

SB

277

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
APR 08 2002
SENATE FINANCE
COMMITTEE

DATE: 2/27/02

FURTHER:

DATE TURNED IN TO OFFICE: 8 April 2002

Finance Committee considered **SENATE BILL NO. 277**
SB 277 DEFINITIONS OF FISHERIES BUSINESSES

"An Act relating to the definitions of 'floating fisheries business' and 'shore-based fisheries business' for the purposes of the fishery business tax; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS SB 277 (RES)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

- Senate Bill:**
 same title
 new title
House Bill:
 same title
 technical title
 new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
Revenue	7/4/02		✓	

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO-REC	AMEND
<i>[Signature]</i>		✓		
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
<i>[Signature]</i>		✓		
COCHAIR: <i>[Signature]</i>				
COCHAIR: <i>[Signature]</i>			✓	

APR 08 2002

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number:

Bill Version:

CSSB 277(RES)

() Publish Date:

Revision Date/Time (Note if correction):

Title Definitions of Fisheries Businesses

Dept. Affected:

Revenue

BRU

Revenue Operations

Component

Tax Division

Sponsor Senator Austerman

Requester Senate Finance

Component No.

2476

Expenditures/Revenues

(Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING		0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES* ()	(333.0 - 400.0)	(333.0 - 400.0)	(333.0 - 400.0)	(333.0 - 400.0)	(333.0 - 400.0)	(333.0 - 400.0)
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

* The Department of Revenue can provide only a range of the anticipated revenue loss under this legislation, so as to avoid the release of confidential information that could identify individual taxpayers.

CSSB 277(RES) would reduce the Fisheries Business Tax rate on pollock processed by floating processors from 5% to 3%. The 3% rate is the same rate assessed to shore-based processors. One half of Fisheries Business Tax revenue is shared with municipalities and the other half is retained in the state general fund.

The reduced rate could create an incentive for existing shore-based processors to anchor processing facilities just out of town and avoid local taxes, while paying the new 3% state Fishery Business Tax rate that would be assessed to floating processors the same as shore-based processors.

Prepared by: Chuck Harlamert, Revenue Audit Supervisor

Division: Tax Division

Phone 465-4773

Date/Time 3/2/02 4:11 PM

Approved by: Larry Persily, Department of Revenue

Agency: Department of Revenue

Date 03/02/2002

SENATE FINANCE COMMITTEE
48 / 2002 COMMITTEE ACTION

Bill Number	SB 277		
Amendment	48		
Motion	Move from Committee		
Motion by	Austerman		
Objection by	Green		
Removed			
Second Objection by			
Committee Member	Y	Vote	N
Senator Leman	✓		
Senator Olson		—	
Senator Ward	✓		
Senator Wilken	✓		
Senator Austerman	✓		
Senator Green			✓
Senator Hoffman	✓		
Co-Chair Donley		—	
Co-Chair Kelly	✓		
Tally			
Yea	6		
Nay	1		
Absent	2		
MOTION	PASS		



SENATOR ALAN AUSTERMAN

Alaska State Legislature

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Sponsor Statement - SB 277

'An act relating to the tax levied on pollock processed by a floating fisheries business'

This bill seeks to ensure that all pollock processors are assessed at the same rate, regardless of the type or place of the processing operation. With the passage of the American Fisheries Act (AFA) by Congress in 1998, all pollock processors were required to pay fisheries taxes to the State of Alaska. However, the rates they are currently assessed are not equal under State statutes.

AFA was passed by Congress to rationalize the Bering Sea pollock industry. The Act divided the industry into three sectors: the off-shore catcher processors (factory trawlers), motherships processing at sea and onshore plants. The Act identified and limited each sector to a specific group of pollock processing facilities. And it prohibited any new pollock processors from entering the Bering Sea pollock business. In addition, it required that all pollock harvested under the Act but not landed in the State be subject to Alaska's Fishery Resource Landing tax.

Prior to the American Fisheries Act, the legislature enacted a revision of the tax code that applied the 3% fishery resource landing tax to factory trawlers, effectively charging them the same tax as that paid by shore based processors. Hearings on the legislation specifically stated that the purpose was to treat the offshore and shoreside taxpayers equally. However, given current state statutes coupled with the American Fisheries Act, the present situation does not provide equity amongst the pollock processors. The two qualified floating processors, which are statutorily defined in the Act as shore based processors and are limited to one location while processing pollock, are subject to a 5% rate under the Fisheries Business tax. These businesses find themselves in the inequitable situation of having a higher tax rate applied to them than any of their competitors.

Implementation of the American Fisheries Act has served to rationalize and stabilize the pollock fishery. By setting the tax rate for floating processors at 3%, the Committee Substitute for SB 277 will level the tax situation, thus providing equity for all sectors of the Bering Sea pollock industry.

DISTRICT C

Kodiak Archipelago • Southeast Islands

SB 277-DEFINITIONS OF FISHERIES BUSINESSES
SENATE FINANCE COMMITTEE

SIGN-IN

NAME: Brett Fried Subject/Bill No: SD 277
Co./Dept./Title: Revenue / Economist Phone: 465-3682
Address: 11th Floor State Office Building Zip: 99801
Do you wish to testify? Yes No Respond To Questions

NAME: Kris Norosz Subject/Bill No: SB 277
Co./Dept./Title: Isle Seafoods Phone: 770-4294
Address: P.O. Box 1147 Petersburg Zip: 99833
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions