

NEW SUSTAINABLE

ALASKA

P L A N



Pulling Together to Build Our Future

Fish Tax

HB251

Bill Title

“An Act requiring the electronic submission of a tax return or report with the Department of Revenue; relating to fisheries business tax and fishery resource landing tax; relating to refunds to local governments; and providing for an effective date.”

Fish Business Tax Overview

- Paid by persons or business who **process fish in Alaska or export fish from Alaska**
- Charged on price for raw resource or fair market value

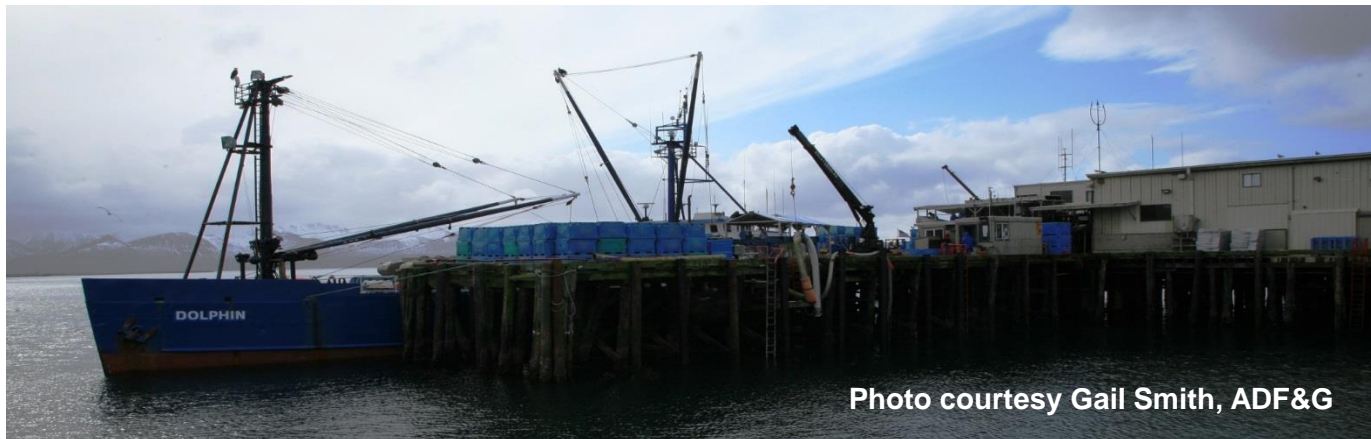


Photo courtesy Gail Smith, ADF&G

Fish Business Tax History

- Territorial “salmon pack tax” in 1913
 - Tax base expanded to include other fish between 1913 and 1949
- Fish business license required in 1951
- Municipal sharing began in 1962
 - Increased from 10% to 50% over time

Fish Business Tax History (Continued)

- Current tax structure began in 2004
 - Shore-based facility:
 - 1% for developing species
 - 3% for established species
 - Floating facility:
 - 3% for developing
 - 5% for established
 - Salmon cannery: 4.5%
- Direct Marketing License holders pay shore-based rates

Fish Landing Tax Overview

- Levied on **unprocessed value** of a fishery resource **first landed in Alaska, but processed outside**
 - Value calculated using Statewide Average Price (SWAP)
- Mainly factory trawlers and floating processors
- 50% municipal sharing, like Business Tax



Photo courtesy Alaska Seafood

Fish Landing Tax History

- Effective 1994
- Initially 3.3% of the unprocessed value
- Exception: **pollock** subject to Landing Tax even if not landed in Alaska
 - Due to 1999 American Fisheries Act

Distribution of Fish Tax Revenue

10 Fish Tax Revenue

50%

**10 Communities
and Boroughs**

50%

**10 General Fund
10 Credits**

Fish Business Tax Revenue

Business Tax (\$ millions)	FY 2015	FY 2014	FY 2013
Total collections	44.4	53.0	45.1
Municipal share	23.1	26.5	25.0
Retained by state	21.3	26.5	20.0

- State share normally smaller than municipal share because of credits

Fish Landing Tax Revenue

Landing Tax (\$ millions)	FY 2015	FY 2014	FY 2013
Total collections	8.4	12.6	13.4
Municipal share	3.2	5.4	7.8
Retained by state	5.1	7.1	5.5

Fish Tax Proposal

- Increases Fisheries Business Tax and Fishery Resource Landing Tax by 1% for established species

Business Tax	Current Rate	Proposed Rate
Established		
Floating	5%	6%
Salmon Cannery	4.5%	5.5%
Shore-based	3%	4%
Developing		
Floating	3%	4%
Shore-based	1%	1%

Fish Tax Proposal (Continued)

Resrc Land Tax	Current Rate	Proposed Rate
Established	3%	4%
Developing	1%	1%

- **1% tax increase would be entirely state revenue, not shared with municipalities**
- New proposal establishes the Alaska Seafood Marketing Fund (ASMF) within the General Fund. DOR will separately account for .5% of the revenue and deposit into the fund. The ASMF would be subject to legislative appropriation to the Alaska Seafood Marketing Institute, and the funds would not lapse.
- Raises from 1% to 4% developing species processed at a shore-based facility under fisheries business and developing species under fishery resource landing.
- **Municipal sharing would continue for remaining revenue**
- **Requires electronic filing**

Distribution Under New Fish Tax Proposal

10 Fish Tax Revenue

**Additional 1%
of value directly
to General Fund**

50%

**10 Communities
and Boroughs**

**The
remainder
is
distributed
as before**

50%

**10 General Fund
10 Credits**

Distribution Under House Fisheries Tax Proposal

10 Fish Tax Revenue

**Additional .5% of value
directly to General Fund and
.5% value directly to Alaska
Seafood Marketing fund**

50%

**10 Communities
and Boroughs**

**The
remainder
is
distributed
as before**

50%

**10 General Fund
10 Credits**

Relative Fish Tax Rate

- Washington is a state with a tax specific to fish
 - 0.09% to 5.62% of value at point of landing
 - Rate depends on species

Revenue Impact

- Dept. of Revenue estimates proposed fish tax increases would raise an additional \$18 million per year
 - New proposal would raise an additional \$7 million
- Estimates are based on the fall 2015 revenue forecast
 - New proposal is based on the Spring 2016 revenue forecast

Implementation Cost

- Would require the Department of Revenue to update its Tax Revenue Management System (TRMS) and Revenue Online (ROL) which allows a taxpayer to file a return online and update the current tax return forms.
- One-time implementation cost of \$100,000 to recreate tax forms and reprogram and test the tax system¹
- Do not anticipate any additional costs to administer the tax program.

¹This is slightly higher than some of the costs attached to the other excise and business tax changes because of the somewhat dedicated nature of the funds and the possible additional need to adjust certain Revenue Sharing features.

Closing the Budget Gap

	(Millions)
FY16 Budget	\$ 5,200

FY17 Baseline Revenue (after proposed legislation)

AK Permanent Fund Protection Act (annual draw)	\$ 3,300
Revenue from existing taxes and fees	\$ 850
Earnings on Savings	<u>\$ 135</u>
	\$ 4,285

FY17 Spending Reductions

Continue Cuts	\$ 140
Reform O&G Tax Credits	\$ 400
Net Priority Investments	<u>(\$ 40)</u>
	\$ 500

Closing the Budget Gap (Continued)

<u>New Revenue Components (estimated)</u>	(Millions)
Mining (starting in FY 2018)	\$ 6
<i>Fishing</i>	<i>\$ 18</i>
Tourism	\$ 15
Motor Fuel	\$ 49
Alcohol	\$ 40
Tobacco	\$ 29
Oil and Gas	\$ 100
Income Tax (half in FY17; first full year is FY18)	<u>\$ 200</u>
	\$ 457
 Total with reductions and new revenue	 \$ 5,242

Sectional Analysis

- Sec. 1.** Adds a \$25 or 1% tax penalty for failure to file electronically unless an exemption is received by the taxpayer
- Sec. 2.** Requires electronic submission of tax returns, license applications, and other documents submitted to the Department of Revenue. This changes the general tax statutes, AS 43.05, and will apply to all tax types administered by the department. Provides a process to request an exemption if a taxpayer does not have the technological capability to do so.
- Sec. 3.** Increases three different tax rates within the Fisheries Business Tax by one percent. The current rates range from three to five percent.
- Sec. 4.** Increases tax rate within the Fisheries Business Tax for developing fish species processed by a floating processor from 3 to 4 percent. Rate remains at 1 percent for developing fish species processed by a shore-based business.

Sectional Analysis (Continued)

- Sec. 5.** Increases tax rate within the Fisheries Business Tax for direct marketers from 3 to 4 percent. Rate remains at 1 percent for developing fish species sold by direct marketers.
- Sec. 6.** Conforming language related to the requirement to submit returns or reports electronically. This section deletes the requirement for taxpayers to submit their returns to the department in Juneau.
- Sec. 7.** Establishes that the revenue from the one percent tax increase is deposited in the general fund. The remaining revenue shall be shared with municipalities per the currently existing formula.

New Section 7-Establishes the Alaska Seafood Marketing fund in the general fund. DOR will account for and deposit .5% of the value of a fishery taxed. The fund is subject to legislative appropriation and funds do not lapse.

Sectional Analysis (Continued)

Sec. 8. Increases tax rate within the Fisheries Landing Tax for fish species other than developing fish species from 3 to 4 percent. Rate remains at 1 percent for developing fish species.

- Current Sec. 8 becomes the new Sec 9. New section 8-Tax amount equal to .5% of the value of fishery taxed will be deposited into the general fund.

Sec. 9. Establishes that the revenue from the one percent tax increase is deposited in the general fund. The remaining revenue shall be shared with municipalities per the currently existing formula.

- Current Sec 9 becomes the new Sec 10

Sectional Analysis (Continued)

Sec.10. Establishes that the revenue from the one percent tax increase is deposited in the general fund. The remaining revenue shall be shared with boroughs per the currently existing formula.

New Sec 10-tax collected under AS 43.77.055 paid into separate account in the general fund, may be appropriated by the legislature for revenue sharing under AS 43.77.060 .

Sec. 11. Transitional language allowing for regulations.

New Sec. 11-Separately account for and deposit .5% of the value of fishery taxed under AS 43.77.010(2) (fish landing/established) into the Alaska seafood marketing fund.

Sec. 12. Section 11 above takes effect immediately.

New Sec 12-Establishes that the revenue from the one percent tax increase is deposited in the general fund. The remaining revenue shall be shared with municipalities per the currently existing formula.

Sectional Analysis (Continued)

Sec. 13. Effective date of 7/1/16 for the rest of the bill including the tax rate change.

New Sec 13-establishes revenue from the .5% is deposited into the general fund and remaining shared with boroughs per the currently existing formula.

Sec. 14. New section providing for transitional language allowing for regulations.

Section 15. New section, Section 14 takes effect immediately.

Section 16. New section, except as provided under sec. 15, providing for an effective date of July 1, 2016 for the rest of the bill including tax rate change.



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