

**CS FOR SENATE BILL NO. 33(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-SECOND LEGISLATURE - SECOND SESSION

**BY THE SENATE FINANCE COMMITTEE**

**Offered: 2/9/22**

**Referred: Today's Calendar**

**Sponsor(s): SENATORS STEVENS, Kiehl**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to a fisheries product development tax credit; and providing for an**  
2 **effective date."**

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

4 **\* Section 1.** AS 40.25.100(a) is amended to read:

5 (a) Information in the possession of the Department of Revenue that discloses  
6 the particulars of the business or affairs of a taxpayer or other person, including  
7 information under AS 38.05.020(b)(11) that is subject to a confidentiality agreement  
8 under AS 38.05.020(b)(12), is not a matter of public record, except as provided in  
9 **AS 43.05.230(i) - (m)** [AS 43.05.230(i) - (l)] or for purposes of investigation and law  
10 enforcement. The information shall be kept confidential except when its production is  
11 required in an official investigation, administrative adjudication under AS 43.05.405 -  
12 43.05.499, or court proceeding. These restrictions do not prohibit the publication of  
13 statistics presented in a manner that prevents the identification of particular reports  
14 and items, prohibit the publication of tax lists showing the names of taxpayers who are

1 delinquent and relevant information that may assist in the collection of delinquent  
 2 taxes, or prohibit the publication of records, proceedings, and decisions under  
 3 AS 43.05.405 - 43.05.499.

4 \* **Sec. 2.** AS 40.25.100(a), as amended by sec. 1 of this Act, is amended to read:

5 (a) Information in the possession of the Department of Revenue that discloses  
 6 the particulars of the business or affairs of a taxpayer or other person, including  
 7 information under AS 38.05.020(b)(11) that is subject to a confidentiality agreement  
 8 under AS 38.05.020(b)(12), is not a matter of public record, except as provided in  
 9 AS 43.05.230(i) - (l) [AS 43.05.230(i) - (m)] or for purposes of investigation and law  
 10 enforcement. The information shall be kept confidential except when its production is  
 11 required in an official investigation, administrative adjudication under AS 43.05.405 -  
 12 43.05.499, or court proceeding. These restrictions do not prohibit the publication of  
 13 statistics presented in a manner that prevents the identification of particular reports  
 14 and items, prohibit the publication of tax lists showing the names of taxpayers who are  
 15 delinquent and relevant information that may assist in the collection of delinquent  
 16 taxes, or prohibit the publication of records, proceedings, and decisions under  
 17 AS 43.05.405 - 43.05.499.

18 \* **Sec. 3.** AS 43.05.230 is amended by adding a new subsection to read:

19 (m) The number of recipients and the total amount of tax credits claimed for  
 20 each type of eligible fish under AS 43.75.037 is public information. In this subsection,  
 21 "eligible fish" has the meaning given in AS 43.75.037(k).

22 \* **Sec. 4.** AS 43.75 is amended by adding a new section to read:

23 **Sec. 43.75.037. Fisheries product development tax credit.** (a) A taxpayer  
 24 that is a fisheries business may claim a product development tax credit of 50 percent  
 25 of qualified investment in new property first placed into service in a shore-based plant  
 26 or on a vessel in the state in the tax year.

27 (b) The amount of the tax credit applied against taxes under this section may  
 28 not

29 (1) exceed 50 percent of the taxpayer's tax liability incurred under this  
 30 chapter for processing of eligible fish during the tax year; or

31 (2) be claimed for property first placed into service after December 31,

1 2026.

2 (c) If the property for which a tax credit is claimed is installed on a vessel, the  
3 amount of qualified investment under (a) of this section is determined by multiplying  
4 the investment cost of the qualified investment property by a fraction, the numerator  
5 of which is the weight of raw eligible fish processed on the vessel by the taxpayer in  
6 the state in the tax year in which the property is first placed into service, and the  
7 denominator of which is the weight of raw eligible fish processed on the vessel by the  
8 taxpayer in and outside of the state in the tax year in which the property is first placed  
9 into service.

10 (d) An unused credit under this section may be carried forward and applied  
11 against the tax liability incurred on eligible fish in the following three tax years.

12 (e) Qualified investment costs on which a tax credit is claimed under this  
13 section may not be considered for another tax credit in this title.

14 (f) A taxpayer may not claim the tax credit allowed under this section if the  
15 taxpayer is in arrears in the payment of assessments under AS 16.51.120, contributions  
16 under AS 23.20, or taxes or assessments collected or owed under this title. For  
17 purposes of this subsection, a taxpayer is not in arrears if the liability for the  
18 assessment, contribution, or tax is under administrative or judicial appeal.

19 (g) If, during a tax year, property for which a credit was claimed under this  
20 section is disposed of by the taxpayer, ceases to be qualified investment property, or is  
21 removed from service in the state, the tax due under this chapter is increased by the  
22 recapture percentage of the aggregate decrease in the credit allowed under this section  
23 for all prior tax years that would have resulted solely from reducing to zero the credit  
24 allowed for the qualified investment property under this section. The amount of tax  
25 credit attributable to the qualified investment that is carried forward from prior tax  
26 years is terminated as of the first day of the tax year in which the qualified investment  
27 property is disposed of by the taxpayer, ceases to be qualified investment property, or  
28 is removed from service in the state. For purposes of this subsection,

29 (1) the recapture percentage during the year in which the property is  
30 first placed into service or during the first year following the year in which the  
31 property is first placed into service is 100 percent;

1                   (2) the recapture percentage during the second year following the year  
2 in which the property is first placed into service is 75 percent;

3                   (3) the recapture percentage during the third year following the year in  
4 which the property is first placed into service is 50 percent;

5                   (4) the recapture percentage during the fourth or later year following  
6 the year in which the property is first placed into service is zero percent;

7                   (5) qualified investment property used on a vessel is considered to  
8 have been removed from the state on the first day of a tax year in which the proportion  
9 of raw eligible fish processed in the state on the vessel is less than 50 percent of total  
10 weight of raw eligible fish processed on the vessel in and outside of the state.

11                  (h) The amount of a tax credit recaptured under (g)(1) - (3) of this section may  
12 not be included in the determination of the amount of that tax credit that is allowable  
13 under this section.

14                  (i) The department shall develop and implement procedures by which a  
15 taxpayer that is a fisheries business may submit the taxpayer's proposed investment to  
16 the department and request a preliminary determination of whether the investment  
17 qualifies for the product development tax credit under this section. A preliminary  
18 determination by the department that the taxpayer's submission qualifies for the credit  
19 is binding, unless the department determines that the taxpayer has made a material  
20 misrepresentation in the taxpayer's submission.

21                  (j) To claim a credit under this section, a taxpayer shall agree that the  
22 department may make public the number of recipients and the total amount of tax  
23 credits claimed for each type of eligible fish. Notwithstanding any contrary provision  
24 in AS 40.25.100 or AS 43.05.230, the number of recipients and the total amount of tax  
25 credits claimed for each type of eligible fish is public information.

26                  (k) In this section,

27                         (1) "eligible fish" means salmon, herring, pollock, sablefish, or Pacific  
28 cod;

29                         (2) "first placed into service" means the moment when property is first  
30 used for its intended purpose;

31                         (3) "new property" means property whose original use begins with the

1 taxpayer and does not include property first used by another person;

2 (4) "qualified investment" means the investment cost to purchase or  
3 convert depreciable tangible personal property with a useful life of three years or more  
4 to be used predominantly to perform an ice-making, processing, packaging, or  
5 product-finishing function that is a significant component in producing value-added  
6 eligible fish, including canned salmon products in can sizes other than 14.75 ounces or  
7 7.5 ounces; in this paragraph, "property"

8 (A) includes

9 (i) equipment used to fillet, skin, portion, mince, form,  
10 extrude, stuff, inject, mix, marinate, preserve, dry, smoke, brine,  
11 package, freeze, scale, grind, separate meat from bone, or remove pin  
12 bones;

13 (ii) new parts necessary for, or costs associated with,  
14 converting a canned salmon line to produce can sizes other than 14.75  
15 ounces or 7.5 ounces;

16 (iii) conveyors used specifically in the act of producing  
17 a value-added eligible fish product;

18 (iv) ice-making machines;

19 (v) new canning equipment for herring products; and

20 (vi) equipment used to transform eligible fish byproduct  
21 that is discarded as waste into saleable product;

22 (B) does not include

23 (i) vehicles, forklifts, conveyors not used specifically in  
24 the act of producing a value-added eligible fish product, cranes, pumps,  
25 or other equipment used to transport eligible fish, or eligible fish  
26 products, knives, gloves, tools, supplies and materials, equipment, other  
27 than ice-making machines, that is not processing, packaging, or  
28 product-finishing equipment, or other equipment, the use of which is  
29 incidental to the production, packaging, or finishing of value-added  
30 eligible fish products;

31 (ii) the overhaul, retooling, or modification of new or

1 existing property, except for new parts necessary for, or costs  
 2 associated with, converting a canned salmon line to produce can sizes  
 3 other than 14.75 ounces or 7.5 ounces; or

4 (iii) property used predominantly to produce an eligible  
 5 fish product that is not taxed under this chapter;

6 (5) "tax liability" means the liability for all taxes under this chapter  
 7 before all credits allowed by this chapter;

8 (6) "useful life" means the useful life of the property that is or would  
 9 be applicable for purposes of depreciation;

10 (7) "value-added eligible fish product" means the product of an eligible  
 11 fish that is processed beyond heading, gutting, or separation in a manner that enhances  
 12 the value or quality of the eligible fish product, such as shelf-stable, retort pouched,  
 13 smoked, pickled, or filleted eligible fish, ikura, leather, jerky, or a saleable product  
 14 made from waste byproduct of eligible fish; "value-added eligible fish" does not  
 15 include an eligible fish or eligible fish product that

16 (A) has been subjected to only one or more of heading, gutting,  
 17 freezing, or packaging;

18 (B) is salmon skeins or other unprocessed salmon, unprocessed  
 19 eligible fish products whether fresh or frozen; or

20 (C) is produced outside of the state.

21 \* **Sec. 5.** AS 43.75.130 is amended by adding a new subsection to read:

22 (h) For purposes of this section, tax revenue collected under AS 43.75.015  
 23 from a person entitled to a credit under AS 43.75.037 is calculated as if the person's  
 24 tax were collected without applying the credit. Tax revenue collected does not include  
 25 the amount of a tax credit recaptured under AS 43.75.037(g).

26 \* **Sec. 6.** AS 43.05.230(m); AS 43.75.037, and 43.75.130(h) are repealed January 1, 2027.

27 \* **Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to  
 28 read:

29 **APPLICABILITY.** Notwithstanding AS 43.75.037(a), added by sec. 4 of this Act, a  
 30 taxpayer may only claim a tax credit under AS 43.75.037, added by sec. 4 of this Act, for new  
 31 property first placed into service on or after the effective date of sec. 4 of this Act.

- 1     \* **Sec. 8.** Section 2 of this Act takes effect January 1, 2027.
- 2     \* **Sec. 9.** Except as provided in sec. 8 of this Act, this Act takes effect immediately under
- 3     AS 01.10.070(c).