

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

April 24, 2019
1:02 p.m.

MEMBERS PRESENT

Representative John Lincoln, Co-Chair
Representative Geran Tarr, Co-Chair
Representative Grier Hopkins, Vice Chair
Representative Sara Hannan
Representative Ivy Spohnholz
Representative Chris Tuck
Representative Dave Talerico
Representative George Rauscher
Representative Sara Rasmussen

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE RESOLUTION NO. 8

Recognizing 2019 as the International Year of the Salmon and supporting an associated global initiative identifying the importance of wild salmon.

- HEARD & HELD

PRESENTATION(S): FISHERIES TAXES IN ALASKA, DEPARTMENT OF REVENUE

- HEARD

PREVIOUS COMMITTEE ACTION

BILL: HR 8

SHORT TITLE: 2019: INT'L YEAR OF THE SALMON

SPONSOR(S): REPRESENTATIVE(S) TARR

04/10/19	(H)	READ THE FIRST TIME - REFERRALS
04/10/19	(H)	FSH, RES
04/16/19	(H)	FSH AT 10:00 AM GRUENBERG 120
04/16/19	(H)	-- MEETING CANCELED --
04/23/19	(H)	FSH AT 10:00 AM GRUENBERG 120
04/23/19	(H)	Moved HR 8 Out of Committee
04/23/19	(H)	MINUTE(FSH)
04/24/19	(H)	RES AT 1:00 PM BARNES 124

WITNESS REGISTER

THATCHER BROUWER, Staff

Representative Geran Tarr
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Tarr, sponsor, introduced HR 8 and answered questions.

MARK SAUNDERS, Director
International Year of the Salmon Pacific Region
North Pacific Anadromous Fish Commission
Vancouver, British Columbia
Canada

POSITION STATEMENT: Testified in support during the hearing of HR 8.

ROBERT D. MECUM, Deputy Regional Administrator
Alaska Region
National Oceanic and Atmospheric Administration
Juneau, Alaska

POSITION STATEMENT: Testified in support during the hearing of HR 8.

TYSON FICK, Commercial Gillnetter; Owner
Taku River Reds
Juneau, Alaska

POSITION STATEMENT: Testified in support during the hearing of HR 8.

JILL WEITZ, Campaign Director
Salmon Beyond Borders
Juneau, Alaska

POSITION STATEMENT: Testified in support during the hearing of HR 8.

BRUCE TANGEMAN, Commissioner
Department of Revenue
Juneau, Alaska

POSITION STATEMENT: Introduced a PowerPoint presentation entitled, "Fish Tax Overview," dated 4/24/19, and answered questions.

ELIZABETH NUDELMAN, Revenue Audit Supervisor
Fish Group
Tax Division
Department of Revenue
Juneau, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation entitled, "Fish Tax Overview," dated 4/24/19, and answered questions.

FORREST BOWERS, Division Operations Manager
Division of Commercial Fisheries
Alaska Department of Fish & Game
Juneau, Alaska

POSITION STATEMENT: Answered questions during the presentation by the Tax Division, Department of Revenue.

BRANDON SPANOS, Deputy Director
Tax Division

Department of Revenue
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the presentation by the Tax Division, Department of Revenue.

ACTION NARRATIVE

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CO-CHAIR JOHN LINCOLN called the House Resources Standing Committee meeting to order at 1:02 p.m. Representatives Tuck, Hannan, Hopkins, Tarr, and Lincoln were present at the call to order. Representatives Rasmussen, Talerico, Rauscher, and Spohnholz arrived as the meeting was in progress.

HR 8-2019: INT'L YEAR OF THE SALMON

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CO-CHAIR LINCOLN announced the first order of business would be HOUSE RESOLUTION NO. 8, Recognizing 2019 as the International Year of the Salmon and supporting an associated global initiative identifying the importance of wild salmon.

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THATCHER BROUWER, Staff, Representative Geran Tarr, Alaska State Legislature, on behalf of Representative Tarr, introduced HR 8. Mr. Brouwer said HR 8 recognizes 2019 as the International Year of the Salmon and supports an associated global initiative identifying the importance of wild salmon. Further, the resolution identifies significant cultural and economic impacts salmon have on the West Coast and describes that some salmon runs are thriving, and some are not, and require costly recovery and rehabilitation efforts. The International Year of the Salmon is a project launched by the North Pacific Anadromous Fish Commission and the North Atlantic Salmon Conservation Organization. Mr. Brouwer said early in 2019, he became aware of the International Year of the Salmon and of the continuing salmon research and outreach resulting from the global initiative. For example, 21 international scientists conducted a five-week scientific expedition in the Gulf of Alaska, and are now analyzing the data that was collected. The scientists are using DNA to identify stock-specific rearing of all five species of salmon to determine their abundance and condition. Other projects include dam removal in Maine and river cleanup projects in Northern Ireland. The overall theme of the initiative is: Salmon and people in a changing world. Supporting HR 8 is a way for the state to recognize the importance of salmon to our state, and around the world, and encourage greater research of salmon and factors that impact their survival. Recognizing that salmon are a shared resource along the West Coast, HR 8 was introduced in conjunction with measures in Washington and Oregon. The health of salmon populations across the Northern

Hemisphere varies but even the strongest salmon populations are facing threats from both humans and the changing environment; scientists still have a lot to learn about salmon lifecycles in order preserve critical subsistence, sport, and commercial fisheries. By passing HR 8, the legislature acknowledges 2019 is the International Year of the Salmon and directs attention to research and events of the global International Year of the Salmon (IYS) initiative.

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REPRESENTATIVE HANNAN asked whether Washington and Oregon have allocated additional revenue for wild salmon research.

MR. BROUWER clarified Washington and Oregon have not yet passed their related resolutions. He expressed his understanding neither of said resolutions have accompanying fiscal notes or allocated funds. In response to Representative Tuck, he said the "salmosphere" encompasses the Northern Hemisphere, from Atlantic salmon runs on the East Coast and Pacific salmon runs on the West Coast, to the Bering Sea and in Europe.

CO-CHAIR TARR stated the resolution could be the beginning of collaboration between jurisdictions on ways to share research into salmon in the Pacific Northwest.

REPRESENTATIVE HOPKINS questioned whether HR 8 should address the perils of farmed salmon to wild salmon.

MR. BROUWER deferred to the sponsor.

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An audio recording of a portion of the 4/23/19 House Special Committee on Fisheries meeting was played from 1:11 p.m. to 1:18 p.m.

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MARK SAUNDERS, Director, International Year of the Salmon, Pacific Region, North Pacific Anadromous Fish Commission, informed the committee the commission was formed 26 years ago, and its members are Canada, the U.S., Japan, South Korea, and Russia. The commission was formed to coordinate enforcement and science in shutting down the high sea driftnet fishery. Currently, the commission works on salmon conservation in partnership with the North Atlantic Salmon Conservation Organization. He said 2019 is the focal year of the International Year of the Salmon, which is a five-year initiative that seeks to address threats to salmon from people and a changing environment, to generate knowledge, and to act. Mr. Saunders praised the legislative action that has been taken in Alaska, Washington, and Oregon, and noted there is a shared interest from British Columbia, Canada, as well. He advised Atlantic [Ocean] countries and other Pacific Rim countries are engaged in the initiative. The decline in

the productivity of salmon in their marine environment began in the early 1990s and has worsened; the situation is not unique and is more dire for the Atlantic salmon. On the West Coast, there are also declines in Chinook stock and low abundance of pink. Mr. Saunders said he was looking forward to working with Alaska to develop the International Year of the Salmon and its call to action, and stated his organization's full support for HR 8.

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REPRESENTATIVE HANNAN asked whether there has been participation in international collaborative research by Russia, Japan, and South Korea.

MR. SAUNDERS said yes; all are parties to the North Pacific Anadromous Fish Commission and thus participate in the commission's internal support of his task to promote the International Year of the Salmon. This year, the initiative is seeking resources to build connections and by 2022, hopes to have a five-country, five-vessel survey of the entire North Pacific so as to understand the changes in the North Pacific and provide information that can be used to predict and improve forecasting. Japan, South Korea, and particularly Russia, have been involved in high seas ecosystems and are interested in the western North Pacific.

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ROBERT D. MECUM, Deputy Regional Administrator, Alaska Region, National Oceanic and Atmospheric Administration (NOAA) informed the committee of his years of experience in fisheries research and management. Mr. Mecum said NOAA supports and participates in the coordination and development of the IYS initiative. In Alaska, salmon are essential to the Alaska way of life and Alaska is integral to the world's production of salmon; the Alaska salmon fishery is the most valuable commercial fishery in the U.S. Sustaining Alaska's wild salmon populations is essential to preserving long-standing cultures. The theme of the IYS initiative is: Salmon and people in a changing world. The life history of salmon exposes them to many environmental and adverse factors that affect health and abundance. The IYS initiative seeks to raise awareness of what is possible to preserve salmon and restore their habitat; envisions an expansion of salmon research on the high seas and in nearshore waters; supports one full year of education, outreach, and public engagement; provides a platform for understanding of the species; promotes conservation, restoration, community support, and ocean literacy; provides NOAA an opportunity to report on the species and habitat focus area programs. Mr. Mecum said salmon affect more people than any other fish species; therefore, it is important to understand the affects of a changing climate on the ocean, salmon freshwater habitat, distribution, and productivity for the benefit of management agencies, the fishing industry, Tribes, recreational users, and the public. Speaking on behalf of NOAA, he urged the committee to support HR 8.

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TYSON FICK said he is a commercial gillnetter and owner of Taku River Reds, which currently sells fish all across the U.S. He spoke in support of HR 8, noting salmon have been central to his life - for all of his life - and noted his experience working on [fishing industry] legislative issues, for the North Pacific Fisheries Management Council, and for other commercial fisheries organizations, and said HR 8 provides an opportunity for fishing interests to work together. During his time at the Alaska Seafood Marketing Institute he shared with others the history of the Alaska State Constitution, which is unique and presents an opportunity to share Alaska's success. There is also an opportunity to learn from the mistakes of others; for example, Idaho is spending \$16 billion to restore comparatively small salmon runs. However, in 1959, Alaska harvested less than 30 million salmon, last year there were approximately 120 million harvested, and the forecast for this year is 200 million. Mr. Fick pointed out [HB 8] is an opportunity to agree on [fisheries issues].

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A short video was shown from 1:33 p.m. to 1:34 p.m.

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JILL WEITZ, Campaign Director, Salmon Beyond Borders, said her campaign has worked for the last five years to unite all sectors of Southeast Alaska - commercial fishing, sportfishing, municipalities, business owners, tour operators, and lawmakers - to defend and sustain the transboundary Taku, Stikine, and Unuk rivers, which are the three largest salmon-producing rivers in Southeast Alaska. The campaign has been involved with IYS to bring together states and regions to focus on the region's salmon. In Southeast Alaska, salmon connects residents to indigenous and non-indigenous communities and lands. She referred to a tour of northwest British Columbia during which Salmon Without Borders learned: each community is different; each community has different traditions; everyone has a salmon story. In 2018, IYS was launched at an event attended by representatives from the Pacific Ocean and Atlantic Ocean basins, leaders from Canada, the U.S., Russia, South Korea, and Japan who demonstrated support for IYS and its goals. Ms. Weitz advised Alaska has what the Pacific Northwest does not and thus must work to sustain its resources for the future; IYS creates an opportunity for collaboration, and she said it is an honor to work for salmon, which are a symbol of resilience, of function, and of Alaska.

REPRESENTATIVE TUCK asked if the [International Year of the Salmon] is an organization.

MS. WEITZ explained it is a global initiative organized in North America by the North Pacific Anadromous Fish Commission and the North

Atlantic Salmon Conservation Organization. In further response to Representative Tuck, she said 2019 is the actual year of the salmon; this year will be spent raising awareness for IYS and generating funding for ongoing and new research. In the future, IYS will report on its progress.

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CO-CHAIR LINCOLN opened public testimony; after ascertaining no members of the public wished to testify, public testimony was closed.

[HR 8 was held over.]

[1:39:56 PM](#)

The committee took an at-ease from 1:39 p.m. to 1:40 p.m.

PRESENTATION(S): FISHERIES TAXES IN ALASKA, DEPARTMENT OF REVENUE

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CO-CHAIR LINCOLN announced the final order of business would be a presentation by the Tax Division, Department of Revenue (DOR).

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BRUCE TANGEMAN, Commissioner, DOR, said the Tax Division presentation on fisheries follows similar presentations on the oil, gas, and mining industries, all of which are important resources for the state.

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ELIZABETH NUDELMAN, Revenue Audit Supervisor, Fish Group, Tax Division, DOR, informed the committee the presentation would be an overview of Alaska's fisheries business taxes, beginning with its history (slide 2). She said the fish tax program began in 1913 and subsequently has been restructured by the legislature. Since 1951, DOR has required a fisheries business license. Currently, the state shares 50 percent of the fisheries business tax and the fisheries landing tax with municipalities; proposed HB 65 would eliminate the sharing component (slide 3). Slide 4 described fisheries business licenses: all fisheries need to be licensed; separate endorsements are issued for shore-based processor, salmon cannery, floating processor, catcher processor, catcher exporter, buyer exporter, and direct marketer. Exceptions to the DOR license are fishers who only sell to processors because the purpose of the DOR license is to identify the business responsible for paying taxes. Licenses to fishers who only sell to processors are issued by the Commercial Fisheries Entry Commission, Office of the Commissioner, Alaska Department of Fish and Game (ADFG). At the time a license is issued, DOR creates an electronic profile in order to monitor tax return filings and collections.

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REPRESENTATIVE TUCK asked for clarification of the phrase "gear in the water."

MS. NUDELMAN explained gear in the water differentiates catcher sellers who have a direct entry permit but who are not DOR taxpayers because the processor is the taxpayer. Ms. Nudelman described fish tax types: the fisheries business tax and the fishery resource landing tax are deposited into the general fund (GF) and shared with municipalities; the remaining types of taxes include four self-assessed taxes and the seafood marketing assessment. The self-assessed taxes, which are voted on by fishers, are: common property fishery, dive fishery management, regional seafood development, salmon enhancement, and seafood marketing. She said 100 percent of the self-imposed taxes are designated to specific organizations (slide 5). Returning to the tax types, she said the fisheries business tax is Alaska's primary tax on fisheries; in fiscal year 2018 (FY 18), the fisheries business tax generated \$46.2 million before revenue sharing, is paid by the first processor or exporter, and is determined by the value of the unprocessed fish. The value of the fish is determined by the price paid to the fishers or, for a direct marketer, fair value price. Most of the fisheries business tax is paid by shore-based processors (slide 6).

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MS. NUDELMAN continued, noting the fisheries business tax rates range from 1 percent to 5 percent; the 1 percent rate for developing species applies to species in specific areas that are identified by ADFG as a developing commercial industry. She pointed out the shore-based facility rate is lower than that of the floating facility rate because shore-based facilities also pay local taxes. In response to Representative Tuck, she clarified developing species taxes apply to an area in which a commercial fishery industry is developing for a certain species. She deferred to ADFG for further clarification.

REPRESENTATIVE HANNAN questioned whether ADFG or DOR would determine if a fishery is developing or is established.

MS. NUDELMAN said ADFG; she related the amount of business tax generated by the developing species tax is very small, and is not significant to the tax program.

REPRESENTATIVE HANNAN asked whether sea cucumbers are an established species.

MS. NUDELMAN advised sea cucumbers are established in a majority of areas.

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FORREST BOWERS, Division Operations Manager, Division of Commercial Fisheries, ADFG, explained the criteria for a developing species includes whether the optimum yield is reached, the harvest potential, the harvestable surplus of a given stock, and the factors that determine utilization. Also, ADFG reviews the history of the commercial harvest; for example, in the last four or five years, fishers have responded to a new market for hagfish, so ADFG considers the hagfish fishery to be developing. The sea cucumber fishery in Western Alaska is developing, but in Southeast Alaska, sea cucumber fisheries are considered [established].

REPRESENTATIVE TUCK asked whether an established species can regress.

MR. BOWERS said that could happen if a fishery were closed for many years and recovered.

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REPRESENTATIVE HOPKINS asked whether the shore-based and floating facility taxes are collected from the processors and not from the fishing vessels.

MS. NUDELMAN explained the rates [shown on slide 7] are for fisheries business tax returns that cover taxes for various activities by facilities at sea or on the shore; separate from the fisheries business tax is a resource landing tax, which applies to large vessels at sea.

REPRESENTATIVE HOPKINS surmised a smaller commercial fishing boat would pay the floating facility tax.

MS. NUDELMAN said that depends on the type of endorsement held by the vessel; there is a program for direct marketers - with vessels 65 feet or less - to pay shore-based rates.

REPRESENTATIVE HOPKINS asked whether there are any caps on the amount of tax paid.

MS. NUDELMAN said no; In further response to Representative Hopkins, she said the fisheries business tax changes throughout the year along with changes to the market price. Also, of the total fisheries business tax revenue, there are a few large taxpayers - who pay a majority of the total taxes - and a wide variety of other taxpayers. Continuing to the fishery landing tax, which is the second of the general fisheries taxes that are deposited to GF and shared with municipalities, she related the fishery landing tax applies to larger vessels that are fishing offshore and landing their catch in Alaska waters; the fishery landing tax is paid by the person who buys or catches in federal waters and lands the fish in Alaska. The tax is calculated by applying the rate to the value of the unprocessed resources; the value of the resources is identified by statewide

average pricing set by ADFG. In FY 18, total revenue for the fishery landing tax was \$9.7 million before revenue sharing (slide 8).

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MS. NUDELMAN, in response to Representative Tuck, explained "landing" means bringing the fish to Alaska waters, and usually the fish are offloaded.

REPRESENTATIVE TUCK surmised a vessel fishing in federal waters that offloads fish to a foreign processing ship avoids paying taxes.

MS. NUDELMAN advised a vessel fishing in federal waters that lands fish in Seattle or Japan will not pay Alaska taxes; however, if a vessel is fishing in federal waters and offloads in Alaska, the vessel will pay fishery landing tax.

REPRESENTATIVE TUCK posited if a vessel fishing in federal waters and offloads to another vessel, when the second vessel comes to a shore facility that is the "first" landing in Alaska, and Alaska taxes would apply.

MS. NUDELMAN said yes.

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REPRESENTATIVE RAUSCHER asked why vessels offload in Alaska.

MS. NUDELMAN expressed her understanding it would depend upon whether a vessel is full or empty, where it is going back to fish, or the cost of fuel; most of the vessels land in Unalaska/Dutch Harbor.

REPRESENTATIVE RASMUSSEN asked for the value of the fishery resource this year.

MS. NUDELMAN restated the total fisheries business tax revenue was over \$40 million, and the fishery landing tax revenue was \$9.7 million; she offered to provide information on the value of the resource.

REPRESENTATIVE RASMUSSEN questioned whether the value is based on the weight of the [fish] and the tax rate.

MS. NUDELMAN said correct; for example, 100 pounds of pink salmon priced at \$.40 per pound is the value that would be multiplied by the tax rate. In further response to Representative Rasmussen, she said the price is not wholesale, but is the price paid to the fisher.

REPRESENTATIVE RASMUSSEN observed Alaska's fisheries tax revenue seems low compared to the volume of the resource that is harvested.

MS. NUDELMAN advised a long-standing policy is to tax on the price paid to the fisher, also known as the ex-vessel value, and this policy is in statute.

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REPRESENTATIVE RASMUSSEN questioned whether taxes are collected later as the fish transfer from processor to retailer.

MS. NUDELMAN said not specifically; the fisheries tax is an excise tax.

REPRESENTATIVE HANNAN related in other states the ex-vessel price is a commodity price; Alaska's fisheries tax is based on the commodity price, which is why many fishers in the salmon fishery have begun direct marketing to increase their profit. Fish revenue [from] ex-vessel price ignores the economic value as the product is distributed worldwide. She opined the fisheries tax revenue is undervalued as it is earned on the raw fish, and much more is made from the fish.

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MS. NUDELMAN continued to slide 9 which listed fishery landing tax rates. The first of five self-imposed taxes and assessments that go to specific organizations is the common property fishery assessment which allows hatcheries to recoup their costs. The program was used for the Hidden Falls Hatchery in Southeast; in FY 18 tax collections were zero because cost recovery was not used (slide 10). Secondly, the dive fishery management assessment rate is chosen by the permitholders, is collected by DOR, and remitted by ADFG to the Southeast Alaska Regional Dive Fishery Association; in FY 18, total collections were approximately \$535,000 for assessments on geoduck, sea urchins, and sea cucumber (slide 11). Thirdly, the regional seafood development tax rate is chosen by permitholders and applies to Bristol Bay drift gillnet and Prince William Sound drift gillnet and set gillnet activities; the assessment is collected by processors, remitted to DOR, and forwarded to the Bristol Bay Regional Seafood Development Association and the Copper River Prince William Sound Marketing Association; in FY 18, total collections were approximately \$2.8 million (slide 12). Fourthly, the salmon enhancement tax rate is chosen by fishers and is collected by processors, remitted to DOR, and forwarded to seven aquaculture regions; in FY 18, total collections were approximately \$9.1 million (slide 13). Lastly, the seafood marketing assessment is a 0.5 percent levy on the value of resources processed, landed, or exported from Alaska when the total value of a taxpayer's resource is \$50,000 or more; the assessment is collected by DOR and distributed to the Alaska Seafood Marketing Institute; in FY 18, total collections were approximately \$9.9 million (slide 14).

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REPRESENTATIVE RAUSCHER inquired as to the number of [Alaska] and out-of-state boat owners and crewmembers.

MS. NUDELMAN said DOR does not have that data; however, other agencies may, and she said she would provide a source.

MR. BOWER advised the Commercial Fisheries Entry Commission records residency information; furthermore, crewmembers are required to hold licenses that require a residency declaration, which are "tracked" by ADFG. He offered to provide a general summary of the number of residents and nonresidents participating in commercial fisheries in Alaska.

COMMISSIONER TANGEMAN, in response to Representative Rauscher, pointed out crewmember license applications create a record of everyone working in the fishing industry; if there were a state income tax, the employer or boat owner would submit income tax payments.

[There followed a brief discussion on personal income tax not related to the presentation.]

[2:23:26 PM](#)

REPRESENTATIVE TUCK surmised the amount of the seafood marketing assessment was established by statute, and the other self-imposed assessments could increase or decrease by a vote of those affected (slide 5).

MS. NUDELMAN said all of the self-imposed taxes and assessments - and their rates - are in statute; if desired, the fishers must vote to change rates.

REPRESENTATIVE TUCK returned attention to slide 10 and asked whether in FY 18 the common property fishery assessment was not collected or not paid.

MS. NUDELMAN explained the common property fishery assessment differs in that its rate is not in statute, but is set by instructions in statute and in regulation that direct the Department of Commerce, Community & Economic Development (DCCED), DOR, and the fish hatchery to determine the rate each year. The resources for this assessment are the fish caught in the area of the hatchery and fishers are aware an assessment will be due to the hatchery.

REPRESENTATIVE TUCK concluded in 2018 no money went to the hatchery and asked how the hatchery covered its expenses.

MS. NUDELMAN deferred.

REPRESENTATIVE TUCK returned attention to slide 11 and observed the rate for the dive fishery management assessment is also assessed by a

vote of permitholders, which could be changed without a change to statute.

MS. NUDELMAN clarified creation of the four self-assessments are in statute or regulation; the rate for the dive fish management assessment is in regulation and was voted on by all of the fishers who had a direct entry permit for that activity. She said the rate will remain unchanged unless there is a new vote.

REPRESENTATIVE TUCK questioned whether all fisheries pay the fisheries business tax and the fishery resource landing tax.

MS. NUDELMAN said they pay one or the other.

REPRESENTATIVE TUCK remarked:

On the self-imposed taxes, that would be on top of either one of those, and generally people don't ... pay both of the general fisheries taxes. Is that correct?

MS. NUDELMAN said correct.

[2:28:23 PM](#)

REPRESENTATIVE HANNAN, in further response to Representative Rauscher, observed many working in the fishing industry are cannery and fish processing workers onshore who work through the Department of Labor & Workforce Development (DLWD), and whose employers keep payrolls and could generate income tax data; further, everyone working on a commercial vessel must be the permitholder or a licensed crewmember. She related her personal experience of routine license inspections by ADFG and the U.S. Coast Guard. She assured the committee there are accurate and complete datasets on those working in the fishing industry.

MS. NUDELMAN turned attention to taxes that are shared with municipalities. She restated fisheries business tax and fishery landing tax are shared 50 percent with the municipality where the resources are processed or landed. In areas where there is an incorporated city within an organized borough, 25 percent is shared to the city and 25 percent to the borough; where the processing and landing occur outside of a municipality, 50 percent is shared through a DCCED program to areas that participate in fish tax sharing (slide 15). She continued to tax credits that can be taken to offset fisheries business tax liability in FY 18: the education credit allowed a deduction of 50 percent for the first \$100,000; 100 percent for contributions between \$200,000 and \$300,000; 50 percent for contributions over \$300,000 up to \$5 million. As of 1/1/19, the education credit is 50 percent for the first \$100,000; 75 percent for contributions between \$200,000 and \$300,000; 50 percent for contributions over \$300,000 up to a maximum of \$1 million for any one taxpayer, affecting all tax types. For the fisheries business tax

there is also a salmon and herring product development credit: a taxpayer with a liability from salmon or herring can purchase new equipment in order to produce new value-added product, and will be eligible for credit of up to 50 percent of the cost of the new equipment against no more than 50 percent of their salmon and herring liability; this credit will sunset in 12/31/20. She said both credits are paid from the state's share of tax revenue.

CO-CHAIR TARR asked whether other industries have used education tax credits and how the money was invested.

MS. NUDELMAN deferred to Mr. Spanos.

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BRANDON SPANOS, Deputy Director, Tax Division, DOR, said the largest recipient of the education tax credit programs is the University of Alaska. The Tax Division reports tax credits to the legislature each year and he offered to provide information specific to the fishing industry. In further response to a previous question related to income tax, he said every employer is required to report income to the federal government; should the state impose an income tax, the Tax Division would have access to all employees' federal Internal Revenue Service W2 or 1099 income tax forms.

REPRESENTATIVE HANNAN requested Mr. Spanos include on the education tax credit report information related to the formation and funding of the [Kodiak Seafood and Marine Science Center]. She said the center develops products such as surimi and gluten-free noodles from seafood byproducts.

MS. NUDELMAN turned attention to tax credits for fishery landing tax: education tax credits; credit for approved contributions, for example, taxpayers landing catch in community development quotas can make contributions to Alaska community development organizations; credit for other taxes paid accommodates taxpayers in the fishery landing tax program who may pay an equivalent tax in another jurisdiction (slide 17).

[2:39:56 PM](#)

MS. NUDELMAN said slides 18 and 19 are a five-year comparison of fisheries tax and assessment revenue. In FY 18, the total for all seven tax types was \$78,307,701. In FY 18, \$46,228,406 was collected in fisheries business tax, of which GF revenue was \$21,223,058 and shared revenue was \$24,995,348. She explained the share is not 50 percent/50 percent because the credits are subtracted from the GF share. In FY 18, \$9,736,239 was collected in fishery landing tax, of which GF revenue was \$3,464,070 and shared revenue was \$6,272,169. The shared revenue was larger primarily due to education tax credits.

[2:44:11 PM](#)

MS. NUDELMAN, in response to Representatives Tuck and Spohnholz, restated specific points. Slide 19 continued the five-year comparison of the five self-imposed taxes and assessments paid to specific organizations.

CO-CHAIR LINCOLN remarked:

So, out of the \$78 million that was collected between taxes and assessments in [2018], approximately \$25 [million] of that went to state government, in the general fund.

MS. NUDELMAN said, "... you are correct, the general fund received the \$21.2 million plus the \$3.4 million."

CO-CHAIR LINCOLN asked Mr. Bowers how much the state spends in managing its fisheries.

MR. BOWERS said the GF allocation to the Division of Commercial Fisheries has been approximately \$36 million to \$37 million in the last several years.

CO-CHAIR LINCOLN surmised the state spends more money to manage commercial fisheries than it receives in revenue.

MR. BOWERS agreed. However, he pointed out fish taxes are just one piece of the taxes and fees paid by commercial fisherman; permit fees, fees for shore fishery leases, crew licenses, and tax shared with municipalities add up to over \$100 million per year, some of which is allocated to fisheries management activities.

REPRESENTATIVE TUCK directed attention to the common property fish assessment and noted the FY 14 total was \$1,055,835 and is now zero.

MS. NUDELMAN continued to filing tax returns and stated the Tax Division completed its final implementation of the [electronic] tax revenue management system in 3/16; she said the system is fairly new and slides 20 and 21 showed the difference between the number of electronic and paper filings. She stressed the new tax management system has saved resources that have enabled the division to absorb approximately twenty-two reductions to staff over the last four years. In fact, the fisheries business tax and fisheries landing tax filings are 91 percent electronic.

REPRESENTATIVE TUCK returned to slide 17 and asked for examples of other jurisdictions within the credit for other taxes paid tax credit.

MS. NUDELMAN explained other jurisdictions include Washington State "to help our fisheries landing tax program stand up and serve what it's meant to serve."

[2:51:44 PM](#)

MR. SPANOS remarked:

... [AS] 43.77.030 is the fisheries resource landing statute that's basically pointing back and saying if you've paid the fisheries business tax, you don't also pay the fisheries resource landing tax.

REPRESENTATIVE TUCK concluded that is the statute that directs fishers pay one or the other.

MR. SPANOS said correct.

CO-CHAIR LINCOLN expressed his understanding in 2016 the wholesale value of Alaska seafood was approximately \$4 billion; he said he would like to compare the net [state] take and industry profits to other industries such as mining, and oil and gas, in order to understand whether the state is getting its fair share. Co-Chair Lincoln recalled the Tax Division overview of the oil and gas industry provided an analysis of the net take to the state and federal governments and to industry.

MS. NUDELMAN said she would complete additional research and respond.

COMMISSIONER TANGEMAN pointed out the state's oil and gas tax system is a net tax system, therefore, DOR has access to industry's expenses and operating capital.

CO-CHAIR LINCOLN clarified his request.

REPRESENTATIVE HOPKINS requested a breakdown of the amount of tax revenue received from residents and nonresidents, and by categories of scale.

COMMISSIONER TANGEMAN said he would obtain the requested information from DOR, ADFG, and the Department of Labor & Workforce Development.

[2:57:28 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:57 p.m.