

Fishermen, Others, Oppose Severance Tax Hike

Wednesday, 11 May 2011

{audio}/images/stories/mp3/110511.kib_severance_tax.mp3{/audio}

Maggie Wall/KMXT

Fishermen and others turned out to last Thursday to argue against a borough proposal to increase the local tax paid at the dock.

The Kodiak Island Borough Assembly at its regular meeting last week moved forward a measure to substantially increase the price of the excise tax on resources.

KMXT's Maggie Wall has more.

--(Severance Tax 6:53
"The KIB...Thurs night's work session. SOC.")

The Kodiak Island Borough Assembly last week approved in first reading week an ordinance to change the amount and the internal allocation of the borough's severance tax. The allocation is largely an accounting matter as ultimately the borough uses income from the severance tax to offset the property tax.

Fishermen

often refer to it as the borough fish tax, but actually it's officially a severance tax-That is it is charged on resource use when the resource is severed from its natural environment.

The tax is charged on fish, timber, gravel, minerals and related natural resources extracted within the borough boundaries.

Right now the tax rate is tied directly to the mill rate for property taxes, and is set each year as part of the borough's budget process. Since the borough's property tax rate is 10.5 mills, that works out to a severance tax of roughly 1 percent of gross value of the product.

The proposal would change that to a flat 1.5 percent of gross value. It would also reallocate the money within the borough's financial accounts.

Fishermen and others testified that the tax was a hindrance to the industry that supports the community, an industry that is already struggling to stay afloat.

The severance tax for the current year-Fiscal Year 2011-is estimated to be more than \$1 million or roughly 9 percent of the borough's revenue for the year. Plus, the borough gets a percentage of the state's raw fish tax that is also collected at the dock.

Mel
Stephens..

--(Mel S. 1:02 Boro
is greedy boats go to Homer

Julie Bonnie is an industry spokesperson who represents both vessel owners and in-shore processors. She echoed Stephen's comments

--(Julie B 1:02 Fish
could go to Kenai Peninsula

Borough finance director Karl Short said the change wasn't intended to be an assault on fishermen. In fact, Kodiak's severance tax is lower than most other communities.

-(Karl S :17 Others do it by percentage rate

But fishermen were not the only ones concerned about the proposed change to the severance tax.

Charlie Powers-Vice President for Community Affairs for Koniag Inc. called in his comments. He said Koniag has a number of natural resources subject to the severance tax. And, while, he understands the need to diversify and spread the tax burden, he urged caution.

-(Charlie P :54
Cautiously supportive

Assembly member Louise Stutes shared the need for the borough to be cautious in raising taxes. She said it is too soon to make a decision to change the severance tax, as the borough may not even need to do so.

-(Louise S
:49 Too many unknowns right now

The assembly passed the severance tax ordinance in first reading which means it will come up for a public hearing at a future assembly meeting. The item is on the agenda for the assembly's Thursday night work session.

I'm Maggie Wall.