

HB

90

SENATE COMMITTEE REPORT

DATE: 4/2/03

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 4-17-03

Resources Committee considered CS FOR HOUSE BILL NO. 90(FIN)

HB 90 TAX CREDIT: SALMON DEVELOPMENT/UTILIZATION

"An Act relating to a salmon product development tax credit and a salmon utilization tax credit under the Alaska fisheries business tax; and providing for an effective date."

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#
REV	3/25/03	✓		2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Joseph Neekin</i>	✓			
<i>Ben Steen</i>	✓			
<i>Thomas H. Hagowen</i>	✓			
<i>Paul ...</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
CHAIR: <i>Scott Oger</i>			✓	

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, Chair
Senate Resources Committee

FROM: Senator Ben Stevens, Chair
Joint Legislative Salmon Industry Task Force

DATE: March 31, 2003

RE: Scheduling of House Bill 90

I respectfully request the scheduling of House Bill 90 - "An Act relating to a salmon product development tax credit and a salmon utilization tax credit under the Alaska fisheries business tax; and providing for an effective date." - for a hearing.

Department of Revenue
Tax Division

Fisheries Business Tax (\$ million)

	Actuals												Forecast	
	FY 1997 (CY 1996*)		FY 1998 (CY 1997*)		FY 1999 (CY 1998*)		FY 2000 (CY 1999*)		FY 2001 (CY 2000*)		FY 2002 (CY 2001*)		FY 2003 (CY 2002*)	
	Value	Tax	Value	Tax	Value	Tax	Value	Tax	Value	Tax	Value	Tax	Value	Tax
Halibut	\$73	\$2.1	\$100	\$3.1	\$63	\$1.9	\$107	\$3.2	\$128	\$3.9	\$112	\$3.4	\$112	\$3.4
Salmon	\$373	\$14.1	\$288	\$11.0	\$271	\$10.3	\$383	\$14.7	\$292	\$11.2	\$227	\$8.5	\$152	\$5.6
Herring	\$60	\$2.3	\$18	\$0.7	\$12	\$0.5	\$20	\$0.8	\$12	\$0.5	\$15	\$0.5	\$10	\$0.4
Shellfish	\$160	\$5.7	\$179	\$6.6	\$206	\$7.8	\$284	\$10.9	\$134	\$4.8	\$113	\$3.9	\$115	\$4.0
Groundfish	\$213	\$6.8	\$220	\$7.1	\$171	\$5.4	\$224	\$7.1	\$312	\$10.1	\$275	\$8.9	\$275	\$8.9
Totals	\$879	\$31.0	\$805	\$28.5	\$723	\$25.9	\$1,018	\$36.7	\$878	\$30.5	\$742	\$25.2	\$664	\$22.3

*Data is from fisheries business tax returns by fiscal year. In general, this corresponds to the previous calendar year fishing season. However, due to late or amended returns, this data may reflect more than one calendar year.

Note: Revenue amounts are before fifty percent of the fisheries business tax revenue is shared to qualifying communities.

FY 2003 estimate is from the Spring 2003 Revenue Sources Book

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSHB 90(FISH)
 (1-1) Publish Date: 3/7/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Tax credit for salmon development BRU Revenue Operations
 Component Tax Division
 Sponsor Representatives Stevens and Wolf
 Requester House Fisheries 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	22.0	22.0	22.0	22.0	22.0	22.0
Travel		4.0	4.0	4.0	4.0	4.0
Contractual	1.1	2.1	2.1	2.1	2.1	2.1
Supplies	1.0	1.5	1.5	1.5	1.5	1.5
Equipment	5.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	29.1	29.6	29.6	29.6	29.6	29.6

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	(500.0)	(750.0)	(1,200.0)	(1,200.0)	(1,200.0)	(50.0)
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	29.1	29.6	29.6	29.6	29.6	29.6
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type -Do not abbreviate)						
TOTAL	29.1	29.6	29.6	29.6	29.6	29.6

Estimate of any current year (FY2003) cost: 0.0

Check 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)

This legislation would allow taxpayers to take a Salmon Product Development Tax Credit against their tax liability for 50% of a qualified investment in new property.

The projected state tax revenue loss is based on the assumption that taxpayers will claim investment credits totaling \$2 million in Fiscal 2004, increasing to \$3 million in Fiscal 2005 and increasing to \$4.8 million during 2005. The amount of credits generated are one half of qualified investments, totaling \$4.9 million in credits during the life of this provision. We have assumed that tax liability limitations will hold taxpayers to using half of the credit generated in each year, with the remainder carried forward until fully absorbed. Use of the tax credit would expire on January 1, 2009.

The projections assume that certain technical corrections are incorporated into the bill.

Prepared by: Chuck Harlamert Phone 465-4773
 Division: Tax Division Date/Time 3/4/03 4:54 PM
 Approved by: Larry Persily, Deputy Commissioner Date 3/4/2003
 Agency: Department of Revenue

Operating Expenditures

The Department of Revenue is requesting operating funds to cover the costs of one-half of a Tax Technician II position. The department anticipates that the 50% rate of credit for qualified investments totaling several million dollars will attract aggressive positions by taxpayers that, without enforcement activities, will inappropriately reduce revenue and crowd out targeted investment. The department will require additional Tax Technician resources to coordinate credits and limitations between returns of taxpayers with multiple facilities.

Technical Analysis

The most significant technical comment is in fact a question regarding the intent of the bill. The Fisheries Business Tax is focussed on the processing facility, whether it is a shore-based plant or a vessel. A taxpayer may own and operate several taxable facilities, each with its own licensing and tax filing requirements. Each requirement, limitation and allowance should be deliberately drafted to apply to the individual facility, or to the taxpayer and all its facilities, because the options will produce significantly different results.

As a case in point, the fundamental limitation for the credit is 50% of the *taxpayer's* Fisheries Business Tax on salmon. We interpret taxpayer to refer to the legal entity. Thus, a taxpayer that operates more than one processing facility has the flexibility to offset excess credits generated from its investment in one facility against tax from other processing facilities. The taxpayer-level limitation therefore offers more opportunity to fully utilize the credit and may generate investment that would not be economical under a facility-based limitation. The result, however, may conflict with other policy goals because the taxpayer-based limitation will favor large, established taxpayers.

Comments and Recommendations

Section 1

AS 43.75.035(b) limits the credit to 50% of the taxpayer's tax on salmon and includes a sunset provision of December 31, 2005.

Recommendation: The 50% limitation (based on taxes for salmon) can be applied at the facility level or at the taxpayer level. A facility-level limitation will restrict the amount of credit to 50% of the tax paid on salmon processed at *that facility* during the year of investment and the following three years. A taxpayer-level limitation will allow the credit to offset taxes on salmon processed or exported by the taxpayer anywhere in the state. We interpret subsection (b)(1) to be a taxpayer-level limitation. If a facility-based limitation is desired we recommend that subsection (b)(1) be amended to read:

(1) exceed 50 percent of the fisheries business tax reported on the return of the licensed facility or vessel with respect to salmon; or

Comment: The bill would allow credit to be claimed against taxes paid on salmon that is exported for processing outside of Alaska. This will maximize the potential use of the credit but appears contrary to the purpose of the credit. Adding “processed by the facility or vessel” after “salmon” in either version of (b)(1) would remove the tax on unprocessed exports from the pool of tax available for credit.

AS 43.75.035(c) provides a mechanism to provide partial credit for qualified property used on a vessel both inside and outside of Alaska.

Comment: This provision establishes the qualified portion of an investment on a vessel based on the *weight* of raw salmon processed on the vessel during the year that the property is first placed in service. An alternative would be to determine the ratio using the *value* of salmon processed within Alaska and everywhere. The weight ratio will be favorable to vessels whose in-state processing is focussed on salmon of a lower value relative to salmon processed outside of Alaska. A value ratio will favor vessels whose Alaska processing is focussed on salmon with a high value relative to salmon processed outside of Alaska.

AS 43.75.035(d) allows credits in excess of the current year limitation to be applied against taxes on salmon in the three subsequent tax years.

Recommendation: The bill should specify for clarity the order in which credits are taken. If the intent is to maximize the amount of credit actually used, the statute should specify that credits are applied on a first-generated, first-applied basis and before other credits.

AS 43.75.035(f) prohibits the use of the credit if the taxpayer is delinquent on its unemployment insurance contribution or taxes under AS 43.

Recommendation: This provision merely requires the taxpayer to pay delinquent taxes before filing a return on which the credit is claimed. A delinquent taxpayer can pay its tax the day before the next year's tax return is due and still claim a credit against that delinquent tax liability. This taxpayer therefore would be paid up for just a single day each year. To be effective, this provision should prohibit both the creation of credits and their use on a return if a delinquency occurred between the first day of the tax period and the later of the due date of the return or the date the return was actually filed and the tax paid. The provision can be further strengthened by reducing any credit carryover by the amount that would have been applied against taxes in the absence of the delinquency.

Comment: This is an area in which it is necessary to retain a taxpayer-level view. The rules have little meaning if a taxpayer merely pays its taxes for those facilities that are generating credits but is delinquent on taxes for other fisheries facilities.

AS 43.75.035(g) defines key terms that effectively spell out the requirements for the credit.

AS 43.75.035(g)(2) restricts the credit to investment in new property. This limitation will increase investment in new technology. Investment to re-use existing equipment is not covered by this credit. This restriction avoids tax motivated transfers of property that do not increase the level of value-added processing in the state. However, the restriction does not attract legitimate investment in used property that would increase the level of value-added salmon processing in Alaska.

Recommendation: Consider modifying this restriction in coordination with AS 43.75.035(a) to allow credit for new and used equipment that is placed into service *in Alaska* for the first time. This approach would provide more flexibility for processors seeking to initiate or expand value-added salmon processing, while preventing tax motivated transfers of equipment already in use in the state.

Recommendation: The bill should include anti-churning rules to prevent tax motivated transactions if the credit is made available for investment in used property that is already situated in the state.

AS 43.75.035(g)(3) provides the core definition for the credit – qualified investment. The definition contains an initial qualifier – depreciable tangible personal property. It goes on to add a compound qualitative attribute: that it be used *predominantly* to produce *value-added salmon products*. All three of these qualifications deserve their own definition within the statute. It will be necessary to carefully define them in order to retain any control and direction over the nature of investment for which the credit is awarded.

Recommendation: The useful life of an asset is a subjective determination that could produce unintended consequences. We recommend referring to “7-year property as that term is defined in 26 U.S.C 168(e)(1)”. This definition will more effectively isolate equipment and avoid potential claims for ancillary items such as computers, automobiles and filet knives.

Recommendation: Qualified investments must be used *predominantly* to produce value-added salmon products. We interpret the term predominant in this context to mean more than half, or if no one productive use is more than half, the most prevalent use. The bill does not provide a standard with which to determine the predominant use of the investment. We recommend that the bill specify the standard to be employed such as value or weight and whether the standard is for inputs or finished product.

Comment: Predominant use will be difficult and controversial in cases where value-added salmon products are less than half of the activity. In these instances, a finding of predominance will depend on how finely the non-qualifying activity can be cut up. This may be a costly and acrimonious exercise that is best avoided. Based on a 50% credit the committee should consider abandoning the concept of *predominantly* and going with a more than half standard based on weight or value.

Recommendation: The phrase *value-added salmon products* represents the core of the credit and must be defined clearly. The phrase is a combination of two qualifying terms: *value-added* and *salmon product*. The term *value-added* is subjective and requires a clarifying benchmark to be meaningful and provide context for other requirements. For example, the list of value-added processing equipment refers to specific value-added processes and functions such as skinning, mincing and smoking. These appear to be clear examples of value-adding activity compared to headed-and-gutted frozen product. However, the list goes on to reference various processes and functions that are common to the production of non-value-added salmon products and value-added products of other species as well as salmon. The processes of portioning, preserving, packaging and blast-freezing are common to many, if not all, fish products. As written, the processor who blast freezes individual headed-and-gutted salmon and throws them in a container has performed all of these functions. In the absence of a clarifying definition, the examples themselves define *value-added* such that the equipment used in this minimum value adding operation qualify for the credit.

We recommend that the definition of *value-added* be carefully drafted as a separate definition representing the type of investment being targeted. We suggest using a separate and coordinated definition of *salmon product* to generate an effective definition of *value-added salmon products*. For example, define salmon products negatively to exclude products that you believe should not qualify as a value-added salmon product. In this way, the definition of salmon product acts as a safety net for the more subjective definition of value-added. This definition method leaves room for unforeseen value-added salmon products without allowing non-targeted activity to sneak in through the cracks. In the alternative we recommend that the committee remove the phrase *value-added salmon product* altogether and instead credit only equipment performing specific processing activities.

Comment: The listing of functions and/or processes like freezing, that are common to traditional and value-added salmon processing or common to processing of non-salmon species, will invite abuse and increase enforcement expenditures.

Recommendation: Investment credits are normally complimented by recapture provisions. Recapture, or “claw back” rules, reclaim all or part of the credit if the taxpayer does not follow through. Recapture normally occurs when the investment is later sold or diverted from the targeted activity. The existing bill merely requires instantaneous use of the property, after which it can be moved out of state or used for another species or process. For example, a taxpayer offloads processing equipment at its Alaska plant and runs a single salmon through it. The equipment itself, or a subsequent process, represents value-added processing. The equipment is immediately reloaded and shipped to Asia for sale or permanent use. This equipment qualifies for the credit.

We recommend adding a requirement that the property be used within the state, and for the targeted purpose, for a minimum number of years and that the credit be recaptured (perhaps with interest) when the requirements are not met. A simplified approach would be to require the qualified investment to remain qualified and in the state for a designated number of years and proscribe the percentage of credit that must be repaid based on the year that the property fails to qualify. We recommend credit recapture when the investment is sold, even if it continues to be used in the state. The automatic recapture at sale is absolutely necessary if the credit is expanded to cover purchases of equipment already in use in Alaska. Failure to recapture at sale will result in repeated credits for the same property potentially exceeding the cost of the property.

The recapture rules for floating processors will need to be customized.

Comment: The committee should consider the potential implications of awarding credit for freezers under the preserving or blast-freezing categories. Freezers installed on vessels will qualify for the credit. Shore-based freezers, however, may or may not qualify depending on whether the freezer is treated as real or personal property.

Section 4 – Retroactivity

The credit is retroactive for investments and property placed in service after January 1, 2003.

Comment: The retroactive application will represent an after-the-fact subsidy for qualified investment that has already occurred. The state will have gained nothing from its 50% investment in the property. The state will achieve more for its investment if the credit is restricted to prospective investments.

Recommendation: We recommend changing the effective date to January 1, 2004 and extending the life of the credit from December 31, 2005 to the end of 2006. This will avoid credits for historical transactions and allow taxpayers more time to incorporate the credit into their financial and operational plans.

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSHB 90(FIN)
(H) Publish Date: 3/26/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Tax credit for salmon development BRU Revenue Operations
Component Tax Division
Sponsor Representatives Stevens and Wolf
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	42.2	84.5	84.5	84.5	84.5	84.5
Travel		4.0	4.0	4.0	4.0	4.0
Contractual	1.1	2.1	2.1	2.1	2.1	2.1
Supplies	1.0	1.5	1.5	1.5	1.5	1.5
Equipment	5.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	49.3	92.1	92.1	92.1	92.1	92.1

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	49.3	92.1	92.1	92.1	92.1	92.1
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	49.3	92.1	92.1	92.1	92.1	92.1

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

POSITIONS

Full-time	1	1	1	1	1	1
Part-time	0.5	0.5	0.5	0.5	0.5	0.5
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would establish two new tax credit programs:
1) Allow taxpayers to take a tax credit against their Fisheries Business Tax liability for 50% of qualified investment in new value-added salmon processing equipment.
2) Allow taxpayers to take a tax credit against their Fisheries Business Tax liability for 50% of the cost of operations or investment in new equipment for the full utilization of salmon.
We believe these credits, combined with state and federal bonus depreciation allowances, will generate a high level of interest in this program.

**** See attached pages for further discussion.**

Prepared by: Chuck Harlamert, Chief of Operations Phone 465-4773
Division Tax Division Date/Time 3/25/03 9:38 AM
Approved by: Larry Persily, Deputy Commissioner Date 3/25/2003
Agency Department of Revenue

Operating Expenditures

For purposes of adequately monitoring these new tax credits, and enforcing the intent of the legislation, the Department of Revenue Tax Division is requesting operating funds to cover the costs of:

- One-half of a Tax Technician II position. The Division will require additional Tax Technician resources to coordinate credits and limitations between returns of taxpayers with multiple facilities.
- A Revenue Auditor III position to enforce the credits. The department anticipates some taxpayers may take overly aggressive positions, due to the attractiveness of the 50% tax credit and the flexible qualifying criteria for the credit for new equipment and operations for full utilization of salmon. Credits for expenditures outside the intent of this legislation, if left unchecked, could inappropriately reduce state revenue and unfairly compete with investment that truly fulfills the legislative intent. The Division therefore requests funding for a Revenue Auditor III position to cover the expenses associated with enforcement of the credits.

Effect on State Revenue

We cannot predict the revenue loss from the new credits. The actual revenue loss to the state would depend on the amount of qualified investment and the value of the salmon catch for the year.

The extent of the two credits, especially the full-utilization credit, could be sufficient to allow many large processors to generate enough credit to offset half their Fisheries Business Tax liability for salmon through Fiscal 2009. The legislation ends the tax credit provision on December 31, 2005, but allows taxpayers to carry forward any unused credits for three years, meaning the state may not see the last of the credits applied against tax liabilities until Fiscal 2009.

The state in Fiscal 2001 retained \$5.6 million in Fisheries Business Taxes on salmon (net of municipal shared revenue). In Fiscal 2002, the state retained \$4.25 million. The Fiscal 2003 estimate is \$2.8 million in state revenue, net of municipal sharing (half of the Fisheries Business Tax is shared with municipalities). This legislation requires that the tax credit come entirely from the state's share of the Fisheries Business Tax revenue. Therefore, a 50% credit, depending on how many taxpayers claim the credit and to what extent they use the credit, could eliminate anywhere from one dollar to all of the state revenues in a year of low catches or low salmon prices — or anywhere in between.

The legislation's intent is that the cost to the state of the credit would be repaid in future years with increased Fisheries Business Tax revenues on a higher value and full utilization of salmon.

Section 1

AS 43.75.035(b) limits the credit to 50% of the taxpayer's tax on salmon and includes a sunset provision of December 31, 2005.

AS 43.75.035(c) provides a mechanism to provide partial credit for qualified property used on a vessel both inside and outside of Alaska.

AS 43.75.035(d) allows credits in excess of the annual limitation to be applied against taxes in the three subsequent tax years.

AS 43.75.035(e) specifies that the limitation on credit application of 50% of salmon tax liability is on the combined application of the Salmon Product Development Tax Credit and the Salmon Utilization Tax Credit.

AS 43.75.035(f) prohibits the use of the credit if the taxpayer is delinquent on its unemployment insurance contribution or state taxes under AS 43.

AS 43.75.035(g) defines key terms that effectively spell out the requirements for the credit.

AS 43.75.035(g)(2) restricts the credit to investment in new property.

AS 43.75.035(g)(3) provides the core definition for the credit – qualified investment.

AS 43.75.036(a) provides a tax credit for 50% of qualified expenditure for full utilization of salmon.

AS 43.75.036(b) through AS 43.075.036(g)(2) mirror, for the salmon utilization credit, the provisions set out in AS 43.75.035(b) – (g)(2).

AS 43.75.036(g)(3) defines qualified expenditure for the salmon utilization credit as costs associated with the "development, manufacture, purchase or operation of new equipment or a manufacturing process to produce marketable products using the bones, skin, viscera and carcasses of salmon."

Section 2 – Municipalities Held Harmless

The credit does not affect revenue sharing to municipal governments. The tax credit, therefore, would come entirely from the state's share of Fisheries Business Tax revenues.

Section 4 – Retroactivity

The credit is retroactive for investments and property placed in service after January 1, 2003.

Joint Legislative Salmon Industry Task Force

Legislative Members
Senator Ben Stevens, Chair
Senator 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

For Immediate Release: March 31, 2003

**Contact: J.D. Wallace, House Majority Press Secretary
(907) 465-5369**

House Approves Tax Credit for Salmon Investments **New Equipment for Processing Can Cut Industry Taxes**

(JUNEAU) – The Alaska State House of Representatives approved House Bill 90 by a vote of 29 to six Monday. Sponsored by Sen. Gary Stevens (R-Kodiak) upon recommendation by the Joint Legislative Salmon Industry Task Force, HB 90 provides an Alaska fisheries business tax credit for up to 50 percent of the purchase price of equipment that can add value to salmon.

“The idea is to encourage the salmon industry to try new processing and packaging methods that will boost sales,” Stevens said. “Hopefully, with this new credit, they’ll explore some new options, such as pouch processing of pink salmon.”

The credit cannot cover more than 50 percent of the taxpayer’s fisheries business tax for that year; however, unused credit can be applied to the following year’s fisheries business tax. This credit system lasts until the end of 2005.

“We want to give this idea a chance with the salmon industry and see how processors take advantage of the opportunity,” Stevens said. “Hopefully we’ll see some meaningful results in the next three years.”

HB 90 moves to the Senate.

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UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 110
Juneau, Alaska 99801-1172
(907) 586-2820
(907) 463-2545 Fax
E-Mail: ufa@ufa-fish.org
www.ufa-fish.org

April 11, 2003

Senator Scott Ogan
Chair
Senate Resources Committee
State Capitol (MS 3100)
Juneau, AK 99801

Dear Senator Ogan,

Re: HB 90 Tax Credit for Salmon Development

United Fishermen of Alaska strongly supports HB 90 and recommends swift passage of this bill so that Alaska processors can make plans to use this bill this salmon season.

It is very clear from discussions during Salmon Task Force proceedings that providing salmon in forms that the consumer wants is critical to boosting the value of our salmon harvest. It is imperative that the Legislature and Administration provide incentives so that more value added work can be done in Alaska. Not only will this benefit harvesters but it will also help secure processor jobs in Alaska and mitigate against raw fish being shipped to foreign countries for value added processing.

We look forward to working with you on this important piece of legislation.

Sincerely,

Thomas M. Gemmell
Executive Director

Copy: Senator Ben Stevens
Senator Tom Wagoner
Senator Fred Dyson
Senator Ralph Seekins
Senator Kim Elton
Senator Georgianna Lincoln

MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Druggers Association • Alaska Longline Fishermen's Association • Alaska Trollers Association • At-Sea 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 Chum • Groundfish Forum • Koni Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association
Kodiak Seiners Association • North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association • Old Harbor Fishermen's Association
Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Purso Seine Vessel Owners Association • Sealood Producers Cooperative
Southeast Alaska Regional Dive Fisheries Association • Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association
United Cook Inlet Drift Association • United Salmon Association • United Southeast Alaska Gillnetters • Western Gulf of Alaska Fishermen

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

April 14, 2003

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

SENT BY FACSIMILE TO 907.465.3265

RE: SUPPORT FOR HB 90 - An Act relating to a tax credit for value-added/new product development and utilization

Cordova District Fishermen United (CDFU) represents the hardworking commercial fishing families of Area E—Prince William Sound and the Copper River. We are pleased to inform you of our support for HB 90.

The salmon industry needs financial incentives to stimulate investments into higher value processing technologies. The tax credit proposed in HB 90 provides that incentive. We acknowledge that in the short term the credit reduces General Fund receipts. However, the State should realize a return in investment via increased values—and hence, increased taxes—for the salmon harvested and value-added in Alaska in the future.

We support tight provisions that prevent abuses so that the intent of the legislation is realized for the benefit of harvesters, processors, communities, and the State, and encourage your support of the bill.

Thank you for your support HB 90. We believe that its passage will result in improved economics for the salmon industry and the State in the long term.

Sincerely,



Sue Aspelund
Executive Director

FRANK H. MURKOWSKI
GOVERNOR

GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

P.O. Box 110001
JUNEAU, ALASKA 99811-0001
(907) 465-3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

March 31, 2003

The Honorable Gene Therriault
President of the Senate
State Capitol Building, Room 111
Juneau, AK 99801

The Honorable Pete Kott
Speaker of the House
State Capitol Building, Room 208
Juneau, AK 99801

Dear President Therriault and Speaker Kott:

As Alaska's new Governor I'm committed to actions which will expand the growth of Alaska's economy. The seafood industry is an important area of the economy which has the potential for expanded growth.

I support the tax credit incentive bill that the Salmon Task Force introduced and I hope that this legislation will pass this year.

As we all know the salmon industry is experiencing some hard times. Over the last few months I have heard over and over of the need for the Legislature and this administration to work to turn the salmon industry around. I want to commend the Legislature for establishing the Legislative Salmon Task Force and thank it for the work that has been done so far. Please continue your efforts.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Frank H. Murkowski".

Frank H. Murkowski
Governor

cc: Members of the Alaska State Senate
Members of the Alaska House of Representatives