

Joint Legislative Salmon Industry Task Force

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Sponsor Statement **HB 105**

“An Act relating to loans to satisfy past due federal tax obligations of commercial fishermen and to the commercial fishing loan program.”

[House Bill 105](#) will reenact a provision that was in effect in fiscal years 1995-1997 and 2001-2003. This provision allowed fishermen to obtain secured loans for Internal Revenue Service (IRS) debt retirement. It would add another option to the commercial fishing revolving loan portfolio.

The long-term crisis facing the Alaska salmon industry due to dramatic increases in world salmon production, coupled with the equally dramatic reductions in salmon prices, makes this provision all the more important. If Alaska fishermen are forced out of the water because creditors take their limited entry fishing privileges, everyone in Alaska loses.

The genesis of the original provision was prompted by actions of the IRS to seize limited entry permits that were in federal tax arrears. The IRS, through electronic means, was able to match fish tickets with their filing data base and they moved rapidly to seize limited entry permits whose holders were in arrears. This posed a significant problem for the state's and holders' interests.

The Division of Investments, Department of Community and Economic Development, in conjunction with the IRS, developed a very successful program called the “Tax Obligation Loan Program.” The Tax Obligation Loan Program aimed at assisting commercial fishermen with their tax debt to the IRS. The success of this program can be measured. In FY 95-97, the Division of Investments issued 287 tax obligation loans. The program was established and in FY 2001-2003, 20 tax obligation loans were issued. This demonstrates the effectiveness of the program. The total number of loans issued in FY 1995-1997 and FY 2001-2003 is 307 and the average tax obligation loan is \$21,095.

If this measure were adopted, the Department of Community and Economic Development believes the number of applicants would be much smaller than in previous years. This prediction is due largely to the successes of the Tax Obligation Loan Program. In the past seven years, the program expanded from assisting 7 communities in 1996, to 56 communities in 2002.

Permit holders seeking a loan under the provision in House Bill 105 must have been a state resident for a continuous period of two years preceding application and a resident at the time of application. In addition, applicants must be current on their federal tax filings and have an agreement with the IRS for payment of past due taxes. Applicants must also have had a crewmember or commercial fishing license for the year immediately preceding the date of application and any other two of the past five years.

They must have actively participated in the fishery during that period of time; not have occupational opportunities available other than commercial fishing because of lack of training or employment opportunities in the area where they live; or, be economically dependent on commercial fishing for a livelihood with commercial fishing having been a traditional way of life.

Another element of this measure is that it eliminates the one-half percent refinancing fee for debt refinanced by borrowers with state loans. These borrowers must meet the qualifications of the Division of Investments. This change was incorporated as a small means to assist fishermen who may want to take advantage of lower interest rates. The job of the Joint Legislative Salmon Industry Task Force is to seek means to alleviate, to the extent possible, some of the stresses affecting the commercial salmon industry. This change would provide some assistance.

The final provision of the measure is the elimination of the word “promptly” as it applies to the advertising and sale of repossessed permits. This provides some flexibility to the Department of Community and Economic Development and may prevent their having to sell a permit at a low price.

The Joint Legislative Salmon Industry Task Force seeks your support for this measure.