

HB

4006

<TARGET><BILL>HB4006</BILL><SUBJECT>HB4006</SUBJECT><COMM>
HFIN29</COMM></TARGET>

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: May 27, 2016

FURTHER REFERRALS:

Date of Committee Action: 6.2.2016

The FINANCE Committee considered:

HB 4006

HOUSE BILL NO. 4006

"An Act relating to the fisheries business tax and fishery resource landing tax; removing the minimum and maximum restrictions on the annual base fee for the reissuance or renewal of an entry permit or an interim-use permit; relating to refunds of the fisheries business tax and the fishery resource landing tax to local governments; and providing for an effective date."

HB4006-FISHERIES: TAXES; PERMITS

Recommends it be replaced with HCS or CS for HB 4006 (FIN)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

List of Abbrev for Depts.:
 ADM
 AJS
 CED
 COR
 EED
 DEC
 DFG
 GOV
 DHS
 LWF
 LAW
 LEG
 MVA
 DNR
 DPS
 REV
 DOT
 UA

<u>NEW FISCAL NOTES</u>				
*FN# is assigned by Chief Clerk's Office				
*FN#	List by Dept(s):	Fiscal	Indet.	Zero

<u>PREVIOUS FISCAL NOTES</u>				
FN#	List by Dept(s):	Fiscal	Indet.	Zero
1	REV	X		

① ③ ② ⑤

<u>Signing with recommendations</u>		Printed Last Name	DP	DNP	NR	AM
		SADDLER			X	
		Wilson		X		X
		Pruitt		X		
		Guttenberg				X
		Edgman		X		X
		Munoz				X
CO Chair:		THOMPSON	X			
CO Chair:		NEENA			X	

2016 HOUSE FINANCE COMMITTEE VOTE SHEET

*Passed
8/3*

DATE: 6/2/16
HB 4006

Amendment: Report From committee

MEMBER

Favor

Oppose

REP. GATTIS		✓
REP. GUTTENBERG	✓	
REP. KAWASAKI		✓
REP. MUNOZ	✓	
REP. PRUITT	✓	
REP. SADDLER	✓	
REP. WILSON		✓
REP. EDGMON	✓	
REP. GARA	✓	
REP. NEUMAN	✓	
REP. THOMPSON	✓	

u

YEA 8 NAY 3

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version:	HB 4006
Fiscal Note Number:	1
(H) Publish Date:	5/27/2016

Identifier: DOR-TAX-5-26-16
 Title: FISHERIES: TAXES; PERMITS
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: Governor

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)

	FY2017	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2017 Request	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES	FY 2017	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
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	19,400.0		19,800.0	20,200.0	20,600.0	21,000.0	21,500.0
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Estimated SUPPLEMENTAL (FY2016) cost: 50.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) 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:

Original bill version, based on language split out from original omnibus special session tax bill HB/SB 4001.

Prepared By: Ken Alper, Director

Division: Tax

Approved By: Jerry Burnett, Deputy Commissioner

Agency: Department of Revenue

Phone: (907)465-8221

Date: 05/26/2016 02:00 PM

Date: 05/26/16

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

Analysis

Bill Analysis

The Fisheries Business Tax is generally paid by seafood processors, although it is also paid by fisherman if they market and sell their fish directly. The rate varies from 1% to 5% depending on the location and type of processing and the condition of the fishery (onshore / offshore; canning / other processing; developing / mature fishery.) The Fisheries Landing Tax is generally paid by offshore processors, usually working in federal fisheries, who bring their product through Alaska ports.

These are the only two fisheries taxes that generate unrestricted general funds; any others are dedicated special purpose levies. Currently both these taxes are split 50/50 with the municipality in which the activity takes place.

This legislation would increase the tax rates for all established fishery categories within both the Fisheries Business Tax (FBT) and the Fisheries Landing Tax (FLT). The tax rates for developing fisheries are unchanged. This legislation would also alter the municipal sharing formula so that the state receives the first 1% of the value of each fishery, for both Fisheries Business Tax and Fisheries Landing Tax, before any funds are shared with municipalities. The tax changes result in additional revenue to the state of about \$18 million / year.

The bill also removes the "cap" on the formula which establishes the annual fee for a limited entry permit from the Commercial Fisheries Entry Commission, which currently cannot be more than \$3,000. This removal is estimated to raise an additional \$2 million in annual revenue.

Implementation Cost

This legislation would require the Department of Revenue to update its Tax Revenue Management System (TRMS) and Revenue Online (ROL) which allows a taxpayer to file a return online. The update would consist of reprogramming both systems, updating the return rules in TRMS and testing both systems thoroughly to verify that they function as expected. We would also need to update the current tax return forms.

The supplemental fiscal note figure of \$50.0 in FY16 is to cover the costs of having our contractor update the two systems. We do not anticipate any continuing costs or additional staff needs. After the implementation of the changes, this legislation would not cause any additional administrative burden on the Tax Division.

Y/N
1 10

Failed

29-GH2460\A.3
Glover/Nauman
5/28/16

AMENDMENT # 1

OFFERED IN THE HOUSE
TO: HB 4006

BY REPRESENTATIVE WILSON

1 Page 1, lines 1 - 2:

2 Delete "removing the minimum and maximum restrictions on"
3 Insert "relating to the calculation of"

4

5 Page 1, line 7, through page 2, line 3:

6 Delete all material and insert:

7 **** Section 1. AS 16.43.160(c) is amended to read:**

8 (c) The annual base fee for issuance or renewal of an entry permit or an
9 interim-use permit shall be established under this subsection [MAY NOT BE LESS
10 THAN \$30 OR MORE THAN \$3,000. THE ANNUAL BASE FEE MUST
11 REASONABLY REFLECT THE DIFFERENT RATES OF ECONOMIC RETURN
12 FOR DIFFERENT FISHERIES]. In addition to the annual base fee established by the
13 commission under this subsection, a nonresident shall pay an annual nonresident
14 surcharge for the issuance or renewal of one or more entry permits or interim-use
15 permits. The commission shall annually determine the annual fee for the issuance
16 or renewal of an entry permit or interim-use permit as follows:

17 (1) the annual base fee for the issuance or renewal of an entry
18 permit or interim-use permit in a limited entry fishery is 0.4 percent of the
19 estimated value of the entry permit, subject to adjustment under (3) of this
20 subsection; if insufficient data is available to determine the estimated value of an
21 entry permit or if no permit sale values have been recorded for the most recent
22 three years, the calculation of an annual fee in a limited entry fishery may be
23 calculated as if the limited entry fishery were an unlimited entry fishery under

1 (2) of this subsection, subject to adjustments under (3) of this subsection;

2 (2) the annual base fee for the issuance or renewal of an interim-
3 use permit in an unlimited entry fishery is 0.4 percent of the estimated average
4 gross earnings for each permit in the most recent three years for which data are
5 available;

6 (3) the commission may make an adjustment to an annual base fee
7 if

8 (A) more than one permit type allows the directed harvest
9 of the same species with the same gear in the same area or if one permit
10 allows the directed harvest of the same species by a combination of gear in
11 the same area; or

12 (B) the amounts determined under (1) and (2) of this
13 subsection would result in an annual base fee that is not proportional to
14 the rate of economic return for the fisheries covered by that permit [THE
15 COMMISSION SHALL ESTABLISH THE ANNUAL NONRESIDENT

16 SURCHARGE BY REGULATION AT AN AMOUNT THAT IS AS CLOSE

17 AS IS PRACTICABLE TO THE MAXIMUM ALLOWED BY LAW]."

2016 HOUSE FINANCE COMMITTEE VOTE SHEET

Y	N
1	10

Failed

DATE: 6-1-16

Amendment: #1 HB4006

MEMBER

Favor

Oppose

REP. PRUITT		X
REP. SADDLER		X
REP. WILSON	X	
REP. EDGMON		X
REP. GARA		X
REP. GATTIS		X
REP. GUTTENBERG		X
REP. KAWASAKI		X
REP. MUNOZ		X
REP. NEUMAN		X
REP. THOMPSON		X

YEA 1 NAY 10

4 | N
5 | 6

Failed

29-GH2460\A.5
Martin/Nauman
5/28/16

AMENDMENT #2

OFFERED IN THE HOUSE

BY REPRESENTATIVE MUÑOZ

TO: HB 4006

- 1 Page 1, lines 1 - 2:
- 2 Delete "**removing the minimum and maximum restrictions on the annual base fee**
- 3 **for the reissuance**"
- 4 Insert "**relating to the nonresident surcharge for the issuance**"
- 5
- 6 Page 1, lines 9 - 10:
- 7 Delete "[MAY NOT BE LESS THAN \$30 OR MORE THAN \$3,000. THE
- 8 ANNUAL BASE FEE]"
- 9 Insert "may not be less than \$30 or more than \$3,000. The annual base fee"

2016 HOUSE FINANCE COMMITTEE VOTE SHEET

Y	N
5	6

Failed

DATE: 6-1-16

Amendment: # 2 HB 4006

MEMBER

Favor

Oppose

MEMBER	Favor	Oppose
REP. SADDLER		X
REP. WILSON	X	
REP. EDGMON		X
REP. GARA		X
REP. GATTIS	X	
REP. GUTTENBERG		X
REP. KAWASAKI	X	
REP. MUNOZ	X	
REP. PRUITT	X	
REP. THOMPSON		X
REP. NEUMAN		X

YEA 5 NAY 6

NEW
AMENDMENT # *3*

By Rep. Wilson

OFFERED IN THE HOUSE

TO: HB 4006

1 Page 2, line 8:

2 Delete "five"

3 Insert "4.5"

4

5 Page 2, line 12:

6 Delete "four"

7 Insert "3.5"

8

9 Page 2, following line 14:

10 Insert a new bill section to read:

11 **** Sec. 3.** AS 43.75.015(b) is amended to read:

12 (b) Instead of the taxes levied by (a) of this section, a person who processes a
13 developing commercial fish species is liable for and shall pay a tax equal to

14 (1) 3.5 [ONE] percent of the value of the developing commercial fish
15 species processed by a shore-based fisheries business during the year; and

16 (2) six [THREE] percent of the value of the developing commercial
17 fish species processed by a floating fisheries business during the year."

18

19 Renumber the following bill sections accordingly.

20

21 Page 2, line 19:

22 Delete "one"

23 Insert "3.5 [ONE]"

1

2 Page 2, line 21:

3 Delete "four"4 Insert "3.5"

5

6 Page 2, lines 28 - 29:

7 Delete "The amount of tax revenue equal to one percent of the value of each
8 fishery taxed under this chapter shall be deposited into the general fund."

9

10 Page 2, line 30, through page 3, line 1:

11 Delete "and not including the revenue equal to one percent of the value of each
12 fishery taxed under this section deposited in the general fund"13 Insert "and not including the revenue derived from the value of each fishery taxed
14 under this chapter deposited in the general fund as provided in (h) of this section"

15

16 Page 3, following line 11:

17 Insert a new bill section to read:

18 "** Sec. 7. AS 43.75.130 is amended by adding a new subsection to read:

19 (h) Notwithstanding (a) of this section, the amount of tax revenue from the
20 following sources in the following amounts shall be deposited in the general fund:21 (1) one-half percent of the tax revenue collected under
22 AS 43.75.015(a)(1) and (2);

23 (2) one percent of the tax revenue collected under AS 43.75.015(a)(3);

24 (3) two and one-half percent of the tax revenue collected under
25 AS 43.75.015(d)(1); and26 (4) one-half percent of the tax revenue collected under
27 AS 43.75.015(d)(2)."

28

29 Renumber the following bill sections accordingly.

30

31 Page 3, line 19:

1 Delete "one"

2 Insert "**five** [ONE]"

3

4 Page 3, line 21:

5 Delete "**four**"

6 Insert "**five**"

7

8 Page 3, lines 23 - 24:

9 Delete "The amount of tax revenue equal to one percent of the value of each
10 fishery taxed under this chapter shall be deposited into the general fund."

11

12 Page 3, lines 25 - 27:

13 Delete "and not including the revenue equal to one percent of the value of each
14 fishery taxed under this section deposited in the general fund"

15 Insert "and not including the revenue derived from the value of each fishery taxed
16 under this chapter deposited in the general fund as provided in (f) of this section"

17

18 Page 4, lines 12 - 13:

19 Delete "The amount of tax revenue equal to one percent of the value of each
20 fishery taxed under this chapter shall be deposited in the general fund."

21

22 Page 4, lines 15 - 16:

23 Delete "equal to one percent of the value of each fishery taxed under this section
24 deposited in the general fund"

25 Insert "derived from the value of each fishery taxed under this chapter deposited
26 in the general fund as provided in (g) of this section"

27

28 Page 5, following line 10:

29 Insert a new bill section to read:

30 "* **Sec. 11.** AS 43.77.060 is amended by adding new subsections to read:

31 (f) Notwithstanding (a) of this section, the amount of tax revenue from the

1 following sources in the following amounts shall be deposited in the general fund:
2 (1) four percent of the tax revenue collected under AS 43.77.010(1);
3 and
4 (2) two percent of the tax revenue collected under AS 43.77.010(2).
5 (g) Notwithstanding (b) of this section, the amount of tax revenue from the
6 following sources in the following amounts shall be deposited in the general fund:
7 (1) four percent of the tax revenue collected under AS 43.77.010(1);
8 and
9 (2) two percent of the tax revenue collected under AS 43.77.010(2)."

10
11 Renumber the following bill sections accordingly.

12
13 Page 5, line 13, following "AS 43.75.015(a)":

14 Insert ", AS 43.75.015(b),"

15

16 Page 5, lines 13 - 14:

17 Delete "secs. 2 and 3"

18 Insert "secs. 2 - 4"

19

20 Page 5, lines 14 - 15:

21 Delete "secs. 2 and 3"

22 Insert "secs. 2 - 4"

23

24 Page 5, line 16:

25 Delete "sec. 6"

26 Insert "sec. 8"

27

28 Page 5, line 17

29 Delete "sec. 6"

30 Insert "sec. 8"

31

1 Page 5, line 25:

2 Delete "Section 10"

3 Insert "Section 13"

4

5 Page 5, line 26:

6 Delete "secs. 11 and 12"

7 Insert "secs. 14 and 15"

2016 HOUSE FINANCE COMMITTEE VOTE SHEET

Y	N
5	6

Failed

DATE: 6-1-16

Amendment: #3 HB4006

MEMBER

Favor

Oppose

REP. WILSON	X	
REP. EDGMON		X
REP. GARA	X	
REP. GATTIS	X	
REP. GUTTENBERG		X
REP. KAWASAKI	X	
REP. MUNOZ	X	
REP. PRUITT		X
REP. SADDLER		X
REP. NEUMAN		X
REP. THOMPSON		X

YEA

5

NAY

6

Y | N
3 | 8

Failed

29-GH2460\A.2
Glover/Nauman
5/28/16

AMENDMENT #4

Gave

OFFERED IN THE HOUSE
TO: HB 4006

- 1 Page 3, line 21:
- 2 Delete "four"
- 3 Insert "five"

2016 HOUSE FINANCE COMMITTEE VOTE SHEET

3/8 Failed

DATE: 6-1-16

Amendment: #4 HB 4006

MEMBER

Favor

Oppose

REP. EDGMON		X
REP. GARA	X	
REP. GATTIS		X
REP. GUTTENBERG	X	
REP. KAWASAKI	X	
REP. MUNOZ		X
REP. PRUITT		X
REP. SADDLER		X
REP. WILSON		X
REP. NEUMAN		X
REP. THOMPSON		X

YEA

3

NAY

8

ADOPTED - w/out OBJECTION

29-GH2460\A.1
Martin/Nauman
5/28/16

AMENDMENT #5

OFFERED IN THE HOUSE
TO: HB 4006

BY REPRESENTATIVE THOMPSON

- 1 Page 2, lines 1 - 3:
- 2 Delete "[AT AN AMOUNT THAT IS AS CLOSE AS IS PRACTICABLE TO THE
- 3 MAXIMUM ALLOWED BY LAW]"
- 4 Insert "at an amount that is as close as is practicable to the maximum allowed by law"



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

June 1, 2016

Representative Steve Thompson, Co-Chair
Representative Mark Neuman, Co-Chair
House Finance Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

RE: Concerns with amendments to HB 4006 – Fisheries Taxes

Dear Co-Chairmen Thompson and Neuman, and Committee Members,

United Fishermen of Alaska (UFA) continues to hold our position that any new or increased taxes on the fishing industry must be part of a comprehensive fiscal solution, as included in our 2015 resolution that is previously submitted as [HB251 Backup UFA.pdf](#). We do not see a comprehensive fiscal solution at this time and until that happens we oppose singling industries out.

UFA has the following additional comments on amendments being considered on HB 4006.

UFA supports amendment #2. We oppose the removal of CFEC permit fee maximum cap of \$3000. This section was not included in the governor's fisheries tax legislation, HB 251. Elimination of the permit fee cap, while ostensibly targeting primarily non-resident fishermen, also has direct impact of preventing family operations from advancing younger Alaska resident fishermen to become skippers – as was heard in committee testimony on April 15.

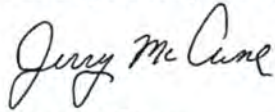
UFA opposes an increase on canned salmon tax - we support keeping this tax at the current 4.5%. We support this provision, and this provision only, of amendment #3. Canned salmon is often produced in extreme excess simply to keep fishermen fishing in times of very large runs. This particular tax could actually cause less fish to be processed during years of large salmon runs, reducing revenue to the state and income to fishermen and communities.

UFA opposes language in amendment #3, and amendment #4 raising the Resource Landing taxes ("developing" and "other") to 5%. UFA opposes any increases in the Fisheries Business or Resource Landing tax that disproportionately distribute the tax burden across fishery sectors.

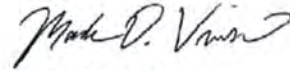
Among other provisions of amendment #3, UFA opposes increasing fishery Business and Landing tax on developing fisheries. UFA supports keeping developing fisheries at the current 1% tax rate, as in HB 4006 as introduced. We are amenable to an increase to 2% at most in developing fisheries - as included in the original legislation.

UFA is the statewide commercial fishing trade association, representing 34 commercial fishing organizations participating in fisheries throughout the state and its offshore federal waters.

Thank you for your consideration,



Jerry McCune
President



Mark Vinsel
Executive Administrator

Thursday, May 26, 2016

<http://m.peninsulaclarion.com/news/2016-05-26/great-pacific-seafoods-alaska-plants-closed#gsc.tab=0>

Great Pacific Seafoods' Alaska plants closed

By [ELIZABETH EARL](#)
Peninsula Clarion



Photo by DJ Summers/Alaska Journal of Commerce

Great Pacific Seafoods' Anchorage processing plant, shown on May 27, 2016, has closed. Several industry sources and a former plant manager have confirmed that the company is closing its Alaska operations.

[1 more photo >>](#)

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Several industry sources and a former plant manager have confirmed that the seafood processor Great Pacific Seafoods has shut down its Alaska operations.

Representatives from the company had not returned calls for comment as of press time, but Nick Barrie, former Kenai plant manager, confirmed the plant will not operate for the summer.

Barrie said he found about a month ago from the company's headquarters in Seattle.

"Yeah, I was sort of surprised," he said.

The facility at the end of Cannery Road in Kenai is quiet now, with only Barrie living there. He isn't sure what will happen — he said the company is filing for bankruptcy and its assets will be sold.

The company's bankruptcy filings were not available on the electronic federal bankruptcy court system, and an employee in the Western Washington U.S. Bankruptcy Court office could not locate the documents Wednesday. Other industry sources have confirmed the bankruptcy and plant closures.

The Seattle-based seafood processor operated plants in Anchorage, Kenai and Whittier and had previously run buying operations in Kotzebue and Homer, employing approximately 300 people statewide during the peak of fishing season, according to a 2015 report from the Alaska Salmon Alliance. The Kenai plant employed 70-90 people from mid-May to August. The company pulled out of Kotzebue last year, according to the 2015 commercial fisheries season summary from the Alaska Department of Fish and Game.

Barrie said Great Pacific Seafoods could not obtain the capital necessary to start up this season. Low salmon prices in the 2015 season hurt the company, he said.

“The best we were able to do was cut the heads off and take the guts out and get someone to buy them,” Barrie said.

Arni Thompson, a consultant with the Alaska Seafood Alliance, which represents seafood processors, said low salmon prices last year likely contributed to the closures. He said another company may snap up the company’s assets in Alaska.

“This is a temporary or interim setback because the plants are strategically located for the processing and shipment of ... iced fish by truck and down to the Lower 48 and air cargo both to domestic and international or foreign countries,” Thompson said.

Capital is a problem for smaller processors due to market conditions. Processors have faced lower wholesale prices for sockeye salmon, a stronger U.S. dollar damaging overseas markets and a Russian import ban on U.S. and Norwegian seafood products, according to a 2015 analysis from the Juneau-based research firm the McDowell Group. A high U.S. dollar is bad for salmon processors, who rely on export markets for the majority of their sales, according to an Alaska Seafood Marketing Institute 2016 bulletin.

Great Pacific Seafoods took a hit last season and could not raise capital for this season, Barrie said.

Small sockeye salmon sizes in Cook Inlet last season hurt many processing companies of all sizes, said Paul Dale, owner of processing company Snug Harbor Seafoods. Larger companies with more capital available may be able to offset their losses more easily, he said.

“I think there was widespread losses in the seafood industry among processors that are involved in salmon, and I think that’s true regardless of size,” Dale said. “I do think that the much larger size companies are always in a better position to weather an adverse year than a smaller company. They simply have greater resources to lean on.”

Things may brighten in 2016. The Alaska Seafood Marketing Institute predicts the smaller expected harvest this season will probably result in a lower overall resource value. Total exvessel value will possibly rebound by 2017. Dale said the closure of Great Pacific Seafoods is a sad event, but in light of a tightening market, makes sense.

David Martin, president of the United Cook Inlet Drift Association, said the Cook Inlet drift gillnet fishermen in Great Pacific Seafoods’ fleet will look for another processor to sell to, as they have done in the past. He attributed the closure in part to restrictions to the drift gillnet fishery in Cook Inlet in 2015. Fish and Game restricted drift gillnet fishermen to particular areas of Cook Inlet and the fishermen could not harvest a large portion of the sockeye salmon last year, Martin said.

“(Great Pacific Seafoods) was just one of many processors left in the (Cook) Inlet that are left that’s trying to make a go of it because the management plan doesn’t allow them to process enough fish,” Martin said.

Records show the sockeye harvest did decline in 2015. Upper Cook Inlet commercial fishermen harvested approximately 23 percent fewer fish than the 1966–2014 average annual harvest in 2015, with an exvessel value of approximately 8 percent less than the 1966–2014 average, according to Fish and Game’s Upper Cook Inlet Commercial Fisheries Annual Management Report for 2015. Fish and Game estimated the price paid for sockeye was \$0.65 less per pound than the previous two years, lowering the total exvessel value, according to the report.

Reach Elizabeth Earl at elizabeth.earl@peninsulaclarion.com.

Alaska Seafood Industry Taxes and Fees



United Fishermen of Alaska
PO Box 20229
Juneau, AK 99802-0229
Phone 907.586.2820
Fax 907.463.2545
ufa@ufa-fish.org
www.ufafish.org

Fishing industry taxes and fees are paid to a wide spectrum of state, federal and local government agencies

Department of Revenue:

Annual reporting highlights these revenues, assessed as a percentage of the harvest – taken off the top – rather than on the net profit after expenses:

- Fisheries Business Tax* = \$44.2M
**half is shared with communities and boroughs*
- Fisheries Resource Landing Tax* = \$13.4M
**half is shared with communities and boroughs*
- Seafood Marketing Assessment = \$9.6M
- Salmon Enhancement Tax = \$8.5M
- Seafood Development Tax = \$1.8M
- Dive Fishery Management Tax = \$.8M

Department of Revenue seafood industry tax total = \$78.3 million

In addition to the above revenue:

Alaska's fisheries also contribute many other fees and costs to state, local, and federal governments:

- Local fisheries taxes collected in certain boroughs and communities = \$25.37M
- CDQ royalties to community development = \$73.1M
- Commercial fishery permit fees FY14 = \$6.88M
- Commercial fishing vessel registrations fees FY14 = \$678,400
- Fishermen's Fund fees FY14 = \$362,300
- Commercial crew license fees = \$2.6M
- State marine fuel taxes = estimated \$2.8M
- Loan program revenue = \$6.0M (*Commercial Fishing, Enhancement, CQE & Mariculture total*)
- DNR shore fishery lease fees (FY 2014) = \$344,256
- Corporate income tax = \$2.8M (*Department of Revenue estimate*)

Additional seafood taxes and fees total to state and communities = \$121.0M

Additional federal fisheries taxes and fees and UI taxes are also collected:

- Federal IFQ Cost Recovery fees – halibut & sablefish, rockfish, and crab = \$6.7M
- Federal Observer Program fees = \$4.2M
- Unemployment Insurance (UI) taxes paid by seafood processors: \$14.7M

There are many other fees that are more difficult to quantify, such as:

- Port and harbor fees – and launch ramp fees, boat storage, etc.
- DNR lease fees for:
 - Moorage buoys
 - Land use tidelands permits and leases for processors, hatcheries
 - Water rights permits for processors, hatcheries
- Business license fees
- Processors DEC permit fees
- Local property tax on facilities and equipment – fishermen, processors, and hatcheries
- Business income tax for processor, harvester, and support businesses
- Dive and aquaculture shellfish water quality, PSP and arsenic testing fees
- Federal vessel documentation fees and fishery endorsements
- Federal fuel taxes

Did you know?

Alaska's seafood industry pays over \$250 million per year in taxes & fees.

\$54.2 million in Fishery Business and Landing taxes were directly collected by or distributed to 65 communities & boroughs in Alaska in FY 2013. These taxes reduce community dependence on State funds.

Alaska Seafood Industry Taxes and Fees to State, Local and Federal Government – in depth

State Department of Revenue Fisheries Taxes:

Fisheries Business Tax – total FY 2013 = \$44,245,752

Fisheries Business Tax is levied on persons who process or export fisheries resources from Alaska. The tax is based on the price paid to commercial fishers or fair market value when there is not an arm's length transaction. Fisheries business tax is collected primarily from licensed processors and persons who export fish from Alaska.

Fisheries Resource Landing Tax – FY 2013 = \$13,381,669

Fishery Resource Landing Tax is levied on fishery resources processed outside the 3-mile limit/federal waters and first landed in Alaska, or any processed fishery resource subject to sec. 210(f) of the American Fisheries Act. The tax is based on the unprocessed value of the resource, which is determined by multiplying a statewide average price (determined by Alaska Department of Fish and Game data) by the unprocessed weight. The Fishery Resource Landing Tax is collected primarily from factory trawlers and floating processors which process fishery resources outside of the state's 3-mile limit and bring their products into Alaska for transshipment.

The above taxes are shared with half going to the state general fund and half going to communities and boroughs, as described on pages 36 -39 in the Annual Report, available for download at: <http://www.tax.alaska.gov/programs/sourcebook/index.aspx>. Note that Department of Revenue Sources Book lists only the amount retained by the state on these taxes, while the Annual Report lists the complete amount received.

Other Department of Revenue fisheries taxes and their FY2013 contributions include:

Seafood Marketing Assessment = \$9,563,546

The Seafood Marketing Assessment is levied at a rate of 0.5% of the value of seafood products processed first landed in, or exported from Alaska.

Salmon Enhancement tax = \$8,454,033

Salmon Enhancement Tax is levied on salmon caught or sold in an established aquaculture region. This tax is collected by licensed processors and is based on the price paid for the salmon. Fishers that sell to unlicensed buyers or that export from an established aquaculture region must pay the tax directly to the department.

Seafood Development = \$1,795,302

Seafood Development Tax is a voluntary tax elected by participants in some regions, and is levied on salmon harvested by set gillnet fishers in Prince William Sound (PWS) and drift gillnet harvesters in Bristol Bay and PWS. The 1% tax is collected by licensed buyers and is based on the price paid for the salmon. Harvesters who sell to unlicensed buyers or who export from Alaska must pay the tax directly to the department.

Dive Fishery Management = \$772,526

Dive Fishery Management Assessment is levied on geoducks, sea urchins, and sea cucumbers harvested in the Southeast dive region. The tax is collected by licensed buyers and is based on the price paid for the resource. Dive fishers that sell to unlicensed buyers in or export from Alaska must pay the tax directly to the department.

Total Department of Revenue listed contributions FY 2013 = \$78,212,828

Descriptions are from <http://www.tax.alaska.gov/programs/programs/index.aspx?60620> .

More information about these tax programs may be found in the Tax Division Annual Report, online for download at <http://www.tax.alaska.gov/programs/sourcebook/index.aspx> .

City and Borough Raw Fish Taxes are levied in many localities and are listed online by DCCED in the Alaska Taxable database annual report, totaling **\$25.4 million** in FY 2013. The full report and tables are online at <http://commerce.alaska.gov/dnn/dcra/OfficeoftheStateAssessor/AlaskaTaxableDatabase.aspx> (see both Tables 02: Borough Sales Taxes, Special Taxes and Revenues, and Table 02: Cities' Sales Taxes, Special Taxes and Revenues. Note that some cities include fisheries in severance taxes, in addition to the raw fish taxes listed in the tables. The above total estimate was provided by McDowell group).

Community Development Quota royalties to community development – **CDQ royalties for community development were estimated at \$73.1M** in 2013 by NOAA. “CDQ groups receive royalty payments on each allocation harvested by a partnering firm. Since the CDQ Program was implemented, individual groups have used royalty revenue to support the goals of the CDQ Program. Royalty revenues support CDQ projects, which encourage sustainable fishery-based economic development in the region or promote the social development of a community or group of communities that are participating in a CDQ Program (e.g., infrastructure development, employment and training programs).” See Royalties beginning on page 7 at <http://alaskafisheries.noaa.gov/cdq/>

CFEC permit and vessel fees: Commercial Fishing Permit revenue from FY 2014 = **\$6,882,300**
Commercial Fishing Vessel License revenue from FY 2014 = **\$678,400**. The Commercial Fisheries Entry Commission administers permitting for commercial fishing and commercial fishing vessels. Commercial fishery entry permits and Crew license fees include a mandatory fee that is transferred to the Fishermen’s Fund, administered by the Department of Labor, which provides for medical coverage up to \$10,000 for treatment of injuries occurring in commercial fishing.

“Under 20 AAC 05.245, permit renewal fees are based on a formula of 0.4% of the estimated market value of the permit for limited fisheries and 0.4% of the estimated average gross earnings for open-access fisheries. Permit renewal fee categories for 2013 & 2014 ranged from \$75 to \$3,000 with the majority being \$375 or less...

“Total revenue for fiscal year 2014 (July 1, 2013 – June 30, 2014) was comparable to that in 2013 and was just over \$7.6 million, which fully funded the Commission’s \$4,389.2 authorized operating budget as well as paying CFEC’s contribution to the Fishermen’s Fund. During both years, the legislature applied the additional CFEC revenues to ADF&G and DCCED programs that support Alaska’s commercial fisheries.” (CFEC Annual report 2013-2014 p. 31, online at www.cfec.state.ak.us/mnu/Annual_Reports.htm) Breakout of permit and vessel fees was provided by the Commercial Fishery Entry Commission.

Fishermen’s fund: FY2014 income was \$1,145,314 and expenses were \$1,342,611
<http://labor.state.ak.us/wc/ffund.htm>. CFEC also contributed excess revenue of \$362,300 in FY 2014 to the Fishermen’s Fund (these numbers were obtained by request from the Commercial Fishery Entry Commission
https://omb.alaska.gov/ombfiles/16_budget/Transition/FY15_MP_Binder_FG.pdf.

Crew license fees: Crew licenses are administered by ADFG and include: resident and non-resident adult, child and seven day licenses. Crew license revenue from calendar year 2013 sales was **\$2,644,875**. www.adfg.alaska.gov/index.cfm?adfg=licensevendors.statistics

Marine Fuel Taxes: The state fuel tax for marine use is \$.05 per gallon. State marine fuel tax revenue in FY 2013 was **\$5,560,885** total statewide (From 2013 Tax Division annual report). We estimate at least half of marine fuel purchased in Alaska is used in commercial fisheries.

Revolving Loan Program Earnings: The Division of Economic Development, Financing Section, administers and services ten loan programs under the Department of Commerce, Community, and Economic Development. These programs were primarily designed to promote economic development through direct state lending in industries and areas of the state that are not adequately serviced by the private sector. Fisheries loan programs include Commercial Fishing, Fisheries Enhancement, Mariculture and Community Quota Entity. Information on each is available online at <http://commerce.state.ak.us/dnn/ded/FIN/LoanPrograms.aspx>

Fisheries Enhancement Revolving Loan Fund earnings FY14 - **\$1,889,000**

Commercial Fisheries Revolving Loan Fund earnings FY14 - **\$4,097,000**

Community Quota Entity Loan Fund FY14 - **\$5,000**

Mariculture Loan Fund FY14 – **\$31,000**

Total Commercial Fishing related loan program revenues FY14 - \$6,022,000

(These numbers were obtained by request from the Division of Economic Development.)

DNR Lease Fees

Shore Fishery Leases: As manager of most of the state's tidelands out to the three-mile limit, the Department of Natural Resources issues shore fishery (setnet) leases. A shore fishery lease gives the leaseholder first priority to use a shore fishery site for commercial salmon setnet fishing on state-owned tidelands. In FY 2014, DNR collected **\$344,256** in shore fishery lease fees (provided by the Department of Natural Resources). Information on the shore fishery lease program is online at: <http://dnr.alaska.gov/mlw/shore/>. DNR also administers permitting and collects fees for moorage buoys used in fisheries.

Uplands and Tidelands leases: Alaska's hatcheries and processing plants in many cases obtain land use rights through Uplands and Tidelands leases with the DNR. A breakout of these fees specific to the fishing industry was not available.

Aquatic farm leases: DNR administers the Aquatic Farming Program, a ten-year property right granted by the Division of Mining, Land & Water that allows a lessee to develop the state's tide and submerged lands into a shellfish or sea plant farm. The current fee schedule for aquatic farmsites is \$450 for the first acre or portion thereof, plus an additional \$125 per acre, or portion thereof, paid annually. We were unable to obtain yearly revenue from the aquatic farming lease program. Information on the program is online at <http://dnr.alaska.gov/mlw/aquatic/index.cfm>.

Corporate income tax: Processor and harvester corporations are subject to the state's corporate income tax on Alaska taxable income. Alaska taxes corporate income at graduated rates ranging from 0% to 9.4% divided over ten tax brackets. According to a recent Department of Revenue estimate provided to the McDowell Group, fisheries related corporations paid **\$2.8 million** in corporate income tax in FY2013.

Hatchery Cost Recovery: In addition to the Enhancement tax collected by Department of Revenue from commercial fisheries, hatchery facilities and production of salmon for commercial, sport, personal use and subsistence use is funded by cost recovery fisheries, where a portion of the catch is sold to fund the hatchery operation. Estimated cost recovery values from the most recent (2013) annual report:

Chinook - \$1,972,358

Sockeye - \$2,176,205

Coho - \$2,138,285

Pink - \$8,174,581

Chum- \$9,888,820

Total 2013 Hatchery Cost Recovery ex-vessel value: \$24,350,249

Calculated from cost recovery percentage statistics by species from ADF&G annual hatchery report, online at <http://www.adfg.alaska.gov/index.cfm?adfg=fishingHatcheriesOtherInfo.reports>.

ADF&G Test Fisheries: Test fisheries provide additional revenue to ADFG through the sale of fish caught in test fisheries needed to determine harvestable stock thresholds – **ADFG received \$2,843,500 in FY2014** (obtained from 2014 Transition document).

Other taxes and fees to state and local governments: In addition, commercial fishing individuals and businesses pay many fees that support local infrastructure. We are unable to quantify the following:

- Local Property Taxes
- Dock and harbor fees, launch ramp fees, boat storage, etc.
- Processors/direct marketers DEC permits and fees
- Processors/direct marketers DOR license – included in Fisheries Business tax receipts
- Shellfish water quality, PSP and arsenic testing fees

Federal Fisheries Taxes and Fees:

IFQ Cost Recovery fees:

Federal Individual Fishery Quota (IFQ) programs are funded through an assessment on the landings in the Halibut, Sablefish, Bering Sea and Aleutian Islands crab, and the rockfish program. Fees from calendar year 2013 were provided by Karen.Palmigiano@noaa.gov:

Halibut and Sablefish IFQ	\$4,961,857
Crab Rationalization Program	\$1,558,426
Rockfish Program	\$217,709
Total -	\$6,737,992 (2013)

For a description of halibut and sablefish - see Publications - IFQ Cost Recovery Program Report available at <http://alaskafisheries.noaa.gov/ram/ifqfees.htm>

Observer Program Fees: \$4,251,452 (2013)

Many Alaska commercial fisheries require observers to ensure adherence to regulations and allowable harvest. These programs are administered by NOAA and are detailed in the Observer program annual report, online at: www.alaskafisheries.noaa.gov/sustainablefisheries/observers/annualrpt2013.pdf

Employment Security Tax: \$14,682,000

Unemployment taxes are a federal tax program administered by the State Department of Labor. Fishing operations with less than 10 crewmembers are excluded under Alaska law when the crew is paid on a share basis; however tender operations and fish processing wages, however, are reportable.

In 2013, private seafood processing firms paid a total of \$392,461,000 in wages and \$14,682,000 in unemployment taxes to the state's Employment Security Division (provided by Conor Bell, Alaska Department of Labor). For more information on Employment Security tax see the Alaska Employment Security Tax handbook, online at <http://www.labor.state.ak.us/estax/taxbook.htm>.

Other federal fees and taxes for which we were unable to obtain numbers for include vessel documentation fees, fishery endorsements, federal fuel taxes and more.



UNITED FISHERMEN OF ALASKA

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May 27, 2016

Representative Steve Thompson, Chair
House Finance Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

RE: Concerns with HB 4006 – Fisheries Taxes

Dear Chairman Thompson and committee members,

United Fishermen of Alaska (UFA) continues to hold our position that any new or increased taxes on the fishing industry must be part of a comprehensive fiscal solution, as included in our 2015 resolution that is previously submitted as [HB251 Backup UFA.pdf](#). We do not see a comprehensive fiscal solution at this time and until that happens we oppose singling industries out.

UFA has the following additional comments on some concepts that are in HB 4006 or have been considered in previous versions of the legislation:

UFA opposes the removal of CFEC permit fee maximum caps.

UFA opposes an increase on canned salmon tax - we support keeping this tax at the current 4.5%. Canned salmon is often produced in extreme excess simply to keep fishermen fishing in times of very large runs. This particular tax could actually cause less fish to be processed during these years of large runs, reducing revenue to the state.

UFA supports keeping developing fisheries at the current 1% tax rate, as in HB 4006. We opposed an increase on taxes on developing fisheries to 4% that was included in an amended version of fisheries tax legislation in other bills. We are amenable to an increase to 2% at most in developing fisheries as included in the original legislation.

UFA is the statewide commercial fishing trade association, representing 34 commercial fishing organizations participating in fisheries throughout the state and its offshore federal waters.

Thank you for your consideration,

Jerry McCune
President

Mark Vinsel
Executive Administrator



Alaska Whitefish Trawlers Association

P.O. Box 991
Kodiak, AK
99615

aktrawlers@gmail.com
alaskawhitefishtrawlers.org

Representative Steve Thompson, Chair
House Finance Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

Re: HB251 (Removal of \$3,000 cap on CFEC permits)

Dear Chairman Thompson:

The Alaska Whitefish Trawlers Association (AWTA) is located in Kodiak and has been actively working to represent the interests of independently owned trawl vessels for over 40 years. Our vessels harvest groundfish in the Gulf of Alaska and the Bering Sea for delivery to shore based plants for processing.

I am writing today to express our opposition to that portion of HB251 which would remove the \$3,000 limit on CFEC permits. Our member vessels begin fishing on January 20 and many continue working into late November or even December. Because of the long duration of our seasons, a number of our vessels employ two or even three skippers so that the vessel can continue to operate at its highest potential.

That portion of HB251 which would remove the \$3,000 cap on CFEC permits would have a direct economic impact on our vessels. Depending on which areas and fisheries an individual vessel participates in the cost could increase by more than 100% and will cause economic hardship. A vessel with multiple skippers might have to pay as much as \$19,575 just for the permits that allow the vessel to operate.

We understand the economic challenges facing Alaska but we feel that the fishing industry is being faced with disproportional tax increases. As trawlers, our vessels consume considerable amounts of fuel and the proposed doubling of the tax on fuel will be a burden. Increasing the raw fish tax on the product we deliver will be a burden. Increasing the cost of CFEC permits will be a burden. Collectively, all of these increased costs will be a burden for our industry.

We ask you to take no action on HB251 until a comprehensive analysis of the costs of these tax increases are evaluated in relationship to the perceived benefit that Alaska may receive.

Sincerely,

Robert L. Krueger, Executive Director
Alaska Whitefish Trawlers Association

Patrick O'Donnell
1353 Mountain View Drive
Kodiak, AK 99615

Representative Steve Thompson, Chair
House Finance Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

Re: HB251 (Removal of \$3,000.00 cap on CFEC permits)

Dear Chairman Thompson

My name is Patrick O'Donnell, I own and operate the 85 foot fishing vessel Caravelle in Kodiak where I have lived for 24 years and fished for 27 years. I have two Captains that operate the Caravelle throughout the year splitting the time so that each Captain can have some Family life with their wife and Kids.

Removing the cap of \$3,000.00 on CFEC permits will have an economic impact on my vessel and the way we operate, as it is now we are required to have a CFEC Permit Card for each skipper in order to land fish, the permit card and the individual has to be onboard in order to be allowed to fish and deliver fish.

With the removal of the cap and increased costs we will be forced to let one Skipper go in order to offset the cost of an increased CFEC permit card

This action will only capture 263 Permit cards out of about 22,000 Permit cards issued annually and is targeting only vessels over 60 feet.

There are many multifunction vessels that take part in Salmon, Crab, Trawling, Pot fishing, IFQ Halibut and IFQ Sablefish and generate higher gross revenue than many of the vessels over 60 feet.

An increase in all CFEC permits that are issued by the state of Alaska should be looked at to get to the proposed increase in revenue of \$2,179,775.00 as this would look at all user groups and not discriminate against big boats versus small boats

I am opposed to the removal of the Cap of \$3,000.00 on CFEC permits as are many in the fishing industry in Kodiak.

I ask that you take no action on HB 251 at this time.

Sincerely
Patrick O'Donnell

Fisheries Business Tax (AS 43.75) and Fisheries Landing Tax (AS 43.77)

What it Does

- Increases the current tax rates by one percentage point (currently these are between 3% and 5%)
- The entire tax increase is exempted from municipal revenue sharing (the rest is shared 50/50)
- Removes the \$3,000 “cap” on annual CFEC entry permit fees
- Developing fisheries are exempted from the increase

How it Differs from Regular Session Bill

- Original bill increased rate for one developing fishery category
- Entry permit fee change was added in committee

Fisheries Business Tax (AS 43.75) and Fisheries Landing Tax (AS 43.77)

How Much Does it Raise?

- About \$18 million / year from the tax change, plus
- About \$2 million / year from the CFEC fee change

How Does it Impact Alaskans?

- The price of fish is generally set by the commodity market, and likely won't absorb this increase
- This tax, although paid by processors, is typically backed out of payments made to harvesters. So in effect, the fisherman pays this tax

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Governor Bill Walker
STATE OF ALASKA

May 26, 2016

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 218
Juneau, AK 99801-1182

Dear Speaker Chenault:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to a tax on fisheries business and fishery resource landing and the annual fee for the issuance and renewal of entry permits or interim-use permits.

First, the bill would amend AS 16.43.160 related to fees for commercial fishing entry permits or interim-use permits. The Alaska Commercial Fisheries Entry Commission (Commission) sets the annual fee for permits. Current law limits the annual base fee to not less than \$30 or not more than \$3,000; the bill would remove the minimum and maximum limits. This part of the bill would take effect January 1, 2017, to conform to the Commission's regulatory schedule and to better meet the needs of the commercial fishing community.

The bill would increase the tax rates of the fisheries business tax (AS 43.75.015) and the fishery resource landing tax (AS 43.77.010). Some developing fisheries are exempted from the increase. The tax rates covered by these statutes vary from three percent to five percent, depending on the type of fishery. The bill would increase those tax rates by one percentage point. As to specific fisheries, the fisheries business tax on shore based canned salmon would be five percent (the current rate is four percent), the other fisheries resources would be four percent (up from three percent) while the tax levied on a person who processes a fishery resource would pay a tax of four percent (the current rate is three percent) of the value of a commercial fish species.

In addition, the bill would change the revenue sharing tax refund to local governments. Currently, the revenue generated by these taxes is split evenly between the State and the municipalities where the fisheries are located. The bill would exempt one percent of the tax revenue collected from the revenue sharing arrangement, but the remaining percentage of the tax revenue would still be paid to the local governments where the fisheries resource is landed.

The Honorable Mike Chenault
Transmittal Fisheries Tax
May 26, 2016
Page 2

Thank you for your consideration of this measure.

Sincerely,

A handwritten signature in black ink that reads "Bill Walker". The signature is written in a cursive, flowing style.

Bill Walker
Governor

Enclosure



HB 4006

Sectional Analysis Special Session Fisheries Tax Bill

Section 1: Eliminates the cap of \$3,000 on the base fee for Commercial Fisheries Limited Entry Permits and Interim permits.

Section 2: Changes the tax rates for the fisheries business tax from four and one-half to five percent for salmon canned in a shore based business, from three to four percent for other fish processed in a shore based business and from five percent to six percent for fish processed by a floating business.

Section 3: Changes the tax on fish for a direct marketing business from three to four percent.

Section 4: Is a technical change eliminating the requirement to submit tax returns to Juneau.

Section 5: Provides that one percent of the value of each fishery under the fisheries business tax will be deposited in the general fund and not be subject to sharing with local governments.

Section 6: Changes the landing tax from three to four percent.

Section 7: Provides that one percent of the value of each fishery under the fisheries landing tax will be deposited in the general fund and not be subject to sharing with local governments.

Section 8: Provides that one percent of the value of each fishery under the fisheries tax will be deposited in the general fund and not be subject to sharing with local governments.

Section 9: Provides that the tax changes in sections 2, 3 and 6 are applicable after the effective dates of those sections.

Section 10: Allows for the Department of Revenue to adopt regulations to administer this act.

Section 11: Provides for an effective date for section 1 (CFEC) of January 1, 2017.

Section 12: Provides and immediate effective date for section 10.

Section 13: Provides that the rest of the bill is effective July 1, 2016.