

COMMITTEE REPORT
HOUSE

(11)

FURTHER:

4/11/84

Date: 5-4-84

The Committee on FINANCE has had HB 518

"An Act establishing a fisheries business tax credit."

under consideration and recommends:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 518 (ices) same title
 new title
- and recommends DO PASS
- AND attaches a "Letter of Intent" New Fiscal Note 4-17-84
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Albert P. Adams

J.H. Moore

MILTON FRUIT

[Signature]

[Signature]

[Signature]

Albert P. Adams

CHAIRMAN

Offered: 4/11/84
Referred: Finance

Original sponsors: Zharoff and
Grussendorf

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2

CS FOR HOUSE BILL NO. 518 (Resources)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the fisheries business tax."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 * Section 1. AS 43.75.015(a) is amended to read:

9 (a) A person engaged in a fisheries business is liable for and
10 shall pay the tax levied by this section on the value of each of the
11 following fisheries resources processed during the year at the rate
12 set out after each:

13 (1) salmon canned at a shore-based fisheries business
14 [CANNERY] - four and one-half percent;

15 (2) salmon processed by a shore-based fisheries business,
16 except salmon for which the tax is due under (1) of this subsection,
17 and all other fisheries resources processed by a shore-based fisheries
18 business - three percent;

19 (3) fisheries resources processed by a floating fisheries
20 business - five percent.

21 * Sec. 2. AS 43.75 is amended by adding new sections to read:

22 Sec. 43.75.018. FISHERIES BUSINESS TAX CREDIT. (a) A fisheries
23 business is entitled to a credit of not more than 50 percent of the
24 business tax liability under AS 43.75.015 for capital expenditures
25 related to a shore-based fisheries business facility in the state made
26 during the tax year if an application for the credit is approved by
27 the department.

28 (b) A fisheries business may claim a credit under (a) of this
29 section for a maximum period of five consecutive years. An applicant

1 for the credit may elect to begin the five-year period with any tax
2 year from 1984 through 1988.

3 (c) The portion of a capital expenditure that exceeds the amount
4 eligible for a credit under (a) of this section during a single tax
5 year may not be carried back to a prior taxable year, but may be
6 claimed as a credit under (a) of this section for a subsequent tax
7 year within the five-year period elected under (b) of this section.
8 In no event may tax credits be approved for more than 100 percent of a
9 capital expenditure.

10 (d) The department may not approve a tax credit under (a) of
11 this section if the property for which the capital expenditure was
12 made was the subject of a previous capital expenditure by another
13 taxpayer for whom a corresponding tax credit under (a) of this section
14 has been approved.

15 (e) The department shall adopt regulations providing for the
16 application for a credit under (a) of this section and for the review
17 and approval or disapproval of an application.

18 (f) The department shall approve or disapprove an application
19 for a credit under this section not later than 60 days after receiving
20 the application.

21 Sec. 43.75.019. TAX CREDIT REPORT. Not later than the 60th
22 legislative day of each regular legislative session the Department of
23 Revenue, in conjunction with the Department of Commerce and Economic
24 Development, shall submit to the legislature a report on the fisheries
25 business tax credit program under AS 43.75.018. The report shall
26 describe the expenditures for which a credit was claimed during the
27 previous tax year and, if possible, the increase in employment and
28 processing capacity by the fisheries businesses for whom the credit
29 was approved. Reporting under this section shall begin with the

1 second regular session of the Fourteenth Alaska Legislature.

2 * Sec. 3. AS 43.75.130 is amended by adding a new subsection to read:

3 (b) For purposes of this section, tax revenue collected under
4 AS 43.75.015 from a person entitled to a credit under AS 43.75.018
5 shall be calculated as if the person's tax had been collected without
6 applying the credit.

7 * Sec. 4. AS 43.75.140 is amended by adding a new paragraph to read:

8 (9) "capital expenditures" includes the price paid for
9 equipment and the costs of improvements made to depreciable property,
10 but does not include expenditures that are deducted entirely for
11 federal income tax purposes in the year in which they accrued or were
12 paid.

13 * Sec. 5. AS 43.75.018, 43.75.019, 43.75.130(b), and 43.75.140(?) are
14 repealed June 30, 1993.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 04/18/84

REQUEST

Bill/Resolution No: CSHB 518(Res)
 Title: Act establishing a fisheries business tax credit.
 Sponsor: Zharoff, Grussendorf
 Requestor: House Finance
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: Collection and Management
 BRU, Program of Subprogram(s) Affected: Audit Division

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	2.0	-	-	-	-
300 CONTRACTUAL	-	1.0	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	3.0	-	-	-	-
CAPITAL						
	-	-	-	-	-	-
REVENUE						
	-	(7250.0)	(7250.0)	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	3.0	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	3.0	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis.

Prepared By: Maureen O'Brien
 Division: Audit Division

Phone: 465-2320
 Date: 04/18/84

Approved by Commissioner: *Paula O'Connell*
 Agency: Revenue

Date: 4/19/84

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

analysis for CSHB 518(Res):

Travel \$2.0 - passage of CSHB 518 will require the Audit Division to draft regulations and conduct public hearings throughout the state. Air fare and per diem costs are estimated at \$2,000 for travel to Ketchikan, Anchorage, and Kodiak by one Audit Division employee.

Contractual Services \$1.0 - conducting public hearings requires the presence of a court reporter and advertising in statewide newspapers.

The above estimates are derived from the Revenue Sources March, 1984 projections for fisheries business taxes, and provide for tax credits effective in FY 85. The estimates reflect the maximum revenue loss the state would experience if all shore-based fisheries business tax returns applied for a 50 percent tax credit, and were subsequently approved by the department. It should be noted that although the fish processors would be the primary beneficiaries of the tax credit, there exists the possibility in certain cases where, if the processors are given a 50 percent credit and the remaining 50 percent is refunded to local governments per AS 43.75.130, the state could eventually not receive any revenues from those fisheries business taxes.

Estimates are duplicated for FY 86 and not shown beyond since price/catch projections are unknown.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HR 518
 Title: Fisheries business
tax credit
 Sponsor: Zharoff
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: ADEC
 Program Category Affected: None
 BRU, Program or Subprogram(s) Affected:
None

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Richard Peifer Phone: 465-2600
 Division: Seafood & Animal Industry Date: 1/24/84

Approved by Commissioner: Richard A. Kevie Date: 1/24/84
 Agency: Department of Environmental Conservation

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

12/1/83

HOUSE BILL 518

An act establishing a fisheries business tax credit

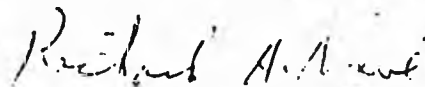
POSITION PAPER

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

The Department of Environmental Conservation supports the concept of this bill. Improvement of quality control and facilities, and development of new commercial fish species represent significant costs to the industry. These costs constitute a major deterrent to much-needed improvements in industry processing methods, facilities, and product quality.

The incentive offered by this legislation represents an investment in the economic future of the State of Alaska.

Dated: January 24, 1984



Richard A. Nevé
Commissioner
Department of Environmental
Conservation

Alaska State Legislature

REPRESENTATIVE
FRED F. ZHAROFF
P.O. BOX 403
KODIAK, ALASKA 99615
(907) 486-3254

WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA
99811
(907) 465-4986
465-4968



House of Representatives

DISTRICT 27:
AKHIK
BELLS FLATS
CHIGNIK
CHIGNIK LAGOON
CHIGNIK LAKE
CHINIAK
IVANOF BAY
KARLUK
KODIAK
LARSEN BAY
OLD HARBOR
OUZINKIE
PERRYVILLE
PORT LIONS

MEMO

TO: Rep. Al Adams
Chairman, House Finance

FROM: Rep. Fred Zharoff

DATE: May 2, 1984

RE: HB 518

I would appreciate your scheduling HB 518, an Act relating to the fisheries business tax, for a hearing before the House Finance Committee.

The purpose of the bill is to provide an incentive to fish processors to invest in the development of the bottomfish industry. In light of declining crab and salmon stocks the bottomfish industry could definitely be a viable source of income for coastal communities and the state.

The fiscal note from the Department of Revenue shows a large reduction to state revenues in the amount of \$7.2 million. This amount is the most the state would lose and is based on income from the entire Raw Fish Tax. It is highly unlikely this full amount will be used in any one year.

Thank you for your consideration in this matter.

SECTIONAL ANALYSIS

HB 518 -- Establishing a Fishery Business Tax Credit

Section one: This section amends existing statute to delete the word cannery and insert fishery business.

Section two: This section sets up the fisheries business tax credit program. Under the program a fish processor is entitled to receive a credit of not more than 50% of its raw liability for capital investments in shore-based facilities. The program has a consecutive five year eligibility period for each fish processor, which the processor can initiate in any year through 1988. Fish processors will be allowed to carry eligible investments forward during their five year period, but will be unable to begin a tax credit for an item which as already been credited under this program.

This section also provides for an annual report to the legislature on the benefits and utilization of this tax credit program (to begin in 1986).

Section three: This section provides that the calculation of raw fish tax refunds to local governments will not change and will continue as if the raw fish tax credit did not exist.

Section four: Defines capital expenditure.

Section five: This section repeals the raw fish tax program in 1993; after all eligibility under the program has expired.

Offered: 4/11/84
Referred: Finance

Original sponsors: Zharoff and
Grussendorf

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2

CS FOR HOUSE BILL NO. 518 (Resources)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

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THIRTEENTH LEGISLATURE - SECOND SESSION

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10 shall pay the tax levied by this section on the value of each of the
11 following fisheries resources processed during the year at the rate
12 set out after each:

13 (1) salmon canned at a shore-based fisheries business
14 [CANNERY] - four and one-half percent;

15 (2) salmon processed by a shore-based fisheries business,
16 except salmon for which the tax is due under (1) of this subsection,
17 and all other fisheries resources processed by a shore-based fisheries
18 business - three percent;

19 (3) fisheries resources processed by a floating fisheries
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21 * Sec. 2. AS 43.75 is amended by adding new sections to read:

22 Sec. 43.75.018. FISHERIES BUSINESS TAX CREDIT. (a) A fisheries
23 business is entitled to a credit of not more than 50 percent of the
24 business tax liability under AS 43.75.015 for capital expenditures
25 related to a shore-based fisheries business facility in the state made
26 during the tax year if an application for the credit is approved by
27 the department.

28 (b) A fisheries business may claim a credit under (a) of this
29 section for a maximum period of five consecutive years. An applicant

1 for the credit may elect to begin the five-year period with any tax
2 year from 1984 through 1988.

3 (c) The portion of a capital expenditure that exceeds the amount
4 eligible for a credit under (a) of this section during a single tax
5 year may not be carried back to a prior taxable year, but may be
6 claimed as a credit under (a) of this section for a subsequent tax
7 year within the five-year period elected under (b) of this section.
8 In no event may tax credits be approved for more than 100 percent of a
9 capital expenditure.

10 (d) The department may not approve a tax credit under (a) of
11 this section if the property for which the capital expenditure was
12 made was the subject of a previous capital expenditure by another
13 taxpayer for whom a corresponding tax credit under (a) of this section
14 has been approved.

15 (e) The department shall adopt regulations providing for the
16 application for a credit under (a) of this section and for the review
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23 Revenue, in conjunction with the Department of Commerce and Economic
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25 business tax credit program under AS 43.75.018. The report shall
26 describe the expenditures for which a credit was claimed during the
27 previous tax year and, if possible, the increase in employment and
28 processing capacity by the fisheries businesses for whom the credit
29 was approved. Reporting under this section shall begin with the

1 second regular session of the Fourteenth Alaska Legislature.

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4 AS 43.75.015 from a person entitled to a credit under AS 43.75.018
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11 federal income tax purposes in the year in which they accrued or were
12 paid.

13 * Sec. 5. AS 43.75.018, 43.75.019, 43.75.130(b), and 43.75.140(9) are
14 repealed June 30, 1993.

Offered: 3/21/84
Referred: Resources and
Finance

Original sponsors: Zharoff and
Grussendorf

1 IN THE HOUSE

BY THE HOUSE SPECIAL
COMMITTEE ON FISHERIES

2

CS FOR HOUSE BILL NO. 518 (Fisheries)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

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14 business tax credit program under AS 43.75.018. The report shall
15 describe the expenditures for which a credit was claimed during the
16 previous tax year and, if possible, the increase in employment and
17 processing capacity by the canneries and fisheries businesses for whom
18 the credit was approved. Reporting under this section shall begin
19 with the second regular session of the Fourteenth Alaska Legislature.

20 * Sec. 2. AS 43.75.130 is amended by adding a new subsection to read:

21 (b) For purposes of this section, tax revenue collected under
22 AS 43.75.015 from a person entitled to a credit under AS 43.75.018
23 shall be calculated as if the person's tax had been collected without
24 applying the credit.

25 * Sec. 3. AS 43.75.018, 43.75.019 and 43.75.130(b) are repealed
26 June 30, 1993.

Introduced: 1/16/84
Referred: House Special Committee on
Fisheries, Resources and Finance

1 IN THE HOUSE

BY ZHAROFF

2

HOUSE BILL NO. 518

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

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12 credit of not more than 50 percent of the cannery's or business's tax
13 liability under AS 43.75.015 for the following expenditures made
14 during the tax year if an application for the credit is approved by
15 the department:

- 16 (1) improvement of quality control operations;
17 (2) equipment that is used or is to be used in the process-
18 ing of a developing commercial fish species; and
19 (3) upgrading or modernization of processing facilities.

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22 and approval or disapproval of an application.

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