1994
Annual Report

Income and Excise Audit Division (IEAD) is an agency within Department of Revenue 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, 1994. The report provides revenue collections, program information, a brief history of changes and summary tax data for fiscal year 1994 as well as for 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.

This annual report is organized by sections as outlined in the following table of contents for easy reference.

EXECUTIVE SUMMARY

FY 94 in Retrospect

In response to declining General Fund revenues from decreased oil production, Income and Excise Audit Division (IEAD) took steps to develop strategies for enhancing state revenues. As oil revenues continue to decline, IEAD foresees that greater emphasis will be placed on the tax programs administered by IEAD for potential revenue enhancements. During FY 94, IEAD established a separate unit to focus on compliance efforts and continued to accelerate audits to close tax years from the 1980s.

Significant accomplishments and changes for FY 94 are summarized below.

→ ***Constitutional Budget Reserve Fund (CBRF)*** - IEAD is responsible for maintaining records of payments subject to CBRF. Based on Alaska Superior and Supreme Court rulings issued during FY 94, IEAD coordinated with other state agencies to identify over $1 billion of payments which previously had been deposited in the state's General Fund. These funds were subsequently restored to CBRF by the Alaska legislature in April 1994.

→ ***Revenue Collections*** - Overall revenue collected by IEAD for FY 94 was $299 million, down 70% and 5% from fiscal years 1993 and 1992, respectively. The decrease from FY 93 resulted from the following two factors: 1) an extraordinarily large settlement payment for prior year corporation tax assessments received during FY 93; and 2) large corporation tax refunds claimed by oil and gas corporations during FY 94. Refer to Table 1 on page 2 for detail revenue collections information.

→ ***Tax Compliance*** - To focus efforts on increased tax compliance and revenue enhancements, IEAD established a separate Compliance Unit. As a result, 1100 new returns from nonfilers were filed and processed.

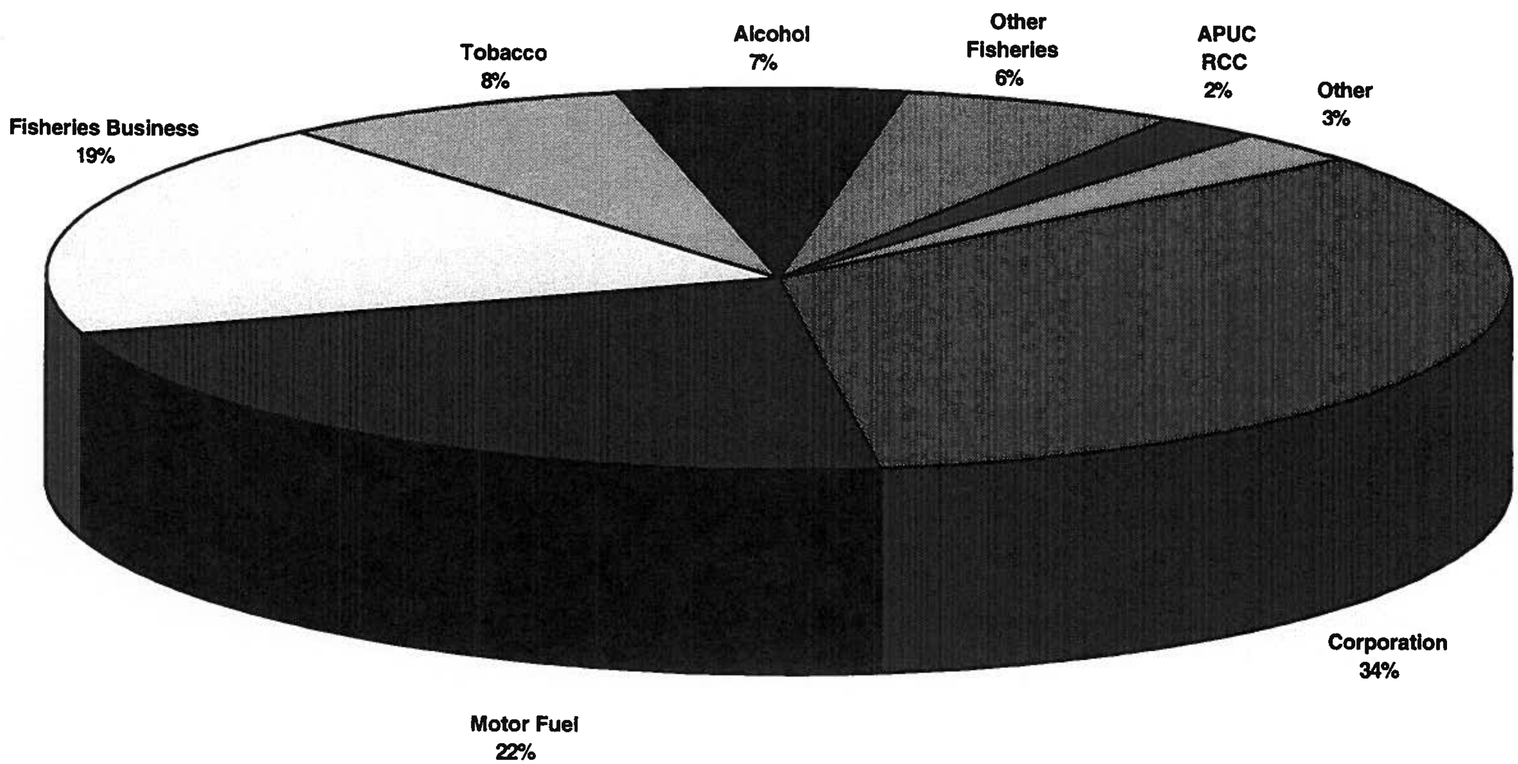
→ ***Tax Accounting System*** - In July 1993, IEAD completed a data processing needs analysis to define available technologies to complement the Department's future data processing environment and enhance the Division's tax accounting system. In May 1994, IEAD initiated a project to replace its tax accounting system with a system which utilizes modern relational database technology. Through competitive procurement, IEAD contracted with KPMG Peat Marwick to develop a new tax accounting system which is projected to be complete by July, 1995

→ ***Fisheries Taxes*** - New laws enacted by the 1993 Alaska legislature resulted in two new fisheries-related taxes. A new salmon marketing tax took effect on July 1, 1993 and generated $3 million during FY 94. A new fishery resource landing tax took effect on January 1, 1994 and generated $.1 million from estimated payments during FY 94. Estimated payments for the remainder of calendar year 1994 will be received during FY 95.

Table 1 - Three-Year Comparison of Revenue Collections
Fiscal Years 1992 - 1994

Fund Source	FY 94	% Fund Total	FY 93	% Fund Total	FY 92	% Fund Total
General Fund						
Corporation	$ 61,756,687	33.9%	$ 227,159,982	64.5%	$ 156,408,665	58.6%
Motor Fuel	40,506,773	22.2%	40,742,908	11.6%	43,246,683	16.2%
Fisheries Business	33,928,444	18.6%	42,165,834	12.0%	30,168,697	11.3%
Tobacco	14,133,113	7.7%	14,042,686	4.0%	14,250,776	5.3%
Alcoholic Beverages	11,955,614	6.6%	11,898,804	3.4%	12,034,178	4.5%
Salmon Enhancement	4,954,215	2.7%	6,745,835	1.9%	4,154,140	1.6%
APUC Regulatory Cost Charges	4,270,723	2.3%	2,380,341	0.7%	N/A	N/A
Salmon Marketing	3,018,943	1.7%	N/A	N/A	N/A	N/A
Seafood Marketing Assessments	2,725,225	1.5%	3,563,247	1.0%	2,743,230	1.0%
Estate	1,616,313	0.9%	918,402	0.3%	1,029,064	0.4%
Electric Cooperative	1,355,282	0.7%	1,275,532	0.4%	1,291,865	0.5%
Telephone Cooperative	1,253,906	0.7%	903,378	0.3%	808,807	0.3%
Alaska Business License	573,629	0.3%	0	0.0%	0	0.0%
Mining License	169,385	0.1%	425,607	0.1%	465,153	0.2%
Fishery Resource Landing	102,424	0.1%	N/A	N/A	N/A	N/A
Coin-Operated Device	95,505	0.1%	108,194	0.0%	107,850	0.0%
Individual Income	16,000	0.0%	16,460	0.0%	237,716	0.1%
Total General Fund	**182,432,181**	**100.0%**	**352,347,210**	**100.0%**	**266,946,824**	**100.0%**
Constitutional Budget Reserve Fund (CBRF)						
Corporation	113,739,083	100.0%	645,094,514	100.0%	43,614,480	100.0%
Mining License	7,491	0.0%	11,467	0.0%	3,396	0.0%
Total CBRF	**113,746,574**	**100.0%**	**645,105,981**	**100.0%**	**43,617,876**	**100.0%**
School Fund						
Tobacco	2,654,890	99.9%	2,668,122	99.9%	2,721,688	99.9%
Cigarette License Fees	3,435	0.1%	3,760	0.1%	3,545	0.1%
Total School Fund	**2,658,325**	**100.0%**	**2,671,882**	**100.0%**	**2,725,233**	**100.0%**
Total All Funds	***$298,837,080***	***100.0%***	***$1,000,125,073***	***100.0%***	***$313,289,933***	***100.0%***

Table 2 - FY 94 General Fund Income and Excise Tax Collections

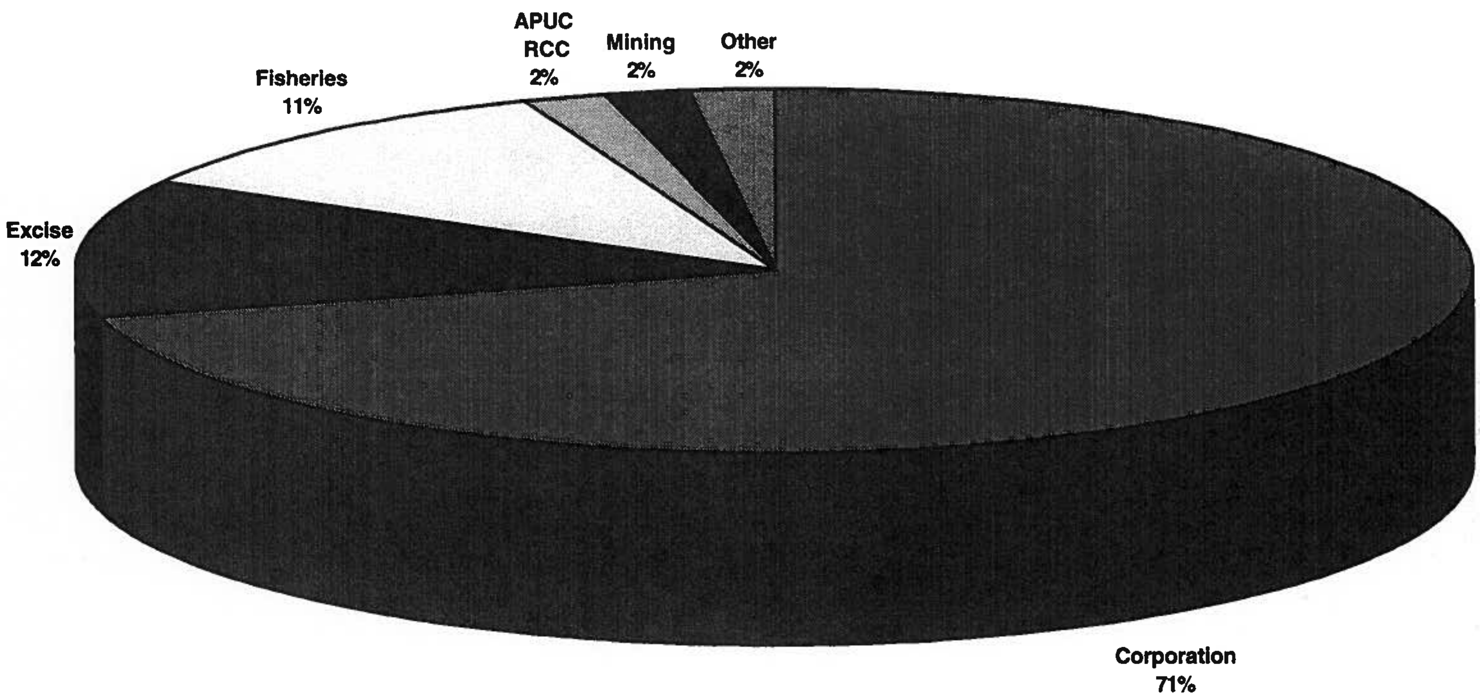


Total Tax Collections: $182,432,181

Other Fisheries *includes salmon enhancement and marketing, seafood marketing and fishery resource landing tax collections.*

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

Table 3 - FY 94 Income and Excise Tax Return Filing Volumes



otal Returns Filed: 21,270					
orporation	15,070	Fisheries	2,394	APUC RCC	407
xcise	2,592	Salmon Enhancement	692	Mining	384
Motor Fuel	1,923	Salmon Marketing	679	Other	423
Tobacco	513	Fisheries Business	654	Coin-Operated Devices	358
Alcohol	156	Seafood Marketing	369	Estate	42
				Electric/Telephone Co-op	23

HIGHLIGHTS

Constitutional Budget Reserve Fund (CBRF) Restored. IEAD is responsible for maintaining records of payments subject to CBRF and ensuring that the payments are posted to appropriate funds. IEAD receives documents from state agencies which designate fund allocations for each payment.

CBRF was established by amendment (section 17) to Article IX of the Alaska Constitution. The amendment, ratified in 1990, requires that mineral-related settlement payments be deposited into CBRF. The amendment was retroactive to July 1, 1990.

On July 12, 1993, the senate majority filed suit challenging Department of Revenue's action of depositing payments resulting from informal tax conferences into General Fund. *Halford v. Hickel* (3-AN-93-6297 CI). On July 27, 1993, former Governor Steve Cowper filed a similar complaint captioned *Cowper v. Hickel* (3-AN-93-6848 CI). The cases were later consolidated.

On November 19, 1993, the Alaska Superior Court issued its decision which concluded that the CBRF amendment applies to informal conferences. Payments from informal conferences had previously been deposited in the General Fund. On November 29, 1993, the Superior Court ordered the governor to fully restore CBRF, plus accrued interest, and to comply with its decision by the end of the 1994 legislative session.

Following appeal by the Governor to the Alaska Supreme Court, the court in *Hickel v. Halford* (Supreme Court No. S-6124/6134) (Alaska Jan. 27, 1994) upheld the November 19, 1993 Superior Court decision.

Subsequent judicial interpretation (*Hickel v. Halford* (Supreme Court No. 4069)) (Alaska April 4, 1994) required that revenue received directly from notices of assessment issued by Department of Revenue, previously deposited in the General Fund, also be restored to CBRF.

In April 1994, IEAD coordinated efforts with state agencies to identify payments previously deposited in the General Fund to restored to CBRF. Payments totalling $1,006,038,474 were identified for being restored to CBRF in accordance with the court decisions.

On April 14, 1994, Governor Hickel signed HB 505 (Ch 14 SLA 94) which appropriated $1,054,633,534 ($1,006,038,474 plus $48,595,060 of interest earnings), from the General Fund to CBRF. Latter sections of HB 505 appropriated the $1,054,633,534 back to the General Fund. The bill became effective April 15, 1994.

New Compliance Unit Secured Over 1,100 Tax Returns from Nonfilers. IEAD expanded its compliance efforts by establishing a separate Compliance Unit in October 1993. Previous to October, compliance efforts had been integrated into each of the examination units' operations.

The Compliance Unit's mission is to secure returns from entities doing business in Alaska but not filing returns with the Department. During FY 94, the unit placed emphasis on securing corporation tax returns. The unit compared data from internal and external agencies to identify potential nonfilers.

By centralizing the compliance function into a separate unit, IEAD was able to focus its efforts on groups of taxpayers and utilize economies of scale. As a result, IEAD surpassed its goal of securing 1,000 new returns during FY 94.

New Tax Accounting System Initiated. IEAD initiated a contract with KPMG Peat Marwick (KPMG) in May 1994 to design and develop a new tax accounting system (TAS) utilizing modern relational database technology. TAS will provide for more detailed accounting of each assessment issued by the Division. TAS is expected to be implemented by July 1, 1995.

TAS will expand IEAD's report capabilities to allow for reporting on individual assessments and will be used for selecting audits with highest potential assessment gains.

New Tax Programs Implemented. IEAD implemented the following new tax programs which were enacted by the 1993 legislature.

Salmon Marketing Tax (Ch 55 SLA 93). This 1% tax took effect July 1, 1993 and is computed on the value of salmon sold to processors in or exported from Alaska. Processors collect the tax from limited entry permit holders and remit taxes monthly to IEAD.

IEAD designed and mailed tax return forms for the new tax to all fisheries businesses licensed with the Division. During its first year, the salmon tax program generated $3,018,000.

Fishery Resource Landing Tax (Ch 67 SLA 93). This 3.3% tax took effect January 1, 1994 and is computed on the unprocessed value of fishery resources landed in Alaska. Persons landing processed fishery resources in Alaska are liable for and pay taxes to the Department on a calendar year basis. Although calendar year 1994 tax returns are not due until March 31, 1995, IEAD collected approximately $102,000 in quarterly estimated payments required under regulations.

IEAD adopted regulations (15 AAC 77), which took effect April 20, 1994, to implement and interpret fishery resource landing tax statutes as required under AS 43.77.070.

In February 1994, American Factory Trawler Association (AFTA) filed litigation against the state on grounds that the landing tax is unconstitutional under both U.S. and Alaska constitutions. On September 22, 1994, the Alaska Superior Court granted the state summary judgment on the basis that AFTA failed to exhaust administrative remedies available in Department of Revenue. AFTA members will likely seek administrative remedy when they file landing tax returns in the spring of 1995.

Bonding Program Transferred to IEAD. Under Executive Order 85 adopted in 1993, the bonding program that serves as security for collection of wages and payment for raw fish was transferred from Department of Labor to IEAD.

The bonding program was transferred to increase efficiencies and reduce the number of agencies that fisheries business must interact with to become licensed in Alaska. IEAD incorporated the bonding program into its fisheries business license program.

Unclaimed Property Stocks Liquidated. As provided under statutes, IEAD liquidated stocks held by IEAD under the unclaimed property program for more than 3 years. The liquidation yielded $350,000 which was deposited in the Unclaimed Property Trust account within the General Fund. Amounts attributable to individual stocks were credited to the respective owner's account. Owners may claim the liquidated amount by submitting a refund claim with IEAD.

NEW LEGISLATION

Six bills which impact Income and Excise Audit Division were passed by the 1994 legislature and signed by the governor. The bills are summarized below.

HB 420 (Ch 99 SLA 94) - Limited Liability Companies. This bill authorizes business entities to organize and be recognized as limited liability companies (LLC) under Department of Commerce and Economic Development statutes.

Even though classified as a corporation for most purposes, LLCs escape taxation under the state's corporation net income tax statutes. LLCs are treated as partnerships for taxation under the Internal Revenue Code (IRC). With repeal of individual income tax statutes in 1980, partnership income (taxed at the individual level) is not subject to income taxes in Alaska.

Although LLCs will not normally be subject to corporation net income tax, LLCs will be required to file returns on an informational basis with the Department since they are recognized as a form of corporation. This bill becomes effective July 1, 1995.

HB 453 (Ch 42 SLA 94) - Tax on Residual Fuel Oil. This bill decreases the tax rate on residual fuel oil (bunker fuel) used in passenger watercraft, namely cruise ships, after Department of Revenue has collected $205,000 in taxes attributable to bunker fuel sales. The tax rate on bunker fuel, after the $205,000 has been collected, will decrease from 5¢ to 1¢ per gallon. For purposes of this bill, residual fuel oil is defined as number 6 fuel oil that is residue from crude oil after refined petroleum products have been extracted.

Administratively, taxpayers will pay 5¢ per gallon on all bunker fuel sales throughout the year. Department of Revenue will compile tax collection data for each year ending September 30 and refund taxpayers for the difference between the 5¢ and 1¢ per gallon rate once the $205,000 threshold is met.

This bill was retroactive to October 1, 1993 and is effective through June 30, 1998. Since taxes collected from bunker fuel sales were less than $205,000 for the period ending September 30, 1994, no refunds were issued during the program's first year.

HB 505 (Ch 14 SLA 94) - Appropriations to/from Constitutional Budget Reserve Fund (CBRF). This bill appropriated funds to CBRF to comply with orders of the Alaska Supreme Court and Alaska Superior Court that certain mineral-related monies previously deposited in the General Fund be restored to CBRF. During FY 94, the courts overturned an attorney general's opinion and ruled that the constitutional amendment establishing CBRF applies to monies received as a result of assessment or informal conference. Department of Revenue had accounted for these monies in the General Fund consistent with an Attorney General opinion issued in April 1992.

This bill appropriated $1,054,633,534 ($1,006,038,474 principal and $48,595,060 interest) from the General Fund to CBRF. Latter sections of the bill appropriated the $1,054,633,534 back to the General fund. The bill was passed by the legislature on April 13, signed by the Governor on April 14 and became effective April 15, 1994.

SB 225 (Ch 21 SLA 94) - Education Credit for Insurance Companies. This bill authorizes insurance companies to claim a credit for contributions to educational institutions against their insurance tax liabilities. The maximum credit which may be claimed is $150,000 per year. While the insurance tax program is administered by Department of Commerce and Economic Development, insurance companies are required to combine the credit claimed under this bill with credits claimed under Department of Revenue tax programs so that the total credit under all programs does not exceed $150,000 per year.

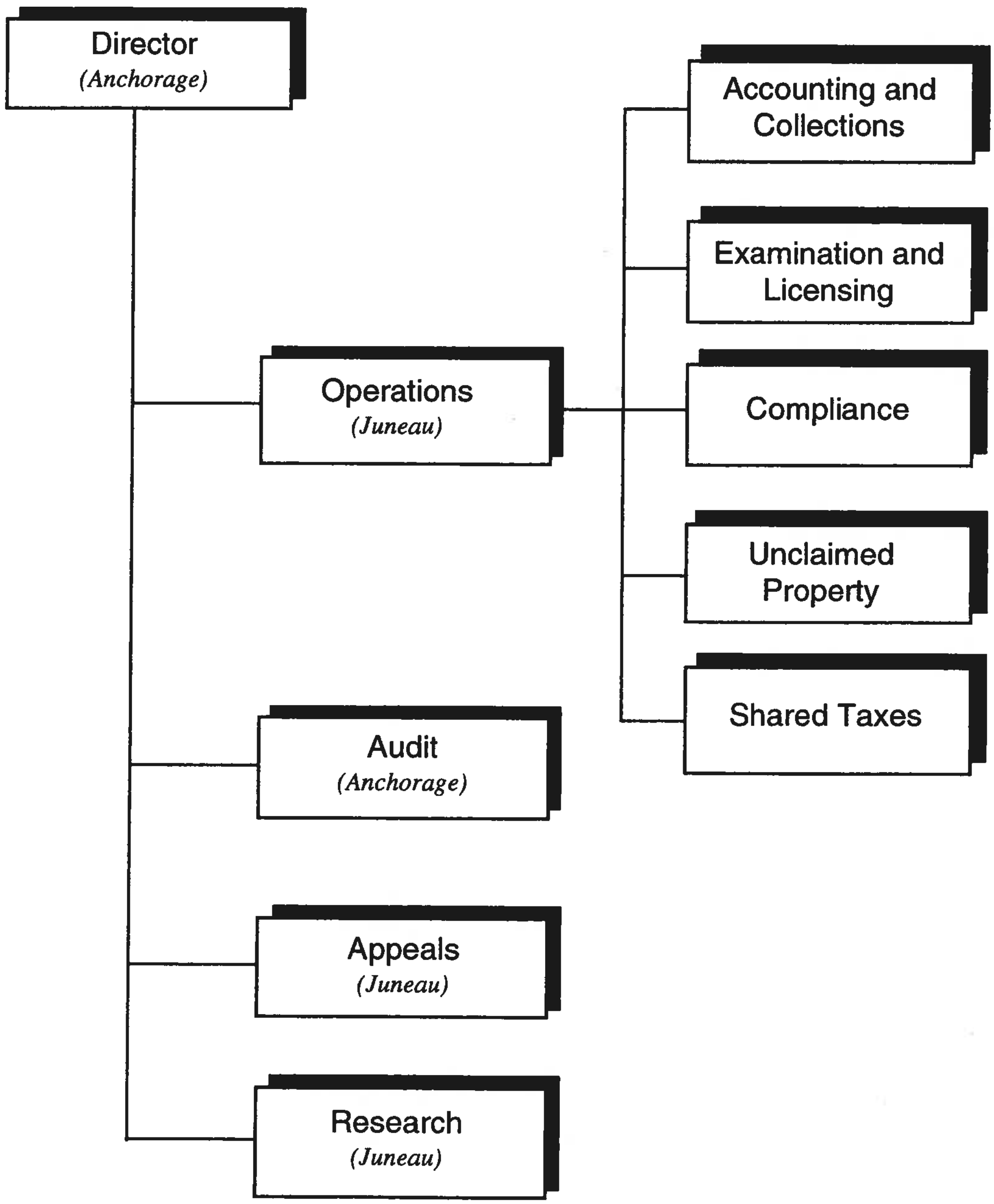
SB 256 (Ch 127 SLA 94) - Increase Aviation Fuel Tax. This bill increases motor fuel tax rates on aviation fuel by .7 cents per gallon under AS 43.40.010 (aviation gasoline from 4 to 4.7 and aviation (jet) fuel from 2.5 to 3.2 cents per gallon). The rates became effective September 27, 1994.

SB 357 (Ch 126 SLA 94) - Repeal Annual Report Requirements. This bill repealed Department of Revenue's requirement to submit an annual report to the legislature on the amount education tax credits claimed under the following statutes: corporation net income (AS 43.20); mining license (AS 43.65) and fisheries business (AS 43.75). Also, this bill repealed the Department's requirement to submit an annual report to the legislature on the amount of cigarette and tobacco taxes collected during the preceding fiscal year. This bill became effective July 1, 1994.

Although the statutory reports will no longer be submitted to the legislature, cigarette and tobacco tax revenue and education tax credit information is included in budget documents and the Division's annual report. The Division annual report is distributed to all legislators and made available to the public upon request.

ORGANIZATION

ORGANIZATION CHART



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COMPONENT FUNCTIONS

During the fiscal year, Income and Excise Audit Division (IEAD) was staffed by 57 full-time positions and had offices located in Juneau, Anchorage and Seattle. IEAD was functionally organized into four components: **Operations, Audit, Appeals** and **Research**.

OPERATIONS COMPONENT

Operations, located in Juneau, is responsible for initial receipt and processing of returns and tax 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 is staffed by 8 full-time positions and is responsible for receiving and processing tax payments, data entering tax information from all returns received by the Division, reconciling tax revenues, and maintaining the IEAD's tax accounting system (masterfile).

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

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

Accounting and Collections is responsible for enforcement of delinquent accounts. Enforcement includes contacting taxpayers for payment and taking appropriate actions to collect delinquencies such as filing liens and levying taxpayer 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 all settlement payments which accounts for the nature of each payment and the different funds to which the payment was allocated. The Unit issues monthly reports summarizing total amounts deposited in each fund.

Examination and Licensing

Examination and Licensing is staffed by 12 full-time positions and responsible for examining selected returns with a tax deficiency or refund/credit request and issuing licenses to taxpayers. As part of the examination process, examiners generate assessments for additional taxes and penalties due.

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 information returns.

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

Corporation Tax is responsible for 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 with a retention schedule of three years. Returns and related documents older than three years are archived each year.

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

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

On July 1, 1993 the Section assumed responsibility for the fish processor and buyer bonding program which was previously administered by the Alaska Department of Labor. This program was integrated into the fisheries licensing program to increase efficiency in the overall administration of both programs.

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

The Section issues refunds to persons 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 the Department of Commerce and Economic Development to report salmon enhancement tax data which 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 semi-annually prepares a wholesale canned salmon report required under AS 43.80.050. The report includes data for the periods April through September and October through March and 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.

Effective January 1, 1994, the Fish and Excise Tax implemented the new fishery resource landing tax. First year returns for calendar year 1994 are due in spring of 1995.

Compliance

Compliance Unit was established in October 1993. The Unit is responsible for securing returns from businesses and individuals required to file tax returns.

Compliance compares data from other 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 was integrated into the Compliance Unit to facilitate identification of corporations with Alaska tax filing requirements.

Shared Taxes

Shared Taxes is responsible for sharing certain 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 revenues subject to sharing.

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.

During FY 94, Shared taxes issued $20.3 million in warrants to 121 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 tax revenues not previously subject to sharing are shared through allocation with municipalities statewide. IEAD transmits the additional sharing amount to Department of Community and Regional Affairs (DCRA) who is responsible for allocating monies to municipalities based on a formula as specified under DCRA regulations.

Unclaimed Property

Unclaimed Property is responsible for administering the state's unclaimed property program under AS 34.45. During the fiscal year, the Unit relocated from the Department of Labor Building to the State Office Building.

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 Juneau.

AUDIT COMPONENT

Audit is staffed by 18 full-time positions and is responsible for carrying out the Division's audit activities. During FY 94, IEAD maintained audit field offices in Seattle and Anchorage.

Audit activities cover all tax types administered by IEAD with emphasis placed on oil and gas and large multistate corporation taxpayers. Audit results may be shared with Internal Revenue Service and other states which have exchange of information agreements with the Department.

A significant amount of revenue has been collected by the state as a result of audit activity.

APPEALS COMPONENT

Appeals is staffed by 3 full-time positions located in Juneau. AS 43.05.240, Taxpayer Remedies, is the Department's authorization underlying the aggrieved taxpayer process. 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 which 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 also responsible for participating in an alternative resolution, i.e. settlement process. Officers negotiate with taxpayers and make recommendations to management and the Attorney General's office.

RESEARCH COMPONENT

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

Research monitors state and national economic conditions and conducts research needed to anticipate economic and business trends that affect tax revenue.

TAX PROGRAM DETAIL

Table 4 - Revenue Collections Detail

	FY 94	FY 93	FY 92
CORPORATION NET INCOME			
General Fund			
Current Year Tax Before Credits			
Regular Corporations	$ 44,438,292	$ 25,549,028	$ 36,519,357
Oil and Gas Corporations	50,455,794	117,618,112	118,037,309
Less Alaska Education Credit	(793,783)	(469,178)	(95,250)
Total Current Year	94,100,303	142,697,962	154,461,416
Payments (Refunds) from Amended Returns	(32,343,616)	84,462,020	1,947,249
Total Receipts - General Fund	**61,756,687**	**227,159,982**	**156,408,665**
Constitutional Budget Reserve (CBRF)			
Chapter 20 - Worldwide Apportionment	32,048,325	555,371,360	1,836,347
Chapter 21 - Separate Accounting	81,690,758	89,723,154	41,778,133
Total Receipts - CBRF	**113,739,083**	**645,094,514**	**43,614,480**
Total Receipts - All Funds	**$175,495,770**	**$872,254,496**	**$200,023,145**
MOTOR FUEL			
Highway	36,274,833	38,703,424	40,127,477
Aviation	9,088,513	9,566,039	10,718,058
Marine	8,369,921	9,011,190	9,369,890
Penalties and Interest	59,111	55,397	72,567
Less Timely Filing Deductions[1]	(64,824)	(65,037)	(61,643)
Gross Receipts	53,727,554	57,271,013	60,226,349
Less Claims for Refund	(13,220,781)	(16,528,105)	(16,979,666)
Total Receipts	**40,506,773**	**40,742,908**	**43,246,683**
Less Aviation Fuel Tax Shared	(109,852)	(116,796)	(110,166)
Amount Retained by State	**$40,396,921**	**$40,626,112**	**$43,136,517**

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

	FY 94	FY 93	FY 92
FISHERIES BUSINESS			
Established			
Shore-based	16,395,401	22,549,210	13,583,954
Floating	12,637,377	13,100,428	11,189,986
Cannery	4,109,362	5,138,902	3,990,951
Developing			
Shore-based	26,598	200,628	1,137,683
Floating	905	31,052	221,111
1994 Prepayments	1,048,143	1,175,517	1,833,028
Penalties and Interest	93,399	341,128	280,179
Fisheries Business License Fees	15,275	14,425	13,100
Total Tax Before Credits	34,326,460	42,551,290	32,249,992
Less Credits			
Winn Brindle	(398,876)	(367,458)	(311,745)
Fisheries Business	0	(17,423)	(1,769,550)
Alaska Education	(500)	(575)	0
Total Receipts	**33,928,444**	**42,165,834**	**30,168,697**
Less Fisheries Tax Shared			
Department of Revenue	(16,344,252)	(20,895,923)	(14,617,512)
Department of Community and Regional Affairs	(837,572)	(675,507)	N/A
Amount Retained by State	**$16,746,620**	**$20,594,404**	**$15,551,185**

Table 4 - Revenue Collections Detail

	FY 94	FY 93	FY 92
TOBACCO			
Cigarette	15,548,201	15,643,756	15,946,650
Tobacco Products	1,403,775	1,223,616	1,184,040
Penalties and Interest	2,937	8,707	13,070
Less 1% Deductions[1]	(166,910)	(165,271)	(171,297)
Total Receipts	**16,788,003**	**16,710,808**	**16,972,464**
Less Amount Transferred to School Fund	(2,654,890)	(2,668,122)	(2,721,688)
Amount Retained in General Fund	**$14,133,113**	**$14,042,686**	**$14,250,776**
ALCOHOLIC BEVERAGES			
Liquor	6,129,284	6,159,754	6,332,885
Beer	4,769,868	4,643,698	4,695,065
Wine	1,056,462	1,095,353	1,006,228
Total Receipts	**$11,955,614**	**$11,898,804**	**$12,034,178**
SALMON ENHANCEMENT			
Aquacultural Region			
Southern Southeast	1,813,247	1,805,983	1,310,027
Northern Southeast	1,088,658	1,133,843	891,518
Kodiak	796,821	852,676	751,946
Cook Inlet	610,053	1,957,437	339,692
Prince William Sound	434,271	656,014	571,389
Chignik	196,101	304,370	227,264
Total Aquacultural Regions	4,939,151	6,710,323	4,091,836
Penalties and Interest	15,064	35,512	62,304
Total Receipts	**$4,954,215**	**$6,745,835**	**$4,154,140**
APUC REGULATORY COST CHARGES *(Program Effective 11/1/92)*			
Electric Utilities	1,815,175	1,084,080	N/A
Telephone Utilities	1,028,825	503,888	
Other Utilities	968,426	550,337	
Pipeline Carriers	444,702	241,077	
Penalties and Interest	13,595	959	
Total Receipts	**$4,270,723**	**$2,380,341**	
SALMON MARKETING *(Tax Effective July 1, 1993)*			
Tax Receipts	3,011,895	N/A	N/A
Penalties and Interest	7,048		
Total Receipts	**$3,018,943**		
SEAFOOD MARKETING ASSESSMENT			
Seafood Marketing Assessments	2,718,316	3,535,259	2,725,796
Penalties and Interest	6,909	27,988	17,434
Total Receipts	**$2,725,225**	**$3,563,247**	**$2,743,230**

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

Table 4 - Revenue Collections Detail

	FY 94	FY 93	FY 92
ESTATE			
Total Receipts	**$1,616,313**	**$918,402**	**$1,029,064**
ELECTRIC COOPERATIVE			
Total Receipts	**1,355,282**	**1,275,532**	**1,291,865**
Less Cooperative Taxes Shared	(1,286,917)	(1,206,324)	(1,224,686)
Amount Retained by State	**$68,365**	**$69,208**	**$67,179**
TELEPHONE COOPERATIVE			
Total Receipts	**1,253,906**	**903,378**	**808,807**
Less Cooperative Taxes Shared	(1,213,665)	(861,372)	(770,933)
Amount Retained by State	**$40,241**	**$42,006**	**$37,874**
ALASKA BUSINESS LICENSE			
Total Receipts	**$573,629**	**$0**	**$0**
MINING LICENSE			
General Fund			
Current Year Tax Before Credits	311,894	564,140	464,857
Less Alaska Education Credit	(150,000)	(150,000)	(3,100)
Total Receipts - General Fund	**161,894**	**414,140**	**461,757**
Total Receipts - CBRF	**7,491**	**11,467**	**3,396**
Total Receipts - All Funds	**$169,385**	**$425,607**	**$465,153**
FISHERY RESOURCE LANDING *(Tax Effective January 1, 1994)*			
Total Receipts (Estimated Payments)	**$102,424**	**N/A**	**N/A**
COIN-OPERATED DEVICES			
Tax Receipts	94,891	106,361	107,352
Penalties and Interest	614	1,833	498
Total Receipts	**95,505**	**108,194**	**107,850**
Less Device Tax Shared	(47,161)	(48,289)	(51,881)
Amount Retained by State	**$143,849**	**$168,099**	**$163,818**
INDIVIDUAL INCOME			
Total Receipts	**$16,000**	**$16,460**	**$237,716**
CIGARETTE LICENSE FEES *(Deposited Directly to School Fund)*			
Total Receipts	**$3,435**	**$3,760**	**$3,545**

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
1983	$5.60
Wine	
1933	$.05
1937	$.15
1947	$.25
1957	$.50
1961	$.60
1983	$.85
Beer	
1933	$.05
1947	$.10
1957	$.25
1983	$.35

FY 94 Statistics

Tax Collections	$11,955,614
Number of Returns	156
Number of Taxpayers	13

	Taxable Gallons Sold
Beer	13,628,188
Wine	1,242,897
Liquor	1,094,515

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 94 Statistics

Tax Collections	$95,505
Number of Returns	358
Number of Taxpayers	329

Corporation Net Income Tax
AS 43.20

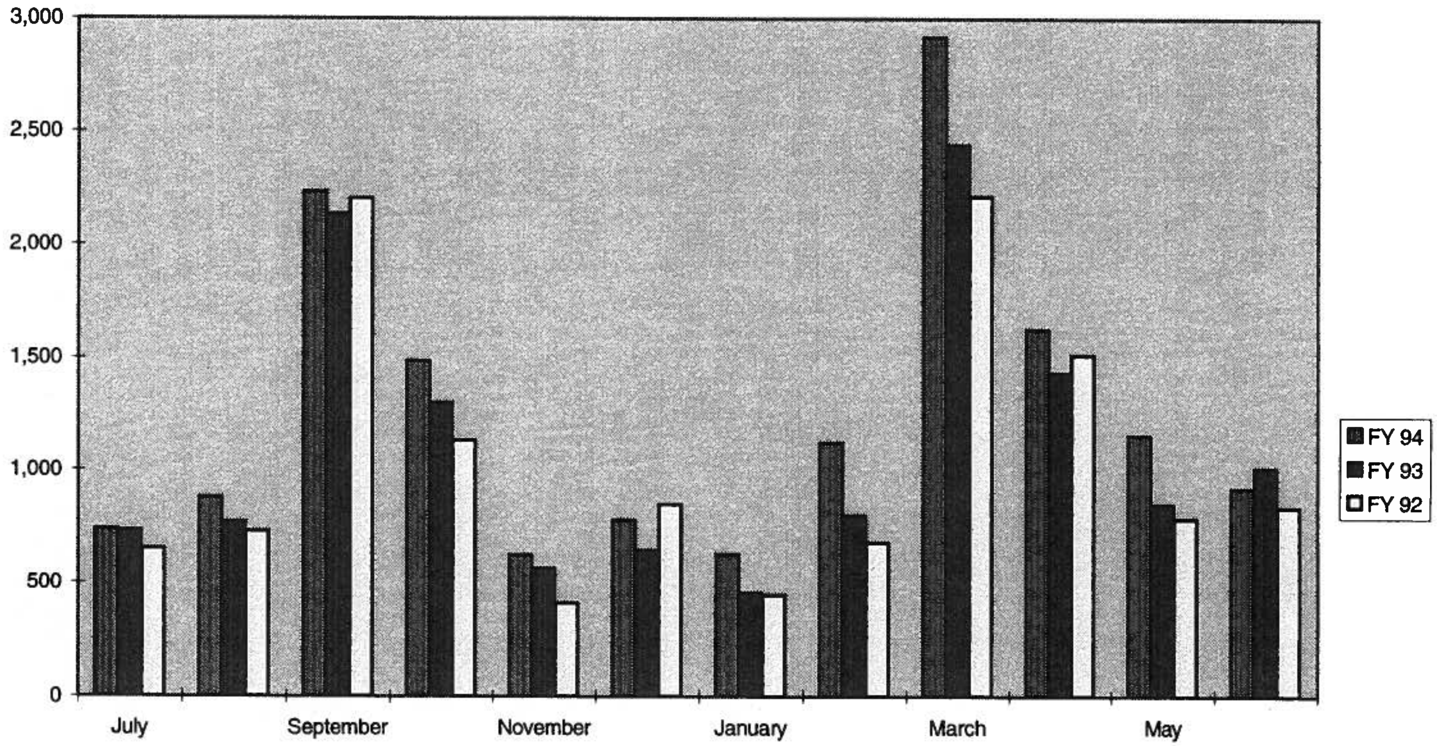
Description

The corporation net income tax is imposed on net income of corporations deriving 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.

Table 5 - Corporation Tax Return Filing Activity

For Fiscal Years 1992, 1993 and 1994



Fiscal Year	FY 94	FY 93	FY 92
Total Returns Filed	15,070	13,101	12,343

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 21.66.110, 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 nonrefundable tax credit for the amount of contributions not to exceed $150,000.

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 an assessment issued by the Department is deposited in the Constitutional Budget Reserve Fund.

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

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

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

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

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

In 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.

FY 94 Statistics

Tax Collections	$61,756,687
Number of Returns	15,070
Number of Taxpayers	13,641

Return Type	*# Filed*
Subchapter C	7,163
Subchapter S	4,106
Inactive	1,358
Loss Carryback	543
Amended	515
Exempt Organizations	477
Homeowners	357
IRS Audit Adjustment	382
Other	169
Total	15,070

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 94 Statistics

Tax Collections	$1,355,282
Number of Returns	16
Number of Taxpayers	16

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 estate tax. The estate tax statutes tied to the state credit under Internal Revenue Code estate tax laws.

FY 94 Statistics

Tax Collections	$1,616,313
Number of Returns	42
Number of Death Certificates Issued	502

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 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 which 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 nonrefundable tax credit for the amount of contributions not to exceed $150,000.

Scholarship Contributions - Taxpayers who make contributions to the A.W. "Winn" Brindle memorial scholarship account may take a nonrefundable 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 1991, the Alaska education credit was restructured and the maximum amount was increased to $150,000.

In 1992, the legislature enacted a provision which authorized sharing 50% of taxes sourced from processing activities in the unorganized borough.

FY 94 Statistics

Tax Collections	$33,928,444
Number of Returns	654
Number of Taxpayers	603

Fisheries Business Licenses Issued

Floating	285
Shore-based	242
Exporter	76
Total	**603**

Civil Penalties Assessed

	#
First Offense	24
Second Offense	1
Third Offense	1

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 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.

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

For taxes sourced from landings 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 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.

Mining License Tax
AS 43.65

Description
The mining license tax is imposed on mining net income and royalties received in connection with mining properties in Alaska. Mining license taxes are primarily collected from businesses engaged in 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, all 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 nonrefundable tax credit for the amount of contributions not to exceed $150,000.

Disposition of Revenue
All revenue derived from the mining license tax is deposited in the General Fund.

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.

FY 94 Statistics

Tax Collections	$176,876
Number of Taxpayers	358
Number of Returns	384

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.

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)

Table 6 - Taxable Motor Fuel Gallons Sold in Alaska

For the Fiscal Year Ended June 30, 1994

	Highway		Aviation		Marine		
	Gasoline	Diesel	Gasoline	Jet Fuel	Gasoline	Diesel	Total
Gross Gallons Sold	242,239,341	484,617,925	21,036,094	787,832,165	11,012,232	166,041,952	1,712,779,709
Less Exemptions*	(16,872,591)	(285,914,729)	(491,728)	(544,902,449)	(633,900)	(11,397,441)	(860,212,838)
Fuel Reclassifications	(39,699)	(890,166)	112,847	0	38,013	779,005	0
Total Taxable Gallons	**225,327,051**	**197,813,030**	**20,657,213**	**242,929,716**	**10,416,345**	**155,423,516**	**852,566,871**
Tax Rate	0.08	0.08	0.04	0.025	0.05	0.05	*Variable*
Gross Tax	**$18,026,164**	**$15,825,042**	**$826,289**	**$6,073,243**	**$520,817**	**$7,771,176**	**49,042,731**
Less Off-Highway Refunds							
Gallons Used Off-Highway	2,525,933	137,440,933	0	0	78,467	4,329,300	144,374,633
Refund Rate	(0.06)	(0.06)	N/A	N/A	(0.03)	(0.03)	*Variable*
Total Off-Highway Refunds	**(151,556)**	**(8,246,456)**	**0**	**0**	**(2,354)**	**(129,879)**	**(8,530,245)**
Net Tax (Gross Tax Less Refunds)	**$17,874,608**	**$7,578,586**	**$826,289**	**$6,073,243**	**$518,463**	**$7,641,297**	**$40,512,486**
Penalties and Interest							59,111
Timely Filing Deductions							(64,824)
Total Collections							***$40,506,773***

*Detail of Exemptions (in Gallons)

	Highway		Aviation		Marine		
	Gasoline	Diesel	Gasoline	Jet Fuel	Gasoline	Diesel	Total
Exempt Gallons							
Heating Fuel	18,351	159,085,994	0	65,866	0	0	159,170,211
Federal Government	3,962,488	9,616,851	243,580	81,676,313	87,991	3,066,064	98,653,287
State/Local Government	4,910,825	16,070,299	236,160	163,469	191,659	6,052,185	27,624,597
Charitable Institutions	75,401	501,701	11,988	9,246	6,318	26,930	631,584
Public Utilities	78,813	33,129,343	0	0	0	0	33,208,156
Power Plants	91,530	4,229,318	0	0	0	0	4,320,848
Foreign Flights	0	0	0	338,188,031	0	0	338,188,031
Bonded Jet Fuel	0	0	0	113,648,943	0	0	113,648,943
Exported	7,718,377	60,924,240	0	11,150,581	163,113	2,248,810	82,205,121
Oil and Gas Operations[1]	0	2,356,983	0	0	0	0	2,356,983
Gasohol	0	0	0	0	0	0	0
Other	16,807	0	0	0	184,819	3,452	205,078
Total Exempt Gallons	**16,872,591**	**285,914,729**	**491,728**	**544,902,449**	**633,900**	**11,397,441**	**860,212,838**
Tax Rate	0.08	0.08	0.04	0.025	0.05	0.05	*Variable*
Tax Equivalent	**$1,349,807**	**$22,873,178**	**$19,669**	**$13,622,561**	**$31,695**	**$569,872**	**$38,466,783**

[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.

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 94 Statistics

Tax Collections	$40,506,773
Number of Taxpayers	160
Number of Returns	1,923

Refer to the Table 6 on page 28 for detailed statistics on gallons sold, exemptions and refunds.

Regulatory Cost Charges
AS 42.05.253
AS 42.06.285

Under legislation (Ch 2 FSSLA 92) enacted by the legislature, Department of Revenue is charged with collecting regulatory cost charges (RCC) for the Alaska Public Utilities Commission (APUC). The RCC program took effect November 1, 1992 and will sunset December 31, 1994.

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, due to the RCC program sunsetting on December 31, 1994, APUC required that utilities estimate revenues or sales for the fiscal year and remit RCCs on an annualized basis in one payment due December 1, 1994. The amount due was based on a formula established in APUC regulations.

For FY 94, the following rates applied:

Electric Utilities	$.000386/kWh
Other Utilities and Pipeline Carriers	.4% of revenues

Returns
Returns are filed quarterly and are 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

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 RCCs collected.

History
The Alaska legislature enacted the RCC program in 1992 which was intended to cover APUC's costs of regulating utilities. Rates went into effect through regulations which became effective November 1, 1992.

Rates for FY 93 were as follows:

Electric Utilities	$.000626/kWh
Other Utilities and Pipeline Carriers	.653% of revenues

Rates were higher in FY 93 to compensate for costs incurred by APUC prior to the rates' November 1 effective date.

FY 94 Statistics

Total RCC Collections	$4,270,723
Number of Taxpayers	104
Number of Returns	407

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 may 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 to the Department which are collected from fishers.

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

Region	*Rate*	*Effective*
Southern Southeast	3%	1980
Northern Southeast	3%	1980
Cook Inlet	2%	1980
Prince William Sound	2%	1985
Kodiak	2%	1989
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 94 Statistics

Tax Collections	$4,954,215
Number of Taxpayers	68
Number of Returns	692

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 94 Statistics

Tax Collections	$3,018,943
Number of Taxpayers	87
Number of Returns	679

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 94 Statistics

Assessment Collections	$2,725,225
Number of Tax Returns	369
Number of Taxpayers	76

Telephone Cooperative Tax
AS 10.25.550

Description
The telephone cooperative tax is levied on gross revenue of qualified telephone cooperatives under AS 10. Taxes are collected from cooperatives.

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

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

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

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

Disposition of Revenue
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

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 94 Statistics

Tax Collections	$1,253,906
Number of Taxpayers	7
Number of Tax Returns	7

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
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 94 Statistics

Tax Collections	$16,788,003
License Fee Collections	$3,435
Number of Taxpayers	51
Number of Returns	513
Number of Taxable Cigarettes Sold	1,072,289,724
Total Wholesale Price of Tobacco Products Sold	$5,615,100

Unclaimed Property
AS 34.45

Description
Intangible and personal property which are abandoned or for which the owner cannot be located are subject to the state's unclaimed property statutes. Under these statutes, holders are required to report and remit unclaimed property to the state.

Unclaimed property is held in trust by the state until the property is claimed by its rightful owner. 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

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 Juneau.

The abandonment period, or period of time for which property has remained unclaimed, differs by type of property. Before turning over property to IEAD, holders are required to make reasonable efforts in locating owners.

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 Proposals 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 94 Statistics

	FY 94	*FY 93*	*FY 92*
Reports Received	1,642*	2,826	1,946
Owners Reported	15,675	15,187	15,028
Owner Inquiries	5,256	4,286	3,951
Owners Refunded	1,330	1,363	1,386
Amounts Refunded	$423,200	$337,000	$265,800

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

Account Balance
As of June 30, 1994

Beginning Balance as of 6/30/93	$1,033,477	
Prior Year Adjustment*	95,268	
Adjusted Beginning Balance		1,128,745
Add Deposits		1,909,025
Less Transfers and Refunds		
Transfer to General Fund	1,905,800	
Refunds	430,901	
Transfer to Other States	319,420	
Total Transfers and Refunds		(2,656,121)
Ending Balance as of 6/30/94		$ 381,649

* Amount of deposits and activity posted during the FY 93 reappropriation period (July/August 1993) which were not reported in our FY 93 Annual Report.

Audit Program

Audit placed emphasis on accelerating the closure of open audit cases for tax years dating back to the mid-1980s, primarily oil and gas corporation tax cases. As part of its ongoing audit program, Audit focused on enhancing audit selection criteria to identify returns with maximum potential audit gains.

As a result, significant additional revenue was collected by the state during FY 94. While not as high as FY 93, when an extraordinary $630 million settlement was received, collections resulting from audit assessments were $33.7 million in FY 94.

FY 94 Statistics

Additional Tax Collections from Audits

Tax Type	*Collections*
Corporation Tax	
Oil and Gas	$32,048,300
Other	948,900
Motor Fuel	61,600
Fisheries Business	638,700
Total	**$33,697,500**

Appeals Program

Appeals continued to focus efforts on closing its inventory of oil and gas corporation net income tax cases. As a result, Appeals closed 17 large taxpayer cases representing 68 tax periods which resulted in collections of over $27 million. Appeals closed 229 other tax periods during the fiscal year.

Appeals continued to provide technical assistance to IEAD and department staff which included work with legislation, regulations and technical rulings. Appeals drafted policy guidelines to be used by agencies in allocating mineral-related settlement funds between the General Fund and Constitutional Budget Reserve Fund.

FY 94 Statistics

	*In Tax Periods**	
	FY 94	***FY 93***
Beginning Inventory	268	349
Plus New Cases	316	311
Less Closed Cases	(297)	(392)
Ending Inventory	287	268

**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 Taxes

Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Last Tax Change	Current Tax Rate	Latest Change	Chan
ation *orporate* *ie*	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	1991	Water's ed method of calculation adopted
'uel *iel sold* *ight into*	AS 43.40	1945	1¢ per gallon on all fuels	Highway	1970	8¢ per gallon	1994	Aviation fu increased l per gallon
				Marine	1977	5¢ per gallon		
				Aviation Gas	1994	4.7¢ per gallon		
				Jet Fuel	1994	3.2¢ per gallon		
ɪs *sheries* *;* *d in or* *from*	AS 43.75	1913	7¢ per case of canned salmon Other - dollar amount based on revenues	Floating[1]	1979	5% of value	1993	Definition c "value" am to be more inclusive
				Cannnery[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		
ɔ *garettes* *cco sold*	AS 43.50	1949	Cigarettes 3¢/pack	Cigarettes	1989	14.5 mills/cigarette (29¢ per pack)	1992	Provisions revoke or suspend li adopted
			Tobacco 2¢/ounce *(Repealed in 1955)*	Tobacco	1988	Tax on tobacco reenacted - 25% of price		
coholic *s sold in*	AS 43.60	1937	Liquor 50¢/gallon	Liquor	1983	$5.60 per gallon	1983	Increased tax rates
		1933	Wine 5¢/gallon	Wine	1983	$.85 per gallon		
			Beer 5¢/gallon	Beer	1983	$.35 per gallon		

[1] Established Species [2] Developing Species

Appendix A

Historical Overview of Taxes

Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Last Tax Change	Current Tax Rate	Latest Change	Cha
n cement *value of* *paid by* *o fund* *ement* *is*	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 e 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		
net *of mining* *s*	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	1991	Increased education from $10($150,000
estate *s*	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 compounc on tax pe 43.05.225
)perated *coin-* *d devices*	AS 43.35	1941	12½% of gross receipts on all machines	Class 1 Device	1960	$48 per device	1960	Decrease of residen distributor to 1 year
				Class 2 Device	1960	$120 per device		
				Class 3 Device	1960	$240 per device		
od ing *nent on* *fisheries* *ors*	AS 16.51	1981	Voluntary assessment of either .1%; .2% or .3% of value as elected by processors	Assessment on value of fisheries purchased of $50,000	1981	.3% of value	1993	Landing T legislation .3% of va

Appendix A

Historical Overview of Taxes

ype	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Last Tax Change	Current Tax Rate	Latest Change	Chan
and ne ative *ectric hone provided atives*	AS 10.25.550 Telephone	1959	1% gross revenues if operating < 5 years	% of gross revenues	N/A	1% gross revenues if operating < 5 years	1980	Broke out for taxing on KwH
						2% gross revenues if operating ≥ 5 years		
	AS 10.25.555 Electric		2% gross revenues if operating ≥ 5 years	Mills per KwH	1980	\$.00025/KwH if in operation < 5 years		
						\$.0005/KwH if in operation ≥ 5 years		
RCC[1] *ge on d ctivities*	AS 42.05.253 Utilities	1992	Electricity \$.000626/KwH	Rate per KwH	1993	\$.000386 per KwH	1993	RCC provi sunsets 12 Utilities pa on annuali basis due
lic Utilities / Cost			Other Utilities .653% Revenues	Rate x Revenues	1993	.4% Revenues		
	AS 42.06.285 Pipelines	1992	.653% Revenues	Rate x Revenues	1993	.4% Revenues		
Income *come federal*	AS 43.20	1949	10% of Federal income tax paid	Repealed	1980	N/A	1980	Tax repeal retroactive
nount on tax	AS 43.45	1919	\$5 tax upon each male person	Repealed	1980	N/A	1980	Tax repeal retroactive
License eceipts) *6 of siness*	AS 43.70	1949	\$25 license fee plus .5% › \$20,000 plus .25% › \$100,000	Repealed	1978	N/A	1978	Tax repeal effective 1/

Appendix B

State and Federal Tax Rate Comparison

Corporation Income Tax Rates
As of July 1, 1994

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	9.3	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	7.5	Flat Rate		1
New Jersey	9.0	Flat Rate		1
New Mexico	4.8 - 7.6	500,000	1,000,000	3
New York	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	12.25	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**	**50,000**	**18,333,333**	**8**

SOURCE: *Federation of Tax Administrators, Bulletin B-442, February 24, 1994.*

Appendix B

State and Federal Tax Rate Comparison

Highway Gasoline Tax Rates
As of July 1, 1994

State	Rate (¢ per gallon)	State Sales Tax[1] Rate	State Sales Tax[1] (¢ per gallon)	Total (¢ per gallon)	Rank	Last Change
Alabama	16			16	39	6/1/92
ALASKA	**8**			**8**	**50**	**5/28/70**
Arizona	18			18	31	7/1/90
Arkansas	18.5			18.5	30	4/1/91
California	18	5.5%	6.00	24	7	1/1/92
Colorado	22			22	13	1/1/91
Connecticut	31			31	1	7/1/94
Delaware	22			22	13	1/1/91
Florida	4	7.8%	8.50	12.5	44	1/1/92
Georgia	7.5	4.0%	4.36	11.86	17	7/1/71
Hawaii	16	4.0%	4.36	20.36	22	7/1/91
Idaho	21			21	18	4/1/91
Illinois	19	6.25%	6.82	25.82	5	1/1/90
Indiana	15	5.0%	5.46	20.46	21	4/1/88
Iowa	20			20	23	1/1/89
Kansas	18			18	31	7/1/92
Kentucky	15			15	41	4/9/90
Louisiana	20			20	23	1/1/90
Maine	19			19	28	7/1/93
Maryland	23.5			23.5	9	5/1/92
Massachusetts	21			21	18	1/1/91
Michigan	15	4.0%	4.36	19.36	27	1/1/84
Minnesota	20			20	23	5/1/88
Mississippi	18			18	31	7/1/90
Missouri	15			15	41	4/1/94
Montana	27			27	3	7/1/94
Nebraska	26			26	4	7/1/92
Nevada	22.25			22.25	12	10/1/91
New Hampshire	18			18	31	6/16/91
New Jersey	10.5			10.5	48	7/1/88
New Mexico	22			22	13	7/10/90
New York	8	4.0%	4.36	12.36	45	1/1/92
North Carolina	22			22	13	7/1/92
North Dakota	18			18	31	7/1/89
Ohio	22			22	13	7/1/93
Oklahoma	17			17	38	7/1/89
Oregon	24			24	7	1/1/92
Pennslyvania	12			12	46	9/1/91
Rhode Island	28			28	2	4/1/91
South Carolina	16			16	39	1/1/89
South Dakota	18			18	31	4/1/88
Tennesee	21			21	18	4/1/89
Texas	20			20	23	10/1/91
Utah	19			19	28	4/1/87
Vermont	15			15	41	7/1/89
Virginia	17.5			17.5	37	7/1/89
Washington	23			23	11	4/1/91
West Virginia	20.5	4.85%	5.29	25.79	6	4/1/89
Wisconsin	23.2			23.2	10	4/1/91
Wyoming	9			9	49	7/1/89
Federal	**18.4**			18.4	**N/A**	**10/1/93**
U.S. Median	**19.0**			19.0	**N/A**	**N/A**

(1) Cents per gallon figures are based on a purchase price of $1.09 per gallon, the nationwide average price of self-served gasoline as of January 1, 1994.

SOURCE: *Federation of Tax Administrators, Bulletin B-442, February 24, 1994.*

Appendix B

State and Federal Tax Rate Comparison

Cigarette Tax Rates
As of July 1, 1994

State	Rate (¢ per pack)	Rank	State	Rate (¢ per pack)	Rank
Alabama	16.5	42	Montana	18	36
ALASKA	**29**	**23**	Nebraska	34	19
Arizona	18	36	Nevada	35	18
Arkansas	31.5	21	New Hampshire	25	25
California	37	15	New Jersey	40	11
Colorado	20	33	New Mexico	21	32
Connecticut	50	5	New York	56	3
Delaware	24	27	North Carolina	5	48
Florida	33.9	20	North Dakota	44	7
Georgia	12	45	Ohio	24	27
Hawaii	60	1	Oklahoma	23	30
Idaho	18	36	Oregon	38	13
Illinois	44	7	Pennslyvania	31	22
Indiana	15.5	43	Rhode Island	44	7
Iowa	36	16	South Carolina	7	47
Kansas	24	27	South Dakota	23	30
Kentucky	3	49	Tennesee	13	44
Louisiana	20	33	Texas	41	10
Maine	39	12	Utah	26.5	24
Maryland	36	16	Vermont	20	33
Massachusetts	51	4	Virginia	2.5	50
Michigan	25	25	Washington	56.5	2
Minnesota	48	6	West Virginia	17	40
Mississippi	18	36	Wisconsin	38	13
Missouri	17	40	Wyoming	12	45

Federal	**24**	**N/A**	**U.S. Median**	**25.75**	**N/A**

SOURCE: *Federation of Tax Administrators, Bulletin B-442, February 24, 1994.*

Appendix B

State and Federal Tax Rate Comparison

Tobacco Products Tax Rates
As of July 1, 1994

State	Rate	State	Rate
Alabama	.6¢ - 4.4¢/ounce	Montana	12% 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	27% Wholesale Price
California	23% 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	35% 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% 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	N/A	Washington	75% 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, Bulletin B-442, February 24, 1994*.

Appendix B

State and Federal Tax Rate Comparison

Distilled Spirits Tax Rates
As of July 1, 1994

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	5.75	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, Bulletin B-442, February 24, 1994.*

Appendix B

State and Federal Tax Rate Comparison

Wine Tax Rates
As of July 1, 1994

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	1.30	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, Bulletin B-442, February 24, 1994*.

Appendix B

State and Federal Tax Rate Comparison

Beer Tax Rates
As of July 1, 1994

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	.89	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, Bulletin B-442, February 24, 1994*.

Appendix B

State and Federal Tax Rate Comparison

Individual Income Tax Rates
As of July 1, 1994

State	Rate (%)	Tax Brackets Lowest	Tax Brackets Highest	Number of Brackets
Alabama	2.0 - 5.0	500	3,000	1
ALASKA	***No State Income Tax***			N/A
Arizona	3.8 - 7.0	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	1,000	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 - 6.0	1,000	100,000	5
Massachusetts	6.0	Flat Rate		1
Michigan	4.6	Flat Rate		1
Minnesota	6.0 - 8.5	14,780	48,550	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	1,700	61,100	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	2.0 - 7.0	20,000	75,000	5
New Mexico	1.8 - 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	2,050	5,150	3
Pennslyvania	2.80	Flat Rate		1
Rhode Island	*27.5% Federal Tax Liability*			N/A
South Carolina	2.5 - 7.0	2,170	10,850	6
South Dakota	*No State Income Tax*			N/A
Tennesee	*Tax Limited to Dividends and Interest*			1
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**	**19,000**	**250,000**	**5**

SOURCE: *Federation of Tax Administrators, Bulletin B-442, February 24, 1994.*