

DILLINGHAM FISH TAX

EXECUTIVE SUMMARY

The Bottom Line: The 2014 court decision reversed our annexation of 396 square miles, but did NOT eliminate our authority to collect fish taxes within Dillingham city limits.

The Mistake: For 12 years, we thought "no fish taxes." This was wrong.

The Reality: We lost authority over ANNEXED territory only. We kept authority within ORIGINAL boundaries. In Alaska, raw fish taxes are determined by the physical location where the fish is landed or processed, not where it was caught

What This Means: Any fish sale in Dillingham gets taxed - regardless of where fish was caught.

The Action: Resume collecting Raw Fish Sales Tax for 2026 fishing season.

PART 1: THE TIMELINE

2012: Voters Approved Fish Taxes

- City annexed 396 square miles
- Created fish tax ordinances (2.5%)
- Voters approved both

2014: Court Reversed Annexation

- Judge Ruled: "You used wrong process"
- Court vacated 396 square miles
- Court did **NOT** invalidate tax ordinances

2014-2026: We Stopped Collecting

- The City of Dillingham determined: "no taxation period"
- This was a mistake

The House Analogy

You own a house. Try to claim neighbor's yard. Judge says "yard isn't yours."

WRONG: Stop taxing house AND yard

RIGHT: Stop taxing yard only

What we did: Stopped everything (wrong)

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PART 2: WHAT WE CAN COLLECT

Raw Fish Sales Tax (Our Main Tool)

Rate: 2.5%

Rule: If SALE happens in Dillingham, we can tax it

Examples: ✓ Fish sold at Local Processor = TAX

✓ Tender delivers to Dillingham = TAX

✓ Fish ticket issued here = TAX

✗ Sale in Naknek = NO TAX

The Math: 1,000 lbs at \$3/lb = \$3,000

Tax = \$75 (2.5%)

Fisherman gets: \$2,925

City gets: \$75

Why NOT Severance Tax

- Lost 396 square miles
- Current boundaries too limited
- Would generate minimal revenue
- Raw Fish Sales Tax covers what we need

PART 3: STATE vs LOCAL - NO CONFLICT

State tax: Processor pays tax on processing (3-5%)

City tax: Fisherman pays tax on selling (2.5%)

Different stages, different taxes, both legal.

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PART 4: WHO BENEFITS FROM NOT COLLECTING?

- 56% of permits owned by non-residents
 - Non-residents earned \$165M (2021)
 - They use our facilities FREE
 - Dillingham taxpayers subsidize everything
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PART 5: OTHER COMMUNITIES

Naknek: 3% - ✓ Collecting

South Naknek: 2% - ✓ Collecting

King Salmon: 2.5% - ✓ Collecting

Dillingham: 2.5% - X Stopped (our mistake)

We're the ONLY one that stopped!

PART 6: COMMON QUESTIONS

Q: Why now?

We misunderstood the court decision. Other towns got it right - we didn't.

Q: Back taxes?

NO. No back taxes, no penalties. Fresh start 2026.

Q: State tax conflict?

No. Different stages, different taxes.

Q: Fish caught elsewhere but sold here?

Tax applies. Location of SALE matters.

PART 7: NEXT STEPS

Week 1: Legal confirmation

Week 2: Update systems

Week 3: Notify industry

Week 4: Start collecting

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PART 8: KEY MESSAGES

For Council: "Voter-approved ordinances not enforced for 12 years. Every other community collects. We need to correct this."

For Manager: "2014 decision affected boundaries, not authority. Need to correct error immediately."

For Industry: "2012 voter-approved tax we stopped by mistake. No back taxes. Fresh start 2026."

For Public: "Visiting fishermen used facilities free for 12 years. We're enforcing voter-approved taxes like neighbors do."

CONCLUSION

We misunderstood the court decision.
We only lost authority over annexed waters.
We kept authority within original boundaries.

Action: Resume collecting Raw Fish Sales Tax
No back taxes. Fresh start 2026.

This is both legally required and fiscally responsible.