

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 204

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVES AUSTERMAN, Edgmon, Kerttula, Peggy Wilson, Feige, Kreiss-Tomkins, Gattis,
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Introduced: 2/5/14

Referred: House Special Committee on Fisheries, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to a product development tax credit for certain salmon and herring
2 products; and providing for an effective date."

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

4 * **Section 1.** AS 43.75.035(a) is amended to read:

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

8 * **Sec. 2.** AS 43.75.035(b) is amended to read:

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

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

13 (2) be claimed for property first placed into service after December 31,
14 **2020** [2015].

1 * **Sec. 3.** AS 43.75.035(c) is amended to read:

2 (c) If the property for which a tax credit is claimed is installed on a vessel, the
3 amount of qualified investment under (a) of this section is determined by multiplying
4 the investment cost of the qualified investment property by a fraction, the numerator
5 of which is the weight of raw salmon or raw herring processed on the vessel by the
6 taxpayer in the state in the tax year in which the property is first placed into service,
7 and the denominator of which is the weight of raw salmon or raw herring processed
8 on the vessel by the taxpayer in and outside of the state in the tax year in which the
9 property is first placed into service.

10 * **Sec. 4.** AS 43.75.035(d) is amended to read:

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

13 * **Sec. 5.** AS 43.75.035(g) is amended to read:

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

24 (1) the recapture percentage during the year in which the property is
25 first placed into service or during the first year following the year in which the
26 property is first placed into service is 100 percent;

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

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

31 (4) the recapture percentage during the fourth or subsequent year

1 following the year in which the property is first placed into service is zero percent;

2 (5) qualified investment property used on a vessel is considered to
3 have been removed from the state on the first day of a tax year in which the proportion
4 of raw salmon **or raw herring** processed in the state on the vessel is less than 50
5 percent of total weight of raw salmon **or raw herring** processed on the vessel in and
6 outside of the state.

7 * **Sec. 6.** AS 43.75.035(i) is amended to read:

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

15 * **Sec. 7.** AS 43.75.035(j)(3) is amended to read:

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

23 (A) includes

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

1 (ii) new parts necessary for, or costs associated with,
 2 converting a canned salmon line to produce can sizes other than
 3 14.75 ounces or 7.5 ounces [TO CONVERT AN EXISTING CAN
 4 SEAMER TO POP-TOP CAN PRODUCTION];

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

7 (iv) ice making machines;

8 (v) new canning equipment for herring products;
 9 and

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

12 (B) does not include

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

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

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

29 * **Sec. 8.** AS 43.75.035(j)(6) is amended to read:

30 (6) "value-added salmon or herring product" means the product of a
 31 salmon or herring that is processed beyond heading, gutting, or separation in a

1 manner that [MATERIALLY] enhances the value or quality of the salmon or herring
 2 product, such as shelf-stable, retort pouched, smoked, pickled, or filleted salmon,
 3 ikura, leather, [OR] jerky, or a saleable product made from waste byproduct of
 4 salmon or herring; "value-added salmon or herring product" does not include a
 5 salmon or herring or salmon or herring product that

6 (A) has been subjected to only one or more of heading, gutting,
 7 freezing, or packaging [, QUALITY ASSURANCE PRACTICES, OR
 8 VALUE RETENTION PRACTICES];

9 (B) is salmon skeins or other unprocessed salmon or
 10 unprocessed herring products whether fresh or frozen; or

11 (C) [IS CANNED, EXCEPT FOR SALMON PRODUCTS IN
 12 A POP-TOP CAN; OR

13 (D)] is produced out of the state.

14 * **Sec. 9.** This Act takes effect immediately under AS 01.10.070(c).