

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 2808

Table 1  
 Number of Bills and Resolutions Passed During Legislative Session  
 Fourteenth Alaska Legislature - 1st Session - 1985

	HOUSE NUMBER OF BILLS PASSED				SENATE NUMBER OF BILLS PASSED				BOTH NUMBER OF BILLS PASSED			
	HB	SB	HR	SR	HB	SB	HR	SR	HB	SB	HR	SR
Session Total	110	48	38	8	59	23	17	20	59	48	17	8
Day 106	2	0	1	0	0	2	0	0	0	0	0	0
Day 107	1	0	0	0	0	2	0	1	0	0	0	0
Day 108	2	2	2	0	1	2	0	0	0	0	0	0
Day 109	3	0	0	0	1	1	0	0	0	0	0	0
Day 110	1	0	0	1	0	2	1	0	0	0	0	0
Day 111	4	0	0	0	0	1	0	2	0	0	0	0
Day 112	5	0	0	0	0	0	0	0	0	0	0	0
Day 113	2	1	0	0	0	3	0	0	0	0	0	0
Day 114	4	0	0	0	2	3	1	1	0	0	1	0
Day 115	3	1	2	0	0	3	0	2	0	1	0	0
Day 116	1	1	2	0	1	4	0	0	0	1	0	0
Day 117	3	1	2	0	4	1	0	1	1	0	0	0
Day 118	10	4	1	0	2	4	0	1	1	2	0	0
Day 119	1	6	0	0	16	1	0	1	4	3	0	0
Day 120	0	0	0	0	0	0	0	0	0	0	0	0
14 Day Totals	42	16	10	1	27	29	2	9	6	7	1	0

Daily Percent of Total

Day 106	1.8	0.0	2.6	0.0	0.0	2.4	0.0	0.0	0.0	0.0	0.0	0.0
Day 107	0.9	0.0	0.0	0.0	0.0	2.4	0.0	5.0	0.0	0.0	0.0	0.0
Day 108	1.8	4.2	5.3	0.0	1.7	2.4	0.0	0.0	0.0	0.0	0.0	0.0
Day 109	2.7	0.0	0.0	0.0	1.7	1.2	0.0	0.0	0.0	0.0	0.0	0.0
Day 110	0.9	0.0	0.0	12.5	0.0	2.4	5.9	0.0	0.0	0.0	0.0	0.0
Day 111	3.6	0.0	0.0	0.0	0.0	1.2	0.0	10.0	0.0	0.0	0.0	0.0
Day 112	4.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Day 113	1.8	2.1	0.0	0.0	0.0	3.6	0.0	0.0	0.0	0.0	0.0	0.0
Day 114	3.6	0.0	0.0	0.0	3.4	3.6	5.9	5.0	0.0	0.0	5.9	0.0
Day 115	2.7	2.1	5.3	0.0	0.0	3.6	0.0	10.0	0.0	2.1	0.0	0.0
Day 116	0.9	2.1	5.3	0.0	1.7	4.8	0.0	0.0	0.0	2.1	0.0	0.0
Day 117	2.7	2.1	5.3	0.0	6.8	1.2	0.0	5.0	1.7	0.0	0.0	0.0
Day 118	9.1	8.3	2.6	0.0	3.4	4.8	0.0	5.0	1.7	4.2	0.0	0.0
Day 119	0.9	12.5	0.0	0.0	27.1	1.2	0.0	5.0	6.8	6.3	0.0	0.0
Day 120	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14 Day Totals	38.2	33.3	26.3	12.5	45.8	34.9	11.8	45.0	10.2	14.6	5.9	0.0

Note: HB - House Bills  
 SB - Senate Bills  
 HR - House Resolutions  
 SR - Senate Resolutions

Prepared by the House Research Agency, January 1986, (86.11351; 100287-12).

Table 3  
 Number of Bills and Resolutions Passed During Legislative Session  
 Fifteenth Alaska Legislature - 1st Session - 1967

	HOUSE NUMBER OF BILLS PASSED				SENATE NUMBER OF BILLS PASSED				BOTH NUMBER OF BILLS PASSED			
	HB	SB	HR	SR	HB	SB	HR	SR	HB	SB	HR	SR
	-----				-----				-----			
Session Total	106	47	41	18	57	106	22	48	57	47	22	18
Day 106	0	0	0	0	0	0	0	0	0	0	0	0
Day 107	4	0	2	0	0	5	0	2	0	0	0	0
Day 108	4	1	2	0	0	2	0	0	0	0	0	0
Day 109	2	0	0	0	0	4	0	1	0	0	0	0
Day 110	3	1	1	0	0	2	1	0	0	0	0	0
Day 111	4	1	1	0	0	5	0	1	0	0	0	0
Day 112	0	0	0	0	0	0	0	0	0	0	0	0
Day 113	7	0	0	0	0	2	1	0	0	0	0	0
Day 114	4	0	0	0	1	3	0	1	0	0	0	0
Day 115	6	1	1	0	1	4	0	0	0	0	0	0
Day 116	3	1	1	0	3	7	0	0	1	1	0	0
Day 117	1	1	0	0	0	3	0	1	0	1	0	0
Day 118	2	4	3	1	2	1	1	2	1	1	0	1
Day 119	1	7	0	0	4	2	0	1	1	5	0	0
Day 120	4	10	2	0	11	5	0	0	8	5	0	0
14 Day Totals	45	27	13	1	22	45	3	9	11	10	0	1
Daily Percent of Total												
Day 106	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Day 107	3.8	0.0	4.9	0.0	0.0	4.7	0.0	4.2	0.0	0.0	0.0	0.0
Day 108	3.8	2.1	4.9	0.0	0.0	1.9	0.0	0.0	0.0	0.0	0.0	0.0
Day 109	1.9	0.0	0.0	0.0	0.0	3.8	0.0	2.1	0.0	0.0	0.0	0.0
Day 110	2.8	2.1	2.4	0.0	0.0	1.9	4.5	0.0	0.0	0.0	0.0	0.0
Day 111	3.8	2.1	2.4	0.0	0.0	4.7	0.0	2.1	0.0	0.0	0.0	0.0
Day 112	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Day 113	6.6	0.0	0.0	0.0	0.0	1.9	4.5	0.0	0.0	0.0	0.0	0.0
Day 114	3.8	0.0	0.0	0.0	1.8	2.8	0.0	2.1	0.0	0.0	0.0	0.0
Day 115	3.7	2.1	2.4	0.0	1.8	3.8	0.0	0.0	0.0	0.0	0.0	0.0
Day 116	2.8	2.1	2.4	0.0	5.3	6.6	0.0	0.0	1.8	0.0	0.0	0.0
Day 117	0.9	2.1	0.0	0.0	0.0	2.8	0.0	2.1	0.0	2.1	0.0	0.0
Day 118	1.9	8.5	7.3	5.6	3.5	0.9	4.5	4.2	1.8	2.1	0.0	5.6
Day 119	0.9	14.9	0.0	0.0	7.0	1.9	0.0	2.1	1.8	10.6	0.0	0.0
Day 120	3.8	21.3	4.9	0.0	19.3	4.7	0.0	0.0	14.0	6.4	0.0	0.0
14 Day Totals	42.5	57.4	31.7	5.6	38.6	42.5	13.6	18.8	19.3	21.3	0.0	5.6

Note: HB - House Bills  
 SB - Senate Bills  
 HR - House Resolutions  
 SR - Senate Resolutions

Prepared by the House Research Agency, January 1968, (68-11383; 100287-12).

L111118

**Thumbs up to discussion of a shorter legislative session.**

The group of freshman and sophomore representatives investigating the measure raise some strong arguments for a more compact session. A number of other states have shorter sessions than Alaska's 121 days.

The Wyoming Legislature meets for not more than 40 days in odd-numbered years in General Session and for approximately 20 days in even numbered years for a Budget Session. South Dakota conducts the state's business in an annual 40-day session. Kentucky for the first time this year injected a 30-day session between its traditional 90-day biennial sessions.

Many Alaska legislators, especially first timers, become frustrated with the slow, unproductive pace of the first half of the session. A shorter session would require a greater sense of urgency and allow for far less posturing and lobbying.

A House State Affairs subcommittee this week considered four proposed constitutional amendments, all of which would reduce the length of the session. Rep. Lisa Murkowski's amendment calls for the state budget to follow a two-year cycle, noting that more long range planning would need to come first.

There are many extenuating factors to examine before deciding on the merits of a shorter session, however, the efficiencies of short sessions are well proven in other states. A shorter session may look pretty good to our state legislators if they are going to be moving into a vacant Wal-Mart building in Wasilla as suggested this week by Mark Chrysoa, a sponsor of the petition to move the legislature from Juneau to the Matanuska-Susitna Borough near Anchorage.

May 9, 1997

Vo

# The Anchorage Times

Publisher: BILL J. ALLEN

"Believing in Alaskans, putting Alaska first"

Editors: DENNIS FRADLEY, PAUL JENKINS, WILLIAM J. TOBIN

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## Too darned long

**WITH THE** end of the 1997 legislative session in sight, let's suggest again that it's time to make a fundamental change in the way Alaska lawmakers do their business.

We're not talking about the conduct or results of this session. We are not criticizing legislators, individually or collectively.

The change that's needed is in the system itself.

Simply put, the state's annual legislative sessions last too long.

As things now stand, lawmakers meet for four months every year.

For one-third of every year, the principal focus of government is on events happening in the state House and Senate. The workings of the bureaucracy may go on, albeit with some considerable distractions from the Capitol, but the attention of the top administration leaders — the commissioners, their deputies and various department heads — is riveted on what is happening in the Legislature.

Once adjournment is reached, each department of the government spends the next three months dealing with implementation of any new laws that affect their respective operations, and struggling with financial changes caused by budget cuts and changes in line-item appropriations.

And during the final one-third of the year the administration — all the departments, commissioners, deputy commissioners and workers down the line — must concentrate on planning for the next session, preparing new bills for introduction, working on the next budget, and generally gearing up to do battle all over again.

It's a wonder anything gets done.

**THERE IS** a solution.

By statute or by constitutional amendment, it should be mandated that the Legislature handle the state budget process on a two-year cycle — rather than dealing with appropriations annually.

Every other year, legislators should meet for a short session — 45 days at the maximum — to consider only a biennial budget. No other legislation would be considered, other than that required to address items that are judged to be absolute emergencies.

On the alternate years, the legislators would meet to consider general legislation — no budget work at all. Without the need to deal with budgets and funding, the work of this session would not require lawmakers to be in Juneau for four months of the year.

Maybe, under this scenario, they could get the work done in 60 days. Certainly 90 would be sufficient, under any circumstances.

The grim need for legislators to be in Juneau for a third of the year would be eliminated. And the administration would have much more time to concentrate on the job of running the state.

This is not rocket science. This is not plowing new fields in government. Any number of states now operate, very successfully, in

Sam Bishop, Opinion Page Editor; 459-7574

1 Feb 1997

FAIRBANKS

Daily News - Miner

"Independent in All Things... Neutral in None"
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WHAT OTHERS SAY

Set a 90-day legislative session

Among the more pertinent pieces of legislation filed this session is a proposed amendment to the state Constitution that would limit the 120-day session to 90 days. If passed, House Joint Resolution No. 1 would require a vote of the people.

It's a worthy concept that keeps surfacing, especially with legislators who live elsewhere, and we think it merits discussion.

Here's why: Every year, Christmas and New Year holidays are very nearly ruined for people preparing to return to Juneau for the session. First, they must wind down their duties and close up their offices before Christmas. Then, they must pack up their belongings and hit the road around the New Year to make it to Juneau in time to settle in for the session.

New legislators must be in Juneau by about Jan. 4 so they can take part in orientations. Some legislators and staff members must catch a ferry. Many arrive in the capital exhausted, having had their family time over the holidays completely disrupted.

This has spawned an annual sense of dread among many involved in the Legislature, a dread that isn't easily dissolved by the friendliness of Juneau. As one staff member put it, they feel as though they are gerbils on a treadmill: "We get here (Juneau) with a bad attitude."

Rep. Norm Rokeberg and Rep. Jerry Sanders are putting their efforts behind the resolution, the very one that died of neglect last session. Rokeberg argues the Legislature could start later, perhaps in February or early March. So much of what the Legislature does must wait until the March budget forecast from the Department of Revenue, so why not wait to get started until some of the real nuts-and-bolts work can be done?

Years ago, the people of Alaska became frustrated with the Legislature when sessions-without-limits dragged on until June or July. Thus, the 120-day limit was passed by voters. We think an even shorter session would be just as responsive, more cost-effective for the people of Alaska, and possibly even more productive. Other states do it.

Although Juneau would feel an economic impact, the perceived need to move the capital to Anchorage or elsewhere would become far less important.

The idea of a shorter session also is in line with the concept of a citizen-statesman government, one that has legislators spending more time in their districts, working in their own professions and being available to listen to their constituents. And that's a capital idea that would benefit the state as a whole.

-Juneau Empire, Jan. 26

Did Lippo

Strange sequence smells no good

WASHINGTON — In his "errors were made" press conference, President Clinton became flustered when asked by The Washington Post's John Harris if he had found anything "unusual or suspicious" in large payments by the Lippo Group to Clinton's friend Webster Hubbell just after he was forced out of the Justice Department and before he went to jail.

"I didn't know about it," he insisted. "And I can't imagine who could have ever arranged to do something improper like that and no one around here know about it. It's just not — we — we did not know anything about it."

Later in his answer he added "before it happened," because his blanket denial was untrue. His closest confidential aide, Bruce Lindsey, had already told the Senate he was aware of the payments to the disgraced Hubbell by Clinton's Asian friends. But the president now claims that the "improper" arrangement was kept secret from him "till I read about it in the press."

Consider: The financially desperate Hubbell, who could have sunk the Clintons if he turned against them, received a bundle from the same Asian crew bankrolling Clinton campaigns; he

When bala

Sen. Lott wants Social Security, not highway fund, in the formula

By LAWRENCE M. O'ROURKE

WASHINGTON — Trent Lott, the Senate Republican Leader, has a bit of an inconsistency problem with trust funds.

It's a critical inconsistency because it lies at the center of the debate over whether the Constitution should be amended to require an annual balanced federal budget.

Both the Senate and House intend to vote in February. If each chamber approves the amendment by a two-thirds majority, it will be sent to the states. If three-fourths of the states ratify, the balanced budget amendment becomes part of the Constitution.

The resolution of Lott's inconsistency is pivotal because his issues involve two of America's most popular federal programs: Social Security and the building and repair of highway bridges.

LETTERS TO THE EDITOR

The Fairbanks Daily News-Miner reserves the right to edit or reject any letter.

# JUNEAU EMPIRE

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## Shorter session, better government

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Years ago, the people of Alaska became frustrated with the Legislature when sessions-without-limits dragged on until June or July. Thus, the 120-day limit was passed by voters. We think an even shorter session would be just as responsive, more cost-effective for the people of Alaska, and possibly even more productive. Other states do it.

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1-17

# Alaska State Legislature

Please enter into the record my testimony to the Finance  
committee name

Committee on HB 22, dated 1/17/06  
bill # / subject public hearing date

As a lifelong Alaskan who has watched the legislative process I strongly support limiting the legislative session to 90 days. Not only will it save money but it would make it easier for people to serve in the legislature. Thank you for your consideration.

Signed: Scott Hamann  
Testifier

Self

Representing (optional)  
P.O. Box 939 Kena: AK 99541  
Address

907-776-7676  
Phone number

**HB**

**25**

**HFIN**

**FILE**

# ALASKA STATE HOUSE OF REPRESENTATIVES



Interim Address:  
345 W. Sterling Hwy  
Suite 102B  
Homer AK 99603  
(907)-235-2921  
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State Capital  
Room 102

## REPRESENTATIVE PAUL SEATON DISTRICT 35

### Changes between original HB 25 and CS HB 25 (CRA):

- CS creates a "hold-harmless" payment for cities with a population of 500 or less and boroughs with a population of 3,000 or less. This will apply to 52 cities, and five boroughs. These municipalities will not see a decrease in the amount of Shared Fishery Business Tax on exported/unprocessed fish that they receive under the revenue sharing program administered by the Department of Commerce, Community, and Economic Development. The hold-harmless payment will be taken off the top of the exported/unprocessed fish tax money. The payment to the cities and boroughs where the fish was landed will be made subsequent to the hold-harmless payment. This will decrease an estimated 40% the amount intended to return to ports of landing under the original bill.
- CS changes language from a tax on fish "sold to a buyer in a municipality" to fish "first landed in a municipality." This ensures that the exported/unprocessed tax will be directed to municipalities where the fish was physically landed and handled, not to municipalities in which a processor or exporter is permitted, or resides.
- CS incorporates a technical amendment changing the tax collection year from a fiscal to a calendar year at the suggestion of the Department of Revenue. The fiscal year language in the original bill was an oversight.

# FISCAL NOTE

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CSHB 25 (CRA)  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue 04  
Title Refund of Fish Business Tax to Munis RDU Tax and Treasury  
Component Tax  
Sponsor Seaton, Wilson  
Requester CRA Component No. 2476

## Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
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>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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## FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<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>

Estimate of any current year (FY2005) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

## POSITIONS

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

See page 2

Prepared by: Chuck Harlamert Phone 465-2320  
Division Tax Division Date/Time 3/31/05 1:33 PM  
Approved by: Tom Boutin, Deputy Commissioner Date 3/31/2005  
Agency Revenue

FISCAL NOTE

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

BILL NO. CSHB 25 (CRA)

ANALYSIS CONTINUATION

**Overview**

During FY04, the Department of Revenue transferred to DCCED \$534,115 of fish business tax on fishery resources exported from Alaska prior to being processed. The average export tax collected during the FY00 - FY04 period was \$623,667 annually. This revenue, along with half of the tax collected on fish processed outside a city or organized borough in Alaska was transferred to DCCED for subsequent distribution to communities across the state. The bill modifies the distribution of these monies by DCCED.

The bill provides that one half of the fish business tax collected on fishery resources that are exported from Alaska prior to being processed (export tax) are to be distributed to the city and/or borough in which it was first landed after deduction for a hold harmless payment to small boroughs and cities. Cities with populations of 500 or less and boroughs with populations of 3000 or less receive a hold harmless payment for the difference between the amount they would have received under current law and the amount that they would receive under this bill but for the hold harmless payment. The hold harmless payment is deducted from the distributions to cities and boroughs entitled to export tax revenues under the bill based on their ratable share of those revenues.

**Revenue and Cost Discussion**

The bill changes the distribution of taxes between municipalities but does not effect the amount of tax collected by the state or the portion deposited in the General Fund. The Department is capable of implementing the bill using existing resources.

**Impact on Distributions to Local Governments**

The Department does not collect the information necessary to determine the portion of the export tax attributable to fish that was landed in Alaska prior to exportation or in which community it was landed. We are therefore unable to determine the amounts that would be distributed directly to municipalities as a result of the bill or determine precisely which communities would receive distributions directly from Revenue. We can provide regional estimates of the export tax revenue that would have been distributed by DCCED under the bill compared to the amounts distributed during FY05:

Region	FMA	CSHB25	%	Actual	%	Impact
Western Alaska	6,11	609	.11%	1,287	.23%	(639)
Southwest Alaska	1,2,3,4,5	254,999	47.75%	386,948	72.45%	(131,949)
South Central/Kodiak	12,14	174,710	32.71%	63,707	11.93%	111,003
PWS/Southeast	15,17,18,19	103,798	19.43%	82,213	15.39%	21,585
Total		534,115		534,115		

The impact of the bill is probably overstated in the estimate. The estimate is based on the assumption that virtually all of the exported unprocessed fish was landed in a community within the state. The tax is assigned to the areas of operation reported by exporters on their application for the fisheries business license. The actual impact of the bill will be less than that shown to the extent that unprocessed fish is not landed within a municipality. Further geographic isolation of the impact of the bill would require highly speculative assignment of landing activity within regions and/or would breach taxpayer confidentiality.

**Technical Comments**

Some changes to Section 5 are necessary to reach the intended result of the bill. This discussion assumes that these technical changes are made in the final bill.

# FISCAL NOTE

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CSHB 25, CRA  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
Title Shared Fisheries Tax Revenue RDU State Revenue Sharing (217)  
Component Fisheries Business Tax  
Sponsor Seaton  
Requester House Community & Regional Affairs Component No. 2482

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
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>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (specify)						
<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>

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

The Department of Commerce annually receives from the Department of Revenue one-half of the fisheries business tax revenue generated from processing that occurs outside any municipality and from fishery resources landed in a municipality and exported from the state without being processed in the state. The department then distributes those funds to eligible municipalities under the authority of AS 29.60.450.

Under CSHB 25(CRA) the department assumes it will continue to receive one-half of the fisheries business tax revenues from the two sources listed above. The department, after calculating for payment the hold-harmless amounts provided in Section 1 of the legislation, will prorate and then pay each eligible municipality its direct share of the tax revenue collected on fishery resources that are first landed in the municipality and exported from the state without being processed in the state (export landing tax). The department believes it can absorb the additional costs of administering the fish tax sharing hold-harmless payments and the export landing tax payments.

Prepared by: Michael Black, Director Phone 907.269.4578  
Division Division of Community Advocacy Date/Time 3/15/05 9:04 AM  
Approved by: Edgar Blatchford, Commissioner Date 3/15/2005  
Agency Commerce, Community, and Economic Development

24-LS0169\C  
Utermohle  
3/28/05

CS FOR HOUSE BILL NO. 25( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES SEATON, Wilson

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the sharing of fisheries business tax revenue with municipalities;  
2 and providing for an effective date."

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

4 \* Section 1. AS 29.60.450 is amended by adding a new subsection to read:

5 (g) In addition to the amounts apportioned under (b)(1) of this section, each  
6 fiscal year, a city with a population of 500 or less and a borough with a population of  
7 3,000 or less shall also receive a hold harmless payment that is equal to the difference  
8 between the amount that the city or borough received under (b)(1) of this section and  
9 the amount that the city or borough would have received under (b)(1) of this section if  
10 tax revenue collected under AS 43.75 on the value of fishery resources first landed in  
11 a municipality and exported from the state without being processed in the state had not  
12 been available for payment to municipalities under AS 43.75.130(a) and (d). The  
13 department shall pay the hold harmless payments authorized by this subsection from  
14 the amount of fisheries business tax revenue transferred to the department by the

1 Department of Revenue under AS 43.75.130(h).

2 \* Sec. 2. AS 43.75.130(a) is amended to read:

3 (a) Subject to appropriation by the legislature and to [EXCEPT AS  
4 PROVIDED IN] (d) of this section, the commissioner shall pay

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

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

10 (3) to each borough

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

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

15 \* Sec. 3. AS 43.75.130(d) is amended to read:

16 (d) Notwithstanding the provisions of (a)(2) and (a)(3)(B) of this section, the  
17 commissioner shall pay

18 (1) to each city that is located in a borough incorporated after June 16,  
19 1987, the following percentages of the tax revenue collected in the city from taxes  
20 levied under this chapter:

21 (A) 45 percent of the tax revenue [TAXES] collected during  
22 the calendar year in which the borough is incorporated;

23 (B) 40 percent of the tax revenue [TAXES] collected during  
24 the first calendar year after the calendar year in which the borough is  
25 incorporated;

26 (C) 35 percent of the tax revenue [TAXES] collected during  
27 the second calendar year after the calendar year in which the borough is  
28 incorporated; and

29 (D) 30 percent of the tax revenue [TAXES] collected during  
30 the third calendar year after the calendar year in which the borough is  
31 incorporated; and

1 (2) to each borough that is incorporated after June 16, 1987, the  
2 following percentages of the tax revenue collected in the cities located within the  
3 borough from taxes levied under this chapter:

4 (A) 5 percent of the tax revenue [TAXES] collected during the  
5 calendar year in which the borough is incorporated;

6 (B) 10 percent of the tax revenue [TAXES] collected during  
7 the first calendar year after the calendar year in which the borough is  
8 incorporated;

9 (C) 15 percent of the tax revenue [TAXES] collected during  
10 the second calendar year after the calendar year in which the borough is  
11 incorporated; and

12 (D) 20 percent of the tax revenue [TAXES] collected during  
13 the third calendar year after the calendar year in which the borough is  
14 incorporated.

15 \* Sec. 4. AS 43.75.130(g) is amended to read:

16 (g) In this section, "tax revenue collected" means the revenue collected by  
17 the department from taxes levied under this chapter on the value of fishery  
18 resources that are either (1) processed in a municipality; or (2) first landed in a  
19 municipality and exported from the state without being processed in the state;  
20 "tax revenue collected" includes the amount credited against taxes under  
21 AS 43.75.018.

22 \* Sec. 5. AS 43.75.130 is amended by adding a new subsection to read:

23 (h) Notwithstanding (a) and (d) of this section, the amount available for  
24 payment to municipalities under this section from the amount of tax revenue collected  
25 by the Department of Revenue on the value of fishery resources that are first landed in  
26 a municipality but not processed in the state shall be transferred by the Department of  
27 Revenue to the Department of Commerce, Community, and Economic Development.  
28 The amount required to hold harmless cities and boroughs under AS 29.60.450(g)  
29 shall be paid, subject to appropriation, from the tax revenue transferred to the  
30 Department of Commerce, Community, and Economic Development under this  
31 subsection. The Department of Commerce, Community, and Economic Development

1 shall determine the amount that each municipality is entitled to receive under this  
2 section from the amount of tax revenue collected on the value of fishery resources that  
3 are first landed in the municipality but not processed in the state after the amount of  
4 tax revenue payable to each municipality is reduced proportionately by the amount  
5 necessary to make the hold harmless payments under AS 29.60.450(g). The  
6 Department of Commerce, Community, and Economic Development shall pay the  
7 balance of the tax revenue that remains after making the hold harmless payments  
8 under AS 29.60.450(g) to the municipalities eligible to receive the tax revenue under  
9 this section.

10 \* Sec. 6. AS 43.75.137 is amended to read:

11           Sec. 43.75.137. Additional refund. Subject to appropriation by the  
12 legislature [TO THE EXTENT THAT APPROPRIATIONS ARE AVAILABLE FOR  
13 THE PURPOSE, AND NOTWITHSTANDING THE REQUIREMENT OF  
14 AS 37.07.080(c) THAT APPROVAL OF THE OFFICE OF MANAGEMENT AND  
15 BUDGET IS REQUIRED], an amount equal to 50 percent of the tax revenue that is  
16 collected under this chapter from fisheries businesses and that is not subject to  
17 division with a municipality under AS 43.75.130 shall be paid by [TRANSMITTED  
18 EACH FISCAL YEAR, WITHOUT THE APPROVAL OF THE OFFICE OF  
19 MANAGEMENT AND BUDGET, BY THE DEPARTMENT TO] the Department of  
20 Commerce, Community, and Economic Development [FOR DISBURSAL.] to eligible  
21 municipalities under AS 29.60.450.

22 \* Sec. 7. AS 29.60.450(g) and AS 43.75.130(h), added by secs. 1 and 5 of this Act,  
23 respectively, are repealed on June 30 of the fiscal year in which each municipality in the state  
24 receives at least \$20,000 in state aid as state revenue sharing, safe communities revenue  
25 sharing, community dividends, or a similar state grant program to be used for one or more of  
26 police and related protection services, fire and emergency protection services, water and  
27 sewer services, solid waste management, or other priority government services. State aid to  
28 municipalities for public schools may not be considered in determining whether each  
29 municipality in the state receives at least \$20,000 in state aid as described in this section. The  
30 commissioner of revenue and the commissioner of commerce, community, and economic  
31 development shall inform in writing the lieutenant governor and the revisor of statutes when

1 the conditions prerequisite for the repeal of AS 29.60.450(g) and AS 43.75.130(h) under this  
2 section have occurred.

3 \* Sec. 8. The uncodified law of the State of Alaska is amended by adding a new section to  
4 read:

5       APPLICABILITY. AS 29.60.450(g), added by sec. 1 of this Act, AS 43.75.130(g), as  
6 amended by sec. 4 of this Act, and AS 43.75.130(h), added by sec. 5 of this Act, apply to tax  
7 revenue collected by the Department of Revenue under AS 43.75 for the 2005 tax year and  
8 subsequent tax years.

9 \* Sec. 9. This Act takes effect January 1, 2006.

# ALASKA STATE HOUSE OF REPRESENTATIVES



Interim Address:  
345 W. Sterling Hwy  
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FAX# (907) 465-3472  
State Capital  
Room 102

REPRESENTATIVE PAUL SEATON  
DISTRICT 35

## Changes in work draft version C to CS for HB 25 (CRA):

### Sec. 1

New language corrects an oversight in the (CRA) CS. The (CRA) CS requires cities with a population of up to 500, and boroughs with a population up to 3,000 to be "held-harmless" in the redistribution of Exported/Unprocessed Fish Tax carried out by the Department of Commerce, Community and Economic Development. In order for DCCED to pay the hold-harmless payment, the tax revenue must first be transferred to DCCED by the Department of Revenue. This new language enables Revenue to transfer the funds.

### Sec. 5

Clarifies the method of calculation and payment of the hold-harmless, and the subsequent payment to municipalities not receiving a hold-harmless but still receiving a fishery business tax payment on exported/unprocessed fishery resources.

### Sec. 7

Terminates the hold-harmless provision established by sec. 1 and sec. 5 when each municipality in the state receives at least \$20,000 in some form of state aid similar to municipal revenue sharing. State aid to municipalities for public schools does not count toward the \$20,000 payment.

### Sec. 8

Creates an applicability clause stating that the act applies to taxes collected during the 2005 tax year.

### Sec. 9

Changes the effective date from July 1, 2006 from January 1, 2006. This, in conjunction with the applicability clause, will allow the departments to use the funds collected in 2005 to begin disbursing funds in 2006.

# ALASKA STATE HOUSE OF REPRESENTATIVES



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State Capital  
Room 102

## REPRESENTATIVE PAUL SEATON DISTRICT 35

### Sponsor Statement HB 25

**"An Act relating to the sharing of fisheries business tax with municipalities; and providing for an effective date"**

HB 25 addresses the problem of tax revenue lost by municipalities on fish that are sold to a buyer in the municipality but sent out of state unprocessed.

Under the current system, the funds generated by the "Raw Fish Tax", or Fisheries Business Tax on fish processed inside a municipality are divided equally between the state and the municipality. If the processing occurred within an incorporated city inside a borough, the 50% is divided between the two entities. If the processing occurred outside of an incorporated city the 50% goes entirely to the borough.

On fish that are processed outside of any municipal boundaries half of the tax revenue goes to the general fund and the other half goes to the Department of Commerce, Community and Economic Development (DCCED). The department distributes its share among fishing communities in Alaska according to a formula that proportionally allocates the tax based on pounds of fish processed in 14 different Fisheries Management Areas. The percent that goes to each Fisheries Management Area is then split between the communities by a locally determined formula apportioning equal community shares and per capita shares.

HB 25 deals only with revenue from a third area: Fisheries Business Tax revenue from fish that is landed in a municipality but sent out of state to be processed. Currently, these funds are treated the same as fish processed outside of a municipality: 50% to the general fund, and 50% to DCCED.

The Department of Revenue definition of processing in 15 AAC 75.300 does not include "decapitating shrimp and gutting, gilling, sliming, or icing a fisheries resource." The Fisheries Business Tax paid on a growing amount of fisheries resources is not returning to the municipalities where the resource was landed and handled. This includes troll-dressed salmon rushed to fresh markets in the Lower 48, halibut sent out by truck to be processed elsewhere, and other live or whole seafood exported directly to customers outside of the state.

HB 25 would direct the Fisheries Business Tax revenue on these "unprocessed" fisheries resources back to the incorporated port of landing and/or the borough where they were landed. This will help more accurately and fairly cover the cost of building and maintaining the infrastructure utilized in generating the tax.

The state has been encouraging the export of high-value fresh and live fish, yet our current tax structure denies a municipality that engages in this high-value marketing its direct tax share. By tying Fisheries Business Tax revenue return directly to the municipality where the landing occurred, HB 25 ensures that ports are compensated fairly for their efforts and the revenues they generate.

The Department of Revenue estimates that HB 25 would redistribute in the following manner the Exported/Unprocessed portion of the Fisheries Business Tax currently distributed by DCCED:

Region of Distribution	Actual DCCED Distribution FY04		HB 25 estimated distribution		Difference
	Distribution	Percent	Distribution	Percent	
Southern Southeast	47,070	6.33%	86,716	11.66%	50,646
Northern Southeast	47,869	6.44%	146,074	19.64%	98,205
Kenai Peninsula	29,790	4.01%	308,080	41.42%	278,290
Kodiak	53,773	7.23%	105,512	14.19%	51,739
Alaska Peninsula	510,359	68.62%	68,007	9.14%	(442,352)
Other	54,905	7.38%	29,379	3.95%	(25,526)
<b>Total</b>	<b>743,766</b>	<b>100.00%</b>	<b>743,766</b>	<b>100%</b>	

AKDOR  
cuh 1/19/04

Note: Confidentiality requirements restrict our ability to provide information for individual communities.

# 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

March 17, 2004

**SUBJECT:** Distribution of fisheries business tax revenue levied under AS 43.75.100 among municipalities under AS 43.75.130 (Work Order No. 23-LS1852)

**TO:** Representative Paul Seaton  
Attn: Chris Knight

**FROM:** George Utermohle  
Legislative Counsel 

You have inquired as to how the fisheries business tax collected under AS 43.75.100 on the value of fishery resources that are not processed in the state is to be distributed among municipalities under AS 43.75.130. This memorandum addresses your query.

AS 43.75.130 provides for payments of a portion of state revenue received from the fisheries business tax to the cities and boroughs where the tax is collected. The commissioner of revenue is to pay 50 percent of fisheries business tax revenue collected in unified municipalities and cities outside boroughs to those unified municipalities and cities. Within boroughs, 50 percent of the revenue collected is either paid to the borough if the tax is collected outside of a city, or divided equally between the borough and the city where the tax is collected if the tax is collected in a city. AS 43.75.130(a). Other provisions of AS 43.75.130 provide for transition of fisheries business tax revenue sharing from a city to a borough when a newly created borough encompasses a city where the tax is collected and provide that the amount of revenue received by eligible municipalities is unaffected in the event that tax credits available to fisheries businesses reduce the amount of revenue that the state collects in the city or borough.

AS 43.75.015 provides that fisheries businesses are liable for payment of the fisheries business tax on the value of fishery resources processed in the state. The rate of the tax depends on whether the fishery resource is salmon, a developing commercial fisheries species, or another fishery resource and on whether the fishery resource is processed by a shore-based fisheries business or by a floating fisheries business. AS 43.75.100 provides that a person who takes, purchases, or otherwise acquires a fishery resource that has not been subject to the tax levied under AS 43.75.015 is liable for payment of the tax levied under AS 43.75.015 if the person transports the fishery resource outside of the state for processing or sale, sells the fishery resource outside the state, or has a fisheries business in the state process the fishery resource.

Representative Paul Scaton  
March 17, 2004  
Page 2

When AS 43.75.015, 43.75.100, and 43.75.130 are construed together, it is unclear how the fisheries business tax revenue derived through AS 43.75.100 is to be treated for purposes of revenue sharing under AS 43.75.130. AS 43.75.130 provides for sharing of revenue with the municipalities in which the revenue is collected. The reference to the municipality in which the tax is collected is an incorrect description of the process by which the fisheries business tax is levied and collected. The tax is not collected in a municipality. If it is collected any where, it is collected in Juneau where and when fisheries businesses report and pay their fisheries business tax liability to the Department of Revenue. It is probably more accurate to describe the amount of taxes collected in a municipality as the amount of tax liability incurred by a fisheries business as the result of fish processing in the municipality. When AS 43.75.100 imputes liability for payment of the fisheries business tax to persons who do not process fishery resources in the state, it does not appear to be practical, or even possible in some circumstances, to identify a specific location in the state where the liability for payment of the tax is initially incurred. The language of AS 43.75.015, 43.75.100, and 43.75.130 is not helpful in determining whether revenue derived under AS 43.75.100 is to be subject to revenue sharing under provisions of AS 43.75.130.

The Department of Revenue has not adopted regulations regarding how fisheries business tax revenue is to be attributed to municipalities for purposes of determining "the amount tax revenue collected in [a] municipality from taxes levied under [AS 43.75]". So there is no formal documentation of the procedure that the department uses to implement AS 43.75.130. Clearly, AS 43.75.130 needs to be clarified before a meaningful answer to your question is possible.

The issues that generated your inquiry have existed for at least 20 years without ever being resolved. In 1985, the Department of Law examined this issue and concluded that there was no statutory basis for sharing fisheries business tax revenue with municipalities if the revenue is collected for processing that occurs outside of municipal boundaries. 1985 Inf. Alaska Att'y Gen. Op., file no. 366-313-85, January 18. The memorandum from the Department of Law to Mary Nordale, Commissioner of Revenue, does provide useful insight and perspective into the fisheries business tax revenue sharing program and is set out in its entirety:

You have asked whether, under the revenue sharing provisions of AS 43.75.130, the Department of Revenue (department) should distribute a percentage of the fisheries business taxes collected for processing that takes place outside of municipality, city, and borough boundaries. On examining the pertinent statutes, we conclude that there is no statutory basis for the department to distribute this revenue.

The department is currently distributing a percentage of the fisheries business tax it collects for processing that takes place within municipality or borough boundaries, but not for processing activities outside those boundaries. The department has been asked to review this practice in light

of floating processors or shore-based vessel processors that are processing in waters outside of municipality or borough boundaries, but that are making use of local facilities and services.

The department is charged with administering the tax laws established by statute. AS 43.05.040. Any action it takes in administering the tax laws is limited by the terms and scope of the underlying statutes involved.

There has been a revenue sharing provision of some form in the fisheries business tax statutes since at least 1962. Sec. 6, ch. 155, SLA 1962. Apparently the general purpose of this revenue sharing was originally to provide educational funds for communities, and later to assist in financing other services including fisheries enhancement. (Papers in 1979 Senate C&RA Committee File on SB 132, Legislative Research Library, Juneau.) AS 43.75.130, the fisheries business tax revenue sharing provision, states:

The commissioner of revenue shall pay

(1) to each municipality unified under AS 29.68.240 - 29.68.440, and to each city located in the unorganized borough, 50 percent of the amount of tax revenue collected in the municipality from taxes levied by this chapter;

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

(3) to each borough

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

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

The pertinent language in the section requires the department to share a percentage of the tax revenue collected "in the municipality," "in the city," or "in the . . . borough" from the fisheries business tax. There is no basis in this wording for sharing tax revenues from processing activities that take place outside of a local government area.

Under a literal reading of the statute, revenue sharing is only applicable to tax revenues collected in the municipality or borough. As a practical matter, actual collection of the tax will often not take place in the municipality, city, or borough in which the processing takes place. The department has interpreted AS 43.75.130 to mean that revenue sharing is

applicable to tax revenue collected for processing that takes place in the municipality, city or borough.

This interpretation is apparently one of long standing, and we believe that it is the correct interpretation of the revenue sharing statute. Given the purpose of revenue sharing, it is reasonable to assume that the legislature intended revenue sharing to go to communities that were affected by the processing activity rather than the place the tax was collected. The nature of the fisheries business tax also supports this interpretation. This is because, the fisheries business tax is a tax on the activity of processing. Footnote 1. The tax is imposed on "[a] person engaged in a fisheries business," AS 43.75.015, which is defined as a person who engages in processing fisheries resources for sale by freezing, cooking, salting, or other method and includes but is not limited to canneries, cold storages, freezer ships, and processing plants[.] AS 43.75.140(3). The tax is levied on a percentage of the value of the fisheries resource processed. Therefore, tax revenue collected from the fisheries business tax in a local government area would be from processing.

- - - - - Footnote - - - - -

Footnote 1. AS 43.75.100 imposes a tax on the taking of a fishery resource if it is not otherwise taxed under other provisions of AS 43.75. This section is intended to cover fisheries resources that are harvested but not processed in the state.

- - - - - End Footnote- - - - -

The statute makes no provision, however, for sharing revenues from taxes collected for processing that takes place outside of the local government area. We recognize that there may be some situations where these local governments are providing the types of services to processors that revenue sharing is generally intended to assist in financing. However, the department cannot take administrative action without underlying statutory authority, and there is no statutory authority for that type of revenue sharing in AS 43.75.130. Footnote 2.

- - - - - Footnote - - - - -

Footnote 2. The question presents additional issues concerning a proper method of allocating shared revenues among local governments when a processor impacts more than one community. With the statute silent on the issue of sharing revenues from processing outside of local government boundaries, there is no guidance on how to allocate. If the statute were changed to allow this type of revenue sharing, it should also give guidance on the allocation issue.

- - - - - End Footnotes- - - - -

Representative Paul Seaton

March 17, 2004

Page 5

The conclusions reached by the Department of Law appear to be just as pertinent today as they were in 1985. Though the conclusions of the department are based on the language of AS 43.75.130 as it read in January 1985, the changes made to the statute since then do not appear to affect the continuing validity of the department's conclusions. There is nothing in my review of the applicable statutes that would suggest a better or alternative conclusion as to the eligibility of municipalities to share in revenue received by the state on fishery resources that are not processed within a municipality. Thus, in conclusion, there is nothing in AS 43.75.130 that provides meaningful support for the proposition that municipalities are entitled to a portion of revenue derived by the state on fishery resources that are not processed within the municipality.

If I may be of further assistance, please advise.

GU:med

04-305.med

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
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STATE OF ALASKA

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Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

February 21, 2005

**SUBJECT:** Amendments to HB 25 to hold harmless certain municipalities from the effects of the redistribution of fisheries business tax revenue (Work Order No. 24-LS0169\A.1-A.2)

**TO:** Representative Gabrielle LeDoux

**FROM:** George Utermohle *GU*  
Legislative Counsel

Enclosed are two versions of an amendment to hold harmless certain municipalities from the effects of the redistribution of fisheries business tax revenue as proposed by HB 25.

**BACKGROUND.** Under AS 43.75.130, the state shares, subject to appropriation, 50 percent of fisheries business tax revenue collected on processed fishery resources with the municipality where the resources were processed. Under AS 43.75.137, municipalities that demonstrate significant effects from fisheries business activities are eligible, subject to appropriation, to share in 50 percent of the state's fisheries business tax revenue remaining after the state shares the tax revenue with municipalities under AS 43.75.130. HB 25 proposes to increase the amount of fisheries business tax revenue shared with municipalities under AS 43.75.130 by also sharing 50 percent of the tax revenue collected on fishery resources landed in a municipality but not processed in the state with the municipality where the resources are landed. The increased revenue sharing that HB 25 proposes to distribute under AS 43.75.130 will have the effect of reducing the amount of fisheries business taxes available for distribution under AS 43.75.137. The amendment that you propose seeks to hold harmless certain municipalities eligible for revenue sharing under AS 43.75.137 from the effects of increased revenue sharing under AS 43.75.130.

**AMENDMENTS.** The first amendment (A.1) reduces the amount to be distributed as municipal revenue sharing under AS 43.75.130 from tax revenue attributable to fishery resources that are sold in a municipality but not processed in the state by the amount necessary to hold harmless cities with a population of 500 or less and boroughs with a population of 3,000 or less from the effects that HB 25 would have otherwise had on those municipalities under AS 43.75.137.

The second amendment (A.2) holds harmless cities with a population of 500 or less and boroughs with a population of 3,000 or less from the effects that HB 25 would have otherwise had on the amount of revenue sharing distributed to those municipalities by

Representative Gabrielle LeDoux

February 21, 2005

Page 2

increasing the amount of fisheries business tax revenue available for sharing under AS 43.75.137. The amount necessary to offset the reduction in revenue sharing under AS 43.75.137, attributable to HB 25, would come from the state's portion of the fisheries business tax.

If I may be of further assistance, please advise.

GU:med

05-112.med

Enclosure

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BOROUGH ASSEMBLY

March 29, 2005

The Honorable Kevin Meyer  
Co-Chair House Finance  
State Capitol, Room 515  
Juneau, Alaska 99801-1182

RE: HB25

Co-Chair Meyer:

The Kenai Peninsula Borough wishes to take this opportunity to state its support for HB25, Refund of Fisheries Business Tax to Municipalities.

The distribution of portions of the Fisheries Business Tax back to communities that have provided the infrastructure for the fishing industry has a long history within the state of Alaska. Because of market demand for different fish products, some products no longer meet the statute definition of being processed within the state, and the Fisheries Business Tax no longer reaches the communities it was originally intended to reach. If not processed within the state, the tax should be distributed back to the municipalities where it was landed.

The current version of HB 25 attempts to hold harmless small communities and while it may be necessary to allow a transition time for this change to occur, this should not be utilized as a substitute for municipal revenue sharing. The transition time should not exceed 3 years, and we request a sunset provision that would establish that time frame in HB 25.

Thank you for the opportunity to comment on HB 25 and we urge you to pass a modified HB 25 out of Finance Committee.

Sincerely,

Gary Superman  
Assembly President

Municipalities	FY03 SRS/SAFE	HB 25 Hold Harmless Cities	HB 25 Hold Harmless Boroughs
Adak	\$35,853.00	\$35,853.00	
Akiok	\$22,821.00	\$22,821.00	
Akiak	\$31,593.00	\$31,593.00	
Akutan	\$38,226.00		
Alakanuk	\$42,151.00		
Aleknagik	\$28,943.00	\$28,943.00	
<hr/>			
Allakaket	\$30,211.00		
Anchler	\$35,964.00		
Anaktuvuk Pass	\$31,704.00		
Anchorage	\$10,403,815.00		
Anderson	\$38,394.00		
Angoon	\$32,014.00	\$32,014.00	
Aniak	\$43,541.00		
Anvik	\$29,879.00		
Atka	\$28,508.00	\$28,508.00	
Atkasuk	\$40,565.00		
Barrow	\$120,578.00		
Bethel	\$302,836.00		
Bettles	\$30,239.00		
Brevig Mission	\$32,251.00	\$32,251.00	
<hr/>			
Buckland	\$37,864.00		
Chefornak	\$33,320.00	\$33,320.00	
Chevak	\$40,330.00		
Chignik	\$26,998.00	\$26,998.00	
Chuathbaluk	\$29,829.00		
Clark's Point	\$26,537.00	\$26,537.00	
Coffman Cove	\$30,283.00	\$30,283.00	
Cold Bay	\$32,418.00	\$32,418.00	
Cordova	\$175,465.00		
Craig	\$53,286.00		
Deering	\$34,243.00		
Delta Junction	\$56,504.00		
Denali Borough	\$61,389.00		
Dillingham	\$106,959.00		
Diomedes	\$29,316.00		
Eagle	\$25,461.00		
Eek	\$31,378.00	\$31,378.00	
Egegik	\$31,321.00	\$31,321.00	
Ekwek	\$28,229.00	\$28,229.00	
Elim	\$34,334.00	\$34,334.00	
Emmonak	\$62,861.00		
Fairbanks	\$1,391,861.00		
Fairbanks North Star Borough	\$1,970,270.00		
False Pass	\$26,947.00	\$26,947.00	
Fort Yukon	\$42,954.00		
Galena	\$44,829.00		
Gambell	\$40,262.00		
Golovin	\$31,650.00	\$31,650.00	
Goodnews Bay	\$29,806.00	\$29,806.00	
Grayling	\$31,537.00		
<hr/>			
Holy Cross	\$32,990.00		
Homer	\$168,493.00		
Hoonah	\$54,026.00		
Huoper Bay	\$54,426.00		

Cities and Boroughs held harmless under CS HB 25  
(CRA)

Municipalities	FY03 SRS/SAFE	HB 25 Hold Harmless Cities	HB 25 Hold Harmless Boroughs
Houston	\$45,501.00		
Hughes	\$29,174.00		
Huslia	\$34,730.00		
Hydaburg	\$27,743.00	\$27,743.00	
Juneau	\$1,482,129.00		
Kachemak	\$28,465.00		
Kake	\$35,223.00		
Kaktovik	\$32,456.00		
Kaltag	\$32,452.00		
Kasaan	\$22,821.00	\$22,821.00	
Kenai	\$302,982.00		
Kenai Peninsula Borough	\$1,598,729.00		
Ketchikan	\$425,618.00		
Ketchikan Gateway Borough	\$202,908.00		
Kiana	\$37,340.00		
King Cove	\$40,930.00		
Kivalina	\$52,466.00		
Klawock	\$35,871.00		
Kobuk	\$30,635.00		
Kodiak	\$267,018.00		
Kodiak Island Borough	\$291,868.00		
Kotlik	\$37,075.00		
Kotzebue	\$199,688.00		
Koyuk	\$32,932.00	\$32,932.00	
Koyukuk	\$29,115.00		
Kupreanof	\$22,821.00	\$22,821.00	
Kwethluk	\$39,612.00		
<hr/>			
Larsen Bay	\$22,821.00	\$22,821.00	
Lower Kalskag	\$4,791.00		
Manokotak	\$33,175.00	\$33,175.00	
Marshall	\$32,512.00		
Matanuska-Susitna Borough	\$1,690,792.00		
McGrath	\$38,968.00		
Mekoryuk	\$30,292.00	\$30,292.00	
Metlakatla	\$42,022.00		
Mountain Village	\$41,835.00		
Napakiak	\$32,804.00	\$32,804.00	
Napaskiak	\$32,941.00	\$32,941.00	
Nenana	\$44,188.00		
New Stuyahok	\$33,545.00	\$33,545.00	
Newhalen	\$28,741.00	\$28,741.00	
Nightmute	\$29,396.00	\$29,396.00	
Nikolai	\$29,129.00		
Nome	\$218,051.00		
Nondalton	\$32,113.00	\$32,113.00	
Noorvik	\$66,852.00		
North Pole	\$69,062.00		
North Slope Borough	\$902,462.00		
Northwest Arctic Borough	\$158,084.00		
Nunqsut	\$34,304.00		
Nulato	\$34,776.00		
Nunam Iqua	\$29,358.00		
Nunapitchuk	\$39,061.00	\$39,061.00	
Old Harbor	\$25,448.00	\$25,448.00	
Ouzinkie	\$25,096.00	\$25,096.00	
Palmer	\$226,676.00		

Municipalities	FY03 SRS/SAFE	HB 25 Hold Harmless Cities	HB 25 Hold Harmless Boroughs
Pelican	\$25,523.00		\$25,523.00
Petersburg	\$187,235.00		
Pilot Point	\$28,350.00		\$28,350.00
Pilot Station	\$36,449.00		
Platinum	\$1,012.00		\$1,012.00
Point Hope	\$70,085.00		
Port Alexander	\$22,820.00		\$22,820.00
Port Heiden	\$30,383.00		\$30,383.00
Port Lions	\$25,701.00		\$25,701.00
Quinhagak	\$37,349.00		
Ruby	\$31,522.00		
Russian Mission	\$31,539.00		
Saint George	\$29,685.00		\$29,685.00
Saint Mary's	\$42,651.00		
Saint Michael	\$36,789.00		\$36,789.00
Saint Paul	\$39,100.00		
Sand Point	\$47,658.00		
Savoonga	\$39,297.00		
Saxman	\$27,723.00		\$27,723.00
Scammon Bay	\$34,911.00		
Selawik	\$93,963.00		
Seldovia	\$30,207.00		\$30,207.00
Seward	\$159,193.00		
Shageluk	\$29,063.00		
Shaktolik	\$31,586.00		\$31,586.00
Shishmaref	\$37,676.00		
Shungnak	\$34,318.00		
Sitka	\$424,845.00		
Skagway	\$49,423.00		
Soldotna	\$190,413.00		
Stebbins	\$37,803.00		
Tanana	\$37,237.00		
Teller	\$31,813.00		\$31,813.00
Tenakee Springs	\$22,821.00		\$22,821.00
Thorne Bay	\$32,716.00		\$32,716.00
Toptak	\$42,206.00		
Toksook Bay	\$35,569.00		\$35,569.00
Unalakleet	\$44,044.00		
Unalaska	\$185,314.00		
Upper Kalskag	\$36,332.00		
Valdez	\$381,529.00		
Wainwright	\$36,491.00		
Wales	\$29,748.00		
Wasilla	\$192,226.00		
White Mountain	\$30,982.00		\$30,982.00
Whittier	\$27,493.00		\$27,493.00
Wrangell	\$166,553.00		

Average Cities < 500

\$29,194.75



## UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 110  
Juneau, Alaska 99801-1172  
(907) 586-2820  
(907) 463-2545 Fax  
E-Mail: [ufa@ufa-fish.org](mailto:ufa@ufa-fish.org)  
[www.ufa-fish.org](http://www.ufa-fish.org)

March 7, 2005

Representative Kevin Meyer, Co-Chair  
House Finance Committee  
Alaska State Legislature  
State Capitol (Mail Stop 3100)  
Juneau AK 99801-1182

Dear Representative Meyer,

United Fishermen of Alaska (UFA) represents thirty-one Alaska commercial fishing groups and hundreds of individual fishermen, crew members and related businesses. Our board of directors recently met and discussed HB 25 regarding community fish taxes.

UFA supports HB 25 to address perceived as inequitable distribution of fish landing taxes. Fish deliveries meeting the definition of processed provide communities with a direct tax. Fisheries delivered in so-called unprocessed form, such as gutted with head on, are pooled and allocated back to communities based on the proportion of "processed" deliveries. It is important for Alaska's coastal communities to receive some fisheries tax on fish that pass through their community that does not meet the definition of processed, to support the infrastructure and utilities that all fisheries depend on.

UFA supports HB 25 as a way of addressing this situation.

Sincerely,

Mark D. Vinsel  
Executive Director

CC: Representative Paul Seaton

**CITY OF SEWARD, ALASKA  
RESOLUTION 2005-08**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SEWARD, ALASKA, SUPPORTING HOUSE BILL 25 ("HB 25"), AN ACT RELATING TO THE SHARING OF FISHERIES BUSINESS TAX WITH MUNICIPALITIES WHO SELL BUT SEND FISH OUT OF STATE UNPROCESSED**

WHEREAS, currently when fish is sold in a municipality but sent out of state unprocessed, 50% of the raw fish tax revenue is appropriated to the State of Alaska general fund and 50% is appropriated to the Department of Commerce, Community and Economic Development (DCCED); and

WHEREAS, House Bill 25 addresses the problem of revenue from the three percent raw fish tax lost by municipalities on fish that are sold to a buyer in the municipality but sent out of state unprocessed; and

WHEREAS, House Bill 25 would direct the Fisheries Business Tax revenue on unprocessed fisheries resources back to the port of landing which will help more accurately and cover the cost of building and maintaining the port infrastructure; and

WHEREAS, at this point, the majority of fish sold in Seward is unprocessed and therefore receives a small portion of the tax revenue; and

WHEREAS, based on 2003 tax returns, Seward and other fishing cities on the Kenai Peninsula are estimated to receive an additional \$278,000, an increase from approximately 4% to 41% of the fish tax revenue.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEWARD, ALASKA that:**

Section 1. The Seward City Council supports House Bill 25 which appropriates some of the raw fish tax revenue to municipalities who sell but send fish out of state unprocessed.

Section 2. This resolution shall take effect immediately upon adoption.

**PASSED AND APPROVED** by the City Council of the city of Seward, Alaska, this 14<sup>th</sup> day of February, 2005.

Legislative Museum of Seward Alaska



## City of Homer

City Manager

491 East Pioneer Avenue

Homer, Alaska 99603

907-255-8121, X-2222

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Fax: (907) 235-3148 E-mail: [wwrede@ci.homer.ak.us](mailto:wwrede@ci.homer.ak.us) Web Site: [www.ci.homer.ak.us](http://www.ci.homer.ak.us)

February 11, 2005

Representative Paul Seaton  
State Capitol Building / Room 102  
Juneau, Alaska, 99801-1182

SUBJECT: HB 25

Dear Representative Seaton:

I am writing to confirm that the City of Homer strongly supports HB 25 entitled, "An Act relating to the sharing of fisheries business tax revenue with municipalities; and providing for an effective date." The City appreciates the fact that you have introduced this bill and is committed to doing what it can to assist you in getting this very important piece of legislation passed.

As you know, Homer has become the Number 1 Commercial Halibut port in the state in terms of both pounds landed and value. Other species are landed here as well and we anticipate that this trend will continue. A very significant percentage of the fish products landed in Homer are iced and trucked out of the community for processing in locations out of state. The fish buyers take advantage of Homer's excellent dock and harbor infrastructure but leave little in the way of tax revenues or fees to help the City operate and maintain this infrastructure. The City and the State have a large investment in this infrastructure and the City believes it should be maintained and operated for the benefit of the entire fishing fleet.

The City contends that a reallocation of a portion of the fisheries business tax to communities where fish products are landed and then shipped out of state for processing is in the best interest of both the state and the communities affected. The City believes further that this method of providing revenue to support the local infrastructure is preferable to levying a new local tax, such as a landing tax, on an industry that already has a substantial tax burden.

Again, thanks for sponsoring HB 25. Please do not hesitate to contact us if you have any questions or if we can help in any way.

Sincerely,

Walt Wrede  
City Manager

c.  
Senator Gary Stevens

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## Support for state's raw fish tax program may be building



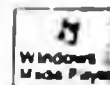
Support may be building for a House Bill that failed to make it out of committee last week. It has to do with the state's raw fish tax program, which is collected by the state and redistributed to communities. Jay Marble has this report.  
Aired February 07, 2005 - *Web posted Tuesday am- February 08, 2005*

Site updated by SitNews

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**United Southeast Alaska Gillnetters**

P.O. Box 23378, Ketchikan, AK 99901 Phone & Fax (907) 247-3471 Email usa\_gillnetters@att.net

February 1, 2005

The Honorable Paul Seaton  
House of Representatives  
State Capitol, Room 102  
Juneau, AK 99801

Send Via Fax to: 465-3472

Dear Representative Seaton,

The United Southeast Alaska Gillnetters (USAG) is an association of about 150 small business owners who catch salmon by drift gillnetting in Southeast Alaska and market salmon throughout the United States. Many of our members also participate in other fisheries such as crab, shrimp, longline, and dive fisheries.

USAG supports HB 25 which would revise the sharing formula for part of the Raw Fish Tax. We believe it is fair and appropriate that the Raw Fish Tax be returned to the port of landing to support local municipalities. Often these funds are used to provide needed services for fishermen and processors such as docks, net repair floats, boat grids and other related facilities. They are also used locally to maintain infrastructure such as roads and harbors and provide other needed community services.

USAG appreciates you introducing HB 25 and your continuing support for our seafood industry.

Yours truly,

Kenneth Duckett  
Executive Director

cc: Representative Bill Thomas Via Fax to: 465-2652  
Co-chair House Community & Regional Affairs

<b>S</b>	Southeast
<b>A</b>	Alaska
<b>R</b>	Regional
<b>D</b>	Dive
<b>F</b>	Fisheries
<b>A</b>	Assodation



*Mission Statement: To develop, expand, and enhance new and existing dive fisheries in Southeast Alaska.*

Julie Decker, Executive Director  
 Box 2138, Wrangell, AK 99929  
 Ph: 907-874-3110; Fax: 907-874-4270  
 Info@sardfa.org  
 www.sardfa.org

## 2005 Legislative Priorities for SARDFA January 18, 2005

- 1) **Aquatic Farming Bill:** We currently have a draft bill which will implement the compromise reached between SARDFA and the geoduck farmers to resolve this issue, which has been festering since 1999. SARDFA attempted amending legislation last spring to accomplish this, but it was too late in the session. The compromise last spring was spurred by the Alaska Supreme Courts decision in April. This bill will enact the decision by the Lower Court and upheld by the Supreme Court. **[No funds needed.]**
  
- 2) **Urchin Fishery Needs Help with Economics:** The world market for sea urchins is depressed due in large part by illegal Russian exports of urchins. This, coupled with the fact that doing business in rural Alaska is always expensive, has pushed urchin prices so low that 1/3 – 1/2 of the annual quota is not being harvested and the only main urchin processor is considering leaving Ketchikan. SARDFA is aggressively working on issues that will make this fishery more economically feasible. One avenue SARDFA is pursuing is to complete a market study on urchins, which will illuminate potential economic solutions and their values. **[Grant for urchin market study: \$30,000.]**
  
- 3) **Increased Funding for ADF&G:** SARDFA would like to specifically see increased funding for new and developing fisheries and dive fisheries. Divers have "put their money where their mouth is" with 5% and 7% taxes to help support dive fisheries. However, the urchin fishery is currently struggling economically. If the State gave this fishery parity by paying for the management of the fishery, this would remove a large burden on the fishery and allow SARDFA to concentrate on fixing the economic situation. **[\$35,000 annually for urchin management]**
  
- 4) **Increased Funding for DEC:** The geoduck fishery has seen a growth in ex-vessel value from \$1.50/lb in 2002 to \$5/lb in 2004, because of two things: 1) the Administration's change of the protocol used for PSP testing enabling 90% live sales, and 2) \$250,000 allocated by the Legislature to monitor PSP levels over the past 2 years. Funding is needed on an annual basis to continue monitoring PSP in geoduck, which enables live sales. SARDFA will be paying its portion (\$60,000 annually) for PSP sample collection via its 7% geoduck tax. **[\$60,000 annually for DEC]**
  
- 5) **Support for HB 25 – Sharing of Fisheries Business Tax with Municipalities:** SARDFA is concerned that municipalities might not be getting their 50% of the fish tax paid on fresh or live seafood (like geoducks or fresh salmon) which are considered "unprocessed". Southeast Conference is also concerned about this. This bill seems to address this issue and SARDFA supports it. **[No funds needed.]**



To: House Community and Regional Affairs Committee  
Rep. Thomas, Rep. Olson, Co-chairs  
From: Michael Kampnich, Harbormaster, City of Craig  
RE: House Bill 25  
Date: 2-1-05

Good Morning

My name is Michael Kampnich. I am the harbormaster for the City of Craig.

**The City of Craig would like to express its support for House Bill 25.**

Craig is located on the west coast of Prince of Wales Island in Southeast Alaska. As is true with other coastal communities, **Commercial Fishing** is a very important part of our economy.

The City of Craig operates three harbors, two docks with available cranes and an icehouse. These facilities are all support for the commercial fishing fleet, both homeport and transient vessels, operating off the west coast of Prince of Wales Island.

We have a Harbor Department with two full time employees and an office building that provides public facilities for those using our harbors. We also maintain a harbor response vessel, pumps and other gear for emergency and routine needs.

Over the years, the revenue the City received from the **Fisheries Business Tax** has been used to purchase equipment and materials for maintenance of our harbor facilities. These revenues have also been used as a match for larger harbor or marine related projects the City has undertaken.

As the fisheries industry has bounced back from recent weakness, we see an increasing amount of fish being shipped out in the round, rather than being processed, because of demands for quicker delivery and higher quality. While this is good for fishermen and the industry as a whole, it has left the City of Craig and other communities with a decreasing stream of revenue from **Fisheries Business Taxes**. **House Bill 25** reestablishes the important link between fishery landings and revenues received by the communities. This at a time when it is more important than ever for communities to support the industry in their effort to produce the highest quality product possible.

Therefore, the City would again reiterate its support for **House Bill 25**.

Thank you for allowing me the time to address this committee.

Fisheries Business Resources Transported Unprocessed Outside Alaska  
Reported on Schedule 3

Calendar Year 2003  
Fiscal Year 2004

Facility Type	Pounds	Value	Tax Collected	Tax Shared
Floating	135,170	245,705	11,347.77	5,673.88
Salmon Cannery	-	-	-	-
Shore-based	73,450,243	48,915,698	1,462,280.46	731,140.23
<b>Total FY04</b>	<b>73,585,413</b>	<b>49,161,403</b>	<b>1,473,628.23</b>	<b>736,814.11</b>

Calendar Year 2002  
Fiscal Year 2003

Facility Type	Pounds	Value	Tax Collected	Tax Shared
Floating	160,003	17,080	1,527.01	763.50
Salmon Cannery	2,906,949	273,294	12,298.22	6,149.11
Shore-based	32,293,862	34,122,470	1,023,567.98	511,783.99
<b>Total FY03</b>	<b>35,360,814</b>	<b>34,412,844</b>	<b>1,037,393.21</b>	<b>518,696.60</b>

Calendar Year 2001  
Fiscal Year 2002

Facility Type	Pounds	Value	Tax Collected	Tax Shared
Floating	2,460,174	784,288	37,811.57	18,905.79
Salmon Cannery	5,309,220	765,101	34,429.54	17,214.77
Shore-based	46,180,663	37,469,291	1,115,216.79	557,608.39
<b>Total FY02</b>	<b>53,950,057</b>	<b>39,018,680</b>	<b>1,187,457.90</b>	<b>593,728.95</b>



## Article 3 General Provisions

### Section

200 - 280. (Reserved).

290. Shore-based fisheries business.

300. Definitions.

15 AAC 75.200. - 15 AAC 75.280

Reserved.

### 15 AAC 75.290. Shore-based fisheries business

A fisheries business operated from a floating vessel is not permanently attached to the land. A fisheries business operated from a floating vessel is a shore-based fisheries business only if it remains anchored in one place and does not move from that anchorage during an entire tax year. A movement of the vessel from the anchorage, for any reason, including dry-dock, repairs, maintenance, or a new processing location, either to another location in the state or to another location outside the state, disqualifies the fisheries business as a shore-based fisheries business.

**History:** Eff. 9/9/81, Register 79

**Authority:** AS 43.05.080

AS 43.75.015

15 AAC 75.300. Definitions

In AS 43.75 and this chapter,

- (1) "custom processor" means a fisheries business which does not own the fisheries resources it is processing;
- (2) "fisheries resource" means fin fish and shellfish, including but not limited to salmon, halibut, herring, flounder, crab, clam, cod, shrimp, and pollock; fish byproducts, such as roe, entrails and carcasses, are separate fisheries resources if they are transferred to another person for processing;
- (3) "market value" means the prevailing value paid for fisheries resources of like kind and quality by fisheries businesses in the same market area to fishermen who own their vessels;
- (4) "processing" means any activity which modifies the physical condition of a fisheries resource, including butchering, freezing, salting, cooking, canning, dehydrating, or smoking; however, "processing" does not include decapitating shrimp and gutting, gilling, sliming, or icing a fisheries

resource solely for the purpose of maintaining the quality of the fresh resource;

(5) "processing fisheries resources for sale" means the series of activities which are performed in preparing the fisheries resources for subsequent sale, regardless of whether the processor owns the fisheries resources and regardless of whether the processor is the seller in the subsequent sale of the fisheries resources;

(6) "value" means the actual price paid for the fisheries resource by the fisheries business, including indirect consideration such as fuel, supplies, or gear, whether paid at the time of purchase of the fisheries resource or tendered as a deferred, delayed, or advance payment, except that "value" means the market value of the fisheries resource if the fisheries resource is taken in company-owned or company-subsidized boats operated by employees of the fisheries business or in boats which are operated under lease or other arrangement.

**History:** Eff. 9/9/81, Register 79; am 9/18/81, Register 80

**Authority:** AS 43.05.080

AS 43.75.015

AS 43.75.140 (7)

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Chapter 76  
Salmon Enhancement Tax

#### Article

1. Tax Imposition. (15 AAC 76.010 - 15 AAC 76.040)
2. Salmon Acquired by Buyers. (15 AAC 76.100 - 15 AAC 76.140)
3. General Provisions. (15 AAC 76.200 - 15 AAC 76.290)

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### Article 1 Tax Imposition

#### Section

10. Imposition of the tax.
20. Monthly report and remittance of tax by limited entry permit holders.
30. Records.
40. Annual report by limited entry permit holder.

## FISHERIES BUSINESS TAX

### AS 43.75

#### Description

Alaska levies a fisheries business tax on fisheries businesses and persons who process or export fisheries resources from Alaska. Alaska bases the tax on the fisheries value paid to commercial fishers or fair market value when there is no arms length transaction. The Division collects fisheries business taxes primarily from licensed processors and persons who export unprocessed fish from Alaska.

#### Rate

Fisheries business tax rates are based on the location and type of processing activity and whether a fishery resource is classified as "established" or "developing" by the Alaska Department of Fish and Game. Rates are as follows:

<i>Processing Activity</i>	
<i>Established</i>	<i>Rate</i>
Floating	5 %
Salmon Cannery	4.5 %
Shore-based	3 %
<i>Developing</i>	
	<i>Rate</i>
Floating	3 %
Shore-based	1 %

#### Returns

Fisheries businesses file calendar year returns that are due with payment on March 31 of the following year.

After filing the calendar year return, taxpayers file returns to report post-season, bonus payments made to fishers. Returns for these payments are due with additional taxes by the last day of the month following the payment.

#### Exemptions

Commercial fishers who process and freeze fish on board to maintain its quality before sale to a licensed processor are exempt.

#### Credits

**Education:** Taxpayers contributing to accredited Alaska universities or colleges for educational purposes may take a tax credit for 50% of the first \$100,000 and 100% of the next \$100,000 of contributions. The maximum credit is \$150,000 for each tax year.

**Scholarship Contributions:** Taxpayers contributing to the A.W. "Winn" Brindle memorial scholarship account may take a tax credit for the amount of contribution not to exceed 5% of their tax liability.

**Salmon Product Development and Utilization Credit (2003)** allows tax credits against the fisheries business tax on salmon for expenditures promoting the development of salmon products and the utilization of salmon waste. Effective June 11, 2003 and retroactive to January 1, 2003, the bill will sunset on December 31, 2005.

#### Disposition of Revenue

The Division deposits all revenue derived from the fisheries business tax into the General Fund. The legislature may appropriate revenue from the tax for revenue sharing as follows:

#### \* *Processing Activity Inside Municipality*

The Division shares 50% of tax collected with the incorporated city or organized borough in which the processing took place. If an incorporated city is within an organized borough, the Division divides the 50% shared amount equally between the incorporated city and the organized borough.

#### \* *Processing Activity Outside Municipality*

The Division shares 50% of tax collected from processing activities outside an incorporated city or an organized borough through an allocation program administered by the Department of Commerce, Community and Economic Development.

#### History

The fisheries business tax is the oldest tax in Alaska. In 1899, the U.S. Congress adopted a "salmon case" tax to fund fisheries-related activities in pre-territorial Alaska.

The Organic Act passed in 1912 established an organized territorial government in Alaska. In 1913, the First Territorial Legislature adopted the "salmon pack" tax which applied to salmon canneries based on canned salmon (7¢ per case); and the "cold storage" tax which applied to other fisheries and was based on business receipts. Between 1913 and 1949, the legislature amended the tax several times by changing

## FISHERIES BUSINESS TAX

tax rates and expanding the tax base to include different fisheries.

1949 – The territorial legislature restructured the fisheries business tax to be based on value of the fisheries rather than volumes (case or business receipts). The new "raw fish" tax applied to salmon (4%), crab and clams (2%), and other fishery products (1%) processed in canneries.

1951 – The territorial legislature enacted a fishery business license requirement with a \$25 license fee, a tax on floating processors at 4% of value and increased the tax rate for salmon canneries to 6%.

1962 – The legislature adopted provisions for sharing taxes (10%) and requiring calendar year returns for all businesses.

1967 – The tax rate on salmon canneries was amended to 3% and provisions were adopted requiring security for a fishery business license under certain conditions.

1979 – The legislature adopted the modern tax structure with different tax rates for established and developing species, as well as increasing the shared tax percentage to 20%.

1981 – The shared tax percentage was increased to 50%.

1986 – The legislature authorized a fisheries business tax credit of up to 50% of fisheries business taxes for capital expenditures associated with constructing and improving shore-side processing operations. The tax credit program was effective for 1987 through 1989 with a carryforward provision through 1991. Taxpayers claimed approximately \$47.5 million of credits under this program. The legislature also enacted the Winn Brindle scholarship credit allowing a credit of up to 5% of fisheries business taxes due.

1987 – The legislature enacted the Alaska education tax credit program allowing a tax credit on educational contributions of up to \$100,000 against fisheries business taxes due.

1990 – The legislature enacted provisions for a civil penalty for processing without a license. The

Division may progressively assess penalties in increments of up to \$5,000 for each infraction to a maximum of \$25,000 for the fifth and subsequent assessments. The legislature also enacted a provision that authorized sharing 50% of taxes sourced from processing activities in the unorganized borough, effective July 1992.

1991 – The legislature restructured the Alaska education credit and increased the maximum amount to \$150,000.

1993 – Under executive order effective July 1, 1993, the Governor transferred the fish processor surety bonding program from the Department of Labor and Workforce Development to Department of Revenue.

1995 – The legislature reduced the amount of surety bonding for small processors from \$10,000 to \$2,000.

2001 – The legislature modified the tax payment security requirements necessary to obtain a fisheries business tax license. The legislature expanded the existing requirement for a whole-salmon exporter to include any exporter of any unprocessed fisheries resource. Under the bill, exporters of unprocessed fish can obtain a fisheries business license by posting a \$50,000 surety bond. Additionally, the bill requires quarterly payment of estimated fishery resource landing taxes.

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

2003 - Salmon Product Development/Utilization Credit allows tax credits against the fisheries business tax for expenditures promoting the development of salmon products and the utilization of salmon waste. The amount of the tax credit cannot exceed 50% of the taxpayer's fisheries business liability for processing of salmon during the tax year.

Effective June 11, 2003 and retroactive to January 1, 2003, the bill will sunset on December 31, 2005. Unused credits earned may be carried forward for three years.

## FISHERIES BUSINESS TAX

2003 – Legislation allowed for monthly payment of the fisheries taxes in lieu of existing forms of security or prepayment as a prerequisite to licensure. Fisheries businesses who elect this option must post a \$50,000 bond or demonstrate \$100,000 equity in real property within the state. Effective September 8, 2003

2004 – Legislation authorized a new Direct Marketing Fisheries Business License and tax structure set at the shore based rate of 1% of the value of developing fish species and 3% of the value of established fish species. The provisions of the bill will take effect January 1, 2005.

### FY 2004 Statistics

Fisheries License and Business Tax	
License Fees and Tax Collection	
<i>Including penalties and interest.</i>	
<i>Less Win Brindle, Alaska Education and Salmon Product Development and Utilization Credits.</i>	\$29,244,605
Number of Returns	782
Number of Taxpayers	525
Fisheries Business License Information	
Shore-based Licenses Issued	174
Floating Licenses Issued	332
Exporter Licenses Issued	76
Total Licenses Issued	582
Program Cost	\$431,995
Staffing ( <i>full time equivalent</i> )	7.5

# 2004 Alaska Fisheries Business Tax Return INSTRUCTIONS FORM 04-574

## GENERAL INSTRUCTIONS

You may reproduce or photocopy the forms in this booklet as needed, or request additional forms from the department help desk. (See "If You Need Help" on Page 1) Forms are also available on our website at [www.tax.state.ak.us](http://www.tax.state.ak.us).

### Estimated Tax

Monthly estimated tax payments are mandatory for taxpayers that have elected and meet the requirements of AS 43.75.055(c). Those payments are due on or before the 15<sup>th</sup> day of the month following the month in which the tax liability for the payment of the taxes was incurred. Use Form 04-568. All other taxpayers may make voluntary estimated tax payments. Voluntary payments other than online payments and wire transfer payments must be accompanied by Form 04-574E.

### Extension for Filing Return

If you need an extension for filing your return, contact the Alaska Department of Revenue. An application for extension must be submitted to the department no later than 15 calendar days before the return is due. Note: An extension of time to file is not an extension of time to pay taxes. You must remit full tax payment by the March 31 tax due date.

### Wire Transfer Requirement

If your company has one or more licenses and your aggregate tax payment (including seafood marketing assessment) is greater than \$150,000, you must wire transfer the funds (to avoid wire transfer fees use TOPS located at: [www.tax.state.ak.us](http://www.tax.state.ak.us))

Notify the State of Alaska, Treasury Division regarding the particulars of the transfer the day before the wire transfer is to be made either by fax at 907.465.4019 or via e-mail to [cashmgmt@revenue.state.ak.us](mailto:cashmgmt@revenue.state.ak.us).

### Wire payments to:

State Street Bank & Trust Company  
225 Franklin Street  
Boston, MA 02110  
ABA #011000028  
Credit: State of Alaska General Investment Fund,AY01  
Account #00657189

Additional Wire Transfer Information: *Instruct your bank to indicate your Federal EIN and note that the payment is for fisheries business tax in the OBI (other bank information) field on the wire transfers.*

### TOPS (Tax Online Payment System)

The Department of Revenue offers a Tax Online Payment System (TOPS). You may make instant payments electronically or schedule your payment weeks or months in advance. Information and instructions are available at: <https://www.tax.state.ak.us/tops/>

### Penalties for Failure to File or Pay

A penalty will be assessed for failure to timely file the return or failure to timely pay the tax. Each penalty is computed at 5% per 30-day period or fraction of a period up to a maximum of 25% on the tax not paid by the payment due date.

### Interest Rates on Tax Due

The current interest rate is 11%, compounded quarterly.

### Amended Returns

To correct a previously filed Form 04-574, check the amended box in the upper right corner of the return and attach a statement explaining the reason for the amendment. Complete the entire form using the corrected amounts.

## PROCESSING ACTIVITY SCHEDULES

The Alaska Fisheries Business Tax Return (Form 04-574) contains a separate schedule for each processing activity. The forms you need depend on your business activities. Refer to the following schedule descriptions to determine which forms you must complete with your return.

### Schedule 1 – Caught and Processed

Use this schedule to report fisheries resources your company caught and processed. Use the correct processing location code. Note: If you are a fisher who catches and processes fisheries resources on your boat and the total taxable value of fisheries resources does not exceed \$50,000, you may qualify to use the Catcher Processor Combined Fisheries Tax Return, Form 04-570.

### Schedule 2 – Purchased and Processed

Use this schedule to report fisheries resources your company purchased and processed. Include fisheries resources that were purchased from fishermen claiming exclusion from the fisheries business tax. Use the processing location code assigned to the area where the processing took place.

### ★ Schedule 3 – Transported Unprocessed

Use this schedule to report fisheries resources transported unprocessed outside the taxing jurisdiction of Alaska. You must include the name and address of purchaser for each fishery resource transported unprocessed.

### Schedule 4 – Custom Processing by Others

Use this schedule to report fisheries resources that were custom processed for your company by another fisheries business in Alaska. Use the processing location code assigned to the area where the processing took place.

# 2004 Alaska Fisheries Business Tax Return

## FORM 04-574

Department of Revenue  
 Tax Division  
 PO Box 110420  
 Juneau, Alaska 99811-0420  
 Telephone 907.465.2371  
 Fax 907.465.3566

This form is available online at [www.tax.state.ak.us](http://www.tax.state.ak.us)

DEPT USE ONLY

Envelope #
FSN

Due: March 31, 2005

Federal EIN or SSN			Fisheries Business License Number		
Individual or Corporation Name			Facility Location or Vessel Name		
Business Name		Telephone Number		Fax Number	
Mailing Address			E-mail Address		
City	State	Zip Code	Check <input type="checkbox"/> Amended (attach explanation)		
Contact Person		<b>ONE RETURN PER LICENSE</b>			

**Tax Liability**

1a. Established. Enter amount from Part 1, line 8.....	1a		
1b. Developing. Enter amount from Part 2, line 8.....	1b		
1c. Total Tax Liability. Add lines 1a and 1b.....	1c		

**Credits**

2a. A.W. "Winn" Brindle Credit. Schedule WB, line 4.....	2a		
2b. Alaska Education Credit. Schedule EC, .....	2b		
2c. Salmon Credits from Schedule SPDU.....	2c		
2d. Total Credits. Add lines 2a thru 2c.....	2d		

**Total Liability**

3. Net Fisheries Business Tax ( subtract line 2d from 1c).....	3		
4. Salmon Credit Recapture from Schedule SPDU .....	4		
5. Total Liability (Add lines 3 & 4).....	5		

**Payments**

6a. 2004 Monthly and Estimated tax payments.....	6a		
6b. Other payments or credit from prior year (\$25 license fee is not a prepayment).....	6b		
6c. Total payments. Add lines 6a and 6b.....	6c		

**Amount Due**

7. If line 6c is less than or equal to line 5, subtract line 6c from line 5.....	7		
--	---	--	--

**Overpayment**

8a. If line 6c is greater than line 5, subtract line 5 from line 6c.....	8a		
8b. Amount of overpayment to be credited to 2005 estimated tax.....	8b		
8c. Amount of overpayment to be applied to 2004 Seafood Marketing Assessment Return or other tax (specify).....	8c		
8d. Amount of overpayment to be refunded.....	8d		

**Note: If your liability exceeds \$150,000, you must use Electronic Funds Transfer (TOPS) or wire transfer funds**  
 Check if you are remitting by:  Wire Transfer  TOPS Confirmation Number \_\_\_\_\_  
 To avoid wire transfer fees, use the TOPS, at: [www.tax.state.ak.us](http://www.tax.state.ak.us)

*I declare under penalty of unsworn falsification that the information provided in this return has been reviewed by me, and to the best of my knowledge and belief is true, correct, and complete. If prepared by a person other than the taxpayer, preparer's declaration is based on all information of which preparer has any knowledge.*

Signature	Type or Print Name	Date
-----------	--------------------	------

DEPARTMENT USE ONLY	VALIDATION
PMD:	

**2004 Alaska Fisheries Business Tax Return  
FORM 04-574**

Business Name	Federal EIN or SSN	Fisheries Business License Number
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NOTE: First complete Schedules 1-5 as appropriate for your fisheries business, then transfer the totals to Part 1 and Part 2 below.

**PART 1: ESTABLISHED**

	Schedule	Column A Floating Facility	Column B Shore-Based Salmon Cannery	Column C Shore-Based Facility
1.	1E Caught and Processed			
2.	2E Purchased and Processed			
3.	3E Transported Unprocessed			
4.	4E Custom Processing by Others			
5.	5E Custom Processing for Others			
6.	<b>TOTAL VALUE</b> Add schedules 1-5			
	<b>Tax Rate</b>	5% (.05)	4.5% (.045)	3% (.03)
7.	<b>TAX.</b> Multiply line 6 by tax rate			

8. **Established Fisheries Tax.** Add each entry from line 7. Enter on Page 8, line 1a.....

**PART 2: DEVELOPING**

	Schedule	Column A Floating Facility	Column B Shore-Based Facility
1.	1D Caught and Processed		
2.	2D Purchased and Processed		
3.	3D Transported Unprocessed		
4.	4D Custom Processing by Others		
5.	5D Custom Processing for Others		
6.	<b>TOTAL VALUE</b> Add schedules 1-5		
	<b>Tax Rate</b>	3% (.03)	1% (.01)
7.	<b>TAX.</b> Multiply line 6 by tax rate		

8. **Developing Fisheries Tax.** Add each entry from line 7. Enter on Page 8, line 1b.....

**PART 3: Seafood Marketing Assessment Value**

Transfer To Form 04-578

Add each entry from line 6, Part 1 and 2. Enter on Form 04-578 Seafood Marketing Assessment Return.....



**Schedule 3D**

Business Name	Federal EIN or SSN	Fisheries Business License No.
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**SCHEDULE 3D - DEVELOPING : TRANSPORTED UNPROCESSED**

This schedule must be completed for all developing fisheries resources that your company transported unprocessed outside the taxing jurisdiction of Alaska. Use additional schedules if more space is needed. **NOTE:** The applicable tax rate (floating or shore-based) depends on the status of the company or individual who purchased the resource. A list of developing commercial fisheries, Form 04-564, is printed after the instructions in this booklet.

**A. FLOATING FACILITY**

Area Caught	Species	Spec. Code	Pounds	Value	Purchaser's Name and Address
Total Value. Enter total on Part 2, line 3, column A .....					

**B. SHORE-BASED FACILITY**

Area Caught	Species	Spec. Code	Pounds	Value	Purchaser's Name and Address
Total Value. Enter total on Part 2, line 3, column B .....					

Community	Total Fish Tax Distributed FY 04 DCCED, Dept. of Revenue	DCCED Actual FY 04 Shared Fisheries Business Tax Payment	DCCED Estimated FY 04 Shared Fisheries Business Tax Payment With HB 25	Difference in Funding *
Adak	\$512,820.00	\$107,279.49	\$65,221.93	-\$42,057.56
Akhiok	\$10,759.00	\$8,654.56	\$5,261.65	-\$3,392.91
Akiak	\$102.00	\$102.26	\$62.17	-\$40.09
Akutan	\$801,685.00	\$145,897.53	\$88,700.26	-\$57,197.27
Aleknagik	\$3,296.00	\$3,296.99	\$2,004.45	-\$1,292.54
Anchorage	\$51,933.00	\$19,883.94	\$12,088.69	-\$7,795.25
Angoon	\$2,267.00	\$2,267.36	\$1,378.47	-\$888.89
Atka	\$163,659.00	\$104,249.36	\$63,379.72	-\$40,869.64
Bethel	\$601.00	\$601.48	\$365.68	-\$235.80
Brevig Mission	\$69.00	\$69.19	\$42.07	-\$27.13
Chefornak	\$149.00	\$109.02	\$66.28	-\$42.74
Chignik	\$54,345.00	\$2,029.23	\$1,233.69	-\$795.53
Clark's Point	\$2,542.00	\$2,470.13	\$1,501.75	-\$968.38
Coffman Cove	\$5,611.00	\$4,495.45	\$2,733.07	-\$1,762.39
Cold Bay	\$8,915.00	\$8,056.11	\$4,897.82	-\$3,158.30
Cordova	\$409,256.00	\$22,651.30	\$13,771.15	-\$8,880.16
Craig	\$9,556.00	\$4,772.86	\$2,901.72	-\$1,871.14
Dillingham	\$94,741.00	\$15,934.59	\$9,687.64	-\$6,246.95
Eek	\$97.00	\$97.16	\$59.07	-\$38.09
Egegik	\$38,272.00	\$2,598.63	\$1,579.87	-\$1,018.76
Ekwok	\$2,743.00	\$2,743.89	\$1,668.18	-\$1,075.71
Elim	\$71.00	\$71.53	\$43.49	-\$28.04
False Pass	\$13,233.00	\$7,137.48	\$4,339.32	-\$2,798.16
Gambell	\$93.00	\$93.46	\$56.82	-\$36.64
Golovin	\$57.00	\$57.57	\$35.00	-\$22.57
Goodnews Bay	\$91.00	\$91.89	\$55.86	-\$36.02
Homer	\$92,436.00	\$3,330.01	\$2,024.57	-\$1,305.49

Hoonah	\$97,122.00	\$2,381.24	\$1,447.71	-\$933.51
Hydaburg	\$5,269.00	\$3,528.60	\$2,145.25	-\$1,383.34
Juneau	\$231,450.00	\$12,901.04	\$7,843.35	-\$5,057.69
Kake	\$5,688.00	\$5,667.21	\$3,445.45	-\$2,221.76
Kasaan	\$4,282.00	\$3,083.08	\$1,874.40	-\$1,208.68
Kenai	\$57,115.00	\$3,483.12	\$2,117.60	-\$1,365.51
Ketchikan	\$156,072.00	\$14,314.61	\$8,702.75	-\$5,611.86
King Cove	\$256,115.00	\$24,889.54	\$15,131.91	-\$9,757.63
Klawock	\$5,742.00	\$4,226.42	\$2,569.51	-\$1,656.91
Kodiak	\$512,289.00	\$36,191.19	\$22,002.89	-\$14,188.30
Koyuk	\$70.00	\$70.80	\$43.04	-\$27.76
Kupreanof	\$4,211.00	\$4,195.45	\$2,550.68	-\$1,644.77
Kwethluk	\$137.00	\$137.82	\$83.79	-\$54.03
Larsen Bay	\$35,904.00	\$9,303.20	\$5,656.00	-\$3,647.20
Manokotak	\$4,364.00	\$4,364.09	\$2,653.21	-\$1,710.89
Mekoryuk	\$2,660.00	\$89.11	\$54.17	-\$34.93
Napakiak	\$102.00	\$102.72	\$62.45	-\$40.27
Napaskiak	\$108.00	\$108.00	\$65.66	-\$42.34
New Stuyahok	\$4,783.00	\$4,783.11	\$2,907.95	-\$1,875.16
Newhalen	\$2,978.00	\$2,978.54	\$1,810.84	-\$1,167.70
Nightmute	\$90.00	\$90.96	\$55.30	-\$35.66
Nome	\$9,300.00	\$302.04	\$183.63	-\$118.41
Nondalton	\$3,263.00	\$3,263.47	\$1,984.07	-\$1,279.40
Nunapitchuk	\$117.00	\$117.63	\$71.52	-\$46.12
Old Harbor	\$11,608.00	\$9,034.74	\$5,492.79	-\$3,541.95
Ouzinkie	\$11,464.00	\$9,248.47	\$5,622.72	-\$3,625.75
Pelican	\$52,959.00	\$4,395.45	\$2,672.27	-\$1,723.18
Petersburg	\$478,367.00	\$10,984.69	\$6,678.28	-\$4,306.41
Pilot Point	\$2,535.00	\$2,531.59	\$1,539.11	-\$992.48
Platinum	\$73.00	\$73.64	\$44.77	-\$28.87
Port Alexander	\$4,800.00	\$4,301.97	\$2,615.44	-\$1,686.53

Port Heiden	\$7,899.00	\$7,857.49	\$4,777.06	-\$3,080.43
Port Lions	\$11,107.00	\$8,960.55	\$5,447.68	-\$3,512.87
Quinhagak	\$3,985.00	\$123.19	\$74.90	-\$48.20
Saint George	\$6,262.00	\$4,220.95	\$2,566.18	-\$1,654.77
Saint Michael	\$75.00	\$75.26	\$45.75	-\$29.50
Saint Paul	\$338,552.00	\$4,220.95	\$2,566.18	-\$1,654.77
Sand Point	\$170,922.00	\$27,993.04	\$17,018.73	-\$10,974.32
Savoonga	\$96.00	\$96.89	\$58.91	-\$37.99
Saxman	\$3,571.00	\$3,571.85	\$2,171.55	-\$1,400.30
Seldovia	\$3,116.00	\$3,053.66	\$1,856.51	-\$1,197.15
Seward	\$250,549.00	\$3,209.33	\$1,951.16	-\$1,258.18
Shaktoolik	\$62.00	\$62.69	\$38.11	-\$24.58
Sitka	\$23,568.00	\$23,480.54	\$14,275.30	-\$9,205.25
Skagway	\$2,371.00	\$2,371.81	\$1,441.97	-\$929.84
Soldotna	\$3,943.00	\$3,281.35	\$1,994.94	-\$1,286.41
Stebbins	\$89.00	\$89.58	\$54.46	-\$35.12
Teller	\$64.00	\$64.81	\$39.40	-\$25.41
Tenekee Springs	\$2,112.00	\$2,112.25	\$1,284.17	-\$828.08
Thorne Bay	\$3,729.00	\$3,729.00	\$2,267.10	-\$1,461.91
Togiak	\$13,063.00	\$6,598.86	\$4,011.86	-\$2,587.00
Toksook Bay	\$1,123.00	\$121.06	\$73.60	-\$47.46
Unalakleet	\$144.00	\$99.74	\$60.64	-\$39.10
Unalaska	\$5,870,296.00	\$358,844.73	\$218,164.22	-\$140,680.52
Valdez	\$150,203.00	\$22,651.30	\$13,771.15	-\$8,880.16
White Mountain	\$62.00	\$62.10	\$37.76	-\$24.35
Whittier	\$79,913.00	\$22,651.30	\$13,771.15	-\$8,880.16
Wrangell	\$83,699.00	\$8,806.39	\$5,353.96	-\$3,452.43
<b>Total</b>	<b>\$16,797,084.00</b>	<b>\$1,172,079.86</b>	<b>\$712,580.85</b>	<b>-\$458,133.49</b>

**Boroughs**

Aleutians East Borough	\$1,376,203.39	\$104,661.84	\$63,630.49	-\$41,031.35
Bristol Bay Borough	\$393,836.21	\$8,582.21	\$5,217.67	-\$3,364.55
Haines Borough	\$117,403.47	\$2,902.47	\$1,764.59	-\$1,137.87
Kenai Peninsula Borough	\$536,144.70	\$6,239.78	\$3,793.55	-\$2,446.23
Ketchikan Gateway Borough	\$245,173.14	\$10,834.14	\$6,586.75	-\$4,247.39
Kodiak Island Borough	\$658,267.95	\$38,629.00	\$23,484.99	-\$15,144.01
Lake & Peninsula Borough	\$107,570.31	\$19,534.06	\$11,875.98	-\$7,658.09
Yakutat	\$93,987.23	\$2,429.07	\$1,476.78	-\$952.29
<b>Total</b>	<b>\$3,528,556.40</b>	<b>\$193,812.57</b>	<b>\$117,830.80</b>	<b>-\$75,981.77</b>

\* Reallocation of these funds to ports of landing cannot be shown due to Department of Revenue confidentiality requirements.  
For FY 04 HB 25 would have distributed \$534, 115 to the communities where the Fisheries Business Tax revenue was generated

\*\*All figures based on DCCED and DOR information

**HB 25 Analysis**  
**Distribution of Fish Business Tax from Fish Exported Unprocessed**  
**Based on FY04 DCCED Distribution of FY03 Revenue**

Region	FMA	Distribution With HB 25	Distribution Without HB 25	Difference
West	6, 11	\$28.00	\$1,247.31	-\$1,219.31
Southwest	1, 2, 3, 4, 5	\$79,581.00	\$386,947.82	-\$307,366.82
South Central / Kodiak	13, 14	\$290,884.00	\$63,707.19	\$227,176.81
PWS/Southeast	15, 17, 18, 19	\$163,622.00	\$82,212.92	\$81,409.08
<b>Total</b>		<b>\$534,115.00</b>	<b>\$534,115.25</b>	

Distributions under HB 25 are estimates based on export tax liability reported on returns allocated to regions of operation as listed in license applications.

Figures based on information from the Department of Revenue

Table 5  
Fisheries Business Tax

	FY2004	FY2003	FY 2002	FY 2001	FY 2000	Total All Years
<b>Municipality</b>						
Anchorage	\$42,777	\$31,642	\$17,289	\$22,553	\$47,066	\$161,327
Junoau	221,435	218,549	189,554	238,262	175,840	1,043,640
Sitka	474,029	361,336	498,107	596,166	536,121	2,465,759
<b>Total Municipalities</b>	<b>738,241</b>	<b>611,527</b>	<b>704,950</b>	<b>856,981</b>	<b>759,027</b>	<b>3,670,726</b>
<b>Borough</b>						
Alutians East	1,365,445	1,212,887	934,034	1,354,864	1,409,784	6,277,014
Bristol Bay	450,975	385,254	494,491	918,305	1,439,586	3,688,611
Fairbanks North Star	360	163	0	0	319	842
Haines	94,421	114,501	165,686	191,323	238,339	804,270
Kenai Peninsula	676,737	512,894	482,232	210,869	811,345	2,694,077
Kotchikan Gateway	327,692	234,339	374,535	312,454	408,607	1,657,627
Kodiak Island	716,677	573,595	759,211	1,282,125	923,772	4,255,380
Lake and Peninsula	113,059	87,995	161,968	246,046	357,468	968,536
Matanuska-Susitna	386	0	15	0	0	401
Yakutat	47,862	91,550	73,894	124,659	137,327	475,292
<b>Total Boroughs</b>	<b>3,793,614</b>	<b>3,213,178</b>	<b>3,446,066</b>	<b>4,640,645</b>	<b>5,726,547</b>	<b>20,820,050</b>
<b>City</b>						
Adak	302,677	322,497	185,603	0	0	810,777
Akulana	632,084	580,806	534,413	595,846	501,904	2,845,053
Angoon	0	0	3,081	0	2,411	5,492
Atka	24,402	19,337	13,433	16,218	11,468	84,856
Bethel	0	0	4,740	15,331	73,833	93,904
Cheternak	19	40	249	17	0	325
Chignik	76,649	52,316	82,644	126,568	235,538	573,715
Clark's Point	0	0	40,458	133,445	60,896	234,799
Collman Cove	4,222	1,099	0	0	149	5,470
Cordova	448,958	386,605	437,955	549,830	516,438	2,339,786
Craig	20,412	4,784	4,230	5,918	23,979	59,323
Dillingham	99,889	78,807	49,069	176,288	202,898	608,951
Egegik	36,409	35,674	78,419	32,118	29,544	212,164
Emmonak	3,826	0	0	2,223	11,156	17,205
Fairbanks	279	163	0	0	0	442
Falvo Pass	0	6,058	7,122	61,187	85,764	160,131

Table 5  
Fisheries Business Tax

	FY2004	FY2003	FY 2002	FY 2001	FY 2000	Total All Years
Galena	0	0	0	0	153	153
Goodnews Bny	0	0	0	0	4,676	4,676
Haines	0	0	1,655	5,361	1,536	8,552
Homer	156,890	89,038	46,756	825	21,340	314,849
Hoonah	133,052	94,741	117,119	129,655	112,931	587,498
Hoopor Bay	32	0	0	0	4,924	4,956
Hydaburg	2,106	1,741	0	0	1,654	5,501
Kake	32,731	0	106,354	23,524	48,619	211,228
Kallag	0	0	267	0	0	267
Kasaan	161	1,199	0	0	0	1,360
Konai	77,026	53,561	85,088	47,261	149,524	412,460
Kelchikan	142,025	141,758	276,572	253,049	328,763	1,143,067
King Cove	326,453	211,092	184,041	318,189	432,412	1,472,187
Klawock	4,916	1,516	700	2,062	702	9,896
Kodiak	597,337	467,426	562,000	841,405	616,528	3,084,696
Larsen Bay	28,060	24,372	16,784	55,415	102,160	226,791
Marshall	0	0	0	1,011	508	1,519
Makoryuk	1,625	2,571	2,011	3,951	103	10,261
Nonana	0	0	0	0	49	49
Now Stuyahok	30	0	0	0	0	30
Nome	10,034	8,988	2,043	0	0	21,065
North Pole	82	0	0	0	319	401
Palmer	0	0	15	0	0	15
Pulican	7,736	48,065	39,420	27,695	29,407	152,323
Petersburg	545,267	467,342	606,898	471,020	673,037	2,763,564
Pilot Point	0	4	12	3,054	89	3,159
Port Alexander	2	482	0	0	0	484
Port Heiden	0	0	0	0	4	4
Port Lions	0	0	0	152	1,411	1,563
Quinhagak	7,483	3,862	5,514	3,591	0	20,450
Saint George	0	0	0	136,933	446,984	583,917
Saint Paul	328,120	313,336	212,556	289,428	1,781,341	2,924,781
Sand Point	195,686	141,763	103,564	13,373	149,285	725,671
Savoonga	0	0	0	790	0	790
Seldovia	0	0	14	0	0	14
Seward	310,578	239,554	239,760	351,549	259,273	1,400,714

**Table 5  
Fisherles Business Tax**

	<b>FY2004</b>	<b>FY2003</b>	<b>FY 2002</b>	<b>FY 2001</b>	<b>FY 2000</b>	<b>Total All Years</b>
Soldotna	699	595	1,160	189	13	2,656
Tenakee Springs	224	0	0	800	534	1,558
Togiak	38,111	6,465	74,257	157,601	333,574	610,008
Teksook Bay	1,262	1,002	4,206	1,664	1,134	9,268
Unalakleet	972	45	2,190	9,536	10,239	22,982
Unalaska	3,226,807	2,913,343	2,510,541	2,833,916	2,957,811	14,442,418
Valdez	215,577	127,552	245,372	258,379	274,316	1,121,196
Whittier	38,420	57,262	46,449	67,271	54,918	264,320
Wrangell	60,856	74,860	72,995	59,241	55,473	323,425
<b>Total Cities</b>	<b>8,141,086</b>	<b>6,961,721</b>	<b>7,007,729</b>	<b>8,204,879</b>	<b>10,611,720</b>	<b>40,947,135</b>
<b>Grand Total</b>	<b><u>\$12,672,941</u></b>	<b><u>\$10,806,426</u></b>	<b><u>\$11,158,745</u></b>	<b><u>\$13,702,505</u></b>	<b><u>\$17,097,294</u></b>	<b><u>\$65,437,011</u></b>
<b>Number of Communities Shared With</b>	<b>57</b>	<b>52</b>	<b>55</b>	<b>54</b>	<b>61</b>	<b>73</b>
<b>Additional Sharing with DCED</b>	<b>\$1,725,251</b>	<b>\$1,362,651</b>	<b>\$1,396,076</b>	<b>\$1,350,886</b>	<b>\$1,403,629</b>	<b>\$5,513,243</b>

Table 6  
Fishery Resource Landing Tax

	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000	Total All Years
<b>Municipality</b>						
Sitka	\$477	\$2,883	\$3,005	\$800	\$265	\$7,430
<b>Total Municipalities</b>	<b>477</b>	<b>2,883</b>	<b>3,005</b>	<b>800</b>	<b>265</b>	<b>7,430</b>
<b>Borough</b>						
Aleutians East	14,992	21,072	11,696	17,142	17,448	82,350
Kenai Peninsula	6,101	16,883	23,509	22,861	8,882	78,236
Kodiak Island	395	36,788	37,162	5,219	24,592	104,156
Lake and Peninsula	0	0	1,019	0	0	1,019
Yakutat	1,980	0	9,612	0	2,244	13,836
<b>Total Boroughs</b>	<b>23,468</b>	<b>74,743</b>	<b>82,998</b>	<b>45,222</b>	<b>53,166</b>	<b>279,597</b>
<b>City</b>						
Adak	82,073	41,807	72,841	0	0	196,721
Akhiok	8	31	0	0	0	39
Akutan	11,814	18,900	11,206	15,983	17,448	75,351
Alka	63	0	2,706	8,989	9,846	21,604
Clark's Point	0	72	0	0	0	72
Cold Bay	224	816	0	0	0	1,040
Homer	226	0	0	4,765	87	5,078
Kodiak	387	0	15,987	3,260	17,102	36,736
Old Harbor	0	409	0	0	0	409
Pelican	751	483	26	176	0	1,436
Petersburg	0	0	0	0	857	857
Port Lions	0	0	320	0	0	320
Saint Paul	24,507	18,954	20,392	16,567	72,529	152,949
Sand Point	2,862	1,016	490	0	0	4,368
Seward	5,875	7,738	28,273	18,096	8,795	68,777
Unalaska	3,629,068	2,460,171	4,075,735	2,881,455	2,713,203	15,759,632
<b>Total Cities</b>	<b>3,757,858</b>	<b>2,550,397</b>	<b>4,227,976</b>	<b>2,949,291</b>	<b>2,839,867</b>	<b>16,325,389</b>
<b>GRAND TOTAL</b>	<b>\$3,781,803</b>	<b>\$2,628,023</b>	<b>\$4,313,979</b>	<b>\$2,995,313</b>	<b>\$2,893,298</b>	<b>\$16,612,416</b>
<b>Number of Communities Subject to Sharing</b>	<b>17</b>	<b>15</b>	<b>16</b>	<b>12</b>	<b>13</b>	<b>19</b>
<b>Additional Sharing with DCED</b>	<b>\$576,433</b>	<b>\$321,440</b>	<b>\$256,648</b>	<b>\$246,740</b>	<b>\$210,866</b>	<b>\$1,612,127</b>



# Southeast Conference

P.O. Box 21989 Juneau Alaska 99802-1989 Tel. (907) 463-3445 Fax (907) 463-5670

April 1, 2005

House Finance Committee  
Alaska State Legislature  
Rep. Mike Chenault, Kevin Meyer  
Juneau, AK

**Testimony: Support for HB 25**

Dear Co-Chairs Chenault and Meyers,

I am writing on behalf of the Southeast Conference in support of this legislation. Southeast Conference is a regional, nonprofit corporation that advances the collective interests of the people, communities and businesses in Southeast Alaska. Members include municipalities, Native corporations and village councils, regional and local businesses, civic organizations and individuals from throughout the region.

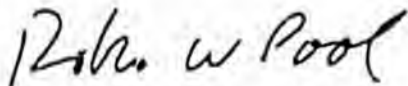
I would like to express the support of Southeast Conference for HB 25 - Refund of Fish Tax to Municipalities. Our board and membership unanimously passed a resolution on this issue in September 2004.

Southeast Conference believes the original intent of sharing the raw fish tax 50/50 between the State and the municipalities was to help the municipalities mitigate the impacts of the fishing industry. Communities where seafood is landed must provide docks, harbors, roads, airports, utilities, water, and many other services. The raw fish tax was intended to partially support these services.

Another burden these communities have recently been transferred from the State is ownership of the harbors, which are a vital component to servicing the seafood industry.

During times of reduced State revenue to municipalities, other sources of revenue become vitally important.

Thank you for your consideration,



Rollo Pool  
Executive Director

# FISCAL NOTE

*Replaced  
4-1-05*

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: CSHB 25(CRA)  
(H) Publish Date: 3/4/05

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
Title: Shared Fisheries Tax Revenue RDU: State Revenue Sharing (217)  
Component: Fisheries Business Tax  
Sponsor: Seaton  
Requester: House Community & Regional Affairs Component No.: 2482

### Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	0.0	(743.8)	(743.8)	(743.8)	(743.8)	(743.8)
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>(743.8)</b>	<b>(743.8)</b>	<b>(743.8)</b>	<b>(743.8)</b>	<b>(743.8)</b>

<b>CAPITAL EXPENDITURES</b>						
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CHANGE IN REVENUES (IA Rcpts 1007)	0.0	(743.8)	(743.8)	(743.8)	(743.8)	(743.8)
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### FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	0.0	(743.8)	(743.8)	(743.8)	(743.8)	(743.8)
1037 GF/Mental Health						
Other (Interagency Receipts 1007)						
<b>TOTAL</b>	<b>0.0</b>	<b>(743.8)</b>	<b>(743.8)</b>	<b>(743.8)</b>	<b>(743.8)</b>	<b>(743.8)</b>

Estimate of any current year (FY2005) cost: 0.0  
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

#### POSITIONS

Full-time						
Part-time						
Temporary						

**ANALYSIS:** *(Attach a separate page if necessary)*  
The Department of Commerce, Community, and Economic Development annually receives from the Department of Revenue one-half of the fisheries business tax revenue generated from processing that occurs outside any municipality. The department then distributes those funds to eligible municipalities under the authority of AS 25.60.450.  
  
This bill expands the portion of the fisheries business tax subject to direct sharing to municipalities by the Dept. of Revenue, to include the tax revenue collected on the value of fishery resources "sold to a buyer in the municipality but not processed in the state". Because these tax revenues would now be subject to direct sharing to the affected municipalities, they would no longer be transferred to the department for distribution. It is estimated (based on calendar year 2003 processing activity) that approximately \$143.7 thousand in fish tax revenues could annually be affected by this legislation.

Prepared by: Michael Black, Director Phone 269-4578  
Division: Division of Community Advocacy Date/Time 1/19/05 2:39 PM  
Approved by: Edgar Blatchford, Commissioner Date 1/19/2005  
Agency: Commerce, Community, and Economic Development

# FISCAL NOTE

*Replaced*  
4/1/05

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: CSHB 25(CRA)  
(H) Publish Date: 3/4/05

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue 04  
Title: Refund of Fish Business Tax to Munis RDU: Revenue Programs & Services 509  
Component: Tax Division  
Sponsor: Seaton, Wilson  
Requester: CRA Component No.: 2476

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
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>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<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>

Estimate of any current year (FY2005) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

See page 2

Prepared by: Chuck Harlment Phone: 465-2320  
Division: Tax Division Date/Time: 1/19/05 9:33 AM  
Approved by: Tomas Boutin, Deputy Commissioner Date: 1/19/2005  
Agency: Department of Revenue

FISCAL NOTE #1

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

BILL NO. CSHB 25(CRA)

**ANALYSIS CONTINUATION**

**Overview**

The bill provides that one half of the fish business tax collected on fishery resources that are exported from Alaska prior to being processed (export tax) are to be shared with the city and/or borough in which it was sold. Under current law these tax revenues are transferred by the Department to the Department of Commerce, Community and Economic Development for allocation to communities across the state.

During FY04, the Department of Revenue collected \$743,766 of fish business tax on fishery resources exported from Alaska prior to being processed. The average export tax collected during the FY00 - FY04 period was \$623,667 annually. This revenue, along with half of the tax collected on fish processed outside a city or organized borough in Alaska was transferred to DCCED for subsequent distribution to communities across the state. The bill would not cause all of the export revenue to be shared directly with municipalities. Only the portion of the export tax attributable to fish sold within a city or organized borough would be shared directly. The remaining tax revenue would continue to be distributed by DCCED.

The Department does not collect data to determine the portion of the export tax that would be distributed directly to municipalities as a result of the bill.

**Revenue and Cost Discussion**

The bill changes the distribution of taxes between municipalities but does not effect the amount of tax collected by the state or the portion deposited in the General Fund. The Department is capable of implementing the bill using existing resources.

**Technical Comments**

The location of a sale for tax purposes is normally defined as the location from which the goods are shipped or their destination. The bill language does not provide a methodology for determining the situs of a sale although it must necessarily be the place of origination or the location of the taxpayer that sells the product.

We expect to collect revenues attributed to 2004 and earlier years after the July 1, 2005 effective date of the bill. The Department will not possess the information necessary to distribute export tax attributable to calendar year 2004 or earlier. We recommend that an applicability clause be added to the bill to specify that it applies only to taxes collected with respect to 2005 and subsequent tax years.

**HB**

**26**

**HFIN**

**FILE**



# FISCAL NOTE

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: CSHB 26(FSH)  
(H) Publish Date: 2/16/05

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Fish and Game  
Title: Short-term Commercial Fishing RDU: Administration and Support  
Crewmember License Component: Administrative Services  
Sponsor: Representative Moses  
Requester: House Fisheries Committee Component No.: 479

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual	1.7	0.0	0.0	0.0	0.0	0.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>1.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES (1024)</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1.7	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
1024 Fish and Game Fund						
<b>TOTAL</b>	<b>1.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

Assumptions:

- 100 new short-term licenses will be purchased.
- Per AS 23.35.060(a) Fishermen's Fund will receive 39% of the gross revenue. Fish and Game Fund will receive 61%.
- Given the mid-year effective date, the department must print 5,000 new licenses for distribution statewide. We estimate the printing costs for these new licenses to be a one-time cost of roughly \$1,700. In the following years, this new license option will be incorporated into our standard license, so there will be no additional cost for offering this option.

(Continued on page 2)

Prepared by: Tom Lawson Phone: 465-5999  
Division: Administrative Services Date/Time: 2/11/05 3:19 PM  
Approved by: Acting Commissioner Wayne Regehn Date: 2/11/2005  
Agency: Department of Fish and Game

FISCAL NOTE NO. 1

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

BILL NO. CSHB 26(FSH)

ANALYSIS CONTINUATION

This bill gives the department the ability to charge a \$3 administrative fee per license that would be imposed through regulation. If such a fee were imposed, printing costs would decrease by \$300 (\$3 fee x 100 new licenses sold).

Type of License Sold	Number of Licenses Sold	Amount	Total Gross Revenue	Vendor Commission	Total Commission	Total Net Revenue
Seven-day	100	\$30	\$3,000.00	10%	\$300.00	\$2,700.00
			\$3,000.00		\$300.00	\$2,700.00
<u>Break-out of Funds:</u>						
			39%	\$1,170.00		
			61%	\$1,530.00		
			Total	\$2,700.00		

# FISCAL NOTE

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: CSHB 26(FSH)  
(H) Publish Date: 2/16/05

Revision Date/Time (Note if correction): \_\_\_\_\_ Department: Labor & Workforce Development  
Title: Short-Term Com Fishing Crewmember License RDU: Workers' Compensation  
Component: Fishermen's Fund  
Sponsor: Representative Moses  
Requester: House FSH Component Number: 343

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	*	*	*	*	*	*
Miscellaneous						
<b>TOTAL OPERATING</b>	*	*	*	*	*	*
<b>CAPITAL EXPENDITURES</b>						
<b>CHANGE IN REVENUES (1032)</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	*	*	*	*	*	*

Estimate of any current year (FY2005) cost: None  
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)  
According to information provided by the Department of Fish and Game, it is anticipated 100 new licenses will be purchased. Under AS 23.35.060(a) the Fishermen's Fund will receive 39% of the revenue (\$1,053.00).  
  
The revenues to the Fund generated by the new licenses (\$30 for a seven day license) compare favorably to those from annual licenses (\$21.06) that expose the Fund to much longer periods of potential liability. However, licensees who are tourists or otherwise inexperienced in fisheries may be more likely to sustain an injury. \*Consequently, the ultimate impact on the Fund's claim payment outlays is indeterminate.

Prepared by: Paul F. Lisankie, Director Phone: 465-6059  
Division: Workers' Compensation Division Date/Time: 2/15/05 4:36 PM  
Approved by: Greg O'Claray, Commissioner Date: 2/15/2005  
Agency: Department of Labor and Workforce Development

**Representative Carl E. Moses, House District 37**  
**(907) 465-4451 - Adam Berg, Staff**

**SPONSOR STATEMENT / SECTIONAL ANALYSIS**

**CSHB26 (RES) – Short-Term Commercial Fishing Crewmember Licenses**

The economic health of certain communities in Western Alaska has been jeopardized by unprecedented low salmon returns and / or prices. It is in the best interest of the State of Alaska and these communities to maximize options available for commercial fishermen to earn a living. One option available is to allow the purchase of short-term commercial fishing crewmember licenses. This would allow visitors an affordable way to engage in a sort of extreme tourism adventure by actually participating in the fishery as a crewmember.

Currently, tourists can go out with a commercial boat but cannot have any form of active participation without buying a full year crewmember license.

The House Fisheries Committee changed the bill as follows: The committee added a clause that prohibits fishing with rod and reel from a commercial fishing vessel and changed the length of the short-term license to seven days.

The House Resources Committee changed the bill as follows: The committee added a clause that prohibits short-term license holders from being compensated.

**BILL SECTIONS 1-2:** Changes the term from a "crewmember fishing license" to an "annual crewmember fishing license". (Note: The reason for the term change applies to Bill Section 4.)

**BILL SECTION 3:** Allows residents and non-residents to purchase a seven-day commercial fishing crewmember license for \$30. Assures that short-term license holders are prohibited from using rod and reel while on a commercial vessel and that they are ineligible for any compensation.

**BILL SECTION 4:** Assures that a short-term license holder is not considered a fisherman eligible for the Commercial Fishing Revolving Loan Fund.

**BILL SECTION 5:** Allows the Department of Fish & Game to add and collect an additional administrative fee of \$3 on licenses issued in 2005.

**BILL SECTION 6:** Makes the effective date July 1, 2005.

*adopted 4-25-05*

AMENDMENT 1A Chenault

OFFERED IN THE HOUSE FINANCE COMMITTEE  
BY REPRESENTATIVE

TO: CSHB 26 (RES)

Page 2, Lines 17-19:

**DELETE:**

"may not be paid, receive crew shares, or receive other compensation for work performed under the license and"

*Withdrawn*

24-LS0181V.1  
Utermohle  
4/5/05

AMENDMENT )

OFFERED IN THE HOUSE  
TO: CSHB 26(RES)

BY REPRESENTATIVE WEYHRAUCH

1 Page 2, line 20, following "\$30.":

2 Insert "The seven-day crewmember fishing license is not valid until the owner, agent

3 of the owner, or operator of the commercial fishing vessel on which the resident or

4 nonresident will engage in commercial fishing has completed and signed the following

5 statement that is contained on the license form:

6 I, (name of owner, agent of owner, or operator of vessel)

7 certify that the operator and crew of the vessel (name of

8 vessel), to the extent required by federal law, are participants in

9 random drug-testing programs and, to the extent required by federal

10 law, hold federal merchant marine licenses, that the vessel is in

11 compliance with applicable state and federal requirements for

12 passenger safety equipment, and that the operator, crew, and vessel are

13 in compliance with applicable laws of the state and the federal

14 government regarding the carriage of passengers for hire.

15 Signed \_\_\_\_\_ (signature of owner, agent of

16 owner, or operator of vessel)

17 Dated \_\_\_\_\_"

*withdrawn*

24-LS0181V.2  
Utermohle  
4/5/05

AMENDMENT 2

OFFERED IN THE HOUSE  
TO: CSHB 26(RES)

BY REPRESENTATIVE WEYHRAUCH

- 1 Page 2, line 19, following "vessel.":
- 2       Insert "The owner, agent of the owner, or operator of a commercial fishing vessel may
- 3 not allow or offer to allow a holder of a seven-day crewmember fishing license to engage in
- 4 commercial fishing on the vessel if the operator, crew, and vessel are not in compliance with
- 5 applicable state and federal laws regarding vessels used for the carriage of passengers for
- 6 hire."

# LEGAL SERVICES

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

(907) 455-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

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

## MEMORANDUM

February 28, 2005

**SUBJECT:** HB 26; Short term commercial fishing crewmember licenses and the fishermen's fund (HB 26)

**TO:** Representative Paul Seaton  
Attn: Louis Flora

**FROM:** George Utermohle *GU*  
Legislative Counsel

This memorandum is in response to your questions regarding the effect that certain proposed changes to HB 26, relating to short term commercial fishing crewmember licenses, may have in regard to the fishermen's fund.

HB 26 proposes to create a short term commercial fishing crewmember license (the proposal varies from one-day to seven-day licenses). One of the issues raised by the proposal for short term licenses concerns whether the short term license holders should be eligible for benefits from the fishermen's fund. None of the versions of HB 26 considered by the Twenty-Fourth Alaska State Legislature have excluded short term license holders from participation in the fishermen's fund. However, you have inquired as to what the consequences may be if short term license holders were excluded from participation in the fishermen's fund.

The fishermen's fund, created in 1951, is a grandfathered dedicated fund, that is, one existing at the time of ratification of the Alaska Constitution. This dedication qualifies for grandfathering under the language of article IX, sec. 7, which states that "This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification . . ." (emphasis added). As a grandfathered dedicated fund, the fishermen's fund is funded through the dedication of a portion of the commercial fishing license fees collected under AS 16.05.480 from entry permit and interim-use permit holders and from crewmember license holders. See, AS 23.35.060(a). Provided that the dedication of a specific fund source is not significantly altered by the legislature, the stream of revenue from that source can continue to be dedicated to the identified purpose until the legislature repeals the dedication. However, because the dedication of commercial fishing license fees to the fishermen's fund is a grandfathered dedicated fund, the legislature must take care when dealing with commercial fishing license fees so as to not affect those license fees in a way that would have the effect of destroying the dedication. The Department of Law has taken a conservative approach to protect the dedication of commercial fishing license fees to the fishermen's fund and has

generally warned against any changes in the rate or the amount of the dedicated commercial fishing license fees that go into the fishermen's fund in order to prevent an inadvertent revocation of the dedication.

ONE: Would the exclusion of the short term license holders from participation in the fishermen's fund affect the dedication of commercial fishing crewmember license fees to the fishermen's fund?

The short answer is probably no.

The determination of eligibility for participation in the benefits of the fishermen's fund is separate from, and unrelated to, the dedication of commercial fishing license fees, including crewmember license fees, to the fund. Excluding short term crewmember license holders from participation in the fishermen's fund does not affect the stream of revenue or the amount or rate of revenue that is dedicated to the fishermen's fund. It is the alteration of the stream of dedicated revenue that may place the continued dedication of a revenue stream at risk. A change to the eligibility requirements for participation in the benefits of the fishermen's fund or a change in the benefits provided under the program will not affect the continued dedication of commercial fishing license fees. Therefore, an exclusion of short term crewmember license holders from participation in the fishermen's fund is unlikely to jeopardize the continued dedication of commercial fishing license fees to the fishermen's fund.

TWO: Would the exclusion of short term commercial fishing crewmember license holders from participation in the fishermen's fund violate the equal protection rights of those short term license holders?

The short answer is that the proposal to exclude short term license holders from participation in the benefits of the fishermen's fund does raise an equal protection issue. Whether the proposal would survive judicial review will depend on the state's purpose for excluding the short term license holders and the relationship between the state's purpose and the means chosen to achieve the purpose. If the state can demonstrate that it has a legitimate purpose and that the exclusion of short term license holders from participation in the fishermen's fund is reasonably and substantially related to that purpose, the proposal should survive an equal protection challenge. It is also possible that there would be no viable equal protection issue if the state can show that holders of short term licenses are not similarly situated with other commercial fishing license holders and thus the two groups are not entitled to equal access to the fishermen's fund.

Under the state equal protection clause of art. I, sec. 1, of the Alaska Constitution, the Alaska courts apply a sliding scale under which the applicable standard of review is determined by the importance of the individual rights asserted and by the degree of suspicion by which the classification scheme is viewed. As the right asserted to be violated becomes more fundamental or the classification scheme becomes more constitutionally suspect, the challenged law is subjected to more rigorous scrutiny at a

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more elevated position on the sliding scale. Classifications based on race are inherently suspect and are subject to the highest level of scrutiny. As the level of scrutiny applied on the sliding scale becomes higher, the asserted governmental interests must be more compelling and the legislation's means to ends fit must be correspondingly closer. If less scrutiny is required, less important governmental objectives will be sufficient and a greater degree of under inclusiveness or over inclusiveness in the means to ends fit will be tolerated. State, Department of Revenue v. Cosio, 858 P.2d 621 (Alaska 1993); State v. Ostrosky, 667 P.2d 1184 (Alaska 1983).

A reasonable argument can be made that a short term license holder is equally entitled to the benefits of the fishermen's fund on the same basis as are other commercial fishing license holders because they are subject to the same risk of occupational injury as the other crewmembers. Also, if part of the fee paid by the short term license holders is dedicated to the fishermen's fund then it would seem only fair that they be entitled to benefit from the fund.

The right of a short term crewmember license holder to benefit from the fishermen's fund in the same manner as a person who holds an annual crewmembers license affects the short term license holder's personal economic interests and as such falls at the low end of the equal protection spectrum. The Alaska Constitution requires only that legislation affecting economic rights have a legitimate purpose and that there be a fair and substantial relationship between the purpose and means chosen to achieve the purpose in order to satisfy equal protection. Chiropractors for Justice v. State, 895 P.2d 962 (Alaska 1995); Katmailand v. Lake and Peninsula Borough, 904 P.2d 397 (Alaska 1995). If the legislature has a legitimate reason for excluding short term crewmember license holders from receiving benefits of the fishermen's fund and the exclusion of short term crewmembers from the benefits of the fund reasonably achieved that purpose then the courts are likely to uphold the legislature's decision. It is, generally, relatively easy for the state to justify discrimination between individuals at this low level of scrutiny, but the Alaska Supreme Court has invalidated some legislative enactments because the state was not able to provide sufficient justification to survive such judicial scrutiny. Gilman v. Martin, 662 P.2d 120 (Alaska 1983); Turner Construction Co., Inc. v. Scales, 752 P.2d 467 (Alaska 1988); and Gilmore v. Alaska Workers' Compensation Board, 882 P.2d 922 (Alaska 1994). The ability of the legislature to exclude short term license holders from participating in the fishermen's fund will largely depend on the legitimacy of the legislature's reasons for its decision and the ability of the legislature to narrowly craft the means chosen to achieve that purpose.

The fundamental principle underlying the concept of equal protection is that similarly situated persons are to be treated equally. The Alaska Supreme Court has found that equal protection under art. I is not violated if the person challenging the law is not similarly situated with those included or excluded, as appropriate to the particular case, under the law at issue. Brandon v. Corrections Corporation of America, 28 P.3d 269 (Alaska 2001); Fairbanks North Star Borough Assessor's Office v. Golden Heart Utilities, Inc., 13 P.2d 263 (Alaska 2001); Rutter v. Alaska Board of Fisheries, 963 P.2d 1007

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(Alaska 1998). Concluding that two groups are not similarly situated necessarily implies that the different legal treatment of the two groups is justified by the differences between the groups.

If the state can establish that short term license holders were not similarly situated with annual license holders then the state may discriminate between the two groups without violating the equal protection clause. For example, if the persons who obtained short term licenses were tourists who needed a crew members license only to be present on a commercial fishing boat while it was engaged in fishing and were not employed in commercial fishing for a living then the state could reasonably argue that those persons were different from the crew members who held annual licenses and were continuously engaged in commercial fishing for a livelihood.

A further discussion of equal protection issues may be possible once a specific proposal to exclude short term crew member license holders from the benefits of the fishermen's fund is adopted, but a more definite answer concerning the equal protection issue may have to await a decision by the courts.

If I may be of further assistance, please advise.

GU:med

05-127.med



# UNITED FISHERMEN OF ALASKA

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Juneau, Alaska 99801-1172  
(907) 586-2820  
(907) 463-2545 Fax  
E-Mail: [ufa@ufa-fish.org](mailto:ufa@ufa-fish.org)  
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March 7, 2005

Representative Kevin Meyer, Co-Chair  
House Finance Committee  
Alaska State Legislature  
State Capitol (Mail Stop 3100)  
Juneau AK 99801-1182

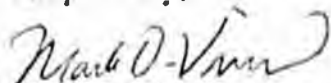
Dear Representative Meyer,

United Fishermen of Alaska (UFA) represents thirty-one Alaska commercial fishing groups and hundreds of individual fishermen, crew members and related businesses. Our board of directors recently met and discussed HB 26 regarding short term commercial fishing crew license. UFA believes that a short term crew license will provide greater flexibility in fishing operations, such as in cases of emergencies, fisheries of short duration or to fill in for departing crew at the end of season. The recent amendment that prohibits the short term members from being paid is an obstacle to the practical use of the idea behind the bill.

In its present form CSHB 26 will allow short term visitors an opportunity to experience commercial fishing in Alaska without pay, which is also of some potential benefit to marketing and public relations through greater awareness of our wild fisheries and unsurpassed fisheries management.

UFA continues to support HB 26 for a short term commercial fishing crew license.

Respectfully,

  
Mark D. Vinsel  
Executive Director

#### MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Druggers Association • Alaska Longline Fishermen's Association • Armstrong Keta • At-sea Processors Association  
Bristol Bay Reserve • Concerned Area "M" Fishermen • Cordova District Fishermen United • Douglas Island Pink and Chum  
Fishing Vessel Owners Association • Groundfish Forum • Kenai Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association  
North Pacific Fisheries Association • North Pacific Scallop Cooperative • Northern Southeast Regional Aquaculture Association  
Old Harbor Fishermen's Association • Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation  
Purse Seine Vessel Owner Association • Seafood Producers Cooperative • Southeast Alaska Herring Seiners Marketing Association  
Southeast Alaska Regional Dive Fisheries Association • Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association  
United Catcher Boats • United Salmon Association United Southeast Alaska Gillnetters • Valdez Fisheries Development Association  
Western Gulf of Alaska Fishermen

## Adam Berg

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From: Rep. Carl Moses  
Sent: Monday, March 14, 2005 6:23 AM  
To: Adam Berg  
Subject: FW: CLARIFICATION

-----Original Message-----

From: Jorgensen, Sue [mailto:SJorgensen@CGAlaska.USCG.mil]  
Sent: Friday, March 11, 2005 2:19 PM  
To: 'castlerock@gci.net'  
Cc: Rep. Carl Moses  
Subject: CLARIFICATION

Galen Brevik of the Juneau Charter Boat Operators Association asked for clarification of the Coast Guard rules governing carriage of individuals on board.

On a commercial fishing industry vessel:

if/when an individual is hired and receives wages for his work, that individual is a crewmember.

if/when an individual goes on board and pays for the opportunity to do so (assisting with fishing or just along for the ride), that individual is a passenger for hire.

If the vessel carries a paying passenger, even though the vessel continues to commercial fish, the operator must comply with not only the commercial fishing industry safety requirements (i.e. immersion suits for every person on board, visual distress signals, survival craft, EPIRB, etc) but all the passenger vessel safety requirements (i.e. licensed operator, random drug testing program, vessel documented for "Coastwise" as well as "Fishery", Type I personal flotation devices for every person on board, etc.).

Sue Jorgensen  
FV Safety Coordinator  
907-463-2810  
907-463-2820 (fax)  
800-478-7369 (in Alaska)