

SB

277

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 277
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Definitions of Fisheries Businesses BRU Revenue Operations
 Component Tax Division
 Sponsor Senator Austerman
 Requester Senate Resources 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	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES* ()	0.0	(434.2)	(434.2)	(434.2)	(434.2)	(434.2)
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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)

* We believe this estimate is extremely conservative because it does not account for any changes in business behavior by taxpayers. That is, this estimate assumes that taxpayers will continue to deploy their vessels in exactly the same way before and after passage of this legislation.

Please see revenue discussion on attached page for further details.

Prepared by: Chuck Harlamert and Brett Fried, Revenue Audit Supv. and Economist Phone 465-4773 or 3682
 Division: Tax Division Date/Time 02/21/2002 4 p.m.
 Approved by: Larry Perslly, Deputy Commissioner Date 02/21/2002
 Agency: Department of Revenue

Revenue

We assumed that if a vessel processed fish in only one location in 2000, it would qualify for the lower tax rate under this legislation. Using this method for the top 20 floating processors, we estimate that communities would lose approximately \$217,099 (50% share of state revenue loss) and the state also would lose approximately \$217,099. We used data from fisheries business tax returns received in FY 2001. We did not adjust for any changes in business behavior as a result of this act: For example, if a floating processor were to reduce the number of locations that its vessel uses to take advantage of the lower rate in this legislation.

Floating Processors	Pounds	Value	Current		Potential
			Tax @ 5%	Tax @ 3%	Tax Loss
Select Licensees Top 20*	163,791,655	\$ 21,709,902	\$ 1,085,495	\$ 651,297	\$ 434,198
Other Licensees**	228,793,697	\$ 98,048,961	\$ 4,902,448	\$ 2,941,469	
Total	392,585,352	\$ 119,758,863	\$ 5,987,943	\$ 3,592,766	

*Includes only licensed floating vessels that processed in Alaska in one location in 2000.

**All remaining taxpayers with a floating processing tax liability.

(Values based on calendar 2000 value and processing activity;
2001 data will not be available until late spring 2002.)

22-LS1371F
Utermohle
2/20/02

CS FOR SENATE BILL NO. 277()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY

**Offered:
Referred:**

Sponsor(s): SENATOR AUSTERMAN

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the tax levied on pollock processed by a floating fisheries business;**
2 **and providing for an effective date."**

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

4 *** Section 1. AS 43.75.015(a) is amended to read:**

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

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

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

13 (3) pollock processed by a floating fisheries business - three
14 percent;

- 1 (4) fisheries resources processed by a floating fisheries
- 2 business, except pollock - five percent.
- 3 * Sec. 2. This Act takes effect July 1, 2002.



SENATOR ALAN AUSTERMAN

Alaska State Legislature

Interim: 112 Mill Bay Road, Kodiak, Alaska 99615 (907) 486-8872 • Session: State Capitol, Juneau, Alaska 99801 (907) 465-2487
senator_alan_austerman@legis.state.ak.us

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

Southeast Alaska Fishermen's Alliance

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Juneau, AK 99801



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February 21, 2001

Senator John Torgerson, Chair
Senate Resources
Alaska State Legislature
State Capitol, Room 427
Juneau, AK 99801-1182

RE: SB 277

The Southeast Alaska Fishermen's Alliance does not have a position on this bill, but we do have questions and comments. While we understand the unique circumstances that prompted this legislation and the specific intent of this legislation, there are many issues that are unfair and need to be addressed within the Fishery Business tax statutes and regulations. In section 2 (c) the language says a facility that remains in the "same location" while engaged in processing fishery resources and that does not process fishery resources at another location in the state during the tax year, what is the definition of same location, a specific latitude/longitude or fishery region? Does a direct market vessel/fishermen that fishes in one region (SE or specifically Lynn Canal) only qualify under this new definition?

Thank you for taking the time to consider our questions regarding this legislation and if you have any additional questions please feel free to give us a call.

Sincerely,

Kathy Hansen
Executive Director

SENATOR ALAN AUSTERMAN

Alaska State Legislature

Interim: 112 Mill Bay Road, Kodiak, Alaska 99615 (907) 486-8872 • *Session:* State Capitol, Juneau, Alaska 99801 (907) 465-2487
senator_alan_austerman@legis.state.ak.us

MEMORANDUM

Date: February 14, 2002

To: Senator John Torgerson, Chair
Senate Resources Committee

From: Senator Alan Austerman

Re: Hearing for SB 277

I respectfully request that the Resources Committee consider Senate Bill 277, an act relating to the definitions of 'floating fisheries business' and 'shore-based fisheries business' for the purposes of the fisheries business tax, at the next meeting of the committee.

This bill is a simple fix to accommodate operational needs of certain floating processors in the Pollock fishery. It will provide taxation equity to the businesses involved in this industry.

Please contact my office if you have any questions regarding this legislation.

Thank you for your consideration.

CITY OF UNALASKA

P.O. BOX 610
UNALASKA, ALASKA 99685-0610
(907) 581-1251 FAX (907) 581-1417



February 22, 2002

The Honorable Senator Torgerson
State Capitol, Room 427
Juneau, Alaska 99801-1182

VIA FACSIMILE (907) 465-4779

RE: SB 277

Dear Senator Torgerson:

We understand that there is a hearing today regarding SB 277 "an act relating to floating fisheries business and shore-based fisheries business' for the purposes of the fishery business tax." The City of Unalaska has concerns about the language in the bill due to the loss of business fish tax and revenues. The City Council has not taken a position as of yet. However, it will be scheduled for the next council meeting for review which may lead to the City taking a position on this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Hladick".

Chris Hladick
City Manager

cc:

Senator Allen Austerman
Senator Lyman Hoffman
Representative Carl Moses
Mayor Fitch and City Council Members