

Oppose HB 251/SB 135  
PO Box 232 Petersburg, AK 99833

Petersburg Vessel Owner's Association  
(907) 772-9323 email: pvoa@gci.net

February 15, 2016

Representative Louise Stutes  
Chair, House Special Committee on Fisheries

Alaska State Legislature  
State Capitol  
Juneau, AK 99811-1182  
Email: Rep.Louise.Stutes@akleg.gov

**RE: Oppose HB 251/SB 135-An Act Requiring the Electronic Submission of a Tax...Relating to Fisheries Business Tax**

Dear Chair Stutes and Committee Members,

Petersburg Vessel Owner's Association (PVOA) is composed of almost 100 members participating in a wide variety of species and gear type fisheries. An additional thirty businesses supportive to our industry are members. PVOA members fish throughout Alaska from Southeast to Kodiak and the Bering Sea. Targeted species include salmon, herring, halibut, sablefish, cod, crab, and shrimp.

PVOA's mission statement is to:

"Promote the economic viability of the commercial fishing fleet in Petersburg, promote the conservation and rational management of North Pacific resources, and advocate the need for protection of fisheries habitat."

**Petersburg Vessel Owner's Association is opposed to HB 251/SB 135 that would increase the amounts of fisheries business tax and fisheries resource landing tax.**

Commercial fishing and seafood processing in Alaska is the largest private sector providing over 63,000 jobs through out the State<sup>1</sup> and is already heavily taxed. Currently, the seafood industry pays an estimated \$250 million per year in taxes and fees<sup>2</sup>, on a five-year average \$70 million goes directly to the State's revenues<sup>3</sup>. Of these fisheries business and landing taxes, currently 65 Alaskan cities, boroughs, and municipalities<sup>2</sup> receive a five-year of \$69.6 million providing an important source of revenue and lowering their reliance on State funds. When State and local government revenues are combined, the seafood industry creates revenue beyond the State's cost of \$78.3 million to manage it, and \$18.5 million in capital expenditures, or 125% of its costs<sup>3</sup>.

PVOA would like to note that fisheries business and landings taxes are paid off gross profits, as a percentage of harvest, rather than on net profits like other industries. Even if a fishing trip is not profitable beyond expenses, the fisheries taxes must be paid.

Please consider the following taxes the seafood industry is already accountable for before choosing to increase them.

Current fisheries taxes due as a percentage of harvest include: Fisheries Business Tax, Fisheries Resource Landing Tax, Seafood Marketing Assessment, Salmon Enhancement Tax, Seafood Development Tax, and Dive Fishery Management Assessment.

Additional fisheries taxes and fees currently contributing to State, local, federal government include: City and Borough Raw Fish Tax, CDQ Royalties, Commercial Fishery Permit and Vessel Registration Fees, Fishermen's Fund, Commercial Crew Licenses, State Marine Fuel Tax, Revolving Loan Program revenues from the Division of Economic Development, and Corporate Income Tax.

Our industry is also subject to federal fisheries taxes including: Federal IFQ Cost Recovery fees (that increased in 2016), Federal Observer Program fees, and Unemployment Insurance paid by seafood processors<sup>2</sup>.

Alaskan industries vary in structure, management objectives, and ability to contribute. While the seafood industry doesn't contribute as much to the general fund as other extraction resources, it will be contributing long after other resources are exhausted. The Alaska seafood industry is unique compared to our other extracted State resource industries. It is managed to be a sustainable and completely renewable resource. Therefore, the seafood industry is intended to operate infinitely and contribute to the general fund forever.

Alaska's separate industries have different management objectives. For some industries this is to maximize long-term revenue. With the seafood industry this is not the case. This industry has traditionally been managed to maximize employment, fishing incomes, community health, and other social objectives<sup>3</sup>. The vast majority of Alaska's commercial fishing businesses are small, resident owned, and family operated.

"The percentage of limited entry permits held by Alaska residents continues to remain relatively stable. After 40 years, Alaskans hold nearly 77% of all limited entry permits. At the end of 2013, Alaskans held nearly 11,000 permanent limited entry permits, with rural Alaskans holding more than half of that number<sup>4</sup>."

The burden of fisheries related taxes are not equally shared by the entire seafood industry. Commercial fishing operations are paying most of burden of taxes, with very little being passed on to buyers. Of the estimated 63,000 jobs provided by the seafood industry<sup>2</sup>, 9,836 permit holders<sup>5</sup> and 23,036 crewmembers<sup>6</sup> are accountable to pay the estimated \$250 million in taxes within the seafood industry<sup>2</sup>.

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Petersburg Vessel Owner's Association members are opposed to the additional or increased fisheries business and fisheries resource landing taxes outlined in HB 251/SB 135. We realize that the 29<sup>th</sup> Legislature is greatly burdened with the State's current fiscal position and value their dedication this session.

Respectfully,



Megan O'Neil  
Executive Director

1-Alaska Seafood Marketing Institute 2014 Annual Report -

[http://ebooks.alaskaseafood.org/ASMI\\_Annual\\_Report/](http://ebooks.alaskaseafood.org/ASMI_Annual_Report/)

2-Compiled from various sources as found on "UFA Alaska Seafood Industry Taxes and Fees" sheet <http://www.ufafish.org/wp-content/uploads/2015/02/4a-Alaska-Seafood-Industry-Taxes-Fees-021115-v1s.pdf>

3-Commercial Fishing, Mining, and Tourism: State Revenues and Spending

<http://www.iser.uaa.alaska.edu/Publications/2015-ResearchSummary.pdf>

4-CFEC annual report, on page 7. [https://www.cfec.state.ak.us/annrpts/2013-2014\\_AR.pdf](https://www.cfec.state.ak.us/annrpts/2013-2014_AR.pdf)

5-CFEC Permit and Fishing Activity by Year, State, Census Area, or City, last table,

[https://www.cfec.state.ak.us/gpbycen/2014/00\\_ALL.htm](https://www.cfec.state.ak.us/gpbycen/2014/00_ALL.htm)

6-State of Alaska Department of Fish and Game, 2015 Calendar Year Licenses and Tags Issued,

[http://www.adfg.alaska.gov/static/license/pdfs/2015\\_license\\_stamps\\_tags\\_issued.pdf](http://www.adfg.alaska.gov/static/license/pdfs/2015_license_stamps_tags_issued.pdf)