

15 AAC 19 is amended by adding new sections to read:

**Article 11. Special Rules: Water Transportation Carriers.**

**Section**

- 1410. Days-spent-in-port ratio
- 1420. Property factor
- 1430. Payroll factor
- 1440. Sales factor
- 1450. Oil and gas taxpayers
- 1460. Water's edge combination
- 1470. Recordkeeping
- 1490. Definitions for 15 AAC 19.1410 - 15 AAC 19.1490

**15 AAC 19.1410. Days-spent-in-port ratio.** (a) A water transportation carrier shall use a days-spent-in-port ratio computed under this section to attribute to the numerators calculated under 15 AAC 19.1420 - 15 AAC 19.1440 a portion of the total property, payroll, and sales of each ship that the taxpayer uses in Alaska mobile property operations during the tax year.

(b) The taxpayer shall calculate a days-spent-in-port ratio for each ship engaged in Alaska mobile property operations during the tax year. The days-spent-in-port ratio is the number of days that the ship spends in port in the state during the tax year, divided by the total number of days that the ship spends in all ports during the tax year. The taxpayer shall compute days spent in port by dividing hours spent in port by 24.

(c) Hours spent in port are the total hours during the tax year that a ship is docked or anchored within a jurisdiction. The taxpayer may compute hours spent in port by using either the entries in the ship's logs or the ship's published schedule, adjusted as necessary for the hours described in (d) of this section.

(d) Hours spent in port do not include the hours that a ship is docked or anchored solely due to strikes or repairs, or is not in service as described in AS 43.20.071(a)(4). (Eff.

8 / 8 / 2007, Register 183)

<b>Authority:</b>	AS 43.05.080	AS 43.20.071	AS 43.20.073
	AS 43.19.010	AS 43.20.072	

**15 AAC 19.1420. Property factor.** For a water transportation carrier, the numerator of the property factor is the sum of

(1) the value, determined under AS 43.19 as modified by AS 43.20.072(e) where applicable, of in-state property other than property used in Alaska mobile property operations described in (2) of this subsection; and

(2) the value, determined under AS 43.19, of each ship and property used on, or in conjunction with each ship, that is used in Alaska mobile property operations during the tax year, multiplied by that ship's days-spent-in-port ratio determined under 15 AAC 19.1410 for the tax year.

(b) For a barge or other property that is used on or in conjunction with more than one ship during the tax year, the taxpayer shall calculate a separate days-spent-in-port ratio for that

property and shall allocate that property between jurisdictions as if the property were a separate ship.

(c) A container owned by a water transportation carrier is property described in (a)(1) of this section and is not property used on or in conjunction with a ship. The taxpayer shall allocate the value of the container between jurisdictions using the terminal days ratio under 15 AAC 19.1200 - 15 AAC 19.1290.

(d) The taxpayer shall determine the denominator of the property factor under AS 43.19 as modified by AS 43.20.072(e) where applicable, and shall include the property of all corporations combined under AS 43.20.072 or 43.20.073. (Eff. 8 / 8 / 2007, Register 183)

<b>Authority:</b>	AS 43.05.080	AS 43.20.071	AS 43.20.073
	AS 43.19.010	AS 43.20.072	

**15 AAC 19.1430. Payroll factor.** (a) For a water transportation carrier, the numerator of the payroll factor is the sum of

(1) the compensation paid to employees assigned to locations within the state determined under AS 43.19; and

(2) the total year's compensation paid to the crew, master, and officers of each ship that is used in Alaska mobile property operations during the tax year, multiplied by that ship's days-spent-in-port ratio determined under 15 AAC 19.1410 for the tax year.

(b) The taxpayer shall determine the denominator of the payroll factor under AS 43.19, and shall include the compensation paid by all corporations combined under AS 43.20.073. (Eff.

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**Authority:** AS 43.05.080 AS 43.20.071 AS 43.20.073  
AS 43.19.010

**15 AAC 19.1440. Sales factor.** (a) For a water transportation carrier, the numerator of the sales factor is the sum of

(1) the in-state gross receipts, determined under AS 43.19 as modified by AS 43.20.072(d) where applicable, that are not from Alaska mobile property operations; and

(2) the tax year's gross receipts from mobile property operations everywhere for each ship that is used in Alaska mobile property operations during the tax year, multiplied by that ship's days-spent-in-port ratio determined under 15 AAC 19.1410 for the tax year.

(b) For purposes of (a)(2) of this section, gross receipts include the tax year's receipts from

(1) loading, transporting, and unloading cargo;

(2) passenger fares;

(3) all other goods and services provided on the ship during operations, including gambling and concession arrangements; and

(4) operating lease and charter payments received for each ship.

(c) The taxpayer shall determine the denominator of the sales factor under AS 43.19 as modified by AS 43.20.072(d) where applicable, and shall include the gross receipts of all corporations combined under AS 43.20.072 or 43.20.073. (Eff. 8 / 8 / 2007, Register 183)

**Authority:** AS 43.05.080 AS 43.20.071 AS 43.20.073  
AS 43.19.010 AS 43.20.072

**15 AAC 19.1450. Oil and gas taxpayers.** A water transportation carrier that is subject to 15 AAC 20.300(c) shall use 15 AAC 19.1410 - 15 AAC 19.1490 to calculate the portion of its property and sales numerators attributable to Alaska mobile property operations. (Eff.

8 / 8 / 2007, Register 183)

**Authority:** AS 43.05.080 AS 43.20.071 AS 43.20.072

**15 AAC 19.1460. Water's edge combination.** (a) This section applies to determine

(1) which of the taxpayer's affiliates, that are engaged in international mobile property operations, meet the 20 percent United States factor test under AS 43.20.073(a)(1)(A) and (4) and must be included in the taxpayer's water's edge combined report; and

(2) whether a taxpayer, that is engaged in international mobile property operations, meets the 20 percent United States factor test under AS 43.20.073(a)(1)(A) and (4) and must be included in the water's edge combined report of another affiliated taxpayer corporation.

(b) When making the determination in (a)(1) of this section, the taxpayer shall use a days-spent-in-port ratio computed under (d) of this section, to attribute to the United States numerators a portion of each affiliate's property, payroll, and sales from international mobile property operations.

(c) When making the determination in (a)(2) of this section, the taxpayer shall use a days-spent-in-port ratio computed under (d) of this section, to attribute to the United States numerators a portion of the taxpayer's property, payroll, and sales from international mobile property operations.

(d) The taxpayer shall calculate the days-spent-in-port ratio on a ship-by-ship basis. The days-spent-in-port ratio is the number of days that each ship spends in United States ports during the tax year, divided by the total number of days that the ship spends in all ports during the tax year. Days spent in port are the hours spent in port, measured under 15 AAC 19.1410(c) - (d), divided by 24.

(e) The United States property numerator includes the value, determined under AS 43.19, of each ship and any property used on, or in conjunction with that ship, that is used in international mobile property operations during the tax year, multiplied by that ship's days-spent-in-port ratio determined under (d) of this section for the tax year. When determining the total value of each ship and its related property, 15 AAC 19.1420(b) and (c) apply.

(f) The United States payroll numerator includes the compensation paid to the crew, master, and officers of each ship that is used in international mobile property operations during the tax year, multiplied by that ship's days-spent-in-port ratio determined under (d) of this section for the tax year.

(g) The United States sales numerator includes the tax year's gross receipts from mobile property operations everywhere for each ship that is used in international mobile property operations during the tax year, multiplied by that ship's days-spent-in-port ratio determined under (d) of this section for the tax year. The tax year's gross receipts from mobile property operations everywhere include the gross receipts described in 15 AAC 19.1440(b). (Eff. 8 / 8 / 2007)

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**Authority:** AS 43.05.080

AS 43.20.071

AS 43.20.073

**15 AAC 19.1470. Recordkeeping.** (a) A taxpayer engaged in Alaska mobile property operations that are subject to AS 43.20.073 shall prepare, maintain, and provide to the department upon request documents necessary to verify the taxpayer's numerators calculated under 15 AAC 19.1420 - 15 AAC 19.1440, and documents necessary to verify the 20 percent United States factor test under AS 43.20.073(a)(1)(A) and (4) and 15 AAC 19.1460, including

(1) calculations and supporting documents for the property, payroll, and sales attributable to each ship owned or operated by the taxpayer or any affiliate of the taxpayer and used in Alaska mobile property operations or international mobile property operations;

(2) the calculation of hours spent in port for each ship owned or operated by the taxpayer or any affiliate of the taxpayer and used in Alaska mobile property operations or international mobile property operations; that calculation shall be prepared in sufficient detail to permit audit verification of the calculation by comparison to entries in the ship's log, and if applicable, to published schedules; and

(3) copies of each ship's log, and if applicable, each ship's published schedule, supporting the calculation of hours spent in port.

(b) An oil and gas taxpayer subject to worldwide apportionment under AS 43.20.072 shall prepare, maintain, and provide to the department upon request documents necessary to verify the taxpayer's numerators calculated under 15 AAC 19.1420 - 15 AAC 19.1440, including

(1) calculations and supporting documents for the property and sales allocations to the taxpayer's Alaska mobile property operations;

(2) the calculation of hours spent in port for each ship engaged in Alaska mobile property operations; that calculation shall be prepared in sufficient detail to permit audit

verification of the calculation by comparison to entries in the ship's log; and

- (3) copies of each ship's log, supporting the calculation of hours spent in port.

(Eff. 8 / 8 / 2007, Register 183)

**Authority:** AS 43.05.040            AS 43.20.071            AS 43.20.073  
AS 43.05.080            AS 43.20.072            AS 43.99.010

**15 AAC 19.1490. Definitions for 15 AAC 19.1410 - 15 AAC 19.1490.** In 15 AAC 19.1410 - 15 AAC 19.1490, unless the context requires otherwise,

- (1) "Alaska mobile property operations" means

- (A) transporting goods or persons by ship or barge between a port outside the state and a port within the state; or

- (B) leasing out or chartering out ships, or property used on or in conjunction with ships, used for transportation described in (A) of this paragraph;

- (2) "international mobile property operations" means

- (A) transporting goods or persons by ship or barge between a port outside the United States and a port within the United States; or

- (B) leasing out or chartering out ships, or property used on or in conjunction with ships, used for transportation described in (A) of this paragraph;

- (3) "ship" means a floating vessel that is self-propelled and capable of

- (A) carrying cargo or passengers; or

- (B) pushing or towing barges;

- (4) "water transportation carrier" means a taxpayer that engages in Alaska mobile



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property operations during the tax year. (Eff. 8 / 8 / 2007, Register 183)

**Authority:** AS 43.05.080 AS 43.20.071 AS 43.20.073

AS 43.19.010 AS 43.20.072

ORDER ADOPTING CHANGES TO  
REGULATIONS OF THE DEPARTMENT OF REVENUE


The attached nine pages of regulations, dealing with Alaska Corporate Net Income Tax for Water Transportation Carriers are hereby adopted and certified to be a correct copy of the regulation changes that the Department of Revenue adopts under the authority of AS 43.05.080 and AS 43.20.071 and after compliance with the Administrative Procedure Act (AS 44.62), specifically including notice under AS 44.62.190 and 44.62.200 and opportunity for public comment under AS 44.62.210.

This action is not expected to require an increased appropriation.

In considering public comments, the Department of Revenue paid special attention to the cost to private persons of the regulatory action being taken.

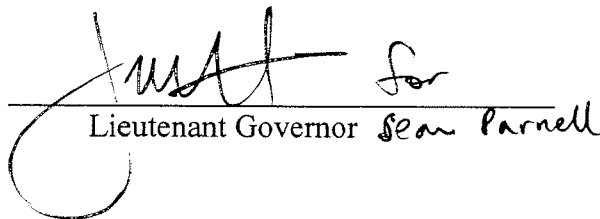
The regulation changes adopted under this order take effect on the 30th day after they have been filed by the lieutenant governor, as provided in AS 44.62.180.

DATE: 6/18/07  
Juneau Anchorage, AK

  
Patrick S. Galvin  
Commissioner, Alaska Department of Revenue

FILING CERTIFICATION

Jason Hooley for  
I, Sean Parnell, Lieutenant Governor for the State of Alaska, certify that  
on July 9, 2007, at 9:45 a.m., I filed the attached regulations according to the  
provisions of AS 44.62.040 – 44.62.120.

  
Lieutenant Governor Sean Parnell

Effective: August 8, 2007.

Register: 183, October.