

HB

104

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT

MAY 16 2003

SENATE FINANCE
COMMITTEE

DATE: 5/10/03

FURTHER:

DATE TURNED
IN TO OFFICE: 16 May 2003

Finance Committee considered CS FOR HOUSE BILL NO. 104(FSH)

HB 104 PAYMENT OF FISHERY BUSINESS TAX

"An Act relating to payment of the fisheries business tax and to security for collection of the fisheries business tax."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- 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#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
Revenue	3/20/03	14.2		#2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>William L. Taylor</i>	✓			
<i>Ben Stevens</i>	✓			
<i>C. Bunch</i>	✓			
<i>Thomas C. ...</i>			✓	
COCHAIR: <i>Syda ...</i>	✓			
COCHAIR: <i>Syda ...</i>				

CS FOR HOUSE BILL NO. 104(FSH)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON FISHERIES

Offered: 3/7/03

Referred: Resources, Finance

Sponsor(s): REPRESENTATIVES STEVENS, Lynn, Dahlstrom

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to payment of the fisheries business tax and to security for collection of
2 the fisheries business tax."

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

4 * Section 1. AS 43.75.030(d) is amended to read:

5 (d) Except for tax paid monthly under AS 43.75.055(c)(1), the [THE] tax
6 shall be paid before April 1 after the close of the calendar year.

7 * Sec. 2. AS 43.75.055(c) is amended to read:

8 (c) An applicant [THAT DOES NOT PROCESS A FISHERY RESOURCE
9 IN THE STATE] may elect to avoid the requirements of (a) and (b) of this section if
10 the applicant

11 (1) files a report as prescribed by the department and
12 [NOTWITHSTANDING AS 43.75.030(d),] pays the taxes due under this chapter on
13 or before the 15th day of the month following the month in which liability for the
14 payment of the taxes was incurred;

1 (2) pays the taxes and assessments for which the applicant is liable
2 under AS 16.51, AS 43.76, and AS 43.77 on or before the 15th day of the month
3 following the month in which the liability for the payment of the taxes or assessments
4 was incurred;

5 (3) remits to the department the taxes and assessments that the
6 applicant is required to collect under AS 43.76 on or before the 15th day of the month
7 following the month in which the taxes or assessments were required to be collected;
8 and

9 (4) either

10 (A) files a bond in the amount of \$50,000; or

11 (B) provides the department with proof that the applicant is the
12 owner of lienable real property in the state of a value of at least \$100,000.

13 * Sec. 3. AS 43.75.055(d) is amended to read:

14 (d) A bond filed under (c) of this section must be conditioned upon
15 [PAYMENT TO THE FISHERMAN OF THE FULL PURCHASE PRICE FOR THE
16 FISHERY RESOURCE AND] the payment of the taxes under (c)(1) of this section [,
17 INTEREST, AND PENALTIES] in full when due. [THE PROVISIONS OF (c) OF
18 THIS SECTION DO NOT APPLY TO AN APPLICANT WHO HAS A
19 RELATIONSHIP, AS THAT TERM IS DEFINED UNDER 26 U.S.C. 267(b), WITH
20 A PERSON THAT PROCESSES A FISHERY RESOURCE.]

FISCAL NOTE

REPORTED OUT
 MAY 16 2003
 SENATE FINANCE
 COMMITTEE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSHB 104(FISH)
 (H) Publish Date: 3/26/03

Revision Date/Time (Note if correction): March 20, 2003 Dept. Affected: Revenue
 Title Payment of Fisheries Business Tax BRU Revenue Operations
 Component Tax Division
 Sponsor Representative Stevens
 Requester House Finance Committee Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	11.0	22.0	22.0	22.0	22.0	22.0
Travel						
Contractual	0.4	0.7	0.7	0.7	0.7	0.7
Supplies	0.3	0.5	0.5	0.5	0.5	0.5
Equipment	2.5					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	14.2	23.2	23.2	23.2	23.2	23.2

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	**	**	**	**	**	**
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	14.2	23.2	23.2	23.2	23.2	23.2
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	14.2	23.2	23.2	23.2	23.2	23.2

Estimate of any current year (FY2003) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time	0.5	0.5	0.5	0.5	0.5	0.5
Temporary						

ANALYSIS: (Attach a separate page if necessary)

** The Department of Revenue is unable to predict with any degree of certainty if this change in security provisions for payment of the Fisheries Business Tax will result in any tax revenue loss to the state.

See attached page for further discussion.

Prepared by: Chuck Harlamert, Revenue Audit Supervisor Phone 465-4773
 Division Tax Division Date/Time 3/20/03 4:04 PM
 Approved by: Larry Persily, Deputy Commissioner Date 3/20/2003
 Agency Department of Revenue

CC. ITTEE COPY

Bill Analysis

Current Fisheries Business Tax rules allow processors to pay the tax on or before March 31 of the year following the tax year. Complimenting this deferral is a requirement that the processor provide the department with security to ensure ultimate payment of the tax.

Taxpayers have several security options available to them. A taxpayer can demonstrate equity in real property equal to three times its estimated tax, provide a bond for twice the estimated tax, prepay the estimated tax, establish a line of credit, or purchase a certificate of deposit in the amount of the estimated tax. All except the real property provide the state with a high degree of certainty the tax will be collected. With the possible exception of real property, the other existing options require a capital outlay or significant unrecoverable cost and therefore may represent a barrier to entry to new processors.

This legislation would reduce the up-front capital required to obtain a fisheries business license by providing processors the option of paying tax monthly, with a nominal bonding requirement.

Sectional Analysis

Section 1 provides for monthly payment of the Fisheries Business Tax, which is otherwise due March 31 of the following year.

Section 2 makes the monthly payment option available to all fisheries businesses. The option is currently available only to fish brokers. AS 43.75.055(c)(1) is modified to require electing taxpayers to file a report and pay fish taxes on or before the 15th day of the month following the month in which the tax is incurred. The requirement to file on a report prescribed by the department does not replace existing reporting requirements.

Section 3 modifies AS 43.75.055(d) to conform with the broadened application of the alternative security option.

Revenue and Cost Estimates

While the new monthly security option created by the bill can significantly reduce the amount of capital required to enter the industry, it remains the most expensive option under most circumstances for fulfilling the statutory requirement of ensuring payment of taxes. We therefore expect that only thinly capitalized processors will choose the new option. Acting as a counterbalance to low usage is our expectation that these processors will, as a group, could be high risk. The department will need to carefully monitor payments from this group in order to immediately identify, and close down, processors that fail to make the monthly payments. For this purpose, and for incremental collection, licensing, and processing activity we request one-half position at the Tax Technician II level (Range 12) with total ongoing personnel and associated costs of \$23,200 annually.

Joint Legislative Salmon Industry Task Force

Legislative Members

Senator Ben Stevens, Chair
Representative Gary Stevens, Vice-Chair
Senator Kim Elton
Representative Bill Williams
Senator Alan Austerman, Alternate
Representative Drew Scalzi, Alternate



Public Members

Sue Aspelund
Sam Cotten
Duncan Fields
Don Gilles
John Lowrance
Robin Samuelson
Gary Slaven
Stephanie Madsen, Alternate
Chris Moss, Alternate

Sponsor Statement

Committee Substitute for House Bill 104(FSH)

"An Act relating to payment of the fisheries business tax and to security for collection of the fisheries business tax."

Under current law, 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 can be a burden to a company operating on a small margin.

Committee Substitute for House Bill 104(FSH) amends AS 43 by providing an option for fish processing applicants who are not able to meet the requirements currently in statute. Processors 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 15th 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 of Revenue with proof that the applicant is the owner of lienable real property in the state of a value of at least \$100,000.

Committee Substitute for House Bill 104(FSH) will assist processors who do not have large property assets in developing their business plans and in managing their tax payment schedule. The measure would also encourage new processing investment in a time when the seafood industry needs to expand and diversify in the processing sector.

Joint Legislative Salmon Industry Task Force

Legislative Members
Senator Ben Stevens, Chair
Representative Gary Stevens, Vice-Chair
Senator Kim Elton
Representative Bill Williams
Senator Alan Austerman, Alternate
Representative Drew Scalzi, Alternate



Public Members
Sue Aspelund
Sam Cotten
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Don Giles
John Lowrance
Robin Samuelson
Gary Slaven
Stephanie Madsen, Alternate
Chris Moss, Alternate

SECTIONAL ANALYSIS

Committee Substitute for House Bill 104(FSH)

“An Act relating to payment of the fisheries business tax and to security for collection of the fisheries business tax.”

Section 1.

- Amends AS 43.75.030(d) to add a monthly tax provision included in section 2 of this measure.
- Reiterates that **all** taxes under AS 43.75 **must** be paid before April 1 after the close of the calendar year.

Section 2.

- Amends AS 43.75.055(c) to add the following options:
 1. A processor may elect to file a bond for \$50,000; **or** provide the Department of Revenue with proof of lienable property in the state with a value of at least \$100,000.
 2. A processor utilizing this option must pay the taxes due under AS 43 on or before the 15th day of the month following the month in which the liability for the payment of taxes was incurred.
- Reiterates the requirement already in statute that all the tax requirements of AS 43.76; 43.77; and, AS 16.51 are included in a processor's tax liability and paid to the Department of Revenue.
- Reiterates the requirement already in statute that taxes and assessments must be paid to the Department of Revenue on or before the 15th day of the month following the month in which the tax liability was incurred and collected.

Section 3.

- Amends AS 43.75.055(d) to require that a bond issued under (c)(1) of this section is conditioned upon the payment of taxes on or before the 15th day of the month following the month in which the tax liability was incurred and collected.

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES



UNITED FISHERMEN OF ALASKA

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(907) 463-2645 Fax
E-Mail: ufa@ufa-fish.org
www.ufa-fish.org

March 20, 2003

Representative Bill Williams
Representative John Harris
Co-Chairs
House Finance Committee
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801-1182

Dear Representatives Williams and Harris,

Re: HB 104 Payment of Fishery Business Tax

United Fishermen of Alaska supports this bill.

We support this bill because of the increased flexibility it provides to processors. This flexibility provides a more accommodating payment schedule and taxation structure, and reduces security requirements.

Our desire is that this legislation will foster a more diverse, expanded, and competitive processing sector that stimulates increase economic benefit for all sectors of the seafood industry.

Your consideration of our recommendation is appreciated.

Sincerely,

Thomas M. Gemmell
Executive Director

Copy: Senator Ben Stevens
Senator Gary Stevens
Senator Fred Dyson
Senator Tom Wagoner
Representative Paul Seaton

MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Druggers Association • Alaska Longline Fishermen's Association • Alaska Trollers Association • Alaska Processors Association • Bristol Bay Reserve
Chignik Regional Aquaculture Association • Chignik Seiners Association • Concerned Area "M" Fishermen • Cook Inlet Aquaculture Association • Cordova District Fishermen United
Crab Rationalization and Buyback Group • Douglas Island Pink and Churn • Groundfish Forum • Kenai Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association
Kodiak Seiners Association • North Pacific Fisheries Association • Nunavut Southeast Regional Aquaculture Association • Old Harbor Fishermen's Association
Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Puro Selma Vessel Owners Association • Seafood Producers Cooperative
Southeast Alaska Regional Diver Fisheries Association • Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association
United Cook Inlet Diver Association • United Seiners Association • United Southeast Alaska Gillnetters • Western Gulf of Alaska Fishermen

SENATE COMMITTEE REPORT

DATE: 4/4/03

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 5-9-03

Resources Committee considered CS FOR HOUSE BILI. NO. 104(FSH)

HB 104 PAYMENT OF FISHERY BUSINESS TAX

"An Act relating to payment of the fisheries business tax and to security for collection of the fisheries business tax."

and recommends:

Senate Bill:

be replaced with _____ CS _____ (_____)

same title

adopt previous _____ CS _____ (_____)

new title

House Bill:

attached amendment(s)

same title

technical title

new: SCR # _____

adopt Letter of Intent by _____ Committee

further referral to _____ Committee

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
REV	3/20/03	✓		2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:		DO PASS	DO NOT PASS	NO REC	AMEND
Seekins	<i>Kelley Seekins</i>	✓			
B. Stevens	<i>Ben Stevens</i>	✓			
Wagner	<i>Wagner</i> - VICE-CHAIR	✓			
Oyson	<i>Oyson</i>				
Lincoln	<i>Lincoln</i>				
Elton	<i>Elton</i>	✓			
CHAIR:	<i>[Signature]</i>				

SENATE FINANCE COMMITTEE

SIGN-IN

HB 104-PAYMENT OF FISHERY BUSINESS TAX

NAME: Chuck Harlament Subject/Bill No: HB 104
Co./Dept./Title: Dept. of Revenue Phone: 477-3
Address: 1144 Ft. SOB 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

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