

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: CSSSHB 204(FIN)
Fiscal Note Number: 2
(S) Publish Date: 4/9/14

Identifier: HB204SS-DOR-TAX-02-05-2014
Title: SALMON & HERRING PRODUCT DEV'T TAX
CREDIT
Sponsor: AUSTERMAN
Requester: (H) Fisheries

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues	***	***	***	***	***	***	***
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Updated for sponsor substitute.

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Division: <u>Tax</u>	Date: <u>02/05/2014 03:30 PM</u>
Approved By: <u>Angela M. Rodell, Commissioner</u>	Date: <u>02/05/14</u>
Agency: <u>Department of Revenue</u>	

FISCAL NOTE ANALYSIS #2

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSSSHB 204(FIN)

Analysis

Bill Language:

This bill amends AS 43.75.035 making several changes to the salmon product development tax credit, which is a credit against the Fisheries Business Tax for qualified investments in property to create value-added salmon products. This bill amends the credit to: (1) include herring in addition to salmon; (2) expand the definition of "qualified investment" to include "canned salmon products in can sizes other than 14.75 ounces or 7.5 ounces" in addition to producing value-added products; (3) add "new parts necessary for, or costs associated with, converting a canned salmon line to produce can sizes other than 14.75 ounces of 7.5 ounces" as qualified property; (4) add "equipment used to transform salmon or herring byproduct discarded as waste, into saleable products" as qualified property; and (5) extend the current sunset date of the credit from December 31, 2015 to December 31, 2020.

Revenues:

From fiscal years 2009-2013, the salmon product development credit ranged from \$71,598 to \$4,074,071 million, with a mean of \$2.2 million. Credit utilization will likely increase due to the addition of the two new types of qualified property. Total Fisheries Business Tax from salmon in FY 2009-2013 (before credits and municipal revenue sharing) ranged from \$14.9 million to \$22.1 million. Since the credit is capped at half of liability, the maximum impact of the credit would be from \$7.4 million to \$11.1 million. However, it is difficult to predict taxpayer behavior so a precise estimate of the cost of the credit is not possible.

It is also difficult to determine the impact of expanding the credit to herring. The herring fishery is smaller than the salmon fishery, which suggests that the impact on state revenue from adding herring to the credit may be smaller than the salmon credit.

	FBT Salmon Revenue	FBT Herring Revenue	SPD Credits Claimed
FY 2009	\$14,887,600	\$420,779	-\$3,121,697
FY 2010	\$15,271,157	\$833,735	-\$4,074,071
FY 2011	\$20,048,075	\$713,957	-\$2,057,255
FY 2012	\$22,138,544	\$369,472	-\$71,598
FY 2013	\$19,086,832	\$701,686	-\$1,832,081

Expenditures:

We anticipate the provisions within this bill can be implemented in the Tax Division using existing staff and resources.