

COMMITTEE REPORT

SENATE

FURTHER:

5/10/85

Date

5/10/86

Mr. President

The Committee on FINANCE

considered CSHB 58 (Fin) (exp. add)

fisheries business tax.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

do pass

do pass with attached amendment(s)

replace with/or adopt 5 CS for CSHB 58 (Fin.)

new title

same title and recommends "DO PASS"

and attached a "LETTER OF INTENT"

214 NEW FISCAL NOTE

reports it back without recommendation

(3,500.0) SFC
SFC

recommends referral to _____

Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Signature]
[Signature]
[Signature]

[Signature] Do not pass
[Signature] Do Not Pass
Paul Finch, W. Rev

[Signature]
Chairman
[Signature] do pass
Chairman recommendation

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : SCS CSHB 58 (Fin)
 Title : Relating to the Fisheries
Business Tax

Sponsor : Cato & Grussendorf
 Requestor : Senate Finance
 Date of Request : May 10, 1986

FISCAL DETAIL

Agency Affected : Dept. of Revenue
 BRU : _____

Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	(3500.0)	(3500.0)	0	0	0	0
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FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : _____
 Division : Senator Jan Faiks, Co-chairman
Senate Finance Committee

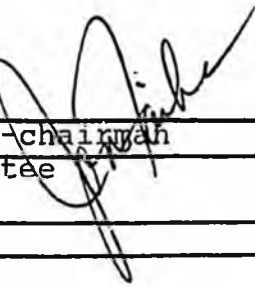
Phone : 465-4523
 Date : May 10, 1986

Approved by Commissioner : _____
 Agency : _____

Date : _____

Distribution (by Agency preparing fiscal note) :

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



STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : SCS CSHB 58 (Fin)
 Title : Fisheries Business Tax Credit

Sponsor : Cato & Grussendorf
 Requestor : Senate Finance
 Date of Request : May 10, 1986

FISCAL DETAIL

Agency Affected : Dept. of Revenue
 BRU : Audit Division
Collection and Management

Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
----------------	----------	----------	----------	----------	----------	----------

REVENUE	0	0	0	0	0	0
----------------	----------	----------	----------	----------	----------	----------

FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS :

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

This fiscal note zeroes previous fiscal note funding.

Prepared by : _____
 Division : Senator Jan Faiks, Co-chairman
Senate Finance Committee

Phone : 465-4523
 Date : May 10, 1986

Approved by Commissioner : _____
 Agency : _____

Date : _____

Distribution (by Agency preparing fiscal note) :

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

Original sponsors: Cato, Grussendorf,
Thompson and Pignalberi

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 58 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the fisheries business tax; and
7 providing for an effective date."

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

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

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

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

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

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

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

23 Sec. 43.75.032. FISHERIES BUSINESS TAX CREDITS. (a) A fish-
24 eries business is entitled to a credit of not more than 50 percent of
25 the business tax liability under AS 43.75.015 for capital expenditures
26 made during the tax year that (1) increase product diversity, or pro-
27 duction efficiency and capacity, or improve product quality, at a
28 shore-based fisheries business facility in the state, or (2) contrib-
29 ute to the development of a cooperative seafood industrial park in the

1 state, if an application for the credit is approved by the department
2 in advance of the capital expenditure. A fisheries business may claim
3 a credit under this subsection for a maximum period of three consecu-
4 tive years. An applicant for the credit may elect to begin the three-
5 year period with any tax year from 1987 through 1989. A tax credit
6 under this subsection may not be approved for more than 50 percent of
7 a capital expenditure, plus any increase required under (b) of this
8 section.

9 (b) The amount of a credit under (a) of this section for a
10 capital expenditure involving a shore-based fisheries business facil-
11 ity or cooperative seafood industrial park located or to be located in
12 a municipality shall be increased by the amount by which the munici-
13 pality's fisheries business tax refund is reduced under AS 43.75.-
14 130(c). The total amount of a credit increase under this subsection
15 during a three-year period may not exceed 25 percent of the amount of
16 the capital expenditure.

17 (c) The portion of a capital expenditure that exceeds the amount
18 eligible for a credit under this section during a single tax year may
19 not be carried back to a prior tax year but may be claimed as a credit
20 under this section for a subsequent tax year within the three-year
21 period elected under (a) of this section.

22 (d) Within 10 days after submitting an application for a credit
23 under (a) of this section the applicant shall send a copy of the
24 application to the municipality, if any, in which the shore-based
25 fisheries business facility or cooperative seafood industrial park for
26 which the expenditure is to be made is located or is to be located.

27 (e) A fisheries business is entitled to a credit of not more
28 than five percent of the business tax liability under AS 43.75.015 for
29 contributions made during the tax year to the A. W. "Winn" Brindle

1 memorial scholarship account (AS 14.43.250). A fisheries business may
2 claim a credit under this subsection for the 1987 tax year and subse-
3 quent tax years. A tax credit under this subsection may not be
4 approved for more than 100 percent of a scholarship contribution.

5 (f) The total tax credits that may be claimed under this section
6 for a tax year for capital expenditures and scholarship contributions
7 combined may not exceed 50 percent of the taxpayer's business tax
8 liability under AS 43.75.015 for that tax year.

9 (g) The department may not approve a tax credit under this
10 section if

11 (1) the property for which the capital expenditure was made
12 was the subject of a previous capital expenditure by another taxpayer
13 for whom a corresponding tax credit under this section has been
14 approved;

15 (2) the property for which the capital expenditure was made
16 was sold or transferred between fisheries businesses having
17 substantial common ownership; or

18 (3) the fisheries business claiming the credit is in
19 arrears in the payment of a fisheries business tax under AS 43.75.015;
20 for purposes of this paragraph, a taxpayer is not in arrears if the
21 payment is under administrative or judicial appeal.

22 (h) The department shall prepare an application form for a
23 credit under this section.

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

27 (j) In this section

28 (1) "cooperative" has the meaning given in AS 10.15.595.

29 (2) "seafood industrial park" means a seafood processing

1 center with facilities to land, handle, and process or to ship or
2 transship to any location all marketable species of seafood; a seafood
3 industrial park may contain commercial facilities to support the
4 activities of the park, and the labor force and vessels that operate
5 at or from the park;

6 Sec. 43.75.034. TAX CREDIT REPORT. Not later than the 15th
7 legislative day of each regular legislative session the Department of
8 Revenue, in conjunction with the Department of Commerce and Economic
9 Development, shall submit to the legislature a report on the fisheries
10 business tax credit program under AS 43.75.032. The report shall
11 describe the expenditures for which a credit was approved during the
12 previous tax year and, if possible, the increase in employment and
13 processing capacity by the fisheries businesses for which the credit
14 was approved.

15 * Sec. 3. AS 43.75.032 is repealed and reenacted to read:

16 Sec. 43.75.032. TAX CREDIT FOR SCHOLARSHIP CONTRIBUTIONS. (a)
17 A fisheries business is entitled to a credit of not more than five
18 percent of the business tax liability under AS 47.75.015 for contribu-
19 tions made during the tax year to the A. W. "Winn" Brindle memorial
20 scholarship account (AS 14.43.250). A tax credit under this section
21 may not be approved for more than 100 percent of a scholarship contri-
22 bution.

23 (b) The department may not approve a tax credit under this
24 section if the fisheries business claiming the credit is in arrears in
25 the payment of a fisheries business tax under AS 43.75.015; for pur-
26 poses of this subsection, a taxpayer is not in arrears if the payment
27 is under administrative or judicial appeal.

28 (c) The department shall prepare an application form for a
29 credit under this section.

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

4 * Sec. 4. AS 43.75.130 is amended by adding new subsections to read:

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

9 (c) Within 60 days after a credit is approved under AS 43.75.032
10 for a capital expenditure involving a shore-based fisheries business
11 facility or cooperative seafood industrial park located or to be
12 located in a municipality, the municipality may adopt an ordinance
13 directing the department to reduce the municipality's refund under
14 this section over a period of not more than three years by an amount
15 not exceeding 25 percent of the capital expenditure.

16 * Sec. 5. AS 43.75.140 is amended by adding new paragraphs to read:

17 (9) "capital expenditures" includes the price paid for
18 equipment and the cost of improvements made to depreciable property,
19 but does not include expenditures that are deducted entirely for
20 federal income tax purposes in the year in which they accrued or were
21 paid; in this paragraph, "equipment" and "depreciable property" have
22 the meaning given in regulations adopted by the commissioner of com-
23 merce and economic development;

24 (10) "product diversity" means the processing of nontradi-
25 tional fish or other seafood species or products;

26 (11) "product quality" means the handling of fish or other
27 seafood species or products in order to increase product sales or
28 value.

29 * Sec. 6. The first tax credit report under AS 43.75.034, enacted by

1 sec. 2 of this Act, is due February 2, 1987, and shall describe the expen-
2 ditures for which a credit was approved during 1986 for the 1987 tax year.

3 * Sec. 7. AS 43.75.130(c) and 43.75.140(9) - (11) are repealed
4 January 1, 1992.

5 * Sec. 8. AS 43.75.034 is repealed February 15, 1992.

6 * Sec. 9. Sections 1, 2, and 4 - 8 of this Act take effect July 1,
7 1986.

8 * Sec. 10. Section 3 of this Act takes effect January 1, 1992.
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CHANGES MADE IN CS FOR CS FOR HOUSE BILL NO. 58 (FINANCE)

Page 2 Line 7 - Words "ten percent" changed to "five percent"

Page 2 Line 11 and 12 added:
"A tax credit under this subsection may not be approved for more than 100 percent of a scholarship contribution"

Page 2 Line 17 thru 26 added:
Outlines criteria under which the one-third municipal share may be reduced.

Page 3 Line 5 thru 11 added:
Provides for notification and objection procedures to the tax credit for municipalities.

Page 3 Line 25 thru 29 added:
Sets method and procedure for municipalities to object.

Page 4 Line 7 thru 10 added:
Provides an extension if municipality is not notified of processors intent to apply for tax credit.

Page 4 Line 4 thru 6
Sets limit on amount of tax credit approved for Winn Brindle scholarship.

Page 4 Line 12 thru 18
Provides for the municipalities to contribute one third of the approved tax credit amount. The municipal share and approval may be waived by the department at the processor's request.

Hein
5/8/86 v

Original sponsors: Cato, Grussendorf,
Thompson and Pignalberi

Handwritten:
1/27/86
5/2/86

Handwritten signature: Franks

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 58 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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7 providing for an effective date."

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

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

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

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

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

23 Sec. 43.75.032. FISHERIES BUSINESS TAX CREDIT. (a) A fisheries
24 business is entitled to a credit of not more than 50 percent of the
25 business tax liability under AS 43.75.015 for capital expenditures
26 made during the tax year that (1) increase product diversity, or pro-
27 duction efficiency and capacity, or improve product quality, at a
28 shore-based fisheries business facility in the state, or (2) contrib-
29 ute to the development of a cooperative seafood industrial park in the

1 state, if an application for the credit is approved by the department
2 in advance of the capital expenditure. A fisheries business may claim
3 a credit under this subsection for a maximum period of five consecu-
4 tive years. An applicant for the credit may elect to begin the five-
5 year period with any tax year from 1987 through 1991.

6 (b) A fisheries business is entitled to a credit of not more
7 than five percent of the business tax liability under AS 47.75.015 for
8 contributions made during the tax year to the A. W. "Winn" Brindle
9 memorial scholarship account (AS 14.43.250). A fisheries business may
10 claim a credit under this subsection for the 1987 tax year and subse-
11 quent tax years. A tax credit under this subsection may not be
12 approved for more than 100 percent of a scholarship contribution.

13 (c) The total tax credit that may be claimed under this section
14 for a tax year for capital expenditures and scholarship contributions
15 combined may not exceed 50 percent of the taxpayer's business tax
16 liability under AS 43.75.015 for that tax year.

17 (d) The amount of a credit under (a) of this section shall be
18 reduced by one-third if

19 (1) the capital expenditure involves a shore-based fisher-
20 ies business facility or cooperative seafood industrial park not
21 located in a municipality that is eligible for a refund under AS 43.-
22 75.130; or

23 (2) the taxpayer entitled to the credit agrees to the
24 reduction in exchange for the department's agreement to waive a re-
25 duction in the same amount of a refund to a municipality under AS 43.-
26 75.130(c).

27 (e) The portion of a capital expenditure that exceeds the amount
28 eligible for a credit under this section during a single tax year may
29 not be carried back to a prior tax year but may be claimed as a credit

1 under this section for a subsequent tax year within the five-year
2 period elected under (a) of this section. A tax credit under (a) of
3 this section may not be approved for more than 75 percent of a capital
4 expenditure.

5 (f) Within 10 days after submitting an application for a credit
6 under (a) of this section the applicant shall send a copy of the
7 application to the municipality, if any, in which the shore-based
8 fisheries business facility or cooperative seafood industrial park for
9 which the expenditure is to be made is located. The municipality may
10 file with the department a written objection to the credit within 30
11 days after receiving a copy of the application.

12 (g) The department may not approve a tax credit under this
13 section if

14 (1) the property for which the capital expenditure was made
15 was the subject of a previous capital expenditure by another taxpayer
16 for whom a corresponding tax credit under this section has been ap-
17 proved;

18 (2) a fisheries business claims a tax credit under this
19 section and the payment of a fisheries business tax under AS 43.75.015
20 by the fisheries business is past due; a payment is not past due if
21 the payment of a fisheries business tax under AS 43.75.015 is in
22 administrative or judicial appeal;

23 (3) if the property was sold or transferred between fisher-
24 ies businesses having substantial common ownership; or

25 (4) a municipality has filed an objection under (f) of this
26 section and the commissioner determines, after a hearing, that the
27 economic and other benefits to the municipality that are or are likely
28 to be created by the expenditures for which the credit is claimed do
29 not outweigh the loss of revenue to the municipality under

1 AS 43.75.130 that would result if the credit were approved.

2 (h) The department shall prepare an application form for a
3 credit under this section.

4 (i) The department shall approve or disapprove an application
5 for a credit under this section not later than 60 days after receiving
6 the application. Before approving an application, the department
7 shall make certain that an affected municipality has received a copy
8 of the application. The department may extend the 60-day deadline
9 under this subsection for an additional reasonable period if the
10 municipality files a written objection under (g)(4) of this section.

11 (j) In this section

12 (1) "cooperative" has the meaning given in AS 10.15.595.

13 (2) "seafood industrial park" means a seafood processing
14 center with facilities to land, handle, and process or to ship or
15 transship to any location all marketable species of seafood; a seafood
16 industrial park may contain commercial facilities to support the
17 activities of the park, and the labor force and vessels that operate
18 at or from the park;

19 Sec. 43.75.034. TAX CREDIT REPORT. Not later than the 15th
20 legislative day of each regular legislative session the Department of
21 Revenue, in conjunction with the Department of Commerce and Economic
22 Development, shall submit to the legislature a report on the fisheries
23 business tax credit program under AS 43.75.032. The report shall
24 describe the expenditures for which a credit was approved during the
25 previous tax year and, if possible, the increase in employment and
26 processing capacity by the fisheries businesses for which the credit
27 was approved.

28 * Sec. 3. AS 43.75.032 is repealed and reenacted to read:

29 Sec. 43.75.032. TAX CREDIT FOR SCHOLARSHIP CONTRIBUTIONS. A

1 fisheries business is entitled to a credit of not more than five
2 percent of the business tax liability under AS 47.75.015 for contribu-
3 tions made during the tax year to the A. W. "Winn" Brindle memorial
4 scholarship account (AS 14.43.250). A tax credit under this section
5 may not be approved for more than 100 percent of a scholarship contri-
6 bution.

7 * Sec. 4. AS 43.75.130 is amended by adding new subsections to read:

8 (b) Except as provided in (c) of this section, tax revenue
9 collected under AS 43.75.015 from a person entitled to a credit under
10 AS 43.75.032 shall be calculated, for purposes of this section, as if
11 the person's tax had been collected without applying the credit.

12 (c) A refund to a municipality under this section shall be
13 reduced by an amount equal to one-third of each fisheries business tax
14 credit approved under AS 43.75.032 that is attributable to a capital
15 expenditure involving a shore-based fisheries business facility or
16 cooperative seafood industrial park located in the municipality,
17 unless the department waives the reduction as provided in AS 43.75.-
18 032(d)(2).

19 * Sec. 5. AS 43.75.130(b) is repealed and reenacted to read:

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

24 * Sec. 6. AS 43.75.140 is amended by adding new paragraphs to read:

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

- Page 2 Lines 6 thru 15 deleted
- Page 3 Lines 28 thru 29 deleted
- Page 4 Lines 1 thru 4 deleted
- Page 4 (b) The words "for the purpose of this section" changed to "Except as provided in (c) of this section"
-
- Page 2 Lines 6 thru 10 added and states:
(b) If a capital expenditure for which a credit is claimed under this section involves a shore-based fisheries business facility or cooperative seafood industrial park not located in a municipality that is eligible for a refund under AS 43.75.130, then the amount of credit under this section shall be reduced by one third.
-
- Page 2 Lines 15 and 16
Changes the amount tax credits may be approved for from 100% to 75% of capital expenditure.
-
- Page 2 Lines 17 thru 23
provides for a municipality to file a written objection to the credit within 30 days after receiving a copy of the processors application for credit.
States the within 10 days after submitting an application for a credit the applicant shall sen a copy of the application to the municipality in which the facility is located.
-
- Page 3 Lines 8 thru 13
Outlines the process after an objection is filed by a municipality.
-
- Page 3 Lines 19 thru 22
Provides assurance that the municipality receives a copy of the application and a reasonable period to file a written objection if desired.
-
- Page 4 Line 12
(Outlines above)
-
- Page 4 Lines 16 thru 20
Outlines the municipalities amount or percentage of financial obligation (participation) in the tax credit.

Hein
5/1/86 ✓

Original sponsors: Cato, Grussendorf,
Thompson and Pignalberi

1 IN THE HOUSE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 58 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the fisheries business tax; and
7 providing for an effective date."

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

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

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

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

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

23 Sec. 43.75.032. FISHERIES BUSINESS TAX CREDIT. (a) A fisheries
24 business is entitled to a credit of not more than 50 percent of the
25 business tax liability under AS 43.75.015 for capital expenditures
26 made during the tax year that (1) increase product diversity, or pro-
27 duction efficiency and capacity, or improve product quality, at a
28 shore-based fisheries business facility in the state, or (2) contrib-
29 ute to the development of a cooperative seafood industrial park in the

1 state, if an application for the credit is approved by the department
2 in advance of the capital expenditure. A fisheries business may claim
3 a credit under this subsection for a maximum period of five consecu-
4 tive years. An applicant for the credit may elect to begin the five-
5 year period with any tax year from 1987 through 1991.

6 (b) If a capital expenditure for which a credit is claimed under
7 this section involves a shore-based fisheries business facility or
8 cooperative seafood industrial park not located in a municipality that
9 is eligible for a refund under AS 43.75.130, then the amount of the
10 credit under this section shall be reduced by one-third.

11 (c) The portion of a capital expenditure that exceeds the amount
12 eligible for a credit under this section during a single tax year may
13 not be carried back to a prior tax year but may be claimed as a credit
14 under this section for a subsequent tax year within the five-year
15 period elected under (a) of this section. Tax credits may not be
16 approved for more than 75 percent of a capital expenditure.

17 (d) Within 10 days after submitting an application for a credit
18 under this section the applicant shall send a copy of the application
19 to the municipality, if any, in which the shore-based fisheries busi-
20 ness facility or cooperative seafood industrial park for which the
21 expenditure is to be made is located. The municipality may file with
22 the department a written objection to the credit within 30 days after
23 receiving a copy of the application.

24 (e) The department may not approve a tax credit under this
25 section if

26 (1) the property for which the capital expenditure was made
27 was the subject of a previous capital expenditure by another taxpayer
28 for whom a corresponding tax credit under this section has been ap-
29 proved;

1 (2) a fisheries business claims a tax credit under this
2 section and the payment of a fisheries business tax under AS 43.75.015
3 by the fisheries business is past due; a payment is not past due if
4 the payment of a fisheries business tax under AS 43.75.015 is in
5 administrative or judicial appeal;

6 (3) if the property was sold or transferred between fisher-
7 ies businesses having substantial common ownership; or

8 (4) a municipality has filed an objection under (d) of this
9 section and the commissioner determines, after a hearing, that the
10 economic and other benefits to the municipality that are or are likely
11 to be created by the expenditures for which the credit is claimed do
12 not outweigh the loss of revenue to the municipality under AS 43.75.-
13 130 that would result if the credit were approved.

14 (f) The department shall prepare an application form for a
15 credit under this section.

16 (g) The department shall approve or disapprove an application
17 for a credit under this section not later than 60 days after receiving
18 the application. Before approving an application, the department
19 shall make certain that an affected municipality has received a copy
20 of the application. The department may extend the 60-day deadline
21 under this subsection for an additional reasonable period if the
22 municipality files a written objection under (e)(4) of this section.

23 (h) In this section

24 (1) "seafood industrial park" means a seafood processing
25 center with facilities to land, handle, and process or to ship or
26 transship to any location all marketable species of seafood; a seafood
27 industrial park may contain commercial facilities to support the
28 activities of the park, and the labor force and vessels that operate
29 at or from the park;

1 (2) "cooperative" has the meaning given in AS 10.15.595.

2 Sec. 43.75.034. TAX CREDIT REPORT. Not later than the 15th
3 legislative day of each regular legislative session the Department of
4 Revenue, in conjunction with the Department of Commerce and Economic
5 Development, shall submit to the legislature a report on the fisheries
6 business tax credit program under AS 43.75.032. The report shall
7 describe the expenditures for which a credit was approved during the
8 previous tax year and, if possible, the increase in employment and
9 processing capacity by the fisheries businesses for which the credit
10 was approved.

11 * Sec. 3. AS 43.75.130 is amended by adding new subsections to read:

12 (b) Except as provided in (c) of this section, tax revenue
13 collected under AS 43.75.015 from a person entitled to a credit under
14 AS 43.75.032 shall be calculated, for purposes of this section, as if
15 the person's tax had been collected without applying the credit.

16 (c) A refund to a municipality under this section shall be
17 reduced by an amount equal to one-third of each fisheries business tax
18 credit approved under AS 43.75.032 for capital expenditures involving
19 a shore-based fisheries business facility or cooperative seafood
20 industrial park located in the municipality.

21 * Sec. 4. AS 43.75.140 is amended by adding new paragraphs to read:

22 (9) "capital expenditures" includes the price paid for
23 equipment and the cost of improvements made to depreciable property,
24 but does not include expenditures that are deducted entirely for
25 federal income tax purposes in the year in which they accrued or were
26 paid; in this paragraph, "equipment" and "depreciable property" have
27 the meaning given in regulations adopted by the commissioner of com-
28 merce and economic development;

29 (10) "product diversity" means the processing of

1 nontraditional fish or other seafood species or products;

2 (11) "product quality" means the handling of fish or other
3 seafood species or products in order to increase product sales or
4 value.

5 * Sec. 5. The first tax credit report under AS 43.75.034, enacted by
6 sec. 2 of this Act, is due February 2, 1987, and shall describe the expen-
7 ditures for which a credit was approved during 1986 for the 1987 tax year.

8 * Sec. 6. AS 43.75.032, 43.75.130(b) and (c), and 43.75.140(9) - (11)
9 are repealed January 1, 1996.

10 * Sec. 7. AS 43.75.034 is repealed February 15, 1996.

11 * Sec. 8. This Act takes effect July 1, 1986.

Hein
4/24/86

Original sponsors: Cato, Grussendorf,
Thompson and Pignalberi

1 IN THE HOUSE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 58 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the fisheries business tax; and
7 providing for an effective date."

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

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

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

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

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

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

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

23 Sec. 43.75.032. FISHERIES BUSINESS TAX CREDIT. (a) A fisheries
24 business is entitled to a credit of not more than 50 percent of the
25 business tax liability under AS 43.75.015 for capital expenditures
26 made during the tax year that (1) increase product diversity or pro-
27 duction efficiency and capacity, or improve product quality, at a
28 shore-based fisheries business facility in the state, or (2) contrib-
29 ute to the development of a cooperative seafood industrial park in the

1 state, if an application for the credit is approved by the department
2 in advance of the capital expenditure. A fisheries business may
3 claim a credit under this subsection for a maximum period of five
4 consecutive years. An applicant for the credit may elect to begin the
5 five-year period with any tax year from 1987 through 1991.

6 (b) A fisheries business is entitled to a credit of not more
7 than 10 percent of the business tax liability under AS 47.75.015 for
8 contributions made during the tax year to the A. W. "Winn" Brindle
9 memorial scholarship account (AS 14.43.250). A fisheries business may
10 claim a credit under this subsection for the 1987 tax year and subse-
11 quent tax years.

12 (c) The total tax credit that may be claimed under this section
13 for a tax year for capital expenditures and scholarship contributions
14 combined may not exceed 50 percent of the taxpayer's business tax
15 liability under AS 43.75.015 for that tax year.

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

22 (e) The department may not approve a tax credit under this
23 section if

24 (1) the property for which the capital expenditure was made
25 was the subject of a previous capital expenditure by another taxpayer
26 for whom a corresponding tax credit under this section has been ap-
27 proved;

28 (2) a fisheries business claims a tax credit under this
29 section and the payment of a fisheries business tax under AS 43.75.015

1 by the fisheries business is past due; a payment is not past due if
2 the payment of a fisheries business tax under AS 43.75.015 is in
3 administrative or judicial appeal; or

4 (3) if the property was sold or transferred between fisher-
5 ies businesses having substantial common ownership.

6 (f) The department shall prepare an application form for a
7 credit under this section.

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

11 (h) In this section

12 (1) "seafood industrial park" means a seafood processing
13 center with facilities to land, handle, and process or to ship or
14 transship to any location all marketable species of seafood; a seafood
15 industrial park may contain commercial facilities to support the
16 activities of the park, and the labor force and vessels that operate
17 at or from the park;

18 (2) "cooperative" has the meaning given in AS 10.15.595.

19 Sec. 43.75.034. TAX CREDIT REPORT. Not later than the 15th
20 legislative day of each regular legislative session the Department of
21 Revenue, in conjunction with the Department of Commerce and Economic
22 Development, shall submit to the legislature a report on the fisheries
23 business tax credit program under AS 43.75.032. The report shall
24 describe the expenditures for which a credit was approved during the
25 previous tax year and, if possible, the increase in employment and
26 processing capacity by the fisheries businesses for which the credit
27 was approved.

28 * Sec. 3. AS 43.75.032 is repealed and reenacted to read:

29 Sec. 43.75.032. TAX CREDIT FOR SCHOLARSHIP CONTRIBUTIONS. A

1 fisheries business is entitled to a credit of not more than 10 percent
2 of the business tax liability under AS 47.75.015 for contributions
3 made during the tax year to the A. W. "Winn" Brindle memorial scholar-
4 ship account (AS 14.43.250).

5 * Sec. 4. AS 43.75.130 is amended by adding a new subsection to read:

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

10 * Sec. 5. AS 43.75.140 is amended by adding new paragraphs to read:

11 (9) "capital expenditures" includes the price paid for
12 equipment and the cost of improvements made to depreciable property,
13 but does not include expenditures that are deducted entirely for
14 federal income tax purposes in the year in which they accrued or were
15 paid; in this paragraph, "equipment" and "depreciable property" have
16 the meaning given in regulations adopted by the commissioner of com-
17 merce and economic development;

18 (10) "product diversity" means the processing of nontradi-
19 tional fish or other seafood species or products;

20 (11) "product quality" means the handling of fish or other
21 seafood species or products in order to increase product sales or
22 value.

23 * Sec. 6. The first tax credit report under AS 43.75.034, enacted by
24 sec. 2 of this Act, is due February 2, 1987, and shall describe the expen-
25 ditures for which a credit was approved during 1986 for the 1987 tax year.

26 * Sec. 7. AS 43.75.140(9) - (11) are repealed January 1, 1996.

27 * Sec. 8. AS 43.75.034 is repealed February 15, 1996.

28 * Sec. 9. Sections 1, 2, and 4 - 8 of this Act take effect July 1,
29 1986.

WORK DRAFT

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1 * Sec. 10. Section 3 of this Act takes effect January 1, 1996.
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* Sec. 10. Section 3 of this Act takes effect January 1, 1996.

OLD —

Original sponsors: Cato, Grussendorf,
Thompson and Pignalberi

1 IN THE HOUSE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 58 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the fisheries business tax; and
7 providing for an effective date."

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

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

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

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

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

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

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

23 Sec. 43.75.032. FISHERIES BUSINESS TAX CREDIT. (a) A fisheries
24 business is entitled to a credit of not more than 50 percent of the
25 business tax liability under AS 43.75.015 for capital expenditures
26 made during the tax year that increase product diversity, increase
27 production efficiency and capacity, improve product quality at a
28 shore-based fisheries business facility in the state, or contribute to
29 the development of a cooperative seafood industrial park in the state

1 if an application for the credit is approved by the department in
2 advance of the capital expenditure. A fisheries business may claim
3 a credit under this subsection for a maximum period of five consecu-
4 tive years. An applicant for the credit may elect to begin the five-
5 year period with any tax year from 1987 through 1991.

6 (b) A fisheries business is entitled to a credit of not more
7 than 10 percent of the business tax liability under AS 47.75.015 for
8 contributions made during the tax year to the A. W. "Winn" Brindle
9 memorial scholarship account (AS 14.43.250). A fisheries business may
10 claim a credit under this subsection for the 1987 tax year and subse-
11 quent tax years.

12 (c) The total tax credit that may be claimed under this section
13 for a tax year for capital expenditures and scholarship contributions
14 combined may not exceed 50 percent of the taxpayer's business tax
15 liability under AS 43.75.015 for that tax year.

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

22 (e) The department may not approve a tax credit under this
23 section if

24 (1) the property for which the capital expenditure was made
25 was the subject of a previous capital expenditure by another taxpayer
26 for whom a corresponding tax credit under this section has been ap-
27 proved;

28 (2) a fisheries business claims a tax credit under this
29 section and the payment of a fisheries business tax under AS 43.75.015

1 by the fisheries business is past due; a payment is not past due if
2 the payment of a fisheries business tax under AS 43.75.015 is in
3 administrative or judicial appeal; or

4 (3) if the property was sold or transferred between fisher-
5 ies businesses having substantial common ownership.

6 (f) The department shall prepare an application form for a
7 credit under this section.

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

11 (h) In this section

12 (1) "seafood industrial park" means a seafood processing
13 center with facilities to land, handle, and process or to ship or
14 transship to any location all marketable species of seafood; a seafood
15 industrial park may contain commercial facilities to support the
16 activities of the park, and the labor force and vessels that operate
17 at or from the park;

18 (2) "cooperative" has the meaning given in AS 10.15.595.

19 Sec. 43.75.034. TAX CREDIT REPORT. Not later than the 15th
20 legislative day of each regular legislative session the Department of
21 Revenue, in conjunction with the Department of Commerce and Economic
22 Development, shall submit to the legislature a report on the fisheries
23 business tax credit program under AS 43.75.032. The report shall
24 describe the expenditures for which a credit was approved during the
25 previous tax year and, if possible, the increase in employment and
26 processing capacity by the fisheries businesses for which the credit
27 was approved.

28 * Sec. 3. AS 43.75.032 is repealed and reenacted to read:

29 Sec. 43.75.032. TAX CREDIT FOR SCHOLARSHIP CONTRIBUTIONS. A

1 fisheries business is entitled to a credit of not more than 10 percent
2 of the business tax liability under AS 47.75.015 for contributions
3 made during the tax year to the A. W. "Winn" Brindle memorial scholar-
4 ship account (AS 14.43.250).

5 * Sec. 4. AS 43.75.130 is amended by adding a new subsection to read:

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

10 * Sec. 5. AS 43.75.140 is amended by adding new paragraphs to read:

11 (9) "capital expenditures" includes the price paid for
12 equipment and the cost of improvements made to depreciable property,
13 but does not include expenditures that are deducted entirely for
14 federal income tax purposes in the year in which they accrued or were
15 paid; in this paragraph, "equipment" and "depreciable property" have
16 the meaning given in regulations adopted by the commissioner of com-
17 merce and economic development;

18 (10) "product diversity" means the processing of nontradi-
19 tional fish or other seafood species or products;

20 (11) "product quality" means the handling of fish or other
21 seafood species or products in order to increase product sales or
22 value.

23 * Sec. 6. The first tax credit report under AS 43.75.034, enacted by
24 sec. 2 of this Act, is due February 2, 1987, and shall describe the expen-
25 ditures for which a credit was approved during 1986 for the 1987 tax year.

26 * Sec. 7. AS 43.75.140(9) - (11) are repealed January 1, 1996.

27 * Sec. 8. AS 43.75.034 is repealed February 15, 1996.

28 * Sec. 9. Sections 1, 2, and 4 - 8 of this Act take effect July 1,
29 1986.

* Sec. 10. Section 3 of this Act takes effect January 1, 1996.

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AMENDMENT BY FAIKS

To Senate CS for CS for House Bill No. 93 (Resources), and Act establishing a system of recreational rivers and providing for an effective date.

On page 6, after line 12, insert the following new bill section:

Section 41.23.275 DESIGNATION OF RECREATION RIVERS.
State-owned land and water may be designated as a recreation river only by the legislature.

On page 6, lines 16-18, after "Constitution.", delete all matter.

SECTION BY SECTION ANALYSIS
for
(proposed) SENATE CS FOR CS FOR HOUSE BILL NO. 58

"An Act relating to the fisheries business tax; and providing for an effective date."

Section 1 -- Changes "cannery" to "fisheries business" to make language consistent with the rest of the bill.

Section 2 -- (a) Establishes the Fisheries Business Tax Credit (Sec. 43.75.032). Fisheries businesses would be entitled to credit of not more than 50 percent of their business tax liability for capital expenditures that "increase product diversity, increase production efficiency and capacity, (or) improve product quality". The capital expenditure must occur at a "shore-based fisheries business facility in the state". Expenditures for floating processors would not be allowed. Fisheries businesses may also use tax credit to contribute to the development of a "cooperative seafood industrial development in the state...." Applications for credit must be approved in advance of the capital expenditure. The tax credit may be claimed for five consecutive years. The five year period can begin with any tax year from 1987 to 1991.

(b) Fisheries businesses also may receive a credit of not more than 10 percent of their business tax liability for contributions made during the tax year to the A. W. "Winn" Brindle memorial scholarship account. This credit is available beginning with the 1987 tax year. (The A. W. "Winn" Brindle memorial scholarship account is established in SB 453.)

(c) The total tax credit claimed by a fisheries business -- for both capital expenditures and scholarship contributions -- may not exceed 50 percent of their tax liability for the tax year.

(d) A fisheries business that spends more on a capital expenditure than what the business will receive from the tax credit in any one year may claim the additional amount as a credit in subsequent tax years within the five year period. The amount may not be claimed against the tax liability for previous tax years. Tax credits may not be approved for more than the actual cost of the capital expenditure.

(e) Restrictions on the approval of the tax credit:

- (1) prohibits a fisheries business from claiming a tax credit on a piece of equipment for which another fisheries business has previously claimed a credit.
- (2) prevents a fisheries business from receiving the tax credit if its fisheries business taxes are past due. The tax is not considered past due if the case is in administrative or judicial appeal.
- (3) prevents the tax credit from being claimed for property transferred between plants or companies with largely the same owners.

(f) The Department of Revenue must prepare the application form for the credit.

(g) The Department of Revenue must make a decision on the credit applications not later than 60 days after receiving them.

(h) Definitions of "seafood industrial park" and "cooperative". "Cooperative" has the same definition as used in the Alaska Cooperative Corporation Act.

Sec. 43.75.034. TAX CREDIT REPORT. The Department of Revenue, in conjunction with the Department of Commerce and Economic Development, must submit a report to the legislature describing what the previous year's tax credits were used for and, if the information is available, the resulting increase in employment and processing capacity. The deadline for the report is the 15th day of the regular legislative session.

- Section 3 -- When the Fisheries Business Tax Credit sunsets, it will be replaced by the Tax Credit for Scholarship Contributions. Fisheries businesses will continue to be entitled to a tax credit of no more than 10 percent of their business tax liability for contributions to the A. W. "Winn" Brindle memorial scholarship account.
- Section 4 -- Allows local governments to continue to receive their 50 percent share of the fisheries business tax.
- Section 5 -- Definitions of "capital expenditures", "product diversity", and "product quality".
- Section 6 -- Provides for the first Tax Credit Report, due February 2,

1987. It will describe what the credits have been approved for in the first year. Information on increases in employment and processing capacity would not be available at this time.

Section 7 -- Repeals Section 5, definitions, on January 1, 1996, when the last possible consecutive five year period in which a fisheries business could claim the tax credit has ended.

Section 8 -- Repeals the annual Tax Credit Report on February 15, 1996, after the last credits have been approved and spent.

Section 9 -- The effective date, July 1, 1986.

Section 10 -- Repeals the Fisheries Business Tax Credit on January 1, 1996, and replaces it with the Tax Credit for Scholarship Contributions.

Office of Senator Zharoff

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date : _____

REQUEST

Bill/Resolution No. : SCS CSHB 58 (Fin)
 Title : Fisheries Business Tax
Credit

 Sponsor : Cato and Grussendorf
 Requestor : Senate Finance
 Date of Request : May 10, 1986

FISCAL DETAIL

Agency Affected : Dept. of Revenue
BRU: Audit Division
Collection and Management

 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	1.0	0	0	0	0	0
CONTRACTUAL	1.5	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	2.5	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : _____
 Division : Senator Jan Faiks, Co-chairman
Senate Finance Committee

Phone : 465-4523
 Date : 5/10/86

Approved by Commissioner : _____
 Agency : _____

Date : _____

Distribution (by Agency preparing fiscal note) :

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

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Page 1 of 2

REQUEST
Bill/Resolution No: HB 58, No. 2
Title: Relating to the Fisheries Business Tax
Sponsor: Cato and Grussendorf
Requestor: House Special Committee on Fisheries
Date of Request: January 18, 1985

Revision Date

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	-	-	-	-	-	-

ANALYSIS: Attach a separate page for analysis.

Prepared By: Robert W. Elliott
Division: Research Section

Phone: 465-2173
Date: 1/23/85

Approved by Commissioner: _____
Agency: _____

Date: _____

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: No. 2, Page 2 of 2

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.

7B

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Page 1 of 2

Revision Date 1-28-85

REQUEST

Bill/Resolution No: HB 58 No 1
Title: Fisheries Business Tax Credit

Sponsor: Cato & Grussendorf
Requestor: Special Committee on Fish.
Date of Request: January 18, 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
<u>OPERATING</u>						
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-
<u>TOTAL OPERATING</u>	-0-	5.0	-0-	-0-	-0-	-0-
<u>CAPITAL</u>	-0-	-0-	-0-	-0-	-0-	-0-
<u>REVENUE</u>	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	5.0	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
<u>TOTAL</u>	-0-	5.0	-0-	-0-	-0-	-0-

POSITIONS:

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

Phone: 465-2320
Date: January 18, 1985

Approved by Commissioner: [Signature]
Agency: _____

Date: _____

Distribution (by Agency preparing fiscal note):

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

Analysis for HB 58 , No. 1 - Page 2 of 2

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 state 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.

RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE

RESOLUTION NO. 86-17

A RESOLUTION IN SUPPORT OF HOUSE BILL 58.


WHEREAS, there was introduced to the Alaska State Legislature during the 1985 Legislative Session, House Bill 58, providing for tax abatement for Alaskan shore-based processors, and

WHEREAS, passage and implementation of House Bill 58 would encourage Alaskan shore-based processors to undertake capital improvements to new and existing shore-based processing plants, and

WHEREAS, passage and implementation of House Bill 58 would enhance the ability of Alaskan fisheries to compete with innovative technologies in the world market;


NOW, THEREFORE, BE IT RESOLVED that the Alaska Municipal League urges the Governor and Legislature of the State of Alaska to pass and enact House Bill 58 to the benefit of Alaskan fisheries.

Adopted this 16th day of November 1985.



LEO B. RASMUSSEN, President

ATTEST:



SCOTT A. BURGESS, Executive Director

RESOLUTION 85-52

A RESOLUTION OF IN SUPPORT OF HOUSE BILL 58


WHEREAS, There was introduced to the Alaska State Legislature during the 1985 Legislative Session, House Bill 58, providing for tax abatement for Alaskan shore based processors, and

WHEREAS, Passage and implementation of House Bill 58 would encourage Alaskan shore based processors to undertake capital improvements to new and existing shore based processing plants, and

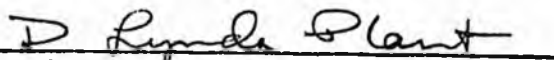
WHEREAS, Passage and implementation of House Bill 58 would enhance the ability of Alaskan Fisheries to compete with innovative technologies in the world market.

NOW THEREFORE, BE IT RESOLVED that the Mayor and City Council of the City of Cordova, Alaska, urge the Governor and Legislature of the State of Alaska to pass and enact House Bill 58 to the benefit of Alaskan fisheries.

PASSED AND APPROVED THIS 4 DAY OF November, 1985.



Mayor Erling T. Johansen



Acting City Clerk

SOUTHWEST ALASKA MUNICIPAL CONFERENCE
RESOLUTION # 10

A RESOLUTION SUPPORTING AN INVESTMENT TAX CREDIT FOR
SHORE-BASED FISH PROCESSORS

WHEREAS, shore-based fish processing operations directly support municipal economies through property taxation, by purchasing local goods and services, and their plant employees leave money in the community as well, and

WHEREAS, floating fish processors, particularly "catcher processor" operations, generally neither support local tax structures nor contribute to local economies through the purchase of goods and services, and

WHEREAS, shore-based plants face increasing competition from floating operations which have lower operating costs and are therefore able to improve their plant equipment.

NOW, THEREFORE BE IT RESOLVED, that the Southwest Alaska Municipal Conference supports a tax credit for shore-based processors who increase product diversity, increase production efficiency and capacity to operate or improve product quality.

AND, BE IT FURTHER RESOLVED, that the legislators for Senate District N support SB 11 and HB 58 and work at reconciling the differences between these two bills.

COPPER RIVER FISHERMEN'S COOPERATIVE

RESOLUTION 85-14

- WHEREAS, In the Alaska State Legislature House Bill 58 and Senate Bill 11 would provide added capital to shore based fish processors through the mechanism of a 50% raw fish tax credit, and
- WHEREAS, this capital is restricted to expansion and/or modernization of processing facilities, and
- WHEREAS, sources of capital for processing cooperatives are limited due to Cooperative laws, and
- WHEREAS, The Copper River Fishermen's Cooperative would like to modernize its facilities to allow for more efficient operations and product diversification.
- NOW THEREFORE, be it resolved that the Board of Directors of The Copper River Fishermen's Cooperative supports HB58 and SB11, and urges the Governor and legislature of the State of Alaska to adopt and enact The Raw Fish Tax Credit program for Alaskan shore based processors.

Adopted this 9th day of December, 1985.

Signed



Dan Bilderback, President

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 22, 1986

SUBJECT: Constitutionality of limiting tax credits
 to residents

TO: Senator Jan Faiks

FROM: Edward H. Hein *EHA*
 Legislative Counsel

I have advised your assistant, Jens Zehbe, that to exclude nonresidents from the fisheries business tax credit created by SCS CSHB 58 () (3/14/86) would be unconstitutional.

Section 2 of the bill provides for a credit of up to 50 percent of a processor's tax liability for capital expenditures made during the tax year that (1) increase product diversity, (2) increase production efficiency and capacity, (3) improve product quality at a shore-based facility in the state, or (4) contribute to the development of a cooperative seafood industrial park in the state. Up to 10 percent of the tax liability may be claimed as a credit for contributions made during the tax year to the proposed A. W. "Winn" Brindle memorial scholarship account. Total credits for a year may not exceed 50 percent of tax liability.

The Privileges and Immunities Clause of the United States Constitution, Art. IV, sec. 2, states that "The citizens of each state shall be entitled to all privileges and immunities of citizens in the several states."

The United States Supreme Court, in Austin v. New Hampshire, 43 L.Ed.2d 530 (1975), ruled that a state tax imposed on nonresident commuters into the state, but not on state residents, violated the Art. IV Privileges and Immunities Clause. The court stated that under this clause, noncitizenship or nonresidence is an improper basis for "locating a special burden," and that resident and nonresident taxpayers are entitled to substantial equality of treatment. The court stated that, while states usually are granted great freedom

Senator Jan Faiks
Page 2
April 22, 1986

in making discriminations in state taxes, this is not so when federal constitutional interests are burdened.

The Alaska Supreme Court has stated that "the privileges and immunities clause of article IV, section 2 of the United States Constitution is generally regarded as prohibiting discrimination against nonresidents on 'fundamental' matters such as . . . taxes." Williams v. Zobel, 619 P.2d 422, 429 (1980).

Therefore, allowing the fisheries business tax credit to residents or resident corporations, but disallowing it for nonresidents or nonresident corporations, would be barred by the federal constitution. As I remarked to Jens, however, the legislature could effectively keep tax credit money in the state by eliminating eligible investment categories (1) and (2), listed above. The other three categories are all for investments in the state or the scholarship fund administered by the state.

If I may be of further assistance, feel free to contact me at your convenience.

EHH:csh
c6/076



**PRINCE WILLIAM SOUND
AQUACULTURE CORPORATION**

A regional non-profit organization for the enhancement of fisheries.

*P.O. Box 1110
Cordova, Alaska 99574
(907) 424-7511*

March 31, 1986

Senator Jan Faiks, Co-Chairman
Senate Finance Committee
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

Dear Senator Faiks:

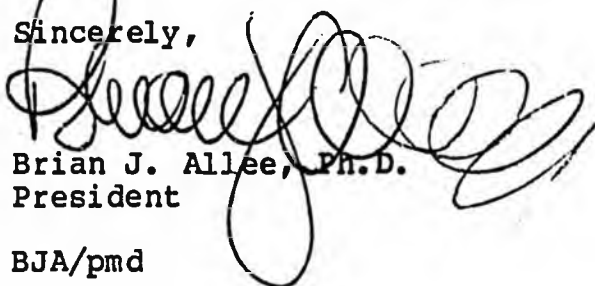
Prince William Sound Aquaculture Corporation and it's Executive Committee strongly favors passage of HB 58.

Our fisheries economic development plan in Prince William Sound is to provide continuity of supply of salmon through a supplementation of wild stocks with hatchery stocks and based upon this foundation, provide an environment for development of new capital for expansion and innovation in the shorebased processing facilities.

It is our belief that the Raw Fish Tax Credit program is the second phase of our salmon enhancement program which will create needed economic development in our community.

Thank you for your support.

Sincerely,


Brian J. Allee, Ph.D.
President

BJA/pmd



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

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

November 15, 1984

MEMORANDUM

TO:

FROM: Sharman Haley *SH*
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:

	<u>Shore-based Processor</u>	<u>Floating Processor</u>
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.

November 15, 1984
Page Three

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.

1981-1982

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

November 14, 1984

Page Four

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

KODIAK ISLAND BOROUGH
RESOLUTION NO. 85-20-R

A RESOLUTION OF THE KODIAK ISLAND BOROUGH ASSEMBLY SUPPORTING USE OF A PORTION OF THE RAW FISH TAX TO PROVIDE SHORE BASED FISHERIES BUSINESS TAX CREDITS.

WHEREAS, fishing is an important economic activity in the State of Alaska employing one out of every ten Alaskans, and

WHEREAS, investment capital for onshore processing facilities is recognized as a top priority in the fishing community, and

WHEREAS, loss of the King Crab fishing means diversification is needed to derive maximum benefit from Alaska's fishery resources, and

WHEREAS, the potential growth of the bottomfish industry makes it especially important that this segment of the processing industry be promoted for the economic welfare of the entire state, and

WHEREAS, tax credits would encourage the building and expansion of onshore bottomfish facilities and create a more stable job market, and

WHEREAS, Senate Bill 11 and House Bill 58 allow tax credit of not more than fifty percent of a shore-based cannery or fishery business's tax liability for capital expenditures incurred for the development of the capability of processing a developing commercial fish species.

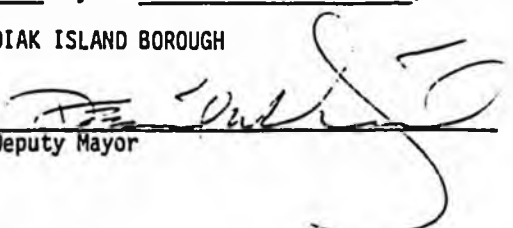
NOW, THEREFORE, BE IT RESOLVED by the Kodiak Island Borough Assembly that the Governor and the Legislature are urged to adopt Senate Bill 11 and House Bill 58 to provide tax credits to shore-based processors to develop or expand their facilities for bottomfish processing.

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


The Honorable Bill Sheffield, Governor of Alaska
The Honorable Don Bennett, President of the Senate
The Honorable Ben F. Grussendorf, Speaker, House of Representatives
The Honorable Mike Navarre, Chairman, House Labor & Commerce Committee
The Honorable Albert P. Adams, Chairman, House Finance Committee
The Honorable Jan Faiks, Co-Chairman, Senate Finance Committee
The Honorable John C. Sackett, Co-Chairman, Senate Finance Committee
The Honorable Fred F. Zharoff, State Senate
The Honorable David W. Thompson, House of Representatives
The Honorable John Pugh, Mayor, City of Kodiak
Andrew Brumbaugh, President, Kodiak Area Chamber of Commerce
Al Burch, Manager, Alaska Dragger's Association
Ron Jolin, President, United Fisherman's Marketing Association
Lynn Domingo, Secretary-Treasurer, Cannery Workers Union
Chris Mitchell, Executive Director, Alaska Fisheries Development Foundation

PASSED AND APPROVED this 7th day of February, 1985.

KODIAK ISLAND BOROUGH

By 
Deputy Mayor

ATTEST:

By 
Borough Clerk

City of Sand Point

P.O. Box 177
Sand Point, Alaska 99661
(907) 383-2696

CITY OF SAND POINT RESOLUTION # 85-15

A RESOLUTION SUPPORTING THE USE OF THE STATE PORTION OF THE RAW FISH TAX TO PROVIDE TAX CREDIT TO SHORE-BASED FISH PROCESSORS

WHEREAS, investment capital for onshore processing facilities is recognized as a critical component in Sand Point's fishing community; and

WHEREAS, the future onshore processing, facilities are critical to the growth of Sand Point; and

WHEREAS, the potential growth of the areas bottomfish industry makes it especially important that this segment of the processing industry be promoted,

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

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

The Honorable Bill Sheffield, Governor of Alaska
The Honorable Stephan McAlpine, Lieutenant Governor of Alaska
State Senators and State Representatives

PASSED AND APPROVED THIS 19th DAY OF February, 1985

CITY OF SAND POINT

Jack R. Foster Jr.
Mayor

ATTEST:

Debra K. Dushkin
City Clerk

CITY OF KODIAK
RESOLUTION NUMBER 02-86

A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK, ALASKA, SUPPORTING COMMITTEE SUBSTITUTE FOR HOUSE BILL 58, AN ACT RELATING TO THE FISHERIES BUSINESS TAX

WHEREAS, Committee Substitute for House Bill 58 was passed by the House during the first session of the Fourteenth Legislature and is now in the Senate Finance Committee; and

WHEREAS, investment capital for onshore processing facilities is recognized as a top priority in Kodiak's fishing community and CSHB 58 would provide for use of the State portion of the raw fish tax to provide tax credits to shore-based fish processors; and

WHEREAS, CSHB 58 would tend to promote this segment of the bottomfish processing industry which needs diversification because of closed Kodiak King Crab seasons in 1983, 1984, and 1985,

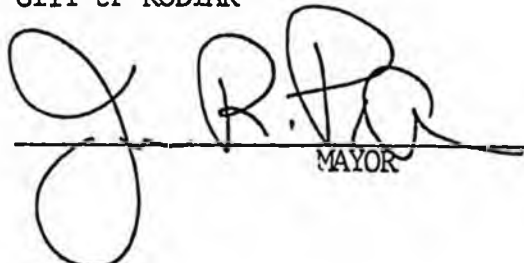
NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska, that the Alaska State Senate is urged to pass Committee Substitute for House Bill No. 58 during this second session of the Fourteenth Legislature.

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

The Honorable Bill Sheffield, Governor of Alaska
The Honorable Fred Zharoff, Alaska State Senator
The Honorable Dave Thompson, Alaska State Representative

PASSED AND APPROVED this 23RD day of JANUARY, 1986.

CITY OF KODIAK


MAYOR

ATTEST:


CITY CLERK

CITY OF KING COVE

P. O. Box 37 • King Cove, Alaska 99612 • (907) 497-2340

RESOLUTION #85-10

A RESOLUTION SUPPORTING THE USE OF THE STATE PORTION OF THE RAW FISH TAX TO PROVIDE TAX CREDIT TO SHORE-BASED FISH PROCESSORS

WHEREAS, investment capital for onshore processing facilities is recognized as a critical component in King Cove's fishing community; and

WHEREAS, the future onshore processing facilities are critical to the growth of King Cove; and

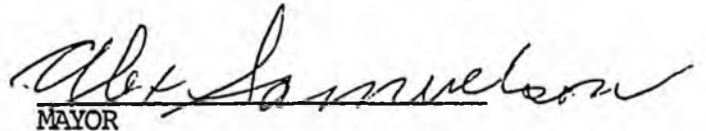
WHEREAS, the potential growth of the area's bottomfish industry makes it especially important that this segment of the processing industry be promoted,

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

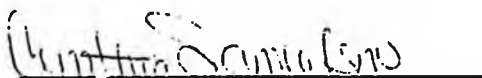
BE IT FURTHER RESOLVED that copies of this resolution be forwarded to:

The Honorable Bill Sheffield, Governor of Alaska
The Honorable Stephan McAlpine, Lieutenant Governor of Alaska
State Senators and State Representatives

PASSED AND APPROVED THIS 27th DAY OF February, 1985.


MAYOR

ATTEST:


CITY CLERK

TO: Senator Fred F. Zharoff
FROM: Karl Ohls, Staff
DATE: April 11, 1985
RE: Fish Tax Credit, SB 11

I have contacted the Department of Revenue to find out how many shorebased processors there are in Senate District N and exactly how much of a tax break they could receive under SB 11. In the meantime, I have calculated the amounts that processors could potentially receive in each Senate district. These figures are based on the amount of revenue from the fish tax the state shared with each municipality in fiscal year 1984. If this is what the state gave back to the local governments, then an equal amount presumably could be claimed by processors as their tax credit.

The figures are more of guide to the distribution of tax credits than an exact calculation because the amounts do include floating processors (especially common in District N) and do not include shorebased processors outside local government boundaries. (For example, Excursion Inlet Packing Company, halfway between Juneau and Gustavus.) Also, this information is two years old. It adds up to a total of \$6.1 million that could be claimed as a tax credit, but may not reflect the actual amount of money available next year. The \$7 million fiscal note attached to SB 11 is based on the Department of Revenue's projection of what it expects to collect in fisheries business taxes.

District A - \$434,725.14

(Sitka, Haines Borough, Haines, Craig, Hoonah, Hydaburg, Kake, Klawock, Pelican, Port Alexander, Thorne Bay, Yakutat)

District B - \$743,552.05

(Ketchikan Gateway Borough, Ketchikan, Petersburg, Wrangell)

District C - \$39,164.61

(Juneau)

District D - \$829,224.25

(Kenai Peninsula Borough, Kenai, Homer, Soldotna)

District E - \$596,567.65

(Cordova, Mat-Su Borough, Seward, Valdez, Whittier)

Districts F-I - \$66,707.36

(Anchorage)

District J - \$1,285.21

(Nenana)

District K - \$781.94

(North Star Borough, Fairbanks)

District L - \$25,492.47
(Emmonak, Kotzebue, Unalakleet)

District M - \$19,311.87
(Bethel, Galena, Quinhagak, Saint Marys)

District N - \$3,414,382.36
(Bristol Bay Borough*, Kodiak Island Borough, Akutan, Chignik, Clarks Point, Cold Bay, Dillingham, King Cove, Kodiak, St. George, Sand Point, Togiak, Unalaska)**

Total for all Districts except District N - \$2,756,812.55

Total for all Districts - \$6,171,194.91

* A large number of floaters participate in this fishery and would not be eligible for fish tax credit.

** District N total does not include \$27,486 from Larsen Bay. Larsen Bay plant has ceased operation.

Alaska State Legislature

Advisory Council Members
Senator Bennett, Chairman
Senator Abood
Senator Kerttula
Senator Sackett



P.O. Box V
State Capitol
Juneau, Alaska 99811
Phone: (907) 465-3114

Senate Advisory Council

MEMORANDUM

TO: Senator Zharoff

FROM: Bill Hall, Senior Advisor *BH*

DATE: February 6, 1986

SUBJECT: Distribution of raw fish tax revenues

In response to your research request dated January 6, 1986 requesting a report on the amount of fish tax collected in the State by location since 1980, I have prepared the attached information for your consideration.

The data in the report was provided by Mr. Mel Hondolero of the Fisheries & Mining Tax Unit of the Audit Division of the Department of Revenue. Mr. Hondolero has been very helpful, and in response to my questions has informed me that the Audit Division does not have computerized spreadsheet capability. If they did have the necessary software to computerize the information they could provide us with information analyses like the attached on very short notice. Much of the time it has taken me to develop the attached analysis was taken up in entering the data in a spreadsheet program.

I have included in this report only the top 50 of the 81 local government entities that received a distribution of raw fish tax revenues for each year from 1980 through 1985. The information has been arranged in descending order of magnitude, so this represents the majority of the revenues distributed. In addition to the amounts received by each community or local government unit, I have calculated its percentage share of the total amount of raw fish tax collected by the State each year as well as the percentage of the total raw fish tax that the State has distributed to the local government units. The totals of the amounts collected and distributed are included at the bottom of the report. You should be aware that there may be some minor inaccuracy on these totals. According to Mr. Hondolero there may have been some minor adjustments made to the figures, but he assured me that they were of a small magnitude.

As I indicated previously I have entered all of the data into a spreadsheet program on my personal computer. I therefore have graphing capability, and can

Senator Zharoff
February 6, 1986

use it to show trends for specific communities. Please let me know if you would like this done, and if so, for which communities and with which set of data.

AWH:er

DISTRIBUTION OF RAW FISH TAX REVENUES TO LOCAL GOVERNEMENTS

F/Y '82

LOCAL GOVERNMENT	\$ AMOUNT	% OF \$ SHARED	% OF \$ COLLECTED
Kodiak Borough	829,509.00	14.602%	3.804%
Bristol Bay Borough	617,184.00	10.965%	2.882%
Unalaska	560,783.00	9.872%	2.477%
Kodiak	472,626.00	8.320%	2.154%
Akutan	426,564.00	7.509%	1.857%
Petersburg	387,004.00	6.813%	1.682%
Cordova	325,171.00	5.724%	1.415%
King Cove	305,359.00	5.375%	1.327%
Kenai Borough	258,293.00	4.547%	1.122%
Ketchikan Borough	146,323.00	2.576%	.638%
Dillingham	140,922.00	2.481%	.612%
Haines Borough	124,186.00	2.186%	.543%
Clark's Point	117,828.00	2.074%	.512%
Sitka	104,130.00	1.833%	.452%
Seward	96,600.00	1.701%	.420%
Ketchikan	94,232.00	1.659%	.409%
Kenai	74,490.00	1.311%	.324%
Anchorage	70,400.00	1.239%	.305%
Sand Point	70,282.00	1.237%	.305%
Pelican	64,869.00	1.142%	.282%
Saint Paul	58,971.00	1.038%	.252%
Homer	48,463.00	.853%	.211%
Yakutat	39,468.00	.695%	.171%
Craig	36,192.00	.637%	.157%
Juneau	32,789.00	.577%	.142%
Togiak	31,622.00	.557%	.137%
Wrangell	26,852.00	.473%	.117%
Bethel	21,730.00	.383%	.094%
Kotzebue	17,977.00	.316%	.078%
Emmonak	14,408.00	.254%	.067%
Hoonah	12,778.00	.225%	.053%
Port Alexander	11,092.00	.195%	.048%
Hydaburg	10,195.00	.179%	.044%
Valdez	7,683.00	.135%	.032%
Kake	7,075.00	.125%	.031%
Seldovia	6,611.00	.116%	.029%
Fortuna Ledge	2,743.00	.048%	.012%
Alakanuk	2,385.00	.042%	.010%
North Star Borough	1,254.00	.022%	.005%
Galena	1,029.00	.018%	.004%
St. Marys	598.00	.011%	.002%
Nenana	521.00	.009%	.002%
Whittier	490.00	.009%	.002%
Aniak	433.00	.008%	.001%

TOTAL RAW FISH TAX COLLECTED BY STATE \$23,014,131.52

TOTAL RAW FISH TAX SHARED WITH LOCAL GOVERNMENTS \$5,680,648.00

PERCENT OF RAW FISH TAX SHARED WITH LOCAL GOVERNMENTS 24.68%

DISTRIBUTION OF RAW FISH TAX REVENUES TO LOCAL GOVERNEMENTS

F/Y '80

LOCAL GOVERNMENT	\$ AMOUNT	% of \$ SHARED	% OF \$ COLLECTED
Unalaska	449,272.00	19.227%	3.057%
Bristol Bay Borough	338,132.00	14.471%	2.298%
Kodiak Borough	226,957.00	9.715%	1.542%
Cordova	220,782.00	9.448%	1.501%
Kodiak	167,240.00	7.157%	1.132%
King Cove	162,195.00	6.941%	1.102%
Kenai Borough	134,991.00	5.777%	.917%
Akutan	106,198.00	4.545%	.722%
Dillingham	65,710.00	2.812%	.448%
Felican	60,523.00	2.590%	.411%
Kenai	53,958.00	2.309%	.367%
Seward	46,323.00	1.982%	.315%
Haines Borough	37,575.00	1.608%	.255%
Juneau	35,763.00	1.530%	.243%
Ketchikan Borough	26,474.00	1.133%	.180%
Craig	23,539.00	1.007%	.156%
Sand Point	21,876.00	.936%	.145%
Wrangell	18,110.00	.775%	.120%
Homer	16,605.00	.711%	.110%
Sitka	11,626.00	.498%	.079%
Petersburg	11,520.00	.493%	.078%
Togiak	10,472.00	.448%	.071%
Ketchikan	10,145.00	.434%	.068%
Anchorage	9,556.00	.409%	.063%
Mountain Village	8,699.00	.372%	.057%
Hoonah	8,522.00	.365%	.056%
Hydaburg	6,931.00	.297%	.047%
Bethel	6,449.00	.276%	.043%
Emmonak	5,922.00	.253%	.040%
Take	4,842.00	.207%	.037%
Klawock	4,211.00	.180%	.028%
Port Alexander	4,014.00	.172%	.027%
Seldovia	3,686.00	.158%	.025%
Fortuna Ledge	3,085.00	.132%	.021%
Yakutat	2,945.00	.126%	.020%
Unalakleet	2,380.00	.102%	.016%
Port Heiden	2,245.00	.096%	.015%
Kotzebue	1,803.00	.077%	.012%
Golovin	1,164.00	.050%	.008%
St. Marys	917.00	.039%	.006%
Galena	719.00	.031%	.005%
Elim	580.00	.025%	.004%
North Star Borough	527.00	.023%	.004%
Nome	305.00	.013%	.002%

*TOTAL RAW FISH TAX COLLECTED BY STATE \$14,716,893.39

TOTAL RAW FISH TAX SHARED WITH LOCAL GOVERNMENTS \$2,336,697.00

PERCENT OF RAW FISH TAX SHARED WITH LOCAL GOVERNMENTS 15.88%

MEMORANDUM

DEPARTMENT OF REVENUE

TO: Mel Monson
Professional Assistant
House Special Committee on Fisheries

February 16, 1984

FROM: Steven E. Kettel *SK*
Chief of Audit Services
Audit Division

Per your request this memo is to provide you with specific information regarding the taxation of fisheries businesses operating outside the three mile limit of Alaskan waters.

The fisheries business tax is imposed on any person, company, partnership, joint venture or corporation who processes fisheries resources inside the taxing jurisdiction of Alaska or who transports unprocessed fisheries resources outside the taxing jurisdiction of Alaska.

I have listed several examples of situations where the fisheries business tax would be due and also some examples of when the fisheries business tax would not be applicable.

Examples of situations that are taxable:

1. Fisheries businesses who purchase or harvest fisheries resources in Alaskan waters (inside the three mile limit) and who subsequently process the resources inside the three mile limit of Alaska are subject to the fisheries business tax.
2. Fisheries businesses who purchase or harvest fisheries resources outside the three mile limit and subsequently transport the resources inside the three mile limit and process the resources are subject to the fisheries business tax. They would also be liable if the resources were processed by another company but only if the owner of the resource is not licensed by the Department as a fisheries business.
3. Fisheries businesses who purchase or harvest fisheries resources inside the three mile limit and transport the resources outside the three mile limit for subsequent sale or processing are subject to the fisheries business tax.

Examples of situations that are not taxable:

1. Fisheries businesses who purchase, harvest and process fisheries resources outside the three mile limit are not subject to the fisheries business tax regardless if the resources are then transported inside the three mile limit for additional processing.
2. Fish buyers who purchase and harvest fisheries resources outside or inside the three mile limit, who transport the unprocessed resources inside the three mile limit for processing by a fisheries business are not liable for the fisheries business tax unless they are licensed as a fisheries business by the Department.
3. Fisheries businesses (processors and buyers) who purchase or harvest fisheries resources outside or inside the three mile limit and transport the unprocessed resource inside the three mile limit for subsequent sale are not subject to the fisheries business tax.

Please contact LeeAnn Rogan, 465-2371 if you have any questions regarding this information.

Company	Years in business Plant locations	Current facilities and products	Tax credit priorities	Equipment priorities	New product forms Company economic outlook	Can improvements be made without credit?	Additional people hired? For how long?
ANPAC, Inc.	2 years Anchorage, Emmonak, Nome	Anchorage: Fresh and frozen processing and packing facilities Emmonak: buying station Nome: buying station Frozen and fresh salmon, halibut, scallops, herring, roe on kelp, kelp, red snapper, black cod	Emmonak: dressing equipment Nome: dressing equipment Anchorage: additional equipment	1. Emmonak: Repair present facility per DEC, repair ice machine fresh processing line. 2. Nome: Processing line, small freezing facility. 3. Anchorage: Boiler for crab/shrimp processing, upgrade equipment	Dressing line at Emmonak would make salmon buying through season possible. Have had to suspend buying because of bad weather. Estimated loss of \$50,000.	No	Emmonak: 20-25, June-August Nome: 20-25, June - Sept. Anchorage: 20-25, year round
Alaska Far East Corp.	14 years Naknek	Naknek: Processing and freezing plant Herring, herring roe, roe on kelp, all five species of salmon	Increase production and quality	1. Expand freezing and processing. 2. Improve holding area. 3. Enlarge dock. 4. Improve tender boats. 5. Improve utilities.	Increase the quantity and quality of salmon products. Expand into bottomfish.	Not at this time.	8-16 Three months
Alaska Ocean Products, Inc.	5 years Kasilof	Freezing facilities Herring, halibut and salmon	Improvement in method of cooling fish	1. 30'x40'x14' cooling room with Thermo-King cooling unit. 2. 20 ton flake ice machine. 3. Totes with tops.	Same species, higher quantity. Would increase revenues.	No	15-20 July - Aug.

Company	Years in business Plant locations	Current facilities and products	Tax credit priorities	Equipment priorities	New product forms Company economic outlook	Can improvements be made without credit?	Additional people hired? For how long?
Alaska Fresh Seafoods, Inc.	8 years Kodiak	Freezing Assorted bottomfish salmon, halibut, herring, black cod, grey cod, tanner crab, opilio crab, brown king crab, dungeness crab, and scallops.	More freezing equipment for processing bottomfish.	1. New blast refrigeration capabilities. 2. Bottomfish equipment: Baader 182 filleter, Baader 190 header and gutter, and I.O.F. spiral freezing unit for freezing fillets. 3. Skinning machine. 4. Candeling table.	Codfish, pollock, Pacific ocean perch and bass. Fillets - I.O.F., shatterpacs and block forms. Tax credit would provide company with work from Sept. through April now idle time. Also would contribute approximately 35-40 percent of gross product, and help keep company from going bankrupt	No	35 to 40 Sept. through April

Company	Years in business Plant locations	Current facilities and products	Tax credit priorities	Equipment priorities	New product forms Company economic outlook	Can improvements be made without credit?	Additional people hired? For how long?
Alaskan Gourmet, Inc.	10 years Anchorage	Freezing facilities Halibut, salmon, dungeness crab, smoked products	Expand cold storage facilities	1. Smokers, 2. De-boning equipment, 3. Filleting equipment,	Increase processing capacity.	With credits, do them in a shorter time frame.	3 - 5 fulltime, year round
All Alaskan Seafoods, Inc.	10 years Kodiak 2 floating processors	Freezers All species of crab, all species of salmon, shrimp, herring, halibut and black cod	Improve freezing equipment and bottomfish holding storage. Add filleting and surimi line. Upgrade existing facility and general maintenance.	1. Plate freezers and associated refrigeration, 2. Refrigerated seawater holding equipment, 3. Cold storage, 4. Surimi line and flatfish filleting equip. 5. Extend dock 110 ft. for refrigerated seawater equip. and additional unloading facilities for bottomfish.	Totally utilize bottomfish. Produce fillets and surimi. More frozen salmon. Cold storage permits value-added, i.e. repacking and grading bulk products. Allows year-round processing. Cut down overhead now incurred in 6-7 months processing season. Work force more stable and efficient. Customer base expanded due to more products.	Doubtful	50 Oct. - March Also, 2 - 3 technician/engineers.
Boreal Fisheries, Inc	12 years St. Mary's	Refrigerated spray water cooling system for flying out round fresh fish. King, chum and silver salmon.	Set up processing line.	1. Processing tables. 2. Heading and gutting machine, 3. Associated equipment - scales, banding machine, etc. 4. More fish tenders.	Processed fish in St. Mary's. Save about \$70,000 in freight.	Maybe	20 Summer salmon season months

Company	Years in business Plant locations	Current facilities and products	Tax credit priorities	Equipment priorities	New product forms Company economic outlook	Can improvements be made without credit?	Additional people hired? For how long?
Claudia's Fisheries	4 years Sitka	Fresh fish, except for fresh and frozen shrimp.	Increase product diversity and production.	1. Ice machine 2. More product availability.	Same products, but larger volume. More fishermen would fish for company if had ice available.	No	1 half-time, every other day.
Copper River Fishermen's Cooperative	5 years Cordova	Freezing Salmon, black cod, halibut, herring, kelp	Expansion and modernization.	1. Building expansion. 2. Tunnel freezers 3. Ice machine. 4. Fish pump. 5. Processing machinery.	Crab, shark, and low value/high volume pink salmon Increased volume and quality would help lower fixed costs.	As a cooperative, we are constrained in being able to raise capital.	Increase work force from 70 to 150 during peak summer periods. Also run winter product.
East Point Seafood Co.	34 years Kodiak	Canned shrimp; freeze salmon, black cod, king crab, dungeness crab, tanner crab, and halibut.	Upgrade and add more freezing capabilities. Bottomfish processing line. Salmon can line.	1. Freezer. 2. Cool room for bottomfish. 3. Bottomfish processing machinery. 4. Salmon canning line.	Cod, pollock and sole fillets, shatter packs, and I.Q.F. By doing more species, reduce overhead cost per unit because of more processing days and total pounds per year. Maintain steadier workforce.	No	30 - 50 for bottomfish, Sept. - April. 30 for salmon and halibut, May - Sept.
Ed's Kasilof Seafoods	15 years	Freezing plant All species of salmon	Buy equipment to help improve quality of pack.	1. More efficient freezing equipment. 2. Ice machines. 3. New additions to plant.	Frozen halibut.	Possibly	10 - 15 June - Aug.

Company	Years in business Plant locations	Current facilities and products	Tax credit priorities	Equipment priorities	New product forms Company economic outlook	Can improvements be made without credit?	Additional people hired? For how long?
Evergreen Fisheries	3 years Ketchikan, Juneau	Fresh salmon	Freezing equipment and holding facility	1. Freezer. 2. Holding freezer.	Value added work.	No	Maybe
Farwest Fisheries, Inc. (took over principal canning operations of Whitney-Fidalgo)	78 years (Farwest for one year) Naknek, Ketchikan	Canned salmon	Improve quality, efficiency, and capacity. Add freezing capabilities.	1. Can handling equipment. 2. Improve retorting. 3. Butchering machines for fresh and frozen market. 4. Freezing equipment. 5. Increase building size and improve access.	Frozen salmon, frozen herring. Product diversity enable company to market to better advantage. Volume increase would not increase overhead.	Very difficult	60 Duration of fishing season.
F/V Grayling Seafoods	1 year Port Valdez	Fresh red snapper fillets, fresh halibut fillets, fresh cod fillets	Increase production capacity and efficiency, and increase diversity of products processed.	1. Freezer units. 2. Smoker/oven. 3. Vacuum packager. 4. Processing tables and sinks. 5. Salmon filleting machine.	Smoked and packaged products. Increase marketability of locally available product, i.e. salmon.	No. Difficult even with credit.	2, year round. 4, summer months.

Company	Years in business Plant locations	Current facilities and products	Tax credit priorities	Equipment priorities	New product forms Company economic outlook	Can improvements be made without credit?	Additional people hired? For how long?
International Seafoods of Alaska, Inc.	6 years Kodiak (two plants)	Freezing ISA #1: Salmon, halibut, crab, cod, pollock flatfish. ISA #2: Salmon, halibut, crab, shrimp (Old Pacific Pearl plant)	Yield enhancement equipment to increase production from existing cod and pollock fillet lines (i.e. fillet waste utilization and reforming machines). Flatfish mechanical filleting lines. Spiral freeze equipment for existing freezers. Surimi manufacturing equipment.	1. Baader #694 mincer and #82 frame cutter and Koppen fillet former. 2. Baader 175 flatfish filleters (2). 3. W.E.Stone spiral conveyors for I.Q.F. of fillets. 4. Tono Company 10-ton daily surimi line, 5. General enhancement of Plant #2 (Re-work of Pacific Pearl Plant).	Re-formed fillet fish portions (breaded fish) with yield increase of 15-20 percent. Frozen flatfish fillets, increase of 30 percent productivity. Surimi, Plant would be able to process bottom-fish year-round, with salmon filleting during summer.	Tax credits would allow quicker implementation by about two years.	Need steady workforce of 40, year-round.
Kodiak Island Smokehouse, Inc.	1 year Kodiak (Bell's Flats)	Fillet, brine, smoke, and vacuum pack. Halibut, black cod, and all species of salmon.	New smoker for larger production. Better equipment, better service, better products.	1. Large smoker with electronic records on side. 2. New building. 3. Improve filleting process. 4. Expand space to work in. 5. Better hoses, nozzles, other small equipment. 6. Hook up blast freezer.	More smoked fish products. Make products with surimi. Would produce more and do it more economically.	No	5 - 8

Company	Years in business Plant locations	Current facilities and products	Tax credit priorities	Equipment priorities	New product forms Company economic outlook	Can improvements be made without credit?	Additional people hired? For how long?
Kotzebue Commercial Fisherman, Inc.	7 years Kotzebue	Gutted and gilled chum salmon,	Gutting machine.	1. Gutting machine, 2. Freezing equipment, 3. Fish smoking equipment, 4. Cooling tanks and refrigeration units. 5. Fish processing facility.	More marketable chum salmon, Possibly, herring roe, These developments would greatly improve marketing capabilities of company.	No	10 - 15
North Coast Seafood Processors, Inc.	14 years Chignik 1 floating processor	Freezing - Chignik (Old APA plant) Freezing - M/V Polar Bear (floating processor) Salmon, herring, herring roe on kelp.	Increase production capacity and improve freezing equipment to diversify and handle cod as well as herring and salmon.	1. Compressors, 2. Freezing coils, 3. Brine chillers to hold fish. 4. Additional generators, 5. Cod fillet machines.	Cod and other groundfish, Improvement would allow longer operation, thereby increasing revenues.	Negative	40 - 50 Jan. - Sept.
Chugach Alaska Fisheries, Inc.	7 years Cordova, Port Graham	Cordova: Canned, frozen and fresh salmon, all species. Frozen cod, halibut, herring, crab, clams. Port Graham: Canned and frozen salmon, halibut and herring.	Continue development of pink salmon fillets. Add value to present products.	1. Automatic fillet equipment. 2. Vacuum packaging equipment, 3. Automated freezing. 4. Cold storage. 5. Pink salmon mincing line.	Pink fillets - individually vacuum packed, shatter pack. Portioned for consumer consumption. Minced pink salmon.	Doubtful	30 - 75 year-round

Company	Years in business Plant locations	Current facilities and products	Tax credit priorities	Equipment priorities	New product forms Company economic outlook	Can improvements be made without credit?	Additional people hired? For how long?
Ocean Beauty Seafoods, Inc.	76 years Egegik, Kodiak, Cordova, Yakutat, Petersburg, and Kake	Process all species of salmon, halibut, black cod, herring, king crab, tanner crab, dungeness crab. Kodiak also processes shrimp. Egegik - sockeye and king salmon only.	Increase quality through use of refrigerated holding tanks. Increase freezing capacity and cold storage space to handle more items and volume, as well as hold product for further boxing and/or processing. Fully explore alternative product forms and packaging.	1. Refrigerated seawater holding tanks. 2. PSE type blast freezer cells. 3. Modular cold storage rooms. 4. Vacuum packaging machines.	Improve quality and quantity of product. Be able to steak, fillet, and further package on site such items as chum and pink salmon, and halibut.	Maybe not, and not nearly as fast.	10 - 20 per location for up to eight months.
Peter Pan Seafoods, Inc.	71 years (with predecessors) Dillingham, Naknek, South Naknek, Port Moller, False Pass, King Cove, Sand Point	Dillingham - canning Port Moller - freezing King Cove - canning and freezing Salmon, crab (when available)	New and/or expansion of freezing facilities. New equipment to modernize canning and freezing operations for better efficiency.	1. Freezing capacity - freezing facilities (buildings), Cryovac machinery, blast freezers, etc. 2. Fish unloading - wet pumps. 3. Freight handling - new docks, warehouse facilities, loaders. 4. Power generation - new generators. 5. Modernization - various equipment upgraded or replaced.	Halibut, black cod, herring, bottomfish Period of operations increased, producing greater return on plant investment. New sales and profit sources.	No May try to get more freezing capacity, but will be prolonged effort.	100 3 - 6 months

Company	Years in business Plant locations	Current facilities and products	Tax credit priorities	Equipment priorities	New product forms Company economic outlook	Can improvements be made without credit?	Additional people hired? For how long?
Pelican Seafoods, Inc.	48 years Pelican, Sand Point	Both locations: Processing, freezing and cold storage facilities All salmon species, all available crab species, halibut, black cod, herring roe, food and bait herring, and misc. rockfish species	Upgrade and improve facilities to increase operating efficiency, quality of products, and, ultimately, the economic viability of the shorebased facility.	<ol style="list-style-type: none"> 1. Refrigeration equipment, specifically Sabroe Screw Compressors and Evaporators to increase capacity and produce wider variety product species. 2. Cold storage facilities. Rebuild cold storages for larger size, more efficiency, and lower consistent temperatures. 3. Modern processing equipment such as Baader 185 for fillets and other retail form products, 3 Coastline gutting machines, and a herring packing machine. 4. Separators, extenders, shredders and dehydrators for groundfish/whitefish processing. 5. Housing improvements. 6. Waste and refuse reprocessing equipment (fish oil). 	<p>All types of ground fish and whitefish in marketable forms. Surimi, I.O.F. fillets, fish oil, and other after-market products.</p> <p>Allow company to more fully utilize all available resources economically. With keen competition and narrow margins, any tax advantage would directly affect bottom line of any new program. Also, increased recovery of product cost by reprocessing waste materials. Not economical at present time due to high start-up and freight costs.</p>	Many of them, no.	50 people per plant, year-round.

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Company	Years in business Plant locations	Current facilities and products	Tax credit priorities	Equipment priorities	New product forms Company economic outlook	Can improvements be made without credit?	Additional people hired? For how long?
Pt. Adolphus Seafoods	2 years Gustavus	Small freezer plant - salmon, crab, halibut.	Insulated totes.	1. Insulated totes. 2. New ice machine. 3. Boom truck.	Purchases would improve efficiency.	Yes, but more slowly.	1, on an irregular basis.
Royal Pacific Fisheries, Inc.	7 years Kenai	Freezing - all species of salmon, herring and halibut.	Increase production and improve quality.	1. Ice facility. 2. Improve dock. 3. Processing (butcher) equipment. 4. Grading and boxing equipment. 5. Employee housing.	Possibly razor clams.	Eventually	None
Sans Souci Seafoods	2 years Dutch Harbor	Freezing facilities, live holding tanks (70,000 lbs. capacity) Korean hair crab, tanner crab (opilio and bairdi), dungeness	Improve live tanks.	1. Water pump. 2. Expand tank capacity. 3. Cooling unit (tanks).	Sea urchins, scallops and other shellfish. With tank capacity expansion, added value in exporting products live.	No	Unsure, but goal is to operate year-round.
Sea Hawk Seafoods, Inc.	5 years Valdez	Freezing, crab cookers, fresh Salmon, herring sac roe, black cod, crab, halibut, bait herring, shrimp.	Product source now turning to high volume, low value. Automation. Equipment for higher quality. Portion control equipment.	1. 50 ton dry ice machine. 2. Baader filleting machines. 3. Vacuum packing equipment.	Portioned products. Portions would allow expansion further into domestic supermarkets.	Would delay equipment purchases about 5 years.	35 - 50 Extend processing season two months.

Company	Years in business Plant locations	Current facilities and products	Tax credit priorities	Equipment priorities	New product forms Company economic outlook	Can improvements be made without credit?	Additional people hired? For how long?
Sea-Nik Foods	20 years Ninilchik	3 freezers, 1 15 lb. Birchfield boiler, and 1 vertical retort. All species of salmon.	Upgrade freezing capacity.	1. Upgrade freezing capacity. 2. Modernize plant equipment.	Modernizing the plant would improve production and cut labor costs.	Not very well.	10 June, July and August
Seaboy Alaska Longline	5 years Sitka, Juneau, Craig	Fresh rockfish, salmon, halibut, prawns, abalone, sablefish	Improve cooling and docking for freezer storage. New trucks for transport.	1. Small blast freezer. 2. Seawater chiller 3. Permanent hoist for easy unloading. 4. Insulation and cool storage facility.	More live crab and prawns, Frozen bottomfish for whole fish market. More grey cod and black cod. Company would have a full line of frozen bottomfish.	No	4 6 months
Seafoods From Alaska, Inc.	15 years Sterling	Canning, freezing and smoking. All species of salmon, halibut, others.	Equipment for secondary processed products.	1. Equipment for mixing and finishing salmon jerky. 2. Minced salmon production line. 3. Smokehouse. 4. Volume production packaging equipment.	Utilize millions of pounds of pinks, also dark chums. Strengthen company. Additional employment for Sterling area.	Maybe over a longer time period.	20 - 30 year-round
Silver Lining Seafoods	5 years Ketchikan, Juneau	Fresh, frozen, smoked, fillets. Salmon, halibut, sablefish, rockfish, cod, prawns, crab, abalone, geoducks.	Equipment to produce added value products such as smoked products, fillets, retorted products.	1. Retort for canned smoked sides and cans. 2. Skinning machine for bottomfish fillets. 3. Deboner and mincing equipment for fillet waste.	Canned smoked fish and other specialty products. Smoked salmon jerky.	Probably. Credit would be strong incentive to do it sooner.	5 - 10, year-round.

Company	Years in business Plant locations	Current facilities and products	Tax credit priorities	Equipment priorities	New product forms Company economic outlook	Can improvements be made without credit?	Additional people hired? For how long?
Sitka Sound Seafoods, Inc.	10 years, 5 years present ownership Sitka	Fresh and frozen only Halibut, black cod, herring, scallops, rockfish, all species crab, all species salmon	Capital construction, primarily freezers, holding room and necessary equipment related to expansion for increase in volume.	<ol style="list-style-type: none"> 1. Increase freezing capacity by minimum of 75,000 lbs. per 24 hour day. 2. Replace existing floating equipment used to purchase seafood products. 3. Replace some obsolete equipment presently in use. 4. Increase frozen storage capacity to 2.5 million lbs. (presently 1 million). 5. Enlarge packing room area. 	<p>Sea snails, and possibly geoduck. Consider pink salmon and bottom-fish fillets.</p> <p>Increased labor and further markets for fishermen.</p>	Possibly, but not as fast as it should be.	Larger year-round workforce.
Taku Smokeries	2 years Juneau	Curing/smoking Freezing of halibut, black cod, rockfish, and all species of salmon.	Purchase and installation of new equipment. Purchase of more raw materials. Paying additional employees.	<ol style="list-style-type: none"> 1. Ice machine (\$10,000-\$20,000). 2. Filleting machine. 3. Freezers, walk-in style. 4. Additional processing equipment - stainless steel tables, etc. 5. Refrigerated vans for transport. 	<p>More fresh frozen product, all species, such as salmon, halibut, and cod fillets.</p> <p>Hold more inventory and attract "larger" customers.</p>	Not all of them.	2 - seasonal 1 - year-round

Company	Years in business Plant locations	Current facilities and products	Tax credit priorities	Equipment priorities	New product forms Company economic outlook	Can improvements be made without credit?	Additional people hired? For how long?
Trident Seafoods Corporation	15 years Akutan	Freezing plant Salmon, herring, Pacific cod, pollock, halibut, black cod, turbot, various rockfish and flatfish	Fishmeal factory, additional cold storage space.	1. Complete fishmeal and fish oil processing equipment. 2. Packaged cold storage building, including additional compressors.	Pollock roe and increased pollock fillet production. Herring roe extraction after season is over. Use trash fish, now being dumped by draggers. Instead of paying to dispose of about 70 percent of the round fish, the waste could be turned into secondary raw material, generating revenues.	No. Revenues from meal plant would not amortize its \$3 million cost.	Fishmeal - 10, year-round Pollock roe extraction - 30, 3 months Herring roe extraction - 50, 1-2 months Pollock fillets - 30, 10 months Rockfish/flatfish - 20, 6-9 months
Universal Seafoods, Ltd.	11 years Dutch Harbor, Larsen Bay, Redmond, Bellingham	Dutch Harbor: Unisea/Vita, surimi plant under construction. Larsen Bay: Cannery Redmond, Wash.: Cold storage Bellingham, Wash.: Smoking plant Tanner crab, king crab, salmon, halibut, black cod, Pacific cod, herring, pollock, perch, turbot	Development of a groundfish processing facility complete with fillet lines for I.Q.F. fillets, fillet blocks, and surimi.	1. Baader 182 filleting machines and associated equipment. 2. I.Q.F. freezers. 3. Plate freezers.	Groundfish fillets and blocks, mostly pollock. Cod fish shatter pack fillets, and surimi.	Perhaps, but not in near term.	40 10 months

Company	Years in business Plant locations	Current facilities and products	Tax credit priorities	Equipment priorities	New product forms Company economic outlook	Can improvements be made without credit?	Additional people hired? For how long?
Whitney Foods, division of Kyokuyo U.S.A. Inc.	1 year Anchorage	Fresh and frozen processing of salmon, herring, halibut Cold storage facility for public (fish, vegetables, etc.)	Improve freezing capacity to handle more fish. Improve processing facility for quality and efficiency.	1. Additional freezer. 2. Expand packing and loading facility. 3. Purchase gutting and heading equipment. 4. Refrigeration unit for fish storage.	Black cod, With additional equipment and improvement, plant can handle a large volume of seafood, including new items, and be operated for a longer period.	Very difficult	50 - 100 Summer season
Winky's Peninsula Seafoods	17 years King Salmon, Cold Bay	Freezing: Salmon and crab. Flying fresh fish.	Pay back taxes. (Application would not be approved.)	1. Crab boat. 2. Hire a lawyer to bring case before Congress of FAA refusal to allow use of DC-8 in seafood business.	Convert the crab boat into a clam harvester.	More difficult	5

Company	Years in business Plant locations	Current facilities and products	Tax credit priorities	Equipment priorities	New product forms Company economic outlook	Can improvements be made without credit?	Additional people hired? For how long?
Wards Cove Packing Co., Inc.	57 years Naknek, Ekuk, Alitak, Port Bailey, Kenai, Excursion Inlet, Ketchikan, Chignik	SEE BELOW FOR SPECIFICS ON PLANTS					
Red Salmon Company	37 years Naknek	Canning: All species of salmon in talls and halves. Small freezer: Frozen sockeye.	Increase freezing capacity to 250,000 lbs. of sockeye and chum salmon daily. Also, frozen herring and caplin.	1. Building equiped with freezing rooms or blast tunnels. 2. Large freezers with storage room. 3. Fish pumps. 4. Chilled seawater or champagne fish tanks. 5. Fish pumps on tenders.	Frozen and dressed red and chum salmon. Fresh dressed salmon. Herring and caplin frozen blocks. Improve product mix and lower the ownership cost per pound by adding additional volume, which should improve profits.	Improvements needed just to stay in business.	100 per season. Longer season because of herring and caplin.
C.W.C. Fisheries, Inc. dba Columbia-Wards Fisheries	26 years Ekuk	Canned salmon, all species in talls and halves. Frozen salmon, herring and caplin.	Increase freezing capacity to 250,000 lbs. of sockeye, chums and kings daily. Also, 200 tons herring and caplin daily.	1: Freezing rooms or blast tunnels. Other priorities, same as above.	Except for frozen and dressed king salmon, same as above.	No. Needed just to stay in business.	50 per season.

Company	Years in business Plant locations	Current facilities and products	Tax credit priorities	Equipment priorities	New product forms Company economic outlook	Can improvements be made without credit?	Additional people hired? For how long?
C.W.C. Fisheries, Inc. dba Columbia-Wards Fisheries	22 years Alitak	Canned salmon, all species. Frozen salmon, all species.	Bottomfish processing equipment (surimi) and enlarge freezing and cold storage warehouse for additional production.	1. Surimi operation equipment. 2. Bottomfish filleting equipment. 3. Additional freezers. 4. Fish pumps. 5. Chilled seawater or champagne ice tanks.	All types of bottomfish, including black cod and halibut. Frozen bottomfish, dressed, round and fillets. Surimi. Additional frozen pink salmon, round or dressed. Improve product mix and lower ownership cost per pound with additional volume. Should improve profit.	No	100 6 months With additions, plant could operate 9 - 10 months a year.
C.W.C. Fisheries, Inc. dba Columbia-Wards Fisheries	17 years Port Bailey	Canned salmon, all species. Small freezer, all species of salmon.	Same as above.	Same as above.	Freezing of king and tanner crab. Otherwise, same as above.	No	60 - 100 6 months. Plant go to 9 - 10 month operation.
Same as above	26 years Kenai	Canned salmon, all species. Frozen salmon, all species.	Add processing area for salmon and bottomfish fresh fish production.	1. Additional processing area and butchering equipment. 2. Fish pumps. 3. More ice making and ice storage. 4. Additional freezing equipment for bottomfish fillets. 5. Bottomfish filleting equipment.	Fresh, butchered salmon. Fresh and frozen bottomfish dressed fillets, including halibut. Additional frozen herring and salmon.	No, partially. Could do fresh salmon, but no bottomfish.	30 - 50, per season. Add 1 - 2 months to yearly operation.

Company	Years in business Plant locations	Current facilities and products	Tax credit priorities	Equipment priorities	New product forms Company economic outlook	Can improvements be made without credit?	Additional people hired? For how long?
Excursion Inlet Packing Company	22 years Excursion Inlet	Canned salmon, all species. Frozen sockeye, chum, king and coho salmon, and halibut.	Increase freezing capacity for pink salmon, herring, and bottomfish. Bottomfish fillets.	<ol style="list-style-type: none"> 1. Freezing rooms or blast tunnels. 2. Fish pumps. 3. Chilled seawater or champagne fish tanks. 4. Bottomfish processing equipment (filleters). 5. More ice making and ice storage. 	<p>Additional frozen sockeye, chums, kings, and coho salmon, along with frozen round or dressed pink salmon. Frozen halibut, black cod, herring, all types of bottomfish.</p> <p>Improve product mix lower ownership cost per pound, improve company profit.</p>	No. Plant would be closed without additions.	50 per season, and additional 1 - 2 months of operation.
Wards Cove Packing Company	57 years Ketchikan	Canned salmon, all species.	Freezer plant for all species of salmon.	<ol style="list-style-type: none"> 1. Building equipped with freezing rooms or blast tunnels. 2. Large freezer storage warehouse. 3. Fish pumps. 4. Chilled seawater or champagne fish tanks. 5. Fish pumps on tenders. 	<p>Frozen salmon, round or butchered, all species. Fresh butchered salmon.</p> <p>Improve product mix lower ownership cost per pound, improve company profit.</p>	No. Additions must be done to stay in business.	15 - 20, seasonal Without improvements, whole plant could be down with loss of 6 year-round jobs and 150 seasonal.
Columbia-Wards	Chignik	Salmon and crab. Plant has not operated for past two seasons.	Get plant back in operation.	Not specified.	Frozen salmon, crab and bottomfish.	No.	Not specified.

Offered: 4/29/85
Referred: Rules

Original sponsors: Cato, Grussendorf
Thompson and Pignalberi

1 IN THE HOUSE BY THE FINANCE COMMITTEE
2 CS FOR HOUSE BILL NO. 58 (Finance)(efd added)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION
5 A BILL
6 For an Act entitled: "An Act relating to the fisheries business tax; and
7 providing for an effective date."
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
9 * Section 1. AS 43.75.015(a) is amended to read:
10 (a) A person engaged in a fisheries business is liable for and
11 shall pay the tax levied by this section on the value of each of the
12 following fisheries resources processed during the year at the rate
13 set out after each:
14 (1) salmon canned at a shore-based fisheries business
15 [CANNERY] - four and one-half percent;
16 (2) salmon processed by a shore-based fisheries business,
17 except salmon for which the tax is due under (1) of this subsection,
18 and all other fisheries resources processed by a shore-based fisheries
19 business - three percent;
20 (3) fisheries resources processed by a floating fisheries
21 business - five percent.
22 * Sec. 2. AS 43.75 is amended by adding new sections to read:
23 Sec. 43.75.032. FISHERIES BUSINESS TAX CREDIT. (a) A fisheries
24 business is entitled to a credit of not more than 50 percent of the
25 business tax liability under AS 43.75.015 for capital expenditures
26 made during the tax year that increase product diversity, increase
27 production efficiency and capacity, or improve product quality at a
28 shore-based fisheries business facility in the state if an application
29 for the credit is approved by the department. A tax credit taken

1 under this section in a single tax year may not exceed \$1,000,000.

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

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

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

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

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

25 Sec. 43.75.034. TAX CREDIT REPORT. Not later than the 60th
26 legislative day of each regular legislative session the Department of
27 Revenue, in conjunction with the Department of Commerce and Economic
28 Development, shall submit to the legislature a report on the fisheries
29 business tax credit program under AS 43.75.032. The report shall

1 describe the expenditures for which a credit was claimed during the
2 previous tax year and, if possible, the increase in employment and
3 processing capacity by the fisheries businesses for whom the credit
4 was approved. Reporting under this section shall begin with the first
5 regular session of the Fifteenth Alaska Legislature.

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

13	Years Property Placed	Applicable
14	in Service	Percentage
15	0 - 1	100
16	1 - 2	75
17	2 - 3	50
18	3 - 4	25

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

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

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

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

- 1 * Sec. 5. AS 43.75.032, 43.75.034, 43.75.130(b), and 43.75.140(9) are
- 2 repealed January 1, 1994.
- 3 * Sec. 6. This Act takes effect July 1, 1986.