Instructions for Form 662
Alaska Mining License Tax Return

What's New

Taxpayers Are Required to File Electronically
Taxpayers are required to file electronically all tax returns and reports, unless a taxpayer applies for and is granted a waiver from that requirement, according to Alaska Statutes 43.05.045.

The Alaska Department of Revenue's Tax Division has electronic filing through Revenue Online, an online portal where taxpayers can file and pay tax returns, view tax accounts and balances, apply for licenses, upload documents, and conduct other business with the Tax Division.

Revenue Online allows the Tax Division to process refunds faster, communicate with taxpayers quicker, and to more efficiently account for information it's required to report to the Alaska Legislature.

See page 2 for more information on the waiver and potential penalty.

General Information

Mining License Tax Return – Form 662
Use this form to calculate the Alaska mining license tax on all mining operations conducted during the tax year in Alaska, including operating and royalty interests. A mining operation is an operation by which valuable metals, ores, minerals, asbestos, gypsum, coal or stone, or any of them are extracted, mined or taken from the earth. A mining operation consists of a single mining property or several mining properties that are connected geographically.

Who must file a mining license tax return?
A person engaged in one or more of the following activities in the state is in the business of mining and shall obtain a mining license and file a mining license tax return:

1. A person owning and/or operating a mining property.
2. A person owning a mining property and receiving lease payments or royalty payments based on production from the property.
3. A person leasing a mining property.
4. A person possessing a mineral interest, whether an economic or production interest, in a producing property, including royalty, working or operating interests, net profits, overriding royalties, carried interests and production payments.

Note: Mining license applications are due each year and are filed separately from the mining license tax return. Please use Form 661 to apply for a mining license.

Return Due Date
A taxpayer shall file the return either on a calendar-year or fiscal-year basis, in conformance with the basis used in making the return for federal income tax purposes. An entity with a calendar year-end shall file a return on or before April 30 of the following calendar year. An entity with a fiscal year-end shall file a return on or before the last day of the fourth month following the end of the fiscal year.

Extension of Time to File
Upon application, the Tax Division will, at its discretion, grant an extension of time to file a mining license tax return. The Application for Extension of Time to File (Form 668) can be found on the Tax Division's website at **www.tax.alaska.gov**.

An application for an extension of time for filing a return must be filed with the Tax Division no later than the date the return is due, and must include a complete statement of the reasons for the request for an extension.

An extension of time for filing the return does not extend the time for payment of the total amount of tax due.

Avoid Common Mistakes

To facilitate the processing of your return, be sure to do the following:

1. Use the correct form. If you have more than one mining license, you must use Form 662.
2. File with the correct taxpayer name. If you are filing as an individual, you must use the name reported on your 1040 federal return. If you are filing as a company, use the same name as it appeared on the prior mining license tax return. If the company name has changed, please call us.
3. Provide the correct federal employer identification number (FEIN) or Social Security number (SSN).
4. Fill in the Month/Day and Year to indicate for which tax period you are filing. Example: 12/31, plus prior year, if you are a calendar-year filer.
5. Provide the name and phone number of a contact person who is authorized to answer any questions the Tax Division may have regarding the return. The contact person must be an officer or employee who is authorized to answer any such questions. The Tax Division cannot discuss taxpayer information with an outside party unless we have received a Power of Attorney.
6. Only use U.S. dollars when reporting income and expenses. This includes, but is not limited to, royalties paid and royalties received. **Do not use ounces or any other unit of measure unless the line item indicates units are to be used.**
7. If you have multiple licenses, file a separate schedule for each license. Do not use the same mining license number on more than one schedule.
8. Attach schedules as required by the forms. Schedules providing detail are required as explained in the instructions. Attaching complete schedules will ensure a valid filing and prevent unnecessary correspondence with the Tax Division. Be sure that attached schedules are properly referenced and agree to the totals reported on the form.

9. **Sign the return.** The return is not valid until it has been signed. The return must be signed and dated by a person legally authorized to do so.

How and Where to File and Pay

Filing Your Return

As mentioned earlier, a taxpayer is required to electronically file all returns and reports electronically using Revenue Online at **www.tax.alaska.gov**, unless the Tax Division grants a waiver from the requirement. The requirement became effective July 1, 2016.

Failure to file electronically may result in a penalty. The penalty is (the greater of) $25 or 1% of the total tax due before payments are applied. (See AS 43.05.045 and As 43.05.220(f).)

A taxpayer may apply for a waiver if the taxpayer does not have the capability to file electronically. A waiver may be requested by filing an Electronic Filing Waiver Application (Form 773) at least 30 days before the due date of the tax return and before the return is filed. Do not submit the waiver request with the return.

If the Tax Division approves the waiver, please mail the tax return with attachments to:

Tax Division
Alaska Department of Revenue
PO Box 110420
Juneau, AK 99811-0420

Note: Filing a paper return without an approved waiver may result in a penalty. See this Filing Your Return section, and the Penalties section to the right.

How to Pay

You may pay your taxes electronically through Revenue Online at **http://online-tax.alaska.gov**, or access it from our home page at **www.tax.alaska.gov**. You may also pay by wire transfer or mail in a check.

Note: If your payment is $150,000 or more, you must pay electronically through Revenue Online or by a wire transfer. See Alaska Administrative Code 15 AAC 05.310 for more information.

Pay Electronically

Revenue Online uses Automated Clearing House (ACH) debit payments. It does not accept credit cards or ACH credit transactions.

If you are making a payment using Revenue Online for the first time, click on “Enroll Now” on the sign-in page and follow the prompts. If you have questions, call the Tax Division at 907.269.0041 or 907.269.6627.

Check with your bank before setting up a debit (ACH) payment to determine if your account has a debit block. Debit blocks (or filters) control electronic transactions posted to bank accounts and only accept transactions from authorized ACH debit originators.

If you have a debit block on your account, you must ask your bank to list the State of Alaska as an authorized ACH debit originator on your account, and give your bank the Department of Revenue’s company ID (0000902050). If you don’t give that information to your bank, your bank will reject your tax payment, and rejected payments may result in late payment penalties and interest.

Pay by Wire Transfer

To make a payment by wire transfer, you must notify the Department of Revenue, Treasury Division, by 2:00 p.m. Alaska Time **the business day prior** to the wire transfer settlement date.

For the notification, prepare a payment voucher on Revenue Online, and email it to **dor.trs.cashmgmt@alaska.gov**. The notice must include the taxpayer’s name, total payment amount, settlement date, tax type, purpose of the payment, and that the funds are for the Department of Revenue. If your payment covers multiple tax periods, prepare a separate voucher for each period.

Contact the Treasury Division for the State of Alaska’s bank information at **dor.trs.cashmgmt@alaska.gov** or 907.465.2320. Ask your bank to initiate a wire transfer of funds through the Federal Reserve wire transfer system to be received and credited to the State of Alaska.

If you don’t have email or want confirmation that a wire transfer was successful, call 907.465.2360.

Pay by Check

Make checks payable to the State of Alaska. If you are filing your tax return through Revenue Online, please print off a payment voucher to mail in with your check. If you have been granted an electronic filing waiver, mail your check with your tax return. In both cases, please mail to:

Tax Division
Alaska Department of Revenue
PO Box 110420
Juneau, AK 99811-0420

Penalties

Late Filing of a Return

Returns not filed by the due date are subject to a failure to file penalty of 5% of the unpaid tax for each 30-day period or portion of a period the return is late, up to a maximum of 25%.

Late Payment of Tax

If the full amount of tax is not paid by the original due date of the return, even if an extension to file was granted, the return is subject to a failure to pay penalty of 5% of the unpaid tax for each 30-day period or portion of a period the payment is late, up to a maximum of 25%. An extension to file is not an extension to pay taxes. If, during any period or portion of a period, both the failure to file and failure to pay penalties are applicable, only the failure to file penalty is imposed.

Interest

Under Alaska Statute 43.05.225, interest will be assessed on any unpaid or delinquent tax. For current and historical rates, refer to our website at **www.tax.alaska.gov**.

Failure to File Electronically

As stated earlier, failure to file electronically without an approved waiver may result in a penalty. The penalty is (the greater of) $25 or 1% of the total tax due before payments are applied. (See AS 43.05.045 and AS 43.05.220(f).)

Line-by-Line Instructions

Note: Report all income and expenses in U.S. dollars.

If your mine was inactive for the season and you were licensed, you are still required to file a return. Complete the return placing zeroes where appropriate.

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Line 1 – Enter the aggregate amount of taxable income from all mining operations as reported on line 8 of each Schedule A.

Line 2 – Computation of tax. If line 1 is:

- $40,000 or less: the tax is zero.
- Over $40,000 and less than or equal to $50,000: the tax is $1,200 plus 3% of the excess over $40,000.
- Over $50,000 and less than or equal to $100,000: the tax is $1,500 plus 5% of the excess over $50,000.
- Over $100,000: the tax is $4,000 plus 7% of the excess over $100,000.

Line 3 – Exploration incentive credit. Enter the amount from line 5 of Form 665 Exploration Incentive Credit.

Line 4 – Enter the amount, if any, from line 6 of Schedule EC – Mining Business Education Credit. Contributions used to calculate a credit against any other taxes (such as Alaska corporation net income tax) cannot be used as a credit against the Mining License Tax. See Schedule EC for more information and instructions.

Line 6 – Film production tax credit. Enter the amount of the film production tax credit from the certificate issued by the Department of Revenue. You must attach the original certificate to the tax return.

Line 7 – Enter the amount you paid with your extension, if applicable.

Line 8 – If filing an amended return, enter the total amount of tax paid on the original return and/or previous amendments. Otherwise, enter zero.

Line 9 – Net tax due or (overpayment). Subtract lines 6, 7 and 8 from line 5.

Schedule A – Taxable Income from Mining Operation

A separate Schedule A must be completed for each mining operation. Taxable income must be calculated for each mining operation separately. Examples of mining operations are as follows:

Example 1: Company A is a gold dredging operator that owns or leases three properties. The properties are joined contiguously and lie within a single river valley. Company A acquires an additional lease that shares a common boundary with the other properties. Company A is engaged in a single mining operation that includes the four properties. Company A is required to file a single Schedule A to report the taxable income from its operation.

Example 2: Company B owns and operates property P1, a producing placer mine in Southeast Alaska, receives a royalty from property P2 located in Fairbanks, and is developing property P3, a potential placer mine near Anchorage. Company B is engaged in three separate mining operations and must file a separate Schedule A to calculate taxable income from each operation.

Line 1 – Gross income from mining operation. Enter the gross income from the mining operation identified at the top of the schedule. Gross income is the sale price or value actually received, including cash, credits, in-kind exchange and other valuable consideration received for mined materials. Include the value of mined materials when the mined materials were traded for labor.

Line 2 – Royalties received. Enter the total amount of royalties received from the mining operation identified at the top of the schedule. Complete Schedule F and include the lessee's name, address and federal identification number.

Line 7 – Exemption for new mining operation. An exemption from the mining license tax is allowed for three and one-half (3½) years after initial commercial production begins on the property **if** the Tax Division has issued a certificate of exemption. Please contact the division at 907.269.6620 with questions regarding the exemption.

Schedule B – Depletion

A separate Schedule B must be completed for each mining operation to calculate the allowable depletion deduction. Enter only amounts attributable to the mining operation identified at the top of this page.

Line 1 – Cost or basis of mining property (less residual value). Enter the purchase cost of the property, plus all development costs incurred while the property was in the development stage, less the amount of cost or percentage depletion previously taken as a deduction for this property.

Line 2 – Estimated recoverable units at the beginning of the tax year. Enter the estimated recoverable reserves remaining at the end of the tax year plus the units sold in the tax year.

Line 3 – Unit cost. Enter the quotient of line 1 divided by line 2. This gives the unit cost.

Line 4 – Number of units sold this tax period. Enter the total number of units sold during the reporting period. Use the same unit measure as the prior year. **This line must be filled out.**

Line 5 – Cost depletion deduction. Enter the product of line 3 multiplied by line 4.

Line 6 – Gross income and royalties received from mining operations. Enter the sum of Schedule A, lines 1 and 2.

Line 7 – Royalties paid. Enter the total from Schedule E, line 6.

Line 8 – Depletion base. Subtract line 7 from line 6.

Line 9 – Enter the applicable depletion percentage.

Depletion percentages to be used:

10% Coal mines

15%	Metal mines, fluorspar, flake graphite, vermiculite, beryl, feldspar, mica, talc, lepidolite, spodumene, barite, ball and sagger clay, or rock asphalt mines and potash mines or deposits
23%	Sulphur mines or deposits

If the material mined is not listed above, enter 0 on line 9.

Line 10 – Percentage depletion. Multiply line 8 by line 9 and enter the result here.

Line 14 – Limitation. Multiply line 13 by 50%. The percentage depletion is limited to 50% of net income from the property before the depletion deduction.

Line 15 – Compare the amounts on lines 10 and 14 and enter whichever is less.

Line 16 – Depletion deduction. Compare the amounts on lines 5 and 15 and enter whichever is greater here. The depletion deduction is the greater of cost or percentage depletion calculated each year.

Schedule C – Mining Expenses

Complete a separate Schedule C for each mining operation.

Royalty recipients cannot take any expenses except for depletion.

Direct Mining Expenses

Direct mining expenses are fully deductible against mining gross income. Only those expenses related to the extraction of the mined material, transportation of the material to the point of ordinary treatment processes, and the ordinary treatment process itself are deductible. Included in this category of expenses are maintenance and repairs, and salaries and wages paid to those engaged in the extraction, transportation and ordinary treatment processes of the mined material.

Line 1 – Royalties paid. Enter the total amount of royalties (cash, credits, in-kind exchanges and other valuable consideration) paid. If the payment was in kind (in minerals, for example), include the fair market value of the minerals on the date that the payment was made. Complete Schedule E and include the lessor's name, address and Social Security number or federal employee identification number and the amount of royalty paid.

Line 3 – Current development costs. If a mining property is in the development stage, all development costs that are in excess of net income from the sale of mined materials must be included in the mine's basis and are recoverable through the depletion allowance. Development expenses incurred after the mine has reached the production stage are deductible as a current operating cost. A mine is considered to be in the production stage when the principal activity becomes the production of ore from the property rather than the development of the ore body (15 AAC 65.125).

Line 8 – Depreciation. Depreciation on all mining equipment, buildings and other facilities located in Alaska is allowed as a deduction. A property's basis for computing depreciation is the adjusted basis of the asset for federal income tax purposes on the date the asset is placed in service in Alaska. Depreciation on mining assets may be computed using any of the methods allowed under secs. 167 and 168 of the Internal Revenue Code (26 U.S.C. 167 and 168). In place of the depreciation expense deduction, a person may elect to amortize the cost of pollution control facilities used in the mining operation in accordance with sec. 169 of the Internal Revenue Code (26 U.S.C 169) (15 AAC 65.125(b)(2)(f)).

Line 9 – Other expenses. Enter the amount of other expenses directly related to the mining operation. Attach a separate schedule itemizing the type and amount of other mining expenses that are not included on lines 1 through 8.

Line 12 – Total direct mining expenses of all mining operations.

Tip: This line 12 must be the same as line 12 of all Schedule Cs.

Line 13 – Total direct non-mining expenses from all non-mining activities. Enter the total direct non-mining expenses incurred from business activities that are non-mining but share indirect expenses with the mining operation(s).

Tip: This line 13 must be the same as line 13 of all Schedule Cs.

Direct non-mining expenses would arise in a situation similar to the following examples:

A miner uses a loader to mine in summer, and at end of the summer the miner transports the loader to town to be used for snow removal in the winter. Direct non-mining expenses related to the use of the loader would be the fuel used and other expenses incurred as a result of snow removal. These non-mining direct expenses need to be taken into account before indirect expenses of owning the loader, such as insurance, finance charges, and so forth, can be allocated between mining operations and non-mining operations.

Another example of when direct non-mining expenses would arise is if a company has a mining division and a logging division and the company uses the same central office for administrative functions (billing, payroll, etc.). The mining operation and the logging operation are considered related because of the expenses incurred at the common central office. In this case, the expenses directly incurred by the logging operation are the direct non-mining expenses. For mining license tax purposes, the direct expenses of the logging operation need to be taken into account before the indirect expenses (central office expenses) can be allocated to the mining division.

Line 15 – Direct mining expenses as a percentage of total direct expenses. Calculate what percentage of total direct expenses the direct mining expenses are. This calculation is needed so indirect expenses can be allocated between mining and non-mining activities in proportion to the mining and non-mining direct expenses (15 AAC 65.125).

Indirect Expense Allocation

Where two or more properties are involved, indirect expenses must be allocated between the properties based on the ratio of each property's production to the taxpayer's total production from all properties during the tax year.

Line 18 – Total current-year production from this mining operation. Enter the total number of units **produced** during the tax year from the mining operation identified at the top of Schedule C, regardless of the number of units sold. Use the same unit measure as reported in the previous year.

Line 19 – Total current-year production of all mining operations. Enter the total number of units **produced** during the tax year from the mining operation(s) **not** identified at the top of Schedule C, regardless of the number of units sold.

Line 20 – Total current-year production of all mining operations. This line 20 should be the same as line 20 of all Schedule Cs.

Schedule D – Indirect Mining Expenses

Use **only** one Schedule D with Form 662.

Indirect mining expenses are those expenses necessary to the mining operation but not directly connected to the extraction, transportation and ordinary treatment processes of the operation. These expenses are deductible from mining gross income in whole or in part.

Exploration costs, federal income taxes, the Alaska mining license tax, losses on the sale of mining equipment or properties, net operating losses and other capital losses are not deductible (see 15 AAC 65.125). Exploration costs may, however, be allowed as a credit against mining license tax due. See the Form 665 Instructions to determine if the property qualifies for the exploration incentive credit.

Include indirect expenses from **all** mining and **all** related non-mining activities. The expenses entered on Schedule D will be carried to Schedule C of all mining operations reported on the return. The expenses will then be allocated to the mining operations.

Line 11 – Other expenses. Enter the amount of other expenses indirectly related to the mining operation. Attach a separate schedule itemizing the type and amount of other mining expenses that are not included on lines 1 through 10.

Line 12 – Total indirect expenses. Add lines 1 through 11, and enter the result here and on each Schedule C, line 19. For example: If you are reporting the income and expenses of three operations, you will include this total on three Schedule Cs.

Royalties

Enter the name, address and federal identification number of each individual, partnership or corporation to whom royalties were paid or received. Attach a separate schedule if necessary.

Royalty recipients may not take any deduction except for depletion under Alaska Statute 43.65.010(h).

Royalties that are paid or received in kind must be reported in U.S. dollars at the fair market value of the mined material on the date that payment was paid or received.

Advance royalties should not be included in income until the tax year in which the mined material relating to the royalty is actually extracted, per 15 AAC 65.110(a)(2).

Additional Assistance

These instructions are not in place of Alaska statutes or regulations and are offered only for the convenience of the taxpayer in completing the return.

If you have questions or require assistance, contact the Tax Division at **dor.tax.mining@alaska.gov** or call 907.269.6620.