

CS FOR SENATE BILL NO. 33(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-SECOND LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered: 4/9/21

Referred: Finance

Sponsor(s): SENATORS STEVENS, Kiehl, Hoffman, Stedman, Bishop, Olson, Revak, Micciche

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to a seafood product development tax credit; providing for an effective**
2 **date by repealing secs. 32 and 35, ch. 61, SLA 2014; and providing for an effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * **Section 1.** AS 43.75.035(b) is amended to read:

5 (b) The amount of the tax credit applied against taxes under this section may
6 not

7 (1) exceed 50 percent of the taxpayer's tax liability incurred under this
8 chapter for processing of salmon, [AND] herring, pollock, and cod during the tax
9 year; or

10 (2) be claimed for property first placed into service after December 31,
11 2025 [2020].

12 * **Sec. 2.** AS 43.75.035(c) is amended to read:

13 (c) If the property for which a tax credit is claimed is installed on a vessel, the
14 amount of qualified investment under (a) of this section is determined by multiplying

the investment cost of the qualified investment property by a fraction, the numerator of which is the weight of raw salmon, [OR] raw herring, raw pollock, or raw cod processed on the vessel by the taxpayer in the state in the tax year in which the property is first placed into service, and the denominator of which is the weight of raw salmon, [OR] raw herring, raw pollock, or raw cod processed on the vessel by the taxpayer in and outside of the state in the tax year in which the property is first placed into service.

* **Sec. 3.** AS 43.75.035(d) is amended to read:

(d) An unused credit under this section may be carried forward and applied against the tax liability incurred on salmon, [AND] herring, pollock, and cod in the following three tax years.

* **Sec. 4.** AS 43.75.035(e) is amended to read:

(e) Qualified investment costs upon which a tax credit is claimed under this section may not be considered for another tax credit in this title. [A TAX CREDIT APPLIED UNDER THIS SECTION MAY NOT EXCEED 50 PERCENT OF THE TAXPAYER'S TAX LIABILITY INCURRED FOR THE PROCESSING OF SALMON DURING THE TAX YEAR.]

* **Sec. 5.** AS 43.75.035(g) is amended to read:

(g) If, during a tax year, property for which a credit was claimed under this section is disposed of by the taxpayer, ceases to be qualified investment property, or is removed from service in the state, the tax due under this chapter is increased by the recapture percentage of the aggregate decrease in the credit allowed under this section for all prior tax years that would have resulted solely from reducing to zero the credit allowed for the qualified investment property under this section. The amount of tax credit attributable to the qualified investment that is carried forward from prior tax years is terminated as of the first day of the tax year in which the qualified investment property is disposed of by the taxpayer, ceases to be qualified investment property, or is removed from service in the state. For purposes of this subsection,

(1) the recapture percentage during the year in which the property is first placed into service or during the first year following the year in which the property is first placed into service is 100 percent;

(2) the recapture percentage during the second year following the year in which the property is first placed into service is 75 percent;

(3) the recapture percentage during the third year following the year in which the property is first placed into service is 50 percent;

(4) the recapture percentage during the fourth or subsequent year following the year in which the property is first placed into service is zero percent;

(5) qualified investment property used on a vessel is considered to have been removed from the state on the first day of a tax year in which the proportion of raw salmon, [OR] raw herring, raw pollock, or raw cod processed in the state on the vessel is less than 50 percent of total weight of raw salmon, [OR] raw herring, raw pollock, or raw cod processed on the vessel in and outside of the state.

* **Sec. 6.** AS 43.75.035(j)(3) is amended to read:

(3) "qualified investment" means the investment cost to purchase or convert depreciable tangible personal property with a useful life of three years or more to be used predominantly to perform an ice making, processing, packaging, or product finishing function that is a significant component in producing value-added salmon, [OR] herring, pollock, or cod products, including canned salmon products in can sizes other than 14.75 ounces or 7.5 ounces; in this paragraph, "property"

(A) includes

(i) equipment used to fillet, skin, portion, mince, form, extrude, stuff, inject, mix, marinate, preserve, dry, smoke, brine, package, freeze, scale, grind, separate meat from bone, or remove pin bones;

(ii) new parts necessary for, or costs associated with, converting a canned salmon line to produce can sizes other than 14.75 ounces or 7.5 ounces;

(iii) conveyors used specifically in the act of producing a value-added salmon, [OR] herring, pollock, or cod product;

(iv) ice making machines;

(v) new canning equipment for herring products; and

(vi) equipment used to transform salmon, [OR] herring,

pollock, or cod byproduct that is discarded as waste into saleable product;

(B) does not include

(i) vehicles, forklifts, conveyors not used specifically in the act of producing a value-added salmon, [OR] herring, pollock, or cod product, cranes, pumps, or other equipment used to transport salmon, [OR] herring, pollock, or cod, or salmon, [OR] herring, pollock, or cod products, knives, gloves, tools, supplies and materials, equipment, other than ice making machines, that is not processing, packaging, or product finishing equipment, or other equipment, the use of which is incidental to the production, packaging, or finishing of value-added salmon, [OR] herring, pollock, or cod products;

(ii) the overhaul, retooling, or modification of new or existing property, except for new parts necessary for, or costs associated with, converting a canned salmon line to produce can sizes other than 14.75 ounces or 7.5 ounces; or

(iii) property used predominantly to produce a salmon, [OR] herring, pollock, or cod product that is not taxed under this chapter;

* **Sec. 7.** AS 43.75.035(j)(6) is amended to read:

(6) "value-added salmon, [OR] herring, pollock, or cod product" means the product of a salmon, [OR] herring, pollock, or cod that is processed beyond heading, gutting, or separation in a manner that enhances the value or quality of the salmon, [OR] herring, pollock, or cod product, such as shelf-stable, retort pouched, smoked, pickled, or filleted salmon, herring, pollock, or cod, ikura, leather, jerky, or a saleable product made from waste byproduct of salmon, [OR] herring, pollock, or cod; "value-added salmon, [OR] herring, pollock, or cod product" does not include a salmon, [OR] herring, pollock, or cod or salmon, [OR] herring, pollock, or cod product that

(A) has been subjected to only one or more of heading, gutting, freezing, or packaging;

1 (B) is salmon skeins or other unprocessed salmon, [OR]
 2 unprocessed herring, unprocessed pollock, or unprocessed cod product,
 3 [PRODUCTS] whether fresh or frozen; or

4 (C) is produced outside [OUT] of the state.

5 * **Sec. 8.** AS 43.75.035 and 43.75.130(f) are repealed January 1, 2026.

6 * **Sec. 9.** Section 3, ch. 57, SLA 2003, and secs. 22, 27, and 29, ch. 61, SLA 2014, are
 7 repealed.

8 * **Sec. 10.** The uncoded law of the State of Alaska is amended by adding a new section to
 9 read:

10 APPLICABILITY. AS 43.75.035(b) - (e), (g), and (j), as amended by secs. 1 - 7 of
 11 this Act, apply to pollock and cod processed on or after January 1, 2021.

12 * **Sec. 11.** Section 7, ch. 57, SLA 2003, sec. 4, ch. 3, SLA 2006, sec. 4, ch. 8, SLA 2008,
 13 sec. 3, ch. 102, SLA 2010, secs. 32 and 35, ch. 61, SLA 2014, and sec. 16, ch. 69, SLA 2014,
 14 are repealed.

15 * **Sec. 12.** The uncoded law of the State of Alaska is amended by adding a new section to
 16 read:

17 RETROACTIVITY. Sections 1 - 7 and 10 of this Act are retroactive to January 1,
 18 2021.

19 * **Sec. 13.** This Act takes effect immediately under AS 01.10.070(c).