

HB

25

HFIN

FILE

ALASKA STATE HOUSE OF REPRESENTATIVES



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REPRESENTATIVE PAUL SEATON DISTRICT 35

Changes between original HB 25 and CS HB 25 (CRA):

- CS creates a "hold-harmless" payment for cities with a population of 500 or less and boroughs with a population of 3,000 or less. This will apply to 52 cities, and five boroughs. These municipalities will not see a decrease in the amount of Shared Fishery Business Tax on exported/unprocessed fish that they receive under the revenue sharing program administered by the Department of Commerce, Community, and Economic Development. The hold-harmless payment will be taken off the top of the exported/unprocessed fish tax money. The payment to the cities and boroughs where the fish was landed will be made subsequent to the hold-harmless payment. This will decrease an estimated 40% the amount intended to return to ports of landing under the original bill.
- CS changes language from a tax on fish "sold to a buyer in a municipality" to fish "first landed in a municipality." This ensures that the exported/unprocessed tax will be directed to municipalities where the fish was physically landed and handled, not to municipalities in which a processor or exporter is permitted, or resides.
- CS incorporates a technical amendment changing the tax collection year from a fiscal to a calendar year at the suggestion of the Department of Revenue. The fiscal year language in the original bill was an oversight.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSHB 25 (CRA)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue 04
Title Refund of Fish Business Tax to Munis RDU Tax and Treasury
Component Tax
Sponsor Seaton, Wilson
Requester CRA Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
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						
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CHANGE IN REVENUES ()						
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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 (FY2005) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See page 2

Prepared by: Chuck Harlamert Phone 465-2320
Division Tax Division Date/Time 3/31/05 1:33 PM
Approved by: Tom Boutin, Deputy Commissioner Date 3/31/2005
Agency Revenue

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. CSHB 25 (CRA)

ANALYSIS CONTINUATION

Overview

During FY04, the Department of Revenue transferred to DCCED \$534,115 of fish business tax on fishery resources exported from Alaska prior to being processed. The average export tax collected during the FY00 - FY04 period was \$623,667 annually. This revenue, along with half of the tax collected on fish processed outside a city or organized borough in Alaska was transferred to DCCED for subsequent distribution to communities across the state. The bill modifies the distribution of these monies by DCCED.

The bill provides that one half of the fish business tax collected on fishery resources that are exported from Alaska prior to being processed (export tax) are to be distributed to the city and/or borough in which it was first landed after deduction for a hold harmless payment to small boroughs and cities. Cities with populations of 500 or less and boroughs with populations of 3000 or less receive a hold harmless payment for the difference between the amount they would have received under current law and the amount that they would receive under this bill but for the hold harmless payment. The hold harmless payment is deducted from the distributions to cities and boroughs entitled to export tax revenues under the bill based on their ratable share of those revenues.

Revenue and Cost Discussion

The bill changes the distribution of taxes between municipalities but does not effect the amount of tax collected by the state or the portion deposited in the General Fund. The Department is capable of implementing the bill using existing resources.

Impact on Distributions to Local Governments

The Department does not collect the information necessary to determine the portion of the export tax attributable to fish that was landed in Alaska prior to exportation or in which community it was landed. We are therefore unable to determine the amounts that would be distributed directly to municipalities as a result of the bill or determine precisely which communities would receive distributions directly from Revenue. We can provide regional estimates of the export tax revenue that would have been distributed by DCCED under the bill compared to the amounts distributed during FY05:

Region	FMA	CSHB25	%	Actual	%	Impact
Western Alaska	6,11	609	.11%	1,287	.23%	(639)
Southwest Alaska	1,2,3,4,5	254,999	47.75%	386,948	72.45%	(131,949)
South Central/Kodiak	12,14	174,710	32.71%	63,707	11.93%	111,003
PWS/Southeast	15,17,18,19	103,798	19.43%	82,213	15.39%	21,585
Total		534,115		534,115		

The impact of the bill is probably overstated in the estimate. The estimate is based on the assumption that virtually all of the exported unprocessed fish was landed in a community within the state. The tax is assigned to the areas of operation reported by exporters on their application for the fisheries business license. The actual impact of the bill will be less than that shown to the extent that unprocessed fish is not landed within a municipality. Further geographic isolation of the impact of the bill would require highly speculative assignment of landing activity within regions and/or would breach taxpayer confidentiality.

Technical Comments

Some changes to Section 5 are necessary to reach the intended result of the bill. This discussion assumes that these technical changes are made in the final bill.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSHB 25, CRA
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title Shared Fisheries Tax Revenue RDU State Revenue Sharing (217)
Component Fisheries Business Tax
Sponsor Seaton
Requester House Community & Regional Affairs Component No. 2482

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
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						
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CHANGE IN REVENUES						
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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)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The Department of Commerce annually receives from the Department of Revenue one-half of the fisheries business tax revenue generated from processing that occurs outside any municipality and from fishery resources landed in a municipality and exported from the state without being processed in the state. The department then distributes those funds to eligible municipalities under the authority of AS 29.60.450.

Under CSHB 25(CRA) the department assumes it will continue to receive one-half of the fisheries business tax revenues from the two sources listed above. The department, after calculating for payment the hold-harmless amounts provided in Section 1 of the legislation, will prorate and then pay each eligible municipality its direct share of the tax revenue collected on fishery resources that are first landed in the municipality and exported from the state without being processed in the state (export landing tax). The department believes it can absorb the additional costs of administering the fish tax sharing hold-harmless payments and the export landing tax payments.

Prepared by: Michael Black, Director Phone 907.269.4578
Division Division of Community Advocacy Date/Time 3/15/05 9:04 AM
Approved by: Edgar Blatchford, Commissioner Date 3/15/2005
Agency Commerce, Community, and Economic Development

24-LS0169\C
Utermohle
3/28/05

CS FOR HOUSE BILL NO. 25()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES SEATON, Wilson

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the sharing of fisheries business tax revenue with municipalities;
2 and providing for an effective date."

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

4 * Section 1. AS 29.60.450 is amended by adding a new subsection to read:

5 (g) In addition to the amounts apportioned under (b)(1) of this section, each
6 fiscal year, a city with a population of 500 or less and a borough with a population of
7 3,000 or less shall also receive a hold harmless payment that is equal to the difference
8 between the amount that the city or borough received under (b)(1) of this section and
9 the amount that the city or borough would have received under (b)(1) of this section if
10 tax revenue collected under AS 43.75 on the value of fishery resources first landed in
11 a municipality and exported from the state without being processed in the state had not
12 been available for payment to municipalities under AS 43.75.130(a) and (d). The
13 department shall pay the hold harmless payments authorized by this subsection from
14 the amount of fisheries business tax revenue transferred to the department by the

1 Department of Revenue under AS 43.75.130(h).

2 * Sec. 2. AS 43.75.130(a) is amended to read:

3 (a) Subject to appropriation by the legislature and to [EXCEPT AS
4 PROVIDED IN] (d) of this section, the commissioner shall pay

5 (1) to each unified municipality and to each city located in the
6 unorganized borough, 50 percent of the amount of tax revenue collected in the
7 municipality from taxes levied under this chapter;

8 (2) to each city located within a borough, 25 percent of the amount of
9 tax revenue collected in the city from taxes levied under this chapter; and

10 (3) to each borough

11 (A) 50 percent of the amount of tax revenue collected in the
12 area of the borough outside cities from taxes levied under this chapter; and

13 (B) 25 percent of the amount of tax revenue collected in cities
14 located within the borough from taxes levied under this chapter.

15 * Sec. 3. AS 43.75.130(d) is amended to read:

16 (d) Notwithstanding the provisions of (a)(2) and (a)(3)(B) of this section, the
17 commissioner shall pay

18 (1) to each city that is located in a borough incorporated after June 16,
19 1987, the following percentages of the tax revenue collected in the city from taxes
20 levied under this chapter:

21 (A) 45 percent of the tax revenue [TAXES] collected during
22 the calendar year in which the borough is incorporated;

23 (B) 40 percent of the tax revenue [TAXES] collected during
24 the first calendar year after the calendar year in which the borough is
25 incorporated;

26 (C) 35 percent of the tax revenue [TAXES] collected during
27 the second calendar year after the calendar year in which the borough is
28 incorporated; and

29 (D) 30 percent of the tax revenue [TAXES] collected during
30 the third calendar year after the calendar year in which the borough is
31 incorporated; and

1 (2) to each borough that is incorporated after June 16, 1987, the
2 following percentages of the tax revenue collected in the cities located within the
3 borough from taxes levied under this chapter:

4 (A) 5 percent of the tax revenue [TAXES] collected during the
5 calendar year in which the borough is incorporated;

6 (B) 10 percent of the tax revenue [TAXES] collected during
7 the first calendar year after the calendar year in which the borough is
8 incorporated;

9 (C) 15 percent of the tax revenue [TAXES] collected during
10 the second calendar year after the calendar year in which the borough is
11 incorporated; and

12 (D) 20 percent of the tax revenue [TAXES] collected during
13 the third calendar year after the calendar year in which the borough is
14 incorporated.

15 * Sec. 4. AS 43.75.130(g) is amended to read:

16 (g) In this section, "tax revenue collected" means the revenue collected by
17 the department from taxes levied under this chapter on the value of fishery
18 resources that are either (1) processed in a municipality; or (2) first landed in a
19 municipality and exported from the state without being processed in the state;
20 "tax revenue collected" includes the amount credited against taxes under
21 AS 43.75.018.

22 * Sec. 5. AS 43.75.130 is amended by adding a new subsection to read:

23 (h) Notwithstanding (a) and (d) of this section, the amount available for
24 payment to municipalities under this section from the amount of tax revenue collected
25 by the Department of Revenue on the value of fishery resources that are first landed in
26 a municipality but not processed in the state shall be transferred by the Department of
27 Revenue to the Department of Commerce, Community, and Economic Development.
28 The amount required to hold harmless cities and boroughs under AS 29.60.450(g)
29 shall be paid, subject to appropriation, from the tax revenue transferred to the
30 Department of Commerce, Community, and Economic Development under this
31 subsection. The Department of Commerce, Community, and Economic Development

1 shall determine the amount that each municipality is entitled to receive under this
2 section from the amount of tax revenue collected on the value of fishery resources that
3 are first landed in the municipality but not processed in the state after the amount of
4 tax revenue payable to each municipality is reduced proportionately by the amount
5 necessary to make the hold harmless payments under AS 29.60.450(g). The
6 Department of Commerce, Community, and Economic Development shall pay the
7 balance of the tax revenue that remains after making the hold harmless payments
8 under AS 29.60.450(g) to the municipalities eligible to receive the tax revenue under
9 this section.

10 * Sec. 6. AS 43.75.137 is amended to read:

11 Sec. 43.75.137. Additional refund. Subject to appropriation by the
12 legislature [TO THE EXTENT THAT APPROPRIATIONS ARE AVAILABLE FOR
13 THE PURPOSE, AND NOTWITHSTANDING THE REQUIREMENT OF
14 AS 37.07.080(c) THAT APPROVAL OF THE OFFICE OF MANAGEMENT AND
15 BUDGET IS REQUIRED], an amount equal to 50 percent of the tax revenue that is
16 collected under this chapter from fisheries businesses and that is not subject to
17 division with a municipality under AS 43.75.130 shall be paid by [TRANSMITTED
18 EACH FISCAL YEAR, WITHOUT THE APPROVAL OF THE OFFICE OF
19 MANAGEMENT AND BUDGET, BY THE DEPARTMENT TO] the Department of
20 Commerce, Community, and Economic Development [FOR DISBURSAL.] to eligible
21 municipalities under AS 29.60.450.

22 * Sec. 7. AS 29.60.450(g) and AS 43.75.130(h), added by secs. 1 and 5 of this Act,
23 respectively, are repealed on June 30 of the fiscal year in which each municipality in the state
24 receives at least \$20,000 in state aid as state revenue sharing, safe communities revenue
25 sharing, community dividends, or a similar state grant program to be used for one or more of
26 police and related protection services, fire and emergency protection services, water and
27 sewer services, solid waste management, or other priority government services. State aid to
28 municipalities for public schools may not be considered in determining whether each
29 municipality in the state receives at least \$20,000 in state aid as described in this section. The
30 commissioner of revenue and the commissioner of commerce, community, and economic
31 development shall inform in writing the lieutenant governor and the revisor of statutes when

1 the conditions prerequisite for the repeal of AS 29.60.450(g) and AS 43.75.130(h) under this
2 section have occurred.

3 * Sec. 8. The uncodified law of the State of Alaska is amended by adding a new section to
4 read:

5 APPLICABILITY. AS 29.60.450(g), added by sec. 1 of this Act, AS 43.75.130(g), as
6 amended by sec. 4 of this Act, and AS 43.75.130(h), added by sec. 5 of this Act, apply to tax
7 revenue collected by the Department of Revenue under AS 43.75 for the 2005 tax year and
8 subsequent tax years.

9 * Sec. 9. This Act takes effect January 1, 2006.

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REPRESENTATIVE PAUL SEATON
DISTRICT 35

Changes in work draft version C to CS for HB 25 (CRA):

Sec. 1

New language corrects an oversight in the (CRA) CS. The (CRA) CS requires cities with a population of up to 500, and boroughs with a population up to 3,000 to be "held-harmless" in the redistribution of Exported/Unprocessed Fish Tax carried out by the Department of Commerce, Community and Economic Development. In order for DCCED to pay the hold-harmless payment, the tax revenue must first be transferred to DCCED by the Department of Revenue. This new language enables Revenue to transfer the funds.

Sec. 5

Clarifies the method of calculation and payment of the hold-harmless, and the subsequent payment to municipalities not receiving a hold-harmless but still receiving a fishery business tax payment on exported/unprocessed fishery resources.

Sec. 7

Terminates the hold-harmless provision established by sec. 1 and sec. 5 when each municipality in the state receives at least \$20,000 in some form of state aid similar to municipal revenue sharing. State aid to municipalities for public schools does not count toward the \$20,000 payment.

Sec. 8

Creates an applicability clause stating that the act applies to taxes collected during the 2005 tax year.

Sec. 9

Changes the effective date from July 1, 2006 from January 1, 2006. This, in conjunction with the applicability clause, will allow the departments to use the funds collected in 2005 to begin disbursing funds in 2006.

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REPRESENTATIVE PAUL SEATON DISTRICT 35

Sponsor Statement HB 25

"An Act relating to the sharing of fisheries business tax with municipalities; and providing for an effective date"

HB 25 addresses the problem of tax revenue lost by municipalities on fish that are sold to a buyer in the municipality but sent out of state unprocessed.

Under the current system, the funds generated by the "Raw Fish Tax", or Fisheries Business Tax on fish processed inside a municipality are divided equally between the state and the municipality. If the processing occurred within an incorporated city inside a borough, the 50% is divided between the two entities. If the processing occurred outside of an incorporated city the 50% goes entirely to the borough.

On fish that are processed outside of any municipal boundaries half of the tax revenue goes to the general fund and the other half goes to the Department of Commerce, Community and Economic Development (DCCED). The department distributes its share among fishing communities in Alaska according to a formula that proportionally allocates the tax based on pounds of fish processed in 14 different Fisheries Management Areas. The percent that goes to each Fisheries Management Area is then split between the communities by a locally determined formula apportioning equal community shares and per capita shares.

HB 25 deals only with revenue from a third area: Fisheries Business Tax revenue from fish that is landed in a municipality but sent out of state to be processed. Currently, these funds are treated the same as fish processed outside of a municipality: 50% to the general fund, and 50% to DCCED.

The Department of Revenue definition of processing in 15 AAC 75.300 does not include "decapitating shrimp and gutting, gilling, sliming, or icing a fisheries resource." The Fisheries Business Tax paid on a growing amount of fisheries resources is not returning to the municipalities where the resource was landed and handled. This includes troll-dressed salmon rushed to fresh markets in the Lower 48, halibut sent out by truck to be processed elsewhere, and other live or whole seafood exported directly to customers outside of the state.

HB 25 would direct the Fisheries Business Tax revenue on these "unprocessed" fisheries resources back to the incorporated port of landing and/or the borough where they were landed. This will help more accurately and fairly cover the cost of building and maintaining the infrastructure utilized in generating the tax.

The state has been encouraging the export of high-value fresh and live fish, yet our current tax structure denies a municipality that engages in this high-value marketing its direct tax share. By tying Fisheries Business Tax revenue return directly to the municipality where the landing occurred, HB 25 ensures that ports are compensated fairly for their efforts and the revenues they generate.

The Department of Revenue estimates that HB 25 would redistribute in the following manner the Exported/Unprocessed portion of the Fisheries Business Tax currently distributed by DCCED:

Region of Distribution	Actual DCCED Distribution FY04		HB 25 estimated distribution		Difference
	Distribution	Percent	Distribution	Percent	
Southern Southeast	47,070	6.33%	86,716	11.66%	50,646
Northern Southeast	47,869	6.44%	146,074	19.64%	98,205
Kenai Peninsula	29,790	4.01%	308,080	41.42%	278,290
Kodiak	53,773	7.23%	105,512	14.19%	51,739
Alaska Peninsula	510,359	68.62%	68,007	9.14%	(442,352)
Other	54,905	7.38%	29,379	3.95%	(25,526)
Total	743,766	100.00%	743,766	100%	

AKDOR
cuh 1/19/04

Note: Confidentiality requirements restrict our ability to provide information for individual communities.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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MEMORANDUM

March 17, 2004

SUBJECT: Distribution of fisheries business tax revenue levied under AS 43.75.100 among municipalities under AS 43.75.130 (Work Order No. 23-LS1852)

TO: Representative Paul Seaton
Attn: Chris Knight

FROM: George Utermohle
Legislative Counsel 

You have inquired as to how the fisheries business tax collected under AS 43.75.100 on the value of fishery resources that are not processed in the state is to be distributed among municipalities under AS 43.75.130. This memorandum addresses your query.

AS 43.75.130 provides for payments of a portion of state revenue received from the fisheries business tax to the cities and boroughs where the tax is collected. The commissioner of revenue is to pay 50 percent of fisheries business tax revenue collected in unified municipalities and cities outside boroughs to those unified municipalities and cities. Within boroughs, 50 percent of the revenue collected is either paid to the borough if the tax is collected outside of a city, or divided equally between the borough and the city where the tax is collected if the tax is collected in a city. AS 43.75.130(a). Other provisions of AS 43.75.130 provide for transition of fisheries business tax revenue sharing from a city to a borough when a newly created borough encompasses a city where the tax is collected and provide that the amount of revenue received by eligible municipalities is unaffected in the event that tax credits available to fisheries businesses reduce the amount of revenue that the state collects in the city or borough.

AS 43.75.015 provides that fisheries businesses are liable for payment of the fisheries business tax on the value of fishery resources processed in the state. The rate of the tax depends on whether the fishery resource is salmon, a developing commercial fisheries species, or another fishery resource and on whether the fishery resource is processed by a shore-based fisheries business or by a floating fisheries business. AS 43.75.100 provides that a person who takes, purchases, or otherwise acquires a fishery resource that has not been subject to the tax levied under AS 43.75.015 is liable for payment of the tax levied under AS 43.75.015 if the person transports the fishery resource outside of the state for processing or sale, sells the fishery resource outside the state, or has a fisheries business in the state process the fishery resource.

Representative Paul Scaton
March 17, 2004
Page 2

When AS 43.75.015, 43.75.100, and 43.75.130 are construed together, it is unclear how the fisheries business tax revenue derived through AS 43.75.100 is to be treated for purposes of revenue sharing under AS 43.75.130. AS 43.75.130 provides for sharing of revenue with the municipalities in which the revenue is collected. The reference to the municipality in which the tax is collected is an incorrect description of the process by which the fisheries business tax is levied and collected. The tax is not collected in a municipality. If it is collected any where, it is collected in Juneau where and when fisheries businesses report and pay their fisheries business tax liability to the Department of Revenue. It is probably more accurate to describe the amount of taxes collected in a municipality as the amount of tax liability incurred by a fisheries business as the result of fish processing in the municipality. When AS 43.75.100 imputes liability for payment of the fisheries business tax to persons who do not process fishery resources in the state, it does not appear to be practical, or even possible in some circumstances, to identify a specific location in the state where the liability for payment of the tax is initially incurred. The language of AS 43.75.015, 43.75.100, and 43.75.130 is not helpful in determining whether revenue derived under AS 43.75.100 is to be subject to revenue sharing under provisions of AS 43.75.130.

The Department of Revenue has not adopted regulations regarding how fisheries business tax revenue is to be attributed to municipalities for purposes of determining "the amount tax revenue collected in [a] municipality from taxes levied under [AS 43.75]". So there is no formal documentation of the procedure that the department uses to implement AS 43.75.130. Clearly, AS 43.75.130 needs to be clarified before a meaningful answer to your question is possible.

The issues that generated your inquiry have existed for at least 20 years without ever being resolved. In 1985, the Department of Law examined this issue and concluded that there was no statutory basis for sharing fisheries business tax revenue with municipalities if the revenue is collected for processing that occurs outside of municipal boundaries. 1985 Inf. Alaska Att'y Gen. Op., file no. 366-313-85, January 18. The memorandum from the Department of Law to Mary Nordale, Commissioner of Revenue, does provide useful insight and perspective into the fisheries business tax revenue sharing program and is set out in its entirety:

You have asked whether, under the revenue sharing provisions of AS 43.75.130, the Department of Revenue (department) should distribute a percentage of the fisheries business taxes collected for processing that takes place outside of municipality, city, and borough boundaries. On examining the pertinent statutes, we conclude that there is no statutory basis for the department to distribute this revenue.

The department is currently distributing a percentage of the fisheries business tax it collects for processing that takes place within municipality or borough boundaries, but not for processing activities outside those boundaries. The department has been asked to review this practice in light

of floating processors or shore-based vessel processors that are processing in waters outside of municipality or borough boundaries, but that are making use of local facilities and services.

The department is charged with administering the tax laws established by statute. AS 43.05.040. Any action it takes in administering the tax laws is limited by the terms and scope of the underlying statutes involved.

There has been a revenue sharing provision of some form in the fisheries business tax statutes since at least 1962. Sec. 6, ch. 155, SLA 1962. Apparently the general purpose of this revenue sharing was originally to provide educational funds for communities, and later to assist in financing other services including fisheries enhancement. (Papers in 1979 Senate C&RA Committee File on SB 132, Legislative Research Library, Juneau.) AS 43.75.130, the fisheries business tax revenue sharing provision, states:

The commissioner of revenue shall pay

(1) to each municipality unified under AS 29.68.240 - 29.68.440, and to each city located in the unorganized borough, 50 percent of the amount of tax revenue collected in the municipality from taxes levied by this chapter;

(2) to each city located within a borough, 25 percent of the amount of tax revenue collected in the city from taxes levied by this chapter; and

(3) to each borough

(A) 50 percent of the amount of tax revenue collected in the area of the borough outside cities from taxes levied by this chapter; and

(B) 25 percent of the amount of tax revenue collected in cities located within the borough from taxes levied by this chapter.

The pertinent language in the section requires the department to share a percentage of the tax revenue collected "in the municipality," "in the city," or "in the . . . borough" from the fisheries business tax. There is no basis in this wording for sharing tax revenues from processing activities that take place outside of a local government area.

Under a literal reading of the statute, revenue sharing is only applicable to tax revenues collected in the municipality or borough. As a practical matter, actual collection of the tax will often not take place in the municipality, city, or borough in which the processing takes place. The department has interpreted AS 43.75.130 to mean that revenue sharing is

applicable to tax revenue collected for processing that takes place in the municipality, city or borough.

This interpretation is apparently one of long standing, and we believe that it is the correct interpretation of the revenue sharing statute. Given the purpose of revenue sharing, it is reasonable to assume that the legislature intended revenue sharing to go to communities that were affected by the processing activity rather than the place the tax was collected. The nature of the fisheries business tax also supports this interpretation. This is because, the fisheries business tax is a tax on the activity of processing. Footnote 1. The tax is imposed on "[a] person engaged in a fisheries business," AS 43.75.015, which is defined as a person who engages in processing fisheries resources for sale by freezing, cooking, salting, or other method and includes but is not limited to canneries, cold storages, freezer ships, and processing plants[.] AS 43.75.140(3). The tax is levied on a percentage of the value of the fisheries resource processed. Therefore, tax revenue collected from the fisheries business tax in a local government area would be from processing.

- - - - - Footnote - - - - -
Footnote 1. AS 43.75.100 imposes a tax on the taking of a fishery resource if it is not otherwise taxed under other provisions of AS 43.75. This section is intended to cover fisheries resources that are harvested but not processed in the state.
- - - - - End Footnote- - - - -

The statute makes no provision, however, for sharing revenues from taxes collected for processing that takes place outside of the local government area. We recognize that there may be some situations where these local governments are providing the types of services to processors that revenue sharing is generally intended to assist in financing. However, the department cannot take administrative action without underlying statutory authority, and there is no statutory authority for that type of revenue sharing in AS 43.75.130. Footnote 2.

- - - - - Footnote - - - - -
Footnote 2. The question presents additional issues concerning a proper method of allocating shared revenues among local governments when a processor impacts more than one community. With the statute silent on the issue of sharing revenues from processing outside of local government boundaries, there is no guidance on how to allocate. If the statute were changed to allow this type of revenue sharing, it should also give guidance on the allocation issue.
- - - - - End Footnotes- - - - -

Representative Paul Seaton

March 17, 2004

Page 5

The conclusions reached by the Department of Law appear to be just as pertinent today as they were in 1985. Though the conclusions of the department are based on the language of AS 43.75.130 as it read in January 1985, the changes made to the statute since then do not appear to affect the continuing validity of the department's conclusions. There is nothing in my review of the applicable statutes that would suggest a better or alternative conclusion as to the eligibility of municipalities to share in revenue received by the state on fishery resources that are not processed within a municipality. Thus, in conclusion, there is nothing in AS 43.75.130 that provides meaningful support for the proposition that municipalities are entitled to a portion of revenue derived by the state on fishery resources that are not processed within the municipality.

If I may be of further assistance, please advise.

GU:med

04-305.med

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

February 21, 2005

SUBJECT: Amendments to HB 25 to hold harmless certain municipalities from the effects of the redistribution of fisheries business tax revenue (Work Order No. 24-LS0169\A.1-A.2)

TO: Representative Gabrielle LeDoux

FROM: George Utermohle *GU*
Legislative Counsel

Enclosed are two versions of an amendment to hold harmless certain municipalities from the effects of the redistribution of fisheries business tax revenue as proposed by HB 25.

BACKGROUND. Under AS 43.75.130, the state shares, subject to appropriation, 50 percent of fisheries business tax revenue collected on processed fishery resources with the municipality where the resources were processed. Under AS 43.75.137, municipalities that demonstrate significant effects from fisheries business activities are eligible, subject to appropriation, to share in 50 percent of the state's fisheries business tax revenue remaining after the state shares the tax revenue with municipalities under AS 43.75.130. HB 25 proposes to increase the amount of fisheries business tax revenue shared with municipalities under AS 43.75.130 by also sharing 50 percent of the tax revenue collected on fishery resources landed in a municipality but not processed in the state with the municipality where the resources are landed. The increased revenue sharing that HB 25 proposes to distribute under AS 43.75.130 will have the effect of reducing the amount of fisheries business taxes available for distribution under AS 43.75.137. The amendment that you propose seeks to hold harmless certain municipalities eligible for revenue sharing under AS 43.75.137 from the effects of increased revenue sharing under AS 43.75.130.

AMENDMENTS. The first amendment (A.1) reduces the amount to be distributed as municipal revenue sharing under AS 43.75.130 from tax revenue attributable to fishery resources that are sold in a municipality but not processed in the state by the amount necessary to hold harmless cities with a population of 500 or less and boroughs with a population of 3,000 or less from the effects that HB 25 would have otherwise had on those municipalities under AS 43.75.137.

The second amendment (A.2) holds harmless cities with a population of 500 or less and boroughs with a population of 3,000 or less from the effects that HB 25 would have otherwise had on the amount of revenue sharing distributed to those municipalities by

Representative Gabrielle LeDoux

February 21, 2005

Page 2

increasing the amount of fisheries business tax revenue available for sharing under AS 43.75.137. The amount necessary to offset the reduction in revenue sharing under AS 43.75.137, attributable to HB 25, would come from the state's portion of the fisheries business tax.

If I may be of further assistance, please advise.

GU:med

05-112.med

Enclosure

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BUSINESS (907) 262-4441 FAX (907) 262-1892

BOROUGH ASSEMBLY

March 29, 2005

The Honorable Kevin Meyer
Co-Chair House Finance
State Capitol, Room 515
Juneau, Alaska 99801-1182

RE: HB25

Co-Chair Meyer:


The Kenai Peninsula Borough wishes to take this opportunity to state its support for HB25, Refund of Fisheries Business Tax to Municipalities.

The distribution of portions of the Fisheries Business Tax back to communities that have provided the infrastructure for the fishing industry has a long history within the state of Alaska. Because of market demand for different fish products, some products no longer meet the statute definition of being processed within the state, and the Fisheries Business Tax no longer reaches the communities it was originally intended to reach. If not processed within the state, the tax should be distributed back to the municipalities where it was landed.

The current version of HB 25 attempts to hold harmless small communities and while it may be necessary to allow a transition time for this change to occur, this should not be utilized as a substitute for municipal revenue sharing. The transition time should not exceed 3 years, and we request a sunset provision that would establish that time frame in HB 25.

Thank you for the opportunity to comment on HB 25 and we urge you to pass a modified HB 25 out of Finance Committee.

Sincerely,



Gary Superman
Assembly President

Municipalities	FY03 SRS/SAFE	HB 25 Hold Harmless Cities	HB 25 Hold Harmless Boroughs
Adak	\$35,853.00	\$35,853.00	
Akiok	\$22,821.00	\$22,821.00	
Akiak	\$31,593.00	\$31,593.00	
Akutan	\$38,226.00		
Alakanuk	\$42,151.00		
Aleknagik	\$28,943.00	\$28,943.00	
<hr/>			
Allakaket	\$30,211.00		
Anchler	\$35,964.00		
Anaktuvuk Pass	\$31,704.00		
Anchorage	\$10,403,815.00		
Anderson	\$38,394.00		
Angoon	\$32,014.00	\$32,014.00	
Aniak	\$43,541.00		
Anvik	\$29,879.00		
Atka	\$28,508.00	\$28,508.00	
Atkasuk	\$40,565.00		
Barrow	\$120,578.00		
Bethel	\$302,836.00		
Bettles	\$30,239.00		
Brevig Mission	\$32,251.00	\$32,251.00	
<hr/>			
Buckland	\$37,864.00		
Chefornak	\$33,320.00	\$33,320.00	
Chevak	\$40,330.00		
Chignik	\$26,998.00	\$26,998.00	
Chuathbaluk	\$29,829.00		
Clark's Point	\$26,537.00	\$26,537.00	
Coffman Cove	\$30,283.00	\$30,283.00	
Cold Bay	\$32,418.00	\$32,418.00	
Cordova	\$175,465.00		
Craig	\$53,286.00		
Deering	\$34,243.00		
Delta Junction	\$56,504.00		
Denali Borough	\$61,389.00		
Dillingham	\$106,959.00		
Diomedes	\$29,316.00		
Eagle	\$25,461.00		
Eek	\$31,378.00	\$31,378.00	
Egegik	\$31,321.00	\$31,321.00	
Ekwek	\$28,229.00	\$28,229.00	
Elim	\$34,334.00	\$34,334.00	
Emmonak	\$62,861.00		
Fairbanks	\$1,391,861.00		
Fairbanks North Star Borough	\$1,970,270.00		
False Pass	\$26,947.00	\$26,947.00	
Fort Yukon	\$42,954.00		
Galena	\$44,829.00		
Gambell	\$40,262.00		
Golovin	\$31,650.00	\$31,650.00	
Goodnews Bay	\$29,806.00	\$29,806.00	
Grayling	\$31,537.00		
<hr/>			
Holy Cross	\$32,990.00		
Homer	\$168,493.00		
Hoonah	\$54,026.00		
Huoper Bay	\$54,426.00		

Cities and Boroughs held harmless under CS HB 25
(CRA)

Municipalities	FY03 SRS/SAFE	HB 25 Hold Harmless Cities	HB 25 Hold Harmless Boroughs
Houston	\$45,501.00		
Hughes	\$29,174.00		
Huslia	\$34,730.00		
Hydaburg	\$27,743.00	\$27,743.00	
Juneau	\$1,482,129.00		
Kachemak	\$28,465.00		
Kake	\$35,223.00		
Kaktovik	\$32,456.00		
Kaltag	\$32,452.00		
Kasaan	\$22,821.00	\$22,821.00	
Kenai	\$302,982.00		
Kenai Peninsula Borough	\$1,598,729.00		
Ketchikan	\$425,618.00		
Ketchikan Gateway Borough	\$202,908.00		
Kiana	\$37,340.00		
King Cove	\$40,930.00		
Kivalina	\$52,466.00		
Klawock	\$35,871.00		
Kobuk	\$30,635.00		
Kodiak	\$267,018.00		
Kodiak Island Borough	\$291,868.00		
Kotlik	\$37,075.00		
Kotzebue	\$199,688.00		
Koyuk	\$32,932.00	\$32,932.00	
Koyukuk	\$29,115.00		
Kupreanof	\$22,821.00	\$22,821.00	
Kwethluk	\$39,612.00		
<hr/>			
Larsen Bay	\$22,821.00	\$22,821.00	
Lower Kalskag	\$4,791.00		
Manokotak	\$33,175.00	\$33,175.00	
Marshall	\$32,512.00		
Matanuska-Susitna Borough	\$1,690,792.00		
McGrath	\$38,968.00		
Mekoryuk	\$30,292.00	\$30,292.00	
Metlakatla	\$42,022.00		
Mountain Village	\$41,835.00		
Napakiak	\$32,804.00	\$32,804.00	
Napaskiak	\$32,941.00	\$32,941.00	
Nenana	\$44,188.00		
New Stuyahok	\$33,545.00	\$33,545.00	
Newhalen	\$28,741.00	\$28,741.00	
Nightmute	\$29,396.00	\$29,396.00	
Nikolai	\$29,129.00		
Nome	\$218,051.00		
Nondalton	\$32,113.00	\$32,113.00	
Noorvik	\$66,852.00		
North Pole	\$69,062.00		
North Slope Borough	\$902,462.00		
Northwest Arctic Borough	\$158,084.00		
Nunqsut	\$34,304.00		
Nulato	\$34,776.00		
Nunam Iqua	\$29,358.00		
Nunapitchuk	\$39,061.00	\$39,061.00	
Old Harbor	\$25,448.00	\$25,448.00	
Ouzinkie	\$25,096.00	\$25,096.00	
Palmer	\$226,676.00		

Municipalities	FY03 SRS/SAFE	HB 25 Hold Harmless Cities	HB 25 Hold Harmless Boroughs
Pelican	\$25,523.00		\$25,523.00
Petersburg	\$187,235.00		
Pilot Point	\$28,350.00		\$28,350.00
Pilot Station	\$36,449.00		
Platinum	\$1,012.00		\$1,012.00
Point Hope	\$70,085.00		
Port Alexander	\$22,820.00		\$22,820.00
Port Heiden	\$30,383.00		\$30,383.00
Port Lions	\$25,701.00		\$25,701.00
Quinhagak	\$37,349.00		
Ruby	\$31,522.00		
Russian Mission	\$31,539.00		
Saint George	\$29,685.00		\$29,685.00
Saint Mary's	\$42,651.00		
Saint Michael	\$36,789.00		\$36,789.00
Saint Paul	\$39,100.00		
Sand Point	\$47,658.00		
Savoonga	\$39,297.00		
Saxman	\$27,723.00		\$27,723.00
Scammon Bay	\$34,911.00		
Selawik	\$93,963.00		
Seldovia	\$30,207.00		\$30,207.00
Seward	\$159,193.00		
Shageluk	\$29,063.00		
Shaktolik	\$31,586.00		\$31,586.00
Shishmaref	\$37,676.00		
Shungnak	\$34,318.00		
Sitka	\$424,845.00		
Skagway	\$49,423.00		
Soldotna	\$190,413.00		
Stebbins	\$37,803.00		
Tanana	\$37,237.00		
Teller	\$31,813.00		\$31,813.00
Tenakee Springs	\$22,821.00		\$22,821.00
Thorne Bay	\$32,716.00		\$32,716.00
Toptak	\$42,206.00		
Toksook Bay	\$35,569.00		\$35,569.00
Unalakleet	\$44,044.00		
Unalaska	\$185,314.00		
Upper Kalskag	\$36,332.00		
Valdez	\$381,529.00		
Wainwright	\$36,491.00		
Wales	\$29,748.00		
Wasilla	\$192,226.00		
White Mountain	\$30,982.00		\$30,982.00
Whittier	\$27,493.00		\$27,493.00
Wrangell	\$166,553.00		

Average Cities < 500

\$29,194.75



UNITED FISHERMEN OF ALASKA

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

March 7, 2005

Representative Kevin Meyer, Co-Chair
House Finance Committee
Alaska State Legislature
State Capitol (Mail Stop 3100)
Juneau AK 99801-1182

Dear Representative Meyer,

United Fishermen of Alaska (UFA) represents thirty-one Alaska commercial fishing groups and hundreds of individual fishermen, crew members and related businesses. Our board of directors recently met and discussed HB 25 regarding community fish taxes.

UFA supports HB 25 to address perceived as inequitable distribution of fish landing taxes. Fish deliveries meeting the definition of processed provide communities with a direct tax. Fisheries delivered in so-called unprocessed form, such as gutted with head on, are pooled and allocated back to communities based on the proportion of "processed" deliveries. It is important for Alaska's coastal communities to receive some fisheries tax on fish that pass through their community that does not meet the definition of processed, to support the infrastructure and utilities that all fisheries depend on.

UFA supports HB 25 as a way of addressing this situation.

Sincerely,

Mark D. Vinsel
Executive Director

CC: Representative Paul Seaton

**CITY OF SEWARD, ALASKA
RESOLUTION 2005-08**

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SEWARD, ALASKA, SUPPORTING HOUSE BILL 25 ("HB 25"), AN ACT RELATING TO THE SHARING OF FISHERIES BUSINESS TAX WITH MUNICIPALITIES WHO SELL BUT SEND FISH OUT OF STATE UNPROCESSED

WHEREAS, currently when fish is sold in a municipality but sent out of state unprocessed, 50% of the raw fish tax revenue is appropriated to the State of Alaska general fund and 50% is appropriated to the Department of Commerce, Community and Economic Development (DCCED); and

WHEREAS, House Bill 25 addresses the problem of revenue from the three percent raw fish tax lost by municipalities on fish that are sold to a buyer in the municipality but sent out of state unprocessed; and

WHEREAS, House Bill 25 would direct the Fisheries Business Tax revenue on unprocessed fisheries resources back to the port of landing which will help more accurately and cover the cost of building and maintaining the port infrastructure; and

WHEREAS, at this point, the majority of fish sold in Seward is unprocessed and therefore receives a small portion of the tax revenue; and

WHEREAS, based on 2003 tax returns, Seward and other fishing cities on the Kenai Peninsula are estimated to receive an additional \$278,000, an increase from approximately 4% to 41% of the fish tax revenue.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEWARD, ALASKA that:

Section 1. The Seward City Council supports House Bill 25 which appropriates some of the raw fish tax revenue to municipalities who sell but send fish out of state unprocessed.

Section 2. This resolution shall take effect immediately upon adoption.

PASSED AND APPROVED by the City Council of the city of Seward, Alaska, this 14th day of February, 2005.

Legislative Municipal Services Support Services, Seward, Alaska



City of Homer

City Manager

491 East Pioneer Avenue

Homer, Alaska 99603

907-255-8121, X-2222

Fax: (907) 235-3148 E-mail: wwrede@ci.homer.ak.us Web Site: www.ci.homer.ak.us

February 11, 2005

Representative Paul Seaton
State Capitol Building / Room 102
Juneau, Alaska, 99801-1182

SUBJECT: HB 25

Dear Representative Seaton:

I am writing to confirm that the City of Homer strongly supports HB 25 entitled, "An Act relating to the sharing of fisheries business tax revenue with municipalities; and providing for an effective date." The City appreciates the fact that you have introduced this bill and is committed to doing what it can to assist you in getting this very important piece of legislation passed.

As you know, Homer has become the Number 1 Commercial Halibut port in the state in terms of both pounds landed and value. Other species are landed here as well and we anticipate that this trend will continue. A very significant percentage of the fish products landed in Homer are iced and trucked out of the community for processing in locations out of state. The fish buyers take advantage of Homer's excellent dock and harbor infrastructure but leave little in the way of tax revenues or fees to help the City operate and maintain this infrastructure. The City and the State have a large investment in this infrastructure and the City believes it should be maintained and operated for the benefit of the entire fishing fleet.

The City contends that a reallocation of a portion of the fisheries business tax to communities where fish products are landed and then shipped out of state for processing is in the best interest of both the state and the communities affected. The City believes further that this method of providing revenue to support the local infrastructure is preferable to levying a new local tax, such as a landing tax, on an industry that already has a substantial tax burden.

Again, thanks for sponsoring HB 25. Please do not hesitate to contact us if you have any questions or if we can help in any way.

Sincerely,

Walt Wrede
City Manager

c.
Senator Gary Stevens

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Support for state's raw fish tax program may be building



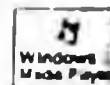
Support may be building for a House Bill that failed to make it out of committee last week. It has to do with the state's raw fish tax program, which is collected by the state and redistributed to communities. Jay Marble has this report.
Aired February 07, 2005 - *Web posted Tuesday am- February 08, 2005*

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United Southeast Alaska Gillnetters

P.O. Box 23378, Ketchikan, AK 99901 Phone & Fax (907) 247-3471 Email usa_gillnetters@att.net

February 1, 2005

The Honorable Paul Seaton
House of Representatives
State Capitol, Room 102
Juneau, AK 99801

Send Via Fax to: 465-3472

Dear Representative Seaton,

The United Southeast Alaska Gillnetters (USAG) is an association of about 150 small business owners who catch salmon by drift gillnetting in Southeast Alaska and market salmon throughout the United States. Many of our members also participate in other fisheries such as crab, shrimp, longline, and dive fisheries.

USAG supports HB 25 which would revise the sharing formula for part of the Raw Fish Tax. We believe it is fair and appropriate that the Raw Fish Tax be returned to the port of landing to support local municipalities. Often these funds are used to provide needed services for fishermen and processors such as docks, net repair floats, boat grids and other related facilities. They are also used locally to maintain infrastructure such as roads and harbors and provide other needed community services.

USAG appreciates you introducing HB 25 and your continuing support for our seafood industry.

Yours truly,

Kenneth Duckett
Executive Director

cc: Representative Bill Thomas Via Fax to: 465-2652
Co-chair House Community & Regional Affairs

S	Southeast
A	Alaska
R	Regional
D	Dive
F	Fisheries
A	Assodation



Mission Statement: To develop, expand, and enhance new and existing dive fisheries in Southeast Alaska.

Julie Decker, Executive Director
 Box 2138, Wrangell, AK 99929
 Ph: 907-874-3110; Fax: 907-874-4270
 Info@sardfa.org
 www.sardfa.org

2005 Legislative Priorities for SARDFA January 18, 2005

- 1) **Aquatic Farming Bill:** We currently have a draft bill which will implement the compromise reached between SARDFA and the geoduck farmers to resolve this issue, which has been festering since 1999. SARDFA attempted amending legislation last spring to accomplish this, but it was too late in the session. The compromise last spring was spurred by the Alaska Supreme Courts decision in April. This bill will enact the decision by the Lower Court and upheld by the Supreme Court. **[No funds needed.]**

- 2) **Urchin Fishery Needs Help with Economics:** The world market for sea urchins is depressed due in large part by illegal Russian exports of urchins. This, coupled with the fact that doing business in rural Alaska is always expensive, has pushed urchin prices so low that 1/3 – 1/2 of the annual quota is not being harvested and the only main urchin processor is considering leaving Ketchikan. SARDFA is aggressively working on issues that will make this fishery more economically feasible. One avenue SARDFA is pursuing is to complete a market study on urchins, which will illuminate potential economic solutions and their values. **[Grant for urchin market study: \$30,000.]**

- 3) **Increased Funding for ADF&G:** SARDFA would like to specifically see increased funding for new and developing fisheries and dive fisheries. Divers have "put their money where their mouth is" with 5% and 7% taxes to help support dive fisheries. However, the urchin fishery is currently struggling economically. If the State gave this fishery parity by paying for the management of the fishery, this would remove a large burden on the fishery and allow SARDFA to concentrate on fixing the economic situation. **[\$35,000 annually for urchin management]**

- 4) **Increased Funding for DEC:** The geoduck fishery has seen a growth in ex-vessel value from \$1.50/lb in 2002 to \$5/lb in 2004, because of two things: 1) the Administration's change of the protocol used for PSP testing enabling 90% live sales, and 2) \$250,000 allocated by the Legislature to monitor PSP levels over the past 2 years. Funding is needed on an annual basis to continue monitoring PSP in geoduck, which enables live sales. SARDFA will be paying its portion (\$60,000 annually) for PSP sample collection via its 7% geoduck tax. **[\$60,000 annually for DEC]**

- 5) **Support for HB 25 – Sharing of Fisheries Business Tax with Municipalities:** SARDFA is concerned that municipalities might not be getting their 50% of the fish tax paid on fresh or live seafood (like geoducks or fresh salmon) which are considered "unprocessed". Southeast Conference is also concerned about this. This bill seems to address this issue and SARDFA supports it. **[No funds needed.]**



To: House Community and Regional Affairs Committee
Rep. Thomas, Rep. Olson, Co-chairs
From: Michael Kampnich, Harbormaster, City of Craig
RE: House Bill 25
Date: 2-1-05

Good Morning

My name is Michael Kampnich. I am the harbormaster for the City of Craig.

The City of Craig would like to express its support for House Bill 25.

Craig is located on the west coast of Prince of Wales Island in Southeast Alaska. As is true with other coastal communities, **Commercial Fishing** is a very important part of our economy.

The City of Craig operates three harbors, two docks with available cranes and an icehouse. These facilities are all support for the commercial fishing fleet, both homeport and transient vessels, operating off the west coast of Prince of Wales Island.

We have a Harbor Department with two full time employees and an office building that provides public facilities for those using our harbors. We also maintain a harbor response vessel, pumps and other gear for emergency and routine needs.

Over the years, the revenue the City received from the **Fisheries Business Tax** has been used to purchase equipment and materials for maintenance of our harbor facilities. These revenues have also been used as a match for larger harbor or marine related projects the City has undertaken.

As the fisheries industry has bounced back from recent weakness, we see an increasing amount of fish being shipped out in the round, rather than being processed, because of demands for quicker delivery and higher quality. While this is good for fishermen and the industry as a whole, it has left the City of Craig and other communities with a decreasing stream of revenue from **Fisheries Business Taxes**. **House Bill 25** reestablishes the important link between fishery landings and revenues received by the communities. This at a time when it is more important than ever for communities to support the industry in their effort to produce the highest quality product possible.

Therefore, the City would again reiterate its support for **House Bill 25**.

Thank you for allowing me the time to address this committee.

Fisheries Business Resources Transported Unprocessed Outside Alaska
Reported on Schedule 3

Calendar Year 2003
Fiscal Year 2004

Facility Type	Pounds	Value	Tax Collected	Tax Shared
Floating	135,170	245,705	11,347.77	5,673.88
Salmon Cannery	-	-	-	-
Shore-based	73,450,243	48,915,698	1,462,280.46	731,140.23
Total FY04	73,585,413	49,161,403	1,473,628.23	736,814.11

Calendar Year 2002
Fiscal Year 2003

Facility Type	Pounds	Value	Tax Collected	Tax Shared
Floating	160,003	17,080	1,527.01	763.50
Salmon Cannery	2,906,949	273,294	12,298.22	6,149.11
Shore-based	32,293,862	34,122,470	1,023,567.98	511,783.99
Total FY03	35,360,814	34,412,844	1,037,393.21	518,696.60

Calendar Year 2001
Fiscal Year 2002

Facility Type	Pounds	Value	Tax Collected	Tax Shared
Floating	2,460,174	784,288	37,811.57	18,905.79
Salmon Cannery	5,309,220	765,101	34,429.54	17,214.77
Shore-based	46,180,663	37,469,291	1,115,216.79	557,608.39
Total FY02	53,950,057	39,018,680	1,187,457.90	593,728.95



Article 3 General Provisions

Section

200 - 280. (Reserved).

290. Shore-based fisheries business.

300. Definitions.

15 AAC 75.200. - 15 AAC 75.280

Reserved.

15 AAC 75.290. Shore-based fisheries business

A fisheries business operated from a floating vessel is not permanently attached to the land. A fisheries business operated from a floating vessel is a shore-based fisheries business only if it remains anchored in one place and does not move from that anchorage during an entire tax year. A movement of the vessel from the anchorage, for any reason, including dry-dock, repairs, maintenance, or a new processing location, either to another location in the state or to another location outside the state, disqualifies the fisheries business as a shore-based fisheries business.

History: Eff. 9/9/81, Register 79

Authority: AS 43.05.080

AS 43.75.015

15 AAC 75.300. Definitions

In AS 43.75 and this chapter,

- (1) "custom processor" means a fisheries business which does not own the fisheries resources it is processing;
- (2) "fisheries resource" means fin fish and shellfish, including but not limited to salmon, halibut, herring, flounder, crab, clam, cod, shrimp, and pollock; fish byproducts, such as roe, entrails and carcasses, are separate fisheries resources if they are transferred to another person for processing;
- (3) "market value" means the prevailing value paid for fisheries resources of like kind and quality by fisheries businesses in the same market area to fishermen who own their vessels;
- (4) "processing" means any activity which modifies the physical condition of a fisheries resource, including butchering, freezing, salting, cooking, canning, dehydrating, or smoking; however, "processing" does not include decapitating shrimp and gutting, gilling, sliming, or icing a fisheries

resource solely for the purpose of maintaining the quality of the fresh resource;

(5) "processing fisheries resources for sale" means the series of activities which are performed in preparing the fisheries resources for subsequent sale, regardless of whether the processor owns the fisheries resources and regardless of whether the processor is the seller in the subsequent sale of the fisheries resources;

(6) "value" means the actual price paid for the fisheries resource by the fisheries business, including indirect consideration such as fuel, supplies, or gear, whether paid at the time of purchase of the fisheries resource or tendered as a deferred, delayed, or advance payment, except that "value" means the market value of the fisheries resource if the fisheries resource is taken in company-owned or company-subsidized boats operated by employees of the fisheries business or in boats which are operated under lease or other arrangement.

History: Eff. 9/9/81, Register 79; am 9/18/81, Register 80

Authority: AS 43.05.080

AS 43.75.015

AS 43.75.140 (7)

Chapter 76
Salmon Enhancement Tax

Article

1. Tax Imposition. (15 AAC 76.010 - 15 AAC 76.040)
2. Salmon Acquired by Buyers. (15 AAC 76.100 - 15 AAC 76.140)
3. General Provisions. (15 AAC 76.200 - 15 AAC 76.290)

Article 1 Tax Imposition

Section

10. Imposition of the tax.
20. Monthly report and remittance of tax by limited entry permit holders.
30. Records.
40. Annual report by limited entry permit holder.

FISHERIES BUSINESS TAX

AS 43.75

Description

Alaska levies a fisheries business tax on fisheries businesses and persons who process or export fisheries resources from Alaska. Alaska bases the tax on the fisheries value paid to commercial fishers or fair market value when there is no arms length transaction. The Division collects fisheries business taxes primarily from licensed processors and persons who export unprocessed fish from Alaska.

Rate

Fisheries business tax rates are based on the location and type of processing activity and whether a fishery resource is classified as "established" or "developing" by the Alaska Department of Fish and Game. Rates are as follows:

<i>Processing Activity</i>	
<i>Established</i>	<i>Rate</i>
Floating	5 %
Salmon Cannery	4.5 %
Shore-based	3 %
<i>Developing</i>	
	<i>Rate</i>
Floating	3 %
Shore-based	1 %

Returns

Fisheries businesses file calendar year returns that are due with payment on March 31 of the following year.

After filing the calendar year return, taxpayers file returns to report post-season, bonus payments made to fishers. Returns for these payments are due with additional taxes by the last day of the month following the payment.

Exemptions

Commercial fishers who process and freeze fish on board to maintain its quality before sale to a licensed processor are exempt.

Credits

Education: Taxpayers contributing to accredited Alaska universities or colleges for educational purposes may take a tax credit for 50% of the first \$100,000 and 100% of the next \$100,000 of contributions. The maximum credit is \$150,000 for each tax year.

Scholarship Contributions: Taxpayers contributing to the A.W. "Winn" Brindle memorial scholarship account may take a tax credit for the amount of contribution not to exceed 5% of their tax liability.

Salmon Product Development and Utilization Credit (2003) allows tax credits against the fisheries business tax on salmon for expenditures promoting the development of salmon products and the utilization of salmon waste. Effective June 11, 2003 and retroactive to January 1, 2003, the bill will sunset on December 31, 2005.

Disposition of Revenue

The Division deposits all revenue derived from the fisheries business tax into the General Fund. The legislature may appropriate revenue from the tax for revenue sharing as follows:

* *Processing Activity Inside Municipality*

The Division shares 50% of tax collected with the incorporated city or organized borough in which the processing took place. If an incorporated city is within an organized borough, the Division divides the 50% shared amount equally between the incorporated city and the organized borough.

* *Processing Activity Outside Municipality*

The Division shares 50% of tax collected from processing activities outside an incorporated city or an organized borough through an allocation program administered by the Department of Commerce, Community and Economic Development.

History

The fisheries business tax is the oldest tax in Alaska. In 1899, the U.S. Congress adopted a "salmon case" tax to fund fisheries-related activities in pre-territorial Alaska.

The Organic Act passed in 1912 established an organized territorial government in Alaska. In 1913, the First Territorial Legislature adopted the "salmon pack" tax which applied to salmon canneries based on canned salmon (7¢ per case); and the "cold storage" tax which applied to other fisheries and was based on business receipts. Between 1913 and 1949, the legislature amended the tax several times by changing

FISHERIES BUSINESS TAX

tax rates and expanding the tax base to include different fisheries.

1949 – The territorial legislature restructured the fisheries business tax to be based on value of the fisheries rather than volumes (case or business receipts). The new "raw fish" tax applied to salmon (4%), crab and clams (2%), and other fishery products (1%) processed in canneries.

1951 – The territorial legislature enacted a fishery business license requirement with a \$25 license fee, a tax on floating processors at 4% of value and increased the tax rate for salmon canneries to 6%.

1962 – The legislature adopted provisions for sharing taxes (10%) and requiring calendar year returns for all businesses.

1967 – The tax rate on salmon canneries was amended to 3% and provisions were adopted requiring security for a fishery business license under certain conditions.

1979 – The legislature adopted the modern tax structure with different tax rates for established and developing species, as well as increasing the shared tax percentage to 20%.

1981 – The shared tax percentage was increased to 50%.

1986 – The legislature authorized a fisheries business tax credit of up to 50% of fisheries business taxes for capital expenditures associated with constructing and improving shore-side processing operations. The tax credit program was effective for 1987 through 1989 with a carryforward provision through 1991. Taxpayers claimed approximately \$47.5 million of credits under this program. The legislature also enacted the Winn Brindle scholarship credit allowing a credit of up to 5% of fisheries business taxes due.

1987 – The legislature enacted the Alaska education tax credit program allowing a tax credit on educational contributions of up to \$100,000 against fisheries business taxes due.

1990 – The legislature enacted provisions for a civil penalty for processing without a license. The

Division may progressively assess penalties in increments of up to \$5,000 for each infraction to a maximum of \$25,000 for the fifth and subsequent assessments. The legislature also enacted a provision that authorized sharing 50% of taxes sourced from processing activities in the unorganized borough, effective July 1992.

1991 – The legislature restructured the Alaska education credit and increased the maximum amount to \$150,000.

1993 – Under executive order effective July 1, 1993, the Governor transferred the fish processor surety bonding program from the Department of Labor and Workforce Development to Department of Revenue.

1995 – The legislature reduced the amount of surety bonding for small processors from \$10,000 to \$2,000.

2001 – The legislature modified the tax payment security requirements necessary to obtain a fisheries business tax license. The legislature expanded the existing requirement for a whole-salmon exporter to include any exporter of any unprocessed fisheries resource. Under the bill, exporters of unprocessed fish can obtain a fisheries business license by posting a \$50,000 surety bond. Additionally, the bill requires quarterly payment of estimated fishery resource landing taxes.

2002 – Alaska Veterans' Memorial Endowment provided credits of up to 50% for contributions of not more than \$100,000 and 75% of the next \$100,000 in contributions made to the Veterans' Memorial Endowment Fund. The tax credit expired July 1, 2003.

2003 - Salmon Product Development/Utilization Credit allows tax credits against the fisheries business tax for expenditures promoting the development of salmon products and the utilization of salmon waste. The amount of the tax credit cannot exceed 50% of the taxpayer's fisheries business liability for processing of salmon during the tax year.

Effective June 11, 2003 and retroactive to January 1, 2003, the bill will sunset on December 31, 2005. Unused credits earned may be carried forward for three years.

FISHERIES BUSINESS TAX

2003 – Legislation allowed for monthly payment of the fisheries taxes in lieu of existing forms of security or prepayment as a prerequisite to licensure. Fisheries businesses who elect this option must post a \$50,000 bond or demonstrate \$100,000 equity in real property within the state. Effective September 8, 2003

2004 – Legislation authorized a new Direct Marketing Fisheries Business License and tax structure set at the shore based rate of 1% of the value of developing fish species and 3% of the value of established fish species. The provisions of the bill will take effect January 1, 2005.

FY 2004 Statistics

Fisheries License and Business Tax	
License Fees and Tax Collection	
<i>Including penalties and interest.</i>	
<i>Less Win Brindle, Alaska Education and Salmon Product Development and Utilization Credits.</i>	\$29,244,605
Number of Returns	782
Number of Taxpayers	525
Fisheries Business License Information	
Shore-based Licenses Issued	174
Floating Licenses Issued	332
Exporter Licenses Issued	76
Total Licenses Issued	582
Program Cost	\$431,995
Staffing (<i>full time equivalent</i>)	7.5

2004 Alaska Fisheries Business Tax Return INSTRUCTIONS FORM 04-574

GENERAL INSTRUCTIONS

You may reproduce or photocopy the forms in this booklet as needed, or request additional forms from the department help desk. (See "If You Need Help" on Page 1) Forms are also available on our website at www.tax.state.ak.us.

Estimated Tax

Monthly estimated tax payments are mandatory for taxpayers that have elected and meet the requirements of AS 43.75.055(c). Those payments are due on or before the 15th day of the month following the month in which the tax liability for the payment of the taxes was incurred. Use Form 04-568. All other taxpayers may make voluntary estimated tax payments. Voluntary payments other than online payments and wire transfer payments must be accompanied by Form 04-574E.

Extension for Filing Return

If you need an extension for filing your return, contact the Alaska Department of Revenue. An application for extension must be submitted to the department no later than 15 calendar days before the return is due. Note: An extension of time to file is not an extension of time to pay taxes. You must remit full tax payment by the March 31 tax due date.

Wire Transfer Requirement

If your company has one or more licenses and your aggregate tax payment (including seafood marketing assessment) is greater than \$150,000, you must wire transfer the funds (to avoid wire transfer fees use TOPS located at: www.tax.state.ak.us)

Notify the State of Alaska, Treasury Division regarding the particulars of the transfer the day before the wire transfer is to be made either by fax at 907.465.4019 or via e-mail to cashmgmt@revenue.state.ak.us.

Wire payments to:

State Street Bank & Trust Company
225 Franklin Street
Boston, MA 02110
ABA #011000028
Credit: State of Alaska General Investment Fund,AY01
Account #00657189

Additional Wire Transfer Information: *Instruct your bank to indicate your Federal EIN and note that the payment is for fisheries business tax in the OBI (other bank information) field on the wire transfers.*

TOPS (Tax Online Payment System)

The Department of Revenue offers a Tax Online Payment System (TOPS). You may make instant payments electronically or schedule your payment weeks or months in advance. Information and instructions are available at: <https://www.tax.state.ak.us/tops/>

Penalties for Failure to File or Pay

A penalty will be assessed for failure to timely file the return or failure to timely pay the tax. Each penalty is computed at 5% per 30-day period or fraction of a period up to a maximum of 25% on the tax not paid by the payment due date.

Interest Rates on Tax Due

The current interest rate is 11%, compounded quarterly.

Amended Returns

To correct a previously filed Form 04-574, check the amended box in the upper right corner of the return and attach a statement explaining the reason for the amendment. Complete the entire form using the corrected amounts.

PROCESSING ACTIVITY SCHEDULES

The Alaska Fisheries Business Tax Return (Form 04-574) contains a separate schedule for each processing activity. The forms you need depend on your business activities. Refer to the following schedule descriptions to determine which forms you must complete with your return.

Schedule 1 – Caught and Processed

Use this schedule to report fisheries resources your company caught and processed. Use the correct processing location code. Note: If you are a fisher who catches and processes fisheries resources on your boat and the total taxable value of fisheries resources does not exceed \$50,000, you may qualify to use the Catcher Processor Combined Fisheries Tax Return, Form 04-570.

Schedule 2 – Purchased and Processed

Use this schedule to report fisheries resources your company purchased and processed. Include fisheries resources that were purchased from fishermen claiming exclusion from the fisheries business tax. Use the processing location code assigned to the area where the processing took place.

★ Schedule 3 – Transported Unprocessed

Use this schedule to report fisheries resources transported unprocessed outside the taxing jurisdiction of Alaska. You must include the name and address of purchaser for each fishery resource transported unprocessed.

Schedule 4 – Custom Processing by Others

Use this schedule to report fisheries resources that were custom processed for your company by another fisheries business in Alaska. Use the processing location code assigned to the area where the processing took place.

2004 Alaska Fisheries Business Tax Return

FORM 04-574

Department of Revenue
 Tax Division
 PO Box 110420
 Juneau, Alaska 99811-0420
 Telephone 907.465.2371
 Fax 907.465.3566

This form is available online at www.tax.state.ak.us

DEPT USE ONLY

Envelope #
FSN

Due: March 31, 2005

Federal EIN or SSN			Fisheries Business License Number		
Individual or Corporation Name			Facility Location or Vessel Name		
Business Name			Telephone Number		Fax Number
Mailing Address			E-mail Address		
City	State	Zip Code	Check <input type="checkbox"/> Amended (attach explanation)		
Contact Person		Title	ONE RETURN PER LICENSE		

Tax Liability

1a. Established. Enter amount from Part 1, line 8.....	1a		
1b. Developing. Enter amount from Part 2, line 8.....	1b		
1c. Total Tax Liability. Add lines 1a and 1b.....	1c		

Credits

2a. A.W. "Winn" Brindle Credit. Schedule WB, line 4.....	2a		
2b. Alaska Education Credit. Schedule EC,	2b		
2c. Salmon Credits from Schedule SPDU.....	2c		
2d. Total Credits. Add lines 2a thru 2c.....	2d		

Total Liability

3. Net Fisheries Business Tax (subtract line 2d from 1c).....	3		
4. Salmon Credit Recapture from Schedule SPDU	4		
5. Total Liability (Add lines 3 & 4).....	5		

Payments

6a. 2004 Monthly and Estimated tax payments.....	6a		
6b. Other payments or credit from prior year (\$25 license fee is not a prepayment).....	6b		
6c. Total payments. Add lines 6a and 6b.....	6c		

Amount Due

7. If line 6c is less than or equal to line 5, subtract line 6c from line 5.....	7		
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Overpayment

8a. If line 6c is greater than line 5, subtract line 5 from line 6c.....	8a		
8b. Amount of overpayment to be credited to 2005 estimated tax.....	8b		
8c. Amount of overpayment to be applied to 2004 Seafood Marketing Assessment Return or other tax (specify).....	8c		
8d. Amount of overpayment to be refunded.....	8d		

Note: If your liability exceeds \$150,000, you must use Electronic Funds Transfer (TOPS) or wire transfer funds
 Check if you are remitting by: Wire Transfer TOPS Confirmation Number _____
 To avoid wire transfer fees, use the TOPS, at: www.tax.state.ak.us

I declare under penalty of unsworn falsification that the information provided in this return has been reviewed by me, and to the best of my knowledge and belief is true, correct, and complete. If prepared by a person other than the taxpayer, preparer's declaration is based on all information of which preparer has any knowledge.

Signature	Type or Print Name	Date
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DEPARTMENT USE ONLY	VALIDATION
PMD:	

**2004 Alaska Fisheries Business Tax Return
FORM 04-574**

Business Name	Federal EIN or SSN	Fisheries Business License Number
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NOTE: First complete Schedules 1-5 as appropriate for your fisheries business, then transfer the totals to Part 1 and Part 2 below.

PART 1: ESTABLISHED

	Schedule	Column A Floating Facility	Column B Shore-Based Salmon Cannery	Column C Shore-Based Facility
1.	1E Caught and Processed			
2.	2E Purchased and Processed			
3.	3E Transported Unprocessed			
4.	4E Custom Processing by Others			
5.	5E Custom Processing for Others			
6.	TOTAL VALUE Add schedules 1-5			
	Tax Rate	5% (.05)	4.5% (.045)	3% (.03)
7.	TAX. Multiply line 6 by tax rate			

8. **Established Fisheries Tax.** Add each entry from line 7. Enter on Page 8, line 1a.....

PART 2: DEVELOPING

	Schedule	Column A Floating Facility	Column B Shore-Based Facility
1.	1D Caught and Processed		
2.	2D Purchased and Processed		
3.	3D Transported Unprocessed		
4.	4D Custom Processing by Others		
5.	5D Custom Processing for Others		
6.	TOTAL VALUE Add schedules 1-5		
	Tax Rate	3% (.03)	1% (.01)
7.	TAX. Multiply line 6 by tax rate		

8. **Developing Fisheries Tax.** Add each entry from line 7. Enter on Page 8, line 1b.....

PART 3: Seafood Marketing Assessment Value

Transfer To Form 04-578

Add each entry from line 6, Part 1 and 2. Enter on Form 04-578 Seafood Marketing Assessment Return.....

Schedule 3D

Business Name	Federal EIN or SSN	Fisheries Business License No.
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SCHEDULE 3D - DEVELOPING : TRANSPORTED UNPROCESSED

This schedule must be completed for all developing fisheries resources that your company transported unprocessed outside the taxing jurisdiction of Alaska. Use additional schedules if more space is needed. **NOTE:** The applicable tax rate (floating or shore-based) depends on the status of the company or individual who purchased the resource. A list of developing commercial fisheries, Form 04-564, is printed after the instructions in this booklet.

A. FLOATING FACILITY

Area Caught	Species	Spec. Code	Pounds	Value	Purchaser's Name and Address
Total Value. Enter total on Part 2, line 3, column A					

B. SHORE-BASED FACILITY

Area Caught	Species	Spec. Code	Pounds	Value	Purchaser's Name and Address
Total Value. Enter total on Part 2, line 3, column B					

Community	Total Fish Tax Distributed FY 04 DCCED, Dept. of Revenue	DCCED Actual FY 04 Shared Fisheries Business Tax Payment	DCCED Estimated FY 04 Shared Fisheries Business Tax Payment With HB 25	Difference in Funding *
Adak	\$512,820.00	\$107,279.49	\$65,221.93	-\$42,057.56
Akhiok	\$10,759.00	\$8,654.56	\$5,261.65	-\$3,392.91
Akiak	\$102.00	\$102.26	\$62.17	-\$40.09
Akutan	\$801,685.00	\$145,897.53	\$88,700.26	-\$57,197.27
Aleknagik	\$3,296.00	\$3,296.99	\$2,004.45	-\$1,292.54
Anchorage	\$51,933.00	\$19,883.94	\$12,088.69	-\$7,795.25
Angoon	\$2,267.00	\$2,267.36	\$1,378.47	-\$888.89
Atka	\$163,659.00	\$104,249.36	\$63,379.72	-\$40,869.64
Bethel	\$601.00	\$601.48	\$365.68	-\$235.80
Brevig Mission	\$69.00	\$69.19	\$42.07	-\$27.13
Chefornak	\$149.00	\$109.02	\$66.28	-\$42.74
Chignik	\$54,345.00	\$2,029.23	\$1,233.69	-\$795.53
Clark's Point	\$2,542.00	\$2,470.13	\$1,501.75	-\$968.38
Coffman Cove	\$5,611.00	\$4,495.45	\$2,733.07	-\$1,762.39
Cold Bay	\$8,915.00	\$8,056.11	\$4,897.82	-\$3,158.30
Cordova	\$409,256.00	\$22,651.30	\$13,771.15	-\$8,880.16
Craig	\$9,556.00	\$4,772.86	\$2,901.72	-\$1,871.14
Dillingham	\$94,741.00	\$15,934.59	\$9,687.64	-\$6,246.95
Eek	\$97.00	\$97.16	\$59.07	-\$38.09
Egegik	\$38,272.00	\$2,598.63	\$1,579.87	-\$1,018.76
Ekwok	\$2,743.00	\$2,743.89	\$1,668.18	-\$1,075.71
Elim	\$71.00	\$71.53	\$43.49	-\$28.04
False Pass	\$13,233.00	\$7,137.48	\$4,339.32	-\$2,798.16
Gambell	\$93.00	\$93.46	\$56.82	-\$36.64
Golovin	\$57.00	\$57.57	\$35.00	-\$22.57
Goodnews Bay	\$91.00	\$91.89	\$55.86	-\$36.02
Homer	\$92,436.00	\$3,330.01	\$2,024.57	-\$1,305.49

Hoonah	\$97,122.00	\$2,381.24	\$1,447.71	-\$933.51
Hydaburg	\$5,269.00	\$3,528.60	\$2,145.25	-\$1,383.34
Juneau	\$231,450.00	\$12,901.04	\$7,843.35	-\$5,057.69
Kake	\$5,688.00	\$5,667.21	\$3,445.45	-\$2,221.76
Kasaan	\$4,282.00	\$3,083.08	\$1,874.40	-\$1,208.68
Kenai	\$57,115.00	\$3,483.12	\$2,117.60	-\$1,365.51
Ketchikan	\$156,072.00	\$14,314.61	\$8,702.75	-\$5,611.86
King Cove	\$256,115.00	\$24,889.54	\$15,131.91	-\$9,757.63
Klawock	\$5,742.00	\$4,226.42	\$2,569.51	-\$1,656.91
Kodiak	\$512,289.00	\$36,191.19	\$22,002.89	-\$14,188.30
Koyuk	\$70.00	\$70.80	\$43.04	-\$27.76
Kupreanof	\$4,211.00	\$4,195.45	\$2,550.68	-\$1,644.77
Kwethluk	\$137.00	\$137.82	\$83.79	-\$54.03
Larsen Bay	\$35,904.00	\$9,303.20	\$5,656.00	-\$3,647.20
Manokotak	\$4,364.00	\$4,364.09	\$2,653.21	-\$1,710.89
Mekoryuk	\$2,660.00	\$89.11	\$54.17	-\$34.93
Napakiak	\$102.00	\$102.72	\$62.45	-\$40.27
Napaskiak	\$108.00	\$108.00	\$65.66	-\$42.34
New Stuyahok	\$4,783.00	\$4,783.11	\$2,907.95	-\$1,875.16
Newhalen	\$2,978.00	\$2,978.54	\$1,810.84	-\$1,167.70
Nightmute	\$90.00	\$90.96	\$55.30	-\$35.66
Nome	\$9,300.00	\$302.04	\$183.63	-\$118.41
Nondalton	\$3,263.00	\$3,263.47	\$1,984.07	-\$1,279.40
Nunapitchuk	\$117.00	\$117.63	\$71.52	-\$46.12
Old Harbor	\$11,608.00	\$9,034.74	\$5,492.79	-\$3,541.95
Ouzinkie	\$11,464.00	\$9,248.47	\$5,622.72	-\$3,625.75
Pelican	\$52,959.00	\$4,395.45	\$2,672.27	-\$1,723.18
Petersburg	\$478,367.00	\$10,984.69	\$6,678.28	-\$4,306.41
Pilot Point	\$2,535.00	\$2,531.59	\$1,539.11	-\$992.48
Platinum	\$73.00	\$73.64	\$44.77	-\$28.87
Port Alexander	\$4,800.00	\$4,301.97	\$2,615.44	-\$1,686.53

Port Heiden	\$7,899.00	\$7,857.49	\$4,777.06	-\$3,080.43
Port Lions	\$11,107.00	\$8,960.55	\$5,447.68	-\$3,512.87
Quinhagak	\$3,985.00	\$123.19	\$74.90	-\$48.20
Saint George	\$6,262.00	\$4,220.95	\$2,566.18	-\$1,654.77
Saint Michael	\$75.00	\$75.26	\$45.75	-\$29.50
Saint Paul	\$338,552.00	\$4,220.95	\$2,566.18	-\$1,654.77
Sand Point	\$170,922.00	\$27,993.04	\$17,018.73	-\$10,974.32
Savoonga	\$96.00	\$96.89	\$58.91	-\$37.99
Saxman	\$3,571.00	\$3,571.85	\$2,171.55	-\$1,400.30
Seldovia	\$3,116.00	\$3,053.66	\$1,856.51	-\$1,197.15
Seward	\$250,549.00	\$3,209.33	\$1,951.16	-\$1,258.18
Shaktoolik	\$62.00	\$62.69	\$38.11	-\$24.58
Sitka	\$23,568.00	\$23,480.54	\$14,275.30	-\$9,205.25
Skagway	\$2,371.00	\$2,371.81	\$1,441.97	-\$929.84
Soldotna	\$3,943.00	\$3,281.35	\$1,994.94	-\$1,286.41
Stebbins	\$89.00	\$89.58	\$54.46	-\$35.12
Teller	\$64.00	\$64.81	\$39.40	-\$25.41
Tenekee Springs	\$2,112.00	\$2,112.25	\$1,284.17	-\$828.08
Thorne Bay	\$3,729.00	\$3,729.00	\$2,267.10	-\$1,461.91
Togiak	\$13,063.00	\$6,598.86	\$4,011.86	-\$2,587.00
Toksook Bay	\$1,123.00	\$121.06	\$73.60	-\$47.46
Unalakleet	\$144.00	\$99.74	\$60.64	-\$39.10
Unalaska	\$5,870,296.00	\$358,844.73	\$218,164.22	-\$140,680.52
Valdez	\$150,203.00	\$22,651.30	\$13,771.15	-\$8,880.16
White Mountain	\$62.00	\$62.10	\$37.76	-\$24.35
Whittier	\$79,913.00	\$22,651.30	\$13,771.15	-\$8,880.16
Wrangell	\$83,699.00	\$8,806.39	\$5,353.96	-\$3,452.43
Total	\$16,797,084.00	\$1,172,079.86	\$712,580.85	-\$458,133.49

Boroughs

Aleutians East Borough	\$1,376,203.39	\$104,661.84	\$63,630.49	-\$41,031.35
Bristol Bay Borough	\$393,836.21	\$8,582.21	\$5,217.67	-\$3,364.55
Haines Borough	\$117,403.47	\$2,902.47	\$1,764.59	-\$1,137.87
Kenai Peninsula Borough	\$536,144.70	\$6,239.78	\$3,793.55	-\$2,446.23
Ketchikan Gateway Borough	\$245,173.14	\$10,834.14	\$6,586.75	-\$4,247.39
Kodiak Island Borough	\$658,267.95	\$38,629.00	\$23,484.99	-\$15,144.01
Lake & Peninsula Borough	\$107,570.31	\$19,534.06	\$11,875.98	-\$7,658.09
Yakutat	\$93,987.23	\$2,429.07	\$1,476.78	-\$952.29
Total	\$3,528,556.40	\$193,812.57	\$117,830.80	-\$75,981.77

* Reallocation of these funds to ports of landing cannot be shown due to Department of Revenue confidentiality requirements.
For FY 04 HB 25 would have distributed \$534, 115 to the communities where the Fisheries Business Tax revenue was generated

**All figures based on DCCED and DOR information

HB 25 Analysis
Distribution of Fish Business Tax from Fish Exported Unprocessed
Based on FY04 DCCED Distribution of FY03 Revenue

Region	FMA	Distribution With HB 25	Distribution Without HB 25	Difference
West	6, 11	\$28.00	\$1,247.31	-\$1,219.31
Southwest	1, 2, 3, 4, 5	\$79,581.00	\$386,947.82	-\$307,366.82
South Central / Kodiak	13, 14	\$290,884.00	\$63,707.19	\$227,176.81
PWS/Southeast	15, 17, 18, 19	\$163,622.00	\$82,212.92	\$81,409.08
Total		\$534,115.00	\$534,115.25	

Distributions under HB 25 are estimates based on export tax liability reported on returns allocated to regions of operation as listed in license applications.

Figures based on information from the Department of Revenue

Table 5
Fisheries Business Tax

	FY2004	FY2003	FY 2002	FY 2001	FY 2000	Total All Years
Municipality						
Anchorage	\$42,777	\$31,642	\$17,289	\$22,553	\$47,066	\$161,327
Junoau	221,435	218,549	189,554	238,262	175,840	1,043,640
Sitka	474,029	361,336	498,107	596,166	536,121	2,465,759
Total Municipalities	738,241	611,527	704,950	856,981	759,027	3,670,726
Borough						
Alutians East	1,365,445	1,212,887	934,034	1,354,864	1,409,784	6,277,014
Bristol Bay	450,975	385,254	494,491	918,305	1,439,586	3,688,611
Fairbanks North Star	360	163	0	0	319	842
Haines	94,421	114,501	165,686	191,323	238,339	804,270
Kenai Peninsula	676,737	512,894	482,232	210,869	811,345	2,694,077
Kotchikan Gateway	327,692	234,339	374,535	312,454	408,607	1,657,627
Kodiak Island	716,677	573,595	759,211	1,282,125	923,772	4,255,380
Lake and Peninsula	113,059	87,995	161,968	246,046	357,468	968,536
Matanuska-Susitna	386	0	15	0	0	401
Yakutat	47,862	91,550	73,894	124,659	137,327	475,292
Total Boroughs	3,793,614	3,213,178	3,446,066	4,640,645	5,726,547	20,820,050
City						
Adak	302,677	322,497	185,603	0	0	810,777
Akulana	632,084	580,806	534,413	595,846	501,904	2,845,053
Angoon	0	0	3,081	0	2,411	5,492
Atka	24,402	19,337	13,433	16,218	11,468	84,856
Bethel	0	0	4,740	15,331	73,833	93,904
Chofornak	19	40	249	17	0	325
Chignik	76,649	52,316	82,644	126,568	235,538	573,715
Clark's Point	0	0	40,458	133,445	60,896	234,799
Collman Cove	4,222	1,099	0	0	149	5,470
Cordova	448,958	386,605	437,955	549,830	516,438	2,339,786
Craig	20,412	4,784	4,230	5,918	23,979	59,323
Dillingham	99,889	78,807	49,069	176,288	202,898	608,951
Egegik	36,409	35,674	78,419	32,118	29,544	212,164
Emmonak	3,826	0	0	2,223	11,156	17,205
Fairbanks	279	163	0	0	0	442
Falvo Pass	0	6,058	7,122	61,187	85,764	160,131

Table 5
Fisheries Business Tax

	FY2004	FY2003	FY 2002	FY 2001	FY 2000	Total All Years
Galena	0	0	0	0	153	153
Goodnews Bny	0	0	0	0	4,676	4,676
Haines	0	0	1,655	5,361	1,536	8,552
Homer	156,890	89,038	46,756	825	21,340	314,849
Hoonah	133,052	94,741	117,119	129,655	112,931	587,498
Hoopor Bay	32	0	0	0	4,924	4,956
Hydaburg	2,106	1,741	0	0	1,654	5,501
Kake	32,731	0	106,354	23,524	48,619	211,228
Kallag	0	0	267	0	0	267
Kasaan	161	1,199	0	0	0	1,360
Konai	77,026	53,561	85,088	47,261	149,524	412,460
Ketchikan	142,025	141,758	276,572	253,049	328,763	1,143,067
King Cove	326,453	211,092	184,041	318,189	432,412	1,472,187
Klawock	4,916	1,516	700	2,062	702	9,896
Kodiak	597,337	467,426	562,000	841,405	616,528	3,084,696
Larsen Bay	28,060	24,372	16,784	55,415	102,160	226,791
Marshall	0	0	0	1,011	508	1,519
Makoryuk	1,625	2,571	2,011	3,951	103	10,261
Nonana	0	0	0	0	49	49
Now Stuyahok	30	0	0	0	0	30
Nome	10,034	8,988	2,043	0	0	21,065
North Pole	82	0	0	0	319	401
Palmer	0	0	15	0	0	15
Pulican	7,736	48,065	39,420	27,695	29,407	152,323
Petersburg	545,267	467,342	606,898	471,020	673,037	2,763,564
Pilot Point	0	4	12	3,054	89	3,159
Port Alexander	2	482	0	0	0	484
Port Heiden	0	0	0	0	4	4
Port Lions	0	0	0	152	1,411	1,563
Quinhagak	7,483	3,862	5,514	3,591	0	20,450
Saint George	0	0	0	136,933	446,984	583,917
Saint Paul	328,120	313,336	212,556	289,428	1,781,341	2,924,781
Sand Point	195,686	141,763	103,564	13,373	149,285	725,671
Savoonga	0	0	0	790	0	790
Seldovia	0	0	14	0	0	14
Seward	310,578	239,554	239,760	351,549	259,273	1,400,714

**Table 5
Fisherles Business Tax**

	FY2004	FY2003	FY 2002	FY 2001	FY 2000	Total All Years
Soldotna	699	595	1,160	189	13	2,656
Tonakeo Springs	224	0	0	800	534	1,558
Togiak	38,111	6,465	74,257	157,601	333,574	610,008
Teksook Bay	1,262	1,002	4,206	1,664	1,134	9,268
Unalakleet	972	45	2,190	9,536	10,239	22,982
Unalaska	3,226,807	2,913,343	2,510,541	2,833,916	2,957,811	14,442,418
Valdez	215,577	127,552	245,372	258,379	274,316	1,121,196
Whittier	38,420	57,262	46,449	67,271	54,918	264,320
Wrangell	60,856	74,860	72,995	59,241	55,473	323,425
Total Cities	8,141,086	6,961,721	7,007,729	8,204,879	10,611,720	40,947,135
Grand Total	<u>\$12,672,941</u>	<u>\$10,806,426</u>	<u>\$11,158,745</u>	<u>\$13,702,505</u>	<u>\$17,097,294</u>	<u>\$65,437,011</u>
Number of Communities Shared With	57	52	55	54	61	73
Additional Sharing with DCED	\$1,725,251	\$1,362,651	\$1,396,076	\$1,350,886	\$1,403,629	\$5,513,243

Table 6
Fishery Resource Landing Tax

	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000	Total All Years
Municipality						
Sitka	\$477	\$2,883	\$3,005	\$800	\$265	\$7,430
Total Municipalities	477	2,883	3,005	800	265	7,430
Borough						
Aleutians East	14,992	21,072	11,696	17,142	17,448	82,350
Kenai Peninsula	6,101	16,883	23,509	22,861	8,882	78,236
Kodiak Island	395	36,788	37,162	5,219	24,592	104,156
Lake and Peninsula	0	0	1,019	0	0	1,019
Yakutat	1,980	0	9,612	0	2,244	13,836
Total Boroughs	23,468	74,743	82,998	45,222	53,166	279,597
City						
Adak	82,073	41,807	72,841	0	0	196,721
Akhiok	8	31	0	0	0	39
Akutan	11,814	18,900	11,206	15,983	17,448	75,351
Alka	63	0	2,706	8,989	9,846	21,604
Clark's Point	0	72	0	0	0	72
Cold Bay	224	816	0	0	0	1,040
Homer	226	0	0	4,765	87	5,078
Kodiak	387	0	15,987	3,260	17,102	36,736
Old Harbor	0	409	0	0	0	409
Pelican	751	483	26	176	0	1,436
Petersburg	0	0	0	0	857	857
Port Lions	0	0	320	0	0	320
Saint Paul	24,507	18,954	20,392	16,567	72,529	152,949
Sand Point	2,862	1,016	490	0	0	4,368
Seward	5,875	7,738	28,273	18,096	8,795	68,777
Unalaska	3,629,068	2,460,171	4,075,735	2,881,455	2,713,203	15,759,632
Total Cities	3,757,858	2,550,397	4,227,976	2,949,291	2,839,887	16,325,389
GRAND TOTAL	\$3,781,803	\$2,628,023	\$4,313,979	\$2,995,313	\$2,893,298	\$16,612,416
Number of Communities Subject to Sharing	17	15	16	12	13	19
Additional Sharing with DCED	\$576,433	\$321,440	\$256,648	\$246,740	\$210,866	\$1,612,127



Southeast Conference

P.O. Box 21989 Juneau Alaska 99802-1989 Tel. (907) 463-3445 Fax (907) 463-5670

April 1, 2005

House Finance Committee
Alaska State Legislature
Rep. Mike Chenault, Kevin Meyer
Juneau, AK

Testimony: Support for HB 25

Dear Co-Chairs Chenault and Meyers,

I am writing on behalf of the Southeast Conference in support of this legislation. Southeast Conference is a regional, nonprofit corporation that advances the collective interests of the people, communities and businesses in Southeast Alaska. Members include municipalities, Native corporations and village councils, regional and local businesses, civic organizations and individuals from throughout the region.

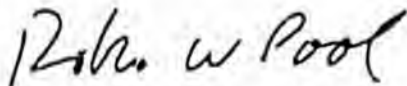
I would like to express the support of Southeast Conference for HB 25 - Refund of Fish Tax to Municipalities. Our board and membership unanimously passed a resolution on this issue in September 2004.

Southeast Conference believes the original intent of sharing the raw fish tax 50/50 between the State and the municipalities was to help the municipalities mitigate the impacts of the fishing industry. Communities where seafood is landed must provide docks, harbors, roads, airports, utilities, water, and many other services. The raw fish tax was intended to partially support these services.

Another burden these communities have recently been transferred from the State is ownership of the harbors, which are a vital component to servicing the seafood industry.

During times of reduced State revenue to municipalities, other sources of revenue become vitally important.

Thank you for your consideration,



Rollo Pool
Executive Director

FISCAL NOTE

*Replaced
4-1-05*

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSHB 25(CRA)
(H) Publish Date: 3/4/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title: Shared Fisheries Tax Revenue RDU: State Revenue Sharing (217)
Component: Fisheries Business Tax
Sponsor: Seaton
Requester: House Community & Regional Affairs Component No.: 2482

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	0.0	(743.8)	(743.8)	(743.8)	(743.8)	(743.8)
Miscellaneous						
TOTAL OPERATING	0.0	(743.8)	(743.8)	(743.8)	(743.8)	(743.8)

CAPITAL EXPENDITURES						
CHANGE IN REVENUES (IA Rcpts 1007)	0.0	(743.8)	(743.8)	(743.8)	(743.8)	(743.8)

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	0.0	(743.8)	(743.8)	(743.8)	(743.8)	(743.8)
1037 GF/Mental Health						
Other (Interagency Receipts 1007)						
TOTAL	0.0	(743.8)	(743.8)	(743.8)	(743.8)	(743.8)

Estimate of any current year (FY2005) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*
The Department of Commerce, Community, and Economic Development annually receives from the Department of Revenue one-half of the fisheries business tax revenue generated from processing that occurs outside any municipality. The department then distributes those funds to eligible municipalities under the authority of AS 25.60.450.

This bill expands the portion of the fisheries business tax subject to direct sharing to municipalities by the Dept. of Revenue, to include the tax revenue collected on the value of fishery resources "sold to a buyer in the municipality but not processed in the state". Because these tax revenues would now be subject to direct sharing to the affected municipalities, they would no longer be transferred to the department for distribution. It is estimated (based on calendar year 2003 processing activity) that approximately \$143.7 thousand in fish tax revenues could annually be affected by this legislation.

Prepared by: Michael Black, Director Phone 269-4578
Division: Division of Community Advocacy Date/Time 1/19/05 2:39 PM
Approved by: Edgar Blatchford, Commissioner Date 1/19/2005
Agency: Commerce, Community, and Economic Development

FISCAL NOTE

Replaced
4/1/05

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 25(CRA)
(H) Publish Date: 3/4/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue 04
Title: Refund of Fish Business Tax to Munis RDU: Revenue Programs & Services 509
Component: Tax Division
Sponsor: Seaton, Wilson
Requester: CRA Component No.: 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
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						
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CHANGE IN REVENUES ()						
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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 (FY2005) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See page 2

Prepared by: Chuck Harlamert Phone: 465-2320
Division: Tax Division Date/Time: 1/19/05 9:33 AM
Approved by: Tomas Boutin, Deputy Commissioner Date: 1/19/2005
Agency: Department of Revenue

FISCAL NOTE #1

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. CSHB 25(CRA)

ANALYSIS CONTINUATION

Overview

The bill provides that one half of the fish business tax collected on fishery resources that are exported from Alaska prior to being processed (export tax) are to be shared with the city and/or borough in which it was sold. Under current law these tax revenues are transferred by the Department to the Department of Commerce, Community and Economic Development for allocation to communities across the state.

During FY04, the Department of Revenue collected \$743,768 of fish business tax on fishery resources exported from Alaska prior to being processed. The average export tax collected during the FY00 - FY04 period was \$623,667 annually. This revenue, along with half of the tax collected on fish processed outside a city or organized borough in Alaska was transferred to DCCED for subsequent distribution to communities across the state. The bill would not cause all of the export revenue to be shared directly with municipalities. Only the portion of the export tax attributable to fish sold within a city or organized borough would be shared directly. The remaining tax revenue would continue to be distributed by DCCED.

The Department does not collect data to determine the portion of the export tax that would be distributed directly to municipalities as a result of the bill.

Revenue and Cost Discussion

The bill changes the distribution of taxes between municipalities but does not effect the amount of tax collected by the state or the portion deposited in the General Fund. The Department is capable of implementing the bill using existing resources.

Technical Comments

The location of a sale for tax purposes is normally defined as the location from which the goods are shipped or their destination. The bill language does not provide a methodology for determining the situs of a sale although it must necessarily be the place of origination or the location of the taxpayer that sells the product.

We expect to collect revenues attributed to 2004 and earlier years after the July 1, 2005 effective date of the bill. The Department will not possess the information necessary to distribute export tax attributable to calendar year 2004 or earlier. We recommend that an applicability clause be added to the bill to specify that it applies only to taxes collected with respect to 2005 and subsequent tax years.