payments and issues monthly reports summarizing amounts deposited into each fund.

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, 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 the corporation tax return form 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 Section 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.

The Section is responsible for administering the fish processor surety bonding program. This program requires that fisheries processors and buyers secure a $10,000 bond as surety against future claims from employees and fishers.

Fish and Excise Tax is also responsible for administering the following licensing programs: motor fuel (qualified dealers), mining, alcoholic beverages and tobacco.

The Section issues refunds to consumers who purchased and paid tax on motor fuel but used the fuel for off-highway or exempt purposes.

Fish and Excise Tax 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 Section also includes data in the report relating to the location where the salmon was purchased versus where caught.

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

Fish and Excise Tax is responsible for receiving and processing coin-operated device tax returns. As part of this program, tax receipts are issued to each taxpayer as required under statutes.

Fish and Excise Tax compiles statewide average price information used by taxpayers in filing fishery resource landing tax returns.

Compliance

Compliance Unit, staffed by 4 positions, is responsible for securing returns from businesses and individuals required to file tax returns.

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 administers the nonresident affidavit program under AS 43.10.160. This program requires nonresident corporations to report and secure estimated tax liabilities for each year. The program is integrated into the Compliance Unit to facilitate identification of corporations with Alaska tax filing requirements.

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

Shared Taxes

Shared Taxes, staffed by one full-time position, is responsible for sharing specified taxes and fees 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:

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

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

For FY 95, $24.9 million was sharable to 119 Alaska communities. IEAD publishes an annual report summarizing amounts shared by community. This report is distributed to the legislature, municipal officials and public.

Fisheries business and fishery resource landing tax statutes provide for additional sharing to municipalities based on fisheries activities within them. Under this program, 50% of fisheries business and landing tax revenues not previously subject to sharing are shared through allocation with municipalities statewide.

IEAD transmits additional sharing amounts to Department of Community and Regional Affairs (DCRA) who is responsible for allocating monies to municipalities based on a formula under DCRA regulations. For FY 95, $939,000 was subject to additional sharing.

Unclaimed Property

Unclaimed Property, staffed by three full-time 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 February to notify Alaskans that they have unclaimed property on file with the state. The advertisement generates thousands of inquiries by Alaskans wanting 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 $9 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 COMPONENT

Audit, located in Anchorage and staffed by 17 full-time positions, is responsible for carrying out the Division's audit activities.

Audit activities cover all tax types administered by IEAD with emphasis placed on oil and gas and large multistate corporate taxpayers. Most of the revenue collected from tax assessments generated by the division is a result of Audit's activities.

Audit provides technical support to division staff, assists appeals staff in resolution and litigation of audit assessments, prepares special reports, conducts analysis of proposed laws and regulations, and provides taxpayer assistance in Anchorage.

APPEALS COMPONENT

Appeals, located in Juneau and staffed by 3 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 IEAD 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. 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.

A written decision is issued to the taxpayer upon conclusion of the formal hearing. If the taxpayer disagrees with the decision, the case may be appealed to the Alaska Superior Court.

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 COMPONENT

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 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.

Tax Programs Detail

Table 4 - Revenue Collections Detail

	FY 95	FY 94	FY 93
CORPORATION NET INCOME			
General Fund			
Oil and Gas Corporations	$129,440,334	$ 18,112,178	$117,585,344
Other Corporations	67,482,125	44,440,792	25,549,028
Less Alaska Education Credit	(1,306,274)	(796,283)	(469,178)
Total Receipts - General Fund	**195,616,185**	**61,756,687**	**142,665,194**
Total Receipts - CBRF	**304,209,414**	**32,048,325**	**639,866,148***
Total Receipts - All Funds	**$499,825,599**	**$93,805,012**	**$782,531,342**

** Amount restated in accordance with Attorney General's Opinion that full settlement amounts be deposited in CBRF.*

	FY 95	FY 94	FY 93
MOTOR FUEL			
Highway	$35,104,940	$36,274,833	$38,703,424
Aviation	11,114,140	9,088,513	9,566,039
Marine	7,833,194	8,369,921	9,011,190
Penalties and Interest	45,328	59,111	55,397
Less Timely Filing Deductions*	(68,091)	(64,824)	(65,037)
Gross Receipts	54,029,511	53,727,554	57,271,013
Less Claims for Refund	(14,428,706)	(13,220,781)	(16,528,105)
Total Receipts	**39,600,805**	**40,506,773**	**40,742,908**
Less Aviation Fuel Tax Shared	(142,794)	(109,852)	(116,796)
Amount Retained by State	**$39,458,011**	**$40,396,921**	**$40,626,112**

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

	FY 95	FY 94	FY 93
FISHERIES BUSINESS			
Established			
Shore-based	$19,552,652	$16,395,401	$22,549,210
Floating	12,778,626	12,637,377	13,100,428
Cannery	5,171,014	4,109,362	5,138,902
Developing			
Shore-based	40,693	26,958	200,628
Floating	30,946	905	31,052
Total Tax	37,573,931	33,170,003	41,020,220
Prepayments	1,765,854	1,049,143	1,175,517
Penalties and Interest	275,173	93,399	341,128
Fisheries Business License Fees	15,700	15,275	14,425
Total Receipts Before Credits	39,630,658	34,327,820	42,551,290
Less Credits			
Winn Brindle	(446,237)	(398,876)	(367,458)
Alaska Education	(150,375)	(500)	(575)
Fisheries Business	0	0	(17,423)
Total Receipts	**39,034,046**	**33,928,444**	**42,165,834**
Less Fisheries Tax Shared			
Department of Revenue	(18,600,221)	(16,344,252)	(20,895,923)
Department of Community and Regional Affairs	(849,798)	(837,572)	(675,507)
Amount Retained by State	**$19,584,027**	**$16,746,620**	**$20,594,404**

Table 4 - Revenue Collections Detail

	FY 95	FY 94	FY 93
TOBACCO			
Cigarette	$15,752,759	$15,548,201	$15,643,756
Tobacco Products	1,496,637	1,403,775	1,223,616
Penalties and Interest	11,329	2,937	8,707
Less 1% Deductions*	(173,583)	(166,910)	(165,271)
Total Receipts	**17,087,142**	**16,788,003**	**16,710,808**
Less Amount Transferred to School Fund	(2,690,176)	(2,654,890)	(2,668,122)
Amount Retained in General Fund	**$14,396,966**	**$14,133,113**	**$14,042,686**

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

	FY 95	FY 94	FY 93
ALCOHOLIC BEVERAGES			
Liquor	$ 6,120,156	$ 6,129,098	$ 6,159,150
Beer	4,778,807	4,769,868	4,643,698
Wine	1,068,230	1,056,462	1,095,353
Penalties and Interest	1,990	186	604
Total Receipts	**$11,969,183**	**$11,955,614**	**$11,898,804**

	FY 95	FY 94	FY 93
FISHERY RESOURCE LANDING *(Tax Effective January 1, 1994)*			
Tax Before Credits	$6,931,984	$ 0	N/A
Estimated Payments	457,413	102,424	
Less CDQ Credits	(87,401)	0	
Total Receipts	**7,301,996**	**102,424**	
Less Landing Tax Subject to Sharing*			
Department of Revenue	(2,825,915)	N/A	
Department of Community and Regional Affairs	(89,195)	N/A	
Amount to be Retained by State	**$4,386,886**	**$102,424**	

** Department of Revenue has deferred sharing of amounts to municipalities pending the outcome of litigation concerning the constitutionality of the landing tax.*

	FY 95	FY 94	FY 93
SALMON ENHANCEMENT			
Tax by Aquacultural Region			
Southern Southeast	$1,747,633	$1,088,658	$1,133,843
Northern Southeast	1,651,425	1,813,247	1,805,983
Kodiak	758,812	434,271	656,014
Cook Inlet	728,696	610,053	1,957,437
Prince William Sound	560,927	796,821	852,676
Chignik	216,847	196,101	304,370
Total Tax	5,664,340	4,939,151	6,710,323
Penalties and Interest	25,180	15,064	35,512
Total Receipts	**$5,689,520**	**$4,954,215**	**$6,745,835**

	FY 95	FY 94	FY 93
SALMON MARKETING *(Tax Effective July 1, 1993)*			
Tax	$4,689,746	$3,011,895	N/A
Penalties and Interest	20,864	7,048	
Total Receipts	**$4,710,610**	**$3,018,943**	

Table 4 - Revenue Collections Detail

	FY 95	FY 94	FY 93
APUC REGULATORY COST CHARGES			
(Program Effective 11/1/92)			
Electric Utilities	$1,829,389	$1,815,175	$1,084,080
Telephone Utilities	1,173,597	1,028,825	503,888
Other Utilities	410,177	465,790	131,718
Pipeline Carriers	912,048	947,338	659,696
Penalties and Interest	0	13,595	959
Total Receipts	**$4,325,211**	**$4,270,723**	**$2,380,341**
SEAFOOD MARKETING ASSESSMENT			
Seafood Marketing Assessments	$3,224,109	$2,718,316	$3,535,259
Penalties and Interest	17,933	6,909	27,988
Total Receipts	**$3,242,042**	**$2,725,225**	**$3,563,247**
ELECTRIC COOPERATIVE			
Total Receipts	**$1,336,034**	**$1,355,282**	**$1,275,532**
Less Cooperative Taxes Shared	(1,265,114)	(1,286,917)	(1,206,324)
Amount Retained by State	**$ 70,920**	**$ 68,365**	**$ 69,208**
ESTATE			
Total Receipts	**$1,157,793**	**$1,616,313**	**$918,402**
TELEPHONE COOPERATIVE			
Total Receipts	**$1,064,816**	**$1,253,906**	**$903,378**
Less Cooperative Taxes Shared	(1,021,559)	(1,213,665)	(861,372)
Amount Retained by State	**$ 43,257**	**$ 40,241**	**$ 42,006**
MINING LICENSE			
General Fund			
Current Year Tax Before Credits	$493,259	$311,894	$564,140
Less Alaska Education Credit	(150,000)	(150,000)	(150,000)
Total Receipts - General Fund	**343,259**	**161,894**	**414,140**
Total Receipts - CBRF	**138,648**	**7,491**	**11,467**
Total Receipts - All Funds	**$481,907**	**$169,385**	**$425,607**
COIN-OPERATED DEVICES			
Tax Receipts	$100,380	$94,891	$106,361
Penalties and Interest	1,681	614	1,833
Total Receipts	**102,061**	**95,505**	**108,194**
Less Device Tax Shared	(47,015)	(47,161)	(48,289)
Amount Retained by State	**$ 55,046**	**$48,344**	**$ 59,905**

Table 4 - Revenue Collections Detail

	FY 95	FY 94	FY 93
INDIVIDUAL INCOME			
Total Receipts	$7,169	$16,000	$16,460
CIGARETTE LICENSE FEES *(Deposited Directly to School Fund)*			
Total Receipts	$2,525	$3,435	$3,760
ALASKA BUSINESS LICENSE			
Total Receipts	$0	573,629*	$0

* Receipt from settlement of prior-year assessment.

Table 5 - Program Revenue and Cost Detail

			Staffing		Per FTE[2]	
Tax Type	**Returns**	**Revenue**	**Cost[1]**	**FTE[2]**	**Revenue**	**Cost**
Corporation	15,779	$195,616,185	$2,546,944	39.3	$4,977,511	$64,808
Motor Fuel	1,717	39,600,805	230,805	4.1	9,658,733	56,294
Fisheries Business	802	39,034,046	188,510	3.4	11,480,602	55,444
Tobacco	796	17,089,667	56,509	1.1	15,536,061	51,372
Alcoholic Beverages	132	11,969,183	23,374	0.4	***	***
Fishery Resource Landing	77	7,301,996	37,702	0.7	***	***
Salmon Enhancement	663	5,689,520	56,553	1.0	5,689,520	56,553
Salmon Marketing	891	4,710,610	56,553	1.0	4,710,610	56,553
APUC Regulatory Cost Charges	277	4,325,211	16,489	0.3	***	***
Seafood Marketing Assessments	382	3,242,042	37,702	0.7	***	***
Unclaimed Property	712	1,656,600	193,118	3.7	447,730	52,194
Electric Cooperative	27	1,336,034	1,457	<.1	***	***
Estate	50	1,157,793	5,830	0.1	***	***
Telephone Cooperative	7	1,064,816	1,457	<.1	***	***
Mining License	325	343,259	41,658	0.8	***	***
Coin-Operated Device	439	102,061	20,404	0.3	***	***
Total	**23,076**	**$334,239,828**	**$3,515,065**	**57.0**		
Average					**$5,863,857**	**$61,668**

[1] Includes total operating costs of the division.
[2] Full-time equivalent staff position

*** Combined revenues and costs for these programs are $30,842,395 and $186,073, respectively. These programs require 3.3 FTE positions. Combined revenue and cost per FTE are $9,346,180 and $56,386.

Table 6 - Collections from Audit and Tax Examiner Assessments

Tax Type	Collections from Assessments			Staffing (FTE)[1]		Per FTE[1]	
	Audit	Exam	Total	Audit	Exam	Audit	Exam
Corporation							
Oil and Gas	$ 304,209,414	$ 0	$ 304,209,414	14.0	*	$ 21,729,244	***
Non Oil and Gas	8,527,725	1,647,130	10,174,855	1.7	4.5	5,016,309	$366,029
Fisheries Business	193,738	824,671	1,018,409	0.1	2.7	**	305,434
Motor Fuel	0	442,822	442,822	0.1	3.4	**	130,242
Tobacco	0	261,142	261,142	*	1.1	**	237,402
Mining License	0	139,718	139,718	*	0.8	**	***
Seafood Marketing	0	101,831	101,831	*	0.7	**	***
Salmon Enhancement	0	28,217	28,217	*	1.0	**	28,217
Salmon Marketing	0	28,089	28,089	*	1.0	**	28,089
Estate	0	25,114	25,114	*	0.1	**	***
Alcoholic Beverages	0	5,150	5,150	*	0.4	**	***
Coin-Operated Device	0	1,872	1,872	*	0.3	**	***
Total	**$ 312,930,877**	**$ 3,505,756**	**$ 316,436,633**	**16.0**	**16.0**		
Average						**$ 19,558,180**	**$ 219,110**

[1]Full-time equivalent staff position

* Combined audit staff dedicated toward these programs was .1 FTE position.
** Collections per FTE not provided since combined FTE positions allocated to these programs is less than one.
*** Combined collections from these programs were $273,685. These programs require 2.3 FTE positions. Combined collections per FTE were $118,993.

(Rev. 1/96)

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.

	Per Gallon	
Liquor		
1937	$.50	
1941	$1.00	
1945	$1.60	
1946	$2.00	
1947	$3.00	
1957	$3.50	
1961	$4.00	40%
1983	$5.60	
Wine		
1933	$.05	
1937	$.15	
1947	$.25	
1957	$.50	
1961	$.60	41%
1983	$.85	
Beer		
1933	$.05	
1947	$.10	
1957	$.25	40%
1983	$.35	

FY 95 Statistics

Tax Collections	$11,969,183
Number of Returns	132
Number of Taxpayers	13
Program Cost	$23,374
Staffing *(full-time equivalent)*	.4

	Taxable Gallons Sold
Beer	13,653,734
Wine	1,256,741
Liquor	1,092,885

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 dates back to 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 95 Statistics

Tax Collections	$102,061
Number of Returns	439
Number of Taxpayers	312
Program Cost	$20,404
Staffing *(full-time equivalent)*	.3

Corporation Net Income Tax
AS 43.20

Description
The 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 adjustments for Alaska activity.

Alaska uses an apportionment method to determine the portion of income that is taxable in the state. Corporations apportion their income to Alaska by using a three-factor formula based on sales, property and payroll. The apportionment factor is applied to federal taxable income to determine Alaska taxable income. A corporation engaged in business solely in Alaska computes its tax liability on 100% of its taxable income.

Multi-state corporations apportion income to Alaska under a "water's edge" apportionment method which is based on domestic operations. Oil and gas corporations apportion income based on worldwide operations.

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

Exemptions
Insurance companies, which are required to pay an insurance premiums tax under AS 21.09.210(f), and corporations recognized under Subchapter S of the Internal Revenue Code are exempt from corporation net income taxes.

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.

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 must be used within 5 years after it is approved and may be applied against 100% of corporation net income taxes due.

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 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 corporation net income tax liability.

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

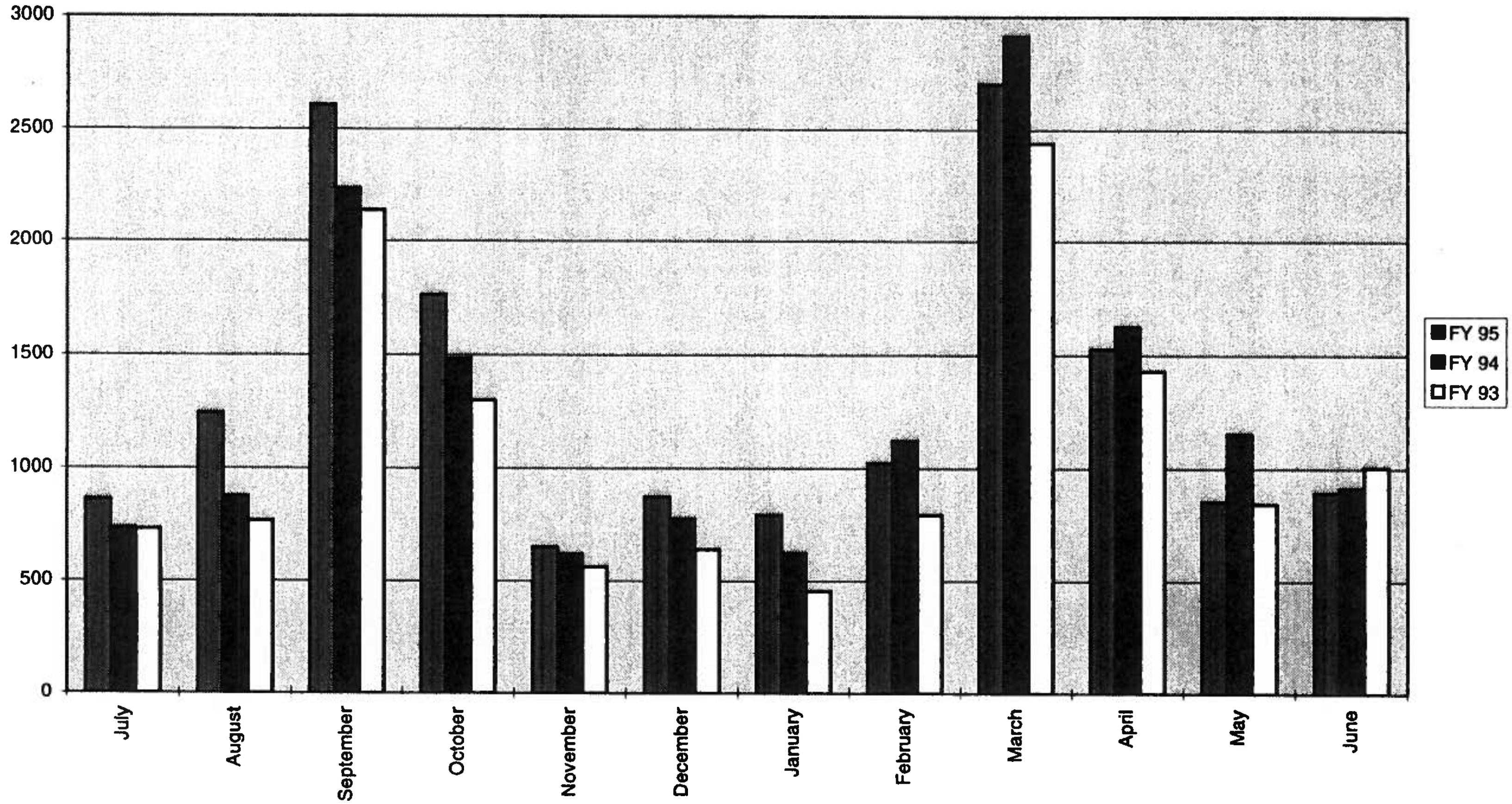
For oil and gas corporations only, revenue received subsequent to a tax assessment issued by the Department is deposited in the Constitutional Budget Reserve Fund.

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.

Table 7 - Corporation Tax Return Filing Activity

For Fiscal Years 1995, 1994 and 1993



Fiscal Year	*FY 95*	*FY 94*	*FY 93*
Total Returns Filed	15,779	15,070	13,101

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 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 95 Statistics

Tax Collections	
General Fund	$195,616,185
CBRF	$304,209,414
Number of Returns	15,779
Number of Taxpayers	13,503
Program Cost	$2,546,944
Staffing *(full-time equivalent)*	39.3

Return Type	*# Filed*
Subchapter C	6,738
Subchapter S	4,541
Inactive	1,899
Loss Carryback	429
Amended	701
Exempt Organizations	689
Homeowners	409
IRS Audit Adjustment	295
Oil and Gas	36
Other	42
Total	15,779

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 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 95 Statistics

Tax Collections	$1,336,034
Number of Returns	27
Number of Taxpayers	22
Program Cost	$1,457
Staffing *(full-time equivalent)*	<.1

Estate Tax
AS 43.31

Description
The estate tax is levied on the transfer of property in Alaska from an estate.

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 95 Statistics

Tax Collections	$1,157,793
Number of Returns	50
Number of Death Certificates Issued	569
Program Cost	$5,830
Staffing *(full-time equivalent)*	.1

Fisheries Business Tax
AS 43.75

Description
The fisheries business tax is levied on fisheries that are processed within or exported from Alaska. The tax is based on the value of fisheries when purchased from 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 follows:

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 fisheries 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.

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.

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% 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.

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 95 Statistics

Tax Collections	$39,034,046
Number of Returns	802
Number of Taxpayers	533

Program Cost	$188,510
Staffing *(full-time equivalent)*	3.4
Fisheries Business Licenses Issued	
Floating	338
Shore-based	328
Exporter	48
Total	714
Civil Penalties Assessed	3

Fishery Resource Landing Tax
AS 43.77

Description
The fishery resource landing tax is levied on processed fishery resources landed in Alaska. 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
The fishery resource landing tax is 3.3% of the value of the fishery resource landed in Alaska. The value is determined by multiplying the unprocessed weight by the unprocessed value based on Alaska Department of Fish and Game data or other information available to Department of Revenue.

Returns
Returns are filed on a calendar year basis and are due with final payment of tax before April 1 of the following year. Taxpayers generally make quarterly estimated tax payments which are due on the last day of each calendar quarter.

An automatic extension of time to file the fishery resource landing tax is granted by Department of Revenue if the value of the unprocessed fishery resource is not provided to taxpayers at least 30 days prior the April 1 due date.

The automatic extension is the last day of the month following the month in which value information was provided. The automatic extension applied for 1994 returns and the due date was June 30, 1995.

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

Credits
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 - Fishery resources for which taxes were paid to another jurisdiction are subject to 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 .3% portion of the tax is accounted for separately and may be appropriated by the legislature to fund the Alaska Seafood Marketing Institute. Revenue from the 3% portion of 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. AFTA members filed 1994 returns under protest and are pursuing administrative remedies through the department's informal appeals process.

FY 95 Statistics

Tax Collections	$7,301,996
Number of Returns	77
Number of Taxpayers	74
Program Cost	$37,702
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
Returns are filed annually based on the mining business' fiscal year. Returns and payment of tax 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.

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.

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 again by reinstating the tax-free net income base ($1,000) and restructuring the tax rates to a five-tier structure. Tax rates ranged from 4% to 8% for net income over $100,000.

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 against mining license taxes due.

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 95 Statistics

Tax Collections	
General Fund	$343,259
CBRF	$138,648
Number of Returns	325
Number of Taxpayers	316
Program Cost	$41,658
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¢

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.

Table 8 - Taxable Motor Fuel Gallons Sold in Alaska

For the Fiscal Year Ended June 30, 1995

	Highway		Aviation		Marine		
	Gasoline	**Diesel**	**Gasoline**	**Jet Fuel**	**Gasoline**	**Diesel**	**Total**
Gross Gallons Sold	260,321,751	448,106,802	21,176,357	688,012,766	10,452,932	152,618,553	1,580,689,162
Less Exemptions*	(41,033,648)	(245,259,385)	(818,358)	(436,410,250)	(256,924)	(9,777,208)	(733,555,773)
Fuel Reclassifications	(68,252)	(2,256,775)	806,875	0	66,293	1,451,859	0
Total Taxable Gallons	**219,219,851**	**200,590,642**	**21,164,874**	**251,602,516**	**10,262,301**	**144,293,204**	**847,133,389**
Tax Rate	0.08	0.08	***	***	0.05	0.05	*Variable*
Gross Tax	**$17,537,588**	**$16,047,251**	**$884,577**	**$7,142,574**	**$513,115**	**$7,214,660**	**49,339,766**
Less Off-Highway Refunds							
Gallons Used Off-Highway	1,936,362	158,531,119	0	0	222,502	2,715,786	163,405,769
Refund Rate	(0.06)	(0.06)	N/A	N/A	(0.03)	(0.03)	*Variable*
Total Off-Highway Refunds	**(116,182)**	**(9,511,867)**	**0**	**0**	**(6,675)**	**(81,474)**	**(9,716,198)**
Net Tax (Gross Tax Less Refunds)	**$17,421,406**	**$6,535,384**	**$884,577**	**$7,142,574**	**$506,440**	**$7,133,187**	**$39,623,568**
Penalties and Interest							45,328
Timely Filing Deductions							(68,091)
Total Collections							***$39,600,805***

Detail of Exemptions (in Gallons)

	Highway		Aviation		Marine		
	Gasoline	**Diesel**	**Gasoline**	**Jet Fuel**	**Gasoline**	**Diesel**	**Total**
Exempt Gallons							
Foreign Flights	0	0	212,355	315,012,261	0	0	315,224,616
Heating Fuel	409,841	162,202,531	0	73,017	0	1,375,112	164,060,501
Exported	2,478,101	27,765,655	8,187	51,577,341	5,660	19,128	81,854,072
Federal Government	2,566,415	7,877,319	249,366	51,853,905	105,094	1,527,741	64,179,840
Gasohol	30,296,421	0	0	0	0	0	30,296,421
Public Utilities	239,022	28,126,076	0	0	0	0	28,365,098
State/Local Government	3,754,188	12,979,034	213,486	468,171	56,167	6,560,910	24,031,956
Power Plants	660,754	3,575,551	0	0	0	0	4,236,305
Oil and Gas Operations[1]	0	1,945,234	0	0	0	0	1,945,234
Charitable Institutions	117,286	413,731	7,991	0	12,863	106,893	658,764
Consigned to Foreign	3,501	374,254	0	0	0	0	377,755
Other	508,119	0	126,973	17,425,555	77,140	187,424	18,325,211
Total Exempt Gallons	**41,033,648**	**245,259,385**	**818;358**	**436,410,250**	**256,924**	**9,777,208**	**733,555,773**
Tax Rate	0.08	0.08	***	***	0.05	0.05	*Variable*
Tax Equivalent	**$3,282,692**	**$19,620,761**	**$36,619**	**$12,849,396**	**$12,846**	**$488,860**	**$36,291,164**

[1]Exemption granted by Department of Revenue as authorized under AS 43.40.100(K) and 15 AAC 40.020(c)(18). This exemption category is for fuel used in conjunction with oil and gas drilling operations and transportation of crude oil in the TransAlaska Pipeline.

*** Effective September 27, 1994, aviation motor fuel tax rates increased as follows: aviation gasoline from 4¢ to 4.7¢ and jet fuel from 2.5¢ to 3.2¢ per gallon.

(Rev. 1/96)

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

Heating fuel
Federal and state agencies
Foreign flights (jet fuel)
Exports
Power plants/utilities
Charitable institutions
Gasohol (fuel at least 10% alcohol)

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 IEAD's tax accounting system.

Sixty percent of taxes attributable to aviation fuel sales at municipally owned or operated airports are subject to sharing with respective 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¢
Bunker Fuel	
1994*	1¢

**Rate applies only after $205,000 of taxes attributable to bunker fuel have been collected. Otherwise, the rate is 5¢ per gallon.*

FY 95 Statistics

Tax Collections	$39,600,805
Number of Returns	1,717
Number of Taxpayers	145
Program Cost	$230,805
Staffing *(full-time equivalent)*	4.1

Refer to Table 8 on page 31 for detailed statistics on gallons sold, exemptions and refunds.

Regulatory Cost Charges
AS 42.05.253
AS 42.06.285

Description
Regulatory cost charges are a user-fees imposed 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 95, the following rates applied:

Electric Utilities	$.000412/kWh
Other Utilities and Pipeline Carriers	.42% of revenues

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

Due to sunsetting of the RCC program on December 31, 1994, APUC required regulated utilities to annualize payment of their regulatory cost charges and file one return for FY 95 due December 1, 1994. Quarterly filings and payments resumed beginning FY 96.

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 each fiscal year.

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 1995, the legislature reauthorized the RCC program which became effective June 26, 1995.

FY 95 Statistics

Total RCC Collections	$4,325,211
Number of Returns	277
Number of Taxpayers	94
Program Cost	$16,489
Staffing *(full-time equivalent)*	.3

Salmon Enhancement Tax
AS 43.76

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

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. The legislature has made appropriations to regions which elected the tax.

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 95 Statistics

Tax Collections	$5,689,520
Number of Returns	663
Number of Taxpayers	103
Program Cost	$56,553
Staffing *(full-time equivalent)*	1.0

Salmon Marketing Tax
AS 43.76

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

Rate
The salmon marketing tax rate is 1% and is based on the value of the salmon sold or exported.

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) is 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. The legislature appropriated funds to ASMI for FY 95 operations based on FY 94 tax collections.

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 95 Statistics

Tax Collections	$4,710,610
Number of Returns	891
Number of Taxpayers	155
Program Cost	$56,553
Staffing *(full-time equivalent)*	1.0

Seafood Marketing Assessment
AS 16.51.120

Description
The seafood marketing assessment is levied on seafood products purchased in Alaska. Taxes are collected from fisheries processors.

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

FY 95 Statistics

Assessment Collections	$3,242,042
Number of Returns	382
Number of Taxpayers	261
Program Cost	$37,702
Staffing *(full-time equivalent)*	.7

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.

3.0

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

Telephone cooperative taxes sourced from 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 95 Statistics

Tax Collections	$1,064,816
Number of Returns	7
Number of Taxpayers	7
Program Cost	$1,457
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
.0145 1.4cent a cigar

Cigarettes are taxed at 14.5 mills per cigarette (29 cents per pack).

Tobacco products, which include all tobacco products other than cigarettes, are taxed at 25% 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 1% of the tax due to cover expenses of accounting and filing returns.

Exemptions
Sales to facilities operated by one of the uniformed services of the United States or to Indians within an Indian reservations are exempt.

Disposition of Revenue
The cigarette tax (14.5 mills) is comprised of two components: *base* (pre-statehood) rate of 2.5 mills plus *additional* (post-statehood) rate of 12 mills. Tax and penalty revenue attributable to the 2.5 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 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.

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

FY 95 Statistics

Tax Collections	$17,087,142
License Fee Collections	$2,525
Number of Returns	796
Number of Taxpayers	46
Program Cost	$56,509
Staffing *(full-time equivalent)*	1.1
Number of Taxable Cigarettes Sold	1,086,397,172
Total Wholesale Price of Tobacco Products Sold	$5,986,548

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 turning over 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 and safe-deposit contents. Other property includes utility deposits, traveler checks and wages.

Each year, Unclaimed Property receives 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.

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. Contents are held in a secured vault in Alaska.

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
Most holders are required to report unclaimed property by November 1 each year. While holders may remit properties with their November 1 report, they are not required to remit properties until the following May 1.

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 $9 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.

FY 95 Statistics

	FY 95	*FY 94*	*FY 93*
Reports Received	1369*	1,642*	2,826
Owners Reported	7131	15,675	15,187
Owner Inquiries	4368	5,256	4,286
Owners Refunded	1,015	1,330	1,363
Amounts Refunded	$754,000	$423,200	$337,000

* *Reflects holders reporting and remitting unclaimed property simultaneously, a national trend. In effect, we received one report rather than two as previously received.*

Program Cost	$193,118
Staffing *(full-time equivalent)*	3.7

Unclaimed Property Account Balance
As of June 30, 1995

Beginning Balance as of 6/30/94		$381,649
Add Deposits		2,760,351
Less Transfers and Refunds		
Transfer to General Fund	1,500,000	
Refunds	754,045	
Transfer to Other States	156,600	
Total Transfers and Refunds		(2,410,645)
Ending Balance as of 6/30/95		$ 731,355

Audit Program

Audit reorganized its operations to gain efficiencies and bring audit case inventories more current. As part of reorganization, the division consolidated its Seattle office with the Anchorage office to centralize resources in one location and formed audit teams to accelerate completion of audits.

As a result of reorganization, major oil and gas audits were completed in shorter time frames. Audit reduced the average time to complete an audit nearly in half and closed aged audit cases. Further, tax collections from assessments were accelerated and taxpayer disputes resolved more timely. An $8 million payment was received from an agreed assessment and deposited into CBRF.

Efficiencies were gained through computerization of standard workpaper files and identification of issues with maximum potential for audit gain. Audit implemented a four-year audit plan which establishes a goal to complete major oil and gas audits within the three-year statute of limitations.

Audit completed several special projects including redesign of the corporation net income tax return to include a separate short form for small corporate taxpayers. Audit assisted appeals staff by providing analyses of issues related to audit issues.

FY 95 Statistics

Additional Tax Collections from Audits

Tax Type	*Collections*
Corporation Tax	
Oil and Gas	$304,209,400
Other	8,527,700
Fisheries Business	193,700
Total	**$312,930,800**

Appeals Program

Appeals heard appeals related to all tax programs administered by the division. Appeals case inventories were proportionate to the number of returns filed under each tax program.

Appeals staff worked in cooperation with Department of Law to expedite the administrative appeal process, reduce aged inventories and resolve tax issues related to audit adjustments. As a result, Appeals settled appeals cases with 10 taxpayers which covered 44 tax periods and generated payments of over $305 million.

All settlements resulted from audit assessments and their amounts are reflected within collections statistics under the Audit Program above. Collections from oil and gas-related settlements, $296.2 million, were deposited in CBRF.

In addition to informal conference and formal hearing functions, Appeals continued to provide technical assistance to the division on various operational and audit matters.

FY 95 Statistics

	*In Tax Periods**	
	FY 95	*FY 94*
Beginning Inventory	287	268
Plus New Cases	382	316
Less Closed Cases	(294)	(297)
Ending Inventory	375	287

* 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 on 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 weight and value	N/A	3.3% of value	1993	Fishery resource landing tax enacted
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	1994	Aviation fuel taxes increased by .7¢ per gallon
				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 paid 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	1981	Seafood marketing assessment enacted

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 sold in Alaska*	AS 43.50	1949	Cigarettes 3¢ per pack	Cigarettes	1989	14.5 mills/cigarette (29¢ per pack)	1992	Provision to revoke or suspend licenses adopted
			Tobacco 2¢ per ounce *(Repealed in 1955)*	Tobacco	1988	Tax on tobacco reenacted - 25% of 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

State and Federal Tax Rate Comparison

Highway Gasoline Tax Rates
As of April 1995

State	Rate (¢ per gallon)	Other Tax(1) (¢ per gallon)	Total (¢ per gallon)	Rank	Last Change
Alabama	16	3.3	19.3	33	6/1/92
ALASKA	**8**	**0**	**8**	**50**	**5/28/70**
Arizona	18	1	19	34	7/1/90
Arkansas	18.5	0.2	18.7	38	4/1/91
California	18	8.60	26.6	8	1/1/94
Colorado	22	0	22	18	1/1/91
Connecticut	32	5.9	37.9	1	1/1/95
Delaware	23	0	23	16	1/1/95
Florida	12.3	11.7	24	13	1/1/95
Georgia	7.5	4.4	11.9	48	7/1/71
Hawaii	16.5	16.4	32.9	2	7/1/91
Idaho	21	0	21	25	4/1/91
Illinois	19	5.2	24.2	12	1/1/90
Indiana	15	3.4	18.4	39	4/1/88
Iowa	20	1	21	25	1/1/89
Kansas	18	1	19	34	7/1/92
Kentucky	15	1.4	16.4	44	7/15/94
Louisiana	20	0	20	29	1/1/90
Maine	19	0	19	34	7/17/91
Maryland	23.5	0	23.5	15	5/1/92
Massachusetts	21.5	0	21.5	22	1/1/91
Michigan	15	6.1	21.1	24	1/1/84
Minnesota	20	2	22	18	5/1/88
Mississippi	18	2.4	20.4	28	7/1/93
Missouri	15	0	15	46	4/1/94
Montana	26.3	0.9	27.2	7	7/1/94
Nebraska	24.6	0.8	25.4	11	4/1/95
Nevada	23	6.1	29.1	4	10/1/92
New Hampshire	18	0.9	18.9	37	6/7/93
New Jersey	10.5	4	14.5	47	7/1/88
New Mexico	20	1	21	25	7/1/94
New York	8	24.4	32.4	3	6/1/94
North Carolina	21.7	0.3	22	18	1/1/95
North Dakota	18	0	18	40	12/1/93
Ohio	22	0	22	18	7/1/93
Oklahoma	17	0	17	42	7/1/89
Oregon	24	0	24	13	1/1/93
Pennslyvania	12	10.4	22.4	17	9/1/91
Rhode Island	28	1	29	5	7/8/94
South Carolina	16	0.8	16.8	43	1/1/89
South Dakota	18	2	20	29	4/1/88
Tennesee	20	1.4	21.4	23	4/1/89
Texas	20	0	20	29	10/1/91
Utah	19	0.5	19.5	32	4/1/87
Vermont	15	1	16	45	7/1/89
Virginia	17.5	0.2	17.7	41	7/1/92
Washington	23	4.9	27.9	6	4/1/91
West Virginia	20.5	4.9	25.4	10	5/1/93
Wisconsin	23.4	3	26.4	9	4/1/95
Wyoming	9	0	9	49	7/1/89
Federal	**18.4**	**N/A**	18.4	**N/A**	**10/1/93**
U.S. Median	**17.4**	**4.5**	21.9	**N/A**	**N/A**

(1) Includes state sales tax, gross receipts tax and underground storage tank taxes. State sales taxes are based on the national retail price of gasoline in March 1995 of $1.173 per gallon.

SOURCE: *American Petroleum Institute,* *A Summary of Nationwide and State-by-State Motor Fuel Taxes as of April 1995*.

Appendix B

State and Federal Tax Rate Comparison

Cigarette Tax Rates
As of March, 1995

State	Rate (¢ per pack)	Rank	State	Rate (¢ per pack)	Rank
Alabama	16.5	42	Montana	18	38
ALASKA	**29**	**25**	Nebraska	34	21
Arizona	58	4	Nevada	35	20
Arkansas	31.5	23	New Hampshire	25	28
California	37	17	New Jersey	40	13
Colorado	20	35	New Mexico	21	34
Connecticut	50	8	New York	56	5
Delaware	24	29	North Carolina	5	48
Florida	33.9	22	North Dakota	44	10
Georgia	12	45	Ohio	24	29
Hawaii	60	3	Oklahoma	23	32
Idaho	28	26	Oregon	38	15
Illinois	44	10	Pennslyvania	31	24
Indiana	15.5	43	Rhode Island	56	5
Iowa	36	18	South Carolina	7	47
Kansas	24	29	South Dakota	23	32
Kentucky	3	49	Tennesee	13	44
Louisiana	20	35	Texas	41	12
Maine	39	14	Utah	26.5	27
Maryland	36	18	Vermont	20	35
Massachusetts	51	7	Virginia	2.5	50
Michigan	75	2	Washington	81.5	1
Minnesota	48	9	West Virginia	17	40
Mississippi	18	38	Wisconsin	38	15
Missouri	17	40	Wyoming	12	45
Federal	**24**	**N/A**	**U.S. Median**	**30.36**	**N/A**

SOURCE: *Federation of Tax Administrators, Review of State Tax Structures Trends and Burdens, March 1995.*

Appendix B

State and Federal Tax Rate Comparison

Tobacco Products Tax Rates
As of March 1995

State	Rate	State	Rate
Alabama	.6¢ - 4.4¢/ounce	Montana	12.5% Wholesale Price
ALASKA	**25% Wholesale Price**	Nebraska	15% Wholesale Price
Arizona	.5¢ - 2.0¢/ounce	Nevada	30% Wholesale Price
Arkansas	23% Manufacturer Price	New Hampshire	25.2% Wholesale Price
California	31.2% 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	35% Wholesale Price
Illinois	20% 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	N/A
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	20% Manufacturer Price
Massachusetts	25% 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, Review of State Tax Structures Trends and* Burdens, *March 1995*

Appendix B

State and Federal Tax Rate Comparison

Distilled Spirits Tax Rates
As of March 1995

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	10
Colorado	2.28	27	New Mexico	6.06	3
Connecticut	4.50	9	New York	6.44	2
Delaware	5.46	7	North Carolina	Footnote 1	N/A
Florida	6.50	1	North Dakota	2.50	22
Georgia	3.79	14	Ohio	Footnote 1	N/A
Hawaii	5.81	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	15
Iowa	Footnote 1	N/A	South Carolina	2.72	20
Kansas	2.50	22	South Dakota	3.93	13
Kentucky	1.92	31	Tennesee	4.00	12
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	11	Virginia	Footnote 1	N/A
Michigan	Footnote 1	N/A	Washington	Footnote 1	N/A
Minnesota	5.03	8	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, Review of State Tax Structures Trends and Burdens, March 1995*

Appendix B

State and Federal Tax Rate Comparison

Wine Tax Rates
As of March 1995

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	34
Arkansas	.75	18	New Hampshire	Footnote 1	N/A
California	.20	43	New Jersey	.70	21
Colorado	.43	33	New Mexico	1.70	3
Connecticut	.60	23	New York	.19	45
Delaware	.90	12	North Carolina	.79	17
Florida	2.25	1	North Dakota	.50	29
Georgia	1.51	5	Ohio	.32	38
Hawaii	1.32	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	12
Kansas	.30	39	South Dakota	.93	11
Kentucky	.50	29	Tennesee	1.10	8
Louisiana	.11	46	Texas	.20	43
Maine	.60	23	Utah	Footnote 1	N/A
Maryland	.40	34	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	37	Wisconsin	.25	41
Missouri	.36	26	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, Review of State Tax Structures Trends and Burdens, March 1995*

Appendix B

State and Federal Tax Rate Comparison

Beer Tax Rates
As of March 1995

State	Rate ($ per gallon)	Rank	State	Rate ($ per gallon)	Rank
Alabama	.53	3	Montana	.14	36
ALASKA	**.35**	**10**	Nebraska	.23	18
Arizona	.16	29	Nevada	.09	41
Arkansas	.23	18	New Hampshire	.35	10
California	.20	21	New Jersey	.16	29
Colorado	.08	43	New Mexico	.41	8
Connecticut	.19	23	New York	.21	20
Delaware	.16	29	North Carolina	.48	4
Florida	.48	4	North Dakota	.16	29
Georgia	.48	4	Ohio	.18	26
Hawaii	.90	1	Oklahoma	.40	9
Idaho	.15	33	Oregon	.08	43
Illinois	.07	47	Pennslyvania	.08	43
Indiana	.12	38	Rhode Island	.10	40
Iowa	.19	23	South Carolina	.77	2
Kansas	.18	26	South Dakota	.27	15
Kentucky	.08	43	Tennesee	.13	37
Louisiana	.32	14	Texas	.19	23
Maine	.35	10	Utah	.35	10
Maryland	.09	41	Vermont	.27	15
Massachusetts	.11	39	Virginia	.26	17
Michigan	.20	21	Washington	.15	33
Minnesota	.15	33	West Virginia	.18	26
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, Review of State Tax Structures Trends and Burdens, March 1995*

Appendix B

State and Federal Tax Rate Comparison

Corporation Income Tax Rates
As of March 1995

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	9.3	Flat Rate		1
Colorado	5.0	Flat Rate		1
Connecticut	11.5	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	7.75	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	10.99	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, Review of State Tax Structures Trends and Burdens, March 1995*

Appendix B

State and Federal Tax Rate Comparison

Individual Income Tax Rates*
As of March 1995

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	3.25 - 6.9	10,000	150,000	5
Arkansas	1.0 - 7.0	3,000	25,000	6
California	1.0 - 11.0	4,666	207,200	8
Colorado	5.0	Flat Rate		1
Connecticut	4.5	Flat Rate		1
Delaware	0.0 - 7.7	2,000	40,000	8
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	1,500	20,000	8
Illinois	3.0	Flat Rate		1
Indiana	3.4	Flat Rate		1
Iowa	.4 - 9.98	1,060	47,700	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	5
Maryland	2.0 - 5.0	1,000	100,000	5
Massachusetts	5.95	Flat Rate		1
Michigan	4.4	Flat Rate		1
Minnesota	6.0 - 8.5	15,620	51,330	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	1,800	62,700	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	1.7 - 6.58	20,000	75,000	5
New Mexico	1.7 - 8.5	5,200	41,600	7
New York	4.0 - 7.875	5,500	13,000	5
North Carolina	6.0 - 7.75	12,750	60,000	3
North Dakota	2.67 - 12.0	3,000	50,000	8
Ohio	.743 - 7.5	5,000	200,000	9
Oklahoma	.5 - 7.0	1,000	10,000	8
Oregon	5.0 - 9.0	2,100	5,250	3
Pennslyvania	2.8	Flat Rate		1
Rhode Island	*27.5% Federal Tax Liability*			N/A
South Carolina	2.5 - 7.0	2,220	11,100	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	2.55 - 7.2	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**	**0**	**250,000**	**5**

* Rates apply to unmarried individuals

SOURCE: *Federation of Tax Administrators, Review of State Tax Structures Trends and Burdens, March 1995*

Appendix B

State and Federal Tax Rate Comparison

Sales Tax Rates
As of March 1995

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	4.5	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	4.875	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, Review of State Tax Structures Trends and Burdens, March 1995*