

Fiscal Note

State of Alaska
2022 Legislative Session

Bill Version:	CSSB 33(FIN)
Fiscal Note Number:	2
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Identifier: SB033CS(FIN)-DOR-TAX-2-8-22
 Title: SEAFOOD PRODUCT DEVELOPMENT TAX
 CREDIT
 Sponsor: STEVENS
 Requester: (S) Finance

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)

	FY2023 Appropriation Requested	Included in Governor's FY2023 Request	Out-Year Cost Estimates					
			FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
OPERATING EXPENDITURES								
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	0.0

Fund Source (Operating Only)

None								
Total	0.0	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)	(1,600.0)		(3,000.0)	(3,400.0)	(3,500.0)	(3,600.0)	(2,700.0)
Total	(1,600.0)	0.0	(3,000.0)	(3,400.0)	(3,500.0)	(3,600.0)	(2,700.0)

Estimated SUPPLEMENTAL (FY2022) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2023) 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 If yes, by what date are the regulations to be adopted, amended or repealed? 06/30/22

Why this fiscal note differs from previous version/comments:

Updated for immediate effective date in committee substitute Version N; updated to incorporate Fall 2021 revenue forecast. Updated revenue impact analysis to account for Pacific cod and Sablefish as being eligible for the credit.

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 Agency: Revenue

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REPORTED OUT OF
SFC 02/09/2022

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2022 LEGISLATIVE SESSION

Analysis

Background

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 The credit was repealed January 1, 2021.

This bill would create a new statute--AS 43.75.037-- adding a Fisheries Product Development Tax Credit that is modeled after the now-repealed Salmon and Herring Product Development Tax Credit. The credit would be available for property used to perform value-added functions for "eligible fish" which the bill defines as salmon, herring, pollock, Pacific cod, and sablefish. To be eligible, the property must be placed into service before December 31, 2026. The bill includes an automatic repeal date of January 1, 2027.

This bill would have an immediate effective date, so fisheries businesses that invested in new qualifying property before the effective date of the bill would not be able to claim the credit. The bill would make the number of recipients and the total amount of tax credits claimed for each type of eligible fish a matter of public record.

Revenue Impact

From fiscal years (FY) 2017-2020, the annual value of the now expired Salmon and Herring Production Development Tax Credit ranged from \$2.3 million to \$4.4 million. This fiscal note provides estimated revenue impacts for creating a new tax credit for property used to perform value-added functions for salmon, herring, pollock, Pacific cod, and sablefish with an immediate effective date.

Overall credit utilization is likely to increase due to the addition of the new types of eligible property (property used to perform value-added functions for pollock, Pacific cod, and sablefish) that qualify for the credit. This fiscal note assumes that future credit utilization for salmon and herring products will remain similar to the most recent year of historical data. It is difficult to determine the impact of expanding the credit to property used to create pollock, Pacific cod, and sablefish 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 Fall 2021 revenue forecast for total value of pollock, Pacific cod, and sablefish subject to FBT, combined with historic utilization rates for salmon and herring.

For purposes of estimating revenue, an effective date of July 1, 2022 was assumed. The revenue impact in FY2023 would be approximately \$1.6 million, representing about one-half of a tax year of revenue impact. If companies make significant new investments later in CY2022, the revenue impact could be larger as any credit earned in the second half of CY2022 could be used to offset up to half of the entire CY2022 tax year FBT liability. For FY2024 - FY2027, the estimated fiscal impact of this proposed legislation ranges from \$3.0 million to \$3.6 million per year. The fiscal impact estimate for FY2028 reflects an assumption that some credits will be carried forward, as credits can be carried forward for up to three years. 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 Fall 2021 revenue forecast.

Implementation Cost

This bill would not require the Department of Revenue to make material changes to its Tax Revenue Management System (TRMS) other than changing its FBT returns to collect data on how much credit is generated for each eligible species and how much credit is used to offset the FBT liability for each eligible species. There would be no cost to the Department for implementation. This bill would cause only a small administrative burden on the Tax Division.