

**SPONSOR SUBSTITUTE FOR SENATE BILL NO. 217**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FOURTH LEGISLATURE - SECOND SESSION**

**BY SENATOR ELLIS**

**Introduced: 1/30/06**

**Referred: Community and Regional Affairs, Finance**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the local property tax and municipal assistance fund; authorizing**  
2 **municipalities to use money from tax equalization entitlements and from the revenue**  
3 **sharing for the safe communities program to decrease real property taxes; and**  
4 **providing for an effective date."**

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 **\* Section 1.** AS 29.10.200 is amended by adding a new paragraph to read:

7 (64) AS 29.60.350(e) (safe communities program).

8 **\* Sec. 2.** AS 29.60.050(a) is amended to read:

9 (a) **An equalization entitlement or any portion of it may be used by a**  
10 **municipality to reduce taxes on real property. Notwithstanding AS 29.45, an**  
11 **equalization entitlement or any portion of it may be used by a municipality to**  
12 **reduce taxes only on residential property in accordance with an ordinance**  
13 **adopted by the municipality establishing the method to be used to reduce taxes**  
14 **on residential property under this subsection. Otherwise, an** [AN] equalization

1 entitlement generated by the tax levy of a taxing unit may be used only for authorized  
 2 expenditures of that taxing unit, but up to 15 percent of the payment of an equalization  
 3 entitlement generated by areawide revenue of a municipality may be used by the  
 4 municipality for areawide or nonareawide purposes at the discretion of its governing  
 5 body. This subsection applies to home rule and general law municipalities.

6 \* **Sec. 3.** AS 29.60.350 is amended by adding a new subsection to read:

7 (e) Notwithstanding (c) of this section, money from the revenue sharing for  
 8 the safe communities program may be used by a municipality to reduce taxes on real  
 9 property. Notwithstanding AS 29.45, money from the revenue sharing for the safe  
 10 communities program may be used by a municipality to reduce taxes only on  
 11 residential property in accordance with an ordinance adopted by the municipality  
 12 establishing the method to be used to reduce taxes on residential property under this  
 13 subsection. This subsection applies to home rule and general law municipalities.

14 \* **Sec. 4.** AS 37.05 is amended by adding a new section to article 6 to read:

15 **Sec. 37.05.590. Local property tax and municipal assistance fund.** (a) There  
 16 is created as a special account in the general fund the local property tax and municipal  
 17 assistance fund. The Department of Revenue shall manage the fund. Interest received  
 18 on money in the fund shall be accounted for separately and retained in the fund.

19 (b) After the end of each fiscal year during which the average West Coast  
 20 prevailing value for crude oil exceeded \$30 a barrel, the Department of Revenue shall  
 21 transfer money from the general fund to the local property tax and municipal  
 22 assistance fund. The amount of the transfer equals the greater of

23 (1) \$60,000,000; or

24 (2) the difference between what the state received during the fiscal  
 25 year just ended from the production tax under AS 43.55 on oil production, the  
 26 corporate income tax under AS 43.20 on business income of a taxpayer engaged in the  
 27 production of oil from a lease or property in the state or engaged in the transportation  
 28 of oil by pipeline in this state, property taxes under AS 43.56 on property described in  
 29 AS 43.56.210(5)(A) used or committed primarily in the exploration for, production of,  
 30 or pipeline transportation of unrefined oil, and oil royalty payments under AS 38.05  
 31 and what the state would have received had the average West Coast prevailing value

1 for crude oil during that fiscal year been \$1 a barrel less.

2 (c) Appropriations may be made from the local property tax and municipal  
3 assistance fund for state aid to municipalities and communities under AS 29.60.010 -  
4 29.60.375 or for other purposes. Nothing in this section creates a dedicated fund.

5 \* **Sec. 5.** This Act takes effect June 30, 2006.