

HB

486

HOUSE COMMITTEE REPORT

(11)

Date referred: 3/29/88

FURTHER REFERRALS:

DATE: 4-11-88

The Finance Committee has considered HB 486

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

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published 3/22/88
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Adams [Signature]

Pourchet [Signature]

Larson [Signature]

Boyer [Signature]

Rieger [Signature]

Frank [Signature]

Brown [Signature]

Davis [Signature]

Wallis [Signature]

SIGNING OTHER RECOMMENDATIONS:

Swack [Signature] NR

[Signature]

[Signature]
Chairman's signature

1.1 HB 486

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: HB 486
PUBLISH DATE: 2/22/88

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to fisheries tax returns; and providing for an eff. date.
Sponsor: Herrman, C. & Davidson, Ulmer
Requestor: C & R A and Resources

Agency Affected: Revenue
BRU: Income and Excise Audit
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	.5	.5	.5	.5	.5
CONTRACTUAL	-	.5	.5	.5	.5	.5
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	1.0	1.0	1.0	1.0	1.0
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	1.0	1.0	1.0	1.0	1.0
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel, Director
Division: Income and Excise Audit Division

Phone: (907) 465-2320
Date: February 22, 1988

Approved by Commissioner: _____
Agency: _____

Date: 2/22/88

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

HB 486 Analysis

Prepared By: Steven E. Kettel
Income & Excise Audit
February 22, 1988

Travel

Regulation Hearing Travel to Anchorage \$.5

Contractual

Regulation Advertising/Printing \$.2
Exchange of Information Forms \$.2
Postage \$.1

1 IN THE HOUSE

BY HERRMANN, CATO,
DAVIDSON AND ULMER

2

HOUSE BILL NO. 486

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to fisheries tax returns; and pro-
7 viding for an effective date."

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

9 * Section 1. AS 43.75 is amended by adding a new section to read:

10 Sec. 43.75.133. PROVISION OF INFORMATION TO MUNICIPALITIES. (a)

11 If the mayor, manager, or administrator of a municipality makes a
12 written request, the department shall furnish the mayor, manager, or
13 administrator of the municipality the names of all fisheries busi-
14 nesses that have filed tax returns under this chapter in which the
15 fisheries business listed the municipality as the location in which
16 the fisheries business processed a fisheries resource subject to the
17 tax imposed under this chapter.

18 (b) If the mayor, manager, or administrator of a municipality
19 makes a written request, the department shall verify that, as to a tax
20 levied and collected by the municipality that is based on the value of
21 fisheries resource processed in or transported to or within the munic-
22 ipality, the value of the fisheries resources reported by a fisheries
23 business to the municipality and the value of the fisheries resources
24 reported by the fisheries business to the department under this chap-
25 ter are substantially the same. If the values are not substantially
26 the same, the department shall permit the mayor, manager, or adminis-
27 trator of the municipality to inspect tax returns filed by the fisher-
28 ies business with the department under this chapter, or shall furnish
29 to the municipal officer a copy of the tax returns, if the department

1 determines that the municipality provides adequate safeguards for the
2 confidentiality of the returns and that the returns will be used by
3 the municipality only for purposes of collection of its tax levied and
4 collected on fisheries resources. In this subsection, the value of
5 the fisheries resources reported by the fisheries business to the
6 department and the value reported to the municipality are substantial-
7 ly the same if the values are equal or the variance between them does
8 not exceed one percent of the greater value.

9 * Sec. 2. APPLICABILITY. AS 43.75.133, added by sec. 1 of this Act,
10 applies to tax returns filed by a fisheries business after December 31,
11 1986.

12 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

1 IN THE HOUSE

BY HERRMANN, CATO,
DAVIDSON AND ULMER

2

HOUSE BILL NO. 486

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

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6 department and the value reported to the municipality are substantial-
7 ly the same if the values are equal or the variance between them does
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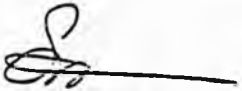
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Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

MEMORANDUM

TO: Representative Henry Springer, Chair
Members of the House Community and Regional
Affairs Committee 

FROM: Scott A. Burgess, Executive Director

DATE: March 21, 1988

SUBJECT: HB 486 - Fisheries Tax Returns

The Alaska Municipal League strongly supports HB 486 - relating to fisheries tax returns. Subsection (a) permits municipalities to determine whether fisheries businesses operating within their boundaries are properly reporting the location of their activities. Inaccurate or improper reporting of location adversely affects the entitlement of an affected municipality to its share of the fisheries license tax.

Subsection (b) is extremely important to municipalities that levy sales and use taxes on the sale or use of fisheries products. It provides an enforcement mechanism that will provide enforcement information to both the state and the municipality without violating the purpose for which the confidentiality of these records was established. The practice of taxing jurisdictions of exchanging taxpayer information for enforcement purposes is well established and should be extended to this situation.

I have enclosed a related resolution adopted by the AML membership at our annual conference in November. The resolution supports the need to share fisheries tax information between the State and municipalities. It also request adequate funding for the Department of Fish and Game to properly collect, report, and manage fish ticket information.

The AML strongly supports HB 486.

Thank you.

SAB:ph1

Enclosure

RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE

RESOLUTION NO. 88-8

A RESOLUTION CONCERNING RAW FISH TAX COLLECTIONS.

WHEREAS, the collection of raw fish tax is a critical source of revenue for the local municipalities and the State of Alaska, and

WHEREAS, the municipalities have been unable to obtain any data concerning collection of raw fish tax, and

WHEREAS, the municipalities would provide considerable information and assistance to the Department of Revenue if given the opportunity, and

WHEREAS, the municipalities have been effectively managing confidential information for many years, and

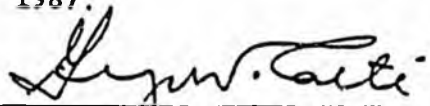
WHEREAS, the municipalities concur with the sensitivity of the processor information and agree to treat the information as confidential information, and

WHEREAS, the Department of Fish and Game fish tickets for bottomfish have not been processed for several months, which means no catch verification or fish tax verification is taking place at this time, and

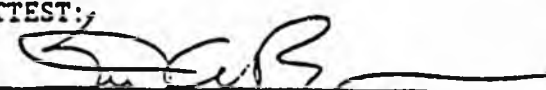
WHEREAS, this information is critical for both management of the fish resource and accurate management of the fish tax collections;

NOW, THEREFORE, BE IT RESOLVED by the Alaska Municipal League that Governor Cowper and the Alaska Legislature adopt legislation to fund adequate staff positions within the Department of Fish and Game to properly manage the information provided on the fish tickets for all species in a timely manner to allow verification and quality information to the municipalities and an accurate accounting for the raw fish tax.

Adopted this 13th day of November 1987.


George W. Carte', President

ATTEST:


Scott A. Burgess, Executive Director

STATE OF ALASKA

DEPARTMENT OF REVENUE

② HB 486

STEVE COWPER, GOVERNOR

STATE OFFICE BUILDING
P.O. BOX SA
JUNEAU, ALASKA 99811-0400

March 10, 1988

Honorable Heinrich Springer
House Community & Regional Affairs Committee
Court Building, Room 603
P.O. Box V
Juneau, Alaska 99811

Dear Representative Springer: Subject: Analysis & Support for HB486

Present Alaska law prohibits the Department from sharing confidential tax information with the general public, other state or local governmental agencies or the legislature. Also, the statutes governing the fisheries business (raw fish) tax provides that the State will share up to 50% of that tax with the communities in which the fish are processed. To many communities, this is a significant source of revenues, and borough managers are becoming increasingly interested in whether they are receiving their fair share of the fish tax.

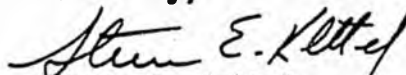
Often times, these cities have information concerning the processors that enter their jurisdiction and process fish, and in some instances, they possess detailed information concerning the amount or value of fish processed. With this information in hand, these managers have desired to share it with the Department to insure that the State's fish tax is being reported correctly and that their municipality is being properly credited for revenue sharing purposes. Prohibition against disclosure at the state level has frustrated city and state administrators alike in their efforts to collect all taxes due and properly share them among the effected communities.

HB 486 provides a mechanism for the Department of Revenue to share sufficient information with municipalities to allow for enhanced compliance with the new fish tax law at both the state and local level, while continuing to protect the sensitive information on the tax return. The Department of Revenue supports this legislation. The proposal applies to the following two classes of information and two classes of municipalities.

I. City/Boroughs which do not levy a tax on fish resources processed in their jurisdiction may request and receive from the Department only the names of the fisheries businesses which have reported fish processing activities for that city or borough on the State's fish tax returns. No financial information contained in the return will be disclosed.

II. City/Boroughs which levy a fish tax on the value of fish processed in their jurisdiction may request the Department to verify that values reported on their tax returns are substantially the same as values reported on the State's return. If the values are not the same, the Department will give the municipality a copy of the State tax return, provided the municipality safeguards the information and uses it only for tax collection purposes.

Sincerely,



Steven E. Kettel
Director
Income & Excise Audit
(907) 465-2320

cc:Rep. Adelheid Hermann

88-66



Alaska State Legislature

3 HB 486

House of Representatives

Committee on
Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4833

TO: Rep. Henry Springer, Chairman HCRA
FROM: David C. Harrison, P.A., HCRA
SUBJECT: Bill Review - HB 486
"An Act relating to fisheries tax returns; and providing for an effective date." [Herrmann, Cato, Davidson, Ulmer]

* Section 1. AS 43.75 is amended by adding a new section to read:

Sec. 43.75.133 PROVISION OF INFORMATION TO MUNICIPALITIES:

Comments: At the present time, the Department of Revenue does not share filed tax returns with municipalities because of confidentiality of tax returns. If this bill becomes law, reciprocal tax information may be shared enabling municipalities and the Department of Revenue to coordinate tax information of fisheries businesses within taxing authority of municipalities eligible for tax shared revenue.

The exchange of information would help aid in compliance of reporting by the municipalities to the Revenue Department of fisheries business activities and the Revenue Department could assess such activity along with filed tax reports by fisheries businesses.

Additionally, municipal officials written request for tax return information requires the Department of Revenue to verify as to the tax levied and collected by the municipality that is based upon the value of fisheries resources processed in or transported to or within the municipality. Some form of verification is required in order to assess taxes collected and taxes paid.

Although processed fish within municipalities are taxed and the tax is shared with the municipalities and with the state, the phrase listed on page 1, line 21, "... or transported to or within the municipality...." has additional potential tax revenue if resources that are transhipped to or within a municipality are considered taxable resources. It is possible that transhipped resources were in fact processed within state waters and or within a municipality or that such fishery resources were processed within the 200 mile economic zone.

According to Alaska Legislative Digest, No. 4/88 Fish Tax; The Facts - Alaska Fisheries Business Tax Total FY 87 Revenue: \$26.6 million. Resource value reported on Fisheries Business Tax Returns: \$721 million. Estimated resource value passing through state waters \$1.8 billion.

The primary purpose of this bill is to allow exchange of tax information necessary to assess taxes as shared by municipalities and the state. However, HB 408 directly addresses tax liability of fish processed outside state water but brought into state water. Taxing level by the state is five percent under HB 408.

Attachment - Alaska Legislative Digest, No. 4/88.

(4) HB 486

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 10, 1988

SUBJECT: Sectional analysis, HB 486
TO: Representative Adelheid Herrmann
FROM: Jack Chenoweth
Legislative Counsel

This bill is intended to be responsive to Resolution 87-06 of the Southwest Alaska Municipal Conference encouraging the Department of Revenue to work cooperatively with municipalities in efforts to verify and enforce collection of taxes on raw fish.

Specifically, bill section 1 adds a new provision to permanent law, AS 43.75.133. In that provision, the Department of Revenue is directed to respond to the request of a municipal mayor, manager, or administrator and to furnish to that official the names of fisheries businesses filing returns under the state's fisheries business tax (AS 43.75) in which the business lists the municipality as the location of fisheries processing activities that are subject to the state's tax. Additionally, a municipal mayor, manager, or administrator may seek verification of the amount of a fisheries resource tax imposed by the municipality on fisheries resources processed in or transported through the municipality. If asked, the department shall verify values by comparing the municipality's report to the returns filed by the taxpayer with the department. The department is directed to indicate whether the amount reported to the municipality is "substantially the same" as the amount reported to the state. If the values "are not substantially the same," the department shall permit the requesting municipal official to inspect the tax return filed with the state or furnish a copy of that tax return, but need only do so if satisfied that "the municipality provides adequate safeguards for the confidentiality of the returns and that the returns will be used by the municipality only for purposes of collection of its tax." The provision also incorporates a definition of

Representative Adelheid Herrmann
Page 2
March 10, 1988

when values are considered "substantially the same," setting that margin of difference at not more than one percent of the greater value.

Bill section 2 permits municipal officials to verify and inspect under AS 43.75.0133, added by bill section 1, those returns filed after December 31, 1986 (that is, returns for 1987 and later).

Bill section 3 gives the legislation an immediate effective date.

JBC:gc
WKG2:46

RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE

RESOLUTION NO. 88-8

A RESOLUTION CONCERNING RAW FISH TAX COLLECTIONS.

WHEREAS, the collection of raw fish tax is a critical source of revenue for the local municipalities and the State of Alaska, and

WHEREAS, the municipalities have been unable to obtain any data concerning collection of raw fish tax, and

WHEREAS, the municipalities would provide considerable information and assistance to the Department of Revenue if given the opportunity, and

WHEREAS, the municipalities have been effectively managing confidential information for many years, and

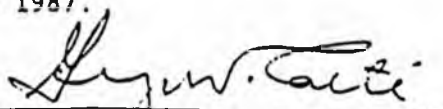
WHEREAS, the municipalities concur with the sensitivity of the processor information and agree to treat the information as confidential information, and

WHEREAS, the Department of Fish and Game fish tickets for bottomfish have not been processed for several months, which means no catch verification or fish tax verification is taking place at this time, and


WHEREAS, this information is critical for both management of the fish resource and accurate management of the fish tax collections;

NOW, THEREFORE, BE IT RESOLVED by the Alaska Municipal League that Governor Cowper and the Alaska Legislature adopt legislation to fund adequate staff positions within the Department of Fish and Game to properly manage the information provided on the fish tickets for all species in a timely manner to allow verification and quality information to the municipalities and an accurate accounting for the raw fish tax.

Adopted this 13th day of November 1987.


George W. Carte, President

ATTEST:


Scott A. Burgess, Executive Director

CITY OF KING COVE

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

March 10, 1988

The Honorable Adelhied Herrmann
Alaska State Representative
P.O. Box V
Juneau, Alaska 99811

RE: HB 486

Dear Representative Herrmann:

The City of King Cove strongly supports the adoption of HB 486, an act relating to fisheries tax returns. The City believes this bill will effectively assist in accomplishing the following:

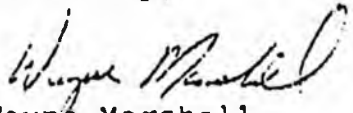
o Provide municipalities a cost-effective tool in the administration and collection of municipal sales/use taxes, particularly from floating fish processors ; and

o Provide the State and municipalities an informal avenue to share information and identify processors which are operating in respective areas of the State. This information sharing will enhance the prospects for the State and municipalities to collect tax revenues each is owed, again, particularly from floating processors.

The main problem confronting coastal municipalities are that they are often unaware of floating fish processing activities that occur in their municipal boundaries and cannot verify the amount of fish product a processor processes. Floating fish processors operating in State waters are required to pay State Fisheries Business Taxes and this information could be an essential tool to help a municipality collect the full amount of local tax assessments it is owed. Quite simply, the large amount of territory in some coastal municipalities, particularly boroughs, and the prohibitive cost of operating onsite monitoring program make it difficult for most municipalities to effectively collect taxes from floating processors. HB 486 is not a cure-all for this problem, but it is a very positive step that will immediately benefit municipalities and the State.

The City of King Cove supports HB 486 and urges its adoption this session.

Sincerely,


Wayne Marshall
City Manager

ALEUTIANS EAST BOROUGH

SERVING THE COMMUNITIES OF

■ KING COVE ■ SAND POINT ■ AKUTAN ■ COLD BAY ■ FALSE PASS ■ NELSON LAGOON

February 29, 1988

RECEIVED MAR - 9 1988

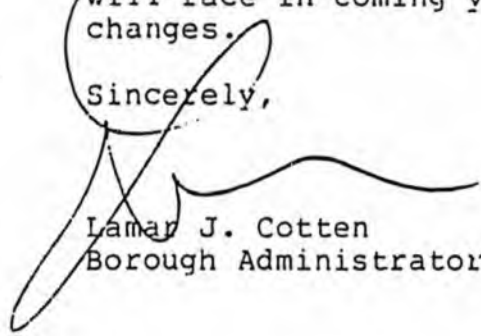
Representative Adelheid Herrmann
P.O. Box V
Juneau, Alaska 99811

RE: HB 486 - Confidentiality Bill

Dear Representative Herrmann:

Just a short note to say that the Aleutians East Borough supports the House Bill 486. It will help close loop-holes in current State law while insuring a taxation policy which treats all entities equally. The bill is well overdue and will help alleviate a number of problems which communities will face in coming years as the fishing industry evolves and changes.

Sincerely,


Lamar J. Cotten
Borough Administrator

City of Sand Point

P.O. Box 249
Sand Point, Alaska 99661
(907) 383-2696

RECEIVED MAR - 9 1988

March 2, 1988

Honorable Adelheid Herrmann
P.O. Box V
Juneau, Alaska 99811

Dear Representative Herrmann:

The City of Sand Point supports your efforts through HB 408 to promote the exchange of the fisheries business tax information between cities and the Department of Revenue. Given the declining nature of revenues, it is mutually advantageous for cities and the Department of Revenue to cross check their sales tax figures against the gross receipts shown on the fisheries business tax form.

Sincerely,



Robert S. Juettner
City Administrator



**SOUTHWEST ALASKA
MUNICIPAL CONFERENCE**

Box 89 • Unalaska • Alaska 99685

RESOLUTION 87-06

A RESOLUTION OF THE SOUTHWEST ALASKA MUNICIPAL CONFERENCE CONCERNING RAW FISH TAX COLLECTIONS.

WHEREAS, the collection of raw fish tax is a critical source of revenue for the local municipalities and the State of Alaska, and

WHEREAS, the municipalities have been unable to obtain any data concerning collection of raw fish tax, and

WHEREAS, the municipalities would provide considerable information and assistance to the Department of Revenue if given the opportunity, and

WHEREAS, the municipalities have been effectively managing confidential information for many years, and

WHEREAS, the municipalities concur with the sensitivity of the processor information and agree to treat the information as confidential information, and

WHEREAS, the Department of Fish and Game fish tickets for bottomfish have not been processed for several months which means no catch verification or fish tax verification is taking place at this time, and

WHEREAS, this information is critical for both management of the fish resource and accurate management of the fish tax collections, now

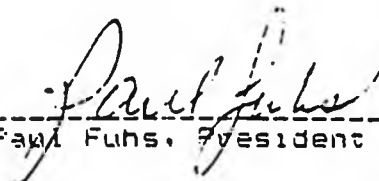
THEREFORE, BE IT RESOLVED by the Southwest Alaska Municipal Conference that Governor Cowper and the Alaska Legislature adopt legislation to:

1. Authorize the Department of Revenue to share the confidential information of fish tax collected per processor to be treated as confidential information exempt from public disclosure by the local municipalities.

Southwest Alaska Municipal Conference
Resolution 87-06
Page two

2. Require the Department of Revenue to work cooperatively with local municipalities in verification and collection of raw fish tax including the option for a local municipality to assume the collection duties within their municipal boundaries and retain a reasonable administrative fee to cover the cost of collection.
3. Fund adequate staff positions within the Department of Fish and Game to properly manage the information provided on the fish tickets for all species in a timely manner to allow verification and quality information to the municipalities and an accurate accounting for the raw fish tax.

APPROVED AND ADOPTED this 14th day of March
1987.



Paul Fuhs, President

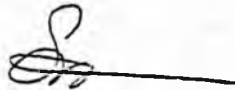
5-3450

Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

MEMORANDUM

TO: Representative Henry Springer, Chair 
Members of the House Community and Regional
Affairs Committee

FROM: Scott A. Burgess, Executive Director

DATE: March 21, 1988

SUBJECT: HB 486 - Fisheries Tax Returns

The Alaska Municipal League strongly supports HB 486 - relating to fisheries tax returns. Subsection (a) permits municipalities to determine whether fisheries businesses operating within their boundaries are properly reporting the location of their activities. Inaccurate or improper reporting of location adversely affects the entitlement of an affected municipality to its share of the fisheries license tax.

Subsection (b) is extremely important to municipalities that levy sales and use taxes on the sale or use of fisheries products. It provides an enforcement mechanism that will provide enforcement information to both the state and the municipality without violating the purpose for which the confidentiality of these records was established. The practice of taxing jurisdictions of exchanging taxpayer information for enforcement purposes is well established and should be extended to this situation.

I have enclosed a related resolution adopted by the AML membership at our annual conference in November. The resolution supports the need to share fisheries tax information between the State and municipalities. It also request adequate funding for the Department of Fish and Game to properly collect, report, and manage fish ticket information.

The AML strongly supports HB 486.

Thank you.

SAB:ph1

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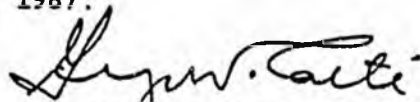
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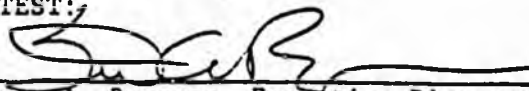
WHEREAS, this information is critical for both management of the fish resource and accurate management of the fish tax collections;

NOW, THEREFORE, BE IT RESOLVED by the Alaska Municipal League that Governor Cowper and the Alaska Legislature adopt legislation to fund adequate staff positions within the Department of Fish and Game to properly manage the information provided on the fish tickets for all species in a timely manner to allow verification and quality information to the municipalities and an accurate accounting for the raw fish tax.

Adopted this 13th day of November 1987.


George W. Carte', President

ATTEST:


Scott A. Burgess, Executive Director