COMMITTEE REPORT

HOUSE

(11)

2/22/85

FURTHER:

Date: 4-27-85

Mr. Speaker:

The Committee on FINANCE has had HB 58

"An Act relating to the fisheries business tax."

under consideration and reports it back as follows:

[ ] do pass [ ] do not pass

[ ] do pass with attached amendments(s)

[X] replace with CS for HB 58 (FIN) [X] same title [ ] new title

and recommends individual recommendations

[ ] AND attaches a "Letter of Intent" [X] New Fiscal Note

[ ] reports it back without recommendation [X] Zero Fiscal Note Attached

[ ] referred to the ______________ Committee

MEMBERS SIGNING DO PASS	MEMBERS HAVING OTHER RECOMMENDATIONS:
Albert P. Adams	[illegible] No Rec
[illegible]	Ronald [illegible] No Rec
[illegible]	Pat Pawlowski DO NOT PASS without Amendment
[illegible] (DO PASS)	[illegible] ~~Do Not Pass without Amendment~~
[illegible]	[illegible] Do NOT PASS without Amendment
	[illegible] - can't afford it

Albert P. Adams

CHAIRMAN

H 60

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: ____________

REQUEST
Bill/Resolution No.: CSHB 58(FIN)
Title: Re: fisheries business tax.
Sponsor: Cato & Grussendorf
Requestor: House Finance
Date of Request: April 18,1985

FISCAL DETAIL
Agency Affected: Revenue
Program Category Affected:
BRU, Program or Subprogram(s) Affected:

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 PERSONAL SERVICES		0				
200 TRAVEL		0				
300 CONTRACTUAL		0				
400 SUPPLIES		0				
500 EQUIPMENT		0				
600 LAND & STRUCTURES		0				
700 GRANTS, CLAIMS		0				
800 MISCELLANEOUS		0				
TOTAL OPERATING		0				
CAPITAL		0				
REVENUE		(7000.0)	(7000.0)			

FUNDING: (Thousands of Dollars)

GENERAL FUND		0				
FEDERAL FUNDS		0				
OTHER		0				
TOTAL		0				

POSITIONS:

FULL-TIME		0				
PART-TIME		0				
TEMPORARY		0				

ANALYSIS: Attach a separate page if necessary

Any necessary operating expenses can be absorbed in the FY 86 budget. The potential revenue loss can not be precisely determined. The subcommittee feels that the $7 million loss is an accurate estimate.

APA

Prepared By: Al Adams, Chair
Division: House Finance
Phone: 465-3706
Date: 4/18/85

Approved by Commissioner: ____________ Date: ____________
Agency: ____________

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

7/1/84

Original sponsors: Cato, Grussendorf
and Thompson

IN THE HOUSE BY THE FINANCE COMMITTEE

CS FOR HOUSE BILL NO. 58 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

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

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

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

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

(1) salmon canned at a shore-based <u>fisheries business</u> [CANNERY] - four and one-half percent;

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

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

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

Sec. 43.75.032. FISHERIES BUSINESS TAX CREDIT. (a) A fisheries business is entitled to a credit of not more than 50 percent of the business tax liability under AS 43.75.015 for capital expenditures made during the tax year that increase product diversity, increase production efficiency and capacity, or improve product quality at a shore-based fisheries business facility in the state if an application for the credit is approved by the department. A tax credit taken under this section in a single tax year may not exceed $1,000,000.

(b) A fisheries business may claim a credit under (a) of this section for a maximum period of five consecutive years. An applicant for the credit may elect to begin the five-year period with any tax year from 1985 through 1989.

(c) The portion of a capital expenditure that exceeds the amount eligible for a credit under (a) of this section during a single tax year may not be carried back to a prior taxable year but may be claimed as a credit under (a) of this section for a subsequent tax year within the five-year period elected under (b) of this section. Tax credits may not be approved for more than 100 percent of a capital expenditure.

(d) The department may not approve a tax credit under (a) of this section if the property for which the capital expenditure was made was the subject of a previous capital expenditure by another taxpayer for whom a corresponding tax credit under (a) of this section has been approved or if the property was sold or transferred between fisheries businesses having substantial common ownership.

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

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

Sec. 43.75.034. TAX CREDIT REPORT. Not later than the 60th legislative day of each regular legislative session the Department of Revenue, in conjunction with the Department of Commerce and Economic Development, shall submit to the legislature a report on the fisheries business tax credit program under AS 43.75.032. The report shall describe the expenditures for which a credit was claimed during the previous tax year and, if possible, the increase in employment and processing capacity by the fisheries businesses for whom the credit was approved. Reporting under this section shall begin with the first regular session of the Fifteenth Alaska Legislature.

Sec. 43.75.036. RECAPTURE. If a taxpayer sells, disposes of, or otherwise ceases to use property for which a credit was allowed under AS 43.75.032 at any time within four years after the date the property was placed in service, the tax imposed for the taxable year under AS 43.75.015 is increased by the applicable percentage of the full amount taken as a credit under AS 43.75.032 according to the following table:

Years Property Placed in Service	Applicable Percentage
0 - 1	100
1 - 2	75
2 - 3	50
3 - 4	25

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

(b) For purposes of this section, tax revenue collected under AS 43.75.015 from a person entitled to a credit under AS 43.75.0[illegible] shall be calculated as if the person's tax had been collected without applying the credit.

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

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

* Sec. 5. AS 43.75.032, 43.75.034, 43.75.130(b), and 43.75.140(9) a

repealed January 1, 1994.

rec'd 5/2/85

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date 4-30-85

REQUEST
Bill/Resolution No: CS HB 58 (FIN)
Title: Fisheries Business Tax Credit

Sponsor: Cato & Grussendorf
Requestor: Special Committee on Fish
Date of Request: April 30, 1985

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

		FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
	OPERATING						
100	PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
200	TRAVEL	-0-	2.0	-0-	-0-	-0-	-0-
300	CONTRACTUAL	-0-	3.0	-0-	-0-	-0-	-0-
400	SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
500	EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
600	LANDS & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700	GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
800	MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
	TOTAL OPERATING	-0-	5.0	-0-	-0-	-0-	-0-
	CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
	REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND	-0-	5.0	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	5.0	-0-	-0-	-0-	-0-

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS: Please see attached.

Prepared By: Martin J. Richard
Division: Audit Division
Phone: 465-2320
Date: April 30, 1985

Approved by Commissioner:
Agency: Revenue
Date: 5/2/85

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

Analysis for CS HB 58(FIN)

Travel $2.0 - Passage of HB 58 will require the Audit Division to draft regulations and conduct public hearings throughout the state. Our fare and per diem costs are estimated at $2,000 for travel to Ketchikan, Anchorage and Kodiak by one Audit Division employee.

Contractual Services $3.0 - Conducting public hearing requires the presence of a court reporter, and advertising in statewide newspapers. In addition, the bill will make it necessary for the Department to revise its tax forms to request additional information from processors, and prepare annual reports to the legislature. Programming and forms design costs are included in this request.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST
Bill/Resolution No: CSHB 58 (Fin)
Title: Relating to the Fisheries Business Tax
Sponsor: House Finance Committee
Requestor: House Rules Committee
Date of Request: April 30, 1985

FISCAL DETAIL
Agency Affected: Revenue
Program Category Affected:
BRU, Program of Subprogram(s) Affected:

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	(7000.0)	-	-	-	-

FUNDING: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page for analysis.

RWE
Prepared By: Robert W. Elliott
Division: Revenue - Research Section
Phone: 465-2173
Date: 5/1/85

Approved by Commissioner: [signature]
Agency: Revenue
Date: 5/2/85

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

FISCAL NOTE, CSHB58 (Fin)
Attachment

Analysis for CSHB 58 (Fin):

The above estimates are derived from the Revenue Sources March, 1985, projections for fisheries business taxes, and provide for tax credits beginning in tax year 1985. The estimates reflect the maximum revenue loss the State could experience if all shore-based fisheries business tax returns claimed a 50 percent tax credit after receiving prior approval 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 not shown beyond FY 86 since price/catch projections are unknown.

ALASKA FISHERIES BUSINESS LICENSE TAX
HISTORICAL ANALYSIS
1981 - 1983

		1983	1982	1981
Shore-based	3.0%	$ 9,905,000	$ 8,948,000	$ 9,656,000
Cannery	4.5%	2,765,000	8,357,000	5,984,000
Floating	5.0%	5,474,000	4,541,000	3,862,000
Shore-based Developing Species 1.0%		238,000	280,000	192,000
Floating Developing Species 3.0%		911,000	555,000	330,000
Total Fish Tax Collections		$19,293,000	$22,681,000	$20,024,000

UPDATING AND DIVERSIFICATION OF PROCESSING PLANTS

This is a list of equipment found in many shore based processing plants. This equipment was purchased to proces crab and shrimp. The list shows the type of equipment, value and use if the processor diversified into the bottom fish industry.

TYPE OF EQUIPMENT	VALUE	ACTION (can it be used or not
1. Separator belts	$5,000 each	no
2. Tote dumper	$1,700 each	yes
3. Refrig/phosphate tank system	$60,000	no
4. Shrimp cooker	$20,000/year (leased)	no
5. Shaker	$2,000/year leased	no
6. Piching belt	$5,000 each	no
7. Ice Machine - 10 ton	$30,000	yes

Leases are virtually long term fixed payments. Payments continue for several yeaRs whether you process or not.

B. CRAE PROCESSING EQUIPMENT

1. Boiler	$70,000	no
2. Crab butchering station	$3-8,000	no
3. Degillers	$1-5,000	no
4. Automatic cookers	$60,100,000	no
5. Cooling tank	$3-10,000	maybe
6. Washing Line	$3,000	yes
7. Brine freezing baskets	50 each $300 $15,000	no
8. Brine freezer	$40,000	no

DIVERSIFYING INTO THE BOTTOM FISH INDUSTRY

Now let's consider that a plant is making the determination that they will get into bottomfish, and make high quality fillets. Since it is a low value fish the plant MUST produce a lot of product to make the gross income to support the venture. That is to say that, when the company was making 20-40¢ per pound on crab or shrimp, they only needed to produce around $2,000,000 pounds to make $400,000 which would make mortgage payments, interest, base payments, utilities etc. Now, with bottomfish they can only hope to make $2-3¢ per pound which means they must produce over 13,300,000 pounds to make the same $400,000 to cover fixed costs. (This does not include the cost of new equipment)

In order to produce this much poundage they MUST AUTOMATE. They must cut down on labor since it is a very low value fish you could not pay workers enough to hand cut the fish. The plant also has to install more quality control equipment than it had before.

BOTTOMFISH EQUIPMENT

1. Wet fish pump	$70,000
2. 30 ton/day ice machine	$50-70,000
3. Refrig/ice storage house	$10,000
4. Additional totes	$37,000
5. High speed fillet line	$400,000
6. Pin bone removal table	$4,000
7. Freezer pans	$10,000
8. Freezer shelves	$35,000
9. Skinning machine	$17,000
10. Blast freezers 175,000-200,000 lbs/day	$500,000 (at least)
11. Automatic glazer	$18,000
12. Freezer bases, dollies	$24,000
13. Candling table	$3,000
TOTAL EQUIPMENT PRICE	$1,243,500

Moen✓

A M E N D M E N T

Offered in the HOUSE　　　　　　　　　　　　　　　　　　　　　　　　By Pourchot

TO: CSHB 58 (FIN)

Page 2, line 10:

Delete "100" and insert "25".

4/17/85

SHORE BASED FISHERIES BUSINESS

Tax Liability	Number of Taxpayers		Taxpayers Processing Developing Species
$1 - $5,000	155		100
$5,000 - $10,000	20		11
$10,000 - $25,000	15		16
$25,000 - $50,000	27	(217)	5
$50,000 - $100,000	28		5
$100,000 - $150,000	20		0
$150,000 - $250,000	22		1
Greater than $250,000	17	(87)	0
	304		

Capital Expenditure
(e.g. $640,000 - Surimi production from pollock)

Tax Liability (AS 43.75.015)
(e.g. $40,000)

50% to State (subject to credit under HB 58)
$20,000

50% to Muni (AS 43.75.130)
$20,000

A
x .25 = $160,000
(Pourchot Amendment)

B
x .50 = $320,000

C
x 1.00 = $640,000
(CSHB 58 [Fish])

Tax Liability After Credit	A	B	C
Year 1	0	0	0
Year 2	0	0	0
Year 3	0	0	0
Year 4	0	0	0
Year 5	0	0	0

SHORE BASED FISHERIES BUSINESS
(Example #2)

Capital Expenditure
(e.g. $100,000 -
freezer space expansion)

Tax Liability (AS 43.75.015)
(e.g. $40,000)

50% to State
(subject to
credit under
HB 58)
$20,000

50% to Muni
(AS 43.75.130)

$20,000

A

x .25 = $25,000
(Pourchot
Amendment)

B

x .50 = $50,000

C

x 1.00 = $100,000
(CSHB 58 [Fish])

Tax Liability
After Credit

	A	B	C
Year 1	0	0	0
Year 2	15,000	0	0
Year 3	20,000	10,000	0
Year 4	20,000	20,000	0
Year 5	20,000	20,000	0

MEMORANDUM State of Alaska

TO: Greg Baker, Director
Office of Commercial Fisheries
Development

DATE: April 16, 1985

FILE NO:

TELEPHONE NO:

FROM: Richard E. Reynolds
Development Specialist

SUBJECT:

Some typical examples of equipment and depreciable property that likely would qualify for tax credit under CSHB 58:

A moderate size plant in Sitka was able to freeze about 60,000 pounds of troll salmon per day, but lacked adequate capacity to handle fish that were delivered in large volume over short periods, such as seine salmon, halibut and roe herring. The firm recently made two capital expenditures to increase capacity and efficiency, and improve product quality:

1. A self contained freezer van capable of freezing 30,000 pounds per day -- cost $100,000.

2. An expansion of existing freezer capacity that involved building an extension on the main plant, addition of a new compressor and condenser, and racks for the product. This project provided additional freezing capacity of about 70,000 pounds per day -- cost $210,000.

An existing processing plant in Kodiak, with adequate floor space, refrigeration, unloading pump and other basic facilities, acquires and installs equipment necessary to produce surimi from pollock. A complete line composed of new and some used equipment capable of producing about 1.3 tons of finished product per day will cost about $640,000. The line generally will consist of:

Tote dump and washer
Filleting machine with roe extractor
Deboning machine
Three (3) sets of washing tanks and rinsing screens
Refiner/Strainer
Screw press
Filler apparatus
Extension nozzle
Freezing frames and packing tables

A small/medium sized plant in Kodiak needed increased ice making and storage capacity to service the vessels that are delivered to that facility. Using existing dock space and water and power service, the firm purchased a used 20 ton/day ice machine and refrigeration system, constructed a new building capable of storing about 65 tons of flake ice and put a new blower delivery system in place -- $312,000.

RER/me0087M
041585A

REVIEW OF INVESTMENT TAX CREDITS

Alaska State Legislat e

Advisory Council Members
Senator Kerttula, Chairman
Senator Bennett
Senator Fahrenkamp
Senator Vic Fischer

Pouch V
State Capitol
Juneau, Alaska 99811
Phone: (907) 465-3114

SENATE ADVISORY COUNCIL

MEMORANDUM

TO: Senator Fahrenkamp
Resources Committee

FROM: Pete Jeans

DATE: February 7, 1984

RE: Review of Investment Tax Credits

Attached is a brief summary of the articles you asked me to review on investment tax credit.

I have also included a summary of "State Development Programs: A Catalogue" that was prepared by the National Council for Urban Economic Development for:

1. National Governor's Association
2. Council of State Community Affairs Agencies
3. Council of State Planning Agencies
4. National Council for Urban Economic Development

I hope this information will be helpful to the Committee.

STATE DEVELOPMENT PROGRAMS: A CATALOGUE
National Council for Urban Economic Development

The most inefficient of all state development programs are tax concessions. Each dollar of subsidy to the firm is also a dollar of revenue lost to state or local government. For a property tax exemption, it is typically the municipality that incurs the revenue loss. For an investment tax credit, it is the state. To these losses must be added the cost of administering the tax programs. Unlike revenue bonds and other incentives, the cost of tax subsidies is borne directly and solely by the government offering them.

A further limitation on state tax concessions is that there is little evidence that they have a significant impact on business investment or plant location decisions. There are several reasons for this. The Federal tax structure allows companies a deduction for state and local taxes paid. Because corporate income is subject to a marginal federal tax rate of 48 percent, the amount of any subsidy due to tax concessions is essentially cut in half. A second factor limiting their effectiveness is that other costs of doing business are far larger and more important in the business location decision process. For example, many firms' labor costs are 20 times the amount of their state and local tax payments. Thus, a 2 percent wage differential has as much impact upon a company's bottom line as a 40 percent differential in the tax bill.

A third significant point is that many state tax concessions offer credits against tax liability for various activities. Obviously, this is relevant only if the firm has a tax liability, and many firms, particularly small and new firms, do not have a tax liability sufficient to take advantage of credits. In 1971, 90 percent of all firms had a Federal income tax liability under $10,000 and 49 percent had no Federal income tax liability at all.

More important that the absolute level of taxes is the amount of time, trouble and record keeping firms must go through to pay them. This is particularly true for small and new businesses. The recent actions of California and other states to eliminate or simplify the inventory tax indicates that some states are beginning to consider the effect of this inconvenience.

INVESTMENT TAX CREDIT: UNRESOLVED ISSUES

Report to Congress by Treasury

One of the objectives of the investment tax credit legislation was to stimulate the U.S. economy when it was in a recession. It was assumed that an increase in the investment tax credit during a recession would promote economic activity and stimulate a recovery. In reviewing past studies, we found the following:

> It takes 2 to 4 years for there to be a significant response in investment expenditures to a change in the tax credit. That is, an increase in the investment tax credit may generate a response during the recovery phase of the business cycle and thus accelerate the recovery rather than being a key factor in ending the recession.

A large portion of the tax credit goes to reward investment that would have been made whether or not there was a tax credit.

In assessing the desirability of the investment tax credit as an incentive for business investment, a number of other alternatives should be considered. In our view, a full analysis should include at least the following options as alternatives to the investment tax credit: (1) A program of direct investment subsidies to businesses in the form of direct payments, loans, or loan guarantees; (2) a general cut in the corporation income tax; and (3) a more generous depreciation allowance for business.

STATE TAXATION AND ECONOMIC DEVELOPMENT

Robert J. Vaughan
Council of State Planning Agencies 1979

Taxes are only one factor among many -- and a relative minor one -- that affect state economic development. The quality of the local labor force, transportation facilities, energy prices, and population growth all contribute to shaping local development.

An economic development strategy must aim at attracting skilled workers as well as factories. Concentrating on industrial parks and business tax incentives at the expense of residential amenities will meet with only limited success.

An economic development strategy must focus on the overall economic climate, and not waste resources on special incentives for a few favored firms. It must encompass a broad range of policies, including training programs, infrastructure development, and capital mobility as well as a balanced tax structure.

The primary purpose of taxes is to raise revenues to pay for local services. This must be achieved with as little disruption as possible to businesses and households, as fairly as possible, and at the lowest possible administrative cost.

There is a popular myth that a reduction in the level of state business taxes will produce a flood of new development. The truth is very different. The level of business taxes has very little impact on the local growth rate or on the interstate location decision of firms.

Efficiency:

- The overall burden of taxes should reflect local preferences for public services.
- The tax structure should not lead to undesirable actions by taxpayers such as firm and household relocation.

Equity:

- The greater a taxpayer's resources, the greater the tax burden (vertical equity).
- Taxpayers with similar resources should pay similar tax burdens, all other things being equal (horizontal equity).
- The tax burden for taxpayers with similar resources should be related to the value of public services received.

Administrative Ease:

- The tax should be simple to collect and enforce.

- The tax revenue should be predictable.

- The tax revenue should grow secularly with the local demand for public services and the level of economic activity.

- The tax revenue should be cyclically stabilizing.

A direct result of the belief that business taxes really matter has been the proliferation of special tax incentives designed by states and localities to attract new businesses and to encourage expansion and new investment among existing firms.

However, the clear conclusion is that, for the most part, firms are rewarded for doing what they would have done even in the absence of the incentive.

When the state abates or exempts local taxes to induce a firm to move in, the net benefits may well become negative.

Development efforts must focus upon the overall economic climate, not upon expensive incentives to a few firms.

Summary of Results

The study provides two very positive conclusions.

1) On the basis of these models, Alaska's mineral tax structure is average compared with the eleven other states and provides a relatively attractive tax environment for mining.

2) Alaska's tax structure is progressive as it is based on net proceeds taxes. Taxes are therefore proportional to income levels. This is a positive and important aspect of mineral industry taxation because mines subject to gross proceeds taxes, which do not decline proportionately with income, shut down sooner in times of adverse economic conditions.

These conclusions, however, are not unqualified. The study notes that some of the assumptions used in the mine modeling, while holding true when making comparisons between "lower 48" states, are not completely valid for Alaska. Cost differentials between Alaska and other states impact Alaskan mines as follows:

1) Exploration and development costs are higher.

2) Capital costs are higher.

3) Operating costs are higher.

4) Infrastructure investment can be a major cost.

The fourth point may represent the most significant qualification in this tax comparison. The study models do not include investment costs for infrastructure as that is often a minor component of mine development in other states. However, in Alaska, depending upon locale, it can be the largest cost in bringing a mine to the production phase.

Conclusion

The present Alaska mineral taxation structure will provide tax revenues comparable to those generated in states with viable mining industries. However, the cost differential between doing business in Alaska versus other states is an additional and presently unavoidable burden. Increasing tax rates or altering the tax structure may severely impact the ability of the mining industry to do business in Alaska.

STATEMENT OF ROBERT EISNER, PROFESSOR OF ECONOMICS
NORTHWESTERN UNIVERSITY

The investment tax credit constitutes the second largest "tax expenditure" in President Carter's budget for 1980, coming to some $18.46 billion, of which $15.37 billion is for corporations and $3.00 billion is for noncorporate business.

Despite its now substantial history, the effects of the investment credit in stimulating business expenditures for equipment must properly remain in question. While business welcomes the tax reduction it appears to entail, queries as to its effect in stimulating investment draw overwhelming negative responses. In cost cases, we are told, firms buy little or no additional equipment as a consequence of the tax credit.

Capital-intensive firms will be aided at the expense of labor-intensive firms. Since large firms tend generally to be more capital-intensive, the investment tax credit will hence tend to aid them at the expense of smaller firms. And while the introduction of more machinery may tend to make labor more productive -- if the machinery itself is really productive and not merely purchased for the tax advantage -- the substitution of capital for labor will tend to decrease the demand for labor, particularly less skilled labor where unemployment is highest, while offering more income to the owners of capital as a consequence of the tax advantages.

If continuation of the investment tax credit is considered necessary in the interest of "business confidence," we may reflect upon results of a survey by the conference board of 400 chief executives of major companies about 1 year ago. These top-level business leaders were reported to favor strongly a cut in the corporate tax rather than other tax relief measures. And specifically, the cut in corporate tax rates was widely preferred to a boost in the investment tax credit.

THE INVESTMENT TAX CREDIT: AN EARLY TRY AT "SUPPLY-SIDE" ECONOMICS

Walter Heller, Chairman of the Council of Economic Advisors
(Article from "Dun's Review")

Walter Heller, Chairman of the Council of Economic Advisers under President John Kennedy, is thinking back specifically to the early 1960's when he and a task force of other leading economists devised the nation's first investment tax credit as a way of stimulating capital spending by American business.

To give business a lift, the experts decided there were two viable alternatives on the supply side of the economy. One was a policy of accelerated depreciation which would have been an aid to all business, old and new.

The other, which the task force eventually decided on, was a more specific way of spurring new capital spending: the 7% investment tax credit.

Even today, opinions differ as to how effective the investment credit was as an incentive, but the task force member generally think it did the job it was intended to do.

Today, say Heller, the credit, which had such a hard time winning acceptance originally, is "absolutely firmly imbedded" in the tax structure of the land.

TAX INCENTIVES AS A DEVICE FOR IMPLEMENTING GOVERNMENT POLICY: A COMPARISON WITH DIRECT GOVERNMENT EXPENDITURES

Stanley S. Surrey

(Article from Harvard Law Review)

The tax code contains a great number of special provisions which provide credits, deductions and other tax advantages intended to achieve non-tax goals considered desirable by Congress. In fiscal 1968, these provisions represented tax expenditures of over 45 billion dollars. Professor Surrey argues that the tax incentive is generally inferior to the direct subsidy as a means of achieving social goals: that incentives are usually less equitable, since they benefit persons in high tax brackets most, and more difficult to develop and administer, since they are handled by tax committees and administrative agencies which have little expertise in non-tax social policy. He suggests a strong presumption against their use.

What is the balance sheet regarding these two methods of government assistance, direct expenditures and tax incentives? I conclude from the above observations that, as a generalization, the burden of proof should rest heavily on those proposing the use of the tax incentive method. In any particular situation -- certainly any new situation -- the first approach should be to explore the various direct expenditure alternatives. Once the most desirable of these alternatives is determined. If one still wishes to consider the tax incentive method for the same substantive program, the question must be what clear advantages can be obtained by using the tax method. Again, as a generalization, I think it unlikely that clear advantages in the tax incentive method will be found.

TAX EXEMPTIONS 1982: EXECUTIVE SUMMARY

John Spellman, Governor
Washington State Department of Revenue

Tax exemptions are made available for a variety of reasons believed to be in the public interest. While only positive results may be intended, the actual effectiveness of exemptions and their effect on the state tax system cannot be ignored, especially in light of citizens' calls for increased fiscal responsibility in the formation of public policy.

The effectiveness of many tax exemptions is difficult to determine, largely due to (1) the lack of clear legislative intent against which to evaluate effectiveness and (2) the lack of data with which to measure effectiveness. The changing economic environment in which exemptions operate often requires that these evaluations be subjective. It is impossible to predict with great certainty what would have happened in the absence of any particular exemption.

Many of the business exemptions were those designed to stimulate economic development. Regional economic development is stimulated by a variety of factors including infrastructure, labor force characteristics, potential markets and availability of raw materials. Due to the diversity and interrelatedness of these factors it was not possible to isolate the impact of the tax exemptions on economic development in the majority of cases.

Tax exemptions have resulted in tax shifting, tax reductions and erosion of the tax base, all of which have been viewed as partly responsible for the existing fiscal condition of the state and the need for recent tax rate increases. While the impact of exemptions on revenue collections and on the design of the tax system are extensive, the vast majority of exemptions include no statement of legislative intent, nor provisions for termination. Statements of legislative intent are a first step in enacting tax exemptions in a fiscally responsible manner.

ANALYSIS OF PROPOSALS FOR DEPRECIATION AND INVESTMENT TAX CREDIT REVISIONS

Joint Committee on Taxation

The most common view among economists is that tax incentives work to increase business investment. The main area of controversy concerns measuring how responsive is business investment to changes in tax incentives.

Investment Tax Credit: United States

For most kinds of tangible personal property, taxpayers may claim an investment tax credit (ITC) in addition to their depreciation deductions. The ITC is generally 10 percent of the cost of the asset, but this rate is reduced to 3 1/3 percent for assets depreciated over a 3 or 4 year life of 6 2/3 percent for assets depreciated over a 5 or 6 year life. The ITC also applies to costs of rehabilitating old industrial and commercial buildings.

West Germany

No investment tax credit is provided.

Japan

A tax credit of 10 percent of the purchase price of certain assets, up to 20 percent of total corporate tax liability, is allowed for purchases in certain industries. A special tax credit is allowed for any corporation which increases its research and experimental expenses or training costs of programmers and systems engineers for electronic computers. This tax credit cannot exceed 10 percent of the corporation tax.

France

No investment tax credit is allowed, but special depreciation allowances are granted in certain cases where investments are considered particularly fruitful to the French economy. Among these are:

Special accelerated first-year depreciation of 50 percent of the cost of buildings used for technological or scientific research is allowed.

An exceptional write-off during the year of completion is permitted for 25 percent of the cost of buildings erected for industrial and commercial purposes.

United Kingdom

Development area grants of 20 percent to 22 percent of the capital expenditure on machinery and plant are available for certain expenditures. These grants do not reduce a taxpayer's basis for depreciation purposes. In designated "enterprise zones," 100 percent first year depreciation is allowed for industrial and commercial buildings.

Canada

Canada provides an investment tax credit of 5 percent of the cost of certain buildings, machinery, and equipment if such assets are to be used in manufacturing, processing, or other specified activities. This credit reduces basis cost for tax depreciation purposes. The amount of this credit allowable may not exceed the sum of $15,000 plus one-half of the amount by which the Federal income tax otherwise payable exceeds $15,000.

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF REVENUE

POUCH S
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

OFFICE OF THE COMMISSIONER

March 19, 1985

file H1358

The Honorable Al Adams
Chairman
House Finance Committee
Alaska State Legislature
Pouch V
Juneau, AK 99811

Re: HB 58
Finance Committee Request

Dear Representative Adams:

During the recent Finance Committee hearing of HB 58, you requested statistics which reflect the number of out-of-state fisheries businesses paying the raw fish tax.

Our records indicate that of the 502 licensed fisheries businesses in this state, 217 are filing with out-of-state addresses. These 217 were assessed a total of $15.44 million in fisheries business tax for the 1983 tax year. This represents approximately 88% of the total tax assessed for the 1983 tax year.

If we can be of further assistance please contact Martin Richard, Director of Audit at 465-2320.

Sincerely,

Mary A. Nordale

Mary A. Nordale
Commissioner of Revenue

MAN:RW:ml1
85-37

04-D2LH

MEMBER

FINANCE COMMITTEE
SPECIAL COMMITTEE ON FISHERIES

STATE OF ALASKA

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JUNEAU, ALASKA 99811
(907) 465-4737

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BETHEL, ALASKA 99559
(907) 543-2922

REPRESENTATIVE JOHNE BINKLEY

April 16, 1985

M E M O R A N D U M

To: House Finance Committee

From: Representative Johne Binkley

RE: HB 58 Finance Sub-committee

The HB 58 Finance Sub-committee met twice to discuss proposals for a committee substitute. Testimony was received from Representative Cato, Rick Lauber of the Pacific Seafood Pocessor's Association, and Bob Anderson of the Chugiak Fisheries Company. Four proposals to the bill were discussed:

(1) Limiting the fisheries business tax credit to 50 percent of the business' tax liability with a $1 million cap in a single tax year.

(2) The tax credit shall not exceed 25 percent of the capital expenditure.

(3) Provide for recapture where the state may recover a portion of the credit if the investment for which the credit is made is taken out of service, sold or otherwise disposed of within certain time frames.

(4) Spreading the tax loss for the tax credits between the state and local municipalities which receive tax revenues under AS 43.75.

The prime sponsor agreed to the first and third proposals which are included in the attached committee substitute. Representative Pourchot indicated that he may present an amendment in Finance that would restrict the percentage of a capital expenditure for tax credit to no more than 25 percent.

House Finance Committee
HB 58
April 16, 1985
Page Two

Section 1. Changes shore based cannery to shore based fisheries business.

Section 2. Provides for a limit of 50% credit of the tax liability for only those capital expenditures that will increase product diversity, increase production efficiency and capacity, or improves product quality. A $1 million cap in a single year is the maximum credit allowable. Five consecutive years is the maximum time allowable for claiming a tax credit beginning in any year between 1985 to 1989. 100% of the capital expenditure can be approved for the tax credit. This section also restricts from claiming as a tax credit, those capital items that were the subject of a previous tax credit by the previous owner or property sold or transferred between businesses having substantial common ownership. A tax report to the legislature by the Department of Revenue of tax credits claimed and increases in employment by those claiming credits is also required in this section. This section includes a recapture clause that increases the tax liability when property claimed for a tax credit has been sold, disposed or otherwise ceased to be used.

Section 3. Provides for the calculation of tax revenue from a person as if the tax has been collected without applying the credit. This provides for the maximum participation of local municipalities to reduce their tax revenue loss from the applied tax credits.

Section 4. Provides for a definition of capital expenditures.

Moen
4/17/85

Original sponsors: Cato, Grussendorf and Thompson

IN THE HOUSE BY THE FINANCE COMMITTEE

CS FOR HOUSE BILL NO. 58 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

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

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

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

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

(1) salmon canned at a shore-based <u>fisheries business</u> [CANNERY] - four and one-half percent;

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

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

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

Sec. 43.75.032. FISHERIES BUSINESS TAX CREDIT. (a) A fisheries business is entitled to a credit of not more than 50 percent of the business tax liability under AS 43.75.015 for capital expenditures made during the tax year that increase product diversity, increase production efficiency and capacity, or improve product quality at a shore-based fisheries business facility in the state if an application for the credit is approved by the department. A tax credit taken under this section in a single tax year may not exceed $1,000,000.

(b) A fisheries business may claim a credit under (a) of this section for a maximum period of five consecutive years. An applicant for the credit may elect to begin the five-year period with any tax year from 1985 through 1989.

(c) The portion of a capital expenditure that exceeds the amount eligible for a credit under (a) of this section during a single tax year may not be carried back to a prior taxable year but may be claimed as a credit under (a) of this section for a subsequent tax year within the five-year period elected under (b) of this section. Tax credits may not be approved for more than 100 percent of a capital expenditure.

(d) The department may not approve a tax credit under (a) of this section if the property for which the capital expenditure was made was the subject of a previous capital expenditure by another taxpayer for whom a corresponding tax credit under (a) of this section has been approved or if the property was sold or transferred between fisheries businesses having substantial common ownership.

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

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

Sec. 43.75.034. TAX CREDIT REPORT. Not later than the 60th legislative day of each regular legislative session the Department of Revenue, in conjunction with the Department of Commerce and Economic Development, shall submit to the legislature a report on the fisheries business tax credit program under AS 43.75.032. The report shall describe the expenditures for which a credit was claimed during the previous tax year and, if possible, the increase in employment and processing capacity by the fisheries businesses for whom the credit was approved. Reporting under this section shall begin with the first regular session of the Fifteenth Alaska Legislature.

Sec. 43.75.036. RECAPTURE. If a taxpayer sells, disposes of, or otherwise ceases to use property for which a credit was allowed under AS 43.75.032 at any time within four years after the date the property was placed in service, the tax imposed for the taxable year under AS 43.75.015 is increased by the applicable percentage of the full amount taken as a credit under AS 43.75.032 according to the following table:

Years Property Placed in Service	Applicable Percentage
0 - 1	100
1 - 2	75
2 - 3	50
3 - 4	25

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

(b) For purposes of this section, tax revenue collected under AS 43.75.015 from a person entitled to a credit under AS 43.75.032 shall be calculated as if the person's tax had been collected without applying the credit.

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

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

* Sec. 5. AS 43.75.032, 43.75.034, 43.75.130(b), and 43.75.140(9) are

repealed January 1, 1994.

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465-3800

M E M O R A N D U M April 4, 1985

SUBJECT: Fisheries business tax credits for Alaska residents only (CSHB 58)

TO: Representative Pat Pourchot

FROM: Randall J. Moen
Legislative Counsel RJM

You have asked whether it is constitutionally permissible to limit the fisheries business tax credit under CSHB 58 to Alaska residents only. In my opinion this violates Art. IV, sec. 2 (privileges and immunities clause) and Art. I, sec. 8 cl. 2 (commerce clause) of the U.S. Constitution. I shall discuss only Art IV, sec. 2.

Under CSHB 58 a person who engages in a fisheries business is entitled to a tax credit for capital expenditures made to a fisheries business facility. If the tax credit is available only to Alaska residents, nonresidents would be penalized for pursuing their basic right to economic opportunity, occupation and livelihood in another state.

The privileges and immunities clause of Art. IV, sec. 2 of the U.S. Constitution states: "The citizens of each state shall be entitled to all privileges and immunities of citizens in the several states." The privileges and immunities clause does not preclude some disparity of treatment between residents and nonresidents. Sheley v. Alaska Bar Ass'n, 62 P.2d 640 (1980). To be protected under the privileges and immunities clause the activity must involve fundamental rights, that is those basic and essential activities, interference with which would frustrate the purpose of the formation of the union. Noll v. Alaska Bar Ass'n, 649 P.2d 241 (1982). The right to pursue one's livelihood in another state is a fundamental right protected under the privileges and immunities clause. Hicklin v. Ordbeck, 437 U.S. 518, 57 L.Ed 2d 397, 985 Ct. 2482 (1978). Interference with the right to pursue economic opportunity or livelihood tampers with one of the major purposes of the formation of a union: to create a national economic unit. Shely, supra.

If a statute, which discriminates against nonresidents in regard to a fundamental right, violates the privileges and immunities clause, inquiry must be made into whether there is a substantial reason for the discrimination beyond the mere fact that the nonresidents are not residents and whether the degree of discrimination bears a close relation to such reason. Shely, supra.

Article IV, sec. 2 prohibits discrimination against nonresidents where there is no substantial reason for the discrimination beyond mere fact that they are citizens of other states. Toomel v. Witsell, 334 U.S. 385, 396, 68 S.Ct. 1156, 1162, 92 L.Ed. 1460, 1471 (1948). No substantial reason will be found absent some showing that nonresidents are a peculiar source of the evil which the state's action is meant to remedy. Hicklin, supra.

One of the major reasons for the tax credit under CSHB 58 is to increase employment in Alaska. It is unknown why tax credits should only apply to resident Alaskans engaged in the fisheries business. A good argument might be made that limiting the tax credit to only Alaska residents would run counter to resolving unemployment in Alaska. If the reason is to limit the ability of nonresidents to compete in Alaska because they pose a threat to Alaska resident business the state would have to convince the court that interstate commerce competition from nonresidents is a peculiar source of evil to the state's action is meant to remedy. Hicklin, supra. In Hicklin, supra, the state was unable to convince the court that nonresidents were a peculiar source of the evil the state was trying to remedy. The evil the state was trying to remedy was unemployment and it adopted a preferential hiring statute as its remedy. Using Hicklin, supra it is difficult to believe the state could convince the court that nonresidents are a peculiar source of the evil the tax credit for Alaskans only statute is trying to remedy, that is, threats to Alaska business or unemployment.

Because nonresidents would be penalized for exercising basic rights of pursuing economic opportunity occupation and livelihood and because there is no substantial justification to support discrimination against nonresidents I conclude that the privileges and immunities clause of Art. IV sec. 2 prevents giving fisheries business tax credits to Alaska residents only.

RJM:csh
c3/087

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date 2-11-85

REQUEST
Bill/Resolution No: CSHB 58
Title: Fisheries Business Tax Credit

Sponsor: Cato, Grussendorf & Thompson
Requestor: Special Committee on Fish.
Date of Request: February 11, 1985

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
200 TRAVEL	-0-	2.0	-0-	-0-	-0-	-0-
300 CONTRACTUAL	-0-	3.0	-0-	-0-	-0-	-0-
400 SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
500 EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
600 LANDS & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
800 MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	-0-	5.0	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND	-0-	5.0	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	5.0	-0-	-0-	-0-	-0-

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS: Please see attached.

Prepared By: Martin Richard
Division: Audit
Phone: 465-2320
Date: February 1[illegible], 1985

Approved by Commissioner:
Agency: Revenue
Date: 2/22/85

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

Analysis for CSHB 58

Travel $2.0 - Passage of SB 11 will require the Audit Division to draft regulations and conduct public hearings throughout the state. Our fare and per diem costs are estimated at $2,000 for travel to Ketchikan, Anchorage and Kodiak by one Audit Division employee.

Contractual Services $3.0 - Conducting public hearing requires the presence of a court reporter, and advertising in statewide newspapers. In addition, the bill will make it necessary for the Department to revise its tax forms to request additional information from processors, and prepare annual reports to the legislature. Programming and forms design costs are included in this request.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST
Bill/Resolution No: CS for HB 58
Title: Relating to the Fisheries Business Tax
Sponsor: Cato and Grussendorf
Requestor: House Resources Committee
Date of Request: February 11, 1985

FISCAL DETAIL
Agency Affected: Revenue
Program Category Affected:
BRU, Program of Subprogram(s) Affected:

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	(7000.0)	(7000.0)	-	-	-

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: David Tonkovich Tonkovich
Phone: 465-2173
Division: Research Section
Date: 2/19/85

Approved by Commissioner: [signature]
Date: 2/21/85
Agency: Revenue

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

FISCAL NOTE, HB 58
Attachment

Analysis for HB 58:

The above estimates are derived from the Revenue Sources January, 1985, projections for fisheries business taxes, and provide for tax credits effective in FY 86. 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 87 and not shown beyond since price/catch projections are unknown.

Department of Commerce & Economic Development / POSITION PAPER

SB 11 and HB 58: "An Act relating to the fisheries business tax."

The Department of Commerce and Economic Development has reviewed both the Senate (SB 11) and House (HB 58) versions of proposed amendments to AS 43.75.015-130, which would entitle a fisheries business to a credit of not more than 50 percent of the business tax liability under AS 43.75.015 for capital expenditures. As amended in the House Special Committee on Fisheries, CSHB 58 would require that to be eligible, capital expenditures would need to increase product diversity, promote production efficiency and capacity, or improve product quality as defined by the commissioner of the Department of Commerce and Economic Development.

The department supports the Fisheries Business Tax Credit concept as expressed in CSHB 58. The amendments by the House Special Committee on Fisheries to HB 58 provide a more concise definition of eligible capital expenditures to encourage investments in production facilities for groundfish, equipment necessary to meet quality control guidelines, engage in the manufacture of value-added products, and improve production facilities. We would recommend that those same amendments be made to SB 11.

Alaska's seafood industry has a significant impact on the economy of Alaska. It is the State's largest private sector employer, providing on a monthly average some 15,000 jobs with peak employment as high as 45,000. Every 100 jobs in the processing sector induces 28 jobs in other sectors of the economy, while every $100 of new processing sector earnings stimulates an additional $84 in the economy. Although the problem of "leakage" is often cited as a problem, the tax credit concept is designed to encourage the kinds of investments (i.e., value added processing) that will lead to its reduction.

Both the private sector and State are facing any number of opportunities and challenges as we work to stimulate growth and diversity in the seafood industry. The opportunities are significant. The Magnuson Fisheries Conservation and Management Act, and renegotiations of the International North Pacific Fisheries Commission Conventions have dramatically increased our ability to more effectively manage our resources. Seafood consumption trends such as the exponential growth in sales of shellfish analogs made from surimi ($200 million in 1984) and the increasing consumer awareness of the health benefits associated with eating seafood suggest a bright future in the U.S. marketplace. The situation, however, is not without challenges for the industry and the State. Our seafood companies operate in an international marketplace that bears no resemblance to the "free market" discussed by economists. Almost without exception our international competitors jealously guard local markets while simultaneously subsidizing exports to the U.S. So, for example, while Alaskan companies cannot legally export surimi to Japan, Japanese firms have almost unrestricted access to the growing surimi based products market.

Canadian firms facing depressed prices can sell their cod products to the Canadian government who will store them at no cost until prices firm up, at which time they are resold to the producer at the original price. If prices remain soft, the product is "dumped," often in the U.S. market. However, subsidized competition is by no means the only challenge we face.

Most other states, lacking the blessings of our oil revenues, are actively seeking investment in new and existing industries. Processing operations such as those which produce surimi based products rely on a frozen intermediate product and do not have to locate immediately adjacent to the fishery. Of the three new such plants recently built or under construction, none are in Alaska. In Washington state, a municipality issued Industrial Development Bonds to finance a shellfish analog plant that will use surimi made from Alaska pollock. To encourage investment, 36 other states use tax incentives and concessions; between 1979 and 1982 fully 1/3 of those states expanded their incentive programs. While it may be difficult to define the success of such programs from a theoretical point of view, it is clear that a majority of our competitors for investment dollars have decided they are a sound economic development tool.

The importance of the seafood industry to Alaska will again be highlighted in the future as our communities are no longer able to substitute state spending for economic stability and diversification. The investment opportunity represented by the Fisheries Business Tax Credit concept can be an important part of the State's response to declining revenues.

Loren H. Lounsbury

Loren H. Lounsbury, Commissioner

Date: 3/20/85

1t0100g

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Alaska State Legislature

House of Representatives

COMMITTEES

CHAIRMAN
HOUSE TRANSPORTATION

MEMBER
RESOURCES
STATE AFFAIRS

MEMORANDUM

March 14th, 1985

TO: Representative Al Adams
Chairman
House Finance

FROM: Representative Bette Cato BC

SUBJECT: CSHB 58

On January 16th I introduced House Bill 58 "An act relating to the fisheries business tax" This bill was referred to Special Committee on Fisheries, Resources Committee and Finance.

The purpose of this legislation is to provide an incentive to shore based processors to upgrade the quality of their present facilities and equipment in order to enhance the quality, quantity and diversitivity of Alaska's processed seafood.

This bill would allow shore based processors to take a credit of up to 50% of their business tax liability for capital improvement projects undertaken in the tax year. I feel this credit would help relieve some of the pressures currently being experienced by the fishing industry. Updating, upgrading and expanding their plants and equipment is vital if the State's seafood industry is to remain competitive, diversified and economically progressive. This credit offers the shore based processors the capital to complete the expanding and upgrading of their plants.

The Department of Revenue would promulgate regulations for approving applications and would have 60 days to approve or disapprove applications submitted. The Department would prepare a report to the Legislature each regular legislative session describing what the credits were used for, and if possible, how employment and the processing capacity of the fisheries were improved.

The history of this bill is detailed in my request to the House Research Agency number 85-039. The members of the Committee should find this paper helpful in their deliberations.

I urge your support for HB 58.

Sincerely,

Bette

Representative Bette Cato
House of Representatives
District 6

BC/WC

SECTIONAL ANALYSIS CSHB 58 - REPRESENTATIVE CATO

Section 1 AS 43.75.015 is amended by defining the amount of business tax a fisheries business is liable for.

1. Salmon canned at a shore based cannery - 4½%

2. All salmon processed (except canned) and all fish processed by shore based processors - 3%

3. Fish processed by floating processors - 5%

Section 43..75.018 is amended by adding a new section:

A fisheries business is entitled to not more than 50% of their business tax liability for capital expenditures made during a tax year. These expenses relate to the fisheries business.

A fisheries business may claim this credit for a maximum of five consecutive years. This credit may begin anytime during the period from 1985-1989.

If a capital expenditure exceeds the amount eligible for a credit the fisheries business may carry the credit forward for a subsequent tax year within the five year period. No credit may be carried back to previous years.

A tax credit will not be approved for property or equipment that has previously received a tax credit. (Property sold can not receive a tax credit by the purchaser if a credit has already been received by the seller)
A tax credit will not be allowed if property is sold or transferred between businesses who have substantial common ownership.

The Department shall adopt regulations defining capital expenditures eligible for tax credits. Any applications submitted to the Department for credit shall be approved or disapproved within 60 days of the application being filed.

The Dept. of Revenue in conjunction with the Dept. of Commerce and Economic Development shall submit a report to the Legislature by the 60th day of each regular session outlining expenditures for which credit was claimed and increases in employment and processing capacity as a result of this credit.

Sec 3. As 43.75.130 is amended by adding a subsection which covers the municipalities who receive 50% of the raw fish tax.
This new subsection states that the municipalities will receive the amount they would have as if the tax credit were not applied.
This is to ensure that the municipalities receive the full amount of the 50% of the fish processors business tax liability and not 50% of the amount that was paid after the credit was applied.
Sec. 4. AS 43.75.140 is amended by adding a new paragraph:
This paragraph states that if a capital expenditure is used for credit under the Federal Income Tax system, this capital expenditure is not entitled to be used for a credit under this program.

CUMULATIVE SUMMARY OF REVENUE
COLLECTED 07/01/84 THRU 1/31/85
7/12 OR 58.33%

CODE NO	TYPE OF TAX	GROSS RECEIPTS	REFUNDS	NET RECEIPTS	ESTIMATE	NET RECEIPTS % OF ESTIMATE
001	OIL & GAS PROPERTY TAX	$ 3,373,697.80	$ 842,570.02	$ 2,531,127.78	$ 121,000,000.00	2.10
016	ALCOHOLIC BEVERAGE EXCISE TAX	8,713,472.83	947.22	8,712,525.61	15,000,000.00	58.09
017	CIGARETTE TAX (GF)	1,215,993.68	0.00	1,215,993.68	2,100,000.00	57.91
018	CIGARETTE TAX (SF)	1,901,938.81	0.00	1,901,938.81	3,300,000.00	57.64
020	ELECTRIC & TELEPHONE	41,794.09	0.00	41,794.09	1,700,000.00	2.46
021	HIGHWAY MOTOR FUEL TAX	17,093,331.82	2,304,631.19	14,788,700.63	22,000,000.00	67.23
022	AVIATION MOTOR FUEL TAX	5,101,772.08	0.00	5,101,772.08	8,000,000.00	63.78
023	MARINE MOTOR FUEL TAX	3,030,825.19	0.00	3,030,825.19	4,200,000.00	72.17
036	INDIVIDUAL INCOME TAX	1,029,284.60	37,157.78	992,126.82	0.00	0.00
037	FIDUCIARY INCOME TAX	3,327.00	0.00	3,327.00	0.00	0.00
038	CORPORATION INCOME TAX	102,009,374.07	24,805,015.34	77,204,358.73	293,000,000.00	26.35
046	BUSINESS LICENSE	37,578,616.57	137,339.00	37,441,277.57	20,000,000.00	187.21
052	ESTATE TAX	422,034.88	4,319.69	417,715.19	700,000.00	59.68
057	SCHOOL TAX	0.00	0.00	0.00	0.00	0.00
060	SALMON ENHANCEMENT TAX	2,607,574.57	245,754.27	2,361,820.30	2,400,000.00	98.41
061	MINES & MINING TAX	193,498.76	900.02	192,598.74	300,000.00	64.20
062	SALMON CANNERY-SHORE BASED TAX	19,164.15	0.00	19,164.15	6,000,000.00	0.32
063	SHORE-BASED FISHERIES TAX	1,897,759.44	1,762.00	1,895,997.44	8,000,000.00	23.70
064	FLOATING FISHERIES TAX	212,211.15	16,117.85	196,093.30	7,000,000.00	2.81
065	OIL PRODUCTION TAX	812,777,016.84	7,192.92	812,769,823.92	1,332,800,000.00	60.99
066	OIL & GAS CONSERVATION	396,189.24	0.00	396,189.24	700,000.00	56.60
067	GAS FLARING PENALTY	3,773.67	0.00	3,773.67	0.00	0.00
068	GAS PRODUCTION TAX	5,171,243.35	0.00	5,171,243.35	10,600,000.00	48.79
069	SEAFOOD MARKETING ASSESSMENT	33,128.08	1,476.00	31,652.08	1,200,000.00	2.64
096	PREPAID TAX	1,000.00	0.00	1,000.00	0.00	0.00
106	LIQUOR LICENSE APPLICATION	79,250.00	700.00	78,550.00	91,000.00	86.32
107	PUB LIQUOR LICENSE	400.00	400.00	0.00	0.00	0.00
108	BREWERY LICENSE	0.00	0.00	0.00	0.00	0.00
109	DISTILLERY LICENSE	0.00	0.00	0.00	0.00	0.00
110	BEVERAGE DISPENSARY LICENSE	715,350.00	20,000.00	695,350.00	802,000.00	86.71
111	CLUB LICENSE	35,100.00	0.00	35,100.00	44,000.00	79.78
112	COMMON CARRIER LICENSE	27,650.00	0.00	27,650.00	34,000.00	81.33
113	RESTAURANT LICENSE	61,800.00	1,950.00	59,850.00	76,000.00	78.75
114	ROADHOUSE LICENSE	0.00	0.00	0.00	0.00	0.00
115	RETAIL LICENSE	324,150.00	10,175.00	313,975.00	364,000.00	86.26
116	RETAIL STOCK SALE LICENSE	0.00	0.00	0.00	0.00	0.00
117	WHOLESALE GENERAL LICENSE	15,000.00	0.00	15,000.00	149,000.00	10.07
118	WHOLESALE MALT BEV. LICENSE	1,600.00	0.00	1,600.00	29,000.00	5.52
119	MISC. LIQUOR LICENSE	33,159.75	250.00	32,909.75	48,000.00	68.57
145	COIN OPER. AMUSE. & GAM. DVC. TAX	61,071.36	667.55	60,403.81	225,000.00	26.85
146	GAMES OF CHANCE & SKILL FEES	14,936.55	201.07	14,735.48	81,000.00	18.20
402	MISCELLANEOUS REVENUE	1,268.52	18.00	1,250.52	1,500.00	83.37
506	TAX PREPARER'S PENALTY	0.00	0.00	0.00	0.00	0.00
507	AVERAGE WHOLESALE PRICE	0.00	0.00	0.00	0.00	0.00
692	REDISTRIBUTED REVENUE	20,000.00	0.00	20,000.00	0.00	0.[illegible]
	TOTAL	$1,006,218,758.85	$28,439,544.92	$ 977,779,213.93	$1,861,944,500.00	52.52
135	DUPLICATE COMM. FISH	$ 1,235.57	$ 0.00	$ 1,235.57	$ 2,000.00	61.78
843	VESSELS & GEAR	0.00	0.00	0.00	0.00	0.00
137-844	COMM. FISH LIC.-RES.	278,921.49	2,093.54	276,827.95	507,000.00	54.61
138-845	COMM. FISH LIC.-N-RES.	495,216.53	2,859.19	492,357.34	871,000.00	56.53
140	COMMER. FISH. EXT. FEE	1,710.00	0.00	1,710.00	4,000.00	42.75
120-230	SPORT FISH., HUNT & TRAP LIC.	5,326,412.75	14,366.77	5,312,045.98	6,594,000.00	80.56
	SUB-TOTAL	$ 6,103,496.34	$ 19,319.50	$ 6,084,176.84	$ 7,978,000.00	76.27
	TOTAL TAXES	$1,012,322,255.19	$28,458,864.42	$ 983,863,390.77	$1,869,922,500.00	52.62
	INTEREST					
575	INTEREST ON LOANS	$ 1,420,307.09	$ 0.00	$ 1,420,307.09	$ 10,000,000.00	14.21
576	INTEREST ON INVESTMENTS	$ 135,573,490.72	$ 0.00	$ 135,573,490.72	$ 265,000,000.00	51.16
	TOTAL INTEREST	$ 136,993,797.81	$ 0.00	$ 136,993,797.81	$ 275,000,000.00	49.82
	TOTAL REVENUE	$1,149,316,053.00	$28,458,864.42	$1,120,857,188.58	$2,144,922,500.00	52.26

(1)

ECONOMIC IMPACT OF THE ALASKA SEAFOOD INDUSTRY

The seafood industry in Alaska is the largest single private sector employer.

*average monthly employment is 15,000 jobs
*peak monthly employment can reach 45,000 jobs

This industry is both capital and labor intensive.

*there are 14.2 jobs for each $1.0 million in wholesale sales compared with 10.4 for mining, 7.8 for paper mills, and 1.6 for oil and gas.

The industry has significant direct and indirect impacts on the economy.

*in 1979 gross income to fishermen was $653 million, roughly 9% of gross state income.

*in 1979 seafood processing workers were paid about $109 million.

*each 100 jobs in the processing sector create 28 additional jobs in other sectors. An average annual employment multiplier of 1.28.

*each $100 of additional income to the processing sector results in an additional $84 of income in other industry sectors. An average income multiplier of 1.84.

The economic and employment impact of the seafood industry is not limited to coastal communities. In 1979, 12% of the state's fresh, frozen, and cured pack was processed in Anchorage.

(2)

Tax Incentives

Most research on the success of tax incentives as a tool for economic development appears to be theoretical in nature. In order to actually measure the effect of any one tax incentive an in-depth analysis of the particular industry, region, market conditions, other incentive programs, etc., would seem necessary. It is of interest to note that much of the growth in such sectors as high technology has been capitalized with equity financing schemes such as limited partnerships, R & D limited partnerships, and private mutual funds which all take advantage of tax structures and incentives.

Other states seem to feel that tax concessions are an important tool.

*As of 1983, 36 other states (our competitors for investment capital) have various kinds of tax concession or incentive programs.

*Between 1980 and 82, fully 1/3 of the states with tax concession programs, expanded their programs.

(1) THE ALASKA FISHING INDUSTRY, An Overview of State Expenditures and Economic Benefits, House Research Agency, Alaska State Legislature, January 1982.
(2) TAX INCENTIVES AND FINANCING ASSISTANCE FOR INDUSTRIAL LOCATION, New York State Department of Commerce, Tax Analysis Unit, September 1983.

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HOUSE RESOURCES
STANDING COMMITTEE
February 22, 1985
8:30 a.m.

Members Present:	Representative Adelheid Herrmann, Co-Chair
	Representative Dick Shultz, Co-Chair
	Representative Kay Wallis, Vice-Chair
	Representative Bette Cato
	Representative John Sund
	Representative David Thompson
Members Absent:	Representative Roger Jenkins
	Representative Mike Miller (N.P.)
	Representative Drue Pearce

COMMITTEE CALENDAR

HB 58	An Act Relating to the Fisheries Business Tax

WITNESS REGISTER

Greg Baker
Director, Office of Commercial Fisheries Development
Department of Commerce and Economic Development
Pouch O
Juneau, AK 99811
465-2162
Position Statement: Supports HB 58

Royce Weller
Department of Revenue
Pouch S
Juneau, AK 99811
465-2300
Position Statement: Does not support HB 58

Steve Kettle
Department of Revenue
Pouch S
Juneau, AK 99811
465-2343
Position Statement: Does not support HB 58

Larry Cotter
International Longshoreman's & Warehousemen's Union
307 So. Franklin
Juneau, AK 99801
586-6642
Position Statement: Supports HB 58

Rick Lauber
Pacific Seafood Processors Association
321 Highland Drive
Juneau, AK 99801
586-6366
Position Statement: Supports HB 58

PREVIOUS ACTION

HB 58: Read first time 1/16/85 and referred to Fisheries, Resources and Finance and Rules. See House Special Committee on Fisheries committee minutes prior to 02/08/85 passed CSHB 58 out with 2DP and 5NR; two fiscal notes in Supplement #15; Today Resources passed CSHB 58 (Fisheries) out with 5DP, 1NR and 1Amend.

ACTION NARRATIVE

TAPE #14, SIDE ONE
Recording

Number 004	The meeting of the House Resources Committee was called to order by Co-Chairman Herrmann at 8:31 a.m. Members present were Representatives: Shultz, Cato, Thompson, Wallis, and Sund. Absent were Representatives: Jenkins, Miller (N.P.), Pearce.
Number 010	Rep. Herrmann announced the committee will be discussing the CS for HB 58 Fisheries, which is similar to a bill discussed last year in the Special Committee on Fisheries, concerning a tax credit on the fisheries business tax. Called the sponsor, Representative Cato, to testify.
Number 019	Rep. Shultz: What happened to the bill last year?
Number 020	Rep. Herrmann: It was in Rules at the end of session.
Number 021	Rep. Cato: Represents Prince William Sound. Fishing industry is the largest private employer in the state. Industry generates income for local communities through taxes and employment dollars which are spent in the communities. HB 58 is to encourage land-based processors to invest in their processing plants and to encourage other

processors to make shore-based facilities investments. By receiving this tax credit, shorebased plants will be able to upgrade, which will have a positive economic impact on the communities. Quality and quantity of fishery products will increase as a result of the tax credit. There is one cannery in Valdez which puts a large payroll on the street and draws employees from all districts, for example there are several employees from Rep. Shultz' district. Over the past years, the seafood industry has experienced many problems. Some things, like the high value of the dollar relative to other currencies, we don't have any control over. But this is one area we can help. The bill allows a processor to take up to a 50% credit of his tax liability for up to five consecutive years for capital investments made to shore-based facilities. Application must be submitted to Dept. of Revenue. The Fiscal Note shows a maximum amount of dollars available to processors to take as a tax credit, because there was no way the Dept. of Revenue could come up with a reasonable estimate of the number of companies that would take advantage of this bill. However, when it's considered that these credits will lead to expanded production capacity and quality, the returns far outweigh the cost. This bill will also help companies diversify into processing underdeveloped species.

Number 124 — Rep.Herrmann: Last year, the Special Committee on Fisheries looked into bottomfish development opportunities and this work is still going on. This bill will have a positive impact on bottomfish development. Called Greg Baker to testify.

Number 136 — Greg Baker: Explained what the Office of Commercial Fisheries Development does. Strongly supports the CS for HB 58. This bill would be an investment, and one which the business community regards as much more effective than many other types of government programs, because the industry makes the investment decisions themselves. Seafood industry in Alaska employs an average of 15,000 per month over the year and an average of 45,000 during peak summer months. 14.2 industry jobs in Alaska for every $1,000,000 in wholesale sales. Each

100 jobs in processing sector induces 28 jobs in Alaska in other sectors of the economy. Each $100 of income into the processing sector induces another $84 in other sectors. Impact not limited to coastal communities. Alaska is competing in a world marketplace with exports from countries that heavily subsidize their seafood industries, including Canada, Japan, and northern Europe. Major U.S. seafood companies say that tax incentives affect their investment decisions. 36 other states in the U.S. have industrial tax credit programs and they are expanding them at this time. Recommends passage of bill. Any questions?

Number 250

Rep. Herrmann: Rep. Sund has arrived. There is a very bad marketing problem with pink salmon in Western Alaska. The prices being paid are less than the joint ventures are paying for bottomfish. Do you think pink salmon might qualify as underdeveloped species in western Alaska?

Number 262

Baker: Those determinations are made by the Dept. of Fish and Game. Pinks in western Alaska would likely qualify. While there is currently a problem, the high volume and low price are also an opportunity. The Office of Commercial Fisheries Development is looking into new product forms for pink salmon to help take advantage of this opportunity.

Number 284

Rep. Sund: Is someone going to go through the technical aspects of the bill?

Rep. Herrmann: Perhaps Dept. of Revenue will answer some of your questions in their testimony.

Number 297

Royce Weller and Steve Kettle: Dept. appreciates the work that was done on this bill in Special Committee on Fisheries. Revenue has some concerns. Don't have any data to prove that tax credits work or produce intended effects. When you reduce a firm's state tax obligation, you increase their federal tax obligation. This is referred to as "leakage." Regarding the fiscal impact, the maximum estimated amount is $7 million per year.

Number 321	Rep. Cato: Is it true that you have no data to back up the Fiscal Note? Weller: That's correct.
Number 340	Rep. Sund: He has a conflict of interest because he is a part owner in a shore-based fisheries business in Alaska that will be making capital improvements this year. He noted for the record that last year the Dept. of Revenue strongly supported a tax credit bill and wonders why they're saying tax credits don't work this year. They seem to work in the seafood business. They do make a difference in his company's investment decisions.
Number 365	Weller: Can't comment on last year's Revenue testimony.
Number 399	Rep. Herrmann: Asked Aide, Janet Fries, to comment on Revenue's testimony regarding leakage of any state tax credit to federal taxes.
Number 404	Janet Fries: Aide to Rep. Herrmann. Since federal taxes are based on profits, one would have to assume profitability of processing companies for there to be any of this leakage. When this was discussed in the Special Committee on Fisheries, it was made fairly clear that most seafood companies in Alaska are not showing a profit and therefore the question of leakage is not relevant.
Number 412	Weller: That's true. We are assuming that the companies that do invest are showing a profit on their tax returns. But that's questionable economics.
Number 422	Rep. Sund: I disagree with that. There are several companies, mine for one, where in the face of not making profits, the only choice was to get bigger. If we have this continual problem with the strong dollar, there are going to be a lot of canneries that will have to convert to freezing. It will be a question of diversity to stay alive, not one of expansion. Questioned the language defining what capital expenditures will qualify. Who will make those determinations?

Rep. Herrmann: Refer to page 3, line 12.

Weller: According to that language, it will be defined by the Commissioner of Commerce and Economic Development.

Number 452 Rep. Sund: I'd just like to know whether a new ice machine fits into this.

Rep. Herrmann: I'll bring back Greg Baker to define those later.

Rep. Sund: What was the rationale on 5 consecutive years?

Number 463 Rep. Cato: It gives processors a one shot chance to make their investments.

Rep. Sund: Do they have to make investments every year?

Rep. Cato: No. They can carry forward for five years any expenditures that exceed their tax liability in a single year, and can choose not to invest during any of those years, also.

Number 482 Rep. Sund: Refer to page 2, line 11, paragraph (d). Does this mean that if you transfer ownership then you lose the tax credit?

Kettle: The credit would only be denied if there was substantial common ownership between the two companies.

Number 496 Rep. Sund: What is substantial common ownership, why would it be prohibited?

Kettle: Many processing companies own several fisheries businesses which are separate taxpayers. We don't want them to receive a credit for mere exchange of property among their own businesses.

Rep. Sund: I can see your problem if Company A already owns property it sells to Company B, but if a new piece of equipment is bought and then transferred to Company B, then I think the credit should also flow through to Company B.

Number 572 Rep. Herrmann called Greg Baker back to answer questions.

Rep. Sund: What would fit in your definition of capital expenditures?
Baker: This language was added so that the state could have some say over what would qualify. The Dept. of Commerce would develop a definition and give it to Revenue to use in the application process. Commerce would always stand ready to assist Revenue if an application came in which was not on the list. Commerce would work closely with the industry in developing the list.

Number 543

Rep. Sund: Can you name something that would not qualify?

Baker: Pickup trucks or automobiles might not qualify.

Rep. Sund: Argued for industry to make the decision of what will help them. Can you give me the name of anything that won't qualify in some instances.

Baker: Perhaps facilities for fishermen won't fit directly into the state's goals for the program, although Rep. Sund's comments are well-taken. It will be a difficult task to make a list.

Number 567

Rep. Herrmann: Would it include refrigeration for scows in Bristol Bay or new pickup trucks to pick up fish from set net fishermen?

Baker: Yes.

Rep. Sund: Was any thought given to just using the federal ACRS definition for income tax deductions?

Baker: It was not discussed.

Rep. Sund: Wants to look into it further so the state can spend less time on lists and more time on goal of legislation.

Number 590

Larry Cotter: Represents processing workers on both floaters and shore-based plants. Has no problem with HB 58 restricting credit to shore-based facilities. Alaska is potentially the world's leader in seafood production because of abundant stocks within 200 miles off the coast, however last year, very little of that fish was processed in

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the state. Seasonality of the Alaska industry creates many problems for its employees as well as coastal communities. State is currently paying a lot of unemployment benefits to out-of-work processing industry workers. Strongly supports bill. The bill offers incentives for development of a bottomfish processing industry, which is badly needed, as well as expanding into secondary processing. Right now, most of the secondary processing for Alaska seafood is done in Puget Sound. In the last year, 1,000 processing jobs in Alaska were lost due to plant closures. It's only through automation that we're going to get into bottomfish and this will in turn create more jobs for Alaskans and drive the foreign fleets offshore.

Number 653 — Rick Lauber: The members of Pacific Seafood Processors Association, which he represents, produce between 85 and 90% of the seafood processed in Alaska.

CHANGE TAPE #10 TO SIDE TWO

Number 001 — Rick Lauber: The state has, over time, derived a very large amount of taxes from the seafood industry. Seafood businesses in Alaska are not making substantial enough profits at this time to make new investments to get into new product forms or development of the bottomfish processing industry. Bottomfish development is important, because although some fishermen are deriving income from joint ventures at this time, the state is getting no additional revenue from this industry. At the projected amount of the tax credit, the total amount taken in one year by all companies would amount to about one-third of the cost of a new bottomfish plant. What's important about HB 58, is the business climate the state creates for the industry. This will be important to processing companies in their decision to invest in shore-based plants or off-shore based plants. This would allow the state and local communities to benefit more from this development. The bill would allow floating processors to invest in shore-based facilities. Floaters currently pay taxes at a higher rate than shore-based facilities, making the fiscal impact even more difficult to determine. The total amount of the credit is small relative to what's needed in investments in the industry. The leakage factor would be very small, because the many of the large processors in Alaska have lost millions of dollars in the past few years. These companies have been supported only by parent companies. Ralston Purina is planning to come out with a major promotion for a skinless-boneless canned salmon. The encouraging part is that it's Alaska salmon. The discouraging part is that it's being processed in Terminal Island and may be produced in Puerto Rico in the future. Urged committee to act quickly and favorably on HB 58.

Number 221

Rep. Sund: Will move the bill, but wants to pursue his concerns further. Wants to propose an amendment farther down the line to delete the qualifying language for eligible credits because he can't think of any expenditures that would not be appropriate. State has better things to do than to draw up lists which will create frustration with the industry in the application process. He would recommend that instead, they include a provision that the federal ACRS definition will be used for eligible expenditures.

Number 258

Rep. Herrmann: Understands Rep. Sund's concerns, but does trust Dept. of Commerce to make the decisions for eligible expenditures.

Rep. Sund: Trusts Dept., but doesn't want them to waste the time. Recommends that instead, they draw up a list of expenditures that don't qualify, since this will be a much shorter list.

Number 272

Rep. Herrmann: Comments well taken. Entertained motion to move Fisheries CS for HB 58 out of committee.

Number 275

Rep. Shultz: Moved that committee pass CSHB 58 (Fisheries) out of committee with individual recommendations.

Number 277

Rep. Herrmann: Any objections? Hearing none, so moved.

Rep. Shultz: Noted for the record the comments made about not being afraid of the

Ms. Sandi Cesarini, Sea hawk Seafoods, Valdez telephoned my office and wished the following information and comments dealing with issues raised at the Special Committee on Fisheries teleconference to be given to committee members:

1. Several floating processors have expressed concerns that HB 58 only provides a tax credit for shore based processors, however floating processors presently have advantages and credits not available to shore based processors.

   a. Under the Federal Income Tax system floating processors are eligible to defer 50% of their tax liability. They must provide a plan for capital improvement expenditures to the Department of Internal Revenue to enable them to deduct this tax deferrment off their income for the year. In other words they may take the credit up front which provides them with a real capital advantage over shore based processors. This tax deferred money is also eligible for a partial investment credit.

   b. The fact that floating processors are able to move their processing plant provides them with a definite advantage over shore based processors. With fish runs varying each year the floating processors are almost assured of continual "good" catches as they are able to move to where the fish are being caught. A shore based processor on the other hand is limited to one area, if there is a poor catch in that area the shore based processor suffers.

   c. While shore based processors remain on land in one area they also contribute to the local economy through payment of property taxes, municipal rates (water & sewer), electricity and they also provide a great deal of the employement in the community.

2. In answer to the suggestion of eliminating the raw fish tax completely Ms. Cesarini feels:

a. This would severely hurt the cities in which the shore based processors live. Ms. Cesarini states that the shore based processors do not wish to gain at the expenses of the communities in which they live.

b. If the raw fish tax was eliminated the end result would be that the shore based processors would have this extra money. HOWEVER, this additional money would now be taxable by the federal government as income received. The tax rate for many shore based processors is high and this additional income would be taxed at this rate (estimated 42%)
Ms. Cesarini feels that the processors would benefit more by being eligible to receive a tax credit up to 50% of their business tax liability for capital immprovement expenditures. As HB 58 allows processors to carry this tax credit forward within the five year period this would benefit shore based processors considerably more than the elimination of the fish tax.

3. In answer to the suggestion of a 25% tax credit.

Several shore based processors have expressed their feelings of this idea. They believed the intent of HB 58 was to introduce a bill that would relieve the pressure on the fish processing industry. A 25% tax credit would not be sufficient to make any measurable impacts on the already suffering industry. HB 58 proposes to offer assistance to shore based processors for the next 5 years to enable them to improve and expand their operations. Due to the pressures the industry is currently experiencing many processors cannot make the improvements necessary to upgrade their facilities which is necessary if they are to survive and the pressures on the industry are to be relieved.
Processors feel if this was the intent and purpose of the bill, why start to put limits on it.

INTERNATIONAL LONGSHOREMEN'S & WAREHOUSEMEN'S UNION LOCAL 200

307 SOUTH FRANKLIN STREET, JUNEAU, ALASKA 99801 • (907) 586-6642

LARRY COTTER
President

JAY BROWNE
Vice President

MIKE ELLERS
Secretary-Treasurer

January 23, 1985

The Honorable Peter Goll
Alaska House of Representatives
Pouch V
Juneau, Alaska

Re: HB 58

Dear Representative:

Following discussions with Representative Cato and members of the fishing community I have decided that I am in full support of HB 58.

In an earlier letter to you I espoused a view that Alaska would be better off with a revamped fisheries business tax based upon a graduated scale than a tax credit approach as outlined in HB 58. However, I am now of the opinion the tax credit approach is a critical ingredient in providing Alaskan seafood processing companies a means through which their facilities can be modernized. And of course, modernization will play a crucial role in the development of a domestic bottom fish industry.

At the same time, I continue to believe a graduated fisheries business tax would provide added stimulus to seafood processing companies to engage in the processing of underutilized species. And I would strongly urge legislation along these lines be implemented.

In summation, I view these two approaches -- the tax credit for investment approach and the graduated tax approach -- as a meaningful combination of positive taxation which will yield a significant benefit to all Alaskans.

I look forward to speaking further with you on this in the future.

Very truly yours,

Larry Cotter

Larry Cotter
President

cc: The Honorable Ben Grussendorf
The Honorable Betty Cato
The Honorable Fred Zharoff

PLANT: 105 MARINE WAY P.O. BOX 647, KODIAK, AK (907) 486-5749
HEAD OFFICE: FISHERMEN'S TERMINAL C-3 BLDG. ROOM 131, SEATTLE, WA 98119 (206) 285-2412 TELEX: 32-1295

alaska fresh seafoods, inc.

MARCH 31, 1983

DEAR SIRS,

ENCLOSED, YOU WILL FIND OUR 1982 FISHERIES TAX RETURN AND OUR 1982 SEAFOOD MARKETING ASSESMENT RETURN, ALONG WITH OUR CHECK IN THE AMOUNT OF $174,392.89 FOR BOTH OF THE RETURNS.

LET US TAKE THIS OPPRITUNITY TO EXPLAIN OUR POSITION AS TO THE CURRENT METHOD OF TAXING THE FISHING INDUSTRY.
FIRST, WE ARE A SMALL PROCESSOR AND WE HAD TO BORROW THE MONEY FOR THESE TAXES. WE ARE SURE YOU WILL AGREE OUR $174,392.89 IS QUITE A TIDY SUM. THIS CAUSES AN EXTREME HARDSHIP ON US ESPECIALLY WITH THE STATE OF THE FISHERIES IN SUCH AN ECONOMIC DEPRESSION.
SECOND, IF THE CURRENT METHOD OF COLLECTING TAXES CONTINUES, AS IT IS, IT MAKES IT VIRTUALLY IMPOSSIBLE FOR US AS A SMALL PROCESSOR TO BE ABLE TO EXPAND INTO THE DEVELOPING FISHERIES THAT THE STATE NEEDS SO BADLY IF THE FISHING INDUSTRY IS TO SURVIVE IN ALASKA.
THIRDLY, BECAUSE OF THE BURDEN CAUSED BY THE CURRENT METHOD OF TAXING THE PROCESSORS, YOU WILL FIND FEWER PROCESSORS TO TAX EACH YEAR. THIS OF COURSE WILL LIMIT YOUR TAX BASE WHICH WILL CAUSE MORE TAXING AND FINIALLY RESULT IN THE STRANGLATION OF THE WHOLE INDUSTRY.

WE WILL OF COURSE, CONTINUE TO PAY OUR TAXES. BUT, WE WOULD LIKE TO STRONGLY RECOMMEND A RE-EVALUATION OF THE ALASKA FISHERIES BUSINESS TAX AND THE FISHERIES MARKETING ASSESMENT. HOPEFULLY, THIS WOULD BE DONE WITH THE IDEA OF LESSENING THE BURDEN ON THE FISHERIES INDUSTRY.

YOURS TRULY,

David M. Woodruff

DAVID M. WOODRUFF
VICE PRESIDENT,
ALASKA FRESH SEAFOODS, INC.

CC: GOVERNOR, WILLIAM SHEFFIELD
HONORABLE BOB MULCHY
HONORABLE FRED ZAROFF

DW:jg

Mail to:
Department of Revenue
Audit Division
Pouch SA
Juneau, Alaska 99811-0400

STATE OF ALASKA
DEPARTMENT OF REVENUE
ALASKA FISHERIES BUSINESS RETURN
AS 43.75.011 - 140.

ONE RETURN PER PLANT OR VESSEL

Name (Person, firm or corporation)		E.I.N. or S.S. Number	
ALASKA FRESH SEAFOODS, INC.		911043499	
Mailing Address		Fisheries Business License No.	Tax Year
BOX 647		82-046	82
City, State, Zip Code	Daytime Telephone Number	Location of Operation	
KODIAK, AK 99615	(907) 486-5749	KODIAK	

Enter totals from Schedule A and/or Schedule B as indicated below and multiply by the appropriate percentages.

	TOTAL VALUE			TAX DUE	OFFICE USE ONLY
1. Canned Salmon - Shore-Based Business Schedule A; line 9, column (9A)	$ 0	Multiply by 4½% (.045)	1	$	
2. Other Shore-Based-Established Species Schedule A; line 9, column (9B)	$5,164,037	Multiply by 3% (.03)	2	$154,942.92	
3. Floating Business-Established Species Schedule A; line 9, column (9C)	$ 0	Multiply by 5% (.05)	3	$	
4. Shore-Based - Developing Species Schedule B; line 7, column (7A)	$760,037	Multiply by 1% (.01)	4	$ 7,600.37	
5. Floating Business-Developing Species Schedule B, line 7, column (7B)	$ 0	Multiply by 3% (.03)	5	$	
6. TOTAL TAX (Add Tax Due column, lines 1 through 5)			6	$162,543.29	
7. Enter amount of any prepayments of estimated tax ($25.00 license fee is not a prepayment)			7	$ 0	
8. Balance due or (overpayment) (Subtract line 7 from line 6)			8	$	
9. Penalty for late filing (5% per 30 day period not to exceed 25%)			9	$	
10. Interest (12% a year)			10	$	
11. TOTAL DUE WITH THIS RETURN (Add lines 8 through 10)			11	$162,543.29	

NOTICE: If the fisheries business covered by this return is a shore-based fisheries business which floats, from 04-575 Vessel Itinerary must be completed and attached to this return.

ALLOCATION OF REVENUE. Please provide the information requested below to allow for allocation of revenue to local governments. If the return is for a vessel, complete the schedule on the right, showing the amount of the taxes allocated to each location. Please see the general instructions for further information.

Name of Cannery, Plant, Vessel or Business

Physical Location of Cannery, Plant or Business

Check only one:
A. ☐ Within incorporated city limits
B. ☐ Outside city but within organized borough
C. ☐ Outside all cities or boroughs

Vessel Location	A, B or C	% of Tax Due Allocated Line 1	Line 2	Line 3	Line 4	Line 5	Dollar Amount Allocated Per Location

I declare under penalty of perjury that this return (including all accompanying schedules and statements) has been examined by me and to the best of my knowledge and belief is a true, correct and complete return.

Signature of Taxpayer: X David ~ Woodruff Date: X 3-31-83

Signature of Agent Date

This return must be filed with your payment on or before March 31, 1983. Make your remittance payable to the:
DEPARTMENT OF REVENUE
Audit Division
Pouch SA
Juneau, Alaska 99811-0400

Please attach as appropriate to this return, Schedules A - G and form 04-575 Vessel Itinerary.

Office Use Only

Department of Revenue
Audit Division
Pouch SA
Juneau, Alaska 99811-0400

ALASKA FISHERIES BUSINESS RETURN
SCHEDULE B. DEVELOPING COMMERCIAL FISH SPECIES

Fisheries Bus. Lic. No. 82-046

Developing commercial fish species are taxed at a lower rate than established species. Use this schedule only to report fish and shellfish species that have been designated as "developing" by the Alaska Department of Fish and Game. A list of these species is printed on the back of this schedule. To report fish species that do not appear on the list of developing species, use Schedule A.

Please read the instructions and definitions on the back before completing this schedule.

DO NOT INCLUDE ESTABLISHED COMMERCIAL FISH SPECIES SEE SCHEDULE A	A. SHORE-BASED FISHERIES BUSINESS		B. FLOATING FISHERIES BUSINESS	
	Pounds	Total Value	Pounds	Total Value
1. Fisheries resources processed that were taken in company-owned or company-subsidized boats operated by employees of the fisheries business or in boats operated under lease or other arrangement. Complete a Schedule C for each column entry.		(1A) $		(1B) $
2. Fisheries resources processed that were purchased by your company from fishermen qualifying for exclusion from payment of the tax. Enter Total Pounds and Total Value from Schedule D in the appropriate column.		(2A) $		(2B) $
3. Fisheries resources processed that were purchased by your company except those resources included on line 2. Complete a Schedule C for each column entry.	261,935	(3A) $ 760,037		(3B) $
4. Fisheries resources that your company custom processed for someone other than a licensed fisheries business. List the name of the person/company owning the product which was custom processed. Attach Schedule E, Owner's Statement of Value, for each person/company you list.				
(a)		$		$
(b)				
(c)				
(d)				
(e)				
(f)				
(g)				
(h)				
(i)				
5. Fisheries resources that were custom processed for your company. List the name of the company that processed the resource. Complete a Schedule C for each column entry.				
(a)		$		$
(b)				
(c)				
(d)				
(e)				
(f)				
(g)				
(h)				
(i)				
6. Other fisheries resources transported outside the taxing jurisdiction of Alaska for subsequent processing or sale, or sold outside the taxing jurisdiction of Alaska. List the name of the person/company that purchased the product. Complete a Schedule C for each column entry.				
(a)		$		$
(b)				
(c)				
(d)				
(e)				
(f)				
7. TOTALS. Add categories 1-6. Enter (7A) on page 1 of the Return, line 4. Enter (7B) on page 1, line 5.		(7A) $ 760,037		(7B) $

Department of Revenue
Audit Division
Pouch SA
Juneau, Alaska 99811-0400

ALASKA FISHERIES BUSINESS RETURN
SCHEDULE A. ESTABLISHED COMMERCIAL FISH SPECIES

Fisheries Bus. Lic. No. 82-046

IMPORTANT. Before completing this schedule, please read the list of Developing Commercial Fish Species printed on the back of Schedule B. Any fishery resource processed that is included on this list is taxed at a lower rate and must be reported on Schedule B.

CUSTOM PROCESSORS. Use Schedule A only to report those established commercial fish species which you custom processed for someone other than a licensed fisheries business. You are not liable for the tax on fisheries resources you custom processed for another licensed fisheries business. You must, however, report on Schedule F those resources that you custom processed for another licensed fisheries business.

GENERAL INSTRUCTIONS

Before completing this form, please read carefully each category as described on lines 1-7. This will help you determine which categories apply to your fisheries business.

Make your entries in column A only for salmon canned at a shore-based cannery. For fisheries resources other than canned salmon which were processed at a shore-based fisheries business, make your entries in column B. For fisheries resources processed on a floating fisheries business, make your entries in column C.

If this return is for a shore-based fisheries business which floats, form 04-575 Vessel Itinerary must be completed. Make your entries as a shore-based business only if the vessel was anchored in one spot and did not move from that anchorage for any reason during the entire calendar year.

DEFINITIONS OF VALUE - 15 AAC 75.300

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, delayed, or advance payment, except that VALUE means the market value of the fisheries resource if the fisheries resource is taken 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.

MARKET VALUE means the prevailing value paid for fisheries resources of like kind and quality by fisheries businesses in the same market area to fishermen who own their vessels.

If you CUSTOM PROCESSED a fisheries resource for someone other than a licensed fisheries business, you are liable for payment of the tax. List the VALUE of the resource as reported to you on the Owner's Statement of Value, Schedule E.

NOTE: Each entry you make in a Total Value column must be supported by a schedule C, D or E as appropriate that shows, in addition to other items, the species that are included in that entry. For lines 1, 3, 5, 6 and 7, complete a Schedule C for each entry. For line 2, attach a Schedule D for each entry. For line 4, attach a Schedule E for each entry.

DO NOT INCLUDE DEVELOPING COMMERCIAL FISH SPECIES SEE SCHEDULE B	A. SALMON CANNED AT A SHORE-BASED CANNERY		B. SHORE-BASED FISHERIES BUSINESS (DO NOT INCLUDE SALMON CANNED AT A SHORE-BASED CANNERY)		C. FLOATING FISHERIES BUSINESS	
	Pounds	Total Value	Pounds	Total Value	Pounds	Total Value
1. Fisheries resources processed that were taken in company-owned or company-subsidized boats operated by employees of the fisheries business or in boats operated under lease or other arrangement. Complete a Schedule C for each column entry.		(1A) $		(1B) $		(1C) $
2. Fisheries resources processed that were purchased by your company from fishermen qualifying for exclusion from payment of the tax. Enter Total Pounds and Total Value from Schedule D in the appropriate column(s).		(2A) $		(2B) $		(2C) $
3. Fisheries resources processed that were purchased by your company except those resources included on line 2. Complete a Schedule C for each column entry.		(3A) $	3,437,088	(3B) $5,164,764		(3C) $
SUBTOTALS. Add lines 1-3 in each column. Enter subtotals on the back of this Schedule A, line 8.		(A) $		(B) $5,164,764		(C) $

04-574 A (1/81)

DO NOT INCLUDE DEVELOPING COMMERCIAL FISH SPECIES SEE SCHEDULE B	A. SALMON CANNED AT A SHORE-BASED CANNERY		B. SHORE-BASED FISHERIES BUSINESS (DO NOT INCLUDE SALMON CANNED AT A SHORE-BASED CANNERY)		C. FLOATING FISHERIES BUSINESS	
	Pounds	Total Value	Pounds	Total Value	Pounds	Total Value
Fisheries resources that your company custom processed for someone other than a licensed fisheries siness. List the name of the person/company owning product which was custom processed. Attach chedule E, Owner's Statement of Value, for each rson/company you list.						
)		$		$		$
)						
)						
)						
)						
)						
)						
Fisheries resources that were custom processed for our company. List the name of the company that processed the resource. Complete a Schedule C for each olumn entry.						
)		$		$		$
)						
)						
)						
)						
)						
)						
)						
. Salmon exported in the round. List the name of the erson/company that purchased the salmon. Complete a Schedule C for each column entry.						
)		$		$		$
)						
)						
)						
. Other fisheries resources transported outside the taxing jurisdiction of Alaska for subsequent processing or sale, or sold outside the taxing jurisdiction of Alaska. List the name of the person/company that purchased the resource. Complete a Schedule C for each column entry.						
a)		$		$		$
b)						
c)						
d)						
. Enter amounts from Schedule A, Subtotals (from other side) in the appropriate columns.		(A) $		(B) $		(C) $
. TOTALS. Add categories 4-8. Enter (9A) on page 1 of the Return, line 1. Enter (9B) on page 1, line 2. Enter (9C) on page 1, line 3.		(9A) $		(9B) $ 5,164,764		(9C) $

Department of Revenue
Audit Division
Pouch SA
Juneau, Alaska 99811-0400

ALASKA FISHERIES BUSINESS RETURN
SCHEDULE C. FISHERIES RESOURCES PROCESSED BY SPECIES

Fisheries Bus. Lic. No. 82-046

Complete as many Schedules C as necessary to support the appropriate Total Value column entries made on Schedules A and B. For Schedule A, separate Schedules C are required for lines 1, 3, 5, 6 and 7. For Schedule B, separate Schedules C are required for lines 1, 3, 5 and 6.

For example, if you canned King, Coho and Chum Salmon as a shore-based cannery, and all of the salmon were purchased fresh at the dock, you correctly made an entry on Schedule A at line 3, column A. That entry would be supported by this Schedule, showing detailed information about each of the three species of salmon you processed.

For line category entries made on Schedule A, line 5, or Schedule B, line 5, you must provide a separtate Schedule C for each person or company that custom processed for your company.

For line category entries made on Schedule A, lines 6 and 7, or Schedule B, line 6, you must provide a separate Schedule C for each person or company that purchased the resource which was transported unprocessed out of Alaska's taxing jurisdiction.

For example, if you transported unprocessed fisheries resources out of Alaska's taxing jurisdiction and sold them to companies A and B, company A's name would appear in the box requesting "Name of Person or Company" in the first schedule below. The information for the species which were purchased by company A would then appear in the corresponding spaces. The next schedule would then be completed for the resources sold to company B.

NOTE FOR SCHEDULE B ENTRIES: Herring, shrimp, and certain species of crab are considered to be developing species only in certain areas. Additionally, shrimp are "developing species" in some areas only when caught with pot gear. For these species only, you must list the area where caught. For shrimp, you must also list the type of gear used.

THIS FORM CONTAINS FIVE SCHEDULES C. USE ADDITIONAL PAGES AS NECESSARY.

First complete the boxes immediately below by transferring information directly from Schedule A or Schedule B. For each species included in the totals you enter below, provide the information requested in the boxes to the right.

This Schedule supports the entry made at:

SCHEDULE	LINE	COLUMN
A	3	B

Name of Person or Company (for Schedule A, lines 5, 6 or 7 only, and Schedule B, lines 5 or 6 only)

TOTAL POUNDS (From Schedule A or B entry)
3,437,088 lbs

TOTAL VALUE (From Schedule A or B entry)
$5,164,764

SPECIES OF FISHERIES RESOURCE	AREA WHERE CAUGHT AND TYPE OF GEAR AS APPLICABLE TO SCHEDULE B	TOTAL POUNDS OF THAT SPECIES	AVERAGE VALUE PER POUND	TOTAL VALUE FOR THAT SPECIES
KING CRAB		811,979	3.504	2,845,520
DUNGENESS CRAB		732,377	.749	547,791
TANNER CRAB		716,915	1.62	1,161,540
KING SALMON		476	.666	317
RED SALMON		202,492	.938	189,987
PINK SALMON		191,300	.259	49,500
CHUM SALMON		578,024	.438	253,020
COHO SALMON		195,841	.559	109,458
HALIBUT		7,684	.99	7,631

First complete the boxes immediately below by transferring information directly from Schedule A or Schedule B. For each species included in the totals you enter below, provide the information requested in the boxes to the right.

This Schedule supports the entry made at:

SCHEDULE	LINE	COLUMN
B	3	A

Name of Person or Company (for Schedule A, lines 5, 6 or 7 only, and Schedule B, lines 5 or 6 only)

TOTAL POUNDS (From Schedule A or B entry)
261,935lbs

TOTAL VALUE (From Schedule A or B entry)
$760,037

SPECIES OF FISHERIES RESOURCE	AREA WHERE CAUGHT AND TYPE OF GEAR AS APPLICABLE TO SCHEDULE B	TOTAL POUNDS OF THAT SPECIES	AVERAGE VALUE PER POUND	TOTAL VALUE FOR THAT SPECIES
SCALLOPS		237,922	3.147	748,741
BLACK COD		1,900	.95	1,805
PACIFIC COD		18,400	.304	5,592
CLAMS		3,713	1.05	3,899

ALASKA DEPARTMENT OF REVENUE
Audit Division
Pouch SA
Juneau, Alaska 99811

SEAFOOD MARKETING ASSESSMENT RETURN

AS 16.51.160

DUE DATE: MARCH 31 following the assessment yea

Name (Person, Firm or Corporation)	Assessment Year	This return is an:
ALASKA FRESH SEAFOODS, INC.	1982	XX Original Return
Mailing Address: BOX 647	Employer's I.D. or Social Security No.: 911043495	☐ Amended Return
City, State, Zip Code: KODIAK, ALASKA 99615	Daytime Telephone Number: 907) 486-5749	

Add all values entered in the TOTAL VALUE column from each Alaska Fisheries Business Return filed for the assessment year (page1, lines 1 Enter each total in column C below.

A. Fisheries Business License Number	B. Location of Operation or Vessel Name	C. Value of Seafood Products	Office Use On
82-046	105 MARINE WAY, KODIAK, AK	$ 5,924,801	
		$	
		$	
		$	
		$	
		$	
		$	
		$	
		$	
		$	
		$	
		$	
		$	
		$	
		$	

1. Total value of seafood products listed in column C. (If less than $50,000, skip lines 2 - 5, sign the return and file it on or before the due date.)	1.	$ 5,924,801	
2. Multiply the value entered on line 1 by .2% (.002)	2.	$ 11,849.60	
3. Penalty for late filing (5% per 30 day period not to exceed 25%)	3.	$	
4. Interest (12% a year)	4.	$	
5. Total assessment (Add lines 2 through 4)	5.	$ 11,849.60	

I declare under penalty of perjury that this return, including any accompanying statements, has been examined by me and to the best of my knowledge and belief is true, correct and complete.

Signature of Processor	Date
X [signature]	X 3-31-83
Signature of Agent	Date

File this return on before March 31, with assessment due (line Make your remitta payable to the Ala Department of Reven

Thank you.

04-578 (12/82)

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Pouch Y, State Capitol
Juneau, Alaska 99811
(907) 465-3991

November 15 ,1984

MEMORANDUM

TO: Representative Bette Cato

FROM: Sharman Haley
Legislative Analyst

RE: Legislative History of the Raw Fish Tax
Research Request 85-039

The raw fish tax, AS 43.75.010-.140, dates from statehood. The law provides for a tax on raw fish purchases by canneries, cold storages, and other processors. As of 1978, the statute levied a tax of from one to four percent of the purchase price depending on the specific fishery resource and the type of processing facility. Fishermen selling to floating processors outside State jurisdiction were also subject to the tax. Twenty percent of the tax revenues were refunded to the borough and/or first class city in which the facility was located. As you requested, a five-year history of bills affecting the raw fish tax is presented in this memorandum.

1979-1980

Thirteen bills amending the raw fish tax statutes were introduced during the Eleventh Legislature. House Bill 571 and SB 448, identical bills sponsored by Representative Hayes and Senator Kelly respectively, were omnibus tax relief bills suspending the raw fish tax as well as a host of other taxes. These bills saw little legislative action. House Bill 340, introduced by Representative Gardiner, also saw little action. The bill would have tied the reporting and enforcement of regional aquaculture assessments to processor licensing under the raw fish tax statutes. House Bill 227 would have eliminated the distinction between floating and shore-based cold storages, thereby reducing the tax rate on the floating facilities from four percent to one percent. This proposal by Representative Osterback did not move from the House Resources Committee.

House Bill 306, sponsored by the Governor, was a thorough overhaul of the raw fish tax statute. The bill:

- imposed a uniform six percent tax on all processors;
- increased revenue sharing with the local government unit to 33-1/3 percent;

- required that half of the local revenue sharing be spent on docks or other fishery enhancement projects;
- directed an additional 33-1/3 percent of the revenue to the Commercial Fishing and Agriculture Bank; and
- upgraded the bond requirements for salmon exporters.

Bills introduced by Senator Kerttula (SB 132) and Representative Branson (HB 83) also addressed local revenue sharing, raising it to 50 or 60 percent, respectively. The Governor's bill was modified by the Senate Community and Regional Affairs Committee, grafted on to Senator Kerttula's bill number, and enacted into law as Chapter 79 SLA 1979. The legislation deleted all references to "raw fisheries products," replacing the phrase with "fisheries resources." Hence "raw fish tax" is now something of a misnomer; the statutory name is Fisheries Business Tax.

The stated purposes of the act were to:

1) insure that the state is able to continue its efforts toward overall fisheries-related development programs by raising additional revenue to pay for its programs;

2) make the imposition of the fisheries tax more uniform among fisheries businesses; and

3) provide funding for the development of new fisheries.

The tax rates established by Chapter 79 SLA 1979 are as shown in the table below:

	Shore-based Processor	Floating Processor
Canned Salmon	4.5%	5.0%
Developing Commercial Fish Species*	1.0%	3.0%
Other Fisheries Resources	3.0%	5.0%

*Developing commercial fish species are defined in AS 16.05.050(12) as species in a specific region for which the optimum yield harvest has not been reached, a substantial portion of the harvest has been allocated to foreign fishing, or commercial harvest of the species recently developed.

Under Chapter 79, a person who transports or sells a fisheries resource outside the jurisdiction of the State is liable for the tax which would otherwise be paid by the processor.

The legislation provided for 20 percent revenue sharing to local government, and 20 percent to the Commercial Fishing and Agriculture Bank. Second class cities were made eligible for revenue sharing as well as first class cities. The new revenue sharing formula was to begin with calendar year 1980 taxes. The legislation also increased the bonding requirements for salmon exporters to $50,000. The bond covers not only payment of the tax to the State, but also payment to the fishermen for the salmon.

Three pieces of legislation passed in 1980 made corrective amendments to the 1979 enactment. House Bill 192 (enacted as Chapter 155 SLA 1980) corrected the starting date of the new revenue sharing formula to taxes collected for calendar year 1979. The House Judiciary Committee deleted the penalty provisions from the act so as not to duplicate the criminal code. These repealers were offered in CSHB 354, and later incorporated in SB 313 and enacted as Chapter 113 SLA 1980. The House Judiciary Committee also made a corrective amendment suggested by the code revisor deleting the definition of "year". This correction was incorporated into SB 277 and enacted as Chapter 94, SLA 1980.

A bill which was a forerunner of legislation creating the Alaska Seafood Marketing Institute was passed by the legislature in 1980 but vetoed by the governor. The original version of HB 962 provided processors with a tax credit of up to 15 percent of the fisheries business tax liability for donations to a nonprofit corporation organized to improve the quality of and to develop markets for Alaska seafood. The final version, SCSCSHB 962, established a fisheries business tax grant fund financed by appropriations from the legislature. The bill authorized grants to a nonprofit seafood marketing corporation of up to 15 percent of the fisheries business tax paid by members of the corporation in the preceeding year. The governor vetoed the bill due to constitutional problems.

<u>1981-1982</u>

Several amendments to the fisheries business tax statutes were made by the Twelfth Legislature. Senator Eliason introduced SB 200, which would have relieved freezer boats from tax liability if the processors to which they sell were regulated by the statute. His proposal was incorporated into HB 460, which was introduced by the House Resources Committee. House Bill 460 also increased revenue sharing to local governments from 20 to 50 percent of tax revenues starting with tax year 1982. As a transitional measure, revenue sharing was pegged at 30 percent of 1981 fisheries business taxes. After a complicated passage, SCSCSHB 460 (Fin)am S (efd am H) was enacted as Chapter 117 SLA 1981.

Other fisheries business tax legislation considered but not passed by the Twelfth Legislature included HB 422 by Representative Malone. The bill would have shifted the tax liability from fish processors to fish purchasers. Senator Mulcahy also introduced a bill, SB 523, to clarify the language defining "value" as used in calculating tax liability. Some of this clean-up was accomplished in HB 460.

Representatives Zharoff and Bettisworth proposed in HB 103 to repeal the fisheries business tax entirely. This bill saw no action.

1983-1984

Three pieces of legislation offered in the Thirteenth Legislature would have established a fisheries business tax credit program. None of these proposals were enacted. Senator Ferguson proposed (in SB 191) a rate reduction of one-half percent for businesses that also pay the seafood marketing assessment under AS 16.51.120. Senator Mulcahy proposed (in SB 379) to grant up to a 50 percent credit on tax liability for purchases of equipment used in processing a developing commercial fish species. The Senate Resources Committee Substitute for this bill restricted the credit to equipment for processing bottomfish.

Representative Zharoff also sponsored legislation granting a tax credit of up to 50 percent of the fish tax liability. Under his proposal, credits would have included expenditures for improvement of quality control and upgrading or modernization of processing facilities as well as expenditures for equipment used in processing developing commercial species. The House Special Committee on Fisheries' version of HB 518 generalized the credit to apply to any capital expenditure but restricted its application to shore-based canneries and limited the application of credits to no more than five consecutive years. The bill would have required the Department of Revenue to make an annual report to the legislature describing the expenditures for which the credit was granted and the attendant increases in employment or processing capacity. The bill was in House Rules Committee when the legislature adjourned.

* * * * *

I hope that this memorandum has provided you with the information you sought. If you would like more detailed information regarding any of the measures discussed above or if you have any further questions, please don't hesitate to call me.

SH

(File No. 5128), 627 P.2d 205 (1981).

The purpose of excluding "insurance businesses" from the coverage of AS 43.70.030(a) by virtue of the definition in paragraph (1) is apparently to avoid taxing these businesses twice, since insurers are subject to a premiums tax imposed by AS 21.09.210. Northern Adjusters, Inc. v. Department of Revenue, Sup. Ct. Op. No. 2332 (File No. 5128), 627 P.2d 205 (1981).

The term "insurance businesses" does not include adjusters. Northern Adjusters, Inc. v. Department of Revenue, Sup. Ct. Op. No. 2332 (File No. 5128), 627 P.2d 205 (1981).

Because adjusters are not "insurers" subject to the premiums tax, they should not be viewed as "insurance businesses" exempt from the general license tax. Northern Adjusters, Inc. v. Department of Revenue, Sup. Ct. Op. No. 2332 (File No. 5128), 627 P.2d 205 (1981).

Applied in Ketchikan Spruce Mills v. Dewey, 17 Alaska 336 (1957).

Sec. 43.70.120. Short title. This chapter may be cited as the Alaska Business License Act. (§ 1 ch 43 SLA 1949)

Chapter 75. Fisheries Taxes.

Article

Opinions of attorney general. — A native business enterprise incorporated under the Indian Reorganization Act of 1934, 48 Stat. 987, 25 U.S.C.A. § 476 et seq., whether it be a cooperative store or a cannery, doing business outside of an Indian reservation is subject to the Alaska Business License Act, AS 43.70, and this chapter, even though those businesses may be operated by Alaska Natives who have incorporated under the Indian Reorganization Act of 1934. Conversely, such native business enterprises doing business within a reservation are not subject to these state taxes. 1978 Op. Att'y Gen., No. 16.

NOTES TO DECISIONS

Cited in Northern Adjusters, Inc. v. Department of Revenue, Sup. Ct. Op. No. 2332 (File No. 5128), 627 P.2d 205 (1981).

Article 1. Taxes and Licenses.

NOTES TO DECISIONS

State license tax on salmon canneries with its revenue sharing provision is not different in kind from general gross receipts tax of Alaska Business License Act. — See Liberati v. Bristol Bay Borough, Sup. Ct. Op. No. 1755 (File No. 3365), 585 P.2d 878 (1978).

There is no general prohibition against like municipal and state taxes. Liberati v. Bristol Bay Borough, Sup. Ct. Op. No. 1755 (File No. 3365), 585 P.2d 878 (1978).

Collateral references. — 35 Am. Jur. 2d, Fish and Game, § 45. 71 Am. Jur. 2d, State and Local Taxation, §§ 392-401.

36A C.J.S., Fish, § 36.

Constitutional exemption from taxation as subject to legislative regulation respecting conditions of its assertion, 4 ALR2d 744.

Power of legislature to remit, release, or compromise tax claim, 28 ALR2d 1425.

When right to refund of state or local taxes accrues, within statute limiting time for applying for refund, 46 ALR2d 1350.

Legislative power to exempt from taxation property, purposes, or uses additional to those specified in constitution, 61 ALR2d 1031.

Financial hardship or inability to pay taxes as rendering inapplicable statutes denying remedy by injunction against assessment or collection of tax, 65 ALR2d 550.

Payment of taxes to prevent closing of, or interference with, business as involuntary so as to permit recovery, 80 ALR2d 1040.

What constitutes manufacturing and who is a manufacturer under tax laws, 17 ALR3d 7.

Validity and construction of state statute making successor corporation liable for taxes of predecessor, 65 ALR3d 1181.

Sec. 43.75.010. Fisheries business licenses. [Repealed, § 13 ch 79 SLA 1979. For current law, see AS 43.75.011.]

NOTES TO DECISIONS

State license tax on salmon canneries with its revenue sharing provision is not different in kind from general gross receipts tax of Alaska Business License Act. — See Liberati v. Bristol Bay Borough, Sup. Ct. Op. No. 1755 (File No. 3365), 585 P.2d 878 (1978).

There is no general prohibition against like municipal and state taxes. Liberati v. Bristol Bay Borough, Sup. Ct. Op. No. 1755 (File No. 3365), 585 P.2d 878 (1978).

Sec. 43.75.011. Fisheries business license. A person engaging or attempting to engage in a fisheries business shall first apply for and obtain a license as provided in AS 43.75.020. (§ 2 ch 79 SLA 1979)

Cross references. — For legislative findings and purpose relating to AS 43.75, see §§ 1 and 2, ch. 79, SLA 1979 in the Temporary and Special Acts.

Sec. 43.75.015. Fisheries business tax. (a) A person engaged in a fisheries business is liable for and shall pay the tax levied by this section on the value of each of the following fisheries resources processed during the year at the rate set out after each:

(1) salmon canned at a shore-based cannery — four and one-half per cent;

(2) salmon processed by a shore-based fisheries business, except salmon for which the tax is due under (1) of this subsection, and all other fisheries resources processed by a shore-based fisheries business — three per cent;

(3) fisheries resources processed by a floating fisheries business — five per cent.

(b) Instead of the taxes levied by (a) of this section, a person who processes a developing commercial fish species is liable for and shall pay a tax equal to

(1) one percent of the value of the developing commercial fish species processed by a shore-based fisheries business during the year; and

(2) three percent of the value of the developing commercial fish species processed by a floating fisheries business during the year.

(c) A person engaging or attempting to engage in a fisheries business who first actually and physically processes the fishery resource, or a person who purchases a fishery resource that is frozen from a person excluded by AS 43.75.017 from liability for the tax, is liable for and shall pay to the department the entire tax imposed by this section. In determining this tax liability, the person may deduct from the value of the fishery resources processed the value of fishery resources that are canned or processed for other fisheries businesses. A person taking the deduction authorized by this subsection shall report all information relating to the deduction in accordance with regulations issued by the department. (§ 3 ch 79 SLA 1979; am §§ 5, 6 ch 117 SLA 1981)

Effect of amendments. — The 1981 amendment, substituted "who processes" for "engaged in a fishery business which includes processing" preceding "a developing commercial fish" in the introductory language of subsection (b), and in subsection (c), added "or a person who purchases a fishery resource that is frozen from a person excluded by AS 43.75.017 from liability for the tax" following "processes the fishery resource" in the first sentence, deleted "not" preceding "deduct" in the second sentence and substituted the present third sentence for "but shall include that value as part of the value of the fishery resources processed."

NOTES TO DECISIONS

A tax on the business of catching and canning salmon is not a property tax. Pacific Am. Fisheries v. Territory of Alaska, 2 F.2d 9 (9th Cir. 1924), aff'd, 269 U.S. 269, 46 S. Ct. 110, 70 L. Ed. 270 (1925).

"Canning" is activity of salmon cannery which is taxed. — Under former AS 43.75.010, the salmon cannery activity which was taxed is that of "canning," whether the raw fish were purchased or otherwise obtained. Arctic Maid v. Territory of Alaska, 277 F.2d 120 (9th Cir. 1960), rev'd on other grounds, 366 U.S. 199, 81 S. Ct. 929, 6 L. Ed. 2d 227 (1961).

No discrimination in favor of local canners against freezer ships under prior law. — See Alaska v. Arctic Maid, 366 U.S. 199, 81 S. Ct. 929, 6 L. Ed. 2d 227 (1961).

Cold storages and other fish processors. — For cases construing former law requiring licenses for cold storages and other fish processors, see Territory of Alaska v. Arctic Maid, 16 Alaska 126, 140 F. Supp. 190 (D. Alaska 1956), aff'd, 366 U.S. 199, 81 S. Ct. 929, 6 L. Ed. 2d 227 (1961); State v. Wakefield Fisheries, Inc., Sup. Ct. Op. No. 779 (File Nos. 1397, 1398), 495 P.2d 166 (1972); State v. Reefer King Co., Sup. Ct. Op. No. 1344 (File Nos. 2605, 2606, 2607), 559 P.2d 56 (1976).

For case discussing priority of claims for license taxes under prior law in a bankruptcy proceeding, see In re King Salmon Fisheries Co., 7 Alaska 97 (1923).

Constitutionality of former provisions taxing salmon canneries on basis of number of cases packed. — See Territory of Alaska v. Pacific Am. Fisheries, 7 Alaska 160, aff'd, 2 F.2d 9 (9th Cir. 1924), aff'd, 269 U.S. 269, 46 S. Ct. 110, 70 L. Ed. 270 (1925).

Sec. 43.75.017. Exclusion from fisheries business tax. A person is not liable for the fisheries business tax under AS 43.75.015 when the fishery resource is frozen aboard a fishing vessel if

(1) the vessel is operated as a commercial fishing vessel under a valid commercial fishing license;

(2) the fishery resource is not processed beyond heading, gutting or cleaning, freezing and glazing;

(3) the fishery resource was caught by the vessel; and

(4) the fishery resource is sold by the person claiming an exclusion from the tax to a fisheries business licensed under this chapter. (§ 7 ch 117 SLA 1981)

Sec. 43.75.020. Application for license. (a) Application for a license shall be filed with the department and accompanied by an initial fee of $25. A separate initial fee is required for each plant specified in the application covered by the license. The application shall contain the name of the applicant, the line of business to be licensed, place of business, and other facts which the department prescribes. The applicant shall state that the applicant agrees to pay the license tax, and that the applicant will make a return and pay the tax at the time provided by law.

(b) Upon receipt of the application in proper form accompanied by the initial fee the department shall issue the license. (§ 2 ch 82 SLA 1949; am § 93 ch 59 SLA 1982)

Effect of amendments. — The 1982 amendment deleted "as of the date the application is filed or mailed, and the applicant may carry on the business from the date the application was actually mailed" following "the license" in subsection (b), and, made other, minor changes.

Sec. 43.75.030. Filing return and payment of tax. (a) A person subject to the tax shall file a return stating the value of fisheries resources processed during the license year, computed as required by this chapter, and such other information as the department prescribes by regulation. The return shall show the license number and shall be signed by the taxpayer or an authorized agent, under penalty of perjury. If a receiver, trustee, or assign is operating the property or business, that person shall file the return for the person. A tax due on the basis of such a return shall be collected in the same manner as if collected from the person of whose business the receiver, trustee, or assign has custody and control.

(b) The return shall be made on the basis of the calendar year to the department at Juneau before April 1 after the close of the calendar year.

(c) The department may adopt regulations for the granting of a reasonable extension of time for filing and may grant an extension of time for filing.

(d) The tax shall be paid before April 1 after the close of the calendar year.

(e) Every person engaging or attempting to engage in a business for which a license is required under this chapter shall keep records, make statements under oath, file returns, and comply with all regulations which the commissioner of revenue may adopt.

(f) When the department considers it is necessary, it may require a person, by notice served upon the person, to file a return, make such statements under oath, or keep and display to such records as it considers sufficient to show the tax for which the person is liable. If a person fails to file a return as prescribed by law or by regulation, or makes, wilfully or otherwise, a false or fraudulent return, the department shall make the return from the information which it can obtain. A return made by the department is prima facie good and sufficient for all legal purposes. (§ 3 ch 82 SLA 1949; am §§ 2, 3 ch 146 SLA 1962; am §§ 5, 6 ch 79 SLA 1979)

Effect of amendments. — The 1979 amendment substituted "fisheries resources" for "raw fisheries products" in the first sentence of subsection (a), deleted "AS 43.75.010 — 43.75.050 of" preceding "this chapter" in the first sentence of subsection (a) and in subsection (e), deleted "such" preceding "records," preceding "statements," and preceding "returns" in subsection (e), and substituted "all regulations which" for "such regulations as" in subsection (e).

NOTES TO DECISIONS

Applied in Schlothan v. Territory of Alaska, 276 F.2d 806 (9th Cir.), cert. denied, 362 U.S. 990, 80 S. Ct. 1079, 4 L. Ed. 2d 1022 (1960).

Sec. 43.75.050. Violations and penalties. [Repealed, § 4 ch 94 SLA 1976; § 3 ch 166 SLA 1976; §§ 45, 46 ch 113 SLA 1980. For current law, see AS 43.05.220 and 43.05.290.]

Sec. 43.75.055. Security for collection of taxes. Each applicant for a license under this chapter shall, in or with the application, state under oath the amount of each of the products which the applicant expects to produce during the license year. The applicant shall further state the extent of lienable real property owned by the applicant in the state against which the tax may be collected and other information with respect to description, location and value of the property which the department prescribes. If the lienable value of the property is not equal to three times the amount of the tax for which the applicant will probably be liable under this section, the department may not issue the license until the applicant files with the department a surety bond approved by the attorney general in a penal sum equal to twice the probable amount of the tax for which the applicant will be liable, conditioned upon payment of the tax in full when due, with interest if not paid before delinquency. However, if the applicant purchases salmon for export from Alaska in the round, the amount of the bond is $50,000 unless the applicant is the owner of lienable real property in the state of a value of at least $50,000, and the bond must be conditioned upon payment to the fisherman of the full purchase price for the salmon and the payment of the tax in full when due. The department may waive the bond requirement if the applicant posts other security in the form of collateral acceptable to the department or prepays the estimated tax. (§ 4 ch 84 SLA 1967; am § 8 ch 79 SLA 1979)

Effect of amendments. — The 1979 amendment added the present fourth sentence and added "or prepays the estimated tax" to the end of the present fifth sentence.

Secs. 43.75.060 — 43.75.095. Cold storage and other fish processors [Repealed, § 13 ch 79 SLA 1979.]

Article 2. Taking of Fisheries Products Which Are Sold Outside Taxing Jurisdiction.

Collateral references. — 35 Am. Jur. 2d, Fish and Game, § 45; 71 Am. Jur. 2d, State and Local Taxation, §§ 392-401.

36A C.J.S., Fish, § 36.

State tax on or in respect of goods shipped in interstate commerce to consignee for sale on consignor's account without previous sale or order for purchase. 4 ALR2d 244.

Loading or unloading interstate freight in performance of obligation resting upon one other than interstate carrier as interstate commerce as regards local taxation. 10 ALR2d 651.

Property destined for removal from state as subject to taxation therein. 11 ALR2d 938.

Sec. 43.75.100. Tax imposed on taking of fishery resource. (a) A person taking, purchasing, or otherwise acquiring a fishery resource covered by this chapter which has not been subject to the tax imposed in AS 43.75.015 is subject to the tax levied in AS 43.75.015 on the value of the fishery resource if the person

(1) transports the fishery resource to a point outside the taxing jurisdiction of the state for subsequent processing or sale outside the taxing jurisdiction of the state;

(2) sells the fishery resource outside the taxing jurisdiction of the state; or

(3) has the fishery resource processed by a fisheries business in the state.

(b) The rate of tax that shall be paid by a person whose liability for the tax is established by this section is the rate of tax that would have been due under AS 43.75.015 if the fisheries business that first actually and physically processed the fish had been liable to pay the tax. (§ 1 ch 190 SLA 1959; am § 4 ch 79 SLA 1979; am §§ 8, 9 ch 117 SLA 1981)

Effect of amendments. — The 1979 amendment rewrote this section.

The 1981 amendment deleted "sold" following "fishery resource" in the introductory language of subsection (a), deleted "to a fisheries business" in paragraphs (1) and (2) of subsection (a), deleted "or" at the end of paragraph (1) and added "or" at the end of paragraph (2) of subsection (a) and added paragraph (3) of that subsection. The amendment also rewrote subsection (b).

Sec. 43.75.110. Duty of taxpayer and payment of tax. A person subject to taxes under AS 43.75.100 shall make a return stating the value of fisheries resources taken, purchased, or otherwise acquired during the license year for sale to fisheries businesses outside of the taxing jurisdiction of the state computed as required by AS 43.75.100, and other information to carry out the provisions of AS 43.75.100 as may be prescribed by the department. The return shall contain the license number and shall be signed by the taxpayer or an authorized agent, under penalty of perjury. If a receiver, trustee, or assign is operating the property or business, that person shall make the return for the person. A tax due on the basis of such return shall be collected in the same manner as if collected from the person of whose business the receiver, trustee, or assign has custody and control. The requirements for time and place of payment of tax, and the obligation to keep records and make the records available to the commissioner of revenue are the same as those prescribed in AS 43.75.011 — 43.75.050. (§ 2 ch 190 SLA 1959; am § 9 ch 79 SLA 1979)

Effect of amendments. — The 1979 amendment substituted "fisheries resources taken, purchased, or otherwise acquired" for "raw fisheries products taken" and "fisheries businesses" for "freezer ships, floating cold storages, or floating canneries" in the first sentence and substituted "AS 43.75.011 — 43.75.050" for "the business license tax law for salmon canneries" at the end of the fifth sentence.

Sec. 43.75.120. Violations and penalties. [Repealed, § 46 ch 113 SLA 1980.]

Article 3. General Provisions.

Section
130. Refund to local governments
140. Definitions

Sec. 43.75.130. Refund to local governments. The commissioner of revenue shall pay

(1) to each municipality unified under AS 29.68.240 — 29.68.440. and to each city located in the unorganized borough, 50 percent of the amount of tax revenue collected in the municipality from taxes levied by this chapter;

(2) to each city located within a borough, 25 percent of the amount of tax revenue collected in the city from taxes levied by this chapter; and

(3) to each borough

(A) 50 percent of the amount of tax revenue collected in the area of the borough outside cities from taxes levied by this chapter; and

(B) 25 percent of the amount of tax revenue collected in cities located within the borough from taxes levied by this chapter. (§ 6 ch 155 SLA 1962; am § 75 ch 69 SLA 1970; am § 10 ch 218 SLA 1976; am § 11 ch 79 SLA 1979; am § 10 ch 117 SLA 1981)

Effect of amendments. — The 1979 amendment rewrote this section.
The 1981 amendment substituted "50 percent" for "20 percent" in paragraphs (1) and (3)(A) and substituted "25 percent" for "10 percent" in paragraphs (2) and (3)(B).

NOTES TO DECISIONS

State license tax on salmon canneries with its revenue sharing provision is not different in kind from general gross receipts tax of Alaska Business License Act. — See Liberati v. Bristol Bay Borough, Sup. Ct. Op. No. 1755 (File No. 3365), 585 P.2d 878 (1978).

Sec. 43.75.135. Additional refund to boroughs and cities. [Repealed, § 13 ch 79 SLA 1979.]

Sec. 43.75.136. Appropriations to Commercial Fishing and Agriculture Bank. [Repealed, § 20 ch 117 SLA 1981.]

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.

Editor's notes. — For findings and purpose of enacting legislation, see § 1, ch. 154, SLA 1980, in the Temporary and Special Acts.

Alaska State Legislature

House of Representatives

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COMMITTEES
CHAIRMAN
HOUSE TRANSPORTATION
MEMBER
RESOURCES
STATE AFFAIRS

MEMORANDUM

March 14th, 1985

TO: Representative Al Adams
Chairman
House Finance

FROM: Representative Bette Cato BC

SUBJECT: CSHB 58

On January 16th I introduced House Bill 58 "An act relating to the fisheries business tax" This bill was referred to Special Committee on Fisheries, Resources Committee and Finance.

The purpose of this legislation is to provide an incentive to shore based processors to upgrade the quality of their present facilities and equipment in order to enhance the quality, quantity and diversitivity of Alaska's processed seafood.

This bill would allow shore based processors to take a credit of up to 50% of their business tax liability for capital improvement projects undertaken in the tax year. I feel this credit would help relieve some of the pressures currently being experienced by the fishing industry. Updating, upgrading and expanding their plants and equipment is vital if the State's seafood industry is to remain competitive, diversified and economically progressive. This credit offers the shore based processors the capital to complete the expanding and upgrading of their plants.

The Department of Revenue would promulgate regulations for approving applications and would have 60 days to approve or disapprove applications submitted. The Department would prepare a report to the Legislature each regular legislative session describing what the credits were used for, and if possible, how employment and the processing capacity of the fisheries were improved.

The history of this bill is detailed in my request to the House Research Agency number 85-039. The members of the Committee should find this paper helpful in their deliberations.

I urge your support for HB 58.

Sincerely,

Bette

Representative Bette Cato
House of Representatives
District 6

BC/WC

SECTIONAL ANALYSIS CSHB 58 - REPRESENTATIVE CATO

Section 1 AS 43.75.015 is amended by defining the amount of business tax a fisheries business is liable for.

1. Salmon canned at a shore based cannery - 4½%

2. All salmon processed (except canned) and all fish processed by shore based processors - 3%

3. Fish processed by floating processors - 5%

Section 43..75.018 is amended by adding a new section:

A fisheries business is entitled to not more than 50% of their business tax liability for capital expenditures made during a tax year. These expenses relate to the fisheries business.

A fisheries business may claim this credit for a maximum of five consecutive years. This credit may begin anytime during the period from 1985-1989.

If a capital expenditure exceeds the amount eligible for a credit the fisheries business may carry the credit forward for a subsequent tax year within the five year period. No credit may be carried back to previous years.

A tax credit will not be approved for property or equipment that has previously received a tax credit. (Property sold can not receive a tax credit by the purchaser if a credit has already been received by the seller)
A tax credit will not be allowed if property is sold or transferred between businesses who have substantial common ownership.

The Department shall adopt regulations defining capital expenditures eligible for tax credits. Any applications submitted to the Department for credit shall be approved or disapproved within 60 days of the application being filed.

The Dept. of Revenue in conjunction with the Dept. of Commerce and Economic Development shall submit a report to the Legislature by the 60th day of each regular session outlining expenditures for which credit was claimed and increases in employment and processing capacity as a result of this credit.

Sec 3. As 43.75.130 is amended by adding a subsection which covers the municipalities who receive 50% of the raw fish tax.
This new subsection states that the municipalities will receive the amount they would have as if the tax credit were not applied.
This is to ensure that the municipalities receive the full amount of the 50% of the fish processors business tax liability and not 50% of the amount that was paid after the credit was applied.
Sec. 4. AS 43.75.140 is amended by adding a new paragraph:
This paragraph states that if a capital expenditure is used for credit under the Federal Income Tax system, this capital expenditure is not entitled to be used for a credit under this program.

CUMULATIVE SUMMARY OF REVENUE
COLLECTED 07/01/84 THRU 1/31/85
7/12 OR 58.33%

CODE NO	TYPE OF TAX	GROSS RECEIPTS	REFUNDS	NET RECEIPTS	ESTIMATE	NET RECEIPTS % OF ESTIMATE
001	OIL & GAS PROPERTY TAX	$ 3,373,697.80	$ 842,570.02	$ 2,531,127.78	$ 121,000,000.00	2.10
016	ALCOHOLIC BEVERAGE EXCISE TAX	8,713,472.83	947.22	8,712,525.61	15,000,000.00	58.09
017	CIGARETTE TAX (GF)	1,215,993.68	0.00	1,215,993.68	2,100,000.00	57.91
018	CIGARETTE TAX (SF)	1,901,938.81	0.00	1,901,938.81	3,300,000.00	57.64
020	ELECTRIC & TELEPHONE	41,794.09	0.00	41,794.09	1,700,000.00	2.46
021	HIGHWAY MOTOR FUEL TAX	17,093,331.82	2,304,631.19	14,788,700.63	22,000,000.00	67.23
022	AVIATION MOTOR FUEL TAX	5,101,772.08	0.00	5,101,772.08	8,000,000.00	63.78
023	MARINE MOTOR FUEL TAX	3,030,825.19	0.00	3,030,825.19	4,200,000.00	72.17
036	INDIVIDUAL INCOME TAX	1,029,284.60	37,157.78	992,126.82	0.00	0.00
037	FIDUCIARY INCOME TAX	3,327.00	0.00	3,327.00	0.00	0.00
038	CORPORATION INCOME TAX	102,009,374.07	24,805,015.34	77,204,358.73	293,000,000.00	26.35
046	BUSINESS LICENSE	37,578,616.57	137,339.00	37,441,277.57	20,000,000.00	187.21
052	ESTATE TAX	422,034.88	4,319.69	417,715.19	700,000.00	59.68
057	SCHOOL TAX	0.00	0.00	0.00	0.00	0.00
060	SALMON ENHANCEMENT TAX	2,607,574.57	245,754.27	2,361,820.30	2,400,000.00	98.41
061	MINES & MINING TAX	193,498.76	900.02	192,598.74	300,000.00	64.20
062	SALMON CANNERY-SHORE BASED TAX	19,164.15	0.00	19,164.15	6,000,000.00	0.32
063	SHORE-BASED FISHERIES TAX	1,897,759.44	1,762.00	1,895,997.44	8,000,000.00	23.70
064	FLOATING FISHERIES TAX	212,211.15	16,117.85	196,093.30	7,000,000.00	2.81
065	OIL PRODUCTION TAX	812,777,016.84	7,192.92	812,769,823.92	1,332,800,000.00	60.99
066	OIL & GAS CONSERVATION	396,189.24	0.00	396,189.24	700,000.00	56.60
067	GAS FLARING PENALTY	3,773.67	0.00	3,773.67	0.00	0.00
068	GAS PRODUCTION TAX	5,171,243.35	0.00	5,171,243.35	10,600,000.00	48.79
069	SEAFOOD MARKETING ASSESSMENT	33,128.08	1,476.00	31,652.08	1,200,000.00	2.64
096	PREPAID TAX	1,000.00	0.00	1,000.00	0.00	0.00
106	LIQUOR LICENSE APPLICATION	79,250.00	700.00	78,550.00	91,000.00	86.32
107	PUB LIQUOR LICENSE	400.00	400.00	0.00	0.00	0.00
108	BREWERY LICENSE	0.00	0.00	0.00	0.00	0.00
109	DISTILLERY LICENSE	0.00	0.00	0.00	0.00	0.00
110	BEVERAGE DISPENSARY LICENSE	715,350.00	20,000.00	695,350.00	802,000.00	86.71
111	CLUB LICENSE	35,100.00	0.00	35,100.00	44,000.00	79.78
112	COMMON CARRIER LICENSE	27,650.00	0.00	27,650.00	34,000.00	81.33
113	RESTAURANT LICENSE	61,800.00	1,950.00	59,850.00	76,000.00	78.75
114	ROADHOUSE LICENSE	0.00	0.00	0.00	0.00	0.00
115	RETAIL LICENSE	324,150.00	10,175.00	313,975.00	364,000.00	86.26
116	RETAIL STOCK SALE LICENSE	0.00	0.00	0.00	0.00	0.00
117	WHOLESALE GENERAL LICENSE	15,000.00	0.00	15,000.00	149,000.00	10.07
118	WHOLESALE MALT BEV. LICENSE	1,600.00	0.00	1,600.00	29,000.00	5.52
119	MISC. LIQUOR LICENSE	33,159.75	250.00	32,909.75	48,000.00	66.57
145	COIN OPER. AMUSE. & GAM. DVC. TAX	61,071.36	667.55	60,403.81	225,000.00	26.85
146	GAMES OF CHANCE & SKILL FEES	14,936.55	201.07	14,735.48	81,000.00	18.20
402	MISCELLANEOUS REVENUE	1,268.52	18.00	1,250.52	1,500.00	83.37
506	TAX PREPARER'S PENALTY	0.00	0.00	0.00	0.00	0.00
507	AVERAGE WHOLESALE PRICE	0.00	0.00	0.00	0.00	0.00
692	REDISTRIBUTED REVENUE	20,000.00	0.00	20,000.00	0.00	0.00
	TOTAL	$1,006,218,758.85	$28,439,544.92	$ 977,779,213.93	$1,861,944,500.00	52.52
135	DUPLICATE COMM. FISH	$ 1,235.57	$ 0.00	$ 1,235.57	$ 2,000.00	61.78
843	VESSELS & GEAR	0.00	0.00	0.00	0.00	0.00
137-844	COMM. FISH LIC.-RES.	278,921.49	2,093.54	276,827.95	507,000.00	54.61
138-845	COMM. FISH LIC.-N-RES.	495,216.53	2,859.19	492,357.34	871,000.00	56.53
140	COMMER. FISH. EXT. FEE	1,710.00	0.00	1,710.00	4,000.00	42.75
120-230	SPORT FISH., HUNT & TRAP LIC.	5,326,412.75	14,366.77	5,312,045.98	6,594,000.00	80.56
	SUB-TOTAL	$ 6,103,496.34	$ 19,319.50	$ 6,084,176.84	$ 7,978,000.00	76.27
	TOTAL TAXES	$1,012,322,255.19	$28,458,864.42	$ 983,863,390.77	$1,869,922,500.00	52.62
	INTEREST					
575	INTEREST ON LOANS	$ 1,420,307.09	$ 0.00	$ 1,420,307.09	$ 10,000,000.00	14.21
576	INTEREST ON INVESTMENTS	$ 135,573,490.72	$ 0.00	$ 135,573,490.72	$ 265,000,000.00	51.16
	TOTAL INTEREST	$ 136,993,797.81	$ 0.00	$ 136,993,797.81	$ 275,000,000.00	49.82
	TOTAL REVENUE	$1,149,316,053.00	$28,458,864.42	$1,120,857,188.58	$2,144,922,500.00	52.26

Offered: 2/8/85
Referred: Resources and Finance

Original sponsors: Cato, Grussendorf and Thompson

IN THE HOUSE — BY THE HOUSE SPECIAL COMMITTEE ON FISHERIES

CS FOR HOUSE BILL NO. 58 (Fisheries)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

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

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

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

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

(1) salmon canned at a shore-based <u>fisheries business</u> [CANNERY] - four and one-half percent;

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

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

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

Sec. 43.75.018. FISHERIES BUSINESS TAX CREDIT. (a) A fisheries business is entitled to a credit of not more than 50 percent of the business tax liability under AS 43.75.015 for capital expenditures made during the tax year to increase product diversity, promote production efficiency and capacity, or improve product quality at a shore-based fisheries business facility in the state if an application for the credit is approved by the department.

(b) A fisheries business may claim a credit under (a) of this section for a maximum period of five consecutive years. An applicant for the credit may elect to begin the five-year period with any tax year from 1985 through 1989.

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

(d) The department may not approve a tax credit under (a) of this section if the property for which the capital expenditure was made was the subject of a previous capital expenditure by another taxpayer for whom a corresponding tax credit under (a) of this section has been approved or if the property was sold or transferred between fisheries businesses having substantial common ownership.

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

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

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

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

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

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

(9) "capital expenditures" includes the price paid for the equipment and the costs of improvements made to depreciable property, as defined by the commissioner of commerce and economic development, but does not include expenditures that are deducted entirely for federal income tax purposes in the year in which they accrued or were paid.

* Sec. 5. AS 43.75.018, 43.75.019, 43.75.130(b), and 43.75.140(9) are repealed June 30, 1994.

Introduced: 1/16/85
Referred: House Special Committee on
Fisheries,Resources and Finance

IN THE HOUSE BY CATO AND GRUSSENDORF

HOUSE BILL NO. 58

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

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

(b) A fisheries business may claim a credit under (a) of this section for a maximum period of five consecutive years. An applicant for the credit may elect to begin the five-year period with any tax year from 1985 through 1989.

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

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

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

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