

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672
7528 SENATE LABOR & COMMERCE

Employee Residency Status
For Employers With 20 or More Workers
In Alaska - 1988

Employer	Industry	Total Employees	Resident Employees	Nonresident Employees
INTERIOR REGION HOUSING AUTH	Finance, Ins. and R.E.	46	44 (95.7%)	2 (4.3%)
INTERIOR TELEPHONE CO INC	Trans., Comm., Util.	48	42 (87.5%)	6 (12.5%)
INTERNAL MEDICINE ASSOC	Services	58	50 (86.2%)	8 (13.8%)
INTERNATIONAL SUPERIOR SERVICE	Retail Trade	88	78 (88.6%)	10 (11.4%)
INTL BROTHERHOOD OF ELECTRICAL	Services	71	70 (98.6%)	1 (1.4%)
INTL IN-FLIGHT CATERING CO LTD	Retail Trade	317	298 (94.0%)	19 (6.0%)
INTL SEAFOODS OF AK INC	Manufacturing	608	438 (72.0%)	170 (28.0%)
INTL SERVICE CORP	Services	33	29 (87.9%)	4 (12.1%)
IRON OAK SUPPLY CORP	Wholesale Trade	39	38 (97.4%)	1 (2.6%)
IZAAK WALTON LEAGUE OF AK INC	Services	51	48 (94.1%)	3 (5.9%)
J B CROW & SONS INC	Wholesale Trade	59	23 (39.0%)	36 (61.0%)
J C COMPANY & ASSOCIATES	Services	93	68 (73.1%)	25 (26.9%)
J C PENNEY CO	Retail Trade	951	866 (91.1%)	85 (8.9%)
J&S STEAMWAY INC	Services	43	38 (88.4%)	5 (11.6%)
J&W EQUIPMENT INC	Wholesale Trade	59	34 (57.6%)	25 (42.4%)
JACKOVICH IND & CONST SUPPLY I	Wholesale Trade	23	21 (91.3%)	2 (8.7%)
JACKSON CONST/EQUIPMENT RENTAL	Construction	62	57 (91.9%)	5 (8.1%)
JADE CLEANERS & LAUNDRY	Services	30	30 (100.0%)	0 (0.0%)
JADON INC	Retail Trade	131	112 (85.5%)	19 (14.5%)
JALASKO INVESTMENTS INC	Services	193	183 (94.8%)	10 (5.2%)
JAMES M MONTGOMERY	Services	58	52 (89.7%)	6 (10.3%)
JAMESTOWN BAY WAREHOUSING INC	Trans., Comm., Util.	53	47 (88.7%)	6 (11.3%)
JAPAN AIR LINES CO LTD	Trans., Comm., Util.	158	29 (18.4%)	129 (81.6%)
JAY JACOBS INC	Retail Trade	265	243 (91.7%)	22 (8.3%)
JB WHITE INC	Construction	82	76 (92.7%)	6 (7.3%)
JDF ENTERPRISES	Retail Trade	47	33 (70.2%)	14 (29.8%)
JDS CO	Retail Trade	172	136 (79.1%)	36 (20.9%)
JEFFREYS RESTAURANT	Retail Trade	169	149 (88.2%)	20 (11.8%)
JERMAIN DUNNAGAN & OWENS PC	Services	36	32 (88.9%)	4 (11.1%)
JERRYS HEALY SVC / TOTEM CAFE	Retail Trade	56	53 (94.6%)	3 (5.4%)
JEWEL LAKE BOWL	Services	54	49 (90.7%)	5 (9.3%)
JJ'S COFFEE SHOP	Retail Trade	64	54 (84.4%)	10 (15.6%)
JO-ANN FABRICS	Retail Trade	96	90 (93.8%)	6 (6.3%)
JOHN CABOT CO	Manufacturing	617	434 (70.3%)	183 (29.7%)
JOHNSON CONTROLS INC	Construction	26	26 (100.0%)	0 (0.0%)
JOHNSON LIEBER INC	Wholesale Trade	59	58 (98.3%)	1 (1.7%)
JOHNSON'S TIRE SERVICE INC	Retail Trade	133	117 (88.0%)	16 (12.0%)
JOHN ANTHONY'S INC	Services	91	86 (94.5%)	5 (5.5%)
JS CONSTRUCTION INC	Construction	73	65 (89.0%)	8 (11.0%)
JUNEAU ARPT TRAVELODGE	Services	114	99 (86.8%)	15 (13.2%)
JUNEAU CITY & BORO PAY DEPT	Public Administration	911	880 (96.6%)	31 (3.4%)
JUNEAU EMPIRE	Manufacturing	67	65 (97.0%)	2 (3.0%)
JUNEAU RACQUET CLUB INC	Services	78	72 (92.3%)	6 (7.7%)
JUNEAU SCHOOL DIST CITY OF	Services	1,055	1,014 (96.1%)	41 (3.9%)
JUNEAU SIZZLER	Retail Trade	112	85 (75.9%)	27 (24.1%)
JUNEAU YOUTH SERVICES	Services	54	43 (79.6%)	11 (20.4%)
K I M C O INC	Construction	75	61 (81.3%)	14 (18.7%)
K&L DISTRIBUTORS INC	Wholesale Trade	168	163 (97.0%)	5 (3.0%)
KAA INC	Services	109	103 (94.5%)	6 (5.5%)

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KACHEMAK GEAR SHED/REDDEN OF C	Retail Trade	53	41 (77.4%)	12 (22.6%)
KAKE CITY OF	Public Administration	119	100 (84.0%)	19 (16.0%)
KAKE CITY SCHOOL DISTRICT	Services	78	74 (94.9%)	4 (5.1%)
KAKE TRIBAL LOGGING & TIMBER C	Manufacturing	133	106 (79.7%)	27 (20.3%)
KALGIN ISLAND LODGE INC	Services	40	27 (67.5%)	13 (32.5%)
KALTAG CITY OF	Public Administration	66	65 (98.5%)	1 (1.5%)
KASH RADIO	Trans., Comm., Util.	42	37 (88.1%)	5 (11.9%)
KASHIM INN	Retail Trade	103	97 (94.2%)	6 (5.8%)
KASHUNAMIUT SCHOOL DISTRICT	Services	110	108 (98.2%)	2 (1.8%)
KASIGLUK VILLAGE COUNCIL	Services	37	37 (100.0%)	0 (0.0%)
KATCO INC	Construction	79	76 (96.2%)	3 (3.8%)
KATMAI HOTEL	Services	56	43 (76.8%)	13 (23.2%)
KATMAILAND INC	Services	50	33 (55.0%)	17 (34.0%)
KATN TV CHANNEL 2	Trans., Comm., Util.	44	43 (97.7%)	1 (2.3%)
KAWERAK INC	Services	334	320 (95.8%)	14 (4.2%)
KAY-BEE TOY & HOBBY SHOP 841	Retail Trade	49	45 (91.8%)	4 (8.2%)
KEENER PACKING CO INC	Manufacturing	353	259 (73.4%)	94 (26.6%)
KELLY RYAN INC	Construction	46	36 (78.3%)	10 (21.7%)
KELLY SERVICES INC	Services	618	565 (91.4%)	53 (8.6%)
KEMP & PAULUCCI SEAFOODS INC	Manufacturing	464	342 (73.7%)	122 (26.3%)
KEMP PACIFIC FISHERIES I	Manufacturing	433	91 (21.0%)	342 (79.0%)
KEN BRADY CONSTRUCTION CO INC	Construction	28	27 (96.4%)	1 (3.6%)
KEN WRAYS PRINTING INC	Manufacturing	42	41 (97.6%)	1 (2.4%)
KENAI AIR ALASKA INC	Trans., Comm., Util.	38	28 (73.7%)	10 (26.3%)
KENAI CITY OF	Public Administration	155	150 (96.8%)	5 (3.2%)
KENAI MERIT INN	Services	133	109 (82.0%)	24 (18.0%)
KENAI PENINSULA BOROUGH	Public Administration	478	466 (97.5%)	12 (2.5%)
KENAI PENINSULA BOROUGH SCHOOL	Services	1,612	1,590 (98.6%)	22 (1.4%)
KENAI PENINSULA NEWSPAPERS INC	Manufacturing	51	50 (98.0%)	1 (2.0%)
KENAI SUPPLY INC	Wholesale Trade	140	131 (93.6%)	9 (6.4%)
KENAITZE INDIAN TRIBE	Services	36	35 (97.2%)	1 (2.8%)
KENNECOTT CORPORATION	Mining	31	25 (80.6%)	6 (19.4%)
KENTUCKY FRIED CHICKEN/MARY J	Retail Trade	447	377 (84.3%)	70 (15.7%)
KEY BANK OF AK	Finance, Ins. and R.E.	484	463 (95.7%)	21 (4.3%)
KEY PACIFIC MORTGAGE CO	Finance, Ins. and R.E.	52	52 (100.0%)	0 (0.0%)
KEYSTONE SERVICES INC	Trans., Comm., Util.	25	24 (96.0%)	1 (4.0%)
KFAR RADIO	Trans., Comm., Util.	42	41 (97.6%)	1 (2.4%)
KHO CONSTRUCTION INC	Construction	192	180 (93.8%)	12 (6.3%)
KIAK AM/KQRZ FM	Trans., Comm., Util.	117	108 (92.3%)	9 (7.7%)
KIANA CITY OF	Public Administration	84	80 (95.2%)	4 (4.8%)
KIEWIT CONSTRUCTION CO	Construction	59	53 (89.8%)	6 (10.2%)
KILA INC	Services	43	42 (97.7%)	1 (2.3%)
KING COVE CITY OF	Public Administration	64	55 (85.9%)	9 (14.1%)
KING COVE CITY SCHOOLS	Services	69	66 (95.7%)	3 (4.3%)
KING CRAB INC	Manufacturing	807	409 (50.7%)	398 (49.3%)
KING KO INN	Services	53	33 (62.3%)	20 (37.7%)
KING OSCARS INC	Services	111	91 (82.0%)	20 (18.0%)
KING SALMON MOTEL	Services	90	51 (56.7%)	39 (43.3%)
KINKOS COPIES	Services	39	37 (94.9%)	2 (5.1%)

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KINN ENTERPRISES PARTNERSHIP	Retail Trade	590	487 (82.5%)	103 (17.5%)
KINNEY SHOE CORP	Retail Trade	566	454 (80.2%)	112 (19.8%)
KIVALINA CITY COUNCIL	Public Administration	50	48 (96.0%)	2 (4.0%)
KLAWOCK CITY OF	Public Administration	48	46 (95.8%)	2 (4.2%)
KLAWOCK CITY SCHOOL DISTRICT	Services	74	63 (85.1%)	11 (14.9%)
KLAWOCK TIMBER ALASKA INC	Manufacturing	260	181 (69.6%)	79 (30.4%)
KLONDIKE ALASKA INC	Manufacturing	43	41 (95.3%)	2 (4.7%)
KLONDIKE CITY	Services	163	137 (84.0%)	26 (16.0%)
KLONDIKE INN LOUNGE & DINING II	Retail Trade	88	57 (64.8%)	31 (35.2%)
KLONDIKE INN RESORT	Services	36	31 (86.1%)	5 (13.9%)
KLUANE CONSTRUCTION INC	Construction	90	62 (68.9%)	28 (31.1%)
KLUKWAN FOREST PRODUCTS INC	Manufacturing	884	605 (68.4%)	279 (31.6%)
KNIGHT WATCH SECURITY	Services	39	33 (84.6%)	6 (15.4%)
KNIK CONSTRUCTION INC	Construction	46	31 (67.4%)	15 (32.6%)
KODIAK AREA NATIVE ASSOC	Services	159	150 (94.3%)	9 (5.7%)
KODIAK BUSKIN RIVER INN	Services	73	62 (84.9%)	11 (15.1%)
KODIAK BUSKIN RIVER INN	Services	83	61 (73.5%)	22 (26.5%)
KODIAK CITY OF	Public Administration	265	252 (95.1%)	13 (4.9%)
KODIAK COUNCIL ON ALCOHOL	Services	42	39 (92.9%)	3 (7.1%)
KODIAK ELECTRIC ASSOCIATION	Trans., Comm., Util.	58	56 (96.6%)	2 (3.4%)
KODIAK IS BORO SCHOOL DIST	Services	466	458 (98.3%)	8 (1.7%)
KODIAK ISLAND BOROUGH	Public Administration	113	107 (94.7%)	6 (5.3%)
KODIAK ISLAND HOUSING AUTH	Finance, Ins. and R.E.	36	34 (94.4%)	2 (5.6%)
KODIAK OIL SALES INC	Retail Trade	27	23 (85.2%)	4 (14.8%)
KODIAK SALMON PACKERS INC	Manufacturing	182	19 (10.4%)	163 (89.6%)
KODIAK TRANSFER INC	Trans., Comm., Util.	53	40 (75.5%)	13 (24.5%)
KONOIKE CONSTRUCTION CO LTD	Construction	271	238 (87.8%)	33 (12.2%)
KOOTZNOOWOO GOVERNMENT SVCS	Manufacturing	25	22 (88.0%)	3 (12.0%)
KOROBKIN CONST	Construction	77	61 (79.2%)	16 (20.8%)
KOTLIK CITY COUNCIL	Public Administration	74	74 (100.0%)	0 (0.0%)
KOTLIK TRADITIONAL COUNCIL	Services	55	54 (98.2%)	1 (1.8%)
KOTZEBUE CITY OF	Public Administration	201	186 (92.5%)	15 (7.5%)
KOTZEBUE/KIC/RS STORE INC JV	Construction	69	60 (87.0%)	9 (13.0%)
KOYUK CITY OF	Public Administration	68	66 (97.1%)	2 (2.9%)
KOYUKUK CITY OF	Public Administration	50	48 (96.0%)	2 (4.0%)
KPMG PEAT MARWICK MAIN & CO	Services	89	85 (95.5%)	4 (4.5%)
KPXR RADIO	Trans., Comm., Util.	34	32 (94.1%)	2 (5.9%)
KSUA-FM	Trans., Comm., Util.	34	29 (85.3%)	5 (14.7%)
KTBY INC	Trans., Comm., Util.	33	31 (93.9%)	2 (6.1%)
KTN AIR SVC INC	Trans., Comm., Util.	67	65 (97.0%)	2 (3.0%)
KTN BOWL/O'DOWDS/LATITUDE 56	Services	132	106 (80.3%)	26 (19.7%)
KTN CHILDRENS HOME INC	Services	35	28 (80.0%)	7 (20.0%)
KTN CITY OF	Public Administration	464	434 (93.5%)	30 (6.5%)
KTN DAILY NEWS	Manufacturing	81	78 (96.3%)	3 (3.7%)
KTN GATEWAY BORO SCH DIST	Services	473	458 (96.8%)	15 (3.2%)
KTN GATEWAY BOROUGH	Public Administration	117	108 (92.3%)	9 (7.7%)
KTN GENERAL HOSPITAL	Services	348	310 (89.1%)	38 (10.9%)
KTN INDIAN CORP	Services	57	53 (93.0%)	4 (7.0%)
KTN MEDICAL CLINIC INC	Services	31	29 (93.5%)	2 (6.5%)

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KTN PULP MILL	Manufacturing	1,455	1,112 (76.4%)	343 (23.6%)
KTN READY MIX & QUARRY INC	Wholesale Trade	44	36 (81.8%)	8 (18.2%)
KTN SEAFOODS	Manufacturing	208	124 (59.6%)	84 (40.4%)
KTN SHIPYARD INC	Manufacturing	139	108 (77.7%)	31 (22.3%)
KTN WELDING WORKS INC	Services	43	39 (90.7%)	4 (9.3%)
KOITSARAK STORE INC	Retail Trade	53	45 (84.9%)	8 (15.1%)
KUMAGORO	Retail Trade	55	47 (85.5%)	8 (14.5%)
KUMIN ASSOCIATES INC	Services	32	28 (87.5%)	4 (12.5%)
KUSKOKWIM NATIVE ASSOC	Services	75	73 (97.3%)	2 (2.7%)
KUSKOKWIM TRAN PACIFIC AK FUEL	Wholesale Trade	100	66 (66.0%)	34 (34.0%)
KUSPUK SCHOOL DISTRICT	Services	356	331 (93.0%)	25 (7.0%)
KUUKPIK STORE	Retail Trade	72	69 (95.8%)	3 (4.2%)
KWETHLUK INCORPORATED	Finance, Ins. and R.E.	45	42 (93.3%)	3 (6.7%)
KYOKUYO COMPANY LTD	Services	35	0 (0.0%)	35 (100.0%)
L CLARE INC	Construction	43	38 (88.4%)	5 (11.6%)
L&A CONSTRUCTION	Construction	51	39 (76.5%)	12 (23.5%)
L&C SERVICES INC	Construction	63	45 (71.4%)	18 (28.6%)
L&H ENTERPRISES INC	Construction	72	65 (90.3%)	7 (9.7%)
LA CASITA	Retail Trade	41	35 (85.4%)	6 (14.6%)
LA MEX	Retail Trade	251	221 (88.0%)	30 (12.0%)
LAB FLYING SERVICE INC	Trans., Comm., Util.	66	42 (63.6%)	24 (36.4%)
LABELS	Retail Trade	50	47 (94.0%)	3 (6.0%)
LAFAYETTE INC	Manufacturing	88	9 (10.2%)	79 (89.8%)
LAIDLAW TRANSIT INC	Trans., Comm., Util.	502	478 (95.2%)	24 (4.8%)
LAKE AND PENINSULA SCHOOL DIST	Services	321	300 (93.5%)	21 (6.5%)
LAKE SIDE GROCERY INC	Retail Trade	59	54 (91.5%)	5 (8.5%)
LAMONTS INC	Retail Trade	944	881 (93.3%)	63 (6.7%)
LAND TITLE CO OF AK INC	Finance, Ins. and R.E.	53	49 (92.5%)	4 (7.5%)
LANCING THE	Services	100	88 (88.0%)	12 (12.0%)
LANDIS & GYR POWERS	Manufacturing	28	26 (92.9%)	2 (7.1%)
LANDS END RESORT	Services	79	64 (81.0%)	15 (19.0%)
LANE POWELL MOSS MILLER	Services	30	28 (93.3%)	2 (6.7%)
LANGDON PSYCHIATRIC CORP	Services	26	22 (84.6%)	4 (15.4%)
LARRY FLYING SVC INC	Trans., Comm., Util.	40	37 (92.5%)	3 (7.5%)
LARSEN BAY CITY COUNCIL	Public Administration	63	60 (95.2%)	3 (4.8%)
LARSONS HOMEMADE AKN ICECREAM	Manufacturing	61	53 (86.9%)	8 (13.1%)
LAWRENCE DERRY TRUCKING INC	Trans., Comm., Util.	33	23 (69.7%)	10 (30.3%)
LAWSON & SON SVC CO	Services	57	46 (80.7%)	11 (19.3%)
LAWYERS TITLE INS AGENCY INC	Finance, Ins. and R.E.	28	25 (89.3%)	3 (10.7%)
LEAR SIEGLER MGMT SVCS CORP	Trans., Comm., Util.	90	44 (48.9%)	46 (51.1%)
LEASE KISSES CONSTRUCTION CO	Construction	78	75 (96.2%)	3 (3.8%)
LEASKS MARKET INC/ISLAND FOOD	Retail Trade	65	53 (81.5%)	12 (18.5%)
LEROY'S FAMILY REST	Retail Trade	44	35 (79.5%)	9 (20.5%)
LESLIE CUTTING CO	Manufacturing	64	34 (53.1%)	30 (46.9%)
LETTERSHOP INC	Manufacturing	45	41 (91.1%)	4 (8.9%)
LEWIS CHEVROLET/C&H RENTALS	Services	47	31 (66.0%)	16 (34.0%)
LFS INC	Wholesale Trade	49	18 (36.7%)	31 (63.3%)
LGL AK RESEARCH ASSOC INC	Services	40	28 (70.0%)	12 (30.0%)
LIGHTHOUSE INC THE	Retail Trade	54	38 (70.4%)	16 (29.6%)

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LINDER CONSTRUCTION	Construction	30	25 (83.3%)	5 (16.7%)
LIQUIDATION SALES	Retail Trade	125	109 (87.2%)	16 (12.8%)
LIQUOR MART	Retail Trade	38	35 (92.1%)	3 (7.9%)
LITERACY COUNCIL OF AK 90211	Services	49	46 (93.9%)	3 (6.1%)
LITTLE ANGELS LRNGG & CARE CTR	Services	57	46 (80.7%)	11 (19.3%)
LITTLE CAESARS	Retail Trade	53	45 (84.9%)	8 (15.1%)
LITTLE RED SCHOOLHOUSE INC THE	Services	185	168 (90.8%)	17 (9.2%)
LOCKHEED SUPPORT SYSTEMS INC	Manufacturing	27	16 (59.3%)	11 (40.7%)
LONELY LADY	Retail Trade	54	39 (72.2%)	15 (27.8%)
LONGS DRUG STORES INC	Retail Trade	162	144 (88.9%)	18 (11.1%)
LOOMIS ARMORED CAR SVC INC	Services	46	45 (97.8%)	1 (2.2%)
LOS AMIGOS	Retail Trade	39	32 (82.1%)	7 (17.9%)
LOUNSBURY & ASSOC INC	Services	78	69 (88.5%)	9 (11.5%)
LOWER KUSKOKWIM SCHOOL DIST	Services	1,653	1,598 (96.7%)	55 (3.3%)
LOWER YUKON SCHOOL DISTRICT	Services	761	733 (96.3%)	28 (3.7%)
LUCKY STRIKE BINGO	Services	60	59 (98.3%)	1 (1.7%)
LUCKY WISHBONE	Retail Trade	92	77 (83.7%)	15 (16.3%)
LUCKY WISHBONE INC	Retail Trade	72	64 (88.9%)	8 (11.1%)
LUNAS RESTAURANT	Retail Trade	57	30 (52.6%)	27 (47.4%)
LUNDEENS BODY SHOP INC	Services	30	23 (76.7%)	7 (23.3%)
LUTHERAN HOSP & HOMES SOCIETY	Services	1,160	1,039 (89.6%)	121 (10.4%)
LYLES HARDWARE & FURNITURE	Retail Trade	63	57 (90.5%)	6 (9.5%)
LYNCH CROSBY & SISSON	Services	35	34 (97.1%)	1 (2.9%)
LYNDEN AIR FREIGHT INC	Trans., Comm., Util.	186	172 (92.5%)	14 (7.5%)
LYNDEN TRANSPORT INC	Trans., Comm., Util.	116	112 (96.6%)	4 (3.4%)
M I DRILLING FLUIDS CO	Mining	85	83 (97.6%)	2 (2.4%)
M&O AUTO PARTS & EQUIPMENT I	Wholesale Trade	33	31 (93.9%)	2 (6.1%)
M-B CONTRACTING CO INC	Construction	78	70 (89.7%)	8 (10.3%)
MACDONALDS	Retail Trade	48	43 (89.6%)	5 (10.4%)
MACMURRAYS AK HALIBUT HOUSE	Retail Trade	38	34 (89.5%)	4 (10.5%)
MACOMBER CORP	Construction	42	38 (90.5%)	4 (9.5%)
MAD SHAWNS	Retail Trade	23	18 (78.3%)	5 (21.7%)
MADISON LUMBER & HARDWARE INC	Retail Trade	32	28 (87.5%)	4 (12.5%)
MAGONE MARINE SERVICES INC	Manufacturing	43	29 (67.4%)	14 (32.6%)
MAMMOTH OF ALASKA INC	Trans., Comm., Util.	112	110 (98.2%)	2 (1.8%)
MANILAO ASSOCIATION INC	Services	481	458 (95.2%)	23 (4.8%)
MANOKOTAK CITY OF	Retail Trade	68	65 (95.6%)	3 (4.4%)
MAPCO PETROLEUM INC OF AK	Manufacturing	149	141 (94.6%)	8 (5.4%)
MARATHON OIL CO	Mining	212	193 (91.0%)	19 (9.0%)
MARCENCO	Trans., Comm., Util.	70	44 (62.9%)	26 (37.1%)
MARK IT FOODS KODIAK INC	Retail Trade	21	20 (95.2%)	1 (4.8%)
MARK N PAK INC	Retail Trade	77	69 (89.6%)	8 (10.4%)
MARKAIR	Trans., Comm., Util.	983	894 (90.9%)	89 (9.1%)
MARKET BASKET INC	Retail Trade	629	573 (91.1%)	56 (8.9%)
MARRIOTT CORP	Retail Trade	328	321 (97.9%)	7 (2.1%)
MARSHALL CITY COUNCIL	Public Administration	53	53 (100.0%)	0 (0.0%)
MARSTON PROPERTY MGNT INC	Finance, Ins. and R.E.	441	400 (90.7%)	41 (9.3%)
MARTECH CONSTRUCTION INC	Trans., Comm., Util.	69	60 (87.0%)	9 (13.0%)
MARTECH INTL INC AK DIV	Services	81	52 (64.2%)	29 (35.8%)

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MARTIN CONSTRUCTION	Construction	56	46 (82.1%)	10 (17.9%)
MARTINSON GRAVEL & CRANE INC	Mining	57	51 (89.5%)	6 (10.5%)
MARUBENI REIZO CO LTD	Wholesale Trade	34	0 (0.0%)	34 (100.0%)
MASTER BROKER DEMO SERVICE	Wholesale Trade	38	27 (71.1%)	11 (28.9%)
MAT SU BOROUGH SCHOOLS	Services	1,537	1,518 (98.8%)	19 (1.2%)
MAT SU RESORT	Retail Trade	139	114 (82.0%)	25 (18.0%)
MAT-SU COMMUNITY CNSLG CTR	Services	57	55 (96.5%)	2 (3.5%)
MAT-SU SVCS FOR CHLDRNSADT INC	Services	62	57 (91.9%)	5 (8.1%)
MATANUSKA ELECTRIC ASSN	Trans., Comm., Util.	167	163 (97.6%)	4 (2.4%)
MATANUSKA MAID	Manufacturing	119	112 (94.1%)	7 (5.9%)
MATANUSKA SUSITNA BOROUGH	Public Administration	339	331 (97.6%)	8 (2.4%)
MATANUSKA TELEPHONE ASSOC INC	Trans., Comm., Util.	266	258 (97.0%)	8 (3.0%)
MATANUSKA VLY FED CREDIT UNION	Finance, Ins. and R.E.	53	52 (98.1%)	1 (1.9%)
MATRIX CONSTRUCTION INC	Construction	45	40 (88.9%)	5 (11.1%)
MAYFLOWER CONTRACT SVCS INC	Trans., Comm., Util.	548	524 (95.6%)	24 (4.4%)
MCDONALD RESTAURANTS OF AK INC	Retail Trade	94	81 (86.2%)	13 (13.8%)
MCDONALD'S OF JUNEAU	Retail Trade	272	224 (82.4%)	48 (17.6%)
MCDONALDS OF ADAK	Retail Trade	149	42 (28.2%)	107 (71.8%)
MCDONALDS OF HOMER (01/88-05/88)	Retail Trade	53	46 (86.8%)	7 (13.2%)
MCDONALDS OF HOMER (05/88-12/88)	Retail Trade	77	66 (85.7%)	11 (14.3%)
MCDONALDS OF KENAI	Retail Trade	125	112 (89.6%)	13 (10.4%)
MCDONALDS OF KETCHIKAN	Retail Trade	210	171 (81.4%)	39 (18.6%)
MCDONALDS RESTAURANT	Retail Trade	145	133 (91.7%)	12 (8.3%)
MCGRATH CITY OF	Public Administration	36	34 (94.4%)	2 (5.6%)
MCKAY ENTS CHURCHES & ALEXIS	Retail Trade	37	33 (89.2%)	4 (10.8%)
MCKINLEY BUILDING MAINTENANCE	Services	142	122 (85.9%)	20 (14.1%)
MCKINLEY GENERAL CONTRACTORS	Construction	71	66 (93.0%)	5 (7.0%)
MCLEAN CITY ELECTRIC SVC INC	Construction	49	46 (93.9%)	3 (6.1%)
MECCA INC	Retail Trade	62	44 (71.0%)	18 (29.0%)
MEDICAL PARK FAMILY GROUP	Services	122	102 (83.6%)	20 (16.4%)
MEKORYUK CITY OF	Public Administration	75	71 (94.7%)	4 (5.3%)
MENTASTA VILLAGE COUNCIL	Services	27	27 (100.0%)	0 (0.0%)
MERIDITH CONSTRUCTION INC	Construction	48	45 (93.8%)	3 (6.3%)
MERRILL LYNCH PIERCE FENNER	Finance, Ins. and R.E.	75	73 (97.3%)	2 (2.7%)
METLAKATLA INDIAN COMMUNITY	Public Administration	614	510 (83.1%)	104 (16.9%)
METROPOLITAN MORTGAGE & SECURI	Finance, Ins. and R.E.	31	25 (80.6%)	6 (19.4%)
MIKE CUSACKS KING SLMN LDG INC	Services	32	11 (34.4%)	21 (65.6%)
MIKES JANATORIAL SERVICE	Services	78	65 (83.3%)	13 (16.7%)
MIKUNDA COTTRELL & CO INC	Services	29	24 (82.8%)	5 (17.2%)
MILA INC	Services	344	309 (89.8%)	35 (10.2%)
MILITARY MGNT SVCS INC	Retail Trade	124	117 (94.4%)	7 (5.6%)
MILL INC THE	Manufacturing	50	41 (82.0%)	9 (18.0%)
MILPARK DRILLING FLUIDS	Wholesale Trade	27	25 (92.6%)	2 (7.4%)
MINIT-LUBE	Services	62	54 (87.1%)	8 (12.9%)
MINNESOTA MINING & MFG CO	Wholesale Trade	26	23 (88.5%)	3 (11.5%)
MINTO VILLAGE COUNCIL	Services	81	74 (91.4%)	7 (8.6%)
MITKOF LUMBER COMPANY INC	Manufacturing	192	92 (47.9%)	100 (52.1%)
MKB CONSTRUCTORS	Construction	78	48 (61.5%)	30 (38.5%)
MLK ENT INC	Services	73	64 (87.7%)	9 (12.3%)

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MOBIL OIL CORP	Trans., Comm., Util.	24	21 (87.5%)	3 (12.5%)
MONSON ENTERPRISES	Trans., Comm., Util.	24	23 (95.8%)	1 (4.2%)
MOORE HTG AIR COND & REFRIG	Construction	41	35 (85.4%)	6 (14.6%)
MORRISON KNUDSEN CO INC	Construction	44	41 (93.2%)	3 (6.8%)
MORTGAGE GUARANTY INS CORP	Finance, Ins. and R.E.	33	32 (97.0%)	1 (3.0%)
MOSELEY ENTERPRISES INC	Construction	53	50 (94.3%)	3 (5.7%)
MOSESIAN FARMS OF AK INC	Ag., For., and Fishing	201	178 (88.6%)	23 (11.4%)
MOTOROLA INC	Wholesale Trade	82	72 (87.8%)	10 (12.2%)
MOUNTAIN VILLAGE CITY OF	Public Administration	76	73 (96.1%)	3 (3.9%)
MOVEABLE FEAST	Retail Trade	76	65 (85.5%)	11 (14.5%)
MOVING WORLD OF AK INC	Trans., Comm., Util.	79	70 (88.6%)	9 (11.4%)
MRS CINNABUNS FAMOUS AKN CINNA	Retail Trade	79	62 (78.5%)	17 (21.5%)
MT MCKINLEY FENCE COMPANY INC	Construction	28	24 (85.7%)	4 (14.3%)
MT MCKINLEY HOSPITALITY SVC IN	Retail Trade	34	13 (38.2%)	21 (61.8%)
MT MCKINLEY MUTUAL SAVINGS BNK	Finance, Ins. and R.E.	40	38 (95.0%)	2 (5.0%)
MT VIEW TEXACO	Retail Trade	55	45 (81.8%)	10 (18.2%)
MUFFLERS ALASKA INC	Services	73	64 (87.7%)	9 (12.3%)
MUKLUK TELEPHONE COMPANY INC	Trans., Comm., Util.	42	33 (78.6%)	9 (21.4%)
MULDON COMMUNITY DAY CARE	Services	44	37 (84.1%)	7 (15.9%)
MULDON FOODLAND	Retail Trade	386	342 (88.6%)	44 (11.4%)
MUNICIPALITY OF ANCH PAYROLL	Public Administration	4,079	3,988 (97.8%)	91 (2.2%)
MURRAY PACIFIC SUPPLY CORP AK	Wholesale Trade	28	27 (96.4%)	1 (3.6%)
MUSH INN INC	Services	61	54 (88.5%)	7 (11.5%)
MUSIC LOGGING AK INC	Manufacturing	88	36 (40.9%)	52 (59.1%)
MUSICLAND STORES	Retail Trade	116	102 (87.9%)	14 (12.1%)
MYSTIC WAY INC	Manufacturing	28	0 (0.0%)	28 (100.0%)
MYSTROM ADVERTISING INC	Services	101	95 (94.1%)	6 (5.9%)
NABORS AK PETROLEUM SVCS INC	Services	36	33 (91.7%)	3 (8.3%)
NABORS ALASKA DRILLING INC	Mining	302	245 (81.1%)	57 (18.9%)
NAKAMURA & ASSOCIATES INC	Manufacturing	58	43 (74.1%)	15 (25.9%)
NAN JO OF ALASKA INC	Retail Trade	45	37 (82.2%)	8 (17.8%)
NANA DEVELOPMENT CORP	Finance, Ins. and R.E.	134	127 (94.8%)	7 (5.2%)
NANA OILFIELD SERVICES INC	Services	44	36 (81.8%)	8 (18.2%)
NANA-COATES DIAMOND DRILL INC	Mining	43	15 (34.9%)	28 (65.1%)
NANA/MARRIOTT JOINT VENTURE	Retail Trade	495	446 (90.1%)	49 (9.9%)
NANCYS KETCHIKAN JEWELERS	Retail Trade	32	29 (90.6%)	3 (9.4%)
NAPA DISTRIBUTION CENTER	Wholesale Trade	62	56 (90.3%)	6 (9.7%)
NAPAKIAK CITY OF	Public Administration	42	42 (100.0%)	0 (0.0%)
NATCHIQ INC	Services	140	88 (62.9%)	52 (37.1%)
NATIONAL BANK OF AK	Finance, Ins. and R.E.	1,423	1,351 (94.9%)	72 (5.1%)
NATIONAL SEA PRODUCTS CORP	Manufacturing	23	0 (0.0%)	23 (100.0%)
NATL MAINTENANCE SVC INC	Services	43	38 (88.4%)	5 (11.6%)
NATL OUTDOOR LEADERSHIP SCHOOL	Services	56	7 (12.5%)	49 (87.5%)
NATURAL PANTRY THE	Retail Trade	73	62 (84.9%)	11 (15.1%)
NATURALIZER SHCS	Retail Trade	44	40 (90.9%)	4 (9.1%)
NAUTILUS MARINE INC	Manufacturing	137	83 (60.6%)	54 (39.4%)
NCR CORPORATION	Wholesale Trade	31	30 (96.8%)	1 (3.2%)
NEA ALASKA INC	Services	31	28 (90.3%)	3 (9.7%)
NEAL & COMPANY INC	Construction	667	466 (69.9%)	201 (30.1%)

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NEESER CONSTRUCTION INC	Construction	110	101 (91.8%)	9 (8.2%)
NELBRO PACKING CO	Manufacturing	636	237 (37.3%)	399 (62.7%)
NELSON MARINE & EQUIPMENT INC	Retail Trade	45	43 (95.6%)	2 (4.4%)
NENANA CITY PUBLIC SCHOOLS	Services	69	68 (98.6%)	1 (1.4%)
NENANA ICE CLASSIC ASSOC INC	Services	101	93 (92.1%)	8 (7.9%)
NERLANDS HOME FURN INC	Retail Trade	72	69 (95.8%)	3 (4.2%)
NERLANDS INC	Retail Trade	47	45 (95.7%)	2 (4.3%)
NEW ENGLAND FISH COMPANY	Manufacturing	429	153 (35.7%)	276 (64.3%)
NEW HORIZONS TELECOM INC	Construction	32	29 (90.6%)	3 (9.4%)
NEW PEANUT FARM INC THE	Retail Trade	58	46 (79.3%)	12 (20.7%)
NEW SEWARD HOTEL	Services	81	67 (82.7%)	14 (17.3%)
NEW STUYAHOK CITY OF	Public Administration	39	38 (97.4%)	1 (2.6%)
NEW TOWN CHEVRON	Retail Trade	45	38 (84.4%)	7 (15.6%)
NEW WEST FISHERIES INC	Manufacturing	66	9 (13.6%)	57 (86.4%)
NEW YORK LIFE INSURANCE CO	Finance, Ins. and R.E.	86	77 (89.5%)	9 (10.5%)
NEWBURY ALASKA INC	Construction	51	50 (98.0%)	1 (2.0%)
NEWTOK CITY OF	Public Administration	66	63 (95.5%)	3 (4.5%)
NICHIRO GYOGYO KAISHA LTD	Wholesale Trade	22	0 (0.0%)	22 (100.0%)
NIGHTMUTE CITY COUNCIL	Public Administration	66	65 (98.5%)	1 (1.5%)
NIKKO GARDENS	Retail Trade	33	28 (84.8%)	5 (15.2%)
NIKOLAI CITY OF	Public Administration	38	36 (94.7%)	2 (5.3%)
NIPPON SUISAN KAISHA LTD	Wholesale Trade	69	0 (0.0%)	69 (100.0%)
NL INDUSTRIES USA INC	Mining	68	60 (88.2%)	8 (11.8%)
NN ADJUSTERS INC	Finance, Ins. and R.E.	40	33 (82.5%)	7 (17.5%)
NN AIR CARGO INC	Trans., Comm., Util.	229	225 (98.3%)	4 (1.7%)
NN AIR FREIGHT INC	Trans., Comm., Util.	92	88 (95.7%)	4 (4.3%)
NN COMMERCIAL CO	Wholesale Trade	212	193 (91.0%)	19 (9.0%)
NN EAGLE PARTNERS L P	Manufacturing	195	95 (48.7%)	100 (51.3%)
NN FABRICATION CO	Services	87	69 (79.3%)	18 (20.7%)
NN GEOPHYSICAL OF AMERICA J/V	Mining	137	96 (70.1%)	41 (29.9%)
NN LIGHTS BINGO	Services	70	66 (94.3%)	4 (5.7%)
NN LIGHTS BROADCASTING CORP	Trans., Comm., Util.	37	32 (86.5%)	5 (13.5%)
NN LIGHTS EDUCARE	Services	71	62 (87.3%)	9 (12.7%)
NN LIGHTS GARDEN CNTR INC	Retail Trade	53	42 (79.2%)	11 (20.8%)
NN LIGHTS INN	Services	220	66 (30.0%)	154 (70.0%)
NN LIGHTS NURSERY	Ag., For., and Fishing	28	19 (67.9%)	9 (32.1%)
NN LTS ROUND TABLE LTD	Retail Trade	313	277 (88.5%)	36 (11.5%)
NN OFFICE SUPPLY INC	Retail Trade	70	68 (97.1%)	2 (2.9%)
NN SALES CO OF AK INC	Wholesale Trade	71	62 (87.3%)	9 (12.7%)
NN SCHOLS	Finance, Ins. and R.E.	34	31 (91.2%)	3 (8.8%)
NN SE REG AQUACULTURE ASSN INC	Ag., For., and Fishing	74	61 (82.4%)	13 (17.6%)
NN STEVEDORING & HNLG CORP	Trans., Comm., Util.	126	115 (91.3%)	11 (8.7%)
NN TELEVISION INC	Trans., Comm., Util.	173	150 (86.7%)	23 (13.3%)
NN TESTING LAB INC	Services	46	43 (93.5%)	3 (6.5%)
NN TIMBER CORPORATION	Construction	96	75 (78.1%)	21 (21.9%)
NO COUNTRY CREDIT UN	Finance, Ins. and R.E.	30	29 (96.7%)	1 (3.3%)
NOATAK VILLAGE COUNCIL	Services	48	47 (97.9%)	1 (2.1%)
NOME BUSINESS VENTURES INC	Retail Trade	77	66 (85.7%)	11 (14.3%)
NOME CITY OF	Public Administration	62	62 (100.0%)	0 (0.0%)

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NOME COMMUNITY CENTER	Services	49	47 (95.9%)	2 (4.1%)
NOME JOINT UTILITIES	Trans., Comm., Util.	53	50 (94.3%)	3 (5.7%)
NOME NUGGET INN	Services	52	46 (88.5%)	6 (11.5%)
NOME PUBLIC SCHOOLS	Services	288	280 (97.2%)	8 (2.8%)
NONDALTON CITY COUNCIL	Public Administration	74	69 (93.2%)	5 (6.8%)
NOORVIK CITY OF	Public Administration	100	97 (97.0%)	3 (3.0%)
NORDIC-CALISTA SERVICES NO 1	Mining	54	39 (72.2%)	15 (27.8%)
NORDSTROM :NC	Retail Trade	1,322	1,199 (90.7%)	123 (9.3%)
NORM AUBUCHON INC	Manufacturing	145	97 (66.9%)	48 (33.1%)
NORTH CARE PARTNERS	Services	41	39 (95.1%)	2 (4.9%)
NORTH EMPLOYMENT INC	Services	360	323 (89.7%)	37 (10.3%)
NORTH PACIFIC COLD STORAGE INC	Manufacturing	302	211 (69.9%)	91 (30.1%)
NORTH PACIFIC MARINE SVC INC	Trans., Comm., Util.	25	22 (88.0%)	3 (12.0%)
NORTH PACIFIC PROCESSORS INC	Manufacturing	1,322	711 (53.8%)	611 (46.2%)
NORTH PACIFIC RIM THE	Services	133	132 (99.2%)	1 (.8%)
NORTH POLE CITY OF	Public Administration	35	33 (94.3%)	2 (5.7%)
NORTH SLOPE BORO SCHOOL DIST	Services	856	810 (94.6%)	46 (5.4%)
NORTH SLOPE BOROUGH	Public Administration	2,081	1,983 (95.3%)	98 (4.7%)
NORTH SLOPE RESTAURANT INC	Retail Trade	107	97 (89.0%)	12 (11.0%)
NORTH STAR COUNCIL ON AGING IN	Services	27	22 (81.5%)	5 (18.5%)
NORTH STAR HOSPITAL	Services	101	98 (97.0%)	3 (3.0%)
NORTH STAR TERMINAL & STEVEDOR	Trans., Comm., Util.	351	303 (86.3%)	48 (13.7%)
NORTHCARE MINOR EMER CNTR	Services	32	31 (96.9%)	1 (3.1%)
NORTHCOAST SEAFOOD PROC INC	Manufacturing	46	6 (13.0%)	40 (87.0%)
NORThLAND HUB INC	Wholesale Trade	220	196 (89.1%)	24 (10.9%)
NORThLAND MAINTENANCE CO INC	Mining	468	416 (88.9%)	52 (11.1%)
NORThLAND MORTGAGE CO	Finance, Ins. and R.E.	26	25 (96.2%)	1 (3.8%)
NORThLAND TRADING CO	Wholesale Trade	50	50 (100.0%)	0 (0.0%)
NORThLAND WOOD PRODUCTS INC	Manufacturing	34	31 (91.2%)	3 (8.8%)
NORTHPOINT-MILAM	Services	37	35 (94.6%)	2 (5.4%)
NORTHSTORE CORPORATION (01/88-03/88)	Retail Trade	422	371 (87.9%)	51 (12.1%)
NORTHSTORE VENTURES (04/88-12/88)	Retail Trade	951	821 (86.3%)	130 (13.7%)
NORTHWAY AIRPORT ENTERPRISES	Retail Trade	55	51 (92.7%)	4 (7.3%)
NORTHWEST AIRLINES INC	Trans., Comm., Util.	105	93 (88.6%)	12 (11.4%)
NORTHWEST ARCTIC BOROUGH	Public Administration	36	36 (100.0%)	0 (0.0%)
NORTHWEST ARCTIC BOROUGH SCHOOD	Services	775	758 (97.8%)	17 (2.2%)
NORTHWEST MACK INC	Wholesale Trade	29	26 (89.7%)	3 (10.3%)
NORTHWEST MAINTENANCE & JANITO	Services	61	52 (85.2%)	9 (14.8%)
NORTON SOUND HEALTH CORP	Services	420	392 (93.3%)	28 (6.7%)
NORVAC SERVICES INC	Trans., Comm., Util.	91	76 (83.5%)	15 (16.5%)
NORWEST FINANCIAL AK INC	Finance, Ins. and R.E.	29	26 (89.7%)	3 (10.3%)
NUL LUK VIK HOTEL	Services	100	96 (96.0%)	4 (4.0%)
NULATO CITY COUNCIL	Public Administration	63	62 (98.4%)	1 (1.6%)
NUNAKAUIAK YUPIK CORPORATION	Finance, Ins. and R.E.	55	53 (96.4%)	2 (3.6%)
NUNAM IQUA TRADING POST	Retail Trade	26	26 (100.0%)	0 (0.0%)
NUNAPITCHUK CITY OF	Public Administration	92	89 (96.7%)	3 (3.3%)
NUNAPITCHUK LIMITED	Finance, Ins. and R.E.	47	47 (100.0%)	0 (0.0%)
NUSHAGAK ELECTRIC COOP INC	Trans., Comm., Util.	39	37 (94.9%)	2 (5.1%)
NUTRI/SYSTEM WEIGHT LOSS CTRS	Services	86	70 (81.4%)	16 (18.6%)

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NW INUPIAT HOUSING AUTHORITY	Finance, Ins. and R.E.	83	79 (95.2%)	4 (4.8%)
NYE FRONTIER FORD INC	Retail Trade	146	139 (95.2%)	7 (4.8%)
O KRAFT&SON INC/MILL BAY PHARM	Retail Trade	412	356 (86.4%)	56 (13.6%)
O'BRADYS BURGERS & BREW	Retail Trade	41	39 (95.1%)	2 (4.9%)
O'MALLEYS ON THE GREEN	Retail Trade	124	112 (90.3%)	12 (9.7%)
OAKEN KEG SPIRIT SHOPS	Retail Trade	150	141 (94.0%)	9 (6.0%)
OCEAN GREEN AK INC	Manufacturing	171	118 (69.0%)	53 (31.0%)
OCEAN MARINE SVCS INC	Trans., Comm., Util.	49	30 (61.2%)	19 (38.8%)
OCEAN TECHNOLOGY LTD	Services	42	40 (95.2%)	2 (4.8%)
OCEANIC SEAFOOD COMPANY	Manufacturing	82	1 (1.2%)	81 (98.8%)
ODOM COVEY COMPANY	Wholesale Trade	26	25 (96.2%)	1 (3.8%)
OFFICE PLACE INC THE	Wholesale Trade	294	278 (94.6%)	16 (5.4%)
OFFICES UNLIMITED INC	Services	96	88 (91.7%)	8 (8.3%)
OFFSHORE SYSTEMS INC	Trans., Comm., Util.	60	28 (46.7%)	32 (53.3%)
OFFSHORE SYSTEMS KENAI	Trans., Comm., Util.	42	39 (92.9%)	3 (7.1%)
OGDEN FACILITY MGMT OF AK INC	Services	434	384 (88.5%)	50 (11.5%)
OK LUMBER CO INC	Retail Trade	49	47 (95.9%)	2 (4.1%)
OLD HARBOR CITY OF	Public Administration	64	62 (96.9%)	2 (3.1%)
OLD TIME GROCERY INC	Retail Trade	123	105 (85.4%)	18 (14.6%)
OLGOONIK CORP	Finance, Ins. and R.E.	140	129 (92.1%)	11 (7.9%)
OLSTEN CORP THE	Services	232	198 (85.3%)	34 (14.7%)
OMNI ENTERPRISES INC	Retail Trade	545	472 (86.6%)	73 (13.4%)
OPERATION & MAINT SVC INC	Trans., Comm., Util.	244	221 (90.6%)	23 (9.4%)
ORCA THEATERS	Services	54	47 (87.0%)	7 (13.0%)
ORIENTAL GARDENS	Retail Trade	46	44 (95.7%)	2 (4.3%)
ORUTSARARMUIT NATIVE COUNCIL	Services	29	24 (82.8%)	5 (17.2%)
OSBORNE CONSOL CO/OSBORNE CONS	Construction	126	95 (75.4%)	31 (24.6%)
OTIS ELEVATOR CO INC	Construction	31	30 (96.8%)	1 (3.2%)
OTIS ENGINEERING CORP	Mining	121	117 (96.7%)	4 (3.3%)
OTT ENGINEERS INC	Services	28	26 (92.9%)	2 (7.1%)
OTZ TELEPHONE COOPERATIVE INC	Trans., Comm., Util.	43	41 (95.3%)	2 (4.7%)
OUNALASHKA CORP	Finance, Ins. and R.E.	30	27 (90.0%)	3 (10.0%)
OUR LADY OF COMPASSION CARE CT	Services	524	480 (91.6%)	44 (8.4%)
OUR STORE	Retail Trade	50	46 (92.0%)	4 (8.0%)
OUTLOOK/MELCHINA PT/SUSITNA RI	Finance, Ins. and R.E.	114	98 (86.0%)	16 (14.0%)
P&M GARDEN SERVICES INC	Wholesale Trade	64	52 (81.3%)	12 (18.8%)
PACIFIC CONSTR SYSTEMS OF AK	Construction	160	153 (95.6%)	7 (4.4%)
PACIFIC CONSTRUCTORS INTL INC	Construction	182	148 (81.3%)	34 (18.7%)
PACIFIC FABRICS	Retail Trade	191	174 (91.1%)	17 (8.9%)
PACIFIC LINEN OUTLET CO INC	Retail Trade	57	48 (84.2%)	9 (15.8%)
PACIFIC MITSUBISHI	Retail Trade	65	63 (96.9%)	2 (3.1%)
PACIFIC POWDER CO	Wholesale Trade	70	48 (68.6%)	22 (31.4%)
PACIFIC RIM BROADCASTERS INC (04/88-12/88)	Trans., Comm., Util.	56	48 (85.7%)	8 (14.3%)
PACIFIC RIM BROADCSTRS (01/88-04/88)	Trans., Comm., Util.	46	41 (89.1%)	5 (10.9%)
PACIFIC RIM RESTR GROUP INC	Retail Trade	548	469 (85.6%)	79 (14.4%)
PACIFIC RIM TITLE INS AGENCY	Finance, Ins. and R.E.	39	38 (97.4%)	1 (2.6%)
PACIFIC SCIENCE CENTER	Services	20	19 (95.0%)	1 (5.0%)
PACIFIC TEL COM CONST CO	Construction	63	60 (95.2%)	3 (4.8%)
PACIFIC VENTURES INC	Construction	80	53 (66.3%)	27 (33.8%)

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PALMER CITY OF	Public Administration	68	64 (94.1%)	4 (5.9%)
PAN PACIFIC SEAFOOD INC	Manufacturing	87	10 (11.5%)	77 (88.5%)
PAPA BEARS FAMILY DINING	Retail Trade	48	34 (70.8%)	14 (29.2%)
PAPA JOES	Retail Trade	64	43 (67.2%)	21 (32.8%)
PAPER CORPORATION OF AMERICA	Wholesale Trade	35	34 (97.1%)	1 (2.9%)
PARK PLAZA INC	Services	72	71 (98.6%)	1 (1.4%)
PARKER DRILLING CO ALASKAN BR	Mining	110	80 (72.7%)	30 (27.3%)
PARKS PLACE & CARIBOU CAFE &	Retail Trade	50	40 (80.0%)	10 (20.0%)
PARSONS CONSTRUCTORS INC	Mining	37	15 (40.5%)	22 (59.5%)
PARTS INC	Retail Trade	105	96 (91.4%)	9 (8.6%)
PAVING PRODUCTS INC	Construction	29	17 (58.6%)	12 (41.4%)
PAXSON LODGE INC	Retail Trade	52	40 (76.9%)	12 (23.1%)
PAY N PAK STORES INC	Retail Trade	95	89 (93.7%)	6 (6.3%)
PAY N SAVE (01/88-06/88)	Retail Trade	833	786 (94.4%)	47 (5.6%)
PAY N SAVE (07/88-12/88)	Retail Trade	913	865 (94.7%)	48 (5.3%)
PAYLESS CAR RENTAL SYSTEM	Services	64	56 (87.5%)	8 (12.5%)
PDQ PRINTING	Wholesale Trade	27	25 (92.6%)	2 (7.4%)
PEAK OILFIELD SVC CO	Services	606	464 (76.6%)	142 (23.4%)
PELICAN SEAFOODS INC	Manufacturing	216	88 (40.7%)	128 (59.3%)
PENINSULA AIRWAYS INC	Trans., Comm., Util.	180	152 (84.4%)	28 (15.6%)
PENINSULA FORD INC	Retail Trade	30	30 (100.0%)	0 (0.0%)
PENINSULA MEDICAL CENTER ASSOC	Services	25	24 (96.0%)	1 (4.0%)
PENINSULA MOTEL ASSOC FBKS	Services	44	43 (97.7%)	1 (2.3%)
PENINSULA SANITATION CO INC	Trans., Comm., Util.	36	36 (100.0%)	0 (0.0%)
PENNSAVER;THRIFTY NICKEL;NICK	Manufacturing	37	34 (91.9%)	3 (8.1%)
PENTHOUSE THE	Retail Trade	70	53 (75.7%)	17 (24.3%)
PEPSI COLA BOTTLING COMPANY OF	Wholesale Trade	161	156 (96.9%)	5 (3.1%)
PERATROVICH NOTTINGHAM & DRAGE	Services	34	33 (97.1%)	1 (2.9%)
PERFECT CUPBOARD THE	Retail Trade	31	26 (83.9%)	5 (16.1%)
PERKINS COIE	Services	67	63 (94.0%)	4 (6.0%)
PERSEVERANCE THEATRE	Services	119	99 (83.2%)	20 (16.8%)
PETE PITTMAN PRODUCTIONS	Services	129	57 (44.2%)	72 (55.8%)
PETER PAN SEAFOODS INC	Manufacturing	1,169	533 (45.6%)	636 (54.4%)
PETERKIN DISTRIBUTORS INC	Wholesale Trade	56	52 (92.9%)	4 (7.1%)
PETERSBURG CHILDRENS CTR INC	Services	54	43 (79.6%)	11 (20.4%)
PETERSBURG CITY OF	Public Administration	177	154 (87.0%)	23 (13.0%)
PETERSBURG GENERAL HOSPITAL	Services	58	58 (100.0%)	0 (0.0%)
PETERSBURG MOOSE LODGE #1092	Services	67	50 (74.6%)	17 (25.4%)
PETERSBURG SCHOOL DISTRICT	Services	134	126 (94.0%)	8 (6.0%)
PETESA PETE JUNEAU	Retail Trade	34	29 (85.3%)	5 (14.7%)
PETRO STAR FUEL INC	Retail Trade	43	42 (97.7%)	1 (2.3%)
PETROLANE INC	Retail Trade	58	54 (93.1%)	4 (6.9%)
PHILLIPS INTERNATIONAL INN (01/88-03/88)	Retail Trade	66	42 (63.6%)	24 (36.4%)
PHILLIPS INTERNATIONAL INN (04/88-12/88)	Retail Trade	160	133 (83.1%)	27 (16.9%)
PHILLIPS PETROLEUM CO	Mining	44	41 (93.2%)	3 (6.8%)
PHOENIX FISHERIES INC	Manufacturing	177	116 (65.5%)	61 (34.5%)
PHOENIX LOGGING CO	Manufacturing	285	167 (58.6%)	118 (41.4%)
PHOTO EXPRESS IMAGE CENTERS	Services	99	94 (94.9%)	5 (5.1%)
PHYSICIANS MEDICAL LAB INC	Services	37	37 (100.0%)	0 (0.0%)

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Employee Residency Status
For Employers With 20 or More Workers
In Alaska - 1988

Employer	Industry	Total Employees	Resident Employees	Nonresident Employees
PIERCE CARTWRIGHT CO INC	Wholesale Trade	29	27 (93.1%)	2 (6.9%)
PIERCE STREET ANNEX	Retail Trade	65	57 (87.7%)	8 (12.3%)
PILOT CORP	Manufacturing	59	54 (91.5%)	5 (8.5%)
PILOT STATION CITY OF	Public Administration	59	58 (98.3%)	1 (1.7%)
PINES CLUB THE	Retail Trade	90	74 (82.2%)	16 (17.8%)
PIONEER BAR & LIQUOR STORE	Retail Trade	33	26 (78.8%)	7 (21.2%)
PIONEER BROADCASTING CO INC	Trans., Comm., Util.	70	65 (92.9%)	5 (7.1%)
PIONEER HONDA	Retail Trade	128	123 (96.1%)	5 (3.9%)
PIPING DESIGN SERVICES INC	Services	289	258 (89.3%)	31 (10.7%)
PIQUINQ MANAGEMENT CORP	Services	368	340 (92.4%)	28 (7.6%)
PITNEY BOWES INC	Wholesale Trade	27	23 (85.2%)	4 (14.8%)
PIZZA HUT	Retail Trade	1,054	825 (78.3%)	229 (21.7%)
PIZZA MAN	Retail Trade	97	87 (89.7%)	10 (10.3%)
PLAY N LEARN CENTER INC	Services	123	103 (83.7%)	20 (16.3%)
PLAZA INN HOTELS INC	Services	158	141 (89.2%)	17 (10.8%)
POLAR MINING INC	Mining	55	48 (87.3%)	7 (12.7%)
POLARIS ENTERPRISES INC	Services	51	44 (86.3%)	7 (13.7%)
POOL ARCTIC AK	Mining	225	197 (87.6%)	28 (12.4%)
POOL ENGINEERING INC	Services	115	94 (81.7%)	21 (18.3%)
POP SHOPPE THE	Retail Trade	41	37 (90.2%)	4 (9.8%)
POPEYES ANCHORAGE	Retail Trade	197	94 (47.7%)	103 (52.3%)
PORPOISE ROOM/ADDIES BIG PADDI	Retail Trade	83	61 (73.5%)	22 (26.5%)
PORT GRAHAM CORP	Finance, Ins. and R.E.	39	31 (79.5%)	8 (20.5%)
PORT LIONS CITY OF	Public Administration	70	65 (92.9%)	5 (7.1%)
PORT WEST INC	Retail Trade	376	320 (85.1%)	56 (14.9%)
PORTAGE GLACIER LODGE	Retail Trade	25	24 (96.0%)	1 (4.0%)
PORTRERHOUSE CLEANING & MAINT	Services	66	61 (92.4%)	5 (7.6%)
POSTAL INSTANT PRESS-	Manufacturing	32	29 (90.6%)	3 (9.4%)
PREMIER INDUSTRIES INC	Manufacturing	45	43 (95.6%)	2 (4.4%)
PRESBYTERIAN HOSPITALITY HOUSE	Services	52	48 (92.3%)	4 (7.7%)
PRESSURE SVCS	Construction	58	54 (93.1%)	4 (6.9%)
PRESTON THORGRIMSON ELLIS ETAL	Services	34	33 (97.1%)	1 (2.9%)
PRETZEL FACTORY THE	Retail Trade	112	94 (83.9%)	18 (16.1%)
PREWITT ENTERPRISES	Trans., Comm., Util.	54	46 (85.2%)	8 (14.8%)
PRIBILOF ALEUT SEAFOOD CO	Manufacturing	29	27 (93.1%)	2 (6.9%)
PRIBILOF SCHOOL DISTRICT	Services	44	40 (90.9%)	4 (9.1%)
PRICE SAVERS MEMBERSHIP WRHS	Wholesale Trade	415	382 (92.0%)	33 (8.0%)
PRICE WATERHOUSE	Services	42	42 (100.0%)	0 (0.0%)
PRINCE WM SOUND AQUACLT CORP	Ag., For., and Fishing	163	94 (57.7%)	69 (42.3%)
PRINCESS RESTAURANT (01/88-07/88)	Retail Trade	52	46 (88.5%)	6 (11.5%)
PRINCESS RESTAURANT (08/88-12/88)	Retail Trade	67	54 (80.6%)	13 (19.4%)
PROCTORS GROCERY INC	Retail Trade	46	40 (87.0%)	6 (13.0%)
PROFES STAF LSNG SVC INC (01/88-04/88)	Services	74	66 (89.2%)	8 (10.8%)
PROFESS STAFF LEASING SVC INC (04/88-12/88)	Services	106	97 (91.5%)	9 (8.5%)
PROFESSIONAL BUSINESS SVCS INC	Services	251	230 (91.6%)	21 (8.4%)
PROGRESSIVE TRANSPORT INC	Trans., Comm., Util.	53	47 (88.7%)	6 (11.3%)
PROSPECTORS SOURDOUGH RESTR	Retail Trade	39	20 (51.3%)	19 (48.7%)
PROVIDENCE HOSPITAL	Services	2,103	1,992 (94.7%)	111 (5.3%)
PROVIDENCE WASHINGTON INS	Finance, Ins. and R.E.	60	54 (90.0%)	6 (10.0%)

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Employee Residency Status
For Employers With 20 or More Workers
In Alaska - 1988

Employer	Industry	Total Employees	Resident Employees	Nonresident Employees
PIERCE CARTWRIGHT CO INC	Wholesale Trade	29	27 (93.1%)	2 (6.9%)
PIERCE STREET ANNEX	Retail Trade	65	57 (87.7%)	8 (12.3%)
PILOT CORP	Manufacturing	59	54 (91.5%)	5 (8.5%)
PILOT STATION CITY OF	Public Administration	59	58 (98.3%)	1 (1.7%)
PINES CLUB THE	Retail Trade	90	74 (82.2%)	16 (17.8%)
PIONEER BAR & LIQUOR STORE	Retail Trade	33	26 (78.8%)	7 (21.2%)
PIONEER BROADCASTING CO INC	Trans., Comm., Util.	70	65 (92.9%)	5 (7.1%)
PIONEER HONDA	Retail Trade	128	123 (96.1%)	5 (3.9%)
PIPING DESIGN SERVICES INC	Services	289	258 (89.3%)	31 (10.7%)
PIQUINIQ MANAGEMENT CORP	Services	368	340 (92.4%)	28 (7.6%)
PITNEY BOWES INC	Wholesale Trade	27	23 (85.2%)	4 (14.8%)
PIZZA HUT	Retail Trade	1,054	825 (78.3%)	229 (21.7%)
PIZZA MAN	Retail Trade	97	87 (89.7%)	10 (10.3%)
PLAY N LEARN CENTER INC	Services	123	103 (83.7%)	20 (16.3%)
PLAZA INN HOTELS INC	Services	158	141 (89.2%)	17 (10.8%)
POLAR MINING INC	Mining	55	48 (87.3%)	7 (12.7%)
POLARIS ENTERPRISES INC	Services	51	44 (86.3%)	7 (13.7%)
POOL ARCTIC AK	Mining	225	197 (87.6%)	28 (12.4%)
POOL ENGINEERING INC	Services	115	94 (81.7%)	21 (18.3%)
POP SHOPPE THE	Retail Trade	41	37 (90.2%)	4 (9.8%)
POPEYES ANCHORAGE	Retail Trade	197	94 (47.7%)	103 (52.3%)
PORPOISE ROOM/ADDIES BIG PADDI	Retail Trade	83	61 (73.5%)	22 (26.5%)
PORT GRAHAM CORP	Finance, Ins. and R.E.	39	31 (79.5%)	8 (20.5%)
PORT LIONS CITY OF	Public Administration	70	65 (92.9%)	5 (7.1%)
PORT WEST INC	Retail Trade	376	320 (85.1%)	56 (14.9%)
PORTAGE GLACIER LODGE	Retail Trade	25	24 (96.0%)	1 (4.0%)
PORTERHOUSE CLEANING & MAINT	Services	66	61 (92.4%)	5 (7.6%)
POSTAL INSTANT PRESS	Manufacturing	32	29 (90.6%)	3 (9.4%)
PREMIER INDUSTRIES INC	Manufacturing	45	43 (95.6%)	2 (4.4%)
PRESBYTERIAN HOSPITALITY HOUSE	Services	52	48 (92.3%)	4 (7.7%)
PRESSURE SVCS	Construction	58	54 (93.1%)	4 (6.9%)
PRESTON THORGRIMSON ELLIS ETAL	Services	34	33 (97.1%)	1 (2.9%)
PRETZEL FACTORY THE	Retail Trade	112	94 (83.9%)	18 (16.1%)
PREWITT ENTERPRISES	Trans., Comm., Util.	54	46 (85.2%)	8 (14.8%)
PRIBILOF ALEUT SEAFOOD CO	Manufacturing	29	27 (93.1%)	2 (6.9%)
PRIBILOF SCHOOL DISTRICT	Services	44	40 (90.9%)	4 (9.1%)
PRICE SAVERS MEMBERSHIP WRHS	Wholesale Trade	415	382 (92.0%)	33 (8.0%)
PRICE WATERHOUSE	Services	42	42 (100.0%)	0 (0.0%)
PRINCE WM SOUND AQUACLT CORP	Ag., For., and Fishing	163	94 (57.7%)	69 (42.3%)
PRINCESS RESTAURANT (01/88-07/88)	Retail Trade	52	46 (88.5%)	6 (11.5%)
PRINCESS RESTAURANT (08/88-12/88)	Retail Trade	67	54 (80.6%)	13 (19.4%)
PROCTORS GROCERY INC	Retail Trade	46	40 (87.0%)	6 (13.0%)
PROFES STAF LSNG SVC INC (01/88-04/88)	Services	74	66 (89.2%)	8 (10.8%)
PROFESS STAFF LEASING SVC INC (04/88-12/88)	Services	106	97 (91.5%)	9 (8.5%)
PROFESSIONAL BUSINESS SVCS INC	Services	251	230 (91.6%)	21 (8.4%)
PROGRESSIVE TRANSPORT INC	Trans., Comm., Util.	53	47 (88.7%)	6 (11.3%)
PROSPECTORS SOURDOUGH RESTR	Retail Trade	39	20 (51.3%)	19 (48.7%)
PROVIDENCE HOSPITAL	Services	2,103	1,992 (94.7%)	111 (5.3%)
PROVIDENCE WASHINGTON INS	Finance, Ins. and R.E.	60	54 (90.0%)	6 (10.0%)

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Employee Residency Status
For Employers With 20 or More Workers
In Alaska - 1988

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PUGET SOUND LOG & GRADING INC	Ag., For., and Fishing	46	41 (89.1%)	5 (10.9%)
PUGET SOUND TUG & BARGE CO	Trans., Comm., Util.	120	85 (70.8%)	35 (29.2%)
PUMP HOUSE RESTAURANT	Retail Trade	165	137 (83.0%)	28 (17.0%)
PURCELL SERVICES LTD	Services	151	138 (91.4%)	13 (8.6%)
Q-1 SERVICE	Services	210	192 (91.4%)	18 (8.6%)
QUADCO ALASKA INC	Wholesale Trade	26	25 (96.2%)	1 (3.8%)
QUALIFIED PERSONELL INC	Construction	281	94 (33.5%)	187 (66.5%)
QUALITY ASPHALT PAVING INC	Construction	87	75 (86.2%)	12 (13.8%)
QUALITY AUTO SUPPLY INC	Retail Trade	59	49 (83.1%)	10 (16.9%)
QUALITY FABRICATION INC	Construction	119	103 (86.6%)	16 (13.4%)
QUANTUM CHEMICAL CORP	Retail Trade	35	33 (94.3%)	2 (5.7%)
QUEEN FISHERIES INC	Manufacturing	865	325 (37.6%)	540 (62.4%)
QUIK STOP INC	Retail Trade	200	179 (89.5%)	21 (10.5%)
QUINHAGAK CITY OF	Public Administration	93	88 (94.6%)	5 (5.4%)
QUINNAT LANDING HOTEL	Services	102	43 (42.2%)	59 (57.8%)
QWICK CONSTRUCTION CO INC	Mining	297	272 (91.6%)	25 (8.4%)
QWIK STOP INC	Retail Trade	162	142 (87.7%)	20 (12.3%)
R G & B CONTRACTORS INC	Construction	364	319 (87.6%)	45 (12.4%)
R H VALENTINE LOGGING CO	Manufacturing	130	65 (50.0%)	65 (50.0%)
R K MAC	Retail Trade	211	158 (74.9%)	53 (25.1%)
R S STORE INC	Retail Trade	67	61 (91.0%)	6 (9.0%)
R&M CONSULTANTS INC	Services	55	52 (94.5%)	3 (5.5%)
R&R BICYCLE FITNESS STORE	Retail Trade	37	32 (86.5%)	5 (13.5%)
R&R COURT REPORTERS INC	Services	33	31 (93.9%)	2 (6.1%)
R-A-L MECHANICAL INC	Construction	85	79 (92.9%)	6 (7.1%)
R.A. VRANCKAERT/KUUKPIK COR JV	Construction	115	105 (91.3%)	10 (8.7%)
RACE KETCH PHARMACIES INC	Retail Trade	45	43 (95.6%)	2 (4.4%)
RADIO COMMUNICATIONS ENG INC	Trans., Comm., Util.	31	30 (96.8%)	1 (3.2%)
RAILBELT SCHOOL DISTRICT	Services	131	129 (98.5%)	2 (1.5%)
RAIN PROOF ROOFING CO INC	Construction	70	64 (91.4%)	6 (8.6%)
RAINBOW KING LODGE INC	Services	32	3 (9.4%)	29 (90.6%)
RAINIER INTERNATIONAL SEAFOODS	Manufacturing	130	69 (53.1%)	61 (46.9%)
RAL ENTERPRISES INC	Nonclassifiable	38	56 (94.7%)	2 (5.3%)
RASCO INC	Construction	63	54 (85.7%)	9 (14.3%)
RASMUSSENS ASPHALT MAINT INC	Construction	27	24 (88.9%)	3 (11.1%)
RAVEN ELECTRIC INC	Construction	39	32 (82.1%)	7 (17.9%)
RAX RESTAURANT	Retail Trade	60	46 (76.7%)	14 (23.3%)
RAYS INC	Retail Trade	56	45 (80.4%)	11 (19.6%)
RAYS WATERFRONT BAR & GRILL	Retail Trade	85	67 (78.8%)	18 (21.2%)
RAYTHEON SERVICE COMPANY	Wholesale Trade	63	26 (41.3%)	37 (58.7%)
RAYTHEON SUPPORT SVCS CO	Services	34	16 (47.1%)	18 (52.9%)
REACH INC	Services	160	144 (90.0%)	16 (10.0%)
RECORDS MANAGEMENT INC	Services	62	57 (91.9%)	5 (8.1%)
RECREATIONAL EQUIPMENT INC	Retail Trade	137	126 (92.0%)	11 (8.0%)
RED DOG SALOON	Retail Trade	38	35 (92.1%)	3 (7.9%)
REDI ELECTRIC INC	Construction	92	91 (98.9%)	1 (1.1%)
REEVE ALEUTIAN AIRWAYS INC	Trans., Comm., Util.	376	306 (81.4%)	70 (18.6%)
REGIS HAIRSTYLISTS	Services	56	55 (98.2%)	1 (1.8%)
REID BROS LOGGING & CONSTR IN	Manufacturing	196	106 (54.1%)	90 (45.9%)

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Source: Alaska Department of Labor
Date: 24 November 89

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REID TIMBER INC	Manufacturing	60	45 (75.0%)	15 (25.0%)
RELIABLE TRANSFER CORP	Trans., Comm., Util.	46	41 (89.1%)	5 (10.9%)
RELUCTANT FISHERMAN	Services	111	75 (67.6%)	36 (32.4%)
RENN CO INC THE	Services	92	87 (94.6%)	5 (5.4%)
RENNERS GAS N SAVES INC #1,2,3	Retail Trade	63	54 (85.7%)	9 (14.3%)
RG'S INVENTORY SPECIALISTS	Services	161	143 (88.8%)	18 (11.2%)
RIB CAGE INC THE	Retail Trade	181	152 (84.0%)	29 (16.0%)
RIBELIN LOWELL&CO INS BRKR INC	Finance, Ins. and R.E.	32	28 (87.5%)	4 (12.5%)
RIDENOUR & ASSOCIATES INC	Finance, Ins. and R.E.	44	43 (97.7%)	1 (2.3%)
RIDGETOP ROOFING AND GUTTER	Construction	48	38 (79.2%)	10 (20.8%)
RIDGWAYS INC	Services	73	70 (95.9%)	3 (4.1%)
RIO GRILL INC	Retail Trade	58	54 (93.1%)	4 (6.9%)
RITCHIE TRANSPORTATION CO INC	Manufacturing	55	47 (85.5%)	8 (14.5%)
RIVER TERRACE BUNK HOUSE	Services	82	69 (84.1%)	13 (15.9%)
RJH INC.	Construction	31	27 (87.1%)	4 (12.9%)
ROBERT R CONSTRUCTION INC	Construction	25	22 (88.0%)	3 (12.0%)
ROBERTSON MONAGLE EASTAUGH PC	Services	56	53 (94.6%)	3 (5.4%)
ROCKFORD CORP	Construction	104	65 (62.5%)	39 (37.5%)
ROEN DESIGN ASSOCIATES INC	Services	25	21 (84.0%)	4 (16.0%)
ROGERS & BABLER	Construction	91	86 (94.5%)	5 (5.5%)
ROLL N ALASKA INC	Mining	43	35 (81.4%)	8 (18.6%)
ROMANOS INC	Retail Trade	98	91 (92.9%)	7 (7.1%)
RONALDS HAIR DESIGN INC	Services	42	38 (90.5%)	4 (9.5%)
RONS RENT IT CENTER INC	Services	117	104 (88.9%)	13 (11.1%)
ROSE PROPERTIES MGMT & INVEST	Finance, Ins. and R.E.	40	3 (90.0%)	4 (10.0%)
ROWAN DRILLING US	Mining	52	35 (67.3%)	17 (32.7%)
ROYAL ALEUTIAN SEAFOODS INC	Manufacturing	120	52 (43.3%)	68 (56.7%)
ROYAL FORK BUFFET RESTAURANTS	Retail Trade	362	310 (85.6%)	52 (14.4%)
ROYAL HWY TOURS INC	Trans., Comm., Util.	295	227 (76.9%)	68 (23.1%)
ROYAL PACIFIC FISHERIES INC	Manufacturing	461	342 (74.2%)	119 (25.8%)
RURAL AK COMM ACTION PROGRAM	Services	446	431 (96.6%)	15 (3.4%)
RUTH ANNS RESTAURANT	Retail Trade	50	37 (74.0%)	13 (26.0%)
RYAN AIR SERVICE INC (02/88-12/88)	Trans., Comm., Util.	192	179 (93.2%)	13 (6.8%)
RYAN AIR SERVICE INC (01/88-02/88)	Trans., Comm., Util.	170	157 (92.4%)	13 (7.6%)
S ANCH LEARNING CENTER INC	Services	71	63 (88.7%)	8 (11.3%)
SACHTJEN JAMES DVM	Ag., For., and Fishing	23	22 (95.7%)	1 (4.3%)
SACKS CAFE	Retail Trade	60	52 (86.7%)	8 (13.3%)
SADLERS FURNITURE INC	Retail Trade	71	68 (95.8%)	3 (4.2%)
SAFARI RESTAURANT	Retail Trade	57	48 (84.2%)	9 (15.8%)
SAFECO TITLE AGENCY CO INC	Finance, Ins. and R.E.	33	30 (90.9%)	3 (9.1%)
SAFWAY STORES INC/SEATTLE RET	Retail Trade	2,038	1,878 (92.1%)	160 (7.9%)
SALAMATOF SEAFOODS INC	Manufacturing	245	159 (64.9%)	86 (35.1%)
SALMON FALL RESORT LTD	Services	101	92 (91.1%)	9 (8.9%)
SALVATION ARMY AK DIV THE	Services	671	607 (90.5%)	64 (9.5%)
SAMSON MARINE FREIGHTWAYS INC	Trans., Comm., Util.	77	40 (51.9%)	37 (48.1%)
SAMSON TUG & BARGE CO INC	Trans., Comm., Util.	37	35 (94.6%)	2 (5.4%)
SAMWHAN AMERICA INC	Construction	40	30 (75.0%)	10 (25.0%)
SAND POINT CITY OF	Public Administration	82	69 (84.1%)	13 (15.9%)
SAND POINT CITY SCHOOL DIST	Services	84	73 (86.9%)	11 (13.1%)

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SANDSTROM & SONS INC	Construction	35	31 (88.6%)	4 (11.4%)
SANDSTROM PLUMBING & HEATING	Construction	98	93 (94.9%)	5 (5.1%)
SANS SOUCI SEAFOODS	Manufacturing	48	30 (62.5%)	18 (37.5%)
SANTA C PRODUCTIONS INC	Services	41	36 (87.8%)	5 (12.2%)
SAUCY SISTERS CATERING	Retail Trade	187	162 (86.6%)	25 (13.4%)
SAVOONGA CITY OF	Public Administration	123	112 (91.1%)	11 (8.9%)
SAXMAN CITY OF	Public Administration	50	47 (94.0%)	3 (6.0%)
SCAMMON BAY CITY OF	Public Administration	52	51 (98.1%)	1 (1.9%)
SCHENK SEAFOOD SALES INC	Manufacturing	86	45 (52.3%)	41 (47.7%)
SCHLUMBERGER LIMITED (01/88-05/88)	Mining	113	104 (92.0%)	9 (8.0%)
SCHLUMBERGER TECHNOLOGY CORP	Mining	114	104 (91.2%)	10 (8.8%)
SE AK FISHERIES A LTD PTR	Manufacturing	116	82 (70.7%)	34 (29.3%)
SE AK REGIONAL HLTH CORP	Services	370	339 (91.6%)	31 (8.4%)
SE REGIONAL RESOURCE CENTER	Public Administration	226	185 (81.9%)	41 (18.1%)
SE TIMBER INC	Manufacturing	411	188 (45.7%)	223 (54.3%)
SEA GALLEY RESTAURANT	Retail Trade	225	196 (87.1%)	29 (12.9%)
SEA LAND FREIGHT SVC	Trans., Comm., Util.	474	437 (92.2%)	37 (7.8%)
SEA LAND SVC INC	Trans., Comm., Util.	33	31 (93.9%)	2 (6.1%)
SEA LION CORP	Retail Trade	71	70 (98.6%)	1 (1.4%)
SEA NIK FOODS	Manufacturing	52	31 (59.6%)	21 (40.4%)
SEA ROSE ENTERPRISES F/V	Construction	55	52 (94.5%)	3 (5.5%)
SEA STAR STEVEDORE CO INC	Trans., Comm., Util.	228	224 (98.2%)	4 (1.8%)
SEACREST INC	Manufacturing	194	88 (45.4%)	106 (54.6%)
SEAFOODS FROM AK INC	Manufacturing	535	435 (81.3%)	100 (18.7%)
SEAHAWK SEAFOODS INC	Manufacturing	640	378 (59.1%)	262 (40.9%)
SEALASKA CORP	Finance, Ins. and R.E.	122	116 (95.1%)	6 (4.9%)
SEARS ROEBUCK AND CO	Retail Trade	1,088	986 (90.6%)	102 (9.4%)
SEASONAL SEAFOODS	Wholesale Trade	31	20 (64.5%)	11 (35.5%)
SECURITY PACIFIC BANK AK,N.A.	Finance, Ins. and R.E.	159	158 (99.4%)	1 (.6%)
SECURITY TITLE & TRUST AGENCY	Finance, Ins. and R.E.	55	49 (89.1%)	6 (10.9%)
SEEKINS FORD LINC MERC INC	Retail Trade	160	153 (95.6%)	7 (4.4%)
SELAWIK CITY COUNCIL	Public Administration	138	129 (93.5%)	9 (6.5%)
SELAWIK IRA COUNCIL	Services	40	40 (100.0%)	0 (0.0%)
SELDOVIA CITY OF	Public Administration	42	40 (95.2%)	2 (4.8%)
SELEY INC	Manufacturing	181	149 (82.3%)	32 (17.7%)
SEND INTL OF AK	Services	49	39 (79.6%)	10 (20.4%)
SERVICE OIL & GAS INC	Wholesale Trade	32	31 (96.9%)	1 (3.1%)
SEVEN SEAS FISHING CO	Manufacturing	110	29 (26.4%)	81 (73.6%)
SEWARD CITY OF	Public Administration	184	177 (96.2%)	7 (3.8%)
SEWARD MARINE SERVICE INC	Manufacturing	134	88 (65.7%)	46 (34.3%)
SEWARD SHIPS CHANDLERY	Manufacturing	59	49 (83.1%)	10 (16.9%)
SEWARD STEEL WORKS	Services	34	33 (97.1%)	1 (2.9%)
SHAAN SEET INC	Finance, Ins. and R.E.	181	160 (88.4%)	21 (11.6%)
SHAKEYS PIZZA PARLOR	Retail Trade	603	464 (76.9%)	139 (23.1%)
SHATTUCK GRUMMETT INC	Finance, Ins. and R.E.	33	32 (97.0%)	1 (3.0%)
SHEARSON LEHMAN HUTTON INC	Finance, Ins. and R.E.	54	49 (90.7%)	5 (9.3%)
SHELDON JACKSON COLLEGE	Services	106	103 (97.2%)	3 (2.8%)
SHELIKOFF LODGE	Services	46	31 (67.4%)	15 (32.6%)
SHELL WESTERN E&P INC	Mining	63	62 (98.4%)	1 (1.6%)

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Employer	Industry	Total Employees	Resident Employees	Nonresident Employees
SHERATON ANCHORAGE HOTEL (07/88-12/88)	Services	379	353 (93.1%)	26 (6.9%)
SHERATON ANCHORAGE HOTEL (01/88-07/88)	Services	361	334 (92.5%)	27 (7.5%)
SHIMEK & COMPANY INC	Retail Trade	48	45 (93.8%)	3 (6.3%)
SHISHMAREF CITY COUNCIL	Public Administration	107	105 (98.1%)	2 (1.9%)
SHUNGNAC CITY COUNCIL	Public Administration	45	45 (100.0%)	0 (0.0%)
SIG WOLD STORAGE & TRANSFER IN	Trans., Comm., Util.	110	99 (90.0%)	11 (10.0%)
SILVER BAY LOGGING INC	Manufacturing	424	224 (52.8%)	200 (47.2%)
SILVER LINING SEAFOODS LTD	Manufacturing	262	145 (55.3%)	117 (44.7%)
SILVER SPUR	Retail Trade	76	58 (76.3%)	18 (23.7%)
SILVERBOW INN/PTARMIGAN PTOURS	Services	51	45 (88.2%)	6 (11.8%)
SILVERTIP LODGES INC	Services	21	9 (42.9%)	12 (57.1%)
SITKA BORO SCHOOL DIST	Services	370	360 (97.3%)	10 (2.7%)
SITKA CITY & BOROUGH OF	Public Administration	198	184 (92.9%)	14 (7.1%)
SITKA COMMUNITY ASSOC 90026	Services	88	83 (94.3%)	5 (5.7%)
SITKA COMMUNITY HOSPITAL	Services	128	118 (92.2%)	10 (7.8%)
SITKA PARENTS ASSOCIATION	Services	90	81 (90.0%)	9 (10.0%)
SITKA SOUND OIL/SEAFOODS INC	Manufacturing	553	382 (69.1%)	171 (30.9%)
SIVUQAO INC	Services	44	41 (93.2%)	3 (6.8%)
SIZZLER FAM STEAK HSE/SOLDOTNA	Retail Trade	112	96 (85.7%)	16 (14.3%)
SKAGWAY AIR SERVICE INC	Trans., Comm., Util.	32	27 (84.4%)	5 (15.6%)
SKAGWAY CITY OF	Public Administration	34	33 (97.1%)	1 (2.9%)
SKAGWAY CITY SCHOOL DISTRICT	Services	43	39 (90.7%)	4 (9.3%)
SKIPPERS SEAFOOD & CHOWDER HCU	Retail Trade	199	175 (87.9%)	24 (12.1%)
SKW/ESKIMOS INC	Construction	202	186 (92.1%)	16 (7.9%)
SLETAGER INC	Construction	47	40 (85.1%)	7 (14.9%)
SMALL WORLD INC	Services	100	82 (82.0%)	18 (18.0%)
SMITH ENTERPRISES INC	Retail Trade	64	50 (78.1%)	14 (21.9%)
SMYTH MOVING SERVICE INC	Trans., Comm., Util.	50	48 (96.0%)	2 (4.0%)
SNOPAC PRODUCTS INC	Manufacturing	128	6 (4.7%)	122 (95.3%)
SNOW WHITE (01/88-09/88)	Services	109	105 (96.3%)	4 (3.7%)
SNOW WHITE CLEANERS	Services	57	56 (98.2%)	1 (1.8%)
SO SE REG AQUACULTURE ASSOC IN	Services	64	46 (71.9%)	18 (28.1%)
SODERBERG LOG & CONST CO	Construction	62	42 (67.7%)	20 (32.3%)
SOLDOTNA CITY OF	Public Administration	51	49 (96.1%)	2 (3.9%)
SOLDOTNA DAIRY QUEEN	Retail Trade	43	38 (88.4%)	5 (11.6%)
SOJIC CABLE TELEVISION OF AK	Trans., Comm., Util.	120	113 (94.2%)	7 (5.8%)
SONICS EXPLORATION INC	Mining	115	85 (73.9%)	30 (26.1%)
SOURDOUGH BROADCASTERS INC	Trans., Comm., Util.	34	29 (85.3%)	5 (14.7%)
SOURDOUGH EXPRESS INC	Trans., Comm., Util.	102	96 (94.1%)	6 (5.9%)
SOURDOUGH FUEL	Retail Trade	30	28 (93.3%)	2 (6.7%)
SOURDOUGH MINING CO INC	Retail Trade	231	197 (85.3%)	34 (14.7%)
SOUTH COAST INC	Construction	323	245 (75.9%)	78 (24.1%)
SOUTH EASTERN ALASKA BROADCAST	Trans., Comm., Util.	29	24 (82.8%)	5 (17.2%)
SOUTH NAKNEK SEAFOODS INC	Manufacturing	161	33 (20.5%)	128 (79.5%)
SOUTH PENINSULA HOSPITAL INC	Services	186	167 (89.8%)	19 (10.2%)
SOUTHCENTRAL AIR INC	Trans., Comm., Util.	188	167 (88.8%)	21 (11.2%)
SOUTHCENTRAL FOUNDATION	Services	52	52 (100.0%)	0 (0.0%)
SOUTHCENTRAL INSURANCE INC	Finance, Ins. and R.E.	20	20 (100.0%)	0 (0.0%)
SOUTHEAST ISLAND SCHOOL DIST	Services	311	278 (89.4%)	33 (10.6%)

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SOUTHEAST SENIOR SVC	Services	204	195 (95.6%)	9 (4.4%)
SOUTHEAST STEVEDORING CORP	Trans., Comm., Util.	865	804 (92.9%)	61 (7.1%)
SOUTHWEST REGION SCHOOLS	Services	426	415 (97.4%)	11 (2.6%)
SPECIAL EDUCATION SVC AGENCY	Services	46	41 (89.1%)	5 (10.9%)
SPEEDY AUTO GLASS	Services	33	32 (97.0%)	1 (3.0%)
SPENARD AUTO SUPPLY INC	Wholesale Trade	87	80 (92.0%)	7 (8.0%)
SPENARD BUILDERS SUPPLY INC	Retail Trade	51	481 (93.8%)	32 (6.2%)
SPENARD KIDDY DROP THE	Services	75	62 (82.7%)	13 (17.3%)
SPORTSWEST INC	Retail Trade	74	69 (93.2%)	5 (6.8%)
SPRING VALLEY INC	Construction	50	44 (88.0%)	6 (12.0%)
SO CONSTRUCTION	Construction	55	47 (85.5%)	8 (14.5%)
SQUIRE SHOP INC OF ALASKA THE	Retail Trade	57	51 (89.5%)	6 (10.5%)
ST ANNS NURSING HOME INC	Services	130	118 (90.8%)	12 (9.2%)
ST ELIAS OCEAN PRODUCTS	Manufacturing	330	125 (37.9%)	205 (62.1%)
ST ELIZABETH ANN SETON CORP OF	Services	32	27 (84.4%)	5 (15.6%)
ST GEORGE CITY OF	Public Administration	38	35 (92.1%)	3 (7.9%)
ST JUDE CENTER INC	Services	61	53 (86.9%)	8 (13.1%)
ST MARY'S SCHOOL DISTRICT	Services	105	100 (95.2%)	5 (4.8%)
ST MARYS CITY OF	Public Administration	67	67 (100.0%)	0 (0.0%)
ST MICHAEL CITY OF	Public Administration	56	50 (89.3%)	6 (10.7%)
ST NICHOLAS WATER PRO CRAIG CI	Construction	40	36 (90.0%)	4 (10.0%)
ST PAUL CITY OF	Public Administration	111	103 (92.8%)	8 (7.2%)
STALEY DELISIO COOK & SHERRY I	Services	49	47 (95.9%)	2 (4.1%)
STALLONES	Retail Trade	34	33 (97.1%)	1 (2.9%)
STANLEY SMITH SECURITY INC	Services	316	272 (86.1%)	44 (13.9%)
STATE FARM FIRE & CASUALTY CO	Finance, Ins. and R.E.	29	27 (93.1%)	2 (6.9%)
STATE FARM MUTUAL AUTO INS CO	Finance, Ins. and R.E.	71	66 (95.8%)	3 (4.2%)
STATE OF AK DEPT OF ADMIN	Public Administration	16,994	16,393 (96.5%)	601 (3.5%)
STATEWIDE SVCS INC	Retail Trade	273	244 (89.4%)	29 (10.6%)
STEBBINS CITY COUNCIL	Public Administration	58	57 (98.3%)	1 (1.7%)
STEEL ENGR & ERECTION INC	Construction	53	50 (94.3%)	3 (5.7%)
STENFORD CORPORATION	Retail Trade	38	28 (73.7%)	10 (26.3%)
STEPHAN FINE ARTS INC	Retail Trade	48	45 (93.8%)	3 (6.3%)
STEPHEN D ROUTH PC	Services	65	62 (95.4%)	3 (4.6%)
STEVENS MAC ARLS/LATITUDE 62	Services	29	26 (89.7%)	3 (10.3%)
STEWART TITLE CO OF AK	Finance, Ins. and R.E.	49	48 (98.0%)	1 (2.0%)
STOP SHOP & SAVE INC	Retail Trade	81	76 (93.8%)	5 (6.2%)
STRAND INCORPORATED	Construction	115	112 (97.4%)	3 (2.6%)
SULLIVAN INCORPORATED	Manufacturing	133	74 (55.6%)	59 (44.4%)
SUMMIT LAKE LODGE	Retail Trade	35	20 (57.1%)	15 (42.9%)
SUMMIT PAVING & CONSTR INC	Construction	28	26 (92.9%)	2 (7.1%)
SUNSET INN	Retail Trade	123	101 (82.1%)	22 (17.9%)
SUNSHINE SCHOOLS	Services	104	91 (87.5%)	13 (12.5%)
SUNSHINE TRAVEL INC	Trans., Comm., Util.	36	36 (100.0%)	0 (0.0%)
SUPER 8 MOTEL OF KETCHIKAN	Services	49	41 (83.7%)	8 (16.3%)
SUPER VALU	Retail Trade	203	180 (88.7%)	23 (11.3%)
SUPERIOR MILLWORK INC	Manufacturing	34	31 (91.2%)	3 (8.8%)
SUPERIOR PLBG & HTG INC	Construction	54	48 (88.9%)	6 (11.1%)
SURVYORS EXCHANGE	Wholesale Trade	45	44 (97.8%)	1 (2.2%)

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SUSITNA GIRL SCOUTS	Services	69	52 (75.4%)	17 (24.6%)
SUTLIFFS HARDWARE INC	Retail Trade	58	53 (91.4%)	5 (8.6%)
SVERDRUP CORP	Services	106	88 (83.0%)	18 (17.0%)
SWALLING CONSTRUCTION CO INC	Construction	54	51 (94.4%)	3 (5.6%)
SWINGER BOOK STORE	Retail Trade	44	36 (81.8%)	8 (18.2%)
T C I LTD	Construction	75	65 (86.7%)	10 (13.3%)
T FERGUSON CONSTRUCT INC	Construction	37	27 (73.0%)	10 (27.0%)
T N T EXCAVATION INC	Manufacturing	113	80 (70.8%)	33 (29.2%)
T&E ENTERPRISES INC	Retail Trade	41	31 (75.6%)	10 (24.4%)
TACKS GENERAL STORE	Retail Trade	36	35 (97.2%)	1 (2.8%)
TAG COMPANY INC	Retail Trade	51	41 (80.4%)	10 (19.6%)
TAG/WILSYK	Retail Trade	133	105 (78.9%)	28 (21.1%)
TAIYO FISHERY CO LTD	Manufacturing	30	0 (0.0%)	30 (100.0%)
TANADGUSIX CORPORATION	Finance, Ins. and R.E.	43	43 (100.0%)	0 (0.0%)
TANAINA CHILD DEVELOPMENT CNTR	Services	49	46 (93.9%)	3 (6.1%)
TANANA CHIEFS CONFERENCE INC	Services	755	739 (97.9%)	16 (2.1%)
TANANA CITY OF	Public Administration	142	126 (88.7%)	16 (11.3%)
TANANA CITY SCHOOL DIST	Services	75	69 (92.0%)	6 (8.0%)
TANANA VALLEY MED SURG GRP INC	Services	175	169 (96.6%)	6 (3.4%)
TANANA VALLEY STATE FAIR ASSN	Services	151	117 (77.5%)	34 (22.5%)
TAQUAN AIR SERVICE INC	Trans., Comm., Util.	64	53 (82.8%)	11 (17.2%)
TATSUDAS SUPERMARKET INC	Retail Trade	87	78 (89.7%)	9 (10.3%)
TAYWOOD-BERG-RIEDEL JV	Construction	539	447 (82.9%)	92 (17.1%)
TCBY YOGURT	Retail Trade	202	186 (92.1%)	16 (7.9%)
TEAM SEAFOODS INC	Manufacturing	210	132 (62.9%)	78 (37.1%)
TECHNICAL CONTRACTOR INC	Construction	109	99 (90.8%)	10 (9.2%)
TELEPHONE UTILITIES OF AK INC	Trans., Comm., Util.	38	38 (100.0%)	0 (0.0%)
TELEPHONE UTILITIES OF NRTHLND	Trans., Comm., Util.	238	226 (95.0%)	12 (5.0%)
TEMPURA KITCHEN INC	Retail Trade	36	32 (88.9%)	4 (11.1%)
TEMSCO HELICOPTERS INC	Trans., Comm., Util.	365	289 (79.2%)	76 (20.8%)
TENAKEE SPRINGS CITY OF	Public Administration	33	31 (93.9%)	2 (6.1%)
TESORO AKN PETRO CORP	Wholesale Trade	188	185 (98.4%)	3 (1.6%)
TESTER DRILLING SERVICES	Construction	68	58 (85.3%)	10 (14.7%)
THOMPSONS CORNER	Retail Trade	56	47 (83.9%)	9 (16.1%)
THRIFTY CAR RENTAL	Services	42	40 (95.2%)	2 (4.8%)
TIGARA CORPORATION	Retail Trade	71	67 (94.4%)	4 (5.6%)
TIKCHIK NARROWS LODGE INC	Services	33	10 (30.3%)	23 (69.7%)
TIKI COVE/BLACK ANGUS/POL	Services	90	71 (78.9%)	19 (21.1%)
TIP TOP CHEVROLET INC	Retail Trade	82	75 (91.5%)	7 (8.5%)
TLC INC	Ag., For., and Fishing	43	40 (93.0%)	3 (7.0%)
TLINGIT & HAIDA REG ELEC AUTH	Trans., Comm., Util.	26	24 (92.3%)	2 (7.7%)
TLINGIT HAIDA REG HOUSING AUTH	Finance, Ins. and R.E.	100	95 (95.0%)	5 (5.0%)
TMI MANAGEMENT INC	Services	29	27 (93.1%)	2 (6.9%)
TMSTRS LOCAL 959	Services	92	91 (98.9%)	1 (1.1%)
TMT MANAGEMENT COMPANY	Services	666	565 (84.8%)	101 (15.2%)
TOGIAK CITY OF	Public Administration	95	86 (90.5%)	9 (9.5%)
TOGIAK FISHERIES INC	Manufacturing	149	96 (64.4%)	53 (35.6%)
TOK COMMUNITY UMBRELLA CORP	Services	29	27 (93.1%)	2 (6.9%)
TOKSOOK BAY CITY OF	Public Administration	121	117 (96.7%)	4 (3.3%)

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Source: Alaska Department of Labor
Date: 24 November 89

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TOKSOOK BAY TRADITIONAL COUNCI	Services	89	87 (97.8%)	2 (2.2%)
TOM SAWYERS INC	Retail Trade	56	42 (75.0%)	14 (25.0%)
TOM THUMB MONTESSORI SCH AKN L	Services	31	30 (96.8%)	1 (3.2%)
TONGASS TRADING CO/OUTFITTER	Retail Trade	94	84 (89.4%)	10 (10.6%)
TONY ROMAS OF ANCHORAGE	Retail Trade	97	76 (78.4%)	21 (21.6%)
TOOKALOOK SALES INC	Retail Trade	28	26 (92.9%)	2 (7.1%)
TOP AUTO STORES INC	Retail Trade	146	126 (86.3%)	20 (13.7%)
TOP FLITE LAUNDRY SVC INC	Services	63	60 (95.2%)	3 (4.8%)
TOPPERS OIL CORP INC	Retail Trade	198	184 (92.9%)	14 (7.1%)
TOTAL ELECTRIC SUPPLY CO	Wholesale Trade	23	22 (95.7%)	1 (4.3%)
TOTEM INN INC	Services	157	111 (70.7%)	46 (29.3%)
TOTEM OCEAN TRLR EXP INC	Trans., Comm., Util.	42	42 (100.0%)	0 (0.0%)
TOUCHE ROSS & CO	Services	54	52 (96.3%)	2 (3.7%)
TOUR ALASKA INC	Trans., Comm., Util.	87	67 (77.0%)	20 (23.0%)
TOWA AMERICA INC	Wholesale Trade	65	47 (72.3%)	18 (27.7%)
TRACK & TRAIL	Retail Trade	42	35 (83.3%)	7 (16.7%)
TRADING POST INC THE	Retail Trade	32	28 (87.5%)	4 (12.5%)
TRADING UNION INC THE	Retail Trade	53	49 (92.5%)	4 (7.5%)
TRAILER CRAFT INC	Wholesale Trade	30	28 (93.3%)	2 (6.7%)
TRAILS NORTH INC	Trans., Comm., Util.	25	22 (88.0%)	3 (12.0%)
TRANSALASKA DATA SYSTEMS INC	Wholesale Trade	178	170 (95.5%)	8 (4.5%)
TRANSAMER TITLE INS CO	Finance, Ins. and R.E.	39	36 (92.3%)	3 (7.7%)
TRANSIT MIX AK	Manufacturing	38	30 (78.9%)	8 (21.1%)
TRAVEL ACADEMY THE	Services	37	36 (97.3%)	1 (2.7%)
TRAVEL CENTER INC	Trans., Comm., Util.	127	122 (96.1%)	5 (3.9%)
TRAVEL ENTERPRISES INC	Trans., Comm., Util.	43	41 (95.3%)	2 (4.7%)
TREND CONST & BREEZE INN MOTEL	Construction	172	127 (73.8%)	45 (26.2%)
TRF MANAGEMENT CORP	Services	54	51 (94.4%)	3 (5.6%)
TRI CON MINING INC	Mining	62	62 (100.0%)	0 (0.0%)
TRI R PROF NURSING SVC INC	Services	65	54 (83.1%)	11 (16.9%)
TRI STATE OIL TOOL INC	Services	31	18 (58.1%)	13 (41.9%)
TRIDENT SEAFOODS CORPORATION	Manufacturing	2,000	406 (20.3%)	1,594 (79.7%)
TRIPP INC	Retail Trade	38	32 (84.2%)	6 (15.8%)
TROY AIR INC	Trans., Comm., Util.	38	36 (94.7%)	2 (5.3%)
TRYCK NYMAN & HAYES	Services	62	60 (96.8%)	2 (3.2%)
TUBOSCOPE INC	Services	24	23 (95.8%)	1 (4.2%)
TUNDRA TOURS INC	Trans., Comm., Util.	160	157 (98.1%)	3 (1.9%)
TUNUNAK CITY OF	Public Administration	71	66 (93.0%)	5 (7.0%)
TURNAGAIN CHEVRON SERVICE	Retail Trade	39	34 (87.2%)	5 (12.8%)
TURNER CONST CO INC OF AK	Construction	40	15 (37.5%)	25 (62.5%)
U I C CONSTRUCTION INC	Construction	369	347 (94.0%)	22 (6.0%)
U S MARINE CORPORATION	Ag., For., and Fishing	34	30 (88.2%)	4 (11.8%)
U-HAUL CO OF ALASKA	Services	77	66 (85.7%)	11 (14.3%)
UDELHOVEN OILFIELD SYSTEM SVC	Construction	388	297 (76.5%)	91 (23.5%)
UKPEAGVIK INUPIAT CORPORATION	Finance, Ins. and R.E.	125	117 (93.6%)	8 (6.4%)
ULMER BURGESS INC	Retail Trade	38	34 (89.5%)	4 (10.5%)
ULTIMATE SECURITY & DETECTIVE	Services	65	55 (84.6%)	10 (15.4%)
ULTRA TECHNOLOGY INC	Services	52	42 (80.8%)	10 (19.2%)
UNALAKLEET CITY OF	Public Administration	73	70 (95.9%)	3 (4.1%)

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UNALAKLEET NATIVE CORP	Retail Trade	73	70 (95.9%)	3 (4.1%)
UNALASKA CITY OF	Public Administration	116	102 (87.9%)	14 (12.1%)
UNALASKA SCHOGL BOARD	Services	65	60 (92.3%)	5 (7.7%)
UNCLES INC	Retail Trade	35	26 (74.3%)	9 (25.7%)
UNDERWATER CONSTRUCTION INC	Construction	161	136 (84.5%)	25 (15.5%)
UNION OIL CO OF CALIFORNIA	Mining	468	460 (98.3%)	8 (1.7%)
UNISEA INC	Manufacturing	639	186 (29.1%)	453 (70.9%)
UNISYS CORP	Wholesale Trade	29	27 (93.1%)	2 (6.9%)
UNITEC CONSTR INC	Construction	50	47 (94.0%)	3 (6.0%)
UNITED AIR LINES INC	Trans., Comm., Util.	99	96 (97.0%)	3 (3.0%)
UNITED ENGINEERS & CONSTR INC	Services	21	1 (4.8%)	20 (95.2%)
UNITED FOOD SERVICES INC	Services	218	15 (6.9%)	203 (93.1%)
UNITED HEALTHSERV INC	Services	121	96 (79.3%)	25 (20.7%)
UNITED LUMBER CO INC	Retail Trade	153	143 (93.5%)	10 (6.5%)
UNITED PARCEL SVC INC	Trans., Comm., Util.	306	290 (94.8%)	16 (5.2%)
UNITED UTILITIES INC	Trans., Comm., Util.	234	222 (94.9%)	12 (5.1%)
UNIVERSAL MOTORS INC	Retail Trade	102	95 (93.1%)	7 (6.9%)
UNIVERSAL SERVICES	Retail Trade	399	304 (76.2%)	95 (23.8%)
UNIVERSITY OF ALASKA	Services	6,775	6,338 (93.5%)	437 (6.5%)
UNIVERSITY OF LA VERNE/PAYROLL	Services	41	32 (78.0%)	9 (22.0%)
UNWIN SCHEBEN KORYNTA HUETTL I	Services	57	54 (94.7%)	3 (5.3%)
UPPER TANANA DEVELOPMENT CORP	Services	51	49 (96.1%)	2 (3.9%)
UPTOWN MOTEL	Services	110	90 (81.8%)	20 (18.2%)
URSIN SEAFOODS INC	Manufacturing	544	394 (72.4%)	150 (27.6%)
USIBELLI COAL MINE INC	Mining	118	115 (97.5%)	3 (2.5%)
UTILITY COMPANY INC	Construction	27	25 (92.6%)	2 (7.4%)
V F GRACE INC	Wholesale Trade	106	97 (91.5%)	9 (8.5%)
VALDEZ CITY OF	Public Administration	259	238 (91.9%)	21 (8.1%)
VALDEZ CITY SCHOOLS	Services	214	211 (98.6%)	3 (1.4%)
VALDEZ CREEK MINING CO INC	Mining	249	210 (84.3%)	39 (15.7%)
VALDEZ FISHERIES DEVELOP ASSN	Ag., For., and Fishing	80	50 (62.5%)	30 (37.5%)
VALDEZ FOODMART	Retail Trade	48	44 (91.7%)	4 (8.3%)
VALDEZ TASTEE FREEZ	Retail Trade	33	28 (84.8%)	5 (15.2%)
VALLEY HOSPITAL	Services	266	251 (94.4%)	15 (5.6%)
VALLEY HOTEL	Services	78	73 (93.6%)	5 (6.4%)
VALLEY LANES & GOLDEN NUGGET	Services	35	34 (97.1%)	1 (2.9%)
VALLEY MEDICAL CARE PC	Services	31	27 (87.1%)	4 (12.9%)
VALUE VILLAGE	Retail Trade	86	78 (90.7%)	8 (9.3%)
VAN DUSEN AIRPORT SVCS CO LTD	Trans., Comm., Util.	24	24 (100.0%)	0 (0.0%)
VECO INC	Mining	2,256	1,734 (76.9%)	522 (23.1%)
VIDEO EXPRESS	Services	75	60 (80.0%)	15 (20.0%)
VILLAGE INC THE	Retail Trade	40	34 (85.0%)	6 (15.0%)
VILLAGE INN INC	Services	170	129 (75.9%)	41 (24.1%)
VILLAGE INN PANCAKE HOUSE	Retail Trade	167	143 (85.6%)	24 (14.4%)
VIVA LA PASTA	Retail Trade	196	167 (85.2%)	29 (14.8%)
VOLUNTEERS OF AMER	Services	46	42 (91.3%)	4 (8.7%)
VRCA ENVIRONMENTAL SVCS INC	Trans., Comm., Util.	125	90 (72.0%)	35 (28.0%)
W R GRASLE CO	Construction	114	100 (87.7%)	14 (12.3%)
WACKENHUT OF ALASKA INC	Services	121	91 (75.2%)	30 (24.8%)

Note: A resident is an employee who either received a 1988 or applied for a 1989 permanent fund dividend.

Employee Residency Status
For Employers With 20 or More Workers
In Alaska - 1988

Employer	Industry	Total Employees	Resident Employees	Nonresident Employees
WADE & DE YOUNG APC	Services	36	35 (97.2%)	1 (2.8%)
WADE OIL FIELD SERVICE CO INC	Mining	207	187 (90.3%)	20 (9.7%)
WALASHEK IND	Manufacturing	65	28 (43.1%)	37 (56.9%)
WALDENBOOK CO INC	Retail Trade	97	89 (91.8%)	8 (8.2%)
WALLACES BAKE SHOP CAFE & ICEC	Retail Trade	65	56 (86.2%)	9 (13.8%)
WALSKY CONSTRUCTION CO	Construction	96	67 (69.8%)	29 (30.2%)
WANG LABORATORIES INC	Wholesale Trade	35	33 (94.3%)	2 (5.7%)
WARDS COVE PACKING CO INC	Manufacturing	1,856	643 (34.6%)	1,213 (65.4%)
WARNING LITES OF ALASKA INC	Services	27	25 (92.6%)	2 (7.4%)
WASHINGTON ACOUSTICAL CO INC	Wholesale Trade	42	18 (42.9%)	24 (57.1%)
WASILLA CITY OF	Public Administration	59	57 (96.6%)	2 (3.4%)
WASILLA DENTAL CENTER INC	Services	32	31 (96.9%)	1 (3.1%)
WATERFALL GROUP LTD THE	Services	227	124 (54.6%)	103 (45.4%)
WATTERSON CONSTRUCTION INC	Construction	52	51 (98.1%)	1 (1.9%)
WAYLAND BAPTIST UNIVERSITY	Services	89	67 (75.3%)	22 (24.7%)
WAYNE CONSTRUCTION INC	Construction	40	35 (87.5%)	5 (12.5%)
WEAVER BROTHERS INC	Trans., Comm., Util.	39	34 (87.2%)	5 (12.8%)
WEBCO ALASKA INC	Wholesale Trade	32	30 (93.8%)	2 (6.3%)
WEIGHT WATCHERS OF ALASKA INC	Services	80	77 (96.3%)	3 (3.8%)
WEL ASKA CORPORATION	Trans., Comm., Util.	75	54 (72.0%)	21 (28.0%)
WENDY'S RESTAURANT	Retail Trade	95	82 (86.3%)	13 (13.7%)
WENDYS OLD FASHION HAMBURGERS	Retail Trade	53	40 (75.5%)	13 (24.5%)
WENDYS OLD FASHIONED HAMBURGER	Retail Trade	851	561 (65.9%)	290 (34.1%)
WENDYS OLD FASHIONED HAMBURGER	Retail Trade	104	89 (85.6%)	15 (14.4%)
WESLEYAN NURSING HOME INC	Services	85	80 (94.1%)	5 (5.9%)
WEST COAST STEVEDORING CORP	Trans., Comm., Util.	93	90 (96.8%)	3 (3.2%)
WESTMARK HOTELS INC	Services	1,946	1,563 (80.3%)	383 (19.7%)
WESTOURS INC	Services	166	119 (71.7%)	47 (28.3%)
WESTOURS MOTORCOACHES INC	Trans., Comm., Util.	509	389 (76.4%)	120 (23.6%)
WESTWARD TRADING COMPANY INC	Retail Trade	88	78 (88.6%)	10 (11.4%)
WETCO INC	Wholesale Trade	91	74 (81.3%)	17 (18.7%)
WGM INC	Services	73	62 (84.9%)	11 (15.1%)
WHALER THE	Retail Trade	40	31 (77.5%)	9 (22.5%)
WHITE MT LODGE	Services	28	26 (92.9%)	2 (7.1%)
WHITESTONE LOGGING INC	Manufacturing	453	265 (58.5%)	188 (41.5%)
WHITNEY FOODS	Manufacturing	386	305 (79.0%)	81 (21.0%)
WHITTIER CITY OF	Public Administration	86	79 (91.9%)	7 (8.1%)
WICK CONSTRUCTION CO INC	Construction	82	69 (84.1%)	13 (15.9%)
WILBURS FLIGHT OPERATIONS	Trans., Comm., Util.	111	101 (91.0%)	10 (9.0%)
WILDER CONSTRUCTION CO INC	Construction	273	247 (90.5%)	26 (9.5%)
WILLIAM STEWART ENTERPRISES	Finance, Ins. and R.E.	175	153 (87.4%)	22 (12.6%)
WILSON CONSTRUCTION INC	Construction	54	43 (79.6%)	11 (20.4%)
WILSYK INC	Services	370	321 (86.8%)	49 (13.2%)
WINDANCE FISHERIES	Ag., For., and Fishing	40	15 (37.5%)	25 (62.5%)
WINDFALL GOLD MINING CORP	Mining	47	15 (31.9%)	32 (68.1%)
WINDJAMMER SEAFOODS	Manufacturing	70	51 (72.9%)	19 (27.1%)
WINEGARDNER INC	Services	174	160 (92.0%)	14 (8.0%)
WINGS OF ALASKA	Trans., Comm., Util.	73	63 (86.3%)	10 (13.7%)
WINK INTL GEO TECH INC	Construction	61	42 (68.9%)	19 (31.1%)

Note: A resident is an employee who either received a 1989 or applied for a 1989 permanent fund dividend.

Employee Residency Status
For Employers With 20 or More Workers
In Alaska - 1988

Employer	Industry	Total Employees	Resident Employees	Nonresident Employees
WM A EGAN CIVIC & CONVENTN CIR	Finance, Ins. and R.E.	174	152 (87.4%)	22 (12.6%)
WMCO-WILDERNESS MUSEUM CORP	Retail Trade	32	32 (100.0%)	0 (0.0%)
WODLINGER DRUG & PHOTO	Retail Trade	44	40 (90.9%)	4 (9.1%)
WOHLFORTH ARGETSINGER JOHNSON	Services	43	39 (90.7%)	4 (9.3%)
WOLVERINE SUPPLY INC	Construction	45	39 (86.7%)	6 (13.3%)
WOMEN IN CRISIS INC	Services	41	39 (95.1%)	2 (4.9%)
WOODARD CONSTRUCTION CO INC	Construction	57	55 (96.5%)	2 (3.5%)
WOODBINE AK FISH CO	Manufacturing	131	26 (19.8%)	105 (80.2%)
WOODWARD CLYDE CONSULTANTS INC	Services	25	23 (92.0%)	2 (8.0%)
WORLD EXPRESS TRAVEL INC	Trans., Comm., Util.	58	56 (96.6%)	2 (3.4%)
WORLD WIDE MOVERS INC	Trans., Comm., Util.	148	129 (87.2%)	19 (12.8%)
WORMALD FIRE SYSTEM INC	Construction	29	26 (89.7%)	3 (10.3%)
WRANGELL CITY OF	Public Administration	124	119 (96.0%)	5 (4.0%)
WRANGELL FISHERIES INC	Manufacturing	137	116 (84.7%)	21 (15.3%)
WRANGELL FOREST PRODUCTS LTD	Manufacturing	861	564 (65.5%)	297 (34.5%)
WRANGELL GEN HOSP & LONG TERM	Services	58	54 (93.1%)	4 (6.9%)
WRANGELL PUBLIC SCHOOLS	Services	111	108 (97.3%)	3 (2.7%)
WRANGELL STEVEDORING CORP	Trans., Comm., Util.	51	49 (96.1%)	2 (3.9%)
WRIGHT AIR SERVICE INC	Trans., Comm., Util.	27	25 (92.6%)	2 (7.4%)
WRIGHT SCHUCHART INC	Construction	69	56 (81.2%)	13 (18.8%)
WRIGHT SVCS INC	Services	121	101 (83.5%)	20 (16.5%)
WSTN AK CONTRACTORS J/V	Construction	179	55 (69.6%)	24 (30.4%)
WSTN AK COU BOY SCOUTS OF AMER	Services	32	30 (93.8%)	2 (6.3%)
WSTN AK FISHERIES INC	Manufacturing	200	138 (69.0%)	62 (31.0%)
WSTN ATLAS INTERNATIONAL IN	Mining	257	190 (73.9%)	67 (26.1%)
WSTN AUTO ASSOCIATE STORE	Retail Trade	39	35 (89.7%)	4 (10.3%)
WSTN ENTERPRISES INC	Construction	48	44 (91.7%)	4 (8.3%)
WSTN FISH PRODUCERS INC	Manufacturing	83	3 (3.6%)	80 (96.4%)
WSTN MECHANICAL INC	Construction	39	38 (97.4%)	1 (2.6%)
WSTN PIONEER INC	Retail Trade	340	189 (55.6%)	151 (44.4%)
WTN GOLD EXPLORATION & MINING	Mining	223	162 (72.6%)	61 (27.4%)
WYATT INC	Retail Trade	54	48 (88.9%)	6 (11.1%)
XCEL SERVICES INC	Services	74	61 (82.4%)	13 (17.6%)
XEROX CORPORATION	Wholesale Trade	118	103 (87.3%)	15 (12.7%)
YAK INC	Manufacturing	272	80 (29.4%)	192 (70.6%)
YAKUTAT CITY OF	Public Administration	27	25 (92.6%)	2 (7.4%)
YAKUTAT CITY SCHOOL DISTRICT	Services	58	56 (96.6%)	2 (3.4%)
YES BAY LODGE	Services	32	12 (37.5%)	20 (62.5%)
YESTERDAYS RESTAURANT & SALOON	Retail Trade	242	196 (81.0%)	46 (19.0%)
YMCA OF ANCHORAGE	Services	174	162 (93.1%)	12 (6.9%)
YUKON DELTA FISH MARKET COOP	Manufacturing	194	174 (89.7%)	20 (10.3%)
YUKON FLATS SCHOOL DISTRICT	Services	293	277 (94.5%)	16 (5.5%)
YUKON KOYUKUK SCHOOL DIST	Services	381	373 (97.9%)	8 (2.1%)
YUKON KUSKOKWIM HEALTH CORP 90	Services	468	453 (96.8%)	15 (3.2%)
YUKON OFFICE SUPPLY	Wholesale Trade	71	58 (81.7%)	13 (18.3%)
YUKON OFFICE SUPPLY INC	Wholesale Trade	358	335 (93.6%)	23 (6.4%)
YUKON VENTURES AK	Services	26	22 (84.6%)	4 (15.4%)
YUPIIT SCHOOL DISTRICT	Services	214	206 (96.3%)	8 (3.7%)
YUTANA BARGE LINES INC	Trans., Comm., Util.	121	90 (74.4%)	31 (25.6%)

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Employee Residency Status
 For Employers With 20 or More Workers
 In Alaska - 1988

Employer	Industry	Total Employees	Resident Employees	Nonresident Employees
YUTE AIR ALASKA INC	Trans., Comm., Util.	50	31 (62.0%)	19 (38.0%)
ZALE DELEWARE INC	Retail Trade	166	148 (89.2%)	18 (10.8%)
ZAN INC	Retail Trade	79	66 (83.5%)	13 (16.5%)
ZAT INC	Retail Trade	88	77 (87.5%)	11 (12.5%)
ZEMAN LOGGING NORTH INC	Manufacturing	123	54 (43.9%)	69 (56.1%)
ZEPPUS	Retail Trade	44	38 (86.4%)	6 (13.6%)
ZUBECK INC	Construction	59	56 (94.9%)	3 (5.1%)

Note: A resident is an employee who either received a 1989 or applied for a 1989 permanent fund dividend.

Richard D. Pomp is the Director of the New York Tax Reform Commission and Professor of Law at the University of Connecticut School of Law. This article is based on a speech delivered at the 1983 National Conference of State Tax Administrators. The views expressed do not necessarily represent those of any group with which the author is associated.

NOTES

48. For an attempt at measuring the effectiveness of these provisions using computer modeling and microsimulations, see Staff Report *supra* note 9. That report underscores and reinforces nearly three decades of learning indicating that state taxation does not play a significant role in business locational decision making. The reason why legislative forays into the business tax laws of a state are unlikely to be successful can be summarized as follows. First, innumerable factors are important to a business in its decision where to locate. Depending on the type of business at issue, the locational decision can be influenced by plant or site availability, access to transportation, the quality of labor, proximity to markets and supplies, access to utilities, the regulatory environment, the quality of a state's schools, colleges or universities, the availability of housing, or a state's ambiance and quality of life. In a particular situation, one or more of these considerations may be determinative.

Second, taxes are only one of the many costs of doing business and the magnitude of these other costs may easily swamp the amount of state taxes involved. For example, based on an analysis by the staff of the New York Tax Study Commission of those corporations which allocate their income for purposes of the State franchise tax, a group that contributes approximately 70% of the corporate tax revenues, labor costs in New York are 53 times as large as their State corporate tax payments. A 2% wage differential is equivalent, therefore, to a 106% corporate tax differential. For a labor-intensive corporation, a few pennies difference in the hourly wages paid to employees might reduce its costs by more than any conceivable tax savings that would result from locating in one state rather than another. Indeed, many studies have concluded that regional differences in labor costs, construction costs, and energy costs are generally too large to be offset by differences in tax levels. See e.g., Cornia, Testa, and Stocker, *State-Local Fiscal Incentives and Economic Development*, Urban and Regional Development, Series No. 4, Academy for Contemporary Problems (1978).

Third, state and local tax payments are deductible for purposes of the federal corporate income tax. The effect of this deduction, the so called federal offset, is to reduce both the absolute burden of state and local taxes and the differences in burdens among the states. For example, consider a corporation subject to a 46% federal corporate marginal tax rate. Assume that this corporation is deciding whether to move from State A to State B. Taxes would be \$200 in State A

but would be only \$100 in State B, a \$100 difference. After taking into account the federal offset, however, the out-of-pocket cost of state taxes is \$108 in State A and \$54 in State B. The net difference in taxes between A and B is reduced to \$54 (\$108-\$54), from \$100 (\$200-\$100).

The effect of the federal offset has another important implication for policy makers. Because the federal offset reduces the value of the tax benefit that accrues to a firm from a reduction in its state taxes, some researchers have concluded that corporations favor government expenditures, such as job training and screening programs and improved transportation, over tax abatements. The former provide tax-free benefits to a corporation whereas a similar amount of tax abatement may be offset in part by an increase in its federal corporate income tax. See, e.g., Wheeler, *Interstate Differences in Tax Costs to Corporations: A Look at Some Accounting Studies*, in Michigan's Fiscal and Economic Structure *supra* note 1 at 275. From the perspective of a state, a tax incentive is an inefficient way to grant relief to a corporation. A state may forgo \$2 in revenue yet a corporation may, after taking into account the increase in its federal corporate income tax, receive less than \$2. The difference between what a state forgoes and what the corporation receives inures to the benefit of the federal fisc, revenue sharing in reverse.

Fourth, differences in state and local taxes may reflect differences in the level and quality of state and local public services, which also affect business locational decisions. Low taxes are not necessarily an attraction to businesses if they mean that the firm will have to supply at its own expense what is supplied through the public sector in other states or other jurisdictions. Furthermore, if low taxes means inferior schools, a state may lack the educated and literate labor force that is essential to certain types of businesses. According to some researchers, government expenditures on behalf of a firm are frequently viewed as worth more than tax abatements. *Id.* 256.

Fifth, to the extent that tax rate differentials are capitalized, their impact will be reduced. For example, low property taxes in one jurisdiction might mean that land sells for a higher price there than it would sell for in another jurisdiction having higher property taxes. In other words, land located in a high-property tax jurisdiction may sell for less than an equivalent parcel of land in a low-tax jurisdiction, assuming that differences in taxation are not reflected in differences in public services, which might also be capitalized.

Sixth, most companies contemplating a major locational decision plan to stay at their new site years longer than any group of elected officials are likely to be in office. Consequently, current tax levels, special concessions, or special features of the tax law may not be a reliable basis upon which to make a multi-million dollar investment. What one group of legislators might grant today by way of concession another might eliminate tomorrow, especially if financial conditions change significantly.

Seventh, state tax incentives may contain their own seeds of destruction. If incentives are effective at all, a state will gain only a short-lived advantage over other states that can be expected to adopt similar ones. A tax incentive that is adopted by all states, however, is equivalent in its effect on locational decisions to no incentive at all, except that tax revenue is needlessly lost. In reality, states are often afraid of letting any other state obtain an advantage and tax incentives are often adopted without evaluating the results that occurred elsewhere.

State Tax Reform for the Eighties: The New York Tax Study Commission by Richard D. Pomp

The PASS account is just one example of a state tax expenditure—investment tax credits,⁴⁵ employment incentive credits,⁴⁶ and special treatment of investments in new small businesses⁴⁷ represent other, and more costly examples of provisions directed at economic development. The temptation to use the tax system in this manner is easy to understand. Any legislature has only limited tools for intervening in a state's economy, which is primarily at the mercy of the national economy. Legislators are often frustrated at not being able to alter or control significantly the course of economic events, and the temptation to do something (or to be perceived as doing something) about the state's economy is so great that many special tax incentives get adopted without any analysis or research. Because of the political pressure to adopt these measures, the burden of proof is often not on those who propose such incentives, but rather on those spoilsports who would oppose them until evidence is presented indicating their effectiveness.⁴⁸ Ironically, it is during periods of slow economic growth that the pressure to institute these special tax provisions is the greatest,⁴⁹ but it is then that a state can least afford any inefficiency, waste, or slippage in its tax structure.



Multistate Tax Commission

REVIEW

A New York Perspective on Tax Incentives The Role of State Tax Incentives in Attracting and Retaining Business

by Richard D. Fomp*

Chief Justice Marshall once wrote that the power to tax involves the power to destroy. This essay examines the 1985 version of that statement: whether the power not to tax involves the power to create. More specifically, are state tax incentives an efficient strategy for attracting and retaining businesses and their employees?

States, municipalities, and big businesses are currently playing a high stakes game. The premise of this game is that a healthy state economy can be created (or maintained) by providing tax incentives that affect a business's locational decision.¹ If a state does not meet the going ante in terms of incentives, it runs the risk that a business will locate in areas offering greater inducements. It is a high stakes game that pits neighbor against neighbor, North against South. If tax incentives are the new ammunition in the latest war between the states, as some commentators have claimed, then the courtship of General Motors for its Saturn plant must be the most recent battle.²

The use of tax incentives is not new. Tax policymakers and theorists have concerned themselves with the impact of taxes on business activity and employment since governments began levying taxes. From the

early years of the Union, state governments have sought to influence the character and pace of economic activity with tax policy, direct expenditures, public relations, and regulations.³ During years of slow growth, states have increased their efforts to attract industry and to stimulate employment and income.

New York has actively used its tax laws in an attempt to attract and maintain businesses and their employees by adopting tax credits and other special provisions. Although these provisions may be cost-effective, the State has never demanded a rigorous or systematic evaluation either prior to or after their adoption. This failure is perhaps understandable because it is during periods of slow growth that the temptation and pressure to adopt these provisions without adequate research is greatest.⁴

In order to provide for an informed debate over the use of such provisions, and more generally to analyze the effect of New York's overall business tax structure, the Staff of the Legislative Commission on the Modernization and Simplification of Tax Administration and the Tax Law (Tax Study Commission) undertook a comprehensive study of these issues.⁵ The Staff first reviewed over 30 years of research on the factors that influence where a business locates.⁶ This body of learning suggests that locational decisions are extremely complex and that state business taxes are just one of innumerable factors that vary among jurisdictions. The majority of studies conclude that state and local business taxes do not significantly influence most business locational decisions.⁷

The Staff then attempted to determine whether this conclusion was valid regarding New York taxes. Are the State's business taxes out-of-line with those of other states so that studies on locational decisionmaking are not valid for New York? To answer this question, the impact of the corporate, sales, and property taxes on the after-tax rates of return of representative manufacturing firms was evaluated.⁸ A computer model was used to simulate a representative manufacturing firm's

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profits over a period of time both in New York and in a variety of other locations in the United States. Simulations were made under existing law and under a number of possible changes. These simulations provided a basis for evaluating the impact of the State's overall tax structure on the after-tax rates of return of various manufacturing firms and the impact of the State's investment tax credit, the employment incentive credit, the recently repealed job incentive credit, and the double-weighted receipts factor, as well as changes in the corporate tax rate, the adoption of the federal rules on depreciation (ACRS), and the adoption of a so-called throwback rule.⁹ Comparisons were made between New York and seven other states. The results of these simulations were consistent with the conclusions drawn from the literature review.

The combination of three decades of research and analysis and the microsimulations conducted specifically for New York suggest that changes in business taxes cannot be viewed as an effective means of influencing business locational decisions.¹⁰ Interstate differences in corporate, sales, and property taxes among the states do not seem to have a large impact on after-tax rates of return. The reason why changes in the State's business taxes are unlikely to be a successful policy can be summarized as follows.

First, innumerable factors are important to a business in its decision about where to locate. Depending on the type of business at issue, the locational decision can be influenced by plant or site availability,¹¹ access to financing, access to and cost of transportation,¹² quality¹³ and cost of labor,¹⁴ proximity to markets,¹⁵ the cost of utilities,¹⁶ proximity to supplies,¹⁷ proximity to other company facilities,¹⁸ the regulatory environment, the quality of a state's schools, colleges and universities,¹⁹ the cost of housing,²⁰ the level and quality of public services,²¹ and the range of other amenities that enter into the general quality of life offered.²²

Second, taxes are one of the many costs of doing business and the magnitude of these other costs may easily swamp the amount of state taxes involved. For example, a Staff analysis of those corporations which allocate their income for purposes of the State franchise tax—a group that pays approximately 70% of the corporate tax revenues—indicated that their labor costs in New York are 53 times as large as their State corporate tax payments. A 2% wage differential is equivalent in its effect on profits to a 106% corporate tax differential. For a labor-intensive corporation, a few pennies difference in the hourly wages paid to employees might reduce its costs by more than any conceivable tax savings that would result from locating in one state rather than another.²³

Third, state and local tax payments are deductible for purposes of the federal corporate income tax. The effect of this deduction—the so-called federal offset, is to reduce both the absolute burden of state and local taxes and differences in burdens among the states. For example, consider a corporation subject to 46% fed-

eral corporate marginal tax rate. Assume that this corporation is deciding whether to move from State A to State B. Taxes would be \$200 in State A but would only be \$100 in State B—a \$100 difference. After taking into account the federal offset, however, the out-of-pocket cost of state taxes is \$108 in State A and \$54 in State B. The net difference in taxes between A and B is reduced to \$54 (\$108-\$54), from \$100 (\$200-\$100).²⁴

Fourth, differences in state and local taxes may reflect differences in the level and quality of state and local public goods and services, and these goods and services also affect business locational decisions. Low taxes are not necessarily attractive to businesses if they mean that the firm will have to supply, at its own expense, what is supplied through the public sector in other states or other jurisdictions. Furthermore, if low taxes mean inferior schools, a state may lack the educated and literate labor force that is essential to certain types of businesses.²⁵ Of course, not all public goods and services are equally important to businesses.

Fifth, to the extent that tax rate differentials are capitalized, their impact will be reduced. For example, low property taxes in one jurisdiction might mean that land sells there for a higher price than it would sell for in another jurisdiction having higher property taxes. In other words, land located in a high-property tax jurisdiction may sell for less than an equivalent parcel of land in a low-tax jurisdiction, assuming that differences in taxation are not reflected in differences in public services, which might also be capitalized.²⁶

Sixth, most relocating companies plan to stay at their new site years longer than any group of elected officials is likely to be in office. Consequently, current tax levels, special concessions, or special features of the tax law may not be a reliable basis upon which to make a multi-million dollar investment. What one group of legislators might grant today by way of concession another might eliminate tomorrow, especially if financial conditions change significantly. Fiscal stability and predictability may be more important than special concessions.²⁷

Seventh, a state tax incentive that is granted by way of incorporating a similar federal provision may have no impact on a firm's decisionmaking if the future of the federal provision itself is in jeopardy. For example, states have been urged to adopt the federal provisions on depreciation (ACRS) in order to provide a tax incentive to businesses. Because the U.S. Treasury has proposed eliminating ACRS, it is highly unlikely that any business would make a major investment decision on the basis of whether a state had adopted ACRS.²⁸

Eighth, state tax incentives may contain their own seeds of destruction. If incentives are effective at all, a state will gain only a short-lived advantage over other states because the latter can be expected to adopt similar ones.²⁹ A tax incentive that is adopted by all states is equivalent to no incentive at all, except that tax revenue is needlessly lost. In reality, however, states

are afraid of letting any other state obtain an advantage, and thus tax incentives are often adopted without evaluating the results that occurred elsewhere.

Ninth, some executives charged with the locational decision may be uninformed about the existence of tax incentives. For example, one researcher found that most firms were unaware of whether tax incentives even existed when making their locational decisions. In the case of those firms which were aware, only a small portion claimed that they would have located in another state in the absence of the incentives. Further, most firms making new investments did not even consider locating in any state other than their final choice.³⁰

... the weight of the evidence indicates that business tax incentives cannot play a significant role in attracting or maintaining firms.

Finally, there are relatively few footloose firms that can be affected by tax incentives.³¹

Because the weight of the evidence indicates that business tax incentives cannot play a significant role in attracting or maintaining firms, their use probably results in a needless loss of State revenue. Unfortunately, the New York Legislature, like most legislatures, is unaware of the ongoing cost of various special provisions in the tax law. Aside from an initial revenue estimate that is sometimes made when a tax incentive is proposed the Legislature has not requested an annual accounting. Yet such costs can increase dramatically.

As an illustration, consider that no revenue estimate accompanied either the adoption of the New York investment tax credit (ITC) in 1969 or the related employment incentive tax credit (EIC) in 1975.³² By 1982, however—the most recent year for which data is available—\$136 million of ITCs were claimed, with \$133 million of unused investment and employment tax credits carried forward into 1983. Indeed, the amount of unused credits carried forward into 1983 exceeded the total amount of credits claimed in 1980. Moreover, in 1982 two corporations used nearly 40 percent (\$57 million) of the total amount of ITCs and EICs used. Overall, from 1970 to 1982 more than two-thirds of a billion dollars of ITCs and EICs have been claimed. This rapid escalation in cost and the marked concentration of these credits have occurred without a full accounting to the Legislature.

In effect, tax incentives are tantamount to a spending program that is implemented through the tax system. For example, in lieu of enacting the ITC the State could have adopted an explicit spending program. Rather than filing a form claiming an investment tax credit with the Tax Department, the taxpayer could have filed the same form with a different agency, perhaps the Commerce Department. The Commerce Department would then have issued a check to the taxpayer, instead of the current approach in which the

corporation receives an implicit check through a reduction in its tax liability.

By choosing a tax incentive over an explicit spending program, the State surrenders control over the amount it expends each year on the ITC and the EIC and abdicates its responsibility for financial accountability. In a conventional direct spending program, the State appropriates a specific amount of funding. The appropriated amount represents the State's maximum revenue exposure and presumably reflects a Legislative judgment about the costs and benefits of that program relative to other programs competing for funding. Tax incentives, however, are more like an entitlement program, in which any taxpayer that meets the stated criteria qualifies for the benefit. The State cannot control the total expenditure in advance and the program has unpredictable financial consequences for the budget.

The lack of control over the cost of tax incentives is exacerbated by the Legislature's failure to review these credits in the same manner it reviews other spending programs. Direct subsidy programs are reviewed annually through the Legislative appropriation process. Using the tax system to implement a program to encourage capital investment avoids this process. Indeed, no published information is even available to facilitate periodic review. For example, until a report by the Staff of the Tax Study Commission, there was no publicly available document indicating the annual amount and distribution of ITCs or EICs claimed by corporations.³³ But the need for this evaluation may be greater in the case of a spending program that is implemented through the tax system than in the case of an explicit spending program. In the former case, the details are often buried in the technical and abstruse language that exemplifies the tax law. Furthermore, in periods when the budget is scrutinized in order to ferret out any possible waste, and painful decisions are confronted regarding the provision of services, the tax system escapes this same degree of fiscal vigilance. Tax incentives thus avoid the traditional cost-benefit analysis that is applied to other governmental programs.

In addition to the explicit loss in revenue, tax incentives impose inevitable administrative costs and result in "leakage" as taxpayers pursue aggressive tax planning techniques to qualify for the special benefits. These problems are not unique to the State. A recent example of possible abuse of the federal investment tax credit involves a major accounting firm. In a civil complaint, the Justice Department alleged that this firm engaged in a pattern and practice of misclassifying property that was clearly unqualified for the investment tax credit. For example, it was alleged that the firm encouraged its clients to classify concrete block walls as portable plug-in panels and to classify immovable industrial heating units as unit heaters so that they would not appear as buildings or structural components of buildings, which are ineligible for the federal ITC.³⁴

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Indications exist suggesting that taxpayers are abusing the State ITC and EIC. For example, when the amount of EIC claimed by a corporation in 1980 was matched by a computer against the maximum amount of EIC that could have been claimed legitimately, it appeared that nearly one-half of the corporations claimed an EIC that was too high. These apparent errors involved about three-fourths of the value of the total EICs claimed in 1980, over \$30 million.³⁵

Tax incentives also raise serious questions of equity. The State's investment and employment tax credits, for example, raise four different sets of equity considerations. First, over 97 percent of all corporate filers do not benefit from the ITC and over 99 percent do not benefit from the EIC, yet they indirectly bear the costs of these credits through higher rates. By contrast, these credits have allowed nearly 4,000 corporations, including some of the largest corporations in the State, to pay the \$250 minimum tax.

Second, even though the ITC and EIC are claimed primarily by manufacturers, the benefits are highly skewed. In 1982, less than 16 percent of all manufacturers claimed an ITC and less than six percent claimed an EIC. Two corporations received 40 percent of all the credits used in 1982 and ten corporations received 50 percent.

Third, corporations receiving an ITC pay lower taxes than do equivalent firms that are not investing in assets qualifying for the credit. If such corporations are competitors, the State has provided one group of firms with an "edge" over another. To take just one example, a corporation manufacturing or processing frozen gourmet dinners receives an ITC on its qualifying assets, whereas a fast foods restaurant is ineligible for the credit. If the credit is reflected in the price of the final product, frozen gourmet dinners have received a subsidy from the State while corporations producing a competing product have not. These haphazard effects are inevitable whenever the tax system is used to subsidize certain activities or investments over others. Since such effects are neither obvious nor easily traceable, they are unlikely to represent a conscious industrial policy by the State.

Fourth, most tax incentives favor capital rather than labor. Consequently, their effect might be to lower employment. An investment tax credit, for example, lowers the cost of capital relative to labor, which encourages businesses to shift from the use of labor to the use of capital, and can result in a decline in employment. In addition, much new equipment tends to be labor saving (e.g., robotics). Indeed, the more successful the ITC might be at inducing investment the less successful it might be at creating jobs. The New York data is consistent with this supposition.³⁶

In addition to these problems, state tax incentives are inherently wasteful. Because of the federal offset, a state may forgo \$2 in revenue yet a corporation may, after taking into account the increase in its federal corporate income tax, receive barely more than \$1. The difference between what a state forgoes and what the

corporation receives inures to the benefit of the federal government—revenue sharing in reverse.³⁷

Most tax incentives are also wasteful because their benefits are available to corporations whether they alter their behavior or not. To illustrate, a corporation receives the State investment tax credit for all of its qualifying purchases, including those which it would have made anyway. No attempt is made to limit the credit to investments in excess of those which would have occurred in any event.³⁸

In addition, New York, like all other states, does not require that any tax savings from the use of an incentive be invested within the State. For example, not only does a corporation receive the ITC for investment that it would have made anyway, but it is then free to use such savings to finance activities in other states or to increase its dividends. Indeed, a recent study of the U.S. corporate income tax indicates that corporations receiving the largest amount of tax incentives actually reduced their investment and increased their dividends.³⁹

Why, despite the evidence to the contrary, has it become an article of faith in some quarters that a state can affect locational decisions through changes in its business taxes? One common explanation is that business taxes are one of the few aspects of the economic milieu that a legislature can directly control. Transportation costs, the cost of labor, the price and availability of real estate, climatic conditions, and so forth are less susceptible to state intervention. A business seeking a reduction in its costs is likely to focus its political activities on tax relief—an area in which the legislature at least has the power to act.⁴⁰ Indeed, some corporate officials view themselves as having an obligation to the shareholders to pursue all possible tax incentives.⁴¹

From a legislature's viewpoint, taxes are one of the few costs of doing business that can be reduced and no doubt for this reason the temptation to do so is great. And, because legislatures may never demand an annual accounting of the cost of the various special provisions they have enacted, tax incentives may appear to be less costly than direct spending programs aimed at economic development. Moreover, legislators do not wish to be perceived as being opposed to jobs or economic development or as having the blood of a runaway plant on their hands. In addition, no state desires other states to get a jump on it. It is not surprising, therefore, that tax incentives are easy to legislate if only because they give lawmakers a feeling of having done something constructive.

A more cynical view is that tax incentives may allow some legislators to accomplish indirectly what they cannot do directly—lower taxes on business. Indeed, from a business lobbyist's perspective, the combination of high nominal rates and a narrow tax base may be preferable to low nominal rates and a broad base. A high nominal rate provides an effective club that can be waved in order to persuade a legislator to support some arcane change in the tax law. One of a lobbyist's

standard tools—the incantation of “business climate” and “economic development”—depends on high nominal rates for maximum impact.

Many New York legislators are aware of the substantial body of research indicating the ineffectiveness of tax incentives but nonetheless view such measures as symbolic of a favorable business climate. No easy way exists of evaluating this position because there is no acceptable definition or measurement of “business climate.” Many considerations affect a corporation’s view of New York’s business climate, and the issues important to one corporation—energy costs or transportation facilities—may be unimportant to another.⁴² There is little doubt, however, that the level of taxes compared with the level and quality of public services is one factor that shapes a business’s perception. Firms that avail themselves of various tax incentives and receive the level of public services that they desire probably have a favorable view of the State’s business climate and of its tax law. For other corporations, the level of taxes rather than the level and quality of public services may shape their perceptions. Whether this view is shared by all corporations, however, is problematic. For the 91.3 percent (379,000) of all corporate taxpayers in 1982 that did not utilize the double-weighted receipts factor, or did not benefit from the lack of a throwback rule, or did not benefit from any of New York’s special credits, but bore the burden of the forgone tax revenue through higher rates,⁴³ the tax law may simply be viewed as a complicated morass of special provisions benefiting their competitors.⁴⁴ Such corporations may feel that the State’s business climate would be improved if these various provisions were eliminated with a correlative reduction in tax rates. As economists remind us, no “free lunch” exists. Revenue that is lost through wasteful tax provisions results in a combination of lowered services and higher taxes than would otherwise result and these effects must be considered by policymakers when evaluating tax incentives.

Commentators caution that the role that taxes play in a particular firm’s perception of a state’s business climate must be placed in perspective. Zoning regulations, construction permits, the attitude of those public officials with whom a firm most often deals, the speed with which telephone calls are returned from the public sector, the degree of government regulations and restrictions, the way businesses are treated by a tax department’s auditors, the level of civility that characterizes interaction with government personnel, the amount of “red tape” that exists, the number of forms and permits that must be filled out, and the governmental assistance offered to a new firm and its employees in relocating all contribute to perceptions of business climate. Perceptions of business climate are also based on intangibles and imponderables that defy analysis or quantification (*e.g.*, personal reasons of executives).

In this vein, a leading researcher suggests that:
... states and localities should concentrate

on helping their manufacturers with the physical items which go into selecting a plant’s location, constructing it, and starting it up. States and localities should stand ready to offer the interested manufacturer (i) speedy and accurate information about potential sites, (ii) help in securing necessary environmental or zoning permits, and (iii) timely help with the roads, sewerage, water, waste treatment, and labor training which can make a real difference to the smooth start-up of a new manufacturing facility. I remain convinced that the industrial growth of the South has had more to do with Southern hospitality than with Southern tax rates. The regional differences in the use of such assistance as labor training suggests that supply does seem to create at least some of its own demand in these matters.

Recently there has been a rise in expediting mechanisms to counter the stifling effect that large bureaucracies have on industrial decision-making. Some cities and states have sponsored ombudsmen to guide businesses through the red-tape mazes. Such programs have received uniformly positive reactions. Such expediting is highly valued by many large companies, and explains, in part, the favorable opinions they have of the industrial development programs of North Carolina, South Carolina, Nebraska, and elsewhere. It is difficult for the average businessperson to know how to secure quick rulings on zoning variances, building permits, environmental standards and regulations, parking regulations, and tax assessments and abatements. The more government can cut the red tape, the more industry it can expect to retain. This exceedingly useful function could be promoted even more than it has been.⁴⁵

To the extent that business taxes contribute to perceptions of business climate, some researchers argue that a state is better off with a broad tax base and low nominal rates than with a high nominal rate with numerous special provisions. On the one hand, such differences should not matter. The sophisticated tax manager of a corporation is likely to be more interested in the “bottom line” liability and less concerned with what the nominal rates might be. On the other hand, the tax manager of a corporation that is considering a number of expansion sites, including New York, may not be involved in compiling the initial list identifying which of the 50 states merit further consideration. Such a list may be compiled by persons such as the division general manager who might not be involved in preparing the state tax returns for the corporation. A state with a high nominal tax rate but having favorable allocation formulae, tax credits, or

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favorable rules on defining taxable income may be eliminated from consideration as an expansion site in favor of a state having a lower nominal rate but a less desirable tax law. Whether a state obtains the same advantages when it indirectly lowers business taxes by adopting special provisions rather than when it directly lowers visible tax rates is a fundamental and critical question.⁴⁶ In terms of improving its business climate, a state may be better off eliminating most or all of its special provisions and using the increased revenue to lower rates.⁴⁷

One commentator has concluded that:

State tax policy should be designed so as to emphasize stability, predictability, and uniformity in state business taxation. The business tax climate is impaired more than anything else by tax policies that seem to single out particular industries or activities for special treatment, either favorable or punitive, creating a situation in which everything seems to be up for grabs. Tax concessions to specific firms or industries are to be avoided. On the contrary, state policy should emphasize the evenhanded application of the tax structure to businesses of all kinds.⁴⁸

Whatever the perceptions are of New York's business climate, work by the Staff of the Tax Study Commission indicates that the State's business tax structure is generally in line with that of other states. Moreover, the effects of a range of policy options that were simulated, which included rather dramatic changes in the State's franchise tax, did not alter New York's ranking among the sites studied and were probably too insignificant to alter New York's attractiveness.⁴⁹

Perhaps in recognition of the competitiveness of the State's business tax structure, attention has recently turned to the role played by New York's personal income tax. The effects of a state's personal income tax on the location of a business has not yet been studied with any rigor, primarily because the issue is not as susceptible to the kind of analytical tools that are applied to business taxes. The research discussed above covered only the corporate, sales, and property taxes and therefore its findings cannot be extrapolated to the State's personal income tax.

This essay . . . concludes that using business taxes as a significant part of an economic development strategy is virtually certain not to have the impact that proponents expect.

The conclusions and findings of the Tax Commission's research on New York, which are consistent with a substantial body of economic analysis, seriously question the emphasis the State has previously placed on the relationship between business taxes and economic development. In the past, it has been assumed

that a change in the business allocation formula, the introduction of an investment tax credit, the adoption of ACRS, the ability to allocate income to other states even if such income is not taxed by these other states, and similar special tax provisions, would significantly affect a business's locational decision. Like many issues that state policymakers confront, the question of the influence of taxes on the business locational decision cannot be definitively and conclusively answered. Knowledge in this area is and will remain imperfect, which, unfortunately, describes many of the other areas that policymakers are asked to address. Confronted with the lack of perfect information, policymakers should respond by determining the direction in which the bulk of the evidence points.

Clearly, a substantial body of evidence suggests that state business taxes are unlikely to affect significantly the locational decisions of firms. Businesses are not flocking to Mississippi, Louisiana, or Arkansas—low tax states. Conversely, Route 128 developed at a time when Massachusetts's unofficial sobriquet was "Taxachusetts." Apparently, low taxes do not inevitably attract firms any more than high taxes necessarily repel them. Of course, in some cases state and local taxes may be the determinative factor in a locational decision. It is also possible that taxes matter more for some types of firms than for others, and that the mix of taxes might also be important. For some businesses, an adverse tax picture reinforces other disadvantages that a state has. What the research suggests, however, is that these situations are infrequent and should not be the "tail that wags the dog."⁵⁰ This finding should not be misinterpreted, however, as an invitation for a state to increase cavalierly its taxes on business—at some point, deleterious effects can be expected.

The policy implications seem clear. Those who advocate using the tax system to influence business locational decisions, a position that is seemingly inconsistent with over 30 years of research, should have to support their case with a rigorous and periodic cost-benefit analysis. Because of the revenue and inequities at stake, the burden of proof should be on such advocates. Ironically, programs costing a few million dollars receive more scrutiny than tax incentives like the ITC and EIC, which cost more than the budgets of most State agencies.

De-emphasizing the use of business tax incentives as a tool for attracting and maintaining businesses should be viewed as a way of eliminating waste, inefficiency, and inequity in the tax system and is not tantamount to abandoning any meaningful program of economic development or to damaging the State's business climate. To the contrary, the money that would be raised from eliminating ineffective and inequitable provisions in the tax code could be used to finance rate reductions in the corporate and personal income taxes, to supplement existing State programs, or to fund new ones. Money raised from eliminating provisions that cannot survive a cost-benefit analysis could be used for human resource development, job

training, research and technological development, providing capital to finance growth and development, improving the State's infrastructure, and energy and natural resources management. To encourage economic growth, money is probably best spent on programs that increase the birth rate of local companies and the encourage the expansion of small, local companies. This essay does not address the specific merits of these programs, but only concludes that using business taxes as a significant part of an economic development strategy is virtually certain not to have the impact that proponents expect.

NOTES

* Director, Legislative Commission on the Modernization and Simplification of Tax Administration and the Tax Law, and Visiting Scholar, Harvard Law School. The views expressed do not necessarily represent those of any group with which the author is associated.

1. See *State Taxation Policy* (ed. M. Barker 1983), p. xiii-iv.
2. See note 27 *infra*.
3. See M. Kieschnick, "Taxes and Growth: Business Incentives and Economic Development," p. 155, in *State Taxation Policy* *supra* note 1 at 155; S. Kanter, "A History of State Business Subsidies," *Proceedings of the National Tax Association—Tax Institute of America*, (1977) p. 148. Massachusetts granted the first tax incentive in the country in the 17th century. See R. Pomp, S. Kanter, K. Simonson, and R. Vaughan, "Can Tax Policy Be Used to Stimulate Economic Development," 29 *Am. L.R.* 207, 222 (1980). New Jersey granted a tax exemption to a manufacturing company established by Alexander Hamilton in 1791. See *Fortune*, March 5, 1984, p. 112.
4. A survey by the Advisory Commission on Intergovernmental Relations found that support for business tax incentives is strongest when economic growth has been slowest. See "State Tax Incentives: How Effective Are They?" *CJED Commentary*, Jan. 1980, p. 3.
5. The Staff's work is summarized in a Report by the Staff of the Legislative Commission on the Modernization and Simplification of Tax Administration and the Tax Law, *Interstate Business Locational Decisions and the Effect of the State's Tax Structure on After-Tax Rates of Return of Manufacturing Firms* (December 31, 1984).
6. Nearly all of the research was conducted on the locational decisions made by existing firms that were expanding, establishing branch operations, or moving from one site to another. Little research has been conducted on the effect of state taxation on new business formation, although intuitively it would seem that state taxes would be less important than other factors, such as school and family ties and availability of financing.
7. Kieschnick, *supra* note 3 at 187 discusses numerous weaknesses in some of the existing empirical literature. His more carefully conducted research is consistent, however, with much of existing literature.
8. The Staff did not address the effect of local taxes on the location of businesses within the State—for example, whether a property tax abatement offered by Jurisdiction A is likely to be cost-effective. Any impact the personal income tax or payroll taxes might have on business locational decisions was also not addressed.
9. By using after-tax rates of return of representative manufacturing firms in selected industries a number of problems that mark other studies of comparative tax burdens were avoided. See Report of the Staff of the Legislative Commission on the Modernization and Simplification of Tax Administration and the Tax Law, *Interstate Tax Comparisons: Introduction and Overview* (1985); Kieschnick, *supra* note 3 at 190-198; Staff Report, *supra* note 5 at 31-36.
10. State tax incentives typically favor capital investment (e.g., the investment tax credit or the adoption of a depreciation regime like ACRS). These incentives can increase the level of investment in a state in two independent ways: by encouraging existing firms to invest more than they otherwise would or by encouraging firms to locate (or remain) in a state. Such incentives, however, are rarely defended as tools for increasing the level of investment in a state except through their impact on attracting new businesses. The simulations described in the text which included doubling the rate of the State's ITC, as well as eliminating it entirely, suggest that tax incentives cannot be seriously defended as a cost-effective means of increasing the level of investment by existing firms. For a further discussion, see Staff Report, *infra* note 2^a and Staff Report, *infra* note 32.
11. The red tape involved in site assembly may be a much greater investment barrier than the price of land. See R. Vaughan, *State Taxation and Economic Development* (1979), p. 25.
12. Transportation costs affect both the revenue a firm receives from its sales and the prices it pays for its inputs. Availability of transportation linkages, such as the ease with which trucks can make deliveries and collections, or the proximity of a railroad spur, shipping pier, or major airport, can also be critical for some activities. Cities like New York, which have traditionally housed a large number of small firms whose products are fairly transportation-intensive, suffer from inadequate access to rail transportation and inconvenient access to truck routes. See *id.* 24.
13. Because training labor is expensive, businesses are attracted to areas that have a ready supply of skilled labor. Labor that is priced low relative to its skill was a major factor in the development of manufacturing in the South. See *id.* 24. Skilled labor also appears critical to attracting technology-

oriented firms. See note 19 *infra*.

14. The cost of labor may be a major consideration in competitive labor-intensive industries, for example, apparel, leather, furniture, and consumer electronics. Another labor consideration is whether the workforce is likely to be unionized. See R. Schmenner, *Making Business Location Decisions* (1982), p. 37. A company with seasonal needs for labor has to be located in an area with a large labor pool. See Vaughan, *supra* note 11 at 24.

15. A site near established markets may be essential for industries such as printing, plastics fabrication, paper conversion, and can manufacturing, which involve commodities that have a low value to weight ratio and thus have transportation costs that are a high percentage of the selling price of the goods. See Schmenner, *supra* note 14 at 37.

16. One of the factors cited by Bankers Trust for transferring part of its operations from New York to New Jersey was the lower cost of utilities, an important consideration presumably because of the large amount of electricity needed to run the company's computers. See *New York Times*, April 29, 1983, p. B3. Energy costs are commonly mentioned as one of the reasons why the banking and insurance industries are relocating part of their operations outside of New York City. See *New York Times*, March 2, 1982, p. D23; December 23, 1981, p. D14. State and local taxes, of course contribute to the cost of energy. The price and availability of office space is another factor contributing to the movement of firms from New York City to less dense regions, both within and without the State.

17. For example, paper mills typically locate near a supply of trees and water; fruit and vegetable processors are usually located near farms; and petrochemical complexes must be close to pipelines. See Schmenner, *supra* note 14 at 37.

18. Some manufacturing plants operate as satellites to a base or main plant and cannot be located too far from the main plant without stretching the lines of support too taut. Schmenner, *supra* note 14 at 37. Savin Corporation decided to build a plant in Union, New York because four of its feeder plants were already in the area. According to the corporation's senior vice president, "the choice wasn't made because of tax considerations." *Wall Street Journal*, July 1, 1980. Nonetheless, the State's Commerce Commissioner chose to describe Savin's decision as "a splendid example" of the drawing power of tax incentives. *Id.*

State officials responsible for economic development have an institutional interest in exaggerating the impact of tax incentives. When Church and Dwight built a new plant in Ohio, one economic development official claimed: "The tax incentive was the keystone of the deal." The corporate comptroller, however, stated that: "The tax abatement was a nice kicker at the end, but we chose Ohio mainly because of its strategic location for distribution and market growth." *Wall Street Journal*, June 30, 1978, p. 1.

19. High-tech companies, which are being wooed by many states today, are especially sensitive to the existence of prominent universities having graduate-level technical programs that produce a pool of potential employees. A recent example involves Microelectronics and Computer Technology Co., a joint venture of 12 major companies, including Control Data, Digital Equipment, Honeywell, RCA, and Sperry, which was courted by fifty-seven cities. According to the president of Microelectronics, in selecting Austin, Texas for its site the corporation emphasized "the output of technical people in the area," particularly electrical engineers and computer scientists with advanced degrees—and "not who's holding a gold watch to get you to come." *Wall Street Journal*, May 12, 1983. See also note 20 *infra*. The existence of high quality graduate programs no doubt explains the presence of high-tech firms along Route 128 in Massachusetts and in the "Silicon Valley" in California. But see *infra*.

According to recent reports, sweeping changes in educational policies are being pursued throughout the South by a growing number of persons who assert that the ability of their states to attract growth industries increasingly hinges on the educational depth of the work force. Many of these changes are being financed by increased taxes. *New York Times*, March 20, 1982, p. 26.

The Alabama Governor's Task Force on Economic Recovery expressed a similar concern: "Alabama's traditional combination of low taxes and minimum services no longer constitutes a sound basis for progress. . . . Today the premium is on the elements which support technology—the educational system, engineering resources, communications research." *New York Times*, June 14, 1983, p. A19.

Florida recently increased its budget for education by \$227.8 million through a variety of tax increases. The Florida Governor supported the tax increases with the slogan, "Education Means Business." *New York Times*, January 11, 1984.

This phenomenon is not limited only to the South. When voters approved the first Dayton, Ohio public school tax in twelve years, they were described as acting in part from a concern for jobs. *New York Times*, June 14, 1983, p. A18. Business executives in California have also called for tax increases to finance educational reforms. Business leaders fear that the poor quality of public education in California is undermining the ability of their companies to compete with foreign countries, especially Japan, which are perceived to have better education systems. *New York Times*, April 23, 1983, p. 7.

20. The high cost of housing in the Silicon Valley is apparently making it increasingly difficult for companies to attract employees and is causing some corporations to move to lower-cost areas. *Wall Street Journal*, May 11, 1983, p. 37. The cost of housing played a role in the selection of Austin, Texas by Microelectronics and Computer Technology Co., *supra* note 19. "The biggest economic factor was the cost of private housing. Taxes didn't play a significant role in our decision. . . . The governor of Texas put together a statewide task force of bankers, industrialists, educators and political figures. . . and they did some clever things to reduce the hassles of relocating—such as getting bank commitments for mortgage money below FHA rates, and starting a job placement center for spouses." *USA Today*, August 24, 1983, p. A8.

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21. Improvements in the level and quality of public services, such as a state's infrastructure, will benefit many firms, both large and small. By comparison, tax incentives tend to accrue to a small percentage of large firms.

22. According to one of the leading researchers on locational decision-making, corporations visit a potential site in order to gather information about the community—its attractiveness as a place to live and raise a family, its housing, schools, medical facilities, cultural and recreational activities, and its civic pride. Schmenner, *supra* note 14 at 20.

23. Many studies have concluded that regional differences in labor costs, construction costs, and energy costs are generally too large to be offset by differences in tax levels. See, e.g., Cornia, Testa, and Stocker, *State-Local Fiscal Incentives and Economic Development, Urban and Regional Development Series No. 4, Academy for Contemporary Problems* (1978).

24. To the extent that other costs of a business are also deductible, the relative differentials between such costs and taxes would be unchanged.

25. See *supra* note 19; C. Tiebout, "A Pure Theory of Local Expenditures," 54 *J. Political Economy* (1956), p. 416.

26. See W. Oates, "The Effects of Property Taxes and Local Public Services of Property Values: An Empirical Study of Tax Capitalization and the Tiebout Hypothesis," 77 *J. of Political Economy* (1969), p. 957.

27. Roger Smith, Chairman of General Motors, whose Saturn plant has been sought after by nearly every governor, stressed that "tax breaks can't make a silk purse out of a sow's ear." According to Smith, "we're going to be in business for the long term. . . you've got to look at more than just what the great big cookie is that's coming in on the plate." *Detroit Free Press*, March 18, 1985, p. 1A. Consistent with this philosophy, the first state GM eliminated as a site for the Saturn plant was Florida, a state that is perceived as having an extremely favorable tax climate (e.g., no personal income tax, no estate tax, a double-weighted receipts factor, as well as its recent elimination of worldwide combined reporting). See also text accompanying *infra* note 48.

28. For a fuller discussion, see Report by the Staff of the Legislative Commission on the Modernization and Simplification of Tax Administration and the Tax Law, *The Article 9-A Franchise Tax: Should New York Adopt ACRS?* (December 31, 1984). The issue of whether a state should adopt the federal rules on ACRS also illustrates a significant difference in perspective between federal and state tax law. When the Congress enacts special tax provisions designed to encourage investment, it is indifferent to where within the United States such activity occurs. A particular state does not share this perspective, however. If state law mirrors federal measures designed to encourage investment regardless of where it occurs, a state may lose revenue to support investment occurring beyond its borders, the benefits of which may not sufficiently rebound to that state. If the policy question is phrased as whether a state should adopt a tax incentive that results in a loss in revenue for investments made in other states, most officials would answer with a resounding "No." Yet, if New York were simply to adopt the federal rules on ACRS, as has been vigorously proposed by many persons, a corporation would receive the benefits of the faster depreciation for investment occurring both within and without the State. Indeed, most of the revenue loss that New York would experience from adopting ACRS would actually be attributable to investments made in other states. See *id.* In order to minimize this revenue loss, a state that wished to adopt ACRS should limit it only to in-state investment, which is the approach New York recently adopted. Even this approach, however, does not ensure that the resulting loss in revenue will be cost effective. See *id.*

29. For example, shortly after New York adopted its double-weighted receipts factor Massachusetts and Connecticut adopted similar provisions. See Report by the Staff of the Legislative Commission on the Modernization and Simplification of Tax Administration and the Tax Law, *The Article 9-A Franchise Tax: The Double-Weighted Receipts Factor* (May 1985).

30. Kleschnick, *supra* note 3 at 325. Moreover, some economists argue that business accounting and organizational structures can reduce the effectiveness of a tax incentive. Tax incentives operate at the overall company level by reducing the final tax. But the problem that generated the need for a tax incentive is often focused at the plant level, where the plant manager is faced with the decision to purchase equipment that would otherwise be unprofitable without the tax incentive. Consider, for example, the investment tax credit (ITC). Unless the tax savings at the overall level are allocated within the company to the particular plant, that plant manager might be saddled in the company's books with a high pre-ITC cost for the equipment. See Surrey, Warren, McDaniel & Ault, *Federal Income Taxation* (1972), Vol. 1, p. 271 at n. 21. Further, the plant manager or other persons in charge of purchasing equipment may be unaware of the credit. A staff member of Minnesota's Taxation Committee expressed a similar sentiment: "We've learned that accountants are better at discovering tax breaks than managers." See D. Frey, *Economic Development Tax Incentives: A Staff Perspective*, Paper Presented at the National Conference of State Legislatures, July 22, 1984.

31. *State Taxation Policy*, *supra* note 1 at 89.

32. The EIC can only be claimed by those firms which have claimed ITC. For a complete discussion, see Report by the Staff of the Legislative Commission on the Modernization and Simplification of Tax Administration and the Tax Law, *The New York State Investment and Employment Tax Credits* (March 11, 1985).

33. See *id.* The federal government annually publishes a supplement to the budget which estimates the cost of various tax incentives. See Budget of the United States Government, *Special Analysis G*. A few states publish a similar analysis.

34. See "Ernst & Whinney Faces Civil Charges for 'Deceptive' ITC Studies," *Tax Notes*, March 22, 1982, p. 770.

35. See Staff Report, *supra* note 32 at 56.

36. See *id.* at 30-33; 35-36.

37. A reduction in the rate of the franchise tax would also have the effect described in the text. A state program that was structured to provide a tax-free benefit to a corporation would not have such an effect, provided that

the program did not reduce a cost that a business would have otherwise incurred.

38. See Staff Report, *supra* note 32 at 36-37.

39. The study compared the investment patterns of 238 profitable non-financial corporations with the federal taxes they paid in 1981, 1982, and 1983 and concluded that "evidence that the billions of dollars the federal government spends each year on tax incentives to encourage investment have failed to achieve their purpose is overwhelming." See *The Failure of Corporate Tax Incentives: A Study of Three Years of Growing Loopholes and Lagging Investment*, Citizens for Tax Justice (1985), p. 4. The study found that the 50 lowest-taxed corporations had an average tax rate of minus 8.4 percent (i.e., they received tax refunds or sold their excess tax benefits) but reduced their investment by 21.6 percent. By contrast, the 50 corporations with the highest tax rates increased their investment over the same period by 4.3 percent while paying 33.1 percent of their profits in federal income taxes. Moreover, although the low-tax companies cut back on their new investment, they increased their dividends at a pace more than 30 percent greater than the high-tax companies.

40. The pressure exerted on some states to repeal worldwide combined reporting provides a recent illustration. See *supra* note 41 *infra*.

41. A spokesman for General Motors, for example, stated that the reason the corporation asked Baltimore for a tax abatement (in addition to non-tax benefits that were already granted) was that "we'd be very irresponsible to our shareholders not to request it." See New York State Comptroller, *Fiscal Research Report, Tax Concessions for Business Development* (January 1981), p. 3.

Michael Barker's description of the role of business is more cynical:

in virtually every state, businesses and their trade associations make an annual pilgrimage to the state capital, pleading for additional tax reductions or the creation of special investment incentives. Armed with studies and charts, they attempt to show why the state is suddenly in danger of losing jobs to other, more attractive areas. Usually, they stress that the tax reductions being advocated pose no long-term threat to the state's treasury and that prompt action on tax reductions will provide such a stimulus to private taxable activities that the changes will pay for themselves, producing no net loss in state or local revenues. But the alternative is always clear. Without action, disaster looms. The state's business climate will be severely damaged. Investment capital will flow elsewhere. Existing businesses will wither and die. Workers will go jobless. Tax revenues will fall as industry stagnates. Business interests will support other, more responsive candidates. A blight will move across the face of the land.

That such efforts continue to prove successful in the complete absence of any empirical evidence that state or local taxes play an important role in guiding business investment decisions is not surprising. Business lobbies are powerful in state capitals. What very few numbers do exist concerning the impact of taxes on business investment decisions have usually been furnished by the very people seeking tax relief. *State Taxation Policy supra* note 1 at xiii-xiv.

42. Various groups attempt to measure a state's "business climate." One well-known attempt by Alexander Grant has been described as lacking rigor and scientific methodology. See Wheeler, *Interstate Differences in Tax Costs to Corporations: A Look at Some Accounting Studies*, in *Michigan's Fiscal and Economic Structure* (Brazer & Laren eds., 1982). Professor Wheeler notes that the Alexander Grant study "does not claim to be, nor should it be construed to be, using scientific methodology in that a whole host of internal and external validity problems exist." *Id.* 252. The Grant study has been criticized for counting the same variable twice, relying on poor data sources, and improperly measuring the factors used. See Biermann, "The Validity of Business Climate Rankings: A Test," *Industrial Development*, March/April 1984), p. 17.

Attempts to measure a state's business climate often suffer from the problems encountered in measuring a state's tax burden: most business climate studies are not industry-specific and are thus too general to be very useful. Disparate industries are likely to have very different impressions of a state's business climate and a general study that ranks various aspects of doing business in a state cannot reflect the priorities of every sector of the economy.

Fantus Corporation contends that business climate studies are inappropriate and unusable in the site selection process. See Biermann, *supra*. Fantus described the Grant study, *supra*, as "a tremendous disservice for states and industries because it is so misleading. . . the ranking is subjective and uses general data that are misleading because they don't come to grips with the specific needs of companies in specific locations." *Id.* 23.

43. The North Carolina director of industrial development stated: "Existing industries in most cases pay for incentives, and we don't burden our industries with that. We treat everybody equally." *Wall Street Journal*, June 30, 1978, p. 17.

44. "Tax subsidies tend to provide windfalls to large, well-established companies and have little meaning for new small companies that offer the greatest potential for local economic development." Jack Faucett Associates, *Effectiveness of Financial Incentives on Investment in the Economic Development Administration's Designated Areas*, Economic Development Administration, U.S. Department of Commerce (June 1976), p. iii.

45. Schmenner, *supra* note 14 at 58. Some persons have argued that tax concessions should be viewed in terms of their announcement effect—that the businessman is a hero who is admired and loved by the citizenry. Southern policymakers are often described as accomplished practitioners of this stroking policy. See Shannon, "State Income Taxes—Living with Complexity," *National Tax Journal* (1977), p. 339-340. Schmenner's recommendations would seem to serve this purpose.

In discussing the psychological effects of investment incentives on business climate one economist concluded, "Unfortunately, about all one

can do about such matters is to note their existence and our inability to say anything definite about them." Bird, *Tax Incentives for Investment: The State of the Art* (1980), p. 49 n. 10.

46. A 1979 survey conducted for the Chemical Bank asked the question: "If you had to choose between general tax relief and State assistance and incentives for business, which should be emphasized to improve the State's business climate?" Of the 898 businessmen questioned, 76% chose general tax relief. See New York State Comptroller, Fiscal Research Report, Tax Concessions for Business Development (January 1981), p. 4.

47. One representative of a prominent Massachusetts lobbying group was reported as stating that he would prefer an outright cut in the state's corporate income tax rate, but since that was hard to obtain, "tax incentives will have to do." Another lobbyist who was instrumental in the adoption of the Massachusetts job creation tax credit stated that his organization fully intended the credit to be a "gift" to companies to "compensate" them for the State's high tax rates. See Harrison and Kanter, *The Great State Robbery* (Working Papers for a New Society, Spring 1976), p. 57.

As this essay goes to press, Stanley Fink, Speaker of the New York State Assembly, is planning to introduce a bill that would eliminate many of the special provisions in the New York corporate tax, coupled with a dramatic reduction in the rates. His bill would reduce (or leave unaffected) the taxes paid by 99 percent of the corporations in the state. Speaker Fink's proposals are philosophically similar to those being proposed by the U.S. Treasury Department for reforming the federal corporate income tax.

48. Stocker, "A Fiscal Strategy of Ohio Economic Development," *LII Bulletin of Business Research* (May 1977).

49. The simulations conducted actually understate New York's attractiveness for four reasons. First, the State's tax law has extremely favorable rules on the taxation of dividends, interest, and capital gains. These rules were not simulated because only income from manufacturing activities was modeled.

Second, the manufacturing firms that were simulated were assumed to have a pattern of sales that would magnify and exaggerate the impact of adopting more stringent changes in the taxation of corporations. For example, the firms modeled were those which would experience nearly the greatest decline in after-tax rates of return if a throwback rule were introduced, or if a single-weighted receipts factor were adopted. The overall decline in after-tax rates of return which would actually accompany these changes, even though modest, were nonetheless overstated.

Third, the computer model assumes that an out-of-state firm would ex-

pand in New York through a branch rather than through a new subsidiary. If a combined report is filed, the tax consequences will be identical regardless of whether the out-of-state firm expands through a branch or through a subsidiary. If a combined report is not filed, however, very different tax consequences can result. By creating a subsidiary for its New York operations, an out-of-state corporation can achieve even more favorable tax results than those indicated in the Staff Report, *supra* note 5. Using orthodox tax planning techniques, the subsidiary can reduce its New York taxable income through payments to its parent (or other related corporations) for goods or services, such as legal fees, accounting fees, advertising expenses, stewardship costs, and interest. These expenses would be deductible as costs of doing business and thus reduce the corporation's New York taxable income. If the payee is subject to a lower tax rate than the payor, a net savings results. The creation of a branch in New York would not allow this same flexibility and thus the simulations understate the competitiveness of the New York tax structure.

Fourth, all other states were assumed to have adopted the federal ACRS rules on depreciation. To the extent that some of these states have decoupled, the simulations make New York appear less attractive than it is.

50. Theoretically, if only a few firms were influenced by a tax incentive to locate (or remain) in New York, the resulting benefits might still outweigh the various costs and inequities that are identified in the text. Evaluating the benefits generated when a firm is induced to locate in New York involves a complex set of issues: Are the kinds of firms or investments attracted by tax incentives consistent with the long-term interests of the State? Will the new corporation's employment, investment, and environmental policies comport with the needs of the local community? Will the new firm bring its own work force or absorb local unemployed persons? Will profits by the firm be invested locally or outside the State? Will raw materials and other inputs be purchased from local firms or from out-of-state firms? What services, such as water, transportation, and waste disposal will be required by the new firm and how will these be financed?

Once the benefits have been quantified, they can be compared to the costs of the tax incentive to see whether the incentive was a sound policy or whether there were more cost-efficient means of achieving the same goals. Although quantifying the benefits generated by a new firm is exceedingly complex, some commentators have concluded that the types of businesses most likely to be attracted by tax incentives pay low wages, offer poor working conditions, and provide unstable employment. See R. Vaughan, *supra* note 11 at 94 (citing Harrison and Kanter).

MTC Annual Meeting Covered Wide Range of Tax Subjects

Representatives of twenty-eight states and of many businesses attended the Commission's Eighteenth Annual Meeting. This year's meeting consisted of programs on Sales and Use Taxes, Enforcement Efforts, Property Taxes, Corporate Income Taxes, and National Taxes.

SALES AND USE TAXES

Untaxed Mail Order Sales from Out-of-State

Plight of the In-State Retailer

The first program addressed the burgeoning mail-order problem which faces the states. Arthur Wheeler, Executive Director of the North Dakota Retailers' Association, lamented the fact that so many sales are made into his state by out-of-state mail order sellers whom his State cannot require to collect and remit applicable use tax. Since the State cannot effectively enforce the payment of the tax by each individual buyer (it does not even receive any information with respect to such sales from the sellers), the result is, according to Wheeler, "an unrecognized form of tax relief for out-of-state direct marketers." In-state sellers must, he pointed out, collect and remit sales tax with respect to each sale of the same items as those which such out-of-state sellers market tax-free. He said that the

same situation prevails across the country. Many mail order sellers can be required to collect and remit the tax by virtue of the fact that they have a jurisdictional nexus in a state, i.e. they have sufficient contacts with the state to allow the State to impose the collection and remittance requirement on them. Thus, Sears Roebuck is subject to that requirement in all states because of the fact that it has at least one store in each state. However, under a 1967 U.S. Supreme Court decision in *National Bellas Hess v. Illinois Department of Revenue*, sellers who operate solely through the mails or have similarly minimal contacts with a state cannot be subjected to that State's tax collection jurisdiction.

Wheeler referred to proposed federal legislation which has been drafted by state tax administration officials for the purpose of extending the jurisdictional reach of the states to enable them to impose the collection requirement upon such out-of-state direct marketers. That proposal would cause the requirement to trigger when the seller exceeded a certain threshold level of sales into a state. Wheeler objected to the exemption of such sales below the threshold level, saying that that would still be unfair to in-state sellers and to buyers from in-state sellers. (It appears likely, however, that the tax collection requirement could apply to all sales, including those below the threshold, but

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Fiscal Incentives: How Powerful a Stimulus to Economic Development?

by Frederick D. Stocker

State and local tax policy makers are finding themselves under growing pressure to design tax structures and policies so as to attract industry and jobs, and encourage economic growth. The response by policy makers goes beyond the long accepted principle that taxes should be designed so as to interfere as little as possible with the efficient functioning of the private economy. Current practices include more and more deliberate use of tax abatements and tax preferences, often on a selective basis, to attract specific firms to a particular state or local area. Along with this growing use of tax concessions as economic development tools, another time honored principle of tax policy—that tax bases should be kept broad and comprehensive, and tax rates low—has been pushed into the background.

The phenomenon has become more prominent as American industry has become less localized, with production and employment less

tightly bound to specific locations. Economic activity today consists less of heavy, bulky products, costly to transport to market. Increasingly, the emphasis is on services and on lightly prepackaged goods that can be produced about anywhere and transported long distances to markets. Location, therefore, is less important than it used to be, and tax considerations, along with other considerations not related to production, such as community amenities and climate, become more important.

The point of this paper is that, despite changes in basic economic structure that point toward a greater role for tax differences in economic location decisions, and despite the sometimes insistent demands for tax concessions of one sector or another, the actual significance of tax differences in location decisions is often wildly exaggerated. In fact, there is reason to believe that a state's economic climate may be enhanced more by turning

back on selective tax concessions and abatements, and instead emphasizing a policy of taxing business in broad, uniform, and comprehensive fashion.

The Various Forms of Fiscal Incentives

Fiscal incentives, defined here as features of state/local tax structures that are designed to attract industry and enhance economic growth, come in many varieties and fall into a broad spectrum. At one end are those general features of the business tax structure that may be considered favorable to business, such as low-rate (or non-existent) corporate income tax, nontaxation of business inventories, and low property tax rates. Such tax provisions apply generally, across the board, to all business. At the other end of the spectrum are those provisions that apply in selective fashion to specific firms or plants, subject to authorization by some local body or state official. This paper is concerned with the latter type of fiscal incentive, i.e., with narrowly targeted tax exemptions, abatements, or concessions.

It may be noted that, in the opinion of some location economists, another form of fiscal incentive—the availability of tax exempt financing through industrial development bonds—is far more significant in location decisions than are tax abatements. Nevertheless, recent research on this subject suggests that this inducement also is rarely a determining factor in firms' location decision. A similar tentative conclusion is indicated by studies of state tax and regulatory exemptions for firms locating in urban enterprise zones.

Reasons for Doubting their Effectiveness

Speaking specifically of such fiscal incentives as selective tax abatements or concessions, there are numerous reasons for doubting that they can have much effect.

First, there is a definite link between tax levels and public services. A state or locality that practices tax abatement on a generous scale impairs its revenue base and hence its ability to fund public services, including services that may be important to business firms and to their top echelon employees. The quality of public services is well recognized as a significant consideration in location decisions.

Second, state and local taxes are rarely a major cost factor to a business firm. Labor costs, and land costs, tend to be far more important, and they are highly variable from one place to another.

Moreover, the deductibility of state and local taxes for federal income tax purposes significantly reduces the *net* tax impact, along with any difference in net taxes across alternative locations.

Fourth, the quantitative significance of any net tax differential is normally swamped by dif-

ferences in such important nontax location factors as nearness to markets, availability of raw materials, access to transportation, and availability of essential utility services, as well as availability and cost of appropriately skilled labor, and availability of a suitable site.

Finally, it must be recognized that tax favors conferred on a new firm or industry are discriminatory toward those firms that are already there. It is not unknown for established firms, denied tax preferences that are granted to a new competitor, to pull up stakes and go somewhere else in retaliation.

What the Evidence Shows

Several years ago Gary Cornia (now a member of the Utah State Tax Commission) and I carried out a survey of some four decades of published research designed to determine how effective fiscal incentives are in influencing business location decisions.¹ In the course of our study we reviewed some three dozen studies, all attacking the same question but in a variety of ways.

Three types of research studies were distinguished, based on their method. One group consists of case studies of hypothetical businesses, in which the researcher fabricates one or more hypothetical firms representing different sizes, growth rates, levels of capital usage, and profit. Tax levels are then estimated and compared for these businesses in different states or communities.

A second type of study relies on questionnaires, in which business executives are asked to identify and rank the factors that influence them in their location decisions, or, in some studies, asked directly how important taxes are in their decision process.

Third, some studies have attempted to use statistical techniques to isolate the elements that influence industrial growth. For example, multiple regressions models may be employed, with a variable included to represent the presence or absence of some tax incentive.

Without taking time and space to review the individual studies and their findings, I can indicate the general conclusion we came to by quoting from the summary: "State and local officials should not be misled as to the true effectiveness of fiscal incentives in attracting new business... nonfiscal factors nearly always dominate business location decisions."

Of course, all studies in this area face formidable methodological obstacles, and no one should be led into thinking that the last word has been said on the subject.

In an effort to overcome some of the shortcomings of other studies, an Ohio State University colleague of mine, George Morse, has carried out an ingenious study of the Ohio Reinvestment

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Area Tax Exemption (a program that allows local officials to grant a 15-year exemption for new buildings or other improvements on the land) in which he has carefully estimated the probable economic benefits and costs to the community from new investment, and then through survey techniques has attempted to determine what proportion of new investment is actually influenced by the availability of the exemption.² He was able thereby to estimate the *breakeven probability*, i.e., the minimum percentage of firms that must be influenced in their location or investment decisions for the tax abatement to be a beneficial development tool.

He found that from the community's perspective, the abatement would need to influence only some 14 percent of the firms in order to be a viable development strategy. And his survey suggested that about twice this percentage of firms was in fact likely to be affected by the availability of the tax abatement. However, this favorable benefit/cost ratio was largely the result of state school aid policies, which compensate districts in inverse proportion to their taxable property. In effect, he estimated, under our system in Ohio the state bears more than two thirds of the cost of the tax abatement. A similar benefit/cost comparison at the state level shows, not surprisingly, that the probable costs substantially outweigh the probable benefits to the state as a whole.

Morse's research thus supports the findings of many of the studies Cornia and I examined in indicating a more potent influence when the location choice is among various sites within the same general area or state, as contrasted with a choice among regions. In the latter decision, tax considerations are least likely to be significant.

... State and local officials should not be misled as to the true effectiveness of fiscal incentives in attracting new business... nonfiscal factors nearly always dominate business location decisions.

The effect of tax abatements is likely to be greatest, in other words, in precisely those situations in which the gain to one community comes at the expense of some neighboring community or other residents of the state. It is least likely to be effective as an interregional or international competitive strategy.

An Alternative Fiscal Strategy

Regrettably, the tendency in recent years to emphasize tax policies as an economic development device has diverted attention from the fact that taxes serve other purposes than economic

development—raising revenue, for one—and that other important principles need to be considered as well in shaping state tax policy. Among these might be noted the principle of tax equity, which suggests that businesses in similar economic situations should be taxed alike; the principle of neutrality, which suggests that, except for good reason, taxes should not deliberately favor one firm or industry at the expense of others; and the principle of simplicity in administration and compliance, which suggests avoiding drawing fine lines between what is taxable and what is exempt (such as the line between equipment bought for replacement and equipment bought for expansion.)

Also forgotten in the preoccupation with tax concessions and abatements is the second of Adam Smith's four Canons, certainty. Tax concessions and abatements fly in the face of the certainty principle, creating a situation in which a business firm's tax situation becomes negotiable, and everything seems to be up for grabs. Such a tax climate, it would seem, would be inhospitable to new investment and economic development.

Responsible businessmen have been known to say, sometimes for the record, that more important to them than some negotiated tax concession is a fiscal climate of stability, predictability, and uniformity in the application of tax laws.

If such statements can be taken at face value, they suggest that a more effective way of creating a favorable state fiscal climate would be to renounce policies of selective, negotiated concessions and to adopt instead a policy stressing the uniform, equal, predictable, and certain application of state taxes to all businesses. A state might place itself in a favorable light by, in effect, announcing to the world that, while it favors new businesses and stands ready to help new firms in any legitimate way, newcomers can expect to receive no tax advantage over any other business. All businesses will be taxed alike under broadly comprehensive, evenhandedly administered tax laws. And while no new firm will be exempt from taxes other firms must pay, likewise there need be no fear that a business, once established, will wake up some day and find itself paying some tax from which its competitor is exempt.

This radical notion that it would be good economic policy to tax business more or less uniformly and equally is often greeted with the response that this would be fine if all states agreed to abide by the same principle, but as long as some states are openhanded in granting tax concessions, all other states are forced to play the same game.

This misses the point. It is precisely because today all states are vying to offer the most

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... The states should stress the uniform, equal, predicatable and certain application of taxes to all businesses.

generous tax deal, and because the evidence suggests pretty clearly that these offers are not major determinants of the location decision, that the state that dares to turn its back on this game is likely to attract favorable attention.

I commend this to you as food for thought.

1. Gray C. Cornia, William A. Tesia, and Frederick D. Stoker, *State-Local Fiscal Incentives and Economic Development*, (Urban and Regional Development Series No. 4), Academy for Contemporary Problems, Columbus, June 1978.

2. George W. Morse and Michael C. Farmer, *Tax Abatement Location Investment Effects: Does the Ohio Reinvestment Area Tax Exemption Really Work?*, (Report ESS 605), Department of Agricultural Economics and Rural Sociology, The Ohio State University, Columbus, November 1983.

Frederick D. Stocker is a Professor of Economics and Public Administration at Ohio State University. This paper was originally presented at the Western States Association of Tax Administrators meeting in Boise, Idaho, on September 17, 1984.

The State 'Unitary Tax' Dispute by Congressman Byron Dorgan

Most of the major newspapers in the United States have printed stories and editorials in the past year on the subject of a "unitary tax" dispute, an issue that has divided the U.S. and some of its allies and has reached all the way to the Oval Office in the White House.

The controversy is shrouded in the language of tax lawyers and corporate attorneys, but the dispute is really simple.

Some state governments, including the state that I'm from (North Dakota), require a corporation doing business in that state to report for income-tax purposes on a unitary worldwide combination basis.

Simply put, that means a corporation doing business all around the globe, and also in North Dakota, is asked to report to North Dakota a portion of its total income for the purpose of allowing North Dakota to compute the income-tax liability it owes the state.

That portion of income attributable to North Dakota is computed by requiring the corporation to report its payroll, property and sales in North Dakota and compare that to its payroll, property and sales everywhere else. These three fractions then are applied to the total income of that corporation, and that is the piece of the income pie attributable to North Dakota as a tax base.

Some Corporations have become very upset with that approach. They believe states are attempting to tax foreign income. That, of course, is not the case. The states are only attempting to tax a fair percentage of the total corporation's income as measured by the corporation's activity in that state.

The corporations say the state should use something called the "arm's-length method" of computing a corporation's state income tax. This method is similar to the old shell game at the carnival. You only get to look at one portion of the corporation's financial picture. The result is corporations price-transfer their profits around and play the shell game to avoid paying their state-tax liability. That's why they like this method.

Some corporations headquartered in Great Britain have been especially active in trying to convince the British government that they are being mistreated when they do business here.

All of that is pure nonsense. There is not a shred of evidence anywhere that the state governments, using the unitary worldwide combination approach, have overreached and are attempting to require more than an appropriate share of a corporation's tax base to be reported to the states for income-tax purposes.

Let me repeat—there's not a single credible instance that I know of in which injury to those corporations has been demonstrated, and I don't believe it ever will be, because the issue is pure myth.

When I was tax commissioner for the state of North Dakota, I learned very quickly that the problem is not that the states are overreaching to try to tax income that does not belong to them. The problem is that too many of the multinational corporations are underreporting their income and avoiding scandalous amounts of state income taxes.

Byron L. Dorgan, a Democrat from Bismarck, is North Dakota's U.S. representative. This article was originally published in *The Denver Post*, Oct. 13, 1984.

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

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FISHERIES BUSINESS TAX CREDIT STUDY

EXECUTIVE SUMMARY

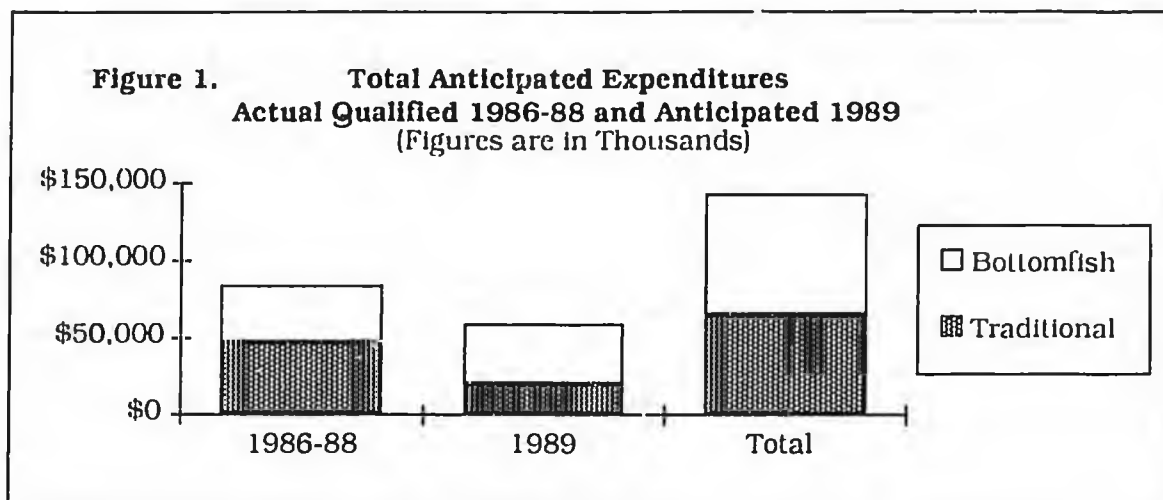
Purpose. This report addresses the effects of the Fisheries Business Tax Credit Program, and its stimulus to investments and employment. An attempt is also made to address several questions of interest: what types of investments are being made, where, and by what types of companies; what have the costs to the state been; and how much more will the existing program cost.

The tax credit program. The program offers a tax credit for capital expenditures that increase processing capacity, product quality, and value-added production. Credits are limited to 50% of a firm's tax liability and to 50% of qualified expenditures. It is scheduled to run for five years (1986-1991), with regulations defining 1986-1989 as the three year period during which qualifying expenditures must be made. Companies can elect to start their three year window of eligibility at any time during that period. Thus all projects must have been preapproved and substantially completed at this time. Credits can now be carried forward by companies who started their eligibility period in 1988 or 1989.

Expenditures. There is no uniform correlation between actual qualifying expenditures as reported on tax forms, expenditures preapproved by the Department of Revenue, total expenditures actually made and tax credits taken. Generally, actual qualifying expenditures are a minimum figure for total investment. For most firms, the limiting factor was 50% of their tax liability, not 50% of the qualifying expenditures. Overall, credits are expected to total about 35% of qualifying expenditures.

Actual qualifying expenditures reported on tax forms during the period 1986-1988 totaled \$83.4 million. The Department of Revenue has preapproved expenditures of about \$92.0 million for 1989, the last year that expenditures could be made and still qualify for credit. Since fisheries tax returns for 1989 are not due until March 31st, the actual dollar amounts will not be known for several months.

Using the experience of the previous two years, actual expenditures reported for credit will be approximately \$60 million, 65% of the amount preapproved. Total reported, qualifying expenditures are expected to total over \$140 million, but this is a minimum number for actual investment, as some



companies only report enough expenditure to match their tax liability, and some expenditures are disqualified for items such as bunkhouses, which are essential parts of the operations.

Increase in Shorebased Plant Value. Current estimates put the total insured or assessed value of seafood processing plants and equipment in Alaska at \$800 million to \$1 billion (Alaska Seafood Industry Study, 3/89). Estimated qualifying expenditures made during the past three years represent an increase of more than 15% of the total value of all active processing facilities in the state.

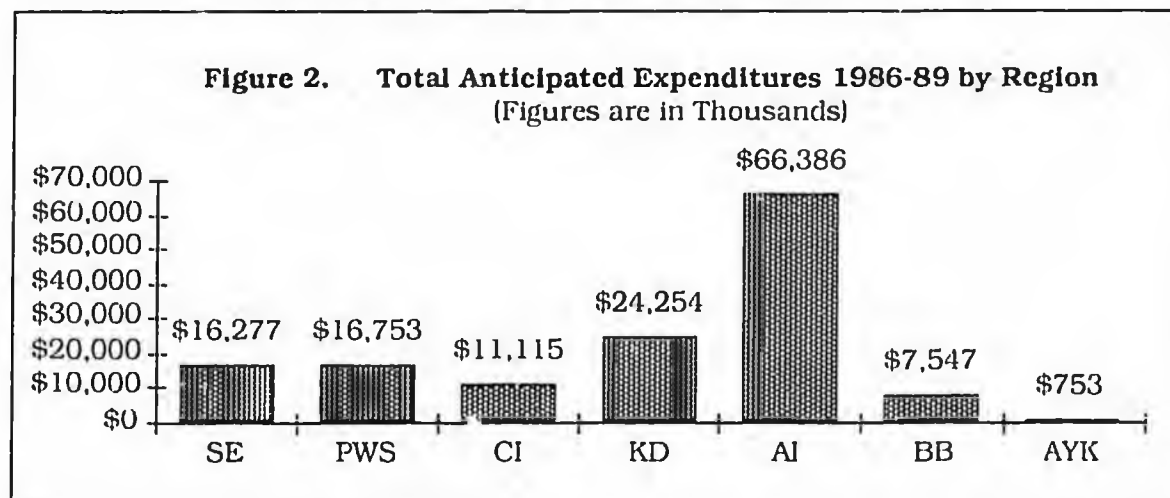
Number of participants. Sixty-seven firms representing 96 Alaska processing facilities have or intend to participate in the fisheries tax credit program. Expenditures actually qualifying for credit during the 1986-1988 period were made at 76 plants. Applications for expenditures during 1989 at an additional 13 facilities have been approved by the Department of Revenue. Credits only were taken on taxes generated by 7 facilities (and applied to expenditures at other plants owned by the same firm).

Table 1. Size and Number of Facilities' Expenditures by Region

Size of Expenditure (in thousands)	South East	Prince Will	Cook Inlet	Kod/ Chig	Aleut. Is.	Bristol Bay	AYK	Total
Less than \$10.0	2		1		1			4
\$10.0 - 100.0	7	1	2			2	2	14
\$100.0 - 500.0	8	3	3	5	1	2		22
\$500.0 - 1,000.0	1		8	5	2	3	1	20
\$1,000.0 - 2,000.0	4	2	4	2	1	1		14
\$2,000.0 - 5,000.0	2	2		3	1	1		9
\$5,000.0 - 10,000.0		1		1				2
\$10,000.0 - 20,000.0					4			4
Total	24	9	18	16	10	9	3	89

Concentration of Major Investments. It is estimated that through 1989, 22 firms will have made investments of more than \$1 million at each of 28 plants. This category of large investments will total about \$128 million or 89 percent of the total estimated expenditures of all participating firms.

The approximate size of expenditures and number of plants involved in each area of the state are outlined in Table 1. The expenditures column represents actual expenditures reported through 1988 plus 65% of 1989 expenditures preapproved by the Department of Revenue.



Expenditures by Region. The statewide total of estimated expenditures over the life of the tax credit program is put at \$143 million. Expenditures in the Aleutian Islands area are estimated at \$66 million or 46% of the total. The bulk of expenditures in the Aleutian Islands area are related to the construction of four very large bottomfish plants used for the manufacture of surimi, fillets and meal. See Figure 2.

Comparatively few expenditures were made in the Bristol Bay area (\$8 million) and AYK area (\$1 million).

Credits Taken. Reported expenditures totaled \$83 million during the 1986-1988, generating \$42 million in potential credits. Only about \$23 million in actual credits were applied, and the credit carry forward is about \$19 million. Generally, the credits taken by most major firms are limited by their tax liability and not by the size of their qualified expenditures.

Credits Outstanding. Theoretically, outstanding credits could equal \$66 million (half of the 1989 preapproved amount plus the amount carried forward). Estimating 65% of the preapproved amount as the actual qualifying expenditures that will be reported yields an estimated potential credit outstanding \$49 million, and a total potential credit figure of \$71 million.

The carryforward of most firms will be exhausted by 1990, so credits taken are expected to be higher 1988-1990, and lower in 1987 and 1991. Also, the record high ex-vessel prices of 1988 and the large volume of claims are likely to make that year the peak. Credits are likely to decline steadily after 1988, and to total between \$48 and \$55 million over the life of the program.

Ownership. Of the 89 facilities where expenditures have or will be made, on the order of 44 are owned by Alaska residents or Alaska-based corporations, 24 by foreign entities, and 21 by U.S. citizens or corporations headquartered outside of the state.

Forty-one percent of the credits actually applied through 1988 were taken by Alaskan firms, 29% by US firms, and 31% by foreign firms. Based on the tax liabilities of the companies involved, the 1989 approved expenditures and the amount of credits carried over from prior years, this ratio is not expected to change appreciably in the future.

Value of the Tax Credit Program. It is not possible to determine what investments in plant expansion and new equipment would have been made in the absence of a tax credit program. However, it is clear that the program is responsible for a substantially increased volume of capital investments in shorebased facilities, and probably in the ability of Alaskan and US firms to participate in shorebased bottomfish operations.

Six facilities with over \$5 million expended make up 45% of the total anticipated qualifying expenditures. Four are for new plants, with three bottomfish operations and one cannery. Two are major expansions of existing plants, both into surimi, fillet and meal production. The two Alaskan and one US firm involved all concentrated extensive tax credits from floating operations to build their plant. Principals in each firm report that the tax credit program was a major factor in their decision to invest onshore. The program was of lesser importance to the other three Japanese owned plants, who have very large fishing companies behind them, and who are constrained by law from investing in factory trawlers.

Of the total \$143 million in expected qualifying expenditures, \$79 million was spent on bottomfish facilities, and \$44 million on traditional species. The traditional species investments have considerably increased production capacity, especially refrigeration capacity, and have contributed substantially to production efficiencies.

Increase in Employment. It is not possible to determine the total increase of employment which was generated by plant expansions, because most were incremental expansions or improvements of existing facilities. More efficient equipment and production systems may even have resulted in the elimination of a few jobs. However, four new surimi plants alone which have already been completed or are in the final stages of construction will employ about 750 people full time. Another new facility constructed to handle more seasonal "traditional" species is expected to employ 200. Employment increases associated with firms participating in the tax credit program probably exceed 1,000 persons.

FISHERIES BUSINESS TAX CREDIT PROGRAM REPORT

Type of investments made

Actual qualifying expenditures as reported on 1987-1988 tax returns were analyzed in detail. These expenditures were classified as being in support of either bottomfish processing or the processing of "traditional" species such as salmon, halibut, herring, and crab. Within those two categories the following classifications were established:

Dock/building repair or expansion: Minor and major expansion of existing processing buildings; utilities maintenance and upgrade (water, power, communications, waste disposal, outfalls); general plant wiring, plumbing, heating and other systems maintenance and upgrade; support facilities and equipment such as office, lunch room, generator shed, shop, supplies storage space, or loading dock.

New plant construction: Construction of a totally new building where one did not previously exist. Construction in association with an existing plant was included in this category if it involved the construction of a new building designed to handle products not previously processed.

Fish Handling equipment: Equipment and closely associated structures for moving, transferring and handling fish. Expenditures in this category were heavily weighted toward fish pumps, fork lifts and cranes, and also included conveyors, pallet jacks, trucks, hoists, elevators, carts, vans, and flumes.

Refrigeration/Ice: Refrigeration equipment, compressor buildings, freezers, refrigerated product storage facilities, refrigerated seawater holding systems, ice manufacturing equipment, and ice storage and delivery systems.

Salmon canning equipment ("Traditional" category only): Equipment used specifically in traditional salmon canning operations: Holding bins, weighing systems, fillers, seamers, can forming machinery, and steam production equipment. The efficiency of traditional canning facilities was substantially increased by the installation of equipment such as automated weighing and patching systems. A number of firms added one-quarter and one-half pound canning lines, which will increase the final product value.

Surimi/fillet equipment (bottomfish category only): Machinery for raw product buffer storage, heading, gutting, skinning, filleting, mincing, dewatering, mixing ingredients, candling, trimming and packaging products. Meal and oil plants associated with bottomfish surimi and fillet operations were included in this classification.

General processing equipment: Equipment usually associated with the processing of traditional species and products - salmon, herring, halibut, shellfish: Raw product holding and distribution systems, scales, tables, totes, headers and gutters, fish washing, glazing, strapping machines, crab cookers, herring graders, and equipment for egg processing (brine tanks, agitators).

Added value equipment ("Traditional" category only): Equipment specifically used in the production of value added products: Skinless/boneless canned salmon, retortable pouch products, fish meal and oil not especially related to bottomfish operations, smoking, salmon fillets and fillet log products, and equipment to facilitate air fresh operations.

Traditional Species Investments.

During the 1986-1988 period, \$45.8 million of the \$83.4 million total reported on tax returns was invested in facilities and equipment devoted primarily to the processing of traditional species. About half of that amount was invested in the improvement and expansion of existing buildings and docks and the installation of new freezing, cold storage and ice making capacity.

Of the \$92 million in expenditures preapproved for 1989, \$29 million will be devoted to the production of traditional species. About 65% of that amount, or \$19 million, is expected to be reported as qualified expenditures on tax returns. Over the life of the program, \$65 million in qualifying, reported expenditures will be invested. Further details about traditional species expenditures are provided in Table 2 and Figure 3.

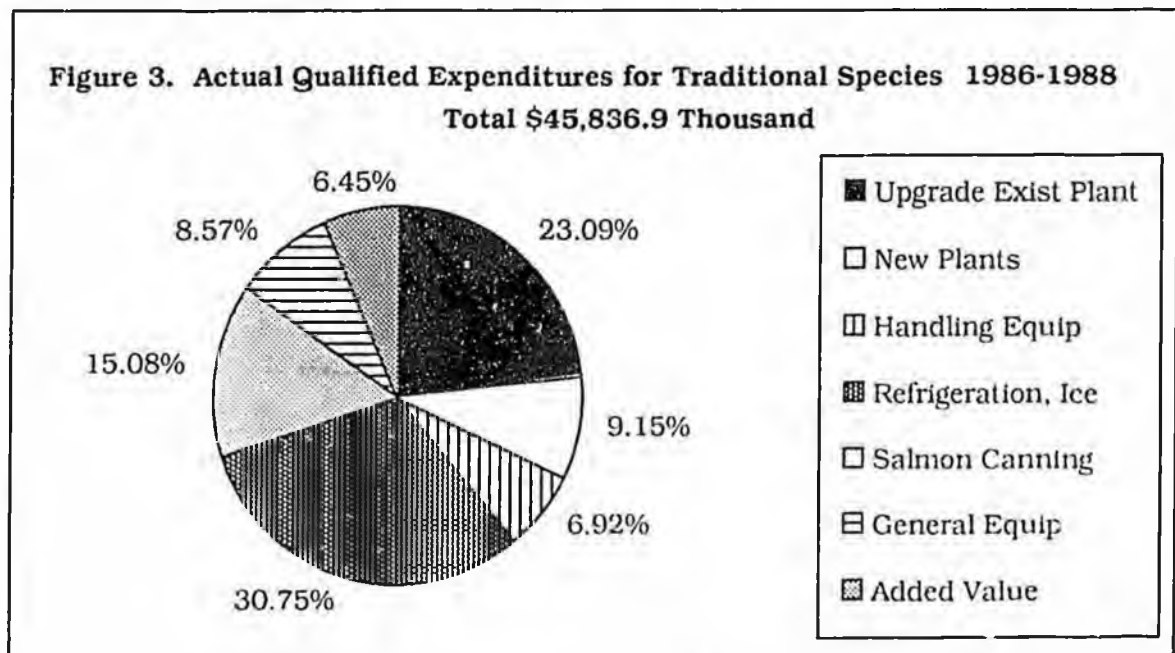


Table 2. Actual Qualified Expenditures 1986-1988 on Traditional Species

	Utilities, buildings	New Plants	Handling Equipment	Refrig. Ice, Freezing	Salmon Canning	General Equipment	Added Value	Total
Southeast	\$2,133.1	\$0.0	\$580.7	\$2,814.9	\$3,518.8	\$695.2	\$912.9	\$10,655.6
Prince William Sd	\$1,007.3	\$4,169.7	\$1,555.8	\$1,672.6	\$2,854.8	\$738.1	\$1,663.7	\$13,662.0
Cook Inlet	\$2,904.9	\$0.0	\$481.8	\$3,170.9	\$4.1	\$1,304.8	\$71.0	\$7,937.5
Kodiak	\$1,083.9	\$23.8	\$265.6	\$2,415.9	\$174.4	\$903.7	\$0.0	\$4,867.3
Aleutian Islands	\$2,387.7	\$0.0	\$43.5	\$129.4	\$0.0	\$0.0	\$300.0	\$2,860.6
Bristol Bay	\$1,042.8	\$0.0	\$238.3	\$3,839.8	\$357.9	\$267.9	\$0.0	\$5,746.7
Arclic-Yuk-Kusk	\$22.5	\$0.0	\$6.0	\$49.1	\$0.0	\$20.3	\$9.3	\$107.2
Total	\$10,582.2	\$4,193.5	\$3,171.7	\$14,092.6	\$6,910.0	\$3,930.0	\$2,956.9	\$45,836.9

Table 3. Actual Qualified Expenditures 1986-1988 on Bottomfish

	Utilities, buildings	New Plants	Handling Equipment	Refrig. Ice, Freezing	Surimi, Fillet	General Equipment	Total
Southeast	\$33.6	\$0.0	\$8.9	\$63.0	\$0.0	\$18.8	\$124.3
Prince Will Sd	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cook Inlet	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$14.0	\$14.0
Kodiak	\$720.8	\$1,789.0	\$388.8	\$1,775.7	\$8,417.6	\$394.9	\$13,486.8
Aleutian Islands	\$8,839.2	\$3,755.0	\$440.8	\$59.7	\$10,767.1	\$87.5	\$23,949.3
Bristol Bay	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Arc-Yuk-Kus	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total	\$9,593.6	\$5,544.0	\$838.5	\$1,898.4	\$19,184.7	\$515.2	\$37,574.4

Table 4. Total Actual Qualified Expenditures 1986-88 and Estimated Qualifying Expenditures for 1989*

	Traditional Species			Bottomfish			Grand
	1986-88	'89 Est*	Total	1986-1988	'89 Est*	Total	Total
Southeast	\$10,655.6	\$5,224.2	\$15,879.8	\$124.3	\$272.7	\$397.0	\$16,276.8
Prince Will Sd	\$13,662.0	\$2,613.1	\$16,275.1	\$0.0	\$477.8	\$477.8	\$16,752.9
Cook Inlet	\$7,937.5	\$3,163.6	\$11,101.1	\$14.0	\$0.0	\$14.0	\$11,115.1
Kodiak	\$4,867.3	\$3,400.3	\$8,267.6	\$13,486.8	\$2,499.3	\$15,986.1	\$24,253.7
Aleutian Is.	\$2,860.6	\$1,719.9	\$4,580.5	\$23,949.3	\$37,856.3	\$61,805.6	\$66,386.1
Bristol Bay	\$5,746.7	\$1,799.9	\$7,546.6	\$0.0	\$0.0	\$0.0	\$7,546.6
Arc-Yuk-Kus	\$107.2	\$645.3	\$752.5	\$0.0	\$0.0	\$0.0	\$752.5
Total	\$45,836.9	\$18,566.2	\$64,403.1	\$37,574.4	\$41,106.0	\$78,680.4	\$143,083.5

Bottomfish Expenditures.

Bottomfish investments for the 1986-88 period totalled \$37.6 million. About three-quarters of the amount was invested in new plant construction and specialized equipment for the production of fillets, surimi and meal. Preapproved 1989 expenditures total \$63 million for bottomfish. If 65% of the amounts preapproved are actually reported for credit, 1989 qualified expenditures for bottomfish would be \$41 million. (Table 3 and Figure 4.)

Combining expenditures reported in 1987 and 1988 and 65% of the amounts preapproved in 1989 indicate that during the life of the tax credit program Alaska processors will spend at least \$79 million to initiate the production of bottomfish. See Table 4.

Note that qualifying expenditures represent a minimum figure for investment. Some expenditures are disqualified, and some companies only report enough expenditures to match their anticipated tax liability. For example, one new surimi plant has preapproved expenditures under the tax credit program of about \$11 million. This amount is apparently sufficient to maximize the firm's potential credits given its expected tax liability. However, reliable information indicates that the company will actually spend nearly \$60 million on the project.

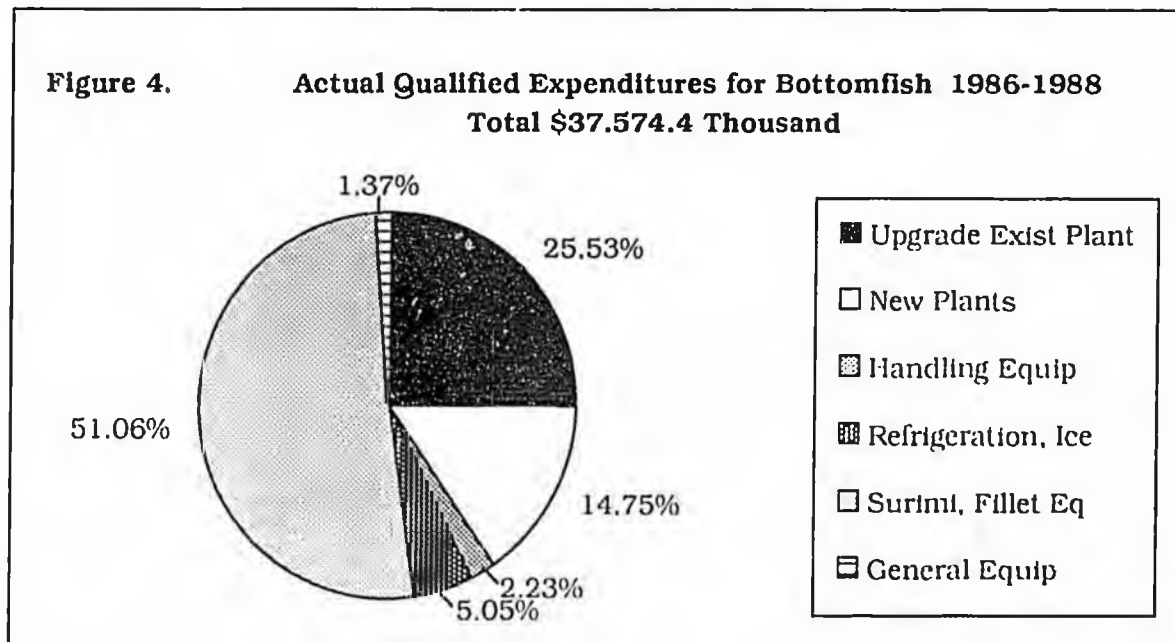


Table 5. Total Credits Applied 1986-88, Carryover, and Preliminary Approved Expenditures for 1989

Regional Analysis Location	Number	Tax Credits Applied		Total		One-half	Maximum	Theoretical
		1987	1988	1986-88	Carryover	1989 App Expend	Theoretical Credits	Credits Outstanding
Southeast	24	\$1,435.8	\$2,044.9	\$3,480.7	\$1,909.1	\$1,228.4	\$9,618.1	\$6,137.5
Prince William Sd	10	\$1,733.1	\$1,860.3	\$3,593.4	\$3,237.8	\$2,377.6	\$9,208.8	\$5,615.4
Cook Inlet	17	\$1,131.5	\$1,660.1	\$2,791.6	\$1,324.6	\$2,433.5	\$6,549.7	\$3,758.1
Kodiak	15	\$1,985.6	\$3,062.8	\$5,048.4	\$4,163.2	\$4,538.2	\$13,749.7	\$8,701.3
Aleutian Islands	11	\$903.8	\$4,712.1	\$5,615.9	\$7,898.3	\$30,443.2	\$43,957.4	\$38,341.5
Bristol Bay	9	\$683.9	\$886.1	\$1,570.0	\$1,411.4	\$1,384.5	\$4,365.9	\$2,795.9
Arctic-Yuk-Kusk	3	\$0.0	\$21.4	\$21.4	\$32.2	\$496.4	\$550.0	\$528.6
Total	89	\$7,873.7	\$14,247.7	\$22,121.4	\$19,976.6	\$45,901.7	\$87,999.6	\$65,878.3

Table 6. Total Credits Applied 1986-88, Carryover, and Estimated Qualifying Expenditures for 1989*

Ownership Analysis Location	Number	Tax Credits Applied		Total		One-half	Maximum	Max Est
		1987	1988	1986-88	1986-88 Carryover	1989 Est. Qual Exp*	Estimated Credits	Credits Outstanding
Alaskan Owned	44	\$4,001.4	\$5,290.8	\$9,292.2	\$3,152.7	\$14,903.1	\$27,347.9	\$18,055.8
US Owned	21	\$1,489.2	\$4,795.8	\$6,285.0	\$1,675.1	\$5,431.4	\$13,391.5	\$7,106.5
Foreign Owned	24	\$1,989.3	\$4,161.1	\$6,150.4	\$15,148.8	\$9,501.6	\$30,800.8	\$24,650.4
Totals	89	\$7,479.9	\$14,247.7	\$21,727.6	\$19,976.6	\$29,836.1	\$71,540.2	\$49,812.7
Fac. > \$1 Million	28	\$5,164.8	\$10,131.7	\$15,296.5	\$18,548.3	\$25,346.8	\$59,191.5	\$43,895.0
Fac. > \$5 million	6	\$1,109.2	\$3,856.3	\$4,965.5	\$11,659.9	\$19,100.1	\$35,725.5	\$30,760.0
Firms > \$2 million	12	\$5,886.9	\$11,223.1	\$17,110.0	\$16,417.6	\$25,870.6	\$59,398.2	\$42,288.2

*NOTE - The estimated '89 expenditures shown are 65% of the preapproved amount. See text for description.

Credits Taken

While reported expenditures totaled \$83 million during the 1986-1988 period, only about \$23 million in actual credits were applied. Credits are limited to 50% of a firm's tax liability and to 50% of qualified expenditures. Generally, the credits taken by most major firms are limited by their tax liability and not by the size of their qualified expenditures. Qualified expenditures made in 1986-1988 generated potential credits of \$42 million, nearly twice as large as the amount actually applied. The credit carry forward is about \$19 million. See Table 5.

The Department of Revenue has preapproved expenditures in 1989 of \$92 million. Total theoretical credits potentially equal \$88 million (half of the 1989 preapproved amount plus the amount carried forward and the amount already claimed). However, based on past experience, qualified expenditures actually reported on tax returns will be about 65% of the amount preapproved (\$60 million), generating an estimated credit of \$30 million. Adding the 1989 estimated credit and the 1987 - 1988 carryover (\$19 million) gives a more probable maximum estimated credit outstanding of \$50 million. See Table 6.

Anticipated Total Revenue Impacts

Investments in facilities and equipment placed in service during 1989 may be used to qualify for credit through 1991. However, credits actually applied will probably peak in 1988, with the smallest amounts taken in 1987 and 1991. The price and volume of fish and shellfish and thus tax receipts (and credits) are expected to be less in 1989 and 1990 than in 1988. By 1991 most firms with credits to carry forward will have exhausted their 3 year window. The overall credits actually applied during the life of the tax credit program are expected to total between \$48 and \$55 million, about 60% of the total credits potentially available (\$87 million).

Plant Ownership

In order to show how the benefits of the tax credit program are distributed, an attempt was made to compare expenditures and credits applied according to the following ownership categories: U.S., Foreign and Alaska. There is no practical way to "officially" determine plant ownership and even arriving at consistent, meaningful definitions is difficult. However, ownership of most major facilities is common industry knowledge and it was felt that it would be more useful to do an imperfect comparison than to avoid the issue. Knowledgeable individuals, news reports and other sources were consulted to help arrive at the ownership designations used.

Firms are designated Alaskan owned if the president or general manager resides in the state, if it is owned by a resident corporation, or if it is generally thought of as a locally owned facility. There are instances where a firm may have begun operations in the state, has a significant proportion of resident stockholders and a substantial part of their management staff are residents, but for business

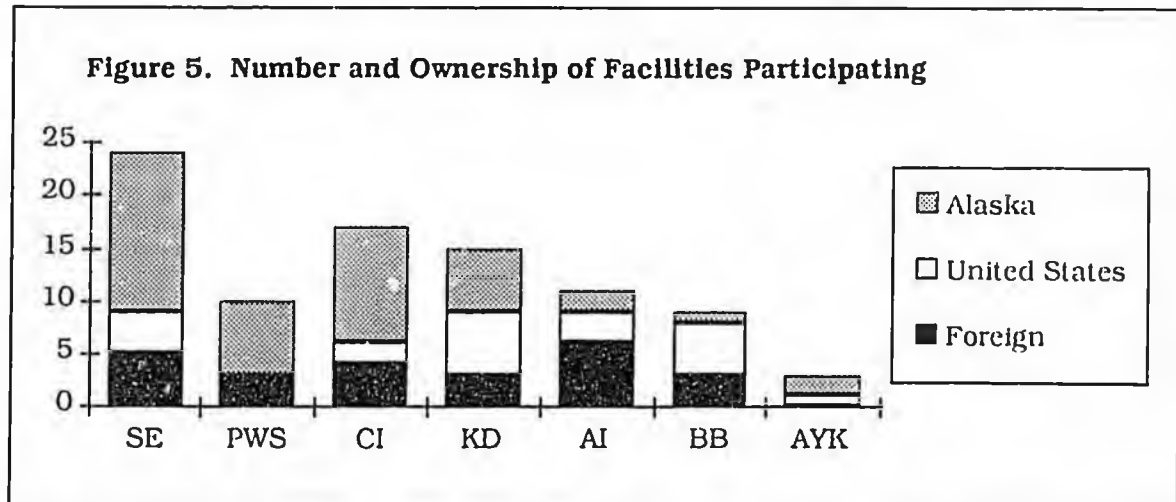
reasons the firm elected to move their corporate offices outside the state. Such firms are also termed Alaskan.

Firms are designated U.S. owned if they are known to be owned by outside corporations, if they have never had their headquarters in the state, if there are no known significant resident stockholders and if most management staff have their homes outside the state.

Firms are termed foreign owned if reports indicate that all or nearly all the company is held by foreign nationals or foreign corporations. In practice, foreign owners tend to have full ownership control of the firms in which they are heavily invested. Those firms classified as foreign in this paper are all thought to have 90% or more foreign ownership.

Of the 89 facilities where expenditures have or will be made under the tax credit program, on the order of 44 are owned by Alaska residents or Alaska-based corporations, 24 by foreign entities, and 21 by U.S. citizens or corporations headquartered outside of the state. See Table 6.

Forty-one percent of the credits actually applied through 1988 were taken by Alaskan firms, 29% by US firms, and 31% by foreign firms. Based on the tax liabilities of the companies involved, the 1989 approved expenditures and the amount of credits carried over from prior years, this ratio is not expected to change appreciably in the future.



Concentration of Major Investments

Through 1988, 14 firms had made investments of more than \$1 million at 18 plants. These large investments amounted to \$65 million or about 77% of all investments made during the period. As a result of these investments, credits totaling \$18.2 million were actually applied. This amount represented 79% of all credits taken during the period. See Table 7.

Adding 65% of 1989 preapproved expenditures to those reported through 1988 gives an estimate of total expenditures through the life of the credit program. Through 1989, 22 firms will likely have made investments of more than \$1 million at each of 28 plants. This category of large investments will total about \$128 million or 89% of the total estimated expenditures of all participating firms.

Total expenditures by company for the life of the tax credit program are estimated below:

Table 7. Company Expenditures by Size

<u>Expenditures</u>	<u>Number of firms</u>	<u>\$Invested</u>	<u>% of Total</u>
Over \$1 million	22	\$128 million	89%
over \$2 million	12	\$114 million	79%
over \$5 million	8	\$99 million	69%
over \$10 million	5	\$75 million	52%
over \$15 million	2	\$43 million	30%
over \$20 million	1	\$26 million	17%

Areas

Area designations used in this paper are:

- SE: Southeast, includes Yakutat
- PWS: Prince William Sound, includes Seward
- CI: Kodiak, includes Chignik
- AI: Aleutian Islands, includes Sand Point, King Cove
- BB: Bristol Bay, includes Port Moller, Togiak
- AYK: Arctic, Yukon, Kuskokwim - includes points north of Togiak and interior rivers.

**DEPARTMENT OF COMMERCE &
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DIVISION OF BUSINESS DEVELOPMENT

Tax Revenue Projections

Purpose

This paper attempts to predict the tax revenues that will accrue to the state in 1993, when most groundfish will be fully developed, compared to 1985, just prior to the fisheries business tax credit program. An attempt is made to distinguish between effects due to the tax credit program and external factors. Please note that these are best guesses supplied on request. Other observers may disagree on the particulars.

Summary

Fisheries business tax revenue is based on and is proportional to the ex-vessel values of the various fisheries. Those in turn depend on the price paid to fishermen and the volume of fish harvested. Table 1 compares revenue estimates for 1985 and 1993. Overall, revenues increase nearly 100%. The major increases are in groundfish, salmon and crab, and are largely due to the increase in value of the yen and the nearly doubling of prices for groundfish, sockeye salmon, and crab that followed. That effect is already apparent on tax revenues.

In addition, greatly increased production capacity in groundfish, increased tanner crab catches, and increased pink salmon prices due to a strengthening canned market have all added significantly to the value of the fisheries, and consequently to the tax revenues. These effects are all expected to continue through 1993.

Tax credit effects are most notable in the groundfish processing capacity and the quality, product diversity, and yield increases in salmon canning, particularly pink salmon in Prince William Sound. Of credits actually applied to date in the program over 50% are in these categories.

Net Effect

The anticipated increases in revenues that can reasonably be ascribed to investments in which tax credits played a major role total \$2.7 - 3.1 million annually. The vast majority of this is due to increased groundfish production. That portion represents about 10% of the total projected revenue increase 1985-1993. It is reasonable to assume that additional expenditures made in 1989 will also result in increased

revenues once more detail is available. However, it is not possible to predict just what the causative relationship would be at this time. Future revenue increases to the state will be based primarily on increased prices paid to fishermen in the traditional fisheries, increased production volume in the bottom fisheries, or increased tax rates, as when species become fully developed.

Background.

The volume of bottomfish harvested or processed within the taxing jurisdiction of the state is expanding. However, heavy competition in the world market for whitefish is likely to dampen future price increases. Major price increases did occur with the strengthening of the yen, and it is possible that production declines for major competitors such as Atlantic cod could result in further modest price increases.

Traditional species

Most traditional Alaska fisheries are fully subscribed and producing at near their historic highs. Future production increases will be due to management measures taken to gradually rebuild depleted stocks such as king crab, or increased salmon hatchery releases. Apparent trends in these areas were taken into account in the forecast, but are not expected to make large differences by 1993.

If a processor is able to obtain better prices in the marketplace through a superior product and thereby increase margins, the surplus revenues will almost certainly be devoted to capturing a larger percentage of the supply. Alternatively, capital improvements that improve yield or quality may be undertaken to increase margins. But it is virtually unheard of for seafood companies to pull significant surplus revenues out of the company. Almost inevitably, the successful processor reinvests and gets bigger or more efficient.

Competition with other processors for fish supplies quickly translate into better prices to the fishermen and greater tax revenues to the state. Many capital improvements made by processors under the tax credit program work to increase quality, improve recovery and permit the production of higher value products. These investments total 60% of the traditional species totals for which information is available. These improvements will contribute, ultimately, to higher tax revenues:

Ice and refrigeration capacity: Fish handled quickly during peak periods and kept cold will be of higher quality.

Handling Systems, including wet pumps: Chilled sea water holding and modern handling systems (wet pumps) increase yield and quality.

Fill Weight Control: Several canneries made expenditures to provide state of the art equipment for the control of fill weights and the recovery of meat from trim. Such controls can improve recoveries by at least 2 or 3 percent. This is the equivalent to a 2% percent price increase to the fisherman.

Skinless/Boneless Capacity: Three or four plants installed equipment for the production of skinless/boneless canned salmon. These products return a greater net margin than traditional canned products due to greater value added.

Smaller can sizes: Several plants installed canning lines for 1/2 and 1/4 pound cans. Smaller can sizes add more value to a given volume of product and return a higher margin.

Groundfish Production Volume

Most plants with access to groundfish resources purchased filleting equipment and/or constructed surimi facilities and provided for the production of fish meal. The expansion of shorebased bottomfish processing facilities encouraged fish (generally caught outside three miles) to be processed within the state's taxing jurisdiction. It is estimated that the 7 groundfish plants with surimi capability currently operating or under construction will have the capacity to handle nearly 6 million pounds of pollock per day. They could potentially process half of the total pollock quota. Another six are set to produce fillets, and they add at least 25% more capacity.

Tax Credit Program Effects

Bottomfish. Five of the surimi plants were constructed, at least in part, under the tax credit program. Most are owned by Japanese companies newly involved in processing Alaska seafood onshore, they have little tax liability and benefited little from the tax credit program. The bulk of the actual credits taken for surimi operations were used by a US company, with two Japanese companies with other Alaskan seafood operations benefiting to a lesser degree.

At least six other plants in Alaska increased their groundfish capacity under the tax credit program to produce fillet products from cod, rockfish, and flatfish as well as pollock. These are mostly Alaskan firms with substantial salmon and crab tax liabilities. Actual utilization of this capacity will depend on the outcome of allocation decisions between onshore and offshore processing components. Total

shorebased fillet plants projected for 1993 can probably handle about 2 million pounds per day, or 25% of the total shorebased groundfish volume.

The tax credit program had a major impact on plants producing 3-4 million pounds per day, and capable of producing about \$2-2.5 million annually in tax revenues. It is safe to say that the plants in which the state has a large investment through tax credits probably would not have been built by 1993 without the program, and the amount of shorebased processing capacity would be significantly less than it is now. In all likelihood, the factory trawl fleet would be taking a lot more of the quota, and further shore based processing would have been precluded.

Canned Salmon. The increase in canning capacity under the tax credit program was concentrated in high value added pink salmon products. At least six boneless/skinless and small can lines were added, increasing the total number of canning lines about 10%. Capacity was probably not increased more than 4%. Canning yield improvements of around 2% on round weight basis are likely for canned salmon as a whole. Value added production is likely to increase prices significantly in areas such as Southeast and Prince William Sound. Statewide the effect is likely to be equivalent to the yield improvements.

The cumulative effect of these improvements is likely to be an increase in price of around 5% for fish that are canned, and an equivalent increase in tax revenue. The effect on tax revenues is projected to be \$0.2-0.4 million.

Frozen Salmon. The largest contributions to tax revenues are from frozen sockeye. The major producing regions are Bristol Bay, Cook Inlet, and Kodiak. Primary effects of the tax credit program in these areas are on freezing capacity, fish handling and ice. Major investments were made in freezing capacity by many canneries. The major effect of these investments is to allow more product to go to the frozen markets. While in some years the canned market is stronger, canning capacity is seldom limiting. Usually, freezing capacity is limited in shore plants, and it is fully utilized.

Also, a large fraction of the salmon historically has not been suitable for freezing, further limiting options. The combined effect of improving handling capabilities and freezing capacity is likely to be a net increase in freezing capacity of about 10% (wild guess). It is estimated that the increase in returns due to freezing and quality improvements would more than offset the loss in revenue due to freezing rather than canning, but that the overall increase in value for the fish would be less than 5%. Using a 5% figure results in an annual increase in revenue of about \$0.5 million.

Crab. Investments in crab were limited, and present crab capacity is more than adequate. No effect is predicted.

Finfish. Investment in freezing capacity will likely be used for halibut, herring and blackcod as well as salmon. The increase in capacity is probably less than 10% outside Bristol Bay, where little non-salmon processing occurs. The main effect is likely to be quality improvement during short openings. The net effect of freezing more quickly on revenues is likely to be negligible.

**Rationale/notes for Tax Projection Table
Assumptions for 1993**

Salmon

Sockeye Frozen Shore: Price escalates with yen value, average of past four years plus inflation.

Sockeye Frozen Floating: Volume processed at sea forecast to be up from 27 to 35%.

Sockeye Canned: Canned % expected to be up slightly

Pink Frozen shore: Demand up for pinks because of lowest price position. Average harvests up because of hatchery production.

Pink Frozen floating: Volume processed at sea expected to be up slightly.

Pink Canned: 72% of total volume.

Other Salmon Frozen shore: Price increase expected to be modest because of coho and king competition with farmed fish and increased % of chum.

Crab

Tanner Shore: Price escalation follows yen value. Market acceptance of Opilio is proven and harvests have about maxed out. Bairdi appear poised for a major recovery, with large numbers of pre-recruits observed.

Tanner shore: % of processing at sea expected to be up slightly

King shore: Price escalation follows yen value, plus paucity of supply. Population expected to rebound somewhat.

Finfish

Herring sac roe floating: % processed a sea expected to decrease from 48% to 40% with decline of Togiak fishery. Overall volume expected to be down.

Herring sac roe shore: Price increases to be held to check by consumer resistance.

Halibut: IPHC says By-catch holding harvests in check. Price increases assume some system in place to make fresh available over longer period.

Blackcod: Volume has increased substantially due to elimination of foreign and JV harvests.

Groundfish

Pollock shore: Domestic processing has increased eliminating foreign and JV harvests. 35% of domestic harvests in 1988 went to shore. Relative percentage is expected to be the same in 1993. Major surimi plants in Dutch Harbor, Kodiak, Akutan and St. Paul will have the capacity to handle increased volume. Elimination of developing species tax classification by 1993 included.

Cod shore: Production increases are expected with opening of ports in the Pribilofs, pressure from the presence of excess processing capacity currently under construction and a strong underutilized resource. Elimination of developing species classification is expected.

Flatfish: Production and price increases are expected due to pressure from excess groundfish processing capacity, underutilized resource, and processing and marketing advancements which will improve the economics of yellowfin and arrowtooth production. Developing species tax classification will probably be retained through 1993.

Rockfish and POP: Production is expected to remain relatively flat due to depressed resource. Prices are expected to increase with inflation.

Inflation.

Currently at 4 or 5 percent per year, but variations in the yen exchange rate from year to year can far outweigh this factor. This forecast of revenues assumes that the relative value of the yen will remain about as it is today.

PROJECTED TAX REVENUES 1985 - 1993

	1985 Base Year					1993					% of Overall Increase	Notes
	Harvest million lb	Price \$/lb	Value \$million	Tax Rate %	Revenue \$million	Harvest million lb	Price \$/lb	Value \$million	Tax Rate %	Revenue \$million		
GROUND FISH					\$0.30					\$5.36	25%	
Pollock												
Shore	5.6	\$0.04	\$0.2	1.0%	\$0.00	742.1	\$0.09	\$63.1	3.0%	\$1.89	9%	1
Float	45.0	\$0.04	\$1.8	3.0%	\$0.05	82.4	\$0.09	\$7.0	5.0%	\$0.35	1%	
Cod												
Shore	10.5	\$0.10	\$1.1	1.0%	\$0.01	290.0	\$0.20	\$58.0	3.0%	\$1.74	8%	1
Float	55.1	\$0.10	\$5.6	3.0%	\$0.17	80.0	\$0.20	\$16.0	5.0%	\$0.80	3%	
Flatfish												
Shore	0.5	\$0.17	\$0.1	1.0%	\$0.00	59.4	\$0.20	\$11.9	3.0%	\$0.36	2%	
Float	0.7	\$0.17	\$0.1	3.0%	\$0.00	6.6	\$0.20	\$1.3	5.0%	\$0.07	0%	
Rockfish/POP												
Shore	2.0	\$0.28	\$0.6	1.0%	\$0.01	14.4	\$0.30	\$4.3	3.0%	\$0.13	1%	
Float	6.3	\$0.28	\$1.7	3.0%	\$0.05	1.6	\$0.30	\$0.5	5.0%	\$0.02	0%	
SALMON					\$14.16					\$21.09	34%	
Canned												
Sockeye	30.1	\$0.98	\$29.5	4.5%	\$1.33	30.0	\$1.60	\$48.0	4.5%	\$2.16	4%	
Pink	218.9	\$0.24	\$51.7	4.5%	\$2.32	198.0	\$0.48	\$95.0	4.5%	\$4.28	9%	3
Frozen												
Shore												
Sockeye	142.1	\$0.98	\$139.4	3.0%	\$4.18	110.5	\$1.60	\$176.8	3.0%	\$5.30	5%	
Pink	80.1	\$0.24	\$18.9	3.0%	\$0.57	69.3	\$0.48	\$33.3	3.0%	\$1.00	2%	
Other	127.6	\$0.67	\$85.6	3.0%	\$2.57	132.0	\$0.70	\$92.4	3.0%	\$2.77	1%	
Float												
Sockeye	52.5	\$0.98	\$51.5	5.0%	\$2.58	59.5	\$1.60	\$95.2	5.0%	\$4.76	11%	4
Pink	5.1	\$0.24	\$1.2	5.0%	\$0.06	7.7	\$0.48	\$3.7	5.0%	\$0.18	1%	
Other	16.6	\$0.67	\$11.1	5.0%	\$0.56	18.0	\$0.70	\$12.6	5.0%	\$0.63	0%	

CRAB					\$3.84						\$11.39	37%	
Shore													
Tanner	54.2	\$0.63	\$34.4	3.0%	\$1.03	90.0	\$1.00	\$90.0	3.0%	\$2.70	8%	5	
King	5.2	\$1.96	\$10.2	3.0%	\$0.31	9.0	\$4.00	\$36.0	3.0%	\$1.08	4%		
Dungeness	9.7	\$1.26	\$12.2	3.0%	\$0.37	10.0	\$1.35	\$13.5	3.0%	\$0.41	0%		
Float													
Tanner	32.6	\$0.63	\$20.5	5.0%	\$1.03	60.0	\$1.00	\$60.0	5.0%	\$3.00	10%	5	
King	11.3	\$1.96	\$22.1	5.0%	\$1.11	21.0	\$4.00	\$84.0	5.0%	\$4.20	15%	5	
FINFISH					\$3.43						\$4.50	5%	
Shore													
Roe Herring	56.7	\$0.32	\$18.1	3.0%	\$0.54	36.0	\$0.35	\$12.6	3.0%	\$0.38	-1%		
Blackcod	14.7	\$0.90	\$13.2	3.0%	\$0.40	40.4	\$0.85	\$34.3	3.0%	\$1.03	3%		
Halibut	45.2	\$0.89	\$40.2	3.0%	\$1.21	50.0	\$1.40	\$70.0	3.0%	\$2.10	4%		
Float													
Roe Herring	52.3	\$0.32	\$16.7	5.0%	\$0.84	24.0	\$0.35	\$8.4	5.0%	\$0.42	-2%		
Blackcod	9.9	\$0.90	\$8.9	5.0%	\$0.44	13.5	\$0.85	\$11.5	5.0%	\$0.57	1%		
TOTALS	1090.5	\$0.55	\$596.7	3.6%	\$21.72	2255.4	\$0.51	\$1,139.4	3.7%	\$42.33	\$20.61	6	
ACTUAL					\$21.10					Increase	95%		

NOTES

- 1 Price doubled, tax rate will triple
- 2 Price doubled, tax rate will triple
- 3 Pink salmon prices have improved with canned market
- 4 Sockeye salmon prices have increased significantly with yen appreciation
- 5 Crab production has rebounded significantly, and price has climbed with yen
- 6 Overall, price is responsible for about 75% of the increase

**Survey on the Use of the Fisheries Business Tax Credit
Senator Zharoff
Conducted during 1988-89 Legislative Interim
Questionnaire Results Compiled 3/14/89**

Response:

43 companies with onshore plants responded out of a possible 127.
33% return.

These companies returned surveys for 64 processing plants, out of a possible 165. 39% of Alaska's onshore plants.

The companies that responded are estimated to account for 75% of the seafood processing capacity in Alaska.

How many plants used the tax credit?

92% of the plants used the tax credit.
8% did not.

How many additional jobs were created by the tax credit?

77% hired additional workers.
22% did not.
1% switched existing workforce from seasonal to year-round employment.

Did processors use the tax credit to diversify?

77% used the tax credit to process new species or new products.
23% did not.

Did product capacity increase due to tax credit?

88% increased production capacity with the tax credit.
12% had no increase.

Where was the tax credit money spent?

79% said they spent the money for the tax credit improvements in the communities in which they operate (labor, construction materials, etc.).

5% did not.

9% did not know the amount.

7% said not applicable.

Did the tax credit encourage processors to invest onshore rather than offshore?

39% --because of the tax credit--invested in onshore plants rather than floating processors.

61% answered not a factor or not applicable.

Did the tax credit affect prices?

34% said that they were able to pay fishermen more for their fish because of improvements made with the tax credit.

58% said it had no effect on prices.

8% said question was not applicable.

2% did not know.

Did the tax credit increase the length of the operating season?

47% said they increased the length of their operating season because of tax credit improvements.

45% said it had no impact.

4% said not applicable.

4% said they would increase their operating season in the future.

Was the tax credit used for freezers?

14% used to diversify from a canning to a freezing operation.

86% answered no or not applicable.

52% of the plants that answered no already had freezing facilities.

ASMI INDEX

April 1990

RECEIVED APR 3 1990

Number of Seafood Jobs in Alaska19,000

These are year-around equivalent jobs (70,000 people are employed during the peak season) and the seafood industry payroll is more than oil and gas, tourism, mining, and timber combined.¹

Number of Indirect Seafood Jobs in Alaska16,000

Indirect and induced jobs based on a very conservative multiplier effect.²

Alaska's Seafood Production Rank Among States#1

The value of Alaska's seafood harvest ranks 5th among nations.³

Average Seafood Worker's Monthly Wage\$2,582

Slightly above Alaska's Industrial Average.²

Average Tourism Worker's Monthly Wage\$1,354

Alaska Raw Fish Tax Receipts\$27 Million

Alaska's fish industry is taxed at the average rate of other states.⁴

Mine, Timber, Agriculture Industry AssessmentsMinimal

If taxed at other state's average rates, these industries combined would pay \$10 million.⁴

% of Farmed Salmon in 1982 Fresh/Frozen Markets5%

Wild Alaska salmon accounted for 59%.⁵

% of Farmed Salmon in 1987 Fresh/Frozen Markets32%

Wild Alaska salmon's share declined to 43%.⁵

% of ASMI Budget Paid by the State in FY 8921%

In 1981 the state paid 90% of ASMI's budget.⁶

FY 89 Seafood Industry Contribution to ASMI\$3.3 Million

ASMI's seafood marketing budget was \$10.6 million—for every \$1 the state gave, the industry gave \$1.57 and the federal government gave \$2.47.⁶

FY 89 Industry In-Kind Contribution to ASMI\$1.7 Million

This is in addition to the \$3.3 million in cash and includes service on ASMI's committees.⁶

¹ Alaska Department of Labor; ² 1989 McDowell Fisheries Study; ³ National Marine Fisheries Service;

⁴ UA Institute of Social and Economic Research; ⁵ Finfish Farming Task Force Report to the Alaska Legislature, 1990;

⁶ Alaska Seafood Marketing Institute

Alaska State Legislature

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Senate Advisory Council



P.O. Box V
State Capitol
Juneau, Alaska 99811
Phone: (907) 465-3114

MEMORANDUM

TO: Senator Arliss Sturgulewski
Alaska State Senate

ATTENTION: Frank Hoffman

FROM: Richard Rainery *RR*
Senior Analyst

DATE: November 22, 1988

SUBJECT: Fisheries Business Tax Credit and Revenue Sharing Programs
Research Request No. 88-003324

You have requested information concerning the consequences of implementing the Fisheries Business Tax credit program and the results of the municipal revenue sharing feature of the same tax, including the provision calling for phased activation of full revenue sharing for newly formed boroughs. While tax revenues derived from the sale of raw fish have been shared by the State of Alaska with the municipalities of origin for a number of years now, both the tax credit program and the new borough share phase-in are recent amendments to the law. As such, information concerning their influence on the seafood industry and municipal finances and economies is still sketchy. Your question is rather broad and while this memorandum will touch on all aspects of the tax credit and revenue sharing programs, the subject is broad as well. I refer you to a recent draft Senate Advisory Council report, Community Fisheries Development, which includes a discussion of state fisheries taxation policy for additional information. Copies have been provided to your office.

I. Fisheries Business Tax Credit Program

Credits against the tax liabilities of seafood processing industry firms were made available for calendar years beginning in 1986. A firm may claim a credit of up to 50% of annual tax liability for the costs of certain capital investments at shoreside facilities. Eligible improvements, which must be approved in advance by the Alaska Department of Revenue (ADOR), include facilities which diversify products, increase efficiency, quality, and capacity or development of cooperative seafood industrial parks. The full amount of an approved credit may be applied against up to three years' tax liabilities. The basic intent of the tax credit, as well as some other aspects of the tax's structure, is to encourage expansion of existing facilities into new processes

and products and to entice new processing capacity to locate on Alaskan terra firma rather than operating at sea, which is the predominant trend at present, particularly in the groundfish fisheries.

Has the provision of the tax credit lured the seafood industry ashore? Within the near future there will be some fifty U.S. factory trawlers (most in excess of 200 feet in length) operating in the Alaskan Exclusive Economic Zone (EEZ), up from none just a few years ago. There are plans for at least two 600 foot processing vessels as well. These ships will not be replacing existing shore based capacity, but displacing the foreign processing components of at sea joint ventures as the "Americanization" of the EEZ continues. That process should be complete within about two years. It is predicted that 80% of the bottomfish catch will be processed at sea. A variety of factors assure that floating processing will predominate. Combined operations are more profitable, transshipment to tramp freighters is more efficient than calling at shore, better quality products are assured by immediate processing of catches, and suitable sites for plants are scarce on the Bering Sea coast. These are not absolutes, there are factors which favor shore based facilities¹, but no reversal in the trend of the last few years is apparent yet.

Measuring the economic benefits of tax incentives in general is a difficult task. Despite the proliferation of special tax treatment for a variety of industries in states across the nation, rare has been the rigorous analysis of the economic effect of an incentive. Nor have state governments made concerted efforts to assess the revenue impacts of incentives. This is generally the case in Alaska. The fisheries business tax credit program is still too new to judge fairly and completely. It is true that, since the credit was implemented, processing companies have filed for and received approval from ADOR for a huge amount of expenditures for qualifying improvements. These are recorded in Table 1. It should be noted that these data are preliminary and "unaudited". Their value lies in their representation of gross magnitude rather than as a precise rendering of circumstances.

When lobbying for the enactment of the credit program, processing interests were careful not to claim that sensational growth of shore based processing capacity would result, but asserted that it was a necessary element in any meaningful attempt to spark such expansion. Approved applications for credits now exceed \$113 million in amount for calendar years 1987 and 1988. This represents a significant percentage of the assessed value of existing shore plants, perhaps as much as one third. Comprehensive estimates on statewide assessed values are not available, but a partial survey in 1987 identified about \$210,000,000 in capital assets (see Community Fisheries Development).

¹The fisheries business tax rate structure favors shore plants and capital and labor costs are lesser on land.

Table 1
Fisheries Business Tax Credit Investments
(Calendar Years 1987 and 1988)

	1987	1988*	Both Years
Approved Expenditure	\$55.2	\$58.6	\$113.8
Potential Credit	27.6	29.3	56.9
Actual Expenditure	37.6	39.9#	77.5
Actual Credit	18.8	19.9#	38.7
Credit Claimed	6.7	14.4	21.1

Source: ADOR, 1988.

* As of November 1988.

Estimates based on 1987 patterns.

Annual tax collections have ranged between about \$15 million and \$25 million since Fiscal Year 1980. One-half of total tax liabilities represents the upper limit on credits, if all processors had been eligible for the full 50%. It is not surprising that actual credits have been less than the approved level thus far; individual company tax bills are small enough that most larger credit amounts will have to be spread out over three years to be fully used. Credits claimed on 1987 tax returns reduced state revenues by \$6.7 million, only about one third the value of credits earned. 1988 expenditures are forecast to be only slightly higher than those of 1987, but credits will be more than double 1987 levels principally due to carryover from that year. State revenues have declined as a result. Increased harvest values have kept collections relatively high, but will not counterbalance the loss of income resulting from use of credits and the state's portion after revenue sharing has substantially decreased (see the next section for more details).

The fundamental issue, in light of this information, is whether the investments in question would have been made in the absence of the credit. The answer to that question is not clear. It presupposes knowledge of the innermost workings of corporate decisionmaking that is not usually available to government researchers. Certainly, it has been the position of business in general that tax incentives are meaningful and oftentimes essential elements in

certain decisions.² I certainly cannot dispute that position in this case. It is, however, not the claim of the Alaskan processing industry that these investments would not have occurred absent the credit. Rick Lauber, vice-president of the Pacific Seafood Processors Association (PSPA), says that he would not make that assertion. He does say that the level of investment since the enactment of the credit has surprised him, both the amount and the number of processors participating (over 40 in both years). He believes that the credit has definitely influenced the timing of investments. Given the rapid development of the Bering Sea bottomfish industry, that circumstance may be the real benefit of the credit, permitting the capture of a portion of the harvest for shore plants before the domestic processing sector becomes fully developed. It would seem, however, that the shore plant sector was in a "fish or cut bait" situation and in order to compete had to invest to adapt to the new fisheries and markets. The credit surely made those investments more attractive.

Mr. Lauber cited one case in which the credit was instrumental in a decision for a major expansion of one shore plant, although perhaps in an unforeseen manner. A major Aleutian processor had determined to expand capacity and diversify, but was debating whether to do so at an existing shore plant or to add to its fleet of floating processors. The plans of the newly formed Aleutians East Borough to assess a 2% tax on the sale of raw fish would have been the straw that tipped the scale in favor of at sea processing had it not been for the availability of the fisheries business tax credit. As a result, a \$14 million dollar expansion to the firm's shore plant went forward.

A significant portion of ADOR approved expenditures are for bottomfish processing. According to Dick Reynolds of the Office of Commercial Fisheries Development in the Alaska Department of Commerce and Economic Development, the following rough categories of investment were approved in 1987:

- | | |
|--|------------------|
| 1. Docks, unloading, and holding facilities | - \$ 4.7 million |
| 2. Ice or refrigeration/freezing facilities | - 7.4 million |
| 3. Buildings or utilities | - 16.2 million |
| 4. Standard finfish/shellfish species processing | - 4.1 million |
| 5. Other value added processing | - 2.4 million |
| 6. Bottomfish fillets | - 8.9 million |
| 7. Surimi | - 9.9 million |
| 8. Other (including fishmeal and oil processing) | - 4.4 million |

Approximately \$40 million of the \$58 million total was identified by Mr. Reynolds as capital improvements for bottomfish processing plants, so it would seem as though the money (if indeed all these planned investments come to fruition) is largely being spent in that developing sector as intended by law.

²Although most research has suggested incentives are not necessary or are poorly designed, there are respectable arguments on both sides of the issue.

At present little concrete information is available on how these investments, actual or prospective, will affect the Alaskan seafood industry and the overall state economy. The industry is presently booming, with the value of catches to fishermen and processors increasing on an annual basis, despite the fact that fewer of the most highly valued species, salmon, have been landed in each of the last two years. Construction of refrigeration facilities will enable processors to adapt to changing markets in which frozen salmon are displacing canned fish and in which frozen bottomfish fillets are an increasing piece of the pie. Frozen fish are generally higher in value than canned products and the fact that they may as well be held in inventory during periods of product surfeit should help to strengthen somewhat the market position of processors of Alaskan fish.

At this point it would be speculative to attempt to determine whether there have been any employment gains attributable to the credit program. While the credit focusses on capital investment, it is certain that some increased employment will result from capacity growth and product diversification. Whether new jobs will be filled by Alaskans or non-residents is the question. Recently about 70% of shore based processing jobs have been filled by non-resident seasonal workers. Statewide, seafood processing employment increased by 100 jobs (less than 1%) between August (a peak month) 1987 and August 1988. The increase appears to have been centered in Southeast Alaska, where little bottomfish is processed. If there is a substantial increase in workforce at bottomfish plants, that may be more likely to benefit the site communities since most such plants will operate on a year-round basis as opposed to the seasonal nature of the established fisheries. Even if labor is imported, many non-residents may perforce become de facto residents.

Although the financing of construction of new facilities is eligible under the credit program, no applications for new plants have been made says John Hansen, supervisor of the audit office of the Income and Excise Tax Division of ADOR. All approved expenditures have been for existing or previously planned investments. Credit use has yet to affect much of maritime Alaska; eligible investment occurred in but 22 communities in 1987. Some 63% of the dollar value of approved 1987 applications were from only three communities (Akutan, Kodiak, and Unalaska) and 87% originated in but 10 communities. In 1988, the top three (Kodiak, Unalaska, and Valdez) accounted for 60% of approved value, while the top ten sites had 89%.

A final note on the credit program: Mr. Lauber of PSPA asserts that the program could be of added benefit to the state, particularly in terms of resident employment if a clarification to the law were made. The processors believe that the construction of employee housing should qualify for the credit. ADOR has not agreed and has not approved such expenditures. PSPA contends that if apartment or detached housing were eligible under the program, permanent residents could be attracted to Alaskan communities. Many communities in which plants are located are chronically short of housing. The

provision of decent housing combined with year-round employment could, in Mr. Lauber's opinion, help to ameliorate the transient, temporary nature of most processing employment. He believes that if companies operating factory trawlers and other at sea processing vessels could qualify for credits for investments in housing, a number of such vessels could be enticed to homeport in Alaska. Of the fifty or so factory trawlers licensed to fish the Alaskan EEZ, no more than ten are homeported in Alaska. Increasing that number would obviously strengthen local and regional fishing and support sector economies.

II. The Fisheries Business Tax Revenue Sharing Program

The fisheries business tax has been a significant contributor to the state treasury (in relative terms) for only the last ten years. Total collections topped \$10 million dollars for the first time in FY 1979 and since FY 1981 have ranged from about \$19 million to \$26 million. Figure 1 displays state and municipal shares since FY 1979, with estimates for FY 1989 - 1990, and shortfalls in municipal shares for FY 1987 - 1988 when appropriations were insufficient for full funding. Since the 1981 amendment to the law which

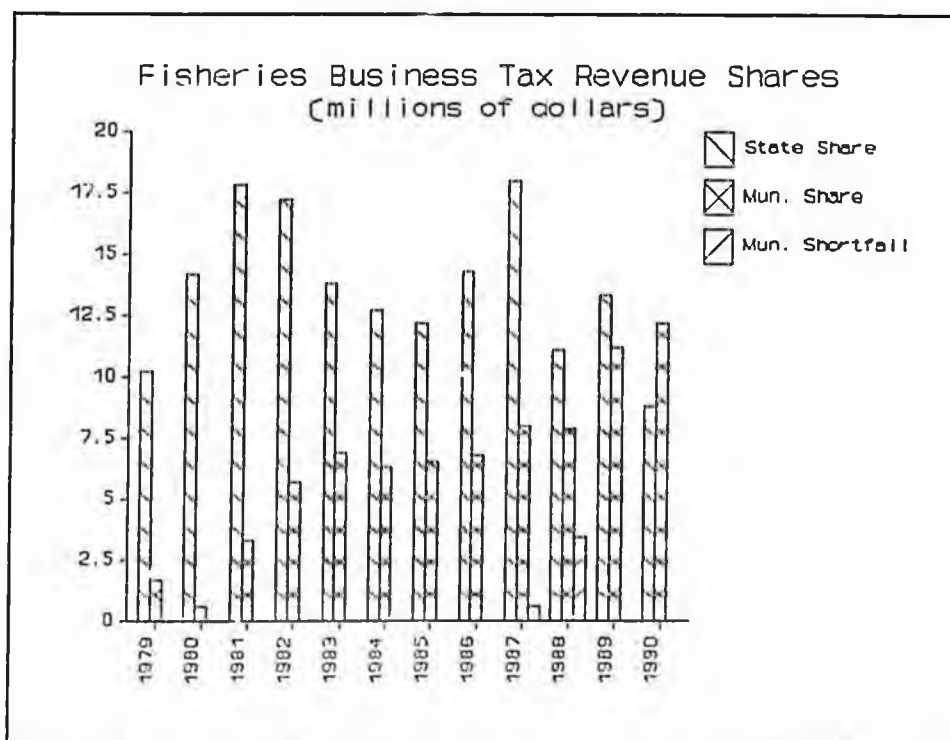


Figure 1 FY 1989 and FY 1990 shares estimated.

Source: ADOR, 1988.

increased the municipal share of locally generated revenues from 20% to 50%, municipal shares have been steadily rising. The proportion of state/municipal shares had settled into about a two thirds/one third pattern for the five years beginning in FY 1983. That relationship changed in FY 1988 as taxpayers began claiming credits. The state share dropped to only 49% of revenues with municipalities entitled to 51%, although the latter received only 35% as legislative appropriations were insufficient for full distribution.³ Although total liabilities in FY 1988 were a record \$29.1 million, state revenues declined in absolute, as well as relative, terms, compared to the previous year. Strong harvests and good prices pushed up revenues, but the tax credit reduced the state share of the total by \$6.7 million for the year. Absent the credit, the rough FY 1983 - FY 1987 proportion of state/municipal shares would have prevailed.

ADOR projections of fisheries business tax revenues and the distribution of those revenues for the present and coming fiscal year (Elliot, pers. com., 1988) are as follows:

<u>FY 1989</u>	
State share	- \$13.3 million
Municipal share	- 11.2 million
Municipal shortfall	- 3.4 million
Credits	- 14.4 million
<u>FY 1990</u>	
State share	- \$ 8.8 million
Municipal share	- 12.2 million
Credits	- 8.9 million

The increased state share in FY 1989 reflects the high prices received by fishermen during 1988. The decline in FY 1990 is indicative of ADOR's opinion that those high prices will not be duplicated next year. The increase in the FY 1989 credit amount is the result of the carryover of approved but unclaimed FY 1988 credits (some \$23 million). As that carryover diminishes, the overall level of credits claimed is expected to decline in FY 1990. So for the period FY 1988 - FY 1990, the net state share of gross fisheries business tax collections is forecast to decline by \$30 million as a result of credits against the tax liabilities of processors. State revenues for the period are forecast to decline to levels comparable to those of FY 1979, before the present tax structure was adopted (FY 1989 must be regarded as an anomaly at present as inflated salmon prices raised the total ex-vessel value for those species for the 1988 calendar year by over 40% above the previous record).

³The \$600,000 shortfall in FY 1987 distributions to municipalities was wiped out by a supplemental appropriation the following year. Supplemental funding for the FY 1988 shortfall has been requested by ADOR for FY 1990.

In 1987, the Alaska Legislature amended the revenue sharing formula for the fisheries business tax to provide for a phased implementation of the full share of revenues to be returned to newly formed boroughs for monies collected from organized municipalities within the boundaries of those boroughs. Under normal circumstances such monies are split evenly (25%/25%) between the community of origin and the encompassing borough. SB 162 altered the formula in AS 43.75.130 to give new boroughs a 5% share of revenue in the first year of operation, with the city retaining 45%. In each succeeding year, the borough share would increase by 5% and the city share decrease by 5% until the standard division came into effect at the commencement of the fifth calendar year of the borough's existence.

Only one borough, Aleutians East, has been incorporated since the effective date of the formula change. The Aleutians East Borough was incorporated on October 23, 1987, so the formula was applied only to the last quarter's tax receipts from the affected cities (Akutan, King Cove, and Sand Point). The borough has thus far received 5% of the revenues generated within those cities for just that final quarter of 1987. The formula amount was reduced further by the FY 1988 funding shortfall. Other municipalities received 70.39% of the revenue sharing funds due them; the Aleutians East Borough (and its constituent communities) received only 64.88% of the full entitlement as a result of their delayed submission of tax information to ADOR. Insufficient funding remained by that time to return the same portion of full funding to Aleutians East municipalities that was provided to the remainder of the state. The division of tax revenues (in thousands) generated in the borough for FY 1988 was as follows:

Aleutians East Borough	-	\$ 6.2	(shortfall - \$ 3.3)
City of Akutan	-	244.3	(shortfall - 132.2)
City of King Cove	-	372.4	(shortfall - 201.6)
City of Sand Point	-	108.5	(shortfall - 58.7)
Total	-	\$731.4	(shortfall - \$395.8)

It may appear as though the borough's share is substantially less than a 5% share of one quarter's tax collections. This impression is the result of the seasonal nature of fishery harvests. The bulk of the value of harvests are taken during the spring and summer quarters. In the last quarter of 1987, raw fish sales in these three cities amounted to only 13% of the year's sum.

Please inform us if there is any additional information you wish on this topic.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

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(907) 465-3991

September 2, 1988

MEMORANDUM

TO: Representative Bill Hudson
ATTN: Sioux Plummer
FROM: Gretchen Keiser *G. Keiser*
Legislative Analyst
RE: Fisheries Business Tax Credits
Research Request 89.034

You requested the following information regarding the tax credits allowed for shore-based fish processors subject to the fisheries business tax (AS 43.75.011-140):

- 1) the history of the tax credits;
- 2) the costs to administer the tax credit program; and
- 3) a discussion of extending the tax credits.

We reviewed the legislative history of the fisheries business tax credits and contacted individuals within the Governor's Division of Policy and the Alaska Departments of Commerce and Economic Development, Revenue, and Fish and Game. This memorandum summarizes information available at this time, but it should be noted that additional assessments of the fisheries business tax credits will be forthcoming over the next few months as a result of staff work for the Governor's Fisheries Cabinet and in a Department of Revenue tax credit report to the legislature in early 1989, as required under AS 43.75.034.

HISTORY OF THE FISHERIES BUSINESS TAX CREDIT

The fisheries business tax was amended in 1986 to allow for a tax credit for capital expenditures that ". . . 1) increase product diversity, or production efficiency and capacity, or improve product quality, at a shore-based fisheries business facility in the state, or 2) contribute to the development of a cooperative seafood industrial park in the

state . . .¹ A tax credit is limited to no more than 50 percent of a firm's tax liability in a given year, and a firm may claim a credit of up to 50 percent of a capital expenditure cumulatively over a maximum of three consecutive years. To be eligible for the tax credit, a fisheries business must submit an application to the Department of Revenue (DOR) and receive approval in advance of the capital expenditure. Finally, a municipality (by adopting an ordinance) may agree to forego a portion of its fisheries business tax refund from the state in an amount not exceeding an additional 25 percent of a fisheries business's capital expenditure over a maximum of three years. While a fisheries business may therefore be entitled to a cumulative tax credit of up to 75 percent of a capital expenditure, the combined state and municipal credits cannot exceed 50 percent of the business's tax liability in any given year. Under current statute, the tax credits will be repealed effective January 1, 1992 (Attachment B).

The enabling legislation was introduced in and passed by the Alaska House of Representatives in 1985 and subsequently passed by the Alaska Senate in 1986 [SCS CSHB 58(Fin) am S; Ch. 79 SLA 1986]. A fisheries business tax credit had also been considered by the previous legislature during the 1984 session. The intent of the legislation at the time was generally twofold:

- to provide an incentive for shore-based processors (many of whom had been battered in recent years by foreign exchange rates, high inflation, and poor profitability) to make investments to increase their processing capacity and product quality; and
- to assist existing processors in capturing new opportunities in bottomfish through expansion or to encourage new entrants to base their operations onshore. Respondents to a survey of seafood processors conducted by Senator Zharoff's staff in cooperation with the Office of Commercial Fisheries Development (in the Alaska Department of Commerce and Economic Development) in early 1986 reportedly indicated that they would use funds to upgrade facilities in order to increase processing capacity, improve product quality, or process new product forms. The majority emphasized quality and new products.²

¹Expenditures eligible for the tax credit are specified in state regulations and generally include equipment, new plant construction or improvements related to refrigeration and fish processing (15 AAC 75.060; Attachment A).

²Senate Advisory Council memorandum to Senator Zharoff, April 2, 1986 (No. 86-002917).

THE TAX CREDIT PROGRAM: HISTORY TO DATE

Under the current statute, expenditures made between July 1, 1986 and December 31, 1989 are eligible for tax credits, provided the processor received DOR's advance approval for the expenditure. The department, in conjunction with the Department of Commerce and Economic Development (DCED), promulgated regulations defining capital expenditures eligible for the fisheries business tax credit (1986) and regulations specifying information required on the credit application and rules governing placing in service of capital investments (1987).

A total of 90 credit applications were received in 1987 from 44 firms; 81 applications were approved in full or part. The approved expenditures would represent a total capital expenditure in shore-based seafood processing of about \$59 million, with individual investments ranging from \$1,500 to \$13.7 million. In 1988, 72 credit applications from 44 firms have been approved to date, representing about \$49 million in capital expenditures ranging from \$8,000 to \$16.5 million.

Table 1 summarizes the credit applications approved by region in 1987 and 1988 to date. The 1987 regional data reflect two major plant expansions in Unalaska and Akutan as well as several sizable expenditures in the Kodiak area. The 1988 regional data indicate one major project in Unalaska as well as two sizable expenditures in Valdez. Although a detailed departmental analysis of the 1987-88 credit applications is not yet completed, preliminary reviews indicate that, with the exception of the few above-mentioned major plant expansions, most firms are concentrating on expenditures to refurbish and upgrade existing facilities.

**TABLE 1
 APPROVED FISHERIES BUSINESS TAX CREDIT APPLICATIONS BY REGION**

Region	1987		1988 TO DATE	
	\$ 1,000	% of Total	\$ 1,000	% of Total
Southeast	\$ 8,595	14.6	\$ 1,939	4.0
Southcentral	4,879	8.3	17,053	34.9
Kodiak	13,311	22.6	8,013	16.4
Aleutians/AK Peninsula	29,750	50.6	16,903	34.6
Bristol Bay	2,308	3.9	4,842	9.9
Western/ Interior	0	0	108	0.2
TOTAL:	\$58,843	100.0	\$48,858	100.0

Source: Alaska Department of Revenue

Steve Kettel, Director of the Division of Income and Excise Tax, estimates that the division spent roughly \$26,000 to administer the fisheries business tax credit program in FY 88. He projects that FY 89 costs will be about \$40,000, with the additional funds being spent performing audits of the tax credits as part of the division's routine audit functions.

The major cost of the tax credit program is the fisheries business tax revenues which the state will forego. Fiscal year 88 is the first year of revenue impact. At this time, we only have projections because the DOR is still processing CY 1987 tax returns. It appears that the fisheries business tax credits will cost the state about \$7 - \$8 million in FY 88 in foregone revenues.³ However, actual FY 88 tax revenues from shore-based processors (canned salmon and others) are projected to drop only about \$5 million from \$17.5 million (in FY 87) to \$12 - \$13 million (in FY 88) because of greater tax-generating activity in shore-based processing. In addition, state revenues from floating processors are projected to increase from \$9 million (FY 87) to \$10 million (FY 88). The net effect is projected to be about a 15 percent decline in total state tax revenues from the fisheries business tax (i.e., from \$26.5 million in FY 87 to about \$22.5 million in FY 88).

The amount of municipal tax credits claimed on 1987 tax returns is unavailable at this time. The department has received several inquiries from various communities since inception of the tax credit program, but does not keep records of municipal ordinances which would be necessary in order for a tax credit to be applied to a specific firm's tax return. As the tax returns are processed, any claims for municipal tax credits are verified with local authorities. In general, there does not appear to be a great deal of activity with respect to the municipal portion of the tax credit program to date.

EXTENSION OF THE FISHERIES BUSINESS TAX CREDITS

You asked for a general discussion of extending the fisheries business tax credits beyond the current expiration date of January 1, 1992. This section presents information gathered from a number of individuals familiar with the seafood processing industry and the existing tax credit program.

³Bob Elliot, Research Section, Alaska Department of Revenue, personal communication, August 29, 1988.

As a starting point, expiration of the current fisheries business tax credit should be clarified. Under the existing program, shore-based processors can apply to DOR for approval of capital expenditures through CY 1989. A firm can elect to begin a three-year period of claiming a tax credit for approved expenditures during any tax year 1987 through 1989. Thus, tax credits initially claimed in 1989 could be applied through tax year 1991. However, the initiation of the application and tax credit claims process effectively ends December 31, 1989 under the current statute.

From a legislative perspective, the current statute needs to be amended during the 1989 session in order to continue the tax credit program beyond the end of year. The statute (AS 43.75 032-140) would need to be amended to change the date of repeal from January 1, 1992 to some future date, and the language regarding the initiation of a three-year claim period would need to be extended beyond 1989. Under this approach, the current program--geared toward a broad category of eligible capital expenditures by all shore-based processors and limited to a three-year tax credit claim period--would simply be continued.

According to Steve Kettel of the Division of Income and Excise Tax, the credit program could be simplified if the pre-approval application process were eliminated. He considers the process burdensome to both the taxpayer and the state and argues that it may not be necessary. As an alternative, the state might want to consider the approach taken under the former federal investment tax credits, allowed prior to federal tax reform in 1986. As I understand it, a firm would report a purchase when filing its tax return. The tax credit allowed would be a percentage of the cost based on useful life of the equipment purchased. I would suggest contacting Mr. Kettel if you wish to pursue this approach further.

Beyond merely extending the existing program, consideration has been given to

- extending the tax credit claim period from a three- to five-year period,
- extending the program to include floating processors which are homeported in Alaska,
- reducing the broad nature of eligible expenditures for all shore-based processors in order to target processors handling bottomfish, new products or developing species statewide and/or new small-scale processing facilities in rural communities,

- reducing the percentage of the capital expenditure currently recoverable through state tax credits; and/or
- requiring a municipal sharing of the tax credit burden. These points are briefly discussed below.

Senate Bill 433, introduced by Senator Zharoff during the 1988 legislative session, would have accomplished the first two points listed (Attachment C). Proponents of extending the credit period from three to five years argue that it would allow processors more flexibility in their investment decisions and would enhance their ability to recapture the full 50 percent of the capital investment.⁴ According to Margie Antrium, fisheries business tax examiner for the Division of Income and Excise Tax, it appears that some businesses may not be able to take full advantage of the tax credit during a three-year period given their current level of tax liability. The effective tax credit may turn out to be somewhat less than 50 percent for some firms, especially those making major investments relative to their tax liability or those making additional investments each year. It is my understanding that the Governor's Fisheries Cabinet recently submitted a proposal for 1989 legislation which calls for a five-year tax credit period.

Extending the tax credit program to include floating processors which are homeported in Alaska would open the program to a few additional firms. According to Karl Ohls, aide to Senator Zharoff, this provision was not the major thrust of the 1988 legislation and he believes there may be questions regarding its constitutionality.

A number of individuals suggested that the current broad tax credit program could be revised and targeted toward investments in the processing of bottomfish, developing species, or new seafood products.⁵ While the processing industry in general is in better financial condition today than

⁴It should be noted that the 1985-86 legislation which established the fisheries business tax credit originally contained a five-year credit period provision. The original provision was amended as part of a major revision in the House Finance Committee.

⁵For your information, Attachment D provides the 1988 list of developing fish species, prepared by the Alaska Department of Fish and Game (as required under AS 16.05.050).

in the early to mid-1980s when the original legislation was enacted, proponents argue that the industry is highly competitive and that state assistance in capturing new opportunities is still justified. In general, however, the effectiveness of an investment tax credit is limited because much of the tax credit goes to rewarding firms for capital investments they would have made anyway.⁶ To stimulate new investments (and at the same time limit the state revenue loss) the state may want to scale back the existing tax credit and target a few select types of investments.

A different proposal for targeting the tax credit program is geared toward encouraging the establishment of small-scale processing facilities (i.e., facilities that may cost less than \$1 million) in rural communities. The fisheries business tax credit is proposed as one tool in a coordinated state effort to realign existing bureaucratic organizations and funding sources in order to develop community-based fish processing cooperatives in rural Alaska.⁷ Rather than supplant state support for the traditional "industrial" model of fisheries businesses, this proposal seeks to develop a companion effort geared toward rural Alaska and modelled after rural economic development successes in other countries.

As an alternative to the present tax credit program, it has also been suggested that the 50 percent recovery of the capital expenditure should be scaled back. From a theoretical viewpoint, a 50 percent tax credit can be considered quite generous, and limiting the tax credit to 25 percent or less would encourage more careful consideration of investments. In addition, the state bears most costs in revenue loss while it can be argued that municipalities enjoy most of the benefits in the form of jobs, increased property tax base and increased fish tax revenues if expansion occurs. To limit state revenue loss, a revised tax credit program could include a mandatory municipal share.

In conclusion, there are several ways to extend the fisheries business tax credits. We have only briefly touched on these ideas in this memorandum. It may be difficult to reach consensus, but key points to be considered during the discussion include 1) the effectiveness of tax credits in achieving state fisheries goals, 2) tax credits as a component of overall

⁶See House Research Agency 85.159 for a more in-depth discussion of the effectiveness and equity of fisheries investment tax credits (Attachment E).

⁷Draft report prepared by the Senate Advisory Council for the Southwest Alaska Municipal Conference, August 1988.

Representative Hudson
September 2, 1988
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corporate/fisheries tax policy, and 3) an acceptable level of fisheries business tax revenue loss in light of declining state revenues in the 1990s. Fisheries business tax credits are merely one of many tools available to the state with respect to the development and sustainability of its fishing industry.

Please contact me if you have any questions regarding this information or want further assistance.

Attachments

March, 1990

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Electronic Bulletin Board Improved: The computerized AKBizNet was upgraded to include a limited-access "group bulletin board" for rapid dissemination of trade leads and general information to all of the Regional Development Organizations. Any ARDOR personnel not yet having access or wishing further information should contact Bill Paulick at DBD or the system operator, Ms. Penny Graber, in Anchorage at 274-7232. In response to the Governor's Conference on Small Business recommendations, a data base function will be added and AKBizNet will be further simplified. Users should find information much easier to access and download, in addition to more current listings of upcoming events.

MINERALS AND FOREST PRODUCTS

Forest Practices Act: Revisions to the Forest Practices Act passed out of both the Senate and House Resources Committee in mid-March. The bill moved on to the Finance committees without amendments to the final proposal drafted by a working group of industry, environmental, fisheries, and administration participants. Diane Mayer chaired the working group. Individual recommendations from committee members did accompany the bill. The House and Senate Finance Committees will be evaluating the \$1.2 million budget required for its implementation. Hearings are scheduled for early April. Passage and funding of the legislation is a high priority of the administration.

Annual Placer Mining Conference: The Fox Road House was filled with miners, display booths, presentations, and great food during the annual Placer Mining Conference March 22 - 24. The presentation of papers addressed a full range of exploration and processing techniques. This pre-season review of operations, along with the fair weather, brought on a heavy case of mining fever. DBD staff enjoyed the opportunity to meet with miners and legislators and also to listen to and discuss the concerns of the industry.

FISHERIES DEVELOPMENT

Infrastructure Paper: A paper was prepared by the fisheries section which defines factors to be considered in planning for the development of port infrastructure projects. This paper was sent to more than 100 people for comment. It is expected to be of interest to community, regional and statewide development organizations, municipal leaders, ARDOR programs, port directors, financial institutions, and fisheries organizations.

Ports and Harbors Task Force: DBD is participating with the Department of Transportation and Public Facilities and other agencies in a project to define preferred alternatives for statewide port and harbor maintenance and expansion, and financing.

Fisheries Business Tax Credit Report: DBD completed an examination of the Fisheries Business Tax Credit Program and has prepared a report describing the effects of the program on employment and production capacity. The report has been circulated to appropriate legislative committees, administration personnel, and private sector representatives. Copies are available from the division.

The tax credit program provides for credits to be taken against Fisheries Business Tax liabilities incurred by shorebased processors. Credits may be taken during a three-year window based on capital expenditures made between 1986 and 1989 that increased processing capacity, improved product quality, and contributed to product diversification. Credits are limited to 50% of a firm's tax liability and to 50% of qualified expenditures. All projects must have been preapproved and substantially completed by the end of December, 1989. Credits can not be carried forward by companies who started their eligibility period in 1988 or 1989.

Current estimates put the total insured or assessed value of seafood processing plants and equipment in Alaska at \$800 million to \$1 billion (Alaska Seafood Industry Study, 3/89). Estimated quali-

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fying expenditures made under the tax credit program during the past three years represent an increase of more than 15% of the total value of all active processing facilities in the state. Reported expenditures totaled \$83 million during the 1986-1988 period, generating \$42 million in potential credits. Only about \$23 million in actual credits were applied, and the credit carried forward is about \$19 million.

The credits taken by most major firms are limited by their tax liability and not by the size of their qualified expenditures. Credits are likely to decline steadily after 1988, and to total between \$48 and \$55 million over the life of the program. The tax credit program is responsible for a substantially increased volume of capital investments in shore-based facilities, and probably in the ability of Alaskan and U.S. firms to participate in shore-based bottomfish operations.

Six facilities, each with over \$5 million expended, make up 45% of the total anticipated qualifying expenditures. Four of the facilities are new plants — three bottomfish operations and one salmon cannery. Two are major expansions of existing plants, both into surimi, fillet and meal production. Three of the firms involved, two Alaskan and one U.S. firm, all concentrated extensive tax credits from floating operations to construct their facilities. Principals in each firm report that the tax credit program was a major factor in their decision to invest onshore. Of the total \$143 million in expected qualifying expenditures, \$79 million was spent on facilities for the production of bottomfish and \$44 million on the production of traditional species. The traditional species investments have considerably increased production capacity, especially refrigeration capacity and have contributed substantially to production efficiencies.

It is difficult to determine the total increase in employment which was generated by plant expansions, because most were incremental expansions or improvements of existing facilities. More efficient equipment and production systems may even have resulted in the elimination of a few jobs. However, four new surimi plants alone which have already been completed or are in the final stages of construction will employ about 750 people full time. Another new facility constructed to handle more seasonal "traditional" species is expected to employ 200. Employment increases associated with firms participating in the tax credit program probably exceed 1,000 persons.

For information on any of the items in this monthly report, contact the Division of Business Development offices in Juneau — 465-2017, Anchorage — 563-2165, or Fairbanks — 452-7464.

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