

SB

71

<TARGET><BILL>SB 71</BILL><SUBJECT>SB
71</SUBJECT><COMM>SFIN28</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/1/13

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 71

SB 71-PAYMENT OF FISHERY RESOURCE LANDING TAX

"An Act relating to the filing date for the final quarterly payment of, and to the assessment of penalties under, the fishery resource landing tax."

and recommends:

- be replaced with CS SB 71 (FIN) [] Same Title [X] New Title
- [] adopt previous CS _____ (_____) [] Same Title [] New Title
- [] attached amendment(s)
- [] adopt _____ Letter of Intent
- [] further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CED			✓	
REV		✓		

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[] APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	NO REC	AMEND
	Hoffman	✓			
Anne L. Fairclough	FAIRCLOUGH	✓			
Cliff Bishop	BISHOP	✓			
	Dineen	✓			
	Alson			✓	
CO-CHAIR:	meyer	✓			
CO-CHAIR:					

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: SB 71
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB071-DCCED-DCRA-01-21-14
Title: PAYMENT OF FISHERY RESOURCE LANDING
TAX
Sponsor: MICCICHE
Requester: Senate Finance

Department: Department of Commerce, Community and
Economic Development
Appropriation: Community and Regional Affairs
Allocation: Community and Regional Affairs
OMB Component Number: 2879

Expenditures/Revenues

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

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

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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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 of bill with fiscal note updated for second session of Legislature.

Prepared By:	Scott Ruby, Director	Phone:	(907)269-4569
Division:	Community and Regional Affairs	Date:	01/08/2014 02:40 PM
Approved By:	Jeanne Mungle, Director	Date:	01/08/14
Agency:	Administrative Services		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. SB71

Analysis

This bill would amend existing statutes regarding payment of the Fishery Resource Landing Tax. The amendments change the timeline for when annual returns must be made, and add clarification for the specific amount required for each quarterly payment.

There is no anticipated fiscal impact to the Division of Community and Regional Affairs from this bill.

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: SB 71
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB071-DOR-TAX-01-21-14
Title: PAYMENT OF FISHERY RESOURCE LANDING
TAX
Sponsor: MICCICHE
Requester: (S) FIN

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
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues	***	***	***	***	***	***	***	***
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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? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/14

Why this fiscal note differs from previous version:

Updated for 2014 session.

Prepared By: Johanna Bales, Deputy Director	Phone: (907)269-6628
Division: Tax	Date: 12/23/2013 01:57 PM
Approved By: Angela M. Rodell, Commissioner	Date: 12/23/13
Agency: Department of Revenue	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. SB 71

Analysis

Bill Language:

This bill will change the return and payment due date of Fishery Resource Landing Tax returns to 30 days after the department publishes the statewide average price list. Currently, taxpayers must file their returns and make payment by April 1st of each year. The Fishery Resource Landing Tax is calculated using the statewide average price which historically is not published until sometime in May of each year. If a taxpayer fails to pay the full amount of tax owed, the taxpayer is charged interest on the unpaid tax from the date the tax was due until the tax is ultimately paid. It is virtually impossible for taxpayers to know the exact amount of tax they owe on April 1st since the information they need to calculate the tax isn't available until May. This bill also changes the timing of estimated tax payments needed to avoid estimated tax penalty to either 90% of the amount calculated by multiplying the actual price paid at the time the fishery resource was landed by the appropriate tax rate or 100% of the taxpayer's liability for the prior tax year.

Revenues:

We expect to see a small decline in interest revenue received on late payments as a result of this legislation. However, we are unable to project the exact amount as there are several variables used in the calculation of interest. Additionally, we expect that the amount of penalty imposed on estimated tax payments will also decrease. However, the amount of penalty for the past two fiscal years was \$17,954 for FY2013 and \$9,088 for FY2012. Therefore, we estimate that the decrease in penalty for failure to underpay estimated tax payments would not exceed \$17,954 (the higher of the past two fiscal years).

Expenditures:

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

Regulations:

This bill will require a change to 15 AAC 77.025 to remove the equal tax installments required currently in the regulation. 15 AAC 77.015 should be repealed as there will no longer be a requirement for an automatic extension of the time to file a return. We anticipate regulations can be adopted by December 31, 2014.

CS FOR SENATE BILL NO. 71(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR MICCICHE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the fishery resource landing tax."

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

3 * Section 1. AS 43.77.020(b) is amended to read:

4 (b) The return shall be made on the basis of the calendar year. The return
5 [AND] is due on the last day of the month following the month that the
6 department posts the statewide average fish price calculated by the Department
7 of Fish and Game for [BEFORE APRIL 1 AFTER THE CLOSE OF] the calendar
8 year for which the return is made, and any unpaid tax shall be paid with the return.

9 * Sec. 2. AS 43.77.020(d) is amended to read:

10 (d) A person subject to the tax under this chapter shall make quarterly
11 payments of the tax estimated to be due for the year, as required under (e) of this
12 section [REGULATIONS ADOPTED BY THE DEPARTMENT]. A taxpayer will be
13 subject to an estimated tax penalty, determined by applying the interest rate specified
14 in AS 43.05.225 to the underpayment for each quarter, unless the taxpayer makes
15 estimated tax payments as required under (e) of this section [IN EQUAL

1 INSTALLMENTS THAT TOTAL EITHER

2 (1) AT LEAST 90 PERCENT OF THE TAXPAYER'S TAX
3 LIABILITY UNDER THIS CHAPTER FOR THE TAX YEAR; OR

4 (2) AT LEAST 100 PERCENT OF THE TAXPAYER'S TAX
5 LIABILITY UNDER THIS CHAPTER FOR THE PRIOR TAX YEAR].

6 * **Sec. 3.** AS 43.77.020 is amended by adding new subsections to read:

7 (e) A person subject to tax under this chapter shall make estimated quarterly
8 tax payments on or before March 31, June 30, September 30, and December 31 of
9 each year in the following amounts:

10 (1) four equal installments the sum of which is at least equal to the
11 taxpayer's tax liability under this chapter for the immediately preceding calendar year;
12 or

13 (2) four equal installments the sum of which equals at least 90 percent
14 of the taxpayer's tax liability under this chapter for the current calendar year; or

15 (3) four installments, calculated in each quarter, equal to 90 percent of
16 the sum of the number of pounds of unprocessed fish of each species landed in the
17 state during the quarter that are subject to tax under this chapter, multiplied by the
18 respective statewide average price for each species posted by the department in the
19 immediately preceding calendar year, multiplied by the applicable tax rate under this
20 chapter.

21 (f) By March 31 of each year, a taxpayer shall notify the department of the
22 estimated payment method under (e) of this section that the taxpayer will use during
23 that calendar year. Once a method is selected, the taxpayer may not change the
24 estimated payment method until the following calendar year. If a taxpayer fails to
25 make a payment by March 31, the department shall calculate the taxpayer's estimated
26 liability under (e)(1) and (2) of this section, and apply the estimated payment method
27 that results in the lowest tax liability to determine the taxpayer's underpayment and
28 estimated tax penalty.

Amendment 1

AMENDMENT

I move to amend CSSB 71 version N by adding the word, "or" at the end of Sec. 3, letter (e) number (1).

Adopted

2/10/14

ADOPTED 2/10/14

28-LS0594\N
Bullard
2/7/14

CS FOR SENATE BILL NO. 71(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): SENATOR MICCICHE

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the fishery resource landing tax."**

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

3 *** Section 1. AS 43.77.020(b) is amended to read:**

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5 [AND] is due on the last day of the month following the month that the
6 department posts the statewide average fish price calculated by the Department
7 of Fish and Game for [BEFORE APRIL 1 AFTER THE CLOSE OF] the calendar
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11 payments of the tax estimated to be due for the year, as required under (e) of this
12 section [REGULATIONS ADOPTED BY THE DEPARTMENT]. A taxpayer will be
13 subject to an estimated tax penalty, determined by applying the interest rate specified
14 in AS 43.05.225 to the underpayment for each quarter, unless the taxpayer makes
15 estimated tax payments as required under (e) of this section [IN EQUAL

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INSTALLMENTS THAT TOTAL EITHER

(1) AT LEAST 90 PERCENT OF THE TAXPAYER'S TAX LIABILITY UNDER THIS CHAPTER FOR THE TAX YEAR; OR

(2) AT LEAST 100 PERCENT OF THE TAXPAYER'S TAX LIABILITY UNDER THIS CHAPTER FOR THE PRIOR TAX YEAR].

* Sec. 3. AS 43.77.020 is amended by adding new subsections to read:

(e) A person subject to tax under this chapter shall make estimated quarterly tax payments on or before March 31, June 30, September 30, and December 31 of each year in the following amounts:

(1) four equal installments the sum of which is at least equal to the taxpayer's tax liability under this chapter for the immediately preceding calendar year;

"OR"

(2) four equal installments the sum of which equals at least 90 percent of the taxpayer's tax liability under this chapter for the current calendar year; or

(3) four installments, calculated in each quarter, equal to 90 percent of the sum of the number of pounds of unprocessed fish of each species landed in the state during the quarter that are subject to tax under this chapter, multiplied by the respective statewide average price for each species posted by the department in the immediately preceding calendar year, multiplied by the applicable tax rate under this chapter.

(f) By March 31 of each year, a taxpayer shall notify the department of the estimated payment method under (e) of this section that the taxpayer will use during that calendar year. Once a method is selected, the taxpayer may not change the estimated payment method until the following calendar year. If a taxpayer fails to make a payment by March 31, the department shall calculate the taxpayer's estimated liability under (e)(1) and (2) of this section, and apply the estimated payment method that results in the lowest tax liability to determine the taxpayer's underpayment and estimated tax penalty.

Fishery Resource Landing Tax
AS 43.77

Description

Alaska levies a fishery resource landing tax on fishery resources processed outside of and first landed in Alaska, based on the unprocessed value of the resource. The unprocessed value is determined by multiplying a statewide average price per pound (derived from Alaska Department of Fish and Game data) by the unprocessed weight.

The Division collects the fishery resource landing tax primarily from factory trawlers and floating processors that process fishery resources outside of the state's 3-mile limit and bring their products into Alaska for transshipment.

Rate

Tax rates are based on whether the resource is classified as "established" or "developing" by the Alaska Department of Fish and Game. Tax rates are:

Classification	Rate
Established	3%
Developing	1%

Returns

Taxpayers file returns and pay tax on a calendar year basis with a due date of March 31 of the following year. Taxpayers are required to make quarterly estimated tax payments that are due on the last day of each calendar quarter.

The Division grants an automatic extension to file the landing return if it does not provide statewide average prices to taxpayers at least 30 days prior to the due date. If the extension applies, the due date is the last day of the month following the month in which the Division issues statewide average prices.

Exemptions

Unprocessed fishery resources landed in the state are exempt from the fishery resource landing tax, but may be subject to the fisheries business tax.

Credits

Education - Taxpayers are allowed a credit for contributions to Alaska universities and accredited nonprofit Alaska two-year or four-year colleges for facilities, direct instruction, research, and educational support purposes. The tax credit can also be taken for donations to a school district or state-operated vocational technical education and training school for vocational education courses, programs, and facilities. Donations for an annual intercollegiate sport tournament, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership also qualify. The credit is 50% of the first \$100,000, 100% of the contribution over \$100,000 and up to \$300,000 and 50% of the remaining amount over \$300,000. The total allowable credit may not exceed \$5 million.

Scholarship Contributions - Taxpayers that contribute to the A.W. "Winn" Brindle memorial scholarship account may claim a tax credit for the amount of contributions not to exceed 5% of their tax liability.

CDQ - Taxpayers that harvest a fishery resource under a community development quota (CDQ) may claim a credit of up to 45.45 percent of fishery resource landing taxes for contributions to Alaska nonprofit corporations that are dedicated to fisheries industry-related expenditures.

Other Taxes - Taxpayers that paid taxes on fishery resources to another jurisdiction may claim a credit against

The majority of fishery resource landing tax revenues are derived from fish processed in the Bering Sea and landed in Unalaska

the fishery resource landing tax. The credit, equal to the amount of taxes paid in the other jurisdiction, may not exceed the fishery resource landing tax.

Disposition of Revenue

The Division deposits all revenue from the fishery resource landing tax into the General Fund. The legislature may appropriate revenue from the tax for revenue sharing as described below:

Landings Inside Municipality

The Division shares 50% of taxes from landings within a municipality with the respective municipalities in which landings occurred. If a municipality is within a borough, the Division divides the 50% shareable amount between the municipality and borough.

Landings Outside Municipality

The Division shares 50% of the taxes from landings outside a municipality (unorganized borough) through an allocation program administered by the Alaska Department of Commerce, Community and Economic Development.

History

1993 - The legislature enacted the fishery resource landing tax effective January 1994. The rate was 3.3% of the unprocessed value of the resource. The Department of Revenue adopted regulations regarding administration of the tax, effective April 1994.

1994 - The American Factory Trawler Association (AFTA) filed litigation challenging the constitutionality of the landing tax.

1995 - The Alaska Supreme Court rejected AFTA's request based on AFTA's failure to exhaust administrative remedies with the Department of Revenue.

1996 - The landing tax was restructured to mirror the fisheries business tax program. The legislature revised the tax rate to 3% for established species and 1% for developing species. The 0.3% portion of the previous 3.3% tax rate was incorporated into seafood marketing assessment statutes (AS 16.51). The legislature also amended the landing tax statutes to provide for tax credits for education and A.W. "Winn" Brindle scholarship contributions. All changes were retroactive to January 1994, the inception date of the landing tax.

1997 - AFTA dismissed its challenge to the landing tax and in June, the state issued a formal hearing decision upholding the constitutionality of the tax. Shared tax amounts from calendar year 1994 and 1995 returns, previously held in escrow, were released to municipalities.

1999 - The American Fisheries Act (P.L. 105-277) required a fishery cooperative to execute a contract with each cooperative member that obligated the member to make a payment to the state for pollock harvested in the Alaska pollock fishery that is not landed in Alaska. AS 43.77.015 required that those payments be treated as if they were landing taxes.

2001 - The legislature amended landing tax statutes to require quarterly payment of estimated fishery resource landing taxes, effective calendar year 2002.

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

2008 - The legislature amended education credit provisions to include

50% of the fishery resource landing tax collected is shared with incorporated cities and/or organized boroughs

Pollock and pacific cod are the two highest value fisheries reported by landing taxpayers

cash contributions accepted for secondary level vocational courses and programs by a school district in Alaska and by a state-operated vocational technical education and training school.

contributions made after June 30, 2011 to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership.

2010 - The legislature amended the education credit by increasing the maximum credit allowed from \$150,000 to \$5 million effective January 1, 2011. In addition, the legislature expanded contributions eligible for the credit to include contributions made for construction and maintenance of facilities by state operated vocational education schools and two or four-year colleges. The increase in the credit from \$150,000 to \$5 million expires December 31, 2013. On January 1, 2014, the maximum credit allowed will revert to \$150,000.

2011 - The legislature enacted legislation extending the date that the \$5 million annual education credit limit expires from January 1, 2014 to January 1, 2021. It is then scheduled to return to \$150,000. In addition, the legislature expanded contributions eligible for the credit to include

FY 2012 Statistics

Tax Collections	\$12,013,308
<i>Including penalties, interest and credits.</i>	
Number of Returns	78
Number of Taxpayers	67
Program Cost	\$204,011
Staffing (full-time equivalent)	1.9

Alaska Scallop Association

PO Box 8989
Kodiak, AK 99615
907-512-7018



March 14, 2013

Senate Resources
Alaska State Legislature
State Capitol, Room 205
Juneau, AK 99801-1182

RE: SB 71

Dear Senator Giessel, Chair and Resource Committee Members,

Alaska Scallop Association (ASA) is a trade organization representing the Alaska Weathervane Scallop catcher/freezer boats.

ASA is in support of SB 71, "An Act relating to the filing date for the final quarterly payment of, and to the assessment of penalties under, the fishery resource landing tax."

As operators of fishing vessels shucking scallops and selling our own product we are required to pay Landing Taxes. Under current statutes our landing taxes must be paid in 4 equal payments at the end of each quarter with final payment due by March 31 of the following year. While this might be fine for entities operating year round, there are certainly problems with "Seasonal" operations, particular ones that only operate on the second half of the calendar year.

Problem #1; The Scallop Season begins July 1, our first product normally lands in Kodiak, mid-July with payment from our customers for this product beginning to trickle in by mid-August. Current statutes require we pay landing tax at the end of each quarter, March 31, June 30, Sept 30 & December 31. With our season timing the current statute requires us to pay 50% of our landing taxes before we have even left the dock to go fishing. This can place a difficult financial burden on our fishing boats as they prepare for the upcoming season.

Problem #2; Landing taxes are calculated using a Statewide Average Price put out by the Department of Revenue. This Statewide Average Price list is normally released to us in May. Our final Landing tax payment is due March 31, four to six weeks before the price list is released. While we can estimate fairly closely we can never get the exact correct price that ADOR publishes. It just seems logical to have the final payment due 30 days after the Statewide Average Price list is released, rather than a date before we know what price to use.

Regards, Jim Stone, ASA Vice President

A handwritten signature in black ink, appearing to read "Jim Stone", written over a horizontal line.

Lynne Smith

To: Lynne Smith
Subject: RE: Landing Tax issue

From: Kruzof [mailto:kruzof@ak.net]
Sent: Friday, March 15, 2013 9:47 AM
To: Sen. Peter Micciche
Cc: Kathy Hansen
Subject: Landing Tax issue

Dear Senator Micciche,

Thank you for your willingness to sponsor and introduce SENATE BILL NO. 71 regarding repairing flaws in how the Fisheries Landing Tax is administered. While I and others in the industry have made great effort to fulfill fish tax requirements for the State of Alaska, it has been difficult to meet all the confusing regulatory and statutory mandates surrounding this tax code. Consequently, over the years my business has endured undue tax penalties and interest due to the conflicting wording between the statutory and regulatory language. Section 1 of your bill helps correct this.

Industry has also been burdened with a strict mandate of equal quarterly tax payments scheduled throughout the year. Such payments run contrary to varied catch and price rates throughout a harvester's operating season. Therefore it is difficult to make equal quarterly tax payments throughout the year on fish that is either, not yet harvested, or when the value and catch volume may vary vastly from one quarter or year to the next. Section 2 of your bill takes this into consideration and helps alleviate regulatory burden on industry and its ability to be an effective revenue producing entity for the State of Alaska.

I believe this legislation will help improve process efficiencies for both industry and the Department of Revenue, therefore sincerely appreciate your time and effort on this bill.

I leave you with hope that your colleagues will understand and support the importance of this bill. If you need to hear any further details on why this bill should be implemented please feel free to contact me anytime.

Sincerely yours,



J & R Fisheries
Fresh Frozen Seafood

Rhonda A. Hubbard,
Managing member and Owner
P.O. Box 3302
Seward, Ak 99664
Ph/Fax: (907) 224-5584/5572
MP (907) 362-1813
www.irfisheries.com

Southeast Alaska Fishermen's Alliance

9369 North Douglas Highway

Juneau, AK 99801

Phone: 907-586-6652

Fax: 907-523-1168

Email: seafa@gci.net

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



March 21, 2013

Senate Resources
Alaska State Legislature
State Capitol, Room 205
Juneau, AK 99801-1182

RE: Support SB 71

Dear Senator Giessel, Chair and Resource Committee Members,

Southeast Alaska Fishermen's Alliance (SEAFa) is a multi-gear/multi-species, membership based association. SEAFa supports SB 71 which addresses an issue that affects several of our members.

SB 71 will prevent the imposition of tax penalties and interest for a situation that is completely out of the tax payer's control. SB 71 aligns the date the tax is due to correspond with the date the report is due. Currently the report is due March 31st or the last day of the month following the month the State publishes the statewide prices that must be used on the return which generally is in May but the tax is due on April 1st. How do you pay a tax when you don't know what you owe and why should an individual then be punished by the imposition of penalties and interest for failure to pay on time?

Section 2 of SB 71 deletes the requirement to make equal quarterly payments and allows the commercial fisherman to pay each quarter based on their production and estimated price for that quarter. A commercial fisherman has no idea of how their season is going to go until they are done fishing - asking to pay before they fish is difficult as you don't know how much to pay nor do you have income from the fishing to pay for the taxes.

In FY 2012, 78 Resource landing tax reports were filed by 67 tax payers.

This legislation does not take away the right of the State to assess penalties or interest if a tax payer does not pay an appropriate quarterly payment based on their production.

SEAFa supports SB 71 and hopes that the Legislature fixes this glitch in the Resource Landing Tax that penalizes law-abiding tax payers.

Sincerely,

A handwritten signature in black ink, appearing to read "Kathy Hansen", followed by a long horizontal line extending to the right.

Kathy Hansen
Executive Director



UNITED FISHERMEN OF ALASKA

Mailing Address: PO Box 20229, Juneau AK 99802-0229
Physical Address: 410 Calhoun Ave Ste 101, Juneau AK 99801
Phone: (907)586-2820 **Fax:** (907) 463-2545
Email: ufa@ufa-fish.org **Website:** www.ufa-fish.org

March 25, 2013

Senator Cathy Geissel, Chair
Senate Resources Committee
State Capitol
Juneau, AK 99801-1182
Email: Senator.Cathy.Giessel@akleg.gov

RE: Support for SB 71, PAYMENT OF FISHERY RESOURCE LANDING TAX

Dear Senator Geissel, and members of the Senate Resources Committee;

United Fishermen of Alaska (UFA) is the largest statewide commercial fishing trade association, representing 36 commercial fishing organizations participating in fisheries throughout the state and its offshore federal waters.

UFA supports SB 71, which makes changes to current statutes regarding the timing and requirement for four equal payments in estimated fisheries resource landing tax.

SB 71 would change the current timing of tax payment due date to align with the date the corresponding report is due. Currently the report is due March 31st or the last day of the month following the month in which the State publishes the statewide prices that must be used on the return, which generally is in May, but the tax is due on April 1st. This mismatch in timing results in late payment fines and interest for well-intentioned producers, as well as confusion, frustration, and wasted time that could best be spent harvesting and processing fish to increase revenue.

The current statute includes provisions for four equal payments, but with the seasonal nature of many fisheries, and the variability in harvest, it is virtually impossible for resource landing taxpayers to accurately predict their full years harvest to calculate equal payments. SB 71 would create a fair and equitable tax system by aligning the date of the tax with the report.

Thank you for your consideration.

Sincerely,

Julianne Curry
Executive Director

CC:
Senator Peter Micciche

SENATE BILL NO. 71

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - FIRST SESSION

BY SENATOR MICCICHE

Introduced: 3/11/13

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the filing date for the final quarterly payment of, and to the
2 assessment of penalties under, the fishery resource landing tax."

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

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7 price calculated by the Department of Fish and Game for [BEFORE APRIL 1
8 AFTER THE CLOSE OF] the calendar year for which the return is made, and any
9 unpaid tax shall be paid with the return.

10 * Sec. 2. AS 43.77.020(d) is amended to read:

11 (d) A person subject to the tax under this chapter shall make quarterly
12 payments of the tax estimated to be due for the year, as required under regulations
13 adopted by the department. A taxpayer will be subject to an estimated tax penalty,
14 determined by applying the interest rate specified in AS 43.05.225 to the

1 underpayment for each quarter, unless the taxpayer makes estimated tax payments in
2 [EQUAL] installments that [TOTAL EITHER]

3 (1) are each at least 90 percent of the product of the actual price
4 paid at the place of landing for the fishery resources subject to the landing tax
5 landed during that quarter by the person multiplied by the tax rate applicable to
6 those fishery resources under (a) of this section [THE TAXPAYER'S TAX
7 LIABILITY UNDER THIS CHAPTER FOR THE TAX YEAR]; or

8 (2) total at least 100 percent of the taxpayer's tax liability under this
9 chapter for the prior tax year.

ALASKA STATE LEGISLATURE

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SENATOR PETER A. MICCICHE

Sponsor Statement

DISTRICTS

Anchor Point

Clam Gulch

Cohoe

Diamond Ridge

Fox River

Fritz Creek

Funny River

Halibut Cove

Happy Valley

Homer

Kachemak City

Kachemak Selo

Kalifornsky

Kasilof

Kenai

Nikolaevsk

Ninilchik

Razdolna

Ridgeway

Seldovia

Soldona

Voznesenka

SB 71 "An Act relating to the filing date for the final quarterly payment of, and to the assessment of penalties under, the fishery resource landing tax."

SB 71 has been introduced to repair glitches in the landing resource tax statutes and regulations that are requiring the payment of unfair penalties and interest by commercial fishermen.

Section 1 aligns the date that the resource landing tax is due with the date that the statewide average fish price report is released. Currently the tax is due before April^{1st}, however, the statewide average fish price report, which is calculated by the Department of Fish and Game, is not always out by then.

While the Department of Revenue does grant an automatic extension to file the landing tax return if the report has not been released at least 30 days prior to the due date, this does not extend the time for payment of the tax so penalties and interest can occur. (Last year, for example, the list for 2011 was not published until May 29, 2012.)

Section 2 of the legislation still maintains that you must pay at least 100% of last year's tax liability or at least 90% of the estimated amount owed but takes out the requirement for equal payments each quarter and lets commercial fishermen pay tax based on the earnings for the quarter. Depending on the fishery, the current statute requires payment of 50% of the landing taxes before they have even left the dock to go fishing.

I urge your support of this legislation, designed to bring efficiencies to both the fishermen and the department.