

AMENDMENT #1

OFFERED IN THE HOUSE

BY REPRESENTATIVE AUSTERMAN

TO: HCS CSSB 71(FIN)

1 Page 1, line 1, following "fisheries;":

2 Insert "relating to a product development tax credit for certain salmon and
3 herring products; providing for an effective date by amending the effective date of sec.
4 3, ch. 57, SLA 2003;"

5

6 Page 2, following line 18:

7 Insert new bill sections to read:

8 **** Sec. 3.** AS 43.75.035(a) is amended to read:

9 (a) A taxpayer that is a fisheries business may claim a [SALMON] product
10 development tax credit of 50 percent of qualified investment in new property first
11 placed into service in a shore-based plant or on a vessel in the state in the tax year.

12 *** Sec. 4.** AS 43.75.035(b) is amended to read:

13 (b) The amount of the tax credit applied against taxes under this section may
14 not

15 (1) exceed 50 percent of the taxpayer's tax liability incurred under this
16 chapter for processing of salmon **and herring** during the tax year; or

17 (2) be claimed for property first placed into service after December 31,
18 **2020** [2015].

19 *** Sec. 5.** AS 43.75.035(c) is amended to read:

20 (c) If the property for which a tax credit is claimed is installed on a vessel, the
21 amount of qualified investment under (a) of this section is determined by multiplying
22 the investment cost of the qualified investment property by a fraction, the numerator
23 of which is the weight of raw salmon **or raw herring** processed on the vessel by the

1 taxpayer in the state in the tax year in which the property is first placed into service,
2 and the denominator of which is the weight of raw salmon or raw herring processed
3 on the vessel by the taxpayer in and outside of the state in the tax year in which the
4 property is first placed into service.

5 * Sec. 6. AS 43.75.035(d) is amended to read:

6 (d) An unused credit under this section may be carried forward and applied
7 against the tax liability incurred on salmon and herring in the following three tax
8 years.

9 * Sec. 7. AS 43.75.035(g) is amended to read:

10 (g) If, during a tax year, property for which a credit was claimed under this
11 section is disposed of by the taxpayer, ceases to be qualified investment property, or is
12 removed from service in the state, the tax due under this chapter is increased by the
13 recapture percentage of the aggregate decrease in the credit allowed under this section
14 for all prior tax years that would have resulted solely from reducing to zero the credit
15 allowed for the qualified investment property under this section. The amount of tax
16 credit attributable to the qualified investment that is carried forward from prior tax
17 years is terminated as of the first day of the tax year in which the qualified investment
18 property is disposed of by the taxpayer, ceases to be qualified investment property, or
19 is removed from service in the state. For purposes of this subsection,

20 (1) the recapture percentage during the year in which the property is
21 first placed into service or during the first year following the year in which the
22 property is first placed into service is 100 percent;

23 (2) the recapture percentage during the second year following the year
24 in which the property is first placed into service is 75 percent;

25 (3) the recapture percentage during the third year following the year in
26 which the property is first placed into service is 50 percent;

27 (4) the recapture percentage during the fourth or subsequent year
28 following the year in which the property is first placed into service is zero percent;

29 (5) qualified investment property used on a vessel is considered to
30 have been removed from the state on the first day of a tax year in which the proportion
31 of raw salmon or raw herring processed in the state on the vessel is less than 50

1 percent of total weight of raw salmon or raw herring processed on the vessel in and
2 outside of the state.

3 * **Sec. 8.** AS 43.75.035(i) is amended to read:

4 (i) The department shall develop and implement procedures by which a
5 taxpayer that is a fisheries business may submit the taxpayer's proposed investment to
6 the department and request a preliminary determination of whether the investment
7 qualifies for the [SALMON] product development tax credit under this section. A
8 preliminary determination by the department that the taxpayer's submission qualifies
9 for the credit is binding, unless the department determines that the taxpayer has made
10 a material misrepresentation in the taxpayer's submission.

11 * **Sec. 9.** AS 43.75.035(j)(3) is amended to read:

12 (3) "qualified investment" means the investment cost to purchase or
13 convert [IN] depreciable tangible personal property with a useful life of three years or
14 more to be used predominantly to perform an ice making, processing, packaging, or
15 product finishing function that is a significant component in producing value-added
16 salmon or herring products, including canned salmon products in can sizes other
17 than 14.75 ounces or 7.5 ounces [BEYOND GUTTING OF THE SALMON]; in this
18 paragraph, "property"

19 (A) includes

20 (i) equipment used to fillet, skin, portion, mince,
21 form, extrude, stuff, inject, mix, marinate, preserve, dry, smoke,
22 brine, package, freeze, scale, grind, separate meat from bone, or
23 remove pin bones [FILLETING, SKINNING, PORTIONING,
24 MINCING, FORMING, EXTRUDING, STUFFING, INJECTING,
25 MIXING, MARINATING, PRESERVING, DRYING, SMOKING,
26 BRINING, PACKAGING, BLAST FREEZING, OR PIN BONE
27 REMOVAL EQUIPMENT];

28 (ii) new parts necessary for, or costs associated with,
29 converting a canned salmon line to produce can sizes other than
30 14.75 ounces or 7.5 ounces [TO CONVERT AN EXISTING CAN
31 SEAMER TO POP-TOP CAN PRODUCTION];

1 (iii) conveyors used specifically in the act of producing
2 a value-added salmon or herring product; [AND]

3 (iv) ice making machines;

4 (v) new canning equipment for herring products;

5 and

6 (vi) equipment used to transform salmon or herring
7 byproduct that is discarded as waste into saleable product;

8 (B) does not include

9 (i) vehicles, forklifts, conveyors not used specifically in
10 the act of producing a value-added salmon or herring product, cranes,
11 pumps, or other equipment used to transport salmon or herring, or
12 salmon or herring products, knives, gloves, tools, supplies and
13 materials, equipment, other than ice making machines, that is not
14 processing, packaging, or product finishing equipment, or other
15 equipment, the use of which is incidental to the production, packaging,
16 or finishing of value-added salmon or herring products; [OR]

17 (ii) the overhaul, retooling, or modification of new or
18 existing property, except for new parts necessary for, or costs
19 associated with, converting a canned salmon line to produce can
20 sizes other than 14.75 ounces or 7.5 ounces; or

21 (iii) property used predominantly to produce a
22 salmon or herring product that is not taxed under this chapter [TO
23 CONVERT AN EXISTING CAN SEAMER TO POP-TOP CAN
24 PRODUCTION];

25 * Sec. 10. AS 43.75.035(j)(6) is amended to read:

26 (6) "value-added salmon or herring product" means the product of a
27 salmon or herring that is processed beyond heading, gutting, or separation in a
28 manner that [MATERIALLY] enhances the value or quality of the salmon or herring
29 product, such as shelf-stable, retort pouched, smoked, pickled, or filleted salmon,
30 ikura, leather, [OR] jerky, or a saleable product made from waste byproduct of
31 salmon or herring; "value-added salmon or herring product" does not include a

1 salmon or herring or salmon or herring product that
 2 (A) has been subjected to only one or more of heading, gutting,
 3 freezing, or packaging [, QUALITY ASSURANCE PRACTICES, OR
 4 VALUE RETENTION PRACTICES];
 5 (B) is salmon skeins or other unprocessed salmon or
 6 unprocessed herring products whether fresh or frozen; or
 7 (C) [IS CANNED, EXCEPT FOR SALMON PRODUCTS IN
 8 A POP-TOP CAN; OR
 9 (D)] is produced out of the state."

10
 11 Renumber the following bill sections accordingly.

12
 13 Page 4, line 2:
 14 Delete "secs. 3 - 5"
 15 Insert "secs. 11 - 13"

16
 17 Page 4, line 3:
 18 Delete "sec. 5"
 19 Insert "sec. 13"

20
 21 Page 4, line 8:
 22 Delete "Sections 3 - 5"
 23 Insert "Sections 11 - 13"

24
 25 Page 4, following line 8:
 26 Insert a new bill section to read:
 27 **** Sec. 16.** Section 7, ch. 57, SLA 2003, as amended by sec. 4, ch. 3, SLA 2006, sec. 4, ch.
 28 8, SLA 2008, and sec. 3, ch. 102, SLA 2010, is amended to read:
 29 Sec. 7. Section 3, ch. 57, SLA 2003, takes effect on the earlier of the
 30 following:
 31 (1) January 1, 2021 [2019]; or

1 (2) the date of the attorney general's notification to the lieutenant
2 governor and to the revisor of statutes that

3 (A) a court has entered final judgment that AS 43.75.035 or
4 43.75.036, added by sec. 1, ch. 57, SLA 2003, violates the commerce clause
5 contained in art. I, sec. 8, United States Constitution; and

6 (B) the time for an appeal of that judgment has expired, or, if
7 an appeal was taken, a final order on the appeal has been entered that AS
8 43.75.035 or 43.75.036, added by sec. 1, ch. 57, SLA 2003, violates the
9 commerce clause contained in the United States Constitution."

10

11 Renumber the following bill section accordingly.