

**ALASKA STATE LEGISLATURE**  
**SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE**

April 15, 2005

2:07 p.m.

**MEMBERS PRESENT**

Senator Gary Stevens, Chair  
Senator Bert Stedman  
Senator Thomas Wagoner  
Senator Johnny Ellis

**MEMBERS ABSENT**

Senator Albert Kookesh

**COMMITTEE CALENDAR**

SENATE BILL NO. 161

"An Act relating to a borough sales tax exemption for a source that is taxed by a city in that borough."

MOVED SB 161 OUT OF COMMITTEE

Taxation of Mining Property; Contracts approved by municipalities for Payment in Lieu of Taxes

PENDING INTRODUCTION & REFERRAL

**PREVIOUS COMMITTEE ACTION**

BILL: SB 161

SHORT TITLE: BOROUGH SALES TAX EXEMPTIONS

SPONSOR(S): STATE AFFAIRS

04/04/05	(S)	READ THE FIRST TIME - REFERRALS
04/04/05	(S)	CRA, FIN
04/13/05	(S)	CRA AT 1:30 PM BELTZ 211
04/13/05	(S)	Heard & Held
04/13/05	(S)	MINUTE(CRA)
04/15/05	(S)	CRA AT 1:30 PM BELTZ 211

**WITNESS REGISTER**

Senator Gene Therriault  
Alaska Capitol Building  
Juneau, AK 99801

**POSITION STATEMENT:** Sponsor SB 161

Steve Van Sant, State Assessor  
Department of Commerce, Community & Economic Development  
PO Box 110800  
Juneau, AK 99811-0800

**POSITION STATEMENT:** Posed a question regarding SB 161

Renee Broker, Attorney  
Fairbanks North Star Borough  
PO Box 71267  
Fairbanks, Alaska 99707

**POSITION STATEMENT:** Available for questions on SB 161

**ACTION NARRATIVE**

**CHAIR GARY STEVENS** called the Senate Community and Regional Affairs Standing Committee meeting to order at [2:07:16 PM](#). Present were Senators Stedman, Wagoner and Chair Gary Stevens. Senator Ellis arrived during the course of the meeting.

**SB 161-BOROUGH SALES TAX EXEMPTIONS**

CHAIR GARY STEVENS announced SB 161 to be up for consideration. He said the committee heard the bill previously and the concept makes sense.

[2:07:49 PM](#)

SENATOR GENE THERRIAULT, sponsor, said the policy question is whether current statute should be interpreted to prohibit a borough government from having an offset for city taxes within the borough boundary. If an offset or exemption is prohibited, the two taxes would be stacked and in some instances the tax would be doubled.

That isn't a correct interpretation, he asserted. The Legislature did not intend to restrict a borough government from allowing the offset. An interpretation that is being pushed is of concern because if it is accepted, it could have a detrimental impact on the revenues generated across the state for bed taxes.

The bill language is specific to make it clear that if a borough government wants to allow the offset, it can. In previous decisions on taxing powers the Legislature has not made a decision to force tax stacking.

2:09:44 PM

CHAIR GARY STEVENS said this would make it clear that a borough may choose to have or not to have stacked taxes.

2:10:22 PM

SENATOR BERT STEDMAN questioned why the Legislature should step in when litigation is underway.

CHAIR GARY STEVENS cautioned members to discuss the issue rather than the particular case.

SENATOR THERRIAULT said the real issue in Mason's Manual is that since the Legislature is a separate branch of government, it should not be concerned with a potential action of another branch of government. However, that interpretation is not binding on a member of the general public that might testify.

That being said, the policy call for the Legislature is to decide whether it agrees with the interpretation of statute and whether the statute should be clarified.

SENATOR STEDMAN noted that a borough in his district interprets the statute in the same way as the Fairbanks North Star Borough so more than just the one borough would be affected.

SENATOR THERRIAULT said a borough would want to have the option to exercise that power so it could maintain equal tax rates. Consumers will shop where the tax is lower when access is the same.

CHAIR GARY STEVENS asked if a general sales tax could potentially be exempted.

SENATOR THERRIAULT replied it could be. The language gives the local government the ability to decide whether it wants to have an offset for bed tax, alcohol tax, general sales tax or whether it wants to stack the taxes.

SENATOR THOMAS WAGONER said he still hadn't had the opportunity to discuss this with people in his district, but tax stacking is common in the Kenai Peninsula Borough.

2:18:18 PM

SENATOR THERRIAULT replied in that borough a policy call was made to stack taxes. In other boroughs the local policy call is to offset the taxes. That's the way it should be; local government should be able to make that decision. The interpretation that has been advanced is that there is no option.

SENATOR WAGONER said his district has detractors as well and that's why he wants to check with the local attorney. He doesn't want to ambush his community.

SENATOR THERRIAULT said he understands the desire to look at local impact, but the wording on page 1, line 8 indicates this is up to the discretion of the local government.

CHAIR GARY STEVENS said it is a matter of local control and although he is a bit concerned about sales tax and how that works he is more comfortable now than at the first hearing.

He asked Senator Stedman if had any questions.

SENATOR STEDMAN replied he was comfortable.

SENATOR WAGONER agreed that the Legislature has the power to do what the sponsor asks.

[2:22:59 PM](#)

CHAIR GARY STEVENS noted Senator Ellis had joined the meeting and gave him a synopsis of the discussion.

[2:23:29 PM](#)

SENATOR WAGONER noted the bill had a finance referral and said he had no problem moving the bill.

CHAIR GARY STEVENS asked Senator Ellis if he had any questions.

SENATOR ELLIS said he was well versed on the issue and had no questions.

CHAIR GARY STEVENS noted Mr. Van Sant indicated he had a question.

[2:24:25 PM](#)

STEVE VAN SANT, Assessor, said he assumes that this would apply to cities as well as boroughs and he was curious whether that was the intent.

CHAIR GARY STEVENS said a city couldn't tax outside its boundaries so he wasn't sure how a city could stack taxes.

MR. VAN SANT said he thought about it again and withdrew his question.

SENATOR WAGONER said there wouldn't be a problem with this bill.

MR. VAN SANT said he agrees.

CHAIR GARY STEVENS asked if the sponsor wanted to comment.

SENATOR THERRIAULT said he didn't think it would be a problem for a city.

RENEE BROKER, Fairbanks North Star Borough Attorney, said she agrees it was appropriate for Mr. Van Sant to withdraw his question. It wouldn't be an issue for a city.

CHAIR GARY STEVENS asked if a city is limited in the amount of sales tax it could charge.

MS. BROKER said she wasn't aware of a statutory limit.

MR. VAN SANT clarified his question by explaining that there used to be a 6 percent limit, but it was removed a few years ago.

CHAIR GARY STEVENS asked for a motion.

SENATOR WAGONER motioned to report SB 161 and attached fiscal notes from committee with individual recommendations. There being no objection, it was so ordered.

There being no further business to come before the committee, Chair Gary Stevens adjourned the meeting at [2:28:52 PM](#)