

HB - 428

House Committee on
COMMUNITY & REGIONAL AFFAIRS

Meeting Minutes
May 7, 1975

Meeting was called to order at 9:00 to discuss HB 478. Present:

Rep. Cotten	Barbara Englert Thomas, Staff
Rep. Ostrosky	Andrea Guernsey, Staff
Rep. Freeman	Mary Froney, Anchorage Borough Assembly
Rep. Hershberger	Rep. Beirne, Sponsor
Rep. Davis	Don Berry, Municipal League
Rep. Hackney	Cheryl Probst, Anchorage Times
	Bill Barrier, Legislative Affairs

MARY FRONEY

Mrs. Froney made opening comments on the energy crisis. She said the government should be more responsive to the cause of the problem and not the secondary cause. The tax should be on the root of the problem, not on ad valorem, sales tax or gross business tax which are secondary taxes. This is permissive legislation and is not mandatory. Land and buildings shouldn't pay for people services, these should be paid by wage or income tax. She read the underlined wording on page 5 and said this would mean fire protection or road maintenance which is not wholly people service would still be paid by ad valorem. She would like to see this bill passed this year because one can't take advantage of it until January of '76.

WAGES EARNED OUT-
SIDE MUNICIPALITY

Cotten asked what about the wages earned outside a municipality? Mary answered that a wage tax is collected where the person works and income is collected where he lives. Since she believes the major impact of a person is where he lives it would be covered by income tax.

INEQUITY

Rep. Beirne sees an inequity. The bill mandates the repeal of the gross business tax but doesn't mandate the wage or income tax. A amendment is needed to tie the two together.

VOTE OF PEOPLE

Rep. Hackney wants to know why it doesn't go to a vote of the people. Helen said they wouldn't want to chance defeat by the people who might not understand. Instead they are bringing it from the top through the legislature.

FREEMAN ON R.S.

Rep. Freeman suggested knocking off the gross business tax and increasing the revenue sharing. This would be alot simpler. Froney says this would not make local government more responsive. Community would continue to ask for more services than they can afford. This way the people would see that they are actually paying for services and not ask for more than they can afford.

MUNICIPAL LEAGUE

Rep. Beirne asked mr. Berry if the Municipal League would be willing to look over bill during the summer. Berry said they would but he felt there were several problems with this particular bill. Helen introduced Mr. Barrier who helped draft the bill.

Meeting was adjourned at 10:00

Alaska State Legislature

REPRESENTATIVE
HELEN D. BEIRNE
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COMMITTEES

CHAIRMAN: HEALTH, WELFARE,
AND EDUCATION

MEMBER: JUDICIARY

House of Representatives

March 6, 1976

POSITION PAPER

HB 478

The proposed piece of legislation, HB 478, addresses some of the inequities in our statewide taxing structure. Basically, it would give the municipalities the option to tax income and wages in reference to the provisions of the State income tax which is in effect at that time. This would allow for the levying of taxes on the wages of transient workers and the income of seasonal self-owned businesses, such as fishing boats, etc., as well as taxing the wages of the more permanent wage earner and the net income of businesses.

At the same time as the municipality exercised its option to tax wages and income, it would phase out, over a three-year period, the use of the general property tax for such broad based public needs as education, transportation systems, health services, libraries, hospital facilities, and recreational facilities. By the beginning of the third fiscal year of enactment, the general property tax would be used for only those purposes directly related to protection and regulation of property or property values.

This bill would also repeal the gross business license tax as the net income of the businesses was tax.

On the first hearing of this bill before the Community and Regional Affairs Committee, it was very apparent that the fear of the revenue loss by the immediate repeal of the business license tax was very real. Therefore, a proposed committee substitute was drawn up to be considered during this Legislative session. This committee substitute addresses itself to the major components of the original bill, but also addresses itself to a gradual phasing out of the gross business tax.

The substitute bill would decrease the sum which is paid in a \$25 license fee for each business to a sum equal to one-fourth, rather than one-half of one percent of the gross receipts in excess of \$20,000 from the business during the year for which the license is issued until January 1, 1977 and, therefore, at a rate of 1/8 of one percent until January 1979. The gross business tax would be repealed in total by January 1, 1979.

It appears to me that a municipal tax structure of this sort would decrease the inequitable property tax which now exists, eliminate the regressive business license tax and place the responsibility of broad public activities on the wage earner and net income. It also appears to me that if it is tied to the State income tax, it would not be that difficult or expensive to administer whether it was collected on the state level and returned to the municipality, or whether it was collected by the municipality, itself.

Alaska State Legislature

REPRESENTATIVE
SAM R. COTTEN
P.O. BOX 296
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WHILE IN JUNEAU
FOUCH V
JUNEAU, ALASKA 99811



CHAIRMAN
COMMUNITY & REGIONAL
AFFAIRS COMMITTEE

MEMBER
JUDICIARY COMMITTEE

House of Representatives

May 20, 1975

Mary Frohne
GAAB
3500 Tudor Road
Anchorage, Alaska 99502

Dear Mary:

HB 478, along with the various other tax related bills, and revenue sharing will be studied in depth by one of the legislative interim committees. Both Senator Rodey and myself will participate on this Committee. Hopefully we will be able to gain a better understanding of the entire tax picture. Therefore, these bills will not be taken up again by this Committee before the end of the session.

I want to thank you for all the help and enthusiasm you lent us. I hope by next year that we've come up with a feasible solution to the whole mess. *HOPE TO SEE YOU + WORK WITH YOU OVER THE INTERIM PERIOD.*
Sincerely,

A handwritten signature in cursive script that reads "Sam".

Sam R. Cotten

SRC/ASG

HB 478

not

in

5/7	H. Blume (2350)	X	X	X
	Larry Eppinbach, Revenue	X		
	M.L.	X	X	X
	Mary Finney		X	X

9/6 meeting