

# Sponsor Statement for HB 428

## Fishery Enhancement Loans

***An Act relating to the definitions of 'floating fisheries business' and 'shore-based fisheries business' for the purposes of the fishery business tax; and providing for an effective date.***

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House Bill 428 seeks to ensure that all pollock processors are assessed at the same rate, regardless of the type or place of the processing operation. With the passage of the American Fisheries Act (AFA) by Congress in 1998, all pollock processors were required to pay fisheries taxes to the state of Alaska. However, the rates they are currently assessed are not equal under state statutes.

AFA was passed by Congress to rationalize the Bering Sea pollock industry. The act divided the industry into three sectors: the off-shore catcher processors (factory trawlers), motherships processing at sea and onshore plants. The Act identified and limited each sector to a specific group of pollock processing facilities. And it prohibited any new pollock processors from entering the Bering Sea pollock business. In addition, it required that all pollock harvested under the act but not landed in the state be subject to Alaska's Fishery Resource Landing tax.

Prior to the American Fisheries Act, the legislature enacted a revision of the tax code that applied the 3% fishery resource landing tax to factory trawlers, effectively charging them the same tax as that paid by shore based processors. Hearings on the legislation specifically stated that the purpose was to treat the offshore and shoreside taxpayers equally. However, given current state statutes coupled with the American Fisheries Act, the present situation does not provide equity amongst the pollock processors. The two qualified floating processors, which are statutorily defined in the act as shore based processors and are limited to one location while processing pollock, are subject to a 5% rate under the Fisheries Business tax. These businesses find themselves in the inequitable situation of having a higher tax rate applied to them than any of their competitors.

Implementation of the American Fisheries Act has served to rationalize and stabilize the pollock fishery. By setting the tax rate for floating processors at 3%, House Bill 428 will level the tax situation, thus providing equity for all sectors of the Bering Sea pollock industry.