

HOUSE BILL NO. 188

IN THE LEGISLATURE OF THE STATE OF ALASKA
THIRTY-SECOND LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE STUTES

Introduced: 4/26/21

Referred: House Special Committee on Fisheries, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to a seafood product development tax credit; providing for an effective**
2 **date by repealing secs. 32 and 35, ch. 61, SLA 2014; 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(b) is amended to read:

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

7 (1) exceed 50 percent of the taxpayer's tax liability incurred under this
8 chapter for processing of salmon, [AND] herring, pollock, and cod during the tax
9 year; or

10 (2) be claimed for property first placed into service after December 31,
11 2025 [2020].

12 *** Sec. 2.** AS 43.75.035(c) is amended to read:

13 (c) If the property for which a tax credit is claimed is installed on a vessel, the
14 amount of qualified investment under (a) of this section is determined by multiplying

1 the investment cost of the qualified investment property by a fraction, the numerator
 2 of which is the weight of raw salmon, [OR] raw herring, raw pollock, or raw cod
 3 processed on the vessel by the taxpayer in the state in the tax year in which the
 4 property is first placed into service, and the denominator of which is the weight of raw
 5 salmon, [OR] raw herring, raw pollock, or raw cod processed on the vessel by the
 6 taxpayer in and outside of the state in the tax year in which the property is first placed
 7 into service.

8 * **Sec. 3.** AS 43.75.035(d) is amended to read:

9 (d) An unused credit under this section may be carried forward and applied
 10 against the tax liability incurred on salmon, [AND] herring, pollock, and cod in the
 11 following three tax years.

12 * **Sec. 4.** AS 43.75.035(e) is amended to read:

13 (e) Qualified investment costs upon which a tax credit is claimed under this
 14 section may not be considered for another tax credit in this title. [A TAX CREDIT
 15 APPLIED UNDER THIS SECTION MAY NOT EXCEED 50 PERCENT OF THE
 16 TAXPAYER'S TAX LIABILITY INCURRED FOR THE PROCESSING OF
 17 SALMON DURING THE TAX YEAR.]

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

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

29 (1) the recapture percentage during the year in which the property is
 30 first placed into service or during the first year following the year in which the
 31 property is first placed into service is 100 percent;

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

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

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

7 (5) qualified investment property used on a vessel is considered to
8 have been removed from the state on the first day of a tax year in which the proportion
9 of raw salmon, [OR] raw herring, raw pollock, or raw cod processed in the state on
10 the vessel is less than 50 percent of total weight of raw salmon, [OR] raw herring, raw
11 pollock, or raw cod processed on the vessel in and outside of the state.

12 * **Sec. 6.** AS 43.75.035(j)(3) is amended to read:

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

19 (A) includes

20 (i) equipment used to fillet, skin, portion, mince, form,
21 extrude, stuff, inject, mix, marinate, preserve, dry, smoke, brine,
22 package, freeze, scale, grind, separate meat from bone, or remove pin
23 bones;

24 (ii) new parts necessary for, or costs associated with,
25 converting a canned salmon line to produce can sizes other than 14.75
26 ounces or 7.5 ounces;

27 (iii) conveyors used specifically in the act of producing
28 a value-added salmon, [OR] herring, pollock, or cod product;

29 (iv) ice making machines;

30 (v) new canning equipment for herring products; and

31 (vi) equipment used to transform salmon, [OR] herring,

1 pollock, or cod byproduct that is discarded as waste into saleable
2 product;

3 (B) does not include

4 (i) vehicles, forklifts, conveyors not used specifically in
5 the act of producing a value-added salmon, [OR] herring, pollock, or
6 cod product, cranes, pumps, or other equipment used to transport
7 salmon, [OR] herring, pollock, or cod, or salmon, [OR] herring,
8 pollock, or cod products, knives, gloves, tools, supplies and materials,
9 equipment, other than ice making machines, that is not processing,
10 packaging, or product finishing equipment, or other equipment, the use
11 of which is incidental to the production, packaging, or finishing of
12 value-added salmon, [OR] herring, pollock, or cod products;

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

17 (iii) property used predominantly to produce a salmon,
18 [OR] herring, pollock, or cod product that is not taxed under this
19 chapter;

20 * **Sec. 7.** AS 43.75.035(j)(6) is amended to read:

21 (6) "value-added salmon, [OR] herring, pollock, or cod product"
22 means the product of a salmon, [OR] herring, pollock, or cod that is processed beyond
23 heading, gutting, or separation in a manner that enhances the value or quality of the
24 salmon, [OR] herring, pollock, or cod product, such as shelf-stable, retort pouched,
25 smoked, pickled, or filleted salmon, herring, pollock, or cod, ikura, leather, jerky, or
26 a saleable product made from waste byproduct of salmon, [OR] herring, pollock, or
27 cod; "value-added salmon, [OR] herring, pollock, or cod product" does not include a
28 salmon, [OR] herring, pollock, or cod or salmon, [OR] herring, pollock, or cod
29 product that

30 (A) has been subjected to only one or more of heading, gutting,
31 freezing, or packaging;

1 (B) is salmon skeins or other unprocessed salmon, [OR]
 2 unprocessed herring, unprocessed pollock, or unprocessed cod product,
 3 [PRODUCTS] whether fresh or frozen; or

4 (C) is produced outside [OUT] of the state.

5 * **Sec. 8.** AS 43.75.035 and 43.75.130(f) are repealed January 1, 2026.

6 * **Sec. 9.** Section 3, ch. 57, SLA 2003, and secs. 22, 27, and 29, ch. 61, SLA 2014, are
 7 repealed.

8 * **Sec. 10.** The uncodified law of the State of Alaska is amended by adding a new section to
 9 read:

10 APPLICABILITY. AS 43.75.035(b) - (e), (g), and (j), as amended by secs. 1 - 7 of
 11 this Act, apply to pollock and cod processed on or after January 1, 2021.

12 * **Sec. 11.** Section 7, ch. 57, SLA 2003, sec. 4, ch. 3, SLA 2006, sec. 4, ch. 8, SLA 2008,
 13 sec. 3, ch. 102, SLA 2010, secs. 32 and 35, ch. 61, SLA 2014, and sec. 16, ch. 69, SLA 2014,
 14 are repealed.

15 * **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to
 16 read:

17 RETROACTIVITY. Sections 1 - 7 and 10 of this Act are retroactive to January 1,
 18 2021.

19 * **Sec. 13.** This Act takes effect immediately under AS 01.10.070(c).