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SALMON AND HERRING PRODUCT DEVELOPMENT TAX CREDIT **HOUSE BILL 204**

The Alaska Salmon Product Development Tax Credit has been in place since 2003 and is widely credited as a major factor of the increase in commercial value of Alaska salmon. The ASDTC is currently scheduled to sunset on December 31st, 2015.

There have been positive trends since this bill was enacted in 2003. We have seen increased product diversity, increased state revenues from the fisheries business tax and increased permit prices.

The current tax credit applies to investment in new property that meets a requirement for creating a value added salmon product. House Bill 204 extends the ability of industry to use this credit until 2020 and expands the credit for herring value-added processing.

Herring is an established fishery in Alaska and is a prime candidate to start utilizing more fully. If we expand out of the roe fishery and into the food fishery, there are significant economic development opportunities that will be developed. Up until now, the herring fishery has been an underutilized fishery where only about 10 percent of the fish is utilized and 90 percent has very little value.

Another impending burden to industry is the Environmental Protection Agency's efforts to force industry to eliminate seafood discharges containing solids into near shore waters. Many salmon processing facilities in Alaska currently grind and pump discharge. HB 204 would incentivize investment in equipment that would reduce the waste stream from salmon and herring processing thereby alleviating the pressure to comply with these burdensome mandates.

Currently, statute only allows investment in pop-top cans. HB 204 also provides industry the necessary flexibility to respond to changing market demands for can sizes. This bill responds to this limitation by expanding the credit to any new equipment to herring and also to produce can sizes other than 14.75 ounces or 7.5 ounces.

The continued growth of the Alaska seafood market is vital to increased revenues from our fisheries. House Bill 204 will further encourage in-state processing and expand market opportunities to processors. The extension of the tax credit will continue to spur economic development opportunities and create quality Alaska products. I urge your support for passage of this bill.