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MEMORANDUM

TO: Mark Lynch, Interim City Manager



FROM: Brooks Chandler
City Attorney

DATE: December 8, 2021

RE: Changing Fish Tax to Excise Tax

The current raw fish tax is a variation of a traditional sales tax in that the tax is levied on the seller and collected by the buyer. The current ordinance levies tax based on where the fish ticket is issued by the buyer to the seller.

Dillingham also has a severance tax in Chapter 4.22 of the city code. The tax applies to seafood harvested within city boundaries not otherwise subject to the fish tax. This was intended to complement the sales tax and ensure that tax was collected even if the fish harvested within city boundaries was transported beyond city boundaries before being sold. The tax rate is the same.

Either or both of these ordinances could be converted to an excise tax simply by changing the tax rate from a percentage of market value/sales price (currently 2.5%) to a fixed amount per pound. An example of an excise tax is state and federal taxes on gasoline. These are a fixed price per gallon not a percentage of the sales price.

Other wording changes would be required. The tax would no longer be levied based on where the fish was harvested or where the fish ticket was issued. Instead, the tax would be

levied based on where the fish was processed. The result would be a legal obligation on local processors to collect tax based on the pounds of seafood delivered to Dillingham for processing.

It is theoretically possible permit holders might decide to deliver fish to floating processors to avoid the tax. Floating processors have a limited capacity so it seems very likely a significant volume of seafood would continue to be delivered to shore based plants within city boundaries. Whether an excise tax would bring in more revenue than a revised version of the current 2.5% fish tax depends on the per pound tax rate selected.