

**HB**

**154**

# FISCAL NOTE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 154  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Collection of Fishery Business Taxes BRU: Revenue Operations  
 Component: Tax Division  
 Sponsor: Representative Scalzi  
 Requester: House Special Committee on Fisheries Component Number: 2476

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2002    | FY 2003    | FY 2004    | FY 2005    | FY 2006    | FY 2007    |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services      |            |            |            |            |            |            |
| Travel                 |            |            |            |            |            |            |
| Contractual            |            |            |            |            |            |            |
| Supplies               |            |            |            |            |            |            |
| Equipment              |            |            |            |            |            |            |
| Land & Structures      |            |            |            |            |            |            |
| Grants & Claims        |            |            |            |            |            |            |
| Miscellaneous          |            |            |            |            |            |            |
| <b>TOTAL OPERATING</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

|                             |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|
| <b>CAPITAL EXPENDITURES</b> |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|

|                               |            |            |            |            |            |            |
|-------------------------------|------------|------------|------------|------------|------------|------------|
| <b>CHANGE IN REVENUES ( )</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |
|-------------------------------|------------|------------|------------|------------|------------|------------|

**FUND SOURCE** (Thousands of Dollars)

|                          |            |            |            |            |            |            |
|--------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts    |            |            |            |            |            |            |
| 1003 GF Match            |            |            |            |            |            |            |
| 1004 GF                  |            |            |            |            |            |            |
| 1005 GF/Program Receipts |            |            |            |            |            |            |
| 1037 GF/Mental Health    |            |            |            |            |            |            |
| Other (Specify Type)     |            |            |            |            |            |            |
| <b>TOTAL</b>             | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

**POSITIONS**

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| Full-time |  |  |  |  |  |  |
| Part-time |  |  |  |  |  |  |
| Temporary |  |  |  |  |  |  |

**ANALYSIS:** (Attach a separate page if necessary)

See attached analysis

Prepared by: Chuck Harlamert  
 Division: Tax Division  
 Approved by: Larry Persily, Deputy Commissioner  
 Agency: Department of Revenue

Phone 465-4773  
 Date/Time 3/9/01 10:00am  
 Date 03/09/2001

For distribution information, call the Governor's Legislative Office

# ALASKA STATE LEGISLATURE

REPRESENTATIVE DREW SCALZI  
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## Sponsor Statement

*HB 154: An Act relating to security for the payment of fishery business taxes and to payment of estimated fisheries resource landing taxes and penalties.*

In recent years the fishing industry has seen the development of fish "brokers" who much like e-commerce businesses, facilitate or broker interstate commerce between parties without actually handling the product. Because these brokers export the product, they are subject to the fisheries business tax. However, some businesses may have a small working capital and may not possess "real" property of lienable value against which a tax may be collected should the business default.

Presently, absent a lienable value of property equal to three times the amount of the estimated tax, a surety bond must be paid equal to twice the estimated amount of the tax. The cost of the bond is a burden to a company operating on a small margin.

This bill amends the statutes by offering an additional option so that applicants may avoid posting a bond for twice the amount of the estimated taxes if the business:

- Remits all tax obligations on a monthly basis by paying the taxes due on or before the 15<sup>th</sup> day of the month following the month in which the tax liability is incurred; and
- files a bond in the amount of \$50,000; or
- provides the department with proof that the applicant is the owner of lienable real property in the state of a value of at least \$100,000

Should the broker file a \$50,000 bond, it must be conditioned upon payment to the fisherman of the full purchase price for the product and the payment of taxes, interest and penalties in full. If the applicant posts other security acceptable to the department, or prepays the entire estimated tax, the bond may be waived.

The language change in Section 2. was requested by the Department of Revenue to correct and clarify the landing tax statutes that require taxpayers to make estimated landing tax payments.

This bill reduces the operating costs of fish broker businesses and facilitates competition and increased markets for fishermen, while ensuring a measure of security for fisheries business taxes.

PH/3/8/01

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# THE AUCTION BLOCK co.

Alaska's Internet Fish Auction

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BOMER ALASKA 99603

Phone 907-235-7267  
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E-mail: [fluhld@xyz.net](mailto:fluhld@xyz.net)  
Web Site: [www.auctionblockak.com](http://www.auctionblockak.com)

To: Representative Drew Scott/  
Senator Al Austerman  
Finance Committee  
Fisheries Committee

From: Kevin Hogan President  
The Auction Block Co.

Re: HB 154

Gentlemen:

I would like to voice my support for your efforts in updating our fish tax legislation with the presentation of HB 154. It has been a number of years since the current law was passed and in that time frame, there have been drastic changes in the industry. Our Company, The Auction Block Co., has been in existence for four years, in that time frame becoming the largest buyer of halibut in the state. We have an excellent track record in paying our debts, and have provided the state with substantial tax revenues. The concept of an online fish auction is new, and as a small business operating on slim margins the option of prepaying or bonding an extremely large fish tax liability is very difficult. The proposed legislation protects the interest of the State of Alaska while not being so restrictive as to preclude small and developing businesses from operating or punishing them for being successful. If you have any questions or if I could have the opportunity to testify at committee hearings, please contact me at my office at the above listed number.

Keep up the good work

Kevin Hogan  
President  
The Auction Block Company

Supporting Docs



# Alaska State Legislature

Official Business

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*Representative\_Drew\_Scalzi@legis.state.ak.us*

March 16, 2001

Bob Scott  
Salamantoff Seafoods

*5 pages*  
Via Fax 283-8499

Dear Bob:

Recently I introduced House Bill 154 relating to payment of security for fishery business taxes and to payment of the fisheries resource landing tax.

The bill was heard in Fisheries Committee last night and I asked that it be held for a week so that I could get input from brokers, canneries and processors before its next Fisheries Committee hearing on March 19 at 5 p.m.

As all of us in the fishing industry know, canneries pay a raw fish tax on an annual basis to the state after putting up a security bond equal to twice the estimated fish tax or showing proof of lienable property equal to three times the estimated tax. Now, since the advent of IFQs, 90% of the product leaves the state fresh from mid-March to mid-November, much of it moved by "fresh fish brokers," a new business concept for the fishing industry, to be sure. These brokers are categorized with the canneries and are also required to front the same security, although most have little or no lienable property, which means a huge estimated tax payment up front.

At this point, this bill is more advantageous to these "brokers" by allowing monthly payments with a \$50,000 security bond to be paid or proof of lienable property in the amount of \$100,000. I initially inferred that the collection provisions included processors as well. However, after discussions with the Department of Revenue, I realize this concept is immature at this time. The Department is not prepared to hire additional staff to accommodate the payment tracking a larger number of processors would require, compared to the handful of brokers operating presently. It also is not comfortable with allowing the larger number of canneries to operate without a security deposit commensurate with the anticipated tax return and feels it would place a burden on both the state and municipalities for collection procedures as well as a potential risk of not collecting monies in a timely manner.

I have discussed working with the Department of Revenue to develop a comprehensive bill that would provide a reasonable tax collection method for both brokers and processors while protecting the interests of the state and municipalities who depend on these revenues. DOR estimates it would take a year to draft such a bill; we will work on this legislation over this interim and introduce it next session.

At this time, I feel HB 154 bill is a good start toward encouraging entrepreneurship in the marketing our fresh halibut, while increasing and protecting our state's fish tax coffers. I look forward to your input over the interim on developing new legislation that will address and resolve the many variables in our fishery tax collection procedures.

Please feel free to call me about HB 154 if you have further questions or input on the legislation we will be drafting over the interim.

Sincerely,

A handwritten signature in cursive script, appearing to read "Drew Scalzi".

Rep. Drew Scalzi

DS:ph

Enclosure: HB154

**DEPARTMENT OF REVENUE**  
***Tax Division***  
**Bill Analysis**

**Bill:** HB 154  
**Prepared by:** Chuck Harlamert  
**Date:** March 9, 2001

**Introduction**—The bill modifies the tax-payment security requirement necessary to obtain a state fisheries business tax license. The existing security requirement for a whole-salmon exporter would be replaced with a new payment security option available to any exporter of any unprocessed fisheries resource.

Under the bill, exporters of unprocessed fish (for example, a fish broker) could obtain a fisheries business license by posting a \$50,000 surety bond. The \$50,000 surety bond option is currently available only to whole-salmon exporters and is not currently used by any exporter. In addition, this legislation would require exporters to pay fish taxes monthly.

The bill also requires quarterly payment of estimated fisheries resource landing taxes.

Because of the change in security accepted by the state for payment of the fisheries business tax, the potential risk of unpaid fisheries business taxes increases under the bill — although we believe the change in risk would be small.

**Assumptions**—The fiscal effect assumes that the number of taxpayers that elect the alternate security requirements does not exceed five and that compliance is consistent with that of existing taxpayers.

**Program Summary**—The Tax Division will need to provide forms, and collect and account for monthly payment of taxes that are currently paid on an annual basis. In addition, revenue sharing will be more complicated under the bill than under current law.

**Computations**—N/A

**Economic Impact**—Prices received by fisherman could increase if the bill fosters increased competition among fish buyers by making it easier for new buyers to enter the market.

The "in-the-state" language on Line 30 may serve to disadvantage in-state processors relative to out-of-state processors, and the Tax Division recommends a change in this section.

**Impact on Local Government**—Local governments, in general, could benefit to the extent their share of fisheries business taxes rises with raw fish prices.

# LEGAL SERVICES

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## MEMORANDUM

March 10, 2001

**SUBJECT:** Sectional Summary of CSHB 154( ), relating to security for the payment of fishery business taxes and to payment of the fisheries resource landing tax.

**TO:** Representative Drew Scalzi  
Attn: Pat Hartley

**FROM:** George Utermohle *GU*  
Legislative Counsel

You have requested a sectional summary of CSHB 154( ) (draft version F), relating to security for the payment of fishery business taxes and to payment of the fisheries resource landing tax.

A summary of a bill should not be considered an authoritative interpretation of the bill. The bill itself is the best statement of its contents.

Section 1 of the bill amends AS 43.75.055 in regard to the security that must be provided for the payment of fishery business taxes due under AS 43.75. Certain persons who do not process fishery resources in the state but who are otherwise obligated to pay fishery business taxes may avoid certain requirements regarding security for the payment of the taxes if they pay each month the fishery business taxes and certain other taxes and assessments that are due, remit each month to the Department of Revenue certain taxes and assessment that they have collected on behalf of the state, and provide appropriate security for the payment of fisheries business taxes.

A person who fails to pay the fishery business taxes when due is subject to civil penalties under AS 43.05.220.

Section 2 of the bill amends AS 43.77.020(b) relating to filing of returns and payment of the fisheries resource landing tax. The fisheries resource landing tax is to be paid quarterly. A person who is liable for the payment of the fisheries resource landing tax and who pays each quarter an amount that is at least 25 percent of the amount of tax paid in the prior tax year may avoid any interest and penalties on the amount of any underpayment if the amount of the underpayment is paid at or before the time when the fisheries resource landing tax return for that year must be filed with the department.

If I may be of further assistance, please advise.

GU:lmb  
01-079.lmb

**Sectional Analysis**