

**SB**

**164**

# ALASKA STATE LEGISLATURE

## SESSION

State Capitol, Rm 30  
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Senator\_Bert\_Stedman@legis.state.ak.us



## INTERIM

50 Front Street  
Ketchikan, AK 99901-6442  
Phone (907) 225-8088  
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**SENATOR BERT K. STEDMAN**

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## **SPONSOR STATEMENT SB 164**

**“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 (AS 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: Tim Barry, Aide to Senator Bert Stedman at (907) 465-3873*

DISTRICT A

Ketchikan • Sitka • Petersburg • Wrangell

## Southeast Alaska Fishermen's Alliance

9369 North Douglas Highway  
Juneau, AK 99801



Phone 907-586-6652 Fax 907-586-5648 E-mail: seafa@gci.net

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April 7, 2005

Senator Wagner  
Senate Resources  
Alaska State Legislature  
Juneau, AK 99801

Support for SB 164

The Southeast Alaska Fishermen's Alliance supports SB 164, which would provide a tax credit to encourage the industry to invest in new value-added salmon products and salmon utilization. This tax credit has existed the last two years and has helped many processors and direct marketers by providing a tax break for expensive machinery that updates and adds value to our salmon resources.

It is important for the salmon industry to look at investments that will help change the products that we offer in the marketplace to meet current consumer demands. We need to produce more convenient food products such as filleting, meal ready products and we need technology that will help use the lower quality, lower value salmon in a form rather than offering it in the marketplace as frozen, headed and gutted fish.

This legislation was originally discussed and supported by the Salmon Industry Task Force, processors and fishing associations as a way to help the salmon industry move forward. The work towards modernizing our processing plants is not finished and the tax credit will help to continue to encourage innovation and thinking outside of the traditional means.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Kathy Hansen".

Kathy Hansen  
Executive Director

CC: Senator Stedman, UFA, Seafood Producer Co-op, Sitka Sound Seafoods, Moonah Cold Storage, Alaska Glacier Seafoods.

# OCEAN BEAUTY

SEAFOODS, INC.

April 7, 2005

Senator Bert Stedman  
Alaska State Capital, Room 30  
Juneau, AK 99801-1182

RE: *Senate Bill 164*

Dear Senator Stedman:

I am pleased to advise you of Ocean Beauty Seafoods, Inc. support of **Senate Bill 164**, which relates to a salmon product tax credit for the production of value-added salmon.

Do not hesitate to contact me, if I can provide additional information on this matter.

Sincerely,

*Mark Palmer*

Mark Palmer  
Executive Vice-President

Cc: Tim Barry, Office of Senator Bert Stedman  
Reed Stoops



# UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 110  
Juneau, Alaska 99801-1172  
(907) 586-2820  
(907) 463-2546 Fax  
E-Mail: [ufa@ufa-fish.org](mailto:ufa@ufa-fish.org)  
[www.ufa-fish.org](http://www.ufa-fish.org)

April 12, 2005

Senator Thomas Wagoner, Chair  
Senate Resources Committee  
Alaska State Legislature  
State Capitol (Mail Stop 3100)  
Juneau AK 99801-1182

Dear Senator Wagoner,

United Fishermen of Alaska (UFA) supports Senate Bill 164 regarding salmon product development tax credits for value-added equipment.

In 2003, the Joint Legislative Salmon Industry Task Force introduced and passed ITB 90. UFA supported this effort at that time as a way to help processors make necessary transition in product development efforts, towards products that can better compete in the changed global salmon markets. Many of these efforts have paid off in new products that are competing successfully in the marketplace. According to the USDA Agricultural Statistics Service, imports of salmon products to the U.S. declined in 2004, for the first time since 1992. UFA feels that the multi-faceted efforts of the Alaska State Legislature, Administration and federal support combined with fishermen and processors are making progress in securing our foothold in the US market while also increasing our salmon exports.

SB 164, with its specific emphasis on tax credits for equipment that adds value to salmon products, is one part of the formula that can result in a positive return on investment to the state. The state and communities will benefit through increased raw fish taxes based on the ex-vessel price to fishermen, if processors raise ex-vessel prices commensurate with the increased wholesale prices they are seeing from these combined efforts.

We appreciate the consideration of the Senate Resources Committee and encourage support of Senate Bill 164.

Sincerely,

Mark Vinsel  
Executive Director

# INDUSTRY POSITION PAPER

ON

## CSHB19(FIN)

**Date:** April 14, 2005  
**Prepared by:** Kenneth J Perry  
**Contact Information:** (907) 344-2538 [mail@paratex-pp.com](mailto:mail@paratex-pp.com)  
2440 E 88<sup>th</sup> Ave., Suite A Anchorage, AK 99507

**On behalf of:** PARATEX Pied Piper Pest Control  
The Alaska Pesticide Applicators Group  
NPMA - National Pest Management Association (Proxy)  
(Pest Management World-Wide trade Group)  
RISE - Responsible Industry for a Sound Environment (Consultation)  
(Chemical Manufacturers US Trade Group)

**(NOTE:** Requests for clarification on some issues by the sponsors and ADEC have not been forthcoming. Comments below are based on the appearance of the document currently before the Senate Resources Committee.)

**Section 1** (Page 1 Lines 5-7) Add Sub-Paragraph 78 to AS 37.05.146(c)

"Licensing of pesticide applicators" -- ADEC does not currently license applicators, it merely certifies them.

**Section 2** (Page 2 Lines 11-12) Add Paragraph G to AS 37.10.058(2)

ADEC will lose its authority to regulate non-registered pesticides and broadcast chemicals.

**Section 3** (Page 3 Lines 4-7) Add Subparagraphs 9 & 10 to AS 44 46 025 (a)

**Paragraph #9** First, as stated above, by this language ADEC will lose its authority to regulate non-registered pesticides and broadcast chemicals. As for an industry response, we repeat again that we have no objection to a reasonable fee for registration in the \$25 per year range. If you compare the registration costs in other states to the product sales volumes in those states, and then extrapolate that with volume of sales in Alaska, you will see that this is a generous offer. AND, with the lack of substantive written clarification on what will be exempted and what the final charge will be, as well as leaving a huge cap figure in place, it is in fact capricious in nature. Also, it is unconscionable to derive such a fee by merely deciding to double or triple the department budget and then divide that figure among the registrants. The only way I can see the manufacturers getting behind a

registration fee is if there is new legislation limiting their exposure to extremist intervention by enacting a State preemption on pesticide regulation and perhaps a public notification registry program, items they HAVE supported by appropriate fees in other states.

**Paragraph #10** As stated above, **ADEC** does not currently license applicators, it merely certifies them. As for a \$25 fee, most applicators have stated they have no objection to reasonable fees for their certification, but object strongly to the anti-pesticide tone of this legislation and the financial attack on the manufacturers whose products they so value. As a result, if passed many "courtesy or convenience" certifications currently on file will not be renewed or replaced.

**Section 4** (Page 3 Lines 9-10) Add Paragraph E to AS 44.46.025

First of all, how can this be enforced or influenced unless someone is willing to take the State to court and test it out. Given the small amount of income generated by pesticide sales in Alaska, it is cheaper just to drop the request to register. Additionally, this language is already violated in lines 4&5 (Section 3) above it. It is not "reasonable" to ask the manufacturers to pay the entire pesticide division (Alaska) budget AND double it as well! And the method of determining the fee (double the budget and divide by X) is not "reasonable" either.

**Section 5** (Page 3 Lines 20-21) Add Subsection 4 to AS 46 03 320 (a)

It needs to be clarified that **ADEC** is *ALREADY* registering pesticides, it has been doing so for years now. Does this mean that they have been acting illegally heretofore? Lawmakers need to be aware of this because all this bill seeks to do in reality (as far as registering pesticides) is add a fee, yet the cost of collecting that fee is estimated in the fiscal notes to be a doubling of the division budget.

**Section 6**

(Page 3 Line 24) Add Sentence to AS 46 03 320 (b)

The "temporary license waiver" as written here is in direct violation of Federal Law (EPA).

(Page 3 Lines 26-27) Add Sentence to AS 46 03 320 (b)

A new class of certification, as this addition creates, cannot be initiated without making the change in 18 AAC 90.300(c) as well.

**Section 7** (Page 4 Lines 1-10) Add Paragraphs C & D to AS 46.03.320

This thorny issue of deciding when and where "notification" and "posting" (two separate terms) should be implemented is best left to the regulators to decide based on their knowledge and expertise. The best course that this Legislature could follow is to imitate the 41 states with State pesticide regulation preemption and the majority of the 21 states with notification laws who use a notification registry to meet the "right-to-know" objectives you seek.

The requirements of this paragraph as originally written have been so diluted by exemptions at this point as to make them almost meaningless. All that is left is the "common areas" inside of apartment buildings over 4 units (very seldom is pesticide applied in these areas - most applications are to the units themselves and Tenant/Landlord law already requires notification), "government offices and facilities" and "plazas parks sports fields". And what is left is still very hard to interpret ie: "common areas"?; Which governments (Federal, State, Borough, Municipal, Tribal...)?; Who's parks and plazas?

**Section 8** (Page 4 Line 11) Establish Effective Date

No Comments (Honest, I don't!)



# ICICLE

April 15, 2004

Senator Thomas Wagoner, Chair  
Senate Resources Committee  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, Alaska 99801-1182

RE: SB 164 Extending salmon product development tax credit

Dear Senator Wagoner and Committee Members,

I wish to express our support for SB 164, an act that would extend the salmon product development tax credit program through 2008.

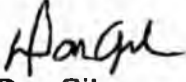
We utilized the salmon product development tax credit program in 2003 for the purchase of equipment that allows us to produce salmon roe (ikura) that is packaged using a modified atmosphere. These products have a much longer shelf life because they are not subject to oxidation and the formation of bacteria. In this form, the product has higher customer acceptance and can be available over a longer period of time to consumers.

In 2004, we used the salmon utilization tax credit program to install new equipment in the salmon meal and oil production plant at our Seward facility. The new equipment has enabled us to run more pounds of salmon through our facility, make products from salmon parts that would normally be part of our waste stream, and produce salmon oil with a higher quality and value than we were able to previously. In addition, it has allowed us to be more aggressive in purchasing salmon, opened up opportunities that would not have been available to us previously, and more fully utilize everything we purchase. This resulted in benefits for our company, our salmon fleet, the hatcheries, the community of Seward and the State of Alaska.

Properly applied, the salmon product development and utilization tax credit program is beneficial and can provide the incentive to make needed capital improvements a rational choice during economically challenging times.

I encourage your support of SB 164 and respectfully request you consider including tax credits for salmon meal and oil production equipment.

Sincerely,  
ICICLE SEAFOODS, INC.

  
Don Giles  
President & CEO

**ICICLE SEAFOODS, INC.**

4019-21<sup>st</sup> Avenue West • Seattle, WA 98199

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# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
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Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

April 14, 2005

**SUBJECT:** Sectional summary of SB 164, An Act relating to the salmon product development tax credit (Work Order No. 24-LS0589\I)

**TO:** Senator Bert Stedman  
Attn: Tim Barry

**FROM:** George Utermohle *GU*  
Legislative Counsel

You have requested a sectional summary of SB 164, an Act relating to the salmon product development tax credit.

As a preliminary matter, note that a sectional summary of a bill is not an authoritative interpretation of the bill. The bill itself is the best statement of its contents.

Section 1 of the bill amends AS 43.75.035(b) to extend until December 31, 2008, the period during which new property may be first placed into service to qualify for the salmon product development tax credit.

Section 2 of the bill amends AS 43.75.035(i)(3) by modifying the definition of "qualified investment" to further describe the kinds of tangible personal property that may qualify for the salmon product development tax credit.

Section 3 of the bill amends AS 43.75.035(i) by adding a definition of "value-added salmon product."

Section 4 of the bill amends sec. 7, ch. 57, SLA 2003 by delaying the repeal of the salmon product development tax credit until January 1, 2012.

Section 5 of the bill provides that the bill takes effect on the day after the bill becomes law.

GU:jad  
05-206.jad

SB 164

Inlet Fish Producers, Inc.  
PO Box 114  
Kenai, Alaska 99611  
(907) 283-9275  
FAX (907) 283-4097  
April 14, 2005

Senator Bert Stedman  
State Capitol  
Juneau, Alaska

Re Senate Bill 164

Dear Senator Stedman:

Our company is very much in support of Senate Bill 164 which will amend and extend the salmon product development tax credit.

The salmon industry is changing very rapidly. Our fishery in Cook Inlet is dominated by sockeye salmon. Until the past two years, our primary markets were always in Japan. We are now finding that a majority of our sockeye salmon are sold in the US domestic market. In order to sell fish into our own domestic market place, we have to produce a product that responds to the needs of our marketplace.

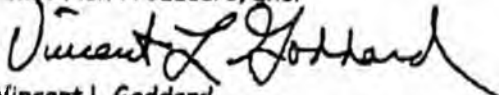
The American consumer wants to buy salmon in the form of trimmed boneless salmon fillets or portion cuts. In order to produce this product, we are required to make significant new investments in fillet equipment, trimming lines, pinbone machines, vacuum packing equipment, etc.

We are a mid-sized salmon company and we are completely Alaska-owned and headquartered in Alaska. We have already used the current tax credit law to make significant new investments, but we need a longer timeframe in which to complete the transformation of our plant and production facilities. The extension of this tax credit for three years will be extremely vital to our business and our ability to respond to these very positive changes in the salmon market.

Therefore, we very strongly support Senate Bill 164 and urge that it be approved during this session of the legislature.

Sincerely,

Inlet Fish Producers, Inc.



Vincent L. Goddard  
President

# FISCAL NOTE

**STATE OF ALASKA**  
**2005 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: SB 164  
 ( ) Publish Date: \_\_\_\_\_

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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>			<b>(1,000.0)</b>	<b>(1,500.0)</b>	<b>(1,000.0)</b>	<b>(500.0)</b>
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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)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

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 2006-2008. 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.