

A/B - 350

"An Act relating to powers of municipal taxation; and providing for an effective date."

COMMITTEE REPORT

3/26/75

HOUSE

JUDICIARY

Mr. Speaker:

Date _____

The Committee on CARA has had HB 350

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR HB 350 AND THAT
CS FOR HB 350 DO PASS

"and" recommends it BE REFERRED TO THE _____
COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	_____	_____

Members NOT concurring in the Majority report:

<u>[Signature]</u>	recommends: <u>No Pass</u>
_____	recommends:
_____	recommends:
_____	recommends:
_____	recommends:

[Signature] Chairman

House Committee on
COMMUNITY & REGIONAL AFFAIRS

Meeting Minutes
April 17, 1975

Meeting was called to order at 9:00 to discuss HB 246 and HB 350. Present:

Rep. Cotten	Rep. Mackney
Rep. Ostrosky	Don Clocksin, Legal Services
Rep. Freeman	Phil Wall, Dept. of Revenue
Rep. Davis	Barbara ENglert Thomas, Staff

EXPLANATION OF
SOME AMENDMENTS

Don explained some of his amendments. Ben Marsh wanted to exclude organized boroughs from the unincorporated areas so line 19 was changed to "a municipality" from "an incorporated city". Marsh had been concerned about the area outside Anchorage. Marsh also wanted more than 35% required so Don eliminated the voting district provision and made it within 2 miles of place or established village. The mandatory reference in section 300 is now limited to established villages determined by C&RA. This solves Ose's problem of an establishment along a hiway not in the village. The desires of the community are taken into account but not mandatory on the Board. The resident requirement was changed to "an adult resident having a permanent place of abode". Section 200 no longer requires posting of application for reissuance or renewal but will require other kinds of notice.

VOTING DRY

Chairman Cotten wants the bill to be addressed to voting dry or wet but not to revoking individual licenses. Clocksin said there was a legal question on whether you can have organized election in unincorporated area to go dry or not.

"APPEARS"

Rep. Freeman made an objection to part of sec. 300. He doesn't understand how you can mandate a hearing if 35% ask for it and if it only appears that the majority are against it the Board shall not issue the license. Appear wouldn't stand up in court. Rep. Ostrosky noted that the word "appear" is used in the original statute but that is only in the original issuance. Mr. Wall agreed that a definator of appear was necessary. It hasn't been handled well in the present situation. Clocksin suggested striking it and requiring the Board to take a vote. Freeman says why not have an election. Kathryn asks how would you establish the majority?

TAKING A VOTE

Wall said there are two ways: require Board to have regulations or spell it out. He's not sure of the legality of the Board administering vote.

AMENDMENT

Wall--Should be within 2 miles of his permanent place of abode and (instead of or) within 2 miles of the established village.

Wall said that definition of 2 miles within village might be a problem. For instance tok is 6 miles long.

TITLE OF SEC 300

He also suggested changing the Title of Section 300 to PROTEST OF LICENSE ISSUANCE IN AREAS OUTSIDE MUNICIPALITIES.

COMMITTEE SUB.

The staff will have a committee substitute drawn up to be ready for tomorrow.

HB 350 (1080)

The Committee now had before it HB 350. The Chairman wants to delete all of sec. A. He had a request from Anchorage for 5% maximum sales tax. The problem in Anchorage is the city charges 5% but in order to raise in Borough the people have to vote. The city charges 5% on hotels and motels within city but the borough only charges 3%. Want to tax all the transients and tourists the same.

COMMITTEE SUB.

A committee substitute will be drawn up deleting the first section and putting a maximum of 5%. (The committee members signed the report.) Meeting was adjourned at 10:00.

REPORT OUT

House Committee on
COMMUNITY & REGIONAL AFFAIRS

Meeting Minutes
April 9, 1975

Meeting was called to order at 9:00 for discussion of HB 350. Present:

Representative Sam Cotten, Chairman	Oral Freeman
" Kathryn Ostrosky	Glenn Hackney
" Lary Davis	
" Al Ose	

Barbara Englert Thomas, Staff
Andrea Guernsey, Staff
Bob Dozier, State Assessor
Don Berry, Municipal League
Sam Coxom, City Manager, Dillingham

PERSONAL
PROPERTY

HB 350 was introduced by Coxom's request. IN section 1 subsection (a) insert "personal" in front of property. Cotten asked if this would be left to the voters whether to exempt property or not? Mr. Berry said, yes, the people should have the say. The way the bill is written now the voters don't have a say on personal property but do concerning residential property. Voter ratification should apply to the whole section.. Rep. Hackney would like to make that clear. Suggested amendment for subsection (a) of section 1: "Municipalities may by ordinance subject to voter approval at a regular or special election exclude from..."

DEFINITION OF
PERSONAL PROPERTY

Ose asked Mr. Coxom for a definition of personal property: business inventories, mobile homes by ordinance can be real or personal, business equipment, household goods (Dillingham is 1 of 4 communities to tax household goods), boats, cars, airplanes, bank accounts, anything a person owns other than house or land can be considered personal.

SALES TAX

This bill asks for the lid on the sales tax be raised. 3% sales tax is not enough now with inflation. This is permissive legislation requiring the people to vote. Cotten brought up the point that Anchorage was now taxing 5% sales tax. Is that legal? Coxom said that between the borough and the city they could tax a total of 8%. Sales tax in Dillingham brings in \$60, 665.

PROBLEM IN DILL-
INGHAM

Coxom said one problem is inflation. They have a logistics problem with personal property. Inventories are usually depleted after JANUARY 1. Have to fly in everything for six months a year. It costs 9% of the \$60,000 received from personal property tax for administration. If personal property were exempted then there would be no excuse for businesses to be depleted and charging more to have everything flown in. Causing a high rise in prices in this respect. if it costs more than 3% to administer something is wrong.

SALES TAX VS
PERSONAL PROPERTY

Ose objects to the bill because the little man will be paying more in sales tax while the person with a lot of expensive personal property will be getting off. COXSON said he will not be paying more but a different kind. The check is voter ratification. The wage earner won't vote if he is going to get hurt.

COTTEN-What if there was an exemption on food stuffs? It would be optional. The voter will have to assess whether he pays by mill rate or sales tax. (Mill rate in Dillingham is 18.5)

Will the average citizen pay more taxes if you raise the sales tax and exempt personal property? COXSON said yes, if the goods go up. the 3% sales tax will not be enough soon with the rate of inflation.

TAXING BUSINESS
INVENTORIES

Mr. Dozier said that to take care of inventories being depleted on January 1 in order to have small inventory for personal property tax in title 29 53.060.B you may tax on a monthly assessment.

Meeting was adjourned at 10:00 until 1:30.

1:30. Present were Mr. Cotten, Ose, DAVIS and Mrs. Ostrosky. (No tape of this meeting.) Continued discussion of the little man getting socked with a high sales tax.

MEMORANDUM

LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

POUCH Y— STATE CAPITOL
JUNEAU, ALASKA 99811

TO: Representative Anderson

DATE: March 15, 1975

FROM: Greg Machyowsky
Legislative Counsel

SUBJECT: Attached bill relating
to municipal taxation
of personal property
and sales

The attached bill makes the changes necessary as to taxation of personal property under existing law which are called for in Resolution No. 75-2 of the City Council of Dillingham and the communications of Mr. Coxson, the City Manager, furnished with the bill request. Specifically, the bill authorizes a home rule or general law city or borough to exempt ("exclude") all personal property from taxation. In preparing the bill I have assumed that the power to exclude personal property is not intended to override the existing prohibition on municipalities exempting personal property related to oil and gas production set forth in AS 43.56.010. If that assumption is not correct, the bill will of course have to be revised.

The bill also removes the present three per cent limit on sales taxation by cities and boroughs and permits taxation without limit. While it would not seem that a home rule city is bound under existing law by the three per cent limit (as discussed below) the bill removes the limit for general law cities and boroughs as well. If some limit, higher than three per cent is intended, the bill can of course be revised; the city resolution and communications of the manager request no specific limit, however.

In the two drafts of legislation submitted with the bill request (one as to personal property taxation, the other as to sales taxation), a five per cent sales tax limitation is provided; also, as to personal property taxation, authority for a city or borough to tax personal property at a different rate of levy than real property is provided, in addition to the option of a city or borough to exclude all personal property from taxation. If intended, these provisions can be readily incorporated into a revised draft of the attached bill.

The bill is given an immediate effective date, rather than a retroactive effective date of January 1, 1975, as proposed in the draft relating to personal property taxation submitted with the bill request. If the retroactive effective date of the draft is intended to permit refunds of taxes being paid on personal property

MEMORANDUM

Representative Anderson

March 15, 1975

Page Two

for the current fiscal year of a city or borough, it would seem advisable to make specific provisions in the bill for that purpose. I have assumed that the retroactive effective date is primarily intended to insure that cities and boroughs have authority, in currently assessing property for taxation in the upcoming fiscal year, to exclude personal property from taxation. For that purpose, an immediate effective date would seem to suffice.

With respect to the power under present law of a home city outside a borough to levy a sales tax in excess of three per cent, review of the municipal code provisions, and the accompanying statements of legislative intent, indicates that the home rule governing body may now levy in excess of three per cent (with or without the election required of general law cities or boroughs to levy or increase a sales tax). AS 29.43.010 is the controlling provision on the point. (Counsel to the city of Dillingham, in the good and extensive replies to the questions posed by the city manager, apparently differs as to AS 29.43.010 and concludes that specific authority for home rule cities outside boroughs to levy sales taxes in excess of three per cent would have to be accomplished by amendment to present law. The attached bill, in any case, expressly confers authority without percentage limitation to all cities and boroughs).

You may wish to separate the provisions of the bill relating to personal property taxation from those relating to sales taxation and make each subject a separate bill, as is done in the drafts submitted with the request. If so, or if there are other revisions you wish made or questions which I may be able to answer concerning the attached bill, please let me know.



CITY OF DILLINGHAM

P.O. BOX 191

DILLINGHAM, ALASKA 99576

TELEPHONE (907) 842-3483 or 842-3933

March 10, 1975

Representative Nels. A. Anderson, Jr.
Alaska State House of Representatives
Pouch V
Juneau, Alaska 99801

Dear Nels:

Enclosed is a cost breakdown on the administration of the personal property tax collection. As is indicated in the breakdown the major cost is the personnel, the time spent on processing the forms, mailing the forms out, making the adjustments, assisting people in filling out the forms, etc. The percentages of the bookkeepers time and my time are rough estimates and would vary from year to year depending on the number of mailings and the number of property returns that include equipment or inventory that I would have to check out.

One important perspective which is written as a note to the cost breakdown that I think should be emphasized is that litigation is not figured into the cost. One could go either way in estimating litigation. For example, one year there may be one or two persons which have to be taken to court and the following year there may be ten to fifteen. In other words, the number could change; hence the time and the cost would vary also. Since I mentioned the specific costs of collection in the letter that I wrote you before, I have detailed them as accurately as possible in this cost breakdown. I would like to know, also, if Guy was able to find out from the legislative affairs attorneys or the attorney that was coming from New York whether or not the change in the personal property statute was necessary.

I want to thank you for the time and consideration that both you and Guy Van Doren showed Ray Kase and myself while we were in your office. I realize that you are extremely busy now and would appreciate any time that you can spend with the taxation question.

Sincerely yours,


Samuel L. Coxson
City Manager

SEC/lrh

Encl. One

CITY OF DILLINGHAM

ADMINISTRATION COST BREAKDOWN

PERSONAL PROPERTY TAX COLLECTION

362 mailings @ 2 hrs. each 362x2x6.80/hr. =	\$ 4,923.00	
Postage 36.20x3 =	109.00	
362 forms @ .24 each =	87.00	
Delinquency notices	8.00	
Additional postage (115 notices) =	12.00	
	<hr/>	
Total City Clerk	5,139.00	
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City Bookkeeper .02 of salary	280.00	
Total Clerical	\$ 5,419.00	
	<hr/>	
City Manager's time .02%	340.00	
	<hr/>	
Total Administration	\$ 5,759.00	.09598 of total Revenue Received

In addition to administration costs may be added litigation costs which can not be estimated accurately in advance. Since this is the case, litigation costs would tend to distort the actual costs by interjecting mere potential costs, though they may be large depending on the circumstances.

\$20,000 in personal property (e.g. car + fuel boat)
\$10,000 annual income

$$\text{P.P.T. } 20,000 \times .0185 = \$370$$

Sales tax at 3%

80% of total income paid for things covered by sales tax

$$10,000 \times .8 = 8,000 \times .03 = \$240$$

Regressivity of tax is a variable depending on rate and valuation relative to individual income. The hypothetical person above earns less than the state average mean income and reflect persons of the middle income to low-middle income scale. In the above example the personal property is more regressive than the sales tax. By this, it is meant that the \$10,000 per year income person is having a relatively larger portion of his total income go toward the personal property tax. Assuming the same millage rate and sales tax rate (18.5 mills and 3%) the same would apply to various income levels.

There is a point in the lower income scale where ~~sales tax~~ sales tax becomes the more regressive of the two taxes assuming persons at the lower income level do not own much personal property.

6,000 personal property
6,500 annual income

$$\text{P.P.T. } 6,000 \times .0185 = \$111$$

$$\text{Sales Tax } 6,500 \times .8 \times .03 = \$156$$

Sam,

Coxon left this this morning.
He hopes it does what you
want but if it isn't he will
try again. He says to amend
if you must. Leave the personal
property tax on boats, airplanes
but take the nuisances out.

Will be back later to find
out what you think.

Dear Chairman Cotten:

Enclosed is an actual breakdown of revenues that would be received by each tax - personal property and sales. To the taxpayer in Dillingham there is no large net gain in taxes he has to pay. As a matter of fact, the "efficiency" of collection of the sales tax accounts for its larger probable revenue.

Many home rule cities (municipalities) did away with personal property tax when state statutes did not prohibit such acts. None, to my knowledge, have reinstated the personal property tax, although there is no set direct relation between the desirability of the personal property tax and the lack of reinstating it, there seems to be some bases for not wanting to reinstate it whether it be for political or administrative reasons.

Tax shifting from merchants to the wage earner occurs only to a very limited extent. Merchants pass on any personal property tax (tax on inventory) to the consumer. When one considers the problems accompanying the personal property tax: high cost for goods because of inventory depletion to avoid tax on inventory and consequent higher freight costs because air freight rather than ocean freight must be used to replenish inventory; high tax collection costs; one or two lump sum payments instead of small periodic payments throughout the year and lack of built-in inflation adjustment, it seems clear that the proposal is the preferred approach to resolving the problem.

In the case of Dillingham there is very little tax shifting and when the merchant to consumer pass-through is considered, it appears that there is little to oppose in the proposed statute amendments. If permission to change is given in the form

2

of passed amendments, it is probable that Dillingham, at least, and possibly other communities, can more flexibly approach their fiscal problems.

yours respectfully,

Samuel C. Copson

ENCL. Total Dollar Cost Estimate

Total Dollar Estimate of Eliminating the Personal Property Tax

Sales tax if we went back to two percent:

$$\text{@ } \$5,000 \text{ per percent} \quad \$5,000 \times 270 \times 12 \text{ months} = \$120,000$$

Sales tax if we stay at three percent:

$$\text{@ } \$5,000 \text{ per percent} \quad \$5,000 \times 370 \times 12 \text{ months} = \$180,000$$

net difference $\$60,000$

Personal property tax revenue:

$$\$3,279,217 \times .0185 =$$

$\$60,665$ *

net loss if personal property tax abolished

$(\$60,665)$

Total net difference

(665)

* assumes 100% collection which is not practical.
at least 14-37% of this figure will not be collected
 $(60,665 \times .03 = \$1,820)$

Probable amount personal property tax $(58,845)$

Probable amount sales tax @ 3%

60,000

net difference

$\$1,155$ *

* assumes that revenue per percent will remain same when in actuality they will increase with inflation.

Alaska State Legislature

REPRESENTATIVE
SAM R. COTTEN
P.O. BOX 298
EAGLE RIVER, ALASKA 99577

WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811



CHAIRMAN
COMMUNITY & REGIONAL
AFFAIRS COMMITTEE

MEMBER
JUDICIARY COMMITTEE

House of Representatives

April 4, 1975

Gary Thurlow
Borough Attorney
Greater Anchorage Area Borough
3500 East Tudor Road
Anchorage, Alaska 99507

Dear Gary:

Thank you for your letter of March 6. A Bill has been introduced by Andersen and myself which would cover the request you made in your letter. The problem is a different one for Dillingham, as per HB 350, but would also cover your concern. Thanks again.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sam R. Cotten".

Sam R. Cotten

SRC:asg
Enclosure-HB 350



GREATER ANCHORAGE AREA BOROUGH

3500 EAST TUDOR ROAD
ANCHORAGE, ALASKA 99507

DEPARTMENT OF LAW
279-8686

March 6, 1975

Senator Sam Cotten
Chairman
Senate Committee on Community
and Regional Affairs
Pouch V
Juneau, Alaska 99801

RE: Increasing Permissable Municipal Sales Taxes From 3% to 5%

Dear Sam:

Attached are:

1. Draft bill raising municipal sales tax ceiling from 3% to 5%.
2. Borough Memorandum 74-849, dated November 18, 1974 regarding City of Anchorage 5% levy on hotel-motel rentals and placement of issue on borough ballot for non-areawide (outside of cities) borough vote.
3. Resolution No. RE 74-158A adopted December 30, 1974, placing borough non-areawide hotel-motel tax on ballot (ballot proposition was approved by the voters on February 11, 1975; 4,218 yes, 2,331 no).
4. Resolution No. RE 74-159 adopted December 30, 1974 requesting change of state law so that general law municipalities can charge same sales tax as home rule cities not to exceed 5%.

The foregoing are self-explanatory.

We currently have an anomaly in the Anchorage area as the City of Anchorage now levies a 5% hotel-motel tax under its powers as a home rule city. The Anchorage Borough is a general law municipality and it, as well as other general law boroughs and cities, are limited to a 3% sales tax. The attached bill would put general law municipalities in the same position as home rule municipalities.

A number of Alaska cities now levy sales taxes in excess of 3%.

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I anticipate that the Borough Assembly would adopt a 5% hotel-motel tax similar to that of the City of Anchorage hotel-motel tax after any legislative change of the 3% ceiling. The voters in the Borough have approved imposition of a 5% hotel-motel sales tax levy should the Legislature change existing law.

I am sending a similar letter to Senator Pat Rodey, Chairman of the House Committee on Community and Regional Affairs.

We will testify on the bill if you so desire.

Sincerely yours,



Gary Thurlow
Borough Attorney

GT:msm
Encl.

cc: Lee MacAnerney, Commissioner, Dept. of Community & Regional Affairs.
Donald Berry, Alaska Municipal League
Norman Levesque, Borough Director of Finance
Douglas Weiford, City Manager, City of Anchorage

GREATER ANCHORAGE AREA BOROUGH

RESOLUTION NO RE 74-158A

A RESOLUTION PROVIDING FOR THE SUBMISSION TO THE QUALIFIED VOTERS OF THE GREATER ANCHORAGE AREA BOROUGH, ANCHORAGE, ALASKA, OUTSIDE OF CITIES, THE QUESTION OF WHETHER THE BOROUGH ASSEMBLY SHOULD ENACT A HOTEL AND MOTEL RENTAL TAX IN THE AMOUNT NOT TO EXCEED FIVE PERCENT (5%) AT THE REGULAR ELECTION TO BE HELD ON TUESDAY, FEBRUARY 11, 1975.

WHEREAS, AS 29.53.415 and AS 29.53.420 permit a Borough to levy and assess a sales tax not exceeding three percent (3%) of such amount allowed by laws, whichever is the less, on sales and rentals if the electorate approves the imposition of the tax by a majority of votes cast, and,

WHEREAS, there is a need for additional sources of revenue to meet the expanding needs of the Greater Anchorage Area Borough, and,

WHEREAS, the voters of the City of Anchorage have authorized the imposition of such a tax at five percent (5%) of sales and rentals of hotels and motels within the City, and,

WHEREAS, the Greater Anchorage Area Borough wishes to determine whether the electorate favors the imposition of a tax upon the amount charged as room rentals in motels and hotels;

NOW THEREFORE BE IT RESOLVED by the Greater Anchorage Area Borough Assembly:

1. That it is hereby declared to be in the public interest to establish a hotel and motel room rental tax in the amount of not to exceed five percent (5%) on motel and hotel accommodations to transients occupying rooms for fewer than thirty (30) days.

2. That at the regular election to be held on Tuesday, February 11, 1975, the following proposition shall be submitted to the qualified voters of the Greater Anchorage Area Borough outside of cities for approval or rejection:

PROPOSITION NO. 6

Shall the Greater Anchorage Area Borough impose in the area outside of cities a tax on hotel-motel rentals of accommodations to transients occupying rooms for fewer than thirty (30) days in an amount not to exceed at any time five percent (5%) of such rentals, or such percent as is allowed by law, whichever is less.

YES 121

NO 2,531

Upon passage of the above proposition, the Borough Assembly may by appropriate Ordinance enact a motel-hotel rental tax in an amount not to exceed five percent (5%) of such rentals or such amount as is allowed by law, whichever is less, and may, from time to time, modify the amount of the tax so long as it does not exceed five percent (5%) of hotel-motel rentals or the amount allowed by law, whichever is less.

PASSED AND APPROVED by the Assembly of the Greater Anchorage Area Borough on this 30th day of December, 1974.

Edward C. Willis
Presiding Officer

ATTEST:

Phyllis Eileen Banks
Borough Clerk Deputy

APPROVED this 30th day of December, 1974.

John R. Podewitz
Borough Mayor

ap 12-30-74

REQUESTED BY ASSEMBLYMAN MARSH

GREATER ANCHORAGE AREA BOROUGH

RESOLUTION NO RE 74-159

A RESOLUTION REQUESTING THE STATE LEGISLATURE TO AUTHORIZE BOROUGHES TO IMPOSE A TAX IN THE AMOUNT OF NOT TO EXCEED FIVE PERCENT (5%) OF HOTEL AND MOTEL SALES AND RENTALS.

WHEREAS, AS 29.53.415 and AS 29.53.420 permit Boroughs to levy and assess a sales tax not exceeding three percent (3%) on sales if the electorate approves the imposition of the tax by a majority of votes cast, and,

WHEREAS, home rule cities in Alaska often impose sales taxes, including sales taxes on hotel and motel sales and rentals, in an amount of up to five percent (5%) and,

WHEREAS, a more uniform and equitable taxation policy can be achieved if home rule municipalities and boroughs within which they are located levy sales taxes in the same amount, and,

WHEREAS, the voters of the City of Anchorage, a home rule city, have authorized the imposition of a sales tax of five percent (5%) on hotel and motel sales and rentals, and,

WHEREAS, the Assembly of the Greater Anchorage Area Borough wishes to impose a sales tax of five percent (5%) on hotel and motel sales and rentals if such levy is authorized by law and if such levy is approved by a vote of the people.

NOW THEREFORE BE IT RESOLVED by the Greater Anchorage Area Borough Assembly:

1. That the Legislature is requested to amend AS 29.53.415 to permit voters of any municipality to authorize the imposition of a sales tax in an amount not to exceed five percent (5%) of hotel and motel sales and rentals.

2. That copies of this Resolution be sent to the Chairman of the House Committee on Community and Regional Affairs, to the Chairman of the Senate Committee on Community and Regional Affairs, and to the Commissioner of Community and Regional Affairs.

PASSED AND APPROVED by the Assembly of the Greater Anchorage Area Borough on this 30th day of December, 1974.

Edward C. Willes
Presiding Officer

ATTEST:

Mary Coffey
Borough Clerk

APPROVED this 30th day of December, 1974.

John R. Rodenburg
Borough Mayor

IN THE SENATE

SENATE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act increasing sales tax which borough
may levy from 3% to 5% and providing for
an effective date."

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

Section 1. Subsection (a) of Section 29.53.415 is amended to
read:

- (a) A borough may levy and collect a sales tax not exceeding
five [three] percent on sales or rents, and on services
within the borough. The sales tax may apply to any or
all of these sources. Exemptions may be granted by ordin-
ance.

Sec. 2. This Act takes effect immediately in accordance with
AS 01.10.070(c).

Legal Department

November 18, 1974

Hotel-Motel Tax Levy

The attached Resolutions were requested by Assemblyman Ben Marsh. They are modeled after a City of Anchorage Resolution on the same subject.

State law (AS 29.53.415) places a 3% ceiling on any sales tax levied by a borough. Accordingly, one Resolution has been drafted which provides for a 3% levy instead of the 5% levy approved by the City of Anchorage voters for imposition within the City.

Also attached is Resolution No RR 74-158A which provides for the imposition of a motel-hotel tax not to exceed five percent (5%) or the amount allowed by State law, whichever is less. Approval by the voters of the proposition set forth in this Resolution would permit an increase to the 3% levy now permitted by State law or such higher amount as might later be permitted by a change in State law not to exceed 5%.

Also attached is Resolution No RR 74-159 urging the State legislature to change the 3% ceiling on borough sales taxes to 5%.

Respectfully Submitted,

Jack Roderick
Borough Mayor

MEMORANDUM

LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

POUCH Y — STATE CAPITOL
JUNEAU, ALASKA 99811

TO: Rep. Cotten, Chairman,
Community and Regional
Affairs Committee

DATE: April 9, 1975

FROM:

SUBJECT: HB 350

Greg Machynowich, Legislative
Counsel

I note that HB 350 has a typographical omission; at p. 1, line 11, "personal" should be inserted before "property" where the latter word first appears. A committee substitute bill, or amendment, can readily be prepared to make this correction, of course.

CHAIRMAN:
NELS A. ANDERSON, JR.

STAFF ASSISTANT:
GUY VANDOREN

POUCH V
JUNEAU, ALASKA 99811



VICE CHAIRMAN:
TED SMITH

SECRETARY:
BETH O'DONNELL

PHONE: 465-3715
465-3781

House Resource Committee

FRED BROWN
MIKE HERSHBERGER

ALVIN OSTERBACK

LESLIE (RED) SWANSON

DICK ELIASON

LEO RHODE

JAMES HUNTINGTON

March 25, 1975

Representative Sam Cotten
Chairman- House Community and Regional Affairs
Pouch V
Juneau, Alaska 99801

Dear Representative Cotten:

A bill relating to municipal taxation of personal property and sales will be referred to your committee. This bill was from a request by the city of Dillingham. They would like the initial hearing to be held on the 31st of March as they will have a representative in Juneau at that time. If this is not possible, would you notify Mr. Sam Coxem, City Manager, Dillingham, P.O. Box 191, Dillingham, Alaska 99576 as to when the bill will be scheduled. Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Guy A. Van Doren".

Guy VanDoren
Staff Assistant
House Resources Committee

GVD/bd

*9/28/75
The bill is available to all and will
be read 4/9 at 9 am*

CITY OF DILLINGHAM

BOX 191 • DILLINGHAM, ALASKA 99576 • PHONES 842-3483 OR 842-3933

MESSAGE

TO [Sam Cotter, Chairman]
House CRA Committee

SUBJECT alternate strategy to
HB 350

DATE 4/13/75

- Dear Sam:

I didn't get a chance to write this Thursday night and leave in your office. If HB 350's provisions for personal property exemption does not fly, then I suggest an alternate approach. Such an approach would not remedy the total set of problems with the tax but would go a long way toward removing the "nuisance" part of the tax. Collection cost and efficiency would be increased. As over, the amendments would only be persuasive.

BY Sam Cotter

REPLY

DATE

SIGNED

ALTERNATIVE TO ORIGINAL PERSONAL PROPERTY TAX
AMENDMENT REQUEST

Should the committee not accept the original proposed amendments, then I would request that the committee consider what I believe to be "nuisance" aspects of present statutes.

Delete 29.53.025 (b) (1)

again, the emphasis is on the permission aspect of the current statute.

Rationale

- a. If the income property opt. to tax under the current statutory exemption boats would bring in a relatively minimal amount of revenue. Indeed, there may even be a revenue loss if complications in collection are encountered. This is a possibility since jurisdiction or legal questions still apply. (We discussed this Thursday night).
- b. If the "full and true value" assessment and levy is used, then the tax revenue is much more substantial but the tax also becomes increasingly more difficult to collect. By this I mean that there are jurisdictional or legal problems with levying the tax on boats. Since there is a jurisdictional or legal question, then litigation costs may and are anticipated to cut deeply into the possible revenue from taxing boats. In fact, there are no clear precedent court cases to ease the situation and many cases would ensue. The net result would be the assessment of an unproductive item of personal property.

Sam -

HB 350

Talking to Bill Barrier, he said prior to 1972 (Municipal Code passage) personal property tax was an option only for home rule cities. The Municipal Code made it mandatory for all. ~~Bill used to be the~~ except for those already excluding it got grandfather's rights. This was done for uniformity of tax laws. Bill used to be the attorney for Juneau and he said the reason there's no car tax here is that they only ever collected 60% of the revenues.

On the sales tax, Don Berry said they have no real position in favor of this.