

# HB

# 204

<TARGET><BILL>HB 204</BILL><SUBJECT>HB  
204</SUBJECT><COMM>HFIN28</COMM></TARGET>



# Fiscal Note

State of Alaska  
2014 Legislative Session

Bill Version: SSHB 204  
Fiscal Note Number: 1  
(H) Publish Date: 2/14/14

Identifier: HB204-DOR-TAX-02-01-14  
Title: SALMON & HERRING PRODUCT DEV'T TAX  
CREDIT  
Sponsor: AUSTERMAN  
Requester: (H) Fisheries

Department: Department of Revenue  
Appropriation: Taxation and Treasury  
Allocation: Tax Division  
OMB Component Number: 2476

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
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>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None								
<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>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time								
Part-time								
Temporary								

<b>Change in Revenues</b>	***	***	***	***	***	***	***	***
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**Estimated SUPPLEMENTAL (FY2014) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2015) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

Initial version.

Prepared By: Johanna Bales, Deputy Director, and Alexei Painter, Economist  
Division: Tax  
Approved By: Angela M. Rodell, Commissioner  
Agency: Department of Revenue

Phone: (907)465-8222  
Date: 01/31/2014 10:00 PM  
Date: 02/01/14

FISCAL NOTE ANALYSIS #1

STATE OF ALASKA  
2014 LEGISLATIVE SESSION

BILL NO. SSHB 204

Analysis

**Bill Language:**

This bill amends AS 43.75.035 making several changes to the salmon product development tax credit, which is a credit against the Fisheries Business Tax for qualified investments in property to create value-added salmon products. This bill amends the credit to: (1) include herring in addition to salmon; (2) expand the definition of "qualified investment" to include "canned salmon products in can sizes other than 14.75 ounces or 7.5 ounces" in addition to producing value-added products; (3) add "new parts necessary for, or costs associated with, converting a canned salmon line to produce can sizes other than 14.75 ounces of 7.5 ounces" as qualified property; (4) add "equipment used to transform salmon or herring byproduct discarded as waste, into saleable products" as qualified property; and (5) extend the current sunset date of the credit from December 31, 2015 to December 31, 2020.

**Revenues:**

From fiscal years 2009-2013, the salmon product development credit ranged from \$71,598 to \$4,074,071 million, with a mean of \$2.2 million. Credit utilization will likely increase due to the addition of the two new types of qualified property. Total Fisheries Business Tax from salmon in FY 2009-2013 (before credits and municipal revenue sharing) ranged from \$14.9 million to \$22.1 million. Since the credit is capped at half of liability, the maximum impact of the credit would be from \$7.4 million to \$11.1 million. However, it is difficult to predict taxpayer behavior so a precise estimate of the cost of the credit is not possible.

It is also difficult to determine the impact of expanding the credit to herring. The herring fishery is smaller than the salmon fishery, which suggests that the impact on state revenue from adding herring to the credit may be smaller than the salmon credit.

	FBT Salmon Revenue	FBT Herring Revenue	SPD Credits Claimed
FY 2009	\$14,887,600	\$420,779	-\$3,121,697
FY 2010	\$15,271,157	\$833,735	-\$4,074,071
FY 2011	\$20,048,075	\$713,957	-\$2,057,255
FY 2012	\$22,138,544	\$369,472	-\$71,598
FY 2013	\$19,086,832	\$701,686	-\$1,832,081

**Expenditures:**

We anticipate the provisions within this bill can be implemented in the Tax Division using existing staff and resources.

Adopted  
2/27/14

28-LS0463VP  
Bullard  
2/24/14

**CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 204(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES AUSTERMAN, Edgmon, Kerttula, Peggy Wilson, Feige, Kreiss-Tomkins, Gattis

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to a product development tax credit for certain salmon and herring  
2 products; and providing for an effective date."

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

4 \* **Section 1.** AS 43.75.035(a) is amended to read:

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

8 \* **Sec. 2.** AS 43.75.035(b) is amended to read:

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 and herring during the tax year; or

13 (2) be claimed for property first placed into service after December 31,  
14 2020 [2015].

1 \* **Sec. 3.** AS 43.75.035(c) is amended to read:

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

10 \* **Sec. 4.** AS 43.75.035(d) is amended to read:

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

14 \* **Sec. 5.** AS 43.75.035(g) is amended to read:

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

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

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

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

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

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

8 \* **Sec. 6.** AS 43.75.035(i) is amended to read:

9 (i) The department shall develop and implement procedures by which a  
10 taxpayer that is a fisheries business may submit the taxpayer's proposed investment to  
11 the department and request a preliminary determination of whether the investment  
12 qualifies for the [SALMON] product development tax credit under this section. A  
13 preliminary determination by the department that the taxpayer's submission qualifies  
14 for the credit is binding, unless the department determines that the taxpayer has made  
15 a material misrepresentation in the taxpayer's submission.

16 \* **Sec. 7.** AS 43.75.035(j)(3) is amended to read:

17 (3) "qualified investment" means the investment cost to purchase or  
18 convert [IN] depreciable tangible personal property with a useful life of three years or  
19 more to be used predominantly to perform an ice making, processing, packaging, or  
20 product finishing function that is a significant component in producing value-added  
21 salmon or herring products, including canned salmon products in can sizes other  
22 than 14.75 ounces or 7.5 ounces [BEYOND GUTTING OF THE SALMON]; in this  
23 paragraph, "property"

24 (A) includes

25 (i) equipment used to fillet, skin, portion, mince,  
26 form, extrude, stuff, inject, mix, marinate, preserve, dry, smoke,  
27 brine, package, freeze, scale, grind, separate meat from bone, or  
28 remove pin bones [FILLETING, SKINNING, PORTIONING,  
29 MINCING, FORMING, EXTRUDING, STUFFING, INJECTING,  
30 MIXING, MARINATING, PRESERVING, DRYING, SMOKING,  
31 BRINING, PACKAGING, BLAST FREEZING, OR PIN BONE

1 REMOVAL EQUIPMENT];

2 (ii) new parts necessary for, or costs associated with,  
3 converting a canned salmon line to produce can sizes other than  
4 14.75 ounces or 7.5 ounces [TO CONVERT AN EXISTING CAN  
5 SEAMER TO POP-TOP CAN PRODUCTION];

6 (iii) conveyors used specifically in the act of producing  
7 a value-added salmon or herring product; [AND]

8 (iv) ice making machines;

9 (v) new canning equipment for herring products;

10 and

11 (vi) equipment used to transform salmon or herring  
12 byproduct that is discarded as waste into saleable product;

13 (B) does not include

14 (i) vehicles, forklifts, conveyors not used specifically in  
15 the act of producing a value-added salmon or herring product, cranes,  
16 pumps, or other equipment used to transport salmon or herring, or  
17 salmon or herring products, knives, gloves, tools, supplies and  
18 materials, equipment, other than ice making machines, that is not  
19 processing, packaging, or product finishing equipment, or other  
20 equipment, the use of which is incidental to the production, packaging,  
21 or finishing of value-added salmon or herring products; [OR]

22 (ii) the overhaul, retooling, or modification of new or  
23 existing property, except for new parts necessary for, or costs  
24 associated with, converting a canned salmon line to produce can  
25 sizes other than 14.75 ounces or 7.5 ounces; or

26 (iii) property used predominantly to produce a  
27 salmon or herring product that is not taxed under this chapter [TO  
28 CONVERT AN EXISTING CAN SEAMER TO POP-TOP CAN  
29 PRODUCTION];

30 \* Sec. 8. AS 43.75.035(j)(6) is amended to read:

31 (6) "value-added salmon or herring product" means the product of a

1 salmon or herring that is processed beyond heading, gutting, or separation in a  
2 manner that [MATERIALLY] enhances the value or quality of the salmon or herring  
3 product, such as shelf-stable, retort pouched, smoked, pickled, or filleted salmon,  
4 ikura, leather, [OR] jerky, or a saleable product made from waste byproduct of  
5 salmon or herring; "value-added salmon or herring product" does not include a  
6 salmon or herring or salmon or herring product that

7 (A) has been subjected to only one or more of heading, gutting,  
8 freezing, or packaging [, QUALITY ASSURANCE PRACTICES, OR  
9 VALUE RETENTION PRACTICES];

10 (B) is salmon skeins or other unprocessed salmon or  
11 unprocessed herring products whether fresh or frozen; or

12 (C) [IS CANNED, EXCEPT FOR SALMON PRODUCTS IN  
13 A POP-TOP CAN; OR

14 (D)] is produced out of the state.

15 \* **Sec. 9.** This Act takes effect immediately under AS 01.10.070(c).

## Fisheries Business Tax Revenue and Tax Credits Claimed

	Gross Revenue from Tax	Other Revenue <sup>1</sup>	Tax Credits Claimed <sup>2</sup>			Revenue Shared to Municipalities	Revenue Retained by State
			Salmon Product Development <sup>3</sup>	Education <sup>4</sup>	Winn Brindle <sup>5</sup>		
<b>FY 2004</b>	26,319,585	4,766,049	(1,379,475)	(302,500)	(169,121)	(14,398,192)	14,846,413
<b>FY 2005</b>	25,941,837	2,367,595	(2,314,258)	(300,000)	(135,700)	(15,224,012)	10,335,462
<b>FY 2006</b>	32,203,813	3,774,785	(3,058,516)	(300,000)	(132,909)	(17,136,243)	15,350,930
<b>FY 2007</b>	29,910,171	5,730,415	415,745	(300,000)	(167,000)	(17,609,837)	17,979,494
<b>FY 2008</b>	35,909,264	4,212,265	(4,501,973)	(450,000)	(177,228)	(20,189,034)	14,803,294
<b>FY 2009</b>	42,151,283	3,848,796	(3,121,697)	(450,000)	(192,792)	(22,940,136)	19,295,454
<b>FY 2010</b>	32,653,241	3,939,291	(4,074,071)	(450,000)	(123,060)	(17,942,122)	14,003,279
<b>FY 2011</b>	45,669,159	1,484,889	(2,057,255)	(449,730)	(184,817)	(24,370,389)	20,091,857
<b>FY 2012</b>	50,581,499	3,412,966	(71,598)	(650,015)	(175,338)	(26,652,010)	26,445,504
<b>FY 2013</b>	46,905,206	61,376	(1,832,081)	(650,000)	(238,749)	(25,063,569)	19,182,183
<b>FY 2014</b>	*	*	*	*	*	*	*

<sup>1</sup>Prepayments, penalties, interest and license fees

<sup>2</sup>Does not reduce municipal share

<sup>3</sup>AS 43.75.035 allows credit on qualifying expenditures used predominantly to produce value added salmon products

<sup>4</sup>AS 43.75.018 allows credit for cash contributions to qualifying education programs and institutions

<sup>5</sup>AS 43.75.032 allows credit for cash contributions to A.W. "Winn" Brindle memorial education loan account

\*No data available - tax returns not due until March 31, 2014

Prepared by Department of Revenue  
Statistics from Annual Reports

# ALASKA

NORTH TO OPPORTUNITY

## HB 204

DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT  
DIVISION OF ECONOMIC DEVELOPMENT

02/27/2014





Alaska produces over 95% of all salmon in U.S. yet represents under  $1/3^{\text{rd}}$  of global wild salmon supply



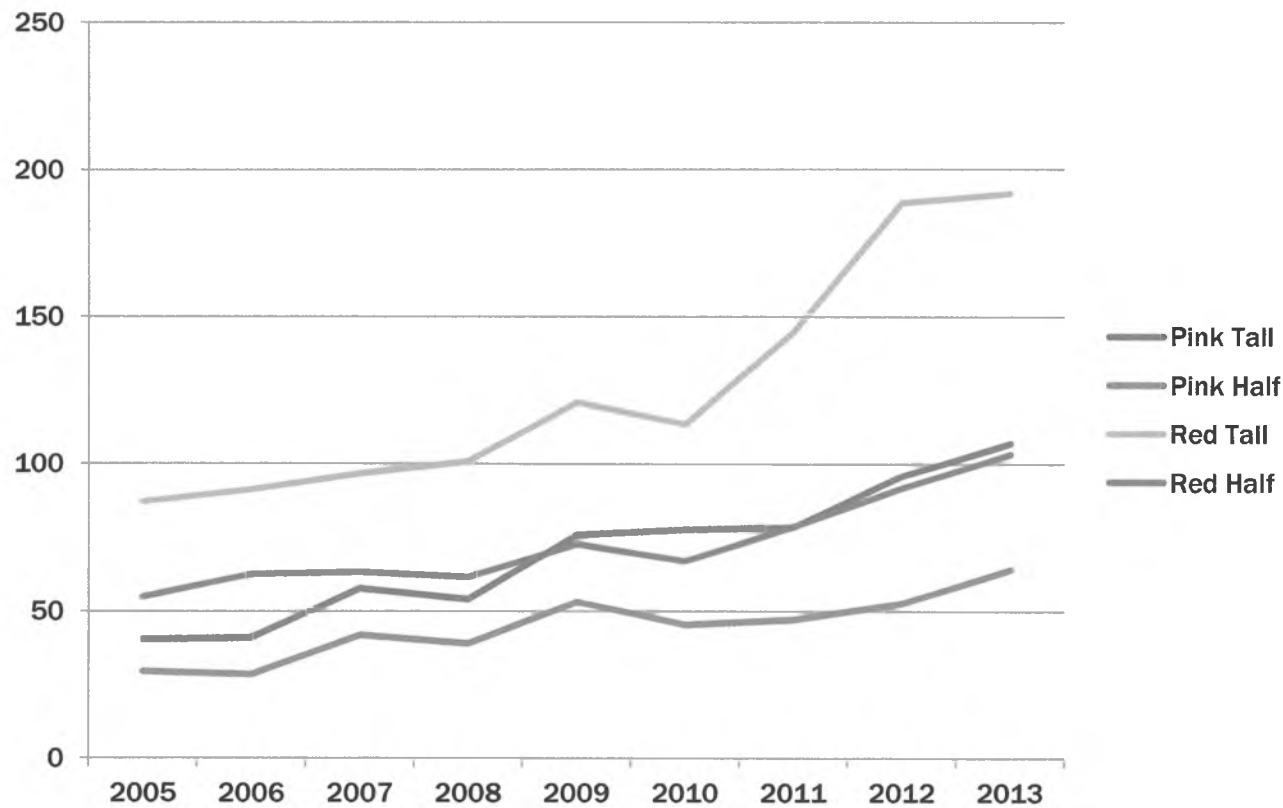
## Key Benefits of Product Development Tax Credit

- Promotes development of value-added salmon and herring products, leading to greater product diversity
- Stimulates product development of underutilized specie (herring) and waste byproduct
- Softens financial impact of potential changes to EPA effluent guidelines in non-remote locations
- Incentivizes investment to produce canned salmon in sizes appropriate for today's market conditions

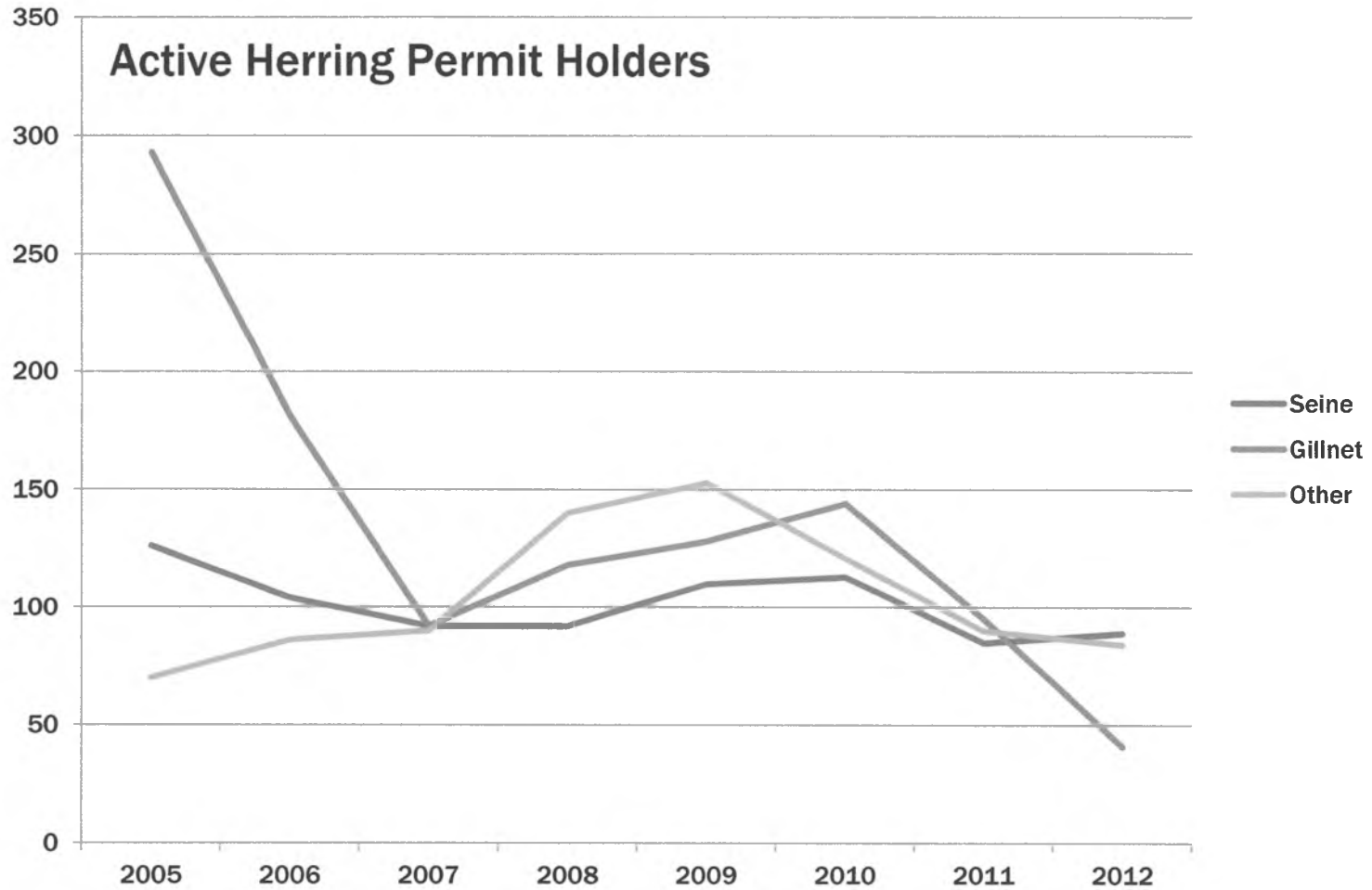


## Challenge: Salmon Can Size

Too Many Ounces, Too Much \$\$\$ (*price per case*)



## Challenge: Herring



## Challenge: EPA

- “Non-remote” seafood processing centers may be required to fine screen and collect waste, then barge or process
- Preliminary cost per pound estimates at select sites range from \$.21–\$.56/pound.



## Waste-Byproduct Opportunities

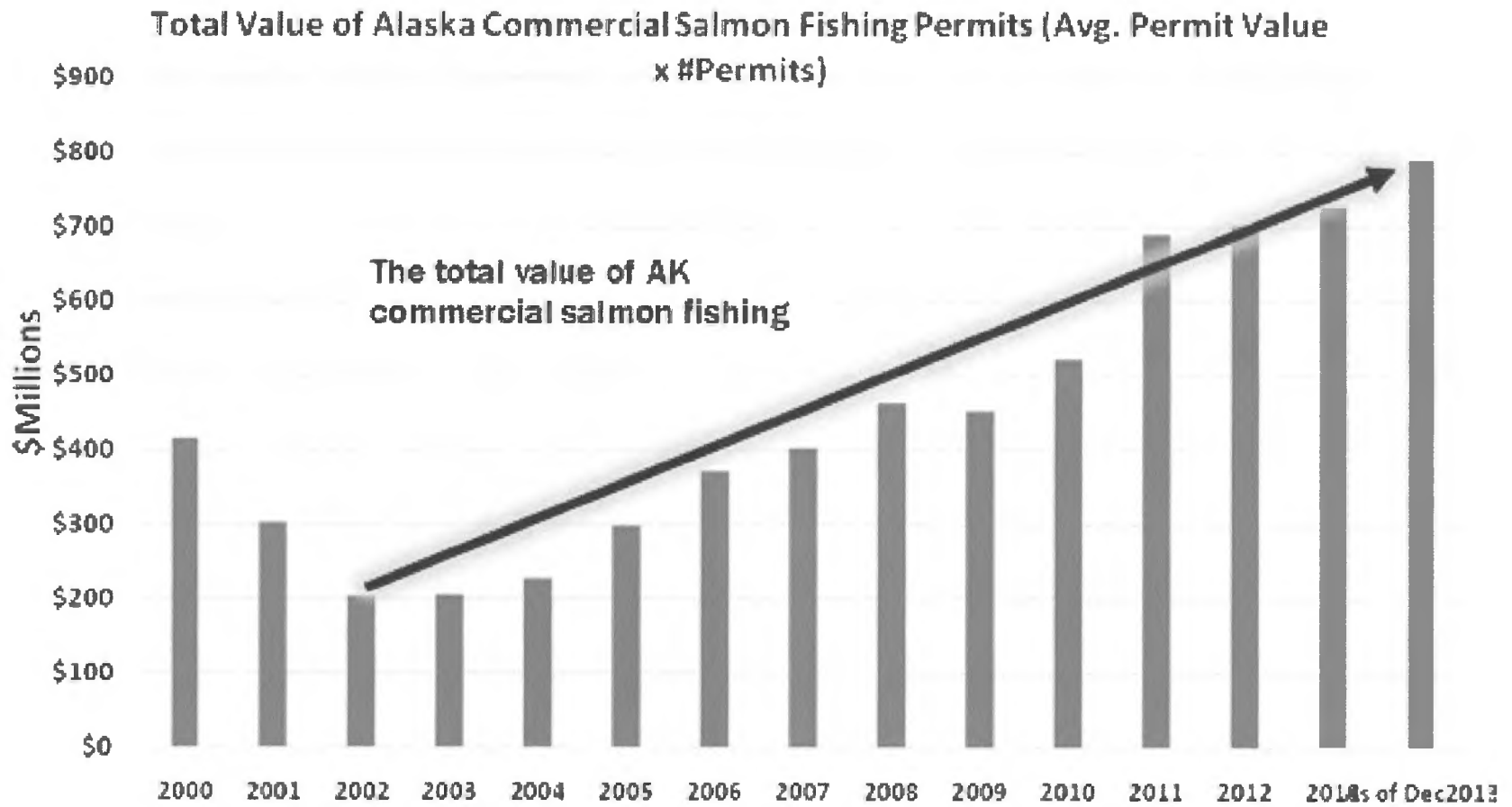
### Primary Products

- Fish Meal
- Fish Oil
- Protein Isolates

### Value- Added Products

- Nutritional Supplements- fish oil pills, Omega-3 acids
- Collagen- medicinal, nutrient, gelatin
- Enzymes- food additive, chemical applications
- Cosmetics- lotions
- Medical products- bandages
- Human foods- dried products
- Leather
- Pet food ingredients
- Livestock Feed
- Aquaculture Feed
- Fertilizers/Compost
- Biofuel
- Industrial Products- lubricants, chemicals, etc
- Bait

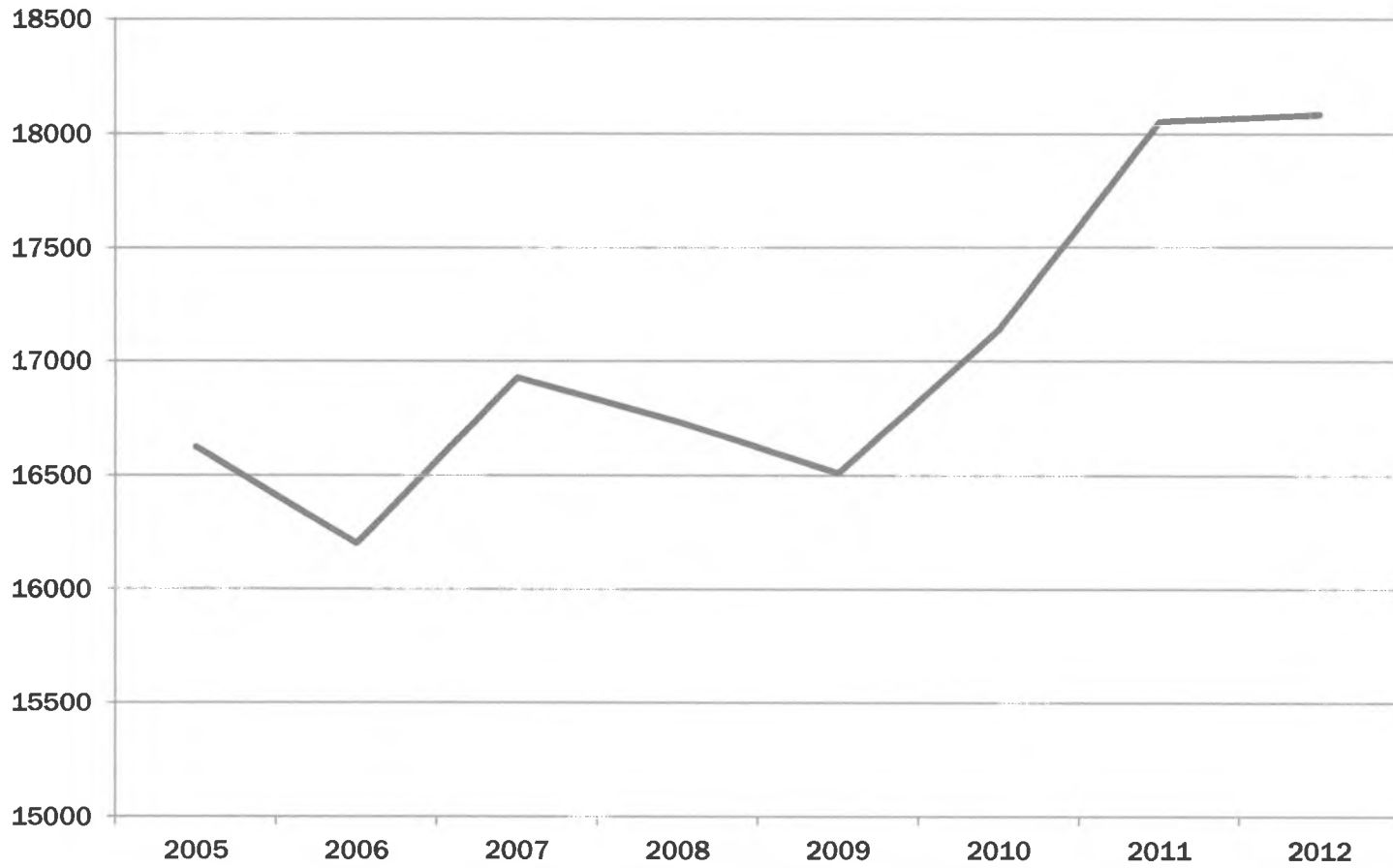




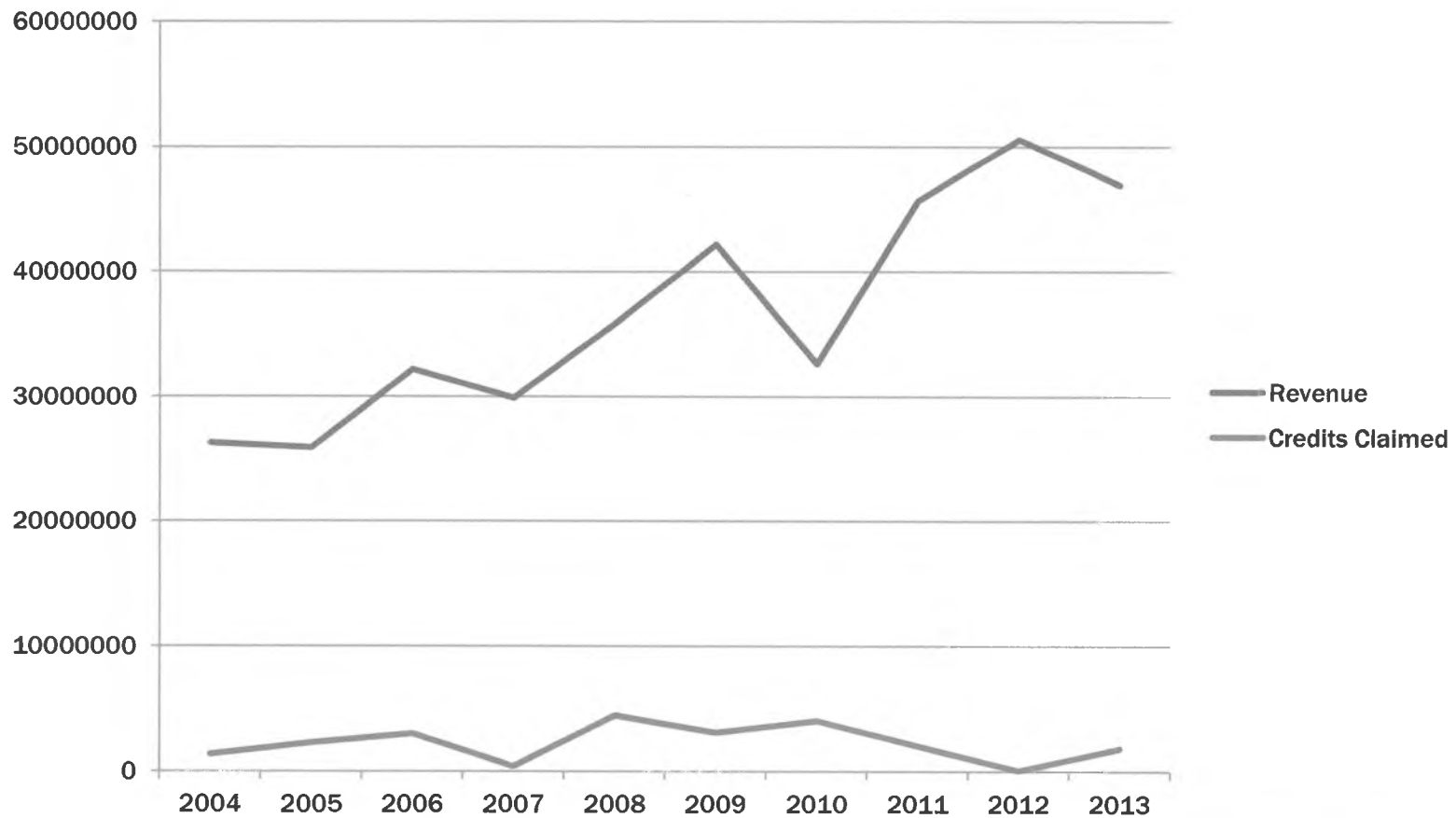
Source: CFEC data, compiled by McDowell Group.



### Resident Participation in Alaska Fisheries



## Gross Revenue from Fisheries Business Tax and Utilization Credits Claimed



2/27/14

## SPDC Equipment

### Qualified Equipment

1. Fillet machines
2. Fillet portioners
3. Fillet trimming machines
4. Pin bone removal equipment
5. Skinning machines
6. Active trim line conveyors
7. Fillet washers
8. Fillet driers
9. Filler glazers
10. Vacuum packaging machines
11. Blast freezers
12. Plate freezers
13. Ice machines
14. Labelers
15. Printers
16. Smokehouse equipment
17. Roe separators
18. Roe washers
19. Roe dryers
20. Roe agitators
21. Brine makers
22. Tray sealers
23. Oil separators
24. Decanters
25. Retorts
26. Spice applicators
27. Parts to convert conventional canned production to pop-top

## Disqualified Equipment

1. Forklifts
2. Totes
3. Tote dumpers
4. Feed hoppers
5. Workstands
6. Heading machines
7. Gutting machines
8. Tables
9. Knives
10. Spare parts
11. Pocket conveyors
12. Scrap or waste conveyors
13. Conveyors that only provide transportation
14. Blast freezers for predominately H&G
15. Plate freezers for predominantly green roe
16. Ice machines for predominantly H&G
17. Scales
18. Wall panels
19. Light fixtures
20. Plumbing
21. Building construction
22. Purchase price of a vessel
23. Pumps
24. Box strapping machines
25. Waste grinders
26. Canning machines
27. Metal detectors
28. Dud detectors
29. Retorts for conventional canning
30. Fish meal plant



# Representative Alan Austerman

## *Alaska State Legislature*

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### **SALMON AND HERRING PRODUCT DEVELOPMENT TAX CREDIT HOUSE BILL 204**

The Alaska Salmon Product Development Tax Credit has been in place since 2003 and is widely credited as a major factor of the increase in commercial value of Alaska salmon. The ASDTC is currently scheduled to sunset on December 31<sup>st</sup>, 2015.

There have been positive trends since this bill was enacted in 2003. We have seen increased product diversity, increased state revenues from the fisheries business tax and increased permit prices.

The current tax credit applies to investment in new property that meets a requirement for creating a value added salmon product. House Bill 204 extends the ability of industry to use this credit until 2020 and expands the credit for herring value-added processing.

Herring is an established fishery in Alaska and is a prime candidate to start utilizing more fully. If we expand out of the roe fishery and into the food fishery, there are significant economic development opportunities that will be developed. Up until now, the herring fishery has been an underutilized fishery where only about 10 percent of the fish is utilized and 90 percent has very little value.

Another impending burden to industry is the Environmental Protection Agency's efforts to force industry to eliminate seafood discharges containing solids into near shore waters. Many salmon processing facilities in Alaska currently grind and pump discharge. HB 204 would incentivize investment in equipment that would reduce the waste stream from salmon and herring processing thereby alleviating the pressure to comply with these burdensome mandates.

Currently, statute only allows investment in pop-top cans. HB 204 also provides industry the necessary flexibility to respond to changing market demands for can sizes. This bill responds to this limitation by expanding the credit to any new equipment to herring and also to produce can sizes other than 14.75 ounces or 7.5 ounces.

The continued growth of the Alaska seafood market is vital to increased revenues from our fisheries. House Bill 204 will further encourage in-state processing and expand market opportunities to processors. The extension of the tax credit will continue to spur economic development opportunities and create quality Alaska products. I urge your support for passage of this bill.



State of Alaska  
Department of Revenue  
Salmon Product Development Tax Credit Overview

A Presentation to the House Fisheries Committee

February 4, 2014

Angela M. Rodell  
Commissioner  
Alaska Department of Revenue



## Original Law

- HB 90 enacted in 2003 to address downturn in Alaska salmon industry
- Intended to encourage *“new investment in new equipment for new products, not new investment for old equipment for the same products”*

Sen. Ben Stevens, testimony before House Special Committee on Fisheries, March 5, 2003

## Original Law

- Granted processors a credit against the fisheries business tax (FBT) for expenditures promoting the manufacture of a “value-added salmon product” (SPD credit)
  - Also granted a credit against the FBT for expenditures promoting manufacture of marketable products from salmon waste (Utilization credit)
- 

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## Original Law

- Qualifying SPD credit expenditures included equipment used for:
    - ❑ Filleting, skinning, portioning, mincing, forming, extruding, stuffing, injecting, mixing, marinating, preserving, drying, smoking, brining, packaging, blast freezing, or pin bone removal
  - Qualifying Utilization credit expenditures included:
    - ❑ Equipment producing marketable products from waste, custom processing or disposal fees, or costs to transport waste to the product manufacturer
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## Original Law

- Credits limited to 50% of expenditure
- Annual limit at 50% of tax on salmon
- Credits do not reduce municipal share
- 3-year carryover allowed for unused credits
- Tax recaptured if equipment sold, removed from service or ceases to be “qualified”, before end of 3<sup>rd</sup> year
- Date for putting qualified property into service sunsetted on 12/31/05

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## 2006 Amendments

- SB 164 refined definition of qualifying expenditures, *“making it clear that processors should be producing new, innovative salmon products in order to benefit from this program”*

Sen. Bert Stedman, Sponsor Statement

- SB 164 added to the list of qualifying expenditures the costs to convert traditional canning equipment to pop-top canning

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## 2006 Amendments

- SB 164 identified non-qualifying expenditures:
    - ❑ Vehicles, forklifts, conveyors, cranes, pumps and other transporting equipment
    - ❑ Knives, gloves, tools, supplies, materials and other equipment that is not processing, packaging or product finishing equipment
    - ❑ Other equipment which is incidental to production, packaging or finishing of value-added salmon products
    - ❑ Overhaul, retooling or modification of existing equipment, except pop-top canning conversion
- 

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## 2006 Amendments

- SB 164 provided a definition for the term “value added salmon product”:

*“the product of a salmon that is processed beyond heading, gutting, or separation in a manner that materially enhances the value of the salmon product, such as shelf-stable, retort pouched, smoked, pickled, or filleted salmon, ikura, leather, or jerky”*

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## 2006 Amendments

- SB 164 also identified products that **do not** qualify as value-added salmon products:
    - products subjected to only one or more of heading, gutting, freezing, packaging, quality assurance practices, or value retention practices
    - salmon skeins or other unprocessed salmon products whether fresh or frozen
    - canned salmon, except for salmon products in a pop-top can
    - products produced out of the state
- 

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## 2006 Amendments

- SB 164 extended the date for putting qualified property into service until 12/31/08
  - The Utilization credit was not extended and sunsetted 12/31/05
- 

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## 2008 Amendments

- HB 321 expanded the list of qualifying equipment. According to the sponsor
  - *“The Salmon Product Development Tax Credit encourages and accelerates the development and production of value-added salmon products in Alaska by providing an economic incentive to make the necessary investments in new technology and equipment”.*

Rep. Bill Thomas, Sponsor Statement

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## 2008 Amendments

- HB 321
  - Added fillet line conveyor systems to the list of qualifying expenditures
  - Requires DOR to provide a process for applicants to obtain credit pre-approval of planned expenditures
  - Extended the date for putting qualified property into service until 12/31/11

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## 2010 Amendments

- HB 344 added ice machines to the list of qualifying expenditures and extended the date for putting qualified property into service until 12/31/15
- According to the sponsor  
*“Extending the tax credit beyond its current sunset date of December 31, 2011 will allow the industry to continue the progress that is being made in developing and producing salmon products that will keep Alaska’s fisheries competitive in world markets”*

Rep. Bill Thomas, Sponsor Statement

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## Statistics

### Gross Revenue from Fisheries Business Tax and SPD and Utilization Credits Claimed

	Gross Revenue	Credits Claimed*	% of Revenue
FY 2004	26,319,585	(1,379,475)	5.2%
FY 2005	25,941,837	(2,314,258)	8.9%
FY 2006	32,203,813	(3,058,516)	9.5%
FY 2007	29,910,171	415,745	-1.4%
FY 2008	35,909,264	(4,501,973)	12.5%
FY 2009	42,151,283	(3,121,697)	7.4%
FY 2010	32,653,241	(4,074,071)	12.5%
FY 2011	45,669,159	(2,057,255)	4.5%
FY 2012	50,581,499	(71,598)	0.1%
FY 2013	46,905,206	(1,832,081)	3.9%

\*Does not reduce municipal share  
As reported on DOR Annual Reports

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# Statistics

## SPD Credit Detail

Calendar Year	Claimed Costs	Qualified Costs	Non-qualified Costs	No. of Taxpayers	Pre-approval Requests
2003	2,322,209	823,471	1,498,738	18	-
2004	6,569,081	1,462,600	5,106,481	25	-
2005	6,468,981	3,252,045	3,216,936	22	-
2006	5,792,524	2,514,286	3,278,238	29	-
2007	14,220,435	8,605,488	5,614,947	27	-
2008	10,336,099	7,506,510	2,829,589	21	-
2009	11,989,657	9,408,320	2,581,337	13	6
2010	2,149,908	2,052,163	97,745	13	4
2011	3,958,959	3,958,959	*	19	4
2012	8,178,560	8,178,560	*	13	3
<b>Total</b>	<b>71,986,413</b>	<b>47,762,400</b>	<b>24,224,013</b>		

\*Audits in progress

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# THANK YOU

Please find our contact information below:

**Angela M. Rodell**  
Commissioner  
Department of Revenue  
angela.rodell@alaska.gov  
(907) 465-2300

**Bruce Tangeman**  
Deputy Commissioner  
Department of Revenue  
bruce.tangeman@alaska.gov  
(907) 269-0721



[dor.alaska.gov](http://dor.alaska.gov)

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	FY 2013	FY 2012	FY 2011
<b>FISHERIES BUSINESS TAX</b>			
Established			
Shore-based	\$34,797,124	\$38,007,287	\$32,930,706
Floating	5,578,323	7,356,146	6,337,078
Cannery	6,478,824	5,151,867	6,347,450
Developing			
Shore-based	50,442	65,474	53,585
Floating	493	725	340
<b>Total Tax</b>	<b>46,905,206</b>	<b>50,581,499</b>	<b>45,669,159</b>
Prepayments	454,134	2,405,470	1,314,972
Penalties and Interest	(404,333)	995,246	157,442
License Fees	11,575	12,250	12,475
Less Credits			
Winn Brindle	(238,749)	(175,338)	(184,817)
Alaska Education Credit	(650,000)	(650,015)	(449,730)
Salmon Product Development	(1,832,081)	(71,598)	(2,057,255)
<b>Total Receipts</b>	<b>44,245,752</b>	<b>53,097,514</b>	<b>44,462,246</b>
Fisheries Business Tax Shared			
Direct to Municipalities	(23,165,321)	(24,576,578)	(22,216,898)
DCCED* Municipal Allocation	(1,898,248)	(2,075,432)	(2,153,491)
<b>Amount Retained by State</b>	<b>\$19,182,183</b>	<b>\$26,445,504</b>	<b>\$20,091,857</b>
* Department of Commerce, Community and Economic Development			
<b>MINING LICENSE TAX</b>			
<b>General Fund</b>			
Tax Before Credits	\$53,017,927	\$46,792,131	\$50,085,541
Penalties and Interest	32,361	6,926	(34,164)
Mineral Exploration Incentive Credit	(5,975,341)	(5,873,944)	(949,466)
Alaska Education Credit	(343,564)	(282,928)	(121,397)
<b>Total Receipts - General Fund</b>	<b>46,731,382</b>	<b>40,642,185</b>	<b>48,980,514</b>
<b>Constitutional Budget Reserve Fund (CBRF)</b>	<b>56,308</b>	<b>53,648</b>	<b>607,605</b>
<b>Total Receipts - All Funds</b>	<b>\$46,787,690</b>	<b>\$40,695,833</b>	<b>\$49,588,119</b>



## *Alaskan Seafood Processing Effluent Guidelines Notice of Data Availability*

### **Summary**

The purpose of this notice is to make available for public review and comment data and information gathered recently by the Environmental Protection Agency (EPA) from seafood processing facilities in Alaska and other publicly available sources. These data relate to the applicability of and discharge requirements for the Alaskan seafood subcategories of the Canned and Preserved Seafood Processing effluent limitations guidelines (40 CFR Part 408).

This notice provides preliminary results of analyses of the data and information. It also provides preliminary indications of how these results may be reflected in EPA's final response to petitions submitted in 1980 by certain members of the Alaskan seafood processing industry, and in amended effluent limitations guidelines (ELGs) applicable to certain Alaskan seafood processing discharges which EPA is considering whether to promulgate in final form.

EPA will accept comments until January 6, 2014. It is important to take advantage of this opportunity to comment on this notice so that EPA hears from a broad range of stakeholders. EPA expects interested parties to comment now to inform Agency decision-making.

### **Background**

In the 1970s, EPA issued ELGs establishing limits for seafood processing facilities in Alaska based on location. The ELGs were different for processors in non-remote and remote areas.

In "non-remote" locations, EPA based ELGs on a process that screens the solids from the waste stream. The only discharge is liquid wastewater.

In "remote" locations, EPA based the ELGs on grinding the processing solids to reduce their size. Once ground, the wastewater, containing the ground solids, is discharged to near shore waters.

In 1980, the Alaska seafood processing industry sent a petition to EPA asking it to reconsider the non-remote limits set in the ELGs. In response to the petition, EPA temporarily suspended the stricter limits for Anchorage, Cordova, Juneau, Ketchikan and Petersburg and instead allowed processors in those areas to use the limits for remote locations.

In 1981, EPA issued a proposed response and amendments to the ELGs denying most of the industry's petition and requesting comment on additional locations that may have similar characteristics to the non-remote locations. EPA also continued the suspension of the ELGs until a final response to the petition is issued. EPA has yet to take final action on its proposal.

In 2010, EPA began the process leading to a final decision on a response to the petition and amendments to the existing regulation. As a result, EPA recently gathered new data and information and performed supporting analyses to update the 1981 proposal.

### **Why is EPA Concerned About These Discharges Today?**

Discharging seafood processing wastewater containing solids into near shore waters is an environmental and human health concern. Some impacts include:

- ◆ *Degraded water quality*
- ◆ *Floating solids and scum*
- ◆ *Large piles of persistent waste on seafloor*
- ◆ *Gas eruptions from waste piles*

- 
- ◆ *Negative effects on tourism, local residents and recreation*
  - ◆ *Attraction of nuisance species*

### **How Will Today's Notice Affect Seafood Processing Discharges?**

Today's notice does not impose or change any requirements. It simply provides new information and data and preliminary indications of how these results may be reflected in EPA's final response to the industry petitions and in amended ELGs applicable to certain Alaskan seafood processing discharges.

In particular, today's notice indicates that EPA may reinstate the originally promulgated ELGs for all non-remote locations based on screening. EPA is also soliciting comments on possibly extending the definition of non-remote to additional locations, including Dutch Harbor, Sitka, the Kenai Peninsula, and possibly others that have similar characteristics such as Naknek.

The newly collected data demonstrate that these technologies are feasible, available, and affordable in all of these locations. In addition, the data demonstrate that requirements based on screening will halt the formation and persistence of underwater piles of seafood waste that have occurred over the past 30 years and will have a positive long-term impact on the affected communities in these areas.

### **For More Information**

You can view the Federal Register Notice at <http://water.epa.gov/scitech/wastetech/guide/seafood>. In addition, the notice and supporting documentation is available at <http://www.regulations.gov> under Docket ID: EPA-HQ-OW-2011-0999.

You may also contact Lindsay Guzzo at (206) 553-0268 or [Guzzo.Lindsay@epa.gov](mailto:Guzzo.Lindsay@epa.gov) or Donald Anderson at (202) 566-1021 or [Anderson.Donald@epa.gov](mailto:Anderson.Donald@epa.gov).

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**Summary of Tom Sunderland's testimony to the Alaska House Fisheries Committee on HB 204.  
Testimony given Thursday, February 6, 2014**

Ocean Beauty Seafoods is a shoreside processor with six plants in Alaska. Our hope is to use this tax credit to modernize our shoreside facilities that can salmon and herring. I am going to give a market-based testimony based on salmon.

The first thing to know about the existing Salmon Product Development Tax Credit is that it worked. It was successful in helping lift the industry out of a time of low value by helping processors to diversify product offerings, and through that product diversification, diversify markets. As a result the industry is far less vulnerable to being held hostage by overreliance on either a single market, such as Japan, or a single product form, such as traditional canned salmon.

This bill is necessary to defend these gains. We are now seeing the market push back against the higher prices our products now command. It is not the case that we can forever raise prices – consumers at some point will resist. They don't necessarily see the value in a tall can of red salmon or a four ounce package of smoked sockeye that approaches \$10.

Consumers don't buy these types of products by the pound, as they do fresh fish, but buy based on absolute price as they do with other packaged goods. Consider the examples of canned tuna or even breakfast cereal – those items routinely and successfully downsize their packaging as a way of mitigating absolute price on the shelf. Tuna is now sold in the US primarily in 5oz cans. The Australian tuna market is dominated by 95g (3.3 ounce) cans. They can do this much more easily than we can due to the year-round nature of their business and their location on road systems. We need this tax credit to give us the ability to respond to this market pressure and reduce the size of the cans and the shelf price. If we don't do this we risk becoming an irrelevant product to many consumers and retail customers.

While price is a primary motivator for this, price is not the only driver of this change. This move toward smaller cans is also driven by permanent household demographic changes: smaller households don't require as much food as larger ones. A smaller can is more convenient, results in less waste, costs less, and is therefore more attractive in most ways.

Gaining value from currently worthless byproduct is one of the best weapons we could have to defend the industry's price gains. We can't always expect the value of the flesh to appreciate, or to maintain current levels, but converting byproduct into saleable product is a pure win for the Alaskan industry and could hedge against price declines.

Byproduct utilization also provides us with the added benefit of keeping the EPA off of our back as they inevitably change remote discharge regulations. Every pound of byproduct we are able to manufacture into saleable product helps Alaska both directly through added value and by helping the industry deal with these new regulations.

## Southeast Alaska Fishermen's Alliance

9369 North Douglas Highway

Juneau, AK 99801

Phone: 907-586-6652

Fax: 907-523-1168

Email: [seafa@gci.net](mailto:seafa@gci.net)

Website: <http://www.seafa.org>



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February 5, 2014

Alaska State Legislature  
House Fisheries Committee  
Representative Paul Seaton, Chair  
State Capitol  
Juneau, AK 99811

RE: Support HB 204

Representative Paul Seaton, Chair and Fisheries Committee Members,

Southeast Alaska Fishermen's Alliance (SEAFA) supports HB 204. We are a multi-gear/multi-species membership based commercial fishing association. We represent our membership mainly involved in the salmon, crab, shrimp and longline fisheries of Southeast Alaska/Yakutat.

Southeast Alaska Fishermen's Alliance supports HB 204 which will extend the salmon production development tax credit to 2020 and adding herring as well as salmon. This has been a good program over the years in helping to increase the value of salmon and we believe will have the same benefits to the herring fishery. The bill also encourages the utilization of development opportunities of salmon and herring by-catch.

Sincerely,

A handwritten signature in black ink that reads "Kathy Hansen" followed by a long horizontal line.

Kathy Hansen  
Executive Director



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Anchorage, AK 99503  
907-562-2005 / C 907-343-9779

February 24, 2014

Representative Alan Austerman, Co-Chairman  
Representative Bill Stoltze, Co-Chairman  
House Finance Committee  
State Capital  
Juneau, AK 99801-1182

Dear Representatives Austerman and Stoltze,

I am writing on behalf of Westward Seafoods in support of SSHB 204, Extension of the Salmon Product Development Tax Credit. This is a very worthwhile program that has benefitted our company in the past.

Westward Seafoods operates two fish processing plants in Alaska, one in Dutch Harbor and the other in Kodiak. While salmon and herring make up only a small portion of our product mix, this program has been beneficial to our Kodiak plant years ago. We are constantly stretching our capital budgets to make improvements in our production lines. SSHB 204 is a desirable tool for making advancements in salmon and herring processing for the seafood industry.

Passing SSHB 204 this year will continue a very worthwhile program providing opportunities for the seafood industry to make advances in product values offered to our customers. SSHB 204 encourages advancement of products and processes that benefit fishers, processors, customers, and the State. Please let me know if I can be of assistance.

Sincerely,

Sinclair Wilt  
Vice President, Fisheries Specialist

cc: Vince O'Shea, PSPA

February 17, 2014

Representative Alan Austerman  
Representative Bill Stoltze  
Ch-chairs, House Finance Committee



**RE: Support for HB 204**

Dear Representatives Austerman and Stoltze,

On behalf of the Alaska Fisheries Development Foundation (AFDF), I would like to offer our support for HB 204 – Salmon and Herring Product Development Tax Credit.

AFDF is a collaboration of harvesters, processors, and support sector businesses which work to create opportunities out of challenges for Alaska's seafood industry. Since 1978, AFDF has worked on the issue of fish waste utilization starting with helping the industry produce surimi from pollock waste. This work continued with research on fish oils beginning in the 1980's which has been utilized by the industry to create omega-3 fish oil from salmon heads: [http://www.afdf.org/salmon-byproduct-and-coproduct-research/#peer reviewed two](http://www.afdf.org/salmon-byproduct-and-coproduct-research/#peer_reviewed_two). Most recently, AFDF sponsored the *Innovation Summit* and a "Processor Symposium" in Juneau with guest speaker, Thor Sigfusson, from the Iceland Ocean Cluster to discuss models for private development of high-value products from fish waste.

HB 204 will create an incentive for the seafood industry to take on the risk and investment necessary to increase the value received for Alaska's seafood resources. For example, over the past 15 years, the amount of seafood harvested in Iceland has declined by nearly half, however, the value received for its seafood has nearly doubled due to improved quality and utilization of fish waste in the creation of new products (via Sigfusson's presentation at the *Innovation Summit*).

Alaska produces over 2 billion pounds of fish waste each year. Consequently, an opportunity exists to increase the value received from its seafood by creating high value products from fish waste. ***All entities touched by the seafood industry will benefit from the increased value of this resource*** (e.g. harvesters, processors, support businesses, communities and the State of Alaska).

Thank you for your consideration.

Sincerely,

Julie Decker, Executive Director

Alaska Fisheries Development Foundation  
P.O. Box 111125, Anchorage, AK 99511-1125 - Ph: 907-276-7315  
[www.afdf.org](http://www.afdf.org)

## Board of Directors

### Jan Jacobs – President

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### John Van Amerongen

Trident Seafoods



**PACIFIC SEAFOOD PROCESSORS ASSOCIATION**  
*Est. 1914*

24 February 2014

Representative Alan Austerman, Co-Chairman  
Representative Bill Stoltze, Co-Chairman  
House Finance Committee  
State Capitol  
Juneau, Alaska 99801-1182

Dear Representatives Austerman and Stoltze,

Thank you, both, for taking up SSHB 204 – Extension of the Salmon Product Development Tax Credit.

I am writing to you, and Committee members, to express our association's strong support for this bill. Our member companies operate seafood processing plants throughout Alaska, from Ketchikan to Togiak. The Salmon Product Development Tax Credit has a proven track record of encouraging the production of value added salmon products in Alaska.

In years past our members have used the credit to make capital investments in a variety of equipment, including filet machines, vacuum packers, and ice machines, raising both the quality and value of our finished products. This has enabled the industry to meet changing market demands and to strengthen the Alaska Seafood brand in national and international markets. Raising the value of salmon products benefits harvesters, processors, coastal communities, and the state of Alaska.

That being said, it is important to renew this successful legislation to ensure Alaska protects the gains made in the market place over the past decade. Encouraging the industry to optimize the value of Alaska's natural resources not only makes good financial sense, but reflect sound public policy. Having the capacity to produce higher value products provides industry with the ability to better cope with seasonal variations in harvest levels as well as downturns in domestic and international economies.

Passing SSHB 204 this session will provide processors with the certainty needed in planning for major capital expenditures. Extending the credit for five years, along with the additional provisions in SSHB 204, will encourage and enable our members and other processors to react quickly to advancements in processing equipment technology and emerging markets.

Please let me know if there is any additional information I can provide to you about our members' use of and support for this legislation. Again, thank you, for taking up this important issue.

Sincerely,

John V. O'Shea  
Vice President - Alaska

---

**222 Seward Street, Suite 200, Juneau, AK 99801**  
**Phone: (907) 586-6366: Fax: (907) 586-4618**  
**Web: [www.pspafish.net](http://www.pspafish.net)**



February 26, 2014

Representative Alan Austerman, Co-Chairman  
Representative Bill Stoltze, Co-Chairman  
House Finance Committee  
Alaska State Capitol  
Juneau, Alaska 99801-1182

Dear Representatives Austerman and Stoltze:

Thank you both for taking up SSHB 204-Extension of the Salmon Product Development Tax Credit. I represent Alaska General Seafoods and Leader Creek Fisheries. Our companies operate processing plants in Naknek and Ketchikan. I want you to know that since its inception the Salmon Product Development Tax Credit has provided us with the incentive to make multiple investments in equipment in all of our plants. We have directly increased the value of our finished products through the acquisition of multiple complete fillet lines, freezing installations, ice making equipment and salmon roe equipment.

Our industry is constantly under pressure to provide our customers around the world with products that meet today's busy consumers' needs for more convenient product forms and for products of the highest quality. As a result, I have no doubt at all that in order to remain competitive in the marketplace, our companies will continue to re-tool our processing lines for the foreseeable future. Such investments require planning for capital investment in our facilities for the long term. Having the certainty that a five year extension of bill will bring provides us with the confidence we need to make such investment plans.

I want to express my strong support for this bill and my appreciation for your foresight in sponsoring it.

Sincerely,

A handwritten signature in cursive script that reads "Gordon Lindquist".

Gordon Lindquist,  
Vice President,

Alaska General Seafoods  
6425 NE 175<sup>th</sup> Street,  
Kenmore WA, 98028

Leader Creek Fisheries  
PO Box 17013  
Seattle WA, 98127