

HOUSE FINANCE COMMITTEE
February 15, 2012
1:38 p.m.

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CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:38 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Co-Chair
Representative Mia Costello
Representative Mike Doogan
Representative Bryce Edgmon
Representative David Guttenberg
Representative Reggie Joule
Representative Mark Neuman
Representative Tammie Wilson

MEMBERS ABSENT

Representative Anna Fairclough, Vice-Chair
Representative Les Gara

ALSO PRESENT

Darrell Breese, Staff, Representative Bill Stoltze; Michael Pascal, Staff, Representative Eric Feige.

PRESENT VIA TELECONFERENCE

Whitney Brewster, Director, Division of Motor Vehicles, Department of Administration; Alice Edwards, Director, Division of Air Quality, Department of Environmental Conservation; Scott Ruby, Alaska Division of Community and Regional Affairs, Department of Commerce, Community and Economic Development.

SUMMARY

HB 10 NONCOMMERCIAL TRAILER REGISTRATION FEE

HB 10 was HEARD and HELD in committee for further consideration.

HB 64 PERMANENT MOTOR VEHICLE REGISTRATION

HB 64 was HEARD and HELD in committee for further consideration.

HB 118 RESEARCH AND DEVELOPMENT TAX CREDIT

CSHB 118(FIN) was REPORTED out of committee with "no recommendation" and accompanying new indeterminate fiscal note from the Department of Revenue and new zero fiscal note from the Department of Labor and Workforce Development.

HB 170 MUNI TAX EXEMPTION FOR CERTAIN VOLUNTEERS

HB 170 was HEARD and HELD in committee for further consideration.

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#hb118

HOUSE BILL NO. 118

"An Act relating to a tax credit for corporate income taxes paid for qualified research and development expenditures; and providing for an effective date."

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Co-Chair Stoltze announced a procedural error in reporting out of committee the Labor and Commerce version of CSHB 118 instead of the Finance version of the bill.

Co-Chair Thomas MOVED to RESCIND CSHB 118(L&C) that reported out of committee on 2/13/2012. There being NO OBJECTION, it was so ordered.

Co-Chair Thomas MOVED to report CSHB 118(FIN) out of committee with individual recommendations and the accompanying fiscal notes.

Co-Chair Stoltze OBJECTED for purpose of discussion. There being NO further OBJECTION, it was so ordered.

CSHB 118(FIN) was REPORTED out of committee with "no recommendation" and accompanying new indeterminate fiscal note from the Department of Revenue and new zero fiscal note from the Department of Labor and Workforce Development.

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#hb10

#hb64

HOUSE BILL NO. 10

"An Act relating to the registration fee for noncommercial trailers and to the motor vehicle tax for trailers."

HOUSE BILL NO. 64

"An Act relating to permanent motor vehicle registration; and providing for an effective date."

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Co-Chair Thomas MOVED to ADOPT proposed committee substitute for HB 64, Work Draft 27-LS0327\T (Luckhaupt 2/13/12.)

Co-Chair Stoltze OBJECTED for purpose of discussion.

DARRELL BREESE, STAFF, REPRESENTATIVE BILL STOLTZE, explained the purpose for merging HB 10 and HB 64 into one committee substitute was for efficiency. Both bills deal with similar sections of state statutes, therefore moving forward with one bill would be more effective. The one additional change to the bill would be to remove the state's responsibility to collect the Motor Vehicle registration tax required for sixteen municipalities and cities within the state of Alaska. The local legislative body sets the rate and the Department of Motor Vehicles (DMV) collects the tax with an eight percent collection fee. Since the tax is a municipal or city tax, the bill shifts the collection responsibility from the Department of Motor Vehicles back to the municipalities and cities.

Co-Chair Stoltze asked if the reference applied only to vehicles eligible for the permanent registration. Mr. Breese responded that the language was crafted to remove all motor vehicle tax collection from the department. Co-Chair Stoltze indicated his intent as sponsor was to clarify the bill as a policy question.

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Mr. Breese elaborated that the bill establishes two sets of vehicle classifications; one for non-commercial vehicles, eight years or older where the owner can choose to adopt a permanent rather than bi-annual registration, and establishes a fee rate for the permanent registration. The bill sets a one-time \$300 fee for the permanent registration of a non-commercial vehicle. Permanent vehicle registration for both non-commercial motor vehicles and trailers would be an option, not mandatory, and the registration would not be transferable if the vehicle is sold. The Department of Motor Vehicles estimates approximately ten percent of motor vehicle owners and twenty percent of trailer owners would choose permanent registration.

Co-Chair Stoltze reiterated that the DMV numbers were an estimate.

Mr. Breese pointed out that the DMV estimation was based on the number of vehicle transactions, but agreed it was just an approximation. Permanent non-commercial trailer registration is consistent with legislative decisions regarding commercial trailers. Commercial vehicles are currently allowed to register for a \$25 one-time fee. Currently the DMV is charging \$30 for non-commercial trailer owners every two years. The bill establishes a one-time fee of \$100 for non-commercial vehicles.

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Co-Chair Stoltze pointed out that many states follow the same procedure and there would be potential changes in revenue. He remarked that many owners register their vehicles or trailers as commercial rather than non-commercial in order to only pay the one-time fee.

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Mr. Breese referenced the 20th legislature in 1998, HB 104 which created the permanent trailer registration for commercial trailers. Co-Chair Stoltze noted the logical reference used in the present bill.

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Representative Guttenberg wondered how the license plate and tag would work under this plan. Presently, when a vehicle is registered, it receives a license plate, then after renewal, a tag is issued with the year and month.

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WHITNEY BREWSTER, DIRECTOR, DIVISION OF MOTOR VEHICLES (DMV), DEPARTMENT OF ADMINISTRATION (via teleconference), signified that the DMV does not issue tags for permanent registration of commercial trailers. She indicated that the DMV could consider issuing a tag for permanent non-commercial trailers.

Co-Chair Stoltze requested any concerns that the DMV may have with this bill.

Ms. Brewster agreed the bill would be more equitable for trailer owners. As far as the permanent registration for vehicles, the information in the fiscal note is only the department's estimate on how many people may choose the permanent registration option. She added that the DMV does retain eight percent for the fees collected for the motor vehicle registration tax which is approximately \$1 million a year into the general fund. She indicated that the DMV would look further into the fee collection loss.

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Co-Chair Stoltze asked if she saw any administrative problems for the DMV if the bill is passed. Ms. Brewster indicated changes would be needed in the DMV database. Co-Chair Stoltze indicated after talking with the Department of Public Safety regarding concerns, they did not foresee any problems.

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ALICE EDWARDS, DIRECTOR, DIVISION OF AIR QUALITY, DEPARTMENT OF ENVIRONMENTAL CONSERVATION (DEC) (via

teleconference), responded that the DEC had no concerns with the bill. Co-Chair Stoltze questioned the need for resubmitting the previous fiscal note of \$81,000. Ms. Edwards responded that a new zero fiscal note had been submitted as the EPA had approved the suspension of the emission program in Anchorage.

Co-Chair Stoltze applauded the department for the financial savings.

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Co-Chair Stoltze signified that public testimony will remain open.

CSHB 64(FIN) was HEARD and HELD in committee for further consideration.

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AT EASE

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RECONVENED

#hb170

HOUSE BILL NO. 170

"An Act relating to municipal property tax exemptions on residences of certain volunteer emergency services personnel and the widows and widowers of volunteer emergency services personnel; and providing for an effective date."

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MICHAEL PASCAL, STAFF, REPRESENTATIVE ERIC FEIGE, disclosed that Representative Feige is the Fire Chief of the Chickaloon Fire Department and also on their board of directors, therefore he could benefit from this bill. Mr. Pascal indicated that he was an assistant Fire Chief of the rural Deltana Fire Department, but would not benefit from this bill because of the department's location in an unorganized borough where there is no property tax. He explained that the bill allows a municipality that levies a property tax to provide an exemption of up to \$150,000 to volunteers for fire emergency services. The exception could be used by the community as a recruitment tool. The bill

also offers a provision that the state could, if it chooses to appropriate funds, reimburse a community for the lost revenue tax. Recruitment of volunteers is increasingly more difficult in Alaska. Communities throughout Alaska have tried many methods of volunteer enlistment. He emphasized that the bill could be used as an inducement to attract volunteers, but would not force a municipality to implement the program. Co-Chair Stoltze indicated that a required ordinance would be necessary. Mr. Pascal agreed that an ordinance needed to be created to define how an active volunteer is measured and how the exemption would be given.

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Representative Wilson asked for clarification on the financial impact in the Fairbanks North Star Borough. Mr. Pascal indicated the difficulty in determining the impact to various communities throughout Alaska as the information is not readily available. In using Girdwood as an example, out of the thirty volunteers, about eighteen of them own property with the maximum evaluation being \$150,000. If a community looked at the local mill rate based on the \$150,000 evaluation of the property, the local financial impact could be determined.

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Co-Chair Stoltze inquired if the debate would take place on the local level which is the reason for having a local option. Mr. Pascal agreed that the local community would have that debate and decide whether to offer the exemption.

Representative Wilson asked if the current \$20,000 that is stacked on top of the senior exemption would go on top of the proposed volunteer exemption. Mr. Pascal replied that the \$150,000 is the sole amount so it would not go on top of senior or any other exemption.

Co-Chair Stoltze inquired if the \$150,000 is the upper limit or could the local government opt for a lower amount. Mr. Pascal replied that the \$150,000 limit is the current one in statute for the senior exemption. Since there is a possibility the state could fund the exemption at a later date, the \$150,000 limit was put into the bill. Co-Chair Stoltze reiterated if the local community could opt for a lesser amount. Mr. Pascal replied that was correct.

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Representative Wilson inquired about the retroactive status for widows and widowers. Mr. Pascal suggested that the defining guidelines and procedures would be left to the municipality. Co-Chair Thomas commented on a personal experience where a friend's widow could miss the exemption.

Representative Neuman read page one, line 13, of the bill stating that there needs to be clarification in the statute of "up to" \$150,000. Co-Chair Stoltze agreed that would be a valid change to the bill. He noted the bill needs to reflect the sponsor's intent. Representative Neuman offered to draft an amendment to reflect the change.

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Representative Costello agreed that the retroactive possibilities need further discussion. Co-Chair Stoltze agreed that further discussion on retroactive options would be needed. Co-Chair Thomas suggested that retroactivity could be addressed as a local option. Co-Chair Stoltze noted that the bill has an effective date and any discussions regarding retroactive exemptions would need to be placed within the bill.

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Representative Guttenberg referred to page 2, line 16-21, determining who is covered if an individual applies late or forgets to apply. He wondered who is being covered, besides those that apply late and how it would be determined. Mr. Pascal reported that the language was pulled from existing exemptions already in place. Representative Guttenberg requested examples of other exemptions. Mr. Pascal noted the elderly exemption which is mandatory, but was unable to name others. Co-Chair Stoltze listed other exemptions, such as disabled veterans, widows of disabled veterans, and widows of senior exemptions.

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SCOTT RUBY ALASKA DIVISION OF COMMUNITY AND REGIONAL AFFAIRS, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), signified that he would provide a comprehensive list to the committee.

Representative Guttenberg noted if someone does not apply for the permanent fund for whatever reason, but wants the property tax exemption; it could bring up a policy call dilemma. He indicated support for the bill, but needed some policy clarifications. Co-Chair Stoltze indicated that the permanent fund dividend eligibility is a constitutionally tested time for allowable residency. Representative Edgmon noted various definitions of permanent residency. Co-Chair Stoltze agreed, but indicated that the permanent fund had the most universal determination.

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Representative Doogan wondered if the bill's assumption was that people would not become volunteer fire fighters if the benefit was not offered. He questioned if the benefit was an inducement or a reward. Mr. Pascal replied that the bill offers an inducement. Over time volunteerism often becomes more difficult on the individual so this inducement would be an added incentive to recruit and retain volunteers.

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Co-Chair Thomas queried if volunteer hospice workers would be eligible for this benefit. Mr. Pascal replied that hospice workers would not be covered in this bill. The bill does not cover scheduled volunteerism, but those individuals responding to spontaneous emergency situations on any day or time. Co-Chair Thomas offered that a hospice volunteer and an emergency medical responder may be one person. Mr. Pascal agreed that most community volunteers overlap in positions.

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Co-Chair Stoltze pointed out that he represented one of the largest volunteer fire departments in the state. He elaborated that a volunteer board of supervisors was connected to the fire department and wondered about their eligibility. Mr. Pascal remarked that the designation was for active volunteers under the definition the state provided for the hepatitis vaccine. The local community would have the final determination on defining the active volunteer status. Co-Chair Stoltze remarked that the hepatitis vaccine was just another test and standard for determining eligibility. Mr. Pascal interjected that the

hepatitis vaccine is a serious issue with increased awareness in communities.

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Representative Wilson mentioned that volunteers in her larger community do not overlap positions. She opined that the bill was making one group more important than another. She also believed the state could end up with a large financial burden. Mr. Pascal indicated that the volunteer eligibility issue was discussed in the previous committee and the agreed upon distinction was the requirement of immediate sacrifice versus the scheduling of the sacrifice. Representative Wilson stressed that true volunteers do make sacrifices even if the service is scheduled.

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Co-Chair Stoltze reminded the committee that the money must derive from somewhere, but signified that volunteers do save the state money. He acknowledged that the financial impact on each community would be different. Representative Edgmon noted the committee support for the bill, but needed clarification with a definition on page 2, line 7, that reads a person qualified as a volunteer for purposes of this section only if the person has been a volunteer of the fire department, emergency medical or rescue services for at least two years before the date. He noted Representative Guttenberg's point on line 16-21, that referenced the permanent fund dividend. On page 3 another definition of volunteer is under Title 18. He questioned the differences and if they overlapped. Mr. Pascal agreed the definitions were qualifications designed so that an individual could not sign up to volunteer one day and immediately receive the exemption. The bill's intent is to ensure a minimum qualification for the volunteer definition and eligibility.

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Representative Edgmon recounted that an individual must be a volunteer for two years and have residency verified by the permanent fund dividend. He asked for further information regarding volunteer requirements in Title 18. Co-Chair Stoltze remarked that local governments would look at how it overlaps their tax cycle. Mr. Pascal agreed and signified he would provide wording for Section 18.

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Representative Doogan questioned the problem this legislation was intended to solve. He wondered if the problem was not enough volunteer fire fighters or the bill would just provide a compensation award. Mr. Pascal remarked that the issue addressed in the bill was the lack of volunteers in many communities. Representative Doogan questioned if the bill provided the best method for solving the volunteer problem.

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Mr. Pascal agreed there is not just one method to address the problem. He stressed the great financial burden if communities replaced volunteers with permanent employees. Representative Doogan contended he was not questioning the value of the volunteers, but trying to establish whether the inducement was necessary and if the bill provided the most appropriate way to handle the situation at the appropriate level. Co-Chair Thomas interjected that younger members of some communities were not volunteering at the rate of previous generations. He believed the bill provided a good incentive to reward and recruit volunteers.

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Representative Costello stressed that the state may end up replacing the community's loss revenue from property taxes. The state may be in the red by 2015 and, without more oil production, cash reserves could be depleted by 2025. The state could decide at a later date not to help the communities with lost revenue. She wondered what would prevent a local community from increasing the mill rate to property owners paying taxes.

Mr. Pascal remarked that the provision for the state is not loaded on the front, but only if the state later chooses to enact legislation to fund it. If the state does decide to fund the program and later pulls out, the municipality would have to fund the program or end the exemption.

Co-Chair Stoltze remarked that clarification was needed to indicate the possibility of a lower threshold than \$150,000 to provide local flexibility. He requested more detailed information on eligibility status, volunteer definitions, and a list of other exemptions.

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Representative Doogan remarked that fiscal note discussion was needed. Co-Chair Stoltze noted the relevance of the fiscal note and that local communities needed to weigh in on the fiscal impact to their community. Representative Doogan suggested the fiscal note be indeterminate rather than zero. Decisions made regarding the exemption would roll into municipalities which could eventually roll to the legislature. More information was needed on the potential cost of the volunteer exemption program.

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Co-Chair Stoltze requested Mr. Pascal provide the mill rates for cost projections. He declared most community fire chiefs could provide needed answers. Co-Chair Thomas reminded the committee of an earlier proposed bill allowing the municipalities to phase out the senior citizen tax exemption over a ten year period. If implemented, the municipality could have the option to phase out the exemption to a volunteer after a declared time period.

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Representative Neuman indicated his approval of the concept and local option proposed. He noted, in Willow, the difficulty in attracting volunteers, but was concerned over the potential lost revenue for a community. Personal taxes in a fire service area could change depending on the number of volunteers. He questioned how municipalities would distribute the payment to volunteers throughout a borough.

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Mr. Pascal asked Representative Neuman if he questioned that the bill was envisioned to be a specific fire service area or for the entire municipality. Representative Neuman queried, if the state does not reimburse the expenditure, would the cost be passed on to people in a specific fire service area or would it be borough wide taxation. Mr. Pascal indicated the cost would be borough wide.

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Representative Wilson agreed that was part of her concern. The many divisions in Fairbanks make it difficult to determine who would eventually pay; where the volunteer lives or where the individual volunteers. She indicated she would run numbers in her community to assess the impact. Co-Chair Stoltze suggested working with the volunteers who would know the demographics of their departments.

HB 170 was HEARD and HELD in committee for further consideration.

ADJOURNMENT

The meeting was adjourned at 2:52 PM.