

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 204(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 3/3/14

Referred: Rules

Sponsor(s): REPRESENTATIVES AUSTERMAN, Edgmon, Kerttula, Peggy Wilson, Feige, Kreiss-Tomkins, Gattis, Tammie Wilson, Nageak, LeDoux, Gara, Tuck, Hughes, Tarr

SENATORS Stevens, Micciche, Stedman, Dyson, Egan, Olson, McGuire, Bishop

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to a product development tax credit for certain salmon and herring**
2 **products; and providing for an effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * **Section 1.** AS 43.75.035(a) is amended to read:

5 (a) A taxpayer that is a fisheries business may claim a [SALMON] product
6 development tax credit of 50 percent of qualified investment in new property first
7 placed into service in a shore-based plant or on a vessel in the state in the tax year.

8 * **Sec. 2.** AS 43.75.035(b) is amended to read:

9 (b) The amount of the tax credit applied against taxes under this section may
10 not

11 (1) exceed 50 percent of the taxpayer's tax liability incurred under this
12 chapter for processing of salmon **and herring** during the tax year; or

13 (2) be claimed for property first placed into service after December 31,
14 **2020** [2015].

1 * **Sec. 3.** AS 43.75.035(c) is amended to read:

2 (c) If the property for which a tax credit is claimed is installed on a vessel, the
3 amount of qualified investment under (a) of this section is determined by multiplying
4 the investment cost of the qualified investment property by a fraction, the numerator
5 of which is the weight of raw salmon or raw herring processed on the vessel by the
6 taxpayer in the state in the tax year in which the property is first placed into service,
7 and the denominator of which is the weight of raw salmon or raw herring processed
8 on the vessel by the taxpayer in and outside of the state in the tax year in which the
9 property is first placed into service.

10 * **Sec. 4.** AS 43.75.035(d) is amended to read:

11 (d) An unused credit under this section may be carried forward and applied
12 against the tax liability incurred on salmon and herring in the following three tax
13 years.

14 * **Sec. 5.** AS 43.75.035(g) is amended to read:

15 (g) If, during a tax year, property for which a credit was claimed under this
16 section is disposed of by the taxpayer, ceases to be qualified investment property, or is
17 removed from service in the state, the tax due under this chapter is increased by the
18 recapture percentage of the aggregate decrease in the credit allowed under this section
19 for all prior tax years that would have resulted solely from reducing to zero the credit
20 allowed for the qualified investment property under this section. The amount of tax
21 credit attributable to the qualified investment that is carried forward from prior tax
22 years is terminated as of the first day of the tax year in which the qualified investment
23 property is disposed of by the taxpayer, ceases to be qualified investment property, or
24 is removed from service in the state. For purposes of this subsection,

25 (1) the recapture percentage during the year in which the property is
26 first placed into service or during the first year following the year in which the
27 property is first placed into service is 100 percent;

28 (2) the recapture percentage during the second year following the year
29 in which the property is first placed into service is 75 percent;

30 (3) the recapture percentage during the third year following the year in
31 which the property is first placed into service is 50 percent;

(4) the recapture percentage during the fourth or subsequent year following the year in which the property is first placed into service is zero percent;

(5) qualified investment property used on a vessel is considered to have been removed from the state on the first day of a tax year in which the proportion of raw salmon or raw herring processed in the state on the vessel is less than 50 percent of total weight of raw salmon or raw herring processed on the vessel in and outside of the state.

* **Sec. 6.** AS 43.75.035(i) is amended to read:

(i) The department shall develop and implement procedures by which a taxpayer that is a fisheries business may submit the taxpayer's proposed investment to the department and request a preliminary determination of whether the investment qualifies for the [SALMON] product development tax credit under this section. A preliminary determination by the department that the taxpayer's submission qualifies for the credit is binding, unless the department determines that the taxpayer has made a material misrepresentation in the taxpayer's submission.

* **Sec. 7.** AS 43.75.035(j)(3) is amended to read:

(3) "qualified investment" means the investment cost to purchase or convert [IN] depreciable tangible personal property with a useful life of three years or more to be used predominantly to perform an ice making, processing, packaging, or product finishing function that is a significant component in producing value-added salmon or herring products, including canned salmon products in can sizes other than 14.75 ounces or 7.5 ounces [BEYOND GUTTING OF THE SALMON]; in this paragraph, "property"

(A) includes

(i) equipment used to fillet, skin, portion, mince, form, extrude, stuff, inject, mix, marinate, preserve, dry, smoke, brine, package, freeze, scale, grind, separate meat from bone, or remove pin bones [FILLETING, SKINNING, PORTIONING, MINCING, FORMING, EXTRUDING, STUFFING, INJECTING, MIXING, MARINATING, PRESERVING, DRYING, SMOKING, BRINING, PACKAGING, BLAST FREEZING, OR PIN BONE

1 REMOVAL EQUIPMENT];

2 (ii) new parts necessary for, or costs associated with,
 3 converting a canned salmon line to produce can sizes other than
 4 14.75 ounces or 7.5 ounces [TO CONVERT AN EXISTING CAN
 5 SEAMER TO POP-TOP CAN PRODUCTION];

6 (iii) conveyors used specifically in the act of producing
 7 a value-added salmon or herring product; [AND]

8 (iv) ice making machines;

9 (v) new canning equipment for herring products;
 10 and

11 (vi) equipment used to transform salmon or herring
 12 byproduct that is discarded as waste into saleable product;

13 (B) does not include

14 (i) vehicles, forklifts, conveyors not used specifically in
 15 the act of producing a value-added salmon or herring product, cranes,
 16 pumps, or other equipment used to transport salmon or herring, or
 17 salmon or herring products, knives, gloves, tools, supplies and
 18 materials, equipment, other than ice making machines, that is not
 19 processing, packaging, or product finishing equipment, or other
 20 equipment, the use of which is incidental to the production, packaging,
 21 or finishing of value-added salmon or herring products; [OR]

22 (ii) the overhaul, retooling, or modification of new or
 23 existing property, except for new parts necessary for, or costs
 24 associated with, converting a canned salmon line to produce can
 25 sizes other than 14.75 ounces or 7.5 ounces; or

26 (iii) property used predominantly to produce a
 27 salmon or herring product that is not taxed under this chapter [TO
 28 CONVERT AN EXISTING CAN SEAMER TO POP-TOP CAN
 29 PRODUCTION];

30 * **Sec. 8.** AS 43.75.035(j)(6) is amended to read:

31 (6) "value-added salmon or herring product" means the product of a

1 salmon or herring that is processed beyond heading, gutting, or separation in a
 2 manner that [MATERIALLY] enhances the value or quality of the salmon or herring
 3 product, such as shelf-stable, retort pouched, smoked, pickled, or filleted salmon,
 4 ikura, leather, [OR] jerky, or a saleable product made from waste byproduct of
 5 salmon or herring; "value-added salmon or herring product" does not include a
 6 salmon or herring or salmon or herring product that

7 (A) has been subjected to only one or more of heading, gutting,
 8 freezing, or packaging [, QUALITY ASSURANCE PRACTICES, OR
 9 VALUE RETENTION PRACTICES];

10 (B) is salmon skeins or other unprocessed salmon or
 11 unprocessed herring products whether fresh or frozen; or

12 (C) [IS CANNED, EXCEPT FOR SALMON PRODUCTS IN
 13 A POP-TOP CAN; OR

14 (D)] is produced out of the state.

15 * **Sec. 9.** This Act takes effect immediately under AS 01.10.070(c).