

02/04/14

Overview:

Department of

Revenue Tax

Division -

Salmon Product

Development

Tax Credit

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of Revenue Tax Division - Salmon Product Development Tax
Credit</SUBJECT><COMM>HFSH28</COMM></TARGET>



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

A Presentation to the House Fisheries Committee
February 4, 2014

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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)

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

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 3rd year
- Date for putting qualified property into service sunsetted on 12/31/05

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

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”

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

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

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

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

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

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

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
Total	71,986,413	47,762,400	24,224,013		

*Audits in progress

THANK YOU

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