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Nauman
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CS FOR SENATE BILL NO. 33(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-SECOND LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS STEVENS, Kiehl

A BILL

FOR AN ACT ENTITLED

"An Act relating to a fisheries product development tax credit; and providing for an effective date."

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

* **Section 1.** AS 43.75 is amended by adding a new section to read:

Sec. 43.75.037. Fisheries product development tax credit. (a) A taxpayer that is a fisheries business may claim a product development tax credit of 50 percent of qualified investment in new property first placed into service in a shore-based plant or on a vessel in the state in the tax year.

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

(1) exceed 50 percent of the taxpayer's tax liability incurred under this chapter for processing of eligible fish during the tax year; or

(2) be claimed for property first placed into service after December 31, 2026.

(c) If the property for which a tax credit is claimed is installed on a vessel, the amount of qualified investment under (a) of this section is determined by multiplying the investment cost of the qualified investment property by a fraction, the numerator of which is the weight of raw eligible fish processed on the vessel by the taxpayer in the state in the tax year in which the property is first placed into service, and the denominator of which is the weight of raw eligible fish processed on the vessel by the taxpayer in and outside of the state in the tax year in which the property is first placed into service.

(d) An unused credit under this section may be carried forward and applied against the tax liability incurred on eligible fish in the following three tax years.

(e) Qualified investment costs on which a tax credit is claimed under this section may not be considered for another tax credit in this title.

(f) A taxpayer may not claim the tax credit allowed under this section if the taxpayer is in arrears in the payment of assessments under AS 16.51.120, contributions under AS 23.20, or taxes or assessments collected or owed under this title. For purposes of this subsection, a taxpayer is not in arrears if the liability for the assessment, contribution, or tax is under administrative or judicial appeal.

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

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

(2) the recapture percentage during the second year following the year

in which the property is first placed into service is 75 percent;

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

(4) the recapture percentage during the fourth or later 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 eligible fish processed in the state on the vessel is less than 50 percent of total weight of raw eligible fish processed on the vessel in and outside of the state.

(h) The amount of a tax credit recaptured under (g)(1) - (3) of this section may not be included in the determination of the amount of that tax credit that is allowable under this section.

(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 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.

(j) In this section,

(1) "eligible fish" means salmon, herring, pollock, sablefish, or Pacific cod;

(2) "first placed into service" means the moment when property is first used for its intended purpose;

(3) "new property" means property whose original use begins with the taxpayer and does not include property first used by another person;

(4) "qualified investment" means the investment cost to purchase or convert 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 eligible fish, including canned salmon products in can sizes other than 14.75 ounces or

7.5 ounces; 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;

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

(iii) conveyors used specifically in the act of producing a value-added eligible fish product;

(iv) ice-making machines;

(v) new canning equipment for herring products; and

(vi) equipment used to transform eligible fish byproduct that is discarded as waste into saleable product;

(B) does not include

(i) vehicles, forklifts, conveyors not used specifically in the act of producing a value-added eligible fish product, cranes, pumps, or other equipment used to transport eligible fish, or eligible fish products, knives, gloves, tools, supplies and materials, equipment, other than ice-making machines, that is not processing, packaging, or product-finishing equipment, or other equipment, the use of which is incidental to the production, packaging, or finishing of value-added eligible fish products;

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

(iii) property used predominantly to produce an eligible fish product that is not taxed under this chapter;

(5) "tax liability" means the liability for all taxes under this chapter

before all credits allowed by this chapter;

(6) "useful life" means the useful life of the property that is or would be applicable for purposes of depreciation;

(7) "value-added eligible fish product" means the product of an eligible fish that is processed beyond heading, gutting, or separation in a manner that enhances the value or quality of the eligible fish product, such as shelf-stable, retort pouched, smoked, pickled, or filleted eligible fish, ikura, leather, jerky, or a saleable product made from waste byproduct of eligible fish; "value-added eligible fish" does not include an eligible fish or eligible fish product that

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

(B) is salmon skeins or other unprocessed salmon, unprocessed eligible fish products whether fresh or frozen; or

(C) is produced outside of the state.

*** Sec. 2.** AS 43.75.130 is amended by adding a new subsection to read:

(h) For purposes of this section, tax revenue collected under AS 43.75.015 from a person entitled to a credit under AS 43.75.037 is calculated as if the person's tax were collected without applying the credit. Tax revenue collected does not include the amount of a tax credit recaptured under AS 43.75.037(g).

*** Sec. 3.** AS 43.75.037 and 43.75.130(h) are repealed January 1, 2027.

*** Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. Notwithstanding AS 43.75.037(a), added by sec. 1 of this Act, a taxpayer may only claim a tax credit under AS 43.75.037, added by sec. 1 of this Act, for new property first placed into service on or after the effective date of this Act.

*** Sec. 5.** This Act takes effect immediately under AS 01.10.070(c).