

# FISCAL NOTE

**STATE OF ALASKA**  
**2003 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: CSHB 104(FISH)  
 (H) Publish Date: 3/26/03

Revision Date/Time (Note if correction): March 20, 2003 Dept. Affected: Revenue  
 Title: Payment of Fisheries Business Tax BRU: Revenue Operations  
 Component: Tax Division  
 Sponsor: Representative Stevens  
 Requester: House Finance Committee Component No.: 2476

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	11.0	22.0	22.0	22.0	22.0	22.0
Travel						
Contractual	0.4	0.7	0.7	0.7	0.7	0.7
Supplies	0.3	0.5	0.5	0.5	0.5	0.5
Equipment	2.5					
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>14.2</b>	<b>23.2</b>	<b>23.2</b>	<b>23.2</b>	<b>23.2</b>	<b>23.2</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	**	**	**	**	**	**
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	14.2	23.2	23.2	23.2	23.2	23.2
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>14.2</b>	<b>23.2</b>	<b>23.2</b>	<b>23.2</b>	<b>23.2</b>	<b>23.2</b>

Estimate of any current year (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time						
Part-time	0.5	0.5	0.5	0.5	0.5	0.5
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

\*\* The Department of Revenue is unable to predict with any degree of certainty if this change in security provisions for payment of the Fisheries Business Tax will result in any tax revenue loss to the state.

See attached page for further discussion.

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 Division: Tax Division Date/Time 3/20/03 4:04 PM  
 Approved by: Larry Persily, Deputy Commissioner Date 3/20/2003  
 Agency: Department of Revenue

**Bill Analysis**

Current Fisheries Business Tax rules allow processors to pay the tax on or before March 31 of the year following the tax year. Complimenting this deferral is a requirement that the processor provide the department with security to ensure ultimate payment of the tax.

Taxpayers have several security options available to them. A taxpayer can demonstrate equity in real property equal to three times its estimated tax, provide a bond for twice the estimated tax, prepay the estimated tax, establish a line of credit, or purchase a certificate of deposit in the amount of the estimated tax. All except the real property provide the state with a high degree of certainty the tax will be collected. With the possible exception of real property, the other existing options require a capital outlay or significant unrecoverable cost and therefore may represent a barrier to entry to new processors.

This legislation would reduce the up-front capital required to obtain a fisheries business license by providing processors the option of paying tax monthly, with a nominal bonding requirement.

**Sectional Analysis**

**Section 1** provides for monthly payment of the Fisheries Business Tax, which is otherwise due March 31 of the following year.

**Section 2** makes the monthly payment option available to all fisheries businesses. The option is currently available only to fish brokers. AS 43.75.055(c)(1) is modified to require electing taxpayers to file a report and pay fish taxes on or before the 15<sup>th</sup> day of the month following the month in which the tax is incurred. The requirement to file on a report prescribed by the department does not replace existing reporting requirements.

**Section 3** modifies AS 43.75.055(d) to conform with the broadened application of the alternative security option.

**Revenue and Cost Estimates**

While the new monthly security option created by the bill can significantly reduce the amount of capital required to enter the industry, it remains the most expensive option under most circumstances for fulfilling the statutory requirement of ensuring payment of taxes. We therefore expect that only thinly capitalized processors will choose the new option. Acting as a counterbalance to low usage is our expectation that these processors will, as a group, could be high risk. The department will need to carefully monitor payments from this group in order to immediately identify, and close down, processors that fail to make the monthly payments. For this purpose, and for incremental collection, licensing, and processing activity we request one-half position at the Tax Technician II level (Range 12) with total ongoing personnel and associated costs of \$23,200 annually.