

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672
7615 SENATE RESOURCES

I Support Senate Bill 23

James Walter
P.O. Box 520792
Big Lake, Ak.
99652

Bread Fisher
~~Box 520209~~
Box 520209 Big Lake

Barbara
PO Box 76 Houston, AK
Wilbur C. Fisher
SR Box 2591-Wasilla

Chuck Bennett
PO Box 520814
Big Lake, Alaska
99652

Wes Hamrick
P.O. Box 521328
Big Lake, AK 99652
Jae Hamrick

Regarding Senate Bill #23

2-8-91

I strongly urge and support passage
of this bill and believe it is in the
best interest of the public

Ernest R. Berg

P.O. Box 520491

Big Lake, Alaska 99652

P.O. Box 877211

Regarding Senate Resources Bill #23, Chelatna
use area.

This is a great bill, that shows benefits to
the environment and wildlife. A place for the
average citizen to enjoy the great outdoors,
and should be no great cost to the state or its
citizens.

Doyle E. Currier

Doyle E. Currier

P.O. 520149

Big Lake AK

99652

This letter is in reference to Senate Bill
#23, Chelatna use area.

I agree totally with the concept of this
bill and do believe it is a good one; in
that it preserves the fish and wildlife in
the area for future generations.


Greg Thomas

P.O. Box 520002

Big Lake, Alaska 99652-0002

Regarding Senate Resources Bill #23.
It's a great bill. Something that is
needed



Andrew R. Berg

PO Box 520001

Big Lake, AK 99652

2-7-91

I Larry Thompson, resident of better than
15 years in Big Lake, Ak. am in complete
support of Senate Bill No. 23.

Larry Thompson
P.O. Box 520282
Big Lake, Ak. 99652

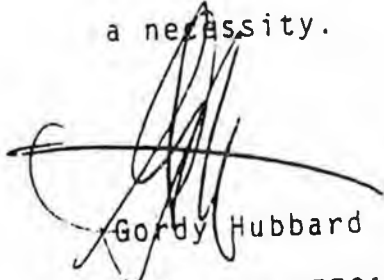
2-7-91

Regarding Senate Bill # 23:
I believe it to be a good bill that
would benefit the public.

Patricia Gross
P.O. Box 520698
Big Lake, Ak 99652

PG

I'm in strong support of Senate Resources
Bill #23, Chelatna use area. This Bill is
a necessity.



Gordy Hubbard
P.O. Box 877211

Senate Resources Bill #23.

A great Bill, something that is really
needed.

You have my full support.

Due A Howard

P.O. Box - 705

Big Lake, AK 99652-0705

You have my full support.



Official Business

Alaska State Legislature

JAN 30 1991

P.O. Box V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Senator Lloyd Jones, Chairman
Senate Resources Committee

FROM: Senator Jay Kerttula

SUBJ: Senate Bill 23 --
Chelatna Public Use Area

DATE: January 22, 1991

A handwritten signature in cursive script, appearing to read "Jay", positioned to the right of the "FROM" and "SUBJ" lines of the memorandum.

I would appreciate it if you would schedule Senate Bill 23 at your earliest convenience.

There are currently three statutory Public Use Areas -- the Nelchina Public Use Area within the Susitna Area Plan, the Ernie Haugen Public Use Area, and the Hatcher Pass Public Use Area. Generally, Public Use Areas serve to "provide for public recreation activities," while "protecting and enhancing" resources and wildlife habitat.

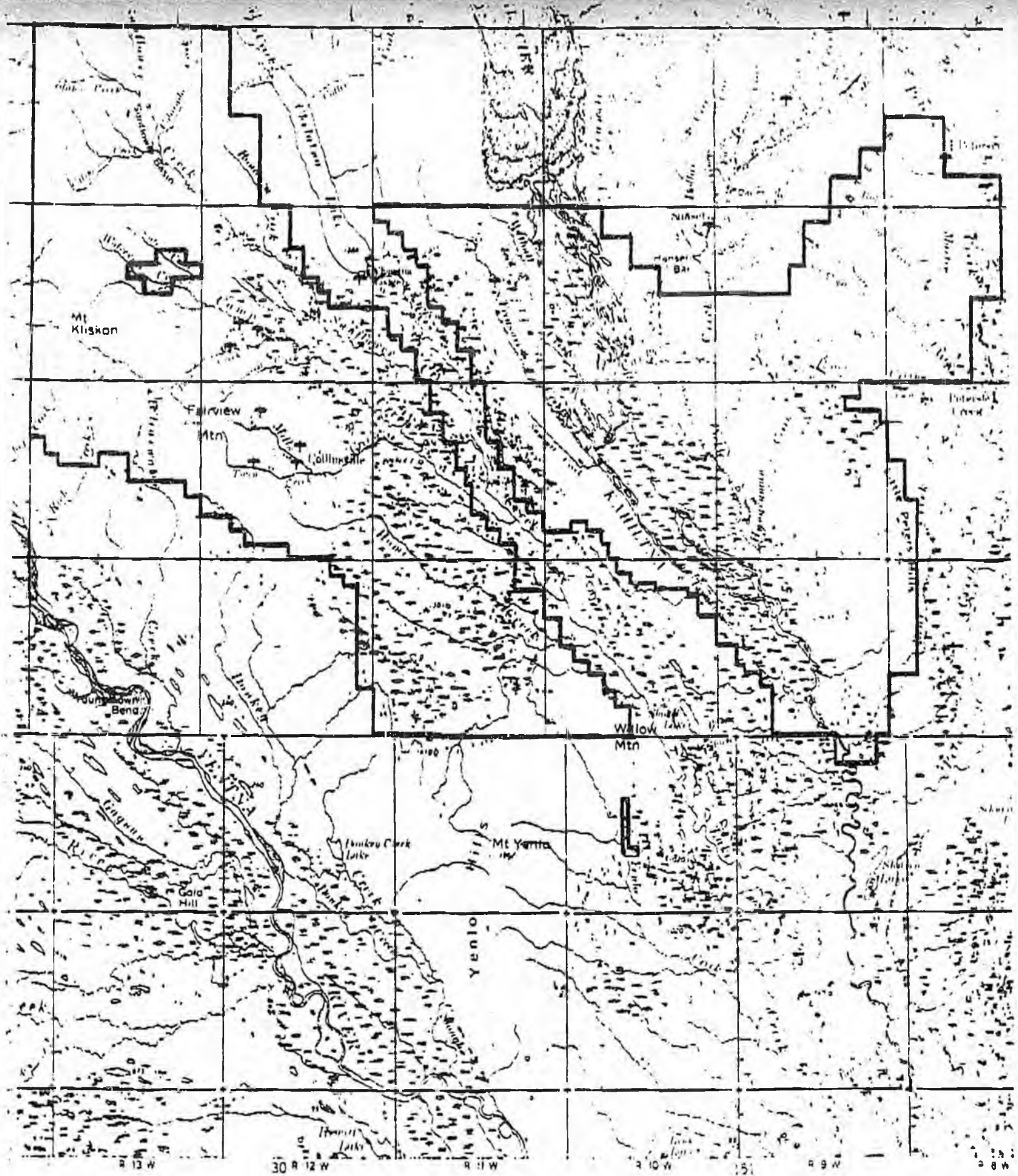
The Chelatna Public Use Area comprises approximately 300,000 acres, mostly in the Sunflower Basin subregion of the Susitna Area Plan. This subregion is characterized by muskegs, riparian forests, and alpine zones.

Senate Bill 23 conforms to boundaries which have been previously agreed to by the Alaska Department of Fish and Game. Populations of moose and trumpeter swans are the most predominant species utilizing habitats of the area. However, black and grizzly bear and furbearers occur as well. Senate Bill 23 provides for habit protection, while also providing for several other uses, including timber harvest, road access and mining.

For your information, I have attached a copy of a map of the proposed Chelatna Public Use Area.

I appreciate your consideration of my request.

JK:kh



Boundaries as described in attached version of SB 23, Chelatna Public Use Area.

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

400 WILLOUGHBY AVENUE
JUNEAU, ALASKA 99801-1796
PHONE: (907) 465-2100
FACSIMILE: (907) 586-2754

February 8, 1991

The Honorable Lloyd Jones, Chair
Senate Resources Committee
P.O. Box V
Juneau, AK 99811

FEB 8 1991

Dear Senator Jones:

Subject: SB 23, which establishes the Chelatna Public Use Area.

Position: The Department of Natural Resources supports this bill, but suggests deletion of the Fairview Mountain mining area or clear recognition that mining is an acceptable use of that area.

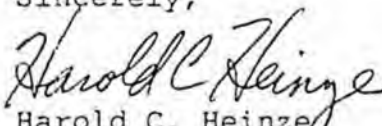
Background: The proposed Chelatna Public Use Area contains approximately 290,000 acres of muskeg, riparian forests, and alpine zones in the Susitna Valley. It includes trumpeter swan nesting areas, other wildlife habitat, and an important mining region. The area designated by this bill generally conforms to the management intent of the Susitna Area Plan, except for the Fairview Mountains.

The Susitna Area Plan, Sunflower Basin 2 Unit, designates the Fairview Mountains for wildlife habitat and mining. The Fairview Mountains are actively used by placer miners. The plan does not recommend a legislative designation for this area.

Recommendations: Delete the Fairview Mountain mining area from the Chelatna Public Use Area. In addition, amend the legal description in the bill so that an isolated parcel, (T24N, R10W, SM Sections 16 and 20) is removed, and the exclusion in T24N, R9W, SM is in Section 2 not Section 3.

Thank you for the opportunity to comment on this bill.

Sincerely,


Harold C. Heinze
Commissioner

cc: Committee members
Senator Kerttula
Bruce Kendall, Legislative Liaison, Office of the Governor
Ron Somerville, Deputy Commissioner, Department of Fish and Game

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. SB 23

Revision Date: 7-Feb-91 Department Affected: Natural Resources
 Title: Cheltna Public Use Area BRU: Land & Water Management
 Components: Land & Water Management
 Sponsor: Kerttula
 Requestor: Senate Resources COMPONENT SERIAL NO. 431

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 92 | FY 93 | FY 94 | FY 95 | FY 96 | FY 97 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | 86.3 | 86.3 | | | | |
| TRAVEL | 2.0 | 2.0 | | | | |
| CONTRACTUAL | 10.0 | 10.0 | | | | |
| SUPPLIES | 1.0 | 1.0 | | | | |
| EQUIPMENT | 10.0 | | | | | |
| LAND&STRUCTURES | | | | | | |
| GRANTS,CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 109.3 | 99.3 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|---------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|---------|--|--|--|--|--|--|

| | | | | | | |
|---------|--|--|--|--|--|--|
| REVENUE | | | | | | |
|---------|--|--|--|--|--|--|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|-------|------|-----|-----|-----|-----|
| GENERAL FUND | 109.3 | 99.3 | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |
| TOTAL | 109.3 | 99.3 | 0.0 | 0.0 | 0.0 | 0.0 |

POSITIONS:

| | | | | | | |
|-----------|-----|-----|--|--|--|--|
| FULL-TIME | 2.0 | 2.0 | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

Estimate of Current year impact:

ANALYSIS: (Attach a separate page if necessary)

These positions are to complete a land use management plan required in the legislation. The plan is expected to be completed within two years.

Prepared by: Ron Swanson Phone: 762-2680
 Division: Land and Water Management Date: 7-Feb-91

Approved by Commissioner: Harold Heinze Date: 7-Feb-91
 Agency: Department of Natural Resources

Distribution (by preparer) : Legislative Finance, legislative Sponsor, Requestor, OMB,
& Impacted Agency(ies).

| | | | | |
|--|----------------------|-----------------------|------------------------|-------------------|
| Position Title Natural Resource Technician I/II | | No. of Positions 1 | Range/Step 12/A | Barg. Unit GGU |
| Time Status Full | Staff Months 12 | Location Wasilla | Election District E | |
| Justification | | | | |
| Type of Expenditure | | Amount | | |
| 1 | 2 | 3 | | |
| Salary* | 25.7 | //////////////////// | | |
| Benefits* | 12.5 | //////////////////// | | |
| Premium Pay (Included in Above) | //////////////////// | //////////////////// | | |
| Other | //////////////////// | //////////////////// | | |
| Total Personal Services | //////////////////// | | | |
| Travel | | | | |
| Contractual | | | | |
| Commodities | | | | |
| Equipment | | | | |
| Other | | | | |
| Total Cost | | 38.2 | | |
| Funding Source for Total Cost | | | | |
| Federal Receipts | 1002 | | | |
| G.F. Hatch | 1003 | | | |
| General Fund | 1004 | 38.2 | | |
| Program Receipts/GF | 1005 | | | |
| I-A Receipts | 1007 | | | |
| CIP Receipts | 1061 | | | |
| Other | | | | |
| * Personal Services Salary and Benefits Costs are from PACS. | | | | |

Management planning for the Chulitna Public Use Area will take two years to complete. This is the minimum amount of time needed to complete a land use plan with full public involvement. However, much of the background data collection needs have already been completed as a part of the Susitna Area Plan update and Susitna Recreational Rivers Plan. For this reason this position and a NRO II are to be used to complete this plan rather than a NRM I and NRO II

REQUEST FOR
NEW POSITION

AGENCY Natural Resources
 BRU Land & Water Management
 COMPONENT Land & Water Management

Page 3 of 3
 Revised Date

FY 91

| | | | | | |
|--|---------------------------|----------------------|------------------------------|----------------------------|-------------------------------|
| Position Title Natural Resource Officer II | | | No. of Positions 1 | Range/Step 16/ A | Barg. Unit GGU |
| Time Status Full | Staff Months 12 | | Location Wasilla | | Election District E |
| | | | Justification | | |
| Type of Expenditure | | | Amount | | |
| 1 | | 2 | 3 | | |
| Salary* | | 33.5 | //////////////////// | | |
| Benefits* | | 14.6 | //////////////////// | | |
| Premium Pay (Included in Above) | | //////////////////// | //////////////////// | | |
| Other | | //////////////////// | //////////////////// | | |
| Total Personal Services | | //////////////////// | 48.1 | | |
| Travel | | | 2.0 | | |
| Contractual | | | | | |
| Commodities | | | | | |
| Equipment | | | | | |
| Other | | | | | |
| Total Cost | | | 50.1 | | |
| Funding Source for Total Cost | | | | | |
| Federal Receipts | 1002 | | | | |
| G.F. Match | 1003 | | | | |
| General Fund | 1004 | | 50.1 | | |
| Program Receipts/GF | 1005 | | | | |
| I-A Receipts | 1007 | | | | |
| CIP Receipts | 1061 | | | | |
| Other | | | | | |
| * Personal Services Salary and Benefits Costs are from PACS. | | | | | |

Management planning for the Chulitna Public Use Area will take two years. This is the minimum amount of time needed to complete a land use plan with full public involvement. However, much of the background data collection needs have already been completed as a part of the Susitna Area Plan update and Susitna Recreational Rivers plan process. For this reason this position and a NRT II are to be used to complete the plan rather than a NRM I and NRO II.

**REQUEST FOR
NEW POSITION**

AGENCY Natural Resources
 BRU Land and Water Management
 COMPONENT Land and Water Management

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 Revised Date

FY 91

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2 7

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERENCE

DATE: 1/21/91

FURTHER: Resources
Finance

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
INTO OFFICE: _____

L&C Committee considered SENATE BILL NO. 27

"An Act establishing a fisheries business tax credit; and providing for an effective date."

and recommended:

- replace with _____ CS SB 27 (L + C) same title
- attached amendment(s) new title
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Department(s)/Date:

Department(s)/Date:

fiscal note(s) REVENUE / 3-1-91

zero fiscal note(s) F+G / 3-18-91

appropriation-no fiscal note

Governor's bill w/fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

[Signature]
[Signature]
[Signature]

[Signature]
 Chair: Signature and Recommendation

DATE: 5/8/91

FURTHER: Finance

DATE TURNED INTO OFFICE: 5-8-91

Resources Committee considered SENATE BILL NO. 27

"An Act establishing a fisheries business tax credit; and providing for an effective date."

and recommended:

- replace with _____ CS ~~SB 27~~ same title
- or adopt _____ CS SB 27 (200) new title
- attached amendment(s) technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no Fiscal note

APPROVES PREVIOUS:

Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____
F+G 3/18/91

Governor's bill w/fiscal note

SIGNING DO PASS:

Sam D. ...

Paul V. ...

OTHER RECOMMENDATIONS:

Jan ... NO Rec

Mark ... NO Rec

Paul ... (Do Pass)
Chair; Signature and Recommendation



STEVE COWPER, GOVERNOR

**DEPARTMENT OF COMMERCE &
ECONOMIC DEVELOPMENT**

P. O. BOX D
JUNEAU, ALASKA 99811-0800
PHONE: (907) 465-2500

OFFICE OF THE COMMISSIONER

FISHERIES BUSINESS TAX CREDIT STUDY

EXECUTIVE SUMMARY

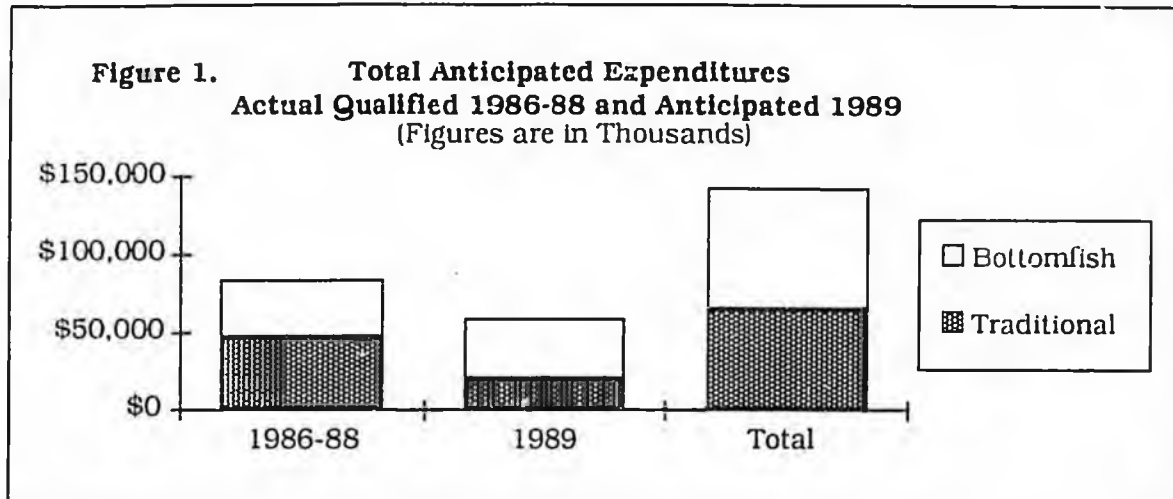
Purpose. This report addresses the effects of the Fisheries Business Tax Credit Program, and its stimulus to investments and employment. An attempt is also made to address several questions of interest: what types of investments are being made, where, and by what types of companies; what have the costs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

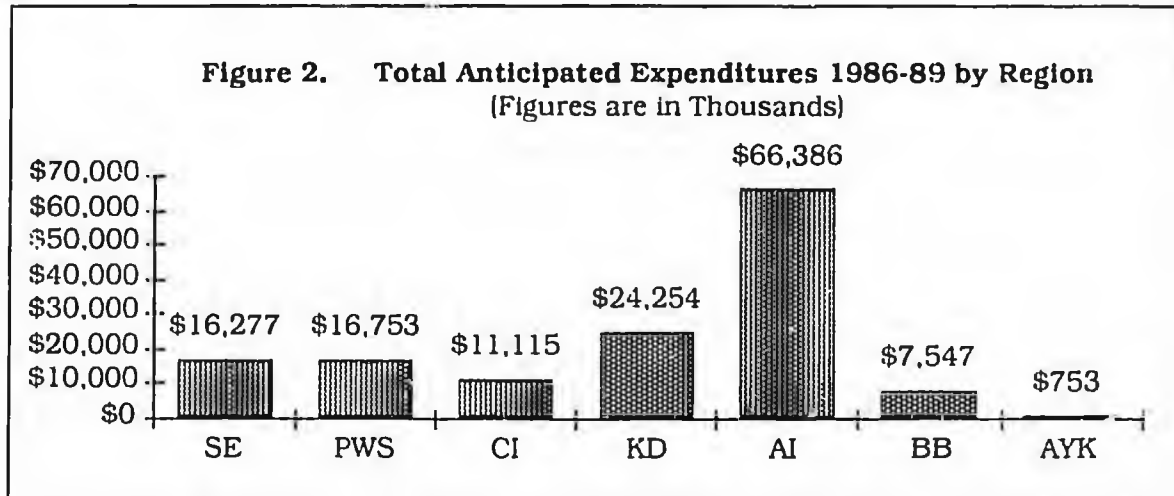
Number of participants. Sixty-seven firms representing 96 Alaska processing facilities have or intend to participate in the fisheries tax credit program. Expenditures actually qualifying for credit during the 1986-1988 period were made at 76 plants. Applications for expenditures during 1989 at an additional 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.

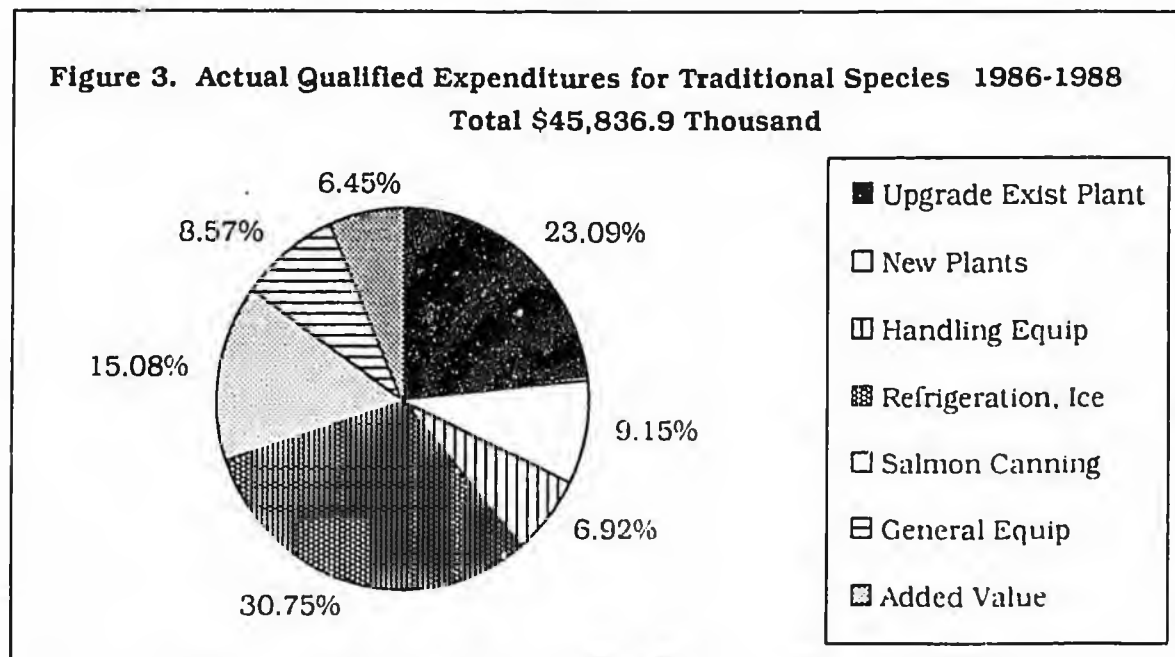


Table 2. Actual Qualified Expenditures 1986-1988 on Traditional Species

| | 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 |
| Arctic-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 | \$140.8 | \$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.

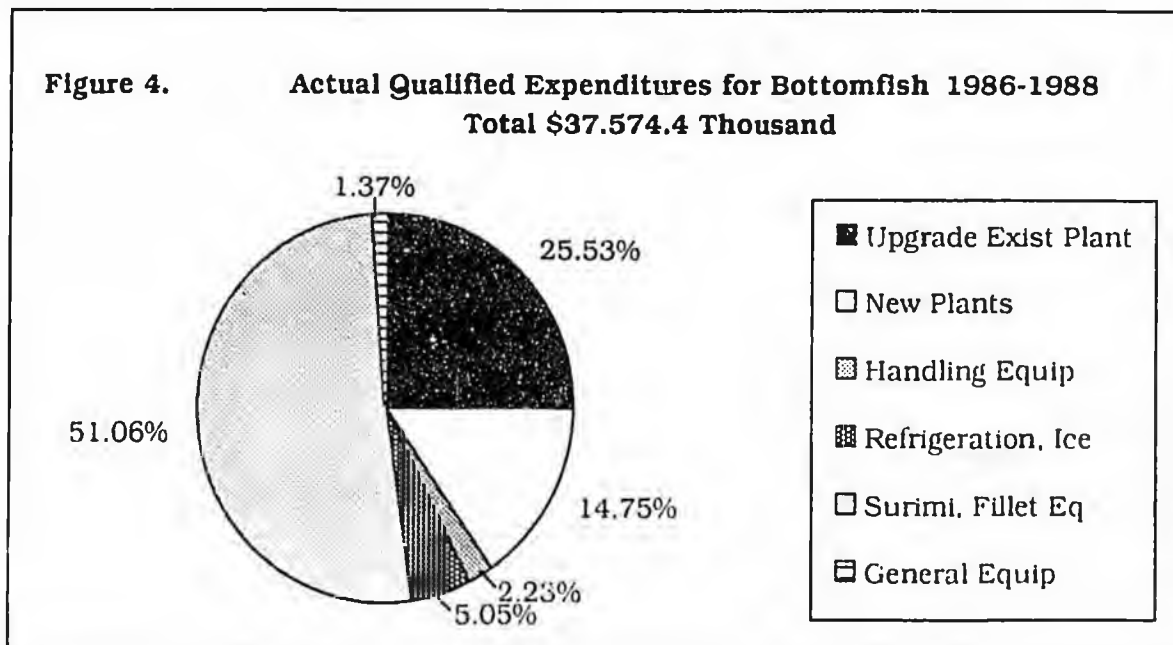


Table 5. Total Credits Applied 1986-88, Carryover, and Preliminary Approved Expenditures for 1989

| Regional Analysis Location | Number | Tax Credits Applied | | Total 1986-88 | Carryover | One-half 1989 App Expend | Maximum Theoretical Credits | Theoretical Credits Outstanding |
|----------------------------|-----------|---------------------|-------------------|-------------------|-------------------|--------------------------|-----------------------------|---------------------------------|
| | | 1987 | 1988 | | | | | |
| 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 | \$1,538.2 | \$13,749.7 | \$8,701.3 |
| Alcuttan 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 1986-88 | 1986-88 Carryover | One-half 1989 Est Qual Exp* | Maximum Estimated Credits | Max Est Credits Outstanding |
|-----------------------------|-----------|---------------------|-------------------|-------------------|-------------------|-----------------------------|---------------------------|-----------------------------|
| | | 1987 | 1988 | | | | | |
| 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 operation in the state, has a significant proportion of resident stockholders and a substantial part of their management staff are residents, but for business

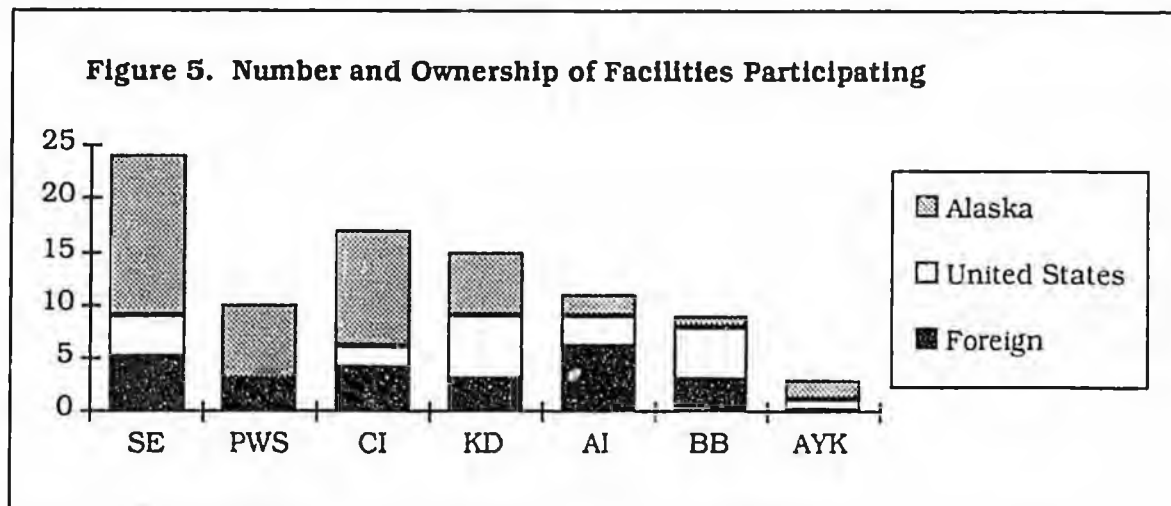
reasons the firm elected to move their corporate offices outside the state. Such firms are also termed Alaskan.

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.

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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 ~~and~~ 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. Major 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



SENATOR FRED F. ZHAROFF

ALASKA STATE LEGISLATURE

P. O. BOX 405, KODIAK, ALASKA 99615 (907) 486-5259

DURING SESSION:


P. O. BOX V, JUNEAU, ALASKA 99811 • (907) 465-3473 • 465-3474

DISTRICT N

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILIAMNA • PRIBILOF ISLANDS • SHUMAGIN ISLANDS

MEMORANDUM

TO: Senator Lloyd Jones
Chairman
Senate Resources Committee

FROM: Senator Fred F. Zharoff 

DATE: May 6, 1991

RE: CS For Senate Bill 27 (L&C) - "An Act establishing a fisheries business tax credit; and providing for an effective date."

SB 27 establishes a new two-year Fisheries Business Tax Credit program, modeled after the credit program that was in existence from 1987 through 1989.

The original program was a tremendous success in encouraging increased investment in Alaska's shorebased seafood processing facilities. According to the Department of Commerce and Economic Development, over \$140 million was invested in Alaska seafood plants during the tax credit period. The credit gave many processors the opportunity to expand into groundfish and to make this resource a viable fishery for Alaskans.

SB 27 would reactivate the program for a limited time period, 1992 through 1993. Processors would be able to use up to fifty percent of their annual business tax liability for two consecutive years for capital expenditures that "increase product diversity, or production efficiency and capacity, or improve product quality".

The spinoff effects from the credit include:

- Economic development in Alaskan coastal communities.
- More year-round operation of seafood plants, which benefits resident Alaskan processing workers.
- More markets for Alaskan commercial fishermen.
- Greater diversity in species processed and products produced.

The credit is particularly crucial at this time due to the competitive threat Alaska's shorebased groundfish processors face from the Outside-based offshore factory trawler fleet.

CSSB 27 moved out of the Senate Labor and Commerce Committee on May 6. The L&C committee substitute addresses the concerns raised by the Department of Revenue.

The following backup information is attached:

1. Sectional analysis.
2. Fiscal note from the Department of Revenue.
3. Fiscal note from the Department of Fish and Game.
4. Letter from the Department of Revenue to Senate President Richard Eliason, containing the department's annual report on the program.
5. Letter from Mr. Barry Lester, chief executive officer of the Seafood Producers Cooperative.
6. Letter from Mr. William Dignon, president of Hoonah Cold Storage.
7. Letter from Mr. Alvin Burch, executive director of the Alaska Dragers Association.
8. Summary of the Department of Commerce report on the impact of the tax credit, March, 1990. (Copies available upon request of Commerce's complete report and of Commerce's followup report on tax revenue projections resulting from the tax credit.)
9. Results of Fisheries Business Tax Credit survey.
10. Alaska Seafood Marketing Institute fact sheet about the seafood industry.
11. Fisheries Business Tax Credit statutes and regulations.



SENATOR FRED F. ZHAROFF

ALASKA STATE LEGISLATURE

P. O. BOX 405, KODIAK, ALASKA 99615 (907) 486-5259

DURING SESSION:

P. O. BOX V, JUNEAU, ALASKA 99811 • (907) 485-3473 • 485-3474

DISTRICT N

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILIAMNA • Pribilof Islands • Shumagin Islands

1

SECTIONAL ANALYSIS

CS For Senate Bill No. 27 (L&C)

"An Act establishing a fisheries business tax credit; and providing for an effective date."

SECTION 1

- (a) Establishes a new fisheries business tax credit program to be in effect for the years 1992 and 1993. Amended to include a "placed in service" rule that requires the improvements or equipment to be in place by no later than the last day of the first year the credit is claimed. Also amended to give the Department of Revenue the power to modify or revoke its previous approval of credit applications.
- (b) Establishes qualifications for the tax credit. Same qualifications as the previous program.
- (c) Prohibition on carrying back tax credit to prior tax years, but credit allowed to be carried forward within the two years available. Same provision in the previous program.
- (d) Allows tax credit for contributions to the A.W. "Winn" Brindle memorial scholarship account. Same language as previous program, except for clarification on when the credit can be claimed.
- (e) Total tax credit that may be claimed is capped at fifty percent of the taxpayer's business tax liability. Same language as previous program.
- (f) Prohibitions on granting tax credits. Same language as previous program except for (3), which was amended to include being in arrears on seafood marketing assessments and salmon enhancement taxes.
- (g) Provides for an application form.
- (h) Provides for timely consideration of applications. Same language as previous program.
- (i) Definitions. Same language as previous program.

TAX CREDIT REPORT

Requires preparation of an annual report. Same language as previous program.

SECTION 2

Establishes tax credit for A.W. "Winn" Brindle memorial scholarship account, to take effect when the fisheries business tax credit program sunsets. Language in paragraphs (a) through (d) copied from previous section.

SECTION 3

(b) Allows municipalities to receive their 50 percent share of fisheries business taxes collected within municipal boundaries. Includes reference to the statute created by this bill.

SECTION 4

Technical amendment for consistency between previous tax credit program and program created in this bill.

SECTION 5

Repeals the requirements for the tax credit report (43.75.039), the definition of "capital expenditure" (43.75.140(1)), the definition of "product diversity" (43.75.140(7)), the definition of "product quality" (43.75.140(8)), and the effective date for Brindle scholarship contributions in the previous law (sec. 10, ch. 79, SLA 1986) upon the sunset date of the new tax credit program, January 1, 1995.

SECTION 6

FISHERIES BUSINESS TAX CREDIT CLAIM IN TAX YEAR 1994.

Makes clear that fisheries businesses that have applied and received approval for two year tax credit projects in 1993 may claim the tax credit in 1994.

SECTION 7

Implements the credit for Brindle Scholarship contributions in Section 2 and the repeal of unneeded statutes when the program sunsets in Section 5.

SECTION 8

Effective date of January 1, 1992 for remaining sections.

2

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. SB27

Revision Date: _____
Title: Establishing a fisheries
business tax credit
Sponsor: Senator Zharoff
Requestor: _____

Department Affected: Department of Revenue
BRU: Revenue Operations
Component: Income and Excise Audit

COMPONENT SERIAL NO. | 1 | 1 | 3 |

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 92 | FY 93 | FY 94 | FY 95 | FY 96 | FY 97 |
|------------------------|-------|----------|----------|----------|-------|-------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LANDS & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CAPITAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| REVENUE | 0.0 | (13,617) | (13,617) | (13,617) | 0.0 | 0.0 |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|-----|----------|----------|----------|-----|-----|
| GENERAL FUND | 0.0 | (13,617) | (13,617) | (13,617) | 0.0 | 0.0 |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |
| TOTAL | 0.0 | (13,617) | (13,617) | (13,617) | 0.0 | 0.0 |

POSITIONS:

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

Estimate of current year impact: 0.0

ANALYSIS: Attach a separate page for analysis.

See Attached

Prepared By: Carl A. Meyer *Carl A. Meyer* Phone: (907) 465-2320
Division: Income and Excise Audit Division Date: February 26, 1991

Approved by Commissioner: Lee E. Fisher *Lee E. Fisher*
Agency: Department of Revenue Date: 2-1-91

Distribution (by preparer): Legislative Finance; Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

February 26, 1991

SB 27
FISCAL NOTE ANALYSIS
DEPARTMENT OF REVENUE

SB 27 would reestablish the fisheries business tax credit program, similar to the current credit program as provided for under AS 43.75.032, which expires December 31, 1991. The fisheries tax credit program provided by this bill is essentially structured after the current program except for the following differences:

| <u>CURRENT CREDIT PROGRAM</u> <u>AS 43.75.032</u> | <u>SB 27 CREDIT PROGRAM</u> <u>AS 43.75.037</u> |
|---|---|
| Effective July 1, 1986 | Effective January 1, 1992 |
| Expires December 31, 1991 | Expires December 31, 1994 |
| Credits may be claimed for 3 consecutive years from 1987 through 1989 | Credits may be claimed for 2 consecutive years from 1992 or 1993 |
| Last tax year in which a credit may be claimed is 1991 (FY92) | Last tax year year in which a credit may be claimed is 1994 (FY 95) |

Both of the programs allow for a maximum credit not to exceed 50% of the tax liability and credits may not be approved for more than 50% of qualifying expenditures. Also, both programs provide that credits may not be carried back to prior tax years and that no credits are allowed to taxpayers in arrears with the department in payment of a fisheries business tax under AS 43.75.015.

The revenue effect is estimated based on the average tax credit generated per year under the current credit program. (\$68,083,151 total credits divided by five years, or \$13,616,630)

A position paper is attached.

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. SB 27

3

Revision Date: 3/13/91 Department Affected: Fish and Game
 Title: Fisheries Business Tax Credit BRU: Commercial Fisheries
 Sponsor: Sen. Zharoff Component: Commercial Fisheries
 Requestor: Governor COMPONENT SERIAL NO.

| | | | |
|--|---|---|---|
| | 4 | 5 | 9 |
|--|---|---|---|

Expenditures/Revenues: (Thousands of Dollars)

| OPERATING | FY 92 | FY 93 | FY 94 | FY 95 | FY 96 | FY 97 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | 0 | 0 | 0 | 0 | 0 | 0 |
| TRAVEL | 0 | 0 | 0 | 0 | 0 | 0 |
| CONTRACTUAL | 0 | 0 | 0 | 0 | 0 | 0 |
| SUPPLIES | 0 | 0 | 0 | 0 | 0 | 0 |
| EQUIPMENT | 0 | 0 | 0 | 0 | 0 | 0 |
| LAND & STRUCTURES | 0 | 0 | 0 | 0 | 0 | 0 |
| GRANTS, CLAIMS | 0 | 0 | 0 | 0 | 0 | 0 |
| MISCELLANEOUS | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL OPERATING | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | |
|---------|---|---|---|---|---|---|
| CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 |
|---------|---|---|---|---|---|---|

| | | | | | | |
|---------|---|---|---|---|---|---|
| REVENUE | 0 | 0 | 0 | 0 | 0 | 0 |
|---------|---|---|---|---|---|---|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|---|---|---|---|---|---|
| GENERAL FUND | 0 | 0 | 0 | 0 | 0 | 0 |
| FEDERAL FUNDS | 0 | 0 | 0 | 0 | 0 | 0 |
| OTHER | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 0 | 0 | 0 | 0 | 0 | 0 |

POSITIONS:

| | | | | | | |
|-----------|---|---|---|---|---|---|
| FULL-TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| PART-TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| TEMPORARY | 0 | 0 | 0 | 0 | 0 | 0 |

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Alison Clasby Phone: 465-4210
 Division: Commercial Fisheries Date: 3/13/90
 Approved by ^{DEPUTY} Commissioner: RON SOMERVILLE *[Signature]*
 Agency: ADF & G Date: 3/13/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

P.O. BOX 5
JUNEAU, ALASKA 99811-0400
PHONE: (907) 465-2300
TELEFAX: (907) 465-2389

4

January 30, 1991

The Honorable Richard I. Eliason
President of the Senate
P.O. Box V
Juneau, AK 99811

Dear Mr. President:

In accordance with AS 43.75.034, The Department of Revenue respectfully submits the following annual report on the Alaska fisheries business tax credit program.

In 1986, the Alaska Legislature enacted AS 43.75.032 authorizing a fisheries business tax credit program to businesses which make expenditures that increase product diversity or production efficiency and capacity, or improve product quality at a shore-based fisheries business facility in the state, or contribute to the development of a cooperative seafood industrial park in the state. The program allows fisheries businesses to reduce their tax liability by up to 50% for a maximum period of three consecutive years.

Although this statute sunsets December 31, 1991, only those expenditures incurred through 1989 are eligible for this tax credit program. Under a carryforward provision in the statute, fisheries businesses may claim unused credits on returns through tax year 1991.

Tax credits may not be claimed for more than 50% of eligible capital expenditures. However, AS 43.75.032 provides that an additional 25% of the expenditures may be used as credits for expenditures made in municipalities which adopt an ordinance directing the Department of Revenue to reduce its shared tax revenues by the additional expenditures taken as credits.

During 1990 we received one such ordinance from Anchorage. In any case, a taxpayer's credit may not exceed 50% of its tax liability.

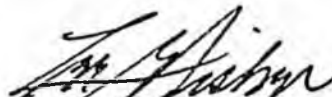
The attached schedules provide details of the actual expenditures and credits claimed for each year since the inception of the program as well as a schedule outlining the amount of credits carried forward which may be applied against 1990 fisheries business tax returns, due March 31, 1991.

The Honorable Richard I. Ellason
January 30, 1991
Page 2

Credits claimed since the program's inception total \$35.5 million. We anticipate that fisheries businesses will claim the same amount of credits taken last year, approximately \$13 million.

The Department of Commerce and Economic Development will forward their fisheries business tax credit annual report under separate cover.

Sincerely,


Lee E. Fisher
Commissioner

LF:ped
Enclosures
91-9

Alaska Department of Revenue
1987 Fisheries Business Tax Credit Data
 For the Calendar Year 1987

| Location | Actual 1987 Expenditures | Tax Credit Claimed |
|------------------------|-----------------------------|-----------------------|
| Alitak | \$ 196,732.00 | \$ 139,756.02 |
| Anchorage | 1,050,000.00 | 48,390.67 |
| Chignik | 354,893.00 | 177,046.50 |
| Cordova | 2,072,296.63 | 523,268.88 |
| Craig | 0.00 | 29,697.03 |
| Dry Bay | 0.00 | 22,170.85 |
| Dutch Harbor | 428,552.00 | 100,331.24 |
| Ekuk Spit | 603,203.00 | 91,914.30 |
| Excursion Inlet | 687,135.00 | 85,472.54 |
| Gustavus | 23,129.00 | 3,265.00 |
| Haines | 0.00 | 57,841.18 |
| Homer | 1,411,928.00 | 323,270.92 |
| Hoonah | 349,428.62 | 47,265.70 |
| Juneau | 46,932.96 | 2,881.48 |
| Kasilof | 520,136.47 | 84,841.69 |
| Kenai | 984,368.95 | 696,296.30 |
| Ketchikan | 1,489,546.16 | 235,318.88 |
| Klawock | 0.00 | 3,147.53 |
| Kodiak | 8,865,416.97 | 1,310,126.60 |
| Larsen Bay | 127,574.49 | 63,787.25 |
| Naknek | 1,044,719.29 | 482,439.47 |
| Nikiski | 254,309.47 | 140,205.34 |
| Pelican | 61,134.17 | 36,680.50 |
| Petersburg | 2,054,740.00 | 421,545.21 |
| Port Bailey | 45,901.00 | 57,713.88 |
| Port Graham | 147,994.00 | 188,326.03 |
| Seldovia | 0.00 | 34,796.48 |
| Seward | 0.00 | 431,507.66 |
| Sitka | 1,594,246.19 | 280,089.09 |
| Sterling | 82,400.00 | 41,200.00 |
| Togiak | 64,092.57 | 32,046.29 |
| Unalaska | 16,898,360.00 | 352,921.28 |
| Valdez | 269,273.34 | 93,392.50 |
| Wrangell | 156,894.00 | 41,512.50 |
| Yakutat | 0.00 | 127,630.86 |
| Various Alaskan Waters | <u>116,062.36</u> | <u>739,034.95</u> |
| Totals | <u>\$41,955,599.64</u> | <u>\$7,547,132.55</u> |

Note: Fisheries tax credits may be applied against a taxpayer's combined liability. In some cases, taxpayers operate in more than one location and apply credits against tax liabilities attributable to locations where expenditures were not made.

Alaska Department of Revenue
1988 Fisheries Business Tax Credit Data
 For the Calendar Year 1988

| Location | Actual 1988 Expenditures | Tax Credit Claimed |
|------------------------|-----------------------------|------------------------|
| Akutan | \$ 4,820,629.37 | \$ 341,868.83 |
| Alitak | 87,785.00 | 322,114.28 |
| Anchorage | 475,280.94 | 297,785.46 |
| Bethel | 51,000.00 | 47,983.54 |
| Bristol Bay | 24,528.52 | 0.00 |
| Chignik | 764,746.44 | 311,905.98 |
| Chignik Lagoon | 0.00 | 44,827.26 |
| Cordova | 2,862,781.99 | 1,010,042.31 |
| Craig | 0.00 | 65,216.69 |
| Dillingham | 0.00 | 159,951.52 |
| Dry Bay | 0.00 | 27,400.56 |
| Dutch Harbor | 450,000.00 | 56,111.37 |
| Egegik Beach | 103,152.00 | 44,910.36 |
| Ekuik Spit | 2,168,997.00 | 92,589.35 |
| Excursion Inlet | 23,326.00 | 131,304.30 |
| Gustavus | 72,100.00 | 5,079.58 |
| Haines | 39,000.00 | 100,451.64 |
| Homer | 0.00 | 304,323.35 |
| Hoonah | 0.00 | 59,649.40 |
| Juneau | 200,688.14 | 42,872.74 |
| Kasilof | 1,867,034.98 | 158,051.21 |
| Kenai | 2,112,044.30 | 1,058,882.73 |
| Ketchikan | 365,853.00 | 390,972.32 |
| King Cove | 2,422,436.00 | 815,984.52 |
| Kodiak | 8,024,062.01 | 1,962,944.87 |
| Larsen Bay | 228,376.00 | 114,188.00 |
| Naknek | 2,145,141.88 | 812,423.73 |
| Nikiski | 300,732.50 | 147,926.43 |
| North Pole | 56,231.79 | 2,431.86 |
| Nulato | 0.00 | 4,439.39 |
| Pelican | 47,581.87 | 30,928.22 |
| Petersburg | 3,307,455.27 | 593,381.90 |
| Port Bailey | 406,325.00 | 129,663.74 |
| Port Graham | 186,974.95 | 97,193.50 |
| Port Moller | 0.00 | 218,605.29 |
| Sandpoint | 0.00 | 202,032.84 |
| Seldovia | 0.00 | 57,296.57 |
| Seward | 80,562.00 | 329,478.83 |
| Sitka | 514,428.86 | 367,434.67 |
| Sterling | 235,000.00 | 0.00 |
| Togiak | 187,841.00 | 76,700.46 |
| Unalaska | 605,213.00 | 355,474.50 |
| Valdez | 7,422,829.37 | 286,662.97 |
| Wrangell | 81,007.95 | 57,766.31 |
| Yakutat | 936,060.93 | 176,353.40 |
| Various Alaskan Waters | <u>259,311.00</u> | <u>2,929,753.96</u> |
| Totals | <u>\$43,936,519.06</u> | <u>\$14,843,360.67</u> |

note: Fisheries tax credits may be applied against a taxpayer's combined liability. In some cases, taxpayers operate in more than one location and apply credits against tax liabilities attributable to locations where expenditures were not made.

Alaska Department of Revenue
1989 Fisheries Business Tax Credit Data
 For the Calendar Year 1989

| Location | Actual 1989 Expenditures | Tax Credit Claimed |
|------------------------|-------------------------------|-------------------------------|
| Akutan | \$26,683,888.70 | \$ 240,844.29 |
| Alitak | 710,334.00 | 108,091.35 |
| Anchorage | 784,083.00 | 179,033.50 |
| Bethel | 956,997.00 | 75,494.65 |
| Bristol Bay | 72,670.00 | 0.00 |
| Chignik | 181,225.00 | 108,024.24 |
| Chignik Lagoon | 0.00 | 24,275.19 |
| Cordova | 2,253,982.52 | 804,173.71 |
| Craig | 0.00 | 112,409.83 |
| Dillingham | 757,404.06 | 406,267.23 |
| Dry Bay | 24,714.54 | 18,838.08 |
| Dutch Harbor | 10,402,398.00 | 229,876.48 |
| Egegik Beach | 46,568.00 | 29,949.64 |
| Ekuk Spit | 72,341.00 | 157,116.68 |
| Excursion Inlet | 662,119.00 | 201,414.99 |
| Gustavus | 0.00 | 5,174.76 |
| Haines | 0.00 | 45,821.20 |
| Homer | 28,000.00 | 73,358.34 |
| Hoonah | 0.00 | 49,899.20 |
| Juneau | 64,570.00 | 7,592.72 |
| Kaltag | 0.00 | 2,769.70 |
| Kasilof | 0.00 | 69,082.60 |
| Kenai | 1,724,372.91 | 507,041.41 |
| Ketchikan | 3,273,443.00 | 771,305.98 |
| King Cove | 716,822.22 | 905,293.43 |
| Kodiak | 3,827,958.45 | 1,425,793.13 |
| Larsen Bay | 157,176.66 | 42,599.65 |
| Mountain Village | 0.00 | 7,789.71 |
| Naknek | 2,470,643.89 | 1,288,456.94 |
| Nikiski | 0.00 | 130,941.01 |
| North Pole | 50,249.13 | 1,909.73 |
| Nulato | 0.00 | 1,446.46 |
| Pelican | 0.00 | 0.00 |
| Petersburg | 371,585.29 | 387,756.26 |
| Port Bailey | 247,952.00 | 23,913.68 |
| Port Graham | 0.00 | 7,756.50 |
| Fort Moller | 0.00 | 163,256.58 |
| Sandpoint | 0.00 | 129,429.89 |
| Seldovia | 315,300.00 | 10,480.74 |
| Seward | 2,840,026.33 | 185,998.73 |
| Sitka | 420,820.22 | 353,287.79 |
| Togiak | 534,448.59 | 22,201.41 |
| Unalaska | 0.00 | 337,367.99 |
| Valdez | 94,676.95 | 253,478.52 |
| Wrangell | 206,325.00 | 63,676.17 |
| Yakutat | 239,952.81 | 130,317.40 |
| Various Alaskan Waters | <u>53,072.26</u> | <u>3,058,336.47</u> |
| Totals | <u>\$61,446,120.53</u> | <u>\$13,159,343.86</u> |

Note: Fisheries tax credits may be applied against a taxpayer's combined liability. In some cases, taxpayers operate in more than one location and apply credits against tax liabilities attributable to locations where expenditures were not made.

Alaska Department of Revenue
Schedule of Actual Credit Carryforward for 1990
 As of January 18, 1990

| Location | Actual Tax Credit Carryforward |
|------------------------|--------------------------------------|
| Akutan | \$ 936,083.41 |
| Alitak | 105,880.46 |
| Anchorage | 154,919.86 |
| Bethel | 229,681.27 |
| Bristol Bay | 6,905.91 |
| Chignik | 53,055.51 |
| Chignik Lagoon | 105,880.46 |
| Clarkspoint | 936,083.41 |
| Cordova | 862,901.57 |
| Craig | 115,413.48 |
| Dillingham | 618,970.42 |
| Dry Bay | 119,721.92 |
| Dutch Harbor | 5,100,083.56 |
| Egegik | 105,880.46 |
| Ekuik Spit | 105,880.46 |
| Excursion Inlet | 105,880.46 |
| Gustavus | 31,700.66 |
| Haines | 108,622.71 |
| Homer | 2,778.50 |
| Juneau | 102,748.61 |
| Kake | 71,035.48 |
| Kaltag | 48,320.72 |
| Kasilof | 425,297.29 |
| Kenai | 738,793.51 |
| Ketchikan | 520,556.71 |
| King Cove | 352,789.40 |
| Klawock | 9,533.02 |
| Kodiak | 3,237,197.99 |
| Larsen Bay | 35,988.68 |
| Mountain Village | 724.15 |
| Naknek | 1,526,854.28 |
| Nikiski | 66,930.16 |
| North Pole | 48,898.88 |
| Nulato | 48,320.72 |
| Petersburg | 95,507.94 |
| Port Bailey | 105,880.46 |
| Port Graham | 206,039.86 |
| Port Moller | 352,789.40 |
| Port Protection | 405,143.24 |
| Sandpoint | 936,083.41 |
| Seldovia | 105,875.00 |
| Seward | 627,862.27 |
| Sitka | 122,145.24 |
| Sterling | 117,500.00 |
| Togiak | 130,743.12 |
| Unalaska | 302,606.50 |
| Valdez | 483,001.39 |
| Wrangell | 59,158.50 |
| Yakutat | 119,721.92 |
| Various Alaskan Waters | <u>11,322,940.88</u> |
| Totals | <u>\$32,533,313.18</u> |



SEAFOOD PRODUCERS COOPERATIVE

5

2875 ROEDER AVE. • BELLINGHAM, WA 98225
PHONE (206) 733-0120 • TELEX 152-338 SPC BLH • FAX (206) 733-0513

February 15, 1991

RECEIVED MAR 6 1991

The Honorable
Senator Fred Zharoff
P.O. Box V
Juneau, AK 99811

Dear Senator Zharoff:

The Board of Directors and 315 member fishermen of Seafood Producers Cooperative ask your assistance in supporting Senate Bill 27, The Fisheries Business Tax Credit.

As member\owners of a 10 million dollar shore based seafood processing facility in Sitka, The Fisheries Business Tax Credit is vital in our efforts to increase our processing capacity, maintain growth, and stay competitive in an increasingly difficult world market. The growth of S.P.C. and other shore based processors in Alaska creates jobs, supports local businesses, and puts money from our fishery resource back into the State economy.

We appreciate your support of the Alaska seafood industry, its fishermen and processors. Passage of Senate Bill 27 will help keep our industry strong, competitive, and the leading supplier of premium quality seafood to the world market.

Sincerely,

SEAFOOD PRODUCERS COOPERATIVE

Barry S Lester
Chief Executive Officer

fls

pc: Governor Walter J. Hickel
United Fishermen of Alaska

6

RECEIVED APR 3 1991



HOONAH COLD STORAGE

HOONAH, ALASKA 99829

SALMON-FRESH-FROZEN

The Honorable
Senator Fred Zharoff
P. O. Box V
Juneau, AK 99811

March 29, 1991

Dear Senator Zharoff:

My father and I own Hoonah Cold Storage located in Hoonah, Alaska. Our cold storage has the ability to process and freeze 50,000# a day of seafood product. Our total production 5 years ago was 1,500,000# of salmon, black cod and halibut. Through HB 58 we were able to take advantage of The Fisheries Business Tax Credit at the time by expanding our cold storage. Because of this tax credit Hoonah Cold Storage has increased its production by almost double in the last few years. We are probably the largest business in the city of Hoonah and create more jobs than any other business. We are very grateful that this tax credit gave us the ability to expand.

As owners of Hoonah Cold Storage we are now anticipating further growth by adding additional processing room. We ask your assistance in supporting Senate Bill 27, The Fisheries Business Tax Credit. Passage of Senate Bill 27 will keep the seafood industry healthy and helps put money from our resource back into the economy.

Kind regards,
William A. Dignon
William A. Dignon
President
Hoonah Cold Storage

WAD:hsh
CC: Governor Walter J. Hickel
United Fishermen of Alaska



7

907-486-3910
Box 991

Kodiak, Alaska
99615

March 29, 1991

Lee E. Fisher
State of Alaska, Dept. of Revenue
P.O. Box 5
Juneau, Alaska 99811-0400

Dear Lee,

After reviewing the DOR recommendations on SB 27 I copied and delivered to the local canneries, the 7 points contained in the position paper. I have also had personal conversations with a number of owners and managers. Most of the comments I have received to date center on the first ammendment. They feel that credit should be allowed for on-shore development. The credit from a floater could be used to improve their shore based plant but not used to increase at sea processing.

A number of plants have pointed out to me that without the tax credit system they would not have invested in the white fish industry. One such plant did not operate in the winter 4 years ago. His present weekly payroll is around \$100,000. These are resident workers. The non-resident workers are here generally for the summer salmon season. Usually college kids who leave for school in the fall.

To say that the program does not produce a net benefit for the state is in grave error.

When you come to Kodiak I will introduce you to plant owners and operators and arrange tours to point out where the money has been used and what it means to the town.

Sincerely,

Alvin R. Burch
Executive Director

cc: Senator Fred Zharoff
Representative Cliff Davidson

Harvesting Alaskan Shrimp and Whitefish

March, 1990

8

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-

Monthly Report — Division of Business Development — 4

fyng 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.

State of Alaska
Department of Commerce
and Economic Development
Division of Business Development
P.O. Box D
Juneau, Alaska 99811-0800

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SUPPORT



MADE IN ALASKA

**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 Famed Salmon in 1982 Fresh/Frozen Markets5%

Wild Alaska salmon accounted for 59%.⁵

% of Famed 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; ²1989 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;

⁶Alaska Seafood Marketing Institute

(11)

Chapter 75. Fisheries Taxes.

Article

1. Taxes and Licenses (§§ 43.75.010, 43.75.015, 43.75.018, 43.75.032, 43.75.034)
3. General Provisions (§§ 43.75.130, 43.75.133, 43.75.140)

Article 1. Taxes and Licenses.

Section

10. (Repealed)
15. Fisheries business tax
18. Fisheries business education credit

Section

32. Fisheries business tax credits
34. Tax credit report

Editor's notes. — The citation to the case at this location in the main pamphlet is erroneous. The correct citation is *Liberati v. Bristol Bay Borough*, 584 P.2d 1115 (1978).

Sec. 43.75.010. Fisheries business licenses. [Repealed, § 13 ch 79 SLA 1979. For current law, see AS 43.75.011.]

Editor's notes. — The citation to the case at this location in the main pamphlet is erroneous. The correct citation is *Liberati v. Bristol Bay Borough*, 584 P.2d 1115 (1978).

Sec. 43.75.015. Fisheries business tax. (a) A person engaged in a fisheries business is liable for and shall pay the tax levied by this section on the value of each of the following fisheries resources processed during the year at the rate set out after each:

- (1) salmon canned at a shore-based fisheries business — four and one-half percent;
- (2) salmon processed by a shore-based fisheries business, except salmon for which the tax is due under (1) of this subsection, and all other fisheries resources processed by a shore-based fisheries business — three percent;
- (3) fisheries resources processed by a floating fisheries business — five percent.

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

- (1) one percent of the value of the developing commercial fish species processed by a shore-based fisheries business during the year; and
- (2) three percent of the value of the developing commercial fish species processed by a floating fisheries business during the year.

(c) A person engaging or attempting to engage in a fisheries business who first actually and physically processes the fishery resource, or a person who purchases a fishery resource that is frozen from a person excluded by AS 43.75.017 from liability for the tax, is liable for

and shall pay to the department the entire tax imposed by this section. In determining this tax liability, the person may deduct from the value of the fishery resources processed the value of fishery resources that are canned or processed for other fisheries businesses. A person taking the deduction authorized by this subsection shall report all information relating to the deduction in accordance with regulations issued by the department. (§ 3 ch 79 SLA 1979; am §§ 5, 6 ch 117 SLA 1981; am § 1 ch 79 SLA 1986)

Effect of amendments. — The 1986 amendment substituted "fisheries business" for "cannery" in paragraph (1) of subsection (a).

Sec. 43.75.016. Fisheries business education credit. (a) A person engaged in a fisheries business is allowed as a credit against the tax due under this chapter 50 percent of cash contributions accepted for direct instruction, research, and educational support purposes, including library and museum acquisitions, by an accredited, nonprofit, public or private, Alaska, two- or four-year, college or university. The credit may not exceed the lesser of 10 percent of the amount of tax due under this chapter or \$100,000. A contribution claimed as a credit under this section may not be claimed as a credit under another provision of this title.

(b) Contributions accepted for endowment purposes are not eligible for the credit under (a) of this section.

(c) By September 30 of each year, the Department of Revenue shall report to the Legislative Budget and Audit Committee on the credits taken under this section. Each public college and university shall include in its annual operating budget request contributions received and how the contributions were used. (§ 7 ch 58 SLA 1987)

Cross references. — For statement of legislative purpose in connection with the enactment of this section, see § 1, ch. 58, SLA 1987 of the Temporary and Special Acts.

Sec. 43.75.032. Fisheries business tax credits [Effective until January 1, 1992]. (a) A fisheries business is entitled to a credit of not more than 50 percent of the business tax liability under AS 43.75.015 for capital expenditures made during the tax year 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, if an application for the credit is approved by the department in advance of the capital expenditure. A fisheries business may claim a credit under this subsection for a maximum period of three consecutive years. An applicant for the credit may elect to begin the three-year period with any tax year from 1987 through 1989. A tax credit under this subsection may not be approved for more

than 50 percent of a capital expenditure, plus any increase required under (b) of this section.

(b) The amount of a credit under (a) of this section for a capital expenditure involving a shore-based fisheries business facility or cooperative seafood industrial park located or to be located in a municipality shall be increased by the amount by which the municipality's fisheries business tax refund is reduced under AS 43.75.130(c). The total amount of a credit increase under this subsection during a three-year period may not exceed 25 percent of the amount of the capital expenditure.

(c) The portion of a capital expenditure that is eligible for a credit under this section but is claimed during a single tax year may not be carried back to a prior tax year but is available for the computation as a credit under this section for a subsequent tax year within the three-year period elected under (a) of this section.

(d) Within 10 days after submitting an application for a credit under (a) of this section the applicant shall send a copy of the application to the municipality, if any, in which the shore-based fisheries business facility or cooperative seafood industrial park for which the expenditure is to be made is located or is to be located.

(e) A fisheries business is entitled to a credit of not more than five percent of the business tax liability under AS 43.75.015 for contributions made during the tax year to the A. W. "Winn" Brindle memorial scholarship account (AS 14.43.250). A fisheries business may claim a credit under this subsection for the 1987 tax year and subsequent tax years. A tax credit under this subsection may not be approved for more than 100 percent of a scholarship contribution.

(f) The total tax credits that may be claimed under this section for a tax year for capital expenditures and scholarship contributions combined may not exceed 50 percent of the taxpayer's business tax liability under AS 43.75.015 for that tax year.

(g) The department may not approve a tax credit under this section if

(1) the property for which the capital expenditure was made was the subject of a previous capital expenditure by another taxpayer for whom a corresponding tax credit under this section has been approved;

(2) the property for which the capital expenditure was made was sold or transferred between fisheries businesses having substantial common ownership; or

(3) the fisheries business claiming the credit is in arrears in the payment of a fisheries business tax under AS 43.75.015; (for purposes of this paragraph, a taxpayer is not in-arrears if the payment is under administrative or judicial appeal.

(h) The department shall prepare an application-form for a credit under this section.

(i) The department shall approve or disapprove an application for a credit under this section not later than 60 days after receiving the application.

(j) In this section

(1) "cooperative" has the meaning given in AS 10.15.595.

(2) "seafood industrial park" means a seafood processing center with facilities to land, handle, and process or to ship or transship to any location all marketable species of seafood; a seafood industrial park may contain commercial facilities to support the activities of the park, and the labor force and vessels that operate at or from the park. (§ 2 ch 79 SLA 1986)

Editor's notes. — Effective January 1, 1992, this section will read: "Sec. 43.75.032. Tax credit for scholarship contributions. (a) A fisheries business is entitled to a credit of not more than five percent of the business tax liability under AS 47.75.015 for contributions made during the tax year to the A. W. "Winn" Brindle memorial scholarship account (AS 14.43.250). A tax credit under this section may not be approved for more than 100 percent of a scholarship contribution.

"(b) The department may not approve a tax credit under this section if the fisher-

ies business claiming the credit is in arrears in the payment of a fisheries business tax under AS 43.75.015; for purposes of this subsection, a taxpayer is not in arrears if the payment is under administrative or judicial appeal.

"(c) The department shall prepare an application form for a credit under this section.

"(d) The department shall approve or disapprove an application for a credit under this section not later than 60 days after receiving the application."

Sec. 43.75.034. Tax credit report [Repealed effective February 15, 1992]. Not later than the 15th legislative day of each regular legislative session the Department of Revenue, in conjunction with the Department of Commerce and Economic Development, shall submit to the legislature a report on the fisheries business tax credit program under AS 43.75.032. The report shall describe the expenditures for which a credit was approved during the previous tax year and, if possible, the increase in employment and processing capacity by the fisheries businesses for which the credit was approved. (§ 2 ch 79 SLA 1986; r § 8 ch 79 SLA 1986)

Postponed repeal. — Section 8, ch. 79, SLA 1986 repeals this section, effective February 15, 1992.

Article 3. General Provisions.

Section

130. Refund to local governments

133. Provision of information to municipalities

Section

140. Definitions

Sec. 43.75.130. Refund to local governments. (a) Except as provided in (d) of this section, the commissioner of revenue shall pay

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

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

(3) to each borough

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

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

(b) For purposes of this section, tax revenue collected under AS 43.75.015 from a person entitled to a credit under AS 43.75.032 shall be calculated as if the person's tax had been collected without applying the credit.

(c) [Repealed effective January 1, 1992] Within 60 days after a credit is approved under AS 43.75.032 for a capital expenditure involving a shore-based fisheries business facility or cooperative seafood industrial park located or to be located in a municipality, the municipality may adopt an ordinance directing the department to reduce the municipality's refund under this section over a period of not more than three years by an amount not exceeding 25 percent of the capital expenditure.

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

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

(A) 45 percent of the taxes collected during the calendar year in which the borough is incorporated;

(B) 40 percent of the taxes collected during the first calendar year after the calendar year in which the borough is incorporated;

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

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

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

(A) 5 percent of the taxes collected during the calendar year in which the borough is incorporated;

(B) 10 percent of the taxes collected during the first calendar year after the calendar year in which the borough is incorporated;

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

(D) 20 percent of the taxes collected during the third calendar year after the calendar year in which the borough is incorporated.

(e) Notwithstanding the provisions of (d) of this section, a city may adopt an ordinance to transfer a portion of the funds received under (d)(1) of this section to the borough in which the city is located.

(f) In this section, "tax revenue collected" includes the amount credited against taxes under AS 43.75.018. (§ 6 ch 155 SLA 1962; am § 75 ch 69 SLA 1970; am § 10 ch 218 SLA 1976; am § 11 ch 79 SLA 1979; am § 10 ch 117 SLA 1981; am § 73 ch 74 SLA 1985; am §§ 4,7 ch 79 SLA 1986; am § 8 ch 58 SLA 1987; am §§ 1, 2 ch 80 SLA 1987)

Postponed repeal. — Section 7, ch. 79, SLA 1986 repeals subsection (c), effective January 1, 1992.

Revisor's notes. — Subsection (f) enacted as (d). Renumbered in 1987.

Effect of amendments. — The 1985 amendment in paragraph (1) substituted "unified municipality" for "municipality unified under AS 29.68.240 — 29.68.440."

The 1986 amendment added subsections (b) and (c).

The first 1987 amendment added subsection (f).

The second 1987 amendment in subsection (a) substituted "Except as provided in (d) of this section, the" for "The" at the beginning of the section and substituted "under" for "by" throughout the subsection and added subsections (d) and (e).

Sec. 43.75.133. Provision of information to municipalities.

(a) If the mayor, manager, or administrator of a municipality makes a written request, the department shall furnish the mayor, manager, or administrator of the municipality the names of all fisheries businesses that have filed tax returns under this chapter in which the fisheries business listed the municipality as the location in which the fisheries business processed a fisheries resource subject to the tax imposed under this chapter.

(b) If the mayor, manager, or administrator of a municipality makes a written request, the department shall verify that, as to a tax levied and collected by the municipality that is based on the value of fisheries resource processed in or transported to or within the municipality, the value of the fisheries resources reported by a fisheries business to the municipality and the value of the fisheries resources reported by the fisheries business to the department under this chapter are substantially the same. If the values are not substantially the same, the department shall permit the mayor, manager, or administrator of the municipality to inspect tax returns filed by the fisheries business with the department under this chapter, or shall furnish to the municipal officer a copy of the tax returns, if the department determines that the municipality provides adequate safeguards for the confidentiality of the returns and that the returns will be used by the municipality only for purposes of collection of its tax levied and collected on fisheries resources. In this subsection, the value of the

fisheries resources reported by the fisheries business to the department and the value reported to the municipality are substantially the same if the values are equal or the variance between them does not exceed one percent of the greater value. (§ 1 ch 128 SLA 1988)

Editor's notes. — Section 2, ch. 128, applies to tax returns filed after December 31, 1986. SLA 1988 provides that this section ap-

Sec. 43.75.140. Definitions. In this chapter

(1) [Repealed effective January 1, 1992] "capital expenditures" includes the price paid for equipment and the cost of improvements made to depreciable property, but does not include expenditures that are deducted entirely for federal income tax purposes in the year in which they accrued or were paid; in this paragraph, "equipment" and "depreciable property" have the meaning given in regulations adopted by the commissioner of commerce and economic development;

(2) "department" means the Department of Revenue;

(3) "developing commercial fish species" means those species of fish and shellfish annually designated by the commissioner of fish and game under AS 16.05.050(11);

(4) "fisheries business" means a person who engages in processing fisheries resources for sale by freezing, cooking, salting, or other method and includes but is not limited to canneries, cold storages, freezer ships, and processing plants;

(5) "fishery resource" means fin fish, shellfish and fish by-products, including but not limited to salmon, halibut, herring, flounder, crab, clam, cod, shrimp, and pollock;

(6) "floating fisheries business" means a fisheries business which is not a shore-based fisheries business; the term includes, but is not limited to, a shore-based fisheries business as defined in (9)(B) of this section when it is removed from the state;

(7) [Repealed effective January 1, 1992] "product diversity" means the processing of nontraditional fish or other seafood species or products;

(8) [Repealed effective January 1, 1992] "product quality" means the handling of fish or other seafood species or products in order to increase product sales or value.

(9) "shore-based fisheries business" means a fisheries business

(A) operated from a facility which is permanently attached to the land; or

(B) operated from a facility which remains in the same location in the state for the entire tax year;

(10) "taking" means pursuing, fishing, capturing, or harvesting a fisheries resource in any manner;

(11) "value" means the actual price paid for the fisheries resource by the fisheries business, including indirect consideration such as

fuel, supplies, or gear, whether paid at the time of purchase of the fisheries resource or tendered as a deferred or delayed payment, except that "value" means the market value of the fishery resource if the taking of the fishery resource is done in company-owned or company-subsidized boats operated by employees of the fisheries business or in boats which are operated under lease or other arrangement. (§ 3 ch 79 SLA 1979; am § 46 ch 94 SLA 1980; am § 46 ch 113 SLA 1980; am §§ 11, 12 ch 117 SLA 1981; am §§ 5, 7 ch 79 SLA 1986)

Postponed repeal. — Section 7, ch. 79, SLA 1986 repeals paragraphs (1), (7) and (8), effective January 1, 1992.

Revisor's notes. — Reorganized in 1986 to alphabetize the defined terms.

Effect of amendments. — The 1986 amendment added paragraphs (1), (7) and (8).

Chapter 76. Salmon Enhancement Act.

| | |
|---|--|
| Section | Section |
| 10. Three percent salmon enhancement tax | 20. Termination of salmon enhancement tax |
| 11. Two percent salmon enhancement tax | 25. Collection of tax and disposition of proceeds |
| 12. One percent salmon enhancement tax | 28. Liability for tax on salmon shipped from state |
| 15. Election to approve or terminate salmon enhancement tax | 35. Exemption |

Sec. 43.76.010. Three percent salmon enhancement tax. (a) A person holding a limited entry permit under AS 16.43 shall pay a salmon enhancement tax at the rate of three percent of the value of salmon, as defined in AS 43.75.140, that the person removes from the state or transfers to a buyer in the state. The buyer shall collect the salmon enhancement tax at the time the salmon is acquired by the buyer.

(b) A three percent salmon enhancement tax may only be levied or collected under (a) of this section

(1) in a region designated by the commissioner of fish and game for the purpose of salmon production under AS 16.10.375;

(2) if there exists in that region an association determined by the commissioner of fish and game to be a qualified regional association under AS 16.10.380; and

(3) if the qualified regional association approves the three percent salmon enhancement tax under AS 43.76.015. (§ 2 ch 154 SLA 1980; am § 13 ch 117 SLA 1981)

Editor's notes. — This section is set out above to reflect a change in the internal reference because of section reorganization.

15 AAC 75.060. EXPENDITURES ELIGIBLE FOR TAX CREDIT. The following equipment and depreciable property are capital expenditures eligible for fisheries business tax credits under AS 43.75.032:

(1) refrigeration equipment, or new plant construction or improvements made to depreciable property which are integrally related to the original installation of refrigeration equipment, if the equipment, construction, or improvements are dedicated to and necessary for the performance of the following functions at a shore-based seafood processing facility in Alaska:

(A) manufacturing, storing, and delivering of ice;

(B) refrigerated holding or storing of processed seafood products, raw fish, or shellfish before processing or shipment; or

(C) seafood product freezing;

(2) fish processing equipment, or new plant construction or improvements made to depreciable property which are integrally related to the original installation of fish processing equipment, if the equipment, construction, or improvements are necessary for the manufacturing of the following products at a shore-based seafood processing facility in Alaska:

(A) round or dressed frozen fish or shellfish products;

(B) fresh or frozen cut or formed boneless portions;

(C) fresh or frozen fillet products;

(D) comminuted or minced fish products or products that are based on the use of comminuted or minced fish;

(E) surimi or products that are based on the use of surimi;

(F) fish or shellfish meal, oil, solubles, protein derivatives, pharmaceuticals, or biochemicals;

(G) canned salmon;

(H) smoked or cured seafood products;

(I) fish or shellfish products preserved by new or nontraditional methods, including aseptic handling, irradiation, controlled atmosphere storage, or the application of chemicals;

(3) to be eligible under (2) of this section, the equipment, construction, or improvements must be dedicated to and necessary for appropriate processing functions, such as vessel unloading, raw material or finished product storage, weighing, roe separation, cutting, skinning, bone separation, can filling, forming, washing, mixing, grinding, pumping, concentrating, can seaming, cooking, retorting, drying, pressing, can washing, packaging, labeling, or the addition of chemicals, colors, or flavoring. (Eff. 12/16/86, Register 101)

Authority: AS 43.75.032
AS 43.75.140

15 AAC 75.070. APPLICATION FOR FISHERIES BUSINESS TAX CREDIT. To qualify for the fisheries business tax credit for eligible expenditures, as defined in 15 AAC 75.060, made between July 1, 1986 and December 31, 1989, a fisheries business must apply for the credit in advance of the capital expenditure on forms prescribed by the department. On the form, the fisheries business shall provide the following information:

(1) the name of fisheries business;

(2) the fisheries business license number of each processing facility owned by the fisheries business;

(3) the mailing address for the fisheries business;

(4) telephone number for the fisheries business;

(5) the location of the processing facility for which eligible expenditures will be made;

(6) a list of all equipment and improvements to depreciable property to be purchased or constructed and a description of their functions related to the processing of fish;

(7) the approximate cost of each piece of equipment or improvement to depreciable property to be purchased or constructed;

(8) the estimated date that the equipment or improvement to depreciable property is to be purchased or constructed, and the date it first will be placed into service;

(9) if used equipment or a used improvement to depreciable property is to be purchased, a list of the names of the previous owners of the equipment or improvement, and the dates of their ownership. (Eff. 8/12/87, Register 103)

Authority: AS 43.05.080
AS 43.75.032
Sec. 6, ch. 79, S.L.A. 1986

15 AAC 75.080. PLACED IN SERVICE RULE. (a) In order for a credit to be applied against a fisheries business tax liability, the equipment or improvement to depreciable property that is the subject of the credit must be effectively placed in service in the state.

(b) Equipment or improvements to depreciable property will be considered to have been placed in service in the earlier of the following tax years:

(1) the tax year in which, under the taxpayer's depreciation practice, the period for depreciation with respect to such improvements or equipment begins; or

(2) the tax year in which the equipment or improvement to depreciable property is placed in a condition or state of readiness and availability for a specifically assigned function integrally related to the manufacture of seafood products or fish processing functions described in 15 AAC 75.060.

(c) If otherwise qualifying as an eligible expenditure, the following property will be considered in a state of readiness and availability:

(1) parts acquired and set aside during the tax year for use as replacements for a particular machine in order to avoid operational time loss;

(2) operational fish processing equipment acquired during a tax year, where it is not practicable to use the equipment for its specifically assigned function in the fisheries business until the following year; and

(3) equipment acquired for a specifically assigned function which is operational but which is undergoing testing to eliminate defects.

(d) If the department has determined that certain expenditures are eligible for tax credit, but the expenditures do not reflect the full cost of the equipment or improvement to depreciable property because the total amount to be paid or incurred by the taxpayer is indeterminate, credit will be allowed to the taxpayer for the first tax year with respect to so much of the cost as has been paid or incurred as of the close of that year, and additional credit will be allowed to the taxpayer for subsequent eligible tax years with respect to additional expenditures made during each subsequent year.

(e) Notwithstanding (a) — (d) of this section and for fisheries business tax credit computation purposes only, equipment or improvements to depreciable property placed in service from July 1, 1986 through December 31, 1986 will be considered to have been first placed in service in tax year 1987. (EFF. 8/12/87, Register 103)

Authority: AS 43.05.080
AS 43.75.032
Sec. 6, ch. 79, S.I.A. 1986

15 AAC 75.090. LIMITATION ON CREDIT. (a) If a taxpayer is operating both shore-based and floating fish processor facilities in the same tax year that eligible capital expenditures are made, the total credit that may be claimed in that tax year may not exceed 50 percent of the taxpayer's combined fisheries business tax liability incurred at all of the taxpayer's fish processing facilities. However, in no event will the fisheries business tax credit generated at a processing facility in one tax year be applied to the fisheries business tax liability incurred at another processing facility in a subsequent year if the other facility was not owned by the taxpayer in the tax year the capital expenditure was made. The following are illustrative examples:

(1) Company F solely owns and operates a shore-based processing facility in Alaska and a floating freezer ship. In 1987, the company spent \$1,000,000 in adding new refrigeration equipment and capacity to its shore-based plant. The company's 1987 fisheries business tax liability at its shore-based plant is \$200,000 and at its floating

facility is \$50,000. The 1987 fish tax credit is limited to \$125,000, one-half of the combined liabilities of both facilities. The remaining \$375,000 credit is available to offset taxes incurred in tax year 1988.

(2) Assume the same facts as in (1), except that in 1988 Company F acquires a second floating freezer ship and makes no additional eligible capital expenditures to its shore-based facility. For tax year 1988, the new company has a fish tax liability at its shore-based facility of \$200,000, at the original floating facility of \$50,000 and at the acquired facility of \$150,000. The 1988 fisheries business tax credit is again limited to \$125,000. The unused credit cannot be used to offset fisheries business tax incurred at the new facility, which was not owned in the year the relevant capital expenditure was made.

(b) A fisheries business tax credit will not be approved if the fisheries business has any arrears or outstanding liability to the state under AS 43.75 which could result in a lien under AS 43.10.035(a), irrespective of whether the arrears or outstanding liability arose out of the business activity of the facility for which the expenditure was made. An amount properly and timely disputed under the provisions of AS 43.05.240, and regarding which the appeal process under AS 43.05.240 is not concluded, does not constitute an amount in arrears or an outstanding liability.

(c) No credit will be approved for otherwise eligible expenditures made to acquire equipment or an improvement to depreciable property from another fisheries business in which there exists substantial common ownership. For purposes of this subsection, "substantial common ownership" means a 50 percent or greater direct or constructive ownership interest; constructive ownership will be determined according to the provisions of 26 U.S.C. 318 (Internal Revenue Code § 318) in effect on August 12, 1987. (EFF. 8/12/87, Register 103)

Authority: AS 43.05.080
AS 43.75.032
Sec. 6, ch. 79, S.I.A. 1986

Article 2. Tax Imposed on Acquisition of Fisheries Resources

Section
100 Tax imposed on acquisition of fisheries resources

15 AAC 75.100. TAX IMPOSED ON ACQUISITION OF FISHERIES RESOURCES. (a) A person who takes, purchases or otherwise acquires a fisheries resource, and who transports the fisheries resource to a point outside the taxing jurisdiction of the state, before

S B

3 8

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 1/21/91

FURTHER: Judiciary

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 2-8-91

Resources Committee considered

^{SB38} SENATE BILL NO. 38

~~"An Act relating to the obstruction or hindrance of lawful hunting, fishing, or trapping."~~

and a majority of the committee recommends it be replaced with

and recommended:

- replace with _____ CS SB 38 (Re) same title
- attached amendment(s) and do pass new title
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

PKM

ATTACHES NEW FISCAL NOTE(S):

Department(s)/Date:

Department(s)/Date:

fiscal note(s) _____

zero fiscal note(s) F+G 1/30/91
SB + CS

appropriation-no fiscal note

Governor's bill w/fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Jim G. Cotten Cotten
Bill Lysen Lysen
Frank Frank

David Jones *Do Pass*
 Chair Signature and Recommendation



NATIONAL RIFLE ASSOCIATION OF AMERICA
INCORPORATED 1971

1600 RHODE ISLAND AVENUE, N.W.
WASHINGTON, D.C. 20036

RUPE ANDREWS
FIELD REPRESENTATIVE
ALASKA

9416 LONGRUN DRIVE
JUNEAU AK 99801
907/789-7422

January 30, 1991

Hon. Steve Frank
Alaska State Senate
Capitol Building
Juneau, AK 99801

Dear Senator Frank:

This letter is to affirm support of the National Rifle Association for Senate Bill No. 38, " An Act relating to the obstruction or hindrance of lawful hunting, fishing, or trapping." The Alaska membership of NRA has long sought a statutory solution to this problem. Alaskan hunters, fishermen and trappers need lawful means to protect them from the harassment of those that have personal objections to these activities.

Our review of SB 38 indicates agreement with similar legislation approved by Legislatures in other States and could be model legislation for others. Legislation of this type has proved valuable to wildlife resource users by providing a legal redress for loss of hunting opportunities and preventing violent attacks on lawful hunters and trappers.

Sincerely,

Rupe Andrews, Field Representative Alaska

STEVE FRANK
DISTRICT K
SEAT A

119 N. Cushman, Rm. 213
Fairbanks, Alaska 99701

While in Juneau
P.O. Box V

Juneau, Alaska 99811
(907) 465-3709

Capitol Rm. 514

Alaska State Legislature




Senate

MEMBER
Finance Committee
Resources Committee
Legislative Council
Special Committee on Banking &
Economic Development

VICE-CHAIR
Community & Regional
Affairs Committee

TO: Senator Lloyd Jones

FROM: Senator Steve Frank 

RE: Senate Bill 38 "An act relating to the obstruction or hindrance of lawful hunting, fishing or trapping."

DATE: January 29, 1991

Senate Bill 38 would prohibit the intentional obstruction or hindrance of lawful hunting, fishing or trapping. It would also allow for the recovery of financial and punitive damages when a violation occurs. Similar legislation has already been enacted in at least 38 of the 50 states.

This bill will prevent the types of harassment that are prevalent throughout the U.S. and Canada. Harassment erodes not only the legal rights of personal use hunters, fishermen and trappers but also the very lifestyle of Alaskans who participate in subsistence. At the 1989 Subsistence Conference sponsored by the Alaska Federation of Natives and RurAICAP, hunter harassment was specifically identified as a threat to traditional subsistence hunting that can no longer be overlooked. It is important that we act now to prevent further obstruction efforts and to recognize and protect hunting, fishing and trapping as legitimate and integral components of the Alaskan lifestyle.

This proposal passed the Senate last year by a vote of 18-1-1 and has the support of the National Rifle Association, AFN, the Eskimo Walrus Commission, and the Alaska Outdoor Council.

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

P.O. Box 7, Juneau, Alaska 99811
(907) 465-3867 or 465-2450
FAX (907) 465-2029

Deliveries to: 240 Main Street
Court Plaza, Room 500
Mail Stop 3101

MEMORANDUM

February 6, 1991

SUBJECT: Applicability of SB 38 to hunting of marine mammals (SB 38)

TO: Senator Steve Frank

FROM: George Utermohle *GU*
Legislative Counsel

You have asked whether the provisions of SB 38, an act relating to the obstruction or hinderance of lawful hunting, fishing, or trapping, are applicable to the hunting of marine mammals.

The answer is apparently no.

SB 38 creates a new crime of obstruction or hinderance of lawful hunting, fishing, or trapping. SB 38 includes a definition of "lawful." For the purposes of the bill lawful hunting, fishing, and trapping is hunting, fishing, and trapping that is in "compliance with this title [AS 16], regulations adopted under this title [AS 16], and applicable federal statutes and regulations" and, when conducted on private land, is done with the permission of the landowner. The second part of the definition of "lawful" relating to private land is not relevant to this discussion.

The Marine Mammal Protection Act placed a moratorium on the taking of marine mammals except for the nonwasteful taking of marine mammals by Alaskan Natives for subsistence or manufacture of handicrafts and clothing. (16 U.S.C. 1371) Hunting for marine mammals by Alaskan Natives as provided by the Act would be consistent with applicable federal statutes and regulations for purposes of satisfying part of the definition of "lawful" in SB 38.

However the definition of "lawful" also requires that the hunting also be in compliance with AS 16 and regulations adopted under AS 16. The Marine Mammal Protection Act preempted state authority to enforce its regulations on the taking of marine mammals. (16 U.S.C. 1379) As a consequence of the federal preemption, the state has repealed its regulations that allowed hunting of marine mammals. Under AS 16.05.920(a), a person may not take, transport, sell, etc. game unless permitted by AS 16.05 - AS 16.40 or a regulation adopted under AS 16.05 - AS 16.40.

"Game" is defined as " any species of bird, reptile, and mammal. . ." Marine mammals clearly fall within the category of mammals, so pursuant to AS 16.05.920(a) marine mammals cannot be taken unless permitted by AS 16.05. - AS 16.40 or regulations adopted under those chapters. AS 16.05.340 provides for the issuance of licenses for hunting of game, but there are no statutes authorizing hunting of marine mammals. Likewise, the regulations adopted under AS 16.05 - AS 16.40 do not authorize hunting of marine mammals because all hunting seasons for marine mammals have been repealed. Therefore the hunting of marine mammals cannot take place in compliance with AS 16 or regulations adopted under AS 16 and as a consequence would not fit within the definition of "lawful" contained in SB 38.

The fact that marine mammal hunting is not permitted by state law does not mean that the state may arrest persons who hunt marine mammals under authorization of the Marine Mammal Protection Act, because enforcement of state laws relating to the taking of marine mammals are preempted by the Act. (16 U.S.C. 1379(a))

In order to include the lawful hunting of marine mammals by persons authorized by the Marine Mammal Protection Act to take marine mammals within the protection of SB 38, subparagraph (A) of the definition of "lawful" could be amended to read:

"(A) in compliance with

(i) this title, regulations adopted under this title, and applicable federal statutes and regulations; or

(ii) the Marine Mammal Protection Act (P.L. 92-522); and"

If I may be of further assistance, please advise.

GU:gc
91-057.glc



STATE OF ALASKA
OFFICE OF THE GOVERNOR
BILL ANALYSIS

| | | | |
|---|--------------------------------------|---|--------------------------|
| DEPARTMENT Fish and Game | DIVISION Wildlife Conservation | BILL NUMBER SB 38 | SPONSOR Senator Frack |
| SHORT TITLE OF BILL Obstruction or hindrance of lawful hunting, fishing, or trapping | | | |
| DEPARTMENT POSITION Support | | | |
| PREPARED BY Warren W. Wiley | DATE 1/30/91 | COMMISSIONER'S SIGNATURE <i>Armen D. Deluy</i> | DATE 1/30/91 |

SUMMARY

| | |
|--|--|
| OTHER AGENCIES AFFECTED BY BILL Department of Public Safety | CONSTITUENT GROUP(S) AFFECTED BY BILL Hunters |
| ORGANIZATIONAL SUPPORT FOR BILL Unknown | ORGANIZATIONAL OPPOSITION TO BILL Unknown |

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

SB 38 would prohibit the harassment of persons legally engaged in hunting, fishing, or trapping, and by inference, the disturbance of equipment used in hunting, fishing, and trapping. Similar legislation was vetoed by Governor Sheffield in 1983 and 1984.

ANALYSIS OF BILL/PROGRAM EFFECTS

This legislation would have no fiscal impact on the Division of Wildlife Conservation. With the increased activity of anti-trapping and hunting advocate in Alaska, this law could be helpful in protecting the privileges of those legally pursuing consumptive use of wildlife resource. 35 other states have such laws.

AMENDMENTS PROPOSED

None

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. SB 38

Revision Date: 1/30/91 Department Affected: Fish and Game
 Title: Obstruction or hindrance of lawful hunting, fishing, trapping BRU: Division of Wildlife Conservation
 Component: Wildlife Conservation
 Sponsor: Senator Frank
 Requestor: _____ COMPONENT SERIAL NO.

| | | | |
|--|---|---|---|
| | 4 | 7 | 3 |
|--|---|---|---|

Expenditures/Revenues: (Thousands of Dollars)

| OPERATING | FY 92 | FY 93 | FY 94 | FY 95 | FY 96 | FY 97 |
|------------------------|----------|----------|----------|----------|----------|----------|
| PERSONAL SERVICES | 0 | | | | | |
| TRAVEL | 0 | | | | | |
| CONTRACTUAL | 0 | | | | | |
| SUPPLIES | 0 | | | | | |
| EQUIPMENT | 0 | | | | | |
| LAND & STRUCTURES | 0 | | | | | |
| GRANTS, CLAIMS | 0 | | | | | |
| MISCELLANEOUS | 0 | | | | | |
| TOTAL OPERATING | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | |
|---------|---|---|---|---|---|---|
| CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 |
|---------|---|---|---|---|---|---|

| | | | | | | |
|---------|---|---|---|---|---|---|
| REVENUE | 0 | 0 | 0 | 0 | 0 | 0 |
|---------|---|---|---|---|---|---|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|----------|----------|----------|----------|----------|----------|
| GENERAL FUND | 0 | | | | | |
| FEDERAL FUNDS | 0 | | | | | |
| OTHER | 0 | | | | | |
| TOTAL | 0 | 0 | 0 | 0 | 0 | 0 |

POSITIONS:

| | | | | | | |
|-----------|---|---|---|---|---|---|
| FULL-TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| PART-TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| TEMPORARY | 0 | 0 | 0 | 0 | 0 | 0 |

Estimate of current year impact: No FY 91 impact

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Warren W. Wiley Phone: 465-4100
 Division: Commissioner's Office Date: 1/30/91
 Approved by Commissioner: *Warren W. Wiley*
 Agency: Fish and Game Date: 1/30/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

STEVE FRANK
DISTRICT K
SEAT A

119 N. Cushman, Rm. 213
Fairbanks, Alaska 99701

While in Juneau
P.O. Box V
Juneau, Alaska 99811
(907) 465-3709
Capitol Rm. 514

Alaska State Legislature

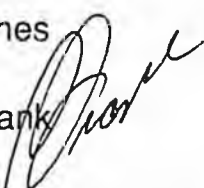


Senate

MEMBER
Finance Committee
Resources Committee
Legislative Council
Special Committee on Banking &
Economic Development

VICE-CHAIR
Community & Regional
Affairs Committee

TO: Senator Lloyd Jones

FROM: Senator Steve Frank 

RE: Senate Bill 38 "An act relating to the obstruction or hindrance of lawful hunting, fishing or trapping."

DATE: January 29, 1991

Senate Bill 38 would prohibit the intentional obstruction or hindrance of lawful hunting, fishing or trapping. It would also allow for the recovery of financial and punitive damages when a violation occurs. Similar legislation has already been enacted in at least 38 of the 50 states.

This bill will prevent the types of harassment that are prevalent throughout the U.S. and Canada. Harassment erodes not only the legal rights of personal use hunters, fishermen and trappers but also the very lifestyle of Alaskans who participate in subsistence. At the 1989 Subsistence Conference sponsored by the Alaska Federation of Natives and RurAICAP, hunter harassment was specifically identified as a threat to traditional subsistence hunting that can no longer be overlooked. It is important that we act now to prevent further obstruction efforts and to recognize and protect hunting, fishing and trapping as legitimate and integral components of the Alaskan lifestyle.

This proposal passed the Senate last year by a vote of 18-1-1 and has the support of the National Rifle Association, AFN, the Eskimo Walrus Commission, and the Alaska Outdoor Council.

ALASKA FEDERATION OF NATIVES, INC.

411 W. 4th Avenue, Suite 301 • Anchorage, Alaska 99501 • Phone (907) 274-3611



April 24, 1990

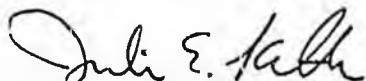
The Honorable Steve Frank
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Frank:

Please be informed that the Alaska Federation of Natives is on record as supporting Senate Bill 469 as introduced.

You are correct your assessment that "hunter harassment" presents a potential threat to subsistence lifestyles in Alaska. SB469 will serve to protect lawful hunting rights and the special degree of dependence Alaska residents have on hunting and fishing resources.

Sincerely,


Julie E. Kitka
President



ALASKA OUTDOOR COUNCIL, INC.

3726 MCGINNIS DR JUNEAU AK 99801
(907) 789-3450

P.O. Box 34097
Juneau, Ak. 99803

MEMORANDUM

DATE: March 13, 1990
TO: Senator Steve Frank
FROM: Ed Grasser, Director Legislative Affairs
RE: SB 469 Hunter Harassment

The Alaska Outdoor Council has continually supported the passage of legislation which will protect individuals engaged in lawful harvesting of fish and wildlife from undue harassment by those persons who believe such practices should be banned.

There are increasing incidents of unprovoked attacks by individuals opposed to the harvest of wildlife nationwide. These types of activities were not in evidence here in Alaska until recently; therefore, past efforts to protect an individual's legal harvest activities were denied by Governor Sheffield, who vetoed two different pieces of legislation which would have accomplished this vital goal.

This past year, Native peoples in remote areas of Alaska were harassed during their attempts to harvest marine mammals which they depend upon for a livelihood. These types of activities will no doubt increase as individuals opposed to the harvest of wildlife become bolder in their attempts to physically harass or prevent legal harvests from taking place.

The problems posed by the increasingly blatant attempts of anti-hunters for lawful outdoorsmen will continue to grow if we do nothing. We feel SB 469 is a step in the right direction to protect the rights of persons legally engaged in wildlife harvests. In our opinion it will go a long way toward solving any future potential conflicts between user groups and will help protect America's outdoor heritage.



1989 Subsistence Conference Summary



"Subsistence Is Survival"



Photo by David Hardenbergh

Co-Sponsored by the Alaska Federation of Natives, Inc.
and the Rural Alaska Community Action Program, Inc.

October 16-17, 1989
Egan Convention Center, Anchorage

1989 Subsistence Conference

Migratory Birds in Western Alaska

The topic of migratory birds was the focus of the next speaker, Jack U. Williams, Sr. of Mekoryuk. Chuck Hunt interpreted for him. As Mr. Williams was growing up, there were very many ducks and geese. He never heard of waterfowl sport hunting at that time, nor were there shotguns. They used bows and arrows when hunting waterfowl.

The Waterfowl Conservation Commission, chaired by Mr. Williams, originated in 1984. The main purpose of the WCC is to work with the USFWS and others to help people in the villages of the Y-K Delta deal with the issue of waterfowl population declines.

Animal Rights Groups Threaten Subsistence Lifestyles

The panel on "Threats to Our Way of Life - The Animal Rights Agenda" was next. Larry Mercurieff, Commissioner of the Alaska Department of Commerce and Economic Development, and Dave Monture of Indigenous Survival International in Canada were the speakers.

Mr. Mercurieff showed a video depicting animal rights protectionists harassing Natives on the Pribilof Islands, because of their use of fur seals for subsistence. His focus was on strategies and tactics used by the animal rights groups, their effect on aboriginal people, and what can be done about it. "What happened in the Pribilofs are exactly the same things that will be focused on throughout Alaska, throughout the entire Northern Hemisphere, and throughout the whole world," due to the activities of the animal rights groups.

Dave Monture described Indigenous Survival International as an organization born in 1984 as a direct result of the Dené people in Canada's Northwest Territories becoming very concerned about a new wave of a "colonial attitude from the South." -- people organizing with tremendous resources in a manner which would prove to be a great threat to Dené plans for self-determination and land claim settlements in the Northwest Territories.

"We're not dealing with people with the same sense of ethics or fairness, but we're dealing with people with a new zeal, a new religion for urban Western man," Monture said. ISI-Canada has joined with the British Museum to produce "The Living Arctic," a highly successful major exhibition in London, England designed to educate the public on aboriginal lifestyles.

In Conclusion

The afternoon session commenced with workshops on "Marine Mammals," "Title VIII of ANILCA," and the "Animal Rights Movement." The facilitators of these sessions reported back to the general assembly following the workshops.

The Animal Rights Movement workshop participants first viewed a film on strategies and the lack of ethics in the animal rights community, specifically in the Native seal campaign. It was concluded that animal rights groups pose a life-threatening situation to our people, not only in their methods of fire-bombs, but in actual cases of teenagers committing suicide in communities where seal subsistence is being cut off, thereby drastically altering traditional lifestyles.

The Marine Mammals workshop addressed the five species of seals in Alaska, sea otter, walrus, beluga whale, and polar bear. The participants learned that there are 900,000 fur seals today, and the population may have leveled off. The Fish & Wildlife program on walrus includes a management plan for walrus, monitoring populations, monitoring harvest, and habitat protection.

The Alaska Sea Otter Commission was formed in 1988. The Commission is very concerned about a proposed rule by the Fish & Wildlife Service to restrict cottage industry practices involving sea otter by Alaska Natives. The Commission has recently initiated a Memorandum of Agreement with FWS which, along with a Management Plan, would address problems FWS is trying to answer in its proposed rule.



Photos by David Hardenbergh

Dave Monture of ISI-Canada (left) led a workshop on the threats that animal rights groups are posing to subsistence lifestyles. RurAL CAP attorney Eric Smith (below) explaining how villages can write their own fish and game regulations.



ESKIMO WALRUS COMMISSION
P.O. Box 948
Nome, Alaska 99762

March 13, 1990

Senator Steve Frank
P.O. Box V
Juneau, AK 99811

FAX # 463-3378

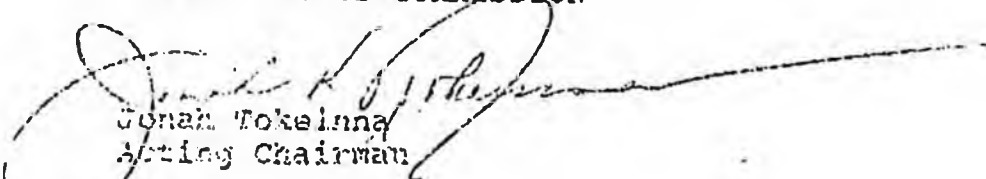
Dear Senator Frank:

The Eskimo Walrus Commission is supporting Senate Bill 469
for adoption by the State Legislature.

We believe that adopting this Senate Bill would not
infringe on those people that have a legitimate right to hunt,
trap and fish.

Sincerely,

ESKIMO WALRUS COMMISSION



Jonah Tokelina
Acting Chairman

JK:ct

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. SB 38

Revision Date: _____ Department Affected: Public Safety
 Title: An Act relating to the obstruction BRU: Fish & Wildlife Protection
or hindrance of lawful hunting . . . Component: Enforcement
 Sponsor: Senator Frank, et. al.
 Requestor: Senate Resources

| | | | | |
|----------------------|--|---|---|---|
| COMPONENT SERIAL NO. | | 4 | 9 | 0 |
|----------------------|--|---|---|---|

EXPENDITURES/REVENUES: (Thousands of Dollars) (Inflation not Included)

| OPERATING | FY 92 | FY 93 | FY 94 | FY 95 | FY 96 | FY 97 |
|------------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | -0- | -0- | -0- | -0- | -0- | -0- |

| | | | | | | |
|---------|-----|-----|-----|-----|-----|-----|
| CAPITAL | -0- | -0- | -0- | -0- | -0- | -0- |
|---------|-----|-----|-----|-----|-----|-----|

| | | | | | | |
|---------|-----|-----|-----|-----|-----|-----|
| REVENUE | -0- | -0- | -0- | -0- | -0- | -0- |
|---------|-----|-----|-----|-----|-----|-----|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|-----------------|-----|-----|-----|-----|-----|-----|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER/PROG RCPT | | | | | | |
| TOTAL | -0- | -0- | -0- | -0- | -0- | -0- |

POSITIONS:

| | | | | | | |
|-----------|---|---|---|---|---|---|
| FULL-TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| PART-TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| TEMPORARY | 0 | 0 | 0 | 0 | 0 | 0 |

Estimate of current year impact 0

ANALYSIS: (Attach a separate page if necessary)
 No fiscal impact is anticipated.

Prepared by: Captain Conrad G. Seibel Phone: 269-5509
 Division: Fish & Wildlife Protection Date: 1-31-91
 Approved by Commissioner: Donal A. Hooten Richard L. Burton
 Agency: Department of Public Safety Date: 2/5/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

STEVE FRANK
DISTRICT K
SEAT A

119 N. Cushman, Rm. 213
Fairbanks, Alaska 99701

While in Juneau
P.O. Box V
Juneau, Alaska 99811
(907) 465-3700
Capitol Rm. 514

Alaska State Legislature



Senate

MEMBER
Finance Committee
Resources Committee
Legislative Council
Special Committee on Banking &
Economic Development

VICE-CHAIR
Community & Regional
Affairs Committee

TO: ~~Senator Lloyd Jones, Chairman
Senate Resources Committee~~

FROM: Senator Steve Frank

RE: Senate Bill 38 - Obstruction or hindrance of lawful
hunting, fishing, or trapping

DATE: January 24, 1991

I would like to request that you schedule a hearing on Senate Bill 38, an act relating to the obstruction or hindrance of hunting, fishing, or trapping, (hunter harassment) at your earliest convenience.

Thank you for your consideration.

ALASKA TRAPPERS ASSOCIATION

P.O. Box 82177

Fairbanks, Alaska 99708

Feb. 1, 1991

Sen. Steve Frank
Box V
Juneau, AK 99811

Dear Steve,

The Alaska Trappers Association gives its whole hearted support to Senate Bill 38.

As a statewide trappers organization we have seen a need for an anti harassment law and have always supported the concept. Any help we can give you in the passage of this bill will be rendered if at all possible.

Sincerely,

A. Wayne Moore
Vic & Rose, Alaska
Trappers Ass