

Pacific Seafood Processors Association, Ocean Beauty Seafoods, Icicle Seafoods Position on HB 251

We recognize the tough budget situation created by unexpectedly low oil prices and the consequent major deficit that has resulted.

We generally agree with the Governor and Legislative leaders that the State needs to make a significant reduction in the deficit this session by using broad based revenue proposals already being discussed. We further agree that budget reductions focused on non-revenue producing areas and additional tax revenues are part of the solution.

We urge careful consideration, however, of the resource specific new tax bills introduced by the Governor as their passage in original form would create a significant drag on depressed sectors of Alaska's economy that are already weakened by low commodity prices.

Further, those sectors are a major source of Alaska jobs, so additional taxes assessed now will only serve to reduce jobs beyond what will already be necessary until commodity (in this case fish) prices improve.

The Alaska Seafood industry already contributes significant revenues to Alaska in excess of the expenditures by the state (UFA tax summary sheet attached).

Notwithstanding our concerns, if the Legislature decides to increase taxes on the resource based industries, we request that first loopholes in the existing fisheries tax collection system be closed before any new taxes are added to the seafood industry. Closing known loopholes could raise up to \$4 million in additional annual revenue. Once loopholes are closed, the need for new taxes should be re-evaluated. Additionally, HB 251 should be amended to a straight 4% for the fisheries business and resources landing taxes as illustrated on the enclosed chart. That proposal would raise approximately \$14 million.

We also request that if or when the Legislature increases taxes, the ADFG Commercial Fish Division and ASMI retain sufficient funding to continue to provide the baseline work that is necessary for our industry to be successful in Alaska. We rely on accurate forecasting for the maximal sustained harvest levels in our fisheries and to assist in a coordinated market strategy for all of our fish products.

	Existing	HB251	"4 - 4 - 4 - 4" Proposal	% Change Gov. / "4-4-4-4"
Fisheries Business Tax - Shore Based	3%	4%	4%	+33% / +33%
Resource Landing Tax	3%	4%	4%	+33% / +33%
Canned Salmon Tax	4.5%	5.5%	4%	+22% / -11%
Floating Processing Tax - State Waters	5%	6%	4%	+20% / -20%

Alaska Seafood Industry Taxes and Fees



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Fishing industry taxes and fees are paid to a wide spectrum of state, federal and local government agencies

Department of Revenue:

Annual reporting highlights these revenues, assessed as a percentage of the harvest – taken off the top – rather than on the net profit after expenses:

- Fisheries Business Tax* = \$44.2M
**half is shared with communities and boroughs*
- Fisheries Resource Landing Tax* = \$13.4M
**half is shared with communities and boroughs*
- Seafood Marketing Assessment = \$9.6M
- Salmon Enhancement Tax = \$8.5M
- Seafood Development Tax = \$1.8M
- Dive Fishery Management Tax = \$.8M

Department of Revenue seafood industry tax total = \$78.3 million

In addition to the above revenue:

Alaska's fisheries also contribute many other fees and costs to state, local, and federal governments:

- Local fisheries taxes collected in certain boroughs and communities = \$25.37M
- CDQ royalties to community development = \$73.1M
- Commercial fishery permit fees FY14 = \$6.88M
- Commercial fishing vessel registrations fees FY14 = \$678,400
- Fishermen's Fund fees FY14 = \$362,300
- Commercial crew license fees = \$2.6M
- State marine fuel taxes = estimated \$2.8M
- Loan program revenue = \$6.0M (*Commercial Fishing, Enhancement, CQE & Mariculture total*)
- DNR shore fishery lease fees (FY 2014) = \$344,256
- Corporate income tax = \$2.8M (*Department of Revenue estimate*)

Additional seafood taxes and fees total to state and communities = \$121.0M

Additional federal fisheries taxes and fees and UI taxes are also collected:

- Federal IFQ Cost Recovery fees – halibut & sablefish, rockfish, and crab = \$6.7M
- Federal Observer Program fees = \$4.2M
- Unemployment Insurance (UI) taxes paid by seafood processors: \$14.7M

There are many other fees that are more difficult to quantify, such as:

- Port and harbor fees – and launch ramp fees, boat storage, etc.
- DNR lease fees for:
 - Moorage buoys
 - Land use tidelands permits and leases for processors, hatcheries
 - Water rights permits for processors, hatcheries
- Business license fees
- Processors DEC permit fees
- Local property tax on facilities and equipment – fishermen, processors, and hatcheries
- Business income tax for processor, harvester, and support businesses
- Dive and aquaculture shellfish water quality, PSP and arsenic testing fees
- Federal vessel documentation fees and fishery endorsements
- Federal fuel taxes

Did you know?

Alaska's seafood industry pays over \$250 million per year in taxes & fees.

\$54.2 million in Fishery Business and Landing taxes were directly collected by or distributed to 65 communities & boroughs in Alaska in FY 2013. These taxes reduce community dependence on State funds.