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HOUSE CS FOR CS FOR SENATE BILL NO. 164()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATOR STEDMAN
REPRESENTATIVE Kohring

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the salmon product development tax credit; providing for an
2 effective date by amending an effective date in sec. 7, ch. 57, SLA 2003; and providing
3 for an effective date."

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

5 * Section 1. AS 43.75.035(b) is amended to read:

6 (b) The amount of the tax credit applied against taxes under this section may
7 not

8 (1) exceed 50 percent of the taxpayer's tax liability incurred under this
9 chapter for processing of salmon during the tax year; or

10 (2) be claimed for property first placed into service after December 31,
11 2008 [2005].

12 * Sec. 2. AS 43.75.035(i)(3) is amended to read:

13 (3) "qualified investment" means the investment cost in depreciable
14 tangible personal property with a useful life of three years or more to be used

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1 predominantly to perform a processing, packaging, or product finishing function
2 that is a significant component in producing [PRODUCE] value-added salmon
3 products beyond gutting of the salmon; in this paragraph, "property"

4 (A) includes

5 (i) fileling, skinning, portioning, mincing, forming,
6 extruding, stuffing, injecting, mixing, marinating, preserving, drying,
7 smoking, brining, packaging, blast freezing, or pin bone removal
8 equipment; and

9 (ii) new parts to convert an existing can seamer to
10 pop-top can production;

11 (B) does not include

12 (i) vehicles, forklifts, conveyors, cranes, pumps or
13 other equipment used to transport salmon or salmon products,
14 knives, gloves, tools, supplies and materials, equipment that is not
15 processing, packaging, or product finishing equipment, or other
16 equipment the use of which is incidental to the production,
17 packaging, or finishing of value-added salmon products; or

18 (ii) the overhaul, re-tooling, or modification of new
19 or existing property, except for new parts to convert an existing
20 can seamer to pop-top can production;

21 * Sec. 3. AS 43.75.035(i) is amended by adding a new paragraph to read:

22 (6) "value-added salmon product" means the product of a salmon that
23 is processed beyond heading, gutting, or separation in a manner that materially
24 enhances the value of the salmon product, such as shelf-stable, retort pouched,
25 smoked, pickled, or filleted salmon, ikura, leather, or jerky; "value-added salmon
26 product" does not include a salmon or salmon product that

27 (A) has been subjected to only one or more of heading, gutting,
28 freezing, packaging, quality assurance practices, or value retention practices;

29 (B) is salmon skeins or other unprocessed salmon products
30 whether fresh or frozen;

31 (C) is canned, except for salmon products in a pop-top can; or

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(D) is produced out of the state.

* Sec. 4. Section 7, ch. 57, SLA 2003, is amended to read:

Sec. 7. Section 3 of this Act takes effect on the earlier of the following:

(1) January 1, 2012 [2009]; or

(2) the date of the attorney general's notification to the lieutenant governor and to the revisor of statutes that

(A) a court has entered final judgment that AS 43.75.035 or 43.75.036, added by sec. 1 of this Act, violates the commerce clause contained in art. I, sec. 8, United States Constitution; and

(B) the time for an appeal of that judgment has expired, or, if an appeal was taken, a final order on the appeal has been entered that AS 43.75.035 or 43.75.036, added by sec. 1 of this Act, violates the commerce clause contained in the United States Constitution.

* Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section to read:

RETROACTIVITY. Sections 2 and 3 of this Act are retroactive to January 1, 2006.

* Sec. 6. This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CSSB 164 (FIN)
 () Publish Date: _____

Revision Date/Time (Note if correction) _____ Dept. Affected Revenue 04
 Title Salmon Product Development Tax Credit RDIJ Tax and Treasury
 Component Tax
 Sponsor Sen. Stedman
 Requester Sen Resources Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	(100.0)	(100.0)	(1,060.0)	(1,500.0)	(1,000.0)	(500.0)
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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 current year (FY2006) cost: _____

Check this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by Tim Cottogim Phone 465-3695
 Division Tax Division Date/Time 01/13/2006 8:00 AM
 Approved by: Tom Boutin Date 1/13/2006
 Agency Revenue

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 164
 (S) Publish Date: 4/18/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue 04
 Title Salmon Product Development Tax Credit RDU Tax and Treasury
 Component Tax
 Sponsor Sen. Stedman
 Requester Sen Resources 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						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()			(1,000.0)	(1,500.0)	(1,000.0)	(500.0)
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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 4/13/05 12:37 PM
 Approved by: Tom Boutin, Deputy Commissioner Date 4/13/2005
 Agency Revenue

FISCAL NOTE # 1

**STATE OF ALASKA
2005 LEGISLATIVE SESSION**

BILL NO. SB 164

ANALYSIS CONTINUATION

The bill extends the existing credit for investment in processing equipment used to produce value-added salmon products by three years through 2008. The credit is the result of legislative recommendations of the Joint Legislative Salmon Task Force and was designed to encourage in-state processing of salmon beyond heading and gutting and the development of value-added salmon products in the state. Credits may be applied against tax in the year generated and the three subsequent years. Use of the credit in any tax year is limited to one half of the fisheries business tax on salmon that is processed in the state.

Based on credit claims for the most recent tax year (2004) we project investments generating \$1.5 million of credits in each of the three tax years 2005-2008. These credits will be applied against tax only after pre-existing credits have been used or expired. We project that the credits arising under this bill will be used against fisheries business tax liabilities for 2008-2010 to reduce receipts during FY08-FY11.

The bill also clarifies the definitions of qualified investment and value-added salmon products. These clarifications will improve taxpayer's ability to make investment decisions and avoid unanticipated liabilities.

ALASKA STATE LEGISLATURE

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SENATOR BERT K. STEDMAN

MEMORANDUM

To: Representative Norman Rokeberg, Chairman
House Rules Committee

From: Senator Bert Stedman *BS*

Date: January 12, 2006 *Jan*

Subject: Request for Hearing

I respectfully request that SB 164 Salmon Product Development Tax Credit be scheduled for a hearing in the House Rules Committee at your earliest convenience.

SB 164 extends the existing credit for investment in processing equipment used to produce value-added salmon products through 2008. This credit came out of the work completed by the Joint Legislative Salmon Task Force in order to encourage in-state processing of salmon beyond heading and gutting and the development of value-added salmon products in the state. This bill clarifies the definitions of "qualified investment" and "value-added salmon products" in order to improve the taxpayer's ability to make investment decisions and avoid unanticipated liabilities.

I ask that your committee introduce and support the attached Work Draft Committee Substitute version "C" dated 12/19/05. The committee substitute makes an effective date change and the provisions retroactive in applicability in order to allow for seamless continuation of the program.

If you have any questions or need more information, feel free to contact myself or Kim Carnot on my staff. Thank you for your attention to this important matter.

DISTRICT A

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Pelican • Elfin Cove • Port Alexander • Saxman • Meyers Chuck • Thorne Bay • Coffman Cove • Hollis

ALASKA STATE LEGISLATURE

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SENATOR BERT K. STEDMAN

SPONSOR STATEMENT CSSB 164(FIN)

“An Act relating to the salmon product development tax credit; providing for an effective date by amending an effective date in sec. 7, ch. 57, SLA 2003; and providing for an effective date.”

Senate Bill 164 extends the deadline for salmon processors to receive a salmon product development tax credit. Under current law (A.S. 43.75.035), processors can claim the credit only for property first placed into service by the end of this calendar year (December 31, 2005). SB 164 would give processors three more years (until December 31, 2008) to claim the credit. The legislation also clarifies what types of items are eligible for the tax credit, to more effectively achieve the legislature's goal of encouraging Alaska's seafood processors to develop innovative value-added salmon products.

In 2003, the legislature passed and the Governor signed legislation that allows processors to claim a credit on the tax liability on new equipment they have purchased to add value to salmon using innovative processing techniques. The bill (HB 90) that became this law was proposed by the Joint Legislative Salmon Industry Task Force, and was part of an effort by Alaska's elected leaders and the fishing industry to create incentives for the industry to take investment risks and produce new salmon products that add value to our salmon. It has worked: a number of processors have taken advantage of this tax credit. SB 164 extends the deadline for applying for the credit for another three years, to the end of 2008. In addition, the bill defines the kind of investment that qualifies for the credit, making it clear that processors should be producing new, innovative salmon products in order to benefit from this program. The legislation has been drafted in consultation with the Tax Division of the Department of Revenue, incorporating lessons learned in the first two years of administering the credit, to ensure that management and enforcement are efficient and effective.

Senate Bill 164 is supported by many Alaskan salmon processors and fishermen as a valuable tool in improving the quality and net worth of our wild salmon.

Contact: Kim Carnot, Aide to Senator Bert Stedman at (907) 465-3873

DISTRICT A

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Pelican • Elfin Cove • Port Alexander • Soxman • Meyers Chuck • Thorne Bay • Coffman Cove • Hollis

AN ACT

1 Relating to a salmon product development tax credit and a salmon utilization tax credit under
2 the Alaska fisheries business tax; and providing for an effective date

3
4 • Section 1. AS 43.75 is amended by adding new sections to read:

5 Sec. 43.75.035. Salmon product development tax credit. (a) A taxpayer
6 that is a fisheries business may claim a salmon product development tax credit of 50
7 percent of qualified investment in new property first placed into service in a shore-
8 based plant or on a vessel in the state in the tax year.

9 (b) The amount of the tax credit applied against taxes under this section may
10 not

11 (1) exceed 50 percent of the taxpayer's tax liability incurred under this
12 chapter for processing of salmon during the tax year; or

13 (2) be claimed for property first placed into service after December 31,
14 2005.

1 (c) If the property for which a tax credit is claimed is installed on a vessel, the
2 amount of qualified investment under (a) of this section is determined by multiplying
3 the investment cost of the qualified investment property by a fraction, the numerator
4 of which is the weight of raw salmon processed on the vessel by the taxpayer in the
5 state in the tax year in which the property is first placed in service, and the
6 denominator of which is the weight of raw salmon processed on the vessel by the
7 taxpayer in and outside of the state in the tax year in which the property is first placed
8 into service.

9 (d) An unused credit under this section may be carried forward and applied
10 against the tax liability incurred on salmon in the following three tax years.

11 (e) Qualified investment costs upon which a tax credit is claimed under this
12 section may not be considered for another tax credit in this title. A tax credit applied
13 under this section together with a tax credit applied under AS 43.75.036 may not
14 exceed 50 percent of the taxpayer's tax liability incurred for the processing of salmon
15 during the tax year.

16 (f) A taxpayer may not claim the tax credit allowed under this section if the
17 taxpayer is in arrears in the payment of assessments under AS 16.51.120, contributions
18 under AS 23.20, or taxes or assessments collected or owed under this title. For
19 purposes of this subsection, a taxpayer is not in arrears if the liability for the
20 assessment, contribution, or tax is under administrative or judicial appeal.

21 (g) If, during a tax year, property for which a credit was claimed under this
22 section is disposed of by the taxpayer, ceases to be qualified investment property, or is
23 removed from service in the state, the tax due under this chapter is increased by the
24 recapture percentage of the aggregate decrease in the credit allowed under this section
25 for all prior tax years that would have resulted solely from reducing to zero the credit
26 allowed for the qualified investment property under this section. The amount of tax
27 credit attributable to the qualified investment that is carried forward from prior tax
28 years is terminated as of the first day of the tax year in which the qualified investment
29 property is disposed of by the taxpayer, ceases to be qualified investment property, or
30 is removed from service in the state. For purposes of this subsection,

31 (1) the recapture percentage during the year in which the property is

1 first placed into service or during the first year following the year in which the
2 property is first placed into service is 100 percent;

3 (2) the recapture percentage during the second year following the year
4 in which the property is first placed into service is 75 percent;

5 (3) the recapture percentage during the third year following the year in
6 which the property is first placed into service is 50 percent;

7 (4) the recapture percentage during the fourth or subsequent year
8 following the year in which the property is first placed into service is zero percent;

9 (5) qualified investment property used on a vessel is considered to
10 have been removed from the state on the first day of a tax year in which the proportion
11 of raw salmon processed in the state on the vessel is less than 50 percent of total
12 weight of raw salmon processed on the vessel in and outside of the state.

13 (h) The amount of a tax credit recaptured under (g)(1) - (3) of this section may
14 not be included in the determination of the amount of that tax credit that is allowable
15 under this section or AS 43.75.036.

16 (i) In this section,

17 (1) "first placed into service" means the moment when property is first
18 used for its intended purpose;

19 (2) "new property" means property whose original use commences
20 with the taxpayer and does not include property first used by another person;

21 (3) "qualified investment" means the investment cost in depreciable
22 tangible personal property with a useful life of three years or more to be used
23 predominantly to produce value-added salmon products beyond gutting of the salmon;
24 in this paragraph, "property" includes filleting, skinning, portioning, muncing, forming,
25 extruding, stuffing, injecting, mixing, marinating, preserving, drying, smoking,
26 brining, packaging, blast freezing, or pin bone removal equipment;

27 (4) "tax liability" means the liability for all taxes under this chapter
28 before all credits allowed by this chapter;

29 (5) "useful life" means the useful life of the property that is or would
30 be applicable for purposes of depreciation.

31 Sec. 43.75.036. Salmon utilization tax credit. (a) A taxpayer that is a

1 fisheries business may claim a salmon utilization tax credit of 50 percent of the
2 amount of the qualified expenditure in the state in the tax year for full utilization of
3 salmon.

4 (b) The amount of the tax credit applied against taxes under this section may
5 not

6 (1) exceed 50 percent of the taxpayer's tax liability incurred under this
7 chapter for salmon during the tax year; or

8 (2) be claimed for property first placed into service, or for expenditures
9 incurred, after December 31, 2005.

10 (c) If the tax credit is claimed for installation or operation of new equipment
11 on a vessel, the amount of the qualified expenditure under (a) of this section is
12 determined by multiplying the cost of the installation or operation of the equipment by
13 a fraction, the numerator of which is the weight of raw salmon processed on the vessel
14 by the taxpayer in the state in the tax year in which the equipment is first placed into
15 service, and the denominator of which is the weight of raw salmon processed on the
16 vessel by the taxpayer in and outside of the state in the tax year in which the
17 equipment is first placed into service.

18 (d) An unused credit under this section may be carried forward and applied
19 against the tax liability incurred on salmon in the following three tax years.

20 (e) Qualified expenditures for which a tax credit is claimed under this section
21 may not be considered for another tax credit in this title. A tax credit applied under
22 this section together with a tax credit applied under AS 43.75.035 may not exceed 50
23 percent of the taxpayer's tax liability incurred for the processing of salmon during the
24 tax year.

25 (f) A taxpayer may not claim the tax credit allowed under this section if the
26 taxpayer is in arrears in the payment of assessments under AS 16.51.120, contributions
27 under AS 23.20, or taxes or assessments collected or owed under this title. For
28 purposes of this subsection, a taxpayer is not in arrears if the liability for the
29 assessment, contribution, or tax is under administrative or judicial appeal.

30 (g) If, during a tax year, equipment for which a credit was claimed under this
31 section is disposed of by the taxpayer, ceases to be a qualified expenditure, or is

1 removed from service in the state, the tax due under this chapter is increased by the
2 recapture percentage of the aggregate decrease in the credit allowed under this section
3 for all prior tax years that would have resulted solely from reducing to zero the credit
4 allowed for the qualified expenditure under this section. The amount of tax credit
5 attributable to the qualified expenditure that is carried forward from prior tax years is
6 terminated as of the first day of the tax year in which the equipment is disposed of by
7 the taxpayer, ceases to be a qualified expenditure, or is removed from service in the
8 state. For purposes of this subsection,

9 (1) the recapture percentage during the year in which the equipment is
10 first placed into service or during the first year following the year in which the
11 equipment is first placed into service is 100 percent;

12 (2) the recapture percentage during the second year following the year
13 in which the equipment is first placed into service is 75 percent;

14 (3) the recapture percentage during the third year following the year in
15 which the equipment is first placed into service is 50 percent;

16 (4) the recapture percentage during the fourth or subsequent year
17 following the year in which the equipment is first placed into service is zero percent;

18 (5) equipment used on a vessel is considered to have been removed
19 from the state on the first day of a tax year in which the proportion of raw salmon
20 processed in the state on the vessel is less than 50 percent of total weight of raw
21 salmon processed on the vessel in and outside of the state.

22 (h) The amount of a tax credit recaptured under (g)(1) - (3) of this section may
23 not be included in the determination of the amount of that tax credit that is allowable
24 under this section or AS 43.75.035.

25 (i) In this section,

26 (1) "first placed into service" means the moment when equipment is
27 first used for its intended purpose;

28 (2) "new equipment" means tangible, depreciable personal property
29 with a useful life of three years or more whose original use commences with the
30 taxpayer and does not include property first used by another person;

31 (3) "qualified expenditure" means

1 (A) the direct and incremental cost of the development,
2 manufacture, or purchase of new equipment by a taxpayer to produce
3 marketable products in the state using salmon waste;

4 (B) reasonable custom processing or disposal fees paid to
5 another fisheries business in the state that does not claim a credit under this
6 section or AS 43.75.035 and that produces marketable products from salmon
7 waste, less the market value of the products produced for the taxpayer; or

8 (C) the direct and incremental cost of transporting salmon
9 waste to a facility in the state that produces a marketable product from salmon
10 waste;

11 (4) "tax liability" means the liability for all taxes under this chapter
12 before all credits allowed by this chapter;

13 (5) "useful life" means the useful life of equipment that is or would be
14 applicable for purposes of depreciation.

15 * Sec. 2. AS 43.75.130 is amended by adding a new subsection to read:

16 (g) For purposes of this section, tax revenue collected under AS 43.75.015
17 from a person entitled to credit under AS 43.75.035 or 43.75.036 shall be calculated
18 as if the person's tax were collected without applying the credit; tax revenue collected
19 does not include the amount of a tax credit recaptured under AS 43.75.035(g) or
20 43.75.036(g)

21 * Sec. 3. AS 43.75.035, 43.75.036, and 43.75.130(g) are repealed.

22 * Sec. 4. The uncoded law of the State of Alaska is amended by adding a new section to
23 read:

24 **RETROACTIVITY.** Sections 1 and 2 of this Act are retroactive to January 1, 2003.

25 * Sec. 5. The uncoded law of the State of Alaska is amended by adding a new section to
26 read:

27 **RETROACTIVITY.** If the attorney general provides notification under sec. 7(2) of
28 this Act, sec. 3 of this Act is retroactive to January 1, 2003.

29 * Sec. 6. Sections 1, 2, and 4 of this Act take effect immediately under AS 01.10.07(c).

30 * Sec. 7. Section 3 of this Act takes effect on the earlier of the following:

31 (1) January 1, 2009; or

1 (2) the date of the attorney general's notification to the lieutenant governor and
2 to the revisor of statutes that

3 (A) a court has entered final judgment that AS 43.75.035 or 43.75.036,
4 added, by sec. 1 of this Act, violates the commerce clause contained in art. I, sec. 8,
5 United States Constitution; and

6 (B) the time for an appeal of that judgment has expired, or, if an appeal
7 was taken, a final order on the appeal has been entered that AS 43.75.035 or
8 43.75.036, added by sec. 1 of this Act, violates the commerce clause contained in the
9 United States Constitution.

10 * Sec. 8. Section 5 of this Act takes effect on the date of the attorney general's notification
11 under sec. 7(2) of this Act.

Sec. ~~43.75.035~~. Salmon product development tax credit.

(a) A taxpayer that is a fisheries business may claim a salmon product development tax credit of 50 percent of qualified investment in new property first placed into service in a shore-based plant or on a vessel in the state in the tax year.

(b) The amount of the tax credit applied against taxes under this section may not

(1) exceed 50 percent of the taxpayer's tax liability incurred under this chapter for processing of salmon during the tax year; or

(2) be claimed for property first placed into service after December 31, 2005.

(c) If the property for which a tax credit is claimed is installed on a vessel, the amount of qualified investment under (a) of this section is determined by multiplying the investment cost of the qualified investment property by a fraction, the numerator of which is the weight of raw salmon processed on the vessel by the taxpayer in the state in the tax year in which the property is first placed into service, and the denominator of which is the weight of raw salmon processed on the vessel by the taxpayer in and outside of the state in the tax year in which the property is first placed into service.

(d) An unused credit under this section may be carried forward and applied against the tax liability incurred on salmon in the following three tax years.

(e) Qualified investment costs upon which a tax credit is claimed under this section may not be considered for another tax credit in this title. A tax credit applied under this section together with a tax credit applied under ~~AS~~ 43.75.036 may not exceed 50 percent of the taxpayer's tax liability incurred for the processing of salmon during the tax year.

(f) A taxpayer may not claim the tax credit allowed under this section if the taxpayer is in arrears in the payment of assessments under ~~AS~~ 16.51.120, contributions under ~~AS~~ 23.20, or taxes or assessments collected or owed under this title. For purposes of this subsection, a taxpayer is not in arrears if the liability for the assessment, contribution, or tax is under administrative or judicial appeal.

(g) If, during a tax year, property for which a credit was claimed under this section is disposed of by the taxpayer, ceases to be qualified investment property, or is removed from service in the state, the tax due under this chapter is increased by the recapture percentage of the aggregate decrease in the credit allowed under this section for all prior tax years that would have resulted solely from reducing to zero the credit allowed for the qualified investment property under this section. The amount of tax credit attributable to the qualified investment that is carried forward from prior tax years is terminated ~~as~~ of the first day of the tax year in which the qualified investment property is disposed of by the taxpayer, ceases to be qualified investment property, or is removed from service in the state. For purposes of this subsection,

(1) the recapture percentage during the year in which the property is first placed into service or during the first year following the year in which the property is first placed into service is 100 percent;

(2) the recapture percentage during the second year following the year in which the property is first placed into service is 75 percent;

~~(3)~~ the recapture percentage during the third year following the year in which the property is first placed into service is 50 percent;

(4) the recapture percentage during the fourth or subsequent year following the year in which the property is first placed into service is zero percent;

(5) qualified investment property used on a vessel is considered to have been removed from the state on the first day of a tax year in which the proportion of raw salmon processed in the state on the vessel is less than 50 percent of total weight of raw salmon processed on the vessel in and outside of the state.

(h) The amount of a tax credit recaptured under (g)(1) - (3) of this section may not be included in the determination of the amount of that tax credit that is allowable under this section or AS 43.75.036.

(i) In this section

(1) "first placed into service" means the moment when property is first used for its intended purpose;

(2) "new property" means property whose original use commences with the taxpayer and does not include property first used by another person;

(3) "qualified investment" means the investment cost in depreciable tangible personal property with a useful life of three years or more to be used predominantly to produce value-added salmon products beyond gutting of the salmon; in this paragraph, "property" includes filleting, skinning, portioning, mincing, forming, extruding, stuffing, injecting, mixing, marinating, preserving, drying, smoking, brining, packaging, blast freezing, or pin bone removal equipment;

(4) "tax liability" means the liability for all taxes under this chapter before all credits allowed by this chapter;

(5) "useful life" means the useful life of the property that is or would be applicable for purposes of depreciation.