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MEMORANDUM

March 30, 2016

SUBJECT: Limitation on a municipality that is also a school district
(CSHB 370(CRA), Draft Version "H"; Work Order No. 29-LS1551\H.2)

TO: Representative Cathy Tilton
Attn: Heath Hilyard

FROM: Susie Shutts 
Legislative Counsel

Attached is the amendment you requested to CSHB 370(CRA), Draft Version "H." This amendment aims to clarify the limitation on a municipality that is also a school district to offer an economic development property tax exemption for more than five years.

As I discussed with Mr. Hilyard, I could not find any case law or attorney general opinions that discuss the language that creates this limitation. Unfortunately, there was no discussion regarding this language during committee hearings on ch. 98, SLA 1989 (SCSCSHB272(FIN)AM S), which added subsection (m) to AS 29.45.050, from the 16th Legislature. The language creating the limitation on a municipality that is a school district was adopted as a floor amendment proposed by Senator Jay Kerttula on May 9, 1989.¹

However, ch. 98, SLA 1989, also added subsection (n) to AS 29.45.050, and the floor amendment adding the limitation for a municipality that is a school district to AS 29.45.050(m) also added this language to AS 29.45.050(n). This language was deleted from AS 29.45.050(n) by ch. 66, SLA 1993 (HB 211 am S), and during an April 1, 1993, House Community and Regional Affairs Committee hearing on HB 211, Scott Hawkins, President of the Anchorage Economic Development Corporation, testified that the language in AS 29.45.050(m) regarding school districts was created by:

A bill [that] went through actually in 1989. It hit the floor of the Senate in the last day or two of session. Somebody had a feeling in their heart that schools districts should always be able to levy taxes on any inventory whether it is held for export or otherwise and it was pulled off the floor and forcibly amended and we had to live with it until now. That is what we are going back and trying to clean up.

¹ 1989 Senate Journal 1866.

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It appears that the purpose of the limitation on a municipality that is a school district in AS 29.45.050(m) is to ensure that an exemption on economic development property will not result in taxation on that economic development property falling below taxation on other property that is taxed specifically for schools.

SLS:dla
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Attachment