

HOUSE FINANCE COMMITTEE

March 5, 2014

8:34 a.m.

[8:34:21 AM](#)

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 8:34 a.m.

MEMBERS PRESENT

Representative Alan Austerman, Co-Chair
Representative Mark Neuman, Vice-Chair
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Lindsey Holmes
Representative Cathy Munoz
Representative Steve Thompson
Representative Tammie Wilson

MEMBERS ABSENT

Representative Mia Costello
Representative Bill Stoltze

ALSO PRESENT

Representative Neal Foster; Senator Peter Micciche; Paul Labolle, Staff, Representative Foster; Joe Michel, Staff Representative Bill Stoltze; Donald Donald Bullock, Legislative Counsel, Division of Legal and Research Services, Legislative Affairs Agency; Bruce Tangeman, Deputy Commissioner, Tax Division, Department of Revenue.

PRESENT VIA TELECONFERENCE

Joy Baker, Port of Nome; Scott Pexton, Department of Natural Resources; Johanna Bales, Deputy Director, Tax Division, Department of Revenue; Maya Salganek, Director, Film Program at University of Alaska Fairbanks, Fairbanks; Michael Collier, Random Acronyms, Anchorage; D.K. Johnston, Tri-Seven Pictures, Anchorage; Steven Rychetnik, Owner of Sprocketheads, Anchorage; Charles Hewitt, Mirror Studios,

Anchorage; Ron Holmstrom, Actors in Alaska; Eric Lizer, International Alliance of Theatrical Stage Employees Local 918; Brad Swenson, Goldring Group, Wasilla; Kavelina Torres, North Pole; Deborah Schildt, Alaska Film Group, Anchorage; Stacey Boles, Alaska New Media, Anchorage.

SUMMARY

HB 112 REPEAL FILM PRODUCTION TAX CREDIT

HB 112 was HEARD and HELD in committee for further consideration.

HB 181 MINING LICENSE REVENUE; REVENUE SHARING

HB 181 was HEARD and HELD in committee for further consideration.

#hb181

HOUSE BILL NO. 181

"An Act relating to the accounting for money received by the state from the mining license tax, mining lease payments, and royalties from mining on state tide and submerged land seaward of a municipality, and the availability of that money for appropriation to certain boroughs and municipalities outside of a borough."

8:35:04 AM

REPRESENTATIVE NEAL FOSTER, introduced himself. He introduced his PowerPoint presentation: "HB 181 Mining License Revenue Tax" (copy on file). He began with slide 2: "Bill Language."

"An Act relating to the accounting for money received by the state from the mining license tax, mining lease payments, and royalties from mining on state tide and submerged land within a municipality, and the availability of that money for appropriation to certain boroughs and municipalities outside of a borough."

Representative Foster continued with slide 3: "Language Clarification."

- Two types of revenue:
 - Mining lease payments and royalties = Competitive bids for tracts of off-shore mining areas
 - Mining license = Tax on profits
- "State tide and submerged land" = Off-shore

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Representative Foster discussed slide 4: "Bill in Laymen's Terms."

- By request of:
 - Commissioner of Commerce Community and Economic Development, or
 - Commissioner of Department of Natural Resources
- Legislature may appropriate funds:
 - From mining leases and taxes
 - To municipalities
 - If the mining occurs off-shore and in municipal boundaries

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Representative Foster continued with slide 5: "Reason for Legislation."

- State revenue associated with mineral lease sales:
 - Off-shore and within Nome's municipal boundaries
 - have brought in over \$700,000 in recent years to the State
- Caused increased traffic in Nome's port and harbor
- Need more infrastructure and personnel

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Representative Foster continued with slide 6: "Current Funding." The funding mechanism included revenue from mining lease, rents and mining taxes.

Representative Foster pointed to slide 7: "Proposed Funding." One half of the revenue was placed in the Permanent Fund, while the other half went to the general fund. The legislation proposed that up to half of the general fund portion would be allocated to municipalities.

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Representative Foster discussed slide 8: "Mineral lease rental, royalties, and royalty sale proceeds in the Nome area for 2011-2013." The slide's data was compiled by the Department of Natural Resources. He stated that the revenue was calculated based on leases within Nome's boundaries. He noted that rents, royalties and lease sales in 2011 equaled \$704,676. Nome's share based on the actual allocation for the same year would be \$176,169.

[8:40:48 AM](#)

Representative Foster discussed slide 9: "So what do we mean when we say off-shore but within a municipality's boundaries?" He discussed the map's details.

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Representative Foster skipped to slide 11: "2011 Nome Offshore Lease Sale Tract Location Map." The map depicted the different tracts of lease sale areas. He stated that the City of Nome's boundaries extended off-shore. He explained that the lease sales impacted Nome's port and harbor. The bill requested a small area be subject to the legislation.

[8:42:09 AM](#)

Representative Foster discussed slide 12: "Nome Beach Public Mining Areas." He explained that the yellow line illustrated Nome's boundary. He stated that Nome's boundary extended approximately 1-2 miles from the shore.

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Representative Foster moved the map on slide 13. He explained the docks identified on the map and mentioned that Nome would require a "middle dock" to address the increased congestion.

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Representative Foster pointed to slide 14: "Area Within the Municipality."

- What makes Nome unique is its municipal boundaries go off-shore

- Nome cannot impose a property tax on open water
- Legislation would only capture revenue from the leases that fall within the municipal boundary
- This area is small compared to the total mining leases that affect Nome's port and harbor.

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Representative Foster discussed slide 15: "Port Vessel Traffic." He stated that lease sales began in 2005. He noted the graph's depiction of increased traffic due to lease sales.

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Representative Foster discussed slide 16: "Effects Increased Traffic."

- Increased traffic of smaller vessels are driving the need for expansion of the inner harbor
- As leases are developed larger vessels (too big for the inner harbor) are competing for already cramped space in the outer port's two docks
- The number of dredges, vehicles and equipment being shipped in for the mining industry is exacerbating the delays and congestion at the port

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Representative Foster concluded with slide 17: "Final Message."

- HB 181 offers one small portion of relief for infrastructure and funding needs
- Yesterday the Department notified us that there are no more lease sales planned within Nome's boundaries
- This means that going forward there would only be about \$4 thousand per year in revenue available to the City. The funding request for the planned middle dock alone is \$3 million
- Solutions:
 - Retroactivity
 - Area Expansion
 - Capital Request

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Representative Holmes commented that two areas in the state were interested in offshore mining leases. She asked about the type of mining occurring in Nome.

PAUL LABOLLE, STAFF, REPRESENTATIVE FOSTER, responded that suction and traditional dredging comprised Nome's offshore mining practices.

Representative Holmes asked about the impact on Nome of the increased number of dockings. She wondered about the proposed harbor changes.

[8:48:12 AM](#)

Mr. Labolle responded that 52 percent of the vessels docking in Nome were associated with the leases, with the remainder associated with recreational mining areas located outside of the lease boundary.

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Representative Wilson asked about the mechanism used to determine the harbor's users.

Mr. Labolle replied that Ms. Baker was the best person to answer the question.

JOY BAKER, PORT OF NOME (via teleconference), asked the representative to repeat her question.

Representative Wilson repeated her question. She wondered about the utilization and upgrades for the harbor. She asked about a vessel tax that would address those issues.

Ms. Baker replied that the city had an indication of users of the harbors in the port. She stated that the smaller dredgers utilized the recreational areas outlined by the Department of Natural Resources. She mentioned a medium-sized fleet that used the harbor when working the off-shore leases. She noted the increase in larger vessels that were too deep for the harbor and were crowding the already congested docks at the port. She stated that the volume of the inner harbor was the initial concern, but the congestion now affected both facilities.

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Representative Wilson asked if the vessels could be charged a fee that would be used to add to or maintain the harbor.

Ms. Baker replied that port fees were charged and increased in 2012 and 2013 and the municipality was considering another tariff increase. She stated that the fees could not be so large that smaller vessels could not afford them.

[8:52:57 AM](#)

Vice-Chair Neuman asked about sales tax in Nome.

Representative Foster stated that Nome had a sales tax.

Vice-Chair Neuman asked the percentage.

Representative Newman replied 5 percent.

Representative Neuman stated that he watched the television show "Bering Sea Gold," which was based out of Nome. He discussed the mineral royalty sales. He noted that the sales in 2011 were different from other years. He asked how long the leases were.

Representative Foster replied that the leases were 10 to 20 years.

[8:54:41 AM](#)

SCOTT PEXTON, DEPARTMENT OF NATURAL RESOURCES (via teleconference), replied that the off-shore mining leases could be issued for 10-year to 20-year terms.

Vice-Chair Neuman stated that gold was a boom and bust mining industry. He asked about the effect on the department related to the leases. He asked how much of the lease revenue covered the department's expenses.

[8:55:54 AM](#)

Mr. Pexton replied that he did not have the exact figures requested. Precise time would be difficult to account for, but he did not anticipate a great expense would be discovered. He stated that the majority of the work occurred during the actual lease sale.

[8:57:08 AM](#)

Vice-Chair Neuman noted that the statutorily required mandate included coverage of the management of the leases. He imagined that additional revenue could cover the municipality costs related to building and maintaining infrastructure for the port of Nome.

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Representative Foster offered to work with the department on some exact figures.

[8:57:50 AM](#)

Representative Munoz asked about mining activity off the coast of Yakutat. She wondered why the community was not included in the organization for coverage of their harbor costs.

Mr. Labolle replied that lease sales in Yakutat did not occur within the municipal boundary.

Representative Munoz asked to know more about the off-shore mining practices and boundaries in Yakutat.

Mr. Labolle was unsure about specifics. He deferred the question to the department.

[8:59:04 AM](#)

Mr. Pexton replied that most of the offshore activity in Cape Yakataga was associated with tide and submerged land mining claims. He stated that the activity was minimal for off-shore mining leases; very little activity compared to Nome.

Representative Guttenberg wondered how the definition of municipalities was applied in the proposed legislation.

Mr. Labolle replied that all incorporated municipalities were included. Second class cities were included.

Representative Guttenberg asked about a smaller isolated area and lease sales. He wondered about incorporation of the municipality for the lease payments.

Mr. Labolle replied that the bill was not written as retroactive. Lease sales, without boundaries established, could participate. He noted that many community boundaries were based on tides as opposed to Nome's property corners that were based on real space.

[9:01:31 AM](#)

Representative Gara opined that the problems faced in Nome were understated by the sponsor. He stated that the food bank was often raided by miners in the area for a short period of time each year. He asked about the maximum amount of money sought by Nome as revenue sharing from the mining tax.

Representative Foster replied that the maximum amount sought would be \$740 thousand over a three-year period. If the "up to 50 percent" was applied, \$185 thousand would be the maximum amount over the same time period. He appreciated the question although the revenue sharing contribution was a small step in the direction of a solution.

[9:03:37 AM](#)

Mr. Labolle highlighted the point that the \$185 thousand was estimated from the combination of the sale of the initial lease and subsequent rents and royalties, which were small reoccurring payments.

[9:04:35 AM](#)

Representative Gara discussed the state's antiquated mining tax policies for large scale mining operations.

[9:05:15 AM](#)

Co-Chair Austerman OPENED public testimony.

Co-Chair Austerman CLOSED public testimony.

HB 181 was HEARD and HELD in committee for further consideration.

[9:05:58 AM](#)

AT EASE

[9:08:21 AM](#)

RECONVENED

#hb112

HOUSE BILL NO. 112

"An Act repealing the film production tax credit; providing for an effective date by repealing the effective dates of secs. 31 - 33, ch. 51, SLA 2012; and providing for an effective date."

[9:08:29 AM](#)

Vice-Chair Neuman MOVED to ADOPT the proposed committee substitute for HB 112, Work Draft 28-LS0402/C (Bullock 3/4/14). Representative Thompson OBJECTED for discussion.

JOE MICHEL, STAFF REPRESENTATIVE BILL STOLTZE, stated that the workdraft was similar to the one presented in the prior year. Legislation enacted in 2012 for two programs necessitated the CS and its proposed repeal of the production film tax credit.

DONALD BULLOCK, LEGISLATIVE COUNSEL, DIVISION OF LEGAL AND RESEARCH SERVICES, LEGISLATIVE AFFAIRS AGENCY detailed the CS. He stated major changes that occurred in 2012 including moving the film credits to the Department of Revenue from the Department of Commerce, Community and Economic Development. Another change expanded the application of the credit to all taxes. The original credit applied to the corporation income tax alone. Effective July 1, 2013, the credit was applicable to any tax, which increased the amount to \$200 million in potential general fund losses. With the changes that took effect in 2013, the original bill repealed the provisions that allowed the credit to apply against all taxes and allowed for transfer of the program to the Department of Revenue. The original bill did not pass last year, which allowed the sections involving the transfer and broader application of the credit to take effect July 1, 2013. The CS must undo the effect of the process by repealing the current film program in the Department of Revenue that provided a credit up to \$200 million.

[9:12:48 AM](#)

Mr. Bullock discussed sections 1 and 2 of the bill, which discussed the fisheries landing and business tax. Those taxes allowed municipalities a portion of the revenue. He informed the committee that the Department of Revenue calculated the revenue sharing for municipalities prior to the application of credits. Sections 1 and 2 removed the reference to AS.43.98.030, which was the statute that allowed the Department of Revenue to issue the credits.

Mr. Bullock discussed section 3 of the CS. He noted that the section was not immediately repealed. The section allowed for the collection of credits that should not have been issued or an amount of damages caused as a result of the film production tax credits. The section would allow the department time to recover credits due back to the state.

[9:14:09 AM](#)

Mr. Bullock continued with section 4 and the requirement that the Legislative Budget and Audit (LB&A) division review the film credit program and report their findings to the legislature. He noted that statute AS.43.98.030 allowed the department to issue the credits. Additional statutes allowed the authority to the Department of Revenue to operate the film office and designate the criteria used for credit qualification and operation of the program. All of the sections of the law would be repealed. He noted that section 44.33.231(c) was the section that addressed the Department of Commerce, Community and Economic Development and its assistance in managing the program with the Department of Revenue. Since the film credit program would be eliminated, the need for assistance was no longer relevant.

[9:15:32 AM](#)

Mr. Bullock stated that section 5 extended the repeal date for the recovery of the film production tax credit. After the credit was eliminated, the section would remain in effect until 2020.

[9:15:58 AM](#)

Mr. Bullock discussed section 6 and the repeal of the provisions in the 2012 law. Section 7 was different from last year's proposed legislation due to the new program in

effect as of July 1, 2013. Section 7 noted that if a person received qualification prior to July 1, 2031, the credit would continue to be evaluated by the department. Section 2 referred to the program that took effect July 1, 2013 stating that a notice of qualification received prior to the effective date of July 1, 2014 would allow continuing review of expenditures by the Department of Revenue.

Mr. Bullock moved to subsection (b) on page 3 of the CS. He noted that the subsection allowed the credit, once received to offset taxes or be sold or exchanged for a transferable tax credit within 3 years. Because the credits could be transferred, the market would remain healthy. He provided an example of credit exchange with an oil company. He added that subsection (c) stated that certain circumstances allowed the department to hold a credit that would otherwise be paid.

Mr. Bullock stated that section 8 repealed sections of the 2012 law that included effective dates no longer applicable. He provided an example.

[9:18:49 AM](#)

Mr. Bullock explained that section 9 addressed the Act's effective date. He stated that section 5 included the delayed repeal date for the collection statute. Section 10 stated that the bill would take effect immediately except for the special effective dates listed in section 9. He noted that the Department of Revenue was present to answer specific questions about the administration of the tax.

[9:19:32 AM](#)

Representative Gara clarified that the House Finance Committee substantially rewrote the film tax credit provisions to limit the amount of money to million-dollar actors and actresses. He asked if that provision remained in current law.

Mr. Bullock replied that adjustments were made to the credits that allowed a greater emphasis on the use of Alaskan talent and reduced the credit available for above the line expenditures related to writers and directors. He believed that the provisions benefitting Alaskans were included in the 2012 bill.

[9:20:53 AM](#)

BRUCE TANGEMAN, DEPUTY COMMISSIONER, TAX DIVISION, DEPARTMENT OF REVENUE was available to answer questions.

Representative Gara stated that when a corporation visited Alaska, they were obligated to pay corporate tax as a C-corporation. He asked for an estimate of corporate tax revenue taken by the department.

Mr. Tangeman deferred the question to the tax division.

JOHANNA BALES, DEPUTY DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE (via teleconference), responded that companies eligible for the tax credits were not corporate income tax payers. No additional corporate income tax revenue was seen as a result of the credit addressed in the proposed legislation.

Representative Gara asked about the corporate tax which applied to C-corporations alone. He asked if the film companies were C-corporations.

Ms. Bales replied that even a C-corporation would not apply due to the time spent filming in Alaska. She stated that most of the productions companies were Limited Liability Corporations (LLC).

Representative Gara understood that some states utilized revenue for work created in Alaska. He noted that part of the revenue obtained from some C-corporations had been partially created in Alaska. He asked if the department had made an effort to tax the C-corporations.

[9:24:25 AM](#)

Ms. Bales replied that most production expenses for the film industry were performed by companies that were not C-corporations. The companies generally sold the rights for the productions to the large distributors like Paramount or Fox. The production companies themselves were not C-corporations and were not subject to tax. She agreed that a portion of revenue earned while in Alaska was taxed by the department, but only for C-corporations. She stated that the department had accurate awareness of the companies producing in the state and the nature of their business; most if not all were LLC.

Representative Gara wondered why the department had not collected any revenue from C-corporations.

Ms. Bales replied that the state would collect tax returns from C-corporations, but significant tax from the productions in the state had not been collected.

Representative Gara requested current data regarding the revenues collected for the film industry in Alaska.

[9:26:22 AM](#)

Representative Guttenberg asked about the audit performed last year.

Mr. Michel replied that the LB&A audit control number for last year's audit was 08-30066-12.

Representative Guttenberg asked for audit highlights related to economic benefit.

Mr. Michel replied that the audit in 2012 displayed a multiplier effect when a company did business and spent money in the state. He stated that recommendations and conclusions of the audit would be made available to the committee members. The audit did not display a positive fiscal impact to the state. The corporations did not pay corporate income tax. He noted that the state did not receive the amount of income in tax revenue required to counter the expense of the tax credits. He stated that some Alaskan businesses benefitted from a film company coming to the state.

Representative Guttenberg understood that the film tax credit notion was in its infancy and a spontaneous eruption of tax revenue could not be expected.

[9:29:22 AM](#)

Representative Guttenberg asked about a calculation of an increase in applications for the tax credits in 2013. He wondered about a rise in industry activity.

Mr. Tangeman replied that the applications for the tax credits were fairly consistent during the time that the department had overseen the process.

Representative Guttenberg asked if the film companies had three years to file for credits.

Mr. Tangeman replied that \$40 thousand in credits were issued. He noted that \$60 million in pre-approved projects were pending. Most of the qualifications occurred when the program was under the Department of Commerce, Community and Economic Development. The Department of Revenue continued the pre-approval process.

Representative Guttenberg wondered about the public's viewpoint on the benefits of the tax credit program.

[9:30:59 AM](#)

MAYA SALGANEK, DIRECTOR, FILM PROGRAM AT UNIVERSITY OF ALASKA FAIRBANKS, FAIRBANKS (via teleconference), spoke in support of tax credits for the film industry. She testified in opposition to the legislation. The university program had seen a 67 percent increase in its film-class enrollment since 2008. She stated that projects produced by the students were recognized nationally and the students were excited about their prospects and employment by the film industry. She believed that the film tax incentive program connected industry members with the students in Fairbanks. She opined that a loss of the tax incentive would mean a loss of students. She spoke about the investment made by the university for film students that was the result of the incentive program.

[9:35:53 AM](#)

MICHAEL COLLIER, RANDOM ACRONYMS, ANCHORAGE (via teleconference), discussed the economic potential of the film industry in Alaska. He stated opposition to the legislation, which he believed was an effort to cripple a burgeoning industry. He stated that his production company was growing quickly; the film technicians benefitted substantially. He pointed out that the rental car agencies also benefitted. He stated that the filming allowed for the creation of new jobs in Alaska. He spoke about New Mexico and the beneficial use of the film industry and tax credits. He believed that each production represented millions of dollars spent in state and he compared the film industry to tourism.

[9:40:22 AM](#)

Representative Guttenberg appreciated the benefit of Alaskans telling their own story.

[9:40:43 AM](#)

D.K. JOHNSTON, TRI-SEVEN PICTURES, ANCHORAGE (via teleconference), voiced opposition to the bill. He stated that the film industry jobs created in Alaska were substantial and growing. He urged the committee members to vote against the passage of the bill.

[9:42:37 AM](#)

STEVEN RYCHETNIK, OWNER OF SPROCKETHEADS, ANCHORAGE (via teleconference), testified in opposition to the bill. He stated that he was a lifelong Alaska and a film making professional since 1977. He noted that the film tax credit program was vetted and the new and improved program was signed into law until 2023. He stated that the law's progress was halted by Co-Chair Stoltze. He stressed that HB 112 was the sequel that no one wanted to see. He opined that the repeal was risky for producers interested in Alaska.

[9:45:35 AM](#)

CHARLES HEWITT, MIRROR STUDIOS, ANCHORAGE (via teleconference), testified in opposition to the legislation. He requested time for the tax incentive program to prove itself. He informed the committee that he was a Republican and owner of a post-production facility in Anchorage. He noted the challenge of convincing out-of-state colleagues to film in Alaska because of the additional costs associated with the geographic location. The film tax credit program opened doors and allowed for the attraction of a new industry to the state while showcasing Alaska to the rest of the world.

[9:47:51 AM](#)

RON HOLMSTROM, ACTORS IN ALASKA (via teleconference), testified in opposition to the legislation. He stated that the initial bill allowed support for the film industry. He informed the committee that offers to film in Alaska had been withdrawn following the introduction of the repeal. He

noted that some films showcasing Alaska were filmed in Utah or Iceland because of the instability introduced by the bill. He wished that the bill would revert to its original form where it attracted millions of dollars to the state and put many Alaskans to work with the film industry.

9:50:00 AM

ERIC LIZER, INTERNATIONAL ALLIANCE OF THEATRICAL STAGE EMPLOYEES LOCAL 918 (via teleconference), testified in opposition to the legislation. He stated that his union had 28 members prior to the introduction of tax credits for the film industry. Following the tax credit program, membership rose to 85 members. He considered the film industry a state resource because of the taxes and revenues yielded from film industry visitors. He spoke about the popularity of television shows and movies featuring Alaska.

9:55:36 AM

BRAD SWENSON, GOLDRING GROUP, WASILLA (via teleconference), testified in opposition to the legislation. He expressed excitement about keeping the film tax program alive. He spoke about the competitive nature in Alaska. He noted that the cost of doing business in Alaska was higher than other states. He explained that the film tax incentive program allowed the industry to affordably operate in-state.

9:57:23 AM

KAVELINA TORRES, NORTH POLE (via teleconference), testified in opposition to the legislation. She spoke about the many different employment opportunities offered to her as a writer because of the film industry tax credits. She spoke about the importance of sharing the Alaska story.

10:02:19 AM

DEBORAH SCHILDT, ALASKA FILM GROUP, ANCHORAGE (via teleconference), testified in opposition to the legislation. She stated that the Alaska Film Group was the state's largest nonprofit trade association of film and video professionals. She noted the positive impacts received by members as a result of the film tax credits. She believed that the film production dollars created a healthy and diversified Alaskan economy. Alaskan-based corporations were able to utilize the credits to bring

savings to their bottom line, which allowed businesses to grow and hire additional employees. She spoke to the impact of film production in Alaskan communities such as Anchorage, Barrow, Eagle River, Fairbanks, Ketchikan, Nome, Juneau, Palmer, Sitka, Sutton and Wasilla.

[10:05:57 AM](#)

STACEY BOLES, ALASKA NEW MEDIA, ANCHORAGE (via teleconference), testified in opposition to the legislation. She spoke about the interest in film education by students in Alaska. She stated that she had prepared students for entry-level positions in the film industry and supported their advancement. She spoke about the opportunities for advancement in the industry. She mentioned the value of the Alaskan crewmember in the film industry. She urged the committee to vote against the legislation.

[10:08:28 AM](#)

Co-Chair Austerman CLOSED public testimony.

Representative Wilson asked why residency was established at 30 days for the film industry.

Representative Gara noted one class of people that would qualify for a credit if they met the residency requirements used by the Permanent Fund Dividend (PFD) program.

Co-Chair Austerman asked for laymen's terms describing sections 1 and 2 of the CS.

Mr. Michel replied that the sections were added after consultation with the Department of Revenue due to concern from the municipalities regarding their share of revenue from the fishery landing tax. He stated that the municipality took their share prior to the application of a tax credit. The municipalities were held harmless under sections 1 and 2.

[10:10:59 AM](#)

Vice-Chair Neuman discussed the audit performed by LB&A (copy on file). He noted that the credits available to non-residents comprised 54 percent of the credits issued. He stated that the data showed that most employees hired were

non-Alaskans. He wondered if the audit findings were researched and whether improvements had been discovered.

Mr. Michel replied that the information comparing resident to non-resident wages was not available.

Representative Thompson WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered. The CS was adopted.

ADJOURNMENT

10:12:35 AM

The meeting was adjourned at 10:12 a.m.