

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON FISHERIES

April 5, 2016
10:05 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Neal Foster

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."

- MOVED CSHB 251(FSH) OUT OF COMMITTEE

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
02/23/16	(H)	Heard & Held
02/23/16	(H)	MINUTE (FSH)
02/25/16	(H)	FSH AT 10:00 AM GRUENBERG 120
02/25/16	(H)	-- MEETING CANCELED --
03/08/16	(H)	FSH AT 10:00 AM GRUENBERG 120
03/08/16	(H)	Heard & Held
03/08/16	(H)	MINUTE (FSH)
03/10/16	(H)	FSH AT 10:00 AM GRUENBERG 120
03/10/16	(H)	-- MEETING CANCELED --
04/05/16	(H)	FSH AT 10:00 AM GRUENBERG 120

WITNESS REGISTER

REID HARRIS, Staff
 Representative Louise Stutes
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Presented the changes proposed in the committee substitute (CS) for HB 251, on behalf of Representative Stutes; chair of the House Special Committee on Fisheries.

JERRY BURNETT, Deputy Commissioner
 Department of Revenue (DOR)
 Juneau, Alaska

POSITION STATEMENT: Responded to questions during the hearing on HB 251.

KEVIN BROOKS, Deputy Commissioner
 Alaska Department of Fish & Game (ADF&G)
 Juneau, Alaska

POSITION STATEMENT: Responded to questions during the hearing on HB 251.

ACTION NARRATIVE

10:05:06 AM

CHAIR LOUISE STUTES called the House Special Committee on Fisheries meeting to order at 10:05 a.m. Representatives Stutes, Millet, Kreiss-Tomkins, Johnson, and Ortiz were present at the call to order. Representative Herron arrived as the meeting was in progress.

HB 251-ELECTRONIC TAX RETURNS & FISHERIES TAXES

10:06:00 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."

10:06:22 AM

REPRESENTATIVE MILLETT moved to adopt the proposed committee substitute (CS) for HB 251, Version 29-HG2921\W, Nauman, 4/1/16, as the working document.

CHAIR STUTES objected for purposes of discussion.

10:07:06 AM

CHAIR STUTES passed the gavel to Represent Millett.

10:07:18 AM

REID HARRIS, Staff, Representative Louise Stutes, directed attention to the committee packet and the three page handout titled, "House Bill 251, Explanation of changes Version A to Version W," to explain the changes being proposed in the CS. Version W creates the Alaska seafood marketing fund, which is established in the general fund. The fisheries tax and the fisheries landing tax revenue, as generated by a one percent increment, will be deposited for the purposes of the fund. Referring to first page of the handout, Sec. 7, paragraphs (b) and (c), he paraphrased the language, which read:

(b) The legislature may appropriate the annual estimated balance of the fund to the Alaska Seafood Marketing Institute established under AS 16.51 for the purposes described under AS 16.51.100.

(c) Nothing in this section creates a dedicated fund.

MR. HARRIS underscored that the language of paragraph (c) provides a designation, not a dedication, of funds. Continuing, he said the CS eliminates the proposed increment increase of one percent on the canned salmon tax, in response to testimony

received from processors who made it clear that, due to the glut of canned salmon on the market and in anticipation of a bountiful harvest, it's a challenge to market the existing product. Moving to the Sec. 11 changes, he explained that it provides language directing the deposit of landing taxes into the Alaska Seafood marketing fund. Finally, the remainder of the changes reduce the percentages that are deposited into the general fund from one to 0.5 percent; reflecting the 0.5 percent directed to the Alaska Seafood Marketing Institute (ASMI).

[10:09:34 AM](#)

The committee took a brief at-ease at 10:09.

REPRESENTATIVE MILLETT returned the gavel to Chair Stutes.

[10:09:57 AM](#)

CHAIR STUTES removed her objection, and without further objection, Version W was before the committee.

[10:10:06 AM](#)

REPRESENTATIVE KREISS-TOMKINS moved to adopt Amendment 1, labeled 29-HG2921\W.1, Nauman, 4/5/16, which read:

Page 2, line 31:
Delete "one"
Insert "**four** [ONE]"

Page 3, line 8:
Delete "one"
Insert "**four** [ONE]"

Page 4, line 24:
Delete "one"
Insert "**four** [ONE]"

REPRESENTATIVE MILLETT objected for discussion.

[10:10:46 AM](#)

REPRESENTATIVE KREISS-TOMKINS said Amendment 1 effectively eliminates the tax differential for developing fisheries, which, according to the testimony provided by fishermen/processors, represents a burdensome requirement; revenue will remain positive.

10:11:33 AM

REPRESENTATIVE MILLETT removed her objection, and without further objection Amendment 1 was adopted.

10:11:47 AM

REPRESENTATIVE KREISS-TOMKINS moved to adopt Amendment 2, labeled 29-HG2921\W.2, Nauman, 4/5/16, which read:

Page 1, line 1, following "**Act**":

Insert "**relating to the annual base fee for the issuance or renewal of an entry permit or an interim-use permit;**"

Page 1, following line 6:

Insert a new bill section to read:

"* **Section 1.** AS 16.43.160(c) is amended to read:

(c) The annual base fee for issuance or renewal of an entry permit or an interim-use permit may not be less than \$30 [OR MORE THAN \$3,000]. The annual base fee must reasonably reflect the different rates of economic return for different fisheries. In addition to the annual base fee established by the commission under this subsection, a nonresident shall pay an annual nonresident surcharge for the issuance or renewal of one or more entry permits or interim-use permits. The commission shall establish the annual nonresident surcharge by regulation at an amount that is as close as is practicable to the maximum allowed by law."

Page 1, line 7:

Delete "**Section 1**"

Insert "**Sec. 2**"

Renumber the following bill sections accordingly.

Page 7, line 8:

Delete "Section 14"

Insert "Section 15"

Page 7, line 9:

Delete "sec. 15"

Insert "sec. 16"

REPRESENTATIVE MILLETT objected for discussion.

[10:12:01 AM](#)

REPRESENTATIVE KREISS-TOMKINS explained that Amendment 2 is being offered to flag an issue raised by fishermen to committee members regarding Commercial Fisheries Entry Commission (CFEC) fees. The fees are capped and there is not a means for paying a proportional burden into the system to cover the administration of commercial fishing in Alaska. Alaska based fishermen are paying a pretty penny for running the state agency, and a more equitable approach should be considered.

REPRESENTATIVE MILLETT removed her objection.

REPRESENTATIVE KREISS-TOMKINS moved to withdraw Amendment 2, and without objection Amendment 2 was withdrawn.

[10:13:08 AM](#)

CHAIR STUTES paraphrased from a prepared statement, which read as follows:

In addition to the changes we've made to HB251 I'd like to get the Department of Revenue and the Department of Fish and Game on record to about their intent to close the "problem or undervalued species" and "catch share/bonus" loopholes, which could bring in extra revenue.

It has been brought to this committee's attention that there are selected species with potential differences in valuation including:

Atka mackerel
Greenland turbot
Yellowfin sole
Rock sole
Rex sole
Flathead sole
Alaska plaice
Pacific Ocean perch
Skates
Arrowtooth flounder
and, Yellowfin sole

Additionally, we have existing language in AS 43.75.290(7)(C) stating the department should collect taxes on:

"The actual price paid for the fishery resource by the fisheries business to the fisherman, including indirect consideration and bonus amounts paid for fuel, supplies, gear, ice, handling, tender fees, or delivery, whether paid at the time of purchase of the fishery resource or tendered as a deferred or delayed payment."

I interpret this to mean that all fish that cross a company's dock are to be taxed, regardless of how the company decides to issue payouts or dividends. The departments have assured me that they are working on this administratively but, in keeping with suggestions made by testifiers in this committee, I'd like to go on the record as supporting this idea and hear from both departments.

[10:15:02 AM](#)

JERRY BURNETT, Deputy Commissioner, Department of Revenue (DOR), Juneau, Alaska, said auditing staff have been increased and the concern is a priority for DOR in the coming year.

[10:15:55 AM](#)

CHAIR STUTES stated that the discrepancy in pricing came to the attention of the committee and raised concern that every pound of fish was not being appropriately taxed, or the tax collected.

MR. BURNETT confirmed that the situation is a priority at the department. The average statewide pricing for fish, is also under discussion with ADF&G to consider the methods for establishing the average rate. He deferred to ADF&G for further comment.

[10:17:37 AM](#)

REPRESENTATIVE JOHNSON conjectured that an aggregate number could be reported without disclosing confidential tax information, and he stressed the importance for the committee to receive statistics for review.

MR. BURNETT agreed that an aggregate audit could provide useable information for the committee.

REPRESENTATIVE JOHNSON asked about the requirements for aggregated reporting.

MR. BURNETT answered that tax payer information may be aggregated using a minimum of three filers, unless one is exponentially larger than the others, which then requires a higher minimum. To a follow-up question from the chair, he said any response, at this time, would be speculative.

[10:20:24 AM](#)

KEVIN BROOKS, Deputy Commissioner, Alaska Department of Fish & Game (ADF&G), assured the committee that the statewide average price (SWAP) is under discussion. The methodology for computing a value is currently being vetted by the National Marine Fisheries Service (NMFS). The department expects that the results will be communicated to taxpayers, and implemented.

[10:21:42 AM](#)

REPRESENTATIVE MILLETT moved to report the proposed CS for HB 251, Version 29-GH2921\W, as amended, from committee with individual recommendations and the accompanying fiscal notes. Without objection CSHB 251 (FSH) was reported from the House Special Committee on Fisheries.

CHAIR STUTES thanked the participants and announced the next meeting.

[10:22:35 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 10:22 a.m.