

**HB**

**251**

<TARGET><BILL>HB 251</BILL><SUBJECT>HB  
251</SUBJECT><COMM>HFSH29</COMM></TARGET>

STATE CAPITOL  
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Governor Bill Walker  
STATE OF ALASKA

January 15, 2016

The Honorable Mike Chenault  
Speaker of the House  
Alaska State Legislature  
State Capitol, Room 208  
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.

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). The tax rates covered by these statutes vary from one percent to five percent, depending on the type of fishery. The bill would increase those tax rates by one percent across the board, with the exception of some developing fisheries that are exempt from the increase. 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 this one percent increase from the revenue sharing arrangement, thereby insuring that the entire increase is applied to the general fund.

This legislation is expected to generate additional revenue of approximately \$18,000,000 annually. Currently the costs to the state to regulate commercial fisheries are greater than the amount of general fund revenue generated by these taxes. Therefore, this proposed increase is reasonable. The fishing industry could continue to operate in this state, but, under this bill, would bear a fairer share of industry costs to the state.

To increase administrative efficiency for the Department of Revenue and state taxpayers, the bill would require the electronic submission of tax returns with an exemption available upon request.

The bill is an integral component of the New Sustainable Alaska Plan to provide a balanced and sustainable budget for Alaska's long-term fiscal stability.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in cursive script that reads "Bill Walker".

Bill Walker  
Governor

Enclosure



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

**Department of Revenue**

COMMISSIONER'S OFFICE

State Office Building  
333 Willoughby Avenue, 11<sup>th</sup> Floor  
PO Box 110400  
Juneau, Alaska 99811-0400  
Main: 907.465.2300  
Fax: 907.465.2389

January 20, 2016

The Honorable Louise Stutes, Chair  
House Fisheries Committee  
State Capitol Building  
Juneau, AK 99801

Dear Representative Stutes:

The Department of Revenue (DOR) respectfully requests that HB 251, "An Act requiring the electronic submission of a tax return or report with the Department of Revenue; relating to fisheries business tax and fishery resource landing tax; relating to refunds to local governments; and providing for an effective date," be scheduled in the House Fisheries Committee at your earliest convenience.

The purpose of this legislation is to increase the tax rates of the fisheries business tax (AS 43.75.015) and the fishery resource landing tax (AS43.77.010). This increase would result in additional revenue of approximately \$18,000,000 annually.

Your favorable consideration of this request is appreciated. If you need any additional information, please contact Jerry Burnett, Deputy Commissioner for the Department of Revenue at 907-465-3669.

Sincerely,

A handwritten signature in cursive script, appearing to read "Randall J. Hoffbeck".

Randall J. Hoffbeck, Commissioner

Cc: Darwin Peterson, Legislative Director, Office of the Governor  
Jerry Burnett, Deputy Commissioner, Department of Revenue  
Ken Alper, Director, Tax Division, Department of Revenue



**Sectional Analysis, HB 251**  
**Fisheries Business and Fisheries Landing Tax Bill**  
**January 22, 2016**

- Sec. 1.** Adds a \$25 or 1% tax penalty for failure to file electronically unless an exemption is received by the taxpayer
- Sec. 2.** Requires electronic submission of tax returns, license applications, and other documents submitted to the Department of Revenue. This changes the general tax statutes, AS 43.05, and will apply to all tax types administered by the department. Provides a process to request an exemption if a taxpayer does not have the technological capability to do so.
- Sec. 3.** Increases three different tax rates within the Fisheries Business Tax by one percent. The current rates range from three to five percent.
- Sec. 4.** Increases tax rate within the Fisheries Business Tax for developing fish species processed by a floating processor from 3 to 4 percent. Rate remains at 1 percent for developing fish species processed by a shore-based business.
- Sec. 5.** Increases tax rate within the Fisheries Business Tax for direct marketers from 3 to 4 percent. Rate remains at 1 percent for developing fish species sold by direct marketers.
- Sec. 6.** Conforming language related to the requirement to submit returns or reports electronically. This section deletes the requirement for taxpayers to submit their returns to the department in Juneau.
- Sec. 7.** Establishes that the revenue from the one percent tax increase is deposited in the general fund. The remaining revenue shall be shared with municipalities per the currently existing formula.
- Sec. 8.** Increases tax rate within the Fisheries Landing Tax for fish species other than developing fish species from 3 to 4 percent. Rate remains at 1 percent for developing fish species.
- Sec. 9.** Establishes that the revenue from the one percent tax increase is deposited in the general fund. The remaining revenue shall be shared with municipalities per the currently existing formula.
- Sec.10.** Establishes that the revenue from the one percent tax increase is deposited in the general fund. The remaining revenue shall be shared with boroughs per the currently existing formula.

**Sec. 11.** Transitional language allowing for regulations

**Sec. 12.** Section 11 above takes effect immediately.

**Sec. 13.** Effective date of 7/1/16 for the rest of the bill including the tax rate change.

# Fiscal Note

State of Alaska  
2016 Legislative Session

Bill Version:	HB 251
Fiscal Note Number:	1
(H) Publish Date:	1/19/2016

Identifier: DOR-TAX-01-13-16  
 Title: ELECTRONIC TAX RETURNS & FISHERIES  
 TAXES  
 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 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates				
			FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>OPERATING EXPENDITURES</b>	<b>FY 2017</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

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

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>		18,300.0	18,700.0	19,100.0	19,500.0	19,900.0	20,500.0
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**Estimated SUPPLEMENTAL (FY2016) cost:** 100.0 (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:**

Not applicable, initial version.

Prepared By:	Brandon Spanos	Phone:	(907)269-6736
Division:	Tax	Date:	01/13/2016 11:00 AM
Approved By:	Jerry Burnett	Date:	01/13/16
Agency:	Deputy Commissioner, DOR		

## 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, generally working in federal fisheries, who bring their product through Alaska ports. Although there are several other fisheries taxes, these are the only two that generate unrestricted general funds. The others are all dedicated to a specific program (marketing, salmon enhancement, dive fisheries enhancement, etc.)

The FY16 estimated state revenue for these is about \$19.5 million for the Business Tax and \$5.3 million for the Landing Tax, or \$24.8 total under existing law. Both of these taxes are split 50/50 with the municipality in which the activity takes place. In practice, the state revenue is less than half of what is collected, because there are several tax credits (salmon product development tax credit is the most widely known) and credits come out of the state's "half." So that \$24.8 million is net of both credits and sharing.

The bill proposes raising most of the tax rates for both of these taxes by 1%. The taxes resulting from this increment would not be subject to the municipal sharing requirement. The tax rates on certain "developing" fisheries who currently pay at 1% are not increased.

The other major change is to require electronic tax filing. With the implementation of the Tax Revenue Management System, DOR has a much more advanced, integrated tax database with a strong online portal and robust reporting functions. Paper tax filings require a laborious process of scanning and manual data entry, and the department is working to transition away from this system. To this end, each of the several revenue bills being introduced contains language in the general revenue statutes to require electronic submission unless the taxpayer does not have the technological capability to do so.

**Revenue Impact**

DOR estimates that this legislation would create additional revenue of approximately \$18.3 million in FY17. Estimates are based on the fall 2015 revenue forecast, factor in a 2.25% inflation rate, and estimate only a minor catch shift from year to year.

**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. This cost is higher than the costs we've attached to some of the other excise and business tax changes; this is because of the additional need to adjust certain Revenue Sharing features.

The supplemental fiscal note figure of \$100.0 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.

29-GH2921\W  
Nauman  
4/1/16

**CS FOR HOUSE BILL NO. 251(FSH)**

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE HOUSE SPECIAL COMMITTEE ON FISHERIES

Offered:  
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act requiring the electronic submission of a tax return or report with the  
2 Department of Revenue; relating to the use of certain revenue from the fisheries  
3 business tax and the fisheries resource landing tax; relating to the fisheries business tax  
4 and the fishery resource landing tax; relating to refunds to local governments; and  
5 providing for an effective date."

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

7 \* **Section 1.** AS 43.05 is amended by adding a new section to read:

8           **Sec. 43.05.045. Electronic submission of return or report.** (a) Unless an  
9 exemption or waiver is granted under (b) of this section, a taxpayer required to submit  
10 a return or report for a tax levied under this title or for any other tax administered by  
11 the department shall submit the return or report electronically in a format prescribed  
12 by the department. Failure to comply with this section may result in a civil penalty  
13 under AS 43.05.220(f). If a law under this title requires a report or return or a portion

1 of a report or return to be in writing, an electronically filed report or return satisfies  
2 this section. A taxpayer shall submit attachments to a report or return required under  
3 this title electronically.

4 (b) To request an exemption to (a) of this section, a taxpayer shall submit to  
5 the department evidence satisfactory to the department that the taxpayer does not have  
6 the capability to submit the return or report electronically. An application for an  
7 exemption must be submitted before a return or report is due. An exemption granted  
8 under this subsection is valid for two years after the first tax filing due date after the  
9 exemption is granted. When an exemption under this subsection expires, the taxpayer  
10 may apply for another exemption. An exemption granted under this subsection applies  
11 to any return or report submitted to the department.

12 \* **Sec. 2.** AS 43.05.220 is amended by adding a new subsection to read:

13 (f) Unless the department determines that failure to comply with AS 43.05.045  
14 is due to a reasonable cause, the department shall assess a civil penalty of \$25 or one  
15 percent of the total tax before any payment, whichever is greater, against a taxpayer  
16 who fails to submit electronically a return or report under AS 43.05.045.

17 \* **Sec. 3.** AS 43.75.015(a) is amended to read:

18 (a) A person engaged in a fisheries business is liable for and shall pay the tax  
19 levied by this section on the value of each of the following fisheries resources  
20 processed during the year at the rate set out after each:

21 (1) salmon canned at a shore-based fisheries business - four and one-  
22 half percent;

23 (2) salmon processed by a shore-based fisheries business, except  
24 salmon for which the tax is due under (1) of this subsection, and all other fisheries  
25 resources processed by a shore-based fisheries business - **four** [THREE] percent;

26 (3) fisheries resources processed by a floating fisheries business - **six**  
27 [FIVE] percent.

28 \* **Sec. 4.** AS 43.75.015(b) is amended to read:

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

31 (1) one percent of the value of the developing commercial fish species

1 processed by a shore-based fisheries business during the year; and

2 (2) **four** [THREE] percent of the value of the developing commercial  
3 fish species processed by a floating fisheries business during the year.

4 \* **Sec. 5.** AS 43.75.015(d) is amended to read:

5 (d) Instead of the taxes levied under (a) or (b) of this section, a person who  
6 processes a fishery resource under a direct marketing fisheries business license is  
7 liable for and shall pay a tax equal to

8 (1) one percent of the value of the developing commercial fish species  
9 processed during the year; and

10 (2) **four** [THREE] percent of the value of a commercial fish species  
11 not subject to (1) of this subsection.

12 \* **Sec. 6.** AS 43.75.030(b) is amended to read:

13 (b) The return shall be made on the basis of the calendar year to the  
14 department [AT JUNEAU] before April 1 after the close of the calendar year. **The**  
15 **return must be submitted electronically to the department in a format prescribed**  
16 **by the department.**

17 \* **Sec. 7.** AS 43.75 is amended by adding a new section to article 3 to read:

18 **Sec. 43.75.125. Alaska seafood marketing fund.** (a) The Alaska seafood  
19 marketing fund is established in the general fund. The department shall separately  
20 account for 0.5 percent of the value of a fishery taxed under AS 43.75.015(a), (b)(2),  
21 and (d)(2) and deposit it into the Alaska seafood marketing fund. The department shall

22 (1) calculate the percentage under this subsection before the refunds to  
23 local governments under AS 43.75.130 and 43.75.137 are made; and

24 (2) adopt regulations to reduce the amounts deposited under this  
25 subsection to account for the use of tax credits applied against a tax under this section.

26 (b) The legislature may appropriate the annual estimated balance of the fund  
27 to the Alaska Seafood Marketing Institute established under AS 16.51 for the purposes  
28 described under AS 16.51.100.

29 (c) Nothing in this section creates a dedicated fund.

30 (d) Appropriations to the Alaska seafood marketing fund are not one-year  
31 appropriations and do not lapse under AS 37.25.010.

1 \* **Sec. 8.** AS 43.75.130(a) is amended to read:

2 (a) **The amount of tax revenue equal to 0.5 percent of the value of each**  
3 **fishery taxed under this chapter shall be deposited into the general fund.** Except  
4 as provided in (d) of this section, **and not including the revenue equal to 0.5**  
5 **percent of the value of each fishery taxed under this chapter and deposited in the**  
6 **general fund under this subsection,** the commissioner shall pay

7 (1) to each unified municipality and to each city located in the  
8 unorganized borough, 50 percent of the amount of tax revenue collected in the  
9 municipality from taxes levied under this chapter;

10 (2) to each city located within a borough, 25 percent of the amount of  
11 tax revenue collected in the city from taxes levied under this chapter; and

12 (3) to each borough

13 (A) 50 percent of the amount of tax revenue collected in the  
14 area of the borough outside cities from taxes levied under this chapter; and

15 (B) 25 percent of the amount of tax revenue collected in cities  
16 located within the borough from taxes levied under this chapter.

17 \* **Sec. 9.** AS 43.77.010 is amended to read:

18 **Sec. 43.77.010. Landing tax.** A person who engages or attempts to engage in a  
19 floating fisheries business in the state and who owns a fishery resource that is not  
20 subject to AS 43.75 but that is brought into the jurisdiction of, and first landed in, this  
21 state is liable for and shall pay a landing tax on the value of the fishery resource. The  
22 amount of the landing tax is

23 (1) for a developing commercial fish species, as defined under  
24 AS 43.75.290, one percent of the value of the fishery resource at the place of landing;

25 (2) for a fish species other than a developing commercial fish species,  
26 **four** [THREE] percent of the value of the fishery resource at the place of the landing.

27 \* **Sec. 10.** AS 43.77.050(b) is amended to read:

28 (b) **Except as otherwise provided in AS 43.77.055, the** [THE] tax collected  
29 under this chapter shall be paid into a separate account in the general fund. The annual  
30 balance in the account may be appropriated by the legislature for revenue sharing  
31 under AS 43.77.060. The amount of all tax credits approved by the commissioner

1 under AS 43.77.040(b) shall be deducted from amounts paid to municipalities under  
2 AS 43.77.060(a) - (c).

3 \* **Sec. 11.** AS 43.77 is amended by adding a new section to read:

4 **Sec. 43.77.055. Deposit into the Alaska seafood marketing fund.** The  
5 department shall separately account for 0.5 percent of the value of a fishery taxed  
6 under AS 43.77.010(2) and deposit it into the Alaska seafood marketing fund  
7 established under AS 43.75.125. The department shall

8 (1) calculate the percentage under this section before the refunds to  
9 local governments under AS 43.77.060 are made; and

10 (2) adopt regulations to reduce the amounts deposited under this  
11 section to account for the use of tax credits applied against a tax under this section.

12 \* **Sec. 12.** AS 43.77.060(a) is amended to read:

13 (a) **The amount of tax revenue equal to 0.5 percent of the value of each**  
14 **fishery taxed under this chapter shall be deposited into the general fund.** Subject  
15 to appropriation by the legislature and except as provided in (b) of this section, **and**  
16 **not including the revenue equal to 0.5 percent of the value of each fishery taxed**  
17 **under this chapter and deposited in the general fund under this subsection,** the  
18 commissioner shall pay to each

19 (1) unified municipality and to each city located in the unorganized  
20 borough, 50 percent of the amount of tax revenue collected from taxes levied under  
21 this chapter on the fishery resource landed in the municipality and accounted for under  
22 AS 43.77.050(b);

23 (2) city located within a borough, 25 percent of the amount of the tax  
24 revenue collected from taxes levied under this chapter on fishery resources landed in  
25 the city and accounted for under AS 43.77.050(b); and

26 (3) borough

27 (A) 50 percent of the amount of the tax revenue collected from  
28 taxes levied under this chapter on fishery resources landed in the area of the  
29 borough outside cities and accounted for under AS 43.77.050(b); and

30 (B) 25 percent of the amount of the tax revenue collected from  
31 taxes levied under this chapter on fishery resources landed in cities located

1 within the borough and accounted for under AS 43.77.050(b).

2 \* **Sec. 13.** AS 43.77.060(b) is amended to read:

3 (b) **The amount of tax revenue equal to 0.5 percent of the value of each**  
4 **fishery taxed under this chapter shall be deposited into the general fund.**

5 Notwithstanding the provisions of (a)(2) and (a)(3)(B) of this section, and subject to  
6 appropriation by the legislature, **and not including the revenue equal to 0.5 percent**  
7 **of the value of each fishery taxed under this chapter and deposited in the general**  
8 **fund under this subsection,** the commissioner shall pay to each

9 (1) city that is located in a borough incorporated after January 1, 1994,  
10 the following percentages of the tax revenue collected from taxes levied under this  
11 chapter on fishery resources landed in the city and accounted for under  
12 AS 43.77.050(b):

13 (A) 45 percent of the tax revenue collected during the calendar  
14 year in which the borough is incorporated;

15 (B) 40 percent of the tax revenue collected during the first  
16 calendar year after the calendar year in which the borough is incorporated;

17 (C) 35 percent of the tax revenue collected during the second  
18 calendar year after the calendar year in which the borough is incorporated; and

19 (D) 30 percent of the tax revenue collected during the third  
20 calendar year after the calendar year in which the borough is incorporated; and

21 (2) borough that is incorporated after January 1, 1994, the following  
22 percentages of the tax revenue collected from taxes levied under this chapter on  
23 fishery resources landed in the cities located within the borough and accounted for  
24 under AS 43.77.050(b):

25 (A) five percent of the tax revenue collected during the  
26 calendar year in which the borough is incorporated;

27 (B) 10 percent of the tax revenue collected during the first  
28 calendar year after the calendar year in which the borough is incorporated;

29 (C) 15 percent of the tax revenue collected during the second  
30 calendar year after the calendar year in which the borough is incorporated; and

31 (D) 20 percent of the tax revenue collected during the third

1                   calendar year after the calendar year in which the borough is incorporated.

2       \* **Sec. 14.** The uncodified law of the State of Alaska is amended by adding a new section to  
3 read:

4                   TRANSITION: REGULATIONS. The Department of Revenue may adopt regulations  
5 necessary to implement the changes made by this Act. The regulations take effect under  
6 AS 44.62 (Administrative Procedure Act), but not before the effective date of the law  
7 implemented by the regulation.

8       \* **Sec. 15.** Section 14 of this Act takes effect immediately under AS 01.10.070(c).

9       \* **Sec. 16.** Except as provided in sec. 15 of this Act, this Act takes effect July 1, 2016.

House Bill 251

Explanation of changes  
Version A to Version W

Page 1, line 2, following "**Revenue**";:

Insert "**relating to the use of certain revenue from the fisheries business tax and the fisheries resource landing tax;**"

Page 3, following line 9:

Insert a new bill section to read:

\*\* **Sec. 7.** AS 43.75 is amended by adding a new section to article 3 to read:

**Sec. 43.75.125. Alaska seafood marketing fund.** (a) The Alaska seafood marketing fund is established in the general fund. The department shall separately account for 0.5 percent of the value of a fishery taxed under AS 43.75.015(a)(1), (3), (b)(2), and (d)(2) and deposit it into the Alaska seafood marketing fund. The department shall

(1) calculate the percentage under this subsection before the refunds to local governments under AS 43.75.130 and 43.75.137 are made; and

(2) adopt regulations to reduce the amounts deposited under this subsection to account for the use of tax credits applied against a tax under this section.

(b) The legislature may appropriate the annual estimated balance of the fund to the Alaska Seafood Marketing Institute established under AS 16.51 for the purposes described under AS 16.51.100.

(c) Nothing in this section creates a dedicated fund."

Renumber the following bill sections accordingly.

Page 3, line 11:

Delete "one"

Insert "0.5"

Page 3, line 13:

Delete "one"

Insert "0.5"

Page 4, following line 4:

Insert new bill sections to read:

"\* **Sec. 10.** AS 43.77.050(b) is amended to read:

(b) **Except as otherwise provided in AS 43.77.055, the** [THE] tax collected under this chapter shall be paid into a separate account in the general fund. The annual balance in the account may be appropriated by the legislature for revenue sharing under AS 43.77.060. The amount of all tax credits approved by the commissioner under AS 43.77.040(b) shall be deducted from amounts paid to municipalities under AS 43.77.060(a) - (c).

\* **Sec. 11.** AS 43.77 is amended by adding a new section to read:

**Sec. 43.77.055. Deposit into the Alaska seafood marketing fund.** The department shall separately account for 0.5 percent of the value of a fishery taxed under AS 43.77.010(2) and deposit it into the Alaska seafood marketing fund established under AS 43.75.125. The department shall

(1) calculate the percentage under this section before the refunds to local governments under AS 43.77.060 are made; and

(2) adopt regulations to reduce the amounts deposited under this section to account for the use of tax credits applied against a tax under this section."

Renumber the following bill sections accordingly.

Page 4, line 6:

Delete "one"

Insert "0.5"

Page 4, line 9:

Delete "one"

Insert "0.5"

Page 4, line 26:

Delete "one"

Insert "0.5"

Page 4, line 29:

Delete "one"

Insert "0.5"

Page 5, line 31:

Delete "Section 11"

Insert "Section 14"

Page 6, line 1:

Delete "sec. 12"

Insert "sec. 15"

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101


State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

April 1, 2016

**SUBJECT:** Electronic Filing Requirement  
(CSHB 251(FSH); Work Order No. 29-GH2921\W)

**TO:** Representative Louise Stutes  
Attn: Reid Harris

**FROM:** Emily Nauman   
Legislative Counsel

Attached please find the above mentioned bill. Sections 1 and 2 have been updated, they are now written in conformance with this office's style and placement. In addition, the function of the waiver was modified to conform to the style of the other penalties in AS 3.05.220. However, the electronic filing requirement remains problematic, even as it is currently drafted. Sections 1 and 2 apply to *any tax* return or report to be submitted under AS 43 to be filed electronically, not just returns for fisheries taxes. However, the bill only amends filing requirements related to the fisheries taxes. There are other sections of tax law that should also be changed to accommodate the new electronic filing requirement. *See*, for instance, sec. 5 of HB 248.<sup>1</sup> In general, a specific law will govern over a general one.<sup>2</sup> Thus, I am concerned that the provisions that remain unchanged, if the governor's other tax bills do not pass, may render the electronic filing provisions unenforceable for some of the taxes due to the state.

I would advise you to ask the Department of Law and Department of Revenue what other sections in AS 43 require amending to accommodate the new electronic filing requirement. Given the potential breadth of these changes, perhaps you would consider separating out the electronic filing requirement into its own bill?

If I may be of further assistance, please advise.

ELN:dla  
16-387.dla

Attachment

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<sup>1</sup> Unless amended, AS 43.60.020 requires a person paying the alcohol tax to "send a statement by airmail, postage prepaid."

<sup>2</sup> This could be countered with the argument that a law enacted more recently may be given more weight.



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

Department of Revenue

COMMISSIONER'S OFFICE

State Office Building  
333 Willoughby Avenue, 11<sup>th</sup> Floor  
PO Box 110400  
Juneau, Alaska 99811-0400  
Main: 907.465.2300  
Fax: 907.465.2389

March 21, 2016

The Honorable Louise Stutes  
Alaska State Representative  
Chair, House Fisheries Committee  
State Capitol Room 416  
Juneau, AK 99801

Dear Representative Stutes:

The purpose of this letter is to provide you with responses to the questions asked of the Department of Revenue and the Department of Fish & Game during our presentation to the House Fisheries Committee on March 8, 2016. Please see questions in italics and our responses immediately below the questions.

1. *Please provide a brief outline of the process a fish taxpayer goes through to file their return.*

Please see the attached walkthrough of a Fisheries Business Tax return for a floating processor. Note that for a Fishery Resource Landing Tax return, prices are determined by the Statewide Average Price list rather than actual unprocessed value reported on the tax return.

For clarification, here are some differences between the information required for DOR's tax returns and DF&G's Commercial Operator Annual Report (COAR):

- COAR requires an area of harvest—for example, Upper Cook Inlet, Bristol Bay, or Juneau/Haines. The tax return requires a processing location code, not an area of harvest.
- COAR asks for the type of gear used to harvest the fish, which DOR does not. As a result, COAR may require several rows of data per species where the tax return requires only one row.
- COAR requires commercial operators to report finished fisheries products as well as unprocessed fish, while DOR only requires reporting unprocessed fish.
- COAR does not require reporting bonuses, although there is a box to check if the total amount paid to fishermen is not final by the April 1 due date. DOR requires reporting bonuses.

We also wish to clarify that the Department of Revenue administers the fish tax program, and therefore Department of Fish & Game officials do not necessarily have technical knowledge of it.

2. *What are the species with a discrepancy between the Statewide Average Price (based on COAR data) and the value of the fish reported by other sources?*

The Statewide Average Price (SWAP) is used as the basis for the Fishery Resource Landing Tax. It is supposed to represent an ex-vessel price for unprocessed fish. The Department of Fish & Game has identified six species of fish where the existing data chronically underrepresent ex-vessel prices: Atka mackerel, Alaska plaice, Greenland turbot, flathead sole, rock sole, and

yellowfin sole. Price data for these species is scarce because the fish are largely taken by catcher-processor vessels. Ex-vessel sales of the species are rare and may not represent the actual average unprocessed value of the fish.

The attached table provides an estimate of the impact on revenues from the Fishery Resource Landing Tax if SWAP prices were to more closely reflect a true ex-vessel value. In the table, the 2014 SWAP is compared with a more accurate estimated price, and the change in tax liability for the six species is shown.

3. *How much revenue does the charter sector contribute to the State of Alaska for the amount of salmon and halibut the charter sector catches? How much would be generated if the same quantity of salmon and halibut were caught by the commercial sector?*

In response to the first part of the question (revenue from the charter sector):

The Department of Revenue cannot precisely estimate revenue contributed by the "charter sector." There is no specific tax on sport fishing charters, and it would be impractical to apply the Fisheries Business Tax to sport fish, because the FBT is based on the commercial value of a fish and sport-harvested fish cannot be sold commercially.

Sport fishermen who use charter operations contribute revenue to the State of Alaska in several ways. Most people who use a sport-fishing charter must purchase an Alaska fishing license. In 2015, the revenue from sport fishing licenses was \$16 million. The Department of Revenue and the Department of Fish & Game do not currently have data on fishing license holders who go on charter boats and who do not.

Sport fishermen pay taxes on various equipment to help support fish management. The federal government collects these taxes and distributes them to the states through the Dingell-Johnson Fund. The state of Alaska received \$17.3 million from the Dingell-Johnson Fund in 2015, and has received between \$17 and \$20 million every year since 2007. A list of items taxed is attached (please see page 8 for the section on the Sport Fish Restoration Program). The Dingell-Johnson Fund money goes directly to the Division of Sport Fish, and these funds together with the above-mentioned fishing license fees cover about 65% of that division's budget.

It should be noted that charter fishing businesses pay corporate income taxes and business license fees, as do commercial fishing operations. The income of a charter fishing business is not based on the size or value of the fish, but normally on the number of fishing days sold to anglers. That income is taxed just like any other business.

In response to the second part of the question (a hypothetical catch by the commercial sector):

Neither the Department of Revenue nor the Department of Fish & Game has complete data on the size of fish harvested through charter operations. The following paragraphs explain the numerous disclaimers on any attempt to estimate the size of charter salmon and halibut harvests.

For halibut, DF&G does not produce a statewide estimate of the harvest in pounds. However, the number of charter halibut harvested is available from log books. In International Pacific Halibut Commission (IPHC) Regulatory Areas 2C (Southeast Alaska to a northern boundary at Cape Spencer) and 3A (Cape Spencer to the west end of Kodiak Island), DF&G can estimate the average weight from length data on harvested fish that they obtain during the primary summer months in the major ports. In the remainder of the state, IPHC Areas 3B and 4, DF&G does not sample the harvest to estimate average size. For stock assessment purposes, the IPHC typically

applies the average weight for Kodiak to Areas 3B and 4 to estimate total harvest in pounds. It is unknown whether the Kodiak estimates of average weight are appropriate for western areas.

Here are DF&G estimates of halibut caught by charters, by IPHC area in 2014. These estimates are subject to the above caveats, specifically that average weight per fish is a rough estimate.

Area	No. Fish	Yield (lb)
2C	65,036	783,342
3A	174,351	2,034,455
3B & 4	88	1,246
Statewide	239,475	2,819,043

These estimates for 2014 are in pounds **net weight (headed and gutted)**, which is the standard weight unit used for commercial, recreational, and subsistence halibut. These are the estimates of harvest by charter clients, and exclude estimated mortality of released fish.

For salmon, DF&G does not produce an estimate of the harvest in pounds for any area of the state. The only figures available for saltwater charter anglers are the number of fish harvested. Salmon are not normally measured or weighed and DF&G bases their management practices on the number of fish, not the size. Attempts to estimate the number of pounds of salmon based on the number of fish and an "average size" for each species will be inherently unreliable, because the average size of fish varies widely depending on the area and time in which they are caught.

Here are DF&G log book reports of number of salmon caught by saltwater charter anglers in 2014:

- 61,325 large Chinook salmon (28" or longer)
- 2,741 small Chinook salmon (under 28")
- 237,666 coho salmon
- 2,001 sockeye salmon

These numbers are also available on page 18 of the log book report located at <http://www.adfg.alaska.gov/FedAidPDFs/FDS16-02.pdf>.

Here are DF&G estimates of the average weights of **commercially** caught salmon in 2014. These may be completely inaccurate for sport-caught salmon which come from different parts of the state.

- Chinook: 12.06 pounds
- Sockeye: 5.60 pounds
- Coho: 7.14 pounds

These numbers can be found at <http://www.adfg.alaska.gov/index.cfm?adfg=CommercialByFisherySalmon.exvesselquery>.

Even if the state could overcome the obstacles mentioned above and accurately report the weight of charter harvests, DOR and DF&G professionals do not believe that would lead to a reasonable answer for the question "how much revenue would the state get from the same amount of fish caught by the commercial sector?"

The Fisheries Business Tax is not based directly on the weight of fish harvested, but on the commercial ex-vessel value. Charter-harvested fish, of course, have no ex-vessel value. The

market for commercial fish is based on the supply and demand of harvested fish, whereas the market for charter fishing is based on public desire to sport fish for a variety of reasons, not just the size of the fish harvested.

It would not be accurate to assume that if these fish were all suddenly caught by commercial operations instead of sport fishermen, they would have the same ex-vessel value as other commercially caught fish of the same species. One reason is because, as mentioned above, sport and commercial fish are caught in different areas and may have different average sizes. Commercial fishermen are often paid more per pound for larger than smaller fish. Therefore, any difference in the number of pounds per fish could lead to an additional difference in the hypothetical price per pound. Since the state lacks complete data on the weight of charter sport-harvested fish, this difference would skew the "commercial value" estimate. Another reason is because if the fish were caught by commercial operations instead of charters, they would be caught in different areas and at different stages in their life cycles.

Ultimately, multiplying rough estimates of charter harvest size by speculative ex-vessel prices does not result in a meaningful number. It does not represent the "true" commercial value of charter harvests—which could only be determined if those fish were actually sold on the market—nor does it represent the value of those same fish if they had been caught elsewhere by commercial operations. Nevertheless, DOR has provided data that the Fisheries Committee could use to create an estimate based on the committee's own preferred assumptions, if desired.

A final note is that the Department of Fish & Game uses fish monitoring data for management purposes only. Any attempt to use fish monitoring data for taxation purposes would likely increase public scrutiny and demand for improved accuracy and precision beyond what DF&G can currently afford to provide. This would necessitate increases in the DF&G budget that would partially offset any revenue gains.

I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,



Randall J. Hoffbeck  
Commissioner

Attachments: Fisheries Business Tax return walkthrough; SWAP estimates for 6 species; List of Items Taxed to Support Wildlife and Sport Fish Restoration

# Filing a Fisheries Business Tax Return in Revenue Online

By Michael Kazmac

March 15, 2016

Enrolling in our new system Revenue Online allows the taxpayer to file tax returns electronically. After a short adjustment period the new program should make filing returns faster with greater accuracy. A taxpayer has to provide a considerable amount of information to file a complete Fisheries Business tax return. This presentation highlights the reporting requirements:

In this example, the taxpayer is filing its 2016 tax return, which is due March 31, 2017. To start the process of filing a Fisheries Business tax return for a floating processor (FP) through Revenue Online:

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Alaska Department of Revenue - Tax Division  
**Revenue Online**

Menu ATT Log Off

Home  
Back  
Help

AKT ATT

Data: mdkazmac  
RunDate: 31-Mar-2017

Navigation ATT

My Accounts  
Fish Business Tax  
Fisheries Business Tax Return -  
December 31, 2016

1. Introduction 2. Activity 3. Activity

Given your endorsement type, an activity type may already be pre-selected for you. You may select other activity types if needed.

Floating Facility

Shore-based Salmon Cannery

Shore-based Facility

Direct Markeler

Cancel Save and Continue Previous Next

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The taxpayer is prompted to choose the endorsement type (license type). After clicking "next":

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**Revenue Online**

1. Introduction 2. Activity 3. Activity 4. Schedule Selection

Menu Log Off  
**ATT**  
 Home  
 Back  
 Help

AKT  
**ATT**  
 Data: mdkazmac  
 RunDate: 31-Mar-2017

Navigation  
**ATT**  
 My Accounts  
 Fish Business Tax  
 Fisheries Business Tax Return -  
 December 31, 2016

Given your endorsement type, some schedules may be pre-selected for you. You may select any other schedules if you need to.

	Established ⓘ	Developing ⓘ
① Schedule 1 - Caught and Processed	<input checked="" type="checkbox"/>	<input type="checkbox"/>
① Schedule 2 - Purchased and Processed	<input checked="" type="checkbox"/>	<input type="checkbox"/>
① Schedule 3 - Transported Unprocessed	<input type="checkbox"/>	<input type="checkbox"/>
① Schedule 4 - Custom Processed by Others	<input checked="" type="checkbox"/>	<input type="checkbox"/>
① Schedule 5 - Custom Processed (Unlicensed)	<input type="checkbox"/>	<input type="checkbox"/>

Cancel Save and Continue Previous Next

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The taxpayer chooses one or more of the five schedules of the return by checking the appropriate boxes. FPs can engage in all the activities described in the 5 different schedules.

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**Revenue Online**

1. Introduction 2. Activity 3. Activity 4. Schedule Selection 5. Schedule 1 - Caught and Processed

Menu  
**ATT**  
 Home  
 Back  
 Help

AKT  
**ATT**

Data: mdkazmac  
 RunDate: 31-Mar-2017

Navigation  
**ATT**

My Accounts  
 Fish Business Tax  
 Fisheries Business Tax Return -  
 December 31, 2016

Log Off

This schedule must be completed for all fisheries resources processed by your company that were taken in company-owned or company-subsidized boats operated by employees, or in boats under lease or other agreement.

Floating Facility  
 Established 0.00

1 - 3 of 3 Show Errors				
Species	Pounds	Value	Processing location code	
110 - Cod, Pacific (Gray)	850,000	225,000.00	6103 - City of King Cove	
270 - Pollock, Walleye	1,500,000	350,000.00	6401 - City of Akutan	
440 - Salmon, Pink	1,200,000	300,000.00	4601 - City of Cordova	
3 Rows		3,550,000	875,000.00	

OK Cancel

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The FP fills out Schedule 1-Caught and Processed. The FP includes species, pounds, value (exvessel or value in the round), and processing location code (the basis which Alaska shares Fisheries Business revenue with municipalities).

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Alaska Department of Revenue - Tax Division  
**Revenue Online**

Menu Log Off Activity 3. Activity 4. Schedule Selection 5. Schedule 1 - Caught and Processed 6. Schedule 2 - Purchased and Processed

ATT  
 Home  
 Back  
 Help

AKT  
 ATT

Data: mdkazmac  
 RunDate: 31-Mar-2017

Navigation  
 ATT  
 My Accounts  
 Fish Business Tax  
 Fisheries Business Tax Return -  
 December 31, 2016

This schedule must be completed for all established fisheries resources that your company purchased and processed.

Floating Facility

Established

1 - 1 of 1 Show Errors

Species	Pounds	Value	Processing location code
450 - Salmon, Chum	4,600,000	1,200,000.00	1101 - City of Ketchikan
	4,600,000	1,200,000.00	

OK Cancel

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The FP fills out Schedule 2- Purchased and Processed. FPs can buy fisheries resources from other fishermen as well as process their own catch.

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Alaska Department of Revenue - Tax Division  
**Revenue Online**

5. Schedule 1 - Caught and Processed 6. Schedule 2 - Purchased and Processed 7. Schedule 4 - Custom Processed by Others

Menu Log Off  
 ATT

Home  
 Back  
 Help

AKT  
 ATT

Data: mdkazmac  
 RunDate: 31-Mar-2017

Navigation  
 ATT

My Accounts  
 Fish Business Tax  
 Fisheries Business Tax Return  
 December 31, 2016

This schedule must be completed for all established and developing fisheries resources that your company had custom processed by another licensed fisheries business.

	Floating Facility	Shore-based Salmon Cannery	Shore-based Facility & DM License Holder
Established	0.00	0.00	0.00

1 - 1 of 1 Show Errors

	Lic #	Processor's name	Species	Pounds	Value	Processing location code
	7599	Ocean Canning	420 - Salmon, Sock	1,100,000	400,000.00	1507 - City and Borough of Wrangell
				1,100,000	400,000.00	

OK Cancel

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The FP fills out Schedule 4- Custom Processed by Others. The FP can also have custom processing performed on its behalf. Here, the FP reports retaining ownership of 1.1 million pounds of sockeye as it is being canned by another processor.



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Revenue Online

Menu [Log Off](#)  
ATT

Home  
Back  
Help

AKT  
ATT

Data: mdkazmac  
RunDate: 31-Mar-2017

Navigation  
ATT

My Accounts  
Fish Business Tax  
Fisheries Business Tax Return -  
December 31, 2016

Caught and Processed > 6. Schedule 2 - Purchased and Processed > 7. Schedule 4- Custom Processed by Others > 8. Part Summary

Part 1: Established

	Floating Facility	Shore-based salmon cannery	Shore-based facility and DM license holder
1E Caught and processed	875,000.00	0.00	0.00
2E Purchased and processed	1,200,000.00	0.00	0.00
3E Transported unprocessed	0.00	0.00	0.00
4E Custom processed by others	0.00	400,000.00	0.00
5E Custom processed (unlicensed)	0.00	0.00	0.00
<b>Total Value of Schedules 1E - 5E.</b>	<b>2,075,000.00</b>	<b>400,000.00</b>	<b>0.00</b>

Part 2: Developing

	Floating Facility	Shore-based salmon cannery	Shore-based facility and DM license holder
1D Caught and processed	0.00		0.00
2D Purchased and processed	0.00		0.00
3D Transported unprocessed	0.00		0.00
4D Custom processed by others	0.00		0.00
5D Custom processed (unlicensed)	0.00		0.00
<b>Total Value of Schedules 1D - 5D</b>	<b>0.00</b>		<b>0.00</b>

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After completing the schedules, the FP sees the summary of total values for each section of the schedules.

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Alaska Department of Revenue - Tax Division  
**Revenue Online**

Menu Log Off ATT  
 Home Back Help  
 AKT ATT  
 Data: mdkazmac  
 RunDate: 31-Mar-2017  
 Navigation ATT  
 My Accounts  
 Fish Business Tax  
 Fisheries Business Tax Return -  
 December 31, 2016

Module 2 - Purchased and Processed 7. Schedule 4 - Custom Processed by Others 8. Part Summary 9. Tax Calculation Summary

**Total Tax Liability Calculation**

Total Established Tax	121,750.00	<a href="#">Details</a>
Total Developing Tax	0.00	<a href="#">Details</a>
<b>Total Tax Liability Before Credits</b>	<b>121,750.00</b>	

**Established Tax Details**

Established Tax Calculation	Floating Facility	Shore-based salmon cannery	Shore-based facility and DM license holder
Total Value of Schedules 1E - 5E.	2,075,000.00	400,000.00	0.00
Tax Rate	0.05	0.045	0.03
Tax. Multiply column total by tax rate.	103,750.00	18,000.00	0.00

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Next, the FP has the option to see the gross Fisheries Business tax calculation broken down by tax rate (Floating facility 5%; Salmon cannery 4.5%).

State of Alaska myAlaska My Government Resident Business in Alaska Visiting Alaska State Employees

Tax Division  
Alaska Department of Revenue - Tax Division  
**Revenue Online**

Menu Log Off  
ATT

Home  
Back  
Help

AKT  
ATT

Data: mdkazmac  
RunDate: 31-Mar-2017

Navigation  
ATT

My Accounts  
Fish Business Tax  
Fisheries Business Tax Return -  
December 31, 2016

Selection > 5. Schedule 2 - Purchased and Processed > 6. Part Summary > 7. Tax Calculation Summary > 8. Custom Processing

Did you custom process resources for another licensed fisheries business?

Yes No

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After the tax calculation summary, the FP must report any custom processing activity for another fisheries business license holder.

State of Alaska myAlaska My Government Resident Business in Alaska Visiting Alaska State Employees

Alaska Department of Revenue - Tax Division  
**Revenue Online**

Menu Log Off  
 ATT

Home  
 Back  
 Help

AKT  
 ATT

Data: mdkazmac  
 RunDate: 31-Mar-2017

Navigation  
 ATT

My Accounts  
 Fish Business Tax  
 Fisheries Business Tax Return -  
 December 31, 2016

5. Part Summary 6. Part Summary 7. Tax Calculation Summary 8. Custom Processing 9. Schedule 6 - Custom Processor Information

This schedule must be completed for fisheries resources that your company processed for other licensed fisheries businesses. Please provide the information below for each licensed fisheries business for whom you did custom processing during the year.

1 - 1 of 1 Show Errors

Lic #	Fisheries business name	Species	Pounds
9995	Salmon, Inc.	440 - Salmon, Pink	20,000
			20,000

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The FP fills out Schedule 6- Custom Processor Information. Here the FP reports all processing performed on behalf of other fisheries businesses. Reporting this activity is mandatory. The department does periodic compliance projects to ensure these resources are subject to tax.

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Alaska Department of Revenue - Tax Division  
**Revenue Online**

Menu Log Off  
ATT

Home  
Back  
Help

AKT  
ATT

Date: mdkazmac  
RunDate: 31-Mar-2017

Navigation  
ATT

My Accounts  
Fish Business Tax  
Fisheries Business Tax Return -  
December 31, 2016

7. Tax Calculation Summary 8. Custom Processing 9. Schedule 6 - Custom Processor Information 10. Selling Unprocessed

Did you sell fisheries resources unprocessed in Alaska?

Yes No

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Next the FP must report any unprocessed resources it sold without processing within Alaska.

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Alaska Department of Revenue - Tax Division  
**Revenue Online**

Menu Log Off

**ATT**

Home  
 Back  
 Help

**AKT**  
**ATT**

Data: mdkazmac  
 RunDate: 31-Mar-2017

Navigation  
**ATT**

My Accounts  
 Fish Business Tax  
 Fisheries Business Tax Return -  
 December 31, 2016

Schedule 6 - Custom Processor Information    10. Selling Unprocessed    **11. Schedule 7 - Sold Unprocessed in Alaska or Under Exclusion**

This schedule must be completed for all established and developing fisheries resources caught and sold headed and/or frozen by fishermen qualifying for the tax exclusion under AS 43.75.017, as well as for unprocessed fisheries resources sold in Alaska by your company.

1 - 1 of 1		Show Errors				
	Lic #	Purchaser name	Purchaser address	.017	Species	Pounds
	5555	Halibut, LLC	999 Main St. Juneau, AK	<input checked="" type="checkbox"/>	200 - Halibut	5,000
				<input type="checkbox"/>		5,000

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[Tax Home](#)    [Revenue](#)    [Contact Us](#)

The FP fills out Schedule 7- Sold Unprocessed in Alaska or Under Exclusion. A resource is Under Exclusion when a fisherman sells unprocessed resource to a licensed processor (AS 43.75.017). In this example, if Halibut, LLC exports the unprocessed halibut out of Alaska or processes it in the state, Halibut, LLC would be subject to the Fisheries Business tax.

State of Alaska myAlaska My Government Resident Business in Alaska Visiting Alaska State Employees

Alaska Department of Revenue - Tax Division  
**Revenue Online**

Menu Log Off  
 ATT

Home  
 Back  
 Help

AKT  
 ATT

Data: mdkazmac  
 RunDate: 31-Mar-2017

Navigation  
 ATT

My Accounts  
 Fish Business Tax  
 Fisheries Business Tax Return -  
 December 31, 2016

Processor Information > 10. Selling Unprocessed > 11. Schedule 7 - Sold Unprocessed in Alaska or Under Exclusion > 12. Credits Selection

Select the credit types you would like to claim.

- Education Credits
- A.W. "Winn" Brindle Scholarship Credits
- Film Credits
- Product Development Credits or Recapture

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After reporting the sold unprocessed schedule, the FP has the opportunity to claim any tax credits.

State of Alaska myAlaska My Government Resident Business in Alaska Visiting Alaska State Employees

Tax Division  
Alaska Department of Revenue - Tax Division  
**Revenue Online**

11. Schedule 7 - Sold Unprocessed in Alaska or Under Exclusion 12. Credits Selection 13. Credit Summary 14. Payments

Menu  
ATT  
Log Off

Home  
Back  
Help

AKT  
ATT

Data: mdkazmac  
RunDate: 31-Mar-2017

Navigation  
ATT

My Accounts  
Fish Business Tax  
Fisheries Business Tax Return -  
December 31, 2016

Total payments	0.00
Overpayment carryover from line 8b of previous Alaska Fisheries Business Tax Return	0.00
AMENDED AND BONUS RETURNS ONLY - Taxes previously paid for this year	0.00
<b>Total payments.</b>	<b>0.00</b>

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After the credit section, the FP reports any tax-prepayments or taxes previously paid for the tax year.

State of Alaska myAlaska My Government Resident Business in Alaska Visiting Alaska State Employees

Alaska Department of Revenue - Tax Division  
**Revenue Online**

Menu Log Off Processing 11. Selling Unprocessed 12. Credits Selection 13. Credit Summary 14. Payments 15. Return Summary

ATT

Home  
 Back  
 Help

AKT  
 ATT

Data: mdkazmac  
 RunDate: 31-Mar-2017

Navigation  
 ATT

My Accounts  
 Fish Business Tax  
 Fisheries Business Tax Return -  
 December 31, 2016

Tax Liability		
1a. Established. Enter Amount from Part 1, line 8	121,750.00	Part 1: Established
1b. Developing. Enter amount from Part 2, line 8	0.00	Part 2: Developing
1c. Total tax liability. Add lines 1a and 1b	121,750.00	
Credits		
2a. A.W. "Winn" Brindle credit. Schedule WB, line 6	0.00	
2b. Alaska Education Credit. Schedule EC, line 9	0.00	
2c. Product Developing credit from Schedule PD	0.00	
2d. Film Production Credit (attach certificate)	0.00	
2e. Total Credits. Add lines 2a through 2d.	0.00	
Total Liability		
3. Net fisheries business tax. Subtract line 2e from 1c	121,750.00	
4. Production Development credit recapture from Schedule PD	0.00	
5. Total liability. Add lines 3 & 4 (Reported)	121,750.00	
Payment		
6. Total payments from part 3, line 12	0.00	Part 3: Payments
Amount Due		
7. If line 6 is less than or equal to line 5, subtract line 6 from line 5	121,750.00	
Overpayment		
8. If line 6 is greater than line 5, subtract line 6 from line 5	0.00	

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And this is the summary page at the end of the filing. Taxpayers have the opportunity to review all sections of the return before filing the return and remitting the tax.

**Summary of Revenue Changes from the Fishery Resource Landing Tax:  
Difference Between the Published SWAP and an Alternate Estimated  
Price for Select Species**

<b>Species</b>	<b>2014 SWAP</b>	<b>Alternate Estimated Price</b>	<b>Estimated Revenue Change</b>
Atka mackerel	\$ 0.10	\$ 0.36	\$ 537,323
Yellowfin sole	\$ 0.02	\$ 0.13	\$ 950,293
Alaska plaice	\$ 0.07	\$ 0.13	\$ 45,237
Flathead sole	\$ 0.13	\$ 0.18	\$ 36,823
Rock sole	\$ 0.22	\$ 0.15	- \$ 182,458
Greenland turbot	\$ 0.02	\$ 0.47	\$ 35,628

# Items Taxed to Support Wildlife and Sport Fish Restoration in America



SERIES 2006

*Manufacturers, producers and importers pay an excise tax on shooting, archery, and angling equipment. Recreational boaters also contribute with fuel and electric motor taxes. The U.S. Fish and Wildlife Service administers the Wildlife and Sport Fish Restoration Programs and distributes funds to State fish and wildlife resource agencies. Each year, millions of dollars are dedicated to fish and wildlife restoration and enhancement projects across the country.*

*Since implementation, more than \$13 billion have been collected, distributed, and matched with funds from State agencies. Projects focus on fish and wildlife management, species and habitat restoration, habitat protection, land acquisition, scientific study, population monitoring, hunter and aquatic education, and access for hunting, fishing and boating.*

## Cycle of Success

Public Benefits =  
Opportunities,  
Choices &  
Recreation

Industry  
Benefits = Sales,  
Growth &  
Conservation

State Fish and Wildlife  
Agencies  
Fund Projects

Grant Funds allocated to  
State Resource Agencies

Hunters, Shooters,  
Anglers & Boaters  
Purchase Equipment  
and Fuels

Manufacturers Pay  
Excise Taxes &  
Custom Duties on  
Sales

Tax Collections  
TTB - Firearms/Ammunition  
IRS - Archery/Fishing  
Equipment and Fuels  
CBP - Import Duties

Deposited into Wildlife  
Restoration Account and  
Sport Fish Restoration &  
Boating Trust Fund

U.S. Fish & Wildlife  
Service

WILDLIFE  
RESTORATION



Photo: USFWS

*Arms and  
Ammunition*

**Wildlife Restoration Program**

Federal Firearms and Ammunition Excise Tax (FAET) is imposed on the sale or business use of the following articles by the manufacturer, producer or importer thereof at the following rates:



Photo/USFWS

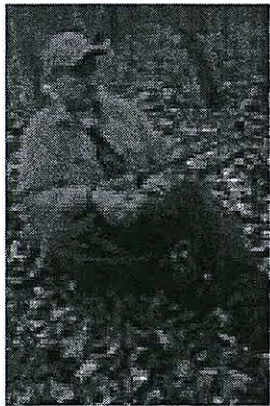
■ Handguns (10%)

1. Pistols
2. Revolvers

■ Other Firearms (11%)

Includes any portable weapons, such as:

1. Rifles
2. Carbines
3. Machine guns
4. Shotguns
5. Fowling pieces



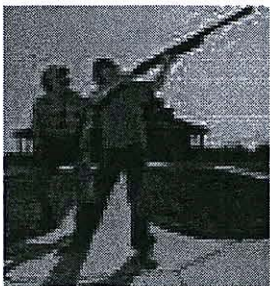
Photo/USFWS

■ Portable weapons that use matchlock, flintlock, percussion cap ignition system, or black powder firearms

6. Antique firearms

■ Shells and Cartridges (11%)  
(Ammunition)

In addition, FAET is imposed on the following:



Photo/Indiana  
Department of Natural  
Resources

■ Firearms Parts or Accessories;  
The sales of completed firearms, pistols, revolvers, shells and cartridges and the sale of such articles that, **although in knockdown condition**, are complete as to all component parts.



Photo/Missouri  
Department of  
Conservation©

■ Reloaders;

A person who reloads used shell or cartridge cases if such reloaded shells or cartridges are sold by the reloader. However, if the reloader (in return for a fee and expenses) reloads casings of shells or cartridges with the identical casings provided by the customer to that customer no FAET attaches. The customer in this situation could be liable for FAET depending on what the customer does with the reloaded shells or cartridges (sells or puts to personal use).

■ Gunsmiths

Gunsmiths should contact TTB to determine whether or not their specific activities are taxable or non-taxable. In general, two events must occur for the FAET to apply to the alteration or modification of any firearm:

1. An act of manufacture involving firearm must occur.
2. The person who is responsible for the act of manufacture must sell the firearm or use it for a business use.

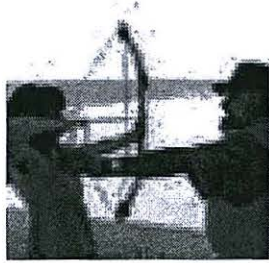


Photo/USFWS

To be considered an "act of manufacture," alterations must materially change a firearm so that a different article results. Modifications to a firearm that significantly change the function of a firearm also amount to manufacture.

*Source: Alcohol and Tobacco Tax and Trade Bureau (TTB). This listing represents the majority of items taxed.*

## *Bows and Arrows*



Photo/USFWS



Photo/NEBRASKAland Magazine/Nebraska Game and Parks Commission

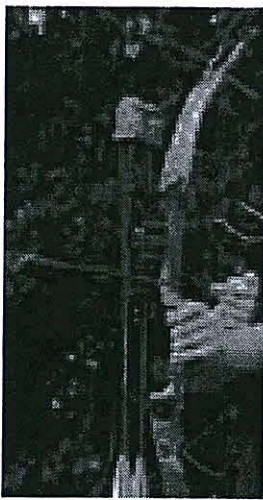


Photo/NEBRASKAland Magazine/Nebraska Game and Parks Commission

Archery equipment is taxed at 11% of sales price and includes:

- Points, tips and broadheads
- Arrow holders (all items to be affixed to a bow to hold an arrow in ready position)
- Arrow plates (whether fixed, adjustable, spring loaded, etc.)
- Arrow rests (whether bow shelf or auxiliary type)
- Quivers designed to provide ready access to taxable arrows during the time the archer is engaged in target shooting, hunting, fishing, regardless of material from which constructed (including bow quivers for attaching to bows and ground quivers)
- Bows – draw weight 30 pounds or more, including laminated, composite bows, solid glass, wood, steel, etc, bows and crossbows

1. Bow parts and accessories including:
2. Bow handles, handle sections, bow levels, bow limbs
3. Bow saddles (including interchangeable or replaceable bow grips)
4. Bow sights and bow sight extensions (including parts and attachments therefore)
5. Bow silencing pads
6. Bow wrist slings
7. Bow stabilizers (for all attachments and weights for use on bows to effect stabilization, counterbalancing, modification of weight distribution)



Photo/USFWS

8. Bowstrings
9. Draw stops
10. Finger protectors attached to bowstring
11. Grip formers
12. Kisser buttons (all items attached to bowstring to establish consistent anchor point)
13. Nocking points (all items attached to bowstring to establish arrow positioning)

14. Bowstring silencers

15. Bow tip protectors

16. Brush buttons

17. Cable guards and slides

18. Camouflaged bow covers (slip-over cloth, self adhesive tape type, etc)

19. Draw checks (spring loaded clickers, mirrors, or any other device attached to bow or string to insure consistent draw length)

20. Release draw bars

21. String peeps (all items attached to bowstring for use in sighting)



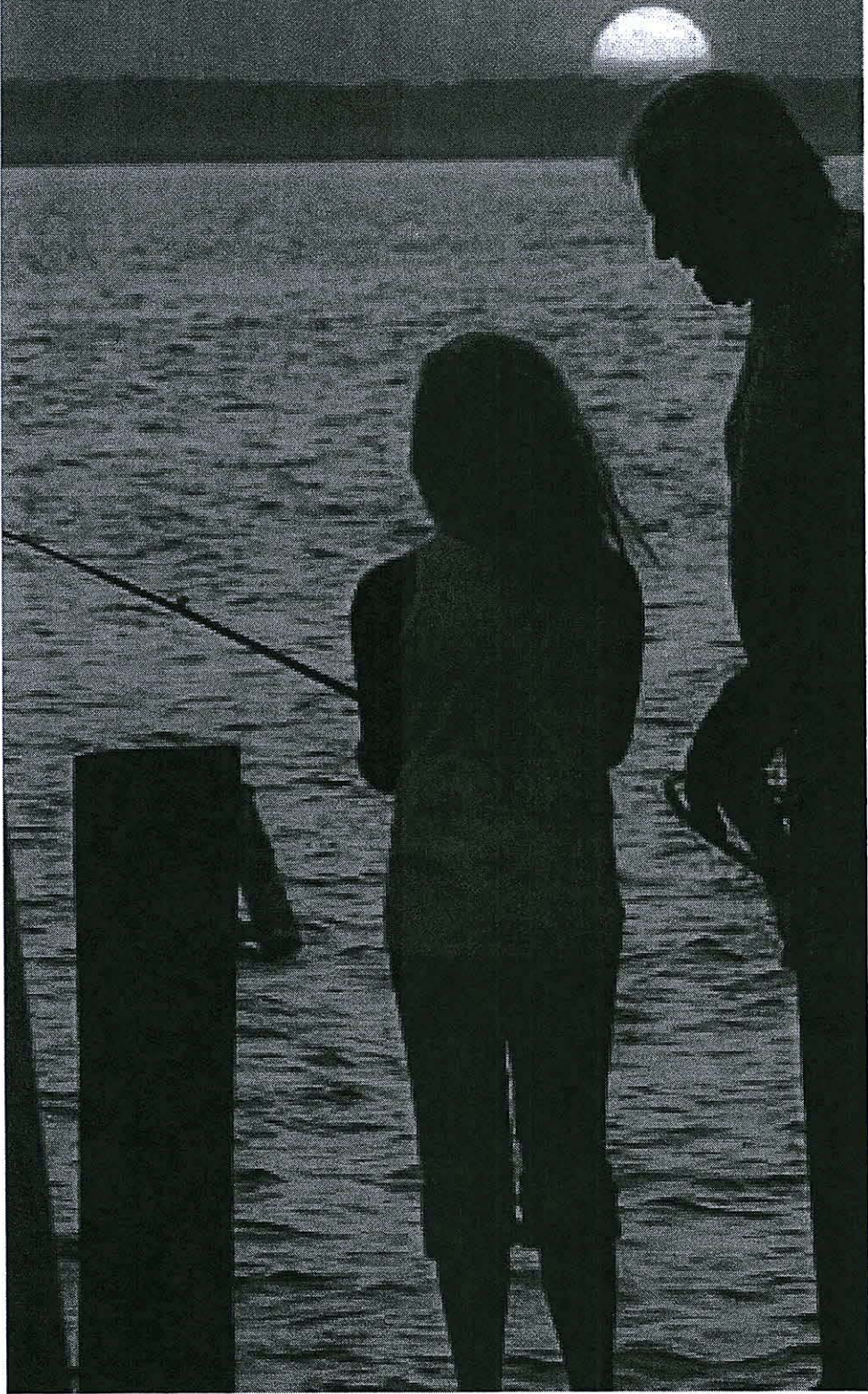
Photo/NEBRASKAland Magazine/Nebraska Game and Parks Commission

*Arrows*-Beginning 3/1/2005 the tax on arrow components was changed to tax on arrow shafts whether in a finished or unfinished form. This tax is based on a set amount per shaft regardless of the price for which it is sold and is adjusted for inflation. For periods after 1/1/09 this amount is 45 cents per shaft. The rate is adjusted Jan 1 of each year.

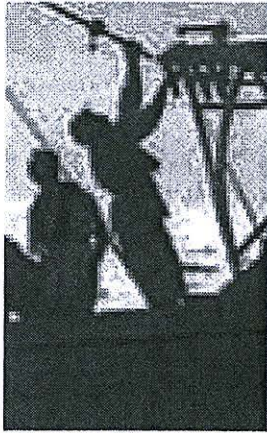


Photo/NEBRASKAland Magazine/Nebraska Game and Parks Commission

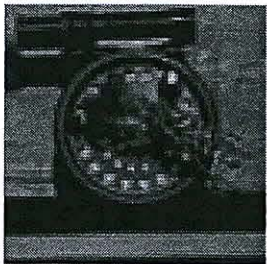
*Source: Internal Revenue Service (IRS). This listing represents the majority of items taxed.*



## *Sport Fishing Equipment*



Photo/Take Me Fishing.  
org©



Photo/NEBRASKAland  
Magazine/Nebraska Game  
and Parks Commission



Photo/USFWS

## **Sport Fish Restoration Program**

Sport fishing equipment is taxed at 10% of the sales price and includes:

■ Fishing rods and poles (maximum tax of \$10) and component parts, including;

1. Rod handle
2. Guide
3. Reel seat
4. Blank rod
5. Tip-top
6. Ferrule

■ Fishing reels:

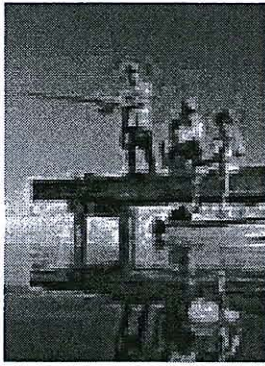
1. Fly fishing reels
2. Reels or spools designed for use in ice fishing
3. Reels or spools employed for dispensing and retrieving line attached to arrows and spears used in fishing

■ Fly fishing lines and other fishing lines not over 130 pounds test

■ Fishing spears, spear guns, and spear tips

■ Items of terminal tackle including:

1. Leaders including swivels and snaps
2. Artificial lures including plugs, spoons, jigs, feathers, spinners, soft-plastic lures, and spear fishing decoys
3. Artificial baits
4. Artificial flies
5. Fishing hooks



Photo/Take Me Fishing.org©

6. Bobbers
7. Sinkers
8. Snaps
9. Drayles
10. Swivels

■ Fishing supplies and accessories including:

1. Fish stringers
2. Creels
3. Tackle and fly boxes (taxed at 3%)
4. Bags, baskets, and other containers designed to hold fish
5. Portable bait containers (minnow buckets, floating cages, and grasshopper cages)
6. Fishing vests
7. Landing nets
8. Gaff hooks including straight or fixed-head gaffs, flying gaffs, and tuna hooks



Photo/USFWS

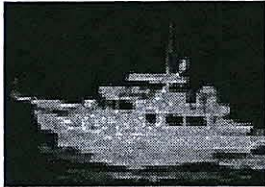
9. Fishing hook disgorgers
10. Dressing for fishing lines or artificial flies



Photo/NEBRASKAland Magazine/  
Nebraska Game and Parks  
Commission



Photo/Take Me Fishing.org©



Photo/USFWS

### *Electric Outboard Boat Motors*

### *Import Duties*

### *Motorboat and Small Engine Fuel*

*Source: Internal Revenue Service (IRS). This listing represents the majority of items taxed.*

- Fishing tip-ups and tilts including the following components:

1. Spool on a spindle
2. Spring mounted flag on opposite ends of a vertical pole or arm with cross members to support the pole or arm over ice

- Fishing rod belts (gimbal belt)

- Fishing rod-holders

- Fishing harnesses (fighting chair harness)

- Fish fighting chairs (permanent or removable in boats)

- Fishing outriggers

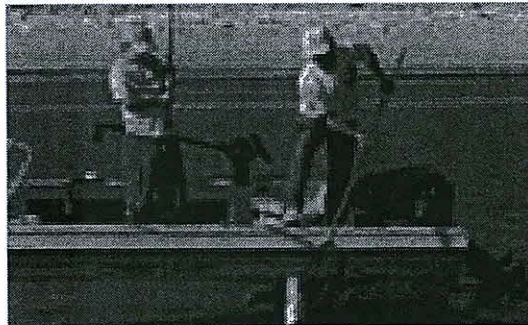
- Fishing downriggers

- Resale of certain fishing equipment

- A tax of 3% of the sale price is imposed on:  
Electric outboard boat motors

- Import duties of 1% to 3% are imposed on boat hulls, inflatable boats, sailboats, motorboats, rowboats, yachts, and inflatable rafts. Import duties of to 3.7% 9.2% are imposed on fishing rods, fish hooks, line fishing tackle; landing nets, butterfly nets and similar nets.

- A tax is imposed on motorboat fuel and small engine fuel.

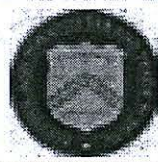


Photo/NEBRASKAland Magazine/Nebraska Game and Parks Commission

U.S. Fish and Wildlife Service  
Wildlife and Sport Fish Restoration Program  
4401 N. Fairfax Drive, Suite 4020  
Arlington, VA 22203  
703/358-2156

<http://www.fws.gov>  
<http://wsfrprograms.fws.gov/>

January 2011



*THANK YOU to  
manufacturers,  
producers, and  
importers of sporting  
goods for keeping our  
outdoor tradition alive!*

**SITKA LEGISLATIVE INFORMATION OFFICE**

Email: Sitka\_LIO@legis.state.ak.us  
907-747-6276/ phone -- 907-747-5807/fax

**WRITTEN TESTIMONY**

NAME: Peter Karras Jr  
REPRESENTING: myself  
BILL#/ SUBJECT: HB 251

COMMITTEE &  
HEARING DATE: was scheduled for 3-09-16

~~HB 251~~ I would like to  
~~op~~ opose this bill (I am against)  
the raising of taxes on commercial fishing  
why not tax the out of  
state charter fisheries.

Peter Karras

907-738-2434

AMENDMENT

OFFERED IN THE HOUSE  
TO: HB 283

BY REPRESENTATIVE STUTES

1 Page 1, line 2:

2 Delete "**providing for an effective date**"

3 Insert "**establishing an Advisory Board of Protected Waters**"

4

5 Page 1, line 4:

6 Delete "a new section"

7 Insert "new sections"

8

9 Page 1, line 6:

10 Delete "not"

11

12 Page 1, line 7:

13 Delete "except by an act of the legislature"

14 Insert "by the commissioner after the commissioner receives a recommendation from  
15 the Advisory Board of Protected Waters. If the commissioner receives a nomination  
16 recommendation from the board but does not follow the recommendation, the commissioner  
17 shall, in writing, explain why the recommendation was not followed."

18

19 Page 1, line 8:

20 Delete "department"

21 Insert "Advisory Board of Protected Waters"

22

23 Page 1, line 11, through page 2, line 3:

1 Delete all material and insert:

2 **"\* Sec. 2.** AS 46.03 is amended by adding a new section to read:

3 **Sec. 46.03.087. Advisory Board of Protected Waters.** (a) The Advisory  
4 Board of Protected Waters is established in the department.

5 (b) The board shall consist of nine voting members as follows:

6 (1) three permanent members:

7 (A) the commissioner of environmental conservation, who shall  
8 chair the board;

9 (B) one biologist from the Department of Environmental  
10 Conservation, appointed by the commissioner;

11 (C) one biologist from the Department of Natural Resources,  
12 appointed by the commissioner of natural resources; and

13 (2) six rotating members, representing the region or regions in which  
14 the nominated water is located, appointed by the commissioner:

15 (A) two representatives from a regional fishing organization;

16 (B) two representatives from a regional mining organization;

17 (C) two representatives from a regional Native corporation.

18 (c) The commissioner shall appoint rotating members of the board as soon as  
19 practicable after the board receives a nomination that meets the nomination criteria  
20 established under (g) of this section. The term of a rotating board member expires on  
21 the date the board takes final action on a nomination. The applicable commissioner  
22 shall fill a vacancy on the board within 30 days.

23 (d) Members of the board do not receive a salary and are not entitled to per  
24 diem and travel expenses authorized for boards and commissions under AS 39.20.180.

25 (e) Five members of the board constitute a quorum for the conduct of business.  
26 A majority of the membership of the board must approve a recommendation for  
27 nomination for a designation of an outstanding national resource water.

28 (f) The board shall consider nominations one at a time in the order that they are  
29 received. The commissioner shall determine whether a nomination meets the criteria  
30 established under (g) of this section.

31 (g) The department, in consultation with the board, shall propose and adopt

1 regulations that establish

2 (1) the process for the submittal of a nomination and for the submittal  
3 of additional information related to a nomination;

4 (2) nomination acceptance criteria; regulations adopted under this  
5 paragraph must include a requirement that a nomination demonstrate that the  
6 nominated water is outstanding because of its ecological or recreational significance,  
7 its existing water quality, or its proximity to, adjacency to, or location within existing  
8 protected waters;

9 (3) public notice and public hearings for all nominations meeting  
10 qualifications under (2) of this subsection;

11 (4) a method to provide individual notice to known owners of land  
12 adjacent to the nominated water; and

13 (5) scientific and other requirements that must be met before water can  
14 be designated outstanding national resource water.

15 (h) The department shall provide staff for administrative support for the  
16 board."

17

18 Renumber the following bill sections accordingly.

19

20 Page 2, lines 8 - 13:

21 Delete all material.

NEW SUSTAINABLE

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*Pulling Together to Build Our Future*

**Fish Tax**

**HB251**

## *Bill Title*

“An Act requiring the electronic submission of a tax return or report with the Department of Revenue; relating to fisheries business tax and fishery resource landing tax; relating to refunds to local governments; and providing for an effective date.”

## *Fish Business Tax Overview*

- Paid by persons or business who **process fish in Alaska** or **export fish from Alaska**
- Charged on price for raw resource or fair market value



Photo courtesy Gail Smith, ADF&G

---

## *Fish Business Tax History*

- Territorial “salmon pack tax” in 1913
  - Tax base expanded to include other fish between 1913 and 1949
- Fish business license required in 1951
- Municipal sharing began in 1962
  - Increased from 10% to 50% over time

## *Fish Business Tax History (Continued)*

- Current tax structure began in 2004
  - Shore-based facility:
    - 1% for developing species
    - 3% for established species
  - Floating facility:
    - 3% for developing
    - 5% for established
  - Salmon cannery: 4.5%
- Direct Marketing License holders pay shore-based rates

## *Fish Landing Tax Overview*

- Levied on **unprocessed value** of a fishery resource **first landed in Alaska, but processed outside**
  - Value calculated using Statewide Average Price (SWAP)
- Mainly factory trawlers and floating processors
- 50% municipal sharing, like Business Tax



Photo courtesy Alaska Seafood

## *Fish Landing Tax History*

- Effective 1994
- Initially 3.3% of the unprocessed value
- Now:
  - 1% for developing species
  - 3% for established species
- Exception: **pollock** subject to Landing Tax even if not landed in Alaska
  - Due to 1999 American Fisheries Act

# *Distribution of Fish Tax Revenue*

10 Fish Tax Revenue

50%

10 Communities  
and Boroughs

50%

10 General Fund  
10 Credits

## *Fish Business Tax Revenue*

<b>Business Tax (\$ millions)</b>	<b>FY 2015</b>	<b>FY 2014</b>	<b>FY 2013</b>
Total collections	44.4	53.0	45.1
Municipal share	23.1	26.5	25.0
<b>Retained by state</b>	21.3	26.5	20.0

- State share normally smaller than municipal share because of credits

## *Fish Landing Tax Revenue*

Landing Tax (\$ millions)	FY 2015	FY 2014	FY 2013
Total collections	8.4	12.6	13.4
Municipal share	3.2	5.4	7.8
<b>Retained by state</b>	5.1	7.1	5.5

## *Fish Tax Proposal*

- Increases Fisheries Business Tax and Fishery Resource Landing Tax by 1% for established species

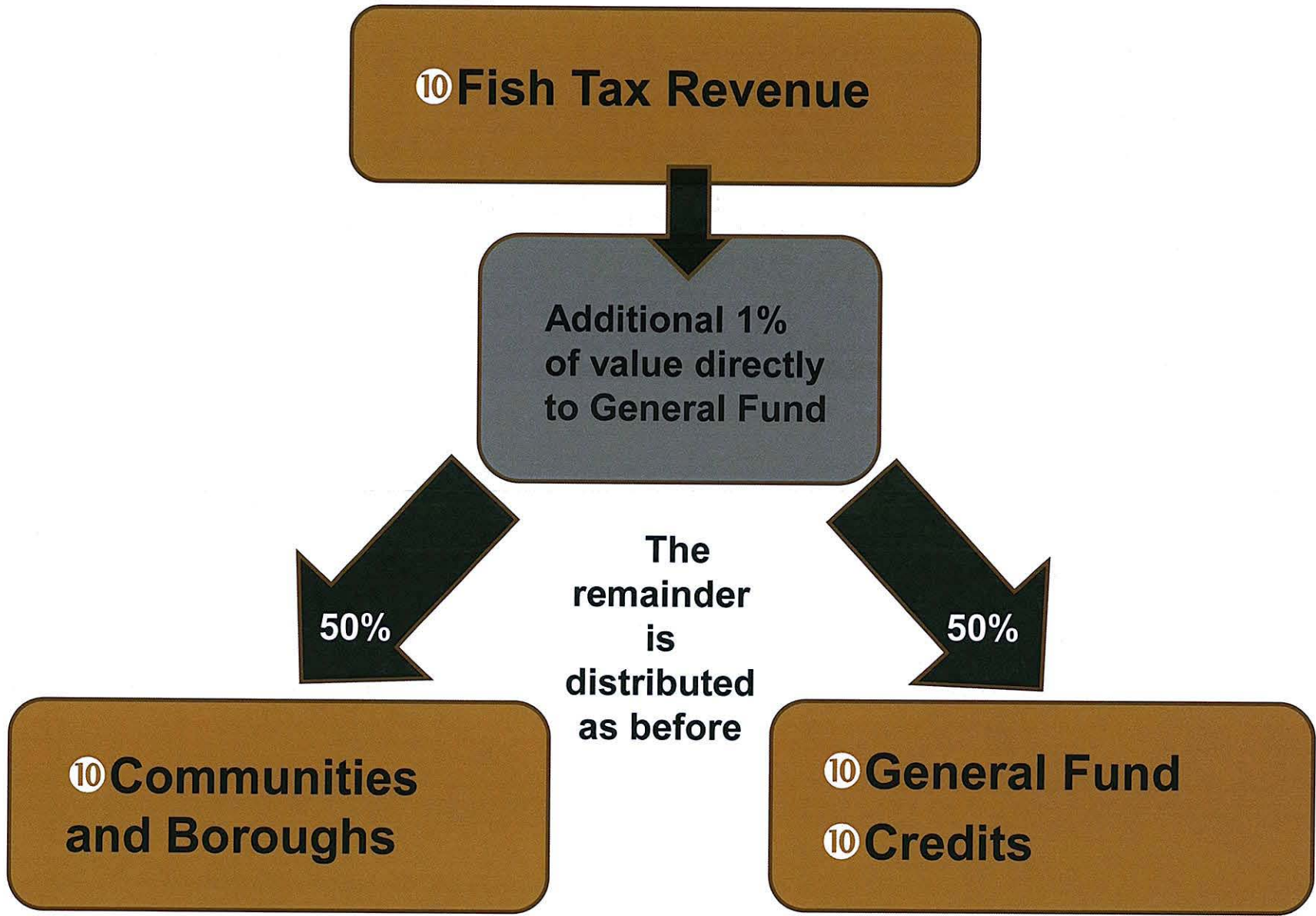
Business Tax	Current Rate	Proposed Rate
<b>Established</b>		
Floating	5%	6%
Salmon Cannery	4.5%	5.5%
Shore-based	3%	4%
<b>Developing</b>		
Floating	3%	4%
Shore-based	1%	1%

## *Fish Tax Proposal (Continued)*

<b>Resrc Land Tax</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
<b>Established</b>	3%	4%
<b>Developing</b>	1%	1%

- 1% tax increase would be entirely state revenue, not shared with municipalities
- Municipal sharing would continue for remaining revenue
- Requires electronic filing

# *Distribution Under New Fish Tax Proposal*



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## *Relative Fish Tax Rate*

- Washington is the only other state with a tax specific to fish
  - 0.09% to 5.62% of value at point of landing
  - Rate depends on species

---

## *Revenue Impact*

- Dept. of Revenue estimates proposed fish tax increases would raise an additional \$18 million per year
- Estimates are based on the fall 2015 revenue forecast

## *Implementation Cost*

- 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 and update the current tax return forms.
- One-time implementation cost of \$100,000 to recreate tax forms and reprogram and test the tax system<sup>1</sup>
- Do not anticipate any additional costs to administer the tax program.

<sup>1</sup>This is slightly higher than some of the costs attached to the other excise and business tax changes because of the somewhat dedicated nature of the funds and the possible additional need to adjust certain Revenue Sharing features.

# *Closing the Budget Gap*

<b>FY16 Budget</b>	<b>(Millions)</b> <b>\$ 5,200</b>
--------------------	--------------------------------------

---

## **FY17 Baseline Revenue (after proposed legislation)**

AK Permanent Fund Protection Act (annual draw)	\$ 3,300
Revenue from existing taxes and fees	\$ 850
Earnings on Savings	<u>\$ 135</u>
	<b>\$ 4,285</b>

---

## **FY17 Spending Reductions**

Continue Cuts	\$ 140
Reform O&G Tax Credits	\$ 400
Net Priority Investments	<u>(\$ 40)</u>
	<b>\$ 500</b>

## *Closing the Budget Gap (Continued)*

<u>New Revenue Components (estimated)</u>	(Millions)
Mining (starting in FY 2018)	\$ 6
<b>Fishing</b>	<b>\$ 18</b>
Tourism	\$ 15
Motor Fuel	\$ 49
Alcohol	\$ 40
Tobacco	\$ 29
Oil and Gas	\$ 100
Income Tax (half in FY17; first full year is FY18)	\$ 200
	<u>\$ 457</u>
<b>Total with reductions and new revenue</b>	<b>\$ 5,242</b>

## *Impacts of Fish Tax Proposal*

- Main impact is on commercial fishing operations
  - Not much of the tax burden likely to be passed on to buyers

## *Sectional Analysis*

- Sec. 1.** Adds a \$25 or 1% tax penalty for failure to file electronically unless an exemption is received by the taxpayer
- Sec. 2.** Requires electronic submission of tax returns, license applications, and other documents submitted to the Department of Revenue. This changes the general tax statutes, AS 43.05, and will apply to all tax types administered by the department. Provides a process to request an exemption if a taxpayer does not have the technological capability to do so.
- Sec. 3.** Increases three different tax rates within the Fisheries Business Tax by one percent. The current rates range from three to five percent.
- Sec. 4.** Increases tax rate within the Fisheries Business Tax for developing fish species processed by a floating processor from 3 to 4 percent. Rate remains at 1 percent for developing fish species processed by a shore-based business.

## *Sectional Analysis (Continued)*

**Sec. 5.** Increases tax rate within the Fisheries Business Tax for direct marketers from 3 to 4 percent. Rate remains at 1 percent for developing fish species sold by direct marketers.

**Sec. 6.** Conforming language related to the requirement to submit returns or reports electronically. This section deletes the requirement for taxpayers to submit their returns to the department in Juneau.

**Sec. 7.** Establishes that the revenue from the one percent tax increase is deposited in the general fund. The remaining revenue shall be shared with municipalities per the currently existing formula.

**Sec. 8.** Increases tax rate within the Fisheries Landing Tax for fish species other than developing fish species from 3 to 4 percent. Rate remains at 1 percent for developing fish species.

## *Sectional Analysis (Continued)*

**Sec. 9.** Establishes that the revenue from the one percent tax increase is deposited in the general fund. The remaining revenue shall be shared with municipalities per the currently existing formula.

**Sec.10.** Establishes that the revenue from the one percent tax increase is deposited in the general fund. The remaining revenue shall be shared with boroughs per the currently existing formula.

**Sec. 11.** Transitional language allowing for regulations

**Sec. 12.** Section 11 above takes effect immediately.

**Sec. 13.** Effective date of 7/1/16 for the rest of the bill including the tax rate change.

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Contact Information

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(907) 465-2300

**Kevin Brooks**  
Deputy Commissioner  
Department of Fish and Game,  
KevinBrooks@Alaska.gov  
(907) 465-4100

Hello Reid and Representative Stutes,

Thank you for meeting with me on Friday to discuss Fish tax and the prospects of House Bill 251. Attached are some data pieces on seafood prices and poundage landed in 2014, coupled with a report from UFA showing various taxes and fees currently being paid by industry. Also are notes of suggestion on amending the Bill as further explained below.

As a Direct Marketer and small Catcher Processor operation involved in both State and Federal fisheries we have been intimately involved in reporting our catches to ADF&G along with filing various reports and paying both Fisheries Business Tax and the Fisheries Landing tax over the past 20 years. Therefore very familiar with how fish taxes are administered in our State.

Given that our catch data is already recorded through a Fish ticket and e-landings system, I find much of the fish tax reporting requirements redundant and complex. While HB 251 appears to request a simple and fair tax increase to fish processors in the state for the purpose of capturing more revenues, it doesn't recognize failures in our fish tax collection system that could be remedied through such a proposed Bill. I have listed these issues below coupled with suggested amendments and re-working the Bill.

Firstly, our Fish Tax Structure has evolved into something increasingly complex over the years and is in dire need of simplifying and cleaning up. Some of the goals behind the original tax types have outlived their purpose. Currently there are 9 different tax types not including separate taxes identified for salmon, Regional fisheries development, Dive and Common Property assessments which are not considered for this Bill.

Secondly, There is a lot of fish that is commercially harvested where either minimal taxes or no tax is being realized unfortunately. This may be due to a mis-applied value by certain user groups when reporting their fish values. Or whereby no assigned value is provided by the processor to the fisher, and is therefore discarded or moved aside for fish meal production where a value can eventually be realized by the processor but cannot be captured by the State.

**Suggested Solutions:**

A). For all the tax rates HB 251 references, and 3 others not reference but relative, make them all consistent at a 4% tax rate including those fisheries categorized as developing (see my attached illustration of recommendations). Then....

B). Apply a minimum or floor rate on any specie of \$.005 or \$.01/lb regardless of the Fish tax Rate applied. Therefore if the tax rate is made to be 4% then that threshold price would be \$.25/lb (\$.01/lb divided by 4% = \$.25/lb). If it was \$.005/lb, threshold price would be \$.125/lb. So the Statutes would read that Buyers or Processors would pay a 4% rate or (a chosen range of) \$.005-- \$.01/lb,, whichever is higher

C). Assure that ADF&G and DOR are applying a minimum floor price on all products on the fish ticket regardless if processor did not happen to pay the fishermen for it for various reasons, i.e..

poor quality, small sizing etc. As those products were likely disposed of for fishmeal where some value is still realized.

Giving examples-- per the SAPL, A well targeted specie like Yellow fin Sole is priced as low as \$.02/lb. (However NMFS rated such value at \$.16/lb which is a big disparity that ADF&G and DOR should look into).

In 2014 there was 335,451,850 lbs harvested (see NMFS landing report attached). Given a 3% Fisheries Bus. or Landing tax rate on this item, total tax realized by the State should have been. \$201,271.00 ((3%\*.02)\*lbs).

However If you went with a minimum or floor rate of \$.01/lb, the State would realize tax revenues of \$3,354,518.00 on this item. ( If you used a \$.005/lb rate then the tax income would be half this).

Looking at another high volume item like Pollock, it was priced at \$.15/lb per the SAPL (NMFS is at \$.13/lb on this item). Given the harvested pounds in 2014 of 3,145,605,118 lbs, tax revenues realized per the 3% FB or Landing Tax should have been around \$15,728,025 ((3%\*.15)\*lbs) . If this was rated at a floor value of \$.01/lb, realized revenues could be \$31,456,051 instead.

Arrowtooth Flounder provides another example: 109,341,051 lbs harvested at \$.06/lb per SAPL, Revenues should have been around \$196,814 ((3%\*.06)\*lbs), whereas if a \$.01/lb floor was applied realized revenues could be \$1,093,410.00 instead.

Given this concept the State can plug some holes where substantial revenues are getting lost or not fully realized while also simplify the overall tax structure. Meanwhile I encourage you to garner comparative data on potential fish tax revenues per different specie groups and apply that to the goals you are trying to meet. The current fiscal note on HB251 suggest revenue increases of \$18-20M, however if you work with the floor price option while streamlining the other tax types, I think the State could realize more revenues than expected while also leveling the playing field and make the tax types less complex.

Other considerations that should be added or secured in this bill are as follows;

- 1). For Fish tax dollars shared with Boroughs and Municipalities, such also need to be shared with the port that the product was landed at instead of only the processing port as statutes currently allow for. The landing ports have infrastructure needs and provide a gateway for receiving catch for processing, therefore should also realize some benefit of the revenue sharing.
- 2). Allow within the fish tax and revenue sharing proceeds a dedicated portion for stock assessment needs. Given this tax comes from a revenue producing industry that needs to be sustained, such allocation of funds should be made mandatory somehow.
- 3). Task ADF&G Commercial Fish Division and DOR Fish Tax Division to communicate and work more in concert with each other in effort to reduce redundancies, create consistencies and increase data accuracy with Industry. Both entities are evolving in data collection and reporting

therefore this is good timing and reason for them to be streamlining efforts as much as possible since there work is highly interrelated.

Below are sources of attachments for your reference.

[http://www.st.nmfs.noaa.gov/pls/webpls/mf\\_lndngs\\_grp.data\\_in](http://www.st.nmfs.noaa.gov/pls/webpls/mf_lndngs_grp.data_in)

<http://www.ufafish.org/wp-content/uploads/2015/02/4a-Alaska-Seafood-Industry-Taxes-Fees-021115-v1s.pdf>

<http://www.tax.alaska.gov/programs/programs/other/fish/duedates/index.aspx?60625>

<http://www.tax.alaska.gov/programs/documentviewer/viewer.aspx?6218f>

Thank you in advance for taking my comments into consideration.

Sincerely yours,

*J & R Fisheries*  
Fresh Frozen Seafood

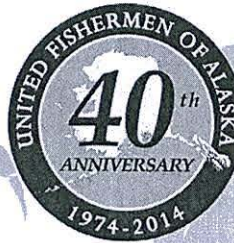


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# Tax types, rates and due dates for BUYERS

Tax Type	Rate	2013 Due Dates	2014 Due Dates	Comments
<b>FISHERIES BUSINESS TAX</b>				
<b>All Other License Types</b>		Per HB 251	Suggested Amendment*	or apply a
1. Floating Processor	5%	6%	4%	Minimum flat tax amount of .5 ~ 1¢/lb whichever is greater.
2. Salmon Cannery: Shore-based	4.5%	5.5%	4%	
3. Shore-based Processor	3%	4%	4%	
4. Exporting Unprocessed from Alaska to a shore-based processor	3%	4%	4%	
5. Exporting Unprocessed from Alaska to a Floating Processor	5%	6%	4%	Threshold Price on a 1¢/lb flat tax rate = 25¢/lb.
6. Commercial Fisheries Floating Processor	3%	4%	4%	on a 2.5¢/lb flat tax rate = 12.5¢/lb. if tax rate is 4%.
7. Shore-based Processor	1%	N/C	4%	
8. Exporting Unprocessed from Alaska to a shore-based processor	1%	?	4%	
9. Exporting Unprocessed from Alaska to a floating processor	3%	?	4%	
<b>ALASKA SEAFOOD MARKETING ASSESSMENT</b>	0.5%	Before April 2, 2013 - for taxes incurred in 2012	Before April 2, 2014 - for taxes incurred in 2013	Annual return - Imposed only if aggregate value of

# Alaska Seafood Industry Taxes and Fees



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Juneau, AK 99802-0229  
Phone 907.586.2820  
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**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/AnnualReports.htm](http://www.cfec.state.ak.us/mnu/AnnualReports.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](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](http://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](mailto:Karen.Palmigiano@noaa.gov):

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

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](http://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.

## National Marine Fisheries Service

### Annual Landings by Species for Alaska as of 31-JAN-16

Year	AFS Species Name	Pounds	Dollars	Price_Pound
2014	ATKA MACKEREL	69,502,900	22,493,575	.32
2014	COD, PACIFIC	716,593,813	153,274,859	.21
2014	FINFISHES, UNC GENERAL	342,842	157,000	.46
2014	FLATFISH	48,136,465	6,614,869	.14
2014	FLOUNDER, ARROWTOOTH	109,341,051	9,240,230	.08
2014	HALIBUT, GREENLAND	3,080,159	1,437,410	.47
2014	HALIBUT, PACIFIC	21,615,888	106,674,407	4.93
2014	HERRING, PACIFIC	96,789,370	11,491,658	.12
2014	LINGCOD	397,114	375,565	.95
2014	POLLOCK, WALLEYE	3,145,605,118	399,882,554	.13
2014	ROCKFISH, PACIFIC OCEAN PERCH	104,440,268	21,271,813	.20
2014	ROCKFISH, WIDOW	31,235	12,426	.40
2014	ROCKFISHES	28,850,933	7,028,134	.24
2014	SABLEFISH	25,678,834	86,499,054	3.37
2014	SALMON, CHINOOK	6,546,763	23,556,673	3.60
2014	SALMON, CHUM	77,695,304	46,051,573	.59
2014	SALMON, COHO	43,106,195	47,138,695	1.09
2014	SALMON, PINK	309,573,177	86,061,131	.28
2014	SALMON, SOCKEYE	246,396,264	343,214,175	1.39
2014	SCULPINS	339,520	6,736	.02
2014	SKATES	21,669,200	3,238,762	.15
2014	SOLE, BUTTER	1,987,106	265,036	.13
2014	SOLE, DOVER	381,815	33,418	.09
2014	SOLE, ENGLISH	103,185	15,606	.15
2014	SOLE, FLATHEAD	38,587,090	9,339,866	.24
2014	SOLE, REX	9,608,559	3,273,485	.34
2014	SOLE, ROCK	117,241,928	18,229,617	.16
2014	SOLE, YELLOWFIN	335,451,850	52,030,008	.16
	--Subtotal--	5,579,093,946	1,458,908,335	

2014	CLAM, PACIFIC GEODUCK	706,007	2,891,088	4.09
2014	CRAB, DUNGENESS	5,349,054	16,037,591	3.00
2014	CRAB, KING	16,654,062	85,535,158	5.14
2014	CRAB, SNOW	53,796,368	115,365,728	2.14
2014	CRAB, SOUTHERN TANNER	9,306,963	20,874,508	2.24
2014	OCTOPUS	1,360,840	623,683	.46
2014	SCALLOPS	295,650	3,544,505	11.99
2014	SEA CUCUMBER	1,203,064	4,815,197	4.00
2014	SHELLFISH	947,625	554,251	.58
2014	SHRIMP, PENAEID	826,081	2,883,530	3.49
2014	SQUIDS	1,797,545	158,967	.09
	<b>--Subtotal--</b>	92,243,259	253,284,206	
	<b>--Grand Total--</b>	5,671,337,205	1,712,192,541	

Alaska Department of Revenue  
Tax Division

**2014 Statewide Average Price List**  
Fishery Resources Other than Crab

Following are prices to be used in determining value for fishery resources (except crab) subject to the Alaska Fishery Resource Landing Tax. For crab landed in Alaska, refer to the "Statewide Average Price List - Crab". For fishery resources landed in Alaska but not listed below, please contact the department for the price

<u>Codes</u>	<u>Species</u>	<u>Price</u>	<u>Value Based On</u>
110	cod, pacific (gray)	\$ 0.29	Unprocessed weight
121	flounder, arrowtooth	\$ 0.06	Unprocessed weight
122	sole, flathead	\$ 0.13	Unprocessed weight
123	sole, rock	\$ 0.22	Unprocessed weight
124	sole, dover	\$ 0.10	Unprocessed weight
125	sole, rex	\$ 0.32	Unprocessed weight
126	sole, butter	\$ 0.16	Unprocessed weight
127	sole, yellowfin	\$ 0.02	Unprocessed weight
128	sole, english	\$ 0.16	Unprocessed weight
129	flounder, starry	\$ 0.12	Unprocessed weight
130	lingcod	\$ 1.23	Unprocessed weight
133	flounder, alaska plaice	\$ 0.07	Unprocessed weight
134	turbot, greenland	\$ 0.02	Unprocessed weight
136	rockfish, northern	\$ 0.17	Unprocessed weight
137	bocaccio	\$ 0.54	Unprocessed weight
138	rockfish, copper	\$ 0.39	Unprocessed weight
141	perch, pacific ocean	\$ 0.18	Unprocessed weight
142	rockfish, black	\$ 0.46	Unprocessed weight
143	rockfish, thornyhead (idiots)	\$ 0.83	Unprocessed weight
145	rockfish, yelloweye (red snapper)	\$ 1.43	Unprocessed weight
146	rockfish, canary	\$ 0.43	Unprocessed weight
147	rockfish, quillback	\$ 0.64	Unprocessed weight
148	rockfish, tiger	\$ 0.46	Unprocessed weight
149	rockfish, china	\$ 0.48	Unprocessed weight
150	rockfish, rosethorn	\$ 0.92	Unprocessed weight
151	rockfish, rougeye	\$ 0.39	Unprocessed weight
152	rockfish, shortraker	\$ 0.42	Unprocessed weight
153	rockfish, redbanded	\$ 0.34	Unprocessed weight
155	rockfish, yellowtail	\$ 0.52	Unprocessed weight
156	rockfish, widow	\$ 0.16	Unprocessed weight
157	rockfish, silvergray	\$ 0.42	Unprocessed weight
158	rockfish, redstripe	\$ 0.14	Unprocessed weight
160	sculpin, general	\$ 0.02	Unprocessed weight
166	rockfish, sharpchin	\$ 0.13	Unprocessed weight
170	sardine, pacific (pilchard)	\$ 0.25	Unprocessed weight
172	rockfish, dusky	\$ 0.18	Unprocessed weight
173	rockfish, dark	\$ 0.19	Unprocessed weight
193	greenling, atka mackerel	\$ 0.10	Unprocessed weight
200	halibut	\$ 6.30	Gutted weight
210	eels or eel-like fish	\$ 0.02	Unprocessed weight

Alaska Department of Revenue  
Tax Division

**2014 Statewide Average Price List**  
Fishery Resources Other than Crab

Following are prices to be used in determining value for fishery resources (except crab) subject to the Alaska Fishery Resource Landing Tax. For crab landed in Alaska, refer to the "Statewide Average Price List - Crab". For fishery resources landed in Alaska but not listed below, please contact the department for the price

<u>Codes</u>	<u>Species</u>	<u>Price</u>	<u>Value Based On</u>
213	grenadier (rattail)	\$ 0.02	Unprocessed weight
215	prowfish	\$ 0.04	Unprocessed weight
216	lumpsucker	\$ 0.02	Unprocessed weight
217	wolf eel	\$ 1.00	Unprocessed weight
218	snailfish, general	\$ 0.02	Unprocessed weight
219	poacher, general	\$ 0.02	Unprocessed weight
250	tomcod, pacific	\$ 0.50	Unprocessed weight
270	pollock, walleye	\$ 0.15	Unprocessed weight
410	salmon, chinook	\$ 4.21	Unprocessed weight
420	salmon, sockeye	\$ 1.53	Unprocessed weight
430	salmon, coho	\$ 1.11	Unprocessed weight
440	salmon, pink	\$ 0.29	Unprocessed weight
450	salmon, chum	\$ 0.68	Unprocessed weight
511	smelt, eulachon	\$ 0.50	Unprocessed weight
580	whitefish, general	\$ 1.28	Unprocessed weight
600	lamprey, pacific	\$ 1.50	Unprocessed weight
700	skate, other	\$ 0.36	Unprocessed weight
701	skate, longnose	\$ 0.43	Unprocessed weight
702	skate, big	\$ 0.45	Unprocessed weight
703	skate, alaska	\$ 0.40	Unprocessed weight
710	sablefish (blackcod)	\$ 5.51	Eastern-cut weight
850	scallop, weathervane	\$ 12.39	Shucked weight
870	octopus	\$ 0.62	Unprocessed weight
875	squid	\$ 0.17	Unprocessed weight
892	red sea urchin	\$ 0.45	Unprocessed weight
895	sea cucumber	\$ 4.02	Unprocessed weight
961	shrimp, northern (pink)	\$ 0.40	Unprocessed weight
962	shrimp, sidestriped	\$ 1.97	Unprocessed weight
964	shrimp, coonstriped	\$ 3.42	Unprocessed weight
965	shrimp, spot	\$ 8.65	Unprocessed weight



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

**Department of Revenue**

COMMISSIONER'S OFFICE

State Office Building  
333 Willoughby Avenue, 11<sup>th</sup> Floor  
PO Box 110400  
Juneau, Alaska 99811-0400  
Main: 907.465.2300  
Fax: 907.465.2389

February 11, 2016

The Honorable Louise Stutes  
Alaska State Representative  
Chair, House Fisheries Committee  
State Capitol Room 416  
Juneau, AK 99801

Dear Representative Stutes:

The purpose of this letter is to provide you with responses to the questions asked of the Department of Revenue and the Department of Fish & Game during our presentation to the House Fisheries Committee on February 2, 2016. Please see questions in italics and our responses immediately below the questions.

1. *Who is defined as a processor? Can we see a list of taxpayers for the Fisheries Business Tax and Resource Landing Tax, and get a better understanding of exactly who is paying the tax and who isn't?*

If a fish business operator has intentions to process any fishery resource other than what they caught or their activities are limited to roe recovery from salmon caught from a vessel greater than 65 feet in length, then the activities are defined as processing. The following activities further define the undertakings of a processor:

- Prepares, processes or stores a fishery resource;
- Recovers salmon roe;
- Custom processes fishery resources from others;
- A fish business that has a fishery resource custom processed; or
- Exports an unprocessed fishery resource outside of Alaska.

Processing is defined as any activity that modifies the physical condition of the fishery resource. It should also be noted what isn't considered processing: heading, gutting, gilling or icing seafood products or decapitating fish. Processors include traditional shore-based facilities as well as at-sea processors such as catcher-processors and floating processors. Direct marketers are considered processors, but catcher-sellers are not because they sell only their own unprocessed fish. Businesses or individuals that have fish custom processed, that recover salmon roe, or that export unprocessed fish outside of Alaska are considered processors.

Only processors pay the Fisheries Business Tax and Resource Landing Tax. However, in cases where processors buy their fish from independent commercial fishermen, it is possible that some or all of the tax burden to be passed on to the fishermen, since they have little control over what price the processors will pay.

Unfortunately, DOR cannot provide a full list of taxpayers, as this would violate confidentiality.

2. *What is the origin of the separate FBT rate for salmon canneries?*

According to a report from the Alaska History and Cultural Studies organization, called *Alaska's Heritage, chapter 4-16: Fishing and Sea Hunting*: "As early as 1899, Alaska Natives appealed to the

government to protect the salmon for those who relied on it for food. They also asked for the return of some of their fishing sites that cannery operators had occupied. In 1900, Congress responded to the appeals by requiring that anyone engaged in commercial salmon fishing in Alaska establish a hatchery for sockeye salmon. Most cannery operators waited to see if the regulation would be enforced before investing money in a fish hatchery. Congress failed to provide adequate funds for enforcement. In 1906, Congress tried a different tactic to force fish conservation. It levied a tax of four cents on each case of salmon canned.”

From the very beginning of Alaska’s history there has been a separate rate for salmon canneries. From the beginning, non-residents have dominated the canning industry in Alaska. The changing tax rates over the years may have resulted from a shift from a mindset of resentment of non-residents exploiting fishery resources to a mindset of trying to help small Alaskan fishing operators.

Examples of different state salmon cannery tax rates in Alaska’s history include:

- 1913: the First Territorial Legislature adopted the initial “salmon pack tax” of \$0.07 per case and a separate “cold storage tax” for other fisheries
- 1951: the territorial legislature set the fisheries business tax on floating processors to 4% of value and salmon canneries to 6%
- 1967: the tax rate for salmon canneries was lowered to 3%
- 2004: the tax rate for salmon canneries rose to 4.5%

3. *How does the Department of Fish & Game determine what is a developing or established fishery? Can we get a list of them?*

Please see the attached list of developing fisheries.

4. *Why are charter boats not subject to the fish tax?*

There is no reason that charter sport fishing operations couldn’t be taxed if the legislature chose to tax them. Since sport fishery landings are not accounted for in the same rigorous manner as commercial catch there would need to be a new sport charter catch accounting system developed for tax assessment purposes. If the committee would like to develop legislation that would tax charter boats and similar commercial sport fish operators, DOR would be happy to provide technical assistance as needed.

5. *What is the distribution of the \$18 million in new fish tax revenue under HB 251?*

The fiscal note for HB 251 projects \$18.4 million in new revenue from the fish tax increases in FY 2017. The Department of Revenue estimates this new revenue will be broken down by species category as follows:

Category	New revenue (\$ millions)
Groundfish: Pollock	5.4
Groundfish: Non- Pollock	3.2
Black Cod	1.1
Halibut	1.1
Herring	0.1
Salmon	4.9
Shellfish	2.6
<b>Total</b>	<b>18.4</b>

This analysis is based on projections of the distribution of taxable fish value by species, which are used in DOR's annual fish tax forecasts. For more information on the current distribution by species, please see the attached Fish Values & Poundage Report.

6. *What is the distribution of the \$140 million in budget cuts under the governor's proposal?*

Please see the attached document from OMB.

7. *Provide a list of cuts to the Department of Fish & Game.*

Please see the attached list of cuts at Fish & Game.

I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,

A handwritten signature in blue ink that reads "Jerry Burnett". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Jerry Burnett  
Deputy Commissioner

Attachments: Fish Values & Poundage Report 2014, OMB list of budget cuts, Fish & Game list of budget cuts, Fish & Game list of developing fisheries

**Title: Fisheries Value and Pounds Reported for Fisheries Business and Landing Taxes, 2014**

Preparer: Will Bishop, Economist, (907) 465-8222

Purpose: To provide estimates of total taxable fisheries value and pounds by species for Fisheries Business Tax and Landing Tax for 2014.

Data Source: Fisheries Business Tax and Fisheries Landing Tax data come from the Tax Accounting System for the 2014 tax year.

Disclaimer: This analysis includes only returns entered into the Tax Accounting System as of August 24, 2015. Late returns or amendments could cause reported amounts to change.

The Department of Revenue is in the process of reviewing and updating the data on which this analysis is based. As a result, future analysis could have different results.

**Preliminary Taxable Fisheries Values and Pounds by Species Category**

Tax Year: 2014 Fisheries Business Tax and Fisheries Landing Tax

AK DOR  
Tax Division

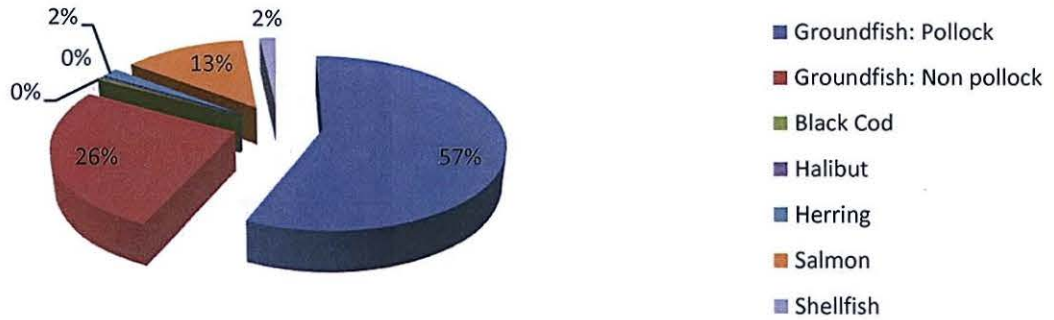
<u>Species Category</u>	<u>FBT Pounds</u>	<u>FBT Value</u>	<u>Landing Pounds</u>	<u>Landing Value</u>	<u>Total Pounds</u>	<u>Total Value</u>
Ground fish	1,917,926,772	342,806,698	2,636,879,429	410,392,954	4,554,806,201	\$ 753,199,652
<i>Ground fish: Pollock</i>	1,528,663,206	235,448,258	1,573,166,909	235,975,034	3,101,830,115	471,423,292
<i>Ground fish: Non Pollock</i>	389,263,566	107,358,441	1,063,712,520	174,417,920	1,452,976,086	281,776,361
Black Cod	14,760,157	80,816,144	1,483,657	8,174,948	16,243,814	\$ 88,991,093
Halibut	16,680,658	103,068,434	-	-	16,680,658	\$ 103,068,434
Herring	95,539,705	10,913,554	221,810	8,872	95,761,515	\$ 10,922,427
Salmon	711,707,619	609,305,807	-	-	711,707,619	\$ 609,305,807
Shellfish	89,899,598	273,866,120	3,098,790	10,221,094	92,998,388	\$ 284,087,214
<b>Total</b>	<b>2,846,514,510</b>	<b>1,420,776,758</b>	<b>2,641,683,686</b>	<b>428,797,868</b>	<b>5,488,198,196</b>	<b>1,849,574,627</b>

**Notes:**

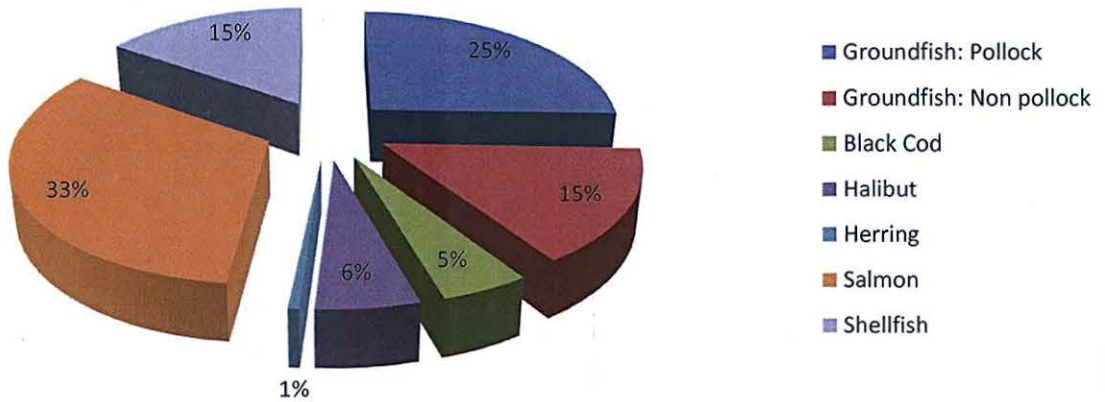
Fisheries Business Tax and Landing Tax data is from the Tax Accounting System for the 2014 tax year.

This analysis includes only returns entered into the Tax Accounting System as of August 24, 2015. Late returns or amendments could cause reported amounts to change.

### 2014 Fisheries Business & Fisheries Landing Taxes Total Pounds



### 2014 Fisheries Business & Fisheries Landing Taxes Total Value



**FY2015-FY2017 Budget Review Summary by Category**  
**Unrestricted General Funds Only**

Department	FY2015 Management Plan	FY2016 Management Plan	FY2017 Governor	1 Year Change		2 Year Change	
				FY2017 from FY16 \$	FY2017 from FY16 %	FY2017 from FY2015 \$	FY2017 from FY2015 %
<b>Executive/Judicial Branch</b>							
Administration (Except OPA/PD)	38,411.5	30,184.2	25,074.5	(5,109.7)	-16.9%	(13,337.0)	-34.7%
Commerce	40,454.3	30,478.3	21,904.1	(8,574.2)	-28.1%	(18,550.2)	-45.9%
Environ Conservation	22,472.1	20,093.3	17,721.9	(2,371.4)	-11.8%	(4,750.2)	-21.1%
Fish and Game	79,387.8	65,095.4	57,640.5	(7,454.9)	-11.5%	(21,747.3)	-27.4%
Governor	33,609.5	23,150.0	22,856.1	(293.9)	-1.3%	(10,753.4)	-32.0%
Labor & Workforce (Except AVTEC)	27,267.6	20,322.7	18,472.7	(1,850.0)	-9.1%	(8,794.9)	-32.3%
Law (Except LNG & Criminal Div)	31,962.7	27,259.6	22,242.0	(5,017.6)	-18.4%	(9,720.7)	-30.4%
Alaska Aerospace Corp	6,084.3	-	-	-	-	(6,084.3)	-100.0%
Natural Resources (Except LNG)	88,072.8	70,326.0	64,846.1	(5,479.9)	-7.8%	(23,226.7)	-26.4%
Revenue (Except LNG)	33,831.4	28,983.0	27,760.2	(1,222.8)	-4.2%	(6,071.2)	-17.9%
Military & Veterans Affairs (Except AAC)	18,732.6	17,226.1	17,235.1	9.0	0.1%	(1,497.5)	-8.0%
Transportation	278,604.6	244,014.4	231,307.9	(12,706.5)	-5.2%	(47,296.7)	-17.0%
Branch-wide Unallocated Approps	27,000.0	-	-	-	-	(27,000.0)	-100.0%
<b>Subtotal</b>	<b>725,891.2</b>	<b>577,133.0</b>	<b>527,061.1</b>	<b>(50,071.9)</b>	<b>-8.7%</b>	<b>(198,830.1)</b>	<b>-27.4%</b>
Legislature	77,622.0	73,596.6	72,126.6	(1,470.0)	-2.0%	(5,495.4)	-7.1%
<b>Education</b>							
Educ & Early Devel	1,408,921.8	1,301,647.1	1,292,622.9	(9,024.2)	-0.7%	(116,298.9)	-8.3%
University of Alaska	370,599.7	350,787.0	335,001.6	(15,785.4)	-4.5%	(35,598.1)	-9.6%
Labor Alaska's Institute of Technology (AVTEC)	6,180.4	5,508.8	5,434.7	(74.1)	-1.3%	(745.7)	-12.1%
<b>Subtotal</b>	<b>1,785,701.9</b>	<b>1,657,942.9</b>	<b>1,633,059.2</b>	<b>(24,883.7)</b>	<b>-1.5%</b>	<b>(152,642.7)</b>	<b>-8.5%</b>
<b>Health, Life, Safety and Justice</b>							
Judiciary	111,866.3	110,402.9	106,545.7	(3,857.2)	-3.5%	(5,320.6)	-4.8%
Admin Office of Public Advocacy & Public Defender Agency	49,766.8	49,119.3	47,207.8	(1,911.5)	-3.9%	(2,559.0)	-5.1%
Corrections	297,654.4	277,286.5	270,333.1	(6,953.4)	-2.5%	(27,321.3)	-9.2%
Health & Social Svcs	1,253,650.2	1,165,249.7	1,118,548.9	(46,700.8)	-4.0%	(135,101.3)	-10.8%
Law Criminal Division	29,312.6	27,474.6	27,253.5	(221.1)	-0.8%	(2,059.1)	-7.0%
Public Safety	171,553.2	160,673.7	156,172.2	(4,501.5)	-2.8%	(15,381.0)	-9.0%
<b>Subtotal</b>	<b>1,913,803.5</b>	<b>1,790,206.7</b>	<b>1,726,061.2</b>	<b>(64,145.5)</b>	<b>-3.6%</b>	<b>(187,742.3)</b>	<b>-9.8%</b>
<b>Agency Operating Subtotal</b>	<b>4,503,018.6</b>	<b>4,098,879.2</b>	<b>3,958,308.1</b>	<b>(140,571.1)</b>	<b>-3.4%</b>	<b>(544,710.5)</b>	<b>-12.1%</b>
<b>Key Investments</b>							
Alaska Liquefied Natural Gas (FY16 Supp/FY17 Op)			38,309.8	38,309.8		38,309.8	
Rural Guard Initiative			1,300.0	1,300.0		1,300.0	
Note: Increase Financial Management Capacity Is Non-UGF fund sources							
<b>Agency Operating Subtotal With Key Investments</b>	<b>4,503,018.6</b>	<b>4,098,879.2</b>	<b>3,997,917.9</b>	<b>(100,961.3)</b>	<b>-2.5%</b>	<b>(505,100.7)</b>	<b>-11.2%</b>
<b>Statewide</b>							
Debt Service/Direct Approp to Retirement Acct*	224,082.9	468,729.0	485,580.1	16,851.1	3.6%	261,497.2	116.7%
Oil and Gas Tax Credit Fund**	625,000.0	500,000.0	73,425.0	(426,575.0)	-85.3%	(551,575.0)	-88.3%
Community Revenue Sharing (FY16 Supp in FY17)	52,000.0	-	-	-	0.0%	(52,000.0)	-100.0%
Other Fund Caps (Trauma/Disaster)	5,500.0	2,000.0	2,000.0	-	0.0%	(3,500.0)	-63.6%
Special Appropriations	33,366.8	8,593.5	-	(8,593.5)	-100.0%	(33,366.8)	-100.0%
<b>Subtotal</b>	<b>939,949.7</b>	<b>979,322.5</b>	<b>561,005.1</b>	<b>(418,317.4)</b>	<b>-42.7%</b>	<b>(378,944.6)</b>	<b>-40.3%</b>
Capital Projects	594,881.1	118,418.0	190,290.1	71,872.0	60.7%	(404,591.0)	-68.0%
Justice Reform			5,000.0	5,000.0		5,000.0	
<b>Total Pre-Fund Transfers</b>	<b>6,037,849.4</b>	<b>5,196,619.7</b>	<b>4,754,213.1</b>	<b>(442,406.7)</b>	<b>-8.5%</b>	<b>(1,283,636.3)</b>	<b>-21.3%</b>
FY2016 Supplementals:							
Community Revenue Sharing		35,370.2					
Liquified Natural Gas		157,040.0					
<b>Fund Transfers***</b>							
Misc Fund Transfers (Vaccine/Oil & Haz/AMHS Int)	12,488.7	15,550.0	15,540.0				
Renewable Energy	20,000.0		5,000.0				
REAA School Fund	39,996.1	38,789.0	41,640.0				
AHCC Draw for capital projects	(63,100.0)						
Public Education Fund	58,360.5	(280,451.9)					
<b>Subtotal</b>	<b>67,745.3</b>	<b>(226,112.9)</b>	<b>62,180.0</b>				
<b>TOTAL</b>	<b>6,105,594.7</b>	<b>5,162,917.0</b>	<b>4,816,393.1</b>	<b>(346,524.0)</b>	<b>-6.7%</b>	<b>(1,289,201.6)</b>	<b>-21.1%</b>

\*FY2017 Debt Service/Direct Appropriations to Retirement Includes Financing Retirement Fund Obligations

\*\*FY2017 Oil and Gas Tax Credit Fund Includes One-Time Oil and Gas Tax Credit Transition Legislation

\*\*\*Fund Transfers Excludes FY2015 \$1 billion Supplemental Eliminating K-12 Forward Funding and FY2017 \$3 billion transfer between savings accounts

Department of Fish and Game							
FY2015 Management Plan to FY2016 Management Plan to FY2017 Governor							
General Funds Only - UGF							
January 20, 2016							
RDU/Component	FY2015 Mgmt. Plan	FY2016 Mgmt. Plan	Difference FY15 MP to FY16 MP	FY2017 Gov	Difference FY16 MP to FY17 Gov	Difference FY15 MP to FY17 Gov	
<b>Commercial Fisheries</b>							
Southeast Region Fisheries Mgmt.	9,413.3	8,240.9	(1,172.4)	7,060.4	(1,180.5)	(2,352.9)	
Central Region Fisheries Mgmt.	9,139.8	7,996.6	(1,143.2)	6,870.4	(1,126.2)	(2,269.4)	
AYK Region Fisheries Mgmt.	8,498.3	7,153.0	(1,345.3)	6,366.7	(786.3)	(2,131.6)	
Westward Region Fisheries Mgmt.	8,866.9	7,715.4	(1,151.5)	6,622.3	(1,093.1)	(2,244.6)	
Statewide Fisheries Mgmt.	12,812.4	8,821.3	(3,991.1)	8,788.1	(33.2)	(4,024.3)	
CF Special Projects	534.0	-	(534.0)	0.0	-	(534.0)	
Commercial Fisheries Entry Commission	-	-	-	0.0	-	0.0	
<b>CF Total</b>	<b>49,264.7</b>	<b>39,927.2</b>	<b>(9,337.5)</b>	<b>35,707.9</b>	<b>(4,219.3)</b>	<b>(13,556.8)</b>	
<b>Sport Fisheries</b>							
Sport Fisheries	6,687.5	5,736.7	(950.8)	4,005.7	(1,731.0)	(2,681.8)	
Sport Fish Hatcheries	330.9	55.8	(275.1)	55.8	-	(275.1)	
<b>SF Total</b>	<b>7,018.4</b>	<b>5,792.5</b>	<b>(1,225.9)</b>	<b>4,061.5</b>	<b>(1,731.0)</b>	<b>(2,956.9)</b>	
<b>Wildlife Conservation</b>							
Wildlife Conservation	6,138.7	4,272.9	(1,865.8)	3,003.8	(1,269.1)	(3,134.9)	
WC Special Projects	1,437.0	1,255.4	(181.6)	1,255.4	-	(181.6)	
Hunter Ed Public Shooting Ranges	-	-	-	0.0	-	0.0	
<b>WC Total</b>	<b>7,575.7</b>	<b>5,528.3</b>	<b>(2,047.4)</b>	<b>4,259.2</b>	<b>(1,269.1)</b>	<b>(3,316.5)</b>	
<b>Statewide Support Services</b>							
Commissioner's Office	893.2	772.2	(121.0)	753.6	(18.6)	(139.6)	
Administrative Services	3,209.5	2,655.2	(554.3)	2,484.3	(170.9)	(725.2)	
Boards and Advisory Committees	1,490.0	-	(1,490.0)	0.0	-	(1,490.0)	
Advisory Committees	-	418.7	418.7	485.7	67.0	485.7	
Boards of Fisheries and Game	-	970.4	970.4	1,199.8	229.4	1,199.8	
Habitat	4,255.4	3,752.0	(503.4)	3,567.1	(184.9)	(688.3)	
State Subsistence	3,150.9	2,748.9	(402.0)	2,591.4	(157.5)	(559.5)	
EVOS Trustee Council	-	-	-	0.0	-	0.0	
State Facilities Maintenance	-	-	-	0.0	-	0.0	
State Facilities Rent	2,530.0	2,530.0	-	2,530.0	-	0.0	
<b>SSS Total</b>	<b>15,529.0</b>	<b>13,847.4</b>	<b>(1,681.6)</b>	<b>13,611.9</b>	<b>(235.5)</b>	<b>(1,917.1)</b>	
<b>Department Total</b>	<b>79,387.8</b>	<b>65,095.4</b>	<b>(14,292.4)</b>	<b>57,640.5</b>	<b>(7,454.9)</b>	<b>(21,747.3)</b>	



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

**Department of Fish and Game**

OFFICE OF THE COMMISSIONER  
Headquarters Office

1255 West 8th Street  
P.O. Box 115526  
Juneau, Alaska 99811-5526  
Main: 907.465.4100  
Fax: 907.465.2332

MEMORANDUM

TO: Mr. Randall Hoffbeck, Commissioner  
Department of Revenue

FROM: Sam Cotten, Commissioner *Sam Cotten*  
Department of Fish and Game

DATE: January 27, 2016

SUBJECT: List of Alaska's Developing Fisheries for 2016

In accordance with AS 16.05.050(a)(10), I am providing the attached list of fisheries the Department of Fish and Game (ADF&G) considers developing during 2016. The developing fishery designations were derived under the criteria specified in AS 16.05.050(a)(10).

- (A) The optimum yield from the harvest of the species has not been reached;
- (B) a substantial portion of the allowable harvest of the species has been allocated to fishing vessels of a foreign nation; or
- (C) a commercial harvest of the fish species has recently developed.

Under these criteria, ADF&G considers developing fisheries to include the situation where there is no existing commercial fishery, but intermittent commercial utilization has occurred in the past.

Federally managed species were evaluated under the first criterion (A) and considered developing if a majority of total allowable catch has not been recently harvested due to reasons other than conservation or prohibited species bycatch, the harvest is not allocated (i.e., in a catch share program), and there is a directed fishery for the species.

CHANGES TO THE DEVELOPING FISHERIES LIST

Fisheries considered for inclusion as developing are assessed annually by ADF&G and the attached listing incorporates our changes to comprehensively reflect Alaska's developing fisheries for 2016.

Rays are no longer listed under the "other groundfish" category. This change reflects the practice of listing all rays as skates for the purposes of catch accounting, stock assessments, and fisheries data collection (observer programs); no evidence was found for occurrence or retention of ray species in commercial fisheries other than skates.

Pacific hake (whiting) is included as developing in Pacific Ocean waters. Pacific hake are caught in waters of Alaska as sporadic incidental bycatch in other fisheries and are landed in relatively small numbers, which clearly meets criteria to be included as a developing fishery. This change is noteworthy because ADF&G received a request from a fishing corporation to include Pacific hake, caught off the Pacific coast of the United States, as a developing fishery in 2015. This request was initiated in order to facilitate an experimental delivery of approximately 7,500 mt of finished Pacific hake to Dutch Harbor. Under the developing fishery tax rate this delivery may prove economically feasible and lead to future increased landings. Pacific hake take off the Pacific coast of the United States is regulated under a quota system and optimum yield is not being achieved, thereby meeting an additional criterion for inclusion as a developing fishery.

Should you require further information, my office will be happy to respond.

Attachment

cc: Anna Kim, DOR, Chief of Revenue Operations  
Scott Kelley, Director, Division of Commercial Fisheries  
Forrest Bowers, Deputy Director, Division of Commercial Fisheries  
Nicholas Sagalkin, Regional Supervisor, Division of Commercial Fisheries  
Tracy Lingnau, Regional Supervisor, Division of Commercial Fisheries  
John Linderman, Regional Supervisor, Division of Commercial Fisheries  
Lowell Fair, Regional Supervisor, Division of Commercial Fisheries

**ALASKA DEPARTMENT OF FISH AND GAME**  
**ALASKA DEVELOPING FISHERIES FOR 2016**  
 Authority AS 16.05.050(a)(10)

Species or species assemblages listed below are considered developing based on the following criteria: (A) the optimum yield from the harvest of the species has not been reached; (B) a substantial portion of the allowable harvest of the species has been allocated to fishing vessels of a foreign nation; (C) a commercial harvest of the fish species has recently developed; or (D) there is no existing commercial fishery, but intermittent commercial utilization has occurred in the past.

**FISHERY STATUS**

**Groundfish (see definition on page 6):**

Atka mackerel	Developing in the Eastern Bering Sea/Aleutian Islands (NMFS statistical areas 518, 519, and 541), jig gear only.
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Arrowtooth flounder	Developing in the following waters: (1) Southeast Alaska (NMFS statistical areas 650 and 659) (2) West Yakutat (NMFS statistical area 640)
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Flatfish (see definitions on page 6)	Developing in the following waters: (1) Southeast Alaska (Southern Southeast Inside and Northern Southeast Inside Subdistricts as defined in 5 AAC 28.105(a)(1-2) and NMFS statistical area 650) (2) West Yakutat (NMFS statistical area 640)
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Lingcod	Developing in the following waters: (1) Kodiak (5 AAC 28.400) (2) Chignik (5 AAC 28.500) (3) South Alaska Peninsula (5 AAC 28.550) (4) Bering Sea – Aleutian Islands (5 AAC 28.600)
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Pacific cod	Developing in the following waters: (1) Southeast Alaska (NMFS statistical area 650) (2) West Yakutat (NMFS statistical area 640)
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Pacific hake (whiting)	Developing in Pacific Ocean waters.
Pollock	Developing in Southeast Alaska (NMFS statistical area 650)

Dusky rockfish	Developing in Southeast Alaska (NMFS statistical area 650)
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Pacific ocean perch	Developing in Southeast Alaska (NMFS statistical area 650)
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Black rockfish	Developing in the following waters: (1) Southeast Alaska (5 AAC 28.100) (2) South Alaska Peninsula Area (5 AAC 28.550), only west of 164° 44' W longitude (3) Bering Sea-Aleutian Islands Area (5 AAC 28.600)
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**FISHERY STATUS****Groundfish (continued):**

Other groundfish (see definition on page 6)	Greenlings, eels, grenadiers, prowlfish, and ratfish are developing in all waters. Sharks, skates, and sculpins are not considered developing.
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**Herring:**

Herring sac roe	Developing in the following waters: (1) Chignik Area (5 AAC 27.550) (2) Alaska Peninsula – Aleutian Islands Area (5 AAC 27.600) (3) Adak District, gillnet and seine fishery (5 AAC 27.657) (4) Kuskokwim Area (5 AAC 27.870) (5) Bering Sea – Kotzebue Area (5 AAC 27.900)
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Herring food and bait	Developing in the following waters: (1) Chignik Area (5 AAC 27.550) (2) The following districts of the Alaska Peninsula – Aleutian Islands Area: (a) Sand Point District (5 AAC 27.605(a)) (b) Pavlof District (5 AAC 27.605(b)) (c) King Cove District (5 AAC 27.605(c)) (d) Umnak District west of Samalga Pass (5 AAC 27.605(g)) (e) Adak District (5 AAC 27.605(h)) (f) Amak District (5 AAC 27.605(i)) (g) Port Moller District (5 AAC 27.605(j)) (h) Port Heiden District (5 AAC 27.605(k)) (3) The following districts of the Bering Sea – Kotzebue Area: (a) Port Clarence District (5 AAC 27.905(c)) (b) Kotzebue District (5 AAC 27.905(d))
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**Other finfish:**

Freshwater finfish (see definition on page 6)	Bering cisco is developing in the Lower Yukon River.
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Hagfish	Developing in all waters.
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Lamprey	Developing in all waters.
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Forage fish (see definition on page 6)	Smelt and eulachon fisheries are developing in Upper Cook Inlet (5 AAC 21.505(b)(2)).
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**Salmon:**

Pink salmon	Developing in the following waters: (1) Kotzebue Area (5 AAC 03.100) (2) Norton Sound – Port Clarence Area (5 AAC 04.100) (3) Yukon – Northern Area (5 AAC 05.100) (4) Kuskokwim Area (5 AAC 07.100) (5) Atka/Amlia Island Area (5 AAC 11.101)
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FISHERY	STATUS
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<b>Salmon (continued):</b>	
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Chum salmon	Developing in the Port Clarence District (5 AAC 04.200(a))
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<b>Shellfish:</b>	
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King crab	Developing in the following waters: (1) Golden king crab in Kodiak Area (5 AAC 34.400) (2) Golden king crab in Northern District of the Bering Sea (5 AAC 34.905(c))
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Clams	Littleneck clams are developing in the following waters: (1) Southeastern Alaska (5 AAC 38.100) (2) Yakutat Area (5 AAC 38.160) (3) Registration Area J (Westward; 5 AAC 38.400)  Arctic surf clams, butter clams, cockle clams, eastern softshell clams, horse clams, and razor clams are developing in Registration Area J (Westward; 5 AAC 38.400)
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Octopus	Developing in the following waters: (1) Yakutat Area (5 AAC 38.160) (2) Prince William Sound (5 AAC 38.200) (3) Registration Area J (Westward; 5 AAC 38.400)
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Sea cucumbers	Developing in the following waters of Registration Area J (Westward; 5 AAC 38.400): all waters west of 157° 27' W longitude
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Sea urchins	Green sea urchins and red sea urchins are developing in Registration Area J (Westward; 5 AAC 38.400)
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Shrimp	Pot-gear fisheries are developing in Registration Area J, (Westward; 5 AAC 31.500)
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Snails	(except abalone) Developing in all waters.
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**Definitions:**

Flatfish (in Southern Southeast Inside and Northern Southeast Inside Subdistricts)	“Flatfish” means flounders, soles, Greenland turbot, Alaska plaice, sanddabs, and dabs. Halibut is listed separately from flatfish.
Flatfish (in NMFS statistical areas 640 and 650)	“Flatfish” means flathead sole, rex sole, deep water flatfish (Dover sole, Greenland turbot, Kamchatka flounder, and deepsea sole), and shallow water flatfish (rock sole, yellowfin sole, butter sole, starry flounder, English sole, sand sole, and Alaska plaice).
Forage fish	“Forage fish” means capelin, eulachon (hooligan), smelts, deep-sea smelt, Pacific sandfish, Pacific sand lance, gunnels, pricklebacks, warbonnets, eelblennys, cockscombs, shannys, bristlemouths, lanternfishes, lightfishes, anglemouths, and krill (as defined in 5 AAC 39.212(f)).
Freshwater finfish	“Freshwater finfish” includes species such as whitefish, sheefish, Arctic char, Dolly Varden, steelhead, trout, pike, and burbot in fresh and salt water.
Groundfish	“Groundfish” means any marine finfish except salmon, herring, halibut, and osmerids (capelin, smelts, and eulachon or hooligan) (as defined in 5 AAC 39.975(21)).
Other groundfish	“Other groundfish” includes species such as skates, rays, sharks, greenlings, sculpins, eels, grenadiers, prowfish, and ratfish.

Oppose HB 251/SB 135  
PO Box 232 Petersburg, AK 99833

**Petersburg Vessel Owner's Association**  
(907) 772-9323 email: pvoa@gci.net

Please consider the following taxes the seafood industry is already accountable for before choosing to increase them.

Current fisheries taxes due as a percentage of harvest include: Fisheries Business Tax, Fisheries Resource Landing Tax, Seafood Marketing Assessment, Salmon Enhancement Tax, Seafood Development Tax, and Dive Fishery Management Assessment.

Additional fisheries taxes and fees currently contributing to State, local, federal government include: City and Borough Raw Fish Tax, CDQ Royalties, Commercial Fishery Permit and Vessel Registration Fees, Fishermen's Fund, Commercial Crew Licenses, State Marine Fuel Tax, Revolving Loan Program revenues from the Division of Economic Development, and Corporate Income Tax.

Our industry is also subject to federal fisheries taxes including: Federal IFQ Cost Recovery fees (that increased in 2016), Federal Observer Program fees, and Unemployment Insurance paid by seafood processors<sup>2</sup>.

Alaskan industries vary in structure, management objectives, and ability to contribute. While the seafood industry doesn't contribute as much to the general fund as other extraction resources, it will be contributing long after other resources are exhausted. The Alaska seafood industry is unique compared to our other extracted State resource industries. It is managed to be a sustainable and completely renewable resource. Therefore, the seafood industry is intended to operate infinitely and contribute to the general fund forever.

Alaska's separate industries have different management objectives. For some industries this is to maximize long-term revenue. With the seafood industry this is not the case. This industry has traditionally been managed to maximize employment, fishing incomes, community health, and other social objectives<sup>3</sup>. The vast majority of Alaska's commercial fishing businesses are small, resident owned, and family operated.

"The percentage of limited entry permits held by Alaska residents continues to remain relatively stable. After 40 years, Alaskans hold nearly 77% of all limited entry permits. At the end of 2013, Alaskans held nearly 11,000 permanent limited entry permits, with rural Alaskans holding more than half of that number<sup>4</sup>."

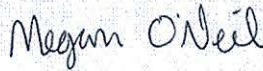
The burden of fisheries related taxes are not equally shared by the entire seafood industry. Commercial fishing operations are paying most of burden of taxes, with very little being passed on to buyers. Of the estimated 63,000 jobs provided by the seafood industry<sup>2</sup>, 9,836 permit holders<sup>5</sup> and 23,036 crewmembers<sup>6</sup> are accountable to pay the estimated \$250 million in taxes within the seafood industry<sup>2</sup>.

Oppose HB 251/SB 135  
PO Box 232 Petersburg, AK 99833

**Petersburg Vessel Owner's Association**  
(907) 772-9323 email: pvoa@gci.net

Petersburg Vessel Owner's Association members are opposed to the additional or increased fisheries business and fisheries resource landing taxes outlined in HB 251/SB 135. We realize that the 29<sup>th</sup> Legislature is greatly burdened with the State's current fiscal position and value their dedication this session.

Respectfully,



Megan O'Neil  
Executive Director

1-Alaska Seafood Marketing Institute 2014 Annual Report -

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Good Morning.

Thank you for committing time yesterday to visit with UFA members! I appreciate your updates and insight. I am writing this morning to follow up on my comments yesterday. I wanted to again explain why I suspect you haven't had much testimony on the proposed fisheries tax legislation in the fisheries committee.

As you know, fisheries taxes are complex and have a history to them that is also complicated. Additionally, how the proposed fisheries taxes fit in the larger puzzle of the State's fiscal crisis is also hard to comprehend at this time. Since the bill was going to be heard but not amended in the fisheries committee, my view was to watch the development of the budget to gain insight. Please do not take the lack of opposition to this bill as support.

We, like UFA and RDC, believe everything should be on the table but filling the large gap is critical before adding taxes to the industries that you hope grow the pie of economic development in the State. Cuts and increased taxes should be examined carefully for unanticipated outcomes that stall or retract the growth of the resources industries that are the core of the State's economy.

Thank you again for your interest.

~stephanie

Stephanie Madsen  
Executive Director  
At-sea Processors Association

Box 32817  
222 Seward Street, Suite 201  
Juneau, Alaska 99801  
907 523-0970 office  
907 723-7744 cell

Representative Stutes:

I have been told that at the Kodiak Fisheries Work Group meeting yesterday you presented your report from Juneau on several issues, including the proposed tax increase on the seafood industry. You stated that you were not aware of any opposition to the proposed increase.

On behalf of Trident Seafoods, I want to make you aware that we do not support the Governor's proposed tax increase. We understand the need to increase revenues and sincerely want to help in that process. But the Governor's proposed increase on the seafood industry will result in an additional twenty-five to thirty percent increase in the seafood industry's State tax burden. That increase is extremely large for an industry that is in the middle of difficult economic times.

I humbly request you provide the seafood industry more time to consider the effects of the Governor's proposed tax increase that would occur on the heels of (1) increased labor cost because of higher minimum wage rates; (2) large increases health care costs; and, (3) significant declines in wholesale prices in global salmon and whitefish markets.

The Governor's proposed tax increase is a flat increase on all forms of seafood products. We would also appreciate the opportunity to see if there isn't a way to structure any tax increase so that it will minimize the negative impacts on seafood processors who produce value added products in Alaska, such as fillets and canned products.

As a member of the Pacific Seafood Processor Association, I am scheduled to meet with you next week to discuss a path forward on proposed increase in revenues from the seafood industry. Again, we want to work with you and the State on this issue, but please do not consider us not having spoken out earlier as support for the Governor's current proposal.

I look forward to seeing you next week.

Sincerely,

Joe Plesha  
Trident Seafoods Corporation

HB 251 Comments

Rep. Louise Stutes,

It was good to hear your comments this morning during the KFWG meeting. We are certainly in the midst of some very challenging times for the State, our local communities and the industry. I agree with your comments in that the seafood industry realizes and acknowledges the fact that times are changing and that we will need to absorb our fair share of potential tax increases, but I don't necessarily agree that the industry fully endorses the Governor's proposed increase levels. The 1% increase, for instance, has significantly different impacts by percentage of their individual tax. I hope that there is still some opportunity for discussion. Currently our industry is trying to weather a perfect storm of negative factors including; resource issues, market collapse, exchange rate gradients, and the state's economic condition. I know that there are solutions to these difficult issues and I respect and appreciate your effort and leadership, however I also hope there may still be some time and opportunity for discussion and input from the industry on this tax issue.

Thanks,

Matt Moir



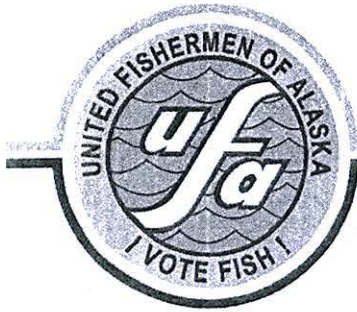
### Tax Forms Electronic Filing Statistics

Over the past two fiscal years, submissions by mail of tax forms and tax returns have decreased. This decrease has varied substantially among tax types. The table below shows the percentage of forms filed with the department that were submitted by mail, rather than being submitted electronically. Electronic submission occurs through either the Department's web page via the Revenue Online (ROL) portal, or through Modernized eFile (MeF). MeF is a filing option offered to corporate income tax (CIT) payers that allows them to electronically file both federal and state returns, with the IRS remitting Alaskan returns back to the state. MeF filings accounted for approximately 7% of total corporate income tax filings in 2013, 31% in 2014, and 37% in 2015. For tax years beginning in 2015, all CIT taxpayers must file electronically according to new regulations.

These statistics come from the Gentax system. Filing period 2013 may have unavailable or incomplete data due to the legacy systems not tracking filing statistics. Also, there are still 2015 returns and forms that have yet to be submitted. These statistics do not include tax types that are currently being integrated into the online tax revenue management system, which include Fisheries taxes, Charitable Gaming, and Co-op taxes.

	% of Paper Filings					
	Count	2013	Count	2014	Count	2015
Alcohol	61	88%	761	21%	992	9%
Cigarette and Tobacco	N/A	N/A	663	65%	711	44%
Corporate Income Tax	14,312	92%	16,278	69%	1,172	62%
Commercial Passenger Vessel	N/A	N/A	130	55%	129	47%
Mining	494	87%	513	86%	545	94%
Motor Fuel	N/A	N/A	2,776	48%	3,094	32%
Oil and Gas Production <sup>1</sup>	11	0%	62	0%	743	0%
Tire Fee	19	79%	232	65%	279	37%
Vehicle Rental Tax	N/A	N/A	426	62%	394	39%

<sup>1</sup> Oil and gas filers are required to use electronic filing.



# 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](mailto:ufa@ufa-fish.org) **Website:** [www.ufa-fish.org](http://www.ufa-fish.org)

## UFA Resolution 2015 – 01

A RESOLUTION OF THE UNITED FISHERMEN OF ALASKA SUPPORTING THE GOVERNOR AND ALASKA LEGISLATURE TAKING ACTION TO SOLVE THE STATE'S FISCAL CRISIS AND ACHIEVE LONG-TERM FISCAL STABILITY BUT OPPOSING ADDITIONAL REDUCTIONS TO CORE ESSENTIAL SERVICES OF THE ALASKA DEPARTMENT OF FISH & GAME AND PROPOSING THAT ANY NEW OR INCREASED SEAFOOD INDUSTRY TAXES BE CONSIDERED IN THE CONTEXT OF A COMPREHENSIVE STATE OF ALASKA PLAN FOR REVENUE GENERATION.

WHEREAS, United Fishermen of Alaska is Alaska's primary fisheries trade organization representing 35 Alaska fishing organizations and an industry which is the largest private sector employer in Alaska; and

WHEREAS, Alaska's fishery resources are managed by the Alaska Department of Fish & Game; and

WHEREAS, the Alaska Department of Fish & Game's budget has been reduced for several years and was specifically reduced by more than 15% in FY 2016; and

WHEREAS, further reductions to the Alaska Department of Fish & Game budget that reduce core/essential management will result in fewer harvest opportunities for fishermen and loss of tax revenue for Alaska; and

WHEREAS, United Fishermen of Alaska recognizes that the State of Alaska must generate additional revenue in order to close Alaska's "fiscal gap"; and

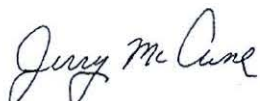
WHEREAS, new or increased State of Alaska revenue from existing sources must be balanced and equitable to all of Alaska's industries and must consider the total contribution of each industry to the State of Alaska, including but not limited to, taxes paid, total employment, residency, sustainability/renewability and social fabric;

**THEREFORE BE IT RESOLVED, UFA supports the following principles as guidance for helping to solve the State's fiscal crisis:**

- 1) **Budget cuts, though equal in value, are not equal in impact to industry or represent the same overall loss to the State of Alaska in terms of lost revenue and benefit. Emphasis should be given to find efficiencies without reducing economic opportunities for industry.**

- 2) The State of Alaska should not further reduce the Alaska Department of Fish & Game's budget in a manner that negatively impacts the Department's delivery of core/essential services. The Department of Fish and Game should work toward maximizing the value of surplus renewable resources.
- 3) Any additional seafood industry taxes must be considered in the context of a comprehensive State of Alaska revenue generation plan that considers the tax burden of each of Alaska's industries.

By the UFA Board of Directors, October 29, 2015.



Jerry McCune, President



Attest: Julianne Curry,  
Executive Director

MEMBER ORGANIZATIONS

Alaska Bering Sea Crabbers • Alaska Independent Fishermen's Marketing Association  
Alaska Independent Tendermen's Association • Alaska Longline Fishermen's Association • Alaska Scallop Association • Alaska Trollers Association  
Alaska Whitefish Trawlers Association • Armstrong Keta • At-sea Processors Association • Bristol Bay Reserve • Cape Barnabas Inc.  
Concerned Area "M" Fishermen • Cook Inlet Aquaculture Association • Cordova District Fishermen United • Douglas Island Pink and Chum  
Freezer Longline Coalition • Golden King Crab Coalition • Groundfish Forum • Kenai Peninsula Fishermen's Association  
Kodiak Regional Aquaculture Association • North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association  
Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Purse Seine Vessel Owner Association  
Seafood Producers Cooperative • Southeast Alaska Herring Conservation Alliance • Southeast Alaska Fisherman's Alliance  
Southeast Alaska Regional Dive Fisheries Association • Southeast Alaska Seiners • Southern Southeast Regional Aquaculture Association  
United Catcher Boats • United Cook Inlet Drift Association • United Southeast Alaska Gillnetters • Valdez Fisheries Development Association

Oppose HB 251/SB 135  
PO Box 232 Petersburg, AK 99833

**Petersburg Vessel Owner's Association**  
(907) 772-9323 email: pvoa@gci.net

February 15, 2016

Representative Louise Stutes  
Chair, House Special Committee on Fisheries

Alaska State Legislature  
State Capitol  
Juneau, AK 99811-1182  
Email: Rep.Louise.Stutes@akleg.gov

**RE: Oppose HB 251/SB 135-An Act Requiring the Electronic Submission of a Tax...Relating to Fisheries Business Tax**

Dear Chair Stutes and Committee Members,

Petersburg Vessel Owner's Association (PVOA) is composed of almost 100 members participating in a wide variety of species and gear type fisheries. An additional thirty businesses supportive to our industry are members. PVOA members fish throughout Alaska from Southeast to Kodiak and the Bering Sea. Targeted species include salmon, herring, halibut, sablefish, cod, crab, and shrimp.

PVOA's mission statement is to:

"Promote the economic viability of the commercial fishing fleet in Petersburg, promote the conservation and rational management of North Pacific resources, and advocate the need for protection of fisheries habitat."

**Petersburg Vessel Owner's Association is opposed to HB 251/SB 135 that would increase the amounts of fisheries business tax and fisheries resource landing tax.**

Commercial fishing and seafood processing in Alaska is the largest private sector providing over 63,000 jobs through out the State<sup>1</sup> and is already heavily taxed. Currently, the seafood industry pays an estimated \$250 million per year in taxes and fees<sup>2</sup>, on a five-year average \$70 million goes directly to the State's revenues<sup>3</sup>. Of these fisheries business and landing taxes, currently 65 Alaskan cities, boroughs, and municipalities<sup>2</sup> receive a five-year of \$69.6 million providing an important source of revenue and lowering their reliance on State funds. When State and local government revenues are combined, the seafood industry creates revenue beyond the State's cost of \$78.3 million to manage it, and \$18.5 million in capital expenditures, or 125% of its costs<sup>3</sup>.

PVOA would like to note that fisheries business and landings taxes are paid off gross profits, as a percentage of harvest, rather than on net profits like other industries. Even if a fishing trip is not profitable beyond expenses, the fisheries taxes must be paid.

Please consider the following taxes the seafood industry is already accountable for before choosing to increase them.

Current fisheries taxes due as a percentage of harvest include: Fisheries Business Tax, Fisheries Resource Landing Tax, Seafood Marketing Assessment, Salmon Enhancement Tax, Seafood Development Tax, and Dive Fishery Management Assessment.

Additional fisheries taxes and fees currently contributing to State, local, federal government include: City and Borough Raw Fish Tax, CDQ Royalties, Commercial Fishery Permit and Vessel Registration Fees, Fishermen's Fund, Commercial Crew Licenses, State Marine Fuel Tax, Revolving Loan Program revenues from the Division of Economic Development, and Corporate Income Tax.

Our industry is also subject to federal fisheries taxes including: Federal IFQ Cost Recovery fees (that increased in 2016), Federal Observer Program fees, and Unemployment Insurance paid by seafood processors<sup>2</sup>.

Alaskan industries vary in structure, management objectives, and ability to contribute. While the seafood industry doesn't contribute as much to the general fund as other extraction resources, it will be contributing long after other resources are exhausted. The Alaska seafood industry is unique compared to our other extracted State resource industries. It is managed to be a sustainable and completely renewable resource. Therefore, the seafood industry is intended to operate infinitely and contribute to the general fund forever.

Alaska's separate industries have different management objectives. For some industries this is to maximize long-term revenue. With the seafood industry this is not the case. This industry has traditionally been managed to maximize employment, fishing incomes, community health, and other social objectives<sup>3</sup>. The vast majority of Alaska's commercial fishing businesses are small, resident owned, and family operated.

"The percentage of limited entry permits held by Alaska residents continues to remain relatively stable. After 40 years, Alaskans hold nearly 77% of all limited entry permits. At the end of 2013, Alaskans held nearly 11,000 permanent limited entry permits, with rural Alaskans holding more than half of that number<sup>4</sup>."

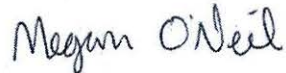
The burden of fisheries related taxes are not equally shared by the entire seafood industry. Commercial fishing operations are paying most of burden of taxes, with very little being passed on to buyers. Of the estimated 63,000 jobs provided by the seafood industry<sup>2</sup>, 9,836 permit holders<sup>5</sup> and 23,036 crewmembers<sup>6</sup> are accountable to pay the estimated \$250 million in taxes within the seafood industry<sup>2</sup>.

Oppose HB 251/SB 135  
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Petersburg Vessel Owner's Association members are opposed to the additional or increased fisheries business and fisheries resource landing taxes outlined in HB 251/SB 135. We realize that the 29<sup>th</sup> Legislature is greatly burdened with the State's current fiscal position and value their dedication this session.

Respectfully,



Megan O'Neil  
Executive Director

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To The House Special Fisheries Committee:  
Chair Stutes and Committee Members:

I'd like to take this opportunity to voice my opposition to HB 251.  
As an Alaskan citizen and a commercial fisherman I can tell you that our industry is already taxed heavily.

We already face rising costs of doing business along with the falling price paid for salmon and other products. In addition there is the high cost of individual health insurance plans in Alaska.

Again, I oppose HB 251.

Sincerely,  
Heather O'Neil



**Cordova District Fishermen United**  
PO Box 939 | 509 First Street | Cordova, AK 99574  
phone. (907) 424 3447 | fax. (907) 424 3430  
web. www.cdfu.org

February 18, 2016

Representative Louise Stutes  
Chair, House Fisheries Committee  
State Capitol Room 416  
Juneau, AK 99801-1182

Chairwoman Stutes and Committee Members,

Cordova District Fishermen United (CDFU) represents the fishing families in Prince William Sound and the Copper River region of Alaska. It is our mission to preserve & promote the commercial fishing industry and fishing resources of our region for the mutual benefit of generations of fishermen. The majority of our members are Alaskans whose income depends almost entirely on the commercial salmon industry.

Unfortunately, it is difficult to provide you with a definitive industry position on this bill, as full comprehension of its implications are challenging to process in the short time frame and the scope of the fiscal crisis facing the state.

Our industry is composed of a myriad of small business men and women that often have the slimmest of margins to operate on. The increase to the Fisheries Business Tax and Fisheries Resource Landing Tax as proposed in HB251/SB135 Fish Tax will have direct impact on these small businesses.

We believe the commercial salmon fishermen in our region already contribute significantly to the state and the region in which we operate, however we recognize the fiscal position of state.

That said, CDFU does not support the proposed fishing industry tax alone as a solution to the state of Alaska's fiscal crises. Furthermore, we think that a suite of taxes levied only upon resource industries, Fishing, Mining, and Tourism, though fair and balanced will have little impact on the overall state fiscal situation of a \$3.5 billion deficit.

Our position will further develop as the conversation continues amongst our industry and Legislature. We are very appreciative of your commitment to directly engage our industry and thank you for the opportunity to comment.

Sincerely,

Alexis Cooper, Executive Director  
Cordova District Fishermen United  
Director@cdfu.org



# Southeast Alaska Fishermen's Alliance

9369 North Douglas Highway

Juneau, AK 99801

Phone: 907-586-6652

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

Fax: 907-523-1168

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

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February 18, 2016

House Fisheries Committee  
Representative Louise Stutes, Chair  
Alaska State Legislature  
State Capitol,  
Juneau, AK 99811

Dear Chairman Stutes and Committee Members,

Thank you for attending the United Fishermen of Alaska (UFA) meeting. As many of us mentioned at the meeting, we are having difficulty commenting on the many pieces of tax legislation because we can't grasp what the overall effect would be on an individual fisherman with the many layers of taxes being considered, i.e. motor fuel, fish taxes, income tax and perm. fund in addition to the taxes and fees we currently pay.

We would suggest that any taxes being considered for implementation this session for any of the resource industries be put in a designated fund with a sunset provision on the tax.

We would also like to remind the fish committee members that care must be taken that the ADF&G budget is not cut such that conservative management actually creates loss of opportunity and in the long run less money to the general fund due to constricted and reduced fishery resource harvests.

While it might not be possible to implement this year, there is a very good probability that there could be some efficiencies gained for both the State government by a review of the fishery reports a tax payer pays. A committee of

legislative representation, fishery tax payers from different categories, Dept of Revenue and Dept of Fish and Game could possibly identify these efficiencies.

Southeast Alaska Fishermen's Alliance (SEAFSA) is a multi-gear/multi-species organization representing our 300+ members involved in the salmon, crab, shrimp and longline fisheries.

Sincerely,

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

Kathy Hansen  
Executive Director

# HALIBUT ASSOCIATION OF NORTH AMERICA

P.O. Box 872  
360-592-3116

DEMING, WA 98244  
CELL: 360-319-6208

Representative Louise Stutes  
Chair, Special Committee on Fisheries  
State Capitol Room 416  
Juneau, AK 99801

March 7, 2016

SENT VIA EMAIL

Dear Chairwoman Stutes,

The Halibut Association of North America (HANA) represents processors in Alaska, British Columbia, Washington, Oregon, and California on management, business, and marketing issues focused on halibut. Our members process 80% of the halibut that comes out of the North Pacific each year. As you know, about 85% of that comes from Alaska.

HANA was formed just a few years after Alaska achieved statehood. Our leadership has worked closely with the State and its agencies ever since. In the past, our members have served on the Board of Fish, at regional advisory bodies, and on the board of the Alaska Seafood Marketing Institute. HANA currently chairs ASMI's Halibut and Sablefish Committee.

We have monitored HB251 since it was introduced, and have read and listened to the public comments offered to your committee. We thank you for holding what will be five public hearings on this proposed legislation. We applaud your concern about the fishing industry being singled out, and your efforts to ensure that this does not do more harm than good.

We believe there may be ways to increase revenues and achieve a level playing field at the same time. As many have already testified, the state code for fisheries taxes is extremely complex and parts of it are outdated.

If the the landing tax rate on halibut goes from 3% to 4%, our members would need to budget for a 33% increase in their obligation to the state for the Fishery Resource Landing Tax. The Fisheries Business Tax would be an additional 33% increase in the number of dollars paid.

Over the last ten years, the population of halibut in the North Pacific and the individual fish's size at age has decreased. We are fishing on a sustainable catch limit that is less than half what it was in 2008. Halibut is a long-lived species which means recovery will be slow. We have not yet discovered why a 16-year old female today is less than half the weight of a 16-year old female from 1995. The good news is both phenomenons have leveled off and perhaps turned around.

Halibut may be considered a high-value fish, but when contracts are dropped because the volume isn't available, margins go down. An across-the-board increase in fisheries taxes would hurt halibut processors to perhaps the greatest degree, and at a time when the industry is struggling between lower catch limits and a marketplace that does not welcome a strong dollar.

We are eager to be part of the budget solution, but feel strongly that HB251 is not the right approach. Moreover, we feel it could trigger negative economic effects resulting in fewer small-scale operations serving rural coastal communities.

Thank you for your time and attention to this important issue.

Sincerely,

Peggy Parker  
Executive Director

#### **MEMBERS**

APICDA J/Vs	AERO TRADING	AUCTION BLOCK	CANFISCO
DANA F. BESECKER	FRENCH CREEK	HART SALES	
ICICLE SEAFOODS	NORTH PACIFIC	PACIFIC SEAFOOD	
S.M. PRODUCTS	TRIDENT SFDS.	SEAFOOD PRODUCERS COOP	
SNUG HARBOR SEAFOOD		YAKUTAT SEAFOODS	

**A RESOLUTION URGING THE ALASKA LEGISLATURE AND WALKER ADMINISTRATION  
TO ANALYZE CUMULATIVE IMPACTS PRIOR TO IMPOSING NEW TAXES  
ON THE SEAFOOD INDUSTRY.**

WHEREAS the seafood industry is the largest private sector employer in Alaska and provides approximately 60,000 jobs each year and directly employed 26,700 Alaskans in 2013-2014; and

WHEREAS, the seafood industry averaged \$5.9 billion in economic activity statewide in those years, with an associated labor income of \$2.1 billion; and

WHEREAS, over 31,500 commercial fishermen operating 8,600 vessel delivered 5.7 billion pounds of seafood in 2014 with a first wholesale value of \$4.2 billion, and the processing sector employed more than 25,000 workers who were paid \$460 million; and

WHEREAS, the seafood industry paid \$138.6 million in fishing related taxes and fees that was distributed to Alaska's general fund (55%), local governments (38%), and federal agencies (7%), and over \$100 million in royalties to Community Development Quota (CDQ) groups in western Alaska, salmon hatchery cost recovery programs, and Regional Seafood Development Associations (RSDAs) assessments, in addition to various local taxes and fees; and

WHEREAS, 65 Alaskan cities, boroughs, and municipalities receive half of the fisheries business and landing taxes paid by the seafood industry each year, which greatly reduces reliance on the capitol budget and provides infrastructure they could not otherwise afford; and

WHEREAS, the seafood industry is managed under a Constitutional mandate to ensure sustainability and has provided a consistent source of jobs and revenue to the state of Alaska and Southeast region for over 100 years and will continue to contribute indefinitely ; and

WHEREAS, 291 million pounds of seafood, valued at \$260 million, was harvested in 2014 by fishermen in Southeast Alaska, where nine communities typically number among the nation's top ranked fishing ports for volume and/or value – three (Sitka, Ketchikan, Petersburg) consistently in the Top 20; and

WHEREAS, 54 shorebased operations in Southeast Alaska processed 235 million pounds of seafood in 2014, with a first wholesale value of \$520 million; and

WHEREAS, seafood is responsible for 20% of the average annual monthly employment in Southeast Alaska and provided nearly 10,000 full time equivalent jobs to the region in 2013 and 2014; and

WHEREAS, more than 12,000 people in were directly employed harvesting, processing, or working at hatchery facilities Southeast Alaska during 2013 and 2014; and

WHEREAS, the seafood industry has expressed concern about the cumulative effects of a wide range of proposed taxes and fees on small businesses that already carry a heavy tax burden, which could cause a decline in growth or recession within the industry; and

WHEREAS, the Alaska Legislature and Walker Administration are considering options to impose new and increased taxes and fees on such things as: seafood landings, motor fuel, permit and vessel licenses, and individual income tax; the combined effect of which could have far reaching ramifications to the health of the seafood industry in the State and Southeast Alaska; and

WHEREAS, the seafood industry is currently facing significant challenges, due to the worldwide economic downturn, fluctuating currency rates, and a Russian embargo;

THEREFORE BE IT RESOLVED that our businesses specifically oppose the 12.5% royalty proposed through Senate Bill 198, and views the measure as an unreasonable tax burden on an industry composed of small businesses that provide more jobs than any other and currently pays the second highest combined tax rate in the State; and

THEREFORE BE IT FURTHER RESOLVED that our businesses urge the Alaska Legislature and Walker Administration to carefully analyze the cumulative impact of any additional taxes and fees levied on the seafood industry, so as not to create an unfair tax burden and disincentive for investment, or otherwise lead to destabilization and job loss in the seafood industry and our communities.

The following organizations and businesses operating in Southeast Alaska issued support for this resolution on February 29, 2016:

### **Fishing Organizations**

Linda Behnken  
Alaska Longline Fishermen's Association

Dale Kelley  
Alaska Trollers Association

Megan O'Neil  
Petersburg Vessel Owner's Association

Jim Stone  
Alaska Scallop Association

Lisa Terry  
Alaska Independent Tenderman's Association

Kathy Hansen  
Southeast Alaska Fishermen's Association

Cynthia Wallesz  
United Southeast Alaska Gillnetters

Robert Thorstenson  
Southeast Alaska Seiners

Phil Doherty  
Southeast Alaska Dive Fishermen's Association

Bob Kehoe  
Purse Seine Vessel Owners Association

### **Processors**

Tom McLaughlin  
Seafood Producers Cooperative

Mike Erickson  
Alaska Glacier Seafoods

Greg Indreland  
Yakutat Seafoods

Terry Barry  
Hoonah Cold Storage

John Garner  
North Pacific Seafoods

Vern Phillips  
Pacific Seafood

Eric Norman  
Taku Fisheries

Sandy Souter  
Alaska General Seafoods

Rob Zuanich  
Silver Bay Seafoods

Don Spigelmyre  
Icicle Seafoods

### **Aquaculture Associations**

Dave Landis  
Southern Southeast Regional Aquaculture Assn

Eric Prestegard  
Douglas Island Pink and Chum

Steve Reifentstahl  
Northern Southeast Regional Aquaculture Assn

Jeff Lundberg  
Prince of Wales Hatchery Association

Ian Fisk  
Armstrong-Keta, Inc.

### **Individual Seafood Businesses**

Mark Tupper  
Triad Fisheries

George Eliason, Owner  
Tammy Lin Fisheries

### **Sources**

The Economic Value of Alaska's Seafood Industry, McDowell Group, December 2015.

[http://ebooks.alaskaseafood.org/ASMI\\_Seafood\\_Impacts\\_Dec2015/pubData/source/ASMI%20Alaska%20Seafood%20Impacts%20Final%20Dec2015%20-%20low%20res.pdf](http://ebooks.alaskaseafood.org/ASMI_Seafood_Impacts_Dec2015/pubData/source/ASMI%20Alaska%20Seafood%20Impacts%20Final%20Dec2015%20-%20low%20res.pdf)

2015 ADOR Annual Report

<http://www.tax.alaska.gov/programs/documentviewer/viewer.aspx?1107r>

Top Major Ports by Pounds ; Top Major Ports by Value

<http://www.st.nmfs.noaa.gov/commercial-fisheries/commercial-landings/other-specialized-programs/total-commercial-fishery-landings-at-major-u-s-ports-summarized-by-year-and-ranked-by-poundage/index>

<http://www.st.nmfs.noaa.gov/commercial-fisheries/commercial-landings/other-specialized-programs/total-commercial-fishery-landings-at-major-u-s-ports-summarized-by-year-and-ranked-by-dollar-value/index>

Pacific Seafood Processors Association, Ocean Beauty Seafoods, Icicle Seafoods Position on HB 251

We recognize the tough budget situation created by unexpectedly low oil prices and the consequent major deficit that has resulted.

We generally agree with the Governor and Legislative leaders that the State needs to make a significant reduction in the deficit this session by using broad based revenue proposals already being discussed. We further agree that budget reductions focused on non-revenue producing areas and additional tax revenues are part of the solution.

We urge careful consideration, however, of the resource specific new tax bills introduced by the Governor as their passage in original form would create a significant drag on depressed sectors of Alaska's economy that are already weakened by low commodity prices.

Further, those sectors are a major source of Alaska jobs, so additional taxes assessed now will only serve to reduce jobs beyond what will already be necessary until commodity (in this case fish) prices improve.

The Alaska Seafood industry already contributes significant revenues to Alaska in excess of the expenditures by the state (UFA tax summary sheet attached).

Notwithstanding our concerns, if the Legislature decides to increase taxes on the resource based industries, we request that first loopholes in the existing fisheries tax collection system be closed before any new taxes are added to the seafood industry. Closing known loopholes could raise up to \$4 million in additional annual revenue. Once loopholes are closed, the need for new taxes should be re-evaluated. Additionally, HB 251 should be amended to a straight 4% for the fisheries business and resources landing taxes as illustrated on the enclosed chart. That proposal would raise approximately \$14 million.

We also request that if or when the Legislature increases taxes, the ADFG Commercial Fish Division and ASMI retain sufficient funding to continue to provide the baseline work that is necessary for our industry to be successful in Alaska. We rely on accurate forecasting for the maximal sustained harvest levels in our fisheries and to assist in a coordinated market strategy for all of our fish products.

	Existing	HB251	"4 - 4 - 4 - 4" Proposal	% Change Gov. / "4-4-4-4"
<b>Fisheries Business Tax - Shore Based</b>	3%	4%	4%	+33% / +33%
<b>Resource Landing Tax</b>	3%	4%	4%	+33% / +33%
<b>Canned Salmon Tax</b>	4.5%	5.5%	4%	+22% / -11%
<b>Floating Processing Tax - State Waters</b>	5%	6%	4%	+20% / -20%

# 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.***

HB 251 - Pasternak comments

Madam Chair (attention Reid)

Forwarding the tax break down as requested:

Raw Fish Tax 3% payed by processors but deducted from value of fish delivered. Of this 3%- 50% goes to State General Fund. 50% goes to municipality where fish is landed.

Aquaculture or Enhancement assessment 3% (this tax is used to produce hatchery salmon which in turn become "common property")

IFQ tax 3% payed by fishermen (pays for management of IFQ fisheries)

IFQ observer fee 1.25% payed by fishermen, 1.25% payed by processor.

In Sitka we also pay a 5% sales tax in winter and a 6% sales tax in summer.

Thanks for the opportunity to testify

Walter C. Pasternak

Sitka, AK



P.O. Box 3302, Seward, AK  
[www.JRFisheries.com](http://www.JRFisheries.com)

Office Ph/Fax: (907) 224-558 / 5572  
[Kruzof@ak.net](mailto:Kruzof@ak.net)

March 5, 2016

Attn: Fisheries Committee Chair and Members  
Re: HB 251 – Sectional Analysis – item #6.

Corresponding with this Bill I recommend the committee give special attention to Section 6 of the Sectional Analysis which speaks to submitting reports electronically.

Attached are documents requesting data of industry to State departments, ADF&G and Dept. of Revenue (DOR) when commercial fish is harvested, processed and/or exported out of Alaska. They are as follows;

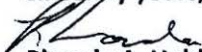
- 1) Sample Fish Ticket—required by ADF&G within 7 days of landing product
- 2) Sample of Commercial Operators Annual Report (COAR) – Supplied to ADF&G by 4/1 representing a summary of a Commercial entity's previous year's buying and production info
- 3) List of Fisheries related forms and reports due to DOR-- depending on what species are landed and taxes a company is responsible for (soon to be submitted electronically).

Much of the harvest, production and value data expected to be reported and re-calculated to DOR electronically is already captured on the Fish Ticket/E-landing reports, COAR reports and Statewide average Price List. This duplication of reporting by industry is especially burdensome on small Direct Marketers who represent 42% of the licensees. This is an opportune time to see that the collection of volume and valuation data on our fisheries be fully integrated between ADF&G and ADOR.

By integrating systems, industry can be relieved of duplicating the same data over various reports, and the State will be able expedite tax payments and audits in a more fair and accurate fashion. Integrating data will also prepare the departments to compare, and contrast data with other data collection entities such as National Marine Fisheries Service whom ADG&G co-manages harvest reports with. The committee should also consider including the integration of data coming from Commercial Sport and Charter operations that maintain logbooks for ADF&G on their harvest. This would prepare DOR future access to that data source and provide a potential tax collection opportunity by another user who can help share the cost of research, management and enforcement of our fisheries resource.

Between Federal and State managed fisheries within the Alaskan Region, reporting mandates on our industry has evolved into a very time consuming and onerous morass of redundant and complex reporting. Therefore whatever this body can do to lighten the load of regulatory and reporting burdens on our industry would certainly be appreciated.

Sincerely yours,

  
Rhonda A. Hubbard  
Managing Member

Type	Number of licenses	Commercial Fisheries
Buyer/Exporter	20	
Catcher Processor	47	
Catcher/Exporter	18	
Direct Marketing - Floating Processor/F.Men	211	→ 42%
Floating Processor	35	
Salmon Cannery	25	
Shore Based Facility	147	

503 Lic.

SAMPLE  
Electronic  
Fish Ticket

ALASKA DEPARTMENT OF FISH & GAME  
ELECTRONIC GROUND FISH TICKET

DO NOT WRITE IN THIS SPACE  
E13 181420

Statistical Area Worksheet			
Stat. Area	%	Stat. Area	%
435931 FED 640	24	425900 FED 640	16
435900 FED 640	15	405830 FED 640	4
425931 FED 640	37	445900 FED 640	4

Produced @ time  
of Delivery.

Vessel  
ADF&G NO.  
Permit  
 Mag Stripe Read

Crew Size 7 Mgmt Pgm IFQ  
Observers onboard 0 ID

Port of Landing or off-shore  
operation type  
FCP Catcher/processor  
Type of Gear used  
61 Longline (hook and  
line)

Owner:  
Custom  
Processor:

Date Fishing Began (Gear in Water) 05/29/2015  
Days Fished 13  
Date Landed 06/15/2015

PARTIAL DELIVERY:  
 Partial Delivery  
 Dock Delivery  
 Last Landing for Trip  
 Multiple IFQ Permits

SPECIES	STAT AREA	REL COND	SCALE WEIGHT	NUM	UNIT	SIZE & GRADE	SOLD WEIGHT	PRICE	AMOUNT
710 Sablefish		08 Est cut	53,992.000			60 Sold			
152 Shortraker rf		08 Est cut	2,464.000			60 Sold			
143 Thornyhead rf		08 Est cut	3,319.000			60 Sold			
701 Longnose skate		13 Wings	534.000			60 Sold			
Total:								0.0000	\$0.00

I HEREBY ATTEST THAT THE FISH WERE CAUGHT IN COMPLIANCE WITH ADF&G REGULATIONS.

Permit Holder's Signature

Fish Received by

Date 6-15-15

ADF&G USE	
Interview	
Observer	
Logbook	

Landing Report ID: CFEC Serial Number:

Thornyhead rf Round Weight: 6,638  
Shortraker rf Round Weight: 4,928  
Longnose skate Round Weight: 1,668.75  
Sablefish Round Weight: 85,701.5873

Taxes	Rate	Amount
Landing Tax		
AFA Fee		
Other		
Total		

Much of the same info recorded on F-Tket is required to be re-duplicated manually on ADF&G COAR reports and various DOR Fish Tax Reports.

Type

Number of licenses

→ Commercial Fisheries

Buyer/Exporter	20
Catcher Processor	47
Catcher/Exporter	18
Direct Marketing - Floating Processor/F.men.	211
Floating Processor	35
Salmon Cannery	25
Shore Based Facility	147

→ 42%

503 Lic.  
2

SAMPLE  
OF COAR  
Report  
Due Annually  
by 4/1

State of Alaska Department of Fish and Game  
2009 Commercial Operator's Annual Report  
**CERTIFICATION PAGE**

FOR ADF&G USE ONLY
ENTERED CERTIFICATION PAGE
ENTERED BUYING CENTER
ENTERED PRODUCTION INFO

You must return this page  
by April 1, 2010 to be in compliance with  
5 AAC 39.130 and 50 CFR 679, whether you operated or not.

\*\*\* CONFIDENTIAL \*\*\*

The Commercial Operators Annual Report (COAR) is used to gather statewide fish and shellfish Buying (exvessel) and Production (wholesale or retail) information. This report is also required by the National Marine Fisheries Service for operations within the EEZ. Complete one Certification Page and/or report for each processor code held by your company. Do not combine activities for more than one processor code on this form. Use a separate report form for each processor code.

Processor Code:	<u>FL234</u>
	Enter only one code

Check the correct response to the three questions below. If you check YES to any of the following questions, you must file a complete COAR in addition to this Certification Page. Please complete those forms that apply to your processor code for the year 2009 by using the checklist on Page 2. Return original completed report form(s) to ADF&G by April 1, 2010. *current year.*

- YES  NO  Did you operate using the above Processor Code in 2009?  
 YES  NO  Were fish tickets written using the above Processor Code in 2009?  
 YES  NO  Did you operate *only* in the Exclusive Economic Zone (3-200 miles offshore) in 2009?

Company Name and Address: If address is incorrect or missing, please correct the error on the label or print your permanent address here.		Physical Location of Land-Based Plant:	
Company Name: <u>Shellene's Seafoods</u>		<u>Haines</u>	
Street: <u>123 Crabby Lane</u>		Name of Facility/Vessel:	
City/State/Zip: <u>Haines, AK 99827</u>		<u>Haines Plant</u>	
Contact Name (Print or type): <u>Pinchy McClaw</u>		Title: <u>CFO</u>	
E-Mail Address: <u>yummycrab@seafood.com</u>		Telephone Number: <u>(907) 555-1234</u>	
Company Fax Number: <u>(907) 555-4321</u>			
Alternate Contact (Print or type): <u>Sammy Spawner</u>		Alternate Contact Title: <u>Accountant</u>	
Alternate Contact E-Mail Address: <u>yummy.salmon@seafood.com</u>		Alternate Contact Telephone Number: <u>(907) 555-1212</u>	
<b>CERTIFICATION:</b> Please be sure that you have reviewed all information in the remaining pages of this report before signing the following statement.			
I, print <u>Pinchy McClaw</u>		certify under penalty of perjury that I have reviewed all information contained in this report, that it is true and complete to the best of my knowledge, and that I am the owner/authorized agent for this operation.	
sign <u>Pinchy McClaw</u>		date <u>3/1/2010</u>	

Mail forms to: ADF&G Division of Commercial Fisheries, PO Box 115526, Juneau, AK 99811-5526. (907) 465-6131  
**MAIL ORIGINAL Keep a copy for your records.** Additional forms available at <http://www.cf.adfg.state.ak.us>

Parts of Duplicated Info by Industry from F. T. K.

**SALMON BUYING: FORM A(1)**

See Buying Instructions on Page i.

*If you run out of space on this page, continue on Form A(3) on Page 5.*

Species Name	Species Code	Area Purchased	Gear Used	Delivery Code	Total Pounds Purchased from Fishermen	Total Amount Paid to Fishermen	Avg. Price/Lb. <input checked="" type="checkbox"/> If Not Final
<b>SEINE GEAR (01 or 02 - Write in the correct gear code)</b>							
<i>For Example: Pink Salmon</i>	440	B	01	01	6,937	\$1,518.16	<input type="checkbox"/> 0.22
PINKS	440	E3	01	01	1,000	1,000	1.00 <input type="checkbox"/>
PINKS	440	A1	01	01	1,000	1,000	1.00 <input type="checkbox"/>
							<input type="checkbox"/>
							<input type="checkbox"/>
							<input type="checkbox"/>
							<input type="checkbox"/>
							<input type="checkbox"/>
							<input type="checkbox"/>

<b>GILLNET GEAR (03 or 04 - Write in the correct gear code)</b>							
<i>For Example: Chinook Salmon</i>	410	T	03	01	19,453	\$12,644.45	<input type="checkbox"/> 0.65
Chinook	410	A1	03	01	2,000	4,000	2.00 <input type="checkbox"/>
Sockeye	420	A1	03	01	2,000	4,000	2.00 <input type="checkbox"/>
Chum	450	B	03	01	2,000	2,000	1.00 <input type="checkbox"/>
							<input type="checkbox"/>
							<input type="checkbox"/>
							<input type="checkbox"/>
							<input type="checkbox"/>
							<input type="checkbox"/>
							<input type="checkbox"/>

SALMON SPECIES CODES
410 - Chinook Salmon
420 - Sockeye Salmon
430 - Coho Salmon
440 - Pink Salmon
450 - Chum Salmon
<i>Area, Gear, and Delivery Codes are listed on Page ii.</i>

- Use a separate line for each gear type. Do not combine multiple gear types, areas, or delivery codes on the same line.
- Do not use separate lines when species, area, gear, and delivery code are the same; add together the pounds purchased for total - add amounts paid for total - calculate the average price per pound.
- Do not include on this form any salmon discards or salmon kept for personal use.

Mail all completed forms to: ADF&G Commercial Fisheries, PO Box 115526, Juneau, AK 99811-5526  
Phone (907) 465-6131





VALUE & TAX  
 Reports Required  
 by Dept of Rev.

## Fisheries Related Taxes

DOR

The Tax Division has implemented an online system in which customers can conveniently and securely conduct business with the Department of Revenue, Tax Division on their computers, laptops, smartphones, and tablets. The online system is titled—Revenue Online. You are now able to complete through Revenue Online, any 2016 tax return and 2015 annual returns.









The following is a link to Revenue Online: <https://online-tax.alaska.gov>

For those customers that prefer to use our former methods of tax reporting the Tax Division provides the following printable forms to complete your tax filing responsibility. You simply print a blank form, fill it out manually, and then send it in.

In some cases below, a fillable form option is available for certain fisheries related forms. That means you may type your information directly onto the form, print it, sign it and send it to the Tax Division. The fillable forms have "Fill in" designation next to the form title. When provided below, please read the instructions that accompany the form.

If you are filing a **2015 tax return** you **must use 2015 tax forms**. Please go to the 2015 forms page by using the following link: Previous Year's Forms. (Do not use a 2016 tax form to report activity for calendar year 2015. The tax group will not accept reported 2015 tax information on 2016 tax forms.)

If you are a Monthly Pay and Report Filer please go to the forms page by using the following link: Monthly Pay and Report Filers.




Form Number	Title	Revision Date	Document Type
<b><u>Fisheries Business Tax</u></b>			
574	Fisheries Business Tax Return	(Rev 2/16)	 36 Pgs.
574i	2015 Fisheries Business Tax Return Instructions	(Rev 12/15)	
570lc	Processing Locations Maps and Directory	(Rev 10/12)	
575	Salmon or Herring Product Development Credit Pre-qualification Form Fill In	(Rev 8/14)	
<b><u>Seafood Marketing Assessment</u></b>			
578	2015 Alaska Seafood Marketing Assessment Form	(Rev 1/16)	
<b><u>Salmon Enhancement</u></b>			
566	Monthly Buyer Salmon Enhancement Tax Return	(Rev 1/16)	
566	Annual Salmon Enhancement Tax Return	(Rev 1/16)	
566i	Salmon Enhancement Tax Return Instructions	(Rev 11/15)	

571	SET Buyers Annual Report	(Rev 1/16)	
571i	SET Buyers Annual Report Instructions	(Rev 11/15)	









### Regional Seafood Development

582	Annual Regional Seafood Development Tax Return	(Rev 1/16)	
582	2016 Monthly Buyer Regional Seafood Development Tax Return	(Rev 1/16)	
582i	Regional Seafood Development Tax Return Instructions	(Rev 1/16)	





### Dive Fishery Management

580	Quarterly Buyer Dive Fishery Management Assessment Return	(Rev 1/16)	
580	Annual Dive Fishery Management Assessment Return	(Rev 1/16)	
580i	Dive Fishery Management Assessment Form Instructions	(Rev 1/16)	

### Fishery Resource Landing Tax

680	2015 Fishery Resource Landing Tax Return	(Rev 1/16)	 15 pg/2-
680i	Fishery Resource Landing Tax Return Instructions	(Rev 11/15)	
688	Fishery Resource Landing Tax Request for Notice of Value Fill In	(Rev 12/12)	
570lc	Landing Location Code Maps and Directory	(Rev 10/02)	
681	CDQ Credit Application Fill In	(Rev 3/13)	
683	2014 Statewide Average Crab Price List	(Rev 5/12)	
684	2014 Statewide Average Price List	(Rev 5/12)	
597	Estimated Tax Payment Voucher	(Rev 4/13)	

### Alaska Salmon Report

560	2015 Alaska Salmon Price Report Fill In	(Rev 5/13)	
560i	Alaska Salmon Price Report Instructions	(Rev 4/13)	
561	2015 Annual Alaska Salmon Production Report Fill In	(Rev 12/14)	
561i	2015 Annual Alaska Salmon Production Report Instructions	(Rev 12/14)	

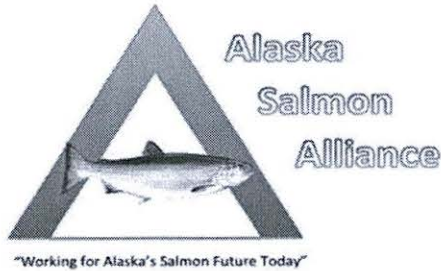
### Common Property Fishery Assessment

589	Common Property Fishery Return	(Rev 1/16)	
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Monthly Pay and Report Filers

Previous Years' Forms

Many of these reports require data and info already captured on Fish tickets or License applications Submitted by Fishery Business Licensees



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March 7, 2016

Representative Louise Stutes  
Alaska State Legislature  
120 4<sup>th</sup> Street, State Capitol, Room 416  
Juneau, Alaska 99801-1182

Dear Representative Stutes:

ASA represents seafood processors and commercial fishermen based on the Kenai Peninsula and in the Anchorage and MatSu areas. ASA is pleased with your open and comprehensive approach to new revenues being proposed for not only fisheries but other resource taxes. ASA is also pleased that you have temporarily put HB 251 on hold until you are comfortable that the fishing industry is not being singled out from other industries.

ASA agrees with the comments of other fisheries representatives that the tax plan is oversimplified, rushed and ignores other resource taxes in the state. The fisheries tax schedule is one of the more complex in Alaska tax code.

Increasing the business tax rate 1% across the board as proposed can result in a minimum increase of 20 percent and a maximum increase of 33 percent and does not make distinctions. Although a one percent increase could work for some sectors, it would stress salmon plants which are glutted with oversupply and having trouble profiting at the current 4.5 percent rate.

Another factor negatively affecting the seafood market is the U.S. dollar's strength over key export markets like Europe, China, and Japan has hurt seafood prices, notably the Bristol Bay sockeye harvest for which fishermen received half the average price per pound.

Taxes on industry, while politically easier to achieve, risk shrinking our economy and the revenue pie, making things worse in the long run. Continuing to incentivize growth in the private sector will strengthen the foundation of Alaska's economy and grow the revenue pie for the state over the long run. A strong and growing private sector should be a priority. When the private sector is healthy and growing, the State of Alaska will prosper.

The ASA appreciates the opportunity to comment on HB 251.

Arni Thomson  
Alaska Salmon Alliance



## United Cook Inlet Drift Association

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43961 K-Beach Road, Suite E • Soldotna, Alaska 99669 • (907) 260-9436 • fax (907) 260-9438  
• [info@ucida.org](mailto:info@ucida.org) •

February 22, 2016

Representative Louise Stutes  
Chair, House Fisheries Committee  
State Capitol Room 416  
Juneau, AK 99801

Dear Chairwoman Stutes and Committee Members:

The United Cook Inlet Drift Association (UCIDA) represents the 570 drift gillnet permit holders and their families that fish for salmon in Cook Inlet.

UCIDA recently produced and provided to the Governor and legislators a report titled "*Analysis of State Revenue from Fisheries*". In that report, based on the fully documented 2014 Cook Inlet salmon season, we demonstrate and explain how commercial fisheries and other fishery resource user groups could provide additional tax or fee revenue to the State. In the research and development of our analysis we realized that harvesting surplus salmon stocks would provide much greater financial benefit to the State and the local/regional economies than would a tax increase as described in HB 251 or SB 135. Fully utilizing our abundant and renewable fishery resources will provide the greatest value to the State, not only in direct tax revenue generated, but also in the number of jobs provided in the seafood industry and in the hundreds of businesses that support the seafood industry.

UCIDA is opposed to HB 251 as a stand-alone tax increase on the commercial fishing industry. An increase in the Fisheries Business Tax should only be considered as a component of a comprehensive overhaul of fishery management policies, taxes and license fees. We are certainly aware of the economic circumstance facing all Alaskans and hope we have provided information useful to you in making these important decisions.

We appreciate your attention to this topic.

Sincerely,

*Original Signed Document*

David Martin, UCIDA President  
Erik Huebsch, UCIDA Vice President

HB 251, COOK INLET FISHERMAN'S FUND.

Good morning Rep. Stutes, I write to oppose HB 251. As Alaskans we cannot tax our way to a balanced budget. As fishermen we cannot tolerate the pattern of waste in the form of unharvested surplus. The greater benefit would be implementation of plans that take advantage of unharvested surpluses in fisheries across the state. Thanks. John McCombs, president, COOK INLET FISHERMAN'S FUND.

February 27, 2016

House Fisheries Committee  
Representative Louise Stutes, Chair  
Alaska State Legislature  
State Capitol,  
Juneau, AK 99811

Chairman Stutes and Committee Members;

In the discussion about resource extraction taxes, it is important to recognize the uniqueness of the commercial fishing industry.

First and foremost, commercial fishing is a renewable, sustainable resource. Proper management and habitat protection ensures this industry will be still be contributing to the state's economy long after the last drop of oil and the last mineral is taken.

Secondly, the structure of the industry is unique in that our industry is composed of many small independently owned businesses, the harvesting sector, and the processing sector.

The processing sector provides infrastructure that allows the harvesting sector to harvest millions of pounds of seafood in a constricted window of time. They provide jobs and property tax to the municipalities that are lucky enough to have them. It is apparent that it some processors will pay more in the current structure than others because they produce canned fish. This could and probably does effect their ability to be competitive. That's not good for the harvest sector. Processors have certain fixed costs associated with their business. So does the harvest sector. The one difference between the two is that the processing sector can control one of their major costs. The price they pay for fish.

The harvesting sector gives processors the only avenue they have to the resource. Getting that access brings competition into the processing sector. Harvester's can't control any of their costs. They get payed what the market will bear, relying on competition amongst buyers to get the highest price possible for their product. To keep processors competitive, there needs to be a level playing. Different tax regimes for product forms is not the way to do that. If we do see this tax increase, it should be structured in a manner that promotes not only competition amongst processors, but also to promote different product forms. Moving forward, different product forms will be key for our industry being competitive in a world market.

It is apparent that any tax increase on industry will be ultimately paid by the harvest sector. In fact every regulation, tax, minimum wage requirement, etc., that is put on the processing sector will and does effect the price paid to harvesters. We all understand that is how business works.

There have been many changes in the industry since our current tax regime was imposed. In the 80's, Alaska commanded a market share of 60-70% of the worlds salmon. Now we are somewhere in the 10-13% range. That's the bad news. The good news is that the world is eating a lot more salmon. Our industry is facing and has faced many challenges. There will more. It is important in considering an increase in taxes that both sectors remain viable and

profitable. We know the resource is sustainable, and the business models that add so much to our state's economy need to be as well.

In listening to this committee, I have heard many questions regarding the Department of Fish and Game. The economic platform that is commercial fishing, in my mind, has three legs. The two sectors of industry and the department. Industry relies heavily on the departments ability to manage our fisheries to the maximum sustained yield. Real time data is vital for that. Looking at the proposed cuts the department has offered up for the region I fish in the last couple of years has me a little worried. I'm not sure how they will play out. It is a leap of faith. Generally speaking, I believe the department has done a stellar job on most levels. While I realize that every department in the state will be seeing cuts in spending, my hope is that any cuts to the Department of Fish and Game will not effect their ability to manage our fisheries to it's full economic potential. I have heard some fishermen express the notion that an increase in our taxes will help fund fish and game to manage our resource. While that is a pleasant thought, reality dictates that is not the case, although it is my hope that the legislature would consider any increase in tax on the industry as incentive for keeping cuts to the department to a minimum.

In closing, I appreciate the work this committee has done with this bill. I appreciate Chairman Stutes holding the bill for comment and input. Comments and questions generated from members gives me some hope that a comprehensive plan to address the dark fiscal landscape that is our state can be addressed in a reasonable, responsible, and fair manner.

Sincerely,

Max Worhatch  
P.O. Box 407  
Petersburg, Alaska 99833  
253.279.0707

amendment offered & withdrawn by sponsor

29-GH2921\A.8  
Nauman  
3/8/16

AMENDMENT #1

OFFERED IN THE HOUSE  
TO: HB 251

BY REPRESENTATIVE KREISS-TOMKINS

- 1 Page 2, line 24:
- 2 Delete "one"
- 3 Insert "**four** [ONE]"
- 4
- 5 Page 3, line 1:
- 6 Delete "one"
- 7 Insert "**four** [ONE]"
- 8
- 9 Page 4, line 2:
- 10 Delete "one"
- 11 Insert "**four** [ONE]"

Hello, My name is Leroy Cabana, I would like to share some of my thoughts on HB251 and the financial shortfall the State of Alaska is trying to solve. First and foremost I would like to say, Its up to all folks in Alaska to try to work together and render a solution to finding a balanced budget, fishermen will have to help share this burden.

Now saying that I would lie to share my personal experience in harvesting salmon in PWS and trying to make a living.

HB 251 appears to effectively raise the gross fishery landing tax from 3% shore based and 5% floating processor to 4% and 6% respectively. This tax is treated by the processors like other expenses and directly affects the ex vessel price paid to fishermen for their catches. In the fishery I am involved in, a vessel/permit owner is lucky to retain 20 - 25% of the gross harvest value after paying expenses, here is my experience, crew wages 35%, insurance 22k, fuel 44k, groceries 12k, moorage 7k, vessel upgrade loan payment 39k, and the list goes on.

If a vessel owner realizes 20% of the gross as profit, each 1% increase on the gross fish landing tax represents 5% of the vessel owners income each year.

Like I stated above, All Alaskans will be affected by the current attempt to balance the state budget, and I guess I can swallow hard and try to understand the need of HB251. What concerns me is the next step you folks in Juneau will take, I mean, come on, a 1% increase in fisheries landing tax is going to be small drop in a very large bucket towards balancing the state budget. I expect a personal income tax and cuts to the PFD will be in the works in our near future, if HB251 is passed as written and then we get a personal income tax and cuts to the PFD, Fishermen will be carrying a heavy burden.

My worry is the Gross fishery landing tax will be approved, then right after that we will be hit with an income tax, cuts to the PFD and who knows what else, the accumulative effect will be to render salmon seining in PWS unprofitable or close to it .Pink salmon prices last year was 20 cents per pound to the fishermen, its not easy at 20 cents per pound without additional taxes, what I ask is please consider the future impact of other tax increases on fishermen when deciding on HB 251.

Thanks for taking my input

Leroy L Cabana  
Homer, Alaska 99603

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