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STATE OF ALASKA

DEPARTMENT OF REVENUE

STEVE COWPER, GOVERNOR

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

November 14, 1988

UNCLASSIFIED

To Whom It May Concern:

The Capital Expenditures Fisheries Tax Credit Program allows fisheries businesses to reduce their tax liability by up to 50% each year over a three year period. This is a temporary program which allows for capital expenditures made in tax years 1987-1989 may be claimed as credits on tax returns through tax year 1991.

Qualifying capital expenditures are those which are made for a shore-based facility and which "increase product diversity, or production efficiency and capacity, or improve product quality, at a shore-based fisheries business facility in the state, or contribute to the development of a cooperative seafood industrial park in the state" (AS43.75.032(a)).

The capital expenditure must be approved by the Department of Revenue in advance of the expenditure, and may not be approved for more than 50% of the capital expenditure.

The credit may be increased by an additional 25% of the capital expenditure by the municipality in which the improvement is to be made or the equipment is to be used. The fisheries business must submit a copy of the tax credit application to the municipality within 10 days after submitting it to the State. To approve the credit, the municipality must adopt an ordinance directing the State to reduce the municipality's revenue share of the tax by an amount not to exceed 25% of the capital expenditure.

To take the credit on the tax return, the equipment or improvement to depreciable property must be effectively placed in service in the state in a prior or current tax year for which the credit is claimed. Although the credit may only be granted for expenditures made to shore-based facilities, the credit may be applied against the fisheries business' total tax liability, including liability which is incurred from floating facilities.

For further information, please contact:

Income & Excise Audit Division
Fisheries Unit
P.O. Box SA
Juneau, AK 99811
(907) 465-2371

Alaska Fisheries Business
TAX CREDIT APPLICATION
 AS 43.75.032

COMPLETE A SEPARATE
 APPLICATION FOR EACH
 SHORE-BASED OPERATION.

The laws establishing the fisheries business tax credits are printed on the back of this application. Please read them carefully before completing this form.

For Calendar Tax Year	Fisheries Business License Number	Physical Location of Operation (If operating within a municipality, you must write in the name of the municipality.)	Federal EIN or Social Security Number*
Name of Person, Firm or Corporation		Contact Person	* If your business has not been issued a federal employer identification number (EIN), you are required to provide your social security number so that the Department of Revenue may administer the tax laws of Alaska, AS 43.05.080. The information is used by the department for identification purposes.
Mailing Address			
City, State, Zip Code		Daytime Telephone Number	

1. A.W. "WINN" BRINDLE MEMORIAL SCHOLARSHIP ACCOUNT CREDIT. Enter the total dollar value of actual or planned contributions made to this scholarship account (AS 14.43.250)..... \$ _____

2. CAPITAL EXPENDITURES CREDIT. CAUTION. To qualify for the credit, capital expenditures must be approved by the Department of Revenue in advance. Attach to this application an itemized statement showing the approximate date each capital expenditure will be made, and an explanation of how the capital expenditure qualifies for the credit. (See AS 43.75.140 on the back of this page for definitions.)

A. Enter the total estimated value of capital expenditures to be made during the tax year that increase product diversity, or production efficiency and capacity, or improve product quality, at the shore-based fisheries business location entered above. \$ _____

B. Enter the total estimated value of capital expenditures to be made during the tax year that contribute to the development of a cooperative seafood industrial park in Alaska. \$ _____

Enter the name and location of the park: _____

3. ADDITIONAL CAPITAL EXPENDITURES CREDIT. The fisheries business tax credit may be increased by up to an additional 25% of the amount of the capital expenditure. This credit is available only to the extent that the municipality and/or borough requests the Department of Revenue to reduce the amount of shared revenues the municipality and/or borough would normally receive. To apply for this credit increase, submit a copy of this application to the municipality and/or borough within 10 days after this application is submitted to the Department of Revenue.

THIS SPACE FOR REVENUE USE ONLY

Approved Expenditures	Date	Disapproved Expenditures	Date

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: HB 33
PUBLISH DATE: 1/9/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act Amending and Extending the
Fisheries Business Tax Credit
Sponsor: Cato, etc.
Requestor: Resources and Finance

Agency Affected: Revenue
BRU: Income & Excise Audit

Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL						
	0	0	0	0	0	0
REVENUE						
	(6700)	(13700)	(13700)	(13700)	(13700)	(13700)

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	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: See attached pages.

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

Phone: (907) 465-2320
Date: April 13, 1989

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: April 13, 1989

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

SECTIONAL ANALYSIS

Section 1 extends the maximum period for which a fisheries business may receive a credit against their fish tax liability from three to five years.

Section 2 also extends the maximum period of time from 3 to 5 years the amount a municipality may increase the fish tax credit by foregoing up to one-half of their share of fish tax collections.

Section 3 extends the unused credit carryover to correspond to the 5 year election period in Section 1.

Section 4 increases the maximum amount of credit that may be claimed to 75% of the taxpayers total tax liability if a municipality participates in the credit program. Current law provides a 50% maximum whether or not a municipality participates.

Section 5 makes a technical change to adopt the five year credit period.

Section 6-8 provides a sunset provision on the fish tax credit of December 31, 1995.

Section 9 provides transition rules allowing municipalities to adopt an ordinance conforming to the change in this bill.

HB 33/CURRENT LAW COMPARATIVE ANALYSIS

	<u>HB 33</u>	<u>CURRENT LAW</u>
1. AUTHORIZED PERIOD FOR EXPENDITURE	1987-1991	1987-1989
2. PERIOD CREDIT AVAILABLE	1987-1995	1987-1991
3. CARRY-OVER PROVISION	5 year	3 year
4. POTENTIAL FISCAL IMPACT	\$74.5 Million	\$35.2 Million
5. MAXIMUM CREDIT AVAILABILITY *	75 % tax liability	50% tax liability

* requires municipal approval and participation

BILL ANALYSIS

The present fish tax credit program has been widely utilized by the shorebased fisheries processing industry. Nearly \$136 million in shorebased investment has been proposed since 1986 and the Department continues to approve additional millions in proposed expenditures each month.

Actual tax credits taken to date total \$6.7 million. This represents credits for expenditures made in 1987 only. 1988 expenditures and the corresponding credits will be claimed by the end of March 1989. Due to higher than expected returns in some salmon fisheries, and higher prices for many species, we anticipate both an increase in fish tax collections for 1988 and a corresponding increase in fish tax credits claimed.

FISCAL IMPACT OF HB 33

We project that fish processors will continue to take advantage of this program into the 1990's. The attached schedule anticipates that by expanding the number of years that capital expenditures will create tax credits, an estimated \$74.5 million in general funds may be lost. To calculate this impact we have made several broad assumptions.

- 1) Expenditures will level out to \$40 million per year for each additional year of the program.
- 2) The fish tax collections will increase 10% in FY89 and 5% thereafter based upon increased product capacity and productivity through capital expansion.
- 3) We assume that the last tax year for which credits will be granted is 1995.

DEPARTMENT POSITION STATEMENT

The Department of Revenue opposes this legislation for the following reasons:

- 1) As the fiscal note reports, this legislation has substantial impact on general fund revenues.
- 2) This legislation does not mandate municipal participation. The Department favors an amendment requiring cities and boroughs which benefit from the capital expansion to give up a portion of their revenues.
- 3) The Department believes that many of the expenditures have been made and will be made in the future regardless of whether a credit is offered.
- 4) Shorebased fisheries businesses already fully constructed are put at a competitive disadvantage against those new entries to the market.

PREPARED BY:

PROJECTED REVENUE IMPACT

STEVEN E. KETTEL

FISHERIES BUSINESS TAX CREDIT (AS 43.75.032)

INCOME & EXCISE AUDIT
MARCH 14, 1989

\$ in millions

TAX YEAR FISCAL YEAR	EXISTING CREDIT PROGRAM				PROGRAM UNDER SB74					PROGRAM TOTALS	SB74 TOTALS
	1987 1988	1988 1989	1989 1990(a)	1990 1991	1991 1992	1992 1993	1993 1994	1994 1995	1995 1996		
APPROVED EXPENDITURES	55.5	62.4	38.4	40.0	40.0	N/A	N/A	N/A	N/A	236.3	100
CREDIT APPROVED	27.7	31.2	19.2	20.0	20.0	N/A	N/A	N/A	N/A	118.1	
CREDIT APPLIED (REVENUE LOSS)	6.7	11.0	11.8	12.4	13.0	13.7	13.7	13.7	13.7	109.7	74.5
CREDIT AVAILABLE FOR CARRYFORWARD	21.0	41.2	48.6	56.2	63.2	49.5	35.8	22.1	8.4		

SUMMARY

FISHERIES TAX LIABILITY BEFORE CREDIT APPLIED	29.2	(b)32.1	33.7	35.4	37.2	39.0	39.0	39.0	39.0	323.6	
CREDIT APPLIED	(6.7)	(11.0)	(11.8)	(12.4)	(13.0)	(13.7)	(13.7)	(13.7)	(13.7)	(109.7)	
MUNICIPAL SHARE	<u>(14.6)</u>	<u>(16.0)</u>	<u>(16.8)</u>	<u>(17.7)</u>	<u>(18.6)</u>	<u>(19.5)</u>	<u>(19.5)</u>	<u>(19.5)</u>	<u>(19.5)</u>	<u>(161.7)</u>	
GENERAL FUND SHARE	7.9	5.1	5.1	5.3	5.6	5.8	5.8	5.8	5.8	52.2	

(a) TY 1989 expenditures to 3/10/89 amount to 18.4 million. Balance of calendar year expenditures at 20 million. TY 1991 through 1992 annual expenditures estimated at 20 million per year.

(b) Tax liability is an estimate based on an increase in resource value and production. Fisheries Business tax returns are due March 31 of the following year. The rate of increase is estimated at 5% to FY 1993 and remained constant through FY 1996.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act Amending and Extending the Fisheries Business Tax Credit
Sponsor: Cato, etc.
Requestor: Resources and Finance

Agency Affected: Revenue
BRU: Income & Excise Audit
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	<6700.0>	<13700.0>	<13700.0>	<13700.0>	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	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: (Attach a separate page if necessary)

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

Phone: (907) 465-2320
Date: March 13, 1989

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: March 13, 1989

Distribution (by preparer):

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

HB 33

Prepared by: Steven E. Kettel
March 15, 1989

BILL ANALYSIS

The present fish tax credit program has been widely utilized by the shorebased fisheries processing industry. Nearly \$80 million in shorebased investment has been proposed since 1986 and the Department continues to approve additional millions in proposed expenditures each month.

Actual tax credits taken to date total \$6.7 million. This represents credits for expenditures made in 1987 only. 1988 expenditures and the corresponding credits will be claimed by the end of March 1989. Due to higher than expected returns in some salmon fisheries, and higher prices for many species, we anticipate both an increase in fish tax collections for 1988 and a corresponding increase in fish tax credits claimed.

FISCAL IMPACT OF HB 33

1988

We project that fish processors will continue to take advantage of this program into the 1990's. The attached schedule anticipates that by expanding the number of years that capital expenditures will give rise to tax credits, an estimated \$63.2 million in general funds may be lost. To calculate this impact we have made several broad assumptions.

- 1) Expenditures will level out to \$40 million per year for each additional year of the program.
- 2) The fish tax collections will increase 10% in FY89 and 5% thereafter based upon increased product capacity and productivity through capital expansion.
- 3) We assume that the last tax year for which credits will be granted is 1995.

- Fish Tax collected
- Definitive statistics

DEPARTMENT POSITION STATEMENT

The Department of Revenue opposes this legislation for the following reasons:

- 1) As the fiscal note reports, this legislation has substantial impact on general fund revenues.
- 2) This legislation does not mandate municipal participation. The Department favors an amendment requiring cities and boroughs which benefit from the capital expansion to give up a portion of their revenues.
- 3) After the initial capital expansion which was encouraged by this program, the Department believes that many of the expenditures will be made regardless of whether a credit is offered.

Tax credit has been very successful.

PROJECTED REVENUE IMPACT
 FISHERIES BUSINESS TAX CREDIT (AS 43.75.032)
 (\$ in millions)

PREPARED BY:

STEVEN E. KETTEL
 INCOME & EXCISE AUDIT
 MARCH 13, 1989

TAX YEAR FISCAL YEAR	EXISTING CREDIT PROGRAM				PROGRAM UNDER HB33			TOTAL
	1987 1988	1988 1989	1989 1990(a)	1990 1991	1991 1992	1992 1993	1993 1994	
APPROVED EXPENDITURES	55.5	62.4	38.4	40.0	40.0	N/A	N/A	236.3
CREDIT AVAILABLE	27.7	31.2	19.2	20.0	20.0	N/A	N/A	118.1
CREDIT APPLIED (REVENUE LOSS)	6.7	11.0	11.8	12.4	13.0	13.7	13.7	82.3
UNUSED CREDIT	21.0	20.2	7.4	7.6	7.00	0	0	
CREDIT AVAILABLE FOR CARRYFORWARD	21.0	41.2	48.6	56.2	63.2	49.5	35.8	
FISHERIES TAX LIABILITY BEFORE CREDIT APPLIED	29.2	(b)32.1	33.7	35.4	37.2	39.0	39.0	245.6
FISHERIES TAX LIABILITY AFTER CREDIT APPLIED(c)	22.5	21.1	21.9	23.0	24.2	25.3	25.3	163.3

(a) TY 1989 expenditures to 3/10/89 amount to 18.4 million. Balance of calendar year expenditures at 20 million. TY 1990 through 1991 annual expenditures estimated at 20 million per year.

(b) Tax liability is an estimate based on an increase in resource value and production. Fisheries Business tax returns are due March 31 of the following year. The rate of increase is estimated at 5% to FY 1993 and remained constant through FY 1994.

(c) General fund receipts after revenue sharing:

1987	1988	1989	1990	1991	1992
<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
7.9	5.0	5.2	5.3	5.6	5.8

January 20, 1988

The Honorable Ben Grussendorf
Speaker of the House
P.O. Box V
Juneau, AK 99811

Dear Mr. Speaker:

The following is a report of the Fisheries Business Tax Credit Program. In accordance with AS 43.75.034 the Alaska Department of Revenue must present a report not later than the 15th day of the legislative session on the Fisheries Business Tax Credit Program under AS 43.75.032. The spreadsheet attached gives the details of the estimated expenditures which have been approved for the credit.

Total expenditures approved for the 1987 calendar year were \$59,854,564. Total expenditures denied were \$3,312,339. Generally, expenditures denied were made before the effective date, or were being claimed by floating fish processors. The estimated expenditures approved in advance by the Department of Revenue were for the following types of equipment and facilities:

1. Plant modifications and facility upgrading;
2. Baader filleting skinning machines;
3. ice houses and refrigeration equipment;
4. new and replacement of various pumps and cannery equipment;
5. bottomfish and surimi processing equipment;
6. forklifts, loaders, cranes, booms, etc.

The increase in processing capacity and employment are difficult to measure at this point as these expenditures have received only a tentative approval in many cases and the expenditures have not yet been made. The 1987 tax year is the first year the credit is available so the tax credits have not been claimed on a return. Those returns are not due until March 31, 1988.

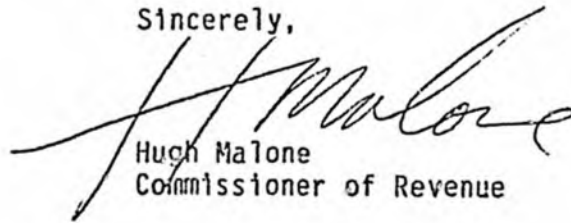
The total revenue the State received from the Fisheries Business Tax returns (AS 43.75) for FY 87 amounted to \$27,267,450. The minimum potential credits which may offset these revenues over the next three years based on applications approved to date are:

	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>
<u>Minimum</u> Estimated Revenue Loss	\$13,600,000	\$13,600,000	\$2,200,000

The Honorable Ben Crussendorf
January 20, 1988
Page 2

Approval of additional expenditures for credit in 1988 and 1989 will undoubtedly increase these estimates.

Sincerely,

A handwritten signature in cursive script, appearing to read "H. Malone". The signature is written in dark ink and is positioned above the printed name and title.

Hugh Malone
Commissioner of Revenue

HM:JH:sp
88-14

January 20, 1989

The Honorable Sam Cotten
Speaker of the House
P. O. Box V
Juneau, AK 99811

Dear Mr. Speaker:

The following is a report of the Fisheries Business Tax Credit Program. In accordance with AS 43.75.034 the Alaska Department of Revenue must present a report not later than the 15th day of the legislative session on the Fisheries Business Tax Credit Program under AS 43.75.032.

This program allows fisheries businesses to reduce their tax liability by up to 50% each year over a three year period. This is a temporary program which allows for capital expenditures made in tax years 1987 through 1989 to be claimed as credits on tax returns through tax year 1991.

Qualifying expenditures must be approved by the Department of Revenue in advance and must "increase product diversity, or production efficiency and capacity, or improve product quality, at a shore-based fisheries business facility in the state, or contribute to the development of a cooperative seafood industrial park in the state" (AS43.75.032(a)).

The municipality in which the capital improvements are made may grant the fisheries business an additional credit of 25%. This reduces the municipality's share of the tax that they would ordinarily receive. The total credit taken against the business tax liability each year still may not exceed 50%.

The attached spreadsheets give the details of the estimated expenditures approved for tax credit in 1988 and the actual credits taken for 1987. Total expenditures approved for the 1988 calendar year were \$62,484,038.00. Total expenditures denied were \$8,781,373.00. Generally, denials were for expenditures made prior to approval from the Department, or for expenditures that did not qualify for the credit. Actual credits taken against 1987 taxes which directly reduced FY88 State revenues totaled \$6,714,793.00.

The expenditures were made for the following types of equipment and facilities:

- plant modifications and facility upgrades;
- Baader filleting skinning machines;
- ice houses and refrigeration equipment;
- new and replacement of various pumps and cannery equipment;
- bottomfish and surimi processing equipment;
- forklifts, loaders, cranes, booms, etc.

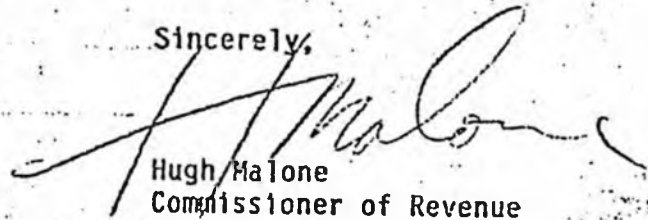
The Honorable Sam Cotten
January 20, 1989
Page 2

One city granted the additional credit available for municipal participation in 1987. This did not reduce the city's share of the tax because the tax liability did not exceed the amount of credit already granted by the state. In 1988 three cities participated by granting credit to four processors.

To date no business has sought approval of a credit for construction of an industrial seafood park.

If you have any further questions, please let us know.

Sincerely,

A handwritten signature in cursive script, appearing to read "H. Malone", written in dark ink over a light background.

Hugh Malone
Commissioner of Revenue

HM:SK:mga
Enclosures
89-16

EXPEND YEAR	LOCATION OF FACILITY	EXPENDITURE AMT APPROVED	TOTAL POTENTIAL CREDIT	1987 QUALIFYING EXPENDITURES	ACTUAL CREDIT AVAILABLE	CREDIT TAKEN PER RETURN	ADJUSTED CREDIT APPLIED	MUNICIPAL PARTICIPATION	POTENTIAL CARRYOVER AVAILABLE
1987	AKUTAN	\$200,000.00	\$100,000.00	\$0.00	\$0.00	\$58,031.18	\$0.00		\$0.00
1987	AKUTAN	\$13,688,000.00	\$6,844,000.00	\$0.00	\$0.00	\$0.00	\$0.00		\$6,844,000.00
1987	ALITAK	\$120,000.00	\$60,000.00	\$196,732.00	\$78,266.00	\$139,756.02			
1987	CHIGNIK	\$351,500.00	\$175,750.00	\$290,021.00	\$145,010.50	\$152,365.50	\$145,010.50		\$0.00
1986	CORDOVA	\$950,826.00	\$475,413.00	\$859,172.00	\$434,586.00	\$217,293.00	\$217,293.00		\$217,293.00
1986	CORDOVA	\$965,929.00	\$482,964.50	\$965,928.63	\$482,964.32	\$327,540.39	\$327,540.39		\$155,423.93
1987	CORDOVA	\$382,647.00	\$191,323.50	\$386,206.00	\$193,103.00	\$91,360.00	\$91,360.00		\$191,743.00
1987	CRAIG	\$385,000.00	\$192,500.00	\$493,871.16	\$246,935.58	\$67,011.83	\$67,078.51		\$179,857.07
1987	ENUK	\$435,645.00	\$217,822.50	\$668,203.00	\$334,101.50	\$91,914.30			
1987	EXCURSION INLET	\$282,237.00	\$141,118.50	\$687,135.00	\$343,567.50	\$85,472.55			
1986	HODNAH	\$195,515.00	\$97,757.50	\$349,428.62	\$174,714.31	\$47,265.70	\$47,265.70		\$127,449.61
1986	JUNEAU	\$1,000.00	\$1,500.00	\$4,084.00	\$2,042.00	\$2,141.98	\$2,042.00		\$0.00
1987	JUNEAU	\$1,500.00	\$750.00	\$1,678.96	\$839.48	\$839.48	\$839.48		\$0.00
1987	KASILOF	\$190,000.00	\$95,000.00	\$190,000.00	\$95,000.00	\$25,436.00	\$25,527.02		\$69,472.98
1986	KENAI	\$550,810.00	\$275,405.00	\$277,203.00	\$138,601.50	\$21,470.72	\$21,470.72		\$164,590.19
1986	KENAI	\$234,400.00	\$117,200.00	\$241,349.61	\$120,674.81	\$103,319.00	\$103,319.00		\$17,356.00
1986	KENAI	\$49,553.00	\$24,776.50	\$49,883.34	\$24,941.67	\$24,776.67	\$24,776.67		\$0.00
1986	KENAI	\$88,400.00	\$44,200.00	\$88,400.47	\$44,200.24	\$15,044.30	\$15,044.30		\$29,155.93
1987	KENAI	\$383,500.00	\$191,750.00	\$383,500.00	\$191,750.00	\$157,042.26	\$157,042.26		\$31,797.74
1987	KENAI	\$91,629.00	\$45,814.50	\$119,966.00	\$59,983.00	\$244,201.72			
1986	KETCHIKAN	\$731,699.00	\$365,849.50	\$731,699.00	\$365,849.50	\$97,072.85	\$97,072.85		\$268,776.65
1986	KETCHIKAN	\$558,221.00	\$279,110.50	\$797,347.00	\$398,673.50	\$197,071.00	\$197,071.00		\$201,693.00
1986	KETCHIKAN	\$1,160,000.00	\$580,000.00	PENDING	\$0.00				\$580,000.00
1987	KETCHIKAN	\$183,337.00	\$91,668.50	\$263,976.00	\$131,988.00	\$37,576.93	\$975,327.48		\$17,129.52
1987	KING COVE	\$2,500,000.00	\$1,250,000.00	\$0.00	\$0.00	\$80,000.00	\$80,000.00		\$1,250,000.00
1986	KODIAK	\$653,916.00	\$326,958.00	PENDING	\$0.00				\$326,958.00
1986	KODIAK	\$4,226,633.65	\$2,113,316.83	\$4,226,633.65	\$2,113,316.83	\$410,151.30	\$410,151.30		\$1,705,165.53
1986	KODIAK	\$2,091,994.00	\$1,045,997.00	\$0.00	\$0.00	\$0.00	\$0.00		\$1,045,997.00
1987	KODIAK	\$540,000.00	\$270,000.00	\$254,309.47	\$127,154.74	\$140,205.33	\$140,205.33		\$0.00
1987	KODIAK	\$160,438.00	\$80,219.00	\$139,770.19	\$69,885.10	\$69,800.21	\$68,478.00		\$11,669.00
1987	KODIAK	\$1,118,087.40	\$559,043.70	\$1,318,204.92	\$659,102.46	\$318,435.25	\$318,735.25		\$340,667.21
1987	KODIAK	\$1,472,527.00	\$736,263.50	\$1,472,527.00	\$736,263.50	\$690,948.76	\$690,948.76		\$65,314.74
1987	KODIAK	\$777,670.00	\$388,835.00	\$754,837.39	\$377,418.70	\$244,826.00	\$244,826.00		\$132,592.70
1987	KODIAK	\$235,000.00	\$117,500.00	\$48,642.07	\$24,321.04	\$18,386.46	\$18,386.46		\$5,934.58
1986	NAKNEK	\$82,940.00	\$41,470.00	\$49,553.34	\$24,776.67	\$24,776.67	\$24,776.67		\$0.00
1987	NAKNEK	\$68,000.00	\$34,000.00	\$63,301.00	\$31,500.50	\$197,118.97			
1987	NAKNEK	\$239,126.00	\$119,563.00		\$0.00				
1987	NAKNEK	\$106,500.00	\$53,250.00	\$101,431.71	\$50,715.86	\$50,715.86	\$0.00		\$50,715.86
1987	PETERSBURG	\$2,706,847.00	\$1,353,423.50	\$2,706,847.00	\$1,353,423.50				
1987	PETERSBURG	\$399,500.00	\$199,750.00	\$284,879.67	\$142,439.84	\$111,824.62	\$68,088.00		\$0.00
1987	PETERSBURG	\$77,000.00	\$38,500.00	\$85,276.74	\$42,638.37	\$42,638.27	\$42,638.27		\$0.00
1986	FORT BAILEY	\$364,653.00	\$182,326.50	\$45,901.00	\$22,950.50	\$57,713.88			
1987	S. NAKNEK	\$36,639.00	\$18,319.50	\$0.00	\$0.00	\$0.00	\$0.00		\$18,319.50
1987	SEWARD	\$618,087.00	\$309,043.50	\$616,087.00	\$309,043.50	\$1,573,143.10	\$1,573,143.10		\$99,323.82
1987	SITKA	\$126,423.00	\$63,211.50	\$25,422.97	\$12,711.49	\$12,711.49	\$12,711.49		\$0.00
1987	SITKA	\$524,231.00	\$262,125.50		\$0.00				
1987	TOGIAK	\$139,395.00	\$69,697.50	\$69,697.50	\$34,848.75	\$40,535.09	\$40,970.40		\$28,727.13
1986	UNALASKA	\$12,483,742.00	\$6,241,871.00	\$16,898,360.00	\$8,449,180.00	\$284,296.44	\$293,016.18		\$6,155,163.82
1986	UNALASKA	\$428,552.00	\$214,276.00	\$428,552.00	\$214,276.00	\$37,732.22	\$37,732.22	\$107,138.00	\$283,681.78
1987	UNALASKA	\$450,000.00	\$225,000.00	\$0.00	\$0.00	\$0.00	\$0.00		\$225,000.00
1986	VALDEZ	\$475,000.00	\$237,500.00	\$269,273.34	\$134,636.67	\$97,392.50	\$93,392.50		\$41,244.17
1987	WRANGELL	\$197,000.00	\$98,500.00	\$156,894.00	\$78,447.00	\$54,778.50	\$41,512.50		\$35,974.50
1987	YAKUTAT	\$1,224,435.00	\$612,217.50	\$1,749,717.28	\$874,858.64	\$417,179.31	\$417,179.31		\$457,679.53

TOTALS \$55,488,269.05 \$27,744,134.53 \$39,013,826.75 \$19,006,943.38 \$6,758,134.43 \$6,714,793.39 \$22,729,372.85

UNEXAMINED RETURNS \$1 BRINDLE MEMORIAL SCHOLARSHIP CREDIT

approved it but does not mean they spent the \$

1988 FISHERIES BUSINESS TAX CREDIT
EXPENDITURE AMOUNTS APPROVED/DENIED
PAGE 1

ENCLOSURE 2

LOCATION OF FACILITY	\$ AMOUNT PENDING	\$ AMOUNT APPROVED	\$ AMOUNT DENIED	REASON FOR DENIAL
AKUTAH		\$403,000.00		
ALITAK		\$98,000.00		
ANCHORAGE		\$430,000.00		
ANCHORAGE		\$381,600.00		
BETHEL		\$51,000.00		
CHIGNIK		\$491,643.00		
CORDOVA			\$305,000.00	NO PRIOR APPROVAL
CORDOVA			\$23,830.00	MESSHALL
CORDOVA		\$1,062,702.00		
CORDOVA		\$902,100.00		
CORDOVA			\$79,550.00	COMPUTER
DILLINGHAM			\$61,650.00	INVENTORY CONTROL/NPA
DILLINGHAM		\$682,400.00		
EGBEK		\$26,250.00		
EGBEK		\$110,500.00		
EKUK		\$1,836,997.00		
FLOATERS			\$360,000.00	FLOATERS
GUSTAVUS		\$60,000.00		
GUSTAVUS		\$5,050.00		
HAINES		\$39,000.00		
HOMER		\$239,300.00		
HOMER			\$5,557.00	NO PRIOR APPROVAL
JUNEAU		\$8,000.00		
JUNEAU		\$589,000.00		
KASLOF		\$774,413.00		
KASLOF RVR		\$381,600.00		
KENAI			\$9,000.00	SKIFF/MOTOR
KENAI		\$437,225.00	\$14,500.00	RADIO EQUIP
KENAI			\$3,000,000.00	BUY EXISTING FCLTY
KENAI		\$996,558.00		
KENAI			\$42,864.00	NO PRIOR APPROVAL
KENAI		\$460,000.00	\$10,000.00	TRUCK/RADIO
KENAI		\$1,256,450.00	\$364,600.00	VARIOUS
KENAI		\$192,626.00		
KENAI		\$241,450.00		
KETCHIKAN		\$186,260.00		
KETCHIKAN		\$617,105.00		
KODIAK		\$422,590.00		
KODIAK		\$1,635,000.00	\$20,000.00	TRUCK/PHONE/PAVING
KODIAK	\$6,000.00	\$32,600.00	\$15,000.00	VEHICLE
KODIAK		\$1,136,600.00	\$15,000.00	COMPUTER
KODIAK		\$4,215,000.00		
KODIAK		\$218,800.00	\$18,000.00	NO PRIOR APPROVAL
KODIAK		\$935,000.00	\$1,085,000.00	WAREHOUSE/TRUCK OVERHAUL
KODIAK		\$450,000.00		
KODIAK ISL		\$244,300.00	\$169,900.00	COMPUTER
NAKNEK		\$417,075.00	\$38,592.00	WAREHOUSE/MESSHALL
NAKNEK		\$1,303,000.00	\$291,300.00	TRUCK/BKHSR/BULLDZR
NORTH POLE		\$57,140.00		
FELICAN		\$59,100.00		
PETERSBURG		\$1,944,600.00		
PETERSBURG		\$70,350.00		
FORT GRAHAM		\$124,623.00		
PT BAILEY		\$494,000.00	\$25,739.00	COMPUTER
S NAKNEK		\$801,460.00		

1988 FISHERIES BUSINESS TAX CREDIT
EXPENDITURE AMOUNTS APPROVED/DENIED

PAGE 2

ENCLOSURE 2

LOCATION OF FACILITY	\$ AMOUNT PENDING	\$ AMOUNT APPROVED	\$ AMOUNT DENIED	REASON FOR DENIAL
SEWARD		\$3,121,000.00		
SEWARD		\$1,347,472.00		
SITKA		\$252,250.00	\$14,500.00	VARIOUS
SITKA		\$60,624.00		
STERLING			\$156,963.00	NO PRIOR APPROVAL
STERLINS		\$235,000.00		
STERLING			\$75,000.00	OFFICE/STORE
TOGIAK		\$30,969.00		
TOGIAK		\$163,000.00		
UNALASKA		\$605,213.00	\$647,581.00	NO PRIOR APPROVAL
UNALASKA		\$16,500,600.00		
UNALASKA			\$1,198,740.00	BUNKHOUSE
VALDEZ		\$5,459,500.00	\$610,000.00	BUNKHOUSE/LOCKER RM
VALDEZ		\$5,470,721.00		
KRANGELL		\$104,000.00		
KRANGELL		\$13,000.00		
YAKUTAT		\$747,000.00	\$9,800.00	VARIOUS
TOTALS	\$6,000.00	\$62,484,038.00	\$8,781,373.00	

FISHERIES BUSINESS TAX CREDIT

CALENDAR YEAR 1989

UPDATED 03/09/89

DATE	TAX YEAR	LOCATION OF FACILITY	\$ AMOUNT APPROVED	\$ AMOUNT DENIED	REASON/ITEM DENIED
11/3/88	1989	ST PAUL ISLAND	\$2,527,000.00		
11/10/89	1989	DRY BAY (YAKUTAT AREA)	\$38,000.00		
11/10/88	1989	YAKUTAT	\$112,200.00	\$45,000.00	EMPLEE SHWR&GNEFATGR
11/10/89	1989	SITKA	\$133,500.00	\$3,000.00	COMMUNICATION SYSTEM
11/29/88	1989	SEWARD	\$1,250,000.00		
12/13/88	1989	KENAI	\$101,800.00		
12/8/88	1989	BETHEL	\$825,000.00		
12/15/88	1989	KODIAK	\$700,000.00		
12/15/88	1989	KODIAK	\$181,500.00		
12/15/89	1989	KODIAK	\$375,800.00		
12/19/89	1989	KODIAK	\$222,000.00	\$20,000.00	PRIOR EXPEDITURE
12/23/88	1989	TOGIAK	\$516,500.00	\$7,500.00	DND
01/04/89	1989	UNALASKA	\$14,000.00		
01/04/89	1989	CORDOVA	\$200,000.00		
01/04/89	1989	CORDOVA	\$162,000.00	\$200,000.00	EMPLEE ACCOHODATIONS
01/04/89	1989	KODIAK	\$19,000.00		
01/04/89	1989	CHIGNIK		\$75,924.00	MISC
01/10/89	1989	NAKNEK	\$382,518.00	\$500,000.00	BKHS/STRG BLDG
01/10/89	1989	JUNEAU		\$5,000.00	PRIOR EXPENDITURE
01/11/89	1989	KODIAK		\$12,278.97	TRUCK
01/12/89	1989	EXCURSION INLET	\$623,000.00		
01/12/89	1989	ALITAK	\$530,260.00		
01/12/89	1989	EKUK	\$91,000.00		
01/12/89	1989	EXCURSION INLET	\$158,000.00		
01/23/89	1989	KODIAK	\$9,335.40		
01/23/89	1989	SITKA	\$40,000.00		
01/19/89	1989	USANIK BAY	\$370,574.00	\$83,376.00	VHF/MESSHALL/WASTE DISPOSAL
01/19/89	1989	CORDOVA	\$1,022,758.00		
01/19/89	1989	CORDOVA	\$376,400.00		
01/20/89	1989	KETCHIKAN	\$2,002,000.00	\$65,000.00	LUNCH RM/OFFICE
02/13/89	1989	FORT BAILEY	\$131,000.00		
02/13/89	1989	FORT BAILEY	\$15,500.00		
02/13/89	1989	FORT BAILEY	\$19,500.00		
02/13/89	1989	FORT BAILEY		\$75,000.00	FUEL DOCK
02/13/89	1989	KENAI	\$29,000.00		
02/13/89	1989	KENAI	\$53,240.00		
02/13/89	1989	NAKNEK	\$37,880.00		
02/13/89	1989	EXCURSION INLET	\$27,000.00		
02/13/89	1989	EXCURSION INLET	\$78,000.00		
02/13/89	1989	ALITAK	\$190,000.00		
02/13/89	1989	ALITAK	\$37,000.00		
02/13/89	1989	KETCHIKAN	\$82,200.00		
02/13/89	1989	KENAI	\$1,059,750.00		
02/13/89	1989	KENAI		\$78,500.00	OFFICE/SFLY STGRS/BARCODE
02/13/89	1989	KENAI	\$830,000.00		
02/13/89	1989	SEWARD	\$1,195,000.00	\$5,000.00	RADIOS
02/13/89	1989	BETHEL	\$180,000.00	\$110,000.00	
02/16/89	1989	KENAI		\$20,000.00	DREDEINS
02/22/89	1989	KODIAK	\$8,344.00	\$5,955.00	ELEVATOR DOORS
02/23/89	1989	KENAI	\$20,000.00		
02/23/89	1989	KODIAK	\$211,125.00		
03/09/89	1989	JUNEAU	\$50,000.00		
03/09/89	1989	VALDEZ	\$97,000.00		
03/09/89	1989	JUNEAU	\$125,000.00		

TOTALS \$18,370,484.40 \$1,312,033.97 \$19,682,718.37

6-0370E
Chenoweth
3/13/89

Original sponsors: Cato, Grussendorf,
and Hudson

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 33 ()
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act amending and extending the fisheries business
7 tax credit; relating to fisheries business tax re-
8 funds to municipalities; and providing for an effec-
9 tive date."

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

11 * Section 1. AS 43.75.032(a) is amended to read:

12 (a) A fisheries business is entitled to a credit of not more
13 than 50 percent of the business tax liability under AS 43.75.015 for
14 capital expenditures made during the tax year that (1) increase prod-
15 uct diversity, or production efficiency and capacity, or improve
16 product quality, at a shore-based fisheries business facility in the
17 state, or (2) contribute to the development of a cooperative seafood
18 industrial park in the state, if an application for the credit is
19 approved by the department in advance of the capital expenditure. A
20 fisheries business may claim a credit under this subsection for a
21 maximum period of five [THREE] consecutive years. An applicant for
22 the credit may elect to begin the five-year [THREE-YEAR] period with
23 any tax year from 1987 through 1991 [1989]. A tax credit under this
24 subsection may not be approved for more than 50 percent of a capital
25 expenditure, plus any increase required under (b) of this section.

26 * Sec. 2. AS 43.75.032(b) is amended to read:

27 (b) The amount of a credit under (a) of this section for a
28 capital expenditure involving a shore-based fisheries business facil-
29 ity or cooperative seafood industrial park located or to be located in

1 a municipality shall be increased by the amount by which the munic-
2 ipality's fisheries business tax refund is reduced under AS 43.75.-
3 130(c). The total amount of a credit increase under this subsection
4 during a five-year [THREE-YEAR] period may not exceed 25 percent of
5 the amount of the capital expenditure.

6 * Sec. 3. AS 43.75.032(c) is amended to read:

7 (c) The portion of a capital expenditure that is eligible for a
8 credit under this section but is claimed during a single tax year may
9 not be carried back to a prior tax year but is available for the
10 computation as a credit under this section for a subsequent tax year
11 within the five-year [THREE-YEAR] period elected under (a) of this
12 section.

13 * Sec. 4. AS 43.75.032(f) is amended to read:

14 (f) The total tax credits that may be claimed under this section
15 for a tax year for capital expenditures and scholarship contributions
16 combined may not exceed

17 (1) 75 percent of the taxpayer's business tax liability
18 under AS 43.75.015 for the tax year if a municipality adopts an ordi-
19 nance under AS 43.75.130(c) reducing the municipality's tax refund for
20 that tax year; or

21 (2) 50 percent of the taxpayer's business tax liability
22 under AS 43.75.015 for the [THAT] tax year if a municipality has not
23 adopted an ordinance under AS 43.75.130(c) reducing the municipality's
24 tax refund for that tax year.

25 * Sec. 5. AS 43.75.130(c) is amended to read:

26 (c) Within 60 days after a credit is approved under AS 43.75.032
27 for a capital expenditure involving a shore-based fisheries business
28 facility or cooperative seafood industrial park located or to be
29 located in a municipality, the municipality may adopt an ordinance

1 direct the department to reduce the municipality's refund under this
2 section over a period of not more than five [THREE] years by an amount
3 not exceeding 25 percent of the capital expenditure.

4 * Sec. 6. Section 7, ch. 79, SLA 1986, is repealed and reenacted to
5 read:

6 Sec. 7. AS 43.75.130(c), 43.75.140(1), 43.75.140(7), and 43.75.-
7 140(8) are repealed January 1, 1996.

8 * Sec. 7. Section 8, ch. 79, SLA 1936, is amended to read:

9 Sec. 8. AS 43.75.034 is repealed February 15, 1996 [1992].

10 * Sec. 8. Section 10, ch. 79, SLA 1986, is amended to read:


11 Sec. 10. Section 3 of this Act takes effect January 1, 1996
12 [1992].

13 * Sec. 9. APPLICABILITY TO EXISTING CREDITS. (a) The provisions of
14 this Act apply to extend from three years to five years a tax credit
15 claimed by a fisheries business under AS 43.75.032 and 43.75.130 for a tax
16 year beginning after December 31, 1986, and before the effective date of
17 this Act.

18 (b) Notwithstanding the time limitation for adoption of an ordinance
19 imposed by AS 43.75.130(c), a municipality that, on or before the effective
20 date of this Act, has adopted an ordinance directing the Department of
21 Revenue to reduce the municipality's fisheries tax refund under AS 43.75.-
22 130(c) for a period of not more than three years may amend the ordinance
23 and direct the Department of Revenue to reduce that refund for a period of
24 not more than five years.

25 * Sec. 10. Sections 1 - 5 of this Act are retroactive to January 1,
26 1987.

27 * Sec. 11. This Act takes effect immediately under AS 01.10.070(c).
28
29



CHUGACH FISHERIES, INC.

FEB 10 1989

4241 - 21st AVENUE WEST, SUITE 204
SEATTLE, WA 98199
PHONE (206) 284-0804

January 10, 1989

Representative Bette Cato
P.O. Box 775
Valdez, AK 99686

Dear Representative Cato:

The purpose of this letter is to ask for your support in promoting the extension of the capital improvement tax credit program. I understand that review of the program is set for legislative session scheduled in January.

The program had allowed our company a chance to improve our ability to produce a better quality product as well as open new markets and in turn received higher value for our product. Our added capital expenditures had brought positive contributions to the Alaskan business communities as well as increased local employment.

I am aware of the fact that you're one of the original supporter of the program therefore counting on you for your continued support to our industry.

Thank you in advance for your support.

Very truly yours,
Chugach Fisheries, Inc.



Larry Cambronero
V.P. Operations

STATE OF ALASKA

DEPARTMENT OF REVENUE

STEVE COWPER, GOVERNOR

STATE OFFICE BUILDING
P.O. BOX 5A
JUNEAU, ALASKA 99811-0400

January 20, 1989

The Honorable Tim Kelly
President of the Senate
P. O. Box V
Juneau, AK 99811

Dear Mr. President

The following is a report of the Fisheries Business Tax Credit Program. In accordance with AS 43.75.034 the Alaska Department of Revenue must present a report not later than the 15th day of the legislative session on the Fisheries Business Tax Credit Program under AS 43.75.032.

This program allows fisheries businesses to reduce their tax liability by up to 50% each year over a three year period. This is a temporary program which allows for capital expenditures made in tax years 1987 through 1989 to be claimed as credits on tax returns through tax year 1991.

Qualifying expenditures must be approved by the Department of Revenue in advance and must "increase product diversity, or production efficiency and capacity, or improve product quality, at a shore-based fisheries business facility in the state, or contribute to the development of a cooperative seafood industrial park in the state" (AS43.75.032(a)).

The municipality in which the capital improvements are made may grant the fisheries business an additional credit of 25%. This reduces the municipality's share of the tax that they would ordinarily receive. The total credit taken against the business tax liability each year still may not exceed 50%.

The attached spreadsheets give the details of the estimated expenditures approved for tax credit in 1988 and the actual credits taken for 1987. Total expenditures approved for the 1988 calendar year were \$62,484,038.00. Total expenditures denied were \$8,781,373.00. Generally, denials were for expenditures made prior to approval from the Department, or for expenditures that did not qualify for the credit. Actual credits taken against 1987 taxes which directly reduced FY88 State revenues totaled \$6,714,793.00.

The expenditures were made for the following types of equipment and facilities:

- plant modifications and facility upgrades;
- Baader filleting skinning machines;
- ice houses and refrigeration equipment;
- new and replacement of various pumps and cannery equipment;
- bottomfish and surimi processing equipment;
- forklifts, loaders, cranes, booms, etc.

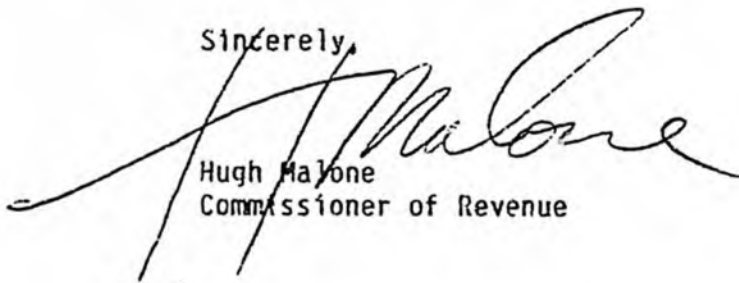
The Honorable Tim Kelly
January 20, 1989
Page 2

One city granted the additional credit available for municipal participation in 1987. This did not reduce the city's share of the tax because the tax liability did not exceed the amount of credit already granted by the state. In 1988 three cities participated by granting credit to four processors.

To date no business has sought approval of a credit for construction of an industrial seafood park.

If you have any further questions, please let us know.

Sincerely,

A handwritten signature in cursive script, appearing to read "H. Malone", written over the typed name and title.

Hugh Malone
Commissioner of Revenue

HM:SK:mga
Enclosures
89-17

The Honorable Tim Kelly
January 20, 1989
Page 2

One city granted the additional credit available for municipal participation in 1987. This did not reduce the city's share of the tax because the tax liability did not exceed the amount of credit already granted by the state. In 1988 three cities participated by granting credit to four processors.

To date, no business has sought approval of a credit for construction of an industrial seafood park.

If you have any further questions, please let us know.

Sincerely,

Hugh Malone
Commissioner of Revenue

HM:SK:mga
Enclosures
0228R

1987 FISHERIES BUSINESS TAX CREDIT WORKSHEET

ENCLOSURE 1

EXPEND YEAR	LOCATION OF FACILITY	EXPENDITURE AMT APPROVED	TOTAL POTENTIAL CREDIT	1987 QUALIFYING EXPENDITURES	ACTUAL CREDIT AVAILABLE	CREDIT TAKEN PER RETURN	ADJUSTED CREDIT APPLIED	MUNICIPAL PARTICIPATION	POTENTIAL CARRYOVER AVAILABLE
1987	AKUTAN	\$200,000.00	\$100,000.00	\$0.00	\$0.00	\$58,031.18	\$0.00		\$0.00
1987	AKUTAN	\$13,688,000.00	\$6,844,000.00	\$0.00	\$0.00	\$0.00	\$0.00		\$6,844,000.00
1987	ALITAK	\$120,000.00	\$60,000.00	\$196,732.00	\$98,366.00	\$139,756.02			
1987	CHIGNIK	\$331,500.00	\$175,750.00	\$270,021.00	\$145,010.50	\$152,365.50	\$145,010.50		\$0.00
1986	CORGOVA	\$950,826.00	\$475,413.00	\$869,172.00	\$434,586.00	\$217,293.00	\$217,293.00		\$217,293.00
1986	CORGOVA	\$965,929.00	\$482,964.50	\$965,928.63	\$482,964.32	\$327,540.39	\$327,540.39		\$155,423.93
1987	CORGOVA	\$382,647.00	\$191,323.50	\$382,206.00	\$191,103.00	\$91,360.00	\$91,360.00		\$101,743.00
1987	CRAIG	\$385,000.00	\$192,500.00	\$193,871.16	\$96,935.58	\$67,011.88	\$67,078.51		\$179,457.07
1987	EKUK	\$435,445.00	\$217,822.50	\$408,203.00	\$204,101.50	\$91,914.30			
1987	EXCURSION INLET	\$282,237.00	\$141,118.50	\$407,135.00	\$203,567.50	\$85,472.55			
1986	HODNAH	\$195,515.00	\$97,757.50	\$349,428.62	\$174,714.31	\$47,265.70	\$47,265.70		\$127,448.61
1986	JUNEAU	\$3,000.00	\$1,500.00	\$4,084.00	\$2,042.00	\$2,141.98	\$2,042.00		\$0.00
1987	JUNEAU	\$1,500.00	\$750.00	\$1,678.96	\$839.48	\$839.48	\$839.48		\$0.00
1987	KASILOF	\$190,000.00	\$95,000.00	\$190,000.00	\$95,000.00	\$25,436.00	\$25,527.02		\$69,472.98
1986	KENAI	\$550,810.00	\$275,405.00	\$277,203.00	\$138,601.50	\$21,470.72	\$21,470.72		\$104,580.19
1986	KENAI	\$231,400.00	\$115,700.00	\$241,349.61	\$120,674.81	\$103,319.00	\$103,319.00		\$17,356.00
1986	KENAI	\$49,553.00	\$24,776.50	\$49,883.34	\$24,941.67	\$24,776.67	\$24,776.67		\$0.00
1986	KENAI	\$88,400.00	\$44,200.00	\$88,400.47	\$44,200.24	\$15,044.30	\$15,044.30		\$29,155.93
1987	KENAI	\$383,500.00	\$191,750.00	\$383,500.00	\$191,750.00	\$157,042.26	\$157,042.26		\$34,707.74
1987	KENAI	\$96,629.00	\$48,314.50	\$119,966.00	\$59,983.00	\$244,201.72			
1986	KETCHIKAN	\$731,699.00	\$365,849.50	\$731,699.00	\$365,849.50	\$97,072.85	\$97,072.85		\$268,776.63
1986	KETCHIKAN	\$558,221.00	\$279,110.50	\$797,347.00	\$398,673.50	\$157,071.00	\$157,071.00		\$201,603.00
1986	KETCHIKAN	\$1,160,000.00	\$580,000.00	PENDING	\$0.00				\$580,000.00
1987	KETCHIKAN	\$183,337.00	\$91,668.50	\$263,976.00	\$131,988.00	\$37,576.93	\$975,327.48		\$17,129.52
1987	KING COVE	\$2,500,000.00	\$1,250,000.00	\$0.00	\$0.00	\$80,000.00	\$80,000.00		\$1,250,000.00
1986	KODIAK	\$653,916.00	\$326,958.00	PENDING	\$0.00				\$326,958.00
1986	KODIAK	\$4,226,633.65	\$2,113,316.83	\$4,226,633.65	\$2,113,316.83	\$410,151.30	\$410,151.30		\$1,703,163.53
1986	KODIAK	\$2,091,994.00	\$1,045,997.00	\$0.00	\$0.00	\$0.00	\$0.00		\$1,045,997.00
1987	KODIAK	\$540,000.00	\$270,000.00	\$254,309.47	\$127,154.74	\$140,205.33	\$140,205.33		\$0.00
1987	KODIAK	\$160,438.00	\$80,219.00	\$139,770.19	\$69,885.10	\$69,800.21	\$69,478.00		\$81.69
1987	KODIAK	\$1,118,087.40	\$559,043.70	\$1,318,204.92	\$659,102.46	\$318,435.25	\$318,735.25		\$340,667.21
1987	KODIAK	\$1,472,327.00	\$736,163.50	\$1,472,327.00	\$736,163.50	\$690,948.76	\$690,948.76		\$45,314.74
1987	KODIAK	\$777,670.00	\$388,835.00	\$754,837.39	\$377,418.70	\$244,826.00	\$244,826.00		\$132,592.70
1987	KODIAK	\$235,000.00	\$117,500.00	\$48,642.07	\$24,321.04	\$18,386.46	\$18,386.46		\$5,934.58
1986	NAKNEK	\$82,940.00	\$41,470.00	\$49,553.34	\$24,776.67	\$24,776.67	\$24,776.67		\$0.00
1987	NAKNEK	\$68,000.00	\$34,000.00	\$63,001.00	\$31,500.50	\$197,118.97			
1987	NAKNEK	\$239,126.00	\$119,563.00		\$0.00				
1987	NAKNEK	\$106,500.00	\$53,250.00	\$101,431.71	\$50,715.86	\$50,715.86	\$0.00		\$50,715.86
1987	PETERSBURG	\$2,706,847.00	\$1,353,423.50	\$2,706,847.00	\$1,353,423.50	\$111,824.62	\$68,088.00		\$0.00
1987	PETERSBURG	\$399,500.00	\$199,750.00	\$281,879.67	\$140,939.84	\$42,638.27	\$42,638.27		\$0.00
1987	PETERSBURG	\$77,000.00	\$38,500.00	\$85,276.74	\$42,638.37	\$42,638.27	\$42,638.27		\$0.00
1986	PORT BAILEY	\$364,653.00	\$182,326.50	\$45,901.00	\$22,950.50	\$57,713.88			
1987	S. NAKNEK	\$36,639.00	\$18,319.50	\$0.00	\$0.00	\$0.00	\$0.00		\$18,319.50
1987	SEWARD	\$618,087.00	\$309,043.50	\$618,087.00	\$309,043.50	\$1,373,143.18	\$1,373,143.18		\$89,323.82
1987	SITKA	\$126,423.00	\$63,211.50	\$25,422.97	\$12,711.49	\$12,711.49	\$12,711.49		\$0.00
1987	SITKA	\$524,251.00	\$262,125.50		\$0.00				
1987	TOBIAK	\$139,395.00	\$69,697.50	\$69,697.50	\$34,848.75	\$40,535.09	\$40,970.40		\$28,727.13
1986	UNALASKA	\$12,483,742.00	\$6,241,871.00	\$16,898,360.00	\$8,449,180.00	\$284,296.44	\$293,016.18		\$8,156,163.82
1986	UNALASKA	\$428,552.00	\$214,276.00	\$428,552.00	\$214,276.00	\$37,732.22	\$37,732.22	\$107,138.00	\$283,681.78
1987	UNALASKA	\$450,000.00	\$225,000.00	\$0.00	\$0.00	\$0.00	\$0.00		\$225,000.00
1986	VALDEZ	\$475,000.00	\$237,500.00	\$269,273.34	\$134,636.67	\$93,392.50	\$93,392.50		\$41,244.17
1987	WRANGELL	\$197,000.00	\$98,500.00	\$156,894.00	\$78,447.00	\$54,778.50	\$41,512.50		\$36,934.50
1987	YAKUTAT	\$1,224,435.00	\$612,217.50	\$1,749,717.28	\$874,858.64	\$417,179.31	\$417,179.31		\$457,679.33
TOTALS		\$55,488,269.05	\$27,744,134.53	\$38,013,886.75	\$19,006,943.38	\$6,758,134.43	\$6,714,793.39		\$22,729,372.85
UNEXAMINED RETURNS			\$1 BRINDLE MEMORIAL SCHOLARSHIP CREDIT						

1988 FISHERIES BUSINESS TAX CREDIT
EXPENDITURE AMOUNTS APPROVED/DENIED

PAGE 1

ENCLOSURE 2

LOCATION & FACILITY	\$ AMOUNT PENDING	\$ AMOUNT APPROVED	\$ AMOUNT DENIED	REASON FOR DENIAL
AKUTAN		\$403,000.00		
ALITAK		\$98,000.00		
ANCHORAGE		\$430,000.00		
ANCHORAGE		\$381,600.00		
BETHEL		\$51,000.00		
CHIGNIK		\$491,643.00	\$305,000.00	NO PRIOR APPROVAL
CORDOVA			\$23,830.00	MESSHALL
CORDOVA		\$1,062,702.00		
CORDOVA		\$902,100.00		
CORDOVA			\$79,550.00	COMPUTER
CORDOVA		\$832,802.00	\$61,650.00	INVENTORY CONTROL/NPA
DILLINGHAM		\$682,400.00		
EGEBIK		\$26,250.00		
EGEBIK		\$110,500.00		
EKUK		\$1,836,997.00		
FLOATERS			\$360,000.00	FLOATERS
GUSTAVUS		\$60,000.00		
GUSTAVUS		\$5,050.00		
HAINES		\$39,000.00		
HOMER		\$239,300.00		
HOMER			\$5,557.00	NO PRIOR APPROVAL
JUNEAU		\$8,000.00		
JUNEAU		\$589,000.00		
KASLOF		\$774,413.00	\$93,707.00	VARIOUS
KASLOF RVR		\$381,600.00		
KENAI			\$9,000.00	SKIFF/MOTOR
KENAI		\$437,225.00	\$14,500.00	RADIO EQUIP
KENAI			\$3,000,000.00	BUY EXISTING FCLTY
KENAI		\$996,558.00		
KENAI			\$42,864.00	NO PRIOR APPROVAL
KENAI		\$460,000.00	\$10,000.00	TRUCK/RADIO
KENAI		\$1,256,450.00	\$364,600.00	VARIOUS
KENAI		\$192,626.00		
KENAI		\$241,450.00		
KETCHIKAN		\$186,260.00		
KETCHIKAN		\$617,105.00		
KODIAK		\$422,590.00	\$20,000.00	TRUCK/PHONE/PAVING
KODIAK		\$1,635,000.00	\$15,000.00	VEHICLE
KODIAK	\$6,000.00	\$32,600.00	\$15,000.00	COMPUTER
KODIAK		\$1,136,600.00		
KODIAK		\$4,215,000.00		
KODIAK		\$218,800.00	\$18,000.00	NO PRIOR APPROVAL
KODIAK		\$933,000.00	\$1,085,000.00	WAREHOUSE/TRUCK OVERHAUL
KODIAK		\$450,000.00		
KODIAK ISL		\$244,300.00	\$189,900.00	COMPUTER
NAKNEK		\$417,075.00	\$38,592.00	BUNKHOUSE/MESSHALL
NAKNEK		\$1,303,000.00	\$291,300.00	TRUCK/BKHSE/BULLDZR
NORTH POLE		\$57,140.00		
PELICAN		\$59,100.00		
PETERSBURG		\$1,944,600.00		
PETERSBURG		\$70,350.00		
PORT GRAHAM		\$124,623.00	\$25,739.00	COMPUTER
PT BAILEY		\$494,000.00		
S NAKNEK		\$801,480.00		

1988 FISHERIES BUSINESS TAX CREDIT
EXPENDITURE AMOUNTS APPROVED/DENIED

PAGE 2

ENCLOSURE 2

LOCATION OF FACILITY	\$ AMOUNT PENDING	\$ AMOUNT APPROVED	\$ AMOUNT DENIED	REASON FOR DENIAL
SEWARD		\$3,121,000.00		
SEWARD		\$1,347,472.00		
SITKA		\$252,250.00	\$14,500.00	VARIOUS
SITKA		\$60,624.00		
STERLING			\$156,963.00	NO PRIOR APPROVAL
STERLING		\$235,000.00		
STERLING			\$75,000.00	OFFICE/STORE
TOGTAK		\$30,969.00		
TOGTAK		\$163,000.00		
UNALASKA		\$605,213.00	\$647,581.00	NO PRIOR APPROVAL
UNALASKA		\$16,500,000.00		
UNALASKA			\$1,198,740.00	BUNKHOUSE
VALDEZ		\$5,459,500.00	\$610,000.00	BUNKHOUSE/LOCKER RM
VALDEZ		\$5,470,721.00		
WRANGELL		\$104,000.00		
WRANGELL		\$13,000.00		
YAKUTAT		\$747,000.00	\$9,800.00	VARIOUS
TOTALS	\$6,000.00	\$62,484,038.00	\$8,781,373.00	

Alaska State Legislature

Senate Advisory Council



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

MEMORANDUM

TO: Senator Arliss Sturgulewski
Alaska State Senate

ATTENTION: Frank Hoffman

FROM: Richard Rainery *RR*
Senior Analyst

DATE: November 22, 1988

SUBJECT: Fisheries Business Tax Credit and Revenue Sharing Programs
Research Request No. 88-003324

You have requested information concerning the consequences of implementing the Fisheries Business Tax credit program and the results of the municipal revenue sharing feature of the same tax, including the provision calling for phased activation of full revenue sharing for newly formed boroughs. While tax revenues derived from the sale of raw fish have been shared by the State of Alaska with the municipalities of origin for a number of years now, both the tax credit program and the new borough share phase-in are recent amendments to the law. As such, information concerning their influence on the seafood industry and municipal finances and economies is still sketchy. Your question is rather broad and while this memorandum will touch on all aspects of the tax credit and revenue sharing programs, the subject is broad as well. I refer you to a recent draft Senate Advisory Council report, Community Fisheries Development, which includes a discussion of state fisheries taxation policy for additional information. Copies have been provided to your office.

I. Fisheries Business Tax Credit Program

Credits against the tax liabilities of seafood processing industry firms were made available for calendar years beginning in 1986. A firm may claim a credit of up to 50% of annual tax liability for the costs of certain capital investments at shoreside facilities. Eligible improvements, which must be approved in advance by the Alaska Department of Revenue (ADOR), include facilities which diversify products, increase efficiency, quality, and capacity or development of cooperative seafood industrial parks. The full amount of an approved credit may be applied against up to three years' tax liabilities. The basic intent of the tax credit, as well as some other aspects of the tax's structure, is to encourage expansion of existing facilities into new processes

and products and to entice new processing capacity to locate on Alaskan terra firma rather than operating at sea, which is the predominant trend at present, particularly in the groundfish fisheries.

Has the provision of the tax credit lured the seafood industry ashore? Within the near future there will be some fifty U.S. factory trawlers (most in excess of 200 feet in length) operating in the Alaskan Exclusive Economic Zone (EEZ), up from none just a few years ago. There are plans for at least two 600 foot processing vessels as well. These ships will not be replacing existing shore based capacity, but displacing the foreign processing components of at sea joint ventures as the "Americanization" of the EEZ continues. That process should be complete within about two years. It is predicted that 80% of the bottomfish catch will be processed at sea. A variety of factors assure that floating processing will predominate. Combined operations are more profitable, transshipment to tramp freighters is more efficient than calling at shore, better quality products are assured by immediate processing of catches, and suitable sites for plants are scarce on the Bering Sea coast. These are not absolutes, there are factors which favor shore based facilities¹, but no reversal in the trend of the last few years is apparent yet.

Measuring the economic benefits of tax incentives in general is a difficult task. Despite the proliferation of special tax treatment for a variety of industries in states across the nation, rare has been the rigorous analysis of the economic effect of an incentive. Nor have state governments made concerted efforts to assess the revenue impacts of incentives. This is generally the case in Alaska. The fisheries business tax credit program is still too new to judge fairly and completely. It is true that, since the credit was implemented, processing companies have filed for and received approval from ADOR for a huge amount of expenditures for qualifying improvements. These are recorded in Table 1. It should be noted that these data are preliminary and "unaudited". Their value lies in their representation of gross magnitude rather than as a precise rendering of circumstances.

When lobbying for the enactment of the credit program, processing interests were careful not to claim that sensational growth of shore based processing capacity would result, but asserted that it was a necessary element in any meaningful attempt to spark such expansion. Approved applications for credits now exceed \$113 million in amount for calendar years 1987 and 1988. This represents a significant percentage of the assessed value of existing shore plants, perhaps as much as one third. Comprehensive estimates on statewide assessed values are not available, but a partial survey in 1987 identified about \$210,000,000 in capital assets (see Community Fisheries Development).

¹The fisheries business tax rate structure favors shore plants and capital and labor costs are lesser on land.

Table 1
Fisheries Business Tax Credit Investments
(Calendar Years 1987 and 1988)

	1987	1988*	Both Years
Approved Expenditure	\$55.2	\$58.6	\$113.8
Potential Credit	27.6	29.3	56.9
Actual Expenditure	37.6	39.9#	77.5
Actual Credit	18.5	19.9#	38.7
Credit Claimed	6.7	14.4	21.1

Source: ADOR, 1988.

* As of November 1988.

Estimates based on 1987 patterns.

Annual tax collections have ranged between about \$15 million and \$25 million since Fiscal Year 1980. One-half of total tax liabilities represents the upper limit on credits, if all processors had been eligible for the full 50%. It is not surprising that actual credits have been less than the approved level thus far; individual company tax bills are small enough that most larger credit amounts will have to be spread out over three years to be fully used. Credits claimed on 1987 tax returns reduced state revenues by \$6.7 million, only about one third the value of credits earned. 1988 expenditures are forecast to be only slightly higher than those of 1987, but credits will be more than double 1987 levels principally due to carryover from that year. State revenues have declined as a result. Increased harvest values have kept collections relatively high, but will not counterbalance the loss of income resulting from use of credits and the state's portion after revenue sharing has substantially decreased (see the next section for more details).

The fundamental issue, in light of this information, is whether the investments in question would have been made in the absence of the credit. The answer to that question is not clear. It presupposes knowledge of the innermost workings of corporate decisionmaking that is not usually available to government researchers. Certainly, it has been the position of business in general that tax incentives are meaningful and oftentimes essential elements in

certain decisions.² I certainly cannot dispute that position in this case. It is, however, not the claim of the Alaskan processing industry that these investments would not have occurred absent the credit. Rick Lauber, vice-president of the Pacific Seafood Processors Association (PSPA), says that he would not make that assertion. He does say that the level of investment since the enactment of the credit has surprised him, both the amount and the number of processors participating (over 40 in both years). He believes that the credit has definitely influenced the timing of investments. Given the rapid development of the Bering Sea bottomfish industry, that circumstance may be the real benefit of the credit, permitting the capture of a portion of the harvest for shore plants before the domestic processing sector becomes fully developed. It would seem, however, that the shore plant sector was in a "fish or cut bait" situation and in order to compete had to invest to adapt to the new fisheries and markets. The credit surely made those investments more attractive.

Mr. Lauber cited one case in which the credit was instrumental in a decision for a major expansion of one shore plant, although perhaps in an unforeseen manner. A major Aleutian processor had determined to expand capacity and diversify, but was debating whether to do so at an existing shore plant or to add to its fleet of floating processors. The plans of the newly formed Aleutians East Borough to assess a 2% tax on the sale of raw fish would have been the straw that tipped the scale in favor of at sea processing had it not been for the availability of the fisheries business tax credit. As a result, a \$14 million dollar expansion to the firm's shore plant went forward.

A significant portion of ADOR approved expenditures are for bottomfish processing. According to Dick Reynolds of the Office of Commercial Fisheries Development in the Alaska Department of Commerce and Economic Development, the following rough categories of investment were approved in 1987:

- | | |
|--|------------------|
| 1. Docks, unloading, and holding facilities | - \$ 4.7 million |
| 2. Ice or refrigeration/freezing facilities | - 7.4 million |
| 3. Buildings or utilities | - 16.2 million |
| 4. Standard finfish/shellfish species processing | - 4.1 million |
| 5. Other value added processing | - 2.4 million |
| 6. Bottomfish fillets | - 8.9 million |
| 7. Surimi | - 9.9 million |
| 8. Other (including fishmeal and oil processing) | - 4.4 million |

Approximately \$40 million of the \$58 million total was identified by Mr. Reynolds as capital improvements for bottomfish processing plants, so it would seem as though the money (if indeed all these planned investments come to fruition) is largely being spent in that developing sector as intended by law.

²Although most research has suggested incentives are not necessary or are poorly designed, there are respectable arguments on both sides of the issue.

At present little concrete information is available on how these investments, actual or prospective, will affect the Alaskan seafood industry and the overall state economy. The industry is presently booming, with the value of catches to fishermen and processors increasing on an annual basis, despite the fact that fewer of the most highly valued species, salmon, have been landed in each of the last two years. Construction of refrigeration facilities will enable processors to adapt to changing markets in which frozen salmon are displacing canned fish and in which frozen bottomfish fillets are an increasing piece of the pie. Frozen fish are generally higher in value than canned products and the fact that they may as well be held in inventory during periods of product surfeit should help to strengthen somewhat the market position of processors of Alaskan fish.

At this point it would be speculative to attempt to determine whether there have been any employment gains attributable to the credit program. While the credit focusses on capital investment, it is certain that some increased employment will result from capacity growth and product diversification. Whether new jobs will be filled by Alaskans or non-residents is the question. Recently about 70% of shore based processing jobs have been filled by non-resident seasonal workers. Statewide, seafood processing employment increased by 100 jobs (less than 1%) between August (a peak month) 1987 and August 1988. The increase appears to have been centered in Southeast Alaska, where little bottomfish is processed. If there is a substantial increase in workforce at bottomfish plants, that may be more likely to benefit the site communities since most such plants will operate on a year-round basis as opposed to the seasonal nature of the established fisheries. Even if labor is imported, many non-residents may perforce become de facto residents.

Although the financing of construction of new facilities is eligible under the credit program, no applications for new plants have been made says John Hansen, supervisor of the audit office of the Income and Excise Tax Division of ADCR. All approved expenditures have been for existing or previously planned investments. Credit use has yet to affect much of maritime Alaska; eligible investment occurred in but 22 communities in 1987. Some 63% of the dollar value of approved 1987 applications were from only three communities (Akutan, Kodiak, and Unalaska) and 87% originated in but 10 communities. In 1988, the top three (Kodiak, Unalaska, and Valdez) accounted for 60% of approved value, while the top ten sites had 89%.

A final note on the credit program: Mr. Lauber of PSPA asserts that the program could be of added benefit to the state, particularly in terms of resident employment if a clarification to the law were made. The processors believe that the construction of employee housing should qualify for the credit. ADOR has not agreed and has not approved such expenditures. PSPA contends that if apartment or detached housing were eligible under the program, permanent residents could be attracted to Alaskan communities. Many communities in which plants are located are chronically short of housing. The

provision of decent housing combined with year-round employment could, in Mr. Lauber's opinion, help to ameliorate the transient, temporary nature of most processing employment. He believes that if companies operating factory trawlers and other at sea processing vessels could qualify for credits for investments in housing, a number of such vessels could be enticed to homeport in Alaska. Of the fifty or so factory trawlers licensed to fish the Alaskan EEZ, no more than ten are homeported in Alaska. Increasing that number would obviously strengthen local and regional fishing and support sector economies.

II. The Fisheries Business Tax Revenue Sharing Program

The fisheries business tax has been a significant contributor to the state treasury (in relative terms) for only the last ten years. Total collections topped \$10 million dollars for the first time in FY 1979 and since FY 1981 have ranged from about \$19 million to \$26 million. Figure 1 displays state and municipal shares since FY 1979, with estimates for FY 1989 - 1990, and shortfalls in municipal shares for FY 1987 - 1988 when appropriations were insufficient for full funding. Since the 1981 amendment to the law which



Figure 1 FY 1989 and FY 1990 shares estimated.

Source: ADOR, 1988.

increased the municipal share of locally generated revenues from 20% to 50%, municipal shares have been steadily rising. The proportion of state/municipal shares had settled into about a two thirds/one third pattern for the five year beginning in FY 1983. That relationship changed in FY 1988 as taxpayers began claiming credits. The state share dropped to only 49% of revenues with municipalities entitled to 51%, although the latter received only 35% as legislative appropriations were insufficient for full distribution.³ Although total liabilities in FY 1988 were a record \$29.1 million, state revenues declined in absolute, as well as relative, terms, compared to the previous year. Strong harvests and good prices pushed up revenues, but the tax credit reduced the state share of the total by \$6.7 million for the year. Absent the credit, the rough FY 1983 - FY 1987 proportion of state/municipal shares would have prevailed.

ADOR projections of fisheries business tax revenues and the distribution of those revenues for the present and coming fiscal year (Elliot, pers. com., 1988) are as follows:

<u>FY 1989</u>	
State share	- \$13.3 million
Municipal share	- 11.2 million
Municipal shortfall	- 3.4 million
Credits	- 14.4 million

<u>FY 1990</u>	
State share	- \$ 8.8 million
Municipal share	- 12.2 million
Credits	- 8.9 million

The increased state share in FY 1989 reflects the high prices received by fishermen during 1988. The decline in FY 1990 is indicative of ADOR's opinion that those high prices will not be duplicated next year. The increase in the FY 1989 credit amount is the result of the carryover of approved but unclaimed FY 1988 credits (some \$23 million). As that carryover diminishes, the overall level of credits claimed is expected to decline in FY 1990. So for the period FY 1988 - FY 1990, the net state share of gross fisheries business tax collections is forecast to decline by \$30 million as a result of credits against the tax liabilities of processors. State revenues for the period are forecast to decline to levels comparable to those of FY 1979, before the present tax structure was adopted (FY 1989 must be regarded as an anomaly at present as inflated salmon prices raised the total ex-vessel value for those species for the 1988 calendar year by over 40% above the previous record).

³The \$600,000 shortfall in FY 1987 distributions to municipalities was wiped out by a supplemental appropriation the following year. Supplemental funding for the FY 1988 shortfall has been requested by ADOR for FY 1990.

Senator Arliss Sturgulewski
November 22, 1988
Page 8

In 1987, the Alaska Legislature amended the revenue sharing formula for the fisheries business tax to provide for a phased implementation of the full share of revenues to be returned to newly formed boroughs for monies collected from organized municipalities within the boundaries of those boroughs. Under normal circumstances such monies are split evenly (25%/25%) between the community of origin and the encompassing borough. SB 162 altered the formula in AS 43.75.130 to give new boroughs a 5% share of revenue in the first year of operation, with the city retaining 45%. In each succeeding year, the borough share would increase by 5% and the city share decrease by 5% until the standard division came into effect at the commencement of the fifth calendar year of the borough's existence.

Only one borough, Aleutians East, has been incorporated since the effective date of the formula change. The Aleutians East Borough was incorporated on October 23, 1987, so the formula was applied only to the last quarter's tax receipts from the affected cities (Akutan, King Cove, and Sand Point). The borough has thus far received 5% of the revenues generated within those cities for just that final quarter of 1987. The formula amount was reduced further by the FY 1988 funding shortfall. Other municipalities received 70.39% of the revenue sharing funds due them; the Aleutians East Borough (and its constituent communities) received only 64.88% of the full entitlement as a result of their delayed submission of tax information to ADOR. Insufficient funding remained by that time to return the same portion of full funding to Aleutians East municipalities that was provided to the remainder of the state. The division of tax revenues (in thousands) generated in the borough for FY 1988 was as follows:

Aleutians East Borough	-	\$ 6.2	(shortfall - \$ 3.3)
City of Akutan	-	244.3	(shortfall - 132.2)
City of King Cove	-	372.4	(shortfall - 201.6)
City of Sand Point	-	108.5	(shortfall - 58.7)
Total	-	\$731.4	(shortfall - \$395.8)

It may appear as though the borough's share is substantially less than a 5% share of one quarter's tax collections. This impression is the result of the seasonal nature of fishery harvests. The bulk of the value of harvests are taken during the spring and summer quarters. In the last quarter of 1987, raw fish sales in these three cities amounted to only 13% of the year's sum.

Please inform us if there is any additional information you wish on this topic.

Alaska State Legislature

RECEIVED JAN 10 1989

SENATOR
ARLISS STURGULEWSKI

Chairman, Senate Community and Regional Affairs Committee
Vice-Chairman, Senate Judiciary Committee
Member, Senate Resources Committee

2957 SHELDON JACKSON STREET
ANCHORAGE, ALASKA 99508


While in Juneau
P. O. BOX 5
JUNEAU, ALASKA 99811
(907) 465-3518

Senate

MEMORANDUM

January 9, 1989

TO: Senator Zharoff

FROM: Senator Sturgulewski 

RE: SB 74 "An Act amending and extending the fisheries business tax credit relating to fisheries business tax refunds to municipalities, and providing for an effective date."

Earlier this year I requested the Senate Advisory Council to look into the impact of the Fisheries Business Tax Credit program. I am sending their report on to you in hopes that it will be useful background for SB 74.

Enclosure



Alaska State Legislature

HOUSE OF REPRESENTATIVES
COMMITTEE ON RESOURCES

POUCH V
JUNEAU, ALASKA 99811
(907) 485-3715

M E M O R A N D U M

TO: All Members
House Resources Committee

FROM: Representative Cliff Davidson
Representative Curt Menard
Co-Chairman, House Resources Committee

DATE: April 12, 1989

SUBJECT: Executive Session on House Bill 33

On Friday, March 14th there will be an executive session on House Bill 33, "An Act amending and extending the fisheries business tax credit".

Because of the confidential nature of the meeting, only legislators, Department of Revenue staff, Department of Law staff and the Governor's staff may attend the meeting. Please note that members of the public and legislative staff cannot attend the meeting.

Also, please note the location change to the Governor's Conference Room on the 3rd floor of the Capitol Building at 3:00 p.m. Afterwards, we will continue the Resources meeting on House Bill 55 in the Resources Committee room.

Please fill the attached form. You must have a notary public witness your signature, available at the Lieutenant Governor's Office. Please bring them with you at 3 p.m. on Friday to the Governor's Conference Room.

Please review the enclosed document for more information.

Thank you.

Enclosure

STATE OF ALASKA

DEPARTMENT OF REVENUE

STEVE COWPER, GOVERNOR

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

April 11, 1989

GUIDELINES FOR REVIEW OF STATUS OF THE FISH TAX CREDIT PROGRAM BY THE HOUSE RESEARCH COMMITTEE

The House Resources Committee has requested from the Department of Revenue a complete analysis of the fish tax credit program under AS 43.40.

Some of the information to be reviewed by the House Resources Committee in the course of their investigation may be subject to the disclosure restrictions for tax returns and reports under AS 43.05.230 and AS 09.25.100.

In order to maintain the confidentiality of any such information and to comply with the Attorney General's advice, the following guidelines will apply to any confidential tax data covered by the disclosure prohibitions under AS 43.05.230 and AS 09.25.100.

1. Confidential tax data will be reviewed only in a meeting attended solely by appropriate state officials, specifically:

The Governor and his staff.

The Commissioner and staff of the Department of Revenue.

The Attorney General and staff of the Department of Law.

Legal counsel to the State.

Members of the Legislature.

2. No information will be provided that is covered by other non-disclosure agreements. For example, tax information that is protected under agreements with the U.S. Internal Revenue Service will not be the subject of this review.

3. All persons in the meeting agree to maintain the confidentiality of any confidential tax information now and in the future.

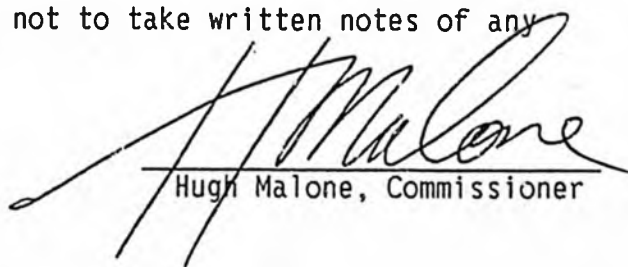
This agreement will include providing a signed written non-disclosure agreement for those persons who have not already done so, stating that the person has read and understands the law and the penalties provided for unauthorized disclosure, and that the person agrees to comply with the law.

4. No written materials containing confidential tax data will be distributed at the meeting.

5. Participants will be requested not to take written notes of any confidential tax data.

DATED:

April 12, 1989


Hugh Malone, Commissioner

DEPARTMENT OF REVENUE
CONFIDENTIALITY AGREEMENT

I, _____, being first duly sworn, agree and stipulate as follows:

1. I acknowledge that I have read and understand the following paragraph and the attached abstract (AS 43.05.230 - Disclosure of Tax Returns and Reports - Form 04-016 dated 6/83).

In accordance with AS 43.05.230, it is a violation of Alaska Statutes and Federal code for any person having information relating to a taxpayer which is obtained during the performance of duties on behalf of the State of Alaska to discuss or reveal in any manner the text or terms of this information with anyone not having a need and legal right to know.

2. I will or may be exposed to certain information entitled to confidential treatment. I will not discuss any such information, or in any manner transmit or cause to be transmitted either the text or terms of any such information other than to persons who have also signed this confidentiality agreement, and

3. To the extent that I may be involved in the handling or storage of any such information, I will handle and store such information in a manner calculated to prevent its exposure to persons who have not signed this confidentiality agreement.

4. I understand that a violation of the confidentiality requirements is unlawful and may result in criminal charges being brought against me.

DATED: _____

Name

SUBSCRIBED and SWORN to before me this _____ day of _____, 198__.

Notary Public in and for the
State of Alaska
My Commission Expires: _____

AS 43.05.230. DISCLOSURE OF TAX RETURNS AND REPORTS

(a) It is unlawful for a current or former officer, employee, or agent of the state to divulge the amount of income or the particulars set out or disclosed in a report or return made under AS 43.05.010 - 43.80.040, except

(1) in connection with official investigations or proceedings of the department, whether judicial or administrative, involving taxes due under AS 43.05.010 - 43.80.040;

(2) in connection with official investigations or proceedings of the child support enforcement agency, whether judicial or administrative, involving child support obligations imposed or imposed under AS 25.05.011 - 25.30.910 or AS 47.05.010 - 47.80.900;

(3) as provided in AS 38.05.036 pertaining to audit functions; and

(4) as otherwise provided in this section.

(b) The department, upon written request, shall furnish to the taxpayer a copy of his tax return upon payment of a fee of \$1 per page.

(c) The department may permit the proper officer of the United States or of a state, territory or possession of the United States or of the Dominion of Canada or of a province or territory of Canada, or his authorized representative, to inspect tax returns or reports filed with the department, or may furnish to the officer or representative a copy of the tax return, if the other jurisdiction grants substantially similar privileges to the department or its representative or to counsel for the state; and if the department determines that the other jurisdiction provides adequate safeguards for the confidentiality of the returns and reports, and that the returns and reports will be used for tax purposes only. The department may also permit the employment security division of the Alaska Department of Labor to inspect tax returns or reports filed with the department or may furnish a copy of the tax returns for tax purposes only.

(d) The commissioner of revenue at his discretion may furnish to the Multistate Tax Commission or other authorized agent information contained in the tax returns, reports, related schedules and documents filed under an audit or investigation of a multistate business made by the department. This information may be furnished for tax purposes only. The Multistate Tax Commission or other authorized agent may make the information available to the tax officials of other states, the District of Columbia, the United States and its territories for tax purposes only.

(e) Nothing in this section prohibits the publication of statistics so classified as to prevent the identification of particular returns or reports or the publication of delinquent lists showing the names of taxpayers who have failed to pay their taxes at the time and in the manner provided by law, together with other relevant information which in the opinion of the department may assist in the collection of delinquent taxes.

(f) A wilful violation of the provisions of this section is punishable by a fine of not more than \$5,000, or by imprisonment for not more than two years, or by both.

(g) The information contained in a license issued by the commissioner of revenue under AS 43.50.010-43.50.190, 43.60.010 - 43.60.040, 43.65.010-43.65.060, 43.70.020 - 43.70.120, and 43.75.011-43.75.140 is public information.

HISTORY (Sec. 2 ch 166 SLA 1976; am sec. 32 ch 126 SLA 1977; am sec. 5 ch 61 SLA 1980; am secs. 2,3 ch 113 SLA 1980)

DATE: _____

4-016 (6/83)

Signature