



Fact Sheet: Production Royalty

Background

In 1989, the Alaska State Legislature enacted the production royalty law, Alaska Statute 38.05.212, which requires holders of state mining interests 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 or fiscal 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 spell 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 return required?

Production royalty returns and payments are required for each calendar or fiscal year in which minerals, on state land, are produced, sold, exchanged, or removed from Alaska. Royalties received in kind are also subject to production royalties regardless of whether they are sold or removed from the state.

How do you file your production royalties?

First, a mining license tax return must be filed to calculate the net income; then, using the net income, a production royalty return can be filed. Mining license tax returns and production royalty returns can be filed online at:

https://online-tax.alaska.gov/ATP/WebDoc/_/

If a production royalty return cannot be filed online, it may be submitted on the state's Production Royalty Form available online at:

<https://dnr.alaska.gov/mlw/cdn/pdf/forms/Production-Royalty-Form-2021.pdf>

Completed paper returns and payments can be submitted to either:

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

or

Division of Mining, Land & 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 May 1st for the preceding calendar year, unless the miner files the mining license tax on a fiscal year basis; then, the production royalty is due within 4 months from the end of the fiscal 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. An extension of time may not exceed 120 days, during which time interest will accrue on the unpaid balance for 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 payments 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; or

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 production occurred on state land and a production royalty was not filed or payment was not made, what happens?

Mining Claims

If a production royalty return is not filed or any required royalty payment is not made when due, a miner will be provided notice and if the miner does not cure during this period, all mineral rights acquired under a mining claim are deemed abandoned to the state. A locator or a successor-in-interest of an abandoned claim may not relocate until one year after abandonment.

Mining Leases – Offshore and Upland

If the production royalty return is not filed or the required royalty is not paid for a lease when due, the lease is in default, and may be subject to termination if the lessee fails to cure the failure to file. A termination is considered an abandonment of the lease. A locator or a successor-in-interest of a terminated lease may not relocate a claim until one year after the termination.

Who is responsible for making sure all holders with interests in the mining claim or lease timely report and pay the full amount of the production royalties due?

The owner of record for a mining claim or lease, on the last day of the calendar or fiscal year, has the primary responsibility of assuring that all holders with interests in the mining claim or lease timely report and pay the full amount of the production royalties due. Should any interest holder, such as a lessee of a mining claim, fail to file and pay the production royalty when due, the claim or lease is subject to abandonment or default and termination.

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

Additional information is available from the Division of Mining, Land & Water offices or from the regulations listed above. For help filing a return, visit or call the division's Anchorage office at (907) 269-8642.