

April 15, 2016

Representative Neuman
Representative Thompson
Co-Chairs, House Finance Committee

Alaska State Legislature
State Capitol
Juneau, AK 99811-1182
Email: Rep.Mark.Neuman@akleg.gov
Rep.Steve.Thompson@akleg.gov

RE: Oppose HB 249 CS Version G- An Act removing the minimum and maximum restrictions on the annual base fee for the issuance or renewal of an entry permit or an interim-use permit...

Dear Co-Chairs Representative Neuman and Representative Thompson,

Please take a moment to consider the impacts of the proposed changes in Commercial Fisheries Entry Commission (CFEC) fees issuance and renewal fees, and fisheries business and landing taxes. The combination of the two will be a huge fiscal burden on a small portion of the entire seafood industry.

The burden of fisheries related taxes and CFEC fees are not equally shared by the entire seafood industry. Commercial fishing operations are paying most of the burden of taxes, with very little being passed on to buyers. Of the estimated 63,000 jobs provided by the seafood industry, 9,836 permit holders¹ and 23,036 crewmembers² are accountable to pay the estimated \$250 million in taxes within the seafood industry. Furthermore, the 9,836 permit holders already pay nearly \$8.4 million in permit revenue³.

CFEC Permit Renewal Fees

Our members are opposed to the issuance and renewal fees of limited entry and interim-use permits increasing. The current rates already raise over \$2 million a year in excess of the expenses of the Fisherman's Fund and CFEC combined. There is no reason to increase fees and raise more capital beyond these needs. At some price point, permit holders that renew but do not fish their permits will cease to pay the fee. When a permit is not renewed for two years, it is lost. Too high of renewal fees could disrupt the amount of limited entry permits in a given fishery. Vessels that are run by multiple permit holders throughout the year may choose to place permits in the name of a year-around crewman, and therefore decrease the number of permits they pay to renew.

Fisheries Business and Landing Taxes

A one percent fisheries tax raise is a larger increase than it sounds. One percent is an increase in taxes of 20 percent to catcher processors and 33 percent to shore-based processed fish, other than canned salmon.

¹CFEC, Permit and Fishing Activity by Year, State, Census Area, Or City, last table, 2016,
https://www.cfec.state.ak.us/gpbycen/2014/00_ALL.htm

²State of Alaska Department of Fish and Game, 2015 Calendar Year Licenses and Tags Issued,
https://www.adfg.alaska.gov/static/license/pdfs/2015_license_stamps_tags_issued.pdf

³ Commercial Fisheries Entry Commission 2015 Annual Report, page 27, <https://www.cfec.state.ak.us/anrpts/ar2015.pdf>

Commercial fishing and seafood processing in the state of Alaska is the largest private sector employer providing over 63,000 jobs throughout the State.⁴ Currently, the seafood industry pays an estimated \$250 million per year in taxes and fees⁵, on average \$70 million goes directly to the State's capital budget. Of these fisheries business and landing taxes, currently 65 Alaskan cities, boroughs, and municipalities receive an average 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 costs⁶. Finally, \$100 million is paid to Community Development Quota (CDQ) groups in Western Alaska, salmon hatchery programs, and Regional Seafood Development Associations (RSDA).

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

Cumulative Effects

Please consider the consequences this bill could have within Southeast Alaska communities like Petersburg that are dependent on maintaining their commercial fishing fleets. The seafood industry is the economic driver of Petersburg. Too large of a combined tax, fee, or royalty burden on the small portion of the industry that pays them, could halt the economic growth, or worse, cause a recession within the industry.

Along with this increase, our members paying fish taxes and permit fees do not know if their permanent fund dividend will be reduced, if they will have to pay a statewide corporate income tax, or if they will

⁴ The Economic Value of Alaska's Seafood Industry, McDowell Group

http://ebooks.alaskaseafood.org/ASMI_Seafood_Impacts_Dec2015/pubData/source/ASMI%20Alaska%20Seafood%20Impacts%20Final%20Dec2015%20-%20low%20res.pdf

⁵ UFA Alaska Seafood Industry Taxes and Fees <http://www.ufafish.org/wp-content/uploads/2015/02/4a-Alaska-Seafood-Industry-Taxes-Fees-021115-v1s.pdf>

⁶ Fiscal Effects of Commercial Fishing, Mining, and Tourism: State Revenues and Spending, Institute of Social and Economic Research http://www.iser.uaa.alaska.edu/Publications/2015_12-FiscalEffectsOfCommercialFishingMiningTourism.pdf

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have to pay a statewide sales tax. The cumulative affects are unknown and unquantifiable at this time. The affects of all of these policies could have vast negative impacts on the health of the seafood industry.

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

Thank you for taking the time to consider our concerns. We would be happy to answer any questions.

Respectfully,

Megan O'Neil

Megan O'Neil
Executive Director