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SECTIONAL ANALYSIS

HOUSE BILL NO. 264

An Act Providing For A Fishery Resource Landing Tax and providing for an effective date.

Section 1 adds a new chapter in AS 43 to implement a landing tax. The landing tax imposed under AS 43.77.010 will apply to processed fishery resources that are not subject to AS 43.75 (the Fisheries Business Tax provisions). A fisheries resource that is subject to tax under AS 43.75 is not subject to the landing tax in AS 43.77.

The Fisheries Business Tax in AS 43.75 applies to fishery resources that are either caught or processed in Alaska. Therefore, the landing tax provisions will apply to fishery resources that were both caught and processed outside the jurisdiction of Alaska and thereafter brought into the state and first landed in this state.

The landing tax will apply to processed resources that are first landed in the state of Alaska rather than in another state or foreign country. The landing tax does not apply if the processed resources are first landed in another state or foreign country. A first landing outside the jurisdiction of a state or foreign country, such as in United States jurisdictional waters, is not a landing in a state or foreign country and does not prevent the Alaska tax from applying. The tax rate is 3.3% of the value of the processed fishery resources at the place of the landing.

AS 43.77.020 provides that a person subject to the tax must file a return reporting the value of the resources landed and the point of landing, as well as such other information as may be required by the department in regulations. The return is to be made on a calendar year basis and is due before April 1 of the following year, as is the case with the Fisheries Business tax return. An extension of time to file may be granted by the department but the tax remains due and payable before April 1.

AS 43.77.030 allows a credit against the landing tax on a fishery resource for processing and salmon enhancement taxes paid to a state in which the fishery resource was caught or processed prior to landing in Alaska. In this provision, we interpret "state" to include foreign countries. The Department understands this credit provision is intended to avoid certain constitutional challenge to the tax, and recognizes that in reality few, if any, resources that are first landed in Alaska will have been subject to tax by another state or foreign country.

AS 43.77.040 provides that the tax collected on .3% of the value of the fishery resource is to be deposited into the general fund in an account for the use of the Alaska Seafood Marketing Institute upon appropriation by the legislature. Similarly, the tax collected on 3% of the value of the fishery resource shall be deposited into the general fund and may be appropriated by the legislature for revenue sharing purposes under AS 43.77.050 and other public purposes.

AS 43.77.050 contains the revenue sharing provisions. AS 43.77.050 must be read in conjunction with AS 43.77.040(b) and the amount available for sharing with municipalities and cities is 50% of the tax collected on 3% of the value of the fisheries resources. These revenue sharing provisions mirror the revenue sharing provisions in AS 43.75.130 and AS 43.75.137 that apply to the Fisheries Business Tax.

AS 43.77.060 gives the department the authority to adopt regulations to interpret and implement the landing tax provisions.

AS 43.77.200 contains definitions. A fishery resource for purposes of this chapter is a processed resource. An unprocessed fishery resource in the state, if otherwise taxable, would be subject to AS 43.75.

Landing is defined as the act of unloading or transferring a fishery resource. A taxable landing can take place over water or on land. For instance, a factory ship might catch and process fishery resources on the high seas outside the Alaska 3 mile limit, transfer the processed resources to a second vessel on the high seas, and the second vessel might enter the 3 mile jurisdiction of Alaska and transfer the product to a third vessel. The Fisheries Business Tax under AS 43.75 would not apply because the fishery resources were both caught and processed outside the state. However, the landing tax would apply at the point the second vessel transferred the product to the third vessel. There has been no previous landing in any other state or foreign country so the first landing of the processed resources is in Alaska. The owner of the fishery resources aboard the second vessel at the moment of unloading or transfer is liable for the landing tax.

The valuation of the resources for purposes of computing the tax differs from that under the Fisheries Business Tax provisions. The value is the lesser of the actual market value of the resource at the point of the landing in the state or the statewide average price paid for the resource in that tax year as reported by the Department of Fish and Game.

Department of Revenue
House Bill No. 264
April 2, 1993

The use of the statewide average price paid is intended to accomplish two results. First, it will simplify the determination of the tax value since the market value for the processed product may otherwise be difficult to ascertain. Second, it will roughly approximate the value that would otherwise have been applicable under the Fisheries Business Tax provisions.

While the value for purposes of the landing tax, as a result of the use of a statewide average price as a base, may be lower than the actual value as determined by a similar taxpayer under AS 43.75, the landing tax will not generally result in a higher tax burden than that incurred under AS 43.75. That is because the statewide average price paid is based on unprocessed product and therefore does not include the value added from the act of processing. The value added to fishery resources from processing is not included in taxable value under AS 43.75, and HB 264 thereby achieves an equality in the tax burden.

Section 2 provides that the Act takes effect on January 1, 1994 and applies to fishery resources that are first landed in the state on that date.

The Department of Revenue strongly supports House Bill No. 264.

HOUSE BILL NO. 264
LANDING TAX QUESTIONS AND ANSWERS

Question 1. Who is impacted by this legislation?

Answer Those operators who both catch and process outside Alaska and bring the processed product into the state. The legislation is aimed at catcher/processors in the Exclusive Economic Zone ("EEZ") that currently pay no Fisheries Business Tax.

Question 2. Why are the EEZ catcher/processors not subject to the Fisheries Business Tax?

Answer The Fisheries Business Tax only applies if fishery resources are either caught or processed in Alaska. Since the catcher/processors catch and process in the EEZ exclusively, the Fisheries Business Tax does not apply to them.

Question 3. Why should the state impose the tax if the resources are not caught or processed in Alaska?

Answer Alaska provides significant benefits and services and incurs fishery management costs with respect to the resources to various degrees. Coupled with the impact the operations have on local Alaska communities, the tax is one way to compensate the state for these services.

Question 4. Will the Fisheries Business Tax and the Landing Tax apply to the same resource and result in a double tax burden?

Answer No. The Fisheries Business Tax applies to unprocessed fishery resources while the Landing Tax applies to processed fishery resources. If the Fisheries Business Tax applies, the Landing Tax will never be applicable.

Question 5. Does the Landing Tax apply to fishery resources that are first landed in another state or foreign country and again landed in Alaska?

Answer No. The Landing Tax only applies if the first landing is in this state.

Question 6. Does the Landing Tax apply to fishery resources that are first landed in Alaska and then immediately shipped outside the state?

Answer Yes. The Landing Tax applies to fishery resources that are unloaded or transferred in Alaska without regard to the final destination.

Question 7. Which party is subject to the Landing Tax where a sale occurs upon the first landing in Alaska?

Answer The seller will generally be liable for the tax. The tax is imposed on the owner of the resource at the moment of unloading or transfer.

Question 8. How is taxable value determined?

Answer Value is the lesser of the fair market value of the processed resource at the time and place of the transfer or the statewide average price paid for the unprocessed resource as determined by the Department of Fish and Game. Generally, the statewide average price will be the lower value. The statewide average prices will be determined by Fish and Game and made available to taxpayers for use in filing the tax returns.

Question 9. Is the taxable value zero if there is no statewide average price for a particular year?

Answer No. The Department will adopt regulations to substitute other prices in that event or require the use of fair market value.

Question 10. How does the landing tax rate compare to the rates under the Fisheries Business Tax?

Answer The Landing Tax rate of 3.3% is equivalent to the 3.3% paid by a shore-based fisheries business under the Fisheries Business Tax and Alaska Seafood Marketing Institute ("ASMI") provisions.

Question 11. Is the Landing Tax revenue shared with municipalities?

Answer Yes. The tax collected on .3% of the value is envisioned for ASMI and 50% of the remaining tax is shared in the same manner as under the Fisheries Business Tax provisions as summarized below:

Landings Within Municipalities

--Unified municipalities and cities in unorganized boroughs	50%
--City located within a borough	25%
--Borough where landed within city	25%
--Borough where landed outside a city	50%

except for a city within a borough incorporated after June 16, 1987:

--Year of incorporation	45% to city	5% to borough
--1st year after incorporation	40% to city	10% to borough
--2nd year after incorporation	35% to city	15% to borough
--3rd year after incorporation	30% to city	20% to borough

except a city may adopt an ordinance to transfer some of its revenues to the borough.

Landings Outside Municipalities

--50% of the tax that is otherwise not shared is transmitted to the Department of Community and Regional Affairs for sharing under AS 29.60.450.

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

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Juneau, Alaska 99801-2105

MEMORANDUM

March 26, 1993

SUBJECT: Draft bill establishing fishery resource landing tax (Work Order No. 8-LS0941\A)

TO: Representative Carl Moses
ATTN: Molly McCammon

FROM: George Utermohle *GU*
Legislative Counsel

This memorandum addresses the draft bill, establishing a fishery resource landing tax, that you requested.

The draft bill is largely identical to the proposed bill that was supplied with your drafting request. The significant difference between this draft bill and the material provided involves those provisions of the bill relating to the use of the proceeds of the tax for support of the Alaska Seafood Marketing Institute and for municipal revenue sharing. These provisions have been rewritten to avoid any suggestion of a dedicated fund and to directly incorporate the relevant provisions of AS 43.75.130 and 43.75.137 into the bill.

In addition to being cognizant of the constitutional issues associated with a tax such as that proposed by this bill, the legislature should pay attention to precisely defining the taxable event to which the tax is applied. The bill currently proposes to impose the landing tax on the first act of unloading or transferring a processed finfish or shellfish for which the raw fish tax has not been paid, provided that the first act of unloading or transferring occurs in the state. The legislature should consider whether this provision encompasses the situations where the legislature intends that the tax should apply.

If I may be of further assistance, please advise.

GU:gc
93-279.glc

Enclosure

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

March 26, 1993

Hon. Darrel Rexwinkel
Commissioner
Department of Revenue
P.O. Box 110400
Juneau, Alaska 99811-0400

Dear Commissioner Rexwinkel:

You have asked that we comment on the constitutionality of the proposed legislation which would institute a landing tax on processed fisheries resources taken outside Alaskan waters but subsequently brought into the State. "Landing" would be defined as the act of unloading or transferring a fishery resource inside Alaska waters.

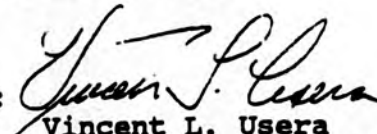
We believe the tax to be constitutionally defensible because the tax would be triggered only by activities within State waters and because there is a sufficient nexus between the availability of State services and resources and a vessel to justify the tax. See, e.g., *Sjong v. State, Dep't of Revenue*, 622 P.2d 967 (Alaska 1981).

This letter will serve to confirm the Department of Law's position that the proposed legislation is constitutionally defensible. We will be available for further analysis should you require.

Very truly yours,

CHARLES E. COLE
ATTORNEY GENERAL

By:



Vincent L. Usera
Assistant Attorney General

VLU/ps

cc: K. Lethin, Leg. Liaison
Office of the Governor

D. Behr, AAG

WALTER J. HICKEL, GOVERNOR

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RECEIVED
ALASKA DEPARTMENT OF REVENUE

MAR 26 1993

COMMISSIONER'S OFFICE

SECTIONAL ANALYSIS

An Act Providing For A Fishery Resource Landing Tax and providing for an effective date.

Section 1 adds a new chapter in AS 43 to implement a landing tax. The landing tax imposed under AS 43.77.010 will apply to processed fishery resources that are not subject to AS 43.75. The landing tax will apply to these processed resources that are first landed in the state of Alaska rather than in another state or foreign country. A landing outside a state or foreign country, such as in United States waters, is not material and does not defeat the tax. The tax rate is 3.3%.

AS 43.77.020 provides that a person subject to the tax must file a return reporting the value of the resources landed and the point of landing, as well as such other information as required by the department in regulations. The return is to be made on a calendar year basis and is due before April 1 of the following year, as is the case with the Fisheries Business tax return. An extension of time to file may be granted by the department but the tax remains due and payable before April 1.

AS 43.77.030 allows a credit against the landing tax on a fishery resource for processing and salmon enhancement taxes paid to a state or foreign country in which the fishery resource was caught or processed.

AS 43.77.040 provides that .3% of the tax collected is to be deposited into the general fund in an account for the use of the Alaska Seafood Marketing Institute.

AS 43.77.050 provides that 1.5% of the landing tax revenue collected will be shared with local governments in the same manner as fisheries business taxes under AS 43.75.130 and AS 43.75.137.

AS 43.77.800 gives the department the authority to adopt regulations to interpret and implement the landing tax provisions.

AS 43.77.900 contains definitions. A fishery resource for purposes of this chapter is a processed resource.

Landing is defined as the act of unloading or transferring a fishery resource. A taxable landing can take place over water or on land. For instance, a factory ship

might catch and process fishery resources on the high seas outside the Alaska 3 mile limit, transfer the processed resources to another vessel on the high seas, and the second vessel might enter the 3 mile jurisdiction of Alaska and transfer the product to a third vessel. The landing tax would apply at the point the second vessel transferred the product to the third vessel. There has been no previous landing in any other state or foreign country so the first landing of the processed resources is in Alaska. The owner of the fishery resources aboard the second vessel at the moment of unloading or transfer is liable for the landing tax.

The valuation of the resources for purposes of computing the tax differs from that under the Fisheries Business Tax provisions. The value is the lesser of the actual market value of the resource at the point of the landing in the state or the statewide average price paid for the resource in that tax year as reported by the Department of Fish and Game. The use of the statewide average price paid is intended to accomplish two results. First, it will simplify the determination of the tax value since the market value for the processed product may otherwise be difficult to ascertain. Second, it will roughly approximate the value that would otherwise have been applicable under the Fisheries Business Tax provisions. While the landing tax value may be lower than that actually computed by a taxpayer under AS 43.75, it will not result in a higher tax as compared to AS 43.75 simply because the value includes the value added from the act of processing. The value added to fishery resources from processing is not included in taxable value under AS 43.75 and the legislation is designed to achieve equality in the tax burden.

Section 2 provides that the Act takes effect on January 1, 1994 and applies to fishery resources that are first landed in the state on that date.

1991 Fish Tax Study



State of Alaska
Walter J. Hickel, Governor

Department of Revenue
Darrel J. Rexwinkel, Commissioner

May 1992



1991 Fish Tax Study prepared for

State of Alaska
Walter J. Hickel, Governor

Department of Revenue
Darrel J. Rexwinkel, Commissioner

Income and Excise Audit Division
Larry E. Meyers, Director



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Exhibit 1 prepared by
Carl Meyer

INCOME AND EXCISE AUDIT DIVISION
ALASKA DEPARTMENT OF REVENUE

May 1992

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

P.O. BOX 5
JUNEAU, ALASKA 99811-0400
PHONE: (907) 465-2300
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June 2, 1992

The Honorable Walter J. Hickel
Governor
State of Alaska
P.O. Box 110001
Juneau, AK 99811-0001

Dear Governor Hickel:

We are pleased to present you with this report on the results of our 1991 study of Alaska's fisheries business taxes. The report provides an overview of the laws, assesses how well they are working, and makes recommendations for improvements.

Following a 1989 Legislative Audit report, the Department of Revenue allocated additional audit resources to the fish tax programs. In conjunction with this effort, which yielded \$1.3 million in fish taxes in FY 91, the division analyzed the level of tax compliance for each of the fisheries. This study is the result of that analysis.

Sincerely,



Darrel J. Rexwinkel
Commissioner

DJR:ml
Enclosure

Addendum to 1991 Fish Tax Study

On Page 32, Table 21, the table labeled Summary of Increased Revenues Per Year from Proposed Legislative Amendments and Landing Tax, should read as follows:

Table 21
Summary of Increased Revenues Per Year from
Proposed Legislative Amendments and Landing Tax

43.75.011	Licensing Requirements	-
43.75.015	Roe Taxed Separately	\$ 923,000
43.75.017	Exclusion	-
43.75.020	Raise License Fee to \$250	107,000
43.75.030	Information Report by Cash Buyers	-
43.75.055	Acceptable Security	-
43.75.100	Tax Imposed on Acquiring Resources	-
43.75.070	Responsible Persons	-
43.75.290	Definitions	-
	(4) Fisheries Business Defined	-
	(5) Roe as Resource Defined	-
	(11) Value - Determinations	-
	(12) Lienable Real Property Defined	-
	(13) Processing Defined	-
	(14) Processing for Sale to Consumers	(5,000)
	(15) Market Value to Include Tendering Costs	3,750,000
43.77.010	Landing Tax Revenues	\$14,200,000
	Less estimated costs of administration	
	1 Tax Examiner	(40,000)
	2 Field Auditors	<u>(116,000)</u>
	Net Revenues from a Landing Tax	<u>14,044,000</u>
	Total Net Increased Revenues per Year	<u>\$18,819,000</u>

The earlier table contained an error in the estimated tax from a landing tax.

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EXECUTIVE SUMMARY

This study has three purposes: to provide an overview of Alaska's fisheries tax laws, to assess how well the laws are working, and to make recommendations for improvements.

Overview of Alaska Fish Taxes

The Department of Revenue administers three Alaska fish tax programs — Fisheries Business Tax, Seafood Marketing Assessment, and Salmon Enhancement Tax. This study briefly explains what is taxed and who must pay it, along with the basic tax structure and rates.

The Fisheries Business Tax is a tax on the value of fisheries resources processed in Alaska and unprocessed resources exported out of Alaska. There are four tax rates applied to value depending on where and how the resource is processed and whether the resource is an established or developing fishery.

The Seafood Marketing Assessment is assessed on the value of seafood products purchased by a processor. The tax rate — currently .3% — has been determined by vote of the processors.

Six aquaculture regions have elected to impose a Salmon Enhancement Tax by majority vote of the limited entry permit holders. The tax — currently 2% or 3% of the value depending on the region — is imposed upon the fisherman.

Fisheries Tax Compliance

Eight state and federal agencies are involved in managing fisheries in and around Alaska. In its efforts to administer fish tax laws, the Department of Revenue is affected by their decisions and activities. This study includes a brief description of each agency and the role it plays in Alaska fisheries management.

Responding to a June 1989 legislative audit, the department allocated additional audit resources to fish taxes. An audit group dedicated to fish tax audit and compliance completed 53 field audits and 788 desk audits during FY 91, assessing \$1.3 million. In addition, the group established a compliance presence on the fishing grounds and established internal programs to locate non-compliance.

In conjunction with these efforts, the division analyzed the level of compliance for each of the fisheries. The division wanted to know the potential revenue to be gained by increased audit and compliance efforts, as well as the fisheries and/or groups of taxpayers with the most non-compliance. Two types of compliance were considered: value compliance and pound compliance.

An analysis of "value compliance" asks: Is the correct taxable value being reported? The group found that this type of compliance could only be determined on an individual audit basis. However, the group found recurring value issues in its audits. The most common issues concerned the interpretation of "taxable value" and failure to report bonus payments and year-end adjustments.

An analysis of "pound compliance" asks: Were all taxable pounds reported to the department? To determine this, the division compared total pounds harvested in Alaska with total pounds reported to DOR as taxable. The difference, or "unaccounted for" pounds, represents potential additional taxable value. If all of these "unaccounted for" pounds in all of the fisheries were subject to tax, additional tax revenues would be \$1.2 to \$2.4 million/year.

Alaska's *salmon fisheries* provide the majority of the tax revenues, generating 61% of the fish tax revenues. Compliance within the salmon fisheries is high, with 96% of the salmon reported to ADF&G also reported to DOR as taxable.

The *herring fishery* also shows high pound compliance. While these fisheries are of high value, they are also very short in duration and so contribute only 3% of total fish tax revenue. On average, 97% of the herring pounds harvested are reported to DOR.

Based on compliance and audit experience, the division believes that unreported pounds of salmon and herring can be attributed to: (1) data entry and reporting errors made by the processors, ADF&G, and DOR; (2) custom processing arrangements whereby neither the owner of the resource nor the custom processor reports the resource processed; (3) dock sales of unprocessed resources as well as processing done outside Alaska's tax jurisdiction; and (4) non-compliance (processors not licensing with DOR nor filing tax returns and processors not reporting all pounds processed).

Shellfish is a high value resource that represents 22% of the total fish tax revenue. Most of the pounds reported to ADF&G — 97% — are crab. Over the three years covered by this study, the percentage of pounds not reported to DOR has remained relatively constant, averaging 21%. Most of this crab harvest — 18% — is attributed to catcher/processors operating outside Alaska's tax jurisdiction in the Exclusive Economic Zone (EEZ). The remaining 3% of unreported pounds can be attributed to data entry and reporting errors as well as non-compliance.

The *groundfish fishery* can be characterized as a high volume, low value fishery. Groundfish accounts for 70% of the ADF&G pounds harvested, 22% of the value harvested, but only 6% of the tax revenue collected. The low tax revenue is due to harvesting and processing groundfish in the EEZ, the low price per pound value, and the low developing fishery tax rates that apply to most of the groundfish species processed during the period covered by this study.

For the combined crab and groundfish fisheries, the total pounds claimed to be harvested and processed in the EEZ represent value of approximately \$192.3 million/year. If all of these pounds were subject to tax, additional tax revenues would be \$6.8 million/year. But there are vast differences of opinion surrounding how often crab and groundfish operators harvest and process in Alaska waters. Currently the state does not have the data to determine if these pounds are taxable. However, based on its knowledge of the EEZ fisheries, DOR believes the majority of these pounds are not subject to tax.

If the state wants to tighten compliance in the EEZ fisheries, DOR would need better information. An effective tool could come from requiring the onboard crab and groundfish observers to document the harvesting and processing inside Alaska waters by EEZ catcher/processors.

As with groundfish, much of the *halibut* is harvested outside Alaska's three mile limit. Because openings are short (usually one to two days) many fishermen with sophisticated refrigeration systems transport their catch directly to Seattle where it commands a higher price. The study shows that 8% of the halibut pounds harvested is not reported to DOR. This difference most likely represents data capturing and reporting errors, dock sales by fishermen to consumers, and non-compliance. At present, the International Pacific Halibut Commission only releases halibut harvest data by pounds landed per port. Compliance information such as pounds per processor is not released. This lack of harvest data hampers DOR's efforts to further analyze compliance in the halibut fishery.

Recommendations

The department has identified four general areas that can be changed to improve fish tax compliance and enhance revenues.



1. The ADF&G Fish Ticket System

Problem: The current system allows an unscrupulous processor to operate without a license by using plates and tickets left over from a prior year. DOR has found 21 processors that were using invalid processor ID codes for 1989, and 37 for 1990.

Recommendation: Provide for a yearly processor ID code and provide for an annual expiration date on the imprint plates. This would require a change in ADF&G procedures, and the purchase of a new machine that can make a plate in seconds (available at a cost of \$13,000—\$18,000).

2. DOR Licensing Procedures and Unpaid Tax

Problem: An analysis of the non-collectible accounts shows that many are for businesses that operated for only one year and either had prepaid tax as security that did not cover their eventual liability or did not file returns.

Recommendation: DOR must continue to scrutinize license applications for adequate prepayment of tax, and issue assessments as soon as possible for non-filers. (Improvements in licensing and auditing procedures were made following the 1989 legislative audit.)

Recommendation: Change the fisheries business statutes to allow the department to deny licenses to fisheries businesses and owners that owe the state any taxes, and give express authority for DOR's current policy of requiring lienable value to be three times the tax liability, and make it clear that personal property and other forms of collateral are not acceptable.

3. The Observer Program

Problem: There is no practical way for auditors to determine and document processing done by floaters or catcher/processors inside the three mile limit.

Recommendation: Have ADF&G observers on board vessels monitor and document harvesting and processing inside the three mile limit. With this evidence, DOR could ensure that every vessel with an observer is in compliance with the fish tax laws. This procedure would need to be approved by the Alaska Board of Fisheries and coordinated with ADF&G.

4. Statutory Changes to the Fish Tax — Landing Tax

Problem: The in-depth audits of processors have brought to light areas of confusion by the industry and problems of inconsistent interpretation of the law.

Recommendation: Change the statutes to clarify the issues encountered in field audits, including modifying the definition of taxable value and the definition of who is liable for the tax, and make other changes that will give the state better tools to administer the fish tax program. Make statute changes that will enhance revenues, such as taxing salmon roe when processed and defining the point of valuation.

Problem: The current structure of the fisheries business tax imposes a tax only on those resources harvested and/or processed inside Alaska's three-mile limit. This has not been effective in generating revenue from floating crab and groundfish catcher/processors.

Recommendation: Impose a landing tax which taxes the market value of the fisheries resources brought into the jurisdiction of the state not otherwise subject to the fisheries business tax established by AS 43.75. The objective would be to tax that part of the offshore fishing and processing activity that impacts Alaska's fishing communities and which is not at present being taxed.

Changes to the tax law would capture significantly more tax. Although estimates of revenue are difficult with data available, DOR estimates that Alaska would receive an additional \$14.2 million/year from a landing tax. This estimate is based on unprocessed value and a 5% tax rate. Actual tax received would vary depending on the tax base and the tax rate.

Table 21 on page 32 summarizes DOR's estimates of net increased revenues from statutory changes and the imposition of a landing tax.

Exhibit 1 beginning on page 33 details the proposed statutory changes with explanations for and comments about each.

Note:

All of the research and data compilation, and most of the writing of this study was completed in the early fall of 1991. Since that time, significant events have occurred and new data has become available that may change some of the analyses presented. Time constraints do not allow for a complete revision of this study; however, the reader should be aware of the following recent developments and their potential effect on the points made in this study.

- For 1988-1990, salmon was the most valuable fisheries resource. The collapse of salmon prices in 1991 and the rebound of crab fisheries, particularly around the Aleutians, will probably change this relationship. When all 1991 data is collected and available, crab may surpass salmon as Alaska's most valuable fisheries resource.
- Effective for 1992, most of the groundfish species previously categorized as developing species by ADF&G have been reclassified to the established category. Established resources carry a higher tax rate. The estimates in this report are based upon the fishery continuing in the developing category.
- Very recent actions by the North Pacific Fisheries Management Council will dramatically change the nature of the EEZ fishery. In the past, groundfish were harvested in a virtual "free for all", with shore-based processors and catcher/processors competing for a limited resource. Recently the council adopted a plan to allocate groundfish between shore-based and floating processors. This allocation should increase fish taxes. With more resources processed at shore-based plants, the expected revenue from the imposition of a landing tax would be reduced.

PART I. Purpose and Scope

This Fish Tax Study has three purposes:

1. Provide an understanding of Alaska's fisheries tax laws
2. Assess how well the law is working
3. Make recommendations for improvements



The scope of this report deals with fisheries taxes administered by the Alaska Department of Revenue (DOR):

1. AS 43.75 — Fisheries Business Tax
2. AS 16.51 — Seafood Marketing Assessment
3. AS 43.76 — Salmon Enhancement Tax

The data in this report comes from DOR's Income and Excise Audit Division and other state and federal agencies. Where possible, conclusions are drawn from statistical data. However, where statistical information is lacking, conclusions are based on field audit experiences and interviews with experts working in the various fisheries.

PART II. Overview of Alaska Fish Taxes

FISHERIES BUSINESS TAX (AS 43.75)

AS 43.75.015 imposes a tax on the value of resources processed in Alaska and upon unprocessed fisheries resources exported out of Alaska. The tax is imposed upon the first processor of the resource or upon the person exporting unprocessed resource, whether or not caught in Alaska's taxing jurisdiction. In this study, processors and exporters are collectively referred to as processors.

Every processor is required to obtain a fisheries business license prior to engaging in a fisheries business. The processor is required to provide security, post a bond, or make a prepayment of tax before a license is issued. (AS 43.75.011, 43.75.055).

A fisheries business is defined as "a person who engages in processing fisheries resources for sale by freezing, cooking, salting, or other method and includes but is not limited to canneries, cold storages, freezer ships, and processing plants" (AS 43.75.140(4)).

Processing is defined by regulation 15 AAC 75.300 as: "any activity which modifies the physical condition of a fisheries resource" and includes butchering, freezing, salting, canning, etc. This regulation excludes certain activities such as gutting, gilling and icing solely for the purpose of maintaining product quality until processing takes place.

In custom processing arrangements, the business performing the processing may deduct the value of the resource processed, so long as the processing is performed for another licensed fisheries business, and that fisheries business reports and pays the tax (15 AAC 75.030).

Excluded from the tax are fishermen who clean and freeze fish if the fish are sold to a licensed fisheries business. The licensed fisheries business is then liable for the tax (AS 43.75.017).

There are four tax rates applied to value at AS 43.75.015 depending on *where* and *how* the resource is processed and *what* resource is processed.

If the resource is designated an "established" fishery, then the tax rate is:

- 5.0% of the value of the resource processed by a floating processor
- 3.0% of the value of the resource processed by a shore-based processor
- 4.5% of the value of the salmon canned by a shore-based facility

If the resource is designated a "developing" fishery, then the tax rate is:

- 3.0% of the value of the resource processed by a floating processor
- 1.0% of the value of the resource processed by a shore-based processor

Each year the Alaska Department of Fish and Game (ADF&G) determines by geographical areas which species are established or developing. During calendar year 1991 most of the salmon, herring, crab, halibut and sablefish were designated established species while most of the groundfish (pollock, pacific cod and rockfish) were designated developing species.

Taxable value is defined by 15 AAC 75.300(6) as the price paid for the resource including indirect consideration such as bonus payments, fuel, bait, etc., whether paid at the time of sale or paid after the season as a bonus or price adjustment.

Fisheries business tax returns are filed on a calendar year basis and are due on March 31.

Beginning in 1987, the taxpayer was allowed a credit for expenditures for improvements to, or new construction of, shore-based processing facilities. The credit equals 50% of the qualified expenditure and the taxpayer is allowed a credit of up to 50% of the tax liability. The credit is effective through December 31, 1991 (AS 43.75.032).

Fish tax revenue is shared with the city or borough where the processing takes place. Fifty percent of the tax before credits is subject to revenue sharing if the processing takes place within city limits or borough boundaries (AS 43.75.130).

It is important to recognize that the fisheries business tax only applies to resources processed within Alaska's three mile jurisdictional limit. "Alaska waters" for purposes of resource management includes Alaska and adjoining federal waters. Later this report attempts to identify and value those resources taken in the federally controlled zone referred to as the Exclusive Economic Zone, or EEZ. This zone encompasses the waters from three miles to 200 miles off Alaska's shore. Fisheries resources caught and processed in the EEZ and brought into the state for loading and trans-shipment only, are not subject to the tax.

Interviews conducted during compliance trips show that the term "Alaska waters", as it applies to the Alaska taxing jurisdiction, is widely misunderstood. The term is used loosely and in many instances is taken to indicate all waters that surround Alaska. For tax purposes, the term "Alaska waters" means waters within three miles of Alaska's shore.

SEAFOOD MARKETING ASSESSMENT (AS 16.51)

AS 16.51.120 provides for an assessment of 0.1%, 0.2%, 0.3% or 0.4% of the value of seafood products purchased by a processor. The tax rate is determined by vote of the processors. Currently the rate is 0.3%. The return is due annually with the fisheries business tax return.

Funds collected by DOR from this assessment are deposited in the general fund for the purpose of providing funds for the Alaska Seafood Marketing Institute (ASMI).

SALMON ENHANCEMENT TAX (AS 43.76)

The holders of limited entry salmon permits in a given aquaculture region may, by majority vote, elect to impose a salmon enhancement tax (SET). The tax is imposed upon the fisherman and is collected by the first buyer of the salmon, usually the processor. The region may impose a 1%, 2% or 3% tax on the value of the salmon.

SET returns are due monthly. Funds collected by DOR from the salmon enhancement tax are deposited in the general fund. These funds may be appropriated by the legislature to fund the aquaculture association for the region where the tax was collected.

Currently six aquaculture regions have a SET. Kodiak, Cook Inlet, Prince William Sound and Chignik impose a 2% SET. Northern Southeast and Southern Southeast impose a 3% SET.

PART III. Fisheries Tax Compliance

ALASKA FISHERIES MANAGEMENT

An analysis of fisheries tax compliance begins with a review of some of the agencies involved in managing fisheries in and around Alaska.

The Alaska Board of Fisheries has primary management responsibility for finfish (except halibut) and shellfish harvested in state waters out to three miles. The Board has seven members appointed by the governor. The Board is responsible for writing regulations that serve to conserve the fish stock and allocate the economic benefits of harvest.

The Alaska Department of Fish and Game (ADF&G) is responsible for managing the fisheries in accordance with the policies and regulations given by the Alaska Board of Fisheries. From a tax compliance standpoint, ADF&G is the primary source of catch data for shellfish and finfish.

The Commercial Fisheries Entry Commission (CFEC) issues licenses to crewmen and vessels. On every vessel and beach site at least one person must hold a limited entry or interim-use permit. Processors are required to file an Annual Operators Report with CFEC, giving a summary of fish purchased and prices paid.

The North Pacific Fishery Management Council (NPFMC) issues fisheries management plans for fisheries in the U.S. Exclusive Economic Zone (EEZ). This zone begins at the Alaska three mile limit and extends to the 200 mile United States limit. The Council has 15 members.

The National Marine Fisheries Service (NMFS) is responsible for implementing the management plans issued by the NPFMC.

There is considerable coordination between ADF&G and NMFS, particularly for those fisheries that take place inside and outside Alaska waters. In the crab fishery, for example, ADF&G makes management recommendations to NPFMC and in coordination with NMFS manages the crab fishery.

The International Pacific Halibut Commission (IPHC) makes policies and issues regulations for the U.S. and Canada halibut fishery. The IPHC's regulations are geared toward quotas and other biological concerns. The enforcement of the IPHC regulations are carried out by state and federal agencies.

Enforcement of regulations in state waters is carried out by the Fish and Wildlife Protection Agency (F&WP), a branch of the Alaska Department of Public Safety. FW&P officers are trained at the Alaska State Troopers Academy in Sitka.

Enforcement in federal waters is carried out by officers of the NMFS and by the U.S. Coast Guard (USCG).



COMPLIANCE HISTORY

A legislative audit of the fisheries business tax program was completed in June 1989. In addition to recommending that DOR improve internal accounting for tax collections, the audit report made three other recommendations:

1. DOR should increase audit efforts of fisheries business tax returns and should increase compliance efforts to identify unlicensed processors.
2. DOR should properly share fish tax revenues with local governments.
3. DOR should seek legislation which would provide more stringent penalties for operating a fisheries business without a fisheries business license.

In order to address these recommendations, the Income and Excise Audit Division allocated audit resources to fish tax compliance. During fiscal year 1991, one audit supervisor, two field auditors and one tax examiner were assigned to fish tax compliance. The group's actions during FY 91 are outlined below.

Audit and Compliance Efforts

During FY 91 the group completed 53 field audits and 788 desk audits, assessing \$1.3 million. The field audits averaged \$15,000 per return audited, for a total of \$785,000. For the most part, audit issues involved "value compliance", such as year-end bonus payments not being reported and incorrect interpretation of the term *taxable value*.

The desk audits of 788 tax returns averaged \$800 per return reviewed or prepared on behalf of the taxpayer, for a total of \$542,000. For the most part, audit issues involved "pound compliance" such as processors not reporting resource processed, processors not filing tax returns, and custom processing arrangements whereby neither the owner of the resource nor the processor reported the taxable resource.

In addition to performing audits, the group established a compliance presence on the fishing grounds. The auditors attended openings for herring in Sitka; for halibut in Kodiak, Homer and Seward; for salmon in Bristol Bay and the Aleutians; and for groundfish in the Gulf of Alaska, Aleutians, Bering Sea and Pribilofs. During these compliance trips they patrolled the fishing grounds with F&WP officers and NMFS enforcement agents to check licenses and become familiar with the fishing industry. During FY 91 very few processors were found operating in Alaska waters without a fisheries business license. In addition, the auditors met with city and borough officials, followed up on compliance leads, and set up compliance channels.

In-house compliance consisted of establishing programs to locate non-compliance.

Numerous "paper trail" compliance projects were set up. Other government agencies' field personnel were enlisted as compliance eyes and ears, and procedures to monitor and improve compliance were instituted. Enhanced in-house procedures have led to policies on acceptable security, prepayment of tax being strictly enforced, and processors with outstanding liabilities being denied current licenses until their assessments have been paid.

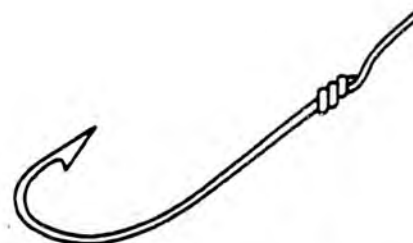
Shared Taxes

To improve the accuracy of revenue sharing, the division revised the allocation section of the fisheries business tax return. The allocation form now consists of five separate schedules that allow the division to reconcile the total tax reported.

The division has assigned a full time accounting technician to review and correct the allocation schedules. This review includes contacting the taxpayer as necessary for clarification and adjustment of the allocation schedule. Additionally, the division has made the examination and review of the allocation schedule a mandatory step in every field audit.

Penalties

The third recommendation in the legislative audit report was to increase penalties. This resulted in the enactment of AS 43.75.011 effective January 1, 1991. This statute provides for a \$5,000 penalty for processing without a license. If the processor continues to operate without a license, the penalty increases incrementally so that it totals \$10,000 the second month, \$15,000 the third month, and so on, to a maximum of \$25,000. This penalty helps persuade the processor to obtain a license when requested to do so by the division.



COMPLIANCE ANALYSIS

The 1989 legislative audit recommended DOR increase compliance efforts to identify and audit fisheries business taxpayers. The scope of the legislative audit did not include a measurement of the amount of fish tax revenue that is being lost through non-compliance.

In responding to this recommendation DOR thought it important to know:

1. How much potential revenue is to be gained by increased audit and compliance efforts?
2. Which fisheries and/or groups of taxpayers show the most non-compliance?

After completing 53 in-depth field audits, the group had a good basis for determining the "value non-compliance" issues common in the fishing industry. However, prior to this study, the division had not quantified the potential tax loss from resource not reported to DOR, a category this study calls "pound non-compliance".

To assess pound non-compliance the division began by determining how much resource is harvested each year in Alaska and federal waters as reported to ADF&G (Table 1), the total value of that resource harvested per ADF&G (Table 2) and what fish tax is reported to DOR (Table 3). The study focused our study on tax years 1988 through 1990. Tax years prior to 1988 were not analyzed because they have limited applicability from a tax standpoint. Tax years after 1990 were not analyzed because data is not yet available.

Table 1
ADF&G Pounds Harvested In Alaska and Adjoining Federal Waters
(Millions of Pounds)

Fisheries	1988		1989		1990		3 Yr Avg	
	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total
Salmon	534.8	23%	698.8	21%	692.3	N/A	642.0	19%
Herring	112.7	5%	96.6	3%	91.2	N/A	100.2	3%
Shellfish	179.8	8%	199.6	6%	266.0	N/A	215.1	6%
Groundfish	1,454.3	62%	2,198.6	68%	3,261.6	N/A	2,304.8	70%
Halibut	61.0	2%	56.0	2%	N/A	N/A	58.5 ¹	2% ¹
Total	2,342.6	100%	3,249.6	100%	4,311.1	N/A	3,320.6	100%

¹ Two year average.

Table 2
ADF&G Value Harvested² In Alaska and Adjoining Federal Waters
(Millions of Dollars)

Fisheries	1988		1989		1990		3 Yr Avg	
	ADF&G Value	% of Total	ADF&G Value	% of Total	ADF&G Value	% of Total	ADF&G Value	% of Total
Salmon	\$ 780.5	57%	\$ 571.8	46%	\$ 578.1	N/A	\$ 643.5	48%
Herring	51.5	4%	18.7	2%	27.8	N/A	32.7	2%
Shellfish	235.7	17%	275.1	22%	360.4	N/A	290.4	22%
Groundfish	222.5	16%	288.4	23%	348.0	N/A	286.3	22%
Halibut	74.7	6%	84.1	7%	N/A	N/A	79.4*	6%*
Total	\$1,364.9	100%	\$1,238.1	100%	\$ 1314.3	N/A	\$1,332.3	100%

¹ Two year average.

² ADF&G Harvest value was calculated using ADF&G pounds harvested and DOR reported average price per pound.

Table 3
Department of Revenue Fish Tax¹
(Millions of Dollars)

Fisheries	1988		1989		1990		3 Yr Avg	
	Fish Tax	% of Total	Fish Tax	% of Total	Fish Tax	% of Total	Fish Tax	% of Total
Salmon	\$ 27.3	69%	\$ 21.9	63%	\$ 22.1	56%	\$ 23.8	61%
Herring	2.0	5%	.7	2%	1.1	3%	1.3	3%
Shellfish	6.6	16%	8.0	23%	11.4	29%	8.6	22%
Groundfish	2.0	5%	2.0	6%	2.4	6%	2.1	6%
Halibut	2.0	5%	2.0	6%	2.5	6%	3.2	8%
Totals	\$39.9	100%	\$ 34.6	100%	\$39.5	100%	\$ 39.0	100%

¹ Fish Tax reflects calendar year tax reported on the tax returns before fisheries business tax credits.

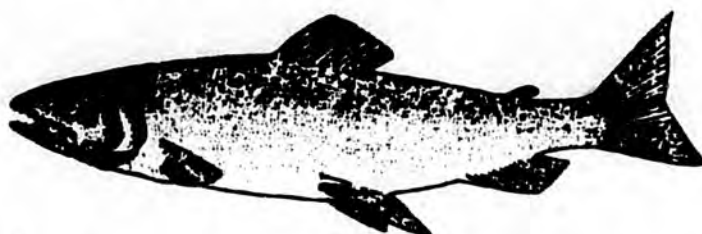
Tables 1, 2 and 3 show that groundfish represents 70% of pounds harvested, 22% of value harvested, but only 6% of tax, while salmon represents 19% of the pounds harvested, 48% of value harvested and 61% of tax.

Based on pound, value, and tax disparities between fisheries the division began its analysis by grouping Alaska's fisheries into five segments: salmon, herring, shellfish, groundfish and halibut.

For each of the five segments, using ADF&G and DOR data, the division calculated total pounds harvested in Alaska and adjoining federal waters and the value of that harvest. Next, this information was compared to total pounds and value reported to DOR as taxable. This comparison provided an estimate of pounds and value not reported as taxable.

Finally, the division attempted to determine what portion of pounds and value not reported to DOR was subject to tax and thus represented "pound non-compliance". Non-compliance in this sense represents pounds harvested and/or processed within Alaska's taxing jurisdiction and the associated values which were not reported to DOR as taxable. It does not refer to "value non-compliance" where the processor reports the pounds as taxable but incorrectly reports the associated taxable value.

Salmon Fisheries



Salmon Fisheries Overview

Alaska's salmon fisheries provide the majority of the tax revenues, generating 61% of the fish tax revenues (Table 3). Most parts of coastal Alaska support some form of salmon fishery.

Table 4 shows total pounds of salmon harvested and Table 5 shows the relative total taxable value of salmon as reported to DOR.

Table 4
ADF&G Pounds of Salmon Harvested and Percent of Total
(Millions of Pounds)

Salmon	1988		1989		1990		3 Yr Avg	
	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total
King	10.9	2%	11.3	2%	11.4	2%	11.3	2%
Sockeye	188.6	35%	260.6	37%	306.0	44%	251.7	39%
Coho	35.4	7%	33.2	5%	40.0	6%	36.2	6%
Chum	121.6	23%	61.6	9%	62.7	9%	82.0	13%
Pink	177.9	33%	331.5	47%	271.9	39%	260.4	40%
Roe	.4	0%	.6	0%	.3	0%	.4	0%
ADF&G Harvest	534.8	100%	698.8	100%	692.3	100%	642.0	100%

Table 5
Relative Value of Salmon as Reported to DOR
(Millions of Dollars)

Salmon	1988		1989		1990		3 Yr Avg	
	DOR Value	% of Total	DOR Value	% of Total	DOR Value	% of Total	DOR Value	% of Total
King	\$ 26.4	4%	\$ 21.2	4%	\$ 21.2	4%	\$ 22.9	4%
Sockeye	430.3	58%	360.3	65%	392.0	68%	394.2	63%
Coho	53.6	7%	22.1	4%	40.1	7%	38.6	6%
Chum	101.3	13%	23.0	4%	28.1	5%	50.8	8%
Pink	133.2	18%	129.0	23%	91.3	16%	117.8	19%
Subtotal	744.8	100%	555.6	100%	572.7	100%	624.3	100%
Roe	1.2	0%	1.5	0%	.9	0%	1.2	0%
Total	\$ 746.0	100%	\$ 557.1	100%	\$ 573.6	100%	625.5	100%

Following is a summary of the five species of salmon and salmon roe:

- **King (*Chinook*).** Kings are the largest species (6-16 pounds) and command the highest average salmon price per pound. They are taken by all salmon gear types in Alaska and federal waters. The majority are processed by freezing and some are flown out fresh.
- **Sockeye (*Red*).** Sockeye average price per pound is second to king salmon. They are taken mainly in drift or set gillnets in every district. The state's top sockeye producing area is Bristol Bay. The majority are processed by freezing.
- **Coho (*Silver*).** Cohos are taken by all salmon gear types in almost every district. The majority are processed by freezing.
- **Chum (*Dog*).** Chum are taken by all salmon gear types in every district. The majority are canned, with a significant portion frozen for smoking.
- **Pink (*Humpback*).** Pinks are the smallest species of salmon (3-5 pounds) and realize the lowest average price per pound. They are harvested mainly in seines and are taken in every district. The state's top pink producing area is Southeast. Historically the majority have been canned; however, the current trend is toward freezing.
- **Salmon Roe.** Salmon roe is the most expensive of the commercial salmon products. Roe is usually taken from sockeye or chum and is processed by grading and salting. Roe accounts for less than 1% of the total value reported to DOR.

"Custom processing" is common in the salmon fishery with an average of 12% of the total harvest custom processed each year. Custom processing is an arrangement where the owner of the resource pays a fee to have the resource processed. These arrangements are designed to minimize transportation costs and to handle excess supply of salmon during the peak of the runs. These arrangements often result in pound non-compliance, as the owner of the resource and the custom processor each assumes the other is remitting the tax.

Salmon Fisheries Management

Salmon fisheries are managed by ADF&G and salmon are harvested predominantly inside Alaska's three mile limit.

The fundamental resource management tool used by ADF&G to gather information on the salmon harvest is the "fish ticket". According to ADF&G regulations, the first buyer of the resource (or the fisherman if he removes the resource from the state) is required to issue a fish ticket. The fish ticket shows the name or number of the vessel from which the catch is taken, the date of landing and the pounds purchased of each species. The fisherman records the statistical area in which the resource was taken on the fish ticket.

The price paid for the salmon is sometimes entered on the fish ticket. This so called "ex-vessel" value is preliminary because price adjustments or bonus payments after the season are common in the fishery.

Salmon Fisheries Compliance

Tax compliance in the salmon fisheries is directly affected by ADF&G's management. ADF&G manages each fishery by setting levels of escapement to insure future runs. With minor exceptions, ADF&G manages the salmon fisheries so that areas open to fishing are within the three mile limit.

Because virtually all of the salmon are harvested inside three miles, virtually all of the salmon harvest is taxable. To measure compliance the division compared the total pounds harvested per ADF&G with the total pounds reported as taxable to DOR (Table 6A).

Table 6A shows that 96% of the salmon reported to ADF&G was also reported to DOR as taxable. Based on past compliance and audit experience the division believes the 4% not reported is due to:

1. errors the processors, ADF&G, and DOR make when data capturing and reporting pounds;
2. custom processing arrangements whereby neither the owner of the resource nor the custom processor reports the resource processed;
3. non-taxable dock sales of unprocessed salmon by fishermen to consumers; and
4. non-compliance (processors not licensing with DOR nor filing tax returns and processors not reporting all pounds processed).

The division estimates the 4% of salmon pounds not reported to DOR has a harvest value of approximately \$18.0 million/year (1988-1990 three year average). If this salmon was all taxable, at an established/shore-based or floating tax rate of 3% to 5%, it would result in \$541,000 to \$902,000 additional tax per year.

Table 6A
Salmon Harvested per ADF&G and the Percent Reported to DOR
(Millions of Pounds)

Salmon	1988		1989		1990		3 Yr Avg	
	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total
Reported to DOR	507.0	95%	664.3	95%	681.7	99%	617.7	96%
Not Rep'd to DOR	27.5	5%	33.9	5%	10.4	1%	23.9	4%
Totals	534.5	100%	698.2	100%	692.1	100%	641.6	100%

Table 6B shows that more than 100% of the salmon roe reported to ADF&G is reported to DOR as taxable. This statistic is misleading. Processors usually do not write a separate fish ticket for the roe contained in a salmon and very few fish tickets reflect roe as a resource harvested. However, processors who acquire roe from another processor will report this roe on their tax returns. Therefore, more roe is reported to DOR than is recorded as harvested by ADF&G.

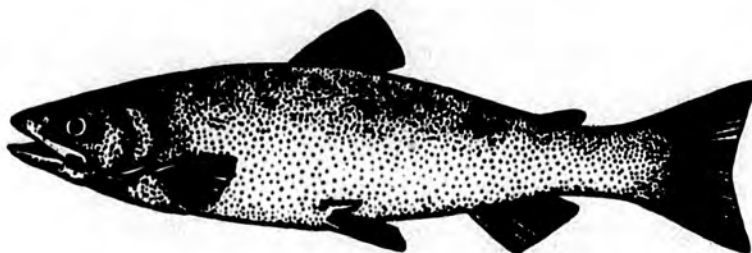
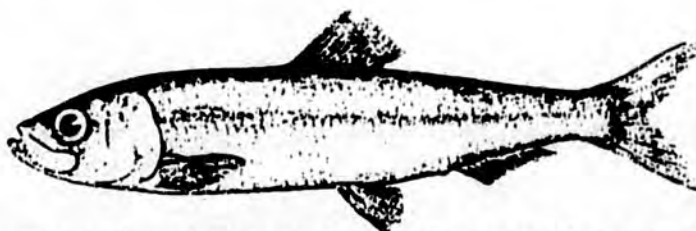


Table 6B
Salmon Roe Harvested per ADF&G and Percent Reported to DOR
(Thousands of Pounds)

Roe	1988		1989		1990		3 Yr Avg	
	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total
Reported to DOR	380.7	102%	521.3	92%	544.2	201%	482.1	119%
Not Rep'd to DOR	(6.1)	(2%)	47.4	8%	(272.8)	(101%)	(77.2)	(19%)
Totals	374.6	100%	568.7	100%	271.4	100%	404.9	100%

Herring Fisheries



Herring Overview

Alaska's herring resource is harvested at numerous locations around coastal areas of the state. In general, the fisheries are of high value and of very short duration.

Tables 1, 2 and 3 (page 7) illustrate that the herring fishery accounts for 3% of pounds harvested, 2% of value harvested and 3% of total fish tax revenue.

Following is a summary of the three types of herring fisheries:

- **Sac-Roe.** The sac-roë fishery targets herring returning in large schools to spawn within a few hundred yards of the beach. Pre-spawning herring are taken with either seines or gillnets for their nearly mature roe. Processors may extract the roe or freeze the whole fish and sell the product to a secondary processor. Males (and the carcasses of the females) are sold as food or bait.
- **Roe-on-Kelp.** The roe-on-kelp fishery targets roe which is deposited on kelp. There are two harvesting methods: a wild roe-on-kelp fishery where fishermen collect kelp which has been subject to roe deposit, and a pound roe-on-kelp fishery where pre-spawning herring are captured and placed in pounds to spawn on kelp. Processors salt the collected roe.
- **Food and Bait.** The food and bait fishery, harvested by seiners, targets herring not in a spawning condition. Some of the sac-roë herring is sold as food or bait when the roe percentages are very low. Quality has the largest impact on price in the herring roe fisheries. Relatively minor differences in quality can be the difference between a high value product and a virtually worthless one.

Like the salmon fishery, custom processing in the herring fishery is common. An average of 17% of the total harvest is custom processed each year.

The sac-roë fishery represents the most pounds harvested (Table 7) and also reflects the largest share of value reported (Table 8).

Table 7
ADF&G Pounds Harvested by Herring Fishery
(Millions of Pounds)

	1988		1989		1990		3 Yr Avg	
Herring	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total
Roe-on-Kelp	.9	1%	.5	1%	.9	1%	.8	1%
Sac-Roe	95.3	84%	80.0	83%	73.5	81%	82.9	83%
Food & Bait	16.5	15%	16.1	16%	16.8	18%	16.5	16%
Total	112.7	100%	96.6	100%	91.2	100%	100.2	100%

Table 8
Relative Value of Herring as Reported to DOR¹
(Millions of Dollars)

	1988		1989		1990		3 Yr Avg	
Herring	DOR Value	% of Total	DOR Value	% of Total	DOR Value	% of Total	DOR Value	% of Total
Herring (General)	\$ 16.7	34%	\$ 5.2	28%	\$ 8.1	30%	10.0	32%
Roe-on-Kelp	.4	1%	.2	1%	.9	3%	.5	2%
Herring Eggs	.3	0%	.1	0%	12.8	48%	4.4	14%
Sac-Roe	30.6	62%	11.5	63%	2.8	11%	15.0	47%
Food	.1	0%	.4	2%	.8	3%	.4	1%
Bait	1.4	3%	1.2	6%	1.2	5%	1.3	4%
Total	\$ 49.5	100%	\$ 18.6	100%	\$ 26.6	100%	31.6	100%

¹Due to the difference in data capture categories of ADF&G and DOR it is not possible to reconcile ADF&G and DOR figures by herring category.

Herring Compliance

The herring fisheries are managed by ADF&G using the fish ticket system. Most herring is valued for roe content which is harvested shoreside. Therefore virtually all herring is harvested within Alaska's waters and is subject to tax.

To determine pound compliance, the division compared the total pounds ADF&G reported as harvested with the total pounds reported to DOR as taxable.

Table 9 shows that on average, 97% of the herring pounds harvested are reported to DOR.

Table 9
ADF&G Pounds Harvested and the Percent Reported to DOR as Taxable
(Millions of Pounds)

	1988		1989		1990		3 Yr Avg	
Herring	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total
Reported to DOR	108.2	96%	95.9	99%	87.3	96%	97.2	97%
Not Rep'd to DOR	4.5	4%	.7	1%	3.9	4%	3.0	3%
ADF&G Harvested	112.7	100%	96.6	100%	91.2	100%	100.2	100%

Based on past compliance and audit experience the division believes the 3% of herring pounds not reported can be attributed to:

1. errors the processors, ADF&G, and DOR make when data capturing and reporting pounds;
2. custom processing arrangements whereby neither the owner of the resource nor the custom processor reports the resource processed;
3. dock sales of unprocessed herring and processing done outside Alaska's tax jurisdiction; and
4. a small amount of non-compliance (processors not licensing with DOR nor filing tax returns and processors not reporting all pounds processed).

The division estimates the 3% of herring pounds not reported to DOR has a harvest value of approximately \$1.0 million/year (1988-1990 three year average). If this herring was all taxable, at an established/shore-based or floating tax rate of 3% to 5%, it would result in \$29,000 to \$49,000 additional tax per year.



Shellfish Fisheries

Shellfish Overview

For purposes of this report the term "shellfish" includes crab, shrimp and miscellaneous other species (scallops, sea cucumbers, abalone, clams, sea urchins, octopus, oysters, squid and snails). Shellfish is a high value resource representing 6% of total ADF&G pounds harvested, 22% of total value harvested, and 22% of total DOR tax revenue (Tables 1, 2 & 3 on page 7).

Table 10 shows that crab represents approximately 97% of total ADF&G pounds of shellfish harvested and Table 11 shows that crab represents 98% of total DOR shellfish taxable value reported. Therefore, the shellfish section of this report focuses on the crab fishery.

Table 10
ADF&G Pounds of Shellfish Harvested
(Million of Pounds)

Shellfish	1988		1989		1990		3 Yr Avg	
	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total
Crab	175.8	98%	195.2	98%	257.2	97%	209.4	97%
Shrimp	2.2	1%	1.7	1%	2.7	1%	2.2	1%
Other	1.8	1%	2.7	1%	6.1	2%	3.5	2%
Total	179.8	100%	199.6	100%	266.0	100%	215.1	100%

Table 11
Relative Value of Shellfish as Reported to DOR
(Million of Dollars)

Shellfish	1988		1989		1990		3 Yr Avg	
	DOR Value	% of Total	DOR Value	% of Total	DOR Value	% of Total	DOR Value	% of Total
Crab	\$181.6	98%	\$213.7	98%	\$274.6	98%	223.3	98%
Shrimp	1.7	1%	1.5	1%	1.7	0%	1.6	1%
Other	1.7	1%	3.8	1%	4.9	2%	3.5	1%
Total	\$185.0	100%	\$219.0	100%	\$281.2	100%	228.4	100%

The Crab Fishery

There are numerous species of crab taken in the fishery but they fall into three main categories: King, Tanner, and Dungeness. Nearly all crab fishing in Alaska and federal waters is done with pots. The pots vary in size and weight (between 60-700 pounds) depending on the species and area being fished. Crab are kept alive until processed. Processing occurs at shore-based facilities, on floating processors, and on catcher/processors. The bulk of the crab is processed by butchering, dipping in a bacterial dip or steaming/boiling, and freezing. Most of the processed product ends up in foreign markets with over 90% going to Japan.

The management of King and Tanner crab fisheries has been delegated to ADF&G by NMFS, through the North Pacific Fisheries Management Council, under a cooperative agreement.

ADF&G uses the fish ticket system to track crab harvest. A major component of ADF&G's crab fishery management is the shellfish observer program. This program places observers in processing facilities to collect biological data on crab processed. The State of Alaska Mandatory Shellfish Observer Program was adopted in April of 1988 after the Alaska Board of Fisheries received data that showed large catch discrepancies between catcher/only vessels and catcher/processor vessels operating in the Bering Sea and Aleutian Islands. The observer program was instituted as a deterrent to the harvesting and retention of undersized crab. It currently has two major goals: enforcement and data collection.

In 1988 the Alaska Board of Fisheries required onboard observers for all vessels processing King and Bairdi Tanner crab. In 1991 the program was expanded to require onboard observers for all vessels processing Opilio Tanner crab. Shore-based processing facilities are included in the program by requiring ADF&G samplers to sample deliveries at the peak of the season.

The following is a brief summary of major categories of crab harvested in Alaska and federal waters:

- **King Crab.** Red and Brown King dominate the King crab fishery. Current major production is from the ADF&G's Westward region (Kodiak, Alaska Peninsula, Aleutians and the Bering Sea). Most of the fisheries in this region are short (two weeks or less) with the majority occurring August through November. The King fishery peaked in 1980 with 186 million pounds landed and has since dropped dramatically. The current three year average is 26 million pounds landed per year.

- **Tanner Crab.** Alaska has two species of Tanner crab: *bairdi* and *opilio*. Current major production is from ADF&G's Westward region with fisheries November through March. The Tanner fishery peaked in 1990 with 178 million pounds landed. The current three year average is 162 million pounds landed per year.
- **Dungeness Crab.** The Alaska Dungeness fishery is relatively small compared to the King and Tanner crab fishery but is comparable to Dungeness harvests in other west coast states. Most fishing takes place in less than 20 fathoms of water in bays, inlets, and off river mouths. The Dungeness fishery peaked in 1982 with 16 million pounds landed. The current three year average is 9 million pounds landed yearly.

The Shrimp Fishery

The bulk of the Alaskan shrimp harvest is comprised of the small pink shrimp and humpy shrimp which are harvested on mud or sand bottoms and are fished by trawls. The coonstripe, sidestripe and spot shrimp are larger and are fished with pots. The Alaska shrimp fishery peaked in 1976 with 111 million pounds landed. Since then the fishery has declined. The current three year average is 2.2 million pounds.

Other Miscellaneous Shellfish Fisheries

The "other" shellfish category (Tables 10 and 11) includes scallops, sea cucumbers, abalone, clams, sea urchins, octopus, oysters, squid and snails. Most of the pounds in the "other" shellfish category represent scallops, squid and sea cucumbers.

Crab Compliance

The division began its analysis of crab compliance by comparing pounds ADF&G reported as harvested from Alaska and federal waters to pounds reported to DOR as taxable.

Table 12 gives an overview of crab compliance by splitting the ADF&G total harvest into pounds reported to DOR as taxable, pounds reported to ADF&G by EEZ catcher/processors, and unaccounted for pounds. Over the last three years the percentage of pounds reported to DOR as taxable and those not reported to DOR have remained relatively constant at an average of 79% and 21% respectively. DOR's three year average estimated value of the 21% of pounds not reported is approximately \$60.9 million/year. To determine if any of this value was subject to tax, the division analyzed the unreported pounds.

EEZ Catcher/Processor Pounds Not Reported. An average of 18% of the ADF&G crab harvest that is not reported to DOR is attributed to EEZ catcher/processors (Table 12). Catcher/processors are distinguished from floating processors in that the catcher/processor both harvests and processes the resource. The floating processor follows the catcher fleets and processes only. If the entire 18% was taxable (at a three year average value of \$52.2 million/year and an established/floating tax rate of 5%) this would result in approximately \$2.6 million/year in additional tax.

However, given that the catcher/processor vessels are by design intended to catch and process simultaneously at sea, it is probable that these pounds are caught and processed in the EEZ and are not subject to tax. Currently the division does not have the processing location data available to identify and document every processing incursion into state waters.

Table 12
ADF&G Pounds of Crab Harvested and the Percent of Total
(Millions of Pounds)

Crab	1988		1989		1990		3 Yr Avg	
	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total
Reported to DOR	137.7	78%	154.7	79%	201.0	78%	164.4	79%
EEZ Not Rep'd	30.1	17%	35.0	18%	49.7	19%	38.3	18%
Other Not Rep'd	8.0	5%	5.5	3%	6.5	3%	6.7	3%
ADF&G Harvested	175.8	100%	195.2	100%	257.2	100%	209.4	100%

Other Pounds Not Reported to DOR. Table 12 shows 3% of the crab harvest represents unaccounted for pounds. Based on past compliance and audit experience the division believes the crab not reported can be attributed to:

1. errors the processors, ADF&G, and DOR make when data capturing and reporting pounds; and
2. non-compliance (processors not licensing with DOR nor filing tax returns and processors not reporting all pounds processed).

If the entire 3% was taxable (at a three year average value of \$8.7 million/year and an established/shore-based or floating tax rate of 3% to 5%) this would result in approximately \$261,000 to \$435,000/year in additional tax.

"EEZ Only" Crab Fishery. Some processors in the crab fishery claim that all of their harvesting and processing activity takes place in federal waters and they register with ADF&G as "EEZ Only" operators. A commonly held belief among shore-based processors and local municipalities is that although these "EEZ Only" operators are able to harvest and process entirely within federal waters, they often harvest and process in calm, protected coastal areas within three miles and do not file tax returns or pay fish tax.

Detailed fish ticket data on the EEZ crab fishery is available from ADF&G because under cooperative agreement with NMFS, ADF&G manages the crab stocks both inside and outside the three mile limit. The ADF&G fish ticket system for crab is a comprehensive database for crab harvest from shore to 200 miles.

To assess the catcher/processor's role in the crab fishery, the division analyzed pounds reported to ADF&G and pounds reported to DOR by processing facility type. A review of ADF&G crab ticket summaries shows that catcher/processors, as a whole, purchase or harvest approximately 19% of the total resource and only report 2% of their harvest as taxable to DOR (See Table 13). However, these figures should be interpreted as a rough estimate because it is common for one processor to write the fish ticket and another processor to actually process the resource and report the tax. Table 13 does not reflect this movement of resource between processors.

Table 13
Pounds Crab Processors Harvested and/or Purchased vs.
Pounds Crab Processors Reported to DOR
(Millions of Pounds)

1988-1990 Three Year Average				
	ADF&G Lbs	Processors		% of Harvest
Processing Facility	Harvested	% of Harvest	vs.	Processors Reported
Catcher/Processors	38.7	19%		2%
Floating Processors	86.0	41%		100%
Shore-based Processors	84.7	40%		92%
Totals	209.4	100%		79%

The attempt to audit EEZ catcher/processors to determine tax liability led to the following. First, the division could use ADF&G fish tickets to determine where resources were harvested and thus determine if the processor is liable for tax due to resource taken in Alaska waters. However, the fish ticket is not a third party tax document, but an ADF&G resource management tool which is completed by the catcher/processor. The division is concerned that making tax assessments from fish tickets would encourage catcher/processors to manipulate the statistical areas and thus jeopardize ADF&G's resource management tool. Because there are no third party records to show where processing takes place, and vessel log books rarely record processing location, the division is not able to determine tax liability incurred from processing in Alaska waters.

A potentially difficult but possible way to determine how much taxable harvesting and processing takes place in Alaska waters would be to have ADF&G onboard shellfish observers record harvesting and processing in Alaska waters along with currently required biological data. This procedure would need to be approved by the Alaska Board of Fisheries and coordinated with ADF&G.

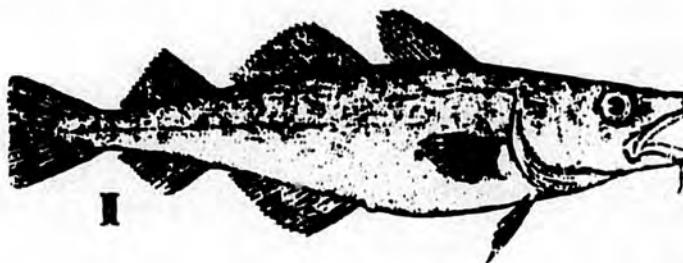


Shrimp and Other Shellfish Compliance

Shrimp and other shellfish represent only 3% of the total ADF&G pounds of shellfish harvested (Table 10). Of 5.8 million pounds/year of shrimp and other shellfish harvested, 22% of those pounds are not reported to DOR as taxable.

The division estimates the value of the shrimp and other shellfish not reported to DOR to be \$1.1 million/year. If the entire \$1.1 million was taxable at a low developing/shore-based or high established/floating tax rate of 1% to 5%, this would yield between \$11,000 to \$55,000/year in additional tax revenue.

Groundfish Fisheries



Groundfish Overview

The term "groundfish" includes pollock, pacific cod, sablefish (black cod), rockfish, flatfish, and other miscellaneous species. The groundfish fishery can be characterized as a high volume, low value (price per pound) fishery. Groundfish accounts for 70% of the ADF&G pounds harvested, 22% of the value harvested, but only 6% of the tax revenue collected (Tables 1, 2 & 3). The low tax revenue generated by the groundfish fishery is primarily due to harvesting and processing groundfish outside Alaska's taxing jurisdiction, the low price per pound value, and the majority of the groundfish being taxed at the low developing fishery tax rates of 1% to 3%.

Tables 14 and 15 show that pollock, sablefish and pacific cod represent 97% of taxable pounds and 96% of taxable value reported to DOR. Therefore, the groundfish section of this report focuses on those three species.

Table 14
DOR Pounds of Groundfish Reported and the Percent of Total
(Millions of Pounds)

	1988		1989		1990		3 Yr Avg	
Groundfish	DOR Pounds	% of Total	DOR Pounds	% of Total	DOR Pounds	% of Total	DOR Pounds	% of Total
Pollock	367.1	64%	472.4	66%	660.5	67%	500.0	66%
Sablefish	36.8	6%	33.7	5%	34.8	4%	35.1	5%
Pacific Cod	140.6	25%	185.1	26%	270.1	28%	198.6	26%
Flatfish	24.1	4%	8.2	1%	12.1	1%	14.8	2%
Rockfish	3.9	1%	10.0	2%	4.0	0%	5.9	1%
Other	1.1	0%	2.3	0%	4.6	0%	2.7	0%
Total	573.6	100%	711.7	100%	986.1	100%	757.1	100%

Table 15
Relative Value of Groundfish as Reported to DOR
(Millions of Dollars)

Groundfish	1988		1989		1990		3 Yr Avg	
	DOR Value	% of Total	DOR Value	% of Total	DOR Value	% of Total	DOR Value	% of Total
Pollock	\$ 24.8	24%	\$ 42.0	35%	\$ 49.6	38%	\$ 38.8	33%
Sablefish	56.3	53%	49.4	42%	41.3	31%	49.0	41%
Pacific Cod	17.9	17%	22.6	19%	37.6	28%	26.0	22%
Flatfish	2.6	2%	1.0	1%	1.2	1%	1.6	1%
Rockfish	1.9	2%	2.2	2%	1.5	1%	1.9	2%
Other	2.1	2%	1.0	1%	0.9	1%	1.3	1%
Total	\$105.6	100%	\$118.2	100%	\$132.1	100%	\$118.6	100%

The following is a summary of the major species of groundfish:

- **Pollock.** Pollock commands a low ex-vessel price of approximately \$.08/lb (1988-1990 three year average) and accounts for an average of 66% of total groundfish pounds reported to DOR. Pollock are harvested with large scale trawls operated by catcher boats or catcher/processors (often referred to as "factory trawlers"). Factory trawlers are from 150 to 300 feet in length and have the capability to harvest and process the resource into finished product. The majority of the harvested pollock is processed into surimi (a colorless, odorless fish paste) that is further processed into such products as imitation crab meat.
- **Sablefish.** Sablefish is an exception to the usual low price per pound paid for groundfish and commands an average ex-vessel price of approximately \$1.39/lb (1988-1990 three year average). Sablefish is harvested by trawl, pots, and longlines.
- **Pacific Cod.** Pacific cod (grey cod) commands a low ex-vessel price of approximately \$.13/lb (1988-1990 three year average). It is harvested by trawls, pots and a growing longline fishery.
- **Rockfish, Flatfish, and Other.** This category of groundfish is harvested by trawls and longlines. However, the majority of this harvest is the result of other fisheries harvest by-catch.

Groundfish resources in federal waters around Alaska have been managed under federal authority since 1977, following enactment of the Magnuson Act of 1976. Persons engaging in fishing in the 3-200 mile EEZ must comply with the regulations implemented by the North Pacific Fishery Management Council. This does not exempt persons operating in Alaska's waters (shore to the three mile limit) from federal regulations, but additionally requires that they comply with ADF&G regulations. Enforcement of federal fisheries regulations is carried out by NMFS and the USCG and is assisted in state waters by ADF&G and F&WP officers.

Almost all species of groundfish have been considered developing species and are taxed at the lower rates of 1% for shore-based operators and 3% for floating processors. The majority of the floating groundfish processors claim their activity is entirely outside the state's three mile limit and therefore not subject to Alaska's fish tax. According to NMFS special field agents, the location of the groundfish habitats are generally outside the three mile limit. Thus it is unlikely that processors would come inside Alaska waters to harvest groundfish except for some pot fishing between Kodiak Island and the Alaskan Peninsula.

Groundfish Compliance

For the years of this study, harvest data are available from two sources: ADF&G fish tickets and NMFS harvest logbooks. DOR found that changes in record-keeping rules by NMFS gradually phased out the use of fish tickets and introduced the use of logbooks during 1989 and 1990.

NMFS requires that processors maintain logbooks in which they record catch data for resource management. ADF&G required that fish tickets be issued to record harvest data. ADF&G cannot require a processor to issue fish tickets if that processor claims to harvest/process entirely in the EEZ. Therefore ADF&G fish ticket summaries do not reflect total groundfish harvested. The division has not been able to reconcile NMFS and ADF&G data to arrive at the detail needed for a complete compliance analysis.

ADF&G fish ticket summaries do reflect by processor code those species and pounds harvested by processors claiming EEZ status who are still completing fish tickets. This is due to F&WP officers requiring processors "landing" (off-loading) finished product in Alaska ports to complete fish tickets.

The division's estimates for pounds, value, and unreported tax do not include those pounds harvested and processed by operators who do not file fish tickets, and may therefore be understated. Table 16 gives an overview of groundfish compliance using ADF&G data. It shows total pounds reported to DOR, total pounds reported to ADF&G by EEZ operators, total pounds unaccounted for, and total harvest per ADF&G.

Table 16
ADF&G Pounds of Groundfish Harvested and Percent Reported to DOR
(Millions of Pounds)

Groundfish	1988		1989		1990		3 Yr Avg	
	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total
Reported to DOR	573.6	40%	711.7	32%	986.1	30%	757.1	33%
EEZ Not Rep'd	707.4	48%	1,342.5	61%	2,071.7	64%	1,373.9	59%
Other Not Rep'd	173.3	12%	144.4	7%	203.8	6%	173.8	8%
ADF&G Harvested	1,454.3	100%	2,198.6	100%	3,261.6	100%	2,304.8	100%

For assessment of groundfish pound non-compliance this study assumes that EEZ pounds represent non-taxable resource harvested and processed in the EEZ. The three year average of pounds not reported to DOR is 173.8 million/year. The value of these unreported pounds, using DOR average price per pound, is \$17.8 million/year. The potential unreported tax at a developing/shore-based or floating tax rate of 1% to 3% is between \$178,000 and \$533,000/year.

The NMFS domestic observer program was implemented in 1990 to provide biological catch data. Information gathered by observers is used by NMFS to pace the progress of groundfish fisheries toward harvest and by-catch quotas.

As for using this observer information as a tax compliance tool, observer Form A may contain information useful to DOR in determining where a vessel was located at the time of processing. However, that information is not data captured by NMFS as it has a low priority for them. Observer information could only be obtained on a case by case basis to support other evidence of a processor's activity in state waters.

As with the crab fishery, a commonly held belief among shore-based processors and local communities is that although EEZ operators claim to harvest and process only in federal waters, they often follow the resource into Alaska waters or seek the protection of Alaska waters for processing but do not file tax returns or remit tax.

Identifying operators who claim they operate only in the EEZ but who do in fact harvest and/or process inside Alaska's three mile limit is a compliance problem that can only be partially solved on a case by case basis at this time. For groundfish operators who are still remitting fish tickets, DOR can determine if the resource was harvested in Alaska waters. However, fish tickets are not a third party record and are subject to manipulation. DOR has not found a specific record maintained by any government agency that reflects processing location. Therefore, DOR is not able to assess tax based on processing in Alaska waters.

The division has preliminarily reviewed the detailed fish ticket information for 13 groundfish catcher/processors for 1988 to determine how many pounds have been harvested inside the three mile limit. Its taxable value and related tax was determined by using an average price per pound. DOR found that out of 13 catcher/processors who were reviewed, five showed pounds harvested in Alaska waters and therefore were subject to tax. For the group as a whole, 7% of pounds harvested were in Alaska waters. At the developing/floating 3% tax rate and a low value (\$.08 for pollock and \$.13 for the Pacific Cod), a large number of pounds must be harvested inside Alaska waters to make a significant adjustment.

The potential tax assessment for the 13 processors reviewed totaled \$12,636. This averaged only \$972 in tax per processor reviewed. Caution must be used when applying the results of this review to catcher/processors as a whole. The sample group selected was either known to have operated in Alaska waters or the division had reason to suspect they fished in Alaska waters, so the average tax could be higher than it would be overall. Conversely, it's possible that the average tax for the sample group is lower than the industry average would be because the assessment does not reflect tax incurred from processing in Alaska waters. Currently the division has no data on processing location. With the increase in EEZ operators — from 51 in 1988 to 82 in 1990 — the incidence of fishing and processing in Alaska waters by these EEZ operators may be higher.

The division found many limitations in its attempt to make tax assessments from fish tickets. The major limitation is that DOR could only make assessments on resource harvested in Alaska waters because the fish ticket does not record processing location. Thus, tax due from processing in Alaska waters is not determinable. In addition, the division found it very time consuming to review the detailed fish ticket runs for each processor.

As an added complication, the division requested original copies of the fish tickets issued by each processor to determine that the information was accurate. Upon obtaining the original fish tickets, the division noted that ADF&G has implemented certain editing procedures. Often, fish ticket editors allocate a percentage of the total pounds harvested to statistical areas when the catcher boat indicates

continuous operation overlapping several statistical areas. In addition, since ownership of vessels changes quickly and most are out of state, it is difficult to locate the owner liable for the tax. Finally, it is not clear at this time if assessments made based on fish ticket data will hold up through the appeals process.

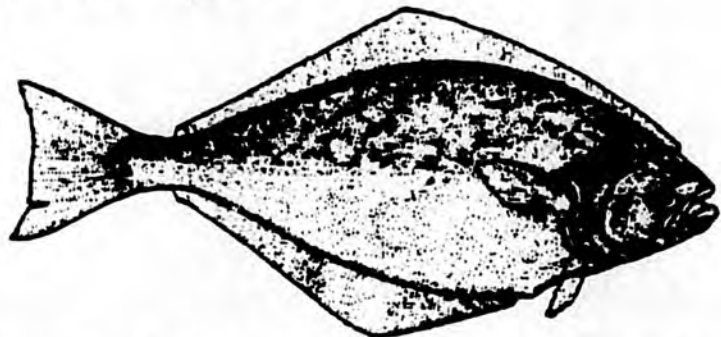
Groundfish compliance can be summarized as follows:

EEZ Pounds Not Reported. An average of 59% of ADF&G groundfish harvest (Table 16) not reported to DOR is attributed to EEZ operators. If the entire 59% was taxable (at a three year average value of \$140.1 million/year and a developing/floating tax rate of 3%) this would result in approximately \$4.2 million/year in additional tax. However, it is probable that these pounds are caught and processed in the EEZ and are not subject to tax. Currently the division does not have processing location data available to assess tax liability.

Other Pounds Not Reported. An average of 8% of ADF&G reported groundfish harvest (Table 16) is not accounted for. If the entire 8% was taxable (at a three year average value of \$17.8 million/year and a developing/shore-based or floating tax rate of 1% to 3%) this would result in approximately \$178,000 to \$533,000/year in additional tax.

At the present the division can only determine, for processors who file fish tickets, on a taxpayer by taxpayer basis, where the resource was harvested and thus if it is subject to tax. The division does not have data to determine where resource was processed and so cannot determine if resource harvested in the EEZ was processed in Alaska waters and is therefore subject to tax.

Halibut Fisheries



Halibut Overview

The halibut fishery is managed by the International Pacific Halibut Commission (IPHC). The annual quota is apportioned by area and season. Openings last one or two days, occurring on pre-determined dates, usually in May and September. The only legal gear is setline or longline.

ADF&G fish tickets are the source documents used to record halibut harvest data. IPHC has implemented procedures whereby Alaska and adjoining federal waters are broken into harvest regions. Fishermen use these regions to designate location of their catch. Unlike ADF&G statistical areas, IPHC regions do not designate whether the catch was in Alaska or federal waters.

IPHC data captures fish ticket information and assigns port codes that reflect the port of "landing" (off loading). Halibut harvest data is then released as total pounds landed by port.

As with groundfish, much of the halibut is harvested outside Alaska's three mile limit. Because openings are short (usually one to two days) many fishermen with sophisticated refrigeration systems transport their catch directly to Seattle where it commands a higher price.

Halibut Compliance

To determine pound compliance, the division compared the total pounds ADF&G reported as harvested with the total pounds reported to DOR as taxable. Table 17 splits the total halibut harvest into halibut reported to DOR as taxable, halibut delivered "outside" (Washington State), and halibut not accounted for.

The division believes that the 7% delivered "outside" is probably not taxable. These pounds most likely represent halibut caught in federal waters and taken directly to Washington State. Halibut seasons are very short and have many participants from the Seattle area. The division suspects that a certain number of fishermen fish until closing and then head straight for Seattle to offload. However, the division is not able to document this as IPHC regions are not specific enough to determine whether the resource was caught in Alaska or federal waters.

The 8% not reported to DOR in Table 17 most likely represents:

1. errors the processors, IPHC and DOR make when data capturing and reporting pounds;
2. dock sales by fishermen of unprocessed halibut to consumers; and
3. non-compliance (processors not licensing with DOR nor filing tax returns and processors not reporting all pounds processed).

Using DOR's average price per pound, the estimated two year average value for the 4.6 million pounds not reported to DOR is \$7.5 million/year. If the entire \$7.5 million was taxable at an established/shore-based or floating tax rate of 3% to 5%, the estimated tax would be \$226,000 to \$377,000/year.

Table 17
ADF&G Pounds of Halibut Harvested and the Percent Reported to DOR
(Millions of Pounds)

Halibut	1988		1989		1990 ¹		2 Yr Avg	
	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total	ADF&G Pounds	% of Total
Reported to DOR	53.9	88%	46.1	82%	47.4	N/A	50.0	85%
Delivered Outside	3.6	6%	4.2	8%	N/A	N/A	3.9	7%
Not Rep'd to DOR	3.5	6%	5.7	10%	N/A	N/A	4.6	8%
ADF&G Harvested	61.0	100%	56.0	100%	N/A	N/A	58.5	100%

¹Data for 1990 is not yet available from IPHC and ADF&G.

At present, IPHC only releases halibut harvest data by pounds landed per port. Compliance information such as pounds per processor is not released. Thus, compliance efforts for the halibut fishery have been hampered by lack of harvest data.

Conclusions: Overall Rate of Non-Compliance

Table 18 summarizes pound compliance as ADF&G total pounds harvested (Alaska and federal waters) and the percent of those pounds reported to DOR as taxable.

Table 18
ADF&G Pounds Harvested and the Percent Reported to DOR
All Species
(Millions of Pounds)

Fisheries	1988		1989		1990		3 Yr Avg	
	ADF&G Pounds	DOR % Rep'd	ADF&G Pounds	DOR % Rep'd	ADF&G Pounds	DOR % Rep'd	ADF&G Pounds	DOR % Rep'd
Salmon	534.8	95%	698.8	95%	692.3	99%	642.0	96%
Herring	112.7	96%	96.6	99%	91.2	96%	100.2	97%
Shellfish	179.8	78%	199.6	80%	266.0	78%	215.1	79%
Groundfish	1,454.3	39%	2,198.6	32%	3,261.6	30%	2,304.8	33%
Halibut	61.0	88%	56.0	82%	N/A	N/A	58.5 ¹	85% ¹
ADF&G	2,342.6	59%	3,249.6	52%	4,311.1	46%	3,320.6	51%

¹ Two year average.

The following is a brief summary of each fisheries compliance:

Salmon. Salmon is harvested almost entirely within Alaska's taxing jurisdiction. On average, 96% of the salmon harvested in Alaska and federal waters is reported to DOR as taxable. Overall, the division concludes salmon compliance is high.

The potential additional tax revenue, if the entire 4% did represent taxable pounds not reported, would be approximately \$541,000 to \$902,000/year.

Herring. Herring is also harvested almost entirely within Alaska's taxing jurisdiction. On average, 97% of the herring harvested in Alaska and federal waters is reported to DOR as taxable. Overall, the division concludes herring compliance is high.

The potential additional tax revenue, if the entire 3% did represent taxable pounds not reported, would be approximately \$29,000 to \$49,000/year.

Shellfish. The shellfish harvest is dominated by the crab fishery. Crab is harvested and processed in both Alaska and federal waters. On average, 79% of the crab harvested in these waters is reported to DOR as taxable. The 21% not reported represents 18% EEZ pounds and 3% pounds not accounted for.

At the present DOR is unable to determine if the EEZ pounds are subject to tax due to the following data limitations:

1. DOR is unable to determine if the crab was harvested in Alaska or federal waters, except on a taxpayer by taxpayer audit basis; and
2. information regarding floating processors' processing location is non-existent.

The EEZ pounds represent approximately \$52.2 million/year of value. If these pounds were subject to tax, potential additional tax revenue would be \$2.6 million/year. However, based on this study the division believes most of the EEZ pounds are not subject to tax.

The 3% of pounds not accounted for is most likely due to reporting errors and non-compliance. Potential additional tax revenue, if the entire 3% did represent taxable pounds not reported, would be approximately \$261,000 to \$435,000/year.

In order to assess actual compliance in the crab fishery, DOR needs third party data on where floating processors' harvesting and processing takes place. DOR recommends that this data be gathered by ADF&G onboard observers. This would be the most efficient and inexpensive means because the observer program is already in place and would only entail having the observer collect additional data.

Groundfish. Groundfish is harvested and processed in both Alaska and federal waters. On average, 33% of the groundfish harvested in these waters is reported to DOR as taxable. The division estimates the 67% not reported represents 59% EEZ pounds and 8% pounds not accounted for.

At the present DOR is unable to determine if the EEZ pounds are subject to tax due to the following data limitations:

1. DOR is unable to determine if the groundfish was harvested in Alaska or federal waters, except on an audit basis taxpayer by taxpayer; and
2. information regarding floating processors' processing location is non-existent.

The EEZ pounds represent approximately \$140.1 million/year of value. If these pounds were subject to tax, potential additional tax revenue would be \$4.2 million/year. However, based on this study the division believes the majority of the 59% of EEZ pounds are not subject to tax.

The 8% of pounds not accounted for are most likely due to reporting errors and non-compliance. Potential additional tax revenue, if the entire 8% did represent taxable pounds not reported, would be approximately \$178,000 to \$533,000/year.

In order to assess actual compliance in the groundfish fishery, DOR needs third party data on where floating processor harvesting and processing takes place. DOR recommends that this data be gathered by NMFS onboard observers.

This would be the most efficient and inexpensive means because the observer program is already in place and would only entail having the observer collect additional data.

Halibut. Halibut is harvested both in Alaska and federal waters, but the majority is brought shoreside for processing. On average, 85% of the halibut harvested in Alaska and federal waters is reported to DOR as taxable. The 15% not reported represents 7% pounds delivered outside Alaska and 8% pounds not accounted for.

Based on this study the division concludes that most of the 7% of pounds delivered "outside" is not subject to tax. The 8% of pounds not accounted for is most likely due to reporting errors and non-compliance. The potential additional tax revenue, if the entire 8% did represent taxable pounds not reported, would be approximately \$226,000 to \$377,000/year.

Overall the division is unable to draw conclusions about halibut compliance. Without access to halibut fish tickets, the division cannot analyze compliance in this fishery.

Table 19 summarizes the potential additional tax from increased pound compliance. "Unaccounted for pounds" for all fisheries represent potential additional taxable value of \$54.1 million/year. If 100% of these pounds were subject to tax, potential additional tax revenues would be approximately \$1.2 to \$2.4 million/year.

Table 19
"Pound Compliance" Potential Tax from Unaccounted for Pounds
(In Dollars)

Fishery	Low Tax Estimate	Low Tax Rate	High Tax Estimate	High Tax Rate
Salmon	\$ 541,000	3% Est/SB	\$ 902,000	5% Est/FP
Herring	29,000	3% Est/SB	49,000	5% Est/FP
Shellfish-Crab	261,000	3% Est/SB	435,000	5% Est/FP
Shellfish-Other	11,000	1% Dev/SB	55,000	5% Est/FP
Groundfish	178,000	1% Dev/SB	533,000	3% Dev/FP
Halibut	226,000	3% Est/SB	377,000	5% Est/FP
Total	\$1,246,000		\$2,351,000	

SB - Shore-based Processing Facility
FP - Floating Processor Facility

Table 20 summarizes the potential additional tax from "EEZ pounds not reported to DOR" for the crab and groundfish fisheries. EEZ pounds not reported to DOR represent value of approximately \$192.3 million/year. If 100% of these pounds were subject to tax, potential additional tax revenues would be approximately \$6.8 million/year. There are vast differences of opinion surrounding how often EEZ operators harvest and process in Alaska waters and thus if they are subject to tax. Currently the division does not have the data to determine if these pounds are taxable. However, the division concludes, based on its knowledge of the fisheries, that the majority of these pounds are not subject to tax.

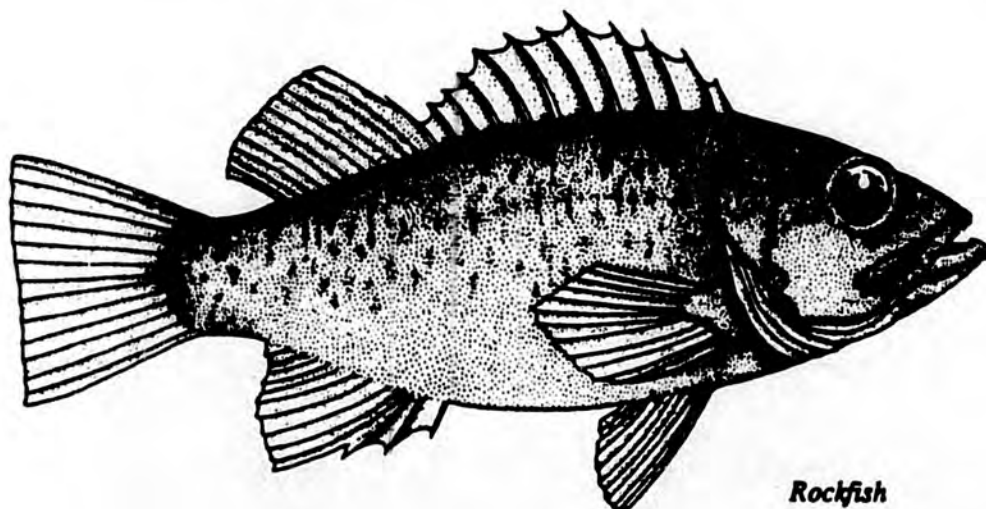
Table 20
"Pound Compliance" Potential Tax from EEZ Pounds
(In Dollars)

Fishery	Low Tax Estimate	Low Tax Rate	High Tax Estimate	High Tax Rate
Shellfish-Crab	N/A	N/A	\$2,600,000	5% Est/FP
Groundfish	N/A	N/A	4,200,000	3% Dev/FP
Total	\$ N/A¹		\$6,800,000	

SB - Shore-based Processing Facility

FP - Floating Processor Facility

¹Note: The "low tax" estimate for shore based processing is not applicable, because the pounds, if taxable, would be taxed at the higher rate for floating processors.



Rockfish

PART IV. Recommendations to Improve Compliance

The third purpose of this report is to provide recommendations to improve fish tax compliance and enhance revenues. The division has determined there are four general areas that, if modified, would improve compliance and/or enhance revenues:

1. The ADF&G Fish Ticket System
2. DOR's Licensing Procedures and Unpaid Tax
3. The Observer Program
4. Statutory Changes to the Fish Tax Laws and Institution of a Landing Tax

1. The ADF&G Fish Ticket System

The Income and Excise Audit Division relies heavily on the ADF&G fish ticket system as a primary audit and compliance tool. The division recognizes that the overall purpose of the system is to provide information to resource managers and that the system is not designed as a tax information system. The division also recognizes that tampering with a working system may not always be productive and that the system is largely based upon voluntary compliance by processors and fishermen. However, in its work the division has experienced certain frustrations with the current fish ticket system. For example, there are no physical controls over the blank fish tickets, nor is there any expiration date on the imprint plates used to issue fish tickets.

Once a fisheries business is licensed with Revenue, ADF&G issues the business a four-digit "Processor ID Code", a supply of fish tickets and a metal imprint plate. Every time a fish ticket is issued to a fisherman by a processor, this metal plate is used to imprint the processor's ID code on the fish ticket. This code provides the only means to track processors through the fish ticket system.

The division understands that ADF&G will supply a processor with as many blank fish tickets as requested and often make multiple copies of processor imprint plates. The current system allows an unscrupulous processor to operate without a license by using plates and tickets left over from a prior year. Such a processor would likely not be identified until well after the fishing season. When the division compared lists of licensed fisheries with a listing of processor ID codes used on fish tickets, it found 21 processors that were using invalid processor ID codes for 1989, and 37 for 1990. Investigations of these processors is ongoing. A possible remedy would be to provide for a yearly processor ID code and provide for an annual expiration date on the imprint plates.

This suggestion has been discussed with ADF&G personnel. They have a problem in that the current imprint machine is antique and it may take up to an hour to create a new plate with this machine. ADF&G does not have the manpower to make every processor new plates every year.

A possible solution is to purchase a state of the art machine which can make a plate in seconds. The new machine would enable ADF&G to provide expiration dates on the imprint plates and issue new ones annually. Such a machine is currently available and would cost \$13,000 to \$18,000. DOR believes the enhanced controls on fish tickets would justify state expenditure for the new machine.

2. DOR Licensing Procedures and Unpaid Tax

As part of the study the division noted that the amount of assessed but unpaid tax as of June 30, 1991, for all fish taxes was approximately \$3,457,000. Of that amount, \$1,591,000 was classified as non-collectible. An analysis of the non-collectible accounts revealed that most of them were for tax years that pre-dated the legislative audit of 1989 and subsequent improvements by the division. Most of the uncollectible accounts resulted from assessments made well beyond the end of the respective tax year and they also tended to represent businesses that operated for only one year. These businesses either had prepaid tax as security that did not cover their eventual liability or did not file returns. In the latter cases the assessments represent returns prepared on their behalf by the division.

The current procedures in DOR's licensing section have addressed this problem by closely scrutinizing license applications for adequate prepayment of tax. Furthermore, the Audit group is taking timely action to issue assessments as soon as possible for non-filers of returns. With the exception of active investigations, every taxpayer who was issued a license for 1990 and has not filed a 1990 return has been persuaded to file or has had a return filed on their behalf by the division.

DOR has also made statute recommendations that would reduce the unpaid and non-collectible tax in the future. (See Exhibit 1.) Briefly, new language added to AS 43.75.011 would allow the department to deny licenses to fisheries businesses and owners that owe the state any taxes, and additional language proposed for AS 43.75.055 would give the department express authority for its current policies on acceptable security for collection of taxes.

3. The Observer Program

The division's compliance analysis concluded that there is no practical way for auditors to determine and document processing done by floaters or catcher/processors inside the three mile limit. The audit resources of the division are not sufficient to examine in detail every floating processor to gather documentation to support an assessment. A typical floating processor's log may show hundreds of locations listed in degrees longitude and latitude. With existing audit tools, each location must be manually plotted on a map showing the three mile limit. Even if the processor is shown to be inside, evidence must be presented to show that harvesting and/or processing occurred inside the three mile limit. While the harvesting data might be logged with a location, the processing information rarely is.

One possible solution would be to have ADF&G observers on board vessels monitor and document harvesting and processing inside the three mile limit. If the division had evidence in the form of observer logbooks that documented processing inside the three mile limit, it could ensure that every vessel with an observer is in compliance. This change in procedures would need to be approved by the Alaska Board of Fisheries and coordinated with ADF&G.

4. Statutory Changes to the Fish Tax — Landing Tax

With an ever changing fishing industry, the results of field audits and compliance investigations show the need for statute clarifications and amendments. The in-depth audits of processors have brought to light areas of confusion by the industry and problems of inconsistent interpretation of the law. DOR recommends statute changes in the definition of taxable value, the definition of who is liable for the tax, and other changes that will give the state better tools to administer the fish tax program. DOR also prepared draft language for instituting a landing tax along with an estimate of additional revenues.

Exhibit 1 details the proposed statutory changes and provides an explanation of each proposal. The proposed changes fall into three categories:

- A. Clarifications to existing statutes on issues encountered in field audits
- B. Revenue enhancement provisions
- C. New language for establishing a landing tax

Table 21 on the next page summarizes the net fiscal impacts of the proposed statutory changes including a landing tax. Certain statute changes would add needed definitions and clarifications or would increase the department's power to obtain information. Estimates of increased revenue from these types of changes cannot be quantified.



Table 21
Summary of Increased Revenues Per Year from
Proposed Legislative Amendments and Landing Tax

43.75.011	Licensing Requirements	-
43.75.015	Roe Taxed Separately	\$ 923,000
43.75.017	Exclusion	-
43.75.020	Raise License Fee to \$250	107,000
43.75.030	Information Report by Cash Buyers	-
43.75.055	Acceptable Security	-
43.75.100	Tax Imposed on Acquiring Resources	-
43.75.070	Responsible Persons	-
43.75.290	Definitions	-
(4)	Fisheries Business Defined	-
(5)	Roe as Resource Defined	-
(11)	Value - Determinations	-
(12)	Lienable Real Property Defined	-
(13)	Processing Defined	-
(14)	Processing for Sale to Consumers	(5,000)
(15)	Market Value to Include Tendering Costs	3,750,000
43.77.010	Landing Tax Revenues	\$9,700,000
Less estimated costs of administration		
	1 Tax Examiner	(40,000)
	2 Field Auditors	<u>(116,000)</u>
	Net Revenues from a Landing Tax	<u>9,544,000</u>
	Total Net Increased Revenues per Year	<u>\$14,319,000</u>

EXHIBIT #1

Proposed Changes to Fisheries Tax Provisions

Thlrd Draft 5/92

Alaska Statutes

Title 43

REVENUE AND TAXATION

Chapter 75. Fisheries Taxes.

Article

1. Taxes and Licenses (43.75.011 - 43.75.055)
2. Acquiring [TAKING OF] Fisheries Products Which Are Sold Outside Taxing Jurisdiction (43.75.100 - 43.75.110)
3. General Provisions (43.75.130 - 43.75.140)

Article 1. Taxes and Licenses.

Section

- | | |
|---|--|
| 11. Fisheries business license | 30. Filing return and payment of tax |
| 15. Fisheries business tax | 32. Fisheries business tax credits tax |
| 17. Exclusion from fisheries business | 34. Tax credit report |
| 18. Fisheries business education credit | 55. Security for collection of taxes |
| 20. Application for license | 70. Responsible persons |

Sec. 43.75.011. Fisheries business license. A person engaging or attempting to engage in a fisheries business shall first apply for and obtain a license as provided in AS 43.75.020.

(b) The commissioner may assess a civil penalty against a person required to have a license under (a) of this section who fails to obtain the license. The civil penalty for a violation of (a) of this section may not exceed \$5,000 the first time a civil penalty is assessed, \$10,000 for a second assessment, \$15,000 for a third assessment, \$20,000 for a fourth assessment, and \$25,000 for a fifth or subsequent assessment. The commissioner may not assess a person more than one civil penalty for a violation of (a) of this section in a 30-day period. (§ 3 ch 79 SLA 1979; am §§ 1, 2 ch 150 SLA 1990)

(c) A fisheries business shall not be issued a license if:

(1) the fisheries business is in arrears in the payment of a tax under this title; or

(2) a person who owns, directly or indirectly, 10% of the equity interest in the fisheries business is in arrears in the payment of a tax under this title, or

(3) any other person owns, directly or indirectly, 10% of the equity interest in the fisheries business and who also owned, directly or indirectly, 10% of the equity interest in any person in arrears in the payment of a tax under this title.

(d) For purposes of this section, a person is not in arrears if the payment of the tax is under administrative or judicial appeal.

COMMENT

AS 43.75.011 (c) & (d). *The fishing industry is a high risk and sometimes unstable industry. The division has experienced problems with some processors accruing large unpaid tax liabilities, the owners abandoning the insolvent company and then starting up a new business. The current statutes provide no legal basis to deny the new company a business license even if formed, owned and operated by the same principals.*

The new language would allow the department to deny licenses to fisheries businesses and owners that owe the state any taxes. It would also cover the situation where individuals form one corporation to conduct processing activities in one year, fail to pay the various fisheries taxes, dissolve or file bankruptcy, and then come in the next year with a new corporation to be licensed. This provision allows the department to look to the owners of the corporations to determine if they owe the state any taxes from other corporations with which they were involved.

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

(1) salmon canned at a shore-based fisheries business — four and one-half percent;

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

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

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

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

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

(c) A person engaging or attempting to engage in a fisheries business who first actually and physically processes the fishery resource, or a person who purchases a fishery resource that is frozen from a person excluded by AS 43.75.017 from liability for the tax, is liable for and shall pay to the department the entire tax imposed by this section. In determining this tax liability, the person may deduct from the value of the fishery resources processed, the value of fishery resources that are canned or processed for other licensed fisheries businesses. A person taking the deduction authorized by this subsection shall report all information relating to the deduction in accordance with regulations issued by the department. The owner of the fisheries resources at the time of processing is liable for and shall pay the tax, or any portion of the tax, if the person otherwise liable does not for any reason pay the tax.

(d) Fish eggs, such as roe, are not considered to be processed with the fisheries resources from which obtained, but are instead first actually and physically processed at the time of packaging for shipment after removal from the fisheries resource. (§ 3 ch 79 SLA 1979; am §§ 5, 6 ch 117 SLA 1981; am § 1 ch 79 SLA 1986)

COMMENT

AS 43.75.015(c). Custom processing arrangements often result in unpaid tax as the owner and the processor believe the tax has been or should be paid by the other. This provision would make it clear that the owner will be liable for tax if the processing is performed by an unlicensed fisheries business.

The addition of the word "licensed" conforms the statute to the regulations. This will make it clear that a custom processor is required to process for licensed fisheries businesses in order to escape tax liability placed on the first processor of the resource.

The additional sentence at the end of subsection (c) places the ultimate responsibility for the tax on the owner of the fisheries resources in the event the tax is not paid. This will cover dissolutions and bankruptcies, etc.

AS 43.75.015(d). Very little salmon roe is reported as taxable value. The current department position as reflected in formal hearing decisions considers roe processed when removed from the salmon. Therefore, the price paid for the whole salmon is considered to include roe. However, if a processor purchases roe already separated from the carcass, that roe is taxable.

For those few processors who do report taxable roe, the values reflected are high, up to \$3 per pound. Fish tax revenues would increase if roe were treated as a separate fisheries resource. The average volume of salmon roe exported from 1981 through 1987 was 10,263,000 pounds (according to the Commerce Department's Sector Report, May 1991). Using the shore-based tax rate of 3% and an average value of \$3.00 per pound, this equates to approximately \$923,000 in additional revenue per year.

The addition of subsection (d) will provide that roe is processed only after removal from the resource. Further, the cleaning and washing of roe by the processor is not processing. The taxable processing event for salmon roe will be at the time of packaging for shipment. Currently roe is generally considered as having been processed with the resource so no tax is being paid.

Sec. 43.75.017. Exclusion from fisheries business tax. A person is not liable for the fisheries business tax under AS 43.75.015 and is not required to obtain a fisheries business license under AS 43.75.011 when the fishery resource is frozen aboard a fishing vessel if

- (1) the vessel is operated as a commercial fishing vessel under a valid commercial fishing license;
- (2) the fishery resource is not processed beyond heading, gutting or cleaning, freezing and glazing;

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

COMMENT

AS 43.75.017. *Technically, fishermen are engaged in a fisheries business when they perform processing activities on the vessel. The statute says they are not subject to the tax under section 15 but, presumably, since section 11 requires a fisheries business to obtain a license, they would have to be licensed. This amendment would conform the statute to present practice not to require fishermen to obtain licenses in these situations.*

Sec. 43.75.018. Fisheries business education credit. (a) A person engaged in a fisheries business is allowed as a credit against the tax due under this chapter 50 percent of cash contributions accepted for direct instruction, research, and educational support purposes, including library and museum acquisitions, by an accredited, nonprofit, public or private, Alaska, two- or four-year, college or university. The credit may not exceed the lesser of 10 percent of the amount of tax due under this chapter or \$100,000. A contribution claimed as a credit under this section may not be claimed as a credit under another provision of this title.

(b) Contributions accepted for endowment purposes are not eligible for the credit under (a) of this section.

(c) By September 30 of each year, the Department of Revenue shall report to the Legislative Budget and Audit Committee on the credits taken under this section. Each public college and university shall include in its annual operating budget request contributions received and how the contributions were used. (§ 7 ch 58 SLA 1987)

Sec 43.75.020. Application for license. (a) Application for a license shall be filed with the department and accompanied by an annual fee of ~~\$250~~ [\$25]. A separate annual fee is required for each plant ~~or location~~ specified in the application covered by the license. The application shall contain the name of the applicant, the line of business to be licensed, place of business, and other facts which the department prescribes. The applicant shall state that the applicant agrees to pay the tax imposed by AS 43.75.015 or 43.75.100, and that the applicant will file a return and pay the tax at the time provided by law.

(b) A person with a fisheries business tax liability not exceeding \$500 in the previous tax year who reasonably expects to have tax liability in the current year not to exceed \$500 may file a special application for a license accompanied by an annual fee of \$25. A qualifying special applicant is exempt from AS 43.75.055.

[(b)] (c) Upon receipt of the application in proper form, accompanied by the annual fee, the department shall issue the license. The department may revoke a license if the person would not thereafter qualify for a license at any time during the calendar year if an application is presumed to be made at that time. (§ 2 82 SLA 1949; am § 93 ch 59 SLA 1982; am § 3 ch 150 SLA 1990)

COMMENT

AS 43.75.020 (a). *The \$25 fee, which has been in effect since statehood, is replaced with a \$250 fee. This new fee will cover more of the costs of the licensing function.*

The addition of the word location is designed for buyers who do not operate processing facilities.

AS 43.75.020 (b). A new subsection (b) has been added to allow small operations to operate at the current \$25 fee and to file a special simplified application. These processors would not be required to post security as the amount of tax liability is minimal.

AS 43.75.020 (c). Language is added to subsection (c) to expressly give the department the authority to revoke a license if the taxpayer would not qualify at any time during the tax year.

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

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

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

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

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

(f) When the department considers it necessary, it may require a person, by notice served upon the person, to file a return, make such statements under oath, or keep and display to it such records as it considers sufficient to show the tax for which the person is liable. If a person fails to file a return as prescribed by law or by regulation, or makes, willfully or otherwise, a false or fraudulent return, the department shall make the return from the information which it can obtain. A return made by the department is prima facie good and sufficient for all legal purposes.

(g) For purposes of this subsection, in the case of each failure to file an information return or report on the date prescribed (determined with regard to any extension of time for filing), unless it is shown that such failure is due to reasonable cause and not to willful neglect, a penalty of \$5000 shall be paid to the department for each 30 day period or fraction of the period during which the person fails to file the return or report. The department may prescribe by regulation circumstances which constitute reasonable cause for purposes of this subsection. (§ 3 ch 82 SLA 1949; am §§ 2, 3 ch 146 SLA 1962; am §§ 5, 6, ch 79 SLA 1979)

COMMENT

AS 43.75.030 (a) & (g). The new language would require buyers of unprocessed resource to file information returns reporting such information as the department deems necessary. This would allow the department to track resource from the fishermen to the entity liable for the tax.

The requirement would be given teeth by penalizing a buyer \$5000 for each 30 day period the information return or report is late.

Sec. 43.75.032. Fisheries business tax credits (Effective until January 1, 1992). (a) A fisheries business is entitled to a credit of not more than 50 percent of the business tax liability under AS 43.75.015 for capital expenditures made during the tax year that (1) increase product diversity, or production efficiency and capacity, or improve product quality, at a shore-based fisheries business facility in the state, or (2) contribute to development of a cooperative seafood industrial park in the state, if an application for the credit is approved by the department in advance of the capital expenditure. A fisheries business may claim a credit under this subsection for a maximum period of three consecutive years. An applicant for the credit may elect to begin the three-year period with any tax year from 1987 through 1989. A tax credit under this subsection may not be approved for more than 50 percent of a capital expenditure, plus any increase required under (b) of this section.

(b) The amount of a credit under (a) of this section for a capital expenditure involving a shore-based fisheries business facility or cooperative seafood industrial park located or to be located in a municipality shall be increased by the amount by which the municipality's fisheries business tax refund is reduced under AS 43.75.130(c). The total amount of a credit increase under this subsection during a three-year period may not exceed 25 percent of the amount of the capital expenditure.

(c) The portion of a capital expenditure that is eligible for a credit under this section but is claimed during a single tax year may not be carried back to a prior tax year but is available for the computation as a credit under this section for a subsequent tax year within the three-year period elected under (a) of this section.

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

(e) A fisheries business is entitled to a credit of not more than five percent of the business tax liability under AS 43.75.015 for contributions made during the tax year to the A.W. "Winn" Brindle memorial scholarship account (AS 14.43.250). A fisheries business may claim a credit under this subsection for the 1987 tax year and subsequent tax years. A tax credit under this subsection may not be approved for more than 100 percent of a scholarship contribution.

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

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

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

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

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

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

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

(j) In this section

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

(2) "seafood industrial park" means a seafood processing center with facilities to land, handle, and process or to ship or transship to any location all marketable species of seafood; a seafood industrial park

may contain commercial facilities to support the activities of the park, and the labor force and vessels that operate at or from the park. (§ 2 ch 79 SLA 1986)

Sec. 43.75.034. Tax credit report (Repealed effective February 15, 1992). Not later than the 15th legislative day of each regular legislative session the Department of Revenue, in conjunction with the Department of Commerce and Economic Development, shall submit to the legislature a report on the fisheries business tax credit program under AS 43.75.032. The report shall describe the expenditures for which a credit was approved during the previous tax year and, if possible, the increase in employment and processing capacity by the fisheries businesses for which the credit was approved. (§ 2 ch 79 SLA 1986; am § 8 ch 79 SLA 1986)

Sec. 43.75.055. Security for collection of taxes. Each applicant for a license under this chapter shall, in or with the application, state under oath the amount of each of the products which the applicant expects to produce during the license year. The applicant shall further state the extent of lienable real property owned by the applicant in the state against which the tax may be collected and other information with respect to description, location and value of the property which the department prescribes. If the lienable value of the property is equal to three times the amount of the tax for which the applicant will probably be liable under this section, the department may issue the license if the applicant provides the department with an appraisal made within the immediately preceding 30 days, a commercial title report, and a deed of trust securing three times the amount of the probable tax and naming the department as beneficiary. If the lienable value of the property is not equal to three times the amount of the tax for which the applicant will probably be liable under this section, the department may not issue the license until the applicant files with the department a surety bond approved by the attorney general in a penal sum equal to twice the probable amount of the tax for which the applicant will be liable, conditioned upon payment of the tax in full when due, with interest if not paid before delinquency. However, if the applicant purchases salmon for export from Alaska in the round, the amount of the bond is \$50,000 unless the applicant is the owner of lienable real property in the state of a value of at least \$50,000, and the bond must be conditioned upon payment to the fisherman of the full purchase price for the salmon and the payment of the tax in full when due. The department may waive the bond requirement if the applicant posts other equivalent security as collateral acceptable to the department in the form of intangible property easily converted to cash [COLLATERAL ACCEPTABLE TO THE DEPARTMENT] or prepays the estimated tax. The department may reject intangible property if accepting it as collateral would necessitate additional accounting by the department or require reporting to federal or other state agencies. (§ 4 ch 84 SLA 1967; am § 8 ch 79 SLA 1979)

COMMENT

AS 43.75.055. *The additional language gives express authority for the department's current policy of requiring lienable value to be three times the tax liability, an appraisal within 30 days, a commercial title report, and a deed of trust.*

The changes in the last two sentences would allow intangible property such as stock or bonds to be used as security. The changes would also make it clear that personal property and other forms of collateral are not acceptable.

AS 43.75.070. Responsible Persons. For purposes of this chapter, all officers and directors of the fisheries business, and such other persons controlling the fisheries business, are jointly and severally liable to account for and pay over the tax to the department.

COMMENT

AS 43.75.070. This provision would give the department much needed leverage over the collection of fisheries business taxes. It would allow the department to collect unpaid tax from the responsible individuals of the fisheries business. The penalty provision of AS 43.05.220(d) would apply to responsible persons.

Article 2. Acquiring [TAKING OF] Fisheries Products Which Are Sold Outside Taxing Jurisdiction.

Section

100. Tax imposed on acquiring a [TAKING OF] fishery resource

110. Duty of taxpayer and payment of tax

Sec. 43.75.100. Tax imposed on acquiring a [TAKING OF] fishery resource. (a) A person [TAKING, PURCHASING, OR OTHERWISE] acquiring a fishery resource covered by this chapter which has not been subject to the tax imposed in AS 43.75.015, is subject to the tax levied in AS 43.75.015 on the value of the fishery resource if the person

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

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

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

(b) The rate of tax that shall be paid by a person whose liability for the tax is established by this section is the rate of tax that would have been due under AS 43.75.015 if the fisheries business that first actually and physically processed the fish had been liable to pay the tax. (§ 1 ch 190 SLA 1959; am § 4 ch 79 SLA 1979; am § 8 - 9 ch 117 SLA 1981; am § 4 ch 150 SLA 1990)

COMMENT

AS 43.75.100. Removing this unnecessary language would simplify the law and focus its meaning on the activity that is being taxed.

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

Article 3. General Provisions.

Section

130. Refund to local governments.

133. Provision of information to municipalities.

137. Additional refund (Effective July 1, 1992).

140. Definitions

Sec. 43.75.130. Refund to local governments. (a) Except as provided in (d) of this section, the commissioner of revenue shall pay

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

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

(3) to each borough

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

(B) 25 percent of the amount of tax revenue collected in cities located within the borough from taxes levied under this chapter.

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

(c) (REPEALED EFFECTIVE JANUARY 1, 1992) Within 60 days after a credit is approved under AS 43.75.032 for a capital expenditure involving a shore-based fisheries business facility or cooperative seafood industrial park located or to be located in a municipality, the municipality may adopt an ordinance directing the department to reduce the municipality's refund under this section over a period of not more than three years by an amount not exceeding 25 percent of the capital expenditure.

(d) Notwithstanding the provisions of (a)(2) and (a)(3)(B) of this section, the commissioner shall pay

(1) to each city that is located in a borough incorporated after June 16, 1987, the following percentages of the tax revenue collected in the city from taxes levied under this chapter:

(A) 45 percent of the taxes collected during the calendar year in which the borough is incorporated;

(B) 40 percent of the taxes collected during the first calendar year after the calendar year in which the borough is incorporated;

(C) 35 percent of the taxes collected during the second calendar year after the calendar year in which the borough is incorporated; and

(D) 30 percent of the taxes collected during the third calendar year after the calendar year in which the borough is incorporated; and

(2) to each borough that is incorporated after June 16, 1987, the following percentages of the tax revenue collected in the cities located within the borough from taxes levied under this chapter:

(A) 5 percent of the taxes collected during the calendar year in which the borough is incorporated;

(B) 10 percent of the taxes collected during the first calendar year after the calendar year in which the borough is incorporated;

(C) 15 percent of the taxes collected during the second calendar year after the calendar year in which the borough is incorporated; and

(D) 20 percent of the taxes collected during the third calendar year after the calendar year in which the borough is incorporated.

(e) Notwithstanding the provisions of (d) of this section, a city may adopt an ordinance to transfer a portion of the funds received under (d)(1) of this section to the borough in which the city is located.

(f) In this section, "tax revenue collected" includes the amount credited against taxes under AS 43.75.018. (§ 6 ch 155 SLA 1962; am § 75 ch 69 SLA 1970; am § 10 ch 218 SLA 1976; am § 11 ch 79 SLA 1979; am § 10 ch 117 SLA 1981; am § 73 ch 74 SLA 1985; am §§ 4,7 ch 79 SLA 1986; am § 8 ch 58 SLA 1987; am §§ 1, 2, ch 80 SLA 1987)

Sec. 43.75.133. Provision of information to municipalities. (a) If the mayor, manager, or administrator of a municipality makes a written request, the department shall furnish the mayor, manager, or administrator of the municipality the names of all fisheries businesses that have filed tax returns under this chapter in which the fisheries business listed the municipality as the location in which the fisheries business processed a fisheries resource subject to the tax imposed under this chapter.

(b) If the mayor, manager, or administrator of a municipality makes a written request, the department shall verify that, as to a tax levied and collected by the municipality that is based on the value of fisheries resource processed in or transported to or within the municipality, the value of the fisheries resources reported by a fisheries business to the municipality and the value of the fisheries resources reported by the fisheries business to the department under this chapter are substantially the same. If the values are not substantially the same, the department shall permit the mayor, manager, or administrator of the municipality to inspect tax returns filed by the fisheries business with the department under this chapter, or shall furnish to the municipal officer a copy of the tax returns, if the department determines that the municipality provides adequate safeguards for the confidentiality of the returns and that the returns will be used by the municipality only for purposes of collection of its tax levied and collected on fisheries resources. In this subsection, the value of the fisheries resources reported by the fisheries business to the department and the value reported to the municipality are substantially the same if the values are equal or the variance between them does not exceed one percent of the greater value. (§ 1 ch 128 SLA 1988)

Sec. 43.75.137. Additional Refund (Effective July 1, 1992). To the extent that appropriations are available for the purpose, and notwithstanding the requirement of AS 37.07.080(e) that approval of the office of management and budget is required, and amount equal to 50 percent of the tax revenue that is collected under this chapter from floating fisheries businesses and is not subject to division with a municipality under AS 43.75.130 shall be transmitted each fiscal year, without the approval of the office of management and budget, by the department to the Department of Community and Regional Affairs for dispersal to eligible municipalities under AS 29.60.450. (§ 2 ch 195 SLA 1990).

Sec. 43.75.140. Definitions. In this chapter

(1) (REPEALED EFFECTIVE JANUARY 1, 1992) "capital expenditures" includes the price paid for equipment and the cost of improvements made to depreciable property, but does not include expenditures that are deducted entirely for federal income tax purposes in the year in which they accrued or were paid; in this paragraph, "equipment" and "depreciable property" have the meaning given in regulations adopted by the Commissioner of Commerce and Economic Development;

(2) "department" means the Department of Revenue;

(3) "developing commercial fish species" means those species of fish and shellfish annually designated by the Commissioner of Fish and Game under AS 16.05.050(11);

(4) "fisheries business" means a person who;

(a) engages in processing fisheries resources for sale by freezing, cooking, salting, or other method, and includes but is not limited to, canneries, cold storages, freezer ships, and processing plants;

(b) engages in processing fisheries resources for another person for a fee or other compensation; or

(c) buys fisheries resources prior to processing for resale or for transport out of the taxing jurisdiction of the state.

(5) "fishery resource" means finfish, shellfish and fish by-products, including but not limited to salmon, halibut, herring, flounder, crab, clam, cod, shrimp, roe and pollock; the term does not include such resources in package form for distribution and sale to consumers.

(6) "floating fisheries business" means a fisheries business which is not a shore-based fisheries business; the term includes, but is not limited to, a shore-based fisheries business as defined in (9)(B) of this section when it is removed from the state;

(7) (REPEALED EFFECTIVE JANUARY 1, 1992) "product diversity" means the processing of non-traditional fish or other seafood species or products;

(8) (REPEALED EFFECTIVE JANUARY 1, 1992) "product quality" means the handling of fish or other seafood species or products in order to increase product sales or value.

(9) "shore-based fisheries business" means a fisheries business

(A) operated from a facility which is permanently attached to the land; or

(B) operated from a facility which remains in the same location in the state for the entire tax year;

[(10) "TAKING" MEANS PURSUING, FISHING, CAPTURING, OR HARVESTING A FISHERIES RESOURCE IN ANY MANNER;] Repealed

(11) "value" means the full market value consideration for the fisheries resource at the instant the resource becomes subject to the tax under this chapter. The department may use confidential Alaska Department of Fish and Game statewide statistics of prices paid by region for fisheries resources, as adjusted to eliminate high and low prices and as further adjusted to take into account deferred payments such as bonus, to establish a presumption for market value. The data upon which the presumption is made is confidential and may not be disclosed. The presumption of the department shall only be overcome with clear and convincing proof of the full market value of the fisheries resources that were processed [ACTUAL PRICE PAID FOR THE FISHERIES RESOURCE BY THE FISHERIES BUSINESS, INCLUDING INDIRECT CONSIDERATION SUCH AS FUEL, SUPPLIES, OR GEAR, WHETHER PAID AT THE TIME OF PURCHASE OF THE FISHERIES RESOURCE OR TENDERED AS A DEFERRED OR DELAYED PAYMENT, EXCEPT THAT "VALUE" MEANS THE MARKET VALUE OF THE FISHERY RESOURCE IF THE TAKING OF THE FISHERY RESOURCE IS DONE IN COMPANY-OWNED OR COMPANY-SUBSIDIZED BOATS OPERATED BY EMPLOYEES OF THE FISHERIES BUSINESS OR IN BOATS WHICH ARE OPERATED UNDER LEASE OR OTHER ARRANGEMENT]. (§ 3 ch 79 SLA 1979; am § 46 ch 94 SLA 1980; am § 46 ch 113 SLA 1980; am §§ 11, 12 ch 117 SLA 1981; am §§ 5, 7 ch 79 SLA 1986)

(12) "lienable real property" means the excess of current appraised value over all (a) recorded liens and encumbrances shown on a title report made within 15 days of the date of the license application and (b) unrecorded liens and encumbrances known by the owner of the real property.

(13) "process", "processes" and "processing" means any activity which modifies the physical condition of a fisheries resource, including butchering, freezing, salting, cooking, canning, dehydrating, or smoking. Processing does not include decapitating shrimp and gutting, gilling, sliming, washing or icing a fisheries resource solely for the purpose of maintaining the quality of the fresh resource until the resources can be delivered to a processing facility. The activities aboard a fishing vessel by a person with an exclusion from the tax under AS 43.75.017 are not considered processing. For purposes of fisheries resources that do not traditionally require processing in the industry, such as scallops and oysters, processing is deemed to occur at the last unloading of the fisheries resources from (a) the vessel from which caught, (b) a tender vessel, or (c) another vessel owned, leased, arranged or provided by the purchaser, and the processor is deemed to be the first fisheries business acquiring the fisheries resource from the person who harvested the fisheries resource, or the person who harvested the fisheries resource if he sells or transports the fisheries resource outside the taxing jurisdiction of the state.

(14) "processing fisheries resources for sale" means the series of processing activities which are performed by a person in preparing the fisheries resources for a subsequent sale to other than individual consumers, regardless whether the person owns the fisheries resources and regardless whether the person is the seller in the subsequent sale of the fisheries resources;

(15) "market value consideration" means the highest price a willing buyer would pay and a willing seller would accept, both being fully informed and neither under any compulsion to buy or sell, and the property being exposed for a reasonable period of time. The market value may be different from the price a property can actually be sold for at a given time. Market value shall not be less than all amounts paid or incurred by the fisheries business to acquire, deliver, and preserve the resources prior to processing and includes, but is not limited to, the actual price paid to fishermen at the time of purchase for the resources and to preserve the resources and as deferred payments or bonuses, all indirect consideration provided to the fishermen such as fuel, supplies, gear or credits, and transportation and other costs to deliver the resources to the processing facilities.

COMMENT

AS 43.75.290 (4). The definition of "fisheries business" is made in three parts. The first defines a regular processor. The second defines a custom processor. The third defines a buyer. The purpose is to require all three to be licensed.

AS 43.75.290 (5). The definition of "fisheries resource" is expanded to include roe and exclude resource in package form for distribution and sale to consumers. This would tie in with a landing tax provision.

AS 43.75.290 (10). Subsection (10) defining "taking" is repealed as unnecessary.

AS 43.75.290 (11). During the course of field audits the division became aware of the need for clarification of the definition of taxable "value". The current definition of taxable value is "the actual price paid for the fisheries resource by the fisheries business, including indirect consideration..." This definition has been interpreted by a portion of the industry to mean ex-vessel value. The current definition is unworkable and unauditable because the point of taxation (processing) and the point of valuation (ex-vessel) are not the same.

Audits have disclosed taxpayers who have subtracted imputed costs, such as tendering costs, from the price paid to the fishermen to arrive at an "ex-vessel" or taxable value. For example, certain processors will pay more for fish that the fishermen have brought to the dock than for fish picked up on the fishing grounds by a company-owned tender. The price difference is considered by the processor to be for tendering and not attributable to taxable value (the actual price paid for the resource). These imputed tendering costs are virtually unauditable as the fishermen are paid a lump amount and the processor is left to determine what portion of that amount represents taxable value and what portion represents tendering.

Other examples of imputed costs are premiums for refrigerated seawater systems, spotting fees, management fees, and unloading fees. All of these items have been subtracted from the total paid by the fisheries business for the resource and are not reported as taxable value.

The division's review of "ex-vessel" prices as reported to the Commercial Fisheries Entry Commission (CFEC) shows that reported prices vary widely for the same resource, harvested by the same gear type in the same area. While the division recognizes that quality is a factor in a true price, the variances seen lead it to believe the ex-vessel prices as reported to CFEC are not a reliable measure of value.

The new language would allow the department to use the average price per pound reported to the Department of Revenue to derive a taxable value per audit for non-arms length transactions. The taxpayer would bear the burden of proof that the value proposed by the department is incorrect.

The new definition would also make it clear that value is market value in all cases and includes "added" value. Value would be determined generally at the processor's facilities at the point of processing. In determining this value, the department is given authority to use ADF&G statistics to establish a presumption of value. The taxpayer cannot attack the presumption but must instead establish a market value for the resources.

Furthermore, this section would define taxable value as all values and costs incurred by the processor up to and just before the point the resource is processed. This would make the taxable event (processing) and the point of taxable valuation the same.

Expanding the definition of value would result in additional estimated revenue of \$3,750,000.

AS 43.75.290 (12). A new subsection (12) is added to define "lienable real property". The definition would provide express authority for current department practices.

AS 43.75.290 (13), (14) & (15). Additional definitions are added for "processing", "processing fisheries resources for sale", and "market value consideration". These are all key elements and will clarify the intent behind the changes.

Chapter 77. Landing Tax Act.

Section

10. Landing Tax

20. Filing Return and Payment of Tax

30. Credit for Taxes Paid Other States

40. Definitions

AS 43.77.010. Landing Tax. A person owning fisheries resources not subject to AS 43.75 that are brought into the jurisdiction of the state shall pay a landing tax on the market value of the fisheries resources.

AS 43.77.020. Filing Return and Payment of Tax. (a) A person subject to the tax shall file a return stating the value of fisheries resources brought into the state and such other information as the department prescribes by regulation.

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

(c) The department shall adopt regulations for the implementation of this chapter, including the granting of a reasonable extension of time for the filing.

AS 43.77.030. Credit For Taxes Paid Other States. A credit not to exceed the liability for the tax on each fisheries resource shall be granted for taxes equivalent to those imposed under AS 43.75 and AS 43.76 that are paid to other states in which the resources were either caught, processed, or first landed.

AS 43.77.040. Definitions.

(a) "fishery resource" means finfish, shellfish and fish by-products, including but not limited to salmon, halibut, herring, flounder, crab, clam, cod, shrimp, roe and pollock; the term does not include such resources in package form for distribution and sale to consumers.

(b) "value" means the full market value consideration for the fisheries resource at the instant the resource becomes subject to the tax under this chapter. The department may use confidential Department of Fish and Game statewide statistics of prices paid for fisheries resources to establish a presumption for market value. The presumption of the department shall only be overcome with clear and convincing proof of the full market value of the fisheries resources.

COMMENT

AS 43.77. A landing tax would capture significant tax revenues. The division suspects that most of the tax leakage reported to auditors is really related to fisheries resources that are caught and processed outside Alaska's three mile limit. A portion of those resources are actively managed by the state but no tax revenues are realized.

The current structure of the fisheries business tax taxes only those resources harvested and/or processed inside Alaska's three mile limit. This has not been effective in generating revenue from floating crab and groundfish catcher/processors. The objective of the landing tax would be to tax that part of the offshore fishing and processing activity that impacts Alaska's fishing communities and which is not at present being taxed under AS 43.75. The landing tax would apply to processed resources brought into Alaska's taxing jurisdiction. The landing tax would not apply to resources processed in Alaska that are currently taxed under the existing provisions of AS 43.75.

The Landing Tax could work using the following definitions and concepts:

1. **Taxable Event.** The first possession or landing (off-loading) of processed resource in Alaska.
2. **Taxpayer.** The owner of the processed resource at time of landing.
3. **Tax Base.** Value of fisheries resource at the point of landing in Alaska, as evidenced by shipmate's receipts, bills of sales, sales invoices, insurance value declarations, export documents, etc.
4. **Point of landing.** Fish are "landed" when they are placed on a tender, freighter, or other mode of transport for hire in the territorial waters of Alaska or when they are brought to land, which includes wharves, piers, or other such extensions.
5. **Rate of Tax.** For discussion purposes, this study uses the highest current tax rate of 5% as the proposed landing tax rate.
6. **Licensing and Reporting.** The taxpayer would be required to obtain a Fisheries Business License. The taxpayer would report and pay tax on a monthly or quarterly basis.
7. **Estimated revenues.** The actual revenues received would depend upon the value base used and the tax rate applied. Because processed product values are not available, DOR's estimate of landing tax revenue uses unprocessed value and the fisheries business tax rates. Tables 22 and 23 depict estimated landing tax revenue for crab and groundfish.

A landing tax would primarily affect resource harvested and processed in the EEZ which includes approximately 18% of total crab harvest (Table 12) and 59% of the total groundfish harvest (Table 16). DOR does not believe that the landing tax would generate significant additional revenues from salmon, herring and halibut because the majority of these resources are harvested and/or processed within Alaska's taxing jurisdiction.

An estimate for crab was prepared on the assumption that all unreported crab value would be captured in a landing tax. Total value was calculated by sorting ADF&G harvest pounds by species and multiplying those pounds by the department's species average price per pound. This estimate is conservative because the value base reflects unprocessed value, not processed value as envisioned by a landing tax. The estimated revenue arising from a landing tax would be \$3.0 million per year, as calculated per Table 22.

Table 22
Estimated Revenue from Landing Tax - Crab
(Millions of Dollars)

Crab	1988		1989		1990		3 Yr Avg	
	Value	% of Total	Value	% of Total	Value	% of Total	Value	% of Total
DOR Total Value	\$231.7	100%	\$269.5	100%	\$351.4	100%	\$284.2	100%
DOR Rep'd Value	181.6	78%	213.7	80%	274.6	78%	223.3	79%
Value Not Taxed	\$ 50.1	22%	\$ 55.8	20%	\$ 76.8	22%	\$ 60.9	21%
Average value not currently taxed							\$ 60.9	
Landing tax at 5%							\$ 3.0	

An estimate for groundfish has been prepared using value published by Pacific Fisheries Information Network (Pac-FIN), a joint Federal and State data collection and management program. Using the three year average of values for total groundfish harvested and landed in the Alaska region and assuming that all value of groundfish not reported to DOR in those years would fall under landing tax, the estimated revenue arising from a landing tax would be \$11.2 million per year, as calculated per Table 23.

Table 23
Estimated Revenue from Landing Tax - Groundfish
(Millions of Dollars)

Groundfish	1988		1989		1990		3 Yr Avg	
	Value	% of Total	Value	% of Total	Value	% of Total	Value	% of Total
Pac-FIN								
Total Value	\$245.2	100%	\$338.3	100%	\$446.6	100%	\$343.3	100%
DOR Rep'd Value	105.6	47%	118.2	35%	132.1	30%	121.5	35%
Value Not Taxed	\$139.6	53%	\$220.2	65%	\$314.5	70%	\$224.8	65%
Average value not currently taxed							\$224.8	
Landing tax at 5%							\$ 11.2	

The total crab and groundfish revenues expected from a landing tax would be \$14.2 million. This estimate would vary depending on tax rate and underlying market values.

This publication was released by the Alaska Department of Revenue, produced at a cost of \$2.59 per copy, including printing at the state's Central Duplication Facilities in Juneau, Alaska and binding at REACH Ready Mail. Its purpose is to provide the public with the results of its study of Alaska's fisheries tax laws and recommendations for improvement.

Drawings of fish species courtesy of the Alaska Department of Fish and Game.

Alaska State Legislature

Representative Carl E. Moses



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HOUSE RULES COMMITTEE

CHAIRMAN
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May 20, 1993

Dorothy Anderson
Box 234
Dillingham, AK 99576

Dear Ms. Anderson:

Thank you for sending me your public opinion message concerning HB 264, the offshore fishery landing tax. As you probably heard, HB 264 passed the Legislature on the final day, and is now awaiting the Governor's signature.

As approved by the legislature, HB 264 does include a credit for the taxes that would be owed by the Community Development Quota (CDQ) groups. That credit could be used for donations to such groups as the Bering Sea Commercial Fisheries Development Foundation.

A proposal to expand the tax credit was discussed, but it was decided that it should be pursued in separate legislation which Senator Jacko and I will both be working on.

Again, thank you for your interest in this important piece of legislation.

Sincerely,

A handwritten signature in cursive script that reads "Carl E. Moses".

Representative Carl Moses

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PHONE: (907) 465-4451
FAX: (907) 465-3445

INTERIM:
P.O. BOX 109
UNALASKA, ALASKA 99685
PHONE: (907) 581-1234
FAX: (907) 581-2875

May 20, 1993

Greta Goto
Box 233
Dillingham, AK 99576

Dear Ms. Goto:

Thank you for sending me your public opinion message concerning HB 264, the offshore fishery landing tax. As you probably heard, HB 264 passed the Legislature on the final day, and is now awaiting the Governor's signature.

As approved by the legislature, HB 264 does include a credit for the taxes that would be owed by the Community Development Quota (CDQ) groups. That credit could be used for donations to such groups as the Bering Sea Commercial Fisheries Development Foundation.

A proposal to expand the tax credit was discussed, but it was decided that it should be pursued in separate legislation which Senator Jacko and I will both be working on.

Again, thank you for your interest in this important piece of legislation.

Sincerely,

A handwritten signature in cursive script that reads "Carl E. Moses".

Representative Carl Moses

ADAK • AKUTAN • AMCHITKA • ATKA • ATTU • BELKOFSKI • CHERNOFSKI • CHIGNIK • CHIGNIK LAGOON • CHIGNIK LAKE
COLD BAY • DUTCH HARBOR • EGEKIK • EKWOK • FALSE PASS • IVANOF BAY • KING COVE • KING SALMON • KOLIGANEK • LEVELOCK • NAKNEK
NELSON LAGOON • NEW STUYAHOK • NIKOLSKI • PEDRO BAY • PERRYVILLE • PILOT POINT • PORT HEIDEN • PORT MOLLER • SAND POINT
SHEMYA • SQUAW HARBOR • SOUTH NAKNEK • ST. GEORGE ISLAND • ST. PAUL ISLAND • UGASHIK • UNALASKA • UNGA

Alaska State Legislature

Representative Carl E. Moses



CHAIRMAN
HOUSE RULES COMMITTEE

CHAIRMAN
HOUSE SPECIAL FISHERIES COMMITTEE

MEMBER
FINANCE SUBCOMMITTEES
FISH AND GAME
PUBLIC SAFETY

SESSION:
CAPITOL BUILDING, ROOM 204
JUNEAU, ALASKA 99801-1182
PHONE: (907) 465-4451
FAX: (907) 465-3445

INTERIM:
P.O. BOX 109
UNALASKA, ALASKA 99685
PHONE: (907) 581-1234
FAX: (907) 581-2875

May 20, 1993

Norman Anderson
Box 112
Naknek, AK 99633

Dear Mr. Anderson:

Thank you for sending me your public opinion message concerning HB 264, the offshore fishery landing tax. As you probably heard, HB 264 passed the Legislature on the final day, and is now awaiting the Governor's signature.

As approved by the legislature, HB 264 does include a credit for the taxes that would be owed by the Community Development Quota (CDQ) groups. That credit could be used for donations to such groups as the Bering Sea Commercial Fisheries Development Foundation.

A proposal to expand the tax credit was discussed, but it was decided that it should be pursued in separate legislation which Senator Jacko and I will both be working on.

Again, thank you for your interest in this important piece of legislation.

Sincerely,

A handwritten signature of Carl E. Moses, with a small "ma" written above the "M".

Representative Carl Moses

ADAK • AKUTAN • AMCHITKA • ATKA • ATTU • BELKOFSKI • CHERNOFSKI • CHIGNIK • CHIGNIK LAGOON • CHIGNIK LAKE
COLD BAY • DUTCH HARBOR • EGEGIK • EKWOK • FALSE PASS • IVANOF BAY • KING COVE • KING SALMON • KOLIGANEK • LEVELOCK • NAKNEK
NELSON LAGOON • NEW STUYAHOK • NIKOLSKI • PEDRO BAY • PERRYVILLE • PILOT POINT • PORT HEIDEN • PORT MOLLER • SAND POINT
SHEMYA • SQUAW HARBOR • SOUTH NAKNEK • ST. GEORGE ISLAND • ST. PAUL ISLAND • UGASHIK • UNALASKA • UNGA

Public Opinion Message

Only those single messages delivered by the signing individual to the Legislative Information Office by phone or fax, hand-delivered or written at the Legislative Information Office will be accepted for transmission via electronic mail as a Public Opinion Message. We require the following information to be held confidential: (1) name address and phone number of sender, (2) who the POM should be addressed to, (3) the text of the POM (50 words or less), and (3) when possible, the bill number referenced in the POM. Your message may be directed to any individual or combination of the following members of the Legislature.

Delegations	
Anchorage Delegation (*)	
Fairbanks Delegation (+)	
Met-Su Delegation (^)	
Bush Caucus (#)	

Senate	
Adams#	Lincoln#
Donley*	Little
Duncan#	Miller+
Ellis*	Pearce*
Frank+	Phillips*
Haltford^	Rieger*
Jacko#	Salo*
Kelly*	Sharp+
Kertula^	Taylor
Leman*	Zharoff#

House		
Barnes*	Hoffman#	Oberge#
Brice+	Hudson	Parnell*
Brown*	James+	Phillips
Bunde*	Kod*	Porter*
Carney^	Larson^	Sanders*
Davidson#	Mackie#	Silton+
Davis+	MacLean#	Therriault+
Davis, B.*	Martin*	Toohay*
Davis, G.	Mehard^	Ulmer
Finkelstein*	Moses#	Vezey+
Foster#	Mulder*	Williams
Green*	Navarre	Willie*
Gruesendorff#	Nichols#	
Harley*	Nordlund*	

Committees	
Indicate H for House or S for Senate.	
Community & Regional Affairs	
Finance	
Health, Education & Social	
Judiciary	
Labor & Commerce	
Resources	
Rules	
State Affairs	
Transportation	

Mr., Mrs., Ms., Dr. Etc.

Name	Norman N. Anderson UIR B.B.E.D.C.	Phone	296-9210-9423
Address	Box 112		
City	Ketchikan AK 99933	Zip	99933

Subject: H.B. 264			
1. SIR	2. I	3. wish	4. to
5. Go	6. on	7. Record	8. Supporting
9. this	10. Bill	11. on	12. behalf
13. of	14. B.B.E.D.C.	15. I	16. feel
17. it	18. would	19. benefit	20. our
21. Group	22. B.I.A.	23. the	24. future
25.	26.	27.	28.
29.	30.	31.	32.
33.	34.	35.	36.
37.	38.	39.	40.
41.	42.	43.	44.
45.	46.	47.	48.
49.	50.		

Support ☒Oppose ☐Amend ☐Done ☐

Signature



01/10/93

answered 5/2/93

APR 27 1993

Mr. Bob Norton 276-8823
8360 Pioneer

Anchorage AK 99504
Date POM Sent Constituency Bill Number Response Subject Distribution
04/29/93 N SB 76 OPPOSES 60

PLEASE DEFEAT THE SENATE BILL TO MODIFY GAMING LAWS. THIS BILL WOULD RESULT IN LESS MONEY TO NONPROFITS, NOT MORE. NONPROFITS WOULD BE IN A BIDDING WAR FOR PULL TAB OUTLETS. BAR OWNERS WILL BUY WITH THE PERMIT HOLDERS OFFERING THE BEST PRICE FOR A SERIES.

Mr. William Pignone 257-0248
3711 Resurrection Dr.

Anchorage AK 99504
Date POM Sent Constituency Bill Number Response Subject Distribution
04/29/93 N SB 76 SUPPORTS 40

I SUPPORT THE PASSAGE OF SB 76 AND I URGE SPEAKER BARNES AND ALL MEMBERS TO VOTE IN FAVOR OF IT.

Mr. Gerald Koerner 488-4393
Box 66881

North Pole AK 99705
Date POM Sent Constituency Bill Number Response Subject Distribution
04/29/93 N SB 60 OPPOSES EDUCATION 60

(ALSO SB 7.) I AM IN OPPOSITION TO THE BOND ISSUE. I THINK WE NEED TO ANALYZE WAGES AND CONTRACT COST. AS A ACCOUNTANT AND TAX PREPARER THERE ARE LARGE DIFFERENCES IN PRIVATE SECTOR VS. SCHOOL DISTRICT CONTRACTS AND WAGES. AS ACCOUNTANT I AUDIT A PRIVATE SCHOOLS BOOKS AND FIND THEIR QUALITY OF EDUCATION EXCEEDS PUBLIC SCHOOL/SAT TESTS, AND COST PER STUDENT IS LESS THAN \$2000.00.

Mrs. Greta Goto 842-4480
Box 233

*answered
5-20-93*

Dillingham AK 99576
Date POM Sent Constituency Bill Number Response Subject Distribution
04/29/93 N ~~SB 264~~ AMEND 01

WE REQUEST SUPPORT FOR THE AMENDMENTS TO HOUSE BILL 264 WHICH ALLOW FOR TAX CREDITS. THANK YOU FOR YOUR POSITIVE SUPPORT.

TBV

4/30

Mrs. Greta Goto 842-4480
Box 233

Dillingham AK 99576
Date POM Sent Constituency Bill Number Response Subject Distribution
04/29/93 N HB 264 AMEND 41
WE REQUEST SUPPORT FOR THE AMENDMENTS TO HOUSE BILL 264 WHICH ALLOW FOR TAX CREDITS.
THANK YOU FOR YOUR POSITIVE SUPPORT.

Mrs. Susan Fischetti 694-7944
10336 Stewart Dr.

Eagle River AK 99577
Date POM Sent Constituency Bill Number Response Subject Distribution
04/29/93 N SB 76 SUPPORTS 40
PLEASE SUPPORT SB 76 THIS SESSION. ALASKA NEEDS TO HAVE MORE CONTROL OVER GAMBLING PRACTICES.

Mrs. Dorothy Anderson 842-2366
Box 234

answered
5-20-93

Dillingham AK 99576
Date POM Sent Constituency Bill Number Response Subject Distribution
04/29/93 N HB 264 AMEND 41
WE REQUEST SUPPORT FOR THE AMENDMENTS TO HOUSE BILL 264 WHICH ALLOW FOR TAX CREDITS.
THANK YOU FOR YOUR POSITIVE SUPPORT.

Mrs. Dorothy Anderson 842-2366
Box 234

Dillingham AK 99576
Date POM Sent Constituency Bill Number Response Subject Distribution
04/29/93 N HB 264 AMEND 01
WE REQUEST SUPPORT FOR THE AMENDMENTS TO HOUSE BILL 264 WHICH ALLOW FOR TAX CREDITS.
THANK YOU FOR YOUR POSITIVE SUPPORT.

**DEPARTMENT OF REVENUE
SECTIONAL ANALYSIS
CS FOR HOUSE BILL NO. 264 (FIN)**

**An Act Levying and Providing for the Collection of and Disposition of the Proceeds of A
Fishery Resource Landing Tax and Providing For An Effective Date.**

Section 1 adds a new chapter in AS 43 to implement a landing tax. The landing tax is both designed and intended to be a compensatory tax to complement the fisheries business tax under AS 43.75. The landing tax is intended to compensate the state for the burdens that the EEZ catcher/processor fleet imposes upon the state and local communities, as well as for the benefits the EEZ catcher/processor fleet receives from the state and local communities.

The state has various research, management and enforcement responsibilities in connection with the offshore fisheries, and the EEZ catcher/processor fleet has a significant presence in the state including transferring the processed product, taking on and disembarking crew, taking on fuel and supplies, discharging waste, and seeking sheltered waters. The state and local communities are impacted through the additional burdens placed upon educational systems, road maintenance, public safety, airports, docks, hospitals, and other social programs.

Fisheries businesses in the state pay for these benefits and burdens through the fisheries business tax and the landing tax is a substantially equivalent levy designed to impose a comparable burden on interstate commerce. In a real sense, the EEZ catcher processors are conducting fisheries businesses in the state to no less a degree than in-state operators. The landing tax is not a fee on the fisheries resources simply moving through the state, it is instead a quid pro quo for the services and benefits conferred upon the processed resources whereby they pay their own way. The landing tax thus achieves an equality of treatment between local and interstate commerce conducting fisheries businesses in the state.

The landing tax imposed under AS 43.77.010 will apply to processed fishery resources that are not subject to AS 43.75 (the Fisheries Business Tax provisions). A fisheries resource that is subject to tax under AS 43.75 is not subject to the landing tax in AS 43.77.

The Fisheries Business Tax in AS 43.75 applies to fishery resources that are either caught or processed in Alaska. Therefore, the landing tax provisions will apply to fishery resources that are both caught and processed outside the jurisdiction of Alaska and thereafter brought into the state and first landed in this state.

The landing tax will apply to processed resources that are first landed in the state of Alaska rather than in another state or foreign country. The landing tax does not apply if the processed resources are first landed in another state or foreign country. A first landing outside the jurisdiction of a state or foreign country, such as in United States jurisdictional waters, is not a landing in a state or foreign country and does not prevent the Alaska landing tax from applying. The tax rate is 3.3% of the value of the processed fishery resources at the place of the landing.

AS 43.77.020 provides that a person subject to the tax must file a return reporting the value of the resources landed that are subject to the tax and the point of landing, as well as such other information as may be required by the department in regulations. The return is to be made on a calendar year basis and is due before April 1 of the following year, as is the case with the Fisheries Business tax return. An extension of time to file may be granted by the department but the tax remains due and payable before April 1. The tax due and payable as shown on the return will be a "net" tax after reduction for tax credits authorized under AS 43.77.030 (other taxes paid) and AS 43.77.040 (approved contributions).

AS 43.77.030 provides a credit against the landing tax on a fishery resource for processing and salmon enhancement type taxes paid to another jurisdiction in which the fishery resource was caught, processed, or sold. The credit is only available for those taxes that are equivalent in nature to AS 43.75 and AS 43.76. Sales taxes, import or export fees or taxes, income taxes, and similar taxes and fees are not equivalent to AS 43.75 and AS 43.76 and would not qualify for the credit. The credit provision is intended to avoid certain constitutional challenges to the tax, although few, if any, resources that are first landed in Alaska will be subject to a tax in another jurisdiction that is equivalent in nature to AS 43.75 and AS 43.76.

AS 43.77.040 allows a credit for certain contributions by taxpayers that harvest fishery resources under a community development quota ("CDQ"). The credit is limited to 45.45% of the tax that is specifically attributable to the resources harvested under the CDQ. The contributions that qualify for the credit must be made to an Alaska nonprofit corporation and the nonprofit corporation must use the funds for certain specified purposes. The recipient of the funds from the nonprofit must use the grant in Alaska for one of the specified purposes, such as receiving training in the state for employment in the seafood industry.

A taxpayer must apply to the department to obtain the credit. The Department,

in consultation with the Department of Community and Regional Affairs, must approve or disapprove the application within 60 days. The credit is available in the calendar year of the contribution against the tax liability under AS 43.77 for that calendar year. The credit will be taken by a taxpayer on the return that is filed in the succeeding calendar year. Therefore, the credit is shown on the return as a reduction in the tax liability for that year - the credit is not a rebate provision. The department shall revoke a tax credit and recover erroneously granted credits if it is later determined the contribution does not qualify for the credit or the taxpayer is in arrears in the payment of any tax under AS 43.

AS 43.77.050 provides that the tax paid on the levy of .3% of the value of the fishery resource is to be deposited into the general fund in an account for the use of the Alaska Seafood Marketing Institute ("ASMI") upon appropriation by the legislature.

After payment of the ASMI portion of the tax, the remainder of the tax collected is paid into a separate account in the general fund for appropriation by the legislature for revenue sharing with municipalities. However, the amount that may be appropriated for revenue sharing is reduced by the amount of the tax credits authorized under AS 43.77.040. This reduction is merely an accounting entry to achieve the legislative intent that the tax credits granted under AS 43.77.040 reduce dollar for dollar the amount of revenue shared to municipalities. The revenue retained by the state in the general fund is therefore not impacted by the contribution credit provision as the cost of the credit is borne by the municipalities.

AS 43.77.060 contains the revenue sharing provisions. The maximum amount available for sharing with municipalities and cities is 50% of the tax collected on 3% of the value of the fisheries resources. The .3% of the 3.3% tax that is deposited under AS 43.77.050 into a separate account for appropriation to ASMI is not available for revenue sharing. These revenue sharing provisions generally mirror the revenue sharing provisions in AS 43.75.130 and AS 43.75.137 that apply to the Fisheries Business Tax. However, tax credits granted under AS 43.77.040 reduce dollar for dollar the revenue shared back to municipalities.

AS 43.77.070 gives the department the authority to adopt regulations to interpret and implement the landing tax provisions.

AS 43.77.200 contains definitions. A taxable fishery resource for purposes of this chapter is necessarily a fishery resource that has been processed. An

unprocessed fishery resource in the state, if otherwise taxable, would be subject to AS 43.75.

Landing is defined as the act of unloading or transferring a fishery resource. A taxable landing can take place over water or on land. For instance, a factory ship might catch and process fishery resources on the high seas outside the Alaska 3 mile limit, transfer the processed resources to a second vessel on the high seas, and the second vessel might enter the 3 mile jurisdiction of Alaska and transfer the product to a third vessel. The Fisheries Business Tax under AS 43.75 would not apply because the fishery resources were both caught and processed outside the state. However, the landing tax would apply at the point the second vessel transferred the product to the third vessel. There has been no previous landing in any other state or foreign country so the first landing of the processed resources is in Alaska. The owner of the fishery resources aboard the second vessel at the moment of unloading or transfer is liable for the landing tax.

The valuation of the fishery resources for purposes of computing the tax is the statewide average price paid for the fishery resource in that tax year as reported by the Department of Fish and Game. The statewide average price paid for the fishery resource is an average value for unprocessed fisheries resources as reported on fish tickets. The values reflected on the fish tickets are generally ex vessel values, or the value of the resource at the vessel after harvesting.

The use of the statewide average price paid will accomplish two results. First, it will simplify the determination of the tax value and, second, it will roughly approximate the value that would otherwise have been applicable under the Fisheries Business Tax provisions.

While the value for purposes of the landing tax, as a result of the use of a statewide average unprocessed price as a base, may be lower than the actual value as determined by a similar taxpayer under AS 43.75, the landing tax will not generally result in a higher tax burden than that incurred under AS 43.75. That is because the statewide average price paid is based on unprocessed product and therefore does not include the value added from the act of processing, packaging, or transportation. The value added to fishery resources from processing is not generally included in taxable value under AS 43.75, and CSHB 264 thereby achieves an equality in the tax burden.

Section 2 amends AS 29.60.450(b) to provide for apportionment and allocation

Department of Revenue
CS For House Bill No. 264 (FIN)
April 27, 1993

of landing tax shared revenues by the Department of Community and Regional Affairs to eligible municipalities.

Section 3 amends AS 29.60.450(f) to provide that "fishery resource landing tax production value" has the meaning given the term "value" under the landing tax provisions in AS 43.77.

Section 4 provides that the Act takes effect on January 1, 1994 and applies to fishery resources that are first landed in the state on that date.

The Department of Revenue strongly supports CS for House Bill No. 264.

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

P.O. BOX 110400
JUNEAU, ALASKA 99811-0400
TELEPHONE: (907) 465-2300
FACSIMILE: (907) 465-2389

May 3, 1993

Honorable George Jacko
Alaska State Legislature
State Capitol, Rm 125
Juneau, AK 99801-1182

Dear Senator Jacko:

Brice Edgmon of your staff requested a letter regarding the Department of Revenue's position on HB 264 relating to a fisheries landing tax.

A fish tax study conducted by the Department of Revenue with Department of Fish & Game assistance recommended legislation establishing a landing tax. The tax rate recommended in that study was 5% of the value of the landed, processed product.

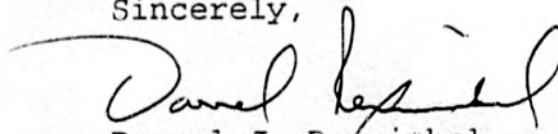
The Department of Revenue working with the Governor's Office drafted legislation that Representative Moses introduced under sponsorship of the House Rules Committee. With the same definitions for the tax base, the legislation proposed a 3.3% tax rate with .3% of that amount available for appropriation to the Alaska Seafood Marketing Institute. That is the legislation that is currently being considered by the Senate Finance Committee.

The current version of the legislation, CSHB 264 (FIN), contains several amendments adopted by the House Finance Committee. One of those amendments allows landing tax credits for CDQ's that make donations to allowable non-profit organizations for certain purposes including training, education and capital improvements related to fisheries in the State of Alaska. There are provisions of this tax credit proposal that eliminate the State of Alaska's liability and call for the tax credit amount to be paid out of the shared tax amount. The total liability is estimated to be between \$150,000 and \$250,000 for the tax credits. The administration agreed to this tax credit. We are opposed to any other tax credit provisions at this time.

The General Fund revenue estimate is \$4,300,00 with a like amount available before tax credits for sharing with municipalities. ASMI stands to receive up to \$860,000 for marketing.

The Department is available if you have other questions concerning this legislation and supports its passage.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Darrel J. Rexwinkel', with a stylized flourish at the end.

Darrel J. Rexwinkel
Commissioner

cc: Kris Lethin, Office of the Governor
Representative Carl Moses

93-085

Carl L. Rosier, Commissioner

Public Communications
P.O. Box 25526
Juneau, Alaska 99802-5526
(907) 465-4112



Alaska Department of Fish & Game

NEWS

Testimony on House Bill 264 before the House Special Fisheries Committee

Carl L. Rosier
Commissioner
Alaska Department of Fish and Game
April 5, 1993

I am pleased to see HB 264 introduced. This is an idea whose time has come. With the departure of the foreign fleets from within the 200 mile limit, or Exclusive Economic Zone (EEZ) the offshore factory trawl industry is fully Americanized. A large fleet of approximately 60 plus modern vessels, mostly based in the state of Washington, operates within the EEZ off the coast of Alaska. This fishery has been extremely profitable and rapid capital investment has occurred.

This fleet harvests a bycatch of crab, halibut, herring and salmon while targeting on other species. These species are important to Alaska's resident fishermen and processors, and their coastal communities. The incidental harvest of these species by the factory trawlers has an economic impact on Alaskans by the removal through bycatch of resources that would otherwise be harvested and processed by residents of coastal Alaska.

This fleet avails itself of Alaskan docks and harbors, communications and transportation systems, as well as medical services when needed.

This fleet pays virtually no taxes to the state for either the services it receives or its impact on coastal, Alaskan communities. HB 264 proposes a modest, 3% tax on product landed in Alaska for shipment to market

elsewhere. The revenue from this tax could help pay for the services used by the factory trawlers and mitigate for some of the economic impact they have on Alaska's coastal communities.

It is also no secret that management and enforcement in the offshore fisheries are underfunded. The revenue from this landing tax would provide a necessary addition to the funding of these functions.

However, I am concerned about the budgeting process we are witnessing in the State Senate this year. If the approach to funding natural resource management being proposed in that body prevails, then the benefits offered by the additional revenue from HB 264 will be significantly reduced. If Alaska is to maintain or increase its revenues, jobs, and resident income from fish and wildlife resources, then it has to be willing to put its money into the management of these resources.

I recognize the fiscal situation the state is facing as oil revenue declines. While fish and wildlife resources will never offer the tax revenue that oil does, these resources do offer abundant employment and income producing opportunities for Alaskans. The facts show that the users have been willing to pay a fair share of the cost of managing and protecting these resources. The prudent thing is to build the renewable resource base of the state now, so that when oil revenue declines, these renewable sources of employment and income will be strong. This cannot be done with the cuts to natural resource management being proposed in the Senate.

In closing, I want to thank the House leadership for the approach they have taken on the budget this year. While the department has taken reductions, it has been done in a thoughtful, responsible fashion. I have especially appreciated the dialogue between the House budget writers and the department.

House bill 264 will help provide the management, research, and enforcement that must be done if fisheries resources are to continue their productivity on a sustained yield basis. I want to thank Representative

Moses and the House Rules Committee for the introduction of this bill. I fully support passage of it before the session adjourns.

Jack,

Please draft a blank CS for HB 264, working off of the R version of Finance Committee CS HB 264. Incorporate the changes indicated on that draft, as well as these changes. This is needed for a subcommittee meeting on Sunday at 11 a.m., so if I could get it as soon as possible, it would be appreciated.

On p. 6, lines 11-16, replace definition of value with

"value" means the unprocessed value of the fishery resource and shall be based on the statewide average price paid for such species in the year as reported to the Department of Fish and Game pursuant to AS 16.05.690.

On p. 5, line 17, add:

(f) A municipality may adopt an ordinance directing the department to waive all of the municipality's refund under this section. The waiver is effective on January 1 of the calendar year following the year in which the ordinance is approved, and the amount is available as an additional credit to the taxpayer under AS 43.77.040.

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

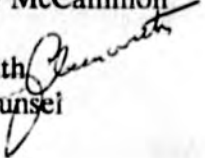
130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

April 24, 1993

SUBJECT: Draft CSHB 264 (), "U" version
(Work Order No. 8-LS0941\U)

TO: Representative Carl Moses
ATTN: Molly McCammon

FROM: Jack Chenoweth 
Legislative Counsel

I have followed much, but not all, of the language you provided. I've also had to add provisions to cover the sharing of revenues to municipalities.

In AS 43.77.040, you'll see that I've split the credit into two paragraphs, (a)(1) and (a)(2), then separately stated the substantive requirements bearing on each of the two elements of the credit in the next following subsections (b) and (c).

In AS 43.77.040(c) of the earlier draft--AS 43.77.040(e) of this one--I did not substitute "shall not allow." The phrase "shall not" is not properly used in bill drafting, and I retained reference to "approve" for that is in fact what the commissioner of revenue must do on credit applications submitted--either "approve" or "disapprove" them. "May not approve an application for a credit" is a correct statement of the prohibition imposed on the commissioner under the circumstances indicated.

The new subsection (f) becomes AS 43.77.060(e) in this draft, leaving the applicable definition in the last subsection. In (e), you'll note that I went beyond your instructions to try to provide authority to a municipality to revoke its waiver decision and to give guidance to the handling of revenue sharing in the event a city, but not the borough of which it is a part, or a borough, but not its constituent cities, waives payment.

Your change in the definition of "value" negates the necessity of providing a definition of "market value." "Market value" is omitted, and the definition of "value" revised in line with your instructions.

Representative Carl Moses
April 24, 1993
Page 2

JBC:lmb
93-136.lmb

Enclosure

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

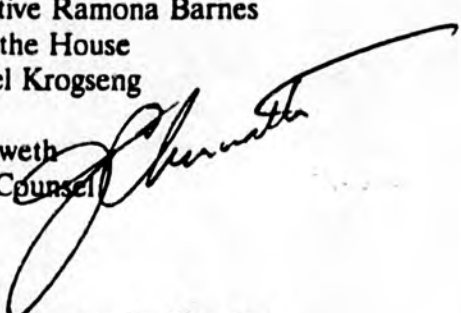
MEMORANDUM

March 31, 1993

SUBJECT: Potential constitutional questions in House Bill 264 (Work Order No. 8-LS0941\E)

TO: Representative Ramona Barnes
Speaker of the House
ATTN: Mel Krogseng

FROM: Jack Chenoweth
Legislative Counsel



House Bill 264 imposes a fishery resource landing tax.

A fishery resource land tax involving fish harvested outside the state but brought into or landed in the jurisdiction may raise questions under the United States Constitution's commerce clause, clause 3, section 8 of article I; a question under the federal due process provision of the Fourteenth Amendment; a potential "supremacy clause" question under clause 2 of article VI of the United States Constitution; and a possible claim under applicable provisions of the federal constitution involving federal regulation of foreign commerce.

I

The most serious constitutional question is probably the one relating to scrutiny under the United States Constitution's commerce clause--clause 3, section 8 of article I. Historically, that clause has served as a significant check on state efforts to expose business activities to multiple tax liability and to unique forms of regulatory action.

A state tax is not per se invalid because it imposes a burden on interstate commerce. States may require goods and services in interstate commerce that enter the taxing jurisdiction to contribute to the jurisdiction's treasury.

The approach generally invoked in commerce clause analysis has involved consideration of the links that exist between the taxpayer and the taxing jurisdiction, on the

one hand, versus the burden that the tax would impose on interstate commerce. The approach generally adopted in recent cases derives from the United States Supreme Court's disposition of Complete Auto Transit v. Brady, 430 U.S. 274, 51 L.Ed.2d 326, 97 S.Ct. 1076 (1977), in which the court identified the factors or elements that needed to be considered in evaluating the effects of a state- or locally-imposed tax on goods or services in interstate commerce: (1) does the activity that is subject to tax have a substantial nexus with the taxing state; (2) does it discriminate against interstate commerce; (3) does it fairly relate to services claimed to be provided within or by the taxing state; and (4) is the tax fairly apportioned. As a general rule, a tax on interstate commerce will be sustained if the court can find that the state has a sufficient connection to the business activity that is to be taxed; that, as between instate and interstate commerce, the tax is imposed equitably; and that the tax imposed fairly relates to the state's nexus--its contact or connection--to the business activity that is the subject of the tax. If all of these factors are properly addressed, the tax should survive a commerce clause challenge.

However, in a decision that would seem to be important for this state's efforts to tax resources brought in from outside the limits of the state's jurisdiction, under the Complete Auto Transit test, the court has struck down a first-use tax on federal outer continental shelf natural gas imposed by Louisiana. Maryland v. Louisiana, 451 U.S. 725, 68 L.Ed.2d 576, 101 S.Ct. 2114 (1981). The tax had been imposed on the "first use" of any natural gas imported into the state of Louisiana which had not been previously subjected to taxation by another state or by the United States. Most OCS-produced gas was piped ashore for processing, chiefly the removal of liquid hydrocarbons. Conceding that Louisiana has an interest in protecting natural resources within its jurisdiction, the court nonetheless rejected the state's contention that the levy was a proper compensatory tax. It found that there was no evidence of justification for the levy and collection of the tax in order to equalize tax treatment of natural gas in interstate and local commerce, and declared that the state does not have an interest in being compensated for the severance or removal of resources from adjacent federally owned lands of the outer continental shelf.

II

The levy imposed by HB 264 may prompt a due process objection under the 14th Amendment. However, to the extent the commerce clause test is met, satisfaction of that test should also answer the usual concerns that attend due process objections.

III

The state's taxation of goods and services in interstate commerce also offers grounds for a potential "supremacy clause" challenge. Generally, under that clause, a state statute is void to the extent it conflicts with a federal statute. The courts are prepared to find evidence of conflict if compliance with the state law stands as an

obstacle to the accomplishment of the objectives of Congress. While there has been much Congressional interest in fisheries at least since initial passage of the Magnuson Act, I don't know of any particular federal statutory or regulatory provision that would bar or otherwise present an asserted obstacle to a proposed state levy of the kind you have briefly described. Still, in any legislative review of the proposed measure, the point deserves consideration.

IV

Finally, to the extent that the fisheries products leave a state dock or airport bound for another nation, the proposed levy may be construed to violate the implied limitation or prohibition on Congressional authority to regulate foreign commerce. My hunch, however, is that federal authority as to goods and services in foreign commerce would not provide a basis for challenge of a tax statute independent of that provided by the interstate commerce clause.

JBC:pl
93-261.plm

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL APR 7 1993

WALTER J. HICKEL, GOVERNOR

PLEASE REPLY TO:

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April 6, 1993

The Honorable Carl Moses, Chairman
House Special Committee on Fisheries
Alaska House of Representatives
Room 204
State Capitol
Juneau, Alaska 99811-1182

RE: HB 264 - relating to
a fisheries landing tax

Dear Representative Moses:

We have reviewed the memorandum from Legislative Affairs attorney Jack Chenoweth to House Speaker Ramona Barnes as requested at the hearing on HB 264 on April 5. This memo explores the possible constitutional bases for challenge of the legislation.

We agree with the memo's identification of constitutional issues and the discussion of the two important commerce clause cases cited. Applying the holdings of *Complete Auto Body v. Brady*, 430 U.S. 274 (1977) to the taxing scheme envisioned by HB 264, we believe the tax can be defended. First, the activity has a substantial nexus with Alaska and fairly relates to services provided or available. The vessels used to transport the fisheries resources either use or have the availability of use of Alaska port facilities, refueling capabilities, navigational aids, safety and rescue availability, as well as others. Second, the tax would be fairly apportioned; there would be no discrimination in favor of residents.

We believe *Maryland v. Louisiana*, 451 U.S. 725 (1981) can be distinguished. In that case, Louisiana only taxed natural gas that would go into interstate commerce after merely passing through Louisiana; residents were given substantial protection from the impact of the tax. These are the chief failures of the Louisiana scheme. In addition, Louisiana asserted that the tax was linked to severance taxes, however, the Court rejected this argument as the gas subject to the tax came exclusively from outside Louisiana's

The Honorable Carl Moses, Chairman
House Special Committee on Fisheries

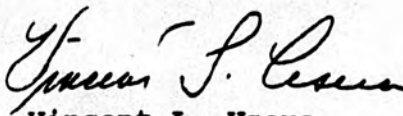
April 6, 1993
Page 2

jurisdiction. House Bill 264 would establish a tax on landings within the State of Alaska. It is clearly not a severance tax.

Once again, we are not making a definitive determination of constitutionality and agree that the legislation may be subject to challenge. We do continue to believe that the landing tax is defensible.

If you wish to discuss this, please do not hesitate to contact me; my number is 465-2398.

CHARLES E. COLE
ATTORNEY GENERAL

By: 
Vincent L. Usera
Assistant Attorney General

cc: Jack Chenoweth
D. Behr

AMERICAN FACTORY
TRAWLER ASSOCIATION

Fax Cover Sheet

TO Molly McGinnis FAX NO. (907) 465-3445
OF AK Legislature
FROM Joe Polun
DATE 4/12/93 TOTAL NUMBER OF PAGES (including cover) 5
MESSAGE/COMMENTS _____

Please provide each Fisheries Committee member
a copy of this paper before tonight's hearing -

Thanks,

A M E N D M E N T

OFFERED IN THE HOUSE

TO: HB 264

Page 2, following line 11:

Insert a new section to read:

"Sec. 43.77.035. CREDIT FOR APPROVED CONTRIBUTIONS. (a) A taxpayer who harvests a fishery resource under the provisions of a community development quota may claim as a credit against not more than 50 percent of the tax due under this chapter the taxpayer's contributions made during the tax year to a nonprofit corporation incorporated under the laws of the state that are used by the recipient for one or more of the following purposes:

(1) scholarships for study in the disciplines of fisheries management, fisheries business administration, or another related course or discipline;

(2) training for employment in the seafood industry;

(3) making contributions of capital, in the form of loans or grants, to construct or improve

(A) transportation facilities such as airports and docks that are used for the unloading, transferring, or shipment of fisheries products; or

(B) facilities at which fisheries products are canned, frozen, or otherwise processed for inventory, including floating facilities that are documented under the laws of the United States as defined in 46 U.S.C. App. 801;

(4) awarding grants for research projects relating to fisheries.

(b) A taxpayer who makes a contribution that qualifies for the credit authorized by (a) of this section and who claims a credit for the contribution must apply to obtain the credit. The taxpayer shall apply in the manner provided by the department by regulation, and shall provide to the commissioner all information relating to the contribution that may be required by the department. Upon receipt of

a complete application, the department shall approve or disapprove the application for the credit within 60 days.

(c) The department may not approve a tax credit under this section if (1) the department determines that the contribution does not qualify under (a) of this section; or (2) the taxpayer claiming the credit is in arrears in the payment of the tax levied by this chapter. For purposes of this subsection, a taxpayer is not in arrears if the payment is under administrative or judicial appeal.

(d) A contribution allowed as a credit under this section may not be claimed as a credit under another provision of this title."

Page 4, following line 9:

Insert a new subsection to read:

"(e) In this section, "tax revenue collected" does not include amounts credited against taxes under AS 43.77.035."

Page 4, line 13, after "(1)":

Insert "'community development quota" has the meaning given that term in a regulation adopted by the Office of the Governor, under authority granted by art. III, secs. 1 and 24, Constitution of the State of Alaska, to implement a program of the North Pacific Fishery Management Council to set aside fisheries resources for community development purposes in western Alaska;

(2)"

Renumber the following paragraphs accordingly.

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450
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Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2405

MEMORANDUM

February 22, 1993

SUBJECT: State taxation of interstate commerce: Proposal to levy and collect a tax on fisheries resources caught outside the state but brought into the state for introduction into the stream of interstate commerce (Work Order No. 8-LS0684)

TO: Representative Carl Moses
ATTN: Molly McCammon

FROM: Jack Chenoweth
Legislative Counsel

Your recent contact with Legislative Counsel George Utermohle advised of a potential measure proposing to impose a tax on the landing of fisheries resources caught outside the state--presumably from waters above the outer continental shelf beyond the three-mile state boundary--but brought into the state's jurisdiction--across a dock or harbor facility, or through an airport--for purposes of eventual transport outside the state, i.e. introduction into interstate commerce. You have asked the office to summarize potential legal issues that may arise out of that legislation.

I

Since the proposed measure apparently would address state taxation and state regulation of interstate commerce, it necessarily invites scrutiny under the United States Constitution's commerce clause--clause 3, section 8 of article I.^{1/} Historically, that clause has served as a significant check on state efforts to expose business activities to multiple tax liability and to unique forms of regulatory action.

At the outset, I should note that a state tax is not per se invalid because it imposes a burden on interstate commerce. States may require goods and services in interstate commerce that enter the taxing jurisdiction to contribute to the jurisdiction's treasury.

^{1/} The provision declares that "[t]he Congress shall have power . . . to regulate commerce with foreign nations, and among the several states . . ."

The approach generally invoked in commerce clause analysis has involved consideration of the links that exist between the taxpayer and the taxing jurisdiction, on the one hand, versus the burden that the tax would impose on interstate commerce. The approach generally adopted in recent cases derives from the United States Supreme Court's disposition of Complete Auto Transit v. Brady, 430 U.S. 274, 51 L.Ed.2d 326, 97 S.Ct. 1076 (1977), in which the court identified the factors or elements that needed to be considered in evaluating the effects of a state- or locally-imposed tax on goods or services in interstate commerce: (1) does the activity that is subject to tax have a substantial nexus with the taxing state; (2) does it discriminate against interstate commerce; (3) does it fairly relate to services claimed to be provided within or by the taxing state; and (4) is the tax fairly apportioned. As a general rule, a tax on interstate commerce will be sustained if the court can find that the state has a sufficient connection to the business activity that is to be taxed; that, as between instate and interstate commerce, the tax is imposed equitably; and that the tax imposed fairly relates to the state's nexus--its contact or connection--to the business activity that is the subject of the tax.^{2/} If all of these factors are properly addressed, the tax should survive a commerce clause challenge.^{3/}

In a decision that would seem to be important for this state's efforts to tax resources brought in from outside the limits of the state's jurisdiction, under the Complete Auto Transit test, the court has struck down a first-use tax on federal outer continental

^{2/} Establishing nexus is probably the critical element of three. It can be tricky. There are precedents that may be cited to support the conclusion that **delivery of product within a state--International Harvester Co. v. Department of the Treasury, 322 U.S. 340, 88 L.Ed. 1313, 64 S.Ct. 1019 (1944) (sales of Indiana goods to an out-of-state buyer, who took possession of the goods for transport out of the state sufficient to justify payment of the Indiana gross receipts tax), State Tax Commission of Utah v. Pacific States Cast Iron Pipe Co., 372 U.S. 605, 10 L.Ed.2d 8, 83 S.Ct. 925 (1963) (sales of Utah-made goods manufactured to meet specifications of out-of-state jobs and required to be shipped out of state, when title passes and delivery is made at seller's place of business in state with transfer by purchaser, who receives a credit for freight charges incurred, subject to Utah state sales tax)--and that transfer of possession to a purchaser of a product within a state--McGoldrick v. Berwind-White Coal Mining Co., 309 U.S. 33, 84 L.Ed. 565, 60 S.Ct. 388 (1940) (negotiation of contract for sale of coal and delivery of coal within New York City meant that transfer of possession occurred within the city and made the transaction subject to the city's sales tax) are each sufficient to establish the required nexus.**

^{3/} Any debate in this area may prompt discussion or analysis as to whether a state levy violates the so-called "dormant" Commerce Clause--that is, whether the state action, while not actually contrary to an expressed or exercised Act of the Congress, nevertheless threatens the values the Commerce Clause was intended to serve. The analytical mechanism is, of course, the test first laid down in Complete Auto Transit cited earlier.

shelf natural gas ^{4/} imposed by Louisiana. Maryland v. Louisiana, 451 U.S. 725, 68 L.Ed.2d 576, 101 S.Ct. 2114 (1981). Conceding that Louisiana has an interest in protecting natural resources within its jurisdiction, the court nonetheless rejected the state's contention that the levy was a proper compensatory tax. ^{5/} It found that there was no evidence of justification for the levy and collection of the tax in order to equalize tax treatment of natural gas in interstate and local commerce, and declared that the state does not have an interest in being compensated for the severance or removal of resources from adjacent federally owned lands of the outer continental shelf.

II

The levy that you describe in this forthcoming measure may prompt a due process objection under the 14th Amendment. Still, to the extent the commerce clause test is met, satisfaction of that test should also answer the usual concerns that attend due process objections. ^{6/}

III

State taxation of goods and services in interstate commerce also offers grounds for a potential "supremacy clause" ^{7/} challenge. Generally, under that clause, a state

^{4/} The tax was imposed on the "first use" of any natural gas imported into the state of Louisiana which had not been previously subjected to taxation by another state or by the United States. Most OCS-produced gas was piped ashore for processing, chiefly the removal of liquid hydrocarbons.

^{5/} A "compensatory tax," as I understand, is a state imposed levy on a substantially equivalent good or service that is itself already taxed in order to assure uniform treatment of goods and materials within the jurisdiction. A use tax imposed as a complement to a locally-imposed sales tax is an obvious example.

^{6/} What you have described is a tax measure. Courts traditionally are deferential to state revenue raising efforts if a due process objection is interposed. Generally, in the consideration of the tax under a due process analysis, the courts will look for evidence of (1) a minimal connection between the interstate activity that is the subject of the tax and the taxing state, and (2) a rational relationship between the income attributed to the jurisdiction levying the tax and the "intrastate" elements of the enterprise that are the subject of the jurisdiction's levy. Trinova Corp. v. Michigan Dept. of the Treasury, 498 U.S. --, 112 L.Ed.2d 884, 111 S.Ct. 818 (1991). These factors appear as included elements within federal commerce clause analysis.

^{7/} Under the "supremacy clause," article VI, clause 2 of the United States Constitution,

(continued...)

statute is void to the extent it conflicts with a federal statute. The courts are prepared to find evidence of conflict if compliance with the state law stands as an obstacle to the accomplishment of the objectives of Congress. While there has been much Congressional interest in fisheries at least since initial passage of the Magnuson Act, I don't know of any particular federal statutory or regulatory provision that would bar or otherwise present an asserted obstacle to a proposed state levy of the kind you have briefly described. Still, in any legislative review of the proposed measure, the point deserves consideration.

IV

Finally, to round out this memo, though I am not familiar with the specifics of the tax that the administration may have under consideration, to the extent that the fisheries products leave a state dock or airport bound for another nation, the proposed levy may be construed to violate the implied limitation or prohibition on Congressional authority to regulate foreign commerce.^{8/} My hunch, however, is that federal authority as to goods and services in foreign commerce would not provide a basis for challenge of a tax statute independent of that provided by the interstate commerce clause.

JBC:pl
93-116.plm

2/ (...continued)

This Constitution, and the laws of the United States which shall be made in pursuance thereof; and all treaties made, or which shall be made, under the authority of the United States, shall be the supreme law of the land; and the judges in every state shall be bound thereby, anything in the Constitution or laws of any state to the contrary notwithstanding.

^{8/} Under article I, sec. 8, the Congress is authorized to exercise power with respect to the regulation of foreign commerce, while article I, sec. 10, constrains the states from imposing any "duty of tonnage" without Congressional consent.

DIVISION OF LEGAL SERVICES

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Juneau, Alaska 99801-2105

MEMORANDUM

April 21, 1993

SUBJECT: Revised amendment relating to tax credit to CSHB 264 (FSH)
(Work Order No. 8LS-0941\J.13)

TO: Representative Carl Moses
ATTN: Molly McCammon

FROM: Jack Chenoweth
Legislative Counsel

I've have tried to make the revisions substantially as you have directed.

I have inserted "in this state" in the lead-in to AS 43.77.035 and it should accomplish what I think you are trying to accomplish with this caution. In proposed AS 43.77.035(a)(4), the addition makes reference to research projects related to "Alaska fisheries." Do you mean only research undertaken from in-state activities or would research on Alaska fisheries undertaken by, say, the University of Washington in Seattle also qualify? I assumed you meant the former, but thought I'd better check.

Your indicated revision of subsections (b) and (c) results in a "tentative" approval or disapproval, but you make no provision for "final" approval and I have not a clue as to what is intended to turn on the distinction between "tentative" and "final" approval. Is there to be no provision for "final" approval? If not, why not? If there is to be, what process do you contemplate? Under what circumstances does a "tentative" approval become "final"?

As to the remaining changes: I did not contact the Department of Revenue. With my drafting caseload at this time of the session, I depend upon staff like yourself to make those contacts and provide the information. To save time, I tried my hand at the matter a second time. If this is not satisfactory, have Revenue prepare a response that we may consider.

JBC:pl
93-318.plm

DRAFT**TO ACHIEVE INTENT OF WORKING DRAFT**

Section 43.77.035. CREDIT FOR APPROVED CONTRIBUTIONS. (A) A taxpayer who harvests a fishery resource under the provisions of a community development quota may claim as a credit against not more than 45.45% [50%] of the tax due under this chapter

* Section 43.77.040. SEPARATE ACCOUNTING. (a) An amount of tax paid equal to [THE TAX COLLECTED ON THE LEVY OF] 3/10 of one percent of the value of the fishery resource [UNDER AS 43.77.010, CALCULATED WITHOUT REFERENCE TO A REDUCTION FOR THE REVENUE THAT IS NOT COLLECTED DUE TO TAX CREDITS APPROVED BY THE COMMISSIONER UNDER AS 43.77.035,] shall be paid into a separate account in the general fund. The annual ~~estimated~~ balance in the account may be appropriated by the legislature to the Alaska Seafood Marketing Institute.

(b) After payment of the amount determined under (a) of this section, the balance of the tax collected under this chapter shall be paid into a separate account in the general fund. The annual [ESTIMATED] balance in the account, less all tax credits approved by the commissioner under AS 43.77.035, may be appropriated by the legislature for revenue sharing under AS 43.77.050 ~~and for other public purposes.~~

Hypothetical

	<u>Ex. One</u>	<u>Ex. Two</u>
Value of fishery resources	\$10,000	\$10,000
Tax Rate	3.3%	3.3%
Tax before credits	330	330
Credit Claimed (45.45% maximum and 10%)	150	30
Tax due shown on return and paid by taxpayer	\$180	300
Amount to ASMI under AS 43.77.040(a)	\$ 30	\$ 30
Amount remaining in general fund	\$150	\$270
Reduction for tax credits per AS 43.77.040(b)	\$150	\$ 30
Amount available for revenue sharing	\$ 0	\$240
50% to municipalities under AS 43.77.040	\$ 0	\$120
Amount retained by General Fund	\$150	\$150

Note: If a taxpayer pays only a part of the tax, ASMI always gets all of its share before the state general fund and the municipalities.

Post-It™ brand fax transmittal memo 7571		# of pages > 1
To <i>Molly McCammon</i>	From <i>Carl Meyer</i>	
Co.	Co.	
Dept.	Phone # <i>2343</i>	
Fax # <i>3445</i>	Fax #	

Post-It™ brand fax transmittal memo 7671		# of pages > 1
To	Molly McCamen	From Carl Meyer
Co.		Co.
Dept.		Phone # 2343
Fax # 3445		Fax #

4/21/94 Changes to Working Draft on CSHB 264 by Legislative Counsel

Section 43.77.040. SEPARATE ACCOUNTING. (a) An amount equal to the tax collected on the levy of 3/10 of one percent of the value of the fishery resource under AS 43.77.010, calculated without reference to a reduction for the revenue that is not collected due to tax credits approved by the Commissioner under AS 43.77.035, shall be paid into a separate account in the general fund. The annual estimated balance in the account may be appropriated by the legislature to the Alaska Seafood Marketing Institute.

(b) After payment of the amount determined under (a) of this section, the balance of the tax collected under this chapter shall be paid into a separate account in the general fund. The annual estimated balance in the account, less all tax credits approved by the commissioner under AS 43.77.035, may be appropriated by the legislature for revenue sharing under AS 43.77.050 ~~and for other public purposes.~~

Hypothetical

#10,000 landing tax value for fishery resources
 3.3% tax rate
 \$330 tax before credit (\$300 is 3%
 \$30 is ASMI .3%)
 <\$165> maximum credit allowed by 43.77.035
 \$165 tax due shown on return & paid by TP
 <\$30> to ASMI under 43.77.040(a)
 General Fund reduced by \$15 because state pays for 50% of the ASMI contribution
 \$135 remaining for General Fund acct. of the tax actually collected.
 <165> acct. reduced by all tax credits as provided in 43.77.040(L)
 <\$30> deficit for revenue sharing

Alaska State Legislature

Representative Carl E. Moses



CHAIRMAN
HOUSE RULES COMMITTEE

CHAIRMAN
HOUSE SPECIAL FISHERIES COMMITTEE

MEMBER
FINANCE SUBCOMMITTEES
FISH AND GAME
PUBLIC SAFETY

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SPONSOR STATEMENT FOR FINANCE COMMITTEE SUBSTITUTE FOR HB 264 FISHERY RESOURCE LANDING TAX

House Bill 264 would establish a new tax on fisheries resources that are caught and processed in the Exclusive Economic Zone (those waters under U.S. jurisdiction that are directly off Alaska) but are then landed within Alaska's jurisdiction. These processed resources are currently not subject to any Alaska state tax.

The offshore factory trawl fleet operating within the EEZ has been extremely profitable. It is now fully Americanized, with most vessels based in the state of Washington. The trawl fleet that would be subject to this tax primarily targets groundfish, with incidental catches of crab, halibut, herring and salmon - all species important to Alaska's resident fishermen and processors, and their coastal communities. Alaska provides significant benefits and services to the offshore fleet, and incurs additional fishery management and enforcement costs as well. Coupled with the impact the operations have on local Alaska communities, the tax is one way to compensate the state for these services.

House Bill 264 would impose a modest tax of 3.3% of the value of the processed resource which is landed in Alaska for shipment to market elsewhere. ASMI would receive the .3% portion of the tax collected. The new landing tax would place the offshore fleet on the same level as the onshore fleet in terms of state taxation.

The Finance Committee CS for HB 264 would authorize a very narrow tax credit that would be limited to the tax on the value of the fishery resource harvested under a community development quota program. The potential value of this tax credit is about \$290,000, a

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NELSON LAGOON • NEW STUYAHOK • NIKOLSKI • PEDRO BAY • PERRYVILLE • PILOT POINT • PORT HEIDEN • PORT MOLLER • SAND POINT
SHEMYA • SQUAW HARBOR • SOUTH NAKNEK • ST. GEORGE ISLAND • ST. PAUL ISLAND • UGASHIK • UNALASKA • UNGA

very small portion of the Department of Revenue's estimated total tax of \$8.6 million generated by this legislation . The tax credit would only be allowed if the equivalent amount of funds was given to a nonprofit corporation for use in Alaska fisheries development, training and employment, and any credit would first be approved by the Department of Revenue, in consultation with the Department of Community and Regional Affairs. The credit would only apply to the municipal share of the tax.

The Finance Committee Substitute also changed the definition of "value" used in computing the tax. This change was requested by the fishing industry to give more clarification and certainty in how the tax would be determined.

The original legislation had given the taxpayer a credit for equivalent taxes paid in other "states." The Finance Committee extended that credit to taxes equivalent "in nature" paid in other "jurisdictions," which could also include foreign countries. The Department of Revenue does not believe this change will have significant effect on the revenues generated.

AMENDMENT

OFFERED IN THE HOUSE

TO: HB 264

Page 2, following line 11:

Insert a new section to read:

"Sec. 43.77.035. CREDIT FOR APPROVED CONTRIBUTIONS. (a) A taxpayer who holds a community development quota may claim as a credit against not more than 50 percent of the tax due under this chapter the taxpayer's contributions made during the tax year to a nonprofit corporation incorporated under the laws of the state that are used by the recipient for one or more of the following purposes:

- (1) scholarships for study in the disciplines of fisheries management, fisheries business administration, or another related course or discipline;
- (2) training for employment in the seafood industry;
- (3) making contributions of capital, in the form of loans or grants, to construct or improve facilities at which fisheries products ^{transported} ~~are canned, frozen, or otherwise~~ processed for inventory, including floating facilities that are documented under the laws of the United States as defined in 46 U.S.C. App. 801 ^{and} ~~and operated~~ ^{in waters of the state};
- (4) awarding grants for research projects relating to fisheries.

(b) A taxpayer who makes a contribution that qualifies for the credit authorized by (a) of this section and who claims a credit for the contribution must apply to obtain the credit. The taxpayer shall apply in the manner provided by the department by regulation, and shall provide to the commissioner all information relating to the contribution that may be required by the department. Upon receipt of a complete application, the department shall approve or disapprove the application for the credit within 60 days.

(c) The department may not approve a tax credit under this section if (1) the department determines that the contribution does not qualify under (a) of this section:

or (2) the taxpayer claiming the credit is in arrears in the payment of the tax levied by this chapter. For purposes of this subsection, a taxpayer is not in arrears if the payment is under administrative or judicial appeal.

(d) A contribution allowed as a credit under this section may not be claimed as a credit under another provision of this title."

Page 4, following line 9:

Insert a new subsection to read:

"(e) In this section, "tax revenue collected" does not include amounts credited against taxes under AS 43.77.035."

under community share.

Page 4, line 13, after "(1)":

Insert ""community development quota" has the meaning given that term in a regulation adopted by the Office of the Governor, under authority granted by art. III, secs. 1 and 24, Constitution of the State of Alaska, to implement a program of the North Pacific Fisheries Management Council to set aside fisheries resources for community development purposes in western Alaska;

(2)"

Renumber the following paragraphs accordingly.

DRAFT

2029

DRAFT

PROPOSED AMENDMENT TO HB 264 "AN ACT PROVIDING FOR A FISHERY RESOURCE LANDING TAX; AND PROVIDING FOR AN EFFECTIVE DATE."

Add a new section to read:

(a) A taxpayer who is harvesting a fishery resource under the provisions of a community development quota program authorized by the Secretary of the U.S. Department of Commerce is entitled to a credit of not more than 50 percent of the fishery resource landing tax liability under AS 43.77.010 for contributions made during the tax year to a non-profit foundation incorporated under the laws of the State of Alaska for one or more of the following purposes:

- (1) providing scholarships for the study of fisheries management, fisheries business, or other fisheries-related course of instruction;
- (2) providing training for employment in the seafood industry;
- (3) providing grants, loans, or capital contribution for fisheries infrastructure projects; or
- (4) providing grants for fisheries research projects.

(b) A tax credit under this section may be approved only for the purposes listed in (a) of this section.

(c) A tax credit under this section shall be deducted from the amount of the tax revenue collected that is available for appropriation by the legislature for revenue sharing under AS 43.77.050.

(d) The department may not approve a tax credit under this section if the taxpayer claiming the credit is in arrears in the payment of a fishery resource landing tax under AS 43.77.010; for the purposes of this subsection, a taxpayer is not in arrears if the payment is under administrative appeal.

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

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

can this be limited to CDO groups in the above section (a)? or does everyone have to be eligible?

DIVISION OF LEGAL SERVICES

**LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA**

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

M E M O R A N D U M

April 8, 1993

SUBJECT: Draft amendment to House Bill 264 (Work Order
No. 8LS-0264\E.1)

TO: Representative Carl Moses
ATTN: Molly McCammon

FROM: Jack Chenoweth
Legislative Counsel

I've redrafted the language into a form that more nearly approximates the language used in other tax credits.

This amendment is tentatively designated AS 43.77.035 for ease of drafting. If this amendment is adopted, I will insert it into the proper place in the bill, but likely will renumber it (to AS 43.77.040) and renumber other codified bill sections accordingly.

Some drafting notes:

I tried to pin down the eligible contribution list a little. However, I hate to use "infrastructure" because it is so vague. The reference in (a)(3) draws from another fisheries tax statute. If it doesn't accord with your expectations, feel free to edit it.

The double dipping credit matter is addressed in proposed AS 43.77.035(d).

I expanded the "arrearages" reference to pick up judicial (as well as administrative) appeals.

To give some "life" to the reference to "community development quota," I am forced to rely on a temporary regulation adopted in the office of the governor.

JBC:gc
93-230.glc

Enclosure

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

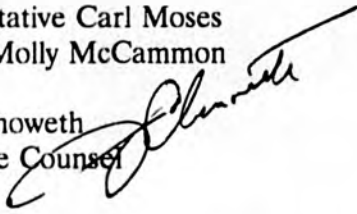
130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

April 8, 1993

SUBJECT: Suggested tax credit amendment to HB 264 (Work Order No. 8-LS0941\E)

TO: Representative Carl Moses
ATTN: Molly McCammon

FROM: Jack Chenoweth
Legislative Counsel 

My view is that the amendment is decidedly **not** OK as drafted. For openers --

Is it clear to you that "For one or more of the following purposes," set out in the last line of the lead-in of subsection (a), refers to the taxpayer's contributions or the activities of the nonprofit foundation? My first guess is that the bill is speaking to taxpayer contributions to foundations that do these things. Then I read (b) and I'm persuaded that, well, no, a taxpayer's direct contributions for one of these four purposes is what is intended. Or maybe both . . .

Why only a "nonprofit foundation"? Must the recipient of the contribution have the status of a foundation? Why?

The purposes for which the credit contribution claim may be filed--(a)(1) - (4) of the draft--seem rather "loose." Who decides, in the end, whether the foundation is doing at least one of these things in so responsible a manner as to warrant allowance of a tax credit?

How is (c) intended to operate? If a taxpayer in the city in which I am mayor opts to make a gargantuan contribution to a qualifying charitable foundation and claim the credit, is my city's revenue sharing payment reduced proportionally? Should it be?

Why does the taxpayer need to go through the dance of applying for credit? We don't require that of credit claimers for other taxes. Most other credits that I'm familiar with provide that the taxpayer should just take it and wait for an audit

Representative Carl Moses

April 8, 1993

Page 2

challenge. However, as loose as this proposal is, perhaps an advance application approach makes better sense.

How does this proposed credit square with others already on the books for other state taxes? Believe me, there are a slug of 'em. Should we not worry about double dipping credit claims? Were we wrong to do so in the past?

Finally, why do you propose to limit this credit claim to those submitted by "CDQ groups"? Do you have a fair and reasonable basis by which to make that distinction? If you don't, then down the line there lurks a possible equal protection challenge.

JBC:mi
93-065.mai

*Reed should have a basis.
& why others.*

limit credit to this chapter.

DRAFT

DRAFT

JUSTIFICATION: The western Alaska Community Development Quota program was initiated by the State of Alaska, western Alaska residents, and the North Pacific Fishery Management Council for the purpose of creating a fishing economy in one of the nation's most economically-depressed areas. To create these economies, six community groups have formed along the Bering Sea coastline. While each group has chosen a somewhat different method of obtaining this goal, the basic components are the same: training residents to work in the seafood industry; obtaining education in the various aspects of fisheries and fisheries business; building the infrastructure for the communities to become active members of the fishing industry; basic research into fisheries; and setting up seafood businesses.

The first four categories of the activities listed are in the nature of governmental, as opposed to business, functions. For those communities with ports, income from the landing tax will be available to carry out these governmental functions. However, those community groups without established ports will not be able to receive funds from the landing tax for these purposes and will have to use their limited investment capital on programs and projects which cannot sustain themselves financially. This amendment will provide a source of funding for these governmental programs to these "port-less" communities.

The amendment is written narrowly in order to limit its application and impact on the general fund and the established ports. First, the tax credit can only be used for a limited set of activities that can be considered "governmental functions" rather than to "private, business functions." Second, the tax credit will be counted against the amount of money available for appropriation by the Legislature for revenue sharing with communities, not against the general fund. And third, the tax credit is limited to 50% of the value of fish harvested by the community development quota fisheries, which at the present time is only 7.5% of the Bering Sea pollock quota. [The tax credit would be limited to 50% of the 3% landing tax or 1.5% of the value of 7.5% of Bering Sea pollock quota.] While this is an extremely small portion of the revenue sharing with communities, it will be an important source of funding for small communities seeking to establish a fishing economy, but presently without the skills and infrastructure to succeed.

DRAFT

DRAFT

April 9, 1993

Representative Carl Moses
Alaska State Legislature
State Capitol
Juneau, AK 99801

Dear Representative Moses:

On behalf of the Coastal Villages Fishing Cooperative, I would like to provide these comments to the House Special Committee on Fisheries concerning HB 264 "An Act Providing for a Fishery Resource Landing Tax; and Providing for an Effective Date."

The Coastal Villages Fishing Cooperative agrees with the need for the State of Alaska to obtain revenues from fishing activities which occur in the EEZ off Alaska. We agree that the State puts a significant effort into managing these resources and that the State is an important staging area for offshore activities. We also recognize that there are legal questions raised by the imposition of this tax as outlined in the memorandum from Legislative Counsel Jack Chenoweth to House Speaker Barnes.

6 - Mention the ed. 6
- fish has been cited
- When discussing
- ed. 6

Given the potential infirmities with the legislation, Coastal Villages would be able to strongly support this legislation with the adoption of one amendment, which I have enclosed with this letter. This amendment would allow fishing companies participating in community development quota fisheries to deposit 50% of their tax liability into a foundation that would serve four specific "governmental" purposes, similar to the purposes landing ports will make of their share of the tax revenue. These purposes are (1) training residents to work in the seafood industry, (2) obtaining education in the various aspects of fisheries and fisheries business, (3) building the infrastructure for the communities to become active members of the fishing industry, and (4) conducting basic research into fisheries.

The Coastal Villages Fishing Cooperative understands the justification for providing revenue sharing to communities with ports where landings actually occur. However, the Cooperative also believes that there is significant justification for providing a small portion of the revenue to communities without ports, as would be allowable through the attached amendment.

- * The purpose of the Community Development Quota program is to establish fishing economies in economically-depressed Bering Sea coastal communities. By providing a source of funding for what are in essence "governmental" functions [education, training, infrastructure, and

DRAFT

DRAFT

research], the State will help ensure that successful fishing economies are created.

- * Fisheries infrastructure development in more Alaskan coastal communities will cause more fishery resources to be landed in Alaska providing more revenue to the State.
- * With declining State revenues, funds for scholarships, training, and infrastructure development will be less available in the future to coastal communities which do not receive revenue sharing from the landing tax. Providing this source of funding will in small measure compensate for the upcoming budget reductions.
- * The Community Development Quota fisheries will be providing revenues to the general fund equal to the amount provided by any other offshore fishing activity.
- * The Community Development Quota fisheries are not now contributing to the State through a fisheries business tax [Coastal Villages Fishing Cooperative is contributing to the State through the Alaska Corporate Income Tax.] All of the funds are now available for regional fisheries investment. Paying our fair share to the State through the landing tax is appropriate; however, the tax credit amendment will be beneficial by funding those "governmental" functions that are as necessary as business investment for long term program success.

For each of these reasons, the Coastal Villages Fishing Cooperative requests that HB 264 be amended and the bill be passed out of committee to its next committee of referral.

Thank you for your consideration of our views.

Very truly yours,

Norman A. Cohen
Executive Director

cc: Commissioner Fuhs
Commissioner Rosier
Commissioner Rexwinkel
Clem Tillion
CDQ groups
Rep. MacLean
Rep. Hoffman

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

BOX 110505
JUNEAU, ALASKA 99811-0505
PHONE: (907) 465-2962

APR 1 1993

M E M O R A N D U M

TO: Molly McCammon, Legislative Aide
Office of Representative Carl Moses

FROM: Diane Barrans, ^{DS} Programs Coordinator
Alaska Commission on Postsecondary Education

SUBJECT: A.W. "Winn" Brindle Memorial Scholarship Tax Credit

DATE: April 2, 1993

In follow-up to our telephone conversation of earlier today, Commission staff is requesting that the following language be added as an amendment to HB 264 (Providing for a fishery resource landing tax):

AS 43.75.032 be amended to read:

(e) A fisheries business is entitled to a credit of not more than five percent of the business tax liability under AS 43.75.015 for contributions made during the tax year or during the period in which the taxpayer may file the return and pay the tax for the tax year to the A.W. "Winn" Brindle memorial scholarship account (AS 14.43.250). A fisheries business may claim a credit under this subsection for the 1993 (1987) tax year and subsequent tax years. A tax credit under this subsection may not be approved for more than 100 percent of a scholarship contribution.

The purpose of this amendment would be to allow fisheries businesses additional time to calculate their tax liabilities and to allot donations accordingly.

Thank you for your attention to this matter. Please let me know if I can be of further assistance in this process.

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To	Molly McCammon	From
Co.	Rep. Moses	Co.
Dept.	Rules Comm	Phone
Fax	465- 4445 3445	Fax
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		465-3293

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ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

February 3, 1987

MEMORANDUM

TO: Representative Peter Goll

ATTN: Linda Bowthorpe

FROM: Ginny Fay *GF*
Legislative Analyst

RE: Summary of the History of the Raw Fish Tax
Research Request 87.115

You requested that we write a one-page summary of the history of the raw fish tax, AS 43.75.010-140. The law provides for a tax on raw fish purchases by canneries, cold storages, and other processors. Attached is the summary beginning with 1978. In order to condense the history to one page, information on legislation introduced but not passed is not included.

I hope this information is useful. If you have additional questions, please do not hesitate to contact this agency.

GF

Attachment

ALASKA STATE LEGISLATURE

Legislative Research Agency



P.O. Box Y
Juneau, AK 99811-3100
Phone: (907) 465-3891
Fax: (907) 463-3331

February 9, 1990

MEMORANDUM

TO: Senator Fred F. Zharoff
ATTN: Karl Ohls
FROM: Ginny Fay *GF*
Legislative Analyst
RE: Local Raw Fish Taxes in Alaska
Research Request 90.158

You requested information on local raw fish taxes in Alaska. You asked this agency to obtain information on: 1) the identity of communities that levy a local raw fish tax; 2) the form of these taxes; and 3) the tax rates and amounts collected. This information is summarized in the accompanying table, which lists the communities that levy a local raw fish tax, each community's tax rate, and available information on tax collections for FY 87 - FY 90. It should be noted that FY 90 tax revenues are estimates. Attached are copies of local raw fish tax ordinances that provide more detailed information on these taxes.

Background

As you know, Alaska has a state commercial fishing tax--the fisheries business tax (AS 43.75.015-140)--that is shared with communities based on the level of fishing activity occurring in the community.¹ In addition to revenues from this shared state tax, some communities in Alaska levy a local sales tax on raw fish. In Alaska, incorporated municipalities may devise their own taxation policies within fairly broad limits set by the Alaska Municipal Code (Title 29 of the Alaska Statutes). Municipalities may choose the types, rates, and exemptions to local taxes, thereby fashioning a tax policy that suits local preferences and conditions. Home rule, and first and second-class cities have the power to levy local sales taxes.

¹The state fisheries business tax rate is 4.5 percent of the value of salmon canned at shore-based canning facilities, a three percent tax on the value of all other fish canned by shore-based facilities, and a five percent tax on the value of fishery resources processed by floating processors. Developing fisheries are taxed at lower rates.

Alaska State Legislature

Legislative Research Agency



P.O. Box Y
Juneau, AK 99811-3100
Phone: (907) 465-3991
Fax: (907) 463-3351

July 3, 1991

MEMORANDUM

TO: Representative Fran Ulmer
FROM: Tom Chester *TC*
Legislative Analyst
RE: Local Fish Taxes
Research Request 91.312

You asked us to update the local sales/use taxes on raw fish sales in Alaska as reported previously by this agency in Legislative Research Memorandum 90.158 (attached) because it provides some useful background information on fish taxes.

Local Sales and Use Taxes on Raw Fish Sales in Alaska Tax Rates and Collections (in Millions of Dollars)

Community/Borough	City or Borough Classification	Tax Rate	Fiscal Year Tax Collections				
			FY87	FY88	FY89	FY90	FY91(est)
Aleutians East Borough	Second	2.0%(1)			2.10	2.00	2.80
Akutan	Second	0.5			0.20	0.20	0.19
Atka(2)	Second	0.5					0.00
Bristol Bay Borough	Second	3.0		1.10	1.40	2.62	2.88
King Cove	First	2.0		0.52	0.83	0.74	0.77
Lake and Peninsula	Home Rule	2.0					0.60
Sand Point(3)	First	2.0	0.31	0.43	0.56	0.48	0.61
Togiak(4)	Second	2.0		0.05	0.04		
Unalaska	First	2.0	0.42	0.70	2.40	2.00	2.70

Notes

1. The Aleutians East Borough raw fish tax rate is 2.0%; however each year 0.5% is forgiven. The effective rate of 1.5% has been in effect since April 1988.
2. Atka has yet to collect any taxes (per city administrator).
3. Taxes are a combination of fish and sales tax.
4. Current taxes not yet available (07/03/91).

Source: Finance directors and city administrators, personal communications, June and July 1991.

I hope this information is useful. If you would like additional information, please do not hesitate to call.

Attachment

QUESTIONS FOR REVENUE:

- Why is the tax on **processed** fish, as opposed to **raw**?
- How did you come up with the percentage of the tax?
- How will the weight and value of the resource for purposes of assessing the tax be determined?

QUESTIONS FOR LAW

- Do you believe this bill is constitutional, and if so, why?
- What are the kinds of legal questions that could be raised?
- What would be the downsides legally from going ahead with this legislation?

"An Act providing for a fishery resource landing tax, and providing for an effective date."

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

CHAPTER 77. LANDING TAX ACT.

Sec. 43.77.010. LANDING TAX. A person owning a fishery resource that is not subject to AS 43.75 but that is brought into the jurisdiction of, and first landed in, this state is liable for and shall pay a landing tax on the value of the fishery resource. The amount of the tax is 3.3 percent of the value of the fishery resource at the place of the landing.

Sec. 43.77.020. FILING RETURN AND PAYMENT OF TAX. (a) A person subject to the tax under this chapter shall file a return stating the value of fishery resources landed in the state, the point of landing of the resources, and any other information the department prescribes by regulation.

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

(c) The department may, under regulations adopted by the department, grant a reasonable extension of time for the filing. A grant of an extension of time for filing does not extend the time for payment of the tax.

Sec. 43.77.030. CREDIT FOR TAXES PAID OTHER STATES. A credit, not to exceed the taxpayer's liability for the tax under this chapter on a fishery resource, shall be granted the taxpayer for taxes equivalent to those imposed under AS 43.75

and AS 43.76 that are paid to another state in which the fishery resource was either caught or processed.

Sec. 43.77.040. REVENUE SHARING. The tax collection on three tenths of one percent of the value of the fishery resource under AS 43.77.010 shall be paid into an account in the general fund for the use of the Alaska Seafood Marketing Institute.

Sec. 43.77.050. REFUNDS TO LOCAL GOVERNMENTS. Fifty percent of the tax revenue collected from the tax levied under this chapter that is not earmarked for use by the Alaska Seafood Marketing Institute shall be refunded to boroughs and cities in the manner provided for in AS 43.75.130. Additional refunds shall be made in the manner provided for in AS 43.75.137.

Sec. 43.77.800. REGULATIONS. The department shall adopt regulations to implement and interpret this chapter.

Sec. 43.77.900. DEFINITIONS. In this chapter

(1) "fishery resource" means processed finfish, shellfish, and fish by-products, including salmon, halibut, herring, flounder, crab, clam, cod, shrimp, and pollock;

(2) "landing" means the act of unloading or transferring a fishery resource;

(3) "market value" means the highest price a willing buyer would pay and a willing seller would accept for a fishery resource if both are fully informed and neither is under any compulsion to buy or sell, as determined by the department under regulations adopted to make value

determinations.

(4) "process"

(A) means any activity that modifies the physical condition of the resource, including butchering, freezing, salting, cooking, canning, dehydrating, or smoking;

(B) does not include decapitating shrimp, or gutting, gilling, sliming, washing, or icing a resource solely for the purpose of maintaining the quality of the fresh resource;

(5) "value" means the lesser of (1) the market value of the fishery resource at the time and place the resource becomes subject to the tax under this chapter, or (2) the statewide average price paid in the year for the fisheries resource as reported to, and the results compiled and released by the Department of Fish and Game.

* **Sec. 2.** This act takes effect on January 1, 1994.

Alaska Department of Revenue
Income and Excise Audit Division
FISH LANDING TAX ANALYSIS

	<u>Value</u>	<u>Projected Revenue</u>
<i>Landing Tax at 3.3%</i>		
Fish Tax (3%)	\$285,700,000	\$8,600,000
ASMI (.3%)	\$285,700,000	<u>860,000</u>
Total Landing Tax		<u>\$9,460,000</u>

Source: 1991 Fish Tax Study (Department of Revenue - May 1992)

landtax
PED.3/11/93



P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

August 5, 1988

MEMORANDUM

TO: Representative Peter Goll

ATTN: Linda Bowthorpe

FROM: Brad Pierce *BP*
Legislative Analyst

RE: Fisheries Business Tax Legislation During the 15th Legislature
Research Request 89.024

You requested this agency to provide information on fisheries business tax (commonly referred to as the "raw fish tax") legislation introduced during the 15th legislature. You asked that we discuss the implications of this legislation for coastal communities.

Ten bills relating to the fisheries business tax were introduced during the 1987/88 legislature. Those that passed were **SB 162**, which affects the distribution of fish tax revenues to cities in newly incorporated boroughs, and **HB 486**, which allows the Department of Revenue (DOR) to share confidential fish tax information with municipalities for the purpose of verifying taxes levied and collected. Brief summaries of proposed fish tax legislation, compiled by Rena Bukovich, aide to Representative Herrmann, and copies of the various bills introduced are included in Attachment A.

A major thrust of fisheries business tax legislation in the 15th legislature was to establish a formula to provide municipalities affected by the fishing industry with a portion of raw fish tax receipts collected from floating processors. The primary vehicle was **HB 314**, which is discussed in detail in this memorandum. This bill would have established an experimental project--the Department of Community and Regional Affairs (DCRA) Offshore Fisheries Business Tax Revenue Sharing Pilot Project--in state law. Attachment B contains a DCRA position paper on **HB 314** and an accompanying fiscal note.

The Offshore Fisheries Business Tax Revenue Sharing Pilot Project

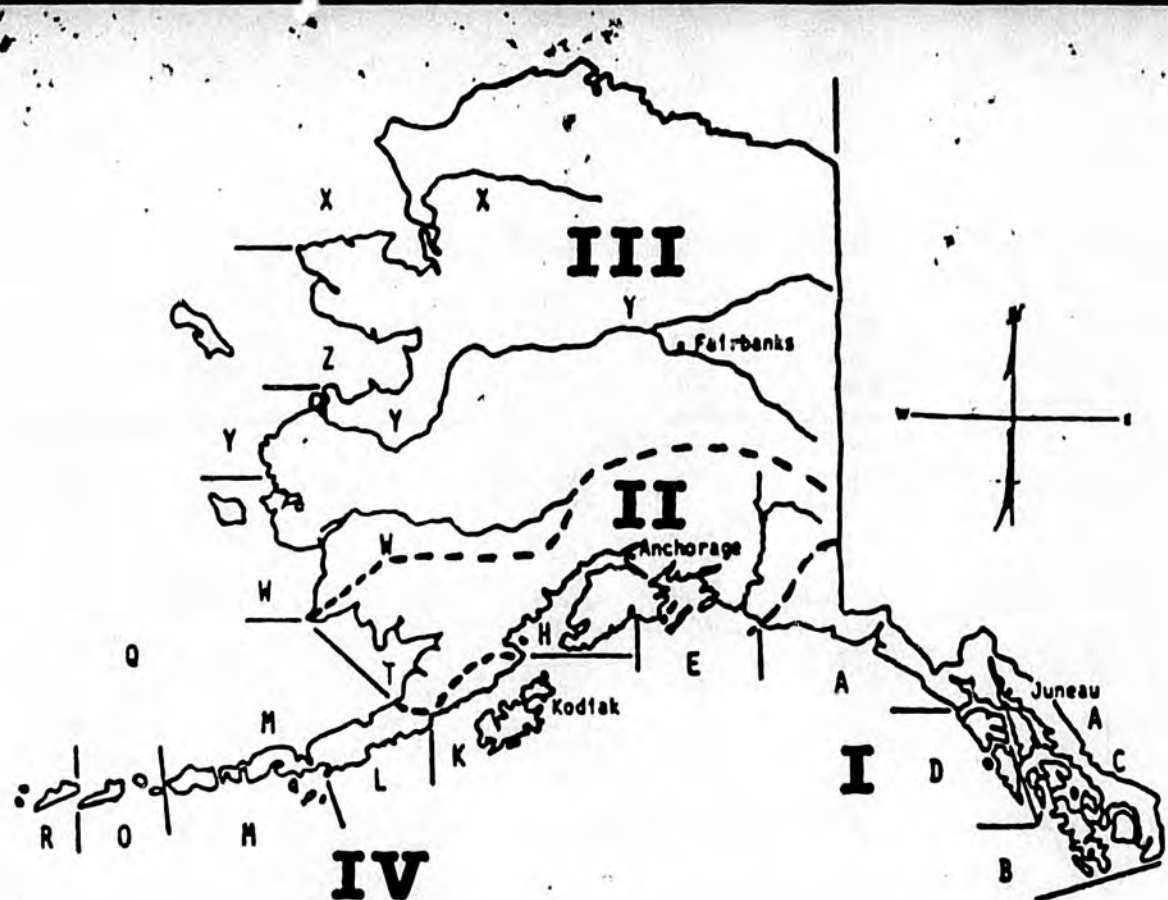
This program was funded by the legislature (for up to \$500,000) in Chapter 98, SLA 1985. The intent of the program was to mitigate the substantial but transient effects of offshore fish processors on coastal communities. The program allocated (to affected municipalities) a portion of fisheries business taxes paid by floating processors operating outside municipal boundaries. The funds had previously been deposited in the state general fund.¹ Regulations establishing the Offshore Fisheries Business Tax Revenue Sharing Pilot Project are contained in 19 AAC 33.005 - .070 and are included in Attachment C.

The amount determined by the Department of Revenue to be available for disbursement in 1987 was \$451,200. Coastal municipalities were required to apply to the DCRA, Division of Municipal and Regional Assistance for their allocation. Area allocations were based on the proportion of total statewide weight of commercial species processed offshore in each management area. Figure 1 is a map of Alaska commercial fisheries management areas. The amount allocated to each municipality within each area was determined by a formula which disbursed 50 percent of the management area allocation equally among eligible municipalities and 50 percent on the basis of population increases due to offshore processing during the fishing season.

Two major problems with this approach soon became apparent. First was the limited ability to compensate communities for effects that occurred across management area boundaries. Second, it became obvious that there was no way for municipalities to accurately judge the increase in population experienced as a result of offshore processing. The solutions envisioned by the DCRA were (1) to allow the department to combine management areas if requested by the appropriate municipalities or if the department determined a significant cross-boundary effect occurred, and (2) to revise the population-based distribution to reflect the proportion of the total management area population contained in the net population of the municipality.²

¹Jim Plasman, Deputy Director, DCRA, Division of Municipal and Regional Assistance, "Offshore Fisheries Mitigation: A Pilot Project to Mitigate Impacts from the Offshore Fish Processing Industry," DCRA Bulletin.

²Net population of a municipality means that where a city and borough exist, the city's population would be subtracted from that of the borough to determine the borough's population-based allocation.



ALASKA COMMERCIAL FISHERIES REGIONS AND AREAS

REGION I: SOUTHEASTERN: Dixon Entrance to Cape Suckling

Areas: A. Juneau & Yakutat
B. Ketchikan
C. Petersburg
D. Sitka

REGION II: CENTRAL: State Third Judicial Division Northern Boundary to Cape Suckling to Cape Douglas to Cape Menchikov to Cape Newenham

Areas: E. Prince William Sound
H. Cook Inlet
T. Bristol Bay (salmon and herring catch; all fish and shellfish product)

REGION III: ARCTIC-YUKON-KUSKOKWIM (AYK): North of State Third Judicial Division Northern Boundary which ends at the west at Cape Newenham including Nunivak, St. Matthew, and St. Lawrence Islands

Areas: W. Kuskokwim
X. Kotzebue
Y. Yukon
Z. Norton Sound

REGION IV: WESTERN: Cape Douglas to Unimak Pass to Cape Newenham including Kodiak and Aleutian Islands

Areas: K. Kodiak
L. Chignik
M. Alaska Peninsula
O. Dutch Harbor
Q. Bering Sea
R. Adak & W. Aleutians
T. Bristol Bay (fish other than salmon and herring catch; and shellfish catch)

House Bill 314

Identical bills were introduced to place the pilot project into state law; Representatives Herrmann and Cato introduced HB 314 and Senator Zharoff introduced SB 454. As the bills moved through their respective committees, some changes were made, with CS for 2d Sponsor Substitute for HB 314 emerging as the final vehicle. This bill addressed the problems with the pilot project by incorporating the DCRA solutions cited above. Another change was that the basic area distributions were to be made according to value of the catch processed offshore as opposed to the weight of the catch. The cost of administering the program was estimated to be \$29,100 in FY 89.

In committee testimony on the bill, the DCRA took something of an ambivalent position, while DOR flatly opposed the bill on the grounds that it whittled away at the state's general fund revenue base.³ In a DCRA position paper on HB 314 (see Attachment B), Marty Rutheford, Director, Municipal and Regional Assistance Division, conveyed the department's concern that the bill might reduce the incentive for unincorporated coastal regions of the state to become boroughs, stating:

The opportunity to increase local revenues is often a principal motivating factor in any proposal to form a new borough. State shared business fisheries taxes are particularly important to prospective new boroughs since they do not represent an increase in the tax burden by the proposed borough. Under present law, state business fisheries taxes may be shared with a municipal government only to the extent that fish processing activities occur within the boundaries of that municipal government. In unincorporated portions of the state, where the potential for state shared fisheries tax revenues is significant, the prospect of those funds may be a substantial incentive to form a borough. However under this bill it would not be necessary to form a borough in order to share in the business fisheries taxes collected outside the boundaries of a municipality. Under full funding projections for this program, that incentive would be seriously eroded.

³Steve Kettel, Director, DOR, Income and Excise Tax Division, personal communication, August 1988.

Ms. Rutheford went on to say that the department generally supported efforts to strengthen local governments, which the bill did by providing funds for mitigating offshore processing impacts. According to legislative staff who followed this bill, uncertainty about the ability of the legislature to produce a balanced budget probably prevented the bill from passing.⁴ Other problems mentioned by executive and legislative staff were the complexity of the formula used by DCRA and the fact that certain communities are used as transportation and supply hubs by floating processors and thus experience significant impacts, while others who received a distribution under the pilot program do not experience actual impacts. As with any formula-based revenue distribution program, many revisions of the formula and permutations of the area groupings were examined before an acceptable version was produced.

Table 1 shows both the 1987 offshore fisheries tax distribution under the DCRA pilot program and projections of distributions based on applying the formula contained in HB 314 to a DOR estimate of \$4.5 million, which is half of anticipated unshared revenue from floating processors.

Incidental Fisheries Business Tax Legislation

Other relevant bills introduced during the fifteenth legislature primarily addressed local or regional issues. HB 330 was aimed at reducing the immediate impact of municipal revenue loss due to sharing fish tax revenues with newly formed borough governments. This was a concern within the new Aleutians East Borough. SB 317 provided a local option for a borough to return fish tax receipts to a city if the borough did not experience fishery related impacts. This was a concern of the city of Kenai and the Kenai Peninsula Borough.

⁴Personal communication with Carl Olds, aide to Senator Zharoff and Rena Bukovitch, aide to Representative Herrmann, August 1988.

TABLE 1
OFFSHORE FISHERIES TAX REFUNDS

Commercial Fish Regions & Area Communities	Pilot Project Total Allocation \$	House Bill 314 Total Allocation \$
REGION I: SOUTHEAST		
AREA A - JUNEAU - YAKUTAT		
Angoon	\$1,458.66	\$20,871.86
Haines		
Haines, Borough of		
Juneau, City & Borough		
Skagway	4,375.97	21,840.05
Yakutat		
Area A - TOTAL	\$5,834.63	\$42,711.91
AREA B - KETCHIKAN		
Craig	\$4,310.54	\$24,257.32
Hydaburg		
Kasaan		
Ketchikan	10,656.56	70,724.00
Ketchikan, Borough of	2,186.70	52,405.34
Klawock	2,526.51	21,218.10
Metlakatla		
Saxman	2,186.70	18,973.95
Area B - TOTAL	\$21,867.01	\$187,578.71
AREA C - PETERSBURG/WRANGELL		
Kake	\$0.00	\$0.00
Kupreanof		
Petersburg		
Wrangell		
Area C - TOTAL	\$0.00	\$0.00
AREA D - SITKA		
Hoonah	\$0.00	\$0.00
Pelican	1,060.48	18,140.41
Port Alexander		
Sitka, Borough of	3,229.98	69,486.51
Tenakee Springs	1,646.73	17,576.17
Area D - TOTAL	\$5,937.19	\$105,203.09
REGION I - TOTAL	\$33,638.83	\$335,493.71

TABLE 1 (Continued)
OFFSHORE FISHERIES TAX REFUNDS

Commercial Fish Regions & Area Communities	Pilot Project Total Allocation \$	House Bill 314 Total Allocation \$
AREA E - PRINCE WILLIAM SOUND		
Valdez	12,751.46	69,656.37
Whittier		
Area E - TOTAL	\$12,751.46	\$69,656.37
AREA H - COOK INLET		
Anchorage, Municipality of	\$0.00	\$0.00
Anderson		
Homer		
Houston		
Kachemak		
Kenai Peninsula Borough	2,193.94	178,813.59
Kenai		
Matanuska-Susitna Borough		
Palmer		
Seldovia		
Seward		
Soldotna		
Wasilla		
Area H - TOTAL	\$2,193.94	\$178,813.59
AREA T - BRISTOL BAY		
Aleknagik	\$0.00	\$0.00
Bristol Bay Borough	24,329.34	215,140.90
Clark's Point	25,078.40	118,248.18
Dillingham	37,353.32	286,895.21
Ekwok		
Manokotak		
New Stuyahok		
Newhalen		
Nondalton		
Togiak	74,528.43	162,423.45
Area T - Total	\$161,289.49	\$782,707.74
REGION II - TOTAL	\$176,234.89	\$248,469.96

TABLE 1 (Continued)
OFFSHORE FISHERIES TAX REFUNDS

Commercial Fish Regions & Area Communities	Pilot Project Total Allocation \$	House Bill 314 Total Allocation \$
AREA W - KUSKOKWIM		
Akiachuk	\$0.00	\$0.00
Akiak		
Aniak		
Atmautluak		
Bethel		
Chefornak		
Chuathbaluk		
Eek		
Goodnews Bay		
Kasigluk		
Kwethluk		
Lower Kalskag		
Mekoryuk		
Napakiak		
Napaskiak		
Newtok		
Nightmute		
Nikolai		
Nunapitchuk (Akolmiut)		
Platinum		
Quinhagak	2,615.54	47,438.37
Toksook Bay	3,644.96	43,860.11
Tuluksak		
Tununak		
Upper Kalskag		
Area W - TOTAL	\$6,260.50	\$91,298.48
AREA X - KOTZEBUE		
Ambler	\$0.00	\$0.00
Anaktuvuk Pass		
Atkasuk		
Barrow		
Buckland		
Deering		
Kaktovik		
Kiana		
Kotzebue		
Noorvik		
North Slope Borough		
Northwest Arctic Borough		
Nuiqsut		
Point Hope		
Selawik		
Shishmaref		
Shungnak		
Wainwright		
Area X - TOTAL	\$0.00	\$0.00

TABLE 1 (Continued)
OFFSHORE FISHERIES TAX REFUNDS

Commercial Fish Regions & Area Communities	Pilot Project Total Allocation \$	House Bill 314 Total Allocation \$
AREA Y - YUKON		
Alakanuk	\$0.00	\$0.00
Chevak		
Emmonak	8,954.24	56,752.40
Fortuna Ledge (Marshall)		
Holy Cross		
Hooper Bay		
Kotlik		
Mountain Village		
Pilot Station		
Russian Mission		
Saint Mary's		
Scammon Bay		
Sheldon Point		
Area Y - TOTAL	\$8,954.24	\$56,752.40
AREA Z - NORTON SOUND		
Brevig Mission	\$0.00	\$0.00
Elim		
Golovin	2,843.50	30,125.87
Koyuk	2,113.56	33,651.51
Nome		
Saint Michael		
Shaktoolik		
Stebbins		
Teller		
Unalakleet	7,528.20	64,435.15
Wales		
White Mountain		
Area Z - TOTAL	\$12,485.26	\$128,212.53
REGION III - TOTAL	\$27,700.00	\$276,263.41

TABLE 1 (Continued)
OFFSHORE FISHERIES TAX REFUNDS

Commercial Fish Regions & Area Communities	Pilot Project Total Allocation \$	House Bill 314 Total Allocation \$
REGION IV: WESTERN		
AREA K - KODIAK		
Akhiok	\$0.00	\$0.00
Kodiak	3,926.71	654,208.95
Kodiak Island Borough	7,633.62	604,908.37
Larsen Bay	1,745.20	129,230.98
Old Harbor		
Ouzinkie	1,745.20	130,695.35
Port Lions	2,401.29	135,413.89
Area K - TOTAL	\$17,452.02	\$1,654,457.54
AREA L - CHIGNIK		
Chignik	\$2,277.98	\$122,478.59
Area L - TOTAL	\$2,277.98	\$122,478.59
AREA M - ALASKA PENINSULA		
Cold Bay	\$0.00	\$0.00
King Cove	9,730.37	156,647.31
Port Heiden	5,582.25	119,387.13
Sand Point	10,775.98	184,144.99
Area M - TOTAL	\$26,088.60	\$460,179.43
AREA R & D - ALEUTIANS		
Akutan	\$0.00	\$0.00
Unalaska/Dutch Harbor	50,166.59	268,102.42
Area R & D - TOTAL	\$50,166.59	\$268,102.42

TABLE 1 (Continued)
OFFSHORE FISHERIES TAX REFUNDS

Commercial Fish Regions & Area Communities	Pilot Project Total Allocation \$	House Bill 314 Total Allocation \$
AREA Q - BERING SEA		
Saint Paul	\$25,311.58	\$160,145.53
Saint George	75,934.75	127,603.90
Area Q - TOTAL	\$101,246.33	\$287,749.43
REGION IV TOTAL	\$197,231.52	\$3,575,675.15
TOTAL FUNDING(\$\$)	\$434,805.24	\$4,435,902.23

NOTE: House Bill 314 Area T - Bristol Bay - Total included in
Region IV - Total.

Source: Department of Community and Regional Affairs, Division of Municipal
and Regulation Assistance.

* * *

HB 408 would have imposed a 5 percent fisheries business tax on processors which are currently not taxed but which transport fish through Alaska waters. SB 433 provided a five year extension of the fisheries business tax credit (up to 50 percent of tax liability) for capital expenditures for shore-based processing facilities or for floating processors with a home port in Alaska. None of these incidental bills passed.

* * *

I hope I have provided enough information for your purposes. Jim Plasman, Deputy Director, DCRA, Division of Municipal and Regional Assistance, has prepared a draft report to the legislature on the Offshore Fisheries Business Tax Revenue Sharing Pilot Project which should be completed before the next session. I would recommend him as the most knowledgeable person on the program. Unfortunately, he is on leave and will not return until August 15. Please call if we can be of further assistance.

Attachments

ATTACHMENT A
Summaries of Fish Tax Bills Relating to
Fisheries Business Tax Introduced in the 15th Legislature

SUMMARY OF FISH TAX BILLS

4/1/88

HOUSE BILLS

HB 226	Local Government Refunds (Herrmann)	(H) Finance
HB 314	Allocating Fish Business Tax (Herrmann)	(H) Resource
HB 330	Fish Tax Municipal Refunds (Navarre)	(H) C&RA
HB 408	Fish Business Tax (Davidson)	(H) Resource
HB 486	Share Fish Tax Information (Herrmann)	(H) Finance
HJR 63	Federal Fish Tax (Herrmann)	(S) Resource

SENATE BILLS

SB 162	Local Government Refunds (Zharoff)	SLA 1987
SB 317	Municipal Refunds (Fischer)	(H) Resource
SB 385	Share Fish Tax Information (Zharoff)	(S) Finance
SB 433	Fish Business Tax Credit (Zharoff)	(S) L&C
SB 454	Allocating Fish Business Tax (Zharoff)	(S) Resource
SB 494	Salmon Enhancement Tax (Resource Comm)	(S) Resource
SJR 67	Federal Fish Tax (Hensley)	(S) Resource

IDENTICAL OR SIMILAR (H) & (S) BILLS

HB 226 & SB 162	Local Government Refunds
HB 314 & SB 454	Allocating Fishery Business Tax
HB 486 & SB 385	Share Fish Tax Information
HB 330 & SB 317	Municipal Refunds
HJR 63 & SJR 67	Federal Fish Tax

NO SIMILAR OR IDENTICAL BILLS

HB 408	Fish Business Tax
SB 433	Fish Business Tax Credits
SB 494	Salmon Enhancement Tax

HB 226 & SB 162 LOCAL GOVERNMENT REFUNDS

SB 162 was passed into law last year and affects cities in newly incorporated boroughs. After a borough is formed the cities are required to share half of their fish tax revenues with the new borough. SB 162 provides for a phase-in of the payments from the city to the borough over a 4 year period.

HB 314 & SB 454 ALLOCATING FISHERIES BUSINESS TAX

This legislation would share 50% of tax revenue collected from offshore processors with coastal communities which demonstrate an impact from offshore processing. Off-shore tax revenue has previously gone directly to the state general fund and has not been distributed to communities in the same manner as on-shore fisheries taxes. These bills would not change the current tax rates and it will not increase taxes collected.

HB 486 & SB 385 SHARING FISH TAX INFORMATION

This legislation would establish a mechanism for the Department of Revenue to share confidential fish tax information with municipalities for the purpose of verifying fish tax levied or collected. There are no provisions in current law to share confidential information with local governments and many city officials are concerned that fish catch information is under reported or not reported at all.

HB 330 & SB 317 FISH TAX MUNICIPAL REFUNDS

HB 330 would change current law requiring cities in newly incorporated boroughs to share one half of their fish tax revenues with the new borough. Under HB 330, boroughs would no longer receive 25% (or 1/2) of the fisheries tax collected in cities located within the borough, the cities would keep it all.

The original Senate bill was similar but was rewritten to include a provision to make it a local option for a borough to return money to the city, instead of letting the city keep their full 50%. The amended CS would not change the existing shared taxes formula in the statutes.

HJR 63 & SJR 67 FEDERAL FISH TAX

These resolutions urge the U.S. Congress to enact a 3¢ raw fish tax on fish taken from United States water between the 3 mile and 200 mile limits, and use a portion of the tax to fund a domestic on-board observer program. The tax revenue could also provide a continuous source of funding to enable increased U.S. Coast Guard enforcement of fishing activities in U.S. water.

HB 408 FISHERIES BUSINESS TAX

HB 408 would implement the Fisheries Business Tax on resources processed outside the current taxing jurisdiction and transported into Alaskan waters. A 5% tax, or the balance of a 5% tax, would be levied on processors which have not paid a tax to another established taxing authority. This legislation to tax floating processors would result in Alaskan shore-based processors to compete more equitably with competitors who currently pay no tax and it is estimated that state revenues would increase by at least \$40 million dollars.

SB 433 FISH BUSINESS TAX CREDITS

This bill would extend the fisheries business tax credit to off-shore processors. A fisheries business that has its home port in the state would be entitled to a credit of up to 50% of the state business tax for capital expenditures. The tax credit would be allowed for a period of 5 years.

This bill would also extend the 50% tax credit for shore-based fisheries businesses for 5 years.

SB 494 SALMON ENHANCEMENT TAX

This bill would levy a salmon enhancement tax on limited entry permit holders. The tax would be 1% of the value of the salmon that the person removes from the state or transfers to a buyer in the state. The tax could only be collected if a qualified regional association approves the tax and if approved by a majority of the eligible interim-use permit and entry permit holders in the region.

05/15/87 (H)	1453	PASSED Y31 NR A1
05/15/87 (H)	1453	MILLER NOTICE OF RECONSIDERATION
05/16/87 (H)	1546	RECONSIDERATION NOT TAKEN UP
05/16/87 (H)	1546	TRANSMITTED TO (S)
05/17/87 (S)	1532	READ THE FIRST TIME - REFERRAL(S)
05/17/87 (S)	1532	HES THEN LABOR & COMMERCE & FINANCE

HB 225

"An Act relating to citations for vehicle and traffic offenses."

PRIME SPONSOR: JUDICIARY COMMITTEE BY REQ

CURRENT STATUS: (H) FIN

DATE	PAGE	ACTION
03/27/87 (H)	657	READ THE FIRST TIME - REFERRAL(S)
03/27/87 (H)	657	C&RA, JUDICIARY, FINANCE
04/30/87 (H)	1047	CRA RPT SDP
04/30/87 (H)	1047	ZERO FISCAL NOTE/ANALYSIS 4/30/87
05/13/87 (H)	1367	JUD RPT CS(JUD) NEW TITLE 7DP
05/13/87 (H)	1367	REFERRED TO FINANCE

HB 226

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

PRIME SPONSOR: HERRMANN BY REQ

CURRENT STATUS: (H) F&H

DATE	PAGE	ACTION
03/27/87 (H)	657	READ THE FIRST TIME - REFERRAL(S)
03/27/87 (H)	658	C&RA, RESOURCES, FINANCE
04/10/87 (H)	800	CRA RPT SDP
04/10/87 (H)	800	3 ZERO FISCAL NOTES PUBLISHED 4/10/87
04/30/87 (H)	1047	RES RPT CS(HES) 7DP 2NR
04/30/87 (H)	1047	REFERRED TO FINANCE

HB 227

"An Act relating to joint insurance arrangements."

PRIME SPONSOR: TAYLOR

CURRENT STATUS: (H) CRA

DATE	PAGE	ACTION
03/30/87 (H)	674	READ THE FIRST TIME - REFERRAL(S)
03/30/87 (H)	674	C&RA, THEN LABOR & COMMERCE, JUDICIARY

HB 228

CSSSHB 228(HESS) AM S

"An Act relating to regulation of the practice of dentistry; and providing an effective date."

PRIME SPONSOR: MENARD

CO-SPONSORS: GRUENBERG, BOUCHER

CURRENT STATUS: CHAPTER 63 SLA 87

DATE	PAGE	ACTION
03/30/87 (H)	674	READ THE FIRST TIME - REFERRAL(S)
03/30/87 (H)	674	HES, FINANCE
04/01/87 (H)	717	CO-SPONSOR ADDED: BOUCHER
04/08/87 (H)	770	SPONSOR SUBSTITUTE INTRODUCED
04/08/87 (H)	770	HES, FINANCE
04/27/87 (H)	994	HES RPT CS(HES) 6DP
04/27/87 (H)	994	FISCAL NOTE PUBLISHED 4/27/87
05/08/87 (H)	1244	FIN RPT CS(HES) 8DP 2NR
05/08/87 (H)	1258	RULES TO CALENDAR 5/8/87
05/08/87 (H)	1258	READ THE SECOND TIME
05/08/87 (H)	1259	HES CS ADOPTED UNAN CONSENT
05/08/87 (H)	1259	ADVANCED TO THIRD READING UNAN CONSENT
05/08/87 (H)	1259	READ THE THIRD TIME CSSSHB 228(HES)
05/08/87 (H)	1259	PASSED Y33 M- X1 A6
05/08/87 (H)	1259	EFFECTIVE DATE SAME AS PASSAGE
05/08/87 (H)	1267	TRANSMITTED TO (S)
05/08/87 (S)	1270	READ THE FIRST TIME - REFERRAL(S)
05/08/87 (S)	1270	HES & FINANCE
05/11/87 (S)	1337	HES RPT SDP W/AMENDMENT
05/12/87 (S)	1347	CORRECTED AMENDMENT TO HES REPORT
05/15/87 (S)	1458	FIN RPT 6DP W/HES AMENDMENT
05/15/87 (S)	1481	RULES TO CALENDAR
05/16/87 (S)	1515	READ THE SECOND TIME
05/16/87 (S)	1515	AM NO 1 ADOPTED UNAN CONSENT
05/16/87 (S)	1515	ADVANCED TO THIRD READING UNAN CONSENT
05/16/87 (S)	1515	READ THE THIRD TIME CSSSHB 228(HES) AMB
05/16/87 (S)	1515	PASSED Y16 M- A4
05/16/87 (S)	1515	EFFECTIVE DATE SAME AS PASSAGE
05/16/87 (S)	1524	TRANSMITTED TO (H) AS AMENDED
05/16/87 (H)	1532	HELD UNDER UNFINISHED BUSINESS
05/18/87 (H)	1646	CONCUR AM OF (S) Y36 M- A4
05/18/87 (H)	1646	EFFECTIVE DATE SAME AS PASSAGE
05/20/87 (H)	1723	2:38 PM 5/20/87 TRANSMITTED TO GOVERNOR
06/12/87 (H)	1754	SIGNED INTO LAW CHAPTER 63 SLA 87
06/12/87 (H)	1754	EFFECTIVE DATES OF LAW SEE CHAPTER

HB 229

"An Act relating to homicide by abuse."

PRIME SPONSOR: HUDSON

CO-SPONSORS: ULMER, LARSON, MENARD, HOFFMAN, GOLL, ELLIS, DAVIDSON, GRUENBERG, HANLEY, COLLINS

CURRENT STATUS: (H) JUD

ATTACHMENT B
DCRA Position Paper on SSSHB 314 and Fiscal Note

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

March 21, 1988

- ☐ P.O. BOX 8
JUNEAU, ALASKA 99811-2100
PHONE: (907) 485-4700
- ☐ 949 E. 38TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 583-1073

POSITION PAPER

RE: Second Sponsor Substitute House Bill 314

SPONSOR: Representative Herrmann

Program Effects of Bill:

This bill establishes a formula based program for the distribution of a portion of raw fish tax revenues from floating processors to municipalities affected by the fishing industry.

Comments:

This formula is based on a pilot project conducted by this department pursuant to intent language in the FY 1986 operating budget appropriations bill to set up a program for mitigation of effects on municipalities from offshore fish processors. The approach of the formula is to make allocations based on the following factors:

- the location of the impacted municipality within fisheries management areas of the state;
- the relative proportion of commercial fisheries production from floating processors within the area to statewide production; and
- the population of the municipality.

The pilot project utilized commercial fisheries management areas, on the theory that the magnitude of production within those areas would most accurately reflect the magnitude of effects on municipalities. However, a problem that arose in use of the areas was the inability to compensate for effects across management area boundaries. The pilot project also utilized population increases (within the municipality) due to the offshore fish processing industry, rather than municipal population, on the assumption that such an increase was a better indicator of impact than the resident population. However, in practice, it was virtually impossible for municipalities to estimate this population increase with any degree of accuracy. The formula, by requiring a municipality to show "substantial effects" in order to participate in the program, and by allocating funds on the basis of the management

regions, establishes a reasonable relationship between impacts and funding level under the program. While the definition of "effect" is set out in the bill, there are no criteria for the determination of when such an effect would amount to a "substantial" one, leaving it to the department's discretion to determine.

The department is concerned that this bill would reduce the incentive for unincorporated coastal regions of the state to form boroughs.

The opportunity to increase local revenues is often a principal motivating factor in any proposal to form a new borough. State shared business fisheries taxes are particularly important to prospective new boroughs since they do not represent an increase in the tax burden by the proposed borough.

Under present law, state business fisheries taxes may be shared with a municipal government only to the extent that fish processing activities occur within the boundaries of that municipal government. In unincorporated regions of the state, where the potential for state shared fisheries tax revenues is significant, the prospect of these funds may be a substantial incentive to form a borough. However, under this bill it would not be necessary to form a borough in order to share in business fisheries taxes collected outside the boundaries of a municipality. Under full funding projections for this program, that incentive would seriously be eroded.

It could further be argued that the state already provides a mechanism to support local governments through the various "foundation" programs (state revenue sharing, municipal assistance, and education), as well as various shared tax programs. However, this program may be justified on the basis that it targets specific concerns of the state that are not addressed by other programs. This department is generally supportive of efforts to strengthen local governments, which this program would accomplish by providing funds for the mitigation of negative impacts from the off-shore fish processing industry. However, in view of the current revenue situation, the department is concerned about implementation of this legislation.


Marty Rutherford
Acting Deputy Commissioner

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: 2nd SSHB 314

PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An act..fisheries business taxes
to municipalities..effective date."
Sponsor: Herrmann & Cato
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: Local Government Assistance

Components: Local Government Support

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		23.1	23.9	24.7	25.5	26.3
TRAVEL		2.0	2.0	2.0	2.0	2.0
CONTRACTUAL		3.0	3.0	3.0	3.0	3.0
SUPPLIES						
EQUIPMENT		1.0				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		29.1	28.9	29.7	30.5	31.3

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		29.1	28.9	29.7	30.5	31.3
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director
Division: Municipal & Regional Assistance

Phone: 465-4750

Date: 3/22/88

Approved by Commissioner: [Signature]
Agency: Community & Regional Affairs

Date: 3-22-88

Distribution (by preparer):

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

page ____ of ____

Position Title Grants Administrator		No. of Positions 1	Range/Step 17 A	Barg. Unit GGU	
Time Status Part Time	Staff Months 6 months	Location Juneau		Election District	
		Justification This position will administer the tax sharing program. The amount of work associated with the program does not justify a full time position.			
Type of Expenditure					
1	2				3
Salary	17.4				
Benefits	5.7				
Premium Pay					
Other					
Total Personal Services					
Travel					
Contractual					
Commodities					
Equipment					
Other					
Total Cost					
Funding Source for Total Cost					
Federal Receipts 1002					
G. F. Match 1003					
General Fund 1004					
GF Program Receipts 1005					
Other					

**Request For
New Position**

Agency Community & Regional Affairs
BRU Local Government Assistance
Component Local Government Support

Page 1 of 1
Revised Date

FY 89

ATTACHMENT C
19AAC 33.005 - .070

(13) "program" means a program of state aid under AS 29.60 which is implemented by this chapter;

(14) "public purpose" means a purpose the objective of which is to promote the public health, safety, and general welfare of the residents of an unincorporated community or municipality of the state. (Eff. 8/20/81, Reg. 79; am 10/18/87, Reg. 104)

Authority: AS 29.60.070 AS 44.47.050
AS 29.60.180 AS 44.47.980

Editor's Note: Because of a reorganization of the Department of Community and Regional Affairs, reference in this section to the 'division of local government assistance' has been changed to refer to the 'municipal and regional assistance division', as of Register 98, July, 1986, under authority of AS 44.62.125 (b)(6).

CHAPTER 33. OFFSHORE FISHERIES BUSINESS TAX REVENUE-SHARING PILOT PROJECT

Section

- 5. Pilot project established
- 10. Eligibility
- 20. Application procedure
- 30. Determination of population increase
- 40. Municipal cooperation
- 50. Appeal procedure
- 60. Allocation
- 70. Definitions

19 AAC 33.005. PILOT PROJECT ESTABLISHED. The one-time offshore fisheries business tax revenue-sharing pilot project authorized by line 24, p. 22 - line 6, p. 23, sec. 26, ch. 98, SLA 1985, is established and governed by this chapter. (Eff. 6/27/87, Reg. 102)

Authority: AS 44.47.050
Line 24, p. 22 -
line 6, p. 23, sec. 26,
ch. 98, SLA 1985

19 AAC 33.010. ELIGIBILITY. To be eligible for payment under this chapter, an applicant must

(1) be a municipality incorporated under the laws of the state;

(2) be located in the coastal area; and

(3) demonstrate significant impacts from the offshore fish-processing industry during the reference year. (Eff. 6/27/87, Reg. 102)

Authority: AS 44.47.050
Line 24, p. 22 -
line 6, p. 23, sec. 26,
ch. 98, SLA 1985

19 AAC 33.020. APPLICATION PROCEDURE. (a) The department will distribute applications to all potential applicants that the department believes might be eligible for assistance. Additional applications may be obtained from the department.

(b) In order to participate in the program, an applicant must submit a completed application to the department postmarked by March

15 of the application year, on an application form prescribed by the department.

(c) For good cause, the commissioner will, in his or her discretion, extend the application deadline. (Eff. 6/27/87, Reg. 102)

Authority: AS 44.47.050
Line 24, p. 22 –
line 6, p. 23, sec. 26,
ch. 98, SLA 1985

19 AAC 33.030. DETERMINATION OF POPULATION INCREASE. A municipality must include with its application an estimate of its population increase during fishing season which is reasonably related to the offshore fish-processing industry. The estimate must be certified by the mayor and adopted by the governing body of the municipality by resolution. The estimate must include an explanation of how it was determined and must be supported by relevant indices of population. Unverifiable, unsupported estimates will not be accepted. (Eff. 6/27/87, Reg. 102)

Authority: AS 44.47.050
Line 24, p. 22 –
line 6, p. 23, sec. 26,
ch. 98, SLA 1985

19 AAC 33.040. MUNICIPAL COOPERATION. A municipality and its officers and employees shall, upon request of the department, furnish available information and assistance required by the department in securing accurate information upon which to base the department's determinations. (Eff. 6/27/87, Reg. 102)

Authority: AS 44.47.050
Line 24, p. 22 –
line 6, p. 23, sec. 26,
ch. 98, SLA 1985

19 AAC 33.050. APPEAL PROCEDURE. The department will make a determination of eligibility and population of each applicant and mail the determination to the applicant by April 15 of the application year. An applicant may appeal a determination of eligibility or population to the commissioner. The appeal must be in writing to the commissioner and must be postmarked within 30 days after receipt of the determination. The appeal must include relevant evidence in support of the applicant's claim. The commissioner will review the appeal and notify

the applicant of the decision on the appeal within 30 days after receipt of the appeal. (Eff. 6/27/87, Reg. 102)

Authority: AS 44.47.050
Line 24, p. 22 –
line 6, p. 23, sec. 26,
ch. 98, SLA 1985

19 AAC 33.060. ALLOCATION. (a) The department will allocate money available for the offshore fisheries business tax revenue-sharing pilot project to each commercial fisheries management area in the proportion of the weight of commercial species processed offshore in that management area divided by the total weight of commercial species processed offshore statewide. For the purposes of this section, management areas R and O will be combined.

(b) One-half of each commercial fisheries management area allocation will be distributed equally among all eligible applicant municipalities in that area. The other half of the area allocation will be distributed to eligible applicant municipalities in that area proportionate to the population increase in each municipality divided by the total population increase of eligible applicant municipalities in that area. (Eff. 6/27/87, Reg. 102)

Authority: AS 44.47.050
Line 24, p. 22 –
line 6, p. 23, sec. 26,
ch. 98, SLA 1985

19 AAC 33.070. DEFINITIONS. In this chapter,

(1) "application year" means the state fiscal year for which a municipality submits an application for funding under this chapter;

(2) "coastal area" means the nine regions described in AS 44.19.155(a)(1) from which members of the Alaska Coastal Policy Council are chosen, as shown in Map A, set out following this section;

(3) "commercial fisheries management area" means an area established by the Alaska Department of Fish and Game for management and statistical reporting purposes under 16.05.251(a)(2) and as shown on Map B, set out following this section;



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ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

March 13, 1989

MEMORANDUM

TO: House Finance Fiscal Policy Subcommittee

FROM: Brad Pierce 
Legislative Analyst

RE: Fisheries Taxes, Licenses and Fees: Methods to Increase State Revenues
Research Request 89.255

You requested a succinct overview of the state's current tax, license and fee structure for fisheries. You asked for a discussion of key fiscal policy alternatives and their revenue implications.

BACKGROUND

According to Article VIII of the Alaska State Constitution, the fisheries resources of the state are a common property to be managed as a public trust.¹ However, recent research has shown that the state spends considerably more to support and manage fisheries than it receives in fishing related revenues.² From a fiscal policy perspective, the state is effectively paying the commercial fishing industry to harvest and sell public resources. In addition, the state's limited entry program has created enormous, virtually untaxed personal wealth in the fishing industry--the current estimated value of

¹Gordon S. Harrison, A Citizen's Guide to the Constitution of the State of Alaska, University of Alaska, Institute of Social and Economic Research, 1982, p. 68.

²Gordon Kruse, "An Overview of Alaska's Fisheries: Catch and Economic Importance of the Resources, Participants in the Fisheries, Revenues Generated, and Expenditures on Management," Alaska Department of Fish and Game, Division of Commercial Fisheries, March 10, 1987, p. 24. According to Mr. Kruse, public expenditures to support the commercial fishing industry totaled approximately \$67 million in FY 86, while the industry generated a total of about \$47.3 million in state revenues (including pass-throughs) during the same year. Since FY 86, the value of the commercial harvest has increased substantially, but fisheries business tax credits to processors have reduced net fishing revenues.

transferrable limited entry permits is approximately \$1.2 billion.³ In a period of revenue shortfalls, this situation raises questions about the equity of state taxation policy and the appropriate level of public expenditures to support fisheries vis-a-vis taxes and fees paid by the industry. Potential legal problems loom as well. Recent Alaska Supreme Court decisions confirmed the state's right to grant exclusive access to public resources only as long as an adequate rent is collected.⁴

The ex-vessel value of the 1987 Alaska commercial fisheries catch (FY 88 tax year) was \$1.11 billion. Approximately 3.3 percent (\$36.6 million) of the value was paid to the state in taxes, licenses and fees by the commercial fishing industry. Of that amount, approximately \$8.4 million was passed through directly to the industry--\$5.7 million in Salmon Enhancement Tax receipts to the regional aquaculture associations and \$2.7 million in Seafood Marketing Assessment receipts to the Alaska Seafood Marketing Institute (ASMI). An additional \$7.9 million in Fisheries Business Tax receipts was passed through to cities and boroughs, leaving \$20.3 million (1.8 percent of ex-vessel value) in unrestricted state revenues. The state received \$4.4 million from sportfishing license sales and \$15.2 million in restricted federal (Dingell-Johnson) funding in FY 88.

OPTIONS FOR INCREASING REVENUES FROM FISHERIES

Table 1 provides an overview of Alaska's fisheries revenue sources. Several of these sources can be eliminated as options for significantly increasing state revenues. The Alaska Net Income tax is the same for all corporations operating in the state. The Salmon Enhancement Tax and Seafood Marketing Assessment are voluntary taxes. Increases in fish sales or Fisheries Business License fees would not generate significant revenues. Increasing commercial fishing license fees could discourage participation by residents in part-time fisheries (e.g., halibut). Assessing vessel license fees on a size basis would entail high administrative costs.

³Rick Focht, research analyst, Commercial Fisheries Entry Commission (CFEC), personal communication, March 1989.

⁴See Trustees for Alaska v. State and Kenneth Owsichuk v. State of Alaska, Guide Licensing and Control Board.

TABLE 1
STATE OF ALASKA REVENUES FROM NATURAL RESOURCES IN FY 88: COMMERCIAL AND SPORT FISHING

REVENUE SOURCE	FY 88 REVENUES			RATE OR METHOD OF REVENUE GENERATION	APPLICABLE STATUTES	LAST MAJOR CHANGE TO STATUTES	TAX CREDITS OR ADJUSTMENTS
	GROSS REVENUES	SPECIAL FUNDS	GENERAL FUND				
STATE REVENUE							
TAXES							
Alaska Net Income Tax	\$53,032		\$53,032	Tax based on the entire taxable income derived from sources within the state on a progressive scale from 1%-9.4%	AS 43.20.011-.350	Ch 116, 117 SLA 1981 repealed separate accounting	Education Tax Credit AS 43.20.014
Fisheries Business Tax					AS 43.75.015-.140	Ch 79 SLA 1986 established Fisheries Business Tax Credit	Fisheries Business Tax Credit AS 43.75.032 Fisheries Business Education Tax Credit AS 43.75.018
Established Commercial Fisheries							
Canned Salmon-Shorebased	3,683,603		3,683,603	4.5 % of purchase value			
Shorebased	9,385,110		9,385,110	3.0 % of purchase value			
Floating	7,660,522		7,660,522	5.0 % of purchase value			
Developing Fisheries							
Shorebased	591,310		591,310	1.0 % of purchase value			
Floating	950,595		950,595	3.0 % of purchase value			
Pre FY 81 Adjustment	(7,707)		(7,707)				
Salmon Enhancement Tax					AS 43.76.010-.015	15 Ch 117 SLA 1981 allowed termination of tax upon vote of regional association members	
Prince William Sound	1,273,035		1,273,035	2 % of exvessel value of salmon			
Cook Inlet	2,276,967		2,276,967	2 % of exvessel value of salmon			
Northern Southeast	1,269,368		1,269,368	3 % of exvessel value of salmon			
Southern Southeast	872,032		872,032	3 % of exvessel value of salmon			
Penalty and interest (statewide)	77,388		77,388				
Seafood Marketing Assessment	2,669,877		2,669,877	0.3 % of purchase value for processors purchasing > \$50,000/yr. of fisheries products.	AS 16.51.120-.140	Ch 129 SLA 1986 and Ch 95 SLA 1987 made ASMI budget dependant on increasing assessment rate	
SALES							
Confiscated Fish Sales	19,703		19,703				
Test Fish Sales	849,110	849,110					
FEES							
Commercial Fishing Licenses	1,502,797	1,040,688	462,109	varies from \$30/yr. residents to \$90/yr. nonresidents	AS 16.05.480	7 Ch 105 SLA 1977 required registration of all fishing vessels	

TABLE 1 (Continued)
STATE OF ALASKA REVENUES FROM NATURAL RESOURCES IN FY 88: COMMERCIAL AND SPORT FISHING

REVENUE SOURCE	FY 88 REVENUES			RATE OR METHOD OF REVENUE GENERATION	APPLICABLE STATUTES	LAST MAJOR CHANGE TO STATUTES	TAX CREDITS OR ADJUSTMENT
	GROSS REVENUES	SPECIAL FUNDS	GENERAL FUND				
Sportfishing Licenses	\$4,392,190	\$4,392,094	\$96	varies from \$10/yr. resident sport fishing to \$96/yr. nonresident hunting/fishing	AS 16.05.340		
Limited Entry Permits	3,470,195		3,470,195	varies by fishery from \$10/yr. resident \$750/yr. nonresident	AS 16.43.160	3.4 Ch 22 SLA 1985 set fees for low-income residents	
STATE SUBTOTAL	\$40,989,127	\$6,281,892	\$34,707,235				
FEDERAL REVENUES (Restricted)							
Dingell-Johnson Funds	15,196,539	15,196,939		excise tax on sport fishing gear, import tariffs and retail fuel tax	Federal Aid in Sport Fish Restoration Act		
TOTAL REVENUES	\$56,186,066	\$21,478,831	\$34,707,235				

NOTES:

1. Revenue data were obtained from the Alaska State Accounting System (AKSAS) by the the Alaska Department of Revenue, Research Section and from the Income and Excise Tax Division.
2. Special funds include: Test Fishing Fund, Fishermen's Fund and Fish and Game Fund.
3. Fisheries Business License (AS 43.75.011) revenues (\$11,925 in FY 88) are included in the Fisheries Business Tax categories. Of the \$22.3 million in FY 88 Fisheries Business Tax revenues, \$7.9 million was distributed to municipalities via the Shared Taxes program.
4. Sportfishing license revenues have been separated from combination (e.g., hunting/fishing) license revenues in this table.
5. Vessel license fees (AS 16.05.495-.530) are included in the Limited Entry Permit totals.
6. Direct state revenues from fishing also include an indeterminate portion of Marine Fuel Tax revenues (\$5,294,414 in FY 88), which have not been included in this table.

Prepared by the House Research Agency, February 1989 (89.255)

Thus, the following options have been selected as offering the most immediate practical opportunities for significantly increasing revenues from Alaska's fisheries resources and spreading the burden among processors, commercial and sport fishermen:

- Increase enforcement of Fisheries Business Tax collections;
- Limit the Fisheries Business Tax Credit;
- Increase Limited Entry Permit renewal fees and tax the value of permits;
- Increase Sportfishing License fees.

Fisheries Business Tax Enforcement

The Fisheries Business Tax (commonly referred to as the "Raw Fish Tax") is charged to persons engaged in fisheries businesses who purchase fish for processing or who transport fish out of the state for subsequent sale or processing. Rates are based on the ex-vessel value of the catch and differentiated by product, the maturity of the fishery and whether processors are shore-based (and therefore pay local property taxes) or floating. The tax was substantially increased for all processing types in 1979, with developing commercial fish operations assessed at a lower rate to spur development in new fisheries. Floating processors were assessed the highest rate to encourage permanent shore-based facilities and local employment. The Department of Revenue (DOR) is required (by AS 43.75.130 under the Shared Taxes Program) to refund 50 percent of Fisheries Business Tax receipts to the communities and boroughs where the taxes were collected. FY 88 Fisheries Business Tax revenues totaled \$22.3 million, of which \$7.9 million was shared with communities and boroughs.

One of the most effective means to increase Fisheries Business Tax revenues is to **provide for greater enforcement** of existing laws to prevent widespread cheating on records of fish purchases and tax reports among processors operating in Alaska. According to Captain Phillip Gilson, enforcement commander, Division of Fish and Wildlife Protection, his agency has uncovered over \$1.2 million in uncollected state revenues during the past year in cases pending in Dutch Harbor and Fairbanks. Additional cases in Anchorage involve 1.4 million pounds of unreported herring and 1.9 million pounds of salmon. A recent indictment in Cordova involves 190 tons of unreported herring. Auditors in the DOR believe that this is just the tip of an iceberg of unreported revenues.⁵ The DOR FY 90 budget contains a \$70,000 increment for increased

⁵Steve Kettel, director, Income and Excise Tax Division, personal communication, March 1989.

auditor coverage of Fisheries Business Tax returns, which is expected to result in at least \$1 million in additional state revenues.⁶ Increases in the Division of Fish and Wildlife Protection budget for apprehending processors who under-log fish catches or purchases and otherwise cheat on their taxes would undoubtedly yield similar results.

Sunset of the Fisheries Business Tax Credit

The legislature passed the Fisheries Business Tax Credit in 1986 for capital investments made through December 31, 1989, with credits to be taken through the 1991 tax year. This program allows processors a credit of up to 50 percent of their annual Fisheries Business Tax liability for approved capital expenditures that 1) increase product diversity, production efficiency or capacity, or improve product quality at a shore-based fisheries business facility in Alaska, or 2) contribute to the development of a cooperative seafood industrial park in Alaska.⁷ To date, the DOR has approved \$135.8 million in applications for 1987-89 credits, which may amount to as much as one-third of the assessed value of shore side processing plants in Alaska.⁸

According to the DOR, this program cost the state \$6.7 million in foregone revenues during FY 88 and is estimated to cost a total of \$38.8 million over the life of the existing program.⁹ As is frequently the case with tax credits, this program has had unintended consequences. The major problems identified by various researchers are that it is not specific enough in terms of the types of capital expenditures allowed as credits, nor is there any incentive to concentrate on developing species.¹⁰ According to the DOR, the credit program rewards economically strong processors (by allowing them to write off their expansion costs against their state tax liability over three

⁶Vincent D. Wright, et al., "Revenue Alternatives: Excise Taxes, Fisheries Taxes, Licenses and Permits," January 1989, p. 10.

⁷Note that the Fisheries Business Tax distribution to communities and boroughs is not affected by the credit as it is applied solely to the state's share of revenues.

⁸John Hansen, audit office supervisor, DOR, Income and Excise Tax Division, personal communication March 1989. Richard Rainery, Senate Advisory Council Memorandum 88-003324, November 22, 1988, p. 2.

⁹The DOR estimates the Fisheries Business Tax Credit will cost the state \$14.4 million in FY 89 and \$8.9 million in both FY 90 and FY 91.

¹⁰Gretchen Keiser, House Research Agency Memorandum 89.034, September 2, 1988.

years), while it does not help struggling processors (without expansion plans) and erodes the state's fisheries tax base. No objective estimates have been made of the amount of fisheries infrastructure investment that would have occurred without the credit program. Thus, the effectiveness of the credit cannot be determined.

Bills have been introduced in the House and Senate (HB 33 and SB 74) to extend the period during which capital investments may be creditable and credits may be taken. The House version would extend the program through 1994 and the Senate version through 1996. Several factors make forecasting the revenue effects of these bills very difficult. Projections must be based on 1987 tax returns as 1988 figures are not yet available. Several processors have made large investments that have not yet been placed into service (as required in 15 AAC 75.080) and thus will not be creditable until future years. Presumably, increased productivity from capital improvements by processors will result in higher tax liabilities and higher credits. Some processors' investments are so large (compared with their tax liabilities) that they cannot be completely credited over three years, hence their interest in extending the program.

Given the history of the Fisheries Business Tax Credit program to date and the uncertainty over its future fiscal effects, the carry-forward provisions in these bills for approved credits have a potential cost of tens of millions of dollars even if no new investments were allowed. The DOR estimates that HB 33 would cost \$47.1 million and SB 74, \$74.5 million in foregone revenues.

Increasing Limited Entry Permit Fees and Taxing Permit Values

Annual permit fees are charged to all commercial fishermen according to a schedule that ranges from \$10 to \$750.¹¹ Permit fee revenues were \$3.5 million in FY 88. For unlimited fisheries, resident fees are calculated as 0.25 percent of average annual gross earnings per person in the fishery rounded to the nearest \$50. In limited fisheries, the same percentage is applied to the estimated value of the permit. Nonresident permit fees are three times the resident fees. Attachment A is the current permit fee schedule for all commercial fisheries. Increasing permit renewal fees is an efficient and equitable means to increase state revenues from fishermen.

¹¹There are a few crab fisheries which have not opened in recent years with no renewal fee. The fee schedule for all other commercial fisheries is broken into \$50 increments for residents and \$150 increments for nonresidents. A special \$15 renewal fee is offered to low income residents who meet federal poverty level criteria.

The maximum resident permit fee was set in statute (AS 16.43.160) at \$250 and \$750 for nonresidents in 1977.¹² Since that time, permit values have increased dramatically. Currently, the statutory maximum fees constrain potential revenues from 11 limited fisheries and seven unlimited fisheries. According to the Commercial Fisheries Entry Commission (CFEC), repealing the maximum fee statute and charging a flat 0.25 percent of gross earnings or permit value for residents and 0.75 percent for nonresidents, would generate an additional \$2.8 million in annual revenues.¹³

Limited entry permit prices reflect the present value of the expected future income stream from participation in a particular fishery. Because they convey the exclusive right to harvest and sell public resources, transferrable limited entry permits are a personal asset. Estimated transferrable permit prices range from \$6,503 for a Southeast salmon hand troll permit to \$423,333 for a Southeast herring purse seine permit. Attachment B is a "CFEC 1988 Estimated Monthly Permit Value Report." One method to recapture a portion of the wealth the state has created for fishermen through limited entry would be to charge an annual tax on the estimated value of limited entry permits in excess of a certain threshold (to reduce the impact on marginal fisheries). A tax of one percent of the estimated value of transferrable limited entry permits priced over \$50,000 would generate about \$9.9 million in annual revenues.¹⁴

¹²Prior to 1977, fishermen were charged separate permit and gear type fees. AS 16.43.160 allowed the Commercial Fish Entry Commission (CFEC) to streamline and rationalize the permit fee schedule to reflect "different rates of economic return for different fisheries."

¹³Dave Ackley, research analyst, CFEC, personal communication, March 1989.

¹⁴Computed from "The 1987 Annual Report of the Commercial Fisheries Entry Commission," and "1988 Estimated Monthly Permit Value Report."

The most equitable means to increase revenues from commercial fishermen and capture a portion of government-created wealth from limited entry would be some combination of increasing the maximum annual permit renewal fee and charging a tax on the value of transferrable limited entry permits. The example cited above is for illustrative purposes; there is an infinite number of ways to structure a tax on permit values.

Increasing Sportfishing License Fees

Sportfishing license fees are set in statute by the legislature and range from \$10 for an annual resident sportfishing license to \$96 for an annual nonresident hunting and sportfishing license. Sportfishing license revenues were \$4.4 million in FY 88.¹⁵ Revenues are deposited into the Fish and Game Fund to be used for protection, propagation, investigation and restoration of sportfish and game resources and administration of the sport fish and game divisions of the Department of Fish and Game. The last time the Sportfishing and Hunting License fee schedule was increased was in 1976. House Bill 124 would raise sportfishing and hunting license fees for residents and nonresidents and would generate additional revenues of \$816,200 in FY 90 and \$2.8 million in FY 91.

In summary, we have identified about \$15.4 million in potential fisheries revenues from increased auditing of Fisheries Business Tax returns (\$1 million), repealing the limit on permit renewal fees (\$3.6 million), charging a one percent tax on the value of transferrable limited entry permits over \$50,000 (\$9.9 million), and increasing sportfishing license fees (\$816,200). Repeal or modification of the existing Fisheries Business Tax Credit program is probably not feasible, but the legislature can save as much as \$75 million in potential revenues in future years by not extending the program beyond its 1991 sunset date.

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I hope we have provided enough information for the committee's purpose. For the sake of brevity, I have kept this analysis at the conceptual level. I will be happy to provide more detailed information or flesh out the ideas presented herein upon request. Please call if you have questions.

Attachments

¹⁵For purposes of this analysis, we have separated sportfishing license receipts from combination license revenues.

ATTACHMENT A
1988 Permit Fishery Fee Schedule

GXBR5131-01 11/10/87

COMMERCIAL FISHERIES ENTRY COMMISSION
1988 PERMIT FISHERY FEE SCHEDULE

PA

YR	FSHY	RES	FEE NON RES	POV	LIM	SHORT DESCRIPTION	LONG DESCRIPTION
88	G34W	50	150	15	N	HER ROE NET GOODNEWS BAY	ROE HERRING, GILL NET, GOODNEWS BAY
88	G34X	50	150	15	N	HER ROE NET KOTZEBUE	ROE HERRING, GILL NET, KOTZEBUE
88	G34Y	50	150	15	N	HER ROE NET LOWER YUKON	ROE HERRING, GILL NET, LOWER YUKON (CAPE ROMANZOV)
88	G34Z	50	150	15	N	HER ROE NET NORTON SOUND	ROE HERRING, GILL NET, NORTON SOUND
88	G77Z	50	50	50	N	HERR ROE SPECIAL NORTON SD	ROE HERRING, GILL NET, NORTON SOUND (EDUCATIONAL PERMIT)
88	H01A	150	450	15	N	HER BT/FD PURSE SOUTHEAST	HERRING, PURSE SEINE, SOUTHEASTERN
88	H01D	50	150	15	N	HER BT/FD PURSE YAKUTAT	HERRING, PURSE SEINE, YAKUTAT
88	H01E	100	300	15	N	HER BT/FD PURSE PRINCE WM SD	HERRING FOR BAIT, PURSE SEINE, PRINCE WILLIAM SOUND
88	H01K	100	300	15	N	HER BT/FD PURSE KODIAK	HERRING, PURSE SEINE, KODIAK
88	H01L	50	150	15	N	HER BT/FD PURSE CHIGNIK	HERRING, PURSE SEINE, CHIGNIK
88	H01M	250	750	15	N	HER BT/FD PURSE PENINSULA	HERRING, PURSE SEINE, PENINSULA-ALEUTIANS
88	H01X	50	150	15	N	HER BT/FD PURS KOTZEBUE	HERRING, PURSE SEINE, KOTZEBUE
88	H02H	50	150	15	N	HER BT/FD BEACH COOK INLET	HERRING, BEACH SEINE, COOK INLET
88	H02K	50	150	15	N	HER BT/FD BEACH KODIAK	HERRING, BEACH SEINE, KODIAK
88	H02X	50	150	15	N	HER BT/FD BEACH KOTZEBUE	HERRING, BEACH SEINE, KOTZEBUE
88	H02Z	50	150	15	N	HER BT/FD BEACH NORTON SD	HERRING, BEACH SEINE, NORTON SOUND
88	H07A	50	150	15	N	HER BT/FD OTTER SOUTHEAST	HERRING, OTTER TRAWL, SOUTHEAST
88	H07D	50	150	15	N	HER BT/FD OTTER YAKUTAT	HERRING, OTTER TRAWL, YAKUTAT
88	H07E	50	150	15	N	HER BT/FD OTTER PRINCE WM SD	HERRING, OTTER TRAWL, PRINCE WILLIAM SOUND
88	H07H	50	150	15	N	HER BT/FD OTTER COOK INLET	HERRING, OTTER TRAWL, COOK INLET
88	H07K	100	300	15	N	HER BT/FD OTTER KODIAK	HERRING, OTTER TRAWL, KODIAK
88	H07M	50	150	15	N	HER BT/FD OTTER PENINSULA	HERRING, OTTER TRAWL, PENINSULA-ALEUTIANS
88	H17A	50	150	15	N	HER BT/FD BEAM SOUTHEAST	HERRING, BEAM TRAWL, SOUTHEAST
88	H17D	50	150	15	N	HER BT/FD BEAM YAKUTAT	HERRING, BEAM TRAWL, YAKUTAT
88	H17E	50	150	15	N	HER BT/FD BEAM PRINCE WM SD	HERRING, BEAM TRAWL, PRINCE WILLIAM SOUND
88	H17H	50	150	15	N	HER BT/FD BEAM COOK INLET	HERRING, BEAM TRAWL, COOK INLET
88	H17K	50	150	15	N	HER BT/FD BEAM KODIAK	HERRING, BEAM TRAWL, KODIAK
88	H17M	50	150	15	N	HER BT/FD BEAM PENINSULA	HERRING, BEAM TRAWL, PENINSULA-ALEUTIANS
88	H21A	50	150	15	N	HER BT/FD POUND SOUTHEAST	HERRING, POUND, SOUTHEASTERN
88	H21H	50	150	15	N	HER BT/FD POUND COOK INLET	HERRING, POUND, COOK INLET
88	H34D	50	150	15	N	HER BT/FD NET YAKUTAT	HERRING, GILL NET, YAKUTAT
88	H34E	50	150	15	N	HER BT/FD NET PRINCE WM SD	HERRING, GILL NET, PRINCE WILLIAM SOUND
88	H34H	50	150	15	N	HER BT/FD NET COOK INLET	HERRING, GILL NET, COOK INLET
88	H34K	50	150	15	N	HER BT/FD NET KODIAK	HERRING, GILL NET, KODIAK
88	H34M	50	150	15	N	HER BT/FD NET PENINSULA	HERRING, GILL NET, PENINSULA-ALEUTIANS
88	H34X	50	150	15	N	HER BT/FD NET KOTZEBUE	HERRING, GILL NET, KOTZEBUE
88	H34Z	50	150	15	N	HER BT/FD NET NORTON SOUND	HERRING, GILL NET, NORTON SOUND
88	H37D	50	150	15	N	HER BT/FD PAIR YAKUTAT	HERRING, PAIR TRAWL, YAKUTAT
88	H37E	50	150	15	N	HER BT/FD PAIR PRINCE WM SD	HERRING, PAIR TRAWL, PRINCE WILLIAM SOUND
88	H37H	50	150	15	N	HER BT/FD PAIR COOK INLET	HERRING, PAIR TRAWL, COOK INLET
88	H37K	50	150	15	N	HER BT/FD PAIR KODIAK	HERRING, PAIR TRAWL, KODIAK
88	H37M	50	150	15	N	HER BT/FD PAIR PENINSULA	HERRING, PAIR TRAWL, PENINSULA-ALEUTIANS
88	K09D	50	150	15	N	KING POT S YAKUTAT	KING CRAB, POT GEAR, TO 50 FT, YAKUTAT
88	K09E	50	150	15	N	KING POT S PRINCE WM SD	KING CRAB, POT GEAR, TO 50 FT, PRINCE WILLIAM SOUND
88	K09H	50	150	15	N	KING POT S COOK INLET	KING CRAB, POT GEAR, TO 50 FT, COOK INLET
88	K09K	100	300	15	N	KING POT S KODIAK	KING CRAB, POT GEAR, TO 50 FT, KODIAK
88	K09M	250	750	15	N	KING POT S PENINSULA	KING CRAB, POT GEAR, TO 50 FT, PENINSULA-ALEUTIANS
88	K09O	50	150	15	N	KING POT S DUTCH HARBOR	KING CRAB, POT GEAR, TO 50 FT, DUTCH HARBOR
88	K09Q	250	750	15	N	KING POT S BERING SEA	KING CRAB, POT GEAR, TO 50 FT, BERING SEA
88	K09R	50	150	15	N	KING POT S ADAK	KING CRAB, POT GEAR, TO 50 FT, ADAK-WESTERN ALEUTIANS

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COMMERCIAL FISHERIES ENTRY COMMISSION

1988 PERMIT FISHERY FEE SCHEDULE

YR	FSHY	RES	FEE NON RES	POV	LIM	SHORT DESCRIPTION	LONG DESCRIPTION
88	A12B	50	150	15	N	ABALONE DIVING STW	ABALONE, DIVING GEAR, STATEWIDE
88	B05B	50	150	15	N	HALIBUT HAND STW	HALIBUT, HAND TROLL, STATEWIDE
88	B06B	50	150	15	N	HALIBUT LL S STW	HALIBUT, LONG LINE, UNDER 5 TONS, STATEWIDE
88	B26B	50	150	15	N	HALIBUT JIG STW	HALIBUT, JIG, STATEWIDE
88	B61B	50	150	15	N	HALIBUT LL L STW	HALIBUT, LONG LINE, 5 TONS OR OVER, STATEWIDE
88	C04B	50	150	15	N	SBLFSH NET STW	SABLEFISH, SUNKEN GILL NET, STATEWIDE
88	C06B	50	150	15	N	SBLFSH LL S STW	SABLEFISH, LONG LINE, UNDER 5 TONS, STATEWIDE (EXCLUDING
88	C07B	50	150	15	N	SBLFSH OTTER STW	SABLEFISH, OTTER TRAWL, STATEWIDE
88	C09B	50	150	15	N	SBLFSH POT S STW	SABLEFISH, POT GEAR, TO 50 FT, STATEWIDE (EXCLUDING SOUTH
88	C17B	50	150	15	N	SBLFSH BEAM STW	SABLEFISH, BEAM TRAWL, STATEWIDE
88	C26B	50	150	15	N	SBLFSH JIG STW	SABLEFISH, MECHANICAL JIG, STATEWIDE
88	C37B	50	150	15	N	SBLFSH PAIR STW	SABLEFISH, PAIR TRAWL, STATEWIDE
88	C61A	50	150	15	Y	SBLFSH LL L NORTH SE	SABLEFISH, LONGLINE, 5 TONS OR OVER, NORTHERN SOUTHEAST
88	C61B	100	300	15	N	SBLFSH LL L STW	SABLEFISH, LONG LINE, 5 TONS OR OVER, STATEWIDE
88	C61C	50	150	15	Y	SBLFSH LL L SOUTH SE	SABLEFISH, LONG LINE, 5 TONS OR OVER, SOUTHERN SOUTHEAST
88	C91B	250	750	15	N	SBLFSH POT L STW	SABLEFISH, POT GEAR, OVER 50 FT, STATEWIDE
88	C91C	50	150	15	Y	SBLFSH POT L SOUTH SE	SABLEFISH, POT GEAR, OVER 50 FT, SOUTHERN SOUTHEAST
88	D09B	50	150	15	N	DUNGEN POT S STW	DUNGENESS CRAB, POT GEAR, TO 50 FT, STATEWIDE
88	D09E	150	450	15	N	DUNGEN POT S PWS	DUNGENESS CRAB, POT GEAR, TO 50 FT, PRINCE WILLIAM SOUND
88	D12B	50	150	15	N	DUNGEN DIV STW	DUNGENESS, DIVING GEAR, STATEWIDE
88	D91B	200	600	15	N	DUNGEN POT L STW	DUNGENESS CRAB, POT GEAR, OVER 50 FT, STATEWIDE
88	D91E	150	450	15	N	DUNGEN POT L PWS	DUNGENESS CRAB, POT GEAR, OVER 50 FT, PRINCE WILLIAM SOUND
88	D99B	50	150	15	N	DUNGEN OTHER STW	DUNGENESS CRAB, OTHER GEAR, STATEWIDE
88	E09B	50	150	15	N	MISC CRB POT S STW	MISCELLANEOUS CRAB, POT GEAR, TO 50 FT, STATEWIDE
88	E91B	100	300	15	N	MISC CRB POT L STW	MISCELLANEOUS CRAB, POT GEAR, OVER 50 FT, STATEWIDE
88	F02B	50	150	15	N	FRSHWTR BEACH STW	FRESHWATER FISH, BEACH SEINE, STATEWIDE
88	F04B	50	150	15	N	FRSHWTR SET STW	FRESHWATER FISH, SET GILL NET, STATEWIDE
88	F05B	50	150	15	N	FRSHWTR HAND STW	FRESHWATER FISH, HAND LINE, STATEWIDE
88	F06B	50	150	15	N	FRSHWTR LL S STW	FRESHWATER FISH, LONGLINE, STATEWIDE
88	F26B	50	150	15	N	FRSHWTR JIG STW	FRESHWATER FISH, JIG, STATEWIDE
88	F99B	50	150	15	N	FRSHWTR OTHER STW	FRESHWATER FISH, OTHER GEAR, STATEWIDE
88	G01A	250	750	15	Y	HER ROE PURSE SE	ROE HERRING, PURSE SEINE, SOUTHEASTERN SAC ROE
88	G01E	200	600	15	Y	HER ROE PURSE PWS	ROE HERRING, PURSE SEINE, PR WILLIAM SOUND SAC ROE
88	G01H	150	450	15	Y	HER ROE PURSE CI	ROE HERRING, PURSE SEINE, COOK INLET
88	G01K	150	450	15	Y	HER ROE PURSE KOD	ROE HERRING, PURSE SEINE, KODIAK
88	G01L	50	150	15	N	HER ROE PURSE CHG	ROE HERRING, PURSE SEINE, CHIGNIK
88	G01M	50	150	15	N	HER ROE PURSE PEN	ROE HERRING, PURSE SEINE, PENINSULA-ALEUTIANS
88	G01T	100	300	15	N	HER ROE PURSE BB	ROE HERRING, PURSE SEINE, BRISTOL BAY
88	G01X	50	150	15	N	HER ROE PURSE KOT	ROE HERRING, PURSE SEINE, KOTZEBUE
88	G02X	50	150	15	N	HER ROE BEACH KOT	ROE HERRING, BEACH SEINE, KOTZEBUE
88	G02Z	50	150	15	N	HER ROE BEACH NS	ROE HERRING, BEACH SEINE, NORTON SOUND
88	G31K	150	450	15	Y	HER ROE PURSE/GILL KODIAK	ROE HERRING, GILL NET AND PURSE SEINE, KODIAK
88	G34A	150	450	15	Y	HER ROE NET SOUTHEAST	ROE HERRING, GILL NET, SOUTHEASTERN
88	G34E	100	300	15	Y	HER ROE NET PRINCE WM SD	ROE HERRING, GILL NET, PRINCE WILLIAM SOUND
88	G34H	50	150	15	N	HER ROE NET COOK INLET	ROE HERRING, GILL NET, COOK INLET
88	G34K	50	150	15	Y	HER ROE NET KODIAK	ROE HERRING, GILL NET, KODIAK
88	G34M	50	150	15	N	HER ROE NET PENINSULA	ROE HERRING, GILL NET, PENINSULA-ALEUTIANS
88	G34N	50	150	15	N	HER ROE NET NUNIVAK/NELSON	ROE HERRING, GILL NET, NUNIVAK/NELSON ISLANDS
88	G34S	50	150	15	N	HER ROE NET SECURITY COVE	ROE HERRING, GILL NET, SECURITY COVE
88	G3	50	150	15	N	HER ROE NET BRISTOL BAY	ROE HERRING, GILL NET, BRISTOL BAY

1988 PERMIT FISHERY FEE SCHEDULE

YR	FSHY	RES	FEE NON RES	POV	LIM	SHORT DESCRIPTION	LONG DESCRIPTION
88	K09T	100	300	15	N	KING POT S BRISTOL BAY	KING CRAB, POT GEAR, TO 50 FT, BRISTOL BAY
88	K09Z	50	150	15	N	KING POT S NORTON SOUND	KING CRAB, POT GEAR, TO 50 FT, NORTON SOUND
88	K19A	50	150	15	Y	RED/BLUE KING CRAB POTS SE	RED/BLUE KING CRAB, POT GEAR, SOUTHEASTERN
88	K29A	150	450	15	Y	RED/BLUE/BROWN KING POTS SE	RED/BLUE AND BROWN KING CRAB, POT GEAR, SOUTHEASTERN
88	K39A	50	150	15	Y	BROWN KING POTS SE	BROWN KING CRAB, POT GEAR, SOUTHEASTERN
88	K49A	50	150	15	Y	RED/BLUE KING & TANNER POTS SE	RED/BLUE KING CRAB, TANNER CRAB, POT GEAR, SOUTHEASTERN
88	K59A	50	150	15	Y	BROWN KING & TANNER POTS SE	BROWN KING, TANNER CRAB, POT GEAR, SOUTHEASTERN
88	K69A	250	750	15	Y	ALL KING & TANNER POTS SE	RED/BLUE AND BROWN KING, TANNER CRAB, POT GEAR, SOUTHEASTERN
88	K91D	50	150	15	N	KING POT L YAKUTAT	KING CRAB, POT GEAR, OVER 50 FT, YAKUTAT
88	K91E	50	150	15	N	KING POT L PRINCE WM SD	KING CRAB, POT GEAR, OVER 50 FT, PRINCE WILLIAM SOUND
88	K91H	250	750	15	N	KING POT L COOK INLET	KING CRAB, POT GEAR, OVER 50 FT, COOK INLET
88	K91K	200	600	15	N	KING POT L KODIAK	KING CRAB, POT GEAR, OVER 50 FT, KODIAK
88	K91M	250	750	15	N	KING POT L PENINSULA	KING CRAB, POT GEAR, OVER 50 FT, PENINSULA-ALEUTIANS
88	K91O	250	750	15	N	KING POT L DUTCH HARBOR	KING CRAB, POT GEAR, OVER 50 FT, DUTCH HARBOR
88	K91Q	250	750	15	N	KING POT L BERING SEA	KING CRAB, POT GEAR, OVER 50 FT, BERING SEA
88	K91R	250	750	15	N	KING POT L ADAK	KING CRAB, POT GEAR, OVER 50 FT, ADAK-WESTERN ALEUTIANS
88	K91T	250	750	15	N	KING POT L BRISTOL BAY	KING CRAB, POT GEAR, OVER 50 FT, BRISTOL BAY
88	K91Z	50	150	15	N	KING POT L NORTON SOUND	KING CRAB, POT GEAR, OVER 50 FT, NORTON SOUND
88	K99A	50	150	15	N	KING OTHER SOUTHEAST	KING CRAB, OTHER GEAR, SOUTHEAST (RING NETS)
88	K99D	50	150	15	N	KING OTHER YAKUTAT	KING CRAB, OTHER GEAR, YAKUTAT
88	K99E	50	150	15	N	KING OTHER PRINCE WM SD	KING CRAB, OTHER GEAR, PRINCE WILLIAM SOUND
88	K99H	50	150	15	N	KING OTHER COOK INLET	KING CRAB, OTHER GEAR, COOK INLET
88	K99K	50	150	15	N	KING OTHER KODIAK	KING CRAB, OTHER GEAR, KODIAK
88	L12E	50	150	15	N	SPAWN DIV/HND PRINCE WM SD	HERRING SPAWN ON KELP, DIVING/HAND-PICKING, PRINCE WM SD
88	L12T	50	150	15	N	SPAWN HANDPICK BRISTOL BAY	HERRING SPAWN ON KELP, DIVING/HAND-PICKING, BRISTOL BAY
88	L21E	50	150	15	Y	SPAWN POUND PRINCE WM SD	HERRING SPAWN, POUND, PRINCE WILLIAM SOUND
88	L21M	50	150	15	N	SPAWN POUND PENINSULA	HERRING SPAWN, POUND, PENINSULA-ALEUTIANS
88	L21X	50	150	15	N	HERRING SPAWN, POUND, KOTZEBUE	HERRING SPAWN ON KELP, POUND, KOTZEBUE
88	M01B	50	150	15	N	MISC FIN PURSE STW	MISC SALTWATER FINFISH, PURSE SEINE, STATEWIDE
88	M02B	50	150	15	N	MISC FIN BEACH STW	MISC SALTWATER FINFISH, BEACH SEINE, STATEWIDE
88	M04B	50	150	15	N	MISC FIN SET STW	MISC SALTWATER FINFISH, SET GILL NET, STATEWIDE
88	M05B	50	150	15	N	MISC FIN HAND STW	MISC SALTWATER FINFISH, HAND TROLL, STATEWIDE
88	M06B	50	150	15	N	MISC FIN LL S STW	MISC SALTWATER FINFISH, LONG LINE, UNDER 5 TONS, STATEWIDE
88	M07B	250	750	15	N	MISC FIN OTTER STW	MISC SALTWATER FINFISH, OTTER TRAWL, STATEWIDE
88	M09B	50	150	15	N	MISC FIN POT S STW	MISC SALTWATER FINFISH, POT GEAR, TO 50 FT, STATEWIDE
88	M17B	50	150	15	N	MISC FIN BEAM STW	MISC SALTWATER FINFISH, BEAM TRAWL, STATEWIDE
88	M26B	50	150	15	N	MISC FIN JIG STW	MISC SALTWATER FINFISH, JIG, STATEWIDE
88	M37B	50	150	15	N	MISC FIN PAIR STW	MISC SALTWATER FINFISH, PAIR TRAWL, STATEWIDE
88	M61B	50	150	15	N	MISC FIN LL L STW	MISC SALTWATER FINFISH, LONG LINE, 5 TONS OR OVER, STATEWIDE
88	M91B	50	150	15	N	MISC FIN POT L STW	MISC SALTWATER FINFISH, POT GEAR, OVER 50 FT, STATEWIDE
88	M99B	50	150	15	N	MISC FIN OTHER STW	MISC SALTWATER FINFISH, OTHER GEAR, STATEWIDE
88	P07B	200	600	15	N	SHRIMP OTTER STW	SHRIMP, OTTER TRAWL, STATEWIDE
88	P07H	100	300	15	N	SHRIMP OTTER CI	SHRIMP, OTTER TRAWL, COOK INLET
88	P09B	50	150	15	N	SHRIMP POT S STW	SHRIMP, POT GEAR, TO 50 FT, STATEWIDE
88	P09E	50	150	15	N	SHRIMP POT S PWS	SHRIMP, POT, 50 FEET & UNDER, PRINCE WILLIAM SOUND
88	P17B	50	150	15	N	SHRIMP BEAM STW	SHRIMP, BEAM TRAWL, STATEWIDE
88	P17H	50	150	15	N	SHRIMP BEAM CI	SHRIMP, BEAM TRAWL, COOK INLET
88	P37B	50	150	15	N	SHRIMP PAIR STW	SHRIMP, PAIR TRAWL, STATEWIDE
88	P37H	50	150	15	N	SHRIMP PAIR CI	SHRIMP, PAIR TRAWL, COOK INLET
88	P91B	50	150	15	N	SHRIMP POT L STW	SHRIMP, POT GEAR, OVER 50 FT, STATEWIDE

1988 PERMIT FISHERY FEE SCHEDULE

YR	FSHY	RES	FEE NON RES	POV	LIM	SHORT DESCRIPTION	LONG DESCRIPTION
88	P91E	50	150	15	N	SHRIMP POT L PWS	SHRIMP, POT, OVER 50 FEET, PRINCE WILLIAM SOUND
88	R18B	50	150	15	N	CLAM SHOVEL STW	CLAMS, SHOVEL, STATEWIDE
88	R23B	50	150	15	N	CLAM MECH DIG STW	CLAMS, MECHANICAL DIGGER, STATEWIDE
88	S01A	100	300	15	Y	SALMON PURSE SE	SALMON, PURSE SEINE, SOUTHEASTERN
88	S01E	200	600	15	Y	SALMON PURSE PWS	SALMON, PURSE SEINE, PRINCE WILLIAM SOUND
88	S01H	150	450	15	Y	SALMON PURSE CI	SALMON, PURSE SEINE, COOK INLET
88	S01K	100	300	15	Y	SALMON PURSE KOD	SALMON, PURSE SEINE, KODIAK
88	S01L	250	750	15	Y	SALMON PURSE CH	SALMON, PURSE SEINE, CHIGNIK
88	S01M	250	750	15	Y	SALMON PURSE PEN	SALMON, PURSE SEINE, PENINSULA-ALEUTIANS
88	S02K	50	150	15	Y	SALMON BEACH KOD	SALMON, BEACH SEINE, KODIAK
88	S03A	150	450	15	Y	SALMON DRIFT SE	SALMON, DRIFT GILL NET, SOUTHEASTERN
88	S03E	150	450	15	Y	SALMON DRIFT PWS	SALMON, DRIFT GILL NET, PRINCE WILLIAM SOUND
88	S03H	200	600	15	Y	SALMON DRIFT CI	SALMON, DRIFT GILL NET, COOK INLET
88	S03M	250	750	15	Y	SALMON DRIFT PEN	SALMON, DRIFT GILL NET, PENINSULA-ALEUTIANS
88	S03T	250	750	15	Y	SALMON DRIFT BB	SALMON, DRIFT GILL NET, BRISTOL BAY
88	S04D	50	150	15	Y	SALMON SET YAK	SALMON, SET GILL NET, YAKUTAT
88	S04E	50	150	15	Y	SALMON SET PWS	SALMON, SET GILL NET, PRINCE WILLIAM SOUND
88	S04H	50	150	15	Y	SALMON SET CI	SALMON, SET GILL NET, COOK INLET
88	S04K	150	450	15	Y	SALMON SET KOD	SALMON, SET GILL NET, KODIAK
88	S04M	150	450	15	Y	SALMON SET PEN	SALMON, SET GILL NET, PENINSULA-ALEUTIANS
88	S04P	50	150	15	Y	SALMON NET UP YU	SALMON, GILL NET, UPPER YUKON
88	S04T	100	300	15	Y	SALMON SET BB	SALMON, SET GILL NET, BRISTOL BAY
88	S04W	50	150	15	Y	SALMON NET KUS	SALMON, GILL NET, KUSKOKWIM
88	S04X	50	150	15	Y	SALMON NET KOT	SALMON, GILL NET, KOTZEBUE-NORTHERN
88	S04Y	50	150	15	Y	SALMON NET LW YU	SALMON, GILL NET, LOWER YUKON
88	S04Z	50	150	15	Y	SALMON NET NS	SALMON, GILL NET, NORTON SOUND-PORT CLARENC
88	S05B	50	150	15	Y	SALMON HAND STW	SALMON, HAND TROLL, STATEWIDE
88	S08P	50	150	15	Y	SAL WHEEL UP YU	SALMON, FISHWHEEL, UPPER YUKON
88	S15B	50	150	15	Y	SALMON POWER STW	SALMON, POWER GURDY TROLL, STATEWIDE
88	S77A	50	50	50	N	SALMON SPECIAL SE	SALMON, SPECIAL HARVEST AREA (HATCHERY), SOUTHEAST
88	S77E	50	50	50	N	SALMON SPECIAL PWS	SALMON, SPECIAL HARVEST AREA (HATCHERY), PRINCE WILLIAM SOUND
88	S77H	50	50	50	N	SALMON SPECIAL CI	SALMON, SPECIAL HARVEST AREA (HATCHERY), COOK INLET
88	S77K	50	50	50	N	SALMON SPECIAL KODIAK	SALMON, SPECIAL HARVEST AREA, KODIAK
88	S77Y	50	50	50	N	SALMON SPECIAL LOWER YUKON	SALMON, SPECIAL HARVEST AREA, LOWER YUKON
88	S99A	0	0	0	Y	SALMON TRAPS SOUTHEAST	SALMON, TRAPS, SOUTHEAST (METLAKATLA RESERVATION ONLY)
88	T09D	50	150	15	N	TANNER POT S YAK	TANNER CRAB, POT GEAR, TO 50 FT, YAKUTAT
88	T09E	100	300	15	N	TANNER POT S PWS	TANNER CRAB, POT GEAR, TO 50 FT, PRINCE WILLIAM SOUND
88	T09H	50	150	15	N	TANNER POT S CI	TANNER CRAB, POT GEAR, TO 50 FT, COOK INLET
88	T09K	100	300	15	N	TANNER POT S KOD	TANNER CRAB, POT GEAR, TO 50 FT, KODIAK
88	T09M	100	300	15	N	TANNER POT S PEN	TANNER CRAB, POT GEAR, TO 50 FT, PENINSULA-ALEUTIANS
88	T09O	50	150	15	N	TANNER POT S DUT	TANNER CRAB, POT GEAR, TO 50 FT, DUTCH HARBOR
88	T09Q	50	150	15	N	TANNER POT S BER	TANNER CRAB, POT GEAR, TO 50 FT, BERING SEA
88	T09R	50	150	15	N	TANNER POT S ADAK	TANNER CRAB, POT GEAR, TO 50 FT, ADAK
88	T11A	50	150	15	Y	TANNER POT S SE	TANNER CRAB, POT GEAR, SOUTHEASTERN
88	T91D	50	150	15	N	TANNER POT L YAK	TANNER CRAB, POT GEAR, OVER 50 FT, YAKUTAT
88	T91E	250	750	15	N	TANNER POT L PWS	TANNER CRAB, POT GEAR, OVER 50 FT, PRINCE WILLIAM SOUND
88	T91H	250	750	15	N	TANNER POT L CI	TANNER CRAB, POT GEAR, OVER 50 FT, COOK INLET
88	T91K	250	750	15	N	TANNER POT L KOD	TANNER CRAB, POT GEAR, OVER 50 FT, KODIAK
88	T91M	200	600	15	N	TANNER POT L PEN	TANNER CRAB, POT GEAR, OVER 50 FT, PENINSULA-ALEUTIANS
88	T91O	100	300	15	N	TANNER POT L DUT	TANNER CRAB, POT GEAR, OVER 50 FT, DUTCH HARBOR

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COMMERCIAL FISHERIES ENTRY COMMISSION

1988 PERMIT FISHERY FEE SCHEDULE

YR	FSHY	RES	FEE NON RES	POV	LIM	SHORT DESCRIPTION	LONG DESCRIPTION
88	T91Q	250	750	15	N	TANNER POT L BER	TANNER CRAB, POT GEAR, OVER 50 FT, BERING SEA
88	T91R	50	150	15	N	TANNER POT L ADAK	TANNER CRAB, POT GEAR, OVER 50 FT, ADAK
88	T99A	50	150	15	N	TANNER OTHER SE	TANNER CRAB, OTHER GEAR, SOUTHEASTERN
88	T99E	50	150	15	N	TANNER OTHER PWS	TANNER CRAB, OTHER GEAR, PRINCE WILLIAM SOUND
88	T99H	50	150	15	N	TANNER OTHER CI	TANNER CRAB, OTHER GEAR, COOK INLET
88	W22B	250	750	15	N	SCALLOP DREDGE STW	SCALLOPS, DREDGE, STATEWIDE
88	Z01B	50	150	15	N	} what are these?	
88	Z06B	50	150	15	N		
88	Z09B	50	150	15	N		
88	Z12B	50	150	15	N		
88	Z17B	50	150	15	N		
88	Z26B	50	150	15	N		
88	Z37B	50	150	15	N		
88	Z61B	50	150	15	N		
88	Z91B	50	150	15	N		
88	Z99B	50	150	15	N		

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ATTACHMENT B
Commercial Fisheries Entry Commission 1988
Estimated Monthly Permit Value Report

COMMERCIAL FISHERIES ENTRY COMMISSION
1988 Estimated Monthly Permit Value Report

The appraised values found below were obtained from the Commercial Fisheries Entry Commission's transfer survey. This evaluation is prepared on a monthly basis. Where sufficient data exist, estimates are based on the current month's values as well as those for the two preceding months. Where insufficient data exist during a three-month period, additional data from earlier months are included until a sufficient number of observations are obtained. For the all year average, transactions which occurred from January through December are considered. The months of the earliest and latest transactions included in the average are reported in the two right columns. High and low values for the time period are also reported if the number of observations included in the average exceed a minimum needed to assure confidentiality. Any questions regarding this information should be addressed to: Rick Focht or David Ackley, Commercial Fisheries Entry Commission, P.O. Box KB, Juneau, Alaska 99811, or phone (907) 586-3456.

Fishery		Month	Low Value	High Value	Estimated Value	Earliest Transaction	Latest Transaction
HERRING PURSE SEINE							
Southeast	(G01A)	January	Insufficient Data		\$216,667	10/1986	4/1987
		February	Insufficient Data		\$303,333	4/1987	2/1988
		March	Insufficient Data		\$423,333	2/1988	3/1988
		April	Insufficient Data		\$423,333	2/1988	3/1988
		May	Insufficient Data		\$423,333	2/1988	3/1988
		June	Insufficient Data		\$423,333	2/1988	3/1988
		July	Insufficient Data		\$423,333	2/1988	3/1988
		August	Insufficient Data		\$423,333	2/1988	3/1988
		September	Insufficient Data		\$423,333	2/1988	3/1988
		October	Insufficient Data		\$423,333	2/1988	3/1988
		November	Insufficient Data		\$423,333	2/1988	3/1988
		December	Insufficient Data		\$423,333	2/1988	3/1988
		All Year	Insufficient Data		\$423,333	2/1988	3/1988
Prince William Sound	(G01E)	January	\$70,000	\$125,000	\$102,000	3/1987	1/1988
		February	\$70,000	\$125,000	\$102,000	3/1987	1/1988
		March	Insufficient Data		\$148,333	1/1988	3/1988
		April	Insufficient Data		\$148,333	1/1988	3/1988
		May	Insufficient Data		\$148,333	1/1988	3/1988
		June	\$150,000	\$200,000	\$170,000	3/1988	6/1988
		July	\$150,000	\$200,000	\$170,000	3/1988	6/1988
		August	Insufficient Data		\$180,000	6/1988	8/1988
		September	\$160,000	\$250,000	\$197,500	6/1988	9/1988
		October	Insufficient Data		\$218,333	8/1988	10/1988
		November	Insufficient Data		\$218,333	8/1988	10/1988
		December	Insufficient Data		\$218,333	8/1988	10/1988
		All Year	\$125,000	\$250,000	\$182,500	1/1988	10/1988
Cook Inlet	(G01H)	January	Insufficient Data		\$195,500	10/1987	1/1988
		February	Insufficient Data		\$195,500	10/1987	1/1988
		March	Insufficient Data		\$201,667	11/1987	3/1988
		April	Insufficient Data		\$201,667	1/1988	4/1988

COMMERCIAL FISHERIES ENTRY COMMISSION
1988 Estimated Monthly Permit Value Report

Fishery		Month	Low Value	High Value	Estimated Value	Earliest Transaction	Latest Transaction
HERRING PURSE SEINE							
Cook Inlet	(cont)	May	Insufficient Data		\$201,667	1/1988	4/1988
		June	Insufficient Data		\$208,333	3/1988	6/1988
		July	Insufficient Data		\$208,333	3/1988	6/1988
		August	Insufficient Data		\$208,333	3/1988	6/1988
		September	Insufficient Data		\$208,333	3/1988	6/1988
		October	Insufficient Data		\$208,333	3/1988	6/1988
		November	Insufficient Data		\$208,333	3/1988	6/1988
		December	Insufficient Data		\$208,333	3/1988	6/1988
		All Year	\$190,000	\$220,000	\$206,250	1/1988	6/1988
Kodiak	(G01K)	January	Insufficient Data		\$23,167	11/1987	12/1987
		February	\$20,000	\$26,500	\$24,000	11/1987	2/1988
		March	\$20,000	\$26,500	\$24,000	11/1987	2/1988
		April	Insufficient Data		\$23,833	12/1987	4/1988
		May	Insufficient Data		\$23,833	12/1987	4/1988
		June	Insufficient Data		\$23,833	12/1987	4/1988
		July	Insufficient Data		\$23,833	12/1987	4/1988
		August	Insufficient Data		\$23,833	12/1987	4/1988
		September	Insufficient Data		\$23,833	12/1987	4/1988
		October	Insufficient Data		\$23,833	12/1987	4/1988
		November	Insufficient Data		\$23,833	12/1987	4/1988
		December	Insufficient Data		\$23,833	12/1987	4/1988
		All Year	Insufficient Data		\$23,833	12/1987	4/1988
HERRING GILLNET							
Southeast	(G34A)	January	\$40,000	\$55,000	\$48,650	12/1987	1/1988
		February	\$40,000	\$55,000	\$48,650	12/1987	1/1988
		March	\$40,000	\$55,000	\$48,210	1/1988	3/1988
		April	\$40,000	\$55,000	\$48,929	3/1988	3/1988
		May	\$40,000	\$55,000	\$48,929	3/1988	3/1988
		June	\$40,000	\$55,000	\$48,929	3/1988	3/1988
		July	\$40,000	\$55,000	\$48,929	3/1988	3/1988
		August	\$40,000	\$55,000	\$48,929	3/1988	3/1988
		September	\$40,000	\$55,000	\$48,929	3/1988	3/1988
		October	\$40,000	\$55,000	\$48,929	3/1988	3/1988
		November	\$40,000	\$55,000	\$48,929	3/1988	3/1988
		December	\$40,000	\$55,000	\$49,688	3/1988	12/1988
		All Year	\$40,000	\$55,000	\$48,827	1/1988	12/1988
Prince William Sound	(G34E)	January	Insufficient Data		\$31,667	2/1986	12/1986
		February	Insufficient Data		\$31,667	2/1986	12/1986
		March	Insufficient Data		\$46,667	9/1986	3/1988

COMMERCIAL FISHERIES ENTRY COMMISSION
1988 Estimated Monthly Permit Value Report

Fishery	Month	Low Value	High Value	Estimated Value	Earliest Transaction	Latest Transaction
HERRING GILLNET						
Prince William Sound (cont)	April	Insufficient Data		\$56,667	12/1986	4/1988
	May	Insufficient Data		\$56,667	12/1986	4/1988
	June	Insufficient Data		\$56,667	12/1986	4/1988
	July	Insufficient Data		\$56,667	12/1986	4/1988
	August	Insufficient Data		\$56,667	12/1986	4/1988
	September	Insufficient Data		\$56,667	12/1986	4/1988
	October	Insufficient Data		\$56,667	12/1986	4/1988
	November	Insufficient Data		\$56,667	12/1986	4/1988
	December	Insufficient Data		\$56,667	12/1986	4/1988
	All Year	Insufficient Data		\$56,667	12/1986	4/1988
Kodiak (G34K)						
	January	Insufficient Data		\$16,166	4/1987	4/1987
	February	Insufficient Data		\$16,166	4/1987	4/1987
	March	\$14,999	\$17,500	\$15,700	4/1987	3/1988
	April	\$14,000	\$20,000	\$15,750	3/1988	4/1988
	May	\$14,000	\$20,000	\$15,917	3/1988	5/1988
	June	\$14,000	\$20,000	\$16,091	4/1988	6/1988
	July	\$15,000	\$17,000	\$16,200	5/1988	6/1988
	August	\$15,000	\$17,000	\$16,200	5/1988	6/1988
	September	\$15,000	\$17,000	\$16,200	5/1988	6/1988
	October	\$15,000	\$17,000	\$16,200	5/1988	10/1988
	November	Insufficient Data		\$17,400	10/1988	11/1988
	December	\$16,200	\$22,000	\$18,550	10/1988	12/1988
	All Year	\$14,000	\$22,000	\$16,511	3/1988	12/1988
HERRING SPAWN ON KELP/POUND						
Prince William Sound (L21E)	February	\$7,100	\$25,000	\$19,663	2/1988	2/1988
	March	\$7,100	\$25,000	\$19,358	2/1988	3/1988
	April	\$7,100	\$25,000	\$19,358	2/1988	3/1988
	May	\$12,000	\$22,000	\$18,750	3/1988	3/1988
	June	\$12,000	\$22,000	\$18,750	3/1988	3/1988
	July	\$12,000	\$22,000	\$18,750	3/1988	3/1988
	August	\$12,000	\$22,000	\$18,750	3/1988	3/1988
	September	\$12,000	\$45,000	\$23,500	3/1988	9/1988
	October	\$40,000	\$45,000	\$43,250	9/1988	10/1988
	November	\$40,000	\$45,000	\$42,600	9/1988	11/1988
	December	\$40,000	\$50,000	\$45,600	10/1988	12/1988
	All Year	\$7,100	\$50,000	\$25,084	2/1988	12/1988
SALMON PURSE SEINE						
Southeast (S01A)	January	\$37,500	\$47,500	\$42,750	10/1987	12/1987
	February	Insufficient Data		\$45,833	11/1987	2/1988
	March	\$45,000	\$60,000	\$50,000	2/1988	3/1988

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Fishery		Month	Low Value	High Value	Estimated Value	Earliest Transaction	Latest Transaction
SALMON PURSE SEINE							
Southeast	(cont)	April	\$38,500	\$60,000	\$47,250	2/1988	4/1988
		May	\$38,500	\$65,000	\$50,583	3/1988	5/1988
		June	\$38,500	\$125,000	\$71,444	4/1988	6/1988
		July	\$45,000	\$125,000	\$74,944	5/1988	7/1988
		August	\$45,000	\$125,000	\$76,188	6/1988	7/1988
		September	\$45,000	\$125,000	\$76,188	6/1988	7/1988
		October	Insufficient Data		\$65,000	7/1988	10/1988
		November	\$45,000	\$80,000	\$66,875	7/1988	11/1988
		December	Insufficient Data		\$75,667	10/1988	12/1988
		All Year	\$38,500	\$125,000	\$65,833	2/1988	12/1988
Prince William Sound (S01E)		January	\$95,000	\$140,000	\$126,583	11/1987	1/1988
		February	\$100,000	\$140,000	\$126,583	12/1987	2/1988
		March	\$100,000	\$160,000	\$130,938	1/1988	3/1988
		April	\$90,000	\$160,000	\$129,444	2/1988	4/1988
		May	\$90,000	\$170,000	\$137,500	3/1988	5/1988
		June	\$90,000	\$170,000	\$146,250	4/1988	6/1988
		July	\$140,000	\$170,000	\$155,000	5/1988	6/1988
		August	\$140,000	\$160,000	\$151,250	6/1988	6/1988
		September	\$140,000	\$160,000	\$151,250	6/1988	6/1988
		October	\$140,000	\$160,000	\$151,250	6/1988	6/1988
		November	\$140,000	\$210,000	\$169,167	6/1988	11/1988
		December	\$140,000	\$210,000	\$169,167	6/1988	11/1988
		All Year	\$90,000	\$210,000	\$145,972	1/1988	11/1988
Cook Inlet	(S01H)	January	\$50,000	\$60,000	\$57,500	5/1987	12/1987
		February	\$50,000	\$60,000	\$57,500	5/1987	12/1987
		March	\$50,000	\$60,000	\$57,500	5/1987	12/1987
		April	\$50,000	\$60,000	\$57,500	5/1987	12/1987
		May	\$60,000	\$65,000	\$64,000	5/1988	5/1988
		June	\$60,000	\$65,000	\$64,114	5/1988	6/1988
		July	\$60,000	\$71,000	\$64,975	5/1988	7/1988
		August	Insufficient Data		\$66,600	6/1988	7/1988
		September	Insufficient Data		\$66,600	6/1988	7/1988
		October	Insufficient Data		\$66,600	6/1988	7/1988
		November	\$63,800	\$75,000	\$68,700	6/1988	11/1988
		December	\$63,800	\$75,000	\$68,700	6/1988	11/1988
		All Year	\$60,000	\$75,000	\$66,089	5/1988	11/1988
Kodiak	(S01K)	January	\$45,000	\$65,000	\$51,139	11/1987	1/1988
		February	\$45,000	\$65,000	\$52,543	12/1987	2/1988

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Fishery	Month	Low	High	Estimated	Earliest	Latest
SALMON PUNSE SEINE						
Kodiak	March	\$45,000	\$65,000	\$53,837	1/1988	3/1988
	April	\$50,000	\$67,000	\$59,473	2/1988	4/1988
	May	\$50,000	\$76,250	\$61,614	3/1988	5/1988
	June	\$50,000	\$80,000	\$65,817	4/1988	6/1988
	July	\$40,000	\$80,000	\$66,205	5/1988	7/1988
	August	\$40,000	\$80,000	\$65,200	6/1988	7/1988
	September	\$40,000	\$76,000	\$62,750	7/1988	9/1988
	October	\$65,000	\$135,000	\$87,750	9/1988	10/1988
	November	\$65,000	\$135,000	\$96,833	9/1988	11/1988
	December	\$65,000	\$135,000	\$101,000	10/1988	11/1988
	All Year	\$40,000	\$135,000	\$66,734	1/1988	11/1988
	January	Insufficient Data	Insufficient Data	\$315,667	5/1985	11/1986
	February	Insufficient Data	Insufficient Data	\$315,667	5/1985	11/1986
Chignik	January	Insufficient Data	Insufficient Data	\$341,667	1/1986	3/1988
	February	Insufficient Data	Insufficient Data	\$341,667	1/1986	3/1988
	March	Insufficient Data	Insufficient Data	\$341,667	1/1986	3/1988
	April	Insufficient Data	Insufficient Data	\$341,667	1/1986	3/1988
	May	Insufficient Data	Insufficient Data	\$360,000	11/1986	5/1988
	June	Insufficient Data	Insufficient Data	\$360,000	11/1986	5/1988
	July	Insufficient Data	Insufficient Data	\$360,000	11/1986	5/1988
	August	Insufficient Data	Insufficient Data	\$360,000	11/1986	5/1988
	September	Insufficient Data	Insufficient Data	\$360,000	11/1986	5/1988
	October	Insufficient Data	Insufficient Data	\$360,000	11/1986	5/1988
	November	Insufficient Data	Insufficient Data	\$360,000	11/1986	5/1988
	December	Insufficient Data	Insufficient Data	\$360,000	11/1986	5/1988
	All Year	Insufficient Data	Insufficient Data	\$360,000	11/1986	5/1988
Alaska Peninsula (SOLM)	January	Insufficient Data	Insufficient Data	\$176,667	3/1987	11/1987
	February	Insufficient Data	Insufficient Data	\$176,667	3/1987	11/1987
	March	Insufficient Data	Insufficient Data	\$176,667	3/1987	11/1987
	April	Insufficient Data	Insufficient Data	\$176,667	3/1987	11/1987
	May	Insufficient Data	Insufficient Data	\$185,000	6/1987	5/1988
	June	Insufficient Data	Insufficient Data	\$185,000	6/1987	5/1988
	July	Insufficient Data	Insufficient Data	\$185,000	6/1987	5/1988
	August	Insufficient Data	Insufficient Data	\$185,000	6/1987	5/1988
	September	Insufficient Data	Insufficient Data	\$192,667	11/1987	9/1988
	October	Insufficient Data	Insufficient Data	\$192,667	11/1987	9/1988
	November	Insufficient Data	Insufficient Data	\$192,667	11/1987	9/1988
	December	Insufficient Data	Insufficient Data	\$182,833	5/1988	12/1988
	All Year	Insufficient Data	Insufficient Data	\$182,833	5/1988	12/1988

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Fishery	Month	Low Value	High Value	Estimated Value	Earliest Transaction	Latest Transaction
SALMON BEACH SEINE						
Kodiak (S02K)	January	Insufficient Data		\$27,333	6/1987	7/1987
	February	Insufficient Data		\$27,333	6/1987	7/1987
	March	Insufficient Data		\$27,333	6/1987	7/1987
	April	\$20,000	\$37,000	\$25,500	6/1987	4/1988
	May	Insufficient Data		\$26,333	4/1988	5/1988
	June	\$20,000	\$34,000	\$27,250	4/1988	6/1988
	July	\$25,000	\$34,000	\$30,500	5/1988	7/1988
	August	\$25,000	\$34,000	\$30,500	5/1988	7/1988
	September	\$25,000	\$34,000	\$30,500	5/1988	7/1988
	October	\$25,000	\$34,000	\$30,500	5/1988	7/1988
	November	\$25,000	\$34,000	\$30,500	5/1988	7/1988
	December	\$25,000	\$34,000	\$30,500	5/1988	7/1988
	All Year	\$20,000	\$34,000	\$28,400	4/1988	7/1988
SALMON DRIFT GILLNET						
Southeast (S03A)	January	\$57,000	\$73,000	\$67,000	11/1987	1/1988
	February	\$55,000	\$73,000	\$64,071	12/1987	2/1988
	March	\$55,000	\$73,000	\$66,071	1/1988	3/1988
	April	\$53,750	\$82,000	\$65,271	2/1988	4/1988
	May	\$47,500	\$86,000	\$66,217	3/1988	5/1988
	June	\$47,500	\$100,000	\$72,434	4/1988	6/1988
	July	\$47,500	\$100,000	\$77,115	5/1988	7/1988
	August	\$70,000	\$100,000	\$87,000	6/1988	7/1988
	September	\$70,000	\$100,000	\$87,000	6/1988	7/1988
	October	\$70,000	\$100,000	\$88,625	6/1988	10/1988
	November	Insufficient Data		\$122,500	10/1988	11/1988
	December	\$100,000	\$140,000	\$119,375	10/1988	12/1988
	All Year	\$47,500	\$140,000	\$77,621	1/1988	12/1988
Prince William Sound (S03E)						
	January	\$60,000	\$75,000	\$67,500	11/1987	1/1988
	February	\$50,000	\$77,000	\$68,684	12/1987	2/1988
	March	\$50,000	\$85,000	\$70,333	1/1988	3/1988
	April	\$45,000	\$90,500	\$71,067	2/1988	4/1988
	May	\$45,000	\$95,000	\$72,797	3/1988	5/1988
	June	\$45,000	\$95,000	\$73,182	4/1988	6/1988
	July	\$45,000	\$95,000	\$75,214	5/1988	6/1988
	August	Insufficient Data		\$82,667	6/1988	8/1988
	September	\$80,000	\$85,000	\$82,000	6/1988	9/1988
	October	\$80,000	\$85,000	\$82,000	6/1988	9/1988
	November	Insufficient Data		\$95,000	9/1988	11/1988
	December	\$90,000	\$170,000	\$116,250	11/1988	12/1988
	All Year	\$45,000	\$170,000	\$75,884	1/1988	12/1988

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Fishery		Month	Low Value	High Value	Estimated Value	Earliest Transaction	Latest Transaction
SALMON DRIFT GILLNET							
Cook Inlet	(503H)	January	\$95,000	\$145,000	\$127,500	11/1987	1/1988
		February	\$50,000	\$145,000	\$100,833	12/1987	2/1988
		March	\$85,000	\$170,000	\$117,000	1/1988	3/1988
		April	\$85,000	\$170,000	\$115,089	2/1988	4/1988
		May	\$100,000	\$170,000	\$135,487	3/1988	5/1988
		June	\$90,000	\$165,000	\$137,522	4/1988	6/1988
		July	\$90,000	\$165,000	\$139,000	5/1988	6/1988
		August	\$90,000	\$165,000	\$146,667	6/1988	6/1988
		September	\$90,000	\$180,000	\$151,429	6/1988	9/1988
		October	\$90,000	\$180,000	\$153,125	6/1988	10/1988
		November	\$120,500	\$186,000	\$164,300	9/1988	11/1988
		December	\$120,500	\$186,000	\$160,375	10/1988	11/1988
		All Year	\$85,000	\$186,000	\$138,725	1/1988	11/1988
Alaska Peninsula	(503H)	January	Insufficient Data		\$226,667	11/1987	12/1987
		February	Insufficient Data		\$226,667	11/1987	12/1987
		March	Insufficient Data		\$226,667	11/1987	12/1987
		April	Insufficient Data		\$235,000	12/1987	4/1988
		May	Insufficient Data		\$235,000	12/1987	4/1988
		June	Insufficient Data		\$235,000	12/1987	4/1988
		July	Insufficient Data		\$235,000	12/1987	4/1988
		August	Insufficient Data		\$235,000	12/1987	4/1988
		September	Insufficient Data		\$235,000	12/1987	4/1988
		October	Insufficient Data		\$235,000	12/1987	4/1988
		November	Insufficient Data		\$235,000	12/1987	4/1988
		December	Insufficient Data		\$235,000	12/1987	4/1988
		All Year	Insufficient Data		\$235,000	12/1987	4/1988
Bristol Bay	(503T)	January	\$100,000	\$179,000	\$150,208	11/1987	1/1988
		February	\$100,000	\$190,000	\$148,600	12/1987	2/1988
		March	\$90,000	\$220,000	\$154,143	1/1988	3/1988
		April	\$90,000	\$220,000	\$158,529	2/1988	4/1988
		May	\$90,000	\$220,000	\$161,117	3/1988	5/1988
		June	\$100,000	\$300,000	\$176,567	4/1988	6/1988
		July	\$100,000	\$300,000	\$180,142	5/1988	6/1988
		August	\$100,000	\$300,000	\$184,713	6/1988	8/1988
		September	\$128,000	\$262,000	\$227,000	8/1988	9/1988
		October	\$128,000	\$262,000	\$227,000	8/1988	9/1988
		November	\$230,000	\$280,000	\$257,833	9/1988	11/1988
		December	\$180,000	\$285,000	\$251,250	11/1988	12/1988
		All Year	\$90,000	\$300,000	\$173,406	1/1988	12/1988

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Fishery		Month	Low Value	High Value	Estimated Value	Earliest Transaction	Latest Transaction
SALMON SET GILLNET							
Yakutat	(504D)	January	Insufficient Data		\$28,000	12/1987	1/1988
		February	\$25,000	\$30,000	\$28,200	12/1987	2/1988
		March	\$25,000	\$31,750	\$28,792	1/1988	3/1988
		April	\$28,000	\$31,750	\$29,688	2/1988	3/1988
		May	Insufficient Data		\$30,383	3/1988	5/1988
		June	\$30,000	\$33,000	\$30,900	5/1988	6/1988
		July	\$28,000	\$33,000	\$30,417	5/1988	7/1988
		August	\$27,500	\$33,000	\$30,000	6/1988	8/1988
		September	\$27,500	\$33,000	\$30,000	6/1988	8/1988
		October	\$27,500	\$33,000	\$30,000	6/1988	8/1988
		November	\$27,500	\$33,000	\$30,000	6/1988	8/1988
		December	Insufficient Data		\$31,000	12/1988	12/1988
		All Year	\$25,000	\$33,000	\$29,734	1/1988	12/1988
Prince William Sound	(504E)	January	Insufficient Data		\$30,000	5/1987	10/1987
		February	Insufficient Data		\$30,000	5/1987	10/1987
		March	Insufficient Data		\$32,500	6/1987	3/1988
		April	Insufficient Data		\$32,500	6/1987	3/1988
		May	Insufficient Data		\$32,500	6/1987	3/1988
		June	Insufficient Data		\$32,500	6/1987	3/1988
		July	Insufficient Data		\$32,500	6/1987	3/1988
		August	Insufficient Data		\$32,500	6/1987	3/1988
		September	Insufficient Data		\$32,500	6/1987	3/1988
		October	Insufficient Data		\$32,500	6/1987	3/1988
		November	Insufficient Data		\$32,500	6/1987	3/1988
		December	Insufficient Data		\$49,833	10/1987	12/1988
		All Year	Insufficient Data		\$49,833	10/1987	12/1988
Cook Inlet	(504H)	January	\$10,000	\$60,000	\$36,808	11/1987	1/1988
		February	\$15,000	\$60,000	\$37,625	12/1987	2/1988
		March	\$14,333	\$60,000	\$43,083	1/1988	3/1988
		April	\$12,000	\$57,000	\$37,022	2/1988	4/1988
		May	\$12,000	\$60,000	\$42,717	3/1988	5/1988
		June	\$10,000	\$67,000	\$42,968	4/1988	6/1988
		July	\$10,000	\$67,000	\$46,164	5/1988	7/1988
		August	\$10,000	\$67,000	\$44,374	6/1988	8/1988
		September	Insufficient Data		\$51,000	7/1988	9/1988
		October	\$44,000	\$52,000	\$47,750	8/1988	10/1988
		November	Insufficient Data		\$46,333	9/1988	10/1988
		December	Insufficient Data		\$46,333	9/1988	10/1988
		All Year	\$10,000	\$67,000	\$43,766	1/1988	10/1988

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Fishery		Month	Low Value	High Value	Estimated Value	Earliest Transaction	Latest Transaction
SALMON SET GILLNET							
Kodiak	(SQ4K)	January	Insufficient Data		\$61,826	4/1987	6/1987
		February	Insufficient Data		\$61,826	4/1987	6/1987
		March	Insufficient Data		\$61,826	4/1987	6/1987
		April	Insufficient Data		\$61,826	4/1987	6/1987
		May	Insufficient Data		\$67,275	6/1987	5/1988
		June	Insufficient Data		\$67,275	6/1987	5/1988
		July	Insufficient Data		\$67,275	6/1987	5/1988
		August	Insufficient Data		\$67,275	6/1987	5/1988
		September	Insufficient Data		\$67,275	6/1987	5/1988
		October	Insufficient Data		\$67,275	6/1987	5/1988
		November	Insufficient Data		\$67,275	6/1987	5/1988
		December	Insufficient Data		\$78,942	5/1988	12/1988
		All Year	Insufficient Data		\$78,942	5/1988	12/1988
Alaska Peninsula	(SQ4M)	January	\$58,000	\$65,000	\$62,300	4/1987	11/1987
		February	Insufficient Data		\$68,875	11/1987	2/1988
		March	Insufficient Data		\$68,875	11/1987	2/1988
		April	Insufficient Data		\$68,875	11/1987	2/1988
		May	Insufficient Data		\$68,875	11/1987	2/1988
		June	Insufficient Data		\$68,875	11/1987	2/1988
		July	Insufficient Data		\$68,875	11/1987	2/1988
		August	Insufficient Data		\$68,875	11/1987	2/1988
		September	Insufficient Data		\$68,875	11/1987	2/1988
		October	Insufficient Data		\$68,875	11/1987	2/1988
		November	Insufficient Data		\$68,875	11/1987	2/1988
		December	Insufficient Data		\$85,542	2/1988	12/1988
		All Year	Insufficient Data		\$85,542	2/1988	12/1988
Upper Yukon	(SQ4P)	January	Insufficient Data		\$9,167	6/1987	8/1987
		February	Insufficient Data		\$9,167	6/1987	8/1987
		March	Insufficient Data		\$9,167	6/1987	8/1987
		April	Insufficient Data		\$9,167	6/1987	8/1987
		May	Insufficient Data		\$9,167	6/1987	8/1987
		June	\$7,500	\$10,000	\$8,875	6/1987	6/1988
		July	Insufficient Data		\$7,900	8/1987	7/1988
		August	Insufficient Data		\$7,900	8/1987	7/1988
		September	Insufficient Data		\$7,900	8/1987	7/1988
		October	Insufficient Data		\$8,733	6/1988	10/1988
		November	Insufficient Data		\$8,733	6/1988	10/1988
		December	Insufficient Data		\$8,733	6/1988	10/1988
		All Year	Insufficient Data		\$8,733	6/1988	10/1988

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Fishery		Month	Low Value	High Value	Estimated Value	Earliest Transaction	Latest Transaction
SALMON SET GILLNET							
Bristol Bay	(S04T)	January	\$34,000	\$46,000	\$40,500	11/1987	12/1987
		February	\$25,000	\$46,000	\$38,750	12/1987	2/1988
		March	\$25,000	\$50,000	\$42,000	2/1988	3/1988
		April	\$25,000	\$58,365	\$43,015	2/1988	4/1988
		May	\$35,000	\$58,365	\$44,283	3/1988	5/1988
		June	\$35,000	\$75,000	\$45,515	4/1988	6/1988
		July	\$35,000	\$75,000	\$46,464	5/1988	6/1988
		August	\$40,000	\$75,000	\$47,167	6/1988	6/1988
		September	Insufficient Data		\$56,333	9/1988	9/1988
		October	\$34,000	\$80,000	\$56,625	9/1988	10/1988
		November	\$34,000	\$80,000	\$54,643	9/1988	11/1988
		December	\$43,500	\$77,500	\$58,200	10/1988	12/1988
		All Year	\$25,000	\$80,000	\$46,508	2/1988	12/1988
Kuskokwim	(S04W)	January	Insufficient Data		\$9,667	7/1987	11/1987
		February	\$9,000	\$10,000	\$9,750	7/1987	2/1988
		March	Insufficient Data		\$10,000	11/1987	3/1988
		April	\$7,000	\$10,000	\$9,333	2/1988	4/1988
		May	\$7,000	\$10,000	\$9,333	3/1988	5/1988
		June	\$7,000	\$11,000	\$9,277	4/1988	6/1988
		July	\$7,000	\$11,000	\$9,569	5/1988	7/1988
		August	\$7,000	\$11,000	\$9,610	6/1988	8/1988
		September	\$7,000	\$11,000	\$9,810	6/1988	8/1988
		October	Insufficient Data		\$10,333	8/1988	10/1988
		November	Insufficient Data		\$10,333	10/1988	11/1988
		December	Insufficient Data		\$10,333	10/1988	11/1988
		All Year	\$7,000	\$11,000	\$9,669	2/1988	11/1988
Kotzebue	(S04X)	January	Insufficient Data		\$8,667	6/1987	1/1988
		February	Insufficient Data		\$9,333	11/1987	2/1988
		March	Insufficient Data		\$8,333	1/1988	3/1988
		April	Insufficient Data		\$8,333	1/1988	3/1988
		May	Insufficient Data		\$8,333	2/1988	5/1988
		June	Insufficient Data		\$8,186	5/1988	6/1988
		July	\$7,000	\$9,000	\$7,890	5/1988	7/1988
		August	\$7,000	\$9,000	\$8,140	6/1988	8/1988
		September	\$7,000	\$9,000	\$8,140	6/1988	8/1988
		October	\$7,000	\$9,000	\$8,140	6/1988	8/1988
		November	Insufficient Data		\$8,000	7/1988	11/1988
		December	Insufficient Data		\$8,333	8/1988	12/1988
		All Year	\$7,000	\$10,000	\$8,156	1/1988	12/1988

COMMERCIAL FISHERIES ENTRY COMMISSION
1988 Estimated Monthly Permit Value Report

Fishery		Month	Low Value	High Value	Estimated Value	Earliest Transaction	Latest Transaction
SALMON SET GILLNET							
Lower Yukon	(S04Y)	January	\$19,500	\$30,000	\$23,000	10/1987	1/1988
		February	\$19,500	\$30,000	\$23,000	10/1987	1/1988
		March	\$19,500	\$30,000	\$23,000	10/1987	1/1988
		April	\$19,500	\$30,000	\$23,000	10/1987	1/1988
		May	Insufficient Data		\$13,667	5/1988	5/1988
		June	\$10,000	\$25,000	\$17,667	5/1988	6/1988
		July	\$10,000	\$25,000	\$17,667	5/1988	6/1988
		August	\$20,000	\$25,000	\$21,300	6/1988	8/1988
		September	\$20,000	\$25,000	\$21,840	6/1988	9/1988
		October	\$20,000	\$25,000	\$21,840	6/1988	9/1988
		November	Insufficient Data		\$21,400	8/1988	11/1988
		December	Insufficient Data		\$26,667	11/1988	12/1988
		All Year	\$10,000	\$35,000	\$20,669	1/1988	12/1988
Morton Sound	(S04Z)	January	\$7,000	\$12,000	\$9,750	2/1987	3/1987
		February	\$7,000	\$12,000	\$9,750	2/1987	3/1987
		March	\$7,000	\$12,000	\$9,750	2/1987	3/1987
		April	\$7,000	\$12,000	\$9,750	2/1987	3/1987
		May	\$7,000	\$12,000	\$9,750	2/1987	3/1987
		June	\$7,000	\$12,000	\$9,750	2/1987	3/1987
		July	\$7,000	\$12,000	\$9,750	2/1987	3/1987
		August	\$7,000	\$12,000	\$9,750	2/1987	3/1987
		September	\$7,000	\$12,000	\$10,000	3/1987	9/1988
		October	\$7,000	\$12,000	\$10,000	3/1987	9/1988
		November	\$7,000	\$12,000	\$10,000	3/1987	9/1988
		December	Insufficient Data		\$10,167	9/1988	12/1988
		All Year	Insufficient Data		\$10,167	9/1988	12/1988
SALMON HAND TROLL							
Southeast	(S05B)	January	\$5,000	\$7,000	\$5,867	11/1987	1/1988
		February	\$5,000	\$7,000	\$5,933	12/1987	2/1988
		March	\$5,000	\$7,000	\$5,928	1/1988	3/1988
		April	\$5,000	\$7,500	\$6,164	2/1988	4/1988
		May	\$5,000	\$7,500	\$6,485	3/1988	5/1988
		June	\$5,000	\$7,700	\$6,570	4/1988	6/1988
		July	\$5,000	\$8,000	\$6,650	5/1988	7/1988
		August	\$5,000	\$8,000	\$6,611	6/1988	8/1988
		September	\$5,000	\$8,000	\$6,656	7/1988	9/1988
		October	\$5,000	\$8,000	\$6,733	8/1988	10/1988
		November	\$6,000	\$8,000	\$6,979	9/1988	11/1988
		December	\$5,000	\$8,000	\$7,013	10/1988	12/1988
		All Year	\$5,000	\$8,000	\$6,503	1/1988	12/1988

COMMERCIAL FISHERIES ENTRY COMMISSION
1988 Estimated Monthly Permit Value Report

Fishery		Month	Low Value	High Value	Estimated Value	Earliest Transaction	Latest Transaction
SALMON FISH WHEEL							
Upper Yukon	(S08P)	January	\$8,000	\$12,000	\$9,758	6/1987	10/1987
		February	\$8,000	\$12,000	\$9,758	6/1987	10/1987
		March	\$8,000	\$12,000	\$9,758	6/1987	10/1987
		April	Insufficient Data		\$9,083	7/1987	4/1988
		May	Insufficient Data		\$9,083	7/1987	4/1988
		June	Insufficient Data		\$9,167	4/1988	6/1988
		July	Insufficient Data		\$9,167	4/1988	6/1988
		August	Insufficient Data		\$9,167	4/1988	6/1988
		September	Insufficient Data		\$9,167	4/1988	6/1988
		October	Insufficient Data		\$9,167	4/1988	6/1988
		November	Insufficient Data		\$7,667	6/1988	11/1988
		December	\$5,000	\$11,000	\$8,500	6/1988	12/1988
		All Year	\$5,000	\$11,000	\$8,700	4/1988	12/1988
SALMON POWER TROLL							
Southeast	(S15B)	January	\$17,000	\$35,000	\$27,889	11/1987	1/1988
		February	\$17,000	\$35,000	\$27,656	12/1987	2/1988
		March	\$15,000	\$35,000	\$27,760	1/1988	3/1988
		April	\$15,000	\$31,000	\$28,297	2/1988	4/1988
		May	\$15,000	\$32,500	\$29,067	3/1988	5/1988
		June	\$25,000	\$33,000	\$30,203	4/1988	6/1988
		July	\$25,000	\$33,000	\$30,583	5/1988	7/1988
		August	\$25,000	\$33,000	\$30,719	6/1988	7/1988
		September	\$30,000	\$32,000	\$30,941	7/1988	9/1988
		October	\$30,000	\$32,000	\$30,926	9/1988	10/1988
		November	\$30,000	\$35,000	\$31,672	9/1988	11/1988
		December	\$30,000	\$35,000	\$32,143	10/1988	12/1988
		All Year	\$15,000	\$35,000	\$29,568	1/1988	12/1988

TABLE 1
STATE OF ALASKA REVENUES FROM NATURAL RESOURCES IN FY 88: COMMERCIAL AND SPORT FISHING

REVENUE SOURCE	FY 88 REVENUES			RATE OR METHOD OF REVENUE GENERATION	APPLICABLE STATUTES	LAST MAJOR CHANGE TO STATUTES	TAX CREDITS OR ADJUSTMENT
	GROSS REVENUES	SPECIAL FUNDS	GENERAL FUND				
STATE REVENUE							
TAXES							
Alaska Net Income Tax	\$53,032		\$53,032	Tax based on the entire taxable income derived from sources within the state on a progressive scale from 1%-9.4%.	AS 43.20.011-.350	Ch 116, 117 SLA 1981 repealed separate accounting	Education Tax Credit AS 43.20.014
Fisheries Business Tax					AS 43.75.015-.140	Ch 79 SLA 1986 established Fisheries Business Tax Credit	Fisheries Business Tax Credit AS 43.75.032 Fisheries Business Education Tax Credit AS 43.75.018
Established Commercial Fisheries							
Canned Salmon-Shorebased	3,683,603		3,683,603	4.5 % of purchase value			
Shorebased	9,385,110		9,385,110	3.0 % of purchase value			
Floating	7,660,522		591,310	5.0 % of purchase value			
Developing Fisheries							
Shorebased	591,310		950,595	1.0 % of purchase value			
Floating	950,595		7,660,522	3.0 % of purchase value			
Pre FY 87 Adjustment	(7,707)		(7,707)				
Salmon Enhancement Tax					AS 43.76.010-.015	15 Ch 117 SLA 1981 allowed termination of tax upon vote of regional association members	
Prince William Sound	1,273,035		1,273,035	2 % of exvessel value of salmon			
Cook Inlet	2,276,967		2,276,967	2 % of exvessel value of salmon			
Northern Southeast	1,269,368		1,269,368	3 % of exvessel value of salmon			
Southern Southeast	872,032		872,032	3 % of exvessel value of salmon			
Penalty and interest (statewide)	77,388		77,388				
Seafood Marketing Assessment	2,669,877		2,669,877	0.3 % of purchase value for processors purchasing > \$50,000/yr. of fisheries products.	AS 16.51.120-.140	Ch 129 SLA 1986 and Ch 95 SLA 1987 made ASMI budget dependent on increasing assessment rate	
SALES							
Confiscated Fish Sales	19,703		19,703				
Test Fish Sales	849,110	849,110					
FEES							
Commercial Fishing Licenses	1,502,797	1,040,688	462,109	varies from \$30/yr. residents to \$90/yr. nonresidents	AS 16.05.480	7 Ch 105 SLA 1977 required registration of all fishing vessels	

Alaska State Senate
Eighteenth Legislature
First Session

RCS# 993
Item 37

05-11-93
19:09:10

CSHB 264(FIN)

Third Reading - On Reconsideration
Effective Date

Yeas:	11	Frank, Halford, Jacko, Kelly, Leman, Miller, Pearce, Phillips, Rieger, Sharp, Taylor
Nays:	9	Adams, Donley, Duncan, Ellis, Kerttula, Lincoln, Little, Salo, Zharoff
Excused:	0	
Absent:	0	

Alaska State Senate
Eighteenth Legislature
First Session

RCS# 994
Item 38

05-11-93
19:10:22

CSHB 264(FIN)

Effective Date

Yeas:	18	Donley, Duncan, Frank, Halford, Jacko, Kelly, Kerttula, Leman, Lincoln, Little, Miller, Pearce, Phillips, Rieger, Salo, Sharp, Taylor, Zharoff
Nays:	2	Adams, Ellis
Excused:	0	
Absent:	0	

Duncan changed from "Nay" to "Yea".
Little changed from "Nay" to "Yea".
Kerttula changed from "Nay" to "Yea".
Lincoln changed from "Nay" to "Yea".

Alaska State Senate
Eighteenth Legislature
First Session

RCS# 928
Item 27

05-09-93
16:42:55

CSHB 264 (FIN)

Third Reading - On Reconsideration
Effective Date

Yeas:	10	Frank, Halford, Jacko, Kelly, Leman, Miller, Phillips, Rieger, Sharp, Taylor
✓ Nays:	10	Adams, Donley, Duncan, Ellis, Kerttula, Lincoln, Little, <u>Pearce</u> , Salo, Zharoff
Excused:	0	
Absent:	0	

05/09/93

SENATE JOURNAL

PAGE 2236

-HB 264 -

CS FOR HOUSE BILL NO. 264(FIN) which had been held to the May 9 calendar (page 2219) was before the Senate on reconsideration.

The question to be reconsidered: "Shall CS FOR HOUSE BILL NO. 264(FIN) "An Act levying and providing for the collection of and disposition of the proceeds of a fishery resource landing tax; and providing for an effective date" pass the Senate?" The roll was taken with the following result:

CSHB 264(FIN)

Third Reading - On Reconsideration
Effective Date

-YEAS: 10 NAYS: 10 EXCUSED: 0 ABSENT: 0-

Yeas: Frank, Halford, Jacko, Kelly, Leman, Miller, Phillips, Rieger, Sharp, Taylor

Nays: Adams, Donley, Duncan, Ellis, Kerttula, Lincoln, Little,
Pearson Salo, Zharoff

and so, CS FOR HOUSE BILL NO. 264(FIN) failed.

05/09/93

SENATE JOURNAL

PAGE 2237

-HB 264-

Senator Jacko moved that the Senate rescind its previous action in failing CS FOR HOUSE BILL NO. 264(FIN).

Senator Taylor moved and asked unanimous consent that CS FOR HOUSE BILL NO. 264(FIN) and the rescinding motion be held to the May 10 calendar. Without objection, it was so ordered.

Alaska State Senate
Eighteenth Legislature
First Session

RCS# 928
Item 27

05-09-93
16:42:55

CSHB 264(FIN)

Third Reading - On Reconsideration
Effective Date

Yeas:	10	Frank, Halford, Jacko, Kelly, Leman, Miller, Phillips, Rieger, Sharp, Taylor
Nays:	10	Adams, Donley, Duncan, Ellis, Kerttula, Lincoln, Little, Pearce, Salo, Zharoff
Excused:	0	
Absent:	0	

8-LS0941\X
Chenoweth
4/25/93

CS FOR HOUSE BILL NO. 264(FINANCE
IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTEENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act levying and providing for the collection of and disposition of the
2 proceeds of a fishery resource landing tax; and providing for an 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 77. FISHERY RESOURCE LANDING TAX.

6 Sec. 43.77.010. LANDING TAX. A person owning a fishery resource that is
7 not subject to AS 43.75 but that is brought into the jurisdiction of, and first landed in,
8 this state is liable for and shall pay a landing tax on the value of the fishery resource.
9 The amount of the landing tax is 3.3 percent of the value of the fishery resource at the
10 place of the landing.

11 Sec. 43.77.020. FILING RETURN AND PAYMENT OF TAX. (a) A person
12 subject to the tax under this chapter shall file a return stating the value of fishery
13 resources landed in the state that are subject to the tax, the point of landing of the
14 fishery resource, and other information the department requires by regulation.

1 (b) The return shall be made on the basis of the calendar year to the
2 department at Juneau before April 1 after the close of the calendar year, and the tax
3 shall be paid with the return.

4 (c) The department may, under regulations it adopts, grant a reasonable
5 extension of time for the filing. A grant of an extension of time for filing does not
6 extend the time for payment of the tax.

7 Sec. 43.77.030. CREDIT FOR OTHER TAXES PAID. The department shall
8 grant a credit, not to exceed the taxpayer's liability for the tax under this chapter on
9 a fishery resource, to a taxpayer for taxes equivalent in nature to those imposed under
10 AS 43.75 and AS 43.76 that are paid to another jurisdiction in which the fishery
11 resource was either caught, processed, or sold.

12 Sec. 43.77.040. CREDIT FOR APPROVED CONTRIBUTIONS. (a) A
13 taxpayer who harvests a fishery resource under the provisions of a community
14 development quota may claim as a credit, against not more than 45.45 percent of the
15 tax under this chapter that is due on the value of the fishery resource harvested under
16 the community development quota, the taxpayer's contributions made during the tax
17 year to a nonprofit corporation incorporated under the laws of the state that are used
18 ~~in the state~~ by the recipient for one or more of the following purposes:

19 (1) scholarships for study in the state in the disciplines of fisheries
20 management, fisheries business administration, or another related course or discipline;
21 (2) training in the state for employment in the seafood industry;
22 (3) making contributions of capital, in the form of loans or grants, to
23 construct or improve

24 (A) transportation facilities in the state such as airports and
25 docks that are used for the unloading, transferring, or shipment of fisheries
26 products; or

27 (B) facilities in the state at which fisheries products are canned,
28 frozen, or otherwise processed for inventory, including floating facilities that
29 are documented under the laws of the United States as defined in 46 U.S.C.
30 App. 801;

31 (4) awarding grants for research projects relating to Alaska fisheries.

(b) A taxpayer who makes a contribution that qualifies for the credit authorized by (a) of this section must apply to obtain the credit. The taxpayer shall apply to the department in the manner provided by the department by regulation, and shall provide to the commissioner all information relating to the contribution that may be required by the department. Upon receipt of a complete application, the department, in consultation with the Department of Community and Regional Affairs, shall approve or disapprove the application for the credit within 60 days.

(c) The department shall revoke a prior approval of a tax credit and may not allow a tax credit under this section if (1) the department determines that the contribution does not qualify under (a) of this section; or (2) the taxpayer claiming the credit is in arrears in the payment of a tax levied in this title. For purposes of this subsection, a taxpayer is not in arrears if the payment is under administrative or judicial appeal.

(d) A contribution allowed as a credit under this section may not be claimed as a credit under another provision of this title.

Sec. 43.77.050. SEPARATE ACCOUNTING. (a) An amount of tax paid equal to 3/10 of one percent of the value of the fishery resource shall be paid into a separate account in the general fund. The annual balance in the account may be appropriated by the legislature to the Alaska Seafood Marketing Institute.

(b) After payment of the amount determined under (a) of this section, the balance of the tax collected under this chapter shall be paid into a separate account in the general fund. The annual balance in the account, ~~less all tax credits approved by the commissioner under AS 43.77.040(b),~~ may be appropriated by the legislature for revenue sharing under AS 43.77.060. *The amount of all tax credits approved by the commissioner under AS 43.77.040(b) shall be deducted from amounts paid to the municipality under AS 43.77.060(c).*

Sec. 43.77.060. REVENUE SHARING. (a) Subject to appropriation by the legislature and except as provided in (b) of this section, the commissioner shall pay to each

(1) unified municipality and to each city located in the unorganized borough, 50 percent of the amount of tax revenue collected from taxes levied under this chapter on the fishery resource landed in the municipality and accounted for under AS 43.77.050(b);

(2) city located within a borough, 25 percent of the amount of the tax revenue collected from taxes levied under this chapter on fishery resources landed in the city and accounted for under AS 43.77.050(b); and

(3) borough

(A) 50 percent of the amount of the tax revenue collected from taxes levied under this chapter on fishery resources landed in the area of the borough outside cities and accounted for under AS 43.77.050(b); and

(B) 25 percent of the amount of the tax revenue collected from taxes levied under this chapter on fishery resources landed in cities located within the borough and accounted for under AS 43.77.050(b).

(b) Notwithstanding the provisions of (a)(2) and (a)(3)(B) of this section, and subject to appropriation by the legislature, the commissioner shall pay to each

(1) city that is located in a borough incorporated after the effective date of this Act, the following percentages of the tax revenue collected from taxes levied under this chapter on fishery resources landed in the city and accounted for under AS 43.77.050(b):

(A) 45 percent of the tax revenue collected during the calendar year in which the borough is incorporated;

(B) 40 percent of the tax revenue collected during the first calendar year after the calendar year in which the borough is incorporated;

(C) 35 percent of the tax revenue collected during the second calendar year after the calendar year in which the borough is incorporated; and

(D) 30 percent of the tax revenue collected during the third calendar year after the calendar year in which the borough is incorporated; and

(2) borough that is incorporated after the effective date of this Act, the following percentages of the tax revenue collected from taxes levied under this chapter on fishery resources landed in the cities located within the borough and accounted for under AS 43.77.050(b):

(A) five percent of the tax revenue collected during the calendar year in which the borough is incorporated;

(B) 10 percent of the tax revenue collected during the first

1 calendar year after the calendar year in which the borough is incorporated;

2 (C) 15 percent of the tax revenue collected during the second
3 calendar year after the calendar year in which the borough is incorporated; and

4 (D) 20 percent of the tax revenue collected during the third
5 calendar year after the calendar year in which the borough is incorporated.

6 (c) Notwithstanding the provisions of (b) of this section, a city may adopt an
7 ordinance to transfer a portion of the funds received under (b)(1) of this section to the
8 borough in which the city is located.

9 (d) To the extent that appropriations are available for the purpose, and
10 notwithstanding the requirement of AS 37.07.080(e) that approval of the office of
11 management and budget is required, an amount equal to 50 percent of the tax revenue
12 that is collected under this chapter and is not subject to division with a municipality
13 under (a) - (c) of this section shall be transmitted each fiscal year, without the approval
14 of the office of management and budget, by the department to the Department of
15 Community and Regional Affairs for disbursement to eligible municipalities under
16 AS 29.60.450.

17 (e) ~~In this section, "tax revenue collected" does not include amounts credited~~
18 ~~against taxes under AS 43.77.040.~~ *Delete*

19 Sec. 43.77.070. REGULATIONS. The department shall adopt regulations to
20 implement and interpret this chapter.

21 Sec. 43.77.200. DEFINITIONS. In this chapter,

22 (1) "community development quota" has the meaning given that term
23 in a regulation adopted by the Office of the Governor, under authority granted by art.
24 III, secs. 1 and 24, Constitution of the State of Alaska, to implement a program of the
25 North Pacific Fishery Management Council to set aside fisheries resources for
26 community development purposes in western Alaska;

27 (2) "fishery resource" means finfish, shellfish, and fish by-products,
28 including salmon, halibut, herring, flounder, crab, clams, cod, shrimp, and pollock;

29 (3) "landing" means the act of unloading or transferring a fishery
30 resource;

31 (4) "process"

(A) means any activity that modifies the physical condition of the resource, including butchering, freezing, salting, cooking, canning, dehydrating, or smoking;

(B) does not include decapitating shrimp, or gutting, gilling, sliming, washing, or icing a resource solely for the purpose of maintaining the quality of the fresh resource;

(5) "tax" means the fishery resource landing tax levied and collected under this chapter;

(6) "value" means the unprocessed value of the fishery resource based on the statewide average price paid for the fisheries resource as reported during the year to the Department of Fish and Game under AS 16.05.690.

* Sec. 2. AS 29.60.450(b) is amended to read:

(b) The amount transmitted each fiscal year

(1) under AS 43.75.137 shall be apportioned by the department to each management area based on the ratio of the management area's production value to the total production value for all of the management areas; the [THE] department shall allocate the amount available for each management area to each municipality in that management area based on the demonstrated effects on the municipality of fisheries business activities, the commercial fishing vessel days in that municipality, or both;

(2) under AS 43.77.060(d) shall be apportioned by the department to each management area based on the ratio of the management area's fishery resource landing tax production value to the total fishery resource landing tax production value for all of the management areas; the department shall allocate the amount available for each management area to each municipality in that management area based on the demonstrated effects on the municipality of fisheries activities that are subject to the tax levied under AS 43.77.

* Sec. 3. AS 29.60.450(f) is amended by adding a new paragraph to read:

(7) "fishery resource landing tax production value" has the meaning given the term "value" by AS 43.77.200;

* Sec. 4. This Act takes effect January 1, 1994.

8-LS0941NU
Chenoweth
4/24/93

CS FOR HOUSE BILL NO. 264()

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - FIRST SESSION

BY

**Offered:
Referred:**

Sponsor(s): HOUSE RULES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act levying and providing for the collection of and disposition of the
2 proceeds of a fishery resource landing tax; and providing for an 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 77. FISHERY RESOURCE LANDING TAX.**

6 **Sec. 43.77.010. LANDING TAX.** A person owning a fishery resource that is
7 not subject to AS 43.75 but that is brought into the jurisdiction of, and first landed in,
8 this state is liable for and shall pay a landing tax on the value of the fishery resource.
9 The amount of the landing tax is 3.3 percent of the value of the fishery resource at the
10 place of the landing.

11 **Sec. 43.77.020. FILING RETURN AND PAYMENT OF TAX.** (a) A person
12 subject to the tax under this chapter shall file a return stating the value of fishery
13 resources landed in the state that are subject to the tax, the point of landing of the
14 fishery resource, and other information the department requires by regulation.

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

(c) The department may, under regulations it adopts, grant a reasonable extension of time for the filing. A grant of an extension of time for filing does not extend the time for payment of the tax.

Sec. 43.77.030. CREDIT FOR OTHER TAXES PAID. The department shall grant a credit, not to exceed the taxpayer's liability for the tax under this chapter on a fishery resource, to a taxpayer for taxes equivalent to those imposed under AS 43.75 and AS 43.76 that are paid to another jurisdiction in which the fishery resource was either caught, processed, or sold.

Sec. 43.77.040. CREDIT FOR APPROVED CONTRIBUTIONS. (a) A taxpayer who harvests a fishery resource under the provisions of a community development quota may claim as a credit

(1) the taxpayer's contributions made during the tax year to a nonprofit corporation incorporated under the laws of the state that are used by the recipient for one or more of the purposes set out in (b) of this section; the taxpayer's claim of a credit under this paragraph may not exceed 45.45 percent of the tax due under this chapter; and

(2) the amount of a credit allowable under (c) of this section.

(b) A taxpayer may claim a credit under (a)(1) of this section for contributions made by the taxpayer and used by the recipient for one or more of the following purposes:

- (1) scholarships for study in the state in the disciplines of fisheries management, fisheries business administration, or another related course or discipline;
- (2) training in the state for employment in the seafood industry;
- (3) making contributions of capital, in the form of loans or grants, to construct or improve

(A) transportation facilities in the state such as airports and docks that are used for the unloading, transferring, or shipment of fisheries products; or

proper clause

*improvement
Sales tax
are not equivalent*

*Revenue -
not in 1983*

*Community
non-profit corp.
Revenue
opposed to
credits.*

*highly sensitive
municipalities*

*nature of tax
processing
of salmon
inherent
would be
equivalent*

*based upon the
nature of the CDP*

*add
here*

*in the payments
against the tax on the value
of the resources taken under
those community
development quota*

(B) facilities in the state at which fisheries products are canned, frozen, or otherwise processed for inventory, including floating facilities that are documented under the laws of the United States as defined in 46 U.S.C. App. 801;

(4) awarding grants for research projects relating to Alaska fisheries.

(c) For taxes levied and collected within a municipality that has, under AS 43.77.060(e), waived its right to receive shared revenue under AS 43.77.060(a) - (c), a taxpayer may claim a credit under (a)(2) of this section of an amount not to exceed the amount of the tax revenue collected from the taxpayer by the state within that municipality that, under AS 43.77.060(a) or (b), would have been distributed to the municipality but for the operation of the waiver.

(d) A taxpayer who makes a contribution that qualifies for the credit authorized by (a) of this section must apply to obtain the credit. The taxpayer shall apply to the department in the manner provided by the department by regulation, and shall provide to the commissioner all information relating to the contribution that may be required by the department. Upon receipt of a complete application, the department, in consultation with the Department of Community and Regional Affairs, shall approve or disapprove the application for the credit within 60 days.

(e) The department shall revoke a prior approval of a tax credit and ~~may not approve an application for a tax credit under this section if (1) the department determines that the contribution does not qualify under (a) of this section, or (2) the taxpayer claiming the credit is in arrears in the payment of a tax levied in this title. For purposes of this subsection, a taxpayer is not in arrears if the payment is under administrative or judicial appeal.~~ *shall not allow*

(f) A contribution allowed as a credit under this section may not be claimed as a credit under another provision of this title.

Sec. 43.77.050. SEPARATE ACCOUNTING. (a) An amount of tax paid equal to 3/10 of one percent of the value of the fishery resource shall be paid into a separate account in the general fund. The annual balance in the account may be appropriated by the legislature to the Alaska Seafood Marketing Institute.

(b) After payment of the amount determined under (a) of this section, the

*municipal
waivers
would require
all not just a portion*

*have municipalities
don't share the
credit spent*

**
communi-
approve a
credit is
may only
spent for
give right to
revoke a*

1 balance of the tax collected under this chapter shall be paid into a separate account in
2 the general fund. The annual balance in the account, less all tax credits approved by
3 the commissioner under AS 43.77.040(d), may be appropriated by the legislature for
4 revenue sharing under AS 43.77.060.

5 Sec. 43.77.060. REVENUE SHARING. (a) Subject to appropriation by the
6 legislature and except as provided in (b) of this section, the commissioner shall pay
7 to each

8 (1) unified municipality and to each city located in the unorganized
9 borough, 50 percent of the amount of tax revenue collected from taxes levied under
10 this chapter on the fishery resource landed in the municipality and accounted for under
11 AS 43.77.050(b);

12 (2) city located within a borough, 25 percent of the amount of the tax
13 revenue collected from taxes levied under this chapter on fishery resources landed in
14 the city and accounted for under AS 43.77.050(b); and

15 (3) borough

16 (A) 50 percent of the amount of the tax revenue collected from
17 taxes levied under this chapter on fishery resources landed in the area of the
18 borough outside cities and accounted for under AS 43.77.050(b); and

19 (E) 25 percent of the amount of the tax revenue collected from
20 taxes levied under this chapter on fishery resources landed in cities located
21 within the borough and accounted for under AS 43.77.050(b).

22 (b) Notwithstanding the provisions of (a)(2) and (a)(3)(B) of this section, and
23 subject to appropriation by the legislature, the commissioner shall pay to each

24 (1) city that is located in a borough incorporated after the effective date
25 of this Act, the following percentages of the tax revenue collected from taxes levied
26 under this chapter on fishery resources landed in the city and accounted for under
27 AS 43.77.050(b):

28 (A) 45 percent of the tax revenue collected during the calendar
29 year in which the borough is incorporated;

30 (B) 40 percent of the tax revenue collected during the first
31 calendar year after the calendar year in which the borough is incorporated;

(C) 35 percent of the tax revenue collected during the second calendar year after the calendar year in which the borough is incorporated; and

(D) 30 percent of the tax revenue collected during the third calendar year after the calendar year in which the borough is incorporated; and

(2) borough that is incorporated after the effective date of this Act, the following percentages of the tax revenue collected from taxes levied under this chapter on fishery resources landed in the cities located within the borough and accounted for under AS 43.77.050(b):

(A) five percent of the tax revenue collected during the calendar year in which the borough is incorporated;

(B) 10 percent of the tax revenue collected during the first calendar year after the calendar year in which the borough is incorporated;

(C) 15 percent of the tax revenue collected during the second calendar year after the calendar year in which the borough is incorporated; and

(D) 20 percent of the tax revenue collected during the third calendar year after the calendar year in which the borough is incorporated.

(c) Notwithstanding the provisions of (b) of this section, a city may adopt an ordinance to transfer a portion of the funds received under (b)(1) of this section to the borough in which the city is located.

(d) To the extent that appropriations are available for the purpose, and notwithstanding the requirement of AS 37.07.080(e) that approval of the office of management and budget is required, an amount equal to 50 percent of the tax revenue that is collected under this chapter and is not subject to division with a municipality under (a) - (c) of this section shall be transmitted each fiscal year, without the approval of the office of management and budget, by the department to the Department of Community and Regional Affairs for disbursement to eligible municipalities under AS 29.60.450.

(e) A municipality may waive or forgo the claim of payment of tax revenue collected and due the municipality under (a) - (c) of this section, and a municipality that has opted to waive or forgo the claim of a payment may revoke its decision to waive or forgo the claim of a payment. A municipality taking action authorized by

1 this subsection shall act by ordinance. Notice of the adoption of the ordinance shall
2 be promptly transmitted by the municipal clerk to the commissioner, and the waiver
3 of receipt of payments or revocation of the decision to waive the receipt of payments
4 is effective on January 1 of the calendar year following the effective date of the
5 ordinance. If, under this subsection, a borough containing cities or a city within a
6 borough adopts an ordinance to waive or forgo the claim of payments on tax revenue
7 collected in and due the municipality, the waiver affects only amounts due the
8 municipality adopting the ordinance and does not apply to the levy and collection of
9 the tax, the calculation of payments due under this section, or the ability of a taxpayer
10 to claim a credit authorized by AS 43.77.010(a)(2) on taxes collected in the
11 municipality not adopting the ordinance.

12 (f) In this section, "tax revenue collected" does not include amounts credited
13 against taxes under AS 43.77.040.

14 Sec. 43.77.070. REGULATIONS. The department shall adopt regulations to
15 implement and interpret this chapter.

16 Sec. 43.77.200. DEFINITIONS. In this chapter,

17 (1) "community development quota" has the meaning given that term
18 in a regulation adopted by the Office of the Governor, under authority granted by art.
19 III, secs. 1 and 24, Constitution of the State of Alaska, to implement a program of the
20 North Pacific Fishery Management Council to set aside fisheries resource for
21 community development purposes in western Alaska;

22 (2) "fishery resource" means finfish, shellfish, and fish by-products,
23 including salmon, halibut, herring, flounder, crab, clams, cod, shrimp, and pollock;

24 (3) "landing" means the act of unloading or transferring a fishery
25 resource;

26 (4) "process"

27 (A) means any activity that modifies the physical condition of
28 the resource, including butchering, freezing, salting, cooking, canning,
29 dehydrating, or smoking;

30 (B) does not include decapitating shrimp, or gutting, gilling,
31 sliming, washing, or icing a resource solely for the purpose of maintaining the

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1 quality of the fresh resource;

2 (5) "tax" means the fishery resource landing tax levied and collected

3 under this chapter;

no definition of
ex-vessel value
Revenue OK

4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 * Sec. 2. AS 29.60.450(b) is amended to read:

8 (b) The amount transmitted each fiscal year

9 (1) under AS 43.75.137 shall be apportioned by the department to each
10 management area based on the ratio of the management area's production value to the
11 total production value for all of the management areas; the [THE] department shall
12 allocate the amount available for each management area to each municipality in that
13 management area based on the demonstrated effects on the municipality of fisheries
14 business activities, the commercial fishing vessel days in that municipality, or both;

15 (2) under AS 43.77.060(d) shall be apportioned by the department
16 to each management area based on the ratio of the management area's fishery
17 resource landing tax production value to the total fishery resource landing tax
18 production value for all of the management areas; the department shall allocate
19 the amount available for each management area to each municipality in that
20 management area based on the demonstrated effects on the municipality of
21 fisheries activities that are subject to the tax levied under AS 43.77.

22 * Sec. 3. AS 29.60.450(f) is amended by adding a new paragraph to read:

23 (7) "fishery resource landing tax production value" has the meaning
24 given the term "value" by AS 43.77.200;

25 * Sec. 4. This Act takes effect January 1, 1994.

8-LS0941V
Chenoweth
4/12/93

CS FOR HOUSE BILL NO. 264(FSH)
IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON FISHERIES

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act levying and collecting a fishery resource landing tax; and providing for
2 an 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 77. FISHERY RESOURCE LANDING TAX.**

6 Sec. 43.77.010. LANDING TAX. A person owning a fishery resource that is
7 not subject to AS 43.75 but that is brought into the jurisdiction of, and first landed in,
8 this state is liable for and shall pay a landing tax on the value of the fishery resource.
9 The amount of the landing tax is 3.3 percent of the value of the fishery resource at the
10 place of the landing.

11 Sec. 43.77.020. FILING RETURN AND PAYMENT OF TAX. (a) A person
12 subject to the tax under this chapter shall file a return stating the value of fishery
13 resources landed in the state that are subject to the tax, the point of landing of the
14 fishery resource, and other information the department requires by regulation.

1 (b) The return shall be made on the basis of the calendar year to the
2 department at Juneau before April 1 after the close of the calendar year, and the tax
3 shall be paid with the return.

4 (c) The department may, under regulations it adopts, grant a reasonable
5 extension of time for the filing. A grant of an extension of time for filing does not
6 extend the time for payment of the tax.

7 Sec. 43.77.030. CREDIT FOR TAXES PAID OTHER STATES. The
8 department shall grant a credit, not to exceed the taxpayer's liability for the tax under
9 this chapter on a fishery resource, to a taxpayer for taxes equivalent to those imposed
10 under AS 43.75 and AS 43.76 that are paid to another state in which the fishery
11 resource was either caught or processed.

12 Sec. 43.77.040. SEPARATE ACCOUNTING. (a) The tax collected on the
13 levy of 3/10 of one percent of the value of the fishery resource under AS 43.77.010
14 shall be paid into a separate account in the general fund. The annual estimated
15 balance in the account may be appropriated by the legislature to the Alaska Seafood
16 Marketing Institute. *and for other public purposes.*

17 (b) The tax collected on the levy of three percent of the value of the fishery
18 resource under AS 43.77.010 shall be paid into a separate account in the general fund.
19 The annual estimated balance in the account may be appropriated by the legislature for
20 revenue sharing under AS 43.77.050, *delete.* ~~and for other public purposes.~~

21 Sec. 43.77.050. REVENUE SHARING. (a) Subject to appropriation by the
22 legislature and except as provided in (b) of this section, the commissioner shall pay
23 to each

24 (1) unified municipality and to each city located in the unorganized
25 borough, 50 percent of the amount of tax revenue collected from taxes levied under
26 this chapter on the fishery resource landed in the municipality and accounted for under
27 AS 43.77.040(b);

28 (2) city located within a borough, 25 percent of the amount of the tax
29 revenue collected from taxes levied under this chapter on fishery resources landed in
30 the city and accounted for under AS 43.77.040(b); and

31 (3) borough

(A) 50 percent of the amount of the tax revenue collected from taxes levied under this chapter on fishery resources landed in the area of the borough outside cities and accounted for under AS 43.77.040(b); and

(B) 25 percent of the amount of the tax revenue collected from taxes levied under this chapter on fishery resources landed in cities located within the borough and accounted for under AS 43.77.040(b).

(b) Notwithstanding the provisions of (a)(2) and (a)(3)(B) of this section, and subject to appropriation by the legislature, the commissioner shall pay to each

(1) city that is located in a borough incorporated after the effective date of this Act, the following percentages of the tax revenue collected from taxes levied under this chapter on fishery resources landed in the city and accounted for under AS 43.77.040(b):

(A) 45 percent of the tax revenue collected during the calendar year in which the borough is incorporated;

(B) 40 percent of the tax revenue collected during the first calendar year after the calendar year in which the borough is incorporated;

(C) 35 percent of the tax revenue collected during the second calendar year after the calendar year in which the borough is incorporated; and

(D) 30 percent of the tax revenue collected during the third calendar year after the calendar year in which the borough is incorporated; and

(2) borough that is incorporated after the effective date of this Act, the following percentages of the tax revenue collected from taxes levied under this chapter on fishery resources landed in the cities located within the borough and accounted for under AS 43.77.040(b):

(A) five percent of the tax revenue collected during the calendar year in which the borough is incorporated;

(B) 10 percent of the tax revenue collected during the first calendar year after the calendar year in which the borough is incorporated;

(C) 15 percent of the tax revenue collected during the second calendar year after the calendar year in which the borough is incorporated; and

(D) 20 percent of the tax revenue collected during the third

calendar year after the calendar year in which the borough is incorporated.

(c) Notwithstanding the provisions of (b) of this section, a city may adopt an ordinance to transfer a portion of the funds received under (b)(1) of this section to the borough in which the city is located.

(d) To the extent that appropriations are available for the purpose, and notwithstanding the requirement of AS 37.07.080(e) that approval of the office of management and budget is required, an amount equal to 50 percent of the tax revenue that is collected under this chapter and is not subject to division with a municipality under (a) - (c) of this section shall be transmitted each fiscal year, without the approval of the office of management and budget, by the department to the Department of Community and Regional Affairs for disbursal to eligible municipalities under AS 29.60.450.

Sec. 43.77.060. REGULATIONS. The department shall adopt regulations to implement and interpret this chapter.

Sec. 43.77.200. DEFINITIONS. In this chapter,

(1) "fishery resource" means finfish, shellfish, and fish by-products, including salmon, halibut, herring, flounder, crab, clams, cod, shrimp, and pollock;

(2) "landing" means the act of unloading or transferring a fishery resource;

(3) "market value" means the highest price a willing buyer would pay and a willing seller would accept for a fishery resource if both are fully informed and neither is under any compulsion to buy or sell, as determined by the department under regulations adopted to make value determinations;

(4) "process"

(A) means any activity that modifies the physical condition of the resource, including butchering, freezing, salting, cooking, canning, dehydrating, or smoking;

(B) does not include decapitating shrimp, or gutting, gilling, sliming, washing, or icing a resource solely for the purpose of maintaining the quality of the fresh resource;

(5) "tax" means the fishery resource landing tax levied and collected

1 under this chapter;

2 (6) "value" means the lesser of

3 (A) the market value of the processed fishery resource at the
4 time and place the resource becomes subject to the tax under this chapter; or

5 (B) the statewide average price paid in the year for unprocessed
6 fisheries resources as reported to, and the results compiled and released by, the
7 Department of Fish and Game.

8 * Sec. 2. AS 29.60.450(b) is amended to read:

9 (b) The amount transmitted each fiscal year

10 (1) under AS 43.75.137 shall be apportioned by the department to each
11 management area based on the ratio of the management area's production value to the
12 total production value for all of the management areas; ~~the~~ [THE] department shall
13 allocate the amount available for each management area to each municipality in that
14 management area based on the demonstrated effects on the municipality of fisheries
15 business activities, the commercial fishing vessel days in that municipality, or both;

16 (2) under AS 43.77.050(d) shall be apportioned by the department
17 to each management area based on the ratio of the management area's fishery
18 resource landing tax production value to the total fishery resource landing tax
19 production value for all of the management areas; the department shall allocate
20 the amount available for each management area to each municipality in that
21 management area based on the demonstrated effects on the municipality of
22 fisheries activities that are subject to the tax levied under AS 43.77.

23 * Sec. 3. AS 29.60.450(f) is amended by adding a new paragraph to read:

24 (7) "fishery resource landing tax production value" has the meaning
25 given the term "value" by AS 43.77.200;

26 * Sec. 4. This Act takes effect January 1, 1994.

FORUM / LETTERS

Landing tax will be a detriment to western Alaska

By DEWEY SCHWALENBERG

The fishery landing tax passed by the Alaska Legislature earlier this month may look like a good idea, but it's destined to fail the people who most deserve to benefit from such a tax.

I'm referring, of course, to the people of western Alaska, who live in coastal communities bordering the Bering Sea, one of the richest fisheries in the world. It is these people who have come to depend the most on the factory trawlers now operating in their back yard. They will now see a big chunk of the proceeds from the trawlers moved elsewhere.

Those who will be hurt the most are the people residing in the more than 75 coastal villages who are not currently associated with the 55 villages in the Community Development Quota Program.

House Bill 264 represents a classic example of what can be lost if the appropriate consideration is not given to all sides of an issue. On its face, the bill looks like it will provide an infusion of much needed revenue from the offshore fisheries industry. In fact, howev-



er, the consequences of the bill represent a substantially different picture to the coastal villages of the Bering Sea.

Although it is estimated that more than \$9 million will be generated annually from the 3.3 percent tax on the trawlers' fish landings, less than \$300,000 will actually become available to economically depressed western Alaska villages.

As the executive director of the Bering Sea Commercial Fisheries Development Foundation, I am in charge of a substantial fund of money, contributed voluntarily by members of the American Factory Trawler Association. AFTA members already have contributed directly to western Alaska through several programs. For example, their contributions have provided education, training and employment to nearly 200 western Alaska residents. Salaries and wages of these employees were in excess of

\$2.4 million.

All we're asking is for the factory trawler companies to be treated equitably to the direct benefit of western Alaska communities. The economic reality is if trawlers pay the money for the tax, it's likely they will not contribute to the foundation or other programs that directly benefit the people of western Alaska.

The reason the bill will fail the people of western Alaska is because it is simply another example of the government bureaucracy practicing "trickle down" economics. Of the \$9 million tax, a full 50 percent will be placed into Alaska's general fund. The other half will go to some of the most economically developed areas of rural Alaska, such as Kodiak and Dutch Harbor. By contrast, the foundation currently is focusing its attention on developing the economies of such villages as Mekoryuk, Chevak, Emmonak, Savoonga and Gambell, to name a few.

Sadly, this bill represents another case of the rich getting richer, while the poor get poorer.

It doesn't have to be that way.

The economic reality is if trawlers pay the money for the tax, it's likely they will not contribute to the foundation or other programs that directly benefit the people of western Alaska.

The Bering Sea Commercial Fisheries Development Foundation does not believe in "trickle down" assistance. We are a grass-roots organization, providing a unique, direct link between the industry and the people who specifically ask for and need help. We believe the legislature could use the technical expertise of the foundation to put a cooperative plan together to benefit the maximum number of people.

The foundation's work has just begun. This bill means we will have to work that much harder to usher in what we see as a new era of cooperation. The foundation has a deep commitment to regional

self-determination, and that won't change. We have an excellent working relationship with western Alaska communities who have provided their support by matching our contributions for cooperative projects.

Our goal is to continue to support projects by rural western Alaskans and to maintain a cooperative working relationship with the industry. We'll devote all our energy to making sure this new era of cooperation becomes a reality.

□ Dewey Schwalenberg is executive director of the Bering Sea Commercial Fisheries Development Foundation.

By LAINE WELCH

FOR THE JUNEAU EMPIRE

Officials are pondering the possibility of bringing foreign buyers into state waters to buy Western Alaska herring.

With record catches of over 75,000 tons in the statewide forecast and a glut of herring already on the market, some processors have said they are not interested in buying fish from Togiak to Norton Sound. That news is devastating for westward fishermen who count on herring as one of their few sources of cash income.

Last week Ocean Trawl, on behalf of the Bristol Bay Economic Development Corp., requested a permit from the state to buy 10,000 tons of herring from Western Alaska. Ocean Trawl orchestrated a similar arrangement last summer by forming a joint venture with the Russians to buy pink salmon in Prince William Sound.

Before issuing the permit, state officials must determine that a surplus of herring exists and that domestic processors are not interested in the fish. Commerce Commissioner Paul Fuhs said the state is also concerned about the massive waste if the herring catch finds no buyers.

A decision on the permit request must be made quickly in order to have foreign buyers on the grounds when the herring arrive, usually in early May. "We're very aware of the time frame for the fishing season. If there is insufficient capacity from the domestic processors, we feel we can get the permit in time to provide a market," Fuhs said.

Sitka herring fishery ends: Sitka's sac roe fishery ended April 3 after a leisurely seven-day season. Processors set the pace of the fishery depending on plant capacity in handling the 9,700-ton quota, double that of last year.

The Sitka herring were bigger than they've been for about five years, with roe counts between 10 and 11 percent. Last year, Sitka fishermen were paid a statewide low of \$279 a ton.

Ketchikan fishermen at Kah Shakes were on two-hour notice at week's end as high winds continued to ground aerial surveys. The robust Kah Shakes herring, with its high 14 percent roe counts, last year brought nearly \$1,400 a ton.

Prince William Sound was also poised to take off. Seiners and gillnetters will share a 16,500-ton

quota, which last year averaged \$400 a ton. Prince William Sound spawn-on-kelp pounders got over \$18,000 a ton for their pricey product. In 1992, the sound's herring fisheries were worth nearly \$10 million.

Cook Inlet's Kamishak Bay has a somewhat reduced 2,200-ton quota. Fishermen last year took slightly less in a single half-hour opener and received \$570 a ton.

Kodiak's islandwide herring fishery, which runs from April 15 through June 30, has a quota this year of 3,500 tons. Kodiak fishermen were paid \$500 a ton last year, of which \$200 came from delivering to the docks.

Togiak herring averaged \$366 a ton last season, with fishermen from the Kuskokwim Delta getting in the \$300 range. Norton Sound lost out on its 1992 herring season when late pack ice kept buyers out of the area.

All of Alaska's herring goes to Japan, which sets strict import limits. To make market matters worse, a holdover of 20,000 tons of last year's product remains in inventory, which counts against this year's import quota.

Trawlers deny tax opposition: Factory trawler companies say they are not trying to derail a bill that would require them to pay a 3.3 percent landing tax on fish they catch in state waters.

Three percent is the raw fish tax shore-based operations now pay to the state, with 0.3 percent going to the Alaska Seafood Marketing Institute for generic promotions.

The bill, which would add an estimated \$10 million to state and local coffers, was introduced to the legislature March 30 by Rep. Carl Moses of Unalaska.

"We have not at this time taken a position either for or against the bill," said Joe Blum, executive director of the American Factory Trawler Association, which represents 20 companies that own and operate 46 trawler processors.

Blum said last week the association has hired a lobbyist to watch out for the group's interests. "That only makes sense when you're dealing in a sophisticated arena like the Alaska Legislature. It would be foolish to not have someone advising you on how the process works."

"I would hope the people of Alaska would not see anything sinister in that," he said.

Blum said that as the Legislature scrutinizes the tax proposal, members should consider the financial contribution catcher processors already make to the state. For example, Blum cited the Bering Sea Commercial Fisheries Development Foundation, formed by AFTA in 1991 to provide jobs and training for people in Western Alaska coastal communities.

Funding, which as of last December totaled \$683,000, comes from an assessment on each ton of fish caught by member vessels in Alaska waters.

And in 1990 alone, Blum said, the offshore fleet spent nearly \$120 million for goods and services in Alaska ports. "Let's give credit where credit is due," he said.

A statewide teleconference on the landing tax bill (House Bill 264) is scheduled for 5 p.m. Monday at legislative information offices.

Cook Inlet crab fishery: A decision on limiting entry to Cook Inlet's dungeness crab fishery was delayed last week to May 20. Public comment period has also been extended until May 17. Widely diverse comments are coming in at a rapid rate, according to state Commercial Fisheries Entry Commission Chairman Bruce Twomley.

Twomley said the commission wants to take more time to carefully consider all input and to "give Fish and Game time to get its thought on the record."

The commission held a public hearing on the issue last month in Homer, where supporters of limiting entry to the dungeness fishery slightly outnumbered those in opposition.

Under state statute, Twomley said, the commission is required to follow specific guidelines when making its decision. "Would it promote conservation of the fishery as well as the health and economic well-being of the fishery? If the answer to both questions is yes, then we have a legal duty to limit the fishery."

Cook Inlet's dungeness fishery has been closed since 1990.

Laine Welch produces Alaska Public Radio's "Alaska Fisheries Report" at KMXT in Kodiak. It can be heard on KTOO-FM in Juneau at 6:30 p.m. Fridays and 7:45 a.m. Saturdays. Bob King in Dillingham and Joe Gallagher in Homer contributed this week.

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. HB 264

Revision Date:

Title: Fishery Resource Landing Tax

Dept. Affected: Revenue

BRU: Revenue Operations

Component: Income and Excise Audit

Sponsor: House Rules

Requestor: House Rules

COMPONENT SERIAL NO. 113

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	58.0	58.0	58.0	58.0	58.0	58.0
TRAVEL	20.0	20.0	20.0	20.0	20.0	20.0
CONTRACTUAL	5.0	5.0	5.0	5.0	5.0	5.0
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	10.0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	94.0	84.0	84.0	84.0	84.0	84.0

CAPITAL						
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REVENUE FUND SOURCE: General Fund	4,300.0	4,300.0	4,300.0	4,300.0	4,300.0	4,300.0
	860.0	860.0	860.0	860.0	860.0	860.0

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	94.0	84.0	84.0	84.0	84.0	84.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	94.0	84.0	84.0	84.0	84.0	84.0

POSITIONS:

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

Estimate of current year (FY93) impact: \$ 0

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Larry E. Meyers, Director
Division: Income and Excise Audit Division
Approved by Commissioner: Darrel J. Rexwinkel
Agency: Department of Revenue

Phone: 465-2320
Date: April 1, 1993
Date: April 1, 1993

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Analysis

This bill amends AS Title 43 by adding a chapter to provide for a fishery resource landing tax. The landing tax would be imposed on fisheries resources brought into or landed in the state. The tax would be calculated by multiplying the value of the fishery resource by 3.3%.

Persons subject to the landing tax would be required to file a return with the department on a calendar year basis. The return and tax payment would be due April 1 after the close of the calendar year. Taxes collected on .3% of the value of the fishery resource will be paid into a separate account, the balance of which may be appropriated by the legislature to the Alaska Seafood Marketing Institute (ASMI).

All remaining taxes collected will be paid into a separate account in the general fund. Of that amount, fifty percent will be shared to cities and boroughs in the same manner as fisheries business taxes under AS 75, subject to appropriation by the legislature.

Based on the Department of Revenue's 1991 Fish Tax Study, landing tax revenues are estimated as follows:

	<u>Value</u>	<u>3% Portion</u>	<u>.3% Portion</u>
Landing Tax	\$285,700.0	\$8,600.0	\$860.0
Less Amount Shared (50%)		<u>(4,300.0)</u>	<u>N/A</u>
Net Landing Tax		<u>\$4,300.0</u>	<u>\$860.0</u>

Operating Costs

Personal Services	
Revenue Auditor III - Anchorage (Range 18A)	58.0
Travel	
Compliance and Review	10.0
Audits	10.0
Contractual	5.0
Supplies	1.0
Equipment	
Computer and Modular Furniture (FY 94)	10.0

A M E N D M E N T

OFFERED IN THE HOUSE

TO: HB 264

Page 2, following line 11:

Insert a new section to read:

"Sec. 43.77.035. CREDIT FOR APPROVED CONTRIBUTIONS. (a) A taxpayer who harvests a fishery resource under the provisions of a community development quota may claim as a credit against not more than 50 percent of the tax due under this chapter the taxpayer's contributions made during the tax year to a nonprofit corporation incorporated under the laws of the state that are used by the recipient for one or more of the following purposes:

(1) scholarships for study in the disciplines of fisheries management, fisheries business administration, or another related course or discipline;

(2) training for employment in the seafood industry;

(3) making contributions of capital, in the form of loans or grants, to construct or improve

(A) transportation facilities such as airports and docks that are used for the unloading, transferring, or shipment of fisheries products; or

(B) facilities at which fisheries products are canned, frozen, or otherwise processed for inventory, including floating facilities that are documented under the laws of the United States as defined in 46 U.S.C. App. 801;

(4) awarding grants for research projects relating to fisheries.

(b) A taxpayer who makes a contribution that qualifies for the credit authorized by (a) of this section and who claims a credit for the contribution must apply to obtain the credit. The taxpayer shall apply in the manner provided by the department by regulation, and shall provide to the commissioner all information relating to the contribution that may be required by the department. Upon receipt of

a complete application, the department shall approve or disapprove the application for the credit within 60 days.

(c) The department may not approve a tax credit under this section if (1) the department determines that the contribution does not qualify under (a) of this section; or (2) the taxpayer claiming the credit is in arrears in the payment of the tax levied by this chapter. For purposes of this subsection, a taxpayer is not in arrears if the payment is under administrative or judicial appeal.

(d) A contribution allowed as a credit under this section may not be claimed as a credit under another provision of this title."

Page 4, following line 9:

Insert a new subsection to read:

"(e) In this section, "tax revenue collected" does not include ^{twice the} amounts credited against taxes under AS 43.77.035."

Page 4, line 13, after "(1)":

Insert ""community development quota" has the meaning given that term in a regulation adopted by the Office of the Governor, under authority granted by art. III, secs. 1 and 24, Constitution of the State of Alaska, to implement a program of the North Pacific Fishery Management Council to set aside fisheries resources for community development purposes in western Alaska;

(2)"

Renumber the following paragraphs accordingly.



Coastal Villages Fishing Cooperative

204 N. Franklin, Suite 1 • Juneau, AK 99801 • Phone 907-586-2360 • Fax 907-586-2331

April 9, 1993

Representative Carl Moses
Alaska State Legislature
State Capitol
Juneau, AK 99801

Dear Representative Moses:

On behalf of the Coastal Villages Fishing Cooperative (CVFC), the Norton Sound Economic Development Corporation (NSEDC), and the Yukon Delta Fisheries Development Association (YDFDA), I would like to provide these comments to the House Special Committee on Fisheries concerning HB 264 "An Act Providing for a Fishery Resource Landing Tax; and Providing for an Effective Date." These two corporations represent over 30 villages participating in the Community Development Quota (CDQ) pollock fishery of the Bering Sea. Unfortunately, I will not be able to attend Monday's hearing and would appreciate the committee's consideration of these comments and the enclosed amendment. Karl Ohls will be available on teleconference to answer any questions.

CVFC, NSEDC, and YDFDA agree with the need for the State of Alaska to obtain revenues from fishing activities which occur in the EEZ off Alaska. We agree that the State puts a significant effort into managing these resources and that the State is an important staging area for offshore activities.

We would be able to strongly support this legislation with the adoption of one amendment, which is enclosed with this letter. This amendment would allow companies participating in CDQ fisheries to deposit 50% of their tax liability into a non-profit corporation or foundation to serve four specific "governmental" purposes, similar to the uses landing ports make of their share of the tax revenues. These purposes are (1) training residents to work in the seafood industry, (2) obtaining education in the various aspects of fisheries and fisheries business, (3) building the infrastructure for the communities to become active members of the fishing industry, and (4) conducting basic research into fisheries.

CVFC, NSEDC, and YDFDA understand the justification for providing revenue sharing to communities with ports where landings actually occur. However, we also believe that there is significant justification for allocating a small portion of the revenue to communities without ports, as would be allowed by the adoption of the proposed amendment.

- * There is precedent for the Legislature to provide tax credits for purposes similar to those covered by this amendment. In current law there are two tax credits to the fisheries business tax: the Fisheries Business Education tax credit found at AS 43.75.018 and the "Win Brindle" Memorial Scholarship tax credit found at AS 43.75.032.
- * The purpose of the CDQ program is to establish fishing economies in economically-depressed Bering Sea coastal communities. By providing a source of funding for what are in essence "governmental" functions [education, training, infrastructure, and research], the State will help ensure that successful fishing economies are created.
- * Allowing fishing companies which participate in the CDQ fisheries access to this tax credit does not impose any unfair burdens on other offshore fishing companies as all of the companies will pay the same amount of tax; the only difference is the end use of the funds made available.
- * Fisheries infrastructure development in more coastal communities will result in more fishery resources landed in Alaska and more revenue to the State.
- * With declining State revenues, funds for scholarships, training, and infrastructure development will be less available in the future to coastal communities which do not receive revenue sharing from the landing tax. Providing this source of funding will in small measure compensate for the upcoming budget reductions.
- * The CDQ fisheries will be providing revenues to the general fund equal to the amount provided by any other offshore fishing activity.
- * In addition to providing a much needed source of employment and investment dollars, several CDQ fishing enterprises are now contributing revenues directly to the State through the fisheries business tax, the State Corporate Income Tax, and through self-assessment of the fisheries business tax. Paying our fair share to the State through the landing tax is appropriate. However, this tax credit amendment will provide an added benefit to the State and the CDQ communities as a source of funding for governmental-type services that are essential for the success of the CDQ business ventures.

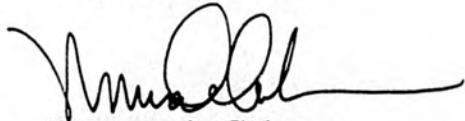
For each of these reasons, the Coastal Villages Fishing Cooperative, the Norton Sound Economic Development Corporation, and the Yukon Delta Fisheries

Representative Moses
Page 3

Development Foundation request that HB 264 be amended and the bill be passed out of committee to its next committee of referral.

Thank you for your consideration of our views.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Norman A. Cohen', with a long horizontal flourish extending to the right.

Norman A. Cohen
Executive Director

cc: Commissioner Fuhs
Commissioner Rosier
Commissioner Rexwinkel
Clem Tillion
CDQ groups
Rep. MacLean
Rep. Hoffman
Rep. Foster

Bristol Bay Economic Development Corporation

P. O. Box 1464
Dillingham AK 99576
Phone (907) 842-4370
Fax (907) 842-4336

P. O. Box 22871
Juneau AK 99802
Phone (907) 586-6070
Fax (907) 586-6071

TESTIMONY ON HB 264

Landing Tax for Offshore Processed Seafood Resources

by H. Robin Samuelsen, Jr.

Chairman, Bristol Bay Economic Development Corporation

Good afternoon, Mr. Chairman and Members of the Committee. Thank you for the opportunity to speak on this legislation. For the record my name is Robin Samuelsen, and I'm speaking on behalf of the Bristol Bay Economic Development Corporation, or BBEDC.

BBEDC represents the 14 villages in the Bristol Bay region eligible under the Community Development Quota (CDQ) Program. We were successful in acquiring 20% of the CDQ quota for 1992 and 1993, 20,289 metric tons of pollock per year. With our partner Oceantrawl Inc., we are participants in the Bering Sea pollock fishery, and will be directly impacted by this legislation. As our partnership is based on profit sharing, any additional costs to the operation come mostly out of our pockets.

While 20,000 tons is a lot of fish, it is a very small fraction of the total resource, about 1.7%. Assuming that the 3.3% tax rate is applied to the average ex-vessel value for pollock, the tax bill for our fish will be \$118,000/yr (at 8¢/lb). For nine vessel offloads by Oceantrawl in Dutch Harbor, that averages \$13,000 per offload.

In Bristol Bay we understand the impacts of a non resident fleet on the services of small rural communities, and the difficulty in

collecting revenues sufficient to offset them. Most Bristol Bay communities receive some fish tax shared back from the state, and some have local fish taxes as well. Overall, our fishermen contribute a very large percentage of the fisheries business tax collected by the state now.

We also recognize the state's considerable investment in the fisheries outside three miles, and the need to cover those costs. This legislation obviously affects other trawl and longline fisheries and crab too.

This is however a very tough time in the groundfish industry. There is very little profit left, whether you are a fisherman, a processor, or a factory trawler. Our concern is that the additional burden of taxes is being added at the worst possible time. The CDQ communities of western Alaska now have a major financial stake in how these issues are resolved, and our interests must also be taken into account.

With that in mind, we strongly support an amendment that would recognize the work that the offshore fleet is doing in western Alaska, particularly the CDQ projects. A tax exemption for donations to foundations or other non-profit entities doing quasi-governmental activities such as training and infrastructure development would help to ensure that added revenues to the state and landing ports are not at the expense of existing activities in western Alaska.

We support the Coastal Villages Fishing Cooperative's proposed amendment, and attach their April 9th letter to Chairman Moses to our testimony.

That is all I have, Mr. Chairman. Thank you.

WALTER J. HICKEL
GOVERNOR



P. O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

June 24, 1993

*The Honorable Carl Moses
Alaska State Representative
Chair, House Rules Committee
716 West Fourth Street, Suite 630
Anchorage, AK 99501-2133*

Dear Carl,

I am pleased to inform you that the legislation sponsored by the House Rules Committee, House Bill 264, relating to the levying and providing for the collection of and disposition of the proceeds of a fishery resource landing tax, was signed into law on June 24, 1993. The chapter reference is Chapter 67, SLA 1993, and the effective date is January 1, 1994.

With best regards.

Sincerely,

A handwritten signature in cursive script that reads "Wally".

Walter J. Hickel
Governor

HB 264.

TO ~~CARL~~ ^{WALTER}

FYI

From Molly

NEWS RELEASE

STATE OF ALASKA

OFFICE OF THE GOVERNOR
Post Office Box 110001
Juneau, Alaska 99811-0001

WALTER J. HICKEL
Governor

JOSEF P. HOLBERT
Director of Communications



JOHN MANLY
Press Secretary

JOHN HENDRICKSON
Deputy Press Secretary
Anchorage Office: 561-4228

BRIAN HART
Assistant Press Secretary

907-465-3500
FAX: 907-586-8369

FOR RELEASE: June 24, 1993
No. 93-139

GOVERNOR SIGNS FISHERIES LANDING TAX; THREE OTHER BUSINESS AND ECONOMIC BILLS

JUNEAU--Governor Walter J. Hickel today signed into law four bills intended to help Alaska business. These will impose a landing tax on fish caught and processed offshore; establish a prevailing wage rate for public construction contracts; exempt export inventories from property taxes; and liberalizes the state's regional economic assistance program.

HB 264 enacts a 3.3 percent landing tax on all fisheries resources first landed in the state, but exempts fish already subject to the state's fishery business tax. This tax is expected to generate about \$8.8 million annually, of which \$800,000 will go to the Alaska Seafood Marketing Institute for marketing. The rest of the revenue will be split evenly between the state treasury and the communities in which the fish are landed.

"The catcher-processors working offshore have a great impact on Alaska, and yet, have not up 'til now contributed to help pay for the state-funded benefits they receive," the Governor said. "This is no more than we ask from the shore-based industry, which has been paying state taxes for many years."

Representative Carl Moses of Unalaska, who sponsored HB 264 at the request of the Hickel administration, said passage of the bill was the highlight of the legislative session for him. "The landing tax is fair compensation to the state and local communities for the services they provide to the offshore fleet."

The landing tax is the result of a 1991 analysis done by the Departments of Revenue and Fish and Game that concluded that a landing tax was one of two inequities the state could correct. The other, to define

- more -

how "value" is determined, was also passed by the Legislature this year. HB 264 goes into effect on January 1, 1994.

HB 126 provides that the prevailing wage rate that is in effect ten days before final submission of bids for public construction projects will remain in effect for either the life of the contract or for 24 months, whichever is shorter. This will help to contain the cost of public works projects by not allowing them to be susceptible to rising prevailing wage rates in the middle of construction. This law becomes effective in 90 days.

Labor Commissioner Charles Mahlen said, "This new law will be good for Alaska workers because it will allow the Department of Labor to update the prevailing wage rate as needed, without disrupting construction projects that are already in progress. And contractors will be assured of a stable wage rate for the life of their contracts."

Mahlen also said bidding would become much more competitive because wage rates would be a known factor for the duration of a contract.

Representative Gail Phillips, prime sponsor of HB 126, said, "Passage of this bill means the state and municipal governments will be better able to know what the labor costs of their projects are when they go to bid, and won't be hit with costly surprises in the middle of the project."

HB 211 gives local governments the option to exempt goods being held for shipment out-of-state from inventory property taxes. This will have the two-fold effect in municipalities with school districts of allowing greater flexibility to generate local revenues and provide for local economic development incentives. HB 211 goes into effect in 90 days.

SB 142 makes changes to the Alaska Regional Economic Assistance Program (ARDORS) in the Department of Commerce and Economic Development in the following ways: It limits civil liability of regional development organization board members and staff; exempts contracts between state agencies and regional development organizations from the state procurement process; and raises the state grant funding cap to regional development organizations from \$50,000 to \$100,000 per year. It also provides flexibility in state grant match requirements based on the ability of each organization to raise matching funds from nonstate resources. The bill goes into effect July 1, 1993.

####

<u>Hypothetical</u>	<u>Ex. One</u>	<u>Ex. Two</u>
Value of fishery resources	\$10,000	\$10,000
Tax Rate	3.3%	3.3%
Tax before credits	\$330	\$330
Credit Claimed (45.45% maximum and 10%)	\$150	\$ 30
Tax due shown on return and paid by taxpayer	\$180	\$300
Amount to ASMI under AS 43.77.040(a)	\$ 30	\$ 30
Amount remaining in general fund	\$150	\$270
Reduction for tax credits per AS 43.77.040(b)	\$150	\$ 30
Amount available for revenue sharing	\$ 0	\$240
50% to municipalities under AS 43.77.040	\$ 0	\$120
Amount retained by General Fund	\$150	\$150

Note: If a taxpayer pays only a part of the tax, ASMI always gets all of its share before the state general fund and the municipalities.

HB 264

Representative Phillips moved and asked unanimous consent that CSHB 264(FIN) be considered engrossed, advanced to third reading and placed on final passage. There being no objection, it was so ordered.

CSHB 264(FIN) was read the third time.

The question being: "Shall CSHB 264(FIN) pass the House?" The roll was taken with the following result:

CSHB 264(FIN)

Third Reading

Final Passage

YEAS: 32 NAYS: 5 EXCUSED: 0 ABSENT: 3

Yeas: Barnes, Brice, Brown, Bunde, Carney, Davies, B.Davis, G.Davis, Foster, Green, Grussendorf, Hanley, Hudson, James, Larson, Mackie, MacLean, Menard, Moses, Mulder, Navarre, Nicholia, Olberg, Parnell, Phillips, Porter, Sanders, Therriault, Toohey, Ulmer, Vezey, Williams

Nays: Finkelstein, Kott, Martin, Sitton, Willis

Absent: Davidson, Hoffman, Nordlund

And so, CSHB 264(FIN) passed the House.

Representative Phillips moved and asked unanimous consent that the roll call on the passage of the bill be considered the roll call on the effective date clause. There being no objection, it was so ordered.

CSHB 264(FIN) was referred to the Chief Clerk for engrossment.

UNFINISHED BUSINESS**HB 124**

Representative Mackie moved and asked unanimous consent to withdraw his reconsideration (page 1623) of the following:

HOUSE COMMITTEE REPORT

4/13

(5)

Date Referred: March 30, 1993

FURTHER REFERRALS:

Finance

Date of Committee Action: 4/12/93

The HOUSE SPECIAL COMMITTEE ON FISHERIES considered:

HB 264

HOUSE BILL NO. 264

FISHERY RESOURCE LANDING TAX

"An Act providing for a fishery resource landing tax; and providing for an effective date."

RECOMMENDATIONS:

be replaced with CS HB 264 (FSH) ☐ the same title ☒ a new title

☐ have attached amendments(s)

☒ do pass

☐ do not pass

☐ no recommendations

☐ individual recommendations

☐ additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept)

APPROVES PREVIOUS: (Dept/Date)

☒ fiscal impact Revenue + DCED

☐ fiscal note(s) _____

☐ zero fiscal note _____

☐ zero fiscal note(s) _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Carl E. Moses</i> ^{Moses} ✓					
<i>Hayley Oliver</i> ^{Oliver} ✓					
<i>Saint Phillips</i> ^{Phillips} ✓					
<i>Vene Nickola</i> ^{Nickola} ✓					

Carl E. Moses ^{Moses}
CHAIRMAN'S SIGNATURE

HB 264
FISHERY RESOURCE LANDING TAX

Administration contacts:

Department of Revenue: Carl Meyer and Larry Meyers
Income & Excise Audit Division
465-2320

Department of Commerce: Paul Fuhs, Commissioner
465-2500

ASMI: Kim Elton, Executive Director
465-5560

Department of Fish & Game: Carl Rosier, Commissioner
465-4100

Department of Law: Vince Usera
Assistant Attorney General
465-2398

Alaska State Senate
Eighteenth Legislature
First Session

RCS# 993
Item 37

05-11-93
19:09:10

CSHB 264 (FIN)

Third Reading - On Reconsideration
Effective Date

Yeas:	11	Frank, Halford, Jacko, Kelly, Leman, Miller, Pearce, Phillips, Rieger, Sharp, Taylor
Nays:	9	Adams, Donley, Duncan, Ellis, Kerttula, Lincoln, Little, Salo, Zharoff
Excused:	0	
Absent:	0	

Alaska State Senate
Eighteenth Legislature
First Session

RCS# 994
Item 38

05-11-93
19:10:22

CSHB 264(FIN)

Effective Date

Yeas: 18 Donley, Duncan, Frank, Halford, Jacko,
Kelly, Kerttula, Leman, Lincoln, Little,
Miller, Pearce, Phillips, Rieger, Salo,
Sharp, Taylor, Zharoff

Nays: 2 Adams, Ellis

Excused: 0

Absent: 0

Duncan changed from "Nay" to "Yea".
Little changed from "Nay" to "Yea".
Kerttula changed from "Nay" to "Yea".
Lincoln changed from "Nay" to "Yea".

<u>Hypothetical</u>	<u>Ex. One</u>	<u>Ex. Two</u>
Value of fishery resources	\$10,000	\$10,000
Tax Rate	3.3%	3.3%
Tax before credits	\$330	\$330
Credit Claimed (45.45% maximum and 10%)	\$150	\$ 30
Tax due shown on return and paid by taxpayer	\$180	\$300
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Amount remaining in general fund	\$150	\$270
Reduction for tax credits per AS 43.77.040(b)	\$150	\$ 30
Amount available for revenue sharing	\$ 0	\$240
50% to municipalities under AS 43.77.040	\$ 0	\$120
Amount retained by General Fund	\$150	\$150

Note: If a taxpayer pays only a part of the tax, ASMI always gets all of its share before the state general fund and the municipalities.

New Western Alaskan Fishing Foundation formed

by Harold Sparck

Local fishing leaders and a group of Seattle-based trawlers have formed a non-profit foundation which will share in the booming \$1 billion a year Bering Sea groundfishery.

Last week the American Factory Trawl Association (AFTA) along with former state senator John Binkley and Bristol Bay fishing leader Harvey Samuelson announced the incorporation of the Western Alaskan Commercial Fisheries Development Foundation. The nine-member board dominated by western Alaskans, is slated to receive up to \$1 million annually from the trawlers.

The plan calls for AFTA's 42 member companies to tax each ton of groundfish harvested within the U.S. 200 mile zone off Alaska and funnel those monies back to the foundation.

Proponents believe that the new group will increase cooperation between the former adversaries over ocean bycatch, increasing local offshore fishing opportunities, and additional markets for inshore harvest of salmon and herring.

According to Samuelson, "the Pacific canners have been out here for over 100 years, and they have never

done anything like this. All these people want to do is exploit, take away, and not give anything back to the people who stay here. Well, in this foundation, somebody is giving something back for the first time."

"This foundation is our way of giving something more to the area that has been good to us," says AFTA's Morgan. "We're excited about working with John, Harvey, and other Alaskans and putting together some innovative Bering Sea fishery development projects."

Binkley, now resident of Fairbanks, and Samuelson had teamed up in mid-80's to put cash-poor Western Alaskan villages into the ocean fisheries. In 1983, then District 25 Representative Binkley, pioneered "community development" quotas (CDQ's) that would allocate an annual portion of the Bering Sea harvest within the 200 Mile Zone to disadvantaged Bering Sea Rim Villages. Binkley responded to his constituents who were frustrated at having their herring and salmon fisheries interrupted by trawlers offshore, and prohibited by a lack of capital and experience from joining in the \$1 billion a year ocean fishery by the same American fleet.

Binkley's efforts to expand Western Alaskan fishing opportunities won strong backing from Samuelson, the perpetual president of Bristol Bay's Western Alaska Cooperative Marketing Association (WACMA). Samuelson said that he had

"been trying to get more funding for Western Alaskan commercial fisheries development for years. During the 80s we tried with the Japanese, but I think that they were afraid of the salmon industry. I think this foundation is an important step in the right direction," Binkley agreed. "I tried along with

my Western Alaskan supporters to get CDQ's through the political angle in Congress, and we haven't been successful so far, but I can see with this new foundation a start in that practice."

Although their repeated efforts "did not put fish in Western Alaskan pockets,"

said David Bill, Chairman of the Qaluyasat Fisherman's Association, and a CDQ advocate, "it did help make a deal like this possible. No one would listen to us for so long, our poor villages, but Binkley and Harvey believed in it, and now it is started." Bill also credits Lyman Hoffman, who took over

Binkley's Senate seat, and continued the effort to achieve CDQ's "as being important in helping us start this new foundation."

"I'm excited about it three ways," said Binkley. "First the money from the founda-

See NEXT page

From PREVIOUS page

tion will get out to Western Alaska to help develop fisheries. Next is the opportunity for people in Western Alaska to participate with individual members of the factory trawlers associations in joint ventures...working together will enhance the economic opportunities. I can picture locals fishing for them, establishing long term relationships with factory trawlers. Last, this will foster a better understanding of each others concerns, like bycatch, and lead to a working relationship between Western Alaskans and factory trawlers, and ultimately a solution," Binkley stated.

Binkley sharply differed with some skeptics who have called the agreement a "political pay-off," exchanging surplus Seattle cash for vocal Alaskan political support of AFTA allocation and bycatch issues now confronting Federal fish managers. "We are prohibited from participating politically in anyway by the Foundation's articles of incorporation," Binkley added. "There is no way that this agreement is going to change what this old man has been saying about bycatch and local development," said Samuelson.

Area fishing leaders agree that their bycatch concerns will not be quieted by the establishment of the founda-

tion. "Herring and salmon are our food and our money, and sitting in the same room for the first time will help us solve that issue with them," said Bill. "I'm not going to keep quiet about our fish being caught out there because of this agreement," added Joe Paniyak, of Chevak's Kokechik Fishermen's Association.

Binkley was encouraged by former constituents to form the new corporation. According to Bill, many Y-K coastal fishing groups had

recently written to Alaskan Senator Ted Stevens and Rick Lauber, Chairman of the North Pacific Fisheries Management Council to substitute CDQ's for current allocation schemes like inshore/offshore, and individual fishing quotas that divide the annual tonnage between well financed fisheries. The letters cited Binkley's leadership in bringing CDQ's to public attention, and asked for CDQ's to be inserted as the highest priority in any Council allocation formula.

When asked to set a Foundation timetable, Binkley thought that "the Board will come together fairly quick, within the next two weeks, then start requesting proposals by late July or August, when we will have all the Board members, and an executive director." Joe Sullivan, former Mayor of Bethel, and now a Seattle fisheries attorney will serve as interim director until the Board selects its own director.

Binkley believes the AFTA tax will generate "about \$1 million this year, and we expect that to be an annual allocation." Paniyak said that foundation will allow the villages to be more aggressive in seeking government and private grants that require a local contribution. According to Binkley, "that money can be used as match to expand the development pool."

Earlier this year, several

AFTA boats bought herring in Togiak at \$100-\$125 a ton more than American processors offered, a pricing practice that Western Alaskan fishing groups welcome in their small volume fisheries that have not benefited from price competition. Samuelson's WACMA group "is planning for a factory trawler to buy reds from our members this summer," at a

See FISHING page 31

FISHING from page 13

price above that being proposed by local processors.

Charlie Sped Sr. of Motoryuk, who fishes and tenders, believes that the chance of dealing with other buyers will break up the stagnant pricing situation above Cape Newenham that has embittered local fishermen. Bill too hopes that the new

agreement will lead to trawlers buying "from us inshore when they are not fishing. I know that they have nothing to do a lot of time during the year because there are so many boats fishing offshore."

"If this works, maybe many buyers and better money will be in the future," said Paul Kluysa Sr. of Kiguk.

Communities Eager for AFTA Support

"There's been too many people taking resources out of Alaska and they don't put nothin' back. It's just exploit, exploit, exploit."

Harvey Samuelsen's complaint is typical of many Alaskans who have felt used and abused throughout the years by a mostly non-resident fishing industry. But now a foundation sponsored by the American Factory Trawler's Association (AFTA) is looking to give something back to an area that has admittedly been good to them.

The Bering Sea Commercial Fisheries Development Foundation will fund projects to boost nearshore fisheries throughout western Alaska. AFTA's 42-member trawlers will pay for the foundation through an assessment on each ton of groundfish they take. Based on last year's catches, the foundation will receive a million dollars a year.

Samuelsen, a Dillingham gillnetter and president of the Western Alaska Cooperative Marketing Association, said the money was needed in western Alaska. "Especially these villages along the Bering Sea rim, like the Pribilof Islands, Nelson Island, Nunivak Island and Togiak," he said. "They're being left out and I think this foundation would go a long ways in helping these communities."

And if the funds are used as seed money to get development grants, the million-dollar foundation could stretch even farther.

Possible projects could range from value-added processing to new product development and training young fishermen. The actual projects to be funded would be chosen by a nine-member board including Samuelsen, former Bethel Senator John Binkley and four other residents of western Alaska. AFTA president Bob Morgan and two other members of the factory trawler's association will also sit on the board.

While the foundation is aimed at helping western Alaskan fishermen, Binkley says the association with factory trawlers could also lead to more joint ventures like the agreement between Bristol Bay fishermen and Golden Age Fisheries to buy herring and salmon this year.

And Binkley thinks it could help resolve some of the differences

between the two groups. "This will foster a better understanding of each other's concerns, like bycatch, and lead to a working relationship between western Alaskans and the factory trawlers, ultimately leading to a solution," Binkley said.

Announcement of the Foundation came just before the North Pacific Fisheries Management Council began consideration of the onshore/offshore allocations for pollock and cod. Council member Henry Mitchell, though, didn't see it as an attempt to influence the Council. He said the factory trawlers were looking out for other economic interests.

"They're going to have a real problem, they already are, in terms of shortened fishing seasons because of the massive effort out there," Mitchell said. "I think they're looking around and saying, hell, we can participate in some of the traditional onshore fisheries in herring and salmon."

"And I welcome, very much so, the increased competition that would take place by some of these new folks, the factory trawlers, getting involved in some of these fisheries that have been the exclusive domain of the old-time Alaska processors."

Senator Binkley hopes the foundation can help western Alaskans realize some longterm economic goals.

"I tried along with my western Alaska supporters to get CDQs [Community Development Quotas] through the political angle through Congress and we haven't been successful. But I can see with this new foundation a start in that practice," he said.

To ensure that the Foundation doesn't turn into a lobbying group, the Foundation's bylaws strictly prohibit it from taking any political stands.

But board members like Harvey Samuelsen were not likely to be bought off anyway.

"As long as I'm on the board, they ain't gonna tell me what to do or use me for a mouthpiece at the North Pacific Council meetings," growled Samuelsen as he sipped coffee aboard his 32-foot Bristol Bay gillnetter, the *Darci Jo*. "They're absolutely not gonna get that satisfaction out of this old man, period."

—Bob King/Harold Sparck

CITY OF UNALASKA

P.O. BOX 89
UNALASKA, ALASKA 99585
(907) 581-1251
FAX (907) 581-1417



May 12, 1993

Representative Carl Moses
State Capitol
Room 204
Juneau, Alaska 99801-1182

Dear Representative Moses:

The City of Unalaska greatly appreciates all your work on Fish Landing Tax 264. It was a very important legislation for the State of Alaska and our community.

Thank you for your tireless efforts on this bill.

Sincerely,

A handwritten signature in dark ink, appearing to read "Frank V. Kelty".

Frank V. Kelty
Mayor

Carl L. Rosier, Commissioner

Public Communications
P.O. Box 25526
Juneau, Alaska 99802-5526
(907) 485-4112



Alaska Department of Fish & Game

NEWS

Testimony on House Bill 264 before the House Special Fisheries Committee

Carl L. Rosier
Commissioner
Alaska Department of Fish and Game
April 5, 1993

I am pleased to see HB 264 introduced. This is an idea whose time has come. With the departure of the foreign fleets from within the 200 mile limit, or Exclusive Economic Zone (EEZ) the offshore factory trawl industry is fully Americanized. A large fleet of approximately 60 plus modern vessels, mostly based in the state of Washington, operates within the EEZ off the coast of Alaska. This fishery has been extremely profitable and rapid capital investment has occurred.

This fleet harvests a bycatch of crab, halibut, herring and salmon while targeting on other species. These species are important to Alaska's resident fishermen and processors, and their coastal communities. The incidental harvest of these species by the factory trawlers has an economic impact on Alaskans by the removal through bycatch of resources that would otherwise be harvested and processed by residents of coastal Alaska.

This fleet avails itself of Alaskan docks and harbors, communications and transportation systems, as well as medical services when needed.

This fleet pays virtually no taxes to the state for either the services it receives or its impact on coastal, Alaskan communities. HB 264 proposes a modest, 3% tax on product landed in Alaska for shipment to market

elsewhere. The revenue from this tax could help pay for the services used by the factory trawlers and mitigate for some of the economic impact they have on Alaska's coastal communities.

It is also no secret that management and enforcement in the offshore fisheries are underfunded. The revenue from this landing tax would provide a necessary addition to the funding of these functions.

However, I am concerned about the budgeting process we are witnessing in the State Senate this year. If the approach to funding natural resource management being proposed in that body prevails, then the benefits offered by the additional revenue from HB 264 will be significantly reduced. If Alaska is to maintain or increase its revenues, jobs, and resident income from fish and wildlife resources, then it has to be willing to put its money into the management of these resources.

I recognize the fiscal situation the state is facing as oil revenue declines. While fish and wildlife resources will never offer the tax revenue that oil does, these resources do offer abundant employment and income producing opportunities for Alaskans. The facts show that the users have been willing to pay a fair share of the cost of managing and protecting these resources. The prudent thing is to build the renewable resource base of the state now, so that when oil revenue declines, these renewable sources of employment and income will be strong. This cannot be done with the cuts to natural resource management being proposed in the Senate.

In closing, I want to thank the House leadership for the approach they have taken on the budget this year. While the department has taken reductions, it has been done in a thoughtful, responsible fashion. I have especially appreciated the dialogue between the House budget writers and the department.

House bill 264 will help provide the management, research, and enforcement that must be done if fisheries resources are to continue their productivity on a sustained yield basis. I want to thank Representative

Moses and the House Rules Committee for the introduction of this bill. I fully support passage of it before the session adjourns.

**AMERICAN FACTORY TRAWLER ASSOCIATION PRESENTATION
TO THE JOINT HOUSE AND SENATE ECONOMIC TASK FORCE
MARCH 13, 1993**

**PRESENTED BY: ED LUTTRELL, PRESIDENT, ARCTIC KING FISHERIES
JOE BLUM, EXECUTIVE DIRECTOR, AMERICAN FACTORY
TRAWLER ASSOCIATION**

**1. IN 1990 THE OFFSHORE SECTOR PROVIDED THE FOLLOWING
CONTRIBUTIONS TO ALASKA:**

- TAXES \$5.4 MILLION (NOT COUNTING CORPORATE, PAYROLL AND CERTAIN LOCAL TAXES)
- PAYROLL \$7.0 MILLION
- ADMINISTRATIVE \$2.3 MILLION
- STORAGE \$8.7 MILLION
- TRANSPORTATION \$7.9 MILLION
- GROCERIES/SUNDRIES \$3.4 MILLION
- MAINTENANCE AND REPAIR \$14.4 MILLION
- FUEL AND LUBRICANTS \$59.7 MILLION
- MISCELLANEOUS \$12.6
- TOTAL/'90 = \$121.4 MILLION

**2. IN 1991, AFTA ESTABLISHED THE BERING SEA COMMERCIAL
FISHERIES DEVELOPMENT FOUNDATION FOR THE PURPOSE OF ASSISTING IN
THE CREATION OF OPPORTUNITIES FOR THE RESIDENTS OF WESTERN ALASKA
TO ENGAGE IN THE COMMERCIAL FISHING INDUSTRY -- IN BOTH THE
HARVESTING AND PROCESSING SECTORS. AFTA MEMBERS SUPPORT THE**

FOUNDATION THROUGH ASSESSMENTS AGAINST EVERY TON OF FISH THEY CATCH IN THE BERING SEA AND GULF OF ALASKA. BY THE END OF 1992, OVER \$680,000 HAD BEEN CONTRIBUTED TO THE FOUNDATION. THE FIRST PROJECT UNDERTAKEN BY THE FOUNDATION WAS AN AGGRESSIVE TRAINING PROGRAM THROUGH WHICH OVER 100 WESTERN ALASKAN RESIDENTS WERE RECRUITED FOR SPECIAL TRAINING PROGRAMS CONDUCTED BY THE ALASKAN VOCATIONAL TRAINING CENTER IN SEWARD. GRADUATES OF THE TRAINING PROGRAM WERE THEN OFFERED EMPLOYMENT ONBOARD AFTA VESSELS. BY THE END OF 1992, OVER 100 WESTERN ALASKANS HAD BEEN RECRUITED, TRAINED AND EMPLOYED BY THE OFFSHORE INDUSTRY. AN ADDITIONAL 300 GRADUATES OF THE PROGRAM ARE ANTICIPATED IN 1993.

3. SIX OFFSHORE COMPANIES, FIVE OF WHICH ARE AFTA MEMBERS, ARE CURRENTLY ENGAGED IN PROJECTS WITH CDQ COMMUNITIES IN WESTERN ALASKA -- FROM ATKA TO NOME AND THE PRIBILOFS. THOSE PROJECTS WILL GENERATE NEARLY \$20 MILLION DOLLARS A YEAR IN INCOME AND OTHER BENEFITS ACCRUING TO WESTERN ALASKAN COMMUNITIES. AS A RESULT, WESTERN ALASKAN RESIDENTS SHOULD HAVE THE SEED MONEY NECESSARY TO DEVELOP THE EXPERTISE AND INFRASTRUCTURE REQUIRED TO ESTABLISH A VIABLE COMMERCIAL FISHING INDUSTRY IN THEIR AREA.

4. IN ALASKA FOR 1990 THE AT-SEA FLEET GENERATED MORE THAN 800 JOBS (USING MULTIPLIER EFFECTS). THE AVERAGE WAGE IN 1990 WAS \$27,000. ENTRY LEVEL WAGES FOR A 60-DAY "TRIP" ARE AS MUCH AS \$10,000.

5. THE AT-SEA FLEET, IN ADDITION TO THE \$7.0 MILLION IN DIRECT WAGES WAS ALSO RESPONSIBLE FOR APPROXIMATELY \$9.0 MILLION IN INDIRECT WAGES. WE DO BUSINESS WITH ALASKA COMPANIES SUCH AS: OFFSHORE SERVICES INCORPORATED, ALASKA AIRLINES, MARK AIR, FACTORY TRAWLER SUPPLY, PENINSULA AIRWAYS, MORRIS AIR, DUTCH HARBOR BUNK HOUSE, SPENARD LUMBER, ALEUTIAN MARINE ELECTRONICS, INDEPENDENT LIFT TRUCKS, DUTCH HARBOR TAXI, HARRIS ELECTRIC, ALASKA SHIP SUPPLY, PACIFIC SHIP SUPPLY, UNISEA INN, WALSHACK SHIPYARD, ALIA WELDING, WATERFRONT WELDING, KODIAK TRANSFER, KODIAK WESTMARK, SHELIKOF INN, PUFFIN INN, ARC N SPARK, SPILL SHIELD, CARLS INC., NORTH STAR TERMINAL, AND NAPA TO NAME A FEW.

6. IN THE LETTERS INVITING US TO PARTICIPATE IN THIS IMPORTANT MINI-SUMMIT YOU ASKED US TO ADDRESS "INCENTIVES TO MAKE ALASKA AN ATTRACTIVE PLACE TO DO BUSINESS." OUR FIRST SUGGESTION WOULD BE THAT YOU DO YOUR OWN ASSESSMENT TO VERIFY THAT THE NUMBERS WE JUST PROVIDED YOU ARE CONSISTENT WITH YOUR RECORDS AND THEN RECOGNIZE THAT THE OFFSHORE PROCESSING SECTOR IS AN IMPORTANT ECONOMIC FACTOR IN ALASKA AND THAT YOU ENCOURAGE OUR CONTINUED PARTICIPATION IN THE FISHERIES OF THE U.S. OFF ALASKA.

UP UNTIL NOW, WE OFTEN FEEL THAT THE INVESTMENTS BY OURSELVES AND FINANCIAL PARTNERS ARE NOT TREATED AS CONTRIBUTING TO ALASKA'S ECONOMIC WELL BEING. WE NEED THE PEOPLE OF ALASKA TO RECOGNIZE OUR CONTRIBUTION AS OUTLINED ABOVE TO ALASKA'S ECONOMIC WELL-BEING AND FACTOR US INTO YOUR FUTURE PLANS.

OF A MORE SPECIFIC NATURE WE HAVE THE FOLLOWING SUGGESTIONS:

- STREAMLINE THE PROCESS FOR BECOMING INVOLVED IN SALMON AND HERRING PROCESSING.
- MODIFY STATE REGULATORY MEASURES THAT ARE DESIGNED FOR ON-SHORE PROCESSORS TO MEET THE CHALLENGES OF OFF-SHORE PROCESSING.

7. IN CONCLUSION, THE AFTA COMPANIES HAVE ENJOYED BUSINESS SUCCESS IN ALASKA. WE HAVE CONTRIBUTED SUBSTANTIALLY TO THE ALASKA ECONOMY AND WE VERY MUCH WANT TO CONTINUE DOING BUSINESS HERE -- A HEALTHY BUSINESS CLIMATE FOR FACTORY TRAWLERS IN ALASKA IS GOOD FOR US, GOOD FOR ALASKA AND GOOD FOR AMERICA'S DOMESTIC CONSUMERS AS WELL AS OUR BALANCE OF PAYMENTS OVERSEAS. LET'S KEEP TALKING POSITIVE!!

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

March 26, 1993

Hon. Darrel Rexwinkel
Commissioner
Department of Revenue
P.O. Box 110400
Juneau, Alaska 99811-0400

Dear Commissioner Rexwinkel:

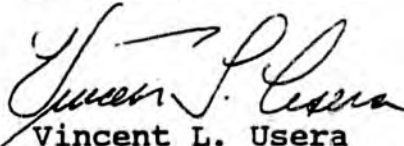
You have asked that we comment on the constitutionality of the proposed legislation which would institute a landing tax on processed fisheries resources taken outside Alaskan waters but subsequently brought into the State. "Landing" would be defined as the act of unloading or transferring a fishery resource inside Alaska waters.

We believe the tax to be constitutionally defensible because the tax would be triggered only by activities within State waters and because there is a sufficient nexus between the availability of State services and resources and a vessel to justify the tax. See, e.g., *Sjong v. State, Dep't of Revenue*, 622 P.2d 967 (Alaska 1981).

This letter will serve to confirm the Department of Law's position that the proposed legislation is constitutionally defensible. We will be available for further analysis should you require.

Very truly yours,

CHARLES E. COLE
ATTORNEY GENERAL

By: 
Vincent L. Usera
Assistant Attorney General

VLU/ps

cc: K. Lethin, Leg. Liaison
Office of the Governor

D. Behr, AAG

WALTER J. HICKEL, GOVERNOR

PLEASE REPLY TO:

☐ 1031 WEST 4TH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501-1994
PHONE: (907) 269-5100
FAX: (907) 276-3697

☐ KEY BANK BUILDING
100 CUSHMAN ST., SUITE 400
FAIRBANKS, ALASKA 99701-4679
PHONE: (907) 451-2811
FAX: (907) 451-2846

☐ P.O. BOX 110300 - STATE CAPITOL
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600
FAX: (907) 463-5295

RECEIVED
ALASKA DEPARTMENT OF REVENUE

MAR 26 1993

COMMISSIONER'S OFFICE

HB 264

4/12/93 -

Olberg +
Moses
present.

Landing Tax.

5⁰⁸ p.m.

Joe Blum, AFTA - 4039 21st Ave W
Suite 400

98199.

Nichols - at 5⁰⁹

whether tax reflects our burden on
the resource -

whether tax places members at
competitive disadvantage
is not higher for at sea

AFTA will review the bill & accompanying
legal analysis.
no position.

key threshold issue - what is legal basis
for such a tax. If you don't address it.
need Substantive A.G.S. opinion.

Karl Ochs - Br. Sea Fish.
CDQ groups.

suggested amendment: 4/12/93.
tax credit for contributors -

— credit taken against municipality share

similar to Winn Biddle scholarship program.

\$20m - CDQ groups
600.0

50% tax credit - 300.0 -
for western AK.

—
—
Unalaska - Mayor Frank Kelly -
City supports it -

cities - significant impacts - on local govt -
econ. med. servs, recreation, schools,

Fy 92 - city generated 14m in yg -
6m from local fish tax & shared.

3m from local property taxes

7m - 3% taxes -

landfill needs upgrading

port & docks - airport -

research & enforcement.

shore-side donated 1.1m to local clinic
tax credits - ~~but~~ should look at that.

Linda Kozak, Kodiak - Kodiak Longline Vessel
1 catcher / processor frozen / longliner.
support tax.

concerned w/ safety that vessels do
off-loading out of state waters.
should be addressed.

concerned @ def. of "value" -

amend to indicate - instead of lesser -
just have it the statewide average ex-vessel price
fishermen concerned @ state tax.

Brian Bergman, Sitka Harbormaster, City & Port

City v borough support H.B. 264. closes loophole.
concerns w/ testimony.

Lewey Schwabenberg, Anchorage -
BSPDF per di.

foundation - more than training program.

grassroots level.

funding mechanism to allow foundations like
ours have credits.

our funding matched 2-3 times.

Eura Foundation -

other private sector opportunities,
foundations, trusts, endowments.

Rick Lamber - PSPA - processes 80-95% of AK
fish caught in AK waters & processed in AK.
byproduct - major taxing entity.

- Mr. Blum asked whether tax would be fair.

I would support this if it was fair.

other 3% -

state floaters pay 5% - + 2% tax to city
of Unalakleet.

Floaters in B Bay 5% + 3% to B Bay Borough.

King Cove 5% + - city + borough

floaters - don't have OSHA, EPA, Clean air & water acts.

* should increase tax.

tax credit - should get it - 5% of Tax into Wino
but when you allow factory trailers to ^{should allow to add to} ^{Build}
determine how to spend up to half its
money - big problem.

should require them to go thru legislative scrutiny.

SPDF. way to get support on inshore-offshore.

if we ↑ tax, will they offload at sea. They will do this anyway on the last trip.

in Olympic system - you can't afford the time to off-load at sea.

agree w/

Linda - language on taxability - use

* statewide average -
need definition.

have to have fish weighed - on certified scales.
sounds like based on finished product -

use product recovery rate - estimate of fish originally caught.

w/ weighing fish - at mercy of factory
handlers to tell us their weight.

* Problem w/ using product recovery rates.
need mechanism to weigh fish.

Can require scales.

- tax needs to be fair - 5%

- by weight

→ Mike Symonakis ^{Fishing} ~~Atk~~ Co. ^{of Ak}, Seward.
1984- Seward, rockyish.

3 freezer-longline

7 factory trawlers.

all product caught outside state waters.
much of it forwarded to transp.

question legal basis of taxable event.

no change in product.

question why state wouldn't impose same tax on
Fed. Express.

Legal questions brushed over. ^{no sufficient} Nexus to state
service -

large yits -

many transfers in remote bays.

→ Congress never allowed state to regulate foreign commerce

Commerce clause -

need substantial analysis.

Could not support 2.5-3.5 tax.

can't pass it on.

its supply & demand mkt. - have to take it from
net profits. w/o/catchers processors out there - PSAA group
would have exclusive red.

question - weighing scales - cost 40,000 per unit.
we sell our product by the lb. we keep close
track of it. invoices.

use
product recovery rates - very close, if not spot.
sampled by observers.

look at legal questions.

Moss - Garbage

Mike - often garbage will go w/
maintain crews all year round.

Markini + Al Airline fly crew up.

Moss - often undernourished get dumped on beach
w/ no money.

sun or injured - use Coast Guard medicine.
or contracted medicine.

Bob Jettner - Huntsville East Bn. -

150m worth of product landed in one storage.

no benefit to us directly.

offshore processing has impacts on local areas -
public safety, medical services,
road maintenance, airport crews.
ASMI promotions.

long-term impacts.

cities get stuck w/ fixed market costs.
resources crash.

motion to adopt CS for decision -
Harley Olberg.

Carl Meyer. - Dept of Revenue.
compare ^{current} mkt value at time of tax to
statewide price.

fish bus tax - unprocessed product

landing tax - product already processed.

attempt to base them on equivalent values.

Mkt value in some instances less than statewide
average -

statewide average - ex-vessel price. - fish ticket

attn: Nancy

TELECOPY COVER SHEET

Dillingham Legislative Information Office

Office - (907) 842-5319

Fax - (907) 842-5105

TO: House Special Committee FAX: 465-3445 PHONE: _____FROM: on Fisheries
Robin Samuelson PHONE: _____INSTRUCTIONS: Testimony on HB 264 for TC 30518may Please send us the committee substitute. done

RECEIVED: Date _____ Time _____

SENT: Date 4-13-93 Time 8:35 AM

DISPOSAL OF ORIGINAL: Discard _____ Hold for Pickup _____

NUMBER OF PAGES: - 2 - (Not counting cover sheet)SENT BY: ams

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

March 26, 1993

SUBJECT: Draft bill establishing fishery resource landing tax (Work Order No. 8-LS0941\A)

TO: Representative Carl Moses
ATTN: Molly McCammon

FROM: George Utermohle *GU*
Legislative Counsel

This memorandum addresses the draft bill, establishing a fishery resource landing tax, that you requested.

The draft bill is largely identical to the proposed bill that was supplied with your drafting request. The significant difference between this draft bill and the material provided involves those provisions of the bill relating to the use of the proceeds of the tax for support of the Alaska Seafood Marketing Institute and for municipal revenue sharing. These provisions have been rewritten to avoid any suggestion of a dedicated fund and to directly incorporate the relevant provisions of AS 43.75.130 and 43.75.137 into the bill.

In addition to being cognizant of the constitutional issues associated with a tax such as that proposed by this bill, the legislature should pay attention to precisely defining the taxable event to which the tax is applied. The bill currently proposes to impose the landing tax on the first act of unloading or transferring a processed finfish or shellfish for which the raw fish tax has not been paid, provided that the first act of unloading or transferring occurs in the state. The legislature should consider whether this provision encompasses the situations where the legislature intends that the tax should apply.

If I may be of further assistance, please advise.

GU:gc
93-279.glc

Enclosure

HOUSE BILL NO. 264
LANDING TAX QUESTIONS AND ANSWERS

Question 1. Who is impacted by this legislation?

Answer Those operators who both catch and process outside Alaska and bring the processed product into the state. The legislation is aimed at catcher/processors in the Exclusive Economic Zone ("EEZ") that currently pay no Fisheries Business Tax.

Question 2. Why are the EEZ catcher/processors not subject to the Fisheries Business Tax?

Answer The Fisheries Business Tax only applies if fishery resources are either caught or processed in Alaska. Since the catcher/processors catch and process in the EEZ exclusively, the Fisheries Business Tax does not apply to them.

Question 3. Why should the state impose the tax if the resources are not caught or processed in Alaska?

Answer Alaska provides significant benefits and services and incurs fishery management costs with respect to the resources to various degrees. Coupled with the impact the operations have on local Alaska communities, the tax is one way to compensate the state for these services.

Question 4. Will the Fisheries Business Tax and the Landing Tax apply to the same resource and result in a double tax burden?

Answer No. The Fisheries Business Tax applies to unprocessed fishery resources while the Landing Tax applies to processed fishery resources. If the Fisheries Business Tax applies, the Landing Tax will never be applicable.

Question 5. Does the Landing Tax apply to fishery resources that are first landed in another state or foreign country and again landed in Alaska?

Answer No. The Landing Tax only applies if the first landing is in this state.

Question 6. Does the Landing Tax apply to fishery resources that are first landed in Alaska and then immediately shipped outside the state?

Answer Yes. The Landing Tax applies to fishery resources that are unloaded or transferred in Alaska without regard to the final destination.

Question 7. Which party is subject to the Landing Tax where a sale occurs upon the first landing in Alaska?

Answer The seller will generally be liable for the tax. The tax is imposed on the owner of the resource at the moment of unloading or transfer.

Question 8. How is taxable value determined?

Answer Value is the lesser of the fair market value of the processed resource at the time and place of the transfer or the statewide average price paid for the unprocessed resource as determined by the Department of Fish and Game. Generally, the statewide average price will be the lower value. The statewide average prices will be determined by Fish and Game and made available to taxpayers for use in filing the tax returns.

Question 9. Is the taxable value zero if there is no statewide average price for a particular year?

Answer No. The Department will adopt regulations to substitute other prices in that event or require the use of fair market value.

Question 10. How does the landing tax rate compare to the rates under the Fisheries Business Tax?

Answer The Landing Tax rate of 3.3% is equivalent to the 3.3% paid by a shore-based fisheries business under the Fisheries Business Tax and Alaska Seafood Marketing Institute ("ASMI") provisions.

Question 11. Is the Landing Tax revenue shared with municipalities?

Answer Yes. The tax collected on .3% of the value is envisioned for ASMI and 50% of the remaining tax is shared in the same manner as under the Fisheries Business Tax provisions as summarized below:

Landings Within Municipalities

--Unified municipalities and cities in unorganized boroughs	50%
--City located within a borough	25%
--Borough where landed within city	25%
--Borough where landed outside a city	50%

except for a city within a borough incorporated after June 16, 1987:

--Year of incorporation	45% to city	5% to borough
--1st year after incorporation	40% to city	10% to borough
--2nd year after incorporation	35% to city	15% to borough
--3rd year after incorporation	30% to city	20% to borough

except a city may adopt an ordinance to transfer some of its revenues to the borough.

Landings Outside Municipalities

--50% of the tax that is otherwise not shared is transmitted to the Department of Community and Regional Affairs for sharing under AS 29.60.450.

HOUSE FISHERIES COMMITTEE
April 12, 1993

Good morning. I'd like to call this meeting of the House Special Committee on Fisheries to order. It's **Monday, April 12**, the time is _____. Would the secretary please take the roll.

Today we will be hearing once again **HB 264**, establishing a Fisheries Resource Landing Tax. We are on the teleconference and will be taking testimony, so be sure to use your teleconference mike at all times.

We will first be hearing from Joe Blum, executive director of the American Factory Trawlers Association. Mr. Blum will be testifying from Seattle. Go ahead, Mr. Blum.

Any questions of Mr. Blum?

Also on the teleconference to testify are:

- Mayor Frank Kelty or City Manager Mark Earnest of Unalaska
- Former state Senator John Binkley of Fairbanks
- Karl Ohls with the Bering Sea Fishermen's Association in Anchorage
- Linda Kozak with the Kodiak Longliners Association
- Former state Senator Mike Szmanski in Juneau
- Bob Juettner with the Aleutians East Borough

Is there anyone else in the audience who would like to testify on HB 264? If not...

You have before you a proposed Fisheries Committee Substitute for HB 264. Could I have a motion to adopt the CS for discussion purposes?

465 -
2020

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 264(FSH)

Page 2, following line 11:

Insert a new section to read:

"Sec. 443.77.035. CREDIT FOR APPROVED CONTRIBUTIONS. (a) A taxpayer who harvests a fishery resource including those under the provisions of a community development quota may claim as a credit against not more than 50 percent of the tax due under this chapter the taxpayer's contributions made during the tax year to a nonprofit corporation incorporated under the laws of the state that are used by the recipient for one or more of the following purposes:

(1) scholarships for study in the disciplines of fisheries management, fisheries business administration, or another related course or discipline;

(2) training for employment in the seafood industry;

(3) making contributions of capital, in the form of loans or grants, to construct or improve

(A) transportation facilities such as airports and docks that are used for the unloading, transferring, or shipment of fisheries products; or

(B) facilities at which fisheries products are canned, frozen, or otherwise processed for inventory, including floating facilities that are documented under the laws of the United States as defined in 46 U.S.C. App. 801;

(4) awarding grants for research projects relating to fisheries.

(b) A taxpayer who makes a contribution that qualifies for the credit authorized by (a) of this section and who claims a credit for th

contribution must apply to obtain the credit. The taxpayer shall apply in the manner provided by the department by regulation, and shall provide to the commissioner all information relating to the contribution that may be required by the department. Upon receipt of a complete application, the department shall approve or disapprove the application for the credit within 60 days.

(c) The department may not approve a tax credit under this section if (1) the department determines that the contribution does not qualify under (a) of this section; or (2) the taxpayer claiming the credit is in arrears in the payment of the tax levied by this chapter. For purposes of this subsection, a taxpayer is not in arrears if the payment is under administrative or judicial appeal.

(d) A contribution allowed as a credit under this section may not be claimed as a credit under another provision of this title."

Page 2, line 12, after "(a)":

Delete "The"

Insert "An amount equal to the"

Page 2, line 13, after "AS 43.77.010":

Insert "calculated without reference to a reduction for the revenue that is not collected due to tax credits approved by the commissioner under AS 43.77.035,"

Page 2, line 18, after "AS 43.77.010":

Insert ", less all tax credits approved by the commissioner under AS 43.77.035,"

Page 4, following line 12:

Insert a new subsection to read:

"(e) In this section, "tax revenue collected" does not include amounts credited against taxes under AS 43.77.035."

Page 4, line 16, after "(1)":

Insert "'community development quota" has the meaning given that term in regulation adopted by the Office of the Governor, under authority granted by art. III, secs. 1 and 24, Constitution of the State of Alaska, to implement a program of the North Pacific Fishery Management Council to set aside fisheries resources for community development purposes in western Alaska;

(2)"

Renumber the following paragraphs accordingly.



April 7, 1993

Ms. Molly McCammon
Office of Representative Carl Moses
Alaska State House of Representatives
Room 204 - State Capitol
Juneau, Alaska 99801-1182

Dear Ms. McCammon:

As a follow-up to our telephone conversation, I am sending you information about the Bering Sea Commercial Fisheries Development Foundation (Foundation). Although we have only been in existence for less than two years, the projects that we have undertaken have provided a tremendous benefit to Western Alaska Coastal Communities. We are trying to expand these opportunities.

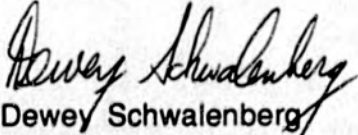
I believe that the Foundation has a real interest in the Fishery Resource Landing Tax Bill (House Bill No. 264) with respect to providing direct social welfare and economic development opportunities to Western Alaska Coastal Fishing Communities. My first impression of the bill is that language is needed to provide a mechanism that would allow the Foundation to receive direct appropriations from these revenues to assist the communities. In addition, an economic incentive to the fishing companies to contribute directly to the Foundation would require a tax credit provision recognizing these business contributions. The details of direct appropriations to the Foundation and a reasonable tax credit for the industry will need to be worked out.

The main objective of the Foundation is to match diverse funding sources to community based projects. Linking state tax revenues with private funds and community resources through the Foundation seems to me to be a way to maximize the financial opportunities that the communities have available to them, while expanding the individual contributions as far as they will go.

I am available to assist you in developing more specific ideas and language as the bill proceeds through the legislature if you feel that such assistance is warranted.

Please feel free to contact me if you should have questions about the enclosed information, our projects, or our interest in House Bill No. 264.

Sincerely,


Dewey Schwalenberg
Executive Director

enc. 1

cc: Mr. John Binkley, President
Mr. Harvey Samuelson, Vice-President

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

BOX 110505
JUNEAU, ALASKA 99811-0505
PHONE: (907) 465-2962

MEMORANDUM

TO: Molly McCammon, Legislative Aide
Office of Representative Carl Moses

FROM: Diane Barrans, ^{DB} Programs Coordinator
Alaska Commission on Postsecondary Education

SUBJECT: A.W. "Winn" Brindle Memorial Scholarship Tax Credit

DATE: April 2, 1993

In follow-up to our telephone conversation of earlier today, Commission staff is requesting that the following language be added as an amendment to HB 264 (Providing for a fishery resource landing tax):

AS 43.75.032 be amended to read:

(e) A fisheries business is entitled to a credit of not more than five percent of the business tax liability under AS 43.75.015 for contributions made during the tax year or during the period in which the taxpayer may file the return and pay the tax for the tax year to the A.W. "Winn" Brindle memorial scholarship account (AS 14.43.250). A fisheries business may claim a credit under this subsection for the 1993 (1987) tax year and subsequent tax years. A tax credit under this subsection may not be approved for more than 100 percent of a scholarship contribution.

The purpose of this amendment would be to allow fisheries businesses additional time to calculate their tax liabilities and to allot donations accordingly.

Thank you for your attention to this matter. Please let me know if I can be of further assistance in this process.

963N

FISCAL NOTE

N 2

Bill Version: CSHB 264 (FSH)

(H) Publish Date: 4/13/93

STATE OF ALASKA 1993 LEGISLATIVE SESSION

Revision Date:

Title:

Fishery Resource Landing Tax

Dept. Affected:

Revenue

BRU:

Revenue Operations

Component:

Income and Excise Audit

Sponsor: House Rules

Requestor: House Rules

COMPONENT SERIAL NO. 113

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	58.0	58.0	58.0	58.0	58.0	58.0
TRAVEL	20.0	20.0	20.0	20.0	20.0	20.0
CONTRACTUAL	5.0	5.0	5.0	5.0	5.0	5.0
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	10.0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	94.0	84.0	84.0	84.0	84.0	84.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE FUND SOURCE: General Fund	4,300.0	4,300.0	4,300.0	4,300.0	4,300.0	4,300.0
	860.0	860.0	860.0	860.0	860.0	860.0

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	94.0	84.0	84.0	84.0	84.0	84.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	94.0	84.0	84.0	84.0	84.0	84.0

POSITIONS:

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

Estimate of current year (FY93) impact: \$ 0

ANALYSIS: (Attach a separate page if necessary)

Prepared by:

Larry E. Meyers, Director

Phone: 465-2320

Division:

Income and Excise Audit Division

Date: April 1, 1993

Approved by Commissioner:

Darrel J. Rexwinkel

Date: April 1, 1993

Agency:

Department of Revenue

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ORIGINAL

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. HB 264

Revision Date: _____
Title: Fishery Resource Landing Tax
Sponsor: House Rules
Requestor: House Rules

Department Affected: Commerce and Economic Development
BRU: Alaska Seafood Marketing Institute
Component: _____
COMPONENT SERIAL NO. 0393

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	860.0	860.0	860.0	860.0	860.0	860.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	860.0	860.0	860.0	860.0	860.0	860.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE FUND SOURCE: General Fund	860.0	860.0	860.0	860.0	860.0	860.0
--------------------------------------	-------	-------	-------	-------	-------	-------

FUNDING:

1002 Federal Receipts						
1003 GF Match						
1004 GF	860.0	860.0	860.0	860.0	860.0	860.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
OTHER						
TOTAL	860.0	860.0	860.0	860.0	860.0	860.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY 93) impact: 0

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Fred Fisher, Administrative Officer
Division: Alaska Seafood Marketing Institute

Phone: 465-5571
Date: 4/9/93

Approved by Commissioner: Paul Fuhs
Agency: Commerce and Economic Development

Date: 4-12-93

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Analysis

This bill amends AS Title 43 by adding a chapter to provide for a fishery resource landing tax. The landing tax would be imposed on fisheries resources brought into or landed in the state. The tax would be calculated by multiplying the value of the fishery resource by 3.3%.

Persons subject to the landing tax would be required to file a return with the department on a calendar year basis. The return and tax payment would be due April 1 after the close of the calendar year. Taxes collected on .3% of the value of the fishery resource will be paid into a separate account, the balance of which may be appropriated by the legislature to the Alaska Seafood Marketing Institute (ASMI).

All remaining taxes collected will be paid into a separate account in the general fund. Of that amount, fifty percent will be shared to cities and boroughs in the same manner as fisheries business taxes under AS 75, subject to appropriation by the legislature.

Based on the Department of Revenue's 1991 Fish Tax Study, landing tax revenues are estimated as follows:

	<u>Value</u>	<u>3% Portion</u>	<u>.3% Portion</u>
Landing Tax	\$285,700.0	\$8,600.0	\$860.0
Less Amount Shared (50%)		<u>(4,300.0)</u>	<u>N/A</u>
Net Landing Tax		<u>\$4,300.0</u>	<u>\$860.0</u>

Operating Costs

Personal Services	
Revenue Auditor III - Anchorage (Range 18A)	58.0
Travel	
Compliance and Review	10.0
Audits	10.0
Contractual	5.0
Supplies	1.0
Equipment	
Computer and Modular Furniture (FY 94)	10.0

BSFA**Bering Sea Fishermen's Association**

725 Christensen Drive
Anchorage, Alaska 99501
(800) 770-6519 (Within Alaska)
(907) 279-6519
FAX (907) 258-8888

Serving western Alaska small boat fisheries since 1980

MEMORANDUM - TRANSMITTED BY FACSIMILE MACHINE

TO: Aleutian Pribilof Island Community Development Association
Bristol Bay Economic Development Corporation
Central Bering Sea Fishermen's Association
Coastal Villages Fishing Cooperative
Norton Sound Economic Development Corporation
Yukon Delta Fisheries Development Association

FROM: Karl Ohls *K.O.*

DATE: March 30, 1993

RE: Landing Tax

Rep. Carl Moses of Unalaska today introduced HB 264, which would levy a 3.3 percent landing tax on fisheries resources brought into the jurisdiction of the State of Alaska and first landed here. Landing is defined as "the act of unloading or transferring a fishery resource."

The purpose of the bill is to allow the state to obtain revenue from the fisheries that operate in federal waters. The bill was written by the Department of Revenue.

Because a landing tax would have an impact on the CDQ operations, the CDQ organizations may wish to play an active role in the legislature's consideration of the landing tax, either individually or collectively. I have heard four options suggested as possible responses:

1. Oppose the landing tax.
2. Support the landing tax.
3. Amend the bill to exempt CDQ landings.
4. Support the landing tax with an amendment that would share the tax revenues with the CDQ regions.

Under the current draft, landing tax proceeds would be treated the same as fisheries business tax proceeds in that they would be shared fifty percent with the boroughs and cities in which they were collected.

An alternative suggested by Norman Cohen of CVFC would be to allow seafood processors and harvesters to take a tax credit on the portion of the tax that would be given to municipalities and instead specify that those funds be given to nonprofit fisheries foundations in western Alaska to use for scholarships, training, fisheries infrastructure, or fisheries research projects. In this way, the seafood processing companies that participate in CDQ joint ventures can specify that 50 percent of the revenues collected from their operations be paid to the CDQ regions with which they're involved.

The bill will be considered by the House Finance Committee where Rep. Eileen MacLean of Barrow will have major influence. According to her staff, one of her concerns is how it will affect the CDQ operations.

If you wish to obtain more information about the bill, the staff people who are handling this issue are Molly McCammon in Rep. Moses' office, 465-6848, and Deborah Driver in Rep. MacLean's office, 465-3722.

So far -- as the BSFA staff person assigned to CDQ issues -- I have been working with Norman Cohen on his ideas. If any other CDQ group has thoughts on the bill or suggestions for a response, please call me.

cc: Molly McCammon, Office of Rep. Carl Moses
Deborah Driver, Office of Rep. Eileen MacLean

Molly - "may"
is the operative
word here + there
is no "for other
purposes"
language.

Sec. 16.51.160. Collection of assessments and disposition of proceeds. (a) Processors shall remit to the Department of Revenue by April 1 of each year the total amount of the seafood marketing assessment owed on the value paid for seafood products by the processor in the previous calendar year.

(b) The seafood marketing assessment collected under AS 16.51.010 - 16.51.180 shall be deposited in the general fund. The legislature may make appropriations to the Department of Commerce and Economic Development for the purpose of providing financing to the institute based on collections of the seafood marketing assessment, and may appropriate additional money beyond the seafood marketing assessment as need is demonstrated by the institute. (§ 3 ch 106 SLA 1981)

Revisor's notes. — The words "seafood marketing" were added preceding "assessment" in subsections (a) and (b) and the words "collected under AS 16.51.120" were deleted following "assessment" in subsection (b) by the revisor of statutes pursuant to AS 01.05.031.

Sec. 16.51.170. Enforcement of assessments. The provisions of AS 43.05.010 - 43.05.290 and AS 43.10.010 - 43.10.200 apply for the enforcement and collection of the seafood marketing assessment. (§ 3 ch 106 SLA 1981)

Sec. 16.51.180. Definitions. In AS 16.51.010 - 16.51.180,

(1) "board" means the Board of Directors of the Alaska Seafood Marketing Institute;

(2) "institute" means the Alaska Seafood Marketing Institute;

(3) "processor" means a person who engages in processing seafood for sale by freezing, cooking, salting, or other method and includes but is not limited to canneries, cold storages, freezer ships, and processing plants;

(4) "promote or make a contract that promotes seafood" means to advertise or publicize, or make a contract for advertising or publicizing, the use, value, attractiveness, or quality of seafood;

(5) "seafood" means finfish, shellfish, and fish by-products, including but not limited to salmon, halibut, herring, flounder, crab, clam, cod, shrimp, and pollock;

(6) "value" means the actual price paid for the seafood, including indirect costs such as fuel, supplies, or gear, whether paid at the time of purchase or tendered as a deferred or delayed payment, except that "value" means the market value of the seafood if the seafood is taken in company-owned or company-subsidized boats or in boats that are operated under lease or other contractual arrangement. (§ 3 ch 106 SLA 1981; am § 41 ch 59 SLA 1982)

DRAFT FISCAL NOTE

STATE OF ALASKA 1993 LEGISLATIVE SESSION

BILL NO. _____

Revision Date: March 23, 1993

Dept. Affected: Revenue

Title: Landing Tax Act

BRU: Revenue Operations

Component: Income and Excise Audit

Sponsor: _____

Requestor: _____

COMPONENT SERIAL NO. 113

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	58.0	58.0	58.0	58.0	58.0	58.0
TRAVEL	20.0	20.0	20.0	20.0	20.0	20.0
CONTRACTUAL	5.0	5.0	5.0	5.0	5.0	5.0
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	10.0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	94.0	84.0	84.0	84.0	84.0	84.0

CAPITAL						
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REVENUE FUND SOURCE: General Fund	4,300.0	4,300.0	4,300.0	4,300.0	4,300.0	4,300.0
	860.0	860.0	860.0	860.0	860.0	860.0

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
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1004 GF	94.0	84.0	84.0	84.0	84.0	84.0
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1006 GF/MHTIA						
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POSITIONS:

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

Estimate of current year (FY93) impact: \$ 0

ANALYSIS: (Attach a separate page if necessary)

(See Attached)

Prepared by:

Larry E. Meyers, Director

Phone: 465-2320

Division:

Income and Excise Audit Division

Date: March 23, 1993

Approved by Commissioner:

Darrel J. Rexwinkel

Date: March 23, 1993

Agency:

Department of Revenue

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Fifty percent of the total amount of landing taxes collected less the amount earmarked for ASMI would be shared to boroughs and cities in the same manner as fisheries business taxes under AS 75.

Based on the Department of Revenue's 1991 Fish Tax Study, landing tax revenues are estimated as follows:

	<u>Value</u>	<u>3% Portion</u>	<u>.3% Portion</u>
Landing Tax	\$285,700.0	\$8,600.0	\$860.0
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Operating Costs

Personal Services	
Revenue Auditor III - Anchorage (Range 18A)	58.0
Travel	
Compliance and Review	10.0
Audits	10.0
Contractual	5.0
Supplies	1.0
Equipment	
Computer and Modular Furniture (FY 94)	10.0



April 7, 1993

Ms. Molly McCammon
Office of Representative Carl Moses
Alaska State House of Representatives
Room 204 - State Capitol
Juneau, Alaska 99801-1182

Dear Ms. McCammon:

As a follow-up to our telephone conversation, I am sending you information about the Bering Sea Commercial Fisheries Development Foundation (Foundation). Although we have only been in existence for less than two years, the projects that we have undertaken have provided a tremendous benefit to Western Alaska Coastal Communities. We are trying to expand these opportunities.

I believe that the Foundation has a real interest in the Fishery Resource Landing Tax Bill (House Bill No. 264) with respect to providing direct social welfare and economic development opportunities to Western Alaska Coastal Fishing Communities. My first impression of the bill is that language is needed to provide a mechanism that would allow the Foundation to receive direct appropriations from these revenues to assist the communities. In addition, an economic incentive to the fishing companies to contribute directly to the Foundation would require a tax credit provision recognizing these business contributions. The details of direct appropriations to the Foundation and a reasonable tax credit for the industry will need to be worked out.

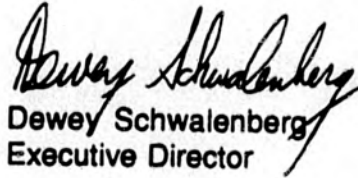
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1577 C Street, Suite 310 Anchorage, AK 99501-5133 (907) 263-9881 FAX (907) 263-9920

I am available to assist you in developing more specific ideas and language as the bill proceeds through the legislature if you feel that such assistance is warranted.

Please feel free to contact me if you should have questions about the enclosed information, our projects, or our interest in House Bill No. 264.

Sincerely,


Dewey Schwalenberg
Executive Director

enc. 1

cc: Mr. John Binkley, President
Mr. Harvey Samuelson, Vice-President