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Governor Bill Walker
STATE OF ALASKA

January 15, 2016

The Honorable Kevin Meyer
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Meyer:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to a tax on fisheries business and fishery resource landing.

The bill would increase the tax rates of the fisheries business tax (AS 43.75.015) and the fishery resource landing tax (AS 43.77.010). The tax rates covered by these statutes vary from one percent to five percent, depending on the type of fishery. The bill would increase those tax rates by one percent across the board, with the exception of some developing fisheries that are exempt from the increase. Currently, the revenue generated by these taxes is split evenly between the state and the municipalities where the fisheries are located. The bill would exempt this one percent increase from the revenue sharing arrangement, thereby insuring that the entire increase is applied to the general fund.

This legislation is expected to generate additional revenue of approximately \$18,000,000 annually. Currently the costs to the state to regulate commercial fisheries are greater than the amount of general fund revenue generated by these taxes. Therefore, this proposed increase is reasonable. The fishing industry could continue to operate in this state, but, under this bill, would bear a fairer share of industry costs to the state.

To increase administrative efficiency for the Department of Revenue and state taxpayers, the bill would require the electronic submission of tax returns with an exemption available upon request.

The bill is an integral component of the New Sustainable Alaska Plan to provide a balanced and sustainable budget for Alaska's long-term fiscal stability.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink that reads "Bill Walker".

Bill Walker
Governor

Enclosure

SENATE BILL NO. 135

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/19/16

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act requiring the electronic submission of a tax return or report with the**
2 **Department of Revenue; relating to fisheries business tax and fishery resource landing**
3 **tax; relating to refunds to local governments; and providing for an effective date."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 *** Section 1.** AS 43.05.220 is amended to add a new subsection to read:

6 (f) A penalty of \$25 or one percent of the total tax before any payment,
7 whichever is greater, shall be assessed against a taxpayer that fails to electronically
8 submit a return or report under AS 43.05.222, unless the taxpayer has received an
9 exemption under AS 43.05.222 or can show reasonable cause.

10 *** Sec. 2.** AS 43.05 is amended by adding a new section to read:

11 **Sec. 43.05.222. Electronic submission of return or report.** (a) A taxpayer
12 required to submit a return or report for a tax levied under AS 43 or any other tax
13 administered by the department shall submit the return or report electronically in a
14 format prescribed by the department. Unless the taxpayer has received an exemption

1 under (b) of this section or can show reasonable cause, a return or report not submitted
2 electronically is subject to a civil penalty under AS 43.05.220.

3 (b) A taxpayer may request an exemption from the requirement that a return or
4 report be submitted electronically. The taxpayer or taxpayer's representative shall
5 contact the department and request the exemption before the return or report is due
6 and shall submit evidence that the taxpayer does not have the capability to submit the
7 return or report electronically. An exemption granted under this subsection is valid for
8 two years after the first tax filing due date after the exemption is granted; after the two
9 year period, the taxpayer may apply for another exemption.

10 * **Sec. 3.** AS 43.75.015(a) is amended to read:

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

14 (1) salmon canned at a shore-based fisheries business - **five** [FOUR]
15 and one-half percent;

16 (2) salmon processed by a shore-based fisheries business, except
17 salmon for which the tax is due under (1) of this subsection, and all other fisheries
18 resources processed by a shore-based fisheries business - **four** [THREE] percent;

19 (3) fisheries resources processed by a floating fisheries business - **six**
20 [FIVE] percent.

21 * **Sec. 4.** AS 43.75.015(b) is amended to read:

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

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

26 (2) **four** [THREE] percent of the value of the developing commercial
27 fish species processed by a floating fisheries business during the year.

28 * **Sec. 5.** AS 43.75.015(d) is amended to read:

29 (d) Instead of the taxes levied under (a) or (b) of this section, a person who
30 processes a fishery resource under a direct marketing fisheries business license is
31 liable for and shall pay a tax equal to

1 (1) one percent of the value of the developing commercial fish species
2 processed during the year; and

3 (2) **four** [THREE] percent of the value of a commercial fish species
4 not subject to (1) of this subsection.

5 * **Sec. 6.** AS 43.75.030(b) is amended to read:

6 (b) The return shall be made on the basis of the calendar year to the
7 department [AT JUNEAU] before April 1 after the close of the calendar year. **The**
8 **return must be submitted electronically to the department in a format prescribed**
9 **by the department.**

10 * **Sec. 7.** AS 43.75.130(a) is amended to read:

11 (a) **The amount of tax revenue equal to one percent of the value of each**
12 **fishery taxed under this chapter shall be deposited into the general fund.** Except
13 as provided in (d) of this section, **and not including the revenue equal to one**
14 **percent of the value of each fishery taxed under this section deposited in the**
15 **general fund,** the commissioner shall pay

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

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

21 (3) to each borough

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

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

26 * **Sec. 8.** AS 43.77.010 is amended to read:

27 **Sec. 43.77.010. Landing tax.** A person who engages or attempts to engage in a
28 floating fisheries business in the state and who owns a fishery resource that is not
29 subject to AS 43.75 but that is brought into the jurisdiction of, and first landed in, this
30 state is liable for and shall pay a landing tax on the value of the fishery resource. The
31 amount of the landing tax is

1 (1) for a developing commercial fish species, as defined under
2 AS 43.75.290, one percent of the value of the fishery resource at the place of landing;

3 (2) for a fish species other than a developing commercial fish species,
4 **four** [THREE] percent of the value of the fishery resource at the place of the landing.

5 * **Sec. 9.** AS 43.77.060(a) is amended to read:

6 (a) **The amount of tax revenue equal to one percent of the value of each**
7 **fishery taxed under this chapter shall be deposited into the general fund.** Subject
8 to appropriation by the legislature and except as provided in (b) of this section, **and**
9 **not including the revenue equal to one percent of the value of each fishery taxed**
10 **under this section deposited in the general fund,** the commissioner shall pay to each

11 (1) unified municipality and to each city located in the unorganized
12 borough, 50 percent of the amount of tax revenue collected from taxes levied under
13 this chapter on the fishery resource landed in the municipality and accounted for under
14 AS 43.77.050(b);

15 (2) city located within a borough, 25 percent of the amount of the tax
16 revenue collected from taxes levied under this chapter on fishery resources landed in
17 the city and accounted for under AS 43.77.050(b); and

18 (3) borough

19 (A) 50 percent of the amount of the tax revenue collected from
20 taxes levied under this chapter on fishery resources landed in the area of the
21 borough outside cities and accounted for under AS 43.77.050(b); and

22 (B) 25 percent of the amount of the tax revenue collected from
23 taxes levied under this chapter on fishery resources landed in cities located
24 within the borough and accounted for under AS 43.77.050(b).

25 * **Sec. 10.** AS 43.77.060(b) is amended to read:

26 (b) **The amount of tax revenue equal to one percent of the value of each**
27 **fishery taxed under this chapter shall be deposited into the general fund.**

28 Notwithstanding the provisions of (a)(2) and (a)(3)(B) of this section, and subject to
29 appropriation by the legislature, **and not including the revenue equal to one percent**
30 **of the value of each fishery taxed under this section deposited in the general fund,**
31 the commissioner shall pay to each

1 (1) city that is located in a borough incorporated after January 1, 1994,
 2 the following percentages of the tax revenue collected from taxes levied under this
 3 chapter on fishery resources landed in the city and accounted for under
 4 AS 43.77.050(b):

5 (A) 45 percent of the tax revenue collected during the calendar
 6 year in which the borough is incorporated;

7 (B) 40 percent of the tax revenue collected during the first
 8 calendar year after the calendar year in which the borough is incorporated;

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

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

13 (2) borough that is incorporated after January 1, 1994, the following
 14 percentages of the tax revenue collected from taxes levied under this chapter on
 15 fishery resources landed in the cities located within the borough and accounted for
 16 under AS 43.77.050(b):

17 (A) five percent of the tax revenue collected during the
 18 calendar year in which the borough is incorporated;

19 (B) 10 percent of the tax revenue collected during the first
 20 calendar year after the calendar year in which the borough is incorporated;

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

23 (D) 20 percent of the tax revenue collected during the third
 24 calendar year after the calendar year in which the borough is incorporated.

25 * **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to
 26 read:

27 **TRANSITION: REGULATIONS.** The Department of Revenue may adopt regulations
 28 necessary to implement the changes made by this Act. The regulations take effect under
 29 AS 44.62 (Administrative Procedure Act), but not before the effective date of the law
 30 implemented by the regulation.

31 * **Sec. 12.** Section 11 of this Act takes effect immediately under AS 01.10.070(c).

1 * **Sec. 13.** Except as provided in sec. 12 of this Act, this Act takes effect July 1, 2016.