

ALASKA STATE LEGISLATURE

Interim:
P.O. Box 109
Wrangell, AK 99929
Phone: (907) 874-3088
Fax: (907) 874-3055



Session:
State Capitol, Room 406
Juneau, AK 99801-1182
Phone: (907) 465-3824
1-800-686-3824
Fax: (907) 465-3175

REPRESENTATIVE PEGGY WILSON HOUSE DISTRICT 2

SPONSOR STATEMENT House Bill 184

“An Act relating to the sharing of tax revenue from the fisheries business tax and fishery resource landing tax with municipalities; and providing for an effective date.”

HB 184 deals with two different fisheries taxes paid by either buyers or processors. The first is the Fisheries Business Tax and the second is the Fisheries Resource Landing Tax. This bill will not change the taxes levied. This bill deals with the distribution of the tax revenue once it is collected.

The Fisheries Business Tax is a tax on fish processed in Alaska and the Fisheries Resource Landing Tax is a tax on fish processed at sea beyond state waters and first landed in Alaska.

Under the current system funds generated by the Fisheries Business Tax and the Resource Landing Tax on fish processed/landed inside a municipality are divided equally between the state and the municipality. If the processing/landing occurred within an incorporated city inside a borough, the 50% is divided between the two entities. If the processing occurred outside of an incorporated city the 50% goes entirely to the borough.

On fish that are processed or landed outside of any municipal or borough boundaries half of the tax revenue goes to the general fund (state) and the other half goes to the Department of Commerce, Community and Economic Development (DCCED). The department distributes its share among fishing communities in Alaska according to a formula that proportionally allocates the tax based on the pounds of fish processed in 14 different Fisheries management Areas. The percent that goes to each fisheries management Area is then split between the communities by a locally determined formula apportioning equal community shares and per capita shares. This formula will not change with HB 184.

HB 184 will change the percentages. Currently the funds generated by the taxes are split evenly between the state and the places it was processed or landed. With this bill if the processing/landing occurred within an incorporated city 75% goes to the city and 25% goes to the state. If the processing/landing occurred inside a city inside a borough, the 75% is divided between the two entities. If the processing occurred outside of an incorporated city the 75% goes entirely to the borough.

Over the past 20 years the State has been divesting itself of expensive port and harbor infrastructure. This real estate has transferred to municipalities and boroughs. The state attempted to make sure that the transferred ports and harbors were in good shape when they transferred. In many cases the transfer took much more time than expected so the money allocated for deferred maintenance was not enough to cover the required repairs. Many ports and harbors which are the support infrastructure for our commercial fisheries are rundown and in need of major maintenance if not complete rebuilds. The additional share of the fisheries taxes will not solve this problem but will help maintain and improve the infrastructure used not only by our commercial fishermen but also by our sports and leisure residents.

HB 184 also deals with the revenue from another area of the Fisheries Business Tax revenue from fish that are landed in a municipality but sent out of state “unprocessed”. Currently, these funds are treated the same as for fish processed outside of a municipality: 50% to the general fund (state) and 50% to DCCED

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to be distributed across all Fisheries Management Areas. With HB 184 the split will be 25% (state)/75% (municipalities).

The Department of Revenue's definition of processing in 15 AAC 75.300 does not include "decapitating shrimp and gutting, gilling, sliming, or icing a fisheries resource." The Fisheries Business Tax paid on a growing amount of fisheries resources is not returning to the municipalities where the resource was landed and handled. This includes troll-dressed salmon rushed to fresh markets in the Lower 48, halibut sent out by truck to be processed elsewhere, and other live or whole seafood exported directly to customers outside of the state. This is clearly a case where the market is functionally growing away from the tax system.

Another problem with the distribution system for taxes paid on exported live and unprocessed fish is because the fish are not technically "processed" in the community. The ports where the product is landed do not even qualify to receive a portion of the redistribution under the DCCED formula, which is allocated based on processed poundage. In effect, a community, that produces high value fresh and live fish, is unable to collect even a fraction of the tax, and cannot qualify in the future unless they elect to produce a lower value product.

HB 184 would, in addition to changing the split between the state and the municipalities, direct the Fisheries Business Tax revenue on these "unprocessed" fisheries resources back to the incorporated port of landing and or the borough where they were landed. This will help more accurately and fairly cover the cost of building and maintaining the infrastructure utilized in generating the tax.

The state has been encouraging the export of high-value fresh and live fish, yet our current tax structure denies a municipality that engages in this high-value marketing its direct tax share. By tying Fisheries Business Tax revenue return directly to the municipality where the landing occurred, HB 184 ensures that ports are compensated fairly for their efforts and the revenues they generate.