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Referred: Community & Regional
Affairs and Finance

1 IN THE SENATE

BY FAHRENKAMP AND BENNETT

2 SENATE BILL NO. 30

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the municipal assistance fund;
7 suspending the municipal sales and use tax; and pro-
8 viding for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 43.21 is amended by adding a new section to read:

11 Sec. 43.21.085. SHARING OF OIL AND GAS CORPORATE INCOME TAX
12 REVENUE WITH MUNICIPALITIES. (a) The municipal assistance fund is
13 established in the Department of Revenue. The legislature may appro-
14 priate to the fund during each fiscal year an amount equal to or greater
15 than 10 percent of the tax revenue received by the state under this
16 chapter for the previous fiscal year. The department shall annually
17 distribute money from the fund to each organized borough and city as
18 provided in this section.

19 (b) Each borough and city shall receive from the municipal assis-
20 tance fund for each fiscal year the amount received by the borough or
21 city from the business license tax (AS 43.70.080) during the fiscal
22 year ending June 30, 1978. However, if the amount appropriated to the
23 fund is insufficient for distribution of the full amount due each
24 borough and city, the department shall prorate and distribute the
25 amount available on the basis of amounts received during fiscal year
26 1978 under AS 43.70.080. A city incorporated within an organized
27 borough after June 30, 1977, shall receive a share of the amount distri-
28 buted to the borough in which it is located based on the ratio of
29 population in the city to the total population in the borough. A city

1 incorporated outside an organized borough after June 30, 1977, shall
2 receive the amount received by the city most closely approximating the
3 newly incorporated city in population. A borough incorporated after
4 June 30, 1977, shall receive the amount received by the borough most
5 closely approximating the newly incorporated borough in population.

6 (c) If the amount in the municipal assistance fund exceeds the
7 amount distributed under (b) of this section, the following distribu-
8 tion of the balance shall be made:

9 (1) each borough and city shall receive for each fiscal year
10 the amount of sales and use taxes it levied during the fiscal year
11 ending June 30, 1981, under AS 29.53.415, 29.53.440, or 29.53.450;

12 (2) a borough or city that did not levy a sales or use tax
13 during the fiscal year 1981, shall, beginning with the fiscal year
14 ending June 30, 1987, receive the average annual amount of sales and
15 use taxes it levied during the previous five fiscal years;

16 (3) a borough or city incorporated after July 1, 1981,
17 shall, five full fiscal years after its incorporation, receive the
18 average amount of sales and use taxes it levied during the previous
19 five fiscal years.

20 (d) Distributions under (c) of this section shall be increased by
21 10 percent each fiscal year.

22 (e) If the amount appropriated to the municipal assistance fund
23 is insufficient for distribution of the full amount payable under (c)
24 and (d) of this section, the department shall prorate the amount avail-
25 able and distribute the prorated percentage of the amount each borough
26 and city is entitled to receive.

27 (f) If the amount in the municipal assistance fund exceeds the
28 amount distributed under (b), (c), (d), and (e) of this section, the
29 balance shall be distributed to each borough and city on the basis of

1 population. For the purpose of this subsection, the population of a
2 city within an organized borough shall be deducted from the population
3 of the borough. For the purpose of this subsection, population shall be
4 as certified by the commissioner of community and regional affairs.
5 The intent of this subsection is that a borough or city which levies
6 property taxes reduce the levy in reasonable proportion to the amount
7 of increased state aid it receives. The governing body of each borough
8 or city shall furnish a notice with the tax statement describing its
9 use of this increased state aid.

10 * Sec. 2. The authority to levy sales and use taxes under AS 29.53.415,
11 29.53.420, 29.53.440, and 29.53.450 is suspended until July 1, 1997. This
12 suspension applies only to a borough or city which levied a sales or use tax
13 during the fiscal year ending June 30, 1981. However, the suspension imposed
14 by this section terminates and a borough or city may reinstate the sales or
15 use tax in effect during the fiscal year ending June 30, 1981, if the amount
16 appropriated to the municipal assistance fund is insufficient for distribu-
17 tion of the full amount under AS 43.20.016(c) and (d).

18 * Sec. 3. The authority to levy sales and use taxes under AS 29.53.415,
19 29.53.420, 29.53.440, and 29.53.450 is suspended from July 1, 1987, to
20 July 1, 1997. This suspension applies only to a borough or city which did
21 not levy a sales or use tax during the fiscal year ending June 30, 1981.
22 However, the suspension imposed by this section terminates and a borough or
23 city may reinstate the sales or use tax in effect during a previous fiscal
24 year if the amount appropriated to the municipal assistance fund is insuffi-
25 cient for distribution of the full amount under AS 43.20.016(c) and (d).

26 * Sec. 4. The authority to levy sales and use taxes under AS 29.53.415,
27 29.53.420, 29.53.440, and 29.53.450 is suspended as applied to a borough or
28 city incorporated after July 1, 1981, beginning five full fiscal years after
29 its incorporation and ending July 1, 1997. However, the suspension imposed

1 by this section terminates and a borough or city may reinstate the sales or
2 use tax in effect during a previous fiscal year if the amount appropriated
3 to the municipal assistance fund is insufficient for distribution of the
4 full amount under AS 43.20.016(c) and (d).

5 * Sec. 5. AS 43.20.016 is repealed.

6 * Sec. 6. This Act takes effect July 1, 1981.

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