

# Alaska Seafood Industry Taxes and Fees



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**Fishing industry taxes and fees are paid to a wide spectrum of state, federal and local government agencies**

## Department of Revenue:

Annual reporting highlights these revenues, assessed as a percentage of the harvest – taken off the top – rather than on the net profit after expenses:

- Fisheries Business Tax\* = \$44.2M  
*\*half is shared with communities and boroughs*
- Fisheries Resource Landing Tax\* = \$13.4M  
*\*half is shared with communities and boroughs*
- Seafood Marketing Assessment = \$9.6M
- Salmon Enhancement Tax = \$8.5M
- Seafood Development Tax = \$1.8M
- Dive Fishery Management Tax = \$.8M

**Department of Revenue seafood industry tax total = \$78.3 million**

## In addition to the above revenue:

Alaska's fisheries also contribute many other fees and costs to state, local, and federal governments:

- Local fisheries taxes collected in certain boroughs and communities = \$25.37M
- CDQ royalties to community development = \$73.1M
- Commercial fishery permit fees FY14 = \$6.88M
- Commercial fishing vessel registrations fees FY14 = \$678,400
- Fishermen's Fund fees FY14 = \$362,300
- Commercial crew license fees = \$2.6M
- State marine fuel taxes = estimated \$2.8M
- Loan program revenue = \$6.0M (*Commercial Fishing, Enhancement, CQE & Mariculture total*)
- DNR shore fishery lease fees (FY 2014) = \$344,256
- Corporate income tax = \$2.8M (*Department of Revenue estimate*)

**Additional seafood taxes and fees total to state and communities = \$121.0M**

## Additional federal fisheries taxes and fees and UI taxes are also collected:

- Federal IFQ Cost Recovery fees – halibut & sablefish, rockfish, and crab = \$6.7M
- Federal Observer Program fees = \$4.2M
- Unemployment Insurance (UI) taxes paid by seafood processors: \$14.7M

## There are many other fees that are more difficult to quantify, such as:

- Port and harbor fees – and launch ramp fees, boat storage, etc.
- DNR lease fees for:
  - Moorage buoys
  - Land use tidelands permits and leases for processors, hatcheries
  - Water rights permits for processors, hatcheries
- Business license fees
- Processors DEC permit fees
- Local property tax on facilities and equipment – fishermen, processors, and hatcheries
- Business income tax for processor, harvester, and support businesses
- Dive and aquaculture shellfish water quality, PSP and arsenic testing fees
- Federal vessel documentation fees and fishery endorsements
- Federal fuel taxes

## *Did you know?*

**Alaska's seafood industry pays over \$250 million per year in taxes & fees.**

**\$54.2 million in Fishery Business and Landing taxes were directly collected by or distributed to 65 communities & boroughs in Alaska in FY 2013. These taxes reduce community dependence on State funds.**

# Alaska Seafood Industry Taxes and Fees to State, Local and Federal Government – in depth

## State Department of Revenue Fisheries Taxes:

### **Fisheries Business Tax – total FY 2013 = \$44,245,752**

**Fisheries Business Tax** is levied on persons who process or export fisheries resources from Alaska. The tax is based on the price paid to commercial fishers or fair market value when there is not an arm's length transaction. Fisheries business tax is collected primarily from licensed processors and persons who export fish from Alaska.

### **Fisheries Resource Landing Tax – FY 2013 = \$13,381,669**

**Fishery Resource Landing Tax** is levied on fishery resources processed outside the 3-mile limit/federal waters and first landed in Alaska, or any processed fishery resource subject to sec. 210(f) of the [American Fisheries Act](#). The tax is based on the unprocessed value of the resource, which is determined by multiplying a statewide average price (determined by Alaska Department of Fish and Game data) by the unprocessed weight. The Fishery Resource Landing Tax is collected primarily from factory trawlers and floating processors which process fishery resources outside of the state's 3-mile limit and bring their products into Alaska for transshipment.

*The above taxes are shared with half going to the state general fund and half going to communities and boroughs, as described on pages 36 -39 in the Annual Report, available for download at: <http://www.tax.alaska.gov/programs/sourcebook/index.aspx>. Note that Department of Revenue Sources Book lists only the amount retained by the state on these taxes, while the Annual Report lists the complete amount received.*

## Other Department of Revenue fisheries taxes and their FY2013 contributions include:

### **Seafood Marketing Assessment = \$9,563,546**

**The Seafood Marketing Assessment** is levied at a rate of 0.5% of the value of seafood products processed first landed in, or exported from Alaska.

### **Salmon Enhancement tax = \$8,454,033**

**Salmon Enhancement Tax** is levied on salmon caught or sold in an established aquaculture region. This tax is collected by licensed processors and is based on the price paid for the salmon. Fishers that sell to unlicensed buyers or that export from an established aquaculture region must pay the tax directly to the department.

### **Seafood Development = \$1,795,302**

**Seafood Development Tax** is a voluntary tax elected by participants in some regions, and is levied on salmon harvested by set gillnet fishers in Prince William Sound (PWS) and drift gillnet harvesters in Bristol Bay and PWS. The 1% tax is collected by licensed buyers and is based on the price paid for the salmon. Harvesters who sell to unlicensed buyers or who export from Alaska must pay the tax directly to the department.

### **Dive Fishery Management = \$772,526**

**Dive Fishery Management Assessment** is levied on geoducks, sea urchins, and sea cucumbers harvested in the Southeast dive region. The tax is collected by licensed buyers and is based on the price paid for the resource. Dive fishers that sell to unlicensed buyers in or export from Alaska must pay the tax directly to the department.

### **Total Department of Revenue listed contributions FY 2013 = \$78,212,828**

Descriptions are from <http://www.tax.alaska.gov/programs/programs/index.aspx?60620> .

More information about these tax programs may be found in the Tax Division Annual Report, online for download at <http://www.tax.alaska.gov/programs/sourcebook/index.aspx> .

**City and Borough Raw Fish Taxes** are levied in many localities and are listed in the Alaska Taxable database annual report, totaling **\$25.4 million** in FY 2013. The full report and tables are online at <https://www.commerce.alaska.gov/dcra/dcrepoext/Pages/AlaskaTaxableDatabase.aspx> (see both Tables 02: Borough Sales Taxes, Special Taxes and Revenues, and Table 02: Cities' Sales Taxes, Special Taxes and Revenues. Note that some cities include fisheries in severance taxes, in addition to the raw fish taxes listed in the tables. The above total estimate was provided by McDowell group).

**Community Development Quota royalties** to community development – **CDQ royalties for community development were estimated at \$73.1M** in 2013 by NOAA. “CDQ groups receive royalty payments on each allocation harvested by a partnering firm. Since the CDQ Program was implemented, individual groups have used royalty revenue to support the goals of the CDQ Program. Royalty revenues support CDQ projects, which encourage sustainable fishery-based economic development in the region or promote the social development of a community or group of communities that are participating in a CDQ Program (e.g., infrastructure development, employment and training programs).” See Royalties beginning on page 7 at <http://alaskafisheries.noaa.gov/cdq/>

**CFEC permit and vessel fees: Commercial Fishing Permit** revenue from FY 2014 = **\$6,882,300**  
**Commercial Fishing Vessel License** revenue from FY 2014 = **\$678,400**. The Commercial Fisheries Entry Commission administers permitting for commercial fishing and commercial fishing vessels. Commercial fishery entry permits and Crew license fees include a mandatory fee that is transferred to the Fishermen’s Fund, administered by the Department of Labor, which provides for medical coverage up to \$10,000 for treatment of injuries occurring in commercial fishing.

“Under 20 AAC 05.245, permit renewal fees are based on a formula of 0.4% of the estimated market value of the permit for limited fisheries and 0.4% of the estimated average gross earnings for open-access fisheries. Permit renewal fee categories for 2013 & 2014 ranged from \$75 to \$3,000 with the majority being \$375 or less...

“Total revenue for fiscal year 2014 (July 1, 2013 – June 30, 2014) was comparable to that in 2013 and was just over \$7.6 million, which fully funded the Commission’s \$4,389.2 authorized operating budget as well as paying CFEC’s contribution to the Fishermen’s Fund. During both years, the legislature applied the additional CFEC revenues to ADF&G and DCCED programs that support Alaska’s commercial fisheries.” (CFEC Annual report 2013-2014 p. 31, online at [www.cfec.state.ak.us/mnu\\_Annual\\_Reports.htm](http://www.cfec.state.ak.us/mnu_Annual_Reports.htm)) Breakout of permit and vessel fees was provided by the Commercial Fishery Entry Commission.

**Fishermen’s fund:** FY2014 income was \$1,145,314 and expenses were \$1,342,611 <http://labor.state.ak.us/wc/ffund.htm>. CFEC also contributed excess revenue of \$362,300 in FY 2014 to the Fishermen’s Fund (these numbers were obtained by request from the Commercial Fishery Entry Commission [https://omb.alaska.gov/ombfiles/16\\_budget/Transition/FY15\\_MP\\_Binder\\_FG.pdf](https://omb.alaska.gov/ombfiles/16_budget/Transition/FY15_MP_Binder_FG.pdf)).

**Crew license fees:** Crew licenses are administered by ADFG and include: resident and non-resident adult, child and seven day licenses. Crew license revenue from calendar year 2013 sales was **\$2,644,875**. [www.adfg.alaska.gov/index.cfm?adfg=licensevendors.statistics](http://www.adfg.alaska.gov/index.cfm?adfg=licensevendors.statistics)

**Marine Fuel Taxes:** The state fuel tax for marine use is \$.05 per gallon. State marine fuel tax revenue in FY 2013 was **\$5,560,885** total statewide (From 2013 Tax Division annual report). We estimate at least half of marine fuel purchased in Alaska is used in commercial fisheries.

**Revolving Loan Program Earnings:** The Division of Economic Development, Financing Section, administers and services ten loan programs under the Department of Commerce, Community, and Economic Development. These programs were primarily designed to promote economic development through direct state lending in industries and areas of the state that are not adequately serviced by the private sector. Fisheries loan programs include Commercial Fishing, Fisheries Enhancement, Mariculture and Community Quota Entity. Information on each is available online at <http://commerce.state.ak.us/dnn/ded/FIN/LoanPrograms.aspx>

Fisheries Enhancement Revolving Loan Fund earnings FY14 - **\$1,889,000**

Commercial Fisheries Revolving Loan Fund earnings FY14 - **\$4,097,000**

Community Quota Entity Loan Fund FY14 - **\$5,000**

Mariculture Loan Fund FY14 – **\$31,000**

**Total Commercial Fishing related loan program revenues FY14 - \$6,022,000**

(These numbers were obtained by request from the Division of Economic Development.)

## **DNR Lease Fees**

**Shore Fishery Leases:** As manager of most of the state's tidelands out to the three-mile limit, the Department of Natural Resources issues shore fishery (setnet) leases. A shore fishery lease gives the leaseholder first priority to use a shore fishery site for commercial salmon setnet fishing on state-owned tidelands. In FY 2014, DNR collected **\$344,256** in shore fishery lease fees (provided by the Department of Natural Resources). Information on the shore fishery lease program is online at: <http://dnr.alaska.gov/mlw/shore/>. DNR also administers permitting and collects fees for moorage buoys used in fisheries.

**Uplands and Tidelands leases:** Alaska's hatcheries and processing plants in many cases obtain land use rights through Uplands and Tidelands leases with the DNR. A breakout of these fees specific to the fishing industry was not available.

**Aquatic farm leases:** DNR administers the Aquatic Farming Program, a ten-year property right granted by the [Division of Mining, Land & Water](#) that allows a lessee to develop the state's tide and submerged lands into a shellfish or sea plant farm. The current fee schedule for aquatic farmsites is \$450 for the first acre or portion thereof, plus an additional \$125 per acre, or portion thereof, paid annually. We were unable to obtain yearly revenue from the aquatic farming lease program. Information on the program is online at <http://dnr.alaska.gov/mlw/aquatic/index.cfm>.

**Corporate income tax:** Processor and harvester corporations are subject to the state's corporate income tax on Alaska taxable income. Alaska taxes corporate income at graduated rates ranging from 0% to 9.4% divided over ten tax brackets. According to a recent Department of Revenue estimate provided to the McDowell Group, fisheries related corporations paid **\$2.8 million** in corporate income tax in FY2013.

**Hatchery Cost Recovery:** In addition to the Enhancement tax collected by Department of Revenue from commercial fisheries, hatchery facilities and production of salmon for commercial, sport, personal use and subsistence use is funded by cost recovery fisheries, where a portion of the catch is sold to fund the hatchery operation. Estimated cost recovery values from the most recent (2013) annual report:

Chinook - \$1,972,358

Sockeye - \$2,176,205

Coho - \$2,138,285

Pink - \$8,174,581

Chum- \$9,888,820

**Total 2013 Hatchery Cost Recovery ex-vessel value: \$24,350,249**

Calculated from cost recovery percentage statistics by species from ADF&G annual hatchery report, online at <http://www.adfg.alaska.gov/index.cfm?adfg=fishingHatcheriesOtherInfo.reports>.

**ADF&G Test Fisheries:** Test fisheries provide additional revenue to ADFG through the sale of fish caught in test fisheries needed to determine harvestable stock thresholds – **ADFG received \$2,843,500 in FY2014** (obtained from 2014 Transition document).

**Other taxes and fees to state and local governments:** In addition, commercial fishing individuals and businesses pay many fees that support local infrastructure. We are unable to quantify the following:

- Local Property Taxes
- Dock and harbor fees, launch ramp fees, boat storage, etc.
- Processors/direct marketers DEC permits and fees
- Processors/direct marketers DOR license – included in Fisheries Business tax receipts
- Shellfish water quality, PSP and arsenic testing fees

## **Federal Fisheries Taxes and Fees:**

### **IFQ Cost Recovery fees:**

Federal Individual Fishery Quota (IFQ) programs are funded through an assessment on the landings in the Halibut, Sablefish, Bering Sea and Aleutian Islands crab, and the rockfish program. Fees from calendar year 2013 were provided by [Karen.Palmigiano@noaa.gov](mailto:Karen.Palmigiano@noaa.gov):

<b>Halibut and Sablefish IFQ</b>	<b>\$4,961,857</b>
<b>Crab Rationalization Program</b>	<b>\$1,558,426</b>
<b>Rockfish Program</b>	<b>\$217,709</b>
<b>Total -</b>	<b>\$6,737,992 (2013)</b>

For a description of halibut and sablefish - see Publications - IFQ Cost Recovery Program Report available at <http://alaskafisheries.noaa.gov/ram/ifqfees.htm>

### **Observer Program Fees: \$4,251,452 (2013)**

Many Alaska commercial fisheries require observers to ensure adherence to regulations and allowable harvest. These programs are administered by NOAA and are detailed in the Observer program annual report, online at: [www.alaskafisheries.noaa.gov/sustainablefisheries/observers/annualrpt2013.pdf](http://www.alaskafisheries.noaa.gov/sustainablefisheries/observers/annualrpt2013.pdf)

### **Employment Security Tax: \$14,682,000**

Unemployment taxes are a federal tax program administered by the State Department of Labor. Fishing operations with less than 10 crewmembers are excluded under Alaska law when the crew is paid on a share basis; however tender operations and fish processing wages, however, are reportable.

In 2013, **private seafood processing firms paid a total of \$392,461,000 in wages and \$14,682,000 in unemployment taxes** to the state's Employment Security Division (provided by Conor Bell, Alaska Department of Labor). For more information on Employment Security tax see the Alaska Employment Security Tax handbook, online at <http://www.labor.state.ak.us/estax/taxbook.htm>.

**Other federal fees and taxes** for which we were unable to obtain numbers for include vessel documentation fees, fishery endorsements, federal fuel taxes and more.