Fiscal Note

State of Alaska
2021 Legislative Session

Bill Version:	HB 188
Fiscal Note Number:	1
(H) Publish Date:	5/15/2021

Identifier: HB188-DOR-TAX-4-30-21
Title: SEAFOOD PRODUCT DEVELOPMENT TAX CREDIT
Sponsor: STUTES
Requester: (H) Fisheries

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2022 Appropriation Requested	Included in Governor's FY2022 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2022**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Fund Source (Operating Only)

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

1004 Gen Fund (UGF)	(2,800.0)		(3,400.0)	(4,200.0)	(4,800.0)	(5,000.0)	(3,800.0)
Total	**(2,800.0)**	**0.0**	**(3,400.0)**	**(4,200.0)**	**(4,800.0)**	**(5,000.0)**	**(3,800.0)**

Estimated SUPPLEMENTAL (FY2021) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2022) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No

(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/21

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

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Division: Tax Division Date: 04/30/2021
Approved By: Brian Fechter, Administrative Services Director Date: 04/30/21
Agency: Department of Revenue

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2021 LEGISLATIVE SESSION

Analysis

Overview
The salmon and herring product development tax credit is a credit against the Fisheries Business Tax for qualified investments in property / equipment used to create value-added salmon and herring products. The credit is capped at half of a taxpayer's Fisheries Business Tax liability for processing salmon and herring during the tax year. The credit is applied to only the state's share of the Fisheries Business Tax revenue, not the municipal share. The credit was repealed January 1, 2021.

This bill would (1) reinstate the credit effective immediately and add retroactive effective date of January 1, 2021; (2) expand the credit to include property used to perform value-added functions for cod and pollock in addition to property used to perform value-added functions for salmon and herring; and (3) extend the eligibility time period for property placed into service before December 31, 2025.

The bill would be effective retroactive to January 1, 2021, so fisheries businesses that invest in new qualifying property in tax year 2021 would be able to claim the credit on their 2021 returns.

Revenue Impact
From fiscal years 2017-2020, annual value of the credit ranged from $2.3 million to $4.4 million. This fiscal note provides estimated revenue impacts for reinstating the credit beginning January 1, 2021, and expanding to additional species types.

Overall credit utilization is likely to increase due to the addition of the two new types of eligible property (property used to perform value-added functions for pollock and cod) that qualify for the credit. This fiscal note assumes that future credit utilization for salmon and herring products will remain similar to historical averages for the past four years. It is difficult to determine the impact of expanding the credit to property used to create value-added cod and pollock products because historically these products have not been eligible for a credit. To estimate the potential revenue impact, this fiscal note uses the forecasts from the Spring 2021 Revenue Forecast for total value of cod and pollock subject to Fisheries Business Tax, combined with historic utilization rates for salmon and herring.

The reinstatement of the credit and expansion of the credit to cod and pollock would begin on January 1, 2021, impacting revenue beginning in FY2022. From FY2022-2026, the estimated fiscal impact of this bill ranges from $2.8 million to $5.0 million per year. Note, these estimates do not account for any potential increase in fishery value as a result of this bill or any broader economic benefits to the state. The revenue impact estimate does account for inflation, consistent with the Spring 2021 Revenue Forecast.

Implementation Cost
This legislation would not require the Department of Revenue to make material changes to its Tax Revenue Management System (TRMS). Therefore, there would be no cost to the Department of Revenue for implementation. After the implementation of the changes, this legislation would cause only a small additional administrative burden on the Tax Division.