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# Alaska State Legislature

HOUSE OF REPRESENTATIVES  
COMMITTEE ON RESOURCES

JOHN RINGSTAD, CO-CHAIRMAN  
RICHARD SHULTZ, CO-CHAIRMAN  
POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-3715

TO: House Resources Members

From: Committee Staff

DATE: March 25, 1984

RE: CSHB 588(RES), ESTABLISHING A FISHERIES BUSINESS TAX CREDIT

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Section one: 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 has 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 two: 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 three: This section puts the definition of "capital expenditure" in the statutes under the definition section of Chapter 75.

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



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HOUSE OF REPRESENTATIVES  
COMMITTEE ON RESOURCES

JOHN RINGSTAD, CO-CHAIRMAN  
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POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-3715

TO: House Resources Members

From: Committee Staff

NEW VERSION

DATE: April 2, 1984

RE: CSHB 518(Res), ESTABLISHING A FISHERIES BUSINESS TAX CREDIT

Section one: This new section deletes the word "cannery" and replaces it with "fisheries business". This action cleans up the statutes because in the definition section of Chapter 75, AS 43.75.140(3), "cannery" is defined as a "fisheries business". AS 43.75.140(3) states:

(3) "fisheries business" means a person who engages in processing fisheries resources for sale by freezing, cooking, salting, or other method and includes but is not limited to canneries, cold storages, freezer ships, and processing plants.

Also, throughout the original committee substitute bill, the word "cannery" has been deleted because the words "fisheries business" already defines "cannery" in the definition section of this chapter.

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 has 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: This section puts the definition of "capital expenditure" in the statutes under the definition section of Chapter 75. This is language from the Department of Revenue.

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

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date 03/26/84

REQUEST

Bill/Resolution No: CSHB 518(Fish)  
Title: Fisheries Business Tax Credit

Sponsor: Zharoff, Grussendorf  
Requestor: H. Resources  
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
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	2.0	-	-	-	-
300 CONTRACTUAL	-	1.0	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	3.0	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	(7,250.0)	(7,250.0)	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	3.0	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	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: \_\_\_\_\_

Approved by Commissioner: *Richard P. L. L...*  
Agency: Revenue

Date: 3/29/84

Distribution (by Agency preparing fiscal note):

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

Analysis for CSHB 518(Fish):

Travel \$2.0 - passage of CS HB 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 state-wide newspapers.

The above estimates are derived from the Revenue Sources January 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 fisheries business tax returns for shore-based canneries and shore-based fisheries businesses 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.

**Sec. 43.75.140. Definitions. In this chapter**

- (1) "department" means the Department of Revenue;
- (2) "developing commercial fish species" means those species of fish and shellfish annually designated by the commissioner of fish and game under AS 16.05.050(12);
- (3) "fisheries business" means a person who engages in processing fisheries resources for sale by freezing, cooking, salting, or other method and includes but is not limited to canneries, cold storages, freezer ships, and processing plants;

(4) "fishery resource" means fin fish, shellfish and fish by-products, including but not limited to salmon, halibut, herring, flounder, crab, clam, cod, shrimp, and pollock;

(5) "floating fisheries business" means a fisheries business which is not a shore-based fisheries business; the term includes, but is not limited to, a shore-based fisheries business as defined in (6)(B) of this section when it is removed from the state;

(6) "shore-based fisheries business" means a fisheries business

(A) operated from a facility which is permanently attached to the land; or

(B) operated from a facility which remains in the same location in the state for the entire tax year;

(7) "taking" means pursuing, fishing, capturing, or harvesting a fisheries resource in any manner;

(8) "value" means the actual price paid for the fisheries resource by the fisheries business, including indirect consideration such as fuel, supplies, or gear, whether paid at the time of purchase of the fisheries resource or tendered as a deferred or delayed payment, except that "value" means the market value of the fishery resource if the taking of the fishery resource is done in company-owned or company-subsidized boats operated by employees of the fisheries business or in boats which are operated under lease or other arrangement. (§ 3 ch 79 SLA 1979; am § 46 ch 94 SLA 1980; am § 46 ch 113 SLA 1980; am §§ 11, 12 ch 117 SLA 1981).

Revisor's notes. — Reorganized in 1983 to alphabetize the defined terms.

Effect of amendments. — The first and second 1980 amendments both repealed the definition of "year".

The 1981 amendment added "the taking

of" preceding "the fishery resource" and substituted "done" for "procured" preceding "in company-owned" in the definition of "value". The amendment also added the definition of "taking".

### Chapter 76. Salmon Enhancement Tax.

**Section**

- 10. Three percent salmon enhancement tax
- 11. Two percent salmon enhancement tax
- 15. Election to approve or terminate salmon enhancement tax
- 20. Termination of salmon enhancement tax
- 25. Collection of tax and disposition of proceeds

**Section**

- 28. Liability for tax on salmon shipped from state
- 30. Accounting of financing received as a result of the salmon enhancement tax
- 40. Definition

Editor's notes. — For findings and purpose of enacting legislation, see § 1, ch.

154, SLA 1980, in the Temporary and Special Acts.

11. Two percent  
 15. Election to  
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 20. Terminatio  
 tax  
 25. Collection  
 proceeds  
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 purpose of enact

DRAFT

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 establishing a fisheries business tax cred-  
7 it."

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

9 \* Section 1. AS 43.75 is amended by adding new sections to read:

10 Sec. 43.75.018. FISHERIES BUSINESS TAX CREDIT. (a) A cannery  
11 or fisheries business is entitled to a credit of not more than 50  
12 percent of the cannery's or business's tax liability under AS 43.75.-  
13 015 for capital expenditures related to a shore-based cannery or a  
14 shore-based fisheries business facility in the state made during the  
15 tax year if an application for the credit is approved by the depart-  
16 ment.

17 (b) A cannery or fisheries business may claim a credit under (a)  
18 of this section for a maximum period of five consecutive years. An  
19 applicant for the credit may elect to begin the five-year period with  
20 any tax year from 1984 through 1988.

21 (c) The portion of a capital expenditure that exceeds the amount  
22 eligible for a credit under (a) of this section during a single tax  
23 year may not be carried back to a prior taxable year, but may be  
24 claimed as a credit under (a) of this section for a subsequent tax  
25 year within the five-year period elected under (b) of this section.  
26 In no event may tax credits be approved for more than 100 percent of a  
27 capital expenditure.

28 (d) The department may not approve a tax credit under (a) of  
29 this section if the property for which the capital expenditure was

1 made was the subject of a previous capital expenditure by another  
2 taxpayer for whom a corresponding tax credit under (a) of this section  
3 has been approved.

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

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

10 Sec. 43.75.019. TAX CREDIT REPORT. Not later than the 60th  
11 legislative day of each regular legislative session the Department of  
12 Revenue, in conjunction with the Department of Commerce and Economic  
13 Development, shall submit to the legislature a report on the fisheries  
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 43.75.140 is amended by adding a new paragraph to read:

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

1        paid.

2        \* Sec. 4. AS 43.75.018, 43.75.019, 43.75.130(b), and 43.75.140(9) are  
3 repealed June 30, 1993.  
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STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

*al*

Revision Date \_\_\_\_\_

Page 1 of 2  
REQUEST  
Bill/Resolution No: CS HB 518 (Fish)  
Title: Act establishing a fisheries business tax credit.  
Sponsor: Zharoff  
Requestor: Special Comm. of Fisheries  
Date of Request: January 18, 1984

FISCAL DETAIL  
Agency Affected: Revenue  
Program Category Affected: \_\_\_\_\_

BRU, Program of Subprogram(s) Affected: \_\_\_\_\_

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	-	(7,250.0)	(7,250.0)	-	-	-

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: Robert W. Elliott  
Division: Research Section

Phone: 465-2173  
Date: 01/19/84

Approved by Commissioner: *Robert Elliott*  
Agency: Dept of Revenue

Date: 1/24/84

Distribution (by Agency preparing fiscal note):

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

Travel \$2.0 - passage of HB 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 \$2000 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 January 1984 projections for fisheries business taxes, and assume the legislation would become effective in FY 85. The estimates reflect the maximum revenue loss the state would experience if all fisheries business tax returns for shore-based canneries and shore-based fisheries businesses 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. CSHB 512 (Fish)

Title: Fisheries business tax credit

Sponsor: Zharoff

Requestor: \_\_\_\_\_

Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: ADFC

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. Peifer  
Agency: Department of Environmental Conservation

Date: 1/20/84

Distribution (by Agency preparing fiscal note):

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

12/1/83

CS HOUSE BILL 518 (Fish)

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. Neve  
Commissioner  
Department of Environmental  
Conservation

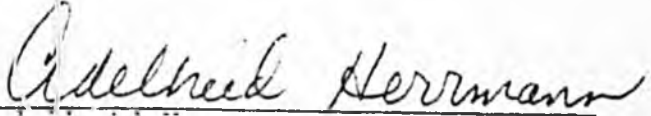
Letter of Intent to Accompany CSHB 518 (Fisheries)

It is the intent of the Legislature of the State of Alaska that the Fisheries Business Tax Credit program is enacted primarily for increasing capital investments in equipment relating to:

- (1) processing developing commercial fish species;
- (2) meeting quality control guidelines; and
- (3) upgrading and modernization of existing processing facilities.

The program is designed to make capital available for investment in equipment for shorebased facilities within Alaska and not for purchase of land or processing facilities.

The Legislature expects eligible capital expenditures to be the price paid to acquire equipment, including costs of improvements and betterments made to property, but not expenditures which are taken as a deduction in computing federal taxable income for the taxable year.

  
Adelheid Herrmann, Chair  
House Special Committee on Fisheries

CITY OF KODIAK  
RESOLUTION NUMBER 09-84

FEB 14 1984

A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK SUPPORTING USE OF THE STATE PORTION OF THE RAW FISH TAX TO PROVIDE TAX CREDITS TO SHORE-BASED FISH PROCESSORS

WHEREAS, investment capital for onshore processing facilities is recognized as a top priority in Kodiak's fishing community; and

WHEREAS, because the Kodiak King Crab season did not open in 1983, and may not open in the near future, diversification is needed; and

WHEREAS, the potential growth of Kodiak's bottomfish industry make; it especially important that this segment of the processing industry be promoted,

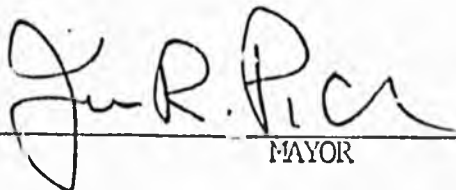
NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska, that the Governor and the Legislature be and are hereby urged to provide raw fish tax credits against the State's fifty percent for upgrading and modernization of shore-based fish processing facilities.

BE IT FURTHER RESOLVED that copies of this resolution be forwarded to:

The Honorable Bill Sheffield, Governor of Alaska  
The Honorable Stephen McAlpine, Lieutenant Governor of Alaska  
All Alaska State Senators  
All Alaska State Representatives  
The Kodiak Island Borough  
The Kodiak Area Chamber of Commerce

PASSED AND APPROVED this 9TH day of FEBRUARY, 1984.

CITY OF KODIAK

  
MAYOR

ATTEST:

  
CITY CLERK