



MEMORANDUM

DATE: February 4, 2022
TO: Finance & Budget Committee
FROM: Mark Lynch, Interim City Manager
SUBJECT: Fish Tax

I worked with the City Attorney over the past few weeks in drafting an ordinance (included for review) for a fish tax. Based on his recommendation (see attached memo) the Ordinance was drafted using an excise tax based on weight. Originally we had discussed a simple 4 cent per pound rate, but after consideration I realized that would not work for all species of fish. Therefore I modified the tax by species and created the table that is now in the ordinance. The prices I have calculated are all about 4% of the price paid by the processors in 2020.

My reasoning for this, based on conversations with the City Attorney, are as follows.

- A % tax on the processors is likely to be challenged as a sales tax, even if it is done as an excise tax. Even if it were upheld, it would take time and money to work through.
- Based on legal precedent there is a basis for a percentage based excise tax on tobacco and marijuana, but this precedent has never been established for fish processing.
- The City is entering strategic planning which will certainly find that the City is in need of improvements to equipment, buildings and salaries. Enacting this tax before the upcoming fishing season is extremely important to the City's economic well-being.
- An excise tax based on weight is the safest and quickest way to get this critical revenue stream coming to the city.