

***Direct Marketing Subcommittee
Analysis of Draft Legislation
23-L0738\I
11/13/03***

“An Act relating to direct marketing fisheries businesses, to exclusion from the fisheries business tax, to liability for payment of taxes and assessments on the sale or transfer of fisheries resources; and providing for an effective date.”

Intent

To clarify and simplify direct marketing language and create a fair and equitable tax structure.

Section 1

- Amends AS 43.75.015(c) to allow direct marketers processing and selling a fresh product to licensed fisheries businesses to utilize the tax exclusion currently available only to those selling processed and frozen product (e.g. a direct marketer could sell fresh headed and gutted fish to a processor).

Section 2

- Amends AS 43.75.015 to reduce the tax rate for direct marketers to 1% for developing fisheries and 3% for established fisheries. Currently the direct marketer is paying 5%.

Section 3

- Amends AS 43.75.017 to identify terms necessary to allow direct marketers processing and selling a fresh product to licensed fisheries businesses to utilize the tax exclusion currently available only to those selling processed and frozen product (e.g. a direct marketer could sell fresh headed and gutted fish to a processor).

Section 4

Amends AS 43.75.020 by adding new sections:

- AS 43.75.020 (c) provides for direct marketing business license, which allows fishermen who own or lease vessel to catch, process, and put into commerce processed or unprocessed fish products in Alaska or elsewhere.
- Prohibits a person who holds a direct marketing license from purchasing fish from another commercial fishermen or processing fisheries resources for another fishermen or fisheries business.
- Identifies tax liabilities and establishes annual application, fee (\$25), and reporting requirements.
- AS 43.75.020 (d) states that the direct marketing license holder bears burden of providing proof of value upon request.
- Allows DOR to further define direct marketing activities by regulation.

Section 5

- AS 43.75.290(7) amended to define value as the prevailing price paid to fishermen in a region or market area where fish is taken, if:
 - (i) product is taken on a boat owned all or in part by fishermen; and,
 - (ii) product is sold to buyer other than processor.
- (B) excludes from the direct marketer's product value indirect payments and bonuses that are common to larger processors.

Sections 6 –15

- Relates to the salmon enhancement tax, the salmon marketing tax, the dive fishery management assessment and the permit buy-back assessment, respectively, provide that direct marketing businesses are to pay the taxes and assessments on an annual basis prior to April 1 each year. Provides that commercial fishermen who sell to buyers that are not fisheries businesses shall be liable for taxes and assessments owed on the fishery resources they sell.

Section 16

- Allows the Dept of Revenue to adopt regulations as necessary to implement direct marketing regulations, but states that the regulations may not take effect until January 1, 2005.

Section 17

- Makes Section 16 effective immediately.

Section 18

- Provides for an effective date of the Act of January 1, 2005. ???