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FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. CSHB 524 (RES)

Revision Date: 4/23/92 Department Affected: Fish and Game  
 Title: Fee on transfers of limited entry permits BRU: Commercial Fisheries (Limited) Entry Commission  
 Component: Limited Entry Program Administration  
 Sponsor: Representative Koponen  
 Requestor: House Resources Committee COMPONENT SERIAL NO 

0	4	7	1
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EXPENDITURES/REVENUES:(Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE						
FUND SOURCE:						

FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER						
FUND SOURCE:						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)

This committee substitute establishes the administration, enforcement and collection of the transfer fee with the Department of Revenue. This fiscal impact is removed from the CFEC.

Prepared By: Roger Kolden Phone: 789-6160  
 Agency: Commercial Fisheries (Limited) Entry Commission, Date: 4/23/92

Approved by Commissioner: *Frank McHenry*  
 Agency: Commercial Fisheries (Limited) Entry Commission Date: 4/23/92

FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. CSHB 524 (RES)

Revision Date: April 30, 1992  
Title: Limited Entry Permit Fee

Department Affected: Department of Revenue  
BRU: Revenue Operations  
Component: Income and Excise Audit

Sponsor: Rep. Koponen  
Requestor: House Resources

COMPONENT SERIAL NO. 1 | 1 | 3

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICE	16.3	32.6	32.6	32.6	32.6	32.6
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.7	1.5	1.5	1.5	1.5	1.5
SUPPLIES	0.5	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	3.5	0.0	0.0	0.0	0.0	0.0
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>21.0</b>	<b>35.1</b>	<b>35.1</b>	<b>35.1</b>	<b>35.1</b>	<b>35.1</b>
<b>CAPITAL</b>						
<b>REVENUE FUND SOURCE</b>	<b>510.7</b>	<b>1,021.4</b>	<b>1,021.4</b>	<b>1,021.4</b>	<b>1,021.4</b>	<b>1,021.4</b>

FUNDING: (Thousands of Dollars)

GENERAL FUND	21.0	35.1	35.1	35.1	35.1	35.1
FEDERAL FUNDS						
OTHER FUND SOURCE						
<b>TOTAL</b>	<b>21.0</b>	<b>35.1</b>	<b>35.1</b>	<b>35.1</b>	<b>35.1</b>	<b>35.1</b>

POSITIONS:

FULL-TIME	1.0	1.0	1.0	1.0	1.0	1.0
PART-TIME						
TEMPORARY						

Estimate of current year impact: \$0.0

ANALYSIS:

SEE ATTACHED

Prepared By: Paul Dick *LEM* Phone: (907) 465-2320  
Division: Income and Excise Audit Date: April 30, 1992

Approved by Commissioner: Darrel J. Rexwinkel *PAM* *Darrel Rexwinkel*  
Agency: Department of Revenue Date: 4/30/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

### Analysis

This bill provides for a fee on transfers of limited entry permits under AS 16.43.170. Effective January 1, 1993, the seller of the permit would be liable for the fee and would be required to pay the fee to the Department of Revenue prior to the permit transfer. The Department of Revenue would collect and account for the transfer fees.

Under the provisions of this bill, the fee would apply to the estimated value of the permit and would be 1% if the transfer is to a state resident and 3% if the transfer is to a person who is not a state resident. This bill excludes transfers of limited entry permits by inheritance or gift from the transfer tax.

According to calendar year 1990 permit transfer data provided by the Commercial Fisheries Entry Commission (CFEC) dated April 28, 1992, there were 635 permit sales for the year. Of the total sales, 455 were sold to state residents and 180 were sold to nonresidents. Using CFEC data, total fees generated under this bill would be approximately \$1,021,400 as calculated below:

<u>Seller</u>	<u>Purchaser</u>	<u># Sales</u>	<u>Average Value</u>	<u>Tax Rate</u>	<u>Fee Revenue</u>
Alaskan	Alaskan	376	\$ 83,100	1%	\$ 312,500
Nonresident	Alaskan	79	112,300	1%	88,700
Alaskan	Nonresident	90	105,900	3%	285,900
Nonresident	Nonresident	<u>90</u>	123,800	3%	<u>334,300</u>
Total		<u>635</u>			<u>\$1,021,400</u>

Since this bill takes effect January 1, 1993, revenues for FY93 reflect a half year's transfer activity.

FY94 FUNDING REQUEST

Personal Services \$32.6

Accounting Clerk III      8A      1 @ 32.6      \$32.6

Travel 0.0

No travel funding provided for this program.

Contractual 1.5

Provides funding for print costs, postage, advertising,  
communication expenses, and other contractual costs.

Supplies 1.0

Provides funding for office and computer supplies.

TOTAL FY94 Request: \$35.1

**ANALYSIS OF LIMITED ENTRY TRANSFER FEE FROM CSHB 524 (RES)**  
 Prepared by Commercial Fisheries Entry Commission,  
 Research Section, (4/28/92)

**Table 1. Permanent Transfer of Limited Entry Permits<sup>1</sup>  
 1990 Transfer Activity**

<u>Transfer From</u>	<u>Transfer To</u>	<u>Total Number of Transfers</u>	<u>Revenue Generating Transfers<sup>2</sup></u>	<u>Average Value of Transfers<sup>3</sup></u>
Alaskan	Alaskan	620	376	\$83,095
Alaskan	Nonres.	101	90	\$105,879
Nonres.	Nonres.	137	90	\$123,840
Nonres.	Alaskan	92	79	\$112,300
	Total	<u>950</u>	<u>635</u>	<u>\$95,733</u>

<sup>1</sup> Transfer statistics extracted from Changes In The Distribution Of Alaska's Limited Entry Permits, 1975-1990 (CFEC Report 91-6) and from the transfer survey files associated with this report.

<sup>2</sup> Transfers that are excluded from transfer fee determination are those outlined in CSHB 524 and include transfers involving: DCED, CFAB, inheritance, or any non-monetary transfers involving immediate family members. Confidentiality restrictions resulting from insufficient transfer sales in 4 fisheries prevent the estimation of permit values for those fisheries. A total of 4 transfers occurred in these fisheries in 1990 and are excluded from this analysis.

<sup>3</sup> CFEC published permit values from February 1989 were used for transfer fee determination in this analysis. These values are the same as used for 1990 permit renewal fees. Values were not available for the G34Z and C61A fisheries for February 1989 due to insufficient number of transfers. The first published values for these fisheries are from April and September 1990, respectively. These more recent values were used for transfer fee determination in these fisheries.

Table 2. Estimated Fees for 1990 Limited Entry Permit Transfers<sup>4</sup>  
(as outlined in CSHB 524)

<u>Transfer From</u>	<u>Transfer To</u>	<u>Revenue Generating Transfers</u>	<u>Fee Rate</u>	<u>Total Transfer Fees</u>	<u>Average Fee</u>
Alaskan	Alaskan	376	1%	\$312,439	\$831
Alaskan	Nonres.	90	1%	\$95,291	\$1,059
Nonres.	Nonres.	90	3%	\$334,369	\$3,715
Nonres.	Alaskan	79	3%	\$266,150	\$3,369
	Total	<u>635</u>		<u>\$1,008,249</u>	

<sup>4</sup> Fees were determined by applying the residency specific rate (1% for resident transferors, 3% for nonresident transferors) to the fishery specific published permit value for each transfer that met the criteria of CSHB 524.

FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. CSHB 524

Revision Date: April 28, 1992  
Title: Limited Entry Permit Tax

Department Affected: Department of Revenue  
BRU: Revenue Operations  
Component: Income and Excise Audit

Sponsor: Rep. Koponen  
Requestor: HRES

COMPONENT SERIAL NO. | 1 | 1 | 3 |

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	16.3	32.6	32.6	32.6	32.6	32.6
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.7	1.5	1.5	1.5	1.5	1.5
SUPPLIES	0.5	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	3.5	0.0	0.0	0.0	0.0	0.0
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	21.0	35.1	35.1	35.1	35.1	35.1
CAPITAL						
REVENUE FUND SOURCE	409.6	819.2	819.2	819.2	819.2	819.2

FUNDING: (Thousands of Dollars)

GENERAL FUND	21.0	35.1	35.1	35.1	35.1	35.1
FEDERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	21.0	35.1	35.1	35.1	35.1	35.1

POSITIONS:

FULL-TIME	1.0	1.0	1.0	1.0	1.0	1.0
PART-TIME						
TEMPORARY						

Estimate of current year impact: \$0.0

ANALYSIS:

SEE ATTACHED

Prepared By: Paul Dick P.D. *LEM* Phone: (907) 465-2320  
Division: Income and Excise Audit Date: April 28, 1992

Approved by Commissioner: Darrel J. Rexwinkel *[Signature]*  
Agency: Department of Revenue Date: 4/28/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

### Analysis

This bill provides for a tax on transfers of limited entry permits under AS 16.43.170. Effective January 1, 1993, the seller of the permit would be liable for the tax and would be required to pay the tax to the Department of Revenue prior to the permit transfer. The Department of Revenue would collect and account for the transfer taxes.

Under the provisions of this bill, the tax rate would be 1% if the seller is a state resident and 3% if the seller is not a state resident. This bill excludes transfers of limited entry permits by inheritance or gift from the transfer tax.

According to calendar year 1990 data provided by the Commercial Fisheries Entry Commission (CFEC), there were 554 permit sales for the year. Of the total sales 408 were sold by state residents and 146 were sold by nonresidents. Using CFEC data, total tax revenues generated under this bill would be approximately \$819,200 as calculated below:

<u>Seller</u>	<u>Purchaser</u>	<u># Sales</u>	<u>Average Value</u>	<u>Tax Rate</u>	<u>Tax Revenue</u>
Alaskan	Alaskan	321	\$ 78,100	1%	\$250,700
Alaskan	Nonresident	87	107,500	1%	93,500
Nonresident	Alaskan	76	112,200	3%	255,800
Nonresident	Nonresident	70	104,400	3%	<u>219,200</u>
Total Tax Revenues					<u>\$819,200</u>

Since this bill takes effect January 1, 1993, revenues for FY93 reflect a half year's transfer activity. The Department of Revenue would be able to absorb the costs of administering this tax because of the low volume of transfers and minimal enforcement effort needed to collect the tax (CFEC may not transfer a permit until the tax has been paid.)

FY94 FUNDING REQUEST

Personal Services \$32.6

Accounting Clerk III      8A      1 @ 32.6      \$32.6

Travel 0.0

No travel funding provided for this program.

Contractual 1.5

Provides funding for print costs, postage, advertising, communication expenses, and other contractual costs.

Supplies 1.0

Provides funding for office and computer supplies.

TOTAL FY94 Request: \$35.1

*Bruce*

MEMORANDUM

STATE OF ALASKA

TO: The Honorable Cliff Davidson  
Chairman  
House Resources Committee

DATE: April 22, 1992

FAX NO: 789-6170

ATTN: Jay Nelson

TELEPHONE NO: 789-6160

FROM: COMMERCIAL FISHERIES  
ENTRY COMMISSION  
Bruce Twomley, Chairman  
Frank Homan, Commissioner  
Rich Listowski, Commissioner

SUBJECT: CSHB 524 Limit Entry  
Permit Transfer

Table 1. - Estimated Revenue from Proposed Tax (CSHB 524)  
based on 1991 Permit Transfers

Permits Transferred	Tax Percentage Level				
	1%	2%	3%	4%	5%
867 <sup>1</sup>	\$829,617	\$1,659,234	\$2,488,851	\$3,318,468	\$4,148,085

Table 2. - Transfers By Type for 1991

Combinations (permit and boat or gear or site)	106
Gifts (no money)	236
Inheritance	48
Others (partnerships - family transfer)	75
Sales	441
Trades	14
Incomplete Data	4
<b>TOTAL</b>	<b>924</b>

<sup>1</sup>These estimates do not include inheritance (48 permits in 1991) or 9 transfers for which there is no estimated permit value for the fishery.



# Alaska State Legislature

## HOUSE RESOURCES COMMITTEE

P.O. Box V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-3715

TO: Representative Cliff Davidson, Chairman  
House Resources Committee

FROM: Jay Nelson *JN*  
Staff to Representative Davidson

DATE: 2 April, 1992

SUBJECT: HB 524 - Limited Entry Transfer Tax

Attached is a proposed draft of CSHB 524 (RES) as requested by the Committee. The collection of the transfer tax under this proposal would be greatly simplified over the original bill since each class of limited entry permit would have a set value established in regulation each year based on the average value for permits in that class. The Commercial Fisheries Entry Commission (CFEC) currently uses that method to establish the values for the annual permit fees.

I also requested that Mr. Chenoweth draft the legislation so that a differential, presumably higher, tax could be charged for limited entry permit transfers to non-residents versus permit transfers to resident Alaskans. Attached is a memorandum addressing the issue of whether or not it is legal to charge a higher fee for transfers of permits to non-residents. Currently, the CFEC does charge triple for non-resident annual permit fees although that is under legal challenge.

To simplify the bill for purposes of discussion, I also instructed Mr. Chenoweth to remove the language addressing the ultimate disposition of this revenue raised under this tax (seafood marketing, enforcement, etc.). It would be easy to add that into the bill if the committee so wishes.

Based on CFEC testimony and related Committee discussion, I asked Mr. Chenoweth to move the tax collection authority from the CFEC to the Department of Revenue.

Finally, I am unsure what level of tax the Committee would wish to propose. As a result, there are blank spaces on page 1 line 14 and page 2 line 2 where the percent tax needs to be inserted.

cc: House Resource Committee members

MEMORANDUM

STATE OF ALASKA

TO: The Honorable Cliff Davidson  
Chairman  
House Resources Committee

DATE: April 10, 1992

FAX NO: 789-6170

ATTN: Jay Nelson

TELEPHONE NO: 789-6160

FROM: COMMERCIAL FISHERIES  
ENTRY COMMISSION  
Bruce Twomley, Chairman  
Frank Homan, Commissioner  
Rich Listowski, Commissioner

SUBJECT: CSHB 524 ( )  
Draft Dated 04/01/92,  
7-LS2076/G

The following are a few comments and questions for your consideration regarding this latest draft.

1. It isn't clear in Section 1 that the tax is computed on the estimated value as determined by CFEC once each year. That is, when CFEC estimates the permit value for annual fee purposes that permit value remains in effect for one year and becomes the basis for computing the transfer tax. In other words, as we understand the intent, all permits in a particular fishery will all be assessed the same transfer tax during the same year but the actual sales value may vary with each transfer.
2. There is still some confusion as to which transfers are to be taxed. For example, line 7 page 1 uses the word "transfer", then line 9 page 1 uses the word "sale". This brings up the question as to the disposition of "gift" transfers. Those permits are most often transferred between relatives and friends. Are they to be taxed or are only sales taxed? Perhaps gifts between family members could be added to the list of exceptions.
3. There are two types of limited entry permit transfers; (1) permanent and (2) emergency. It is not stated that this tax applies only to permanent transfers, if that is the intention. Emergency transfers usually arise because of an unexpected hardship and are only effective for one year.
4. This version substantially reduces the fiscal impact on CFEC. There will remain, however, some investigation and administration regarding residency as there may be greater effort to claim residency to avoid the higher tax rate. There will also need to be some coordination with Department of Revenue.

Please let us know if we can provide any additional information.

Alaska State Capitol  
Juneau, AK 99801-1182  
XXXXXXXXXXXXXXXXXXXX  
Juneau, Alaska 99801  
(907) 465-4992

Alaska State Legislature  
Representative Niilo Koponen  
House District 21

119 N. Cushman, Suite 207  
Fairbanks, Alaska 99701  
(907) 456-8172

SPONSOR STATEMENT

House Bill 524

"An Act imposing a tax on transfers of limited entry permits; and providing for an effective date"

Whether or not the Alaska Legislature is successful in reducing the state operating budget, Alaskans will face continuing pressures from declining oil revenues coupled with stable or increasing demands for government services. We must consider new measures to accrue revenue to the state, including taxes. Taxes should be simple, fair, stable from year to year and relatively inexpensive to administer. It is desirable to implement an array of broad-based taxes set at low rates rather than to unduly burden any particular class of taxpayers.

Likely priority targets for state taxes are resource extraction activities employing out-of-state workers, who take the fruits of their labors outside, leaving nothing behind for Alaska -- the source of their wealth. Specifically, the fishing industry attracts many non-Alaskans to the state, who take their earnings home with them.

Permit renewal fees cover the costs of administering the program, but the real wealth goes relatively untaxed. The state has the opportunity (some would say the obligation) to recover more of the artificially-created wealth it has bestowed upon a few individuals through limiting entry to certain fisheries. HB 524 attempts to capture some of this wealth by imposing a tax on the transfer of limited entry fishing permits.

HB 524 taxes permits selling for less than \$100,000 at the rate of one percent of the selling price; permits selling for more than that are taxed at the rate of \$1,000 plus one percent of the selling price for each \$50,000 or fraction of \$50,000 in excess of \$100,000, not to exceed five percent of the selling price. Revenue projections are not yet available, but according to a 1989 analysis by the House Research Agency, an annual tax of one percent of the transfer value of transferable limited entry permits priced over \$50,000 would generate about \$9.9 million annually, the same tax on all transferable permits would yield \$11.6 million each year. Frank Homan of the Commercial Fisheries Entry Commission estimates that 8-10% of permits change hands in any given year; very roughly, the tax as proposed in HB 524 would generate about \$500,000 annually.

ANALYSIS OF LIMITED ENTRY TRANSFER TAX FROM HOUSE BILL NO. 524  
Prepared by Commercial Fisheries Entry Commission,  
Research Section, (3/26/92)

Table 1. Permanent Transfer of Limited Entry Permits<sup>1</sup>  
1990 Transfer Activity

<u>Transfer From</u>	<u>Transfer To</u>	<u>Total Number Of Transfers</u>	<u># of Sales</u>	<u>% Sales<sup>2</sup> of all Transfers</u>	<u>Average Value Of Sales</u>
Alaskan	Alaskan	620	321	51.8%	\$78,102
Alaskan	Nonres.	101	87	86.1%	\$107,453
Nonres.	Nonres.	137	76	55.5%	\$112,228
Nonres.	Alaskan	92	70	76.1%	\$104,362
	Total	<u>950</u>	<u>554</u>	<u>58.3%</u>	<u>\$90,711</u>

Table 2. Estimated Taxes on 1990 Limited Entry Permit Sales<sup>3</sup>  
(as outlined in House Bill No. 524)

<u>Transfer From</u>	<u>Transfer To</u>	<u># of Sales</u>	<u>Tax On All Sales</u>
Alaskan	Alaskan	321	\$394,820
Alaskan	Nonres.	87	\$162,134
Nonres.	Nonres.	76	\$154,288
Nonres.	Alaskan	70	\$118,419
	Total	<u>554</u>	<u>\$829,661</u>

<sup>1</sup> Transfer statistics extracted from Changes In The Distribution Of Alaska's Limited Entry Permits, 1975-1990 (CFEC Report 91-6) and from the transfer survey files associated with this report.

<sup>2</sup> Transfer categories other than "sales" include "gift", "trade", and "other" transfers. The "other" category includes such transfers as inheritance, divorce settlement, and other family transfers.

<sup>3</sup> Permit values are listed on transfer surveys for sales transfers only, therefore, taxes were calculated for sales transfers only.

Table 3. Tax Brackets Used To Estimate Transfer Tax <sup>4</sup>

<u>Bracket</u>	<u>Calculation</u>
\$0 - \$100,000	.01 * Sales Value
\$100,001 - \$150,000	\$1,000 <sup>5</sup> + .02(Sales Value - \$100,000)
\$150,001 - \$200,000	\$2,000 + .03(Sales Value - \$150,000)
\$200,001 - \$250,000	\$3,500 + .04(Sales Value - \$200,000)
\$250,001 +	\$5,500 + .05(Sales Value - \$250,000)

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<sup>4</sup> Taxes were estimated using a graduated scale as interpreted from the tax definition in House Bill No. 524 and applied to each sales transfer that occurred in 1990.

<sup>5</sup> Increment added from previous tax bracket.

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. HB 524

Revision Date: \_\_\_\_\_ Department Affected: Fish and Game  
 Title: Tax on transfers of limited entry permits BRU: Commercial Fisheries (Limited) Entry  
 Component: Commission Limited Entry  
 Sponsor: Representative Koponen Program Administration  
 Requestor: Representative Koponen COMPONENT SERIAL NO. 

	4	7	1
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	108.1	108.1	108.1	108.1	108.1	108.1
TRAVEL	14.2					
CONTRACTUAL	12.9	2.4	2.4	2.4	2.4	2.4
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	2.5					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>138.7</b>	<b>111.5</b>	<b>111.5</b>	<b>111.5</b>	<b>111.5</b>	<b>111.5</b>

CAPITAL						
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REVENUE FUND SOURCE:	GF 1004	GF 1004	GF 1004	GF 1004	GF 1004	GF 1004

FUNDING: (Thousands of Dollars)

GENERAL FUND	138.7	111.5	111.5	111.5	111.5	111.5
FEDERAL FUNDS						
OTHER FUND SOURCE:						
<b>TOTAL</b>						

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME	2	2	2	2	2	2
TEMPORARY						

Estimate of current year impact: \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)

SEE ATTACHED

Prepared By: Roger Kolden Phone: 782-6160  
 Division: Commercial Fisheries (Limited) Entry Date: 03/24/92  
 Commission  
 Approved by Commissioner: *Frank J. Hansen*  
 Agency: CFC Date: 3/26/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

## ANALYSIS OF BILL/PROGRAM EFFECTS

HB 524, imposing a tax on the transfer of entry permits would require CFEC to implement a program for administering, enforcing and collecting this tax and would require a staffing increase. We could not absorb the duties of administering, enforcing and collecting this tax with the existing staff.

At a minimum, we would probably need to create a new position that would be primarily responsible for administering this taxation responsibility. The person in the position would probably be at the approximate skill/duty level of the transfer officer or managing paralegal, range 17-19. In addition, investigations and adjudication duties would be increased for existing staff, or may require additional staff.

The person with primary duties administering this proposed tax would face issues such as: valuation of permit prices in individual transactions, investigating permit transfers, administering a bonding or security procedure pending appeals, and making initial tax determinations. A few comments follow about each category.

### Valuation issues

We currently seek to learn the price of each permit that is transferred in order to make monthly estimates of permit values. Imposing a tax according to the permit price adds another dimension to this process, because individual tax liabilities will be determined, and the determinations will be subject to appeals and adjudications. In addition to the reason stated in the bill, "selling price . . . is not separately stated," valuation issues may arise in examples such as these:

--buyer can not meet a payment, so they form a new contract, agreeing to a return of the permit in exchange for an extinguishment of the debt.

--permit holder agrees to trade one kind of permit for another, a practice that is becoming more common because capital gains taxes can be avoided.

--selling price is not specified, but is given as a percentage of the gross catch over a given number of years.

### Investigations

A relatively high proportion of permit transfers are gifts or other non-monetary transfers, and the bill leaves several uncertainties about how these transfers are to be treated under the taxing proposal. If the tax could be saved by designating a permit transfer as being a gift, or by minimizing its value, there would certainly be increased costs associated with investigating and enforcing the tax law as applied to these kinds of transfers.

## ANALYSIS OF BILL/PROGRAM EFFECTS

Over the 1980-1990 time period, 34.2% of permit transfers were "gifts" and 4.9% were trades or "other". Only 61.0% of transfers were "sales".

Part of the reason for many transfers being gifts or "partial gifts" is the high percentage of transfers that are between family members, relatives, friends, or business partners. For example, over the 1980-1990 time period, 60.9% of permit transfers were between immediate family members, other relatives, friends, or business partners.

### Bonding or other security

As the bill acknowledges, there will be instances where the permit sale price can not be easily ascertained quickly, so there will need to be some means for posting a bond or other security so the transfer can go forward before the valuation issue can be resolved.

### Adjudication

We currently face a large backlog of application cases. If the CFEC is to administer this tax, we will need to hear the initial appeals of tax determinations. Directing these appeals through our existing adjudication process will delay adjudication of permit application cases. An alternative appeal procedure may be possible, but that would require additional staff.



Position Title Hearing Officer II		No. of Positions 1	Range / Step 22 A	Barg. Unit X
Time Status S	Staff Months 6	Location Juneau		Election District
<b>TYPE OF EXPENDITURE</b>		<b>Amount</b>		
Salary	27.6	27.6		
Benefits	10.0	10.0		
Premium Pay				
Other				
Total Personal Services	37.6	37.6		
Travel		7.1		
Contractual				
Commodities		.3		
Equipment				
Other				
Total Cost		45.0		
<b>FUNDING SOURCE FOR TOTAL COST</b>				
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004	45.0		
I-A Receipts	1007			
CHP Receipts	1061			
Other				
		<b>Justification</b> This position will become responsible for hearing the initial appeals of tax determinations. With the large backlog of application cases, the agency can not afford to absorb these costs and build an even larger backlog.		
		<b>Support Costs</b> Public regulation hearings for two staff to 12 communities is estimated to cost 14.2. This position has one-half of the budgeted travel costs. Commodities (office supplies are .3).		

**Request For  
New Position**

AGENCY Department of Fish and Game

BRU Commercial Fisheries (Limited) Entry  
Commission

COMPONENT Limited Entry Program Administration

**FY** 93

Page 2 of 3

Revised Date: \_\_\_\_\_



# **NFIB** Alaska

National Federation of  
Independent Business

POSITION PAPER

OF

NATIONAL FEDERATION OF INDEPENDENT BUSINESS  
(NFIB/ALASKA)

ON

**TAXES**

HB 522 - REAL ESTATE CONVEYANCE TAX.

HB 523 - CONVERTING THE BUSINESS LICENSE FEE TO A GROSS  
BUSINESS LICENSE TAX.

HB 524 - A TAX ON TRANSFERS OF LIMITED ENTRY PERMITS.

HB 525 - PERSONAL INCOME TAX.

State Office  
9159 Skywood Lane  
Juneau, AK 99801  
(907) 789-4278



The Guardian of  
Small Business

CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS RESA JERREL, AND I AM THE STATE DIRECTOR FOR NATIONAL FEDERATION OF INDEPENDENT BUSINESS - NFIB/ALASKA.

NFIB/ALASKA IS COMPRISED OF 5,292 SMALL AND INDEPENDENT BUSINESS OWNERS. THE LEGISLATIVE AGENDA OF NFIB/ALASKA IS DETERMINED BY OUR BALLOT. THE BALLOT IS OUR ANNUAL POLL OF OUR MEMBERS ON A SERIES OF ISSUES DEEMED CRITICAL TO SMALL BUSINESS. A MAJORITY VOTE, OF THE MEMBERS IN RESPONSE TO THE POLL, SETS OUR POLICY AND POSITION ON LEGISLATIVE ISSUES. WE THEN SHARE THE RESULTS OF OUR POLL WITH THE LEGISLATURE AND ADMINISTRATION. THERE IS NOT ENOUGH SPACE ON THE ANNUAL POLL TO PLACE EVERY POSSIBLE ISSUE BEFORE OUR MEMBERS. THEREFORE, WE ALSO USE THE PREVIOUS YEARS BALLOT RESULTS AS GUIDANCE ON ISSUES.

ON THE 1986 STATE BALLOT THE MEMBERS OVERWHELMINGLY VOTED, (96%) TO REDUCE STATE GOVERNMENT BEFORE INCREASING PRESENT TAXES OR IMPOSING NEW TAXES.

ALSO, IN 1990 THE MEMBERS VOTED CLEARLY TO REJECT, (80%) THE REINSTATEMENT OF THE STATE PERSONAL INCOME TAX.

ADDITIONALLY, ATTACHED ARE THE RESULTS OF SEVERAL BALLOT QUESTIONS REGARDING GOVERNMENT COMPETITION.

NFIB/ALASKA OPPOSES HB 522, HB 523, HB 524 AND HB 525 BECAUSE THE STATE BUDGET NEEDS TO BE CUT BEFORE IMPOSING NEW TAXES. IF YOU SINCERELY WANT TO CUT THE BUDGET THEN PROHIBIT OR REDUCE THE COMMERCIAL ACTIVITIES OPERATED BY STATE AND LOCAL AGENCIES. SMALL BUSINESSES IN ALASKA FACE COMPETITION FROM STATE AND LOCAL GOVERNMENT AGENCIES IN A WIDE VARIETY OF COMMERCIAL ACTIVITIES. THE MANY SMALL BUSINESSES FACING GOVERNMENT COMPETITION ARE:

- PRINTING FIRMS
- GIFT SHOPS
- VIDEOTAPE OUTLETS
- DAY-CARE CENTERS
- SERVICE STATIONS
- LANDSCAPING
- ROAD REPAIR AND MAINTENANCE
- LABORATORIES
- MEDICAL CARE PROVIDERS
- PHARMACIES
- ARCHITECTURE AND ENGINEERING FIRMS
- OFFICE FURNITURE
- AUTO BODY REPAIR

GETTING GOVERNMENT OUT OF BUSINESS WOULD GO A LONG WAY TO BRINGING THE SIZE AND COST OF STATE AND LOCAL GOVERNMENT DOWN TO REASONABLE AND AFFORDABLE LEVELS - WITHOUT RAISING TAXES OR IMPOSING NEW TAXES.

NFIB/ALASKA THANKS YOU FOR THE OPPORTUNITY TO COMMENT ON THIS LEGISLATION. IF YOU HAVE ANY QUESTIONS I WOULD BE HAPPY TO TRY AND ANSWER THEM.

ATTACHMENT

The following is the result of the 1988 NFIB/Alaska ballot question regarding unfair competition:

Should legislation be enacted to restrict the commercial activities of government entities so they are not permitted to compete with existing private enterprises?

Yes 78%                      No 12%                      Undecided 10%

The following is the result of the 1990 NFIB/Alaska ballot question regarding government competition:

Should legislation be passed that would restrict government agencies from competing with private business in Alaska?

Yes 83%                      No 6%                      Undecided 11%

More recently, the following is the result of the 1991 NFIB/Alaska ballot question on this issue:

Should the legislature establish a Private Enterprise Preservation Task force in order to study and recommend legislation to limit competition with private business by state and local government?

Yes 67%                      No 23.1%                      Undecided 9.9%

7-LS2076M-  
Chenoweth  
4/29/92

CS FOR HOUSE BILL NO. 524 ( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVE KOPONEN

A BILL

FOR AN ACT ENTITLED

1 "An Act imposing a fee on transfers of limited entry permits; and providing for an  
2 effective date."

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

4 \* Section 1. LEGISLATIVE FINDINGS. The legislature finds that the residents of the state are  
5 responsible for the general financial support of the programs of state government and that the vast  
6 majority of support for the programs of state government comes from taxes and revenue from state-  
7 owned resources. To a large extent, nonresidents of the state do not financially support the programs  
8 of state government that provide services to both residents and nonresidents within the state. These ser-  
9 vices include the administration of the various state departments and agencies and their programs, and  
10 specifically include fishery management programs. While the United States Constitution prevents the  
11 state from discriminating in its delivery of services to nonresidents, the Constitution does not prevent  
12 the state from charging nonresidents a differential that compensates the state for the costs and expenses  
13 that nonresidents impose on state government as long as the total fees that must be paid by a nonresident  
14 are substantially equal to the contributions by state residents when both their fees and their share of the

1 state revenue to which nonresidents make no contribution are taken into account. The legislature  
2 believes that the imposition of a higher fee for limited entry permit transfers to nonresidents to enjoy  
3 the state-provided benefit is substantially equal to amounts that must be paid by similarly situated  
4 residents when the residents' pro rata shares of state revenue to which nonresidents make no contribution  
5 are taken into account.

6 \* Sec. 2. AS 43 is amended by adding a new chapter to read:

7 CHAPTER 72. LIMITED ENTRY PERMIT TRANSFER FEE.

8 Sec. 43.72.010. TRANSFER FEE IMPOSED. There is imposed a limited entry transfer  
9 fee upon each transfer of a limited entry permit under AS 16.43.170. Payment of the fee  
10 imposed by this section is the obligation of the seller of the permit. The fee is computed by  
11 application of the following rates to the estimated value, at the time of transfer of the limited  
12 entry permit, of the class of the permit, as determined by the Commercial Fisheries Entry  
13 Commission by regulation adopted under AS 16.43.160 for purposes of calculation of the annual  
14 fees for the issuance and annual renewal of permits:

15 (1) the rate applicable for the transfer of a permit to a person who at the time of  
16 the transfer is a state resident is one percent of the estimated value of the permit;

17 (2) the rate applicable for the transfer of a permit to a person who at the time of  
18 the transfer is not a state resident is three percent of the estimated value of the permit.

19 Sec. 43.72.015. CONTINGENT TRANSFER FEE IMPOSED. If a court finds that the  
20 imposition of a higher fee under AS 43.72.010(2) is invalid as a violation of the United States  
21 or state constitution, then, instead of the fee imposed by AS 43.72.010, there is imposed a limited  
22 entry transfer fee upon each transfer of a limited entry permit under AS 16.43.170. Payment of  
23 the fee imposed by this section is the obligation of the seller of the permit. The fee is one  
24 percent of the value of the permit based on the estimated value, at the time of transfer of the  
25 limited entry permit, of the class of the permit, as determined by the Commercial Fisheries Entry  
26 Commission by regulation adopted under AS 16.43.160 for purposes of calculation of the annual  
27 fees for the issuance and annual renewal of permits.

28 Sec. 43.72.020. COLLECTION OF FEE. The fee shall be paid to and collected by the  
29 department. A limited entry permit subject to the fee may not be transferred by the commission  
30 under AS 16.43 until the fee has been paid. In a case in which the fee is not due on a transfer,  
31 the permit may not be transferred until suitable notation of the exception has been made by the

1 commission.

2 Sec. 43.72.030. PROVISIONS INAPPLICABLE. The fee does not apply to

3 (1) the transfer of an interim-use permit;

4 (2) a temporary emergency transfer of a permit authorized by AS 16.43.180(a);

5 (3) the transfer of a limited entry permit to the commission;

6 (4) the transfer of a limited entry permit to the state or the Alaska Commercial  
7 Fishing and Agriculture Bank as a result of foreclosure of a loan made under AS 16.10.300 -  
8 16.10.370 or under AS 44.81.210(a)(20) and 44.81.230 - 44.81.250;

9 (5) the transfer of a limited entry permit by the Department of Commerce and  
10 Economic Development under AS 16.10.337 or by the Alaska Commercial Fishing and  
11 Agriculture Bank under AS 44.81.250;

12 (6) the transfer of a limited entry permit from one spouse to the other under the  
13 terms of a divorce or dissolution decree or in fulfillment of a property settlement agreement;

14 (7) the transfer of a limited entry permit by inheritance; or

15 (8) the transfer of a limited entry permit that is made for a consideration other  
16 than cash if the transfer of the permit is

17 (A) from one spouse to another;

18 (B) between a parent or stepparent and the parent's or stepparent's child;

19 (C) between a grandparent and the grandparent's grandchild; or

20 (D) between siblings, whether related by birth, adoption, or the remarriage

21 of a parent.

22 Sec. 43.72.100. DEFINITIONS. In AS 43.72.010 - 43.72.100,

23 (1) "commission" means the Commercial Fisheries Entry Commission;

24 (2) "fee" means the limited entry permit transfer fee imposed by AS 43.72.010  
25 or 43.72.015.

26 \* Sec. 3. PROVISIONS NOT SEVERABLE. Notwithstanding AS 01.10.030, the provisions of this  
27 Act are not severable.

28 \* Sec. 4. This Act takes effect January 1, 1993.

7-LS2076J  
Chenoweth  
4/22/92

CS FOR HOUSE BILL NO. 524 ( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVE KOPONEN

A BILL

FOR AN ACT ENTITLED

1 "An Act imposing a tax on transfers of limited entry permits; and providing for an  
2 effective date."

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

4 \* Section 1. AS 43 is amended by adding a new chapter to read:

5 CHAPTER 72. LIMITED ENTRY PERMIT TRANSFER TAX.

6 Sec. 43.72.010. TRANSFER TAX IMPOSED. There is imposed a limited entry transfer  
7 tax upon each transfer of a limited entry permit under AS 16.43.170. Payment of the tax  
8 imposed by this section is the obligation of the seller of the permit. The tax is computed by  
9 application of the following rates to the estimated value, at the time of transfer of the limited  
10 entry permit, for the class of the permit, as determined by the Commercial Fisheries Entry  
11 Commission by regulation adopted under AS 16.43.160 for purposes of calculation of the annual  
12 fees for the issuance and annual renewal of permits:

13 (1) the tax rate applicable for the transfer of a permit to a person who at the time  
14 of the transfer is a state resident is \_\_\_\_\_ percent of the estimated value of the permit;

1 (2) the tax rate applicable for the transfer of a permit to a person who at the time  
2 of the transfer is not a state resident is \_\_\_\_\_ percent of the estimated value of the permit.

3 Sec. 43.72.020. COLLECTION OF TAX. The tax shall be paid to and collected by the  
4 department. A limited entry permit subject to the tax may not be transferred by the commission  
5 under AS 16.43 until the tax has been paid. In a case in which the tax is not due on a transfer,  
6 the permit may not be transferred until suitable notation of the exception has been made by the  
7 commission.

8 Sec. 43.72.030. PROVISIONS INAPPLICABLE. The tax does not apply to

9 (1) the transfer of an interim-use permit;

10 (2) a temporary emergency transfer of a permit authorized by AS 16.43.180(a);

11 (3) the transfer of a limited entry permit to the commission;

12 (4) the transfer of a limited entry permit to the state or the Alaska Commercial  
13 Fishing and Agriculture Bank as a result of foreclosure of a loan made under AS 16.10.300 -  
14 16.10.370 or under AS 44.81.210(a)(20) and 44.81.230 - 44.81.250;

15 (5) the transfer of a limited entry permit by the Department of Commerce and  
16 Economic Development under AS 16.10.337 or by the Alaska Commercial Fishing and  
17 Agriculture Bank under AS 44.81.250;

18 (6) the transfer of a limited entry permit from one spouse to the other under the  
19 terms of a divorce or dissolution decree or in fulfillment of a property settlement agreement; or

20 (7) the transfer of a limited entry permit by inheritance.

21 Sec. 43.72.100. DEFINITIONS. In AS 43.72.010 - 43.72.100,

22 (1) "commission" means the Commercial Fisheries Entry Commission;

23 (2) "tax" means the limited entry permit transfer tax imposed by AS 43.72.010.

24 \* Sec. 2. This Act takes effect January 1, 1993.