

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

February 8, 2016

3:30 p.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator Mia Costello, Vice Chair
Senator John Coghill
Senator Peter Micciche
Senator Bert Stedman
Senator Bill Stoltze
Senator Bill Wielechowski

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 135

"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: SB 135

SHORT TITLE: ELECTRONIC TAX RETURNS & FISHERIES TAXES

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/19/16	(S)	READ THE FIRST TIME - REFERRALS
01/19/16	(S)	RES, FIN
02/08/16	(S)	RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

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

POSITION STATEMENT: Commented on SB 135.

FORREST BOWERS, Deputy Director
Division of Commercial Fisheries
Alaska Department of Fish and Game (ADF&G)
Juneau, Alaska

POSITION STATEMENT: Commented on SB 135.

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

POSITION STATEMENT: Commented on SB 135.

ACTION NARRATIVE

[3:30:22 PM](#)

CHAIR CATHY GIESSEL called the Senate Resources Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Costello, Coghill, and Chair Giessel.

SB 135-ELECTRONIC TAX RETURNS & FISHERIES TAXES

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CHAIR GIESSEL announced consideration of SB 135, one of the administration's revenue enhancement proposals. It proposes to raise taxes on commercial fishing in the form of an increase to the fish business tax and the fish landing tax. The testimony is invited only.

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KEVIN BROOKS, Deputy Commissioner, Alaska Department of Fish and Game (ADF&G), Juneau, Alaska, said SB 135 affects two types of taxes. He addressed the fisheries business tax by first saying it is paid by people or a business who processes in or exports fish from Alaska, and it's charged on the price of the raw resource or fair market value.

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SENATOR MICCICHE joined the committee.

CHAIR GIESSEL noted that former Representative Bill Thomas was in the audience.

MR. BROOKS said the fisheries business tax was first started in 1913 as the salmon pack tax and it expanded to include other fish by 1949. A fish business license was first required in 1951, and municipal sharing of this revenue began in 1962. It increased over time from 10 to 50 percent.

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SENATOR WIELECHOWSKI joined the committee.

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MR. BROOKS said the current tax structure was put in place in 2004. Under that regime, shore-based facilities pay 1 percent for developing species and 3 percent for established species. The floating facilities or "floaters" pay 3 percent for developing fisheries and 5 percent for established fisheries. Salmon canneries pay 4.5 percent.

CHAIR GIESSEL asked the difference between developing species and established species.

MR. BROOKS explained that by statute, the Alaska Department of Fish and Game (ADF&G) commissioner submits to the commissioner of the Department of Revenue (DOR) a letter every January that identifies fisheries whose criteria is set out in AS 16.05.050(a)(10). Typically, new species are fisheries that don't have a long history, like sea urchins, and these are given a "kick-start" to get them established. Once they meet certain criteria, they are moved to the established listing and pay a higher rate.

CHAIR GIESSEL said the new species list is actually four-pages and includes sea cucumbers, octopus, snails, and lamprey.

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SENATOR STOLTZE joined the committee.

MR. BROOKS explained that direct marketing license holders pay a shore-based rate; these are the smaller "mom and pop operations" that sell fish.

The second type of tax addressed by the bill would be the fish landing tax that is levied on the unprocessed value of a fishery resource first landed in Alaska, but that is processed "Outside." That value is calculated using a statewide average price that the ADF&G compiles from fish tickets and its e-landings database and submits to the DOR. It's mainly assessed on factory trawlers and floating processors. Like the business tax, it's shared 50 percent with local governments.

CHAIR GIESSEL asked if the factory trawlers and floating processors that pay the tax are limited to the ones in state waters.

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FORREST BOWERS, Deputy Director, Division of Commercial Fisheries, Alaska Department of Fish and Game (ADF&G), Juneau, Alaska, answered that the fisheries landing tax is assessed on vessels that catch fish and process them in federal waters and if they enter state waters to do business like offloading or taking on fuel. If the vessel never enters state waters it would not be assessed the tax: for instance, if they came up from the Lower 48 and fished in federal waters and then went back.

CHAIR GIESSEL asked what percent of these factory trawlers and floating processors come into state waters.

MR. BOWERS answered that almost all of them enter state waters for a number of reasons: they will fly crew into Dutch Harbor or other ports, do offloads for multiple trips, or take on fuel and groceries and do repairs. He added that these aren't just factory trawlers, but include about 25 vessels in the "ground fish non-pollock trawl fishery," also known as the "Amendment 80 Fleet." It also includes about 40 catcher processors (freezer long liners) that fish primarily for Pacific cod and a handful of boats that fish for crab and scallops. Those vessel types pay this tax.

SENATOR MICCICHE asked how an unprocessed value is determined when a factory trawler delivers a finished product to market.

MR. BOWERS answered that the value of the same species that is landed at shore-based plants is used and then estimated back. The weight of the product that is sold on the commercial operators' annual report is the figure that is used.

SENATOR WIELECHOWSKI asked if bycatch is assessed a tax.

MR. BOWERS answered yes, if the bycatch can be legally retained and sold.

SENATOR WIELECHOWSKI asked if, for example, 1,000 pounds of King Salmon is caught illegally and not allowed to be kept, would that be taxed.

MR. BOWERS answered no.

CHAIR GIESSEL said she had visited Dutch Harbor and saw bins of bycatch and was told they are donated to food banks. She guessed they weren't being taxed, because they weren't being sold.

MR. BOWERS responded that certain salmon species are donated and wouldn't be taxed, because no ex-vessel price is associated with them.

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SENATOR MICCICHE said bycatch is a sore subject for everyone, especially for the in-river species that are intercepted out in the ocean and asked if there were discussions about a potential bycatch tax as a deterrent.

MR. BOWERS answered not that he was aware of. High bycatch rates usually happen in federally managed fisheries and those programs would come about through the North Pacific Fishery Management Council process, and a number of steps have been taken to reduce the bycatch rates.

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SENATOR STOLTZE asked, since Alaska has a majority of members on the North Pacific Fisheries Management Council (NPFMC), if there is a lack of resolve on this issue.

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MR. BROOKS said he wouldn't characterize it that way and added that the Council's focus has been on trying to reduce the bycatch.

SENATOR WIELECHOWSKI asked what the state is legally allowed to tax and if the state can tax fish caught outside of state waters when it's brought inside to sell.

MR. BROOKS answered that the landing tax was effected in 1994 at 3.3 percent. Now it is 1 percent on developing fisheries and 3 percent on established fisheries. Pollock was specifically addressed under the 1999 American Fisheries Act, so even if the Pollock catch is brought to Seattle to sell, the vessel still has to pay an Alaska tax.

SENATOR WIELECHOWSKI asked if Alaska get anything if a Canadian vessel fishes in Alaskan waters and takes its catch back to Canada.

MR. BOWERS answered that foreign vessels aren't allowed to fish in Alaskan waters; only U.S. flagged vessels can fish in the waters of Alaska, which includes the Exclusive Economic Zone (EEZ)-waters from 3 to 200 miles offshore. If fish are caught in state waters, defined as zero to 3 miles offshore, the tax is

assessed regardless of where the fish are landed. If fish are caught 3 to 200 miles offshore and the vessel never enters Alaska waters, no tax is assessed, but if that vessel transits waters of Alaska-it doesn't even have to come ashore-it is liable for the tax.

SENATOR WIELECHOWSKI asked if that last scenario occurs very much.

MR. BOWERS answered that vessels based in the U.S. Lower 48 would rarely fish in the Alaska EEZ and then transit back to the Lower 48, but it's also possible that a handful of boats take their last trip back with them to sell. In the halibut derby fishery of the past some boats would come up from Seattle and fish in the Gulf of Alaska, then go back to Bellingham and offload there to get a higher price. But the derby opening was a one-shot deal.

SENATOR STOLTZE asked if any other extractive or renewable resource taxes are shared with the communities like this fish tax is. Maybe it's a vestige of an old policy that needs to be changed.

MR. BROOKS responded that revenue sharing started in 1962 at 10 percent and grew to 50 percent over time. The on-line Revenue Sources Book has a chronology of how sharing of taxes occurred. He didn't know of any other taxes that are shared, but DOR might know more.

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SENATOR STOLTZE said the Governor had started this discussion on taxes and maybe this money should go into the General Fund (GF) and then a new policy debate could happen on how to distribute all revenue sharing funds.

SENATOR MICCICHE said he was very interested in the history of revenue sharing and if coastal communities are providing some sort of service for which the revenue sharing compensates. He asked if the department can quantify the landings of fish that did not enter state waters.

MR. BOWERS said he would look into it.

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SENATOR COSTELLO said she wanted to hear from the administration about the policy discussion surrounding this tax proposal. Is

this part of a fairness approach, and if so, what policy is that? She also wanted to know if there wasn't a policy.

MR. BROOKS said that the DOR was involved in development of all eight initiatives and fairness was a consideration. Some people say that increasing this existing tax by 1 percent is actually a 33 percent increase if one is already paying 3 percent. If one is already paying 5 percent, it's a 20 percent increase.

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JERRY BURNETT, Deputy Commissioner, Department of Revenue (DOR), Anchorage, Alaska, added that there were discussions within the administration about each proposal. This tax goes to the General Fund, as does the commercial passenger vessel tax increase rather than being shared with local communities.

There was a lot of discussion about being fair with all industries and the administration tried to create a balance of fairness and impact. The exact amounts could be argued more or less, as some of these industries require more GF fund support than others. He offered to bring the DOR commissioner back to address the issue more fully. He noted that each of the shared taxes is in the budget bill every year and the legislature has the ability to discuss them along with the rest of the budget.

SENATOR COSTELLO asked if there was any discussion about how this tax would affect the state's competitiveness outside of the state.

MR. BURNETT answered that this tax will actually impact the industry within Alaska rather than the price of the fish and its competitiveness in the marketplace. He explained that it's more a matter of ensuring that the state budget has sufficient revenues to manage the fisheries properly (creating the ability to catch these fish and maintaining the species) rather than being a matter of competitiveness in the marketplace.

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SENATOR STEDMAN joined the committee.

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CHAIR GIESSEL said the committee reviewed an Institute of Social and Economic Research (ISER) study last week that demonstrated that the commercial fishery industry brings in more revenue to the state than it costs to regulate it, and asked if the DOR did any fiscal modeling on that topic.

MR. BURNETT answered yes. They looked at those issues, but it is a matter of how much revenue the state has coming to it right now. If there is insufficient revenue, cuts will need to be made in every area. There should be a benefit to all industries from a tax on any industry, ultimately.

CHAIR GIESSEL said the committee wanted to see that modeling like it does for oil and gas taxes, because it is a policy change and they are very interested in how it affects Alaska families, businesses and jobs. They also want to see the modeling because fish is a resource that taxation could diminish the extraction of and this committee is interested in the state's resources bringing maximum benefit to its people.

SENATOR MICCICHE asked Mr. Burnett to clarify what he meant by "commodity cost." He said, "You have to admit that a unit cost either makes a fishery viable or not, and when you're adding to any cost per unit instate you potentially jeopardize marginal fisheries. Right?"

MR. BURNETT said that was right and that's why developing fisheries have a lower tax rate. Commercial fishermen will have an additional cost as a result of this tax, and in a low-price environment that might have an effect on their ability to commercially produce the fish, he surmised.

SENATOR STOLTZE asked for DOR and DOL advice on constitutional issues related to taxing residents versus non-residents.

SENATOR WIELECHOWSKI said he saw a statistic indicating that 81 percent of the permit holders in Bristol Bay are non-residents. He asked if there is a way to tweak the tax structure to get more of those permits into the hands of Alaskan residents.

MR. BURNETT said that is part of the response to Senator Stoltze's question about the limitations on differential tax rates for out-of-state versus in-state taxpayers.

CHAIR GIESSEL asked Mr. Brooks if he knew for sure that 81 percent was correct.

MR. BROOKS said he would get that number for her.

SENATOR STEDMAN said the 80 percent figure also includes Alaskans who live in Alaska but outside of the Bristol Bay.

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MR. BROOKS said he would do his best to bring the best information back to the committee.

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MR. BROOKS went to slide 8 on tax distribution and said the state bears the offset of any credits that might occur. To be clear, he said, the local governments get a full 50 percent of a calculated tax and the state gets typically a little bit less, because the credits come off of its share.

SENATOR STOLTZE asked if the communities he talks about are incorporated. He also asked Mr. Brooks his definition of "community."

MR. BROOKS answered that it varies in different circumstances. He said that 50 percent goes to communities and boroughs where the processing and/or the fishery resource landing took place. If an incorporated city is within an organized borough, the 50 percent sharable amount of tax is divided equally between the city and the organized borough. If the processing or landing takes place outside of an incorporated city or organized borough, 50 percent of the tax is disbursed to communities through an allocation program under the Department of Commerce, Community and Economic Development (DCCED).

SENATOR STOLTZE asked if Mr. Brooks could get him the detail in his notes.

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MR. BROOKS said he would. He went to slide 9 that showed how much is brought in by the fisheries business tax and how it's shared. He noted that a 1 percent increase would bring in an additional \$18 million.

He explained that the Office of Management and Budget (OMB) looks at the ADF&G budget as well the programs related to it like enforcement, the Department of Law, and the courts and comes up with an estimate of those costs. Those costs are used in updating the Carlson case differential (a rate that is charged non-residents on licenses) every three years. The total cost of government caused by ADF&G is more than the current tax can cover, so the broader question of if there should be an additional contribution to the General Fund is a policy call.

SENATOR COGHILL asked for more background on the "Carlson differential."

MR. BROOKS explained that for years the State of Alaska charged non-residents a 3:1 ratio of what it charged residents for commercial crew member licenses, limited entry permits and those kind of things. The Supreme Court took a long time to settle the Carlson case, but in the end ruled that the state could charge a premium to non-residents, but it had to be based on something other than just an arbitrary number. So, the state developed a basis of state costs that are not shared by non-residents. All state agencies that have related costs were factored in, and then, through OMB, a differential was calculated. Now non-residents are charged about \$265 in addition to what a resident is charged. For instance, a resident crew member license is \$60, but a non-resident must pay a \$265 differential based on the Carlson case.

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SENATOR MICCICHE asked if there is a reason the Carlson case rate might not be considered for landing taxes, as well.

MR. BROOKS said he didn't have an answer to that, and he would want to consult with the Department of Law.

MR. BURNETT added that taxes are different than fees. Fees have a cost directly associated with them and taxes don't. So, there is much less ability to charge a differential to taxpayers.

SENATOR MICCICHE asked if one could get creative with sort of a grandfather tax that locked in property taxes like what happened in California and Florida.

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SENATOR WIELECHOWSKI noted that they weren't talking about new taxes on fish but about fees on fish.

SENATOR COSTELLO asked if credits could be tied to Alaska residents, because that is done in other programs and non-Alaskans are not eligible for those.

MR. BURNETT answered that he would have to get specific legal advice on that.

CHAIR GIESSEL said Mr. Brooks had mentioned that OMB had done an estimate of what the State of Alaska's regulatory costs were for administering this tax.

MR. BROOKS responded that OMB estimates the management costs that include some regulatory costs for the Board of Fisheries,

but it's kind of an all-in-state operating budget estimate of costs related to commercial fishing.

CHAIR GIESSEL said she wanted to see that information if it's public.

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MR. BROOKS noted that in response to questions about residency, in 2014 the Bristol Bay drift gillnet fishery had 18.7 percent local participants, 25.8 percent non-local but still Alaska participants, and 55.5 percent non-resident participants. For the set gillnet fishery, 34.5 percent were local participants, 29.9 percent were non-local but Alaskan participants, and 35.6 percent were non-resident participants.

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MR. BROOKS explained that the fisheries landing tax is not as large, but similar to the business tax, it is shared, and the amount of tax collected has varied from \$8.4 million to \$13.4 million over the last three years.

CHAIR GIESSEL asked if the wide variation is based on the value of the fish in those years.

MR. BROOKS answered that both price and volume were factors, but some credits also factor in that aren't as neat as the fisheries business tax. He didn't know if that variant was a factor of timing.

CHAIR GIESSEL observed that obviously the value varies a great deal just like some other natural resources.

SENATOR MICCICHE asked for more details about credits.

MR. BURNETT responded that he would get whatever level of detail he could without identifying specific taxpayers.

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MR. BROOKS summarized slide 11. The 1 percent increase starting with the business tax on established floating fisheries goes from 5 to 6 percent; the salmon cannery tax goes from 4.5 to 5.5 percent; and the shore-based tax goes from 3 to 4 percent. On the developing fisheries: the floating tax goes from 3 to 4 percent and the shore-based tax was left at 1 percent. The tax would generate about \$50 million, about \$200,000 of which is related to developing fisheries. Some consideration is given to

the developing nature of a fishery, but once they get established they would move into the established category.

MR. BROOKS said the resource landing tax for established fisheries is proposed to go from 3 to 4 percent and stays at 1 percent in the developing stage.

SENATOR WIELECHOWSKI said it seems that there are fisheries that are largely non-resident that have non-resident workers, and that is not benefiting Alaska very much. He asked if there is a way to target those fisheries more.

MR. BROOKS clarified that boats coming from "down south" are paying a tax; it's more the exception than the rule that they aren't. The Pollock fishery, which is very big, even if it's landed in another state, is going to be taxed in Alaska. However, having said that, a lot of non-residents are hired on the floating processors. He said he didn't know of a means to be so surgical for taxation purposes in the manner suggested.

SENATOR WIELECHOWSKI said he had seen non-resident reports over the years where some processing plants have 100 percent non-residents and he wondered if more data was available on it. "There are probably entire areas where, yeah, they're paying a small tax right now, but there's no benefit to Alaska. They're taking our fish. They're from out of state. They're not hiring Alaska workers. All the fish, or most of it, is leaving the state, and I'm just wondering if there is a way you can be a little more surgical in getting a fair tax for Alaskans."

MR. BROOKS said he could see his point and that it was part of the policy discussion. Another initiative has a different type of tax that would get at some of those employees.

SENATOR MICCICHE asked for clarification that, if Pollock is caught in federal waters, whether or not it crosses state waters, is taxed upon landing in the Lower 48.

MR. BROOKS answered yes.

SENATOR MICCICHE asked, instead of areas, if there is any reason a different tax rate couldn't be charged for different species.

MR. BURNETT answered yes, it is possible to tax different species at different rates. The department could probably design a surgical, but complicated tax that would be expensive to administer.

SENATOR MICCICHE said he wasn't sure about complexity on an electronic tax form that has the same rate for every species but Pollock.

SENATOR STEDMAN cautioned that the Carlson case took decades of litigation and Alaska had to write checks amounting to tens of millions of dollars. It left a bad taste in Alaskans' mouth that Alaska doesn't want to repeat. He said that this is American where people can come and go and work where they want and he urged them to respect the Interstate Commerce law.

MR. BROOKS continued with the presentation noting that the Carlson case was tied to the Interstate Commerce Act.

SENATOR MICCICHE clarified that the Carlson case was based on a differential, but his suggestion was related to species and every participant having the same rate.

MR. BROOKS noted that the proposed 1 percent increase is not to be shared with communities.

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SENATOR STOLTZE asked if the increased tax would go straight into the General Fund and if it is subject to credits.

MR. BROOKS answered yes, the additional 1 percent goes to the General Fund.

MR. BURNETT said that the credits would still come out of the other part of the state's share and their analysis assumed the 1 percent increase was to be a full 1 percent additional tax.

SENATOR STOLTZE said he thought that could be clarified in this vehicle.

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SENATOR MICCICHE asked if there a potential to segregate the 1 percent as going directly to the General Fund and not including those other credit accounts on the way to GF.

MR. BURNETT answered nothing prevents that.

[4:30:25 PM](#)

MR. BROOKS said slide 14 provided some context of other tax rates in different jurisdictions. The only other state with a tax specific to fish is in Washington and it ranges from .09 percent to 5.62 percent of the value at point of landing. He was

sure the rate factored into someone's decision to land their fish on their last run at either Dutch Harbor or Seattle.

SENATOR MICCICHE said the second bullet on the slide is what he was talking about: the rate in Washington does depend on species.

MR. BROOKS said the fiscal note shows \$18 million of additional tax revenue would be derived from a 1 percent increase based on the Fall 2015 Revenue Forecast Book.

CHAIR GIESSEL asked how close the revenue forecasts come in fisheries each year.

MR. BURNETT responded that he would have to look at that, because fish runs and prices vary every year. It's probably closer than with oil in the last couple of years.

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MR. BROOKS noted that an earlier slide indicated more stability in the business tax than in the landing tax for a three-year timeframe.

SENATOR STOLTZE asked how the department tracks price adjustments for fish.

MR. BOWERS explained that the tax is assessed on the volume of fish reported on the commercial operator's annual report that is filed annually and that takes the post season adjustments into account.

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MR. BROOKS said the additional tax would require the DOR to update its tax revenue management system. It estimates a one-time implementation cost of \$100,000 to recreate tax forms and reprogram and test the tax system. They do not anticipate any additional costs to administer the program. In fact, going with the requirement to do on-line returns will create efficiencies.

MR. BURNETT added that this will be a new cost that will show on the fiscal note as a one-time cost, but there would be no additional cost to administer the program. He explained that this tax is more expensive to administer, because the revenue sharing component requires splitting the tax out in different ways.

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CHAIR GIESSEL asked if these taxpayers are filing electronically now and if it would be an additional barrier for them.

MR. BURNETT answered that a number of taxpayers file online right now, and the department doesn't see electronic filing as a barrier, as there is the ability to get a waiver from the requirement if from some reason one can't file online.

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SENATOR STOLTZE asked if there is any reason that a region that has a higher economic value or higher economic opportunity cost couldn't have a different assessment fee. Maybe a Chinook species has greater economic value in an urbanized area that is not reflected in poundage.

MR. BURNETT answered that in doing that they could make this a very complicated tax.

SENATOR STOLTZE said sometimes worthwhile things are worth spending a little more time on.

[4:38:16 PM](#)

MR. BROOKS said slide 17 related how this bill fits into the governor's broader initiative. The FY16 budget is \$5.2 billion; the FY17 baseline revenue after the proposed Permanent Fund Protection Act will be \$3.3 billion, revenue from existing taxes and fees will generate \$850 million, and earnings on savings will bring in \$135 million for a total of just under \$4.3 billion.

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On the spending reduction side for FY17 he said there are continued cuts of \$140 million for all state agencies in addition to what occurred in the FY16 budget and reform in oil and gas tax credits will bring in \$400 million. A reduction of net priority investments would be \$40 million. That scenario would be net reductions of \$500 million.

From the initiatives that are being discussed fishing is listed second and it would generate an estimated \$18 million annually. All of the initiatives together would generate potential new revenue of \$457 million. So, total with reductions in new revenue would bring the budget to just over the \$5.2 billion. He add that these are aggregated numbers from a number of sources.

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MR. BROOKS said the main impact of these taxes is on commercial fishing operations without much of a tax burden likely to be passed on to buyers. He offered to walk through a sectional analysis.

[4:40:51 PM](#)

SENATOR MICCICHE said he disagreed with slide 19. He said, "Respectfully, that's a shallow statement. It affects folks all the way up and down the supply chain and could result in some of our resources not being harvested...." He said it's important to truly evaluate the effects across the board and that slide simplifies a more complex issue.

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MR. BROOKS provided the following sectional analysis:

Sec. 1. Adds a \$25 or 1 percent tax penalty for failure to file electronically unless an exemption is received by the taxpayer

Sec. 2. Requires electronic submission of tax returns, license applications, and other documents submitted to the Department of Revenue.

Sec. 3. Increases three different tax rates within the Fisheries Business Tax by one percent.

Sec. 4. Increases tax rate within the Fisheries Business Tax for developing fish species processed by a floating processor from 3 to 4 percent. Rate remains at 1 percent for developing fish species processed by a shore-based business.

Sec. 5. Increases tax rate within the Fisheries Business Tax for direct marketers from 3 to 4 percent. Rate remains at 1 percent for developing fish species sold by direct marketers.

Sec. 6. Conforming language related to the requirement to submit returns or reports electronically. This section deletes the requirement for taxpayers to submit their returns to the department in Juneau.

Sec. 7. Establishes that the revenue from the one percent tax increase is deposited in the General Fund. The remaining revenue shall be shared with municipalities per the currently existing formula.

Sec. 8. Increases tax rate within the Fisheries Landing Tax for fish species other than developing fish species from 3 to 4 percent. Rate remains at 1 percent for developing fish species.

Sec. 9. Establishes that the revenue from the one percent tax increase is deposited in the General Fund. The remaining revenue shall be shared with municipalities per the currently existing formula.

Sec.10. Establishes that the revenue from the one percent tax increase is deposited in the General Fund. The remaining revenue shall be shared with boroughs per the currently existing formula.

Sec. 11. Transitional language allowing for regulations.

Sec. 12. Section 11 takes effect immediately.

Sec. 13. Effective date of 7/1/16 for the rest of the bill including the tax rate change.

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SENATOR STOLTZE said he noticed the OMB section talks about how the budget gap is filled that included the reform of petroleum oil and gas credits, and asked if the departments analyzed tax credits for the fishing industry, because the amount going to the General Fund from the fishing industry has been steadily declining irrespective of price.

MR. BURNETT answered that the department had looked at tax credits for fish on a regular basis. Last year an indirect expenditure report was done and staff is following up on each of the items.

SENATOR STOLTZE asked if the DOR is happy that the fishing proportion is functioning best for the people of Alaska.

MR. BURNETT said he couldn't answer that.

SENATOR STOLTZE said that should be part of the discussion on credits.

SENATOR STEDMAN commented that in the budget situation the state is in now, anybody who gets a credit from the State of Alaska shouldn't make long term plans for receiving them. They are removing credits and letting the free markets flow on all industries.

CHAIR GIESSEL said Milton Freedman would agree with him.

MR. BROOKS said the department will quantify the credits, list them out by types and amounts generated, and provide that to the committee.

CHAIR GIESSEL asked what input ADF&G had in the writing of this bill.

MR. BROOKS answered that Commissioner Cotten was actively involved with a subgroup of the Cabinet consisting of the DOR Commissioner and the affected department. He was not part of those meetings.

CHAIR GIESSEL, finding no further questions, held SB 135 in committee in anticipation of getting the answers to their questions.

4:49:34 PM

CHAIR GIESSEL adjourned the Senate Resources Standing Committee meeting at 4:49 p.m.