

FACT SHEET: PRODUCTION ROYALTY



Alaska Department of
**NATURAL
RESOURCES**

Division of Mining, Land & Water
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Background

In 1989, the Alaska State Legislature enacted a new PRODUCTION ROYALTY law, Alaska Statute 38.05.212, which requires holders of state mining locations to pay a production royalty on all revenues received from minerals produced on state land. The production royalty requirement applies to all revenues received from minerals produced from a state mining claim or mining lease during each calendar year. Payment of royalty is in exchange for and to preserve the right to extract and possess the minerals produced. Department regulations 11 AAC 86.760-796 spells out the production royalty requirements. Please consult these regulations for specific requirements.

What is the production royalty requirement?

The production royalty is three percent (3%) of net income as determined under the Mining License Tax Law AS 43.65, and regulations 15 AAC 65.

When is a production royalty payment required, and how is it paid?

The regulations state that the filing of a production royalty return and payment of any royalty due is required for each calendar year in which minerals on state land are produced, or minerals produced from state land are sold, exchanged, or otherwise disposed of. Minerals produced means any mineral extracted or leached in-situ from the surface or subsurface and removed from the mining claim or lease from which it was extracted or leached in-situ.

In order to calculate the production royalty, a production royalty return must be prepared and submitted on forms available from the division. Completed returns and payments must be submitted to:

Division of Mining, Land and Water
550 W 7th Ave, Suite 900B
Anchorage, AK 99501-3577

or

Division of Mining, Land and Water
3700 Airport Way
Fairbanks, AK 99709

New mining operations are NOT exempt from production royalty requirements. Production royalty returns and payments are due every year on or before May 1 for the preceding calendar year. Upon written request, the division may grant an extension of time to file a production royalty return and to pay the royalty payment. The written request must be received by the division no later than 10 days before the due date, May 1. An extension of time may not exceed 120 days, during which interest will accrue on the unpaid balance during the term of the extension.

Who must file a production royalty return and pay any required royalty?

A production royalty return must be filed and all required royalty payment must be made by anyone:

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

If there has been production on state land for any given calendar year, what happens if a production royalty is not filed and any required royalty payment is not made?

If a production royalty return is not filed or any required royalty payment is not made when due, then all mineral rights acquired under the mining claim, or mining lease are deemed abandoned to the state. A locator or a successor-in-interest of an abandoned claim or lease may not relocate until one year after abandonment.

Where can I get answers to questions not covered in this fact sheet, or assistance with filing the production royalty return?

Additional information may be obtained from the Division of Mining, Land & Water offices or from the regulations cited above. Specific assistance with filing the return may be obtained by visiting or calling the division's Anchorage office at (907) 269-8652, attention Kerwin Krause.