



## Alaska Trollers Association

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Representative Louise Stutes, Chairman  
House Fisheries Committee  
Alaska Legislature  
Juneau, AK 99811

### **RE: HB 251**

Dear Representative Stutes and Committee Members:

The Alaska Trollers Association (ATA) is concerned about HB 251. At this time it is impossible for our members to accept, or reject, any tax bill, because it is not clear what our industry's total tax liability will be as a result of the state's response to the current fiscal crisis. Please note that a 1% hike in the Fisheries Business Tax is actually a 33.3% tax increase. This is just one of the new taxes and fees envisioned by the governor and legislature with ramifications for the seafood industry.

ATA represents commercial salmon trollers who operate in state and federal waters from Dixon Entrance to Cape Suckling. There are currently 1,938 active troll permits, 86% of them owned by Alaskans primarily living and working in Southeast communities. On average, 1,100 hand and power trollers make deliveries each year and the troll fleet employs roughly 500 deckhands. In 2013, trollers and their crews paid about \$280K in permit fees and licensing alone. These fishermen landed 28 million pounds of salmon valued at over \$41 million, which put another \$837K in fisheries business tax into the general fund to be shared with the communities. Many trollers also harvest halibut, cod, and shellfish and pay the taxes and fees associated with those species. In addition to other state, local, and federal taxes and fees, trollers pay to help finance the region's hatchery programs, which provide salmon for all user groups; in 2013 trollers paid \$837K in salmon enhancement taxes. Additionally, many troll permit holders are part owners of a seafood processing cooperative, freeze their catch at sea, or direct market their products, which means paying a separate set of unique taxes and fees.

The seafood industry is Alaska's largest private sector employer - fishing jobs are essential for the health of coastal Alaska and are a catalyst for the creation of processing and support sector jobs throughout the state. There are currently 17,087 commercial licenses; 77% are owned by Alaska residents and most live in Anchorage. In 2015, these fishermen participate in 68 unique fisheries and held 27,793 permit and vessel licenses between them. According to CFEC<sup>1</sup>, the state earned nearly \$8.4 million from those licenses in 2015. That same year, 10,563 residents and more than 6,000 non-residents worked in Alaska fisheries as crewmembers; their license fees added over \$2 million to the general fund.

The seafood industry pays an array of taxes, licenses, and fees. A back of the envelope estimate using the Alaska Department of Revenue's 2015 Annual Report<sup>2</sup> reveals that the seafood industry is responsible for at least 6.13% of all taxes paid in 2015. This percentage does not account for our industry's portion of the motor fuel tax, 12% of which is derived from marine fuel. Nor does the report break out corporate taxes paid by some seafood businesses. Add to that the taxes not tallied in this report, like property tax, sales tax, and a mix of other fees and licenses and things really begin to add up.

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<sup>1</sup> [2015 Annual Report, Commercial Fisheries Entry Commission, 2016](#)

<sup>2</sup> [2015 Annual Report, Alaska Department of Revenue Tax Division, February 22, 2016](#)

Industry	FY15 % Taxes Paid
Oil & Gas	54.44%
Seafood	6.13%
Mining	3.24%
Tourism	1.99%
Other - payment varies by industry	25.34%
'Sin' Taxes	8.84%
<b>Total</b>	<b>99.98%</b>

Source: [2015 ADOR Annual Report](#)

In addition to the taxes embedded in HB 251 the state is looking at other options to boost taxes and/or reduce services. The overall package, and the tax burden it will create, is of real concern to each of our family-owned businesses and the seafood industry overall. Will there be a statewide income tax? Increases in corporate tax and marine fuel tax? Will the PFD be capped? Will ADFG funding be cut to the extent that fisheries managers are forced to be unnecessarily restrictive; how will that impact our fisheries - and the general fund and communities? It is very difficult to get onboard without more details regarding the total tax package envisioned by the legislature for each industry, and how it compares to current tax liabilities.

Importantly, how much will increases in fishing taxes help with the overall budget shortfall? There is a tremendous gap to fill and you won't get there by taxing our industry alone – or even with a combination of fishing, mining, timber, and tourism taxes. There appears to be some structural issues in need of attention, which will require more than percentage tax increases across the small business sectors.

While there is no doubt that the state must look at all available options to finance essential services in the face of reduced oil production and sales, we submit that any tax plan must seek to fairly balance impacts on Alaska's citizens and business owners across the spectrum of industries. It is also important to acknowledge the value of keeping ADFG healthy and the commercial fleets fishing, in order to provide important revenue for the general fund and Alaska communities. I refer you to a resolution recently adopted by United Fishermen of Alaska, which speaks to these important concepts.<sup>3</sup>

Despite some great efforts, the budget information available for review is complex, multi-layered, and raises more questions than it answers for the private sector. Piecemeal decisions on tax rates could harm those who already carry a heavy tax burden. We urge the legislature and administration to continue working with the affected public and business sectors to produce a fair and comprehensive budget plan for the state. This will require looking carefully at cumulative impacts of any tax increases and agency funding decrements.

Finding the right mix of taxes and budget cuts to solve Alaska's budget problems is no easy task and I thank you all for your commitment to develop a set of practical and meaningful solutions that work for Alaska.

Thank you for considering ATA's point of view. Please do not hesitate to contact me if I can be of assistance.

Best regards,



Dale Kelley  
Executive Director

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<sup>3</sup> [UFA Resolution on State of Alaska Fiscal Crisis](#)