



THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

**Department of Revenue**

COMMISSIONER'S OFFICE  
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February 11, 2014

The Honorable Paul Seaton, Chair  
House Fisheries Committee  
Alaska State Legislature  
State Capitol, Room 102  
Juneau, AK 99801-1182

Dear Chair Seaton:

Thank you for the opportunity to provide follow up to certain items raised during the February 6, 2014 House Fisheries Committee meeting. Please see specific items in italics and our responses immediately below.

1. *Define "material misrepresentation"*

The common definition of "material misrepresentation" is

- "a deliberate hiding or falsification of a material fact which, if known to the other party, could have aborted, or significantly altered the basis of, a contract, deal, or transaction."

For our purposes, it would be if a taxpayer asked for a predetermination and falsified any of the information that they provided or withheld information and, if they had been honest and provided all information, we would have denied the credit.

- For example, taxpayer states that they purchased new equipment which will be used predominantly to process salmon beyond heading, gutting and/or freezing. If we approve the credit for the equipment and then find out later that the equipment was used or was not used predominantly to process salmon or the salmon wasn't processed beyond heading, gutting, or freezing, we would be able to deny the credit.

Even in the event the taxpayer didn't intentionally mislead us, if the equipment didn't meet all criteria for the credit after the fact, then we would also be able to deny the credit at a later date. For example, if the market changed and the equipment was never placed in service, we wouldn't provide a credit.

The Honorable Paul Seaton  
February 11, 2014  
Page 2

2. *What do the investments that have been made look like? This was asked by Representative Kreiss-Tomkins in response to Joe Jacobson's slide on Gross Revenue from Fisheries Bus Tax and Utilization of Credits Claimed.*

Specifically it seems Representative Kreiss-Tomkins is looking for what kind of equipment the industry is purchasing, and what kind of new products, efficiency improvements, and quality improvements the industry is making that have been enabled by the tax credits.

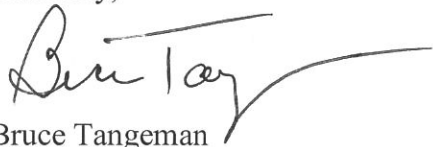
Tax Division Auditor, Mike Kazmac prepared the attached document, which provides a general listing of qualified versus disqualified equipment, related to the tax credit.

However, Rep. Kreiss-Tomkins was looking for a more qualitative response-

- New products we have seen as a result of the tax credit: increase in Ikura (salmon roe), some oils for vitamin supplement capsules, smaller sized filet portions, skinless filets.
- Efficiency improvements: in general our list of qualified equipment has produced a varying level of efficiency, especially in cases where the work was previously performed manually.
- Quality improvements are hard to quantify and we currently don't require reporting of quality improvements.

I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,



Bruce Tangeman  
Deputy Commissioner

Attachment: SSHB204-SPDC qualified vs non qualified equipment.pdf