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REPRESENTATIVE PAUL SEATON DISTRICT 35

Sponsor Statement HB 25

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

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

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

On fish that are processed outside of any municipal boundaries 100% of the tax revenue goes to the state, half going to the general fund and half going to the Department of Commerce, Community and Economic Development (DCCED). The department distributes its share among all of the fishing communities in Alaska according to a formula that considers the amount of fish processed in 14 different regions or Fisheries Management Areas. The share that goes to each Fisheries Management Areas is then split between the communities on an equal share and a per capita basis.

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

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

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

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