

# FISCAL NOTE

**STATE OF ALASKA**  
**2008 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: CSHB 321(FSH)  
 (H) Publish Date: 2/8/08

Identifier (file name): CSHB321(FSH)-DOR-TAX-2-6-08 Dept. Affected: Revenue 04  
 Title: Salmon Product Development Tax Credit RDU: Taxation and Treasury  
 Component: Taxation and Treasury  
 Sponsor: Rep Thomas  
 Requester: (H) Fisheries Component Number: 2476

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

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
<b>OPERATING EXPENDITURES</b>								
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>7.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	*	*	*	*
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	7.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
<b>TOTAL</b>	<b>7.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2008) cost: 0.0

**POSITIONS**

Full-time							
Part-time							
Temporary							

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

See Attached.

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 Division: Tax  
 Approved by: Jerry Burnett  
Department of Revenue

Phone (907) 465-3695  
 Date/Time 2/6/08 12:00 AM  
 Date 2/6/2008

## FISCAL NOTE #2

STATE OF ALASKA  
2008 LEGISLATIVE SESSION

BILL NO. CSHB 321(FSH)

### ANALYSIS CONTINUATION

#### **Bill Language:**

This bill extends the existing Salmon Product Development tax credit for investment in processing equipment used to produce value-added salmon products by three years through 2011. The Salmon Product Development tax credit allows taxpayers to take a credit against their Fisheries Business Tax liability for 50% of qualified investment in new value-added salmon processing equipment. Credits may be applied against up to 50% of the Fisheries Business Tax liability on salmon processed in Alaska in the year generated and the three subsequent years.

This bill adds "conveyors used specifically in the act of producing a value-added salmon product" to the list of investments that qualify for the Salmon Product Development tax credit.

This bill also adds a new provision that allows a taxpayer to request a preliminary determination of whether an investment qualifies for the Salmon Product Development tax credit.

#### **Revenues:**

The revenue impact from the bill is indeterminate due to the unknown value of credits that will be claimed for qualifying conveyors. We anticipate that the revenue reduction impact of this bill will be at least \$0.1 million in FY 2011 and at least \$2.1 million in FY 2012, FY 2013 and FY 2014. Credits only reduce Fisheries Business Tax revenue to the state, and do not impact revenue shared with municipalities.

Based on preliminary FY 2005 audit results, a total of about \$2.1 million in Salmon Product Development tax credits were allowed for the fiscal year. We believe this credit will continue to attract a high level of interest, and we project investments in currently allowed equipment will generate about \$2.0 million of allowed tax credits in each of the three tax years 2009-2011. We anticipate that these credits will be applied against Fisheries Business Tax liabilities for 2011-2013, reducing revenues during FY 2012 - FY 2014.

Based on preliminary FY 2005 audit results, the Salmon Product Development tax credit was claimed (and subsequently denied at audit) for 11 conveyors that would have qualified for the credit under the new language, with an average cost of about \$20,400. Had these conveyors qualified for the credit, they could have reduced Fisheries Business Tax liability by about \$112,300 for the processors claiming the credit. Therefore, we anticipate at least \$0.1 million in additional tax credits from the addition of certain conveyors to the list of qualifying investments, but the actual value of credits is unknown and will likely be higher than \$0.1 million per year. Actual credits claimed will likely be higher for two reasons: (1) more credits may be claimed because the bill leads to new investments in qualifying conveyors; and (2) more credits may be claimed because processors know that they can take credits for planned investments in qualifying conveyors. We anticipate credits for the conveyors will be claimed in each of the four tax years 2008-2011, reducing revenues by an indeterminate amount during FY 2011 - FY 2014.

#### **Expenditures:**

Since the Salmon Product Development tax credit is already in place, there will be no new expense to extend the sunset date of the credit. However the new provision allowing a taxpayer to request a preliminary determination of whether an investment qualifies for the credit will require additional expenditures. Specifically, the Department of Revenue will need to develop new regulations for the predetermination process. Incremental costs to develop regulations will be \$7,000 in FY 2009 for travel, supplies and venue fees related to regulation development. We anticipate that the predeterminations can be made using existing staff.