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Senator Gary Stevens

SENATE BILL 33

Seafood Product Development Tax Credit

Response to Questions - SFIN - January 24, 2022

Below are responses to questions asked of my office and of the industry during the Senate Bill 33 hearing before the Senate Finance Committee on January 24, 2022. Questions directed to the Department of Revenue (DOR) will be responded to separately by the DOR.

1. *What have been prior sunset provisions for this tax credit program?*

The first several bills were each for three years (2003 – 05), (2005 – 2008), (2009 – 2011), then there was a four-year extension (2012 – 2015). A 5-year (or longer) extension is preferable.

2. *Have the CDQ groups weighed in on this bill?*

The Bristol Bay Economic Development Corporation (BBEDC) and the Yukon Delta Fisheries Development Assoc (YDFDA) are on record supporting SB 33. The Coastal Villages Region Fund (CVRF) has also submitted a letter of support.

3. *What is the definition of Cod? What would fall under ‘Cod’ for tax purposes?*

The intent of ‘cod’ in the bill is for Pacific cod (gray cod). The language could be clarified by specifying “Pacific” Cod.

4. *How does black cod qualify? Has it in the past, or should it be in the future?*

“Black cod” is technically not a species of cod, and is technically known as sablefish. It has not been eligible in the past, and this bill does not currently add black cod (sablefish). Verbal testimony indicated that sablefish is a high value species. We recommend and support including sablefish in the bill.

5. *Does this bill allow for a tax credit for value that’s added outside of Alaska?*

The bill only applies to processing equipment in Alaska. The current statute has explicit language [Sec. 7. AS 43.75.035(j)(6)] that value added products are not eligible if they are “produced outside of the state.” There is no change in intent or implementation. The equipment to which the credit applies must be in Alaska for value added processing in Alaska.

6. As new technologies come forward, is it possible that you'll have less product discharge?

Part of the intent of the bill is to incentivize and facilitate new product development for parts of the fish that would otherwise be waste. Developing products and markets to more fully utilize each fish is a broad goal of the Alaska seafood industry and would be further facilitated by this bill.

7. In the 2019 Indirect Expenditure Report by the Legislative Finance Division, there was a recommendation to consider extending the credit to new equipment types as the market and technology changes. Does the bill provide for this?

The bill defines 'value added' equipment sufficiently broadly at this time. The seafood industry has reviewed and is not requesting any additional types of equipment be added to the definition.