

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON FISHERIES

February 23, 2016

10:02 a.m.

MEMBERS PRESENT

Representative Louise Stutes, Chair
Representative Neal Foster
Representative Bob Herron
Representative Craig Johnson
Representative Charisse Millett
Representative Jonathan Kreiss-Tomkins
Representative Dan Ortiz

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 251

"An Act requiring the electronic submission of a tax return or report with the Department of Revenue; relating to fisheries business tax and fishery resource landing tax; relating to refunds to local governments; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 251

SHORT TITLE: ELECTRONIC TAX RETURNS & FISHERIES TAXES

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/19/16	(H)	READ THE FIRST TIME - REFERRALS
01/19/16	(H)	FSH, FIN
02/02/16	(H)	FSH AT 10:00 AM CAPITOL 120
02/02/16	(H)	Heard & Held
02/02/16	(H)	MINUTE (FSH)
02/11/16	(H)	FSH AT 10:00 AM CAPITOL 120
02/11/16	(H)	Heard & Held
02/11/16	(H)	MINUTE (FSH)
02/16/16	(H)	FSH AT 10:00 AM CAPITOL 120
02/16/16	(H)	-- MEETING CANCELED --
02/18/16	(H)	FSH AT 10:00 AM CAPITOL 120

02/18/16 (H) Heard & Held
02/18/16 (H) MINUTE (FSH)
02/23/16 (H) FSH AT 10:00 AM CAPITOL 120

WITNESS REGISTER

RICHIE DAVIS, Representative
Seafood Producers Cooperative
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to HB 251.

SCOTT FILE, Commercial Fisherman
Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on HB 251.

KRIS NOROSZ
Icicle Seafoods
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to HB 251.

WALT PASTERNAK, Fisherman
Sitka, Alaska

POSITION STATEMENT: Testified during the hearing on HB 251.

MIKE SVENSON
Sitka, Alaska

POSITION STATEMENT: Testified during the hearing on HB 251.

JOHN MURRAY
Sitka, Alaska

POSITION STATEMENT: Testified during the hearing on HB 251.

SHAWN GILMAN, Fisherman
Cordova, Alaska

POSITION STATEMENT: Testified in support of HB 251.

NANCY HILLSTRAND, Owner
Pioneer Alaskan Fisheries
Homer, Alaska

POSITION STATEMENT: Testified in support of HB 251.

MARK ROBERTS, Troll Fisherman
Petersburg, Alaska

POSITION STATEMENT: Testified in opposition to HB 251.

MIKE MANN, Fisherman
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 251,

KEN ALPER, Director

Tax Division

Department of Revenue (DOR) Juneau, Alaska

POSITION STATEMENT: Provided tax model information, during the hearing on HB 251.

ACTION NARRATIVE

[10:02:08 AM](#)

CHAIR LOUISE STUTES called the House Special Committee on Fisheries meeting to order at 10:02 a.m. Representatives Stutes, Johnson, Millett, Ortiz, and Herron were present at the call to order. Representatives Kreiss-Tomkins and Foster arrived as the meeting was in progress.

HB 251-ELECTRONIC TAX RETURNS & FISHERIES TAXES

[10:03:03 AM](#)

CHAIR STUTES announced that the only order of business would be HOUSE BILL NO. 251, "An Act requiring the electronic submission of a tax return or report with the Department of Revenue; relating to fisheries business tax and fishery resource landing tax; relating to refunds to local governments; and providing for an effective date."

CHAIR STUTES opened public testimony.

[10:03:43 AM](#)

RICHIE DAVIS, Representative, Seafood Producers Cooperative, provided a brief history of the Sitka based organization, as the largest and oldest cooperative of its type in North America. In FY 15, the association's 650 members paid approximately \$800,000 into the state's general fund, via the fisheries business tax. He called for visibility of the states over all plan, to solve the budget gap, in order to identify where the fisheries tax contribution ranks. The debt will not be solved by an additional fisheries business tax, he opined, nor could all the combined resource extractions of the state provide the necessary revenue required to bridge the fiscal gap. The 1 percent proposed tax represents a significant amount to the fisherman but is insignificant when considering Alaska's total budget

shortfall. He agreed that fishermen play a role in the shortfall equation, but that role has not yet been made clear to the organization. The proposed cuts to the Alaska Department of Fish & Game (ADF&G) compound the issue. The management principles provided by the agency are integral to preserving the sustained yield fishing industry that is a shining star in the global market. He stressed that adding a tax, while cutting ADF&G funding, is not a supportable action and is being viewed as a crippling blow to the industry.

10:08:03 AM

REPRESENTATIVE JOHNSON commented that a view of the comprehensive tax plan has been requested by other interest groups, and explained that the committee process is the first step; prior to proposals being heard by the finance committee. He stressed that interest groups are not being singled out, but rather opportunities for testimony are being provided, by the specific committees, in order to assemble and meld information from all state resource areas.

CHAIR STUTES added that HB 251 is being thoroughly reviewed in committee to honor that process and provide the time necessary for public comment.

10:11:08 AM

REPRESENTATIVE HERRON noted that conversations were held by the executive branch, as well as the legislature, and asked whether the association was in attendance.

MR. DAVIS said the last opportunity for conversation was in June, 2015. At that time, an agreement was reached to continue to work closely with other resource groups and identify any large pots of money. The fisherman know they will be part of the solution, however, being too compliant may be misread and concern exists that the state might then impose further demands.

REPRESENTATIVE HERRON noted that the 1 percent proposed tax has generated wide comment, and he asked if a different figure might better serve the industry.

MR. DAVIS responded that the value of the fish and products would need to be studied to ascertain appropriate levies.

10:14:42 AM

REPRESENTATIVE ORTIZ asked whether the coop will be impacted by the budget cuts to ADF&G.

MR. DAVIS said any speculation would be broad based, due to the scope of activities and variables involved; however, the department has provided economic health by way of effective management.

[10:18:35 AM](#)

SCOTT FILE, Commercial Fisherman, said, after 45 years in the business, fishing remains a difficult industry to be in. Certainly, ADF&G has worked to keep the fisheries stable, but the fluctuations in catch quotas, fish prices/sales, and other factors continue to be an economic burden in fishermen's lives. He recalled several situations effecting fisheries that have occurred during the last three decades, and drew a comparison between the oil and fishing industries. To wrap-up, he said:

Do we take money from families in a recession - no. I believe we are in a recession in this state. Do I believe that the state has cut enough - I don't think so. Will people lose their jobs - yes. Will people suffer - yes. Will the cost of this government, here in the state, dictate how we live our lives - yes. I think the state needs to cut more. I don't want to see the state end up like our federal government.

[10:22:35 AM](#)

REPRESENTATIVE KREISS-TOMKINS asked for an opinion on the cuts being made to ADF&G.

MR. FILE said reductions need to be done in a responsible manner, and expressed concern for effects the reductions may have on fish management.

REPRESENTATIVE KREISS-TOMKINS asked whether there is an area of agency management that would be perceived as less harmful to the fisheries.

MR. FILE reaffirmed his previous statement.

[10:24:42 AM](#)

KRIS NOROSZ, stated opposition to HB 251, paraphrasing from a prepared statement, which read [original punctuation provided]:

I am here representing Icicle Seafoods. We have five land plants and three floating processors.

I appreciate the opportunity to testify and that the bill has already had several hearings. I have been learning with you in these hearings as I listen to the presentations by the Dept. of Revenue and the discussions that result.

We understand the difficulties we face as Alaskans with the State's current fiscal challenge and we wish to work together to be part of the solution.

However, as always, the devil is in the details. And we simply feel there has not been enough consideration and analysis of the impacts of the proposed action. Nor, and perhaps most importantly, has there been enough time to determine if there is a better approach to raise the amount of funds needed to bridge the gap between revenues and the cost of ADF&G management and research, without being unduly detrimental to the industry.

Canned salmon can likely not handle an increase in the tax rate. It is already at 4.5% which is higher than for fresh or fresh frozen products and is not an increase that can be passed on to the consumer.

I am not certain how we got to our current multi-tiered rate structure. But I do know that in times of large run strength, as we saw in Bristol Bay and Prince William Sound this last season, canning salmon is a critical component to handling large salmon harvests, it can absorb a very high volume. We simply don't have the cold storage and transportation capacity and the infrastructure to handle all the salmon that is harvested as fresh or frozen product. Now is not the time to raise the tax rate for canned salmon.

In the past two years the seafood industry has had to grapple with a \$2 increase in the minimum hourly wage and a strong dollar on the world market that has made for considerably challenging conditions to keep salmon as a desirable and affordable commodity that can compete with other protein sources.

Unlike some of the other natural resource industries, the fishery resources are a renewable resource that will continue to provide revenues as long as the runs stay healthy and are managed properly for future generations as mandated by our Constitution. It can continue to generate revenues for the State and municipalities and continue to drive the State's economy into perpetuity.

I appreciate that the bill directs any new revenues collected as a result of changing the fisheries tax rate to go directly to the State. I would feel more comfortable if we had some assurance that the funds would be used to cover the cost for fisheries management.

If the Fish & Game budget is cut to such a degree that they are unable to adequately manage the fisheries, we all lose. It will result in foregone harvest opportunities that will lead to a loss in revenue to the State and municipalities, lost wages and jobs, and a downward push on the State's economic vitality.

I appreciate Representative Johnson's comments that the Legislature is not taking a piecemeal approach but rather a comprehensive approach to bridging the State's fiscal gap. This is very reassuring and an important point to have as part of the Committee's record.

We understand it is going to take all of us contributing in a variety of fashions to make this all work.

We wish to work with you to find a solution we can all live with to address the challenge before us.

[10:29:03 AM](#)

REPRESENTATIVE MILLETT asked if a change in the department's management practices have been observed, following recent cuts, or has the status quo been maintained.

MS. NOROSZ surmised that with less data available, ADF&G manages more conservatively. She reported that fewer test fisheries have been observed. Additionally, the level of field work that

occurred in the 1970-80's is no longer taking place. She conjectured that given today's technology, field work may be handled differently with similar efficiency.

REPRESENTATIVE MILLETT asked for comment on the impacts that the tax will have on the industry.

MS. NOROSZ opined that the area least able to absorb a raise in tax levels is canned salmon. She maintained the need to entertain another assessment model to arrive at a viable solution.

[10:31:46 AM](#)

REPRESENTATIVE HERRON pointed out that Ms. Norosz served as an expert on the Alaska Arctic Policy Commission. He asked whether her opinion was solicited by the administration, when this industry tax was being formulated for proposal.

MS. NOROSZ answered, no, not specifically.

[10:32:52 AM](#)

REPRESENTATIVE KREISS-TOMKINS asked about the market dynamics effecting canned salmon.

MS. NOROSZ explained that canned salmon is possibly the highest priced food sold, and the price is critical on the market shelf as a competitive protein source. Retailers are faced with a difficulty when shelving such a price sensitive item.

REPRESENTATIVE KREISS-TOMKINS asked what percentage of gross sales canned fish products represent for Icycle Seafoods.

MS. NOROSZ offered to provide further information.

REPRESENTATIVE KREISS-TOMKINS asked for an opinion on the tax differential for developing versus established fisheries and would a flat tax be more efficient.

MS. NOROSZ offered to provide further information.

[10:36:56 AM](#)

WALT PASTERNAK, Fisherman, acknowledged the need to pay taxes, as a means for citizens to fund government. He reviewed the myriad of taxes that he pays as a fisherman, which, beyond the

raw fish tax, also include taxes for: marketing, aquaculture enhancement, federal individual fishery quota, and a fishing vessel observer. He reported that a decade ago Sitka passed a citizens initiative that resulted in a \$10.00 box tax, levied on charter caught fish. Although a volunteer program, he said it has generated about \$120,000 per year and proven helpful in the local area. The proceeds are equally divided and directed to harbor maintenance, aquaculture enhancement, and the Sitka Marine Science Center. Based on the success of this program, he suggested the committee consider a charter fish tax to help offset the budget situation.

CHAIR STUTES offered that a charter tax is being considered.

[10:40:10 AM](#)

MIKE SVENSON, opined that ADF&G should not be involved in setting tax rates.

[10:42:09 AM](#)

JOHN MURRAY, Fisherman, concurred with previous testimony regarding the need to consider a tax on the charter boat industry.

[10:43:13 AM](#)

SHAWN GILMAN, Fisherman, suggested focus be given to a state income tax, as everyone benefits from the resources of the state. He opined on the integration of municipal and state taxes, as well as suggesting how government becomes top heavy and where administrative cuts could occur. Finishing, he said the governor's proposal has a basic framework of evenhanded fairness to address the deficit.

[10:47:14 AM](#)

NANCY HILLSTRAND, Owner, Pioneer Alaskan Fisheries, stated support for HB 251, and said fish are a public trust held by the state. The 1 percent tax, as well as a flat tax, imposed across the board, are acceptable measures to implement. She held the expectation for accountability of the funds generated, and that they will be used to benefit Alaskans, fairly and honorably. The subsidization of hatcheries is an area which should be halted, as they interfere with, if not harm, wild runs. She mentioned a report by the Institute of Social and Economic Research (ISER) supporting her concern for hatcheries and

suggested ADF&G resources would be better used if focused on managing wild stocks. The original hatchery act was to create a means for supporting wild runs; however, that is not what is occurring today with the private non-profit hatcheries that ADF&G is bound to serve. Further, the hatcheries glut the market with the low quality, low valued fish. An aquaculture regime has been developed over the last 40 years, which needs to be replaced with appropriate habitat protection and wild run cultivation, and include consideration for shellfish. Finally, the value added jobs that benefit China should also be scrutinized.

[10:50:23 AM](#)

MARK ROBERTS, Troll Fisherman, stated opposition to HB 251 and emphasized how difficult it is to make a profit at fishing. He said he hasn't seen a noticeable change in ADF&G's management abilities. He stressed that, in anticipation of another financially difficult year, the additional taxes will be hurtful to the fishermen.

[10:52:17 AM](#)

MIKE MANN, Fisherman, stated support for HB 251, and opined on the necessity to continue maintenance of state supported hatcheries, which are a benefit to the fishermen. He expressed concern for the disbursement of the tax funds, stressing the importance that revenues be well directed and used to boost local communities and assist fishermen through programs to buy-back fishing permits.

CHAIR STUTES closed public testimony after ascertaining no one further wished to testify.

[10:55:21 AM](#)

REPRESENTATIVE HERRON referred to the testimony of Walt Pasternak and the state and local taxes which he said he is responsible for paying. The member asked for a committee report on the taxes and amounts that the Sitka fisherman is burdened with.

[10:55:57 AM](#)

REPRESENTATIVE KREISS-TOMKINS noted a common thread of concern is the perception that a piecemeal approach is being taken

towards solving the state's budget gap, and thanked Representative Johnson for clarifying the process.

[10:56:43 AM](#)

CHAIR STUTES expressed personal reservations for HB 251. She reported that other industry bills, being reviewed by the legislature, appear to be faltering. She said:

I believe that all resources should pay their fair share, but I don't want to see the fishing industry be the only one that's subject to a tax increase.

CHAIR STUTES announced HB 251 as held.

[10:58:27 AM](#)

KEN ALPER, Director, Tax Division, reported that an Excel spreadsheet tax model has been posted on the department's website and is available for everyone to access and manipulate.

[HB 251 was held over.]

CHAIR STUTES thanked the participants and cancelled the next scheduled meeting.

[10:59:31 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 10:59 a.m.