

**ALASKA STATE LEGISLATURE
HOUSE RULES STANDING COMMITTEE**

April 20, 2001

12:42 p.m.

MEMBERS PRESENT

Representative Pete Kott, Chair
Representative Brian Porter
Representative Vic Kohring
Representative Carl Morgan
Representative Lesil McGuire
Representative Ethan Berkowitz
Representative Reggie Joule

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Carl Moses

COMMITTEE CALENDAR

CS FOR HOUSE BILL NO. 154(FSH)

"An Act relating to security for the payment of fishery business taxes and to payment of the fisheries resource landing tax."

- HEARD AND HELD

PREVIOUS ACTION

BILL: HB 154

SHORT TITLE:COLLECTION OF FISHERY BUSINESS TAXES

SPONSOR(S): REPRESENTATIVE(S)SCALZI

Jrn-Date	Jrn-Page		Action
02/28/01	0462	(H)	READ THE FIRST TIME - REFERRALS
02/28/01	0462	(H)	FSH, RES, FIN
03/12/01		(H)	FSH AT 5:00 PM CAPITOL 124
03/12/01		(H)	Heard & Held
03/12/01		(H)	MINUTE(FSH)
03/19/01		(H)	FSH AT 5:00 PM CAPITOL 124
03/19/01		(H)	Moved CSHB 154(FSH) Out of Committee

03/19/01		(H)	MINUTE(FSH)
03/22/01	0686	(H)	FSH RPT CS(FSH) NT 4DP 3NR
03/22/01	0686	(H)	DP: SCALZI, KAPSNER, KERTTULA, WILSON;
03/22/01	0686	(H)	NR: DYSON, COGHILL, STEVENS
03/22/01	0686	(H)	FN1: ZERO(REV)
03/30/01		(H)	RES AT 1:00 PM CAPITOL 124
03/30/01		(H)	Moved CSHB 154(FSH) Out of Committee
03/30/01		(H)	MINUTE(RES)
04/02/01	0807	(H)	RES RPT CS(FSH) NT 4DP 2NR
04/02/01	0807	(H)	DP: KERTTULA, CHENAULT, FATE, SCALZI;
04/02/01	0807	(H)	NR: KAPSNER, MASEK
04/02/01	0807	(H)	FN1: ZERO(REV)
04/11/01		(H)	FIN AT 1:30 PM HOUSE FINANCE 519
04/11/01		(H)	Moved CSHB 154(FSH) Out of Committee
04/11/01		(H)	MINUTE(FIN)
04/12/01	0981	(H)	FIN RPT CS(FSH) NT 7DP
04/12/01	0982	(H)	DP: BUNDE, CROFT, HARRIS, DAVIES,
04/12/01	0982	(H)	LANCASTER, HUDSON, WILLIAMS
04/12/01	0982	(H)	FN1: ZERO(REV)
04/12/01	0982	(H)	REFERRED TO RULES
04/20/01		(H)	RLS AT 0:30 PM BELTZ 211

WITNESS REGISTER

REPRESENTATIVE DREW SCALZI
Alaska State Legislature
Capitol Building, Room 13
Juneau, Alaska 99801

POSITION STATEMENT: Testified as sponsor of HB 154.

BOB JUETTNER, Administrator
Aleutians East Borough
(No address provided.)

POSITION STATEMENT: Expressed concerns with changing the tax
structure.

FRANK KELTY, Resource Analyst
City of Unalaska
(No address provided.)

POSITION STATEMENT: Testified in opposition to the proposed CS,
version O.

KRIS NOROSZ

Icicle Seafoods, Inc.

PO Box 1147

Petersburg, Alaska 99833

POSITION STATEMENT: Testified in support of the proposed CS, version O.

REPRESENTATIVE CARL MOSES

Alaska State Legislature

Capitol Building, Room 500

Juneau, Alaska 99801

POSITION STATEMENT: Testified that the original HB 154 is good legislation.

CHUCK HARLAMERT, Juneau Section Chief

Tax Division

Department of Revenue

550 W 7th Avenue, Suite 500

Anchorage, Alaska 99501-3566

POSITION STATEMENT: Answered questions.

ACTION NARRATIVE

TAPE 01-8, SIDE A

Number 0001

CHAIR PETE KOTT called the House Rules Standing Committee meeting to order at 12:42 p.m. Representatives Kott, Kohring, Morgan, McGuire, Berkowitz, and Joule were present at the call to order. Representative Porter arrived as the meeting was in progress. Representative Moses was also in attendance.

HB 154-COLLECTION OF FISHERY BUSINESS TAXES

CHAIR KOTT announced that the first order of business would be HOUSE BILL NO. 154, "An Act relating to security for the payment of fishery business taxes and to payment of estimated fisheries resource landing taxes and penalties." [Before the committee was CSHB 154(FSH).]

REPRESENTATIVE DREW SCALZI, Alaska State Legislature, testified as the sponsor of HB 154. He informed the committee that HB 154 takes into consideration a problem that has been in existence since 1995 and the advent of the Individual Fishery Quota (IFQ). Since statehood canneries operated under one system in which the cannery either canned or froze its product. [Canneries] were

allowed to hold the funds they collected for up to a year. In order to collect the fisheries business tax, the [cannery] had to put up a bond in the amount of the revenue collected in the prior year or the [cannery] had to have three times the amount of lienable property in order to secure the revenue the state would allow them to utilize. With IFQs, the buying and selling of fresh fish began. Although this type of business does not require a cannery or a lot of investment, these businesses are held to the same tax structure as canneries. These businesses may be paying in as much as \$500,000 worth of fisheries business tax a year. Therefore, this business would be obligated to bond \$500,000 for the following year or the business would have to have lienable property three times that amount, which would amount to \$1.5 million. However, many of these fresh fish buyers don't have \$1.5 million worth of lienable property nor do they have the ability to bond \$500,000 for the business year.

REPRESENTATIVE SCALZI explained that he went to the Department of Revenue, who was very helpful in finding a solution to this. The department agreed to allow a new regime under which [these fresh fish buyers] would bond \$50,000 or have \$100,000 lienable property, and the fish tax must be paid in the month in which it is collected. [The fresh fish buyers] are amenable to not being able to hold the tax as canneries have been able to. Therefore, if [the fresh fish buyers] pay the fish tax on a monthly basis, they aren't obligated to have any large financial backing. Representative Scalzi said that was the original intent of HB 154.

Number 0309

REPRESENTATIVE SCALZI then turned to the committee substitute (CS) [labeled 22-LS0638\O, Utermohle, 4/20/01], which he had been asked to introduce by some in the industry. He explained that the American Fisheries Act was passed in 1998 in order to eliminate some vessels in an overpopulated fishery, predominately in pollock. Furthermore, [the American Fisheries Act] secured both processors and catcher processors in some type of class. This class system would not allow movement among the classes nor would it allow new entrants. Therefore, it was a limited entry system for the large players. Although U.S. Senator Stevens was trying to remove some of the vessels, it didn't quite work out. However, in doing this the industry was divided into off-shore catcher processors, mother ships, and in-shore plants. [The American Fisheries Act] limited each sector to a specific pollock processing facility. Moreover, the act prohibited new pollock processors from entering the Bering Sea

and the pollock business. This act ensured that pollock harvested by the American Fisheries Act Cooperative but not landed in the state is subject to the Alaska fishery resource landing tax. Thus, the pollock catcher processor, the pollock mother ship, and the on-shore plants pay a 3 percent tax. However, the on-shore floating processors, of which there are only two, pay a 5 percent tax and thus they are placed at a competitive disadvantage. Representative Scalzi said that it is up to the committee to determine whether there is an inequity in this case.

Number 0491

REPRESENTATIVE SCALZI, in response to Representative Berkowitz, explained that off-shore processors are vessels that catch the pollock and process it at sea; these are large vessels. The in-shore processors are in the 120 foot and less range and they deliver shore side. There are also the mother ships that tend their fleet as well. Now there is also the floating processor. He explained that the thought is that under pollock only, [the mother ships] should be treated the same as the other three classes.

REPRESENTATIVE BERKOWITZ asked if the floating processors are generally moored.

REPRESENTATIVE SCALZI replied no and explained that floating processors are generally towed to an area and are then anchored. He related his understanding that if [a floating processor] is moored in one location for more than one year, it falls into the on-shore category. He said, "If you're mobile, then you're considered a floating processor." He specified that these vessels would be moored in a bay, a cove, or around a floating island not in the sea. These floating processors deal with the difficulties of the logistics of some of the canneries.

REPRESENTATIVE BERKOWITZ related his understanding, then, that a floating processor wouldn't be subject to a property tax as would be the case with a shore-based [vessel].

REPRESENTATIVE SCALZI reiterated that under the current rule, [a floating processor] would pay a 5 percent tax. He remarked that they don't pay a property tax. However, he did point out that [a floating processor] would pay personal property tax depending upon the location of the ownership of the facility.

Number 0622

REPRESENTATIVE BERKOWITZ noted that he pays real property tax for his house. However, he wouldn't pay a property tax if he had a house boat that he motored around.

REPRESENTATIVE SCALZI pointed out that it would depend upon the borough and the classification. For instance, in the Kenai Peninsula Borough [such a property tax] is collected under personal property tax, but not under real property tax.

REPRESENTATIVE SCALZI, in response to Chair Kott, reiterated that an off-shore catcher process is one that catches and processes on one vessel. A mother ship is an off-shore processor that tenders to off-shore catcher vessels. This is similar to the situation in the 1980s with the joint venture system. In response to Representative McGuire, Representative Scalzi explained that the mother ship adds supplies to the fleet and takes the product and processes it.

Number 0796

REPRESENTATIVE SCALZI addressed the fair taxation portion of this legislation and said that it is a judgment call in regard to how the legislature wants to deal with this. Representative Scalzi noted that the argument that this would not change the fisheries business tax percent increment for anything other than pollock could be made. This CS is only changing the tax for pollock in order to create a level playing field.

CHAIR KOTT related his understanding that the pollock issue was dealt with in the American Fisheries Act and thus pollock is dealt with separately from other fisheries.

REPRESENTATIVE MCGUIRE asked if Representative Scalzi believes that one of the intents of the American Fisheries Act was to address this particular tax structure.

REPRESENTATIVE SCALZI replied no. The American Fisheries Act was clearly an issue regarding the amount of entrants into the fishery. Therefore, he didn't believe that the tax situation in Alaska was taken into account. In further response to Representative McGuire, Representative Scalzi related his belief that U.S. Senator Stevens would say that this is [the legislature's] call on an issue that is the state's jurisdiction.

REPRESENTATIVE SCALZI reiterated the tax structure as follows. The following are taxed at 3 percent: catcher processors, pollock mother ships, and on-shore pollock plants. However, floating processors are taxed at 5 percent on everything. This legislation would change the tax of the floating processors to 3 percent for pollock only.

REPRESENTATIVE BERKOWITZ inquired as to why the distinction between floating processors and other vessels was made.

REPRESENTATIVE SCALZI explained that an on-shore processor would contribute to the community in other ways and thus the standard fisheries business tax is 3 percent. A floating processor or an entity that doesn't reside in a community or have an interest in a community, "it's another way of accruing 2 more percent for you to do business." He speculated that the Department of Revenue felt that floating processors could be taxed at a higher rate due to their mobility.

Number 1052

REPRESENTATIVE SCALZI concluded by urging the committee's support of HB 154. The initial HB 154 was well-intended and necessary.

REPRESENTATIVE BERKOWITZ surmised that Representative Scalzi was critical of the committee substitute.

REPRESENTATIVE SCALZI said:

I'm not critical of it because it was brought to me earlier and I had no problem introducing it. I didn't want to garner support for it and I know there is some opposition to it and therefore, I'm hedging myself to say that I 100 percent support the initial bill. And I have some reservations, but I think that the committee substitute has a lot of merit too, but it's an issue that has to be brought up and discussed at the legislative level.

Number 1115

BOB JUETTNER, Administrator, Aleutians East Borough, testified via teleconference. Mr. Juettner said that he has some concerns with the committee substitute [version 0]. There is a long history of the tax structure for floating processors. Mr. Juettner related his belief that [version 0] would create an

unfair advantage for a special interest by lowering the tax rate for floating processors to be the same as that for shore-based plants. However, the shore-based plants have a large investment in the communities and produce many secondary benefits and thus limiting the tax on one species creates an unfair benefit. He pointed out that Title 43 provides any floating processor the ability to become a shore-based plant by merely staying in the same location for one year.

MR. JUETTNER pointed out that although this legislation may be targeting a specific situation, the Aleutians East Borough has other floating processors that work outside [the borough's] boundaries. Therefore, that reduced tax structure may be extended as a way of creating a disincentive for any further shore-based investment. In regard to the remainder of the bill, Mr. Juettner said that he had no problem with what Representative Scalzi was doing because he is addressing a real issue that has resulted from IFQs.

Number 1269

MR. JUETTNER, in response to Representative Berkowitz, agreed that there should be an incentive for shore-based plants because they add value to the resource and bring economic benefit to the communities. In further response to Representative Berkowitz, Mr. Juettner said that he couldn't provide a definitive answer in regard to the financial impact this [tax] reduction would have on the Aleutians East Borough. However, he estimated that it would impact the Aleutians East Borough in the tens of thousands of dollars.

Number 1327

FRANK KELTY, Resource Analyst, City of Unalaska, testified via teleconference. Mr. Kelty stated his opposition to the proposed amendment included in version O. "The shared fisheries business tax program was created by the Alaska State Legislature for sharing fish taxes collected within waters but outside municipal boundaries with municipalities which can demonstrate significant impacts from fisheries business activities," he explained. Sometimes this tax is referred to as the extraterritorial shared fish tax. Based on a formula, this tax is shared with other communities in the Aleutians Fisheries Management Area. Under the formula "we" have, the Aleutians East Borough and its communities receive 60 percent of this tax while Unalaska and communities west of Unalaska share the remaining 40 percent.

MR. KELTY pointed out that the City of Unalaska is outside of a borough. There is a pollock processing plant that is approximately 3 miles outside the city limits of Unalaska. He felt that this plant was located outside Unalaska's city limits in order to avoid local property taxes. Furthermore, this location avoids the 2 percent fishery landing tax because the fleet's boats [land] outside the boundaries. However, these people use the local airport, local roads, local medical clinic, and police and fire [services] if asked. Mr. Kelty pointed out that if the reduction in the tax is approved, then it would impact Unalaska in the amount of \$50,000 to \$70,000. Although that isn't significant, it is of concern. Furthermore, this would also mean a reduction in state revenue.

Number 1467

CHAIR KOTT pointed out that although personnel of the processors use various services of the community, they would pay for those services in most of those cases.

MR. KELTY agreed, but reiterated that it is an impact to the community.

REPRESENTATIVE BERKOWITZ asked if these folks are paying for road maintenance and police and fire services.

MR. KELTY guessed that Unalaska's share of the extraterritorial tax would alleviate some of those impacts. However, this would reduce that tax. Mr. Kelty pointed out that [the processor that is located outside of the city limits] does not pay property tax on its operation.

Number 1524

KRIS NOROSZ, Icicle Seafoods, Inc., testified in favor of the CS, version O. She recognized that the American Fisheries Act is complicated. She related her belief that [with the American Fisheries Act] U.S. Senator Stevens attempted to end the battle over the [pollock] allocation by rationing the pollock fishery, which was overcapitalized. Therefore, U.S. Senator Stevens got rid of some boats and requested the Americanization of the fleet, which seems to be working well. The pollock fishery was divided such that there is an on-shore allocation and an off-shore allocation and it established sectors. The sectors included the catcher processors, which catch and process the fish on the vessel outside of state waters. Another sector of boats was established, the mother ships, who operate outside

state jurisdiction and take fish from smaller catcher boats and process the fish. There is also the on-shore sector that includes on-shore plants as well as the floating processors that operate within three miles of state waters.

MS. NOROSZ pointed out that the American Fisheries Act also prevented any of the sectors operating as other sectors do. She explained that she has an in-shore floating processor that operates in-shore. However, that [in-shore floating processor] can't move outside the three miles to operate and utilize the fishery resource tax that the catcher processors can. Likewise, the catcher processors that operate outside the three miles can't come in and operate where [the in-shore floating processor] does for pollock. However, the catcher processors can come in for salmon or other species and when they do so, they pay the 5 percent tax. Ms. Norosz emphasized that is a significant point because she can't operate for 3 percent for pollock, which is the tax inequity.

MS. NOROSZ informed the committee that the American Fisheries Act essentially brought limited entry to the processing sector. She said, "For the first time in the history of the United States, we've limited how many processors can process pollock. Therefore, Ms. Norosz said she knows who her competitors are and it won't change next year. Although [the processors] are all competing for the same markets, she is at a disadvantage because [the processors] have to pay at a higher rate. Therefore, she believes that the tax rate should be changed for pollock. Ms. Norosz informed the committee that Icicle Seafoods also has property in Dutch Harbor and it brings other vessels into Dutch Harbor to process. Icicle Seafoods is not trying to avoid taxes. As a matter of fact, when Icicle Seafoods operates its processors in Dutch Harbor, it pays the 5 percent state business tax as well as the local 2 percent tax, which sums 7 percent. Ms. Norosz said that she is trying to be treated equally. However, because of the passage of the American Fisheries Act in 1988, she didn't feel that the playing field is level.

Number 1729

REPRESENTATIVE BERKOWITZ asked if the playing field could be leveled by raising the taxes on the shore-based and off-shore [processors].

MS. NOROSZ acknowledged that to be an option. She then turned to the passage of the fisheries resource landing tax, which was contested. One of the state arguments was that the on-shore and

off-shore fleets had to be treated the same for purposes of taxation. Ms. Norosz related her feeling that she is caught in the middle. She processes pollock the same as everyone else and thus she wants to be treated the same. Under Alaska's current revenue tax structures, she didn't feel that she is treated the same. Ms. Norosz pointed out that those same statutes make distinctions for different species and thus this wouldn't be setting precedent. Therefore, she believes that making the proposed change to the pollock tax structure would bring about a more equitable tax situation.

REPRESENTATIVE BERKOWITZ related his understanding that the differential tax rates for different species and processing reflect some policy decisions, such as the desire to encourage certain activity.

MS. NOROSZ emphasized that she can't change the sector she is in to process pollock in order to obtain a lower tax rate.

REPRESENTATIVE McGUIRE relayed comments regarding the possibility that [this tax change] might encourage the in-shore processors to move out because there is no incentive to stay. She asked if the in-shore processors would move out and become floating processors, if this tax change occurred.

MS. NOROSZ answered that she didn't believe the in-shore processors would abandon their equipment or their investment. She reiterated that she can't go on-shore. In response to Chair Kott, Ms. Norosz affirmed that she could take her business elsewhere.

Number 1878

REPRESENTATIVE CARL MOSES, Alaska State Legislature, related his belief that HB 154 began as a necessary bill and the proposed CS, version O, is wrong. Representative Moses remarked that this should have been taken care of in the [House] Finance Committee. Furthermore, in the current fiscal situation, he maintained that this is poor timing. The proposed CS would mean a reduction in revenue for Unalaska of about \$50,000 to \$100,000, which is a lot. Representative Moses turned to the barge that is located just outside of the city limits in order to escape the municipal taxes, property taxes, and sales tax on fish. Although the current owner of the barge inherited the situation, Representative Moses maintained "buyer beware." Therefore, Representative Moses didn't believe it is fair to give an exemption for this type of relief when the barge is

intentionally located outside the city limits in order to avoid local taxes. Representative Moses echoed Mr. Kelty's earlier comments regarding the local services that these [floating processors] use. Furthermore, the landfill is also used by the fishing industry. He estimated that 80 to 90 percent of the landfill is filled with items from the fishing industry, which is costly to the city and the state.

REPRESENTATIVE MOSES reiterated that this is poor timing because this is a time when the legislature should be looking at revenue enhancements, not decreasing the amount of taxes. Perhaps, the inequity could be resolved by raising the 3 percent tax to 5 percent; such action may be necessary in the near future. In conclusion, he related his understanding that [a barge or floating processor] that stays in the same location for one year [would qualify for the shore-based] tax of 3 percent and if the vessel is within the city limits, it would also pay property tax.

MS. NOROSZ pointed out that would mean [her vessel] couldn't move in order to have repairs.

Number 2084

CHAIR KOTT concluded from Representative Moses' comments that he would be supportive of raising the tax on the rest of the industry from 3 percent to 5 percent.

REPRESENTATIVE MOSES said that a number of things will have to be done, whether it is having an income tax, using some of the permanent fund earnings, or having an oil tax.

CHAIR KOTT closed the public testimony portion of HB 154.

Number 2119

REPRESENTATIVE BERKOWITZ moved to report CSHB 154(FSH), version 22-LS0638\J, out of committee with individual recommendations and the accompanying fiscal notes.

CHAIR KOTT objected.

REPRESENTATIVE BERKOWITZ said that the question of differential tax rates is a question of public policy. The notion of differential tax rates is accepted in an effort to encourage or discourage behavior. Representative Berkowitz pointed out that one of the goals of the legislature is to encourage value-added

industries to [locate in] communities. Representative Berkowitz viewed [version 0] as rewarding shore-based processors with a slightly lower tax rate. However, those shore-based processors pay the local property tax and contribute to the community in a way that the floating processors don't. Representative Berkowitz pointed out, "It defeats the purpose of trying to diversify the economy if we reward people for not making the full contribution that they could to the communities."

REPRESENTATIVE BERKOWITZ turned to the retroactivity section of the proposed CS. He didn't believe that such would be easily accomplished. Furthermore, giving out tax rebates is of dubious value given the current fiscal gap. Furthermore, the communities rely on, in real ways, this tax structure. The stability of the tax structure is important in order for municipal governments to carry on the services as they see fit. Moreover, business decisions have probably been made based on the differential tax rate. Therefore, changing the rules after the process began sends a confusing message to the business community; a message that says the legislature isn't in favor of a stable tax regime. Representative Berkowitz felt that such action would establish a terrible precedent with regard to the policy of economic development and in terms of the legislature's ability to provide a stable tax regime for the municipalities.

CHAIR KOTT inquired as to the net effect of the retroactivity clause in Section 5 of version 0. He also inquired as to how the taxes are collected and dispersed, and the Department of Revenue's ability to determine what the tax would be.

Number 2268

CHUCK HARLAMERT, Juneau Section Chief, Tax Division, Department of Revenue, informed the committee that taxes for 2000 were collected on April 1 and will be shared out in the next couple of months. He pointed out that there is no provision for bringing that [tax] money back and sending a bill to those that received a share. He suspected that the department would have to find a way to debit their account next year. Furthermore, he indicated that there would be a need for interest as well. Mr. Harlamert said that it is not clear how [the retroactivity clause] will be dealt with. He reiterated that there is no mechanism to do this retroactively.

MR. HARLAMERT, in further response to Chair Kott, affirmed that the department has already collected the taxes for 2000, which he believes will be dispersed in June. He did know that when

the department repays the taxpayers under this bill, they would have to be paid with interest. He predicted that would come from the shared value as well.

Number 2318

REPRESENTATIVE JOULE inquired as to how the revenue lost due to the passage of this [proposed CS, version 0,] would be recovered by the communities.

MR. JUETTNER answered that he didn't believe the Aleutians East Borough could recover lost revenue because the [community] is solely reliant on the fisheries, which are in much disarray. At this point, [the Aleutians East Borough] has no alternatives.

TAPE 01-8, SIDE B

MR. KELTY guessed that the [City of Unalaska] could raise the sales tax in order to try to capture some money from the crew when it is in town. However, that would impact the entire community as well as other processing companies. An airport head tax would also impact the entire community. Therefore, Mr. Kelty wasn't sure how the revenue could be recovered.

Number 2350

REPRESENTATIVE McGUIRE referred to Ms. Norosz' testimony that the option of coming in-shore doesn't exist because there are established [sectors].

MR. KELTY refuted that notion and pointed out that there is another operation in Beaver Inlet that has moved to Akutan Bay and after a year will be considered a shore-based operation and thus pay a 3 percent fisheries business tax. Mr. Kelty acknowledged that if an operation was brought into Unalaska, it would have to spend some money in order to secure the vessel.

MR. KELTY, in response to Representative McGuire, agreed that there is no reason that [an off-shore vessel] couldn't move in-shore other than being cost prohibitive. He also pointed out that "they" are currently anchored in state waters, which also includes municipal boundaries. In further response to Representative McGuire, Mr. Kelty wasn't sure what today's law says about a vessel's ability to move for repairs and still be considered a shore-based facility.

CHAIR KOTT noted that he maintained his objection to the motion to report CSHB 154(FSH), version 22-LS0638\J, out of committee.

Number 2208

A roll call vote was taken. Representatives Porter, Berkowitz, and Joule voted to report CSHB 154(FSH) from committee. Representatives McGuire, Morgan, Kohring, and Kott voted against reporting CSHB 154(FSH) from committee. Therefore, CSHB 154(FSH), version 22-LS0638\J, failed to be reported from committee by a vote of 3-4.

Number 2151

REPRESENTATIVE McGUIRE moved to adopt CSHB 154, version 22-LS0638\O, Utermohle, 4/20/01, as the working document before the committee.

REPRESENTATIVE BERKOWITZ objected.

REPRESENTATIVE JOULE inquired as to what happens to HB 154 if version O is not adopted. He asked if the committee can then rescind its action with either motion.

CHAIR KOTT replied that was correct.

A roll call vote was taken. Representatives Porter, McGuire, Morgan, Kohring, and Kott voted for the adoption of version O. Representatives Berkowitz and Joule voted against the adoption of version O. Therefore, version O was the working document before the committee by a vote of 5-7.

REPRESENTATIVE BERKOWITZ reiterated that he has a number of concerns with changing the tax rate at this point. The pollock issue has already been dealt with and is reflected in the current statutory scheme. Furthermore, this would establish a bad precedent in terms of the consistency of [the legislature's] support of the tools available to local governments. Moreover, this would send a bad message to the business industry by destabilizing the tax regime. Consistency is critical when making economic decisions. From a policy perspective, there is much incentive to encourage businesses to locate in communities [especially in economically depressed communities]. By eliminating the shore-based advantage, it takes a community's ability to attract business and provide for its local citizenry.

CHAIR KOTT related his understanding that the shore-based vessels have the advantage and this is attempting to stabilize the playing field, which would illustrate equity rather than distinguish between the tax structures. Therefore, he was unsure as to whether the analogy is on track.

REPRESENTATIVE BERKOWITZ pointed out that there are differences based on how the salmon is treated. Therefore, there have been policy calls that have treated different processors differently.

Number 1933

CHAIR KOTT announced that HB 154 would be held. He noted that he wanted to talk with the Department of Revenue regarding the dispersement of money to the communities and how that scheme works with the retroactive clause.

ADJOURNMENT

There being no further business before the committee, the House Rules Standing Committee meeting was recessed to the call of the chair at 1:41 p.m. [This meeting reconvened on April 25, 2001.]