

ALASKA STATE LEGISLATURE

Interim:
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Session:
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REPRESENTATIVE PEGGY WILSON HOUSE DISTRICT 2

SPONSOR STATEMENT House Bill 184

“An Act relating to the sharing of tax revenue from the fisheries business tax and fishery resource landing tax with municipalities; and providing for an effective date.”

HB 184 deals with two different fisheries taxes paid by either buyers or processors. The first is the Fisheries Business Tax and the second is the Fisheries Resource Landing Tax. This bill will not change the taxes levied. This bill deals with the distribution of the tax revenue once it is collected.

The Fisheries Business Tax is a tax on fish processed in Alaska and the Fisheries Resource Landing Tax is a tax on fish processed at sea beyond state waters and first landed in Alaska.

Under the current system funds generated by the Fisheries Business Tax and the Resource Landing Tax on fish processed/landed inside a municipality are divided equally between the state and the municipality. If the processing/landing occurred within an incorporated city inside a borough, the 50% is divided between the two entities. If the processing occurred outside of an incorporated city the 50% goes entirely to the borough.

On fish that are processed or landed outside of any municipal or borough boundaries half of the tax revenue goes to the general fund (state) and the other half goes to the Department of Commerce, Community and Economic Development (DCCED). The department distributes its share among fishing communities in Alaska according to a formula that proportionally allocates the tax based on the pounds of fish processed in 14 different Fisheries management Areas. The percent that goes to each fisheries management Area is then split between the communities by a locally determined formula apportioning equal community shares and per capita shares. This formula will not change with HB 184.

HB 184 will change the percentages. Currently the funds generated by the taxes are split evenly between the state and the places it was processed or landed. With this bill if the processing/landing occurred within an incorporated city 75% goes to the city and 25% goes to the state. If the processing/landing occurred inside a city inside a borough, the 75% is divided between the two entities. If the processing occurred outside of an incorporated city the 75% goes entirely to the borough.

Over the past 20 years the State has been divesting itself of expensive port and harbor infrastructure. This real estate has transferred to municipalities and boroughs. The state attempted to make sure that the transferred ports and harbors were in good shape when they transferred. In many cases the transfer took much more time than expected so the money allocated for deferred maintenance was not enough to cover the required repairs. Many ports and harbors which are the support infrastructure for our commercial fisheries are rundown and in need of major maintenance if not complete rebuilds. The additional share of the fisheries taxes will not solve this problem but will help maintain and improve the infrastructure used not only by our commercial fishermen but also by our sports and leisure residents.

HB 184 also deals with the revenue from another area of the Fisheries Business Tax revenue from fish that are landed in a municipality but sent out of state “unprocessed”. Currently, these funds are treated the same as for fish processed outside of a municipality: 50% to the general fund (state) and 50% to DCCED

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to be distributed across all Fisheries Management Areas. With HB 184 the split will be 25% (state)/75% (municipalities).

The Department of Revenue's definition of processing in 15 AAC 75.300 does not include "decapitating shrimp and gutting, gilling, sliming, or icing a fisheries resource." The Fisheries Business Tax paid on a growing amount of fisheries resources is not returning to the municipalities where the resource was landed and handled. This includes troll-dressed salmon rushed to fresh markets in the Lower 48, halibut sent out by truck to be processed elsewhere, and other live or whole seafood exported directly to customers outside of the state. This is clearly a case where the market is functionally growing away from the tax system.

Another problem with the distribution system for taxes paid on exported live and unprocessed fish is because the fish are not technically "processed" in the community. The ports where the product is landed do not even qualify to receive a portion of the redistribution under the DCCED formula, which is allocated based on processed poundage. In effect, a community, that produces high value fresh and live fish, is unable to collect even a fraction of the tax, and cannot qualify in the future unless they elect to produce a lower value product.

HB 184 would, in addition to changing the split between the state and the municipalities, direct the Fisheries Business Tax revenue on these "unprocessed" fisheries resources back to the incorporated port of landing and or the borough where they were landed. This will help more accurately and fairly cover the cost of building and maintaining the infrastructure utilized in generating the tax.

The state has been encouraging the export of high-value fresh and live fish, yet our current tax structure denies a municipality that engages in this high-value marketing its direct tax share. By tying Fisheries Business Tax revenue return directly to the municipality where the landing occurred, HB 184 ensures that ports are compensated fairly for their efforts and the revenues they generate.

CS FOR HOUSE BILL NO. 184(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered: 2/10/12
Referred: Finance

Sponsor(s): REPRESENTATIVES PEGGY WILSON, Thompson, Dick

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the sharing of tax revenue from the fisheries business tax and
2 fishery resource landing tax with municipalities and to municipal reports relating to the
3 shared tax revenue; and providing for an effective date."

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

5 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 LEGISLATIVE INTENT. It is the intent of the legislature that municipalities use the
8 additional revenue distributed under this Act to help maintain and improve their harbor
9 facilities.

10 * **Sec. 2.** AS 43.75.130(a) is amended to read:

11 (a) Subject to appropriation by the legislature, and except as provided in
12 (d) of this section, the commissioner shall pay

13 (1) to each unified municipality and to each city located in the
14 unorganized borough, 75 [50] percent of the amount of tax revenue collected in the

1 municipality from taxes levied under this chapter;

2 (2) to each city located within a borough, 37.5 [25] percent of the
3 amount of tax revenue collected in the city from taxes levied under this chapter; and

4 (3) to each borough

5 (A) 75 [50] percent of the amount of tax revenue collected in
6 the area of the borough outside cities from taxes levied under this chapter; and

7 (B) 37.5 [25] percent of the amount of tax revenue collected in
8 cities located within the borough from taxes levied under this chapter.

9 * **Sec. 3.** AS 43.75.130(d) is amended to read:

10 (d) Notwithstanding the provisions of (a)(2) and (a)(3)(B) of this section, **and**
11 **subject to appropriation by the legislature,** the commissioner shall pay

12 (1) to each city that is located in a borough incorporated after June 16,
13 1987, the following percentages of the tax revenue collected in the city from taxes
14 levied under this chapter:

15 (A) 67.5 [45] percent of the taxes collected during the calendar
16 year in which the borough is incorporated;

17 (B) 60 [40] percent of the taxes collected during the first
18 calendar year after the calendar year in which the borough is incorporated;

19 (C) 52.5 [35] percent of the taxes collected during the second
20 calendar year after the calendar year in which the borough is incorporated; and

21 (D) 45 [30] percent of the taxes collected during the third
22 calendar year after the calendar year in which the borough is incorporated; and

23 (2) to each borough that is incorporated after June 16, 1987, the
24 following percentages of the tax revenue collected in the cities located within the
25 borough from taxes levied under this chapter:

26 (A) 7.5 [5] percent of the taxes collected during the calendar
27 year in which the borough is incorporated;

28 (B) 15 [10] percent of the taxes collected during the first
29 calendar year after the calendar year in which the borough is incorporated;

30 (C) 22.5 [15] percent of the taxes collected during the second
31 calendar year after the calendar year in which the borough is incorporated; and

1 (D) 30 [20] percent of the taxes collected during the third
2 calendar year after the calendar year in which the borough is incorporated.

3 * **Sec. 4.** AS 43.75.130(g) is amended to read:

4 (g) In this section, "tax revenue collected" **means the revenue collected by**
5 **the department from taxes levied under this chapter on the value of fishery**
6 **resources that are either (1) processed in a municipality; or (2) first landed in a**
7 **municipality and exported from the state without being processed in the state;**
8 **"tax revenue collected"** includes the amount credited against taxes under
9 AS 43.75.018.

10 * **Sec. 5.** AS 43.75.137 is amended to read:

11 **Sec. 43.75.137. Additional refund. Subject to appropriation by the**
12 **legislature** [TO THE EXTENT THAT APPROPRIATIONS ARE AVAILABLE FOR
13 THE PURPOSE, AND NOTWITHSTANDING THE REQUIREMENT OF
14 AS 37.07.080(e) THAT APPROVAL OF THE OFFICE OF MANAGEMENT AND
15 BUDGET IS REQUIRED], an amount equal to 75 [50] percent of the tax revenue that
16 is collected under this chapter from fisheries businesses and **that** is not subject to
17 division with a municipality under AS 43.75.130 shall be **paid by** [TRANSMITTED
18 EACH FISCAL YEAR, WITHOUT THE APPROVAL OF THE OFFICE OF
19 MANAGEMENT AND BUDGET, BY THE DEPARTMENT TO] the Department of
20 Commerce, Community, and Economic Development [FOR DISBURSAL] to eligible
21 municipalities under AS 29.60.450.

22 * **Sec. 6.** AS 43.75 is amended by adding a new section to article 3 to read:

23 **Sec. 43.75.150. Municipal reports to the legislature.** (a) Not more than 10
24 days after the convening of each regular legislative session, a municipality that
25 receives tax revenue under AS 43.75.130 - 43.75.137 shall prepare and submit to the
26 legislature a report that describes

27 (1) how those funds were used by the municipality in the previous
28 fiscal year; and

29 (2) any harbor maintenance or improvement projects that were funded
30 in whole or in part by the tax revenue collected under AS 43.75.130 - 43.75.137.

31 (b) The report required under (a) of this section may be made jointly with the

1 report required under AS 43.77.060(f).

2 * **Sec. 7.** AS 43.77.060(a) is amended to read:

3 (a) Subject to appropriation by the legislature and except as provided in (b) of
4 this section, the commissioner shall pay to each

5 (1) unified municipality and to each city located in the unorganized
6 borough, 75 [50] percent of the amount of tax revenue collected from taxes levied
7 under this chapter on the fishery resource landed in the municipality and accounted for
8 under AS 43.77.050(b);

9 (2) city located within a borough, 37.5 [25] percent of the amount of
10 the tax revenue collected from taxes levied under this chapter on fishery resources
11 landed in the city and accounted for under AS 43.77.050(b); and

12 (3) borough

13 (A) 75 [50] percent of the amount of the tax revenue collected
14 from taxes levied under this chapter on fishery resources landed in the area of
15 the borough outside cities and accounted for under AS 43.77.050(b); and

16 (B) 37.5 [25] percent of the amount of the tax revenue collected
17 from taxes levied under this chapter on fishery resources landed in cities
18 located within the borough and accounted for under AS 43.77.050(b).

19 * **Sec. 8.** AS 43.77.060(b) is amended to read:

20 (b) Notwithstanding the provisions of (a)(2) and (a)(3)(B) of this section, and
21 subject to appropriation by the legislature, the commissioner shall pay to each

22 (1) city that is located in a borough incorporated after January 1, 1994,
23 the following percentages of the tax revenue collected from taxes levied under this
24 chapter on fishery resources landed in the city and accounted for under
25 AS 43.77.050(b):

26 (A) 67.5 [45] percent of the tax revenue collected during the
27 calendar year in which the borough is incorporated;

28 (B) 60 [40] percent of the tax revenue collected during the first
29 calendar year after the calendar year in which the borough is incorporated;

30 (C) 52.5 [35] percent of the tax revenue collected during the
31 second calendar year after the calendar year in which the borough is

1 incorporated; and

2 (D) 45 [30] percent of the tax revenue collected during the third
3 calendar year after the calendar year in which the borough is incorporated; and

4 (2) borough that is incorporated after January 1, 1994, the following
5 percentages of the tax revenue collected from taxes levied under this chapter on
6 fishery resources landed in the cities located within the borough and accounted for
7 under AS 43.77.050(b):

8 (A) 7.5 [FIVE] percent of the tax revenue collected during the
9 calendar year in which the borough is incorporated;

10 (B) 15 [10] percent of the tax revenue collected during the first
11 calendar year after the calendar year in which the borough is incorporated;

12 (C) 22.5 [15] percent of the tax revenue collected during the
13 second calendar year after the calendar year in which the borough is
14 incorporated; and

15 (D) 30 [20] percent of the tax revenue collected during the third
16 calendar year after the calendar year in which the borough is incorporated.

17 * **Sec. 9.** AS 43.77.060(d) is amended to read:

18 (d) Subject to appropriation by the legislature [TO THE EXTENT THAT
19 APPROPRIATIONS ARE AVAILABLE FOR THE PURPOSE, AND
20 NOTWITHSTANDING THE REQUIREMENT OF AS 37.07.080(e) THAT
21 APPROVAL OF THE OFFICE OF MANAGEMENT AND BUDGET IS
22 REQUIRED], an amount equal to 75 [50] percent of the tax revenue that is collected
23 under this chapter and that is not subject to division with a municipality under (a) - (c)
24 of this section shall be paid by [TRANSMITTED EACH FISCAL YEAR,
25 WITHOUT THE APPROVAL OF THE OFFICE OF MANAGEMENT AND
26 BUDGET, BY THE DEPARTMENT TO] the Department of Commerce, Community,
27 and Economic Development [FOR DISBURSAL] to eligible municipalities under
28 AS 29.60.450.

29 * **Sec. 10.** AS 43.77.060 is amended by adding a new subsection to read:

30 (f) Not more than 10 days after the convening of each regular legislative
31 session, a municipality that receives tax revenue under this section shall prepare and

1 submit to the legislature a report that describes how those funds were used by the
2 municipality in the previous fiscal year and that details any harbor maintenance or
3 improvement projects that were funded in whole or in part by that tax revenue. The
4 report may be made jointly with the report required under AS 43.75.150.

5 * **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to
6 read:

7 **APPLICABILITY.** This Act applies to tax revenue collected by the Department of
8 Revenue under AS 43.75 and AS 43.77 for the 2012 tax year and subsequent tax years.

9 * **Sec. 12.** Sections 6 and 10 of this Act take effect February 1, 2013.

10 * **Sec. 13.** Except as provided in sec. 12 of this Act, this Act takes effect January 1, 2013.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version CSHB 184(CRA)
 Fiscal Note Number 1
 (H) Publish Date 2/10/12

Identifier (file name) HB184-DCCED-DCRA-01-26-12 Dept. Affected DCCED
 Title REFUND OF FISH BUSINESS TAX TO MUNIS Appropriation Community and Regional Affairs
 Allocation Community and Regional Affairs
 Sponsor Representative P. Wilson
 Requester House Finance OMB Component Number 2879

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS								
Full-time								
Part-time								
Temporary								

CHANGE IN REVENUES								

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 (separate supplemental appropriation required;
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Narrative reflects the fiscal impacts to the state of this bill. New version of bill adds reporting requirements for municipalities.

Prepared by Scott Ruby, Director
 Division Community and Regional Affairs
 Approved by JoEllen Hanrahan, Director Administrative Services Division
Commerce, Community, and Economic Development

Phone (907) 269-4569
 Date/Time 1/26/12 9:00pm
 Date 1/28/2012

FISCAL NOTE #1

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSHB 184(CRA)

Analysis

Bill Summary: The state currently shares a portion of the taxes collected under the fisheries business tax (AS 43.75) and the fisheries resource landing tax (AS 43.77) with municipalities. This bill will increase the percentage of tax shared with municipalities that are collected under these programs.

The existing statutory formulas provide that 50% of the taxes collected are shared back with municipalities. The remaining 50% is kept by the state. This bill would increase the percentage shared with municipalities to 75% of taxes collected and reduce the percentage kept by the state to 25%.

Using FY10 numbers, municipalities received \$22,237,013 through the two programs. If this bill had been in effect, they would have received \$33,117,630 and the state share would have been reduced by \$10,880,617.

There would be no fiscal impact to the Department if this legislation was enacted.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version CSHB 184(CRA)
 Fiscal Note Number 2
 (H) Publish Date 2/10/12

Identifier (file name) HB184-DOR-TAX-01-25-12 Dept. Affected Revenue
 Title Refund of Fish Business Tax to Munis Appropriation Taxation and Treasury
 Allocation Tax Division
 Sponsor Rep. P. Wilson
 Requester Request of the Governor OMB Component Number 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES	FY13	FY13	FY14	FY15	FY16	FY17	FY18
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)					
1002	Federal Receipts						
1003	GF Match						
1004	GF						
1005	GF/Prgm (DGF)						
1037	GF/MH (UGF)						
1178	temp code (UGF)						
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	(15,000.0)	(15,000.0)	(15,000.0)	(15,000.0)	(15,000.0)	(15,000.0)	(15,000.0)
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Estimated SUPPLEMENTAL (FY12) operating costs 0.0 (separate supplemental appropriation required;
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version

Prepared by Tim Cottongim, Revenue Audit Supervisor I
 Division Tax
 Approved by Alicia Egan
Legislative Liaison

Phone (907) 465-3695
 Date/Time 1/24/12 9:04 AM
 Date _____

Analysis**Bill Language:**

Under current law, 50% of fisheries business taxes collected (without regard to all credits) may be appropriated to the organized city and/or borough in which processing activity takes place. If processing activity occurs outside an organized city and/or borough or the product is exported unprocessed from the state, 50% of the tax collected is transferred to DCCED for allocation to eligible municipalities under AS 29.60.450.

Under current law, 50% of fishery resource landing taxes collected (without regard to education and A.W. "Winn" Brindle credits) may be appropriated to the organized city and/or borough in which the fishery resource is first landed. If first landing occurs outside an organized city and/or borough, 50% of the tax collected is transferred to DCCED for allocation to eligible municipalities under AS 29.60.450.

HB 184 increases the percentage of fisheries business and fishery resource landing taxes that are shared with organized cities and boroughs from 50% to 75%. The bill increases the amount transferred to DCCED for resources processed (fisheries business) or first landed (fishery resource landing) outside an organized city and/or borough from 50% to 75%. HB 184 also authorizes appropriation of 75% of fisheries business taxes collected on fishery resources exported unprocessed from the state back to the organized city and/or borough where the fishery resource is first landed.

With the exception of the CDQ credit, all tax credits claimed against the fisheries business and fishery resource landing taxes reduce the states share and not the municipal share. Under HB 184 as currently written, if total tax credits claimed by a taxpayer exceed 25% of the gross tax collected for activities in a given community, there would be insufficient taxes collected from that taxpayer to meet the 75% share percentage going to that community. The shortfall would need to be paid for using other general fund tax receipts.

Revenues:

Impacts to annual general funds are based on current year gross tax collections and forecasts contained in the Fall 2011 Revenue Sources Book.

Expenditures:

Although provisions of this bill require enhancement to forms and our tax database system, those changes are minor and could be implemented with existing state resources.