

Hello Reid and Representative Stutes,

Thank you for meeting with me on Friday to discuss Fish tax and the prospects of House Bill 251. Attached are some data pieces on seafood prices and poundage landed in 2014, coupled with a report from UFA showing various taxes and fees currently being paid by industry. Also are notes of suggestion on amending the Bill as further explained below.

As a Direct Marketer and small Catcher Processor operation involved in both State and Federal fisheries we have been intimately involved in reporting our catches to ADF&G along with filing various reports and paying both Fisheries Business Tax and the Fisheries Landing tax over the past 20 years. Therefore very familiar with how fish taxes are administered in our State.

Given that our catch data is already recorded through a Fish ticket and e-landings system, I find much of the fish tax reporting requirements redundant and complex. While HB 251 appears to request a simple and fair tax increase to fish processors in the state for the purpose of capturing more revenues, it doesn't recognize failures in our fish tax collection system that could be remedied through such a proposed Bill. I have listed these issues below coupled with suggested amendments and re-working the Bill.

Firstly, our Fish Tax Structure has evolved into something increasingly complex over the years and is in dire need of simplifying and cleaning up. Some of the goals behind the original tax types have outlived their purpose. Currently there are 9 different tax types not including separate taxes identified for salmon, Regional fisheries development, Dive and Common Property assessments which are not considered for this Bill.

Secondly, There is a lot of fish that is commercially harvested where either minimal taxes or no tax is being realized unfortunately. This may be due to a mis-applied value by certain user groups when reporting their fish values. Or whereby no assigned value is provided by the processor to the fisher, and is therefore discarded or moved aside for fish meal production where a value can eventually be realized by the processor but cannot be captured by the State.

Suggested Solutions:

A). For all the tax rates HB 251 references, and 3 others not reference but relative, make them all consistent at a 4% tax rate including those fisheries categorized as developing (see my attached illustration of recommendations). Then....

B). Apply a minimum or floor rate on any specie of \$.005 or \$.01/lb regardless of the Fish tax Rate applied. Therefore if the tax rate is made to be 4% then that threshold price would be \$.25/lb (\$.01/lb divided by 4% = \$.25/lb). If it was \$.005/lb, threshold price would be \$.125/lb. So the Statutes would read that Buyers or Processors would pay a 4% rate or (a chosen range of) \$.005-- \$.01/lb., whichever is higher

C). Assure that ADF&G and DOR are applying a minimum floor price on all products on the fish ticket regardless if processor did not happen to pay the fishermen for it for various reasons, i.e..

poor quality, small sizing etc. As those products were likely disposed of for fishmeal where some value is still realized.

Giving examples-- per the SAPL, A well targeted specie like *Yellow fin Sole* is priced as low as \$.02/lb. (However NMFS rated such value at \$.16/lb which is a big disparity that ADF&G and DOR should look into).

In 2014 there was 335,451,850 lbs harvested (see NMFS landing report attached). Given a 3% Fisheries Bus. or Landing tax rate on this item, total tax realized by the State should have been. \$201,271.00 ((3%*\$.02)*lbs).

However If you went with a minimum or floor rate of \$.01/lb, the State would realize tax revenues of \$3,354,518.00 on this item. (If you used a \$.005/lb rate then the tax income would be half this).

Looking at another high volume item like *Pollock*, it was priced at \$.15/lb per the SAPL (NMFS is at \$.13/lb on this item). Given the harvested pounds in 2014 of 3,145,605,118 lbs, tax revenues realized per the 3% FB or Landing Tax should have been around \$15,728,025 ((3%*\$.15)*lbs) . If this was rated at a floor value of \$.01/lb, realized revenues could be \$31,456,051 instead.

Arrowtooth Flounder provides another example: 109,341,051 lbs harvested at \$.06/lb per SAPL, Revenues should have been around \$196,814 ((3%*\$.06*lbs), whereas if a \$.01/lb floor was applied realized revenues could be \$1,093,410.00 instead.

Given this concept the State can plug some holes where substantial revenues are getting lost or not fully realized while also simplify the overall tax structure. Meanwhile I encourage you to garner comparative data on potential fish tax revenues per different specie groups and apply that to the goals you are trying to meet. The current fiscal note on HB251 suggest revenue increases of \$18-20M, however if you work with the floor price option while streamlining the other tax types, I think the State could realize more revenues than expected while also leveling the playing field and make the tax types less complex.

Other considerations that should be added or secured in this bill are as follows;

- 1). For Fish tax dollars shared with Boroughs and Municipalities, such also need to be shared with the port that the product was landed at instead of only the processing port as statutes currently allow for. The landing ports have infrastructure needs and provide a gateway for receiving catch for processing, therefore should also realize some benefit of the revenue sharing.
- 2). Allow within the fish tax and revenue sharing proceeds a dedicated portion for stock assessment needs. Given this tax comes from a revenue producing industry that needs to be sustained, such allocation of funds should be made mandatory somehow.
- 3). Task ADF&G Commercial Fish Division and DOR Fish Tax Division to communicate and work more in concert with each other in effort to reduce redundancies, create consistencies and increase data accuracy with Industry. Both entities are evolving in data collection and reporting

therefore this is good timing and reason for them to be streamlining efforts as much as possible since their work is highly interrelated.

Below are sources of attachments for your reference.

http://www.st.nmfs.noaa.gov/pls/webpls/mf_indngs_grp.data_in

<http://www.ufafish.org/wp-content/uploads/2015/02/4a-Alaska-Seafood-Industry-Taxes-Fees-021115-v1s.pdf>

<http://www.tax.alaska.gov/programs/programs/other/fish/duedates/index.aspx?60625>

<http://www.tax.alaska.gov/programs/documentviewer/viewer.aspx?6218f>

Thank you in advance for taking my comments into consideration.

Sincerely yours,

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