

HB

104

SENATE COMMITTEE REPORT

DATE: 4/4/03

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 5-9-03

Resources 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:

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
<i>Kelley Neekin</i>	✓			
<i>Ben Stevens</i>	✓			
<i>Mike Johnson</i>	✓			
<i>Franklyn</i>	✓			
<i>Demetrius</i>	✓			
<i>R. S. S.</i>	✓			
CHAIR:				

FISCAL NOTE

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

Phone 465-4773
 Date/Time 3/20/03 4:04 PM
 Date 3/20/2003

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 Giles
John Lowrance
Robin Samuelson
Gary Slaven
Stephanie Madsen, Alternate
Chris Moss, Alternate

MEMORANDUM

TO: Senator Scott Ogan
Senate Resources Committee

FROM: Senator Gary Stevens

DATE: April 7, 2003

RE: House Bill 104

I respectfully request the scheduling of House Bill 104 - "An Act relating to payment of the fisheries business tax and to security for collection of the fisheries business tax." - for a hearing.

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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.

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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.

Southeast Alaska Fishermen's Alliance

9369 North Douglas Highway
Juneau, AK 99801



Phone 907-586-6652

Fax 907-586-5648 E-mail: seafa@gci.net

May 9, 2003

Senate Resources Committee
Scott Ogan, Chair
Alaska State Legislature
State Capitol
Juneau, AK 99801

Support for HB 104

The Southeast Alaska Fishermen's Alliance supports HB 90, which would provide an alternative method for a small fish processing companies to pay their fishery business tax on a monthly basis and not have to purchase a large bond or have very valuable property in the state to put a lien on.

We hope that you will support this legislation discussed and supported by the Salmon Industry Task Force as a way to provide flexibility to the salmon industry as we move forward.

The Southeast Alaska Fishermen's Alliance is a non-profit membership based fishing organization representing our members involved in the salmon, crab, shrimp and longline fisheries of Southeast Alaska. Please feel free to call us regarding commercial fishing issues if we may be of any help to you or your staff.

Sincerely,

Kathy Hansen
Executive Director

Cordova District Fishermen United

Celebrating 68 Years of Service to Commercial Fishermen in Cordova, Alaska
P.O. Box 939 Cordova, Alaska 99574 / phone (907) 424-3447 / fax (907) 424-3430 /
e-mail cdfu@ptialaska.net

May 8, 2003

Senate Resources Committee
c/o Senator Scott Ogan
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801-1182

SENT BY FACSIMILE TO 907.465.3265

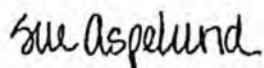
RE: SUPPORT FOR HB 104 - An Act relating to payment of fisheries business tax

Cordova District Fishermen United (CDFU) represents the hardworking commercial fishing families of Area E—Prince William Sound and the Copper River. We are supportive of HB 104 and urge your positive consideration of it.

CDFU supports the increased flexibility that HB 104 provides those in the processing sector of the seafood industry. This bill enables that by providing a more accommodating tax payment schedule and structure, and less burdensome security requirements.

We hope that passage of HB 104 creates a more diverse, expanded, and competitive processing sector that stimulates increased economic activity for all involved in the seafood industry, and for the communities dependent upon it.

Respectfully,



Sue Aspelund
Executive Director