

# ALASKA STATE LEGISLATURE

SESSION

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## SENATOR BERT K. STEDMAN

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### SPONSOR STATEMENT

#### **SB 286**

#### **“An Act relating to direct marketing fisheries businesses”**

Senate Bill 286, recommended by the Joint Legislative Salmon Industry Task Force, will provide fairness in the taxation of small-business commercial fishermen.

In today’s marketplace of lower salmon prices and a demand for high-quality product, many fishermen are choosing to sell their catch directly to restaurants, grocery stores and consumers. In doing so, these entrepreneurial fishermen often freeze or otherwise process their fish, thus adding value to Alaska’s fishery resources. Unfortunately, Alaska’s current tax structure actually penalizes this market-driven business decision. The Fisheries Business Tax, or FBT (AS 43.75.015), requires small boat fishermen who process only their own catch to pay a 5% tax, the same tax rate as large industrial-scale floating processors that process a much higher volume of fish.

Furthermore, the current structure taxes small boat fishermen at an improperly high point of sale. Shore-based processors pay their FBT at 3% of the “grounds price” which is the price paid to fishermen for raw fish delivered to the processor. However, a small direct marketer must now pay their 5% FBT based on the price at their first point of sale which is usually much higher because it is a wholesale or retail price. In effect, this means that Alaska currently penalizes “value adding” to our fishery resources when done by small catcher/processors and direct marketers.

By creating a “Direct Marketing Fisheries Business License,” SB 286 recognizes the important distinction between large and small floating processors and will end the disincentive Alaska currently places on direct marketers. The bill is unanimously supported by the Joint Legislative Salmon Industry Task Force and will provide fair tax relief to these Alaskan small businessmen.

#### DISTRICT A

*Ketchikan · Sitka · Petersburg · Wrangell*

*Pelican · Elfin Cove · Port Alexander · Saxman · Meyers Chuck · Thorne Bay · Coffman Cove · Hollis*