INSTRUCTIONS FOR FILING
PROPERTY TAX FORM
FOR MINES OTHER THAN COPPER
TAX YEAR 2022

STATE OF ARIZONA, DEPARTMENT OF REVENUE
Local Jurisdictions
Centrally Valued Property Unit
1600 W. Monroe, Division Code 13
Phoenix, Arizona 85007
Phone: (602) 716-6303
Fax: (602) 542-4425
Email Address: KMcElhaney@azdor.gov

INSTRUCTIONS, PAGE A1

Please note the report form due dates and the penalty provisions.

MINE COMPANY PROPRIETARY DATA, PAGE A2

This section provides background information relating to ownership, contact persons, type of mining operation and specific commodities produced.

ORE RESERVE DATA, PAGE A3

Reported ore or mineral reserves (metallic or nonmetallic) should include all ore types from all sources. Ore is mineralized rock or material which, under appropriate conditions of time, space, technology, economics, and politics, can be mined, processed, and made to yield saleable metal or other mineral products at a profit. The ore reserve amount should be stated as mineable and recoverable material after any anticipated losses arising from either current or proposed mining operations. Protore is a term referring to low grade leachable material that cannot be classified as ore under current conditions. However, it may be segregated during mining and placed on heap/dump leach pads to recover metal or mineral during current or future mining operations. The designation of ore bodies and mineral rights as Federal, Private, State, or Indian refers to type of ownership or control. Federal mineral rights include unpatented mining claims and mineral leases. Private mineral rights include fee simple surface and mineral rights including patented mining claims. State or Indian mineral lease rights refer to the respective leasing authority. The life of the mine shall be determined by the size of the ore reserves and the estimated mine production per year. Ore grade should be reported in percent (%) for base metal ores, in troy ounces per ton for precious metal ores or in appropriate units for other commodities.

PROPERTY LIST - OPERATING LAND, PAGE A4

List all land which is being used for production or future development. The outer perimeter shall be one claim beyond the producing claims or claims anticipated to be producing in the future. This pertains to land containing all ore reserves; all mine, mill, leach, refining, smelting, and other metal or mineral production facilities subject to taxation under A. R. S. § 42-14051; ultimate pit or subsidence limits; all waste, storage, leach, and tailing dump sites; water facilities used for production; right-of-way land used for mine-operated railway lines, conveyor lines, water supply lines, and utility supply lines. This schedule should contain only those parcels associated with the mine as of January 1, 2021.

List the land by county, by parcel number (from county assessor's parcel map), by tax area code, name of claim or legal description, and acreage. Identify type of land, e.g. patented mining claims, fee simple owned land, unpatented mining claims, severed mineral rights, etc. according to instructions. County numbers are as follows:

(01)	Apache	(05)	Graham	(09)	Navajo	(13)	Yavapai
(02)	Cochise	(06)	Greenlee	(10)	Pima	(14)	Yuma
(03)	Coconino	(07)	Maricopa	(11)	Pinal	(15)	La Paz
(04)	Gila	(08)	Mohave	(12)	Santa Cruz		

Land which is used with centrally valued mining property and held under lease from State, Federal, Indian or other governmental entities should be reported on page A16.

NOTE: - THE FOLLOWING SHOULD BE LISTED ON PAGE A17

1) Non-producing mining claims currently not being used or not anticipated to be used in mining operations.
2) Surface rights not connected with mining operations.
3) Houses, buildings, structures, etc. not used in the mining operation.
4) Lots, other land, water rights, ranches, mill sites, and personal property not used in the mining operation.

The department will request maps showing mining claims and land, with identifying parcel numbers, indicating whether they are classified as producing or non-producing. When new land is added or land is reclassified, an updated map must be supplied to the department along with the completed report form for the current tax year.

ANNUAL HISTORICAL (FUTURE PROJECTED) PLANT OPERATIONS PAGES A5 AND A6

Information regarding plant operations on Form 82061-B will be reported in five major categories. These are (1) **Metal or Mineral Produced**, (2) **Mine Production**, (3) **Mill Production** and (4) **Leaching Production**, including heap or dump leaching, in-situ leaching, and vat leaching, and (5) **Personnel Levels**. The historical operating record should be used to report production data for the past five years. Do not report leaching material as waste. Waste dump leaching material will be reported as low grade leach (protore). Tons of mill or leach ore mined includes both processed and stockpiled ores. Stockpiles must be described on a separate schedule or in the **Additional Information** section on page A18 on a yearly basis with the grade of all recoverable products contained, the amount stockpiled, and the nature of the processing involved, such as milling or leaching. Stripping ratio is calculated by adding the tons of waste and low grade leach (protore) material and dividing by the tons of mill and leach ores.

Under leaching production, total recovery to date of metal/mineral placed on dumps means the total units of metal/mineral recovered to date divided by the total units of metal/mineral originally added or contained within the heap/dump or in-situ body. Percent recovery per year of metal/mineral added during the year is the units of metal/mineral recovered for the year divided by the units of metal/mineral added to the heap for the year. If actual operating data is not available, an estimate of leach recoveries should be reported.

The final projection of the annual days worked will be made by the department after reviewing the company's projections. Annual personnel levels based on average monthly levels should be reported in the appropriate category for operating areas of the producing mine.

ANNUAL HISTORICAL (FUTURE PROJECTED) PRODUCTION VALUE
PAGES A7 AND A8

Report the quantity of each commodity produced and the sales price and value of each commodity in this section. The historical average selling price per operating mine unit should be computed by dividing the sales revenues for the particular year by the units of metal sold. This selling price will be multiplied by the quantity of mine output or production to yield the historical gross value of production for the year.

EXAMPLE: $\dfrac{\text{Sales revenue for commodity}}{\text{Units of commodity sold for the year}}$ x Units of Commodity produced during the year, or mine output = VALUE OF COMMODITY PRODUCED DURING THE YEAR

No adjustment should be made for year-end inventory. The value of commodities on Form 82061-B for molybdenum, silver, gold, uranium, coal, acid, and other products or by-products should be computed in the same manner. Other saleable products or by-products include turquoise, selenium, perlite, zeolites, etc. Itemize revenues from these by-products on page A18 in the **Additional Information** section or on a separate schedule.

Where two or more mines of common ownership are supplying ore, concentrates or other intermediate product to a processing plant owned by the same company, actual incomes received on a sale of products from the individual mine unit must be reported as income; and the allowable cost of the smelting or processing is the average cost per unit treated, as experienced by the plant operator. These costs should be itemized on page A18 in the **Additional Information** section or on a separate schedule. Each individual mine unit which forms a separate geographical entity per Rule 15-4-202(B)(2) shall be separately valued and assessed even if mineral products are supplied to a single commonly owned facility for further processing.

If a smelter or processing plant is classified as producing mine property and custom or toll treatment is being done, the net profit from that operation must be reported as miscellaneous revenue (**Miscell. Revenue-$**) on pages A7 and A8 and a statement of toll smelting revenue and expense provided on page A18 in the **Additional Information** section or on a separate schedule. The price charged for outside toll smelting is not necessarily the cost of treating company-owned material.

Miscellaneous revenues from the producing mine operation such as a sale of power, water, services, custom milling or smelting charges, acid sales, and other incidental revenue must be reported per unit of commodity or per pound, ounce or ton of material produced.

A separate statement must be provided showing the sources and amounts comprising the total miscellaneous revenue to arrive at the amount per unit of metal or mineral product. Where credit balances exist on exchanges, services, materials, and mine products between separate producing mine units within the State of Arizona, a separate itemized listing must be provided showing estimated incomes and costs to arrive at profit or loss.

For purposes of reporting **Production Revenues**, the total value should include all revenues received from production of gold, silver, uranium, coal, silica flux, salt, perlite and/or other commodities plus any and all by-products. **Gross Product Value-$** includes the sum of revenue from all products, by-products, and miscellaneous revenues. For reporting by-product value on Form 82061-B, include all by-products for this computation. On Form

82061-B, **Main Product Value-$** refers to the mine product with the largest sales value. All other mined products will be considered by-products for this section.

ANNUAL HISTORICAL (FUTURE PROJECTED) PRODUCTION COST PAGES A9 AND A10

On Form 82061-B, costs should be reported in dollars per ton of ore, cents per pound or dollars per unit of product. Indicate on Form 82061-B the value per unit chosen if different than dollars per ton of ore. Costs reported in the future projections section on page A10 should be based on taxpayer budget or business plan forecasts for future mining operations for the mine property. All future operating costs (including overhead and environmental/reclamation costs) should be included within the cost line items on page A10. Costs should be reported on a cash basis in constant dollar terms. Provide details for royalties, rents, overhead, and other costs on page A18 in the **Additional Information** section. If the operating costs on pages A9 and A10 include any depreciation, depletion or amortization charges, these costs should be listed in the **Operating Cost Detail** section of pages A9 and A10.

Mineral royalties or rents paid to private parties are **NOT** allowable costs, unless the royalty recipient is paying property taxes as a separate producing mine taxpayer. A company may expense all costs of operating a hospital or health care facility for the benefit of the employees at a producing mine.

An itemized listing of corporate overhead, other overhead, and other costs should be provided on page A18 in the **Additional Information** section or on a separate schedule. Leased equipment expenses should not be reported in the operating cost section of the report. However, a depreciated cost for leased equipment that is acquired for environmental or replacement purposes may be allowed in the capital cost section by applying the rules for computing amortized capital expenses. For example, if the equipment is used as a replacement item, the expense should be an amortized amount under the **Capital Costs** section of pages A9 and A10.

Property and severance taxes are to be listed separately. Other taxes, such as excise, sales, payroll, etc., are to be included in the other costs line and itemized separately on page A18 in the **Additional Information** section or on a supplementary schedule. The **Total Operating Cost** line is the total of all of the above costs including mining and all other costs. This subtotal does not include income taxes or capital costs.

Federal and State income taxes are to be computed as if the unit is a separate taxable entity. Taxable income will be based on revenues less all expenses associated with the production, administration, distribution, development, and marketing functions of the operation on the basis of generally accepted accounting principles (GAAP) and the expenses associated with the miscellaneous revenue. Income tax expense for purposes of this report is not determined by applying statutory rates of tax to taxable income as defined by income tax regulations. As a result, interest charges, depreciation, depletion, amortization, and other non-cash charges shall not be included as costs for determination of taxable income. The allowances for these factors are included in the effective tax rate applied to operating cash flow. Operating cash flow is the difference between **Gross Product Value** and **Total Operating Cost**. Expenses for smelting and/or refining will be calculated on a market basis if the material is processed out-of-state or at a location which is locally assessed and not assessable within the geographical boundary of the producing mine unit from which the material was extracted. Intra-company charges between centrally assessed producing mine units within the State will be calculated at actual cost.

Income taxes shall be calculated separately for each year of the five-year historic margin period. In this respect, the following shall apply:

(i) Negative as well as positive tax liabilities shall be determined; and,
(ii) No provision is made for the carryback or carryover of losses or credits.

For all properties, including those subject to a 15% depletion rate, the default federal and state income tax liabilities should be calculated using an 20% tax rate (preliminary estimate-subject to revision) applicable to operating cash flow. The income tax rate may be modified depending on the commodity and the depletion rate. The effective income tax rate will be multiplied by the pre-income tax operating cash flow determined by subtracting **Total Operating Cost** on pages A9 and A10 from **Gross Product Value** on pages A7 and A8 in the **Production Revenues** section. This level of income is termed OPERATING CASH FLOW and is not equivalent to taxable income.

For purposes of this report, capital expenditures shall be classified as follows:

1. Original capital investment (original land acquisition, initial plant construction, pre-development, pre-stripping, exploration, etc.).

2. Expansion capital (plant construction to increase plant capacity, pre-stripping, additional equipment used to increase production).

3. Replacement capital (replacement of worn-out equipment, portions of plant or truck fleet necessary to maintain present production level).

4. Environmental protection capital (acid plants, pollution control equipment, gas collection systems, etc.).

Original capital investment and expansion capital expenditures are **NOT** to be listed or considered as expenses on the cost pages. Capital expenditures for replacement and environmental protection **SHOULD** appear as amortized or depreciated expenses.

Amortization or depreciation should be computed on a ten-year basis or life of mine, whichever is less. For example, if $12,000,000 of capital has been expended for replacement or environmental purposes in one of the preceding 10 years, then the allowable charge to be reported in the **Capital Costs** section would be $1,200,000 per year over a ten-year period.

If any interest expenses are included in operating costs, these costs must be itemized on the line provided. All depreciation, amortization, and depletion included in **Operating Costs** or **Capital Costs** must be reported on the line labeled **Depreciation Costs** in the **Operating Cost Detail**. Any amortized replacement or environmental charges should also be included on this line.

The **Value of Production** section should report the dollar amount of gross value of production and the dollar amount of gross cost of production. The difference between these numbers is the excess or profit margin for this property.

SCHEDULE OF DEPRECIABLE ASSETS, PAGES A11 AND A12

The original cost for all facilities and equipment located within the State necessary to the producing mine unit for operation, including mine plants, concentrators, smelters, refineries, solvent extraction-electrowinning plants, chemical plants, and all auxiliary facilities used in producing metallic or nonmetallic products should be reported in this section. The facilities should be reported in association with the geographical mine unit as defined in Rule 15-4-202(B) (2). Do not report licensed motor vehicles because an in-lieu tax is assessed against such property.

Mining equipment should be separated into three categories: - small scale, large scale, and shovels and/or draglines. Large scale equipment includes haulage trucks over 35-ton capacity, blast hole drills, and cranes. Small scale equipment includes all other items except that defined as large scale equipment and shovels or draglines. Milling plant includes all concentrators, refineries, solvent extraction-electrowinning, and miscellaneous metal recovery plants such as for rhenium, etc. Smelter plant includes smelting facilities, doré furnaces, and certain miscellaneous metal recovery plants such as ferromolybdenum and copper concentrate hydrometallurgical smelting plants. The column for '**Miscellaneous Buildings & Structures**' should be used to report the original cost of improvements. The original cost of all leased equipment used as part of the producing mines should be included on this page.

TAX AREA CODE ALLOCATION REPORTING, PAGE A13

Report original cost of equipment by tax area code location on page A13. This information is used to correctly allocate full cash values to school districts, fire districts, etc. The total amount of construction work in progress reported on this page should agree with the amount reported on the **Construction Work in Progress Schedule** on page A14.

SUPPLIES INVENTORY SCHEDULE, PAGE A14

The amounts reported for supplies inventory should correspond to the amounts carried on the financial books for the corporation or the taxpayer. The supplies inventory should be reported before any allowances for depreciation, obsolescence or salvage. The term 'Liquid Supplies' refers to readily saleable items which include fuel, lumber, mill balls, sheet steel, reagents, etc.

CONSTRUCTION WORK IN PROGRESS SCHEDULE, PAGE A14

A separate statement must be provided which designates the types of capital expenditures (expansion, replacement, etc.) for each open appropriation or construction in progress project over $1,000,000. Attach a separate schedule or use the **Additional Information** section on page A18 if page A14 does not provide adequate space.

LEASED EQUIPMENT SCHEDULE, PAGE A15

All leased equipment located at the mine site as of the valuation date of January 1, should be reported on the **Schedule of Depreciable Assets** on pages A11 and A12 and **ALSO** on the **Leased Equipment Schedule** on page A15.

LEASED LAND SCHEDULE, PAGE A16

Report all land held through leases from State, Indian or other governmental entities and used with centrally valued mine property on this page in the spaces provided.

NON-OPERATING LAND, IMPROVEMENTS AND PERSONAL PROPERTY, PAGE A17

List all non-operating land, improvements and personal property owned by the taxpayer but not included either on page A4 **Property List – Operating Land**, or on the **Schedule of Depreciable Assets** on pages A11 and A12. Entries on this schedule would include, for example, buildings owned by the taxpayer that are not part of the operating mine, land that is not part of the operating mine and other such real and personal property. Include the assessor's parcel number for this property, a description, and the full cash value as it appears on the local county assessor's tax rolls.

ADDITIONAL INFORMATION, PAGE A18

Describe any factors that should be considered in determining a value for this property. Attach additional schedules as warranted.

VERIFICATION, PAGE A19

Sign, date, and have the form notarized as required, and return it with the appropriate attachments to the Department of Revenue by April 1.

For the report to be considered complete, the verification page must be signed and notarized.