Coastlines

NEW YORK STATE SEA GRANT INSTITUTE
STATE UNIVERSITY OF NEW YORK and CORNELL UNIVERSITY
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Tax Reform Act Affects Status of Commercial Fishermen

If you are a commercial fisherman, the Tax Reform Act of 1976 contains several changes which will affect your tax status and have a significant effect on the fishing industry. Several of these changes which directly concern fishermen are explained below.

CAPITAL CONSTRUCTION FUND

The Capital Construction Fund (CCF) is a special investment program that allows commercial fishermen to set up a special interest bearing savings account for the purchase of a new fishing vessel or to reconstruct one presently owned. The money placed in this account and the interest it earns are not taxable.

To be eligible to participate in the CCF program, a vessel must be built in the U.S. and must weigh two net tons or more. (NOTE: The minimum weight has been changed from five net tons to two net tons.)

Fishermen can claim a five percent investment tax credit on the portion of a vessel's cost paid for under the Capital Construction Fund program and a 10 percent investment tax credit on the portion of the vessel's cost not paid for under the program. This applies to vessels placed in service during the taxable year after December 31, 1975.

For additional information, a publication on the Capital Construction Fund is available after March 1 from John Scotti at the Sea Grant Advisory Service office in Stony Brook.

With the many changes introduced in the Tax Reform Act of 1976, many of you might soon be struggling with your own income tax forms. To help you out, we have included three articles in this issue of COASTLINES which will explain how some of the tax changes will affect your status as commercial fishermen. If some of your questions are still unanswered after reading this issue, additional information is available from John Scotti in the Stony Brook Sea Grant Advisory Service office.

STERNMAN'S EXEMPTION ACT

If you are operators of fishing boats with fewer than 10 crewmen, you no longer have to withhold taxes from crew pay or make Social Security contributions if the crew is paid on a share basis in fish or proceeds from the sale of fish. These crewmen are considered to be self-employed for income tax purposes, and therefore, as an employer, you do not need to withhold income taxes. Until now, crewmen on fishing boats were treated as regular employees rather than as self-employed. Fishing boat operators employing one or more individuals are still required to comply with certain reporting provisions of the Tax Reform Act. The significant changes in this law and details on proper reporting procedures are explained in the 1977 Tax Guide for Commercial Fishermen (see I WANT MORE).

NEW TAX EXEMPT STATUS

A number of fishermen's organizations such as your local co-op are now eligible for tax exempt status and can receive the lower postal rates enjoyed by tax-exempt agricultural organizations.

Oil and Water

Oil Spill Victims May Get Tax Breaks

Owners of St. Lawrence River property and businesses that suffered losses as a result of the NEPCO 140 oil spill last summer may be able to deduct a portion of their losses from their income taxes this year. In an effort to make the tax laws understandable, the Sea Grant Advisory Service has published a detailed review outlining the provisions of the law as they apply to those with potential claims.

The material includes instructions on computing both personal and business losses. Tax deductions are possible for land owners suffering losses and for individuals leasing property, if they had to reimburse the owners for the damage caused by the oil spill. In order to claim a deduction, you should have full documentation of the losses.

The extent of loss for tax purposes must be computed on the basis of the property value decrease—an appraisal of the property must be made to determine its value immediately after the spill. This appraisal must also include property value before the spill.

Once a decrease in property value has been determined, the value must be adjusted both to reflect any previous tax write-offs against the property and to reflect any insurance or other claims settled because of the spill.

One example cited in the Sea Grant information deals with deduction computation in a case where a piece of property valued before the spill at $16,000 was decreased in value by $4000 because of the spill. The owner of the property in this theoretical case had received $3050 in insurance payments for the loss. Therefore, his casualty loss was computed at $950 ($4000 minus $3050).

Personal claims are subject to a $100 deductible clause, so the $950 computed loss in this case was reduced to an $850 tax deduction claim. Business losses are not subject to this $100 deductible clause.

Copies of the review explaining how taxpayers can claim losses as a result of oil spills are available from the Sea Grant Advisory Service in Potsdam.

Fishermen Submit Negative Bids To Protect Fishery Grounds

Commercial fishermen on Long Island are coordinating their efforts to insure certain blocks of the ocean important to them are not leased to oil and natural gas companies for industrial activity.

According to David Chase, Regional Marine Extension Specialist for the Sea Grant Advisory Service in Riverhead, the Bureau of Land Management (BLM) is considering the possibility of leasing ocean bottoms for drilling. If fishermen can demonstrate certain tracts of ocean should be preserved for their fishing value rather than leased for oil and natural gas development, they can "claim" the areas under the "Negative Bid" provision of the leasing program.

Commercial fishermen are concerned over the effects the large equipment might have on their own fishing activity. If this industrial activity will significantly decrease or destroy important fishing values of some areas, a "Negative Bid" can be entered to potentially stop the leasing of those areas. There is no cost to the fishermen for entering this bid.

According to Chase, Richard Miller, executive secretary of the Long Island Fishermen's Association, and the Sea Grant Advisory Service have been talking to the fishermen in ports about their areas of concern and helping them formulate their data so they could submit their negative bid to BLM by the January 24 deadline. Most of the objections submitted to the Bureau were in the form of a map which documented their areas of concern. This map and supporting data which explained the fishermen's objections were also submitted by the Department of Environmental Conservation for BLM's consideration.

After BLM reviews the leasing areas and weighs the information it has received, the decisions on which areas will be put up for lease will be documented and printed in the Federal Register. At this time, if commercial fishermen and others interested still object to these decisions, they have another opportunity to voice their objections.

We will report in a future issue the fishermen's success with their attempts at "Negative Bids."

Research project . . .

Alternative Leasing Systems Suggested

A Cornell scientist believes his recently-published study of ways to lease offshore tracts for oil development will prove helpful to both Congress and the oil industry.

Dr. Robert Kalter, professor of agricultural economics at the State University College of Agriculture and Life Sciences at Cornell, contends that five alternative leasing systems are significantly better than the present federal cash bonus system. Each of the five alternates would encourage production, even from marginal oil fields where profit would be less, and would also increase government revenue over the present system, according to Dr. Kalter.

The publication, "Alternative Energy Leasing Strategies and Schedules for the Outer Continental Shelf," describes the cash bonus system now in use, under which private oil companies submit sealed bids to lease offshore tracts for exploration. The bid quotes a cash bonus, which is paid in advance if that company wins the bid. The company also pays taxes and a fixed royalty rate of 16.67 percent of its gross revenue if it discovers oil.

The five methods Dr. Kalter calls "preferable leasing options" also use a cash bonus as the bid variable, but differ significantly from the present system in their contingency payments. The methods are:

(1) Royalty system with the royalty rate variable with the value of production each year;

(2) Fixed rate annuity capital recovery profit share system;

Continued on Page 5

New tax laws, the new 200 mile territorial limit, and the potential leasing program currently being developed by the Bureau of Land Management—all three will affect commercial fishermen in 1977. Articles in this issue of COASTLINES explain how.

Alternative Leasing Systems

Continued from Page 2

(3) Variable rate annuity capital recovery profit share system;

(4) Fixed rate British-type capital recovery profit share system; and

(5) Variable rate British-type capital recovery profit share system.

The second and third methods, unique to the Cornell research, were included in Senate bill 521, "Outer Continental Shelf Lands Act of 1975," which was passed in the last session of Senate.

These two options allow an oil company to share the risk of its initial investment. The capital investment is converted into an "annuity." This annuity is subtracted from the company's yearly net operating profits; the remainder is the profit share base. Once the company has recovered its capital investment, the government profit share is taken from the company's net profit. The profit share rate may be fixed or variable.

The British method in options four and five is similar, but no profit share is taken by the government until some factor of the total capital investment is recovered from the net profits.

Through research supported by New York State Sea Grant Institute and the National Science Foundation, Dr. Kalter and associates Wallace Tyner and Daniel Hughes tested 12 leasing methods, including the present cash bonus system. They used national leasing objectives as criteria—orderly and timely resource development, environmental protections, and a fair market value for the public on the disposition of public resources.

The Cornell team also studied leasing schedules under the present cash bonus system and under one of the five methods. They found it didn't make much difference whether policy was set to maximize economic rent, production, or environmental protection.

Economic rent (the difference between the price and the cost of the resources, including the return capital) will vary significantly with price. Economic rent (present value) would be 25 percent lower under a 20-year leasing than under a 10-year leasing schedule for either system. Protecting the environment by leasing the most environmentally hazardous areas last— "save the worst for last"—could be done at low cost to society.

Even with accelerated leasing, new outer continental shelf (OCS) production, out to 600 feet of water depth, can never completely replace the current level of petroleum imports, Dr. Kalter found. Under accelerated leasing (10-year schedule), OCS production of oil and gas would peak about 1989 at a billion barrels per-year. Total expected OCS production would be 11-13 billion barrels of oil and 39-64 trillion cubic feet of natural gas. Reserves out to 200 meters would be exhausted by the year 2005 under the 10-year schedule or by 2015 under the 20-year schedule.

NOTE: Dr. Kalter's study is available for $1 from the New York Sea Grant Institute, SUNY, 99 Washington Avenue, Albany, New York, 12246.

Tax Refunds & Credits

If you operate a commercial fishing vessel, charter or party boat, or a dredge, you may qualify for gasoline and fuel tax exemptions. Refunds and credits are available to commercial users who purchased fuel for off-highway use in their commercial operations.

FEDERAL FUEL TAX CREDIT

The Internal Revenue Service (IRS) allows a deduction of fuel tax credit from the amount of Federal Income Tax Due. You may receive a credit of two cents per gallon of gasoline, diesel fuel and other special motor fuels and a credit of six cents per gallon of lubricating oils.

To file for the Federal Gasoline Tax Credit, you will need IRS Form 4136—"Computation of Credit for Federal Tax on Gasoline, Special Fuels and Lubricating Oil" and IRS publication 378—"Federal Fuel Tax Credit or Refund." Contact your local IRS office for copies.

NEW YORK STATE MOTOR FUEL TAX REFUND

You may also be entitled to a New York State Tax Refund of eight cents per gallon of gasoline if it is used for commercial off-highway purposes. When filing for the State Gasoline Tax Refund use form MT 390.24—"Motor Fuel Tax Refund Application," available from your local New York State Miscellaneous Tax Bureau Office. In order to file for this refund, you should have records of all gasoline, diesel and lube oil purchases such as receipts, vouchers and/or cancelled checks.

NEW YORK STATE SALES TAX

Commercial fishermen will also want to keep an eye out for tax exemptions of another kind—New York State Sales Tax. You may become exempt from paying sales tax on certain items purchased for use in your business operation. Specific exempt items are determined on a case by case basis. Additional information on Production Exemption is available from:

New York State Sales Tax Bureau
State Office Building
Veterans Memorial Highway
Hauppage, N.Y. 11787
516-979-5272

Continued on Page 4

Notes on Shellfish

Major aquaculture firms, practicing veterinarians and Sea Grant researchers were among those learning of recent shellfish health findings at a January meeting in Riverhead.

Sponsored by the Long Island Shellfish Farmers Association, the College of Veterinary Medicine and Sea Grant Advisory Service, the 35 people present heard findings on the chemical content of water hatcheries use from wells and from bay water on the Island and major bacterial contaminants in such water.

A shell deforming disease organism recently isolated by researchers was described as was research currently underway, on the process by which clams and oysters remove or destroy bacteria hazardous to human health.

Graduate students supported by Sea Grant were major contributors to the meeting held at the Suffolk County Cooperative Extension Offices in Riverhead.

A major portion of the program developed by Dr. Louis Leibovitz of the College of Veterinary Medicine was discussion/definition by shellfish farmers of research and informational needs. It was indicated research was needed on engineering and sanitation aspects in hatchery production and that concrete "how to do it" directions for sampling of water and contaminant levels were also needed by these businesses.

Taxes

Continued from Page 5

When making requests to the tax office, ask for Form ST-105 (Certificate of Authority), Form ST-115 (Business Description Sheet) and Form ST-121 (Exempt Use Certificate).

Although exempt from paying the sales tax on certain items, you are still required to submit quarterly sales tax returns. Where no tax was paid for that quarter, zeros should be entered in the appropriate column.

Shellfish hatchery operators and their biologists heard of recent findings on shellfish at a January Riverhead meeting.

N.Y. Fishery Value Increases 20%

Coastal communities benefited from an increase in the value of fish landed in New York State in 1976. By November 1, the total landed value of fish was more than $28 million—$4 million more than at the same time in 1975, according to preliminary National Marine Fisheries Service figures.

More than $16 million of the total came from the hard clams enjoyed by many in New York and other states as New York maintained its recent history of producing more than 50 percent of the hard clams in this country. Oysters continued to be the second most important fish landed, although down somewhat from last year to a value of $3.8 million by November. Fluke was the most important finfish landed, contributing nearly $1.5 million to the State's economy by November. Lobster retained their role with $1.2 million of landed value.

Another shellfish, sea scallops, showed the most pronounced increase from last year of any fish; landings nearly tripled to 700,000 pounds and the value more than tripled to $1.1 million in that 10-month period, but squid landings reached a million pounds, more than doubling 1975 figures.

Finfish landings declined, with some three million fewer pounds being landed in the 1976 months (15 million pounds) compared to the nearly 18 million pounds landed in 1975.

Sharp drops had occurred by November in the numbers of scup or porgy harvested. While nearly two million pounds were landed, a drop in prices meant those fish were only worth $500,000 in the 10-month 1976 period. Yellowtail flounder was another species whose landings dramatically declined from 1.2 million pounds in 1975 to one-half million pounds in the same 1976 period.

United States commercial fishery landings for 1976 are forecast to be about 5.2 billion pounds—the largest in 10 years. This represents a seven per cent increase over 1975. The record dockside value—exceeding $1 billion—is due to a steady increase in foodfish catches and to generally rising prices.

The first comprehensive report on U.S. commercial fishery landings for 1976 will be contained in "Fisheries of the United States, 1976", which is scheduled for publication in April 1977 and will be available from the Sea Grant Advisory Service office in Ithaca.

Law Center Offers Advice, Provides Insights

Residents of New York who are interested in the state's coastal resources—commercial fishermen, marine scientists, advisory service specialists and state and local agencies working with these groups—are utilizing and benefiting from the services of the recently established Sea Grant Law Center at the University of Buffalo Law School.

Although staff members do not intend to serve as replacements for attorneys, they do answer questions about the law and provide insights on legal issues peculiar to the coastal zone.

Established in 1975 within the Faculty of Law and Jurisprudence of the State University of New York in Buffalo, the Sea Grant Law Fellows can be an information source for coastal residents and businessmen, scientists, governing agencies for towns and regions, university staff, and state and national legislators. These law fellows have concentrated on problems of coastal and environmental law, and their investigations have answered legal questions on coastal issues for scientific research and provided legal insights for Sea Grant Regional Extension Specialists in their interactions with citizens about the laws.

The Law Program has six primary goals: to (1) identify legal issues raised in the formulation and implementation of public policies for the regulation of activities in the coastal areas, (2) conduct research on the most critical legal problems, especially those confronting New York State, (3) disseminate research results to participants in the Sea Grant Program as well as to other concerned public agencies and organizations, (4) develop teaching materials and methods of instruction in courses dealing with legal problems of the coastal zone, (5) sponsor seminars and conferences involving Sea Grant participants, officials, members of the legal profession, students, and faculty members of law schools interested in coastal management law, and (6) initiate legislative drafting projects to further law reform efforts suggested by this project's research.

In addition to providing these services, the law fellows have also produced an extensive bibliography of legal references for the coastal zone (Coastal Zone Legal Reference, 1976—See I WANT MORE), and published a law journal which explores coastal legal issues in length, with the intention of bringing useful information to the legal community.

This journal includes the following articles: A Brief Inquiry into the Imperatives of the Coastal Zone and the Processes of Institutional Change; Title, Jus Publicum, and the Public Trust: An Historical Analysis; Toward the True Meaning of the Public Trust; Coastal Processes and Change: Legal Implications; Judicial Decisionmaking and the Administration of Coastal Resources; Waste Heat Utilization from Thermal Power Plants in New York State; Coastal Zone Management Involving the Boundary Waters of New York and Lake Ontario; Coastal Zone Resource Allocation: Some Legal and Economic Considerations; and Offshore Mineral Resource Exploitation: The State and Federal Response. (Sea Grant Law Journal, 1976—see I WANT MORE).

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I WANT MORE

Additional information which will help you solve coastal problems is available from the Sea Grant Advisory Service offices. Check the appropriate boxes of the publications which interest you and send to the Sea Grant Advisory Service office nearest you.

Single copies of the following publications are free.

______J28 Tax Guide for Commercial Fishermen—1977 edition, Internal Revenue Service, for use in preparing 1976 returns (IRS publication 595)

______J29 Fishery Conservation and Management Act of 1976 (a synopsis), National Sea Grant Office, 7 pp.

______J30 Sea Grant Publications for the Fishing Industry, New England Marine Advisory Service, Fall 1976, 34 pp.

______J31 Home Smoking and Pickling of Fish, The University of Wisconsin Sea Grant Program, 14 pp.

______J32 How to Find Marine Information in Public and School Libraries, University of Rhode Island Marine Advisory Services, July 1976, 5 pp.

______J33 Marine Career Series: Marine Related Occupations—A Primer for High School Students, University of Rhode Island Marine Advisory Service, January 1977, 17 pp.

There is a charge for the following publications. Please make checks payable to Cornell University.

______F9 Governmental Jurisdictions of the New York Coastal Zone: An Analysis of Coastal Programs, Paul Marr, August 1976, 36 pp., 50 cents.

______F10 Coastal Zone Legal Reference, 1976, Robert I. Reis, 382 pp., $4.50.

______F11 Sea Grant Law Journal, 1976, 416 pp., $5.00.

______F12 The Physical Oceanography and Water Quality of New York Harbor and Western Long Island Sound, Joy and Bowman, December 1975, 71 pp., $3.00.

______F13 Inventory of Lake Ontario Inlets and Harbors: Niagara River to Stony Creek, Crissman and Opara, December 1976, 251 pp., $3.00.

UPDATE

John Scotti and Michael Jovishoff have joined the Advisory Service staff as Regional Marine Extension Specialists in the New York City and Stony Brook offices.

John will be located in Stony Brook concentrating his efforts on developing and implementing an informal educational and assistance program for Long Island's marine industry, focusing on economic aspects of commercial fishing, but including the marine recreation industry as well.

Michael will be developing and implementing an educational program in New York with representatives of the community planning boards in the New York City region having shoreline areas to help increase the area of shoreline developed for recreational and aesthetic enhancement.

Michael received a bachelor's degree from the Pratt Institute in Brooklyn and later worked there as assistant to the chairman of the Department of City and Regional Planning. John received a master's degree from the University of Rhode Island and a bachelor's degree in economics from Hesson College. For the past seven years, he has served as marketing coordinator for the Kenny Manufacturing Company of Warwick, RI.

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Coastal users in New York, including commercial and sport fishermen, business leaders involved in marine education and mining, and coastal zone planners, work continually to further the cause of marine science and to improve their support of the fish industry and recreational projects.

In November, the U.S. Department of Commerce recognized the needs, opportunities and fine efforts of these people by again funding the State University of New York and Cornell University's Sea Grant Institute to enable them to continue advising and assisting marine leaders in their efforts.

Awarded by the National Oceanic and Atmospheric Administration, the grant will be applied to a variety of marine related activities including education, advisory services, and research on living resources and coastal zone studies.

* * * *

Dr. Ned Ostenso has been appointed Director of the National Sea Grant Program. He comes from a post as Deputy Director and Senior Oceanographer of the Ocean Science and Technology Division, Office of Naval Research. He has been with this office since 1966. Dr. Ostenso replaces Dr. Robert B. Abel, who will serve as Director of the recently established Office of University Affairs with the National Oceanic and Atmospheric Administration. Dr. Abel served as Director of the National Sea Grant Program since its beginning in 1967.

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