

# FISCAL NOTE

**STATE OF ALASKA**  
**2012 LEGISLATIVE SESSION**

Bill Version SCS CSHB 264(CRA)  
 Fiscal Note Number 3  
 (S) Publish Date 4/14/12

Identifier (file name) HB264-DOR-TAX-04-13-12 Dept. Affected Revenue  
 Title Muni Property Tax Deferral: Subdivisions Appropriation Taxation and Treasury  
 Allocation Tax Division  
 Sponsor Representative Munoz, et al  
 Requester Senat Community and Regional Affairs OMB Component Number 2476

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
<b>OPERATING EXPENDITURES</b>	<b>FY13</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**FUND SOURCE** (Thousands of Dollars)

1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
<b>TOTAL</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**POSITIONS**

Full-time							
Part-time							
Temporary							

<b>CHANGE IN REVENUES</b>	<b>0.0</b>	<b>(115,000.0)</b>	<b>(115,000.0)</b>	<b>(115,000.0)</b>	<b>(115,000.0)</b>	<b>(115,000.0)</b>	<b>(115,000.0)</b>
---------------------------	------------	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------

**Estimated SUPPLEMENTAL (FY12) operating costs** \_\_\_\_\_ (separate supplemental appropriation required)  
 (discuss reasons and fund source(s) in analysis section)

**Estimated CAPITAL (FY13) costs** \_\_\_\_\_ (separate capital appropriation required)  
 (discuss reasons and fund source(s) in analysis section)

**Why this fiscal note differs from previous version (if initial version, please note as such)**

Initial version.

Prepared by Johanna Bales, Deputy Director  
 Division Tax  
 Approved by Alicia Egan, Legislative Liaison  
Department of Revenue

Phone (907) 269-6628  
 Date/Time 4/13/2012 12:30 p.m.  
 Date 4/13/2012

## FISCAL NOTE #3

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

BILL NO. SCS CSHB 264(CRA)

### Analysis

**Bill Language:**

This bill would remove the municipal tax cap that applies to municipal operating budgets. Currently, municipal operating budgets are limited to a maximum formula based on the population of the municipality and can't levy a mill rate that exceeds 3% of the value of all property within the municipality. Additionally, current statutes require that the total tax levied on petroleum property within the state can't exceed 2% and the tax rate levied on all property within a municipality must be the same. For example, if a municipality levies a tax of 2% on petroleum property, it must levy a tax of 2% on all other property, such as residential real estate, within their jurisdiction. Most municipalities' current property tax rates fall between 1.5% and 2.0%. Two municipalities, Valdez and North Slope Borough, are limited in the amount they can raise in property tax for their operating budgets by the tax cap. By removing the tax cap, municipalities would no longer be restrained by their population when levying and collecting property taxes to fund their operating budgets.

**Revenues:**

Petroleum property exists in several municipalities throughout the state. The Department of Revenue determines the value of all petroleum property and each municipality in which petroleum property is located may assess a tax up to 3% on the property. However, the total tax rate paid by the owners of petroleum property cannot exceed 2%. No municipality has a rate higher than 2%. The current state petroleum property tax rate is 2%. Taxpayers owning petroleum property in the state are assessed a tax of 2% of the true and full value of that property. Taxpayers may claim a credit against the tax paid to the state for petroleum property taxes paid to municipalities in which the property is located. Historically, after all credits have been claimed, the State has retained approximately \$115 million each year in petroleum property taxes and this revenue is deposited in the general fund. If the current tax cap is removed, two things can happen. First, the State's share of petroleum property tax could be quickly eroded to zero if all municipalities in which petroleum property is located increase their tax to 2% and are not limited by a cap. Second, if any municipality in which petroleum property is located increases their tax rate to exceed 2%, those municipalities with a rate at or below 2% would see a reduction in the taxes they receive on petroleum property. In summary, we fully expect that the State's historical share of petroleum property tax of \$115 million will be jeopardized by removal of the tax cap.

**Expenditures:**

The department can implement provisions of this bill with existing resources.