STATE OF ALASKA

DEPARTMENT OF REVENUE
Tax Division

Fiscal Year 2002

ANNUAL REPORT OF DIVISION OPERATIONS

On the internet at:
www.tax.state.ak.us

Tony Knowles
Governor

Wilson L.Condon
Commissioner

2002

This annual report provides an overview of programs administered by the Tax Division and reports revenue collections and other information related to those programs. This report also explains the organizational structure of the division.

The information covers fiscal year 2002 which ended June 30, 2002.

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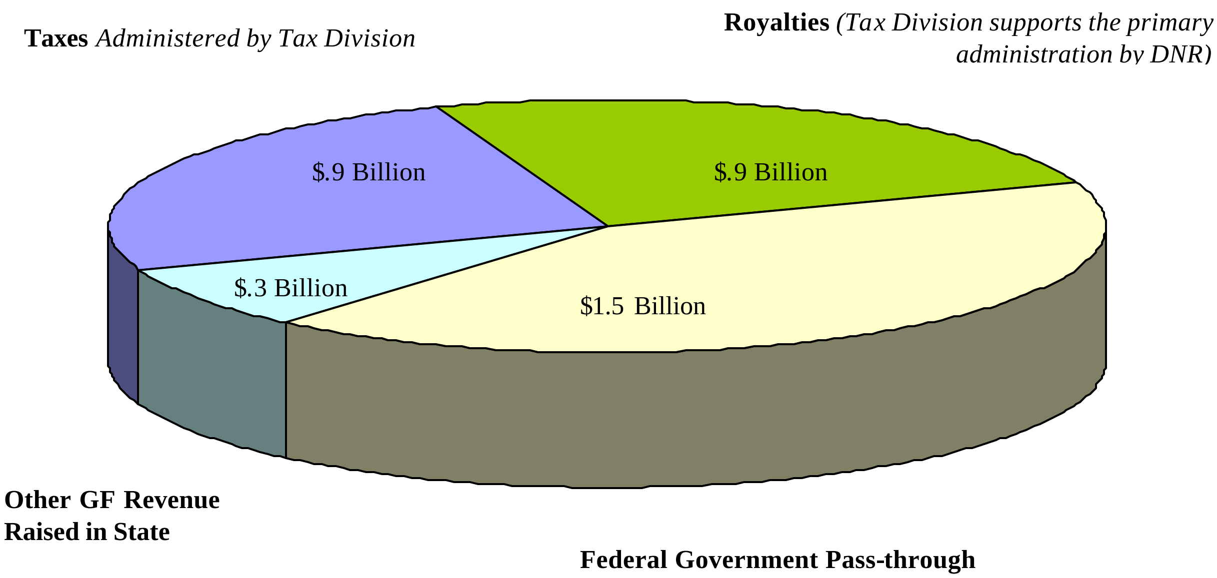
Tax Division Overview

The Tax Division continues to have extensive responsibility for administering the tax programs that help pay for a significant portion of state government. During FY 2002 about half of the General Fund Revenue is a result of collections from tax programs and oil and gas royalties that we directly administer or have shared responsibility for. See the chart below for a detail of FY 2002 General Fund revenues of $3.6 billion dollars *(source: preliminary, as of October 2002, data from the Alaska State Accounting System)*.



Tax programs administered by the Division:

Oil and Gas Taxes
- Oil and Gas Corporate Income
- Oil and Gas Production
- Oil and Gas Property
- Oil and Gas Surcharge

Excise Taxes
- Mining License
- Motor Fuel
- Alcoholic Beverage
- Cigarette/Tobacco

Other Taxes
- Alaska Regulatory Commission Fees
- Electrical Coop
- Estate
- Telephone Coop

Corporate Income Taxes (Non-Oil and Gas)
- Corporate Income

Fisheries Taxes
- Dive Fisheries
- Fisheries Business
- Fisheries Resource Landing
- Salmon Enhancement
- Salmon Marketing
- Seafood Marketing

Regulatory Programs
- Charitable Gaming
- Oil and Gas Royalty/ Net Profit Share Lease Audit
- Salmon Price Reporting
- Revenue Sources Reporting

Table 1
Three Year Comparison of Revenue Collections

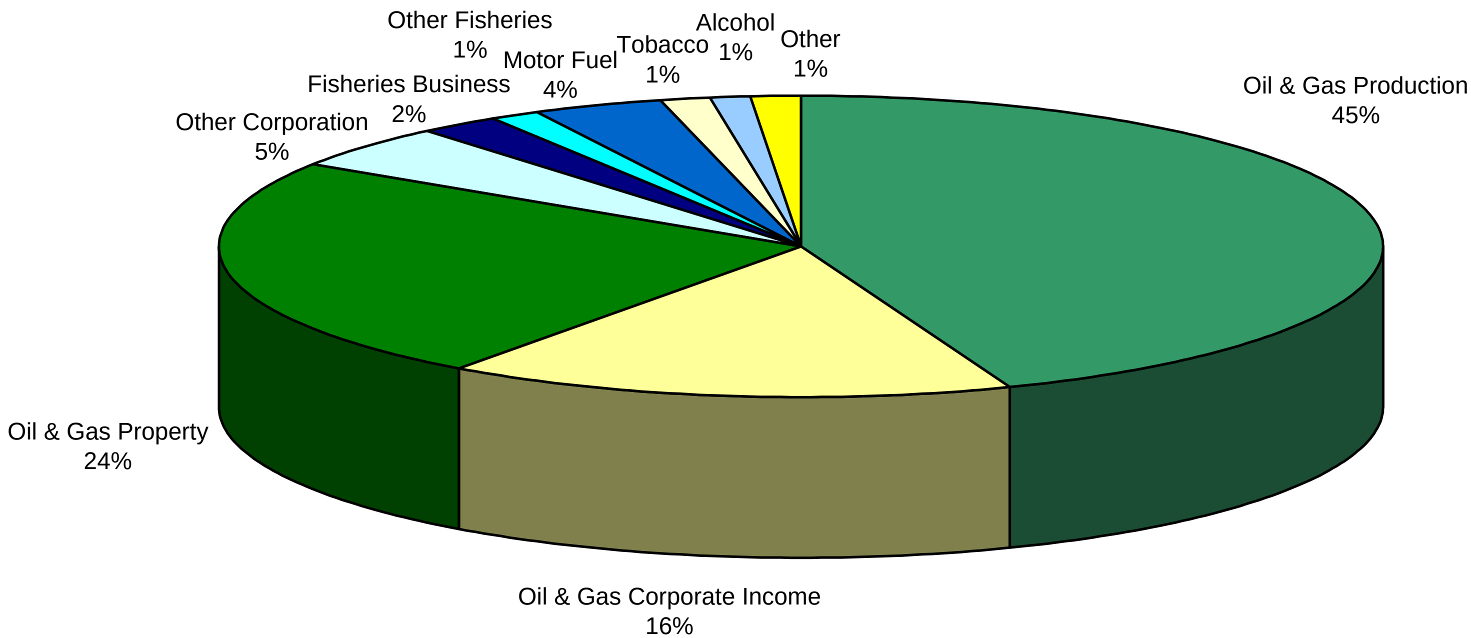
FUND SOURCE	FY 02	% Fund Total	FY 01	% Fund Total	FY 00	% Fund Total
General Fund						
Oil and Gas -						
Production Tax	$486,740,276	43.3%	$694,390,581	46.4%	$693,160,141	51.9%
Conservation Surcharge	9,597,043	0.9%	9,432,048	0.6%	9,557,925	0.7%
Property[1]	270,354,442	24.1%	265,283,557	17.7%	265,964,643	19.9%
Corporate Income	178,386,310	15.9%	338,122,779	22.6%	162,659,761	12.2%
Total Oil and Gas	945,078,071	84.1%	1,307,228,965	87.4%	1,131,342,470	84.8%
Corporate Income - Other than Oil and Gas	53,449,415	4.8%	59,459,158	4.0%	56,298,256	4.2%
Motor Fuel	40,352,396	3.6%	37,738,514	2.5%	42,137,861	3.2%
Fisheries Business	25,292,371	2.3%	30,494,634	2.0%	36,688,618	2.7%
Tobacco	15,534,977	1.4%	16,349,935	1.1%	16,312,091	1.2%
Alcoholic Beverages	12,889,256	1.1%	12,002,959	0.8%	12,655,546	0.9%
Fishery Resource Landing	7,223,775	0.6%	7,348,739	0.5%	5,278,404	0.4%
Salmon Enhancement	3,701,801	0.3%	3,643,990	0.2%	5,142,886	0.4%
Unclaimed Property[2]	0	0.0%	0	0.0%	5,116,277	0.4%
APUC Regulatory Cost Charges	5,855,577	0.5%	4,827,912	0.3%	4,509,745	0.3%
Salmon Marketing	1,986,718	0.2%	2,554,607	0.2%	3,687,313	0.3%
Seafood Marketing	2,698,456	0.2%	3,156,843	0.2%	3,514,614	0.3%
Mining License	466,430	0.0%	1,729,156	0.1%	3,449,882	0.3%
Estate	3,117,413	0.3%	2,683,080	0.2%	2,455,527	0.2%
Gaming	2,512,205	0.2%	2,380,311	0.2%	2,335,279	0.2%
Electric Cooperative	1,786,712	0.2%	1,742,103	0.1%	1,732,813	0.1%
Telephone Cooperative	1,352,643	0.1%	1,587,391	0.1%	1,502,251	0.1%
Dive Fisheries	192,110	0.0%	222,794	0.0%	229,078	0.0%
Total General Fund	**1,123,490,326**	**100.0%**	**1,495,151,091**	**100.0%**	**1,334,388,911**	**100.0%**

[1] *Includes credit for municipal property tax paid ($ 220,713,351 in FY 2002, $220,196,880 in FY 2001, and $220,926,762 in FY 2000).*

[2] *The Unclaimed Property Section was transferred to the Treasury Division in FY 01; FY 00 amount includes refunds to owners and other states of $1,498,923*

FUND SOURCE	FY 02	% Fund Total	FY 01	% Fund Total	FY 00	% Fund Total
Constitutional Budget Reserve Fund (CBRF)						
Oil & Gas Corporate Income	65,649,583	73.0%	4,301,073	11.0%	423,386,828	96.0%
Oil and Gas Severance	24,243,395	27.0%	34,792,502	88.9%	17,518,663	4.0%
Oil and Gas Property	0	0.0%	29,457	0.1%	0	0.0%
Total CBRF	89,892,978	**100.0%**	**39,123,032**	**100.0%**	**440,905,491**	**100.0%**
School Fund						
Tobacco	30,272,141	100.0%	30,659,662	100.0%	32,986,320	100.0%
Cigarette License Fees	3,220	0.0%	2,795	0.0%	5,320	0.0%
Total School Fund	30,275,361	**100.0%**	**30,662,457**	**100.0%**	**32,991,640**	100.0%
Total All Funds	***$1,243,658,665***	***100.0%***	***$1,564,936,580***	***100.0%***	***$1,808,286,042***	***100.0%***

Chart 1
General Fund Tax Collections



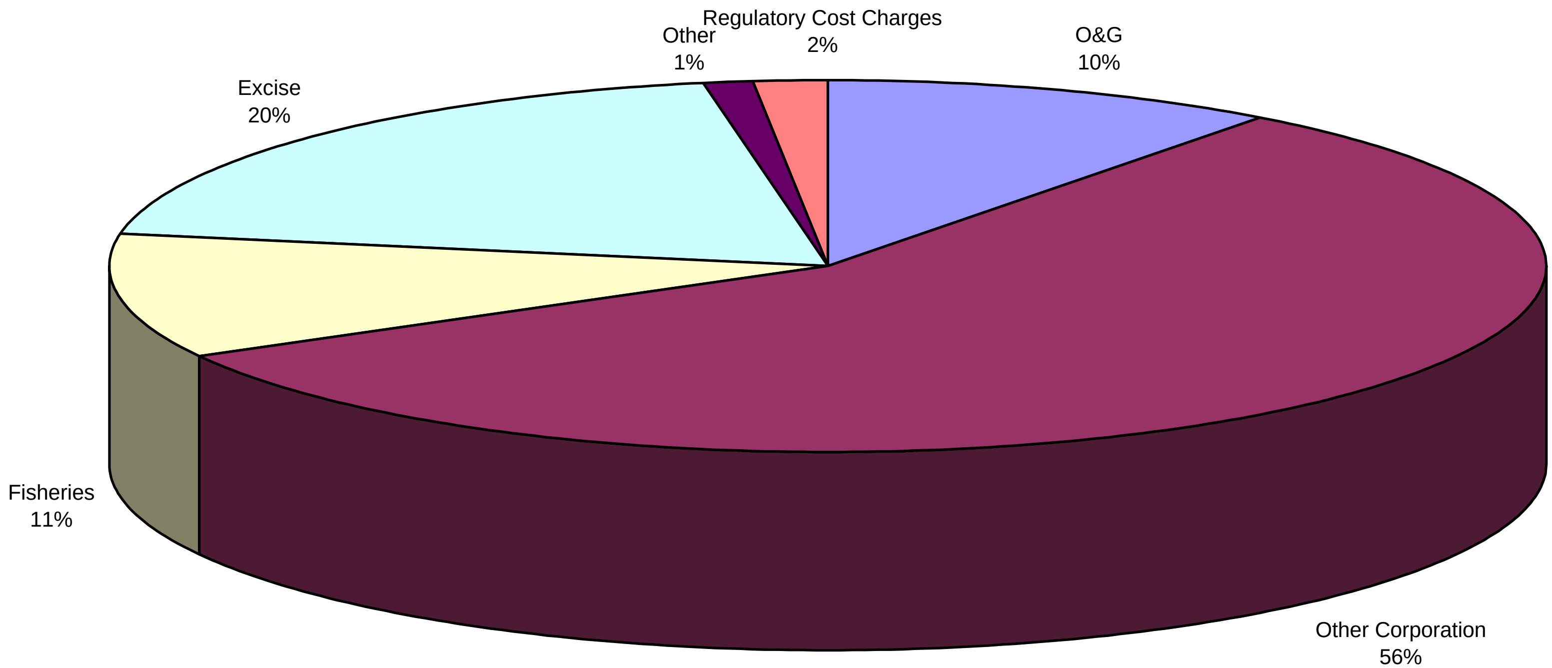
Total Tax Collections: $1,123,490,326

Oil & Gas Severance *includes the production tax and the conservation surcharge on oil and gas.*

Other Fisheries *includes resource landing, dive fisheries, salmon enhancement and marketing taxes, and seafood marketing assessment collections.*

Other *includes estate, electric and telephone cooperative, gaming, mining license tax.*

Chart 2
Tax Returns Filed



Total Tax Returns Filed: 26,445

Oil and Gas	**2,731**	**Fisheries**	**2,877**	**Other**	**275**
Production	2592	*Salmon Marketing*	832	*Estate*	63
Corporate Income	45	*Fisheries Business*	723	*Electric Cooperative*	16
Property	94	*Salmon Enhancement*	831	*Mining License*	188
Other Corporate	**14952**	*Seafood Marketing*	367	*Telephone Cooperative*	8
Excise	**5,163**	*Fishery Resource Landing*	105		
Motor Fuel	3560	*Dive Fisheries*	19		
Tobacco	1274	**APUC Regulatory Cost Charges**	**447**		
Alcohol	329				

~ NEW LEGISLATION ~

The 2002 legislature passed six bills that directly affect the Tax Division. The Governor signed the following bills into law:

HB 225 (Ch 116 SLA 2002) – Alcoholic Beverage Tax. This bill increases the tax rates on all three alcoholic beverage types. Malt Beverages (beer) increases from $.35/gallon to $1.07/gallon, wine from $.85/gallon to $2.50/gallon, and liquor from $5.60/gallon to $12.80/gallon. Hard cider, which was previously taxed at the wine rate, is now taxed at the same rate as malt beverages. Beer manufactured by breweries that meet the qualifications of 26 U.S.C. 5051(a)(2) is taxed at the rate of $.35/gallon on the first 60,000 barrels sold in Alaska. Beer sold in excess of 60,000 barrels in a fiscal year is subject to the new rate of $1.07/gallon.

The bill took effect October 1, 2002.

SB 267 (Ch 46 SLA 2002) – Alaska Veterans' Memorial Endowment. This bill provides credits of up to 50 percent for contributions of not more than $100,000 and 75 percent of the next $100,000 in contributions made to the Veterans' Memorial Endowment Fund. These credits cannot exceed 50 percent of a taxpayer's tax liability under the following tax types: Insurance Premium Tax, Fisheries Business Tax, Fishery Resource Landing Tax, Oil and Gas and General Corporation Income Taxes, Oil and Gas Production Tax, Oil and Gas Property Tax, and Mining License Tax

A contribution claimed as a credit may not be used for more than one tax type. Also, when combined with credits for contributions to qualifying educational institutions, credits may not exceed $150,000.

The tax credit provisions took effect June 18, 2002 and will sunset on July 1, 2003.

HB 355 (Ch 100 SLA 2002) – Mobile Telecommunications Tax. This bill provides the necessary legislation for Alaska to conform to the federal Mobile Telecommunications Sourcing Act (P.L. 106-252).

This Act took effect August 1, 2002.

HB 307 (Ch 139 SLA 2002) – Oil/Gas Explorations Incentive Credit. This bill extends the statute allowing the exploration incentive tax credit to June 30, 2007.

This Act took effect October 3, 2002.

HB 286 (Ch 134 SLA 2002) – Fishing Permits/Associations/Assessments. This bill allows qualifying salmon fishery associations to vote on a self-assessment not to exceed five percent on the value of salmon. Salmon buyers who acquire salmon that is subject to a salmon fishery assessment must collect the tax and remit it to the Department of Revenue by the last day of the month following the month when the tax was due. The Department of Revenue is also responsible for amending the rate or termination date of an assessment following an approved election among eligible permit holders.

The bill took effect on July 6, 2002.

HB 288 (Ch 135 SLA 2002) – Limited Entry Buy-Back Program/Assessment. This bill allows the Commercial Fisheries Entry Commission to establish a permit buy-back assessment for each fishery for which the commission has established a buy back fund. The amount of the assessment may not exceed seven percent of the value of the fish. A buyer who acquires fish that are subject to a permit buy-back assessment pays the tax on a monthly basis.

The bill took effect October 3, 2002.

Key Contacts

Juneau Office
Alaska Department of Revenue
Tax Division
11th Floor, State Office Building
PO Box 110420
Juneau, AK 99811-0420
907.465.2320 Voice
907.465.2375 Fax

Anchorage Office
Alaska Department of Revenue
Tax Division
Robert B. Atwood Building
550 West 7th Avenue, Suite 500
Anchorage, AK 99501-3556
907.269.6620 Voice
907.269.6644 Fax

Dan E. Dickinson, Director
Anchorage Office
907.269.6620

Larry E. Meyers, Deputy Director
Anchorage Office
907.269.6620

Charles E. Harlamert, Chief of Operations
Juneau Office
907.465.2320

Home Page: www.tax.state.ak.us
Individual e-mail: FirstName_LastName@revenue.state.ak.us

Operations
Karen Smith, Operations Manager
Juneau Office
907.465.3691

Accounting and Collections
Bertram Hermano, Supervisor
Juneau Office
907.465.3684

Appeals
Carl Meyer, Chief of Appeals
Juneau Office
907.465.2343

Charitable Gaming
Jeff Prather, Supervisor
Juneau Office
907.465.3410

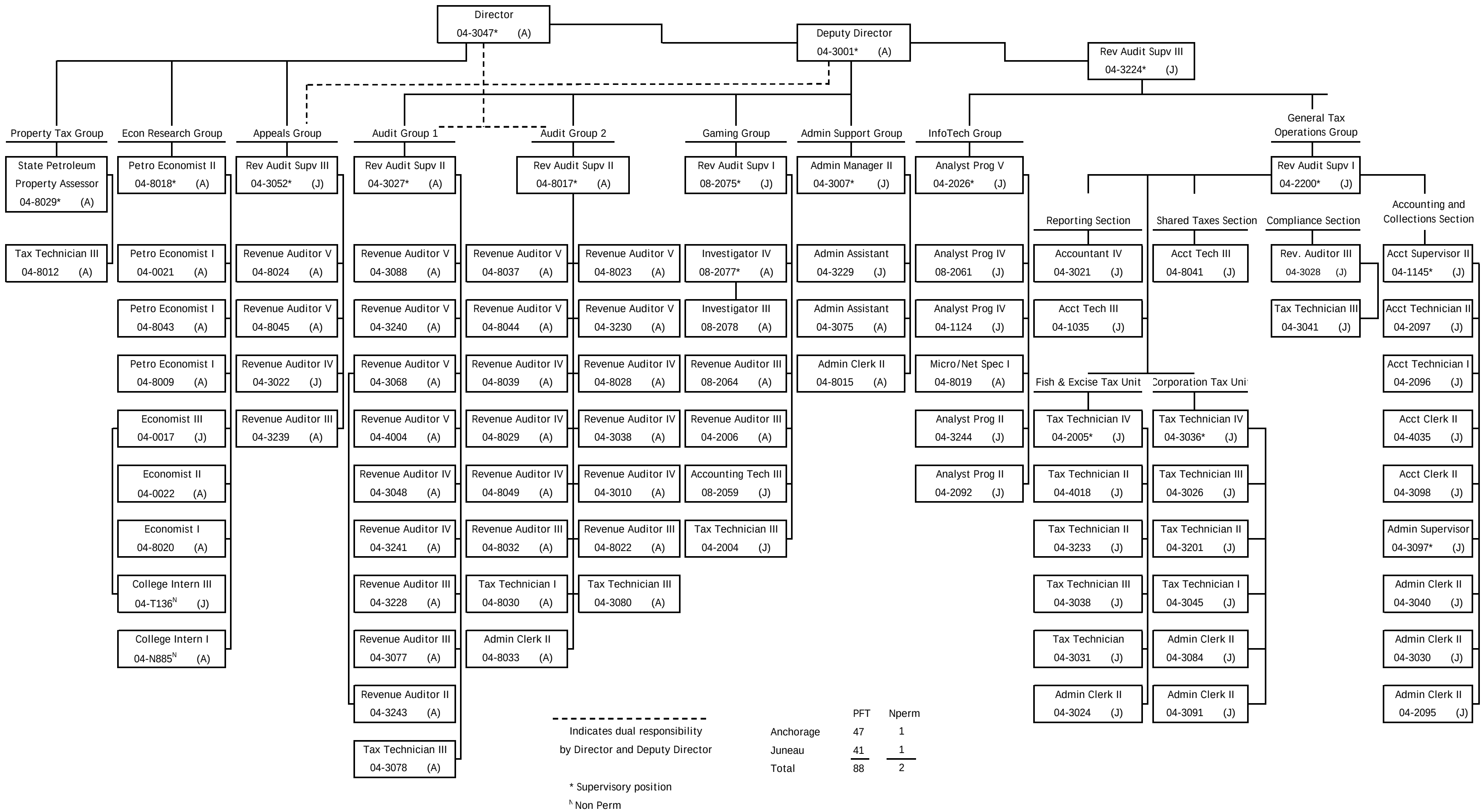
Audit – Oil & Gas Production
Bruce Kinney, Audit Manager
Anchorage Office
907.269.1042

Audit – Corporation Income Tax and All Other Taxes
Mark Graber, Audit Manager
Anchorage Office
907.269.6626

Research
Chuck Logsdon, Chief Petroleum Economist
Anchorage Office
907.269.1019

Property Tax
Randy Hoffbeck, Petroleum Property Assessor
Anchorage Office
907.269.1029

FY 2002 Organization Chart



FUNCTIONS

During the fiscal year, the Tax Division was staffed by 88 full-time and 2 college intern positions and maintained offices in Juneau and Anchorage. The Division's FY 2002 operating budget was $6.6 million. The Division is organized according to the functional groups of **Operations, Audit, Appeals, Gaming, Property Tax,** and **Economic Research;** and the support groups, **Information Technology** and **Administrative Support**.

OPERATIONS

Operations, located in Juneau and staffed by 33 full-time positions (including 5 computer programmers and a manager) is responsible for receipt and processing of all tax returns and payments other than oil and gas severance and property taxes. Anchorage Audit Group 2 receives oil and gas severance and property tax returns and processes the payments.

In conjunction with provisions for the Constitutional Budget Reserve Fund, Operations is responsible for accounting for oil and gas settlement payments received by the state and maintains a database of settlement payments.

Operations consists of four sections: ***Accounting and Collections, Examination, Compliance, Shared Taxes and Reporting.***

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

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

Accounting and Collections generates management reports as a part of its reconciliation process and for identifying exception items. This section generates special management reports for Division staff upon request.

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

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

This section consists of two examination units: *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 information returns associated with the corporate net income tax.

The corporation tax exam group examines returns based on priority criteria, which include large dollar tax liabilities, large refund or credit claims and returns with exceptions identified by TAS.

The unit assists in updating corporation tax return forms to reflect changes in federal and Alaska tax laws. The unit maintains corporation tax return files, taxpayer correspondence and estimated payment documents. Returns and related documents older than three years are archived by the unit.

Corporation tax also approves clearances from state agencies that are making final payment on state contracts.

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

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

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

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

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

- Publishes statewide average price information (compiled by Department of Fish and Game) for fishery resources landed in the state. Taxpayers use the average price information to calculate their fishery resource landing tax liabilities.

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

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

Shared Taxes and Reporting, staffed by 3 full-time positions.

Shared tax is responsible for sharing taxes and fees, when applicable, to municipalities in accordance with statutory requirements. Shared Taxes accounts for revenues subject to sharing and periodically issues warrants to communities for their portion of tax collections. In addition, the Shared Tax position prepares an annual report, which summarizes salmon enhancement tax data. The Department of Community and Economic Development uses this data for determining appropriations to regional aquaculture associations.

The following taxes and fees are subject to sharing:

Aviation Motor Fuel Tax
Electric Cooperative Tax
Fisheries Business Tax
Fishery Resource Landing Tax
Liquor License Fees
Telephone Cooperative Tax

This section shares amounts based upon where the tax or fee was derived.

For FY 2002, the Tax Division shared $19.5 million to 121 Alaska communities. This section publishes an annual report that summarizes the amounts shared with each community. The Division distributes the annual report to the public via the Internet. The report is available on the Division's website at *www.tax.state.ak.us*.

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

The Tax Division transmits funds to DCED each year for allocation. For FY 2002, the Division transmitted $1.7 million for additional sharing.

Reporting is responsible for design and modification of accounting systems, evaluate, design and maintain appropriate systems of internal accounting controls over tax payments, refunds and disbursement of all tax program including those taxes subject to sharing and pass through. This section is also responsible for summarizing and reporting of financial data and providing financial oversight and control of agency accounting functions. This section supports the Division in reporting needs.

FUNCTIONS

AUDIT

Audit is comprised of two audit groups differentiated by the tax types on which they focus. Audit Group 1 is responsible for auditing corporate net income tax (including oil and gas corporate income taxes), fisheries taxes, and all excise taxes. Audit Group 2 is responsible for auditing oil and gas severance and property taxes. Audit Group 2 is also responsible for auditing oil and gas royalties on behalf of the Department of Natural Resources which administers Alaska's oil and gas royalty program.

Both audit groups are based in Anchorage. The Division staffs Audit Group 1 with 9 revenue auditors, 1 tax technician and 1 audit manager. Audit Group 2 consists of 12 revenue auditors, 2 tax technicians, and 1 administrative clerk, supervised by an audit manager.

The audit groups represent the Division's core technical and analytical resource providing support in nearly all functions of the Division. Audit plays a critical role in drafting and implementing regulations, conducts special projects, and provides support to Appeals.

APPEALS

Appeals is located in Juneau and Anchorage and staffed by 5 full-time positions. Appeals staff conduct conferences on protested assessments and issue informal conference decisions of the Department of Revenue for all programs and tax types administered by the Division.

Appeals staff represent the department as counsel in disputed cases before the Office of Tax Appeals and represent the Division before a Department Hearing Examiner in gaming and unclaimed property cases. Appeals staff work closely with the Department of Law in these and various other matters. Appeals staff perform a myriad of special projects in a legal, technical or tax context and are involved in drafting proposed legislation and regulations.

GAMING

The Division staffs Gaming with 1 supervisor, 2 investigators, 2 auditors, 1 tax examiner and 1 accounting technician. Gaming is located in Juneau and Anchorage. Gaming is responsible for overseeing charitable gaming activities conducted in the state.

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

PROPERTY TAX

The Division staffs the Oil and Gas Property tax group in Anchorage with 1 property tax assessor and 1 tax technician. The unit is responsible for assessment, compliance, audit, collection, and administrative processing of property tax assessments. Many of the unit's duties are performed by municipal authorities under a Memorandum of Agreement (MOA) and by engineering and appraisal experts working under contract. The unit performs compliance and collection functions and is responsible for processing returns. The Division or taxpayers may initiate audits. Audits and appraisals conducted by the unit are typically highly specialized valuations for which the unit uses outside experts on an as needed basis.

ECONOMIC RESEARCH

Economic Research, located in Anchorage and Juneau, is staffed by 7 full-time positions and two college interns. The group is responsible for monitoring and forecasting the state's General Fund revenues.

Economic Research monitors state and national economic conditions and conducts research needed to anticipate economic and business trends that affect tax revenue. The unit works with other state agencies to compile information for the *Revenue Sources Book*, a semi-annual publication that contains historical and forecasted revenue information to assist the governor and legislature in developing the state's budget.

The Economic Research group prepares and presents to the legislature fiscal notes projecting the costs and revenues from proposed legislation that would affect the state fiscal system.

Table 2 - Revenue Collections Detail

	FY 02	FY 01	FY 00
OIL AND GAS TAXES			
General Fund revenue			
Severance Taxes			
Oil & Gas Production	$ 486,740,276	$ 694,390,581	$ 693,160,141
Oil & Gas Hazardous Release	9,597,043	9,432,048	9,557,925
Credits	0	0	0
Severance tax total	496,337,319	703,822,629	702,718,066
Property Tax	270,354,442	265,283,557	265,964,643
Local credits	(220,713,351)	(220,196,879)	(220,926,762)
Property tax total	49,641,091	45,086,678	45,037,881
Oil & Gas Corporate Income Tax	178,790,762	338,319,616	162,859,823
Alaska Education Credit	(404,452)	(196,837)	(200,062)
Oil & Gas Corporate Income Tax total	178,386,310	338,122,779	162,659,761
Total Oil & Gas Tax Receipts - General Fund	**724,364,720**	**1,087,032,086**	**910,415,708**
Constitutional Budget Reserve Fund - CBRF			
Severance Tax	24,243,395	34,792,502	17,518,663
Oil & Gas Corporate Income Tax	65,649,583	4,301,073	423,386,828
Oil and Gas Property	0	29,457	0
Total Receipts - CBRF	**89,892,978**	**39,123,032**	**440,905,491**
Total Oil & Gas Receipts - All Funds	**$ 814,257,698**	**$ 1,126,155,117**	**$ 1,351,321,199**
CORPORATE NET INCOME TAX - other than oil & gas corporations			
Corporate Income Tax	54,350,230	60,426,111	57,725,752
Alaska Education Credit	(900,815)	(966,953)	(1,427,496)
Total Receipts	**$ 53,449,415**	**$ 59,459,158**	**$ 56,298,256**
TOBACCO *			
Cigarette	$ 39,760,717	$ 41,653,232	$ 43,772,545
Tobacco Products	6,042,653	5,378,631	5,420,817
Penalties and Interest	66,672	36,485	176,327
Less .4% Deductions* *	(62,924)	(58,751)	(71,278)
Total Receipts	**45,807,118**	**47,009,597**	**49,298,411**
Less Amount Transferred to School Fund	(30,272,141)	(30,659,662)	(32,986,320)
Amount Retained in General Fund	**$ 15,534,977**	**$ 16,349,935**	**$ 16,312,091**

* Beginning with Fiscal Year 2000, tobacco revenues are recorded on an accrual basis. Fiscal Year 1999 is reported on the cash basis. July 1999 revenue not included in the above FY 2000 or FY 99 revenue was $1,143,450.

** General Fund only, does not include FY 2000 deductions of $129,814 from School Fund revenues.

Table 2 - Revenue Collections Detail

	FY 02	FY 01	FY 00
MOTOR FUEL			
Highway	$ 28,723,637	$ 26,948,664	$ 25,463,515
Marine	5,806,527	5,869,754	6,121,871
Jet Fuel	4,863,137	3,971,044	7,443,784
Aviation Gasoline	771,289	793,403	837,169
Total Tax	40,164,590	37,582,866	39,866,339
Penalties and Interest	187,806	155,648	2,271,522
Total Receipts	**40,352,396**	**37,738,514**	**42,137,861**
Less Aviation Fuel Tax Shared	(158,781)	(161,385)	(150,115)
Amount Retained by State	**$ 40,193,615**	**$ 37,577,129**	**$ 41,987,746**
FISHERIES BUSINESS			
Established			
Shore-based	$ 17,117,467	$ 18,978,589	$ 20,850,730
Floating	4,105,428	5,835,215	9,378,615
Cannery	3,117,556	4,490,084	5,959,592
Developing			
Shore-based	22,717	21,113	31,147
Floating	200	3,464	10,422
Total Tax	24,363,368	29,328,465	36,230,506
Prepayments	1,041,507	998,502	749,250
Penalties and Interest	27,756	418,843	24,087
License Fees	15,525	18,650	16,415
Total Tax Before Credits	25,448,156	30,764,460	37,020,258
Less Credits			
Winn Brindle	(153,991)	(265,011)	(317,500)
Alaska Education Credit	(1,794)	(4,815)	(14,140)
Total Receipts	**25,292,371**	**30,494,634**	**36,688,618**
Less Fisheries Tax Shared			
Department of Revenue	(11,158,745)	(13,702,505)	(17,097,294)
Department of Community and Economic Development	(1,396,076)	(1,350,886)	(1,403,629)
Amount Retained by State	**$ 12,737,550**	**$ 15,441,242**	**$ 18,187,695**
DEC Seafood Processor License Fees	**$ 400,316**	**$ 423,717**	**$ 432,338**
ALCOHOLIC BEVERAGES *			
Liquor	$ 6,565,654	$ 6,182,071	$ 6,181,862
Beer	4,977,703	4,905,533	5,259,907
Wine	1,337,547	1,211,943	1,211,430
Penalties, Interest and Refunds	8,352	(296,588)	2,347
Total Receipts	**$ 12,889,256**	**$ 12,002,959**	**$ 12,655,546**

*Beginning with Fiscal Year 2001, alcoholic beverage revenues are recorded on an accrual basis. Fiscal Years 2000 and 1999 are reported on the cash basis. July 2000 revenue not included in the above FY 2001 or FY 2000 revenue was $1,380,383.

Table 2 - Revenue Collections Detail

	FY 02	FY 01	FY 00
SALMON ENHANCEMENT			
Tax by Aquacultural Region			
Southern Southeast	$ 1,329,122	$ 754,475	$ 1,453,543
Northern Southeast	874,190	1,193,322	1,083,582
Cook Inlet	165,972	187,202	486,826
Prince William Sound	705,283	761,167	930,027
Kodiak	451,211	479,706	724,245
Chignik	169,673	260,739	460,724
Total Tax	3,695,451	3,636,612	5,138,947
Penalties and Interest	6,350	7,378	3,939
Total Receipts	**$ 3,701,801**	**$ 3,643,990**	**$ 5,142,886**
FISHERY RESOURCE LANDING			
Tax Before Credits	$ 6,079,681	$ 5,553,210	$ 4,654,176
Pre-Payments	2,411,160	2,480,391	1,044,998
Penalties, Interest and Refunds	518,814	30,995	(19,066)
Less Credits			
CDQ Contributions	(227,505)	(102,960)	(86,854)
Winn Brindle	(2,500)	(5,000)	(2,752)
Alaska Education Credit	(1,555,875)	(607,897)	(312,098)
Total Receipts	**7,223,775**	**7,348,738**	**5,278,404**
Less Landing Tax Subject to Sharing			
Department of Revenue	(4,313,979)	(2,995,313)	(2,893,298)
Department of Community and Regional Affairs	(256,648)	(246,740)	(210,866)
Amount to be Retained by State	**$ 2,653,148**	**$ 4,106,686**	**$ 2,174,240**
REGULATORY COMMISSION of ALASKA			
Electric Utilities	$ 1,530,750	$ 1,269,376	$ 1,330,303
Telephone Utilities	2,181,803	2,126,418	1,345,434
Other Utilities	1,335,354	798,832	1,236,009
Pipeline Carriers	807,670	633,288	597,999
Total Receipts	**$ 5,855,577**	**$ 4,827,913**	**$ 4,509,745**
SALMON MARKETING			
Tax	$ 1,968,797	$ 2,550,691	$ 3,680,472
Penalties and Interest	17,921	3,916	6,841
Total Receipts	**$ 1,986,718**	**$ 2,554,607**	**$ 3,687,313**
SEAFOOD MARKETING ASSESSMENT			
Fisheries Business	$ 2,122,361	$ 2,510,251	$ 3,059,133
Fishery Resource Landing	576,095	646,591	455,481
Total Receipts	**$ 2,698,456**	**$ 3,156,843**	**$ 3,514,614**

Table 2 - Revenue Collections Detail

	FY 02	FY 01	FY 00
MINING LICENSE			
General Fund			
Current Year Tax Before Credits	$ 497,552	$ 5,311,921	$ 4,753,274
Less Alaska Special Industrial Incentive Credit		(3,582,765)	(1,239,641)
Less Mineral Exploration Incentive Credit	(28,282)		
Less Alaska Education Credit	(2,840)		(63,751)
Total Receipts	**$ 466,430**	**$ 1,729,156**	**$ 3,449,882**
ESTATE			
Total Receipts	**$ 3,117,413**	**$ 2,683,080**	**$ 2,455,527**
CHARITABLE GAMING			
3% Pull Tab Tax	$ 2,045,124	$ 1,920,753	$ 1,916,124
1% Net Proceeds Fee	325,218	320,428	288,519
Licensing Fees	141,863	139,130	130,636
Total Receipts	**$ 2,512,205**	**$ 2,380,311**	**$ 2,335,279**
ELECTRIC COOPERATIVE			
Total Receipts	**$ 1,786,712**	**$ 1,742,103**	**$ 1,732,813**
Less Cooperative Taxes Shared	(1,719,948)	(1,667,265)	(1,657,937)
Amount Retained by State	**$ 66,764**	**$ 74,838**	**$ 74,876**
TELEPHONE COOPERATIVE			
Total Receipts	**$ 1,352,643**	**$ 1,587,391**	**$ 1,502,251**
Less Cooperative Taxes Shared	(1,283,540)	(1,504,026)	(1,399,696)
Amount Retained by State	**$ 69,103**	**$ 83,365**	**$ 102,555**
DIVE FISHERY MANAGEMENT ASSESSMENT			
Southeast Alaska - Management Area A	$ 192,110	$ 222,794	$ 229,078
Total Receipts	**$ 192,110**	**$ 222,794**	**$ 229,078**
CIGARETTE LICENSE FEES			
(Transfered Directly to School Fund)			
Total Receipts	**$ 3,220**	**$ 2,795**	**$ 5,320**

Table 3
Program Revenue and Cost Detail

(Sorted by Revenue)

Tax Program	Returns	Revenue	Program Cost[1]	Program FTE[2]	Per FTE[2] Revenue		Per FTE[2] Cost	
Oil and Gas Production[3]	2,592	$520,580,714	$1,850,350	23.7	$21,965,431		$78,074	
Oil and Gas Property	94	270,354,442	357,225	2.9	93,225,670	*	123,181	*
Oil and Gas Corporate Income[4]	45	244,035,893	544,341	7.6	32,109,986		71,624	
Corporate Income *(non-Oil & Gas)*	14,952	53,449,415	1,238,067	19.6	2,727,011		63,167	
Tobacco[5]	1,274	45,810,338	171,956	2.9	15,796,668		59,295	
Motor Fuel	3,560	40,352,396	461,779	5.4	7,472,666		85,515	
Fisheries Business	723	25,292,371	457,510	7.3	3,464,708		62,673	
Alcoholic Beverages	329	12,889,256	125,660	1.1	11,717,505		114,236	
Fishery Resource Landing	105	7,223,775	51,877	0.9	***		***	
Regulatory Cost Charges	447	5,855,577	10,709	0.3	***		***	
Salmon Enhancement	831	3,701,801	61,637	0.7	***		***	
Estate	63	3,117,413	16,416	0.4	***		***	
Seafood Marketing Assessments	367	2,698,456	80,737	1.3	2,075,735		62,105	
Salmon Marketing	832	1,986,718	61,637	0.7	***		***	
Electric Cooperative	16	1,786,712	3,262	0.1	***		***	
Telephone Cooperative	8	1,352,643	13,360	0.1	***		***	
Mining License	188	466,430	21,170	0.3	***		***	
Dive Fishery	19	192,110	4,020	0.1	***		***	
Total Tax Programs	**26,445**	**1,241,146,460**	**5,531,713**	**75.4**	**16,460,828**	**	**73,365**	**
	(Reports and Applications)							
Gaming Program	4,098	2,512,205	1,186,485	10.6	237,000		111,933	
Total Gaming	**4,098**	**2,512,205**	**1,186,485**	**10.6**				
Royalty[6]	n/a	n/a	21,278	2.0	n/a		10,639	
Total All Programs	**30,543**	**1,243,658,665**	**6,739,477**	**88.0**				

[1] Includes total operating costs of the division.
[2] Full-time equivalent staff position
[3] Includes CBRF receipts of $24,243,395
[4] Includes CBRF receipts of $65,649,583
[5] Includes school fund receipts (tobacco =$30,272,141, cigarette licenses=$3,220,).
[6] Department of Natural Resources collected $858,600,000 revenues from this program during FY 2002. Of this amount, $9,943,993 resulted from audits performed by the Tax Division

* Because Oil & Gas Property tax audit functions are performed by outside contractors who are not included in the FTE count, these revenue and cost per FTE statistics are not comparable to other programs.

** Total revenue and cost per FTE is based on average revenue and costs for all tax programs.

*** Combined revenues and costs for these programs are $25,683,179 and $244,088 respectively. These programs require 3.6 FTE positions. Combined revenue and cost per FTE are $7,134,216 and $67,802, respectively.

Table 4
Collections from Audit and Tax Examiners Assessments

(Sorted by total collections)

	Collections from Assessments			Staffing (FTE)[1]		Per FTE[1]	
Tax Type	**Audit**	**Exam**	**Total**	**Audit**	**Exam**	**Audit**	**Exam**
Oil and Gas Corporate Income	$65,649,583	$188,482	$65,838,065	4.8	1.0	$13,676,996	$188,482
Royalty and NPS	9,943,993	0	9,943,993	1.7	0.0	5,747,973	**
Oil and Gas Production	24,243,395	0	24,243,395	10.6	2.0	2,282,806	**
Corporate Income	3,643,139	297,268	3,940,407	3.1	4.2	1,175,206	70,778
Motor Fuel	429,149	31,890	461,039	0.5	1.2	**	26,575
Fisheries Business	0	306,218	306,218	0.9	3.6	**	85,060
Fishery Resource Landing	0	63,352	63,352	0.1	0.1	**	**
Salmon Marketing	9,719	0	9,719	0.0	0.0	**	**
Seafood Marketing	0	6,929	6,929	0.0	0.0	**	**
Alcoholic Beverage	0	2,366	2,366	0.1	0.1	**	**
Salmon Enhancement	1,755	161	1,916	0.0	0.2	**	**
Estate	0	481	481	0.0	0.1	**	**
APUC	0	0	0	0.0	0.0	**	**
Charitable Gaming	0	0	0	2.1	1.0	**	**
Dive Fisheries	0	0	0	0.0	0.0	**	**
Mining	0	0	0	0.0	0.0	**	**
Oil and Gas Property	0	0	0	0.5	1.0	**	**
Telephone Cooperatives	0	0	0	0.0	0.0	**	**
Tobacco	0	105	105	1.6	0.5	**	**
Total	$103,920,733	$897,252	$104,817,985	26.0	15.0	$5,086,487 *	$59,817 *

[1]Full -time equivilent staff position

* Total revenue and cost per FTE is based on average revenue and costs for all tax programs.

** Collections per FTE not provided since audit or exam FTE positions allocated to these programs are less than one or there were no collections allocable to FTE positions

ALCOHOLIC BEVERAGES TAX
AS 43.60

Description
Alaska levies this tax on alcoholic beverages sold in Alaska. The Division collects alcoholic beverage taxes primarily from wholesalers and distributors.

Rate

	Current Per Gallon	*Effective October 1, 2002*
Liquor	$5.60	$12.80
Wine	$.85	$2.50
Beer (Malt Beverages)	$.35	$1.07
Cider	$.85	$1.07

Returns
Taxpayers file returns and pay tax monthly. The returns and payment are due by the last day of the month following the month in which the taxpayer made the sales.

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

Disposition of Revenue
The Division deposits all revenue from the alcoholic beverage tax into the General Fund.

History
The alcoholic beverage tax dates back to 1933 when the Legislature enacted a tax on beer and wine at a rate of 5¢ per gallon. Taxpayers filed alcohol tax returns 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, the legislature has made minor changes to the statute; however, the legislature increased rates significantly in keeping with rate changes made by other states.

Alcoholic beverages tax rates have changed as follows.

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

2002 – Effective October 1, 2002, HB 225 increases the tax rates on all three alcoholic beverages: liquor from 5.60/gallon to 12.80/gallon, wine from .85/gallon to 2.50/gallon, and beer (malt beverages) from .35/gallon to 1.07/gallon.

However, breweries that meet the qualifications of 26 U.S.C. 5051(a)(2) are not subject to the increase on the first 60,000 barrels of beer (malt beverages) sold in Alaska.

FY 2002 Statistics

Tax Collections	$12,889,256
Number of Returns	329
Number of Taxpayers	27
Program Cost	$125,660
Staffing *(full-time equivalent)*	1.1

	Taxable Gallons Sold
Beer (Malt Beverages)	13,245,648
Wine	1,484,995
Liquor	1,119,095

CHARITABLE GAMING
AS 05.15

Description

Under Alaska law, municipalities and qualified non-profit organizations may conduct certain charitable gaming activities. The purpose of these activities is to derive public benefit in the form of money for the charities and revenues for the state.

To ensure that the appropriate level of public benefit is being derived, the Division performs the following: 1) issues permits to charities; 2) licenses all operators, distributors and manufacturers; 3) collects fees and taxes; 4) audits various permittees and licensees; 5) inspects gaming locations; and 6) investigates complaints.

Rate

Annual permit and license fees for games of chance and contests of skill are as follows:

Permits:

1. $20 for an applicant that did not hold a permit during the preceding year;
2. $20 for an applicant that had gaming gross receipts of less than $20,000 during the preceding year;
3. $50 for an applicant that had gaming gross receipts of $20,000 or more but not exceeding $100,000 during the preceding year; or
4. $100 for an applicant that had gaming gross receipts exceeding $100,000 during the preceding year.

Licenses:

5. $500 for an operator license applicant;
6. $1,000 for a distributor license applicant; or
7. $2,500 for a manufacturer license applicant.

Reports

The Division requires the following reports:

Municipalities and Qualified Organizations issued a permit: Quarterly reports are due the 45th day following each calendar quarter in which the permittee had gross receipts of $50,000 or more.

Permittees file annual reports on a calendar year basis, accompanied with payment of the *additional* fee, if required under AS 05.15.020(b), by March 15th of the following year. Under this statute, if the gross receipts for the activities were $20,000 or more, an additional fee of one percent of the net proceeds received during the preceding year is due.

Operators and Multiple-Beneficiary Permits: Quarterly reports are due on the last business day of the month following each calendar quarter. Annual reports for the calendar year are due no later than February 28 of the following year.

Operator Reports to Permittees are due monthly and must include a daily summary of activity conducted under the permit issued to the authorizing permittee and an accounting of gross receipts, expenses, and net proceeds for the month.

Manufacturers: Each pull-tab manufacturer must report by the last business day of the month on each series of pull-tabs distributed in the preceding month

Distributors: Distributors must collect a tax of 3% of an amount equal to the gross receipts less prices awarded on each series of pull-tabs distributed. Distributors must report by the last business day of each month, each pull-tab series distributed in the preceding month, and pay the taxes collected.

Exemptions

None

Disposition of Revenue

The Division deposits permit and license fees, the 1% net proceeds fee and the 3% pull-tab tax into the General Fund.

History

1960 – The legislature legalizes gaming and gives oversight for all gaming activities to the Department of Revenue.

1984 – The Department authorizes pull-tabs.

CHARITABLE GAMING

1988 – The legislature legalizes operators. Pull-tabs legalized by statute, and prize limits are increased.

1989 – The Governor transfers the Charitable Gaming functions to the Department of Commerce & Economic Development.

1993 - The Governor transfers the Charitable Gaming functions to the Department of Revenue.

HB 168 changed various aspects of the statutes governing charitable gaming in Alaska. The significant changes follow: Third party vendors were brought under statutory control which allow permittees to contract with them directly to sell pull-tabs; the Department was authorized to issue Multiple-Beneficiary Permits (MBP). MBP's enable two to six permittees to jointly conduct gaming activities. Minimum payments to charities increased from 15 percent to 30 percent of adjusted gross income for pull-tab games and required a minimum of 10 percent of adjusted gross income for all other activities.

1994 – The Department files regulations with the Lieutenant Governor that implement HB 168. Certain affected parties file suit to prevent the state from implementing the new regulations. The Alaska courts subsequently granted the request to enjoin the regulations.

1995 – The Governor appointed a fourteen member task force to make recommendations regarding the administration of charitable gaming. The task force had a broad mandate to look into all aspects of charitable gaming and to provide a report on its findings and recommendations to the Commissioner of Revenue.

The Legislature legalized cruise ship gambling activities in Alaska waters during the 1995 season. The gaming statutes required cruise ships pay a fee to game in Alaska and this generated over $500,000 in State revenue during the 1995 season. This law sunseted after 1995. Additionally, the Legislature eliminated Monte Carlo nights.

1996 – The Department finished a comprehensive rewrite of the regulations and adopted new regulations after a series of public hearings.

The Legislature created three new gaming activities: "Sled Dog Race Classic", "Deep Freeze Classic" and "Snow Machine Classic". The Legislature also created the McGrath Kuskokwim River Ice Classic and the Creamer's Field Goose Classic.

The Legislature prohibited the donation of net proceeds from pull-tabs and bingo activities to registered lobbyists' and to certain political organizations.

2001 - Effective January 1, 2002, the Legislature Division added the Bristol Bay Native Corporation Education Foundation to the list of qualified organizations allowed to conduct "salmon classic" games of chance.

FY 2002 Statistics

Fees Collected	$2,512,205
Number of Reports	4,098
Number of Permittees	1,167
Program Cost	$1,186,485
Staffing	10.6

CONSERVATION SURCHARGE ON OIL
AS 43.55

Description

The Conservation Surcharge on Oil applies to all oil production within Alaska. The surcharge is a per barrel tax on oil production intended to fund the oil and hazardous substance release prevention account of the oil and hazardous substance release prevention and response fund. The Oil and Gas Production Tax (AS 43.55) and Conservation Surcharge on Oil are severance taxes.

Rate

The surcharge is currently comprised of two components 1) a $.03/bbl charge on all oil production excluding public royalty barrels and 2) an additional $.02/bbl charge on all oil production whenever the balance in the state oil and hazardous substance release prevention and response fund falls below $50 million. The balance of the fund was $50 million or greater for all of FY 2002 so that the surcharge was $.03/bbl for the entire fiscal year.

History

1989-- Following the grounding of the Exxon Valdez, this tax was enacted in order to provide a hazardous substance release emergency fund. A $.05/bbl hazardous release surcharge is imposed on oil production until such time as the newly created hazardous substance release fund achieved a balance of $50 million.

1994--The hazardous release surcharge is modified to the so-called "split nickel" with an ongoing charge of $.03/bbl and an additional charge of $.02/bbl whenever the hazardous substance release fund balance falls below $50 million.

FY 2002 Statistics

Tax Collections	$9,597,043
Number of Returns*	2,592
Number of Taxpayers*	15

* The Conservation Surcharge on Oil is reported on the same return and by the same taxpayers as is Alaska's other production tax, Oil and Gas Production Tax (AS 43.55). The Division has not segregated program cost and staffing related to each individual tax. The Division reports the total production tax cost and staffing in the discussion of Oil and Gas Production Tax.

CORPORATE INCOME TAX
AS 43.20

Description

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

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

Multistate oil and gas corporations apportion income on a worldwide apportionment method. Other multistate corporations apportion income to Alaska under a "water's edge" apportionment method. A corporation engaged in business solely in Alaska computes its tax liability on 100% of its taxable income.

Rate

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

Returns

Corporations file returns annually. Tax payments are due two and a half months from the close of the fiscal year. Taxpayers must remit tax payments over $150,000 by wire transfer or electronic funds transfer (EFT). The payment due date may not be extended.

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

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

Corporations make quarterly estimated tax payments based on past activity and the current year's accrued tax liability. Taxpayers must remit estimated payments over $100,000 by wire transfer or electronic funds transfer (EFT).

Exemptions

S-corporations and LLCs are generally exempt from corporation income tax and are treated as partnerships for Alaska tax purposes. 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 accredited Alaska universities or colleges may take a tax credit for 50% of the first $100,000 and 100% of the next $100,000 of contributions. The maximum credit is $150,000 per tax year.

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

Oil and Gas Exploration Incentive - Taxpayers may take a credit for up to 50% on state land (or 25% on non state lands) of eligible oil and gas exploration costs. An approved oil and gas exploration incentive credit may not exceed $5 million per project and is limited to $30 million per taxpayer. Taxpayers may apply the credit against 100% of corporation net income taxes due.

Alaska Veterans' Memorial Endowment. This bill provides credits of up to 50 percent for contributions of not more than $100,000 and 75 percent of the next $100,000 in contributions made to the Veterans' Memorial Endowment Fund. Taxpayers may not use a

CORPORATE INCOME TAX

contribution claimed as a credit for more than one tax type. Also, when combined with credits for contributions to qualifying educational institutions, credits may not exceed $150,000. These credits cannot exceed 50 percent of a taxpayer's tax liability.

Disposition of Revenue

The Division deposits revenue derived from corporation net income taxes into the General Fund except as noted below.

For oil and gas corporations only, the Division deposits into the Constitutional Budget Reserve fund those revenues received as a result of a tax assessment issued by the Division.

History

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

1957 – Tax rate was increased to 18%.

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

1978 – Oil and gas corporations required to calculate taxable income based on a "separate accounting" method requiring the corporations to account for Alaska activity only in determining taxable income (AS 43.21).

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

1984 – The legislature adopted the special industrial incentive investment tax credit.

1987 – Alaska education credit was authorized.

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

1994 – Alaska's legislature authorized the Oil and Gas Exploration Incentive Credit. The legislature limited the credit to $30 million and provided that taxpayers may apply the credit to 100% of corporation taxes due.

1995 – Alaska's legislature authorized the minerals exploration incentive credit. The legislature limited the credit to $20 million and taxpayers may apply it against 50% of corporation taxes due over a 15-year period.

1998 – Alaska's legislature enacted a bill exempting foreign cruise ship and airline companies from tax.

2002 – Alaska Veterans' Memorial Endowment provides credits of up to 50 percent for contributions of not more than $100,000 and 75 percent of the next $100,000 in contributions made to the Veterans' Memorial Endowment Fund. The tax credit provisions will sunset on July 1, 2003.

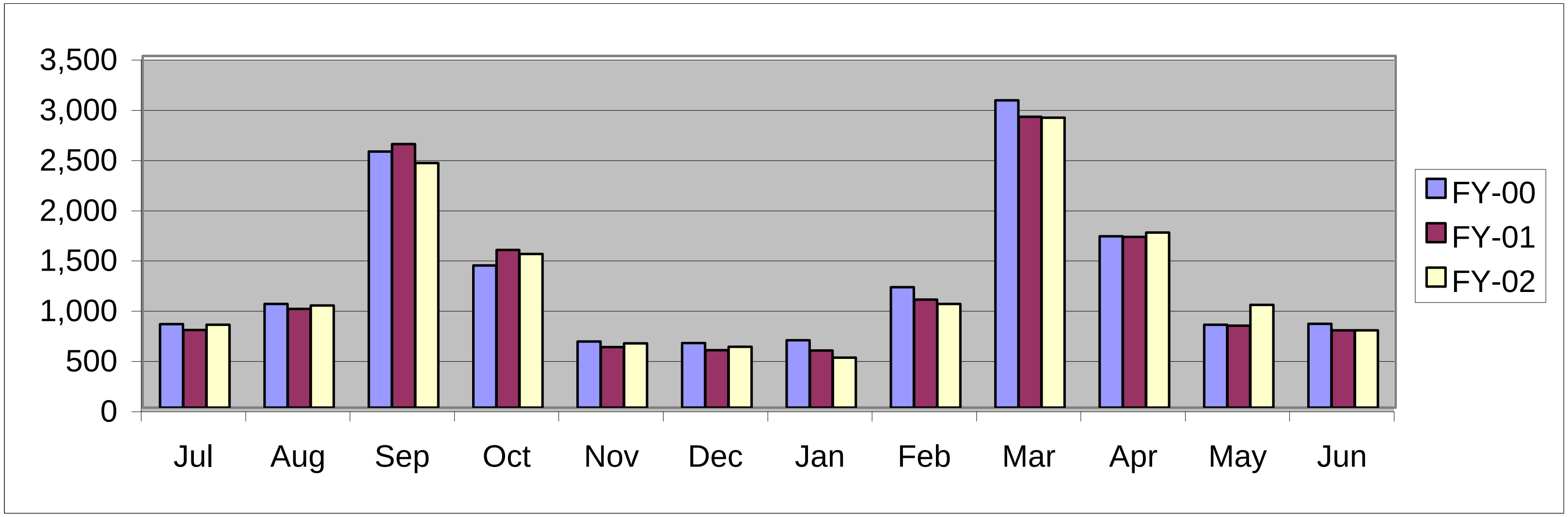
2002 – The Oil and Gas Exploration Incentive Credit extends the exploration incentive tax credit to June 30, 2007.

FY 2002 Statistics

Tax Collections – Oil and Gas Corporations	
General Fund	$178,386,310
CBRF	$65,649,583
Number of Returns	45
Number of Taxpayers	31
Program Cost	$544,341
Staffing (*full-time equivalent*)	7.6
Tax Collections – Other Corporations	
General Fund	$53,449,415
Number of Returns	14,952
Number of Taxpayers	12,152
Program Cost	$1,238,067
Staffing (*full-time equivalent*)	19.6

Chart 3
Corporations Filing Activity
For Fiscal Years 2000, 2001 and 2002

Number of Returns Filed by Month



Fiscal Year	*FY 2002*	*FY 2001*	*FY 2000*
Total Returns Filed	14997	14940	15417

Detail of FY 2002 Filing Activity

Entity Type	**Original**	**Amended**	**NOL***	**Incomplete**	**Total**
Subchapter C	6460	499	326	134	7419
Subchapter S	5736	60	2	0	5798
Exempt	1244	10	3	0	1257
Homeowners Assoc.	475	3	0	0	478
Oil & Gas	28	17	0	0	45
Total	13943	589	331	134	14997

*Net operating loss carryback

Table 5
Corporation Tax Liabilities Statistics

Tax liabilities reported on original returns filed in FY02

	Oil and Gas Corporations			Other than Oil and Gas Corporations			All Corporations		
Tax Liability Reported	**# Filers**	**Amount**	**% Total**	**# Filers**	**Amount**	**% Total**	**# Filers**	**Amount**	**% Total**
Above $1 million	8	287,701,532	99.04%	5	11,111,631	24.89%	13	$298,813,163	89.16%
$500,000 - $1 million	3	2,131,804	0.73%	14	10,675,432	23.91%	17	$12,807,236	3.82%
$100,000 - $499,999	3	566,970	0.20%	61	13,650,304	30.58%	64	$14,217,274	4.24%
$50,000 - $99,999	0	0	0.00%	41	2,930,186	6.56%	41	$2,930,186	0.87%
$10,000 - $49,999	3	89,607	0.03%	201	4,296,370	9.62%	204	$4,385,977	1.31%
$1,000 - $9,999	1	5,682	0.00%	466	1,688,962	3.78%	467	$1,694,644	0.51%
$100 - $999	2	899	0.00%	642	252,282	0.57%	644	$253,181	0.08%
$1 - $99	1	7	0.00%	1,136	33,962	0.08%	1,137	$33,969	0.01%
Zero Tax	7	0	0.00%	11,349	0	0.00%	11,356	$0	0.00%
Total	**28**	**$290,496,501**	**100.00%**	**13,915**	**44,639,129**	**100.00%**	**13,943**	**$335,135,630**	**100.00%**

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

DIVE FISHERY MANAGEMENT ASSESSMENT TAX
AS 43.76.150

Description
Alaska levies the dive fishery management assessment on the value of fisheries resources taken using dive gear. The assessment only applies in the management areas, on the species, and at the rate elected by a vote of eligible permit holders.

Rate
Southeast Alaska region commercial dive fishers elected the following rates for the Southeast Alaska administrative area (Management Area A):

Geoduck	5%
Sea Cucumber	5%
Sea Urchin	7%

Returns
Returns are filed quarterly and are due on or before the last day of the month following the calendar quarter during which the fisheries resource was sold or exported.

Disposition of Revenue
The Division deposits all revenue derived from the dive fishery management assessment into the General Fund.

Under AS 43.76.200, the legislature may appropriate dive fishery management assessment revenue to the Department of Fish and Game for the purpose of funding the regional dive fishery development association.

History
1997 – The legislature enacted the dive fishery management assessment statute effective June 21, 1997.

1999 – The Southeast Regional Dive Fishery Association elects a dive fishery management assessment on geoducks, sea cucumbers and sea urchins harvested in the Southeast Alaska administrative area (Management Area A). The assessment is effective on April 1, 1999 at the rate of 5% for geoduck and sea cucumber and 7% for sea urchin.

FY 2002 Statistics

Tax Collections	$192,110
Number of Returns	19
Number of Taxpayers	9
Program Cost	$4,020
Staffing	.1

ELECTRIC COOPERATIVE TAX
AS 10.25.555

Description

Alaska bases the electric cooperative tax on kilowatt-hours furnished by qualified electric cooperatives recognized under AS 10. The Division collects the tax from the cooperatives.

Rate

Alaska bases the electric cooperative tax 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 that are due with payment before March 1 of the following year.

Exemptions

All electric cooperatives are subject to the cooperative tax. Taxpayers pay the electric cooperative tax in lieu of corporation income taxes.

Disposition of Revenue

The Division deposits all revenue derived from electric cooperative taxes into the General Fund. Electric cooperative taxes sourced from within municipalities are shared 100% to respective municipalities. The State retains electric cooperative taxes sourced from outside of municipalities.

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. Alaska based the tax rate on the length of time the cooperative had provided electricity to consumers.

1960 – The legislature changed the due date for paying taxes to March 1.

1980 – The legislature changed the tax base for calculating the electric cooperative tax from gross revenue to kilowatt-hours. The legislature adopted the current mill rates.

FY 2002 Statistics

Tax Collections	$1,786,712
Number of Returns	16
Number of Taxpayers	16
Program Cost	$3,262
Staffing	.1

ESTATE TAX
AS 43.31

Description
Alaska levies the estate tax on the transfer of an estate upon death.

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

Returns
Estates 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 $675,000 in 2001 ($1 million in 2002) are generally exempt from paying estate taxes taking into consideration the estate tax credit (formerly the unified credit) allowed under the Internal Revenue Code.

Disposition of Revenue
The Division deposits all revenue derived from estate taxes into 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.

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

2001 – The federal Economic Growth and Tax Relief Reconciliation Act was enacted. The state tax credit is phased out ratable over a four year period beginning in 2002. The Alaska estate tax is gradually eliminated as a consequence of the federal law.

FY 2002 Statistics

Tax Collections	$3,117,413
Number of Returns	63
Number of Death Certificates Issued	734
Program Cost	$16,416
Staffing *(full-time equivalent)*	.4

FISHERIES BUSINESS TAX
AS 43.75

Description

Alaska levies the fisheries business tax on fisheries businesses and persons who process or export fisheries resources from Alaska. Alaska bases the tax on the fisheries value paid to commercial fishers or fair market value when there is no arms length transaction. The Division collects fisheries business taxes primarily from licensed processors and persons who export unprocessed fish from Alaska.

Rate

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

Rates are as follow:

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

Returns

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

After filing the calendar year return, taxpayers file returns to report post-season (bonus) payments made to fishers. Returns for these payments are due with additional taxes by the last day of the month following the payment.

Exemptions

Commercial fishers who process and freeze fish on board to maintain its quality before sale to a licensed processor are exempt.

Credits

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

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

Alaska Veterans' Memorial Endowment. This bill provides credits of up to 50 percent for contributions of not more than $100,000 and 75 percent of the next $100,000 in contributions made to the Veterans' Memorial Endowment Fund. Taxpayers may not use a contribution claimed as a credit more than one tax type. Also, when combined with credits for contributions to qualifying educational institutions, credits may not exceed $150,000. These credits cannot exceed 50 percent of a taxpayer's tax liability.

Disposition of Revenue

The Division deposits all revenue derived from the fisheries business tax into the General Fund. The legislature may appropriate revenue from the tax for revenue sharing as follows:

Processing Activity Inside Municipality

For taxes sourced from processing activities within an incorporated city or an organized borough, the Division shares 50% of the taxes with the incorporated city or organized borough in which the processing took place. If an incorporated city is within an organized borough, the Division divides the 50% shared amount equally between the incorporated city and the organized borough.

FISHERIES BUSINESS TAX

Processing Activity Outside Municipality

For taxes sourced from processing activities outside an incorporated city or an organized borough, 50% of the taxes are shared through and allocation program administered by the Alaska Department of Community and Economic Development.

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.

The Organic Act passed in 1912 establishing 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 legislature amended the tax several times by changing tax rates and expanding the tax base to include different fisheries.

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

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

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

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

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

1981 – The shared tax percentage was increased to 50%.

1986 – The legislature authorized the fisheries business tax credit program which provided for a tax credit of up to 50% of fisheries business taxes due. Under the credit program, the legislature allowed processors 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. Taxpayers claimed approximately $47.5 million of credits under this program. Also, in 1986 the legislature enacted the Winn Brindle scholarship credit and allowed a credit of up to 5% of fisheries business taxes due.

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

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

1991 – The legislature restructured the Alaska education credit and increased the maximum amount to $150,000.

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

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

FISHERIES BUSINESS TAX

2001 – The legislature modified the tax payment security requirements necessary to obtain a state fisheries business tax license. The legislature expanded the existing requirement for a whole-salmon exporter to include any exporter of any unprocessed fisheries resource. Under the bill, exporters of unprocessed fish can obtain a fisheries business license by posting a $50,000 surety bond. Additionally, the bill requires quarterly payment of estimated fishery resource landing taxes.

2002 – Alaska Veterans' Memorial Endowment, SB 267, provides credits of up to 50 percent for contributions of not more than $100,000 and 75 percent of the next $100,000 in contributions made to the Veterans' Memorial Endowment Fund. The tax credit provisions will sunset on July 1, 2003.

FY 2002 Statistics

Tax Collections	$25,292,371
Number of Returns	723
Number of Taxpayers	486
Program Cost	$457,510
Staffing *(full-time equivalent)*	7.3
Fisheries Business Licenses Issued	
Shore-based	207
Floating	302
Exporter	116
Total	625

FISHERY RESOURCE LANDING TAX
AS 43.77

Description

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

Alaska collects the fishery resource landing taxes 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

Tax rates are based on whether the resource is classified as “established” or “developing” by the Alaska Department of Fish and Game and are as follows:

	Rate
Established	3%
Developing	1%

Returns

Taxpayers file returns and pay tax on a calendar year basis with a due date of March 31 of the following year. Taxpayers generally make quarterly estimated tax payments which are due on the last day of each calendar quarter.

The Division grants an automatic extension to file the landing return if it does not provide statewide average prices to taxpayers at least 30 days prior to the due date. If the extension applies, the due date is the last day of the month following the month in which the Division issues statewide average prices. The Division extended the due date for calendar year 2001 returns to June 30, 2002.

Exemptions

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

Credits

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

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

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

Alaska Veterans’ Memorial Endowment – This credit provides up to 50 percent for contributions of not more than $100,000 and 75 percent of the next $100,000 in contributions made to the Veterans’ Memorial Endowment Fund. These credits cannot exceed 50 percent of a taxpayer’s tax liability. When combined with credits for contributions to qualifying educational institutions, credits may not exceed $150,000.

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

Disposition of Revenue

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

Landings Inside Municipality

For taxes sourced from landings within a municipality, the Division shares 50% of taxes (3% portion) with the respective municipalities in which landings occurred. If a municipality is within a borough, the Division divides the 50% shared amount between the municipality and borough.

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

History

The 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 that took effect April 20, 1994.

1994 – The American Factory Trawler Association (AFTA) filed litigation challenging the constitutionality of the landing tax.

1995 – The Alaska Supreme Court rejected AFTA's request based on AFTA's failure to exhaust administrative remedies with the Department of Revenue.

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

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

1999 – The American Fisheries Act (P.L. 105-277) required a fishery cooperative to execute a contract with each cooperative member that obligated the member to make a payment to the state for pollock harvested in the Alaska pollock fishery that is not landed in Alaska. AS 43.77.015 required that those payments be treated as if they were landing taxes.

2001 – HB154 requires quarterly payment of estimated fishery resource landing taxes.

2002 – Alaska Veterans' Memorial Endowment, SB 267, provides credits of up to 50 percent for contributions of not more than $100,000 and 75 percent of the next $100,000 in contributions made to the Veterans' Memorial Endowment Fund. The tax credit provisions will sunset on July 1, 2003.

FY 2002 Statistics

Tax Collections	$7,223,775
Number of Returns	105
Number of Taxpayers	68
Program Cost	$51,877
Staffing (*full-time equivalent*)	.9

MINING LICENSE TAX
AS 43.65

Description

The mining license tax is levied on mining net income and royalties received in connection with mining properties and activities in Alaska. The Division collects mining license taxes primarily from businesses engaged in coal and hard rock mining.

Rate

Mining Net Income	*Rate*
$0 - 40,000	No Tax
$40,001 - $50,000	$1,200 plus 3% over $40,000
$50,001 - $100,000	$1,500 plus 5% over $50,000
Over $100,000	$4,000 plus 7% over $100,000

Returns

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

Exemptions

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

Credits

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

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

Alaska Veterans' Memorial Endowment – This credit provides up to 50 percent for contributions of not more than $100,000 and 75 percent of the next $100,000 in contributions made to the Veterans' Memorial Endowment Fund. These credits cannot exceed 50 percent of a taxpayer's tax liability. When combined with credits for contributions to qualifying educational institutions, credits may not exceed $150,000.

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

Disposition of Revenue

The Division deposits all revenue derived from the mining license tax into the General Fund with the exception of payments received after a tax assessment. The Division deposits these amounts into the Constitutional Budget Reserve Fund (CBRF).

History

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

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

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

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

1937 – The tax-free net income base was eliminated and all net income was subject to tax. A nine-tier tax

MINING LICENSE TAX

structure as adopted with tax rates ranging from .75% to 8% for net income over $1 million.

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

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

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

1955 – The rate structure as it exists today was adopted.

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

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

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

2002 – Alaska Veterans' Memorial Endowment, SB 267, provides credits of up to 50 percent for contributions of not more than $100,000 and 75 percent of the next $100,000 in contributions made to the Veterans' Memorial Endowment Fund. The tax credit provisions will sunset on July 1, 2003.

FY 2002 Statistics

Tax Collections	
General Fund	$466,430
CBRF	-0-
Number of Reports	188
Number of Taxpayers	178
Program Cost	$21,170
Staffing	.3

MOTOR FUEL TAX
AS 43.40

Description

Alaska levies the motor fuel tax on motor fuel sold, transferred or used within Alaska. The Division collects motor fuel taxes primarily from wholesalers and distributors who hold "qualified dealers" licenses from the Division.

Rate

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

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

Returns

Taxpayers file returns and make payment monthly. The due date is the last day of the month following the month of sale. Taxpayers can deduct 1% of the tax due, limited to a maximum of $100, to cover expenses of accounting and filing returns.

Refunds

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

Exemptions

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

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

Disposition of Revenue

The Division deposits nearly all revenue derived from motor fuel taxes into the General Fund. The Division's tax accounting system accounts for revenue from each category separately.

The Division shares with the respective municipalities sixty percent of taxes attributable to aviation fuel sales at municipally owned or operated airports. Because Anchorage and Fairbanks international airports are the sites of most aviation fuel sales, the Division shares only a small portion of aviation fuel tax with municipalities.

History

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

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

MOTOR FUEL TAX

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

1997 – The gasohol exemption was repealed. The legislature enacted a provision that reduces the tax on gasohol from 8¢ to 2¢ per gallon for areas and times when federal law mandates the use of gasohol. However, gasohol that is blended with at least 10% alcohol derived from wood or seafood wastes is fully exempt, in certain circumstances.

Also, the legislature expanded the foreign flight exemption to include flights originating from foreign countries in addition to the existing exemption for flights with a foreign destination. This legislation included a permanent exemption for bunker fuel (residual fuel oil known as #6 fuel oil) which nullified the 1994 bunker fuel tax rate reduction.

1998 – Bad debt credit. The legislature authorized taxpayers to take a credit for sales deemed to be worthless and for sales to persons who file bankruptcy.

FY 2002 Statistics

Tax Collections *(including penalties and interest*	$40,352,396
Number of Returns	3,560
Number of Taxpayers	263
Program Cost	$461,779
Staffing *(full-time equivalent)*	5.4

OIL AND GAS EXPLORATION, PRODUCTION AND PIPELINE TRANSPORTATION PROPERTY TAXES AS 43.56

Description

Each year Alaska levies the oil and gas property tax on the value of taxable exploration, production, and pipeline transportation property located within the state. The Division has established procedures for the three distinct classes of property.

Exploration Property is valued at the estimated price which the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer, both conversant with the property and with prevailing general price levels.

Production Property value is determined on the basis of replacement cost of similar new property, less depreciation based on the economic life of the proven reserves.

Pipeline Transportation Property is generally valued based on its economic value relative to the reserves feeding into the pipeline.

Rate

The State tax rate is 20 mills, or 2%, of the assessed value.

Returns

Taxpayers file annual returns reporting taxable property as of January 1 of the assessment year. Returns are due on or before January 15. Payment is due on or before June 30.

Exemptions

Oil and gas reserves, oil or gas leases, and the lease or rights to explore or produce oil or gas are exempt, as are intangible drilling and exploration expenditures. Certain aircraft, motor vehicles, communication facilities, and buildings may be exempt even though they are associated with oil or gas exploration, production, or pipeline transportation. Oil or gas pipeline transportation systems owned and operated by a public utility are exempt.

Credits

Municipal property taxes paid. Taxpayers receive a credit against state oil and gas property tax for property taxes paid to municipalities on taxable property. The credit is limited to the amount of state tax otherwise due.

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

Alaska Veterans' Memorial Endowment – This credit provides up to 50 percent for contributions of not more than $100,000 and 75 percent of the next $100,000 in contributions made to the Veterans' Memorial Endowment Fund. These credits cannot exceed 50 percent of a taxpayer's tax liability. When combined with credits for contributions to qualifying educational institutions, credits may not exceed $150,000.

Disposition of Revenue

The Division deposits in the General Fund all net revenue derived from oil and gas property taxes except as noted below.

The Division deposits revenues received pursuant to a resolution of a dispute with taxpayers into the CBRF.

History

The legislature enacted this tax in 1973 during the first special session of the eighth legislature to enhance the capability of the State to enlarge upon its already substantial contributions to financing the services of local governments to their citizens. The State assists local governments by assessing property subject to the tax, insuring uniform treatment of all taxable property.

OIL AND GAS EXPLORATION, PRODUCTION AND PIPELINE TRANSPORTATION PROPERTY TAXES

2002 - Alaska Veterans' Memorial Endowment, SB 267, provides credits of up to 50 percent for contributions of not more than $100,000 and 75 percent of the next $100,000 in contributions made to the Veterans' Memorial Endowment Fund. These credits cannot exceed 50 percent of a taxpayer's tax liability. When combined with credits for contributions to qualifying educational institutions, credits may not exceed $150,000. The tax credit provisions will sunset on July 1, 2003.

FY 2002 Statistics

Tax Billed	$270,354,442
CBRF	-0-
Less Municipal Tax Credit	$220,713,351
Net Tax Due to State	$ 49,711,822
Number of Returns	94
Number of Taxpayers	87
Program Costs	$357,225
Staffing *(full-time equivalent)*	2.9

OIL AND GAS PRODUCTION TAX
AS 43.55

Description
Alaska imposes the production tax on all oil and gas produced in Alaska. Conservation Surcharge on Oil (AS 43.55) and Oil and Gas Production Tax are severance taxes.

Rate
The rate of taxation for oil varies depending on the vintage of the field and is further subject to the economic limit factor (ELF). The ELF varies depending on field size and well productivity.

The severance tax rate on oil is 12.25% of production value as determined at the point of production, for the first 5 years of production and 15% thereafter for fields coming into production after June 1981, and 15% for fields in production prior to June 1981. There is a minimum tax of $0.80/bbl.

Both the percent of value and the cents per barrel tax rates are subject to the ELF. The effective tax rate is the appropriate tax rate multiplied by the ELF.

The ELF formula results in lower tax rates for smaller low productive fields and higher tax rates for larger highly productive fields. The formula is difficult to characterize in a simple way because it is based on a fraction that is calculated using fractional exponents and is unique for every combination of field size and well productivity. A field that produces 300 bbl/day per well or less has an ELF of zero i.e. no severance taxes are assessed.

In Fiscal Year 2002, seven of Alaska's 29 producing fields had an ELF higher than .1:

Field	ELF	Tax Rate
Prudhoe	0.896	13.44%
Alpine	0.878	10.76%
Northstar	0.818	10.02%
Kuparuk	0.353	5.30%
Borealis	0.297	3.64%
Pt. McIntyre	0.206	3.09%
MidnightSun	0.113	1.38%

These 5 largest fields account for more than 99% of all production tax revenues.
The severance tax rate on gas is 10% of production value. There is a minimum tax of $.064/mcf. The gas severance tax rate is also subject to an ELF based on daily gas production per well.

Returns
Returns are filed monthly and due with payment of taxes on or before the 20th day of the month following the month of production.

Exemptions
The tax is levied on all production except for public (government) royalty production.

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

Oil and Gas Exploration Incentive - Taxpayers may take a credit for up to 50% on state land (or 25% on non state lands) of eligible oil and gas exploration costs. An approved oil and gas exploration incentive credit may not exceed $5 million per project and is limited to $30 million per taxpayer. Taxpayers may apply the credit against 100% of oil and gas production taxes.

Disposition of Revenue
All revenue derived from the Oil and Gas Production Tax is deposited in the General Fund except that payments received as a consequence of an assessment are deposited in the Constitutional Budget Reserve Fund (CBRF).

History
1955 – The legislature enacts an oil and gas production tax of 1% of production value.

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

OIL AND GAS PRODUCTION TAX

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

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

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

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

1977 – The legislature raises the nominal gas production tax rate to 10%. The legislature raises the nominal oil production tax rate to 12.25% and adopts the oil and gas economic limit factors.

1981 – As part of legislation that repealed the separate accounting oil and gas corporation income tax, the nominal tax rate on oil produced prior to 1981 was raised to 15% and fields coming into production after 1981 are taxed at 12.25% for five years after which the rate increases to 15%. The oil economic limit factor is now subject to a rounding rule so that if the calculated factor is greater than or equal to .7 during the first 10 years of production, the factor is set to 1.0.

1989 – The legislature changes the economic limit factor for oil production taxes to include a field size factor in the formula, fixes the production at the economic limit (not rebuttable) at 300 barrels per well per day, and drops the "rounding" rule. The legislature fixes production at the economic limit for gas production at 3000 mcf per well per day.

2002 - Alaska Veterans' Memorial Endowment, SB 267, provides credits of up to 50 percent for contributions of not more than $100,000 and 75 percent of the next $100,000 in contributions made to the Veterans' Memorial Endowment Fund. The tax credit provisions will sunset on July 1, 2003.

FY 2002 Statistics

Tax Collections - Production Tax only	
General Fund	$486,740,276
CBRF	$24,243,395
Number of Returns*	2,592
Number of Taxpayers	15
Severance Taxes**	
Program Cost	$1,850,350
Staffing (*full-time equivelent*)	23.7

*Returns are now being filed electronically through 180 electronic filings.

** The Oil and Gas Production Tax is reported on the same return and by the same taxpayers as is Alaska's other production tax, Conservation Surcharge on Oil (AS 43.55). We have not segregated program cost and staffing related to each individual tax. Production tax program cost and staffing represent the resources committed to both levies.

OIL AND GAS ROYALTY AND NET PROFIT SHARE AUDITING
AS 38.05

Description

Most Alaska oil and gas production occurs on lands leased by the state for exploration and development of oil and gas resources. As the land owner, the state earns revenue from leasing state-owned land in the form of a royalty or net profit share. Generally the leasing functions fall under the purview of the Department of Natural Resources.

AS 38.05.036 requires that the Department of Revenue conduct audits for the Department of Natural Resources of "reports, payments, and payments due relating to royalty and net profits under oil and gas contracts, agreements, or leases". All information obtained in the audits is made available to them.

Rate

The royalty rate is normally 12.5%. However, individual leases can carry rates as high as 33 1/3%.

Returns

Returns are filed monthly and due with payment of royalties on the last day of the month following the month of production.

History

This audit function has been delegated to the Department of Revenue since 1980. See AS 38.05.036.

REGULATORY COST CHARGES
AS 43.05.253/AS 42.06.285

Description

Regulatory cost charges are user fees levied on utilities to fund the Regulatory Commission of Alaska's (RCA) costs of regulating utilities and pipeline carriers in Alaska. Regulated utilities pass charges on to consumers, collect, and remit the charges to the Division.

Rate

For FY 02, the following rates applied:

Electric Utilities	$.00036/kWh
The following are based on a percentage of total revenues	
Telephone Utilities	
Local Exchange	0.939%
Interexchange	1.023%
Pipeline Carriers	0.795%
Natural Gas Utilities	0.437%
Refuse Utilities	1.695%
Water and Wastewater Utilities	0.364%
Cable Utilities	2.813%
District Heat Utilities	1.681%

Rates are effective October 1 through September 30 and are based on the costs the RCA incurs when working on matters that pertain to a specific utility or pipeline carrier.

Returns

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

Exemptions

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

Disposition of Revenue

The Division deposits all revenue derived from the RCC program into the General Fund. The legislature may make appropriations from the General Fund to fund RCA based on regulatory cost charges collected.

History

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

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

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

1995 – The legislature reauthorized the RCC program which became effective June 26, 1995. Effective October 1, 1995, RCA adopted regulations to reestablish quarterly payments.

1999 – The legislature required that separate RCC rates be calculated for each regulated utility and changed the methodology for calculating rates.

FY 2002 Statistics

Total RCC Collections	$5,855,577
Number of Returns	447
Number of Taxpayers	110
Program Cost	$10,709
Staffing *(full-time equivalent)*	.3

SALMON ENHANCEMENT TAX
AS 43.76

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

Fishers pay salmon enhancement taxes to processors at the time of sale or to the Division for salmon exported from the region. Processors remit taxes collected from fishers to the Division.

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

Region	*Rate*	*Effective*
Southern Southeast	3%	1981
Northern Southeast	3%	1981
Cook Inlet	2%	1981
Prince William Sound	2%	1985
Kodiak	2%	1988
Chignik	2%	1991

Returns
Processors file returns and pay tax monthly. The due date is the last day of the month following the month of purchase or export.

Processors file returns for payments 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
The Division deposits all salmon enhancement tax revenue into the General Fund.

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

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

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

1985 – Commercial fishers in the Prince William Sound aquaculture region elected a 2% tax.

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

1991 – Commercial fishers in the Chignik aquaculture region elected a 2% tax.

FY 2002 Statistics

Tax Collections	$3,701,801
Number of Returns	831
Number of Taxpayers	149
Program Cost	$61,637
Staffing *(full-time equivalent)*	.7

SALMON MARKETING TAX
AS 43.76

Description
Alaska levies the salmon marketing tax 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. Taxpayers pay tax directly to the Division for salmon exported from the state. Processors remit taxes collected from fishers to the Division.

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

Returns
Taxpayers file returns and pay tax monthly. The due date is the last day of the month following the month of purchases or export.

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

Disposition of Revenue
The Division deposits the salmon marketing tax into the general fund.

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

History
1993 – The legislature enacted a 1% salmon marketing tax to fund salmon marketing programs administered by ASMI to sunset June 30, 1998.

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

FY 2002 Statistics

Tax Collections	$1,986,718
Number of Returns	832
Number of Taxpayers	150
Program Cost	$61,637
Staffing (*full-time equivalent*)	.7

SEAFOOD MARKETING ASSESSMENT
AS 16.51.120

Description
Alaska levies the seafood marketing assessment on seafood products made in Alaska. Alaska also levies the assessment on unprocessed fisheries product exported from Alaska. The Division generally collects the tax from fisheries processors or landing taxpayers.

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

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

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

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

Disposition of Revenue
The Division deposits all seafood marketing assessments into the general fund.

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

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

FY 2002 Statistics

Assessment Collections	$2,698,456
Number of Returns	367
Number of Taxpayers	264
Program Cost	$80,737
Staffing *(full-time equivalent)*	1.3

TELEPHONE COOPERATIVE TAX
AS 10.25.550

Description
Alaska levies the telephone cooperative tax on gross revenue of qualified telephone cooperatives under AS 10. The Division collects taxes 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. Cooperatives pay the telephone cooperative tax instead of corporate net income tax.

Disposition of Revenue
The Division deposits revenue from the telephone cooperative tax into the General Fund.

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

The state retains telephone cooperative taxes sourced from outside of municipalities.

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

1960 – The due date for filing returns was changed to March 1.

FY 2002 Statistics

Tax Collections	$1,352,643
Number of Returns	8
Number of Taxpayers	7
Program Cost	$13,360
Staffing	.1

TOBACCO TAX
AS 43.50

Description
Alaska levies the tobacco tax on cigarettes and tobacco products sold, imported, or transferred into Alaska. The division collects tobacco taxes primarily from licensed wholesalers, distributors, and retailers

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

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

Returns
Taxpayers file returns and pay tax monthly. The due date is the last day of the month following the month of sale, importation, or transfer. Taxpayers deduct .4% of the tax due to cover expenses of accounting and filing returns.

Exemptions
Sales to authorized military personnel on a military exchange, commissary, or ship store; and sales to Indians within an Indian reservation are not subject to the tax.

Disposition of Revenue
The division deposits cigarette tax revenue as follows:

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

The Division deposits all tobacco products revenue into the General Fund.

The Division deposits all cigarette and tobacco products license fees into the School Fund.

The legislature has dedicated all revenue deposited into the School Fund for rehabilitation, construction, repair and associated insurance costs of state school facilities.

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

1951 – The legislature increased the cigarette tax to 5 cents per pack.

1955 – The legislature eliminated the tobacco products tax and although the cigarette tax rate remained at 5 cents, the legislature converted the rate to a mill rate per cigarette (2.5 mills per cigarette). The legislature enacted a 1% deduction provision to cover accounting expenses.

1961 – The legislature increased the cigarette tax to 4 mills per cigarette (8 cents per pack). The legislature dedicated revenue from the additional 3 cents to the General Fund.

1977 – The legislature exempted military sales from the cigarette tax.

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

1985 – The legislature increased the cigarette tax to 8 mills per cigarette (16 cents per pack).

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

1989 – The legislature increased the cigarette tax rate to 14.5 mills (29 cents per pack of 20).

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

2001 – Effective July 1, 2001, the Department of Revenue gained new tools to enforce the nationwide

TOBACCO TAX

Master Settlement Agreement signed by the major cigarette producers and states. It allows the department to share information with other states and entities that may aid in the enforcement of the agreement. It also prohibits the state's cigarette and tobacco products licensees from importing and selling cigarettes in Alaska made by nonparticipating manufacturers that fail to comply with the agreement.

FY 2002 Statistics

Tax Collections by Fund	
General Fund	$15,534,977
School Fund	30,272,141
Total Tax Collections by Fund	**$45,807,118**
Tax Collections by Product	
Cigarettes	$39,760,717
Other Tobacco Products	6,042,653
Timely Filing Deductions	(62,924)
Penalties & Interest	66,672
Total Collections by Product	$45,807,118
Cigarettes *(individual cigarettes)*	
Reported on Tax Returns	
Taxable Cigarettes	806,049,364
Military and Indian Exempt Sales	6,346,800
Credits for Returns	12,226,920
Total Reported on Tax Returns	824,623,084
Military Sales Not Reported on Tax Returns	46,086,000
Total Cigarettes	**870,709,084**
Other Tobacco Products *(value)*	
Reported on Tax Returns	
Taxable Products	$8,018,644
Military and Exempt Sales	56,843
Credits for Returns	96,457
Total Other Tobacco Products	**$8,171,944**
License Fee Collections	$3,220
Number of Returns	1,274
Number of Taxpayers	317
Program Cost	$171,956
Staffing *(full-time equivalent)*	2.9

AUDIT PROGRAM

Description

The Division's audit program is comprised of two groups. Audit Group 1 is responsible for corporate income (including oil and gas corporation net income taxes), fisheries, and excise taxes. Audit Group 2 is responsible for oil and gas production taxes and oil and gas royalties collected by the Department of Natural Resources. Both groups continue to successfully stay current with 100% audit coverage of Alaska's major taxpayers representing approximately 80% of the state's general purpose unrestricted General Fund revenue in FY 2002.

Collections from audit assessments comprise approximately 11% of all revenue collected by the Division in FY 2002. This level of audit collections is higher than FY 2001, demonstrating the importance of the audit program.

FY 2002 Statistics

Tax Type	Collections
Audit Group 1	
Corporate Net Income	
Oil and Gas	$65,649,583
Other Corporations	3,643,139
Other Taxes	440,623
Audit Group 1 Total	$69,733,345
Audit Group 2	
Production Tax	$24,243,395
Royalties	9,943,993
Audit Group 2 Total	$34,187,388
Audit Total*	**$103,920,773**

**Does not include receipts or refunds resulting from litigation.*

APPEALS PROGRAM

Description

Appeals staff continued to work independently and in cooperation with the Department of Law to expedite and resolve issues related to audit and compliance actions. While oil and gas cases retained a priority due to the revenue and important issues involved, gaming cases also were a top priority as the Division continued to deal with compliance issues in the gaming industry. Included within the appeals closed case statistics are formal settlements: cases were settled with 16 taxpayer/gaming groups covering 112 periods with receipts totaling $85,410,377 of which all but $316,530 was deposited into the CBRF.

FY 2002 Statistics

	Tax Periods*	Taxpayer Count
Beginning Inventory	267	72
Plus New Cases	399	75
Less Closed Cases	(437)	(82)
	229	65

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

Appendix A

Historical Overview of Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Latest Change
Alcoholic Beverages	AS 43.60	1937	Liquor - 50¢/gallon	Liquor - $5.60/gallon	2002 - Effective October 1, tax rates increase for alcoholic beverages tax: Liquor - $12.80/gallon Wine - $2.50/gallon Beer - $1.07/gallon Cider - $1.07/gallon
		1933	Wine - 5¢/gallon Beer - 5¢/gallon	Wine - 85¢/gallon Beer - 35¢/gallon See "Latest Change" column for tax effective October 1, 2002	
Games of Chance and Contests of Skill	AS 05.15	1960		$20 annual permit fee for new and renewal permittees. $50 renewal permit fee for permittees with $20,000 to $100,000 in gross receipts. $100 renewal permit fee for permittees with over $100,000 in gross receipts.	The Bristol Bay Native Corporation Education Foundation is added to the list of charitable organizations allowed to conduct “salmon classic” games of chance.
Conservation Surcharge on Oil	AS 43.55	1989	5¢/bbl	3¢/bbl increasing to 5¢/bbl when fund balance drops below $50m	1994 - tax rate split based on fund balance
Corporate Net Income	AS 43.20	1949	10% of federal income tax liability	1% to 9.4% of net income	1998 - certain foreign owned marine vessels and aircraft income exempted
Dive Fishery Management Assessment	AS 43.76.150	1997	Voluntary tax of 1, 3, 5, or 7% of value	SE AK Management Area A Geoduck = 5% Sea Cucumber = 5% Sea Urchin = 7%	1999 - SE Alaska region elected to assess at current rates.
Electric Cooperative	AS 10.25.555	1959	1% of gross revenue if operating < 5 years; 2% of gross revenue if operating = 5 years	1/4 mill ($.00025) per kWh if < 5 years; 1/2 mill ($.0005) per kWh if = 5 years	1980 - tax base on kWh rather than gross revenue
Estate	AS 43.31	1919	(Inheritance Tax) Based on value of property	State tax credit on federal estate tax return	1991 - interest on delinquent tax subject to compound interest under AS 43.05.225
Fisheries Business	AS 43.75	1913	7¢ per case of canned salmon; Other -- dollar amount based on revenue	Floating[1] - 5% of value Cannery[1] - 4.5% of value Shore-based[1] - 3% of value Floating[2] - 3% of value Shore-based[2] - 1% of value	2001 - exports of unprocessed fish can obtain a fisheries business license by posting a $50,000 surety bond
Fishery Resource Landing	AS 43.77	1993	3.3% of unprocessed value	3% of value[1] 1% of value[2]	2001 - quarterly payment of estimated fishery resource landing taxes is required
Mining License	AS 43.65	1913	.5% of net income > $5,000	Tax on net income: No tax if = $40,000 3% if > $40,000 and = $50,000 5% if > $50,000 and = $100,000 7% if > $100,000	1995 - minerals explorations incentive credit enacted
Motor Fuel	AS 43.40	1945	1¢ per gallon on all fuels	Highway - 8¢/gallon Marine - 5¢/gallon Aviation Gas - 4.7¢/gallon Jet Fuel - 3.2¢/gallon	2001 - regulations adopted introduced new and clarified existing policy for interpreting the statutes

[1]Established species [2] Developing species

Appendix A

Historical Overview of Tax Programs

Tax Type	Legal Reference	First Enacted	Original Tax	Current Tax Structure	Latest Change
Oil & Gas Property	AS 43.56	1973	20 mills on full and true value	20 mills on full and true value	1996 - oil and gas property education tax credit was enacted
Oil & Gas Production Tax	AS 43.55	1955	1% of production value	12.25% of production value during first five years of production, 15% thereafter	1989 - ELF formula modified to include a field size factor, fix the 300 bbl/day economic limit, and cease rounding the ELF
Regulatory Cost Charge (APUC)	AS 42.05.253 (Utilities) AS 42.06.285 (Pipelines)	1992	Electric Utilities: $.000626/kWh Other Utilities: .653% gross revenue Pipelines: .653% gross revenue	Electric Utilities: $.000280/kWh Other Utilities: .568% gross revenue Pipelines: .568% gross revenue	1998 - rates increased by regulation
Salmon Enhancement	AS 43.76	1980	Voluntary tax of 1%, 2% or 3% of value as elected by fishers in an aquaculture region	Southern Southeast - 3% Northern Southeast - 3% Cook Inlet - 2% Pr. William Sound - 2% Kodiak - 2% Chignik - 2%	1991 - Chignik elected 2% tax
Salmon Marketing	AS 43.76	1993	1% of value of salmon statewide	1% of value of salmon statewide	1998 - tax sunset date extended to June 30, 2003
Seafood Marketing	AS 16.51.120	1981	Voluntary assessment of .1%, .2% or .3% of value as elected by processors	.3% of value of fishery resources produced in Alaska	1996 - fishery resources landed in Alaska included in seafood marketing assessment
Telephone Cooperative	AS 10.25.550	1959	1% of gross revenue if operating < 5 years; 2% of gross revenue if operating = 5 years or longer	1% of gross revenue if operating < 5 years; 2% of gross revenue if operating = 5 years or longer	N/A
Tobacco	AS 43.50	1949	Cigarettes - 3¢ per pack of 20; Tobacco - 2¢ per ounce	50 mills/cigarette ($1 per pack of 20) 75% of wholesale price	2001 – HB 228 gives the Department of Revenue new tools to enforce the nation-wide Master Settlement Agreement

Repealed Tax Programs					
Business License	AS 43.70	1949	$25 license fee plus .5% of gross receipts > $20,000 plus .25% of gross receipts > $50,000	Repealed	Tax repealed effective January 1, 1979
Oil & Gas Conservation	AS 43.57	1955	5 mills per barrel of oil or 50,000 cubic feet of natural gas	Repealed	Tax repealed effective July 1, 1999
Coin-operated Devices	AS 43.35	1941	12.5% of gross receipts on coin-operated machines	Repealed	Tax repealed effective January 1, 1999
Individual Income	AS 43.20	1949	10% of federal income tax liability	Repealed	Tax repealed retroactive to 1979
School	AS 43.45	1919	$5 tax on each male person	Repealed	Tax repealed retroactive to 1980

[1]Established species [2] Developing species

Appendix B

Comparison of Alcohol Tax Rates - Liquor
January 2002

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	19
Arizona	3.00	19	Nevada	2.05	29
Arkansas	2.50	23	New Hampshire	Footnote 1	N/A
California	3.30	17	New Jersey	4.40	10
Colorado	2.28	28	New Mexico	6.06	3
Connecticut	4.50	8	New York	6.44	2
Delaware	3.75	15	North Carolina	Footnote 1	N/A
Florida	6.50	1	North Dakota	2.50	23
Georgia	3.79	14	Ohio	Footnote 1	N/A
Hawaii	5.92	4	Oklahoma	5.56	6
Idaho	Footnote 1	N/A	Oregon	Footnote 1	N/A
Illinois	4.50	8	Pennslyvania	Footnote 1	N/A
Indiana	2.68	22	Rhode Island	3.75	15
Iowa	Footnote 1	N/A	South Carolina	2.72	21
Kansas	2.50	23	South Dakota	3.93	13
Kentucky	1.92	31	Tennesee	4.00	12
Louisiana	2.50	23	Texas	2.40	27
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	7	West Virginia	Footnote 1	N/A
Mississippi	Footnote 1	N/A	Wisconsin	3.25	18
Missouri	2.00	30	Wyoming	Footnote 1	N/A

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

* Out of 32 states which levy a per gallon tax, highest to lowest.
N/A - Not Applicable

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Alcohol Tax Rates - Wine
January 2002

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	22
Colorado	.32	38	New Mexico	1.70	3
Connecticut	.60	24	New York	.19	45
Delaware	.97	11	North Carolina	.79	17
Florida	2.25	1	North Dakota	.50	30
Georgia	1.51	5	Ohio	.32	38
Hawaii	1.36	7	Oklahoma	.72	21
Idaho	.45	33	Oregon	.67	23
Illinois	.73	20	Pennslyvania	Footnote 1	N/A
Indiana	.47	32	Rhode Island	.60	24
Iowa	1.75	2	South Carolina	.90	13
Kansas	.30	40	South Dakota	.93	12
Kentucky	.50	30	Tennesee	1.10	8
Louisiana	.11	46	Texas	.20	43
Maine	.60	24	Utah	Footnote 1	N/A
Maryland	.40	34	Vermont	.55	27
Massachusetts	.55	27	Virginia	1.51	5
Michigan	.51	29	Washington	.87	14
Minnesota	.30	40	West Virginia	1.00	10
Mississippi	.35	37	Wisconsin	.25	42
Missouri	.36	36	Wyoming	Footnote 1	N/A

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

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

N/A - Not Applicable

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of State Alcohol Tax Rates - Beer
January 2002

State	Rate ($ per gallon)	Rank	State	Rate ($ per gallon)	Rank
Alabama	.53	3	Montana	.14	35
ALASKA	**.35**	**10**	Nebraska	.23	19
Arizona	.16	30	Nevada	.09	42
Arkansas	.23	19	New Hampshire	.30	14
California	.20	21	New Jersey	.12	38
Colorado	.08	44	New Mexico	.41	8
Connecticut	.19	23	New York	.135	36
Delaware	.16	30	North Carolina	.53	3
Florida	.48	5	North Dakota	.16	30
Georgia	.48	5	Ohio	.18	27
Hawaii	.92	1	Oklahoma	.40	9
Idaho	.15	33	Oregon	.08	44
Illinois	.185	26	Pennslyvania	.08	44
Indiana	.12	38	Rhode Island	.10	41
Iowa	.19	23	South Carolina	.77	2
Kansas	.18	27	South Dakota	.27	15
Kentucky	.08	44	Tennesee	.13	37
Louisiana	.32	13	Texas	.19	23
Maine	.35	10	Utah	.35	10
Maryland	.09	42	Vermont	.265	16
Massachusetts	.11	40	Virginia	.26	18
Michigan	.20	21	Washington	.261	17
Minnesota	.15	33	West Virginia	.18	27
Mississippi	.43	7	Wisconsin	.06	48
Missouri	.06	48	Wyoming	.02	50

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Highway Gasoline Tax Rates
January 2002

State	Rate (¢ per gallon)	Other Tax[1] (¢ per gallon)	Total (¢ per gallon)	Rank
Alabama	16	2	18	36
ALASKA	**8**	**0**	**8**	50
Arizona	18	0	18	36
Arkansas	21.5	0.2	21.7	21
California	18	0.0	18	36
Colorado	22	0	22	17
Connecticut	25	0	25	8
Delaware	23	0	23	14
Dist of Columbia	20	0	20	26
Florida	4	9.9	13.9	49
Georgia	7.5	0	7.5	51
Hawaii	16	0	16	44
Idaho	25	1	26	5
Illinois	19	0.3	19.3	32
Indiana	15	0	15	46
Iowa	20	0	20	26
Kansas	21	0	21	23
Kentucky	15	1.4	16.4	43
Louisiana	20	0	20	26
Maine	22	0	22	17
Maryland	23.5	0	23.5	13
Massachusetts	21	0	21	23
Michigan	19	0	19	33
Minnesota	20	0	20	26
Mississippi	18	0.4	18.4	35
Missouri	17	0.05	17.05	41
Montana	27	0	27	3
Nebraska	24.5	0.9	25.4	6
Nevada	24	0	24	11
New Hampshire	18	1	19	33
New Jersey	10.5	4	14.5	47
New Mexico	17	1	18	36
New York	8	14.6	22.6	16
North Carolina	24.2	0.25	24.45	10
North Dakota	21	0	21	23
Ohio	22	0	22	17
Oklahoma	16	1	17	42
Oregon	24	0	24	11
Pennslyvania	12	14.6	26.6	4
Rhode Island	28	1	29	1
South Carolina	16	0	16	44
South Dakota	22	0	22	17
Tennesee	20	1.4	21.4	22
Texas	20	0	20	26
Utah	24.5	0.25	24.75	9
Vermont	19	1	20	26
Virginia	17.5	0	17.5	40
Washington	23	0	23	14
West Virginia	20.5	4.85	25.35	7
Wisconsin	27.3	0	27.3	2
Wyoming	13	1	14	48

[1] Includes state sales tax, gross receipts tax and underground storage tank taxes.

SOURCE: *Federation of Tax Administrators*

Comparison of Aviation Fuel Tax Rates
January 2002

State	Jet Fuel (¢ per gallon)	Rank[1]	Aviation Gas (¢ per gallon)	Rank[2]
Alabama	1.0	30	3.0	35
ALASKA	**3.2**	**20**	**4.7**	**31**
Arizona	3.05	21	5.0	25
Arkansas	Sales Tax	N/A	Sales Tax	N/A
California	2.0	25	18.0	5
Colorado	4.0	16	6.0	20
Connecticut	None	N/A	None	N/A
Delaware	None	N/A	23.0	1
Florida	6.0	7	6.0	20
Georgia	Sales Tax	N/A	1.0	39
Hawaii	1.0	30	1.0	39
Idaho	4.5	15	5.5	24
Illinois	11.0	1	11.0	9
Indiana	0.8	34	15.0	7
Iowa	3.0	22	8.0	14
Kansas	Sales Tax	N/A	Sales Tax	N/A
Kentucky	Sales Tax	N/A	16.4	6
Louisiana	Sales Tax	N/A	20.0	3
Maine	3.4	19	22.0	2
Maryland	7.0	5	7.0	17
Massachusetts	5.0	10	10.0	10
Michigan	3.0	22	3.0	35
Minnesota	5.0	10	5.0	25
Mississippi	5.25	9	6.4	19
Missouri	Sales Tax	N/A	9.0	11
Montana	4.0	16	4.0	33
Nebraska	3.0	22	5.0	25
Nevada	1.0	30	2.0	37
New Hampshire	2.0	25	4.0	33
New Jersey	2.0	25	12.5	8
New Mexico	Sales Tax	N/A	Sales Tax	N/A
New York	8.0	3	8.0	14
North Carolina	Sales Tax	N/A	Sales Tax	N/A
North Dakota	8.0	3	8.0	14
Ohio	Sales Tax	N/A	Sales Tax	N/A
Oklahoma	0.08	35	0.08	41
Oregon	1.0	30	9.0	11
Pennslyvania	2.0	25	4.3	32
Rhode Island	None	N/A	None	N/A
South Carolina	Sales Tax	N/A	Sales Tax	N/A
South Dakota	4.0	16	6.0	20
Tennesee	1.4	29	1.4	38
Texas	None	N/A	None	N/A
Utah	9.0	2	9.0	11
Vermont	None	N/A	20.0	3
Virginia	5.0	10	5.0	25
Washington	6.5	6	6.5	18
West Virginia	4.85	14	4.85	30
Wisconsin	6.0	7	6.0	20
Wyoming	5.0	10	5.0	25

[1]Out of 35 states with tax rates
[2]Out of 41 states with tax rates

SOURCE: *National Business Aircraft Association, Inc.*
2001 State Aviation Tax Report

Appendix B

Comparison of Cigarette Tax Rates
July 2002

State	Rate ($ per pack)	Rank	State	Rate ($ per pack)	Rank
Alabama	0.165	43	Montana	0.18	39
ALASKA	**1.00**	**6**	Nebraska	0.34	28
Arizona	0.58	19	Nevada	0.35	27
Arkansas	0.315	31	New Hampshire	0.52	22
California	0.87	12	New Jersey	1.50	1
Colorado	0.20	38	New Mexico	0.21	37
Connecticut	1.11	5	New York	1.50	1
Delaware	0.24	34	North Carolina	0.05	48
Florida	0.339	29	North Dakota	0.44	24
Georgia	0.12	45	Ohio	0.55	21
Hawaii	1.00	6	Oklahoma	0.23	36
Idaho	0.28	33	Oregon	0.68	18
Illinois	0.98	10	Pennslyvania	0.31	32
Indiana	0.555	20	Rhode Island	1.32	4
Iowa	0.36	26	South Carolina	0.07	47
Kansas	0.70	16	South Dakota	0.33	30
Kentucky	0.03	49	Tennesee	0.13	44
Louisiana	0.24	34	Texas	0.41	25
Maine	1.00	6	Utah	0.695	17
Maryland	1.00	6	Vermont	0.93	11
Massachusetts	0.76	14	Virginia	0.025	50
Michigan	0.75	15	Washington	1.425	3
Minnesota	0.48	23	West Virginia	0.17	41
Mississippi	0.18	39	Wisconsin	0.77	13
Missouri	0.17	41	Wyoming	0.12	45

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Tobacco Products Tax Rates
January 2002

State	Rate		State	Rate	
Alabama		.6¢ - 4.4¢/ounce	Montana	12.5%	Wholesale Price
ALASKA	**75%**	**Wholesale Price**	Nebraska	15%	Wholesale Price
Arizona		6.5¢/ounce	Nevada	30%	Wholesale Price
Arkansas	23%	Manufacturer Price	New Hampshire	21.6%	Wholesale Price
California	56.65%	Wholesale Price	New Jersey	48%	Wholesale Price
Colorado	20%	Manufacturer Price	New Mexico	25%	Product Value
Connecticut	20%	Wholesale Price	New York	20%	Wholesale Price
Delaware	15%	Wholesale Price	North Carolina	2%	Manufacturer Price
Florida	25%	Wholesale Price	North Dakota	28%	Wholesale Price
Georgia	13%	Wholesale Price	Ohio	17%	Wholesale Price
Hawaii	40%	Wholesale Price	Oklahoma	30% - 40%	Factory List Price
Idaho	40%	Wholesale Price	Oregon	65%	Wholesale Price
Illinois	18%	Wholesale Price	Pennslyvania		N/A
Indiana	15%	Wholesale Price	Rhode Island	20%	Wholesale Price
Iowa	22%	Wholesale Price	South Carolina	5%	Manufacturer Price
Kansas	10%	Manufacturer Price	South Dakota	10%	Wholesale Price
Kentucky		N/A	Tennesee	6%	Wholesale Price
Louisiana	33%	Manufacturer Price	Texas	35.213%	Manufacturer Price
Maine	62%	Wholesale Price	Utah	35%	Manufacturer Price
Maryland	15%	Wholesale Price	Vermont	41%	Manufacturer Price
Massachusetts	75%	Wholesale Price	Virginia		N/A
Michigan	16%	Wholesale Price	Washington	129.42%	Wholesale Price
Minnesota	35%	Wholesale Price	West Virginia	7%	Wholesale Price
Mississippi	15%	Manufacturer Price	Wisconsin	25%	Manufacturer Price
Missouri	10%	Manufacturer Price	Wyoming	20%	Wholesale Price

Tobacco products include chewing tobacco and snuff.

N/A - Not Applicable

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Corporation Income Tax Rates

2002 Tax Year

State	Rate (%)	Tax Brackets Lowest	Tax Brackets Highest	Number of Brackets
Alabama	6.5	Flat Rate		1
ALASKA	**1.0 - 9.4**	**$10,000**	**$90,000**	**10**
Arizona	6.9680	Flat Rate		1
Arkansas	1.0 - 6.5	$3,000	$100,000	6
California	10.84	Flat Rate		1
Colorado	4.63	Flat Rate		1
Connecticut	7.5	Flat Rate		1
Delaware	8.7	Flat Rate		1
Florida	5.5	Flat Rate		1
Georgia	6.0	Flat Rate		1
Hawaii	6	$25,000	$100,000	3
Idaho	7.6	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	8.5	Flat Rate		1
New Jersey	9.0	Flat Rate		1
New Mexico	4.8 - 7.6	$500,000	$1,000,000	3
New York	7.5	Flat Rate		1
North Carolina	6.9	Flat Rate		1
North Dakota	3.0 - 10.5	$3,000	$50,000	6
Ohio	5.1 - 8.5	$50,000		2
Oklahoma	6.0	Flat Rate		1
Oregon	6.6	Flat Rate		1
Pennslyvania	9.99	Flat Rate		1
Rhode Island	9.0	Flat Rate		1
South Carolina	5.0	Flat Rate		1
South Dakota	*No Corporation Income Tax*			N/A
Tennesee	6.0	Flat Rate		1
Texas	*Tax Based on Capital and Surplus*			N/A
Utah	5.0	Flat Rate		1
Vermont	7.0 - 9.75	$10,000	$250,000	4
Virginia	6.0	Flat Rate		1
Washington	*No Corporation Income Tax*			N/A
West Virginia	9.0	Flat Rate		1
Wisconsin	7.9	Flat Rate		1
Wyoming	*No Corporation Income Tax*			N/A

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Individual Income Tax Rates*
2002 Tax Year

State	Rate (%)	Tax Brackets Lowest	Tax Brackets Highest	Number of Brackets
Alabama	2.0 - 5.0	$500	$3,000	3
ALASKA	***No State Income Tax***			N/A
Arizona	2.87 - 5.04	$10,000	$150,000	5
Arkansas	1.0 - 7.0	$2,999	$25,000	6
California	1.0 - 9.3	$5,748	$37,725	6
Colorado	4.63	Flat Rate		1
Connecticut	3.0 - 4.5	$10,000	$10,000	2
Delaware	2.2 - 5.95	$5,000	$60,000	7
Florida	*No State Income Tax*			N/A
Georgia	1.0 - 6.0	$750	$7,000	6
Hawaii	1.4 - 8.3	$2,000	$40,000	8
Idaho	0.6 - 7.8	$1,000	$20,000	8
Illinois	3.0	Flat Rate		1
Indiana	3.4	Flat Rate		1
Iowa	.36 - 8.98	$1,211	$54,495	9
Kansas	3.5 - 6.45	$15,000	$30,000	3
Kentucky	2.0 - 6.0	$3,000	$8,000	5
Louisiana	2.0 - 6.0	$10,000	$50,000	3
Maine	2.0 - 8.5	$4,150	$16,500	4
Maryland	2.0 - 4.75	$1,000	$3,000	4
Massachusetts	5.3	Flat Rate		1
Michigan	4.1	Flat Rate		1
Minnesota	5.35 - 7.85	$18,710	$61,461	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	$2,200	$75,400	10
Nebraska	2.51 - 6.68	$2,400	$26,500	4
Nevada	*No State Income Tax*			N/A
New Hampshire	*Tax Limited to Dividends and Interest*			N/A
New Jersey	1.4 - 6.37	$20,000	$75,000	6
New Mexico	1.7 - 8.2	$5,500	$65,000	7
New York	4.0 - 6.85	$8,000	$20,000	5
North Carolina	6.0 - 8.25	$12,750	$120,000	4
North Dakota	2.1 - 5.54	$27,050	$297,350	5
Ohio	0.743 - 7.5	$5,000	$200,000	9
Oklahoma	0.5 - 6.65	$1,000	$10,000	8
Oregon	5.0 - 9.0	$2,500	$6,250	3
Pennslyvania	2.8	Flat Rate		1
Rhode Island	*25% Federal Tax Liability*			N/A
South Carolina	2.5 - 7.0	$2,400	$12,000	6
South Dakota	*No State Income Tax*			N/A
Tennesee	*Tax Limited to Dividends and Interest*			N/A
Texas	*No State Income Tax*			N/A
Utah	2.3 - 7.0	$863	$4,313	6
Vermont	*24% 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	4.6 - 6.75	$8,280	$124,200	4
Wyoming	*No State Income Tax*			N/A

* Rates apply to unmarried individuals

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Sales Tax Rates
January 1, 2002

			Exemptions	
State	**Rate (%)**	**Food**	**Prescription Drugs**	**Nonprescription Drugs**
Alabama	4.0	No	Yes	No
ALASKA			***No State Sales Tax***	
Arizona	5.6	Yes	Yes	No
Arkansas	5.125	No	Yes	No
California	7.3	Yes	Yes	No
Colorado	2.9	Yes	Yes	No
Connecticut	6.0	Yes	Yes	Yes
Delaware			*No State Sales Tax*	
Florida	6.0	Yes	Yes	Yes
Georgia	4.0	Yes	Yes	No
Hawaii	4.0	No	Yes	No
Idaho	5.0	No	Yes	No
Illinois	6.25	1%	1%	1%
Indiana	5.0	Yes	Yes	No
Iowa	5.0	Yes	Yes	No
Kansas	4.9	No	Yes	No
Kentucky	6.0	Yes	Yes	No
Louisiana	4.0	No	Yes	No
Maine	5.0	Yes	Yes	No
Maryland	5.0	Yes	Yes	Yes
Massachusetts	5.0	Yes	Yes	No
Michigan	6.0	Yes	Yes	No
Minnesota	6.5	Yes	Yes	Yes
Mississippi	7.0	No	Yes	No
Missouri	4.225	1.225%	Yes	No
Montana			*No State Sales Tax*	
Nebraska	5.0	Yes	Yes	No
Nevada	6.5	Yes	Yes	No
New Hampshire			*No State Sales Tax*	
New Jersey	6.0	Yes	Yes	Yes
New Mexico	5.0	No	Yes	No
New York	4.0	Yes	Yes	Yes
North Carolina	4.5	Yes	Yes	No
North Dakota	5.0	Yes	Yes	No
Ohio	5.0	Yes	Yes	No
Oklahoma	4.5	No	Yes	No
Oregon			*No State Sales Tax*	
Pennslyvania	6.0	Yes	Yes	Yes
Rhode Island	7.0	Yes	Yes	Yes
South Carolina	5.0	No	Yes	No
South Dakota	4.0	No	Yes	No
Tennesee	6.0	No	Yes	No
Texas	6.25	Yes	Yes	Yes
Utah	4.75	No	Yes	No
Vermont	5.0	Yes	Yes	Yes
Virginia	4.5	4%	Yes	Yes
Washington	6.5	Yes	Yes	No
West Virginia	6.0	No	Yes	No
Wisconsin	5.0	Yes	Yes	No
Wyoming	4.0	No	Yes	No

SOURCE: *Federation of Tax Administrators*

Appendix B

Comparison of Oil and Gas Severance Taxes
2000

State	Oil Production Annual Bbls	Gas Production Annual MMcf	Oil and Gas Severance Taxes	Tax per Bbl Equivalent
Wyoming	102,663,000	1,088,328	$ 567,445,000	2.00
North Dakota	35,209,000	52,426	$ 71,275,000	1.62
Montana	15,753,000	69,936	$ 43,770,000	1.60
Alaska	**390,510,000**	**458,995**	**$ 702,700,000**	**1.50**
Oklahoma	138,202,000	1,612,890	$ 410,412,000	1.01
Tennesee	346,000	1,150	$ 532,000	0.99
Florida	5,538,000	7,319	$ 6,046,000	0.89
New Mexico	127,188,000	1,687,416	$ 345,300,000	0.85
Alabama	23,362,000	363,467	$ 68,341,000	0.81
Louisana	236,513,000	1,455,014	$ 354,314,000	0.74
Texas	720,377,000	5,072,480	$ 1,153,086,000	0.74
South Dakota	1,170,000	1,652	$ 1,051,000	0.73
Oregon	-	1,214	$ 146,000	0.72
Nebraska	2,955,000	1,218	$ 2,108,000	0.67
Michigan	12,045,000	296,556	$ 40,012,000	0.65
Kentucky	4,930,000	81,545	$ 11,414,000	0.62
Mississippi	27,972,000	88,558	$ 23,751,000	0.56
Kansas	69,293,000	525,729	$ 56,900,000	0.36
West Virginia	9,439,000	264,139	$ 18,048,000	0.34
Indiana	2,098,000	899	$ 653,000	0.29
Utah	19,844,000	269,285	$ 17,313,000	0.27
Arkansas	7,532,000	171,642	$ 9,476,000	0.26
Maryland	-	34	$ 1,000	0.18
Colorado	38,131,000	767,536	$ 24,641,000	0.15
Ohio	6,714,000	105,125	$ 3,090,000	0.13
Nevada	621,000	-	$ 62,000	0.10
California	280,540,000	330,749	$ 11,124,000	0.03
Arizona	57,000	368	$ -	-
Illinois	12,206,000	189	$ -	-
Missouri	95,000	-	$ -	-
New York	181,000	17,752,000	$ -	-
Pennsylvania	1,795,000	200,907	$ -	-
Virginia	7,000	71,545	$ -	-
US Total	2,293,286,000	32,800,311	3,943,011,000	0.51

Source: 2001-2002 State Petroleum Production, Independent Petroleum Association of America
http://www.ipaa.org/