

SB

471

I HOPE THERE HAS BEEN NO CHANGE IN THIS MATTER. IF YOU HAVE QUESTIONS,

THE ASSEMBLY DID NOT DISCUSS THE PROVISIONS OF THE BILL WHICH PROVIDES  
EXEMPTION FOR THE ELECTRICITY AND GAS UTILITIES. THE EXEMPTION IS PROVIDED IN  
SECTION 471 - IS GOING TO BE ADMINISTERED BY THE BOARD OF TAXATION. IT IS

THE ASSEMBLY DECIDED THAT IT WILL BE ALTERED TO PROVIDE FOR AN  
EXEMPTION OF THE EXISTING TAXES FOR VEHICLES. WE HAVE DECIDED THAT THE  
ELECTION TO PAY ONE AND ONE HALF PERCENT OF FAIR MARKET VALUE - AS  
PROVIDED IN SECTION 471 - IS GOING TO BE ADMINISTERED BY THE BOARD OF  
TAXATION. FOR EXAMPLE, THE TAXPAYER WHO HAS A ONE DOLLAR DIFFERENCE  
BETWEEN THE TAX TABLE AND THE ELECTOR WOULD PROBABLY TAKE THE ELECTOR  
ROUTE THIS INCLUDING A HIGH COMPARISON COST IN EXCESS OF THE ONE DOLLAR  
SAVED.

THE ASSEMBLY INDICATES THAT 65 PERCENT OF OUR PEOPLE PAY LESS TAXES UNDER  
THE AUTO TAX APPROACH THAN UNDER THE PERSONAL PROPERTY TAX APPROACH.  
IS PERCENT PAY ABOUT THE SAME, AND 20 PERCENT PAY MORE. THOSE WHO PAY  
MORE ARE THOSE WHO OWN THE OLDER VEHICLES. WE HAVE DECIDED THAT THE  
ELECTION TO PAY ONE AND ONE HALF PERCENT OF FAIR MARKET VALUE - AS  
PROVIDED IN SECTION 471 - IS GOING TO BE ADMINISTERED BY THE BOARD OF  
TAXATION. FOR EXAMPLE, THE TAXPAYER WHO HAS A ONE DOLLAR DIFFERENCE  
BETWEEN THE TAX TABLE AND THE ELECTOR WOULD PROBABLY TAKE THE ELECTOR  
ROUTE THIS INCLUDING A HIGH COMPARISON COST IN EXCESS OF THE ONE DOLLAR  
SAVED.

THE ASSEMBLY FULLY SUPPORTS  
THE PROPOSED CHANGE OF THE NAME OF THE TAX FROM "RESIDENTIAL  
PROPERTY". THIS WILL ASSIST IN COMPARING INTEREST REVENUE THAT WE  
ARE TALKING ABOUT THE TYPE OF TAX WHICH IS DEBITABLE.

THIS MATTER WAS DISCUSSED BEFORE THE AVERAGE ASSEMBLY UNDER SPECIAL  
ORDERS OF BUSINESS ON THURSDAY EVENING, FEB. 14, 1973. AT THAT TIME  
THE ASSEMBLY DISCUSSED THE BILL BEFORE YOU THIS AFTERNOON AS WELL AS  
ALTERNATIVES. THIS TESTIMONY REPRESENTS THE POINT OF VIEW OF THE  
AVERAGE MUNICIPAL ASSEMBLY.

BASICALLY THERE ARE TWO PROBLEMS: FIRST, THE TAX ADVERSELY AFFECTS  
THOSE WHO OWN OLDER VEHICLES IN THAT IT PROVIDES HIGHER TAXATION UNDER  
THIS SCHEME THAN UNDER THE OLD PERSONAL PROPERTY TAX SCHEME. SECONDLY,  
THERE IS A STRONG PROBABILITY THAT THE CURRENT TAX IS NOT INCOME TAX  
DEBITABLE WHEREAS THE OLD PERSONAL PROPERTY TAX WAS DEBITABLE.

COULD BE AFFECTED, I WOULD LIKE TO BE INFORMED WITH YOU  
HOW TO DISCUSS THE PROBLEM WITH THE AUTO RESIS-  
TANCE TAX IN A MANNER WHICH IS APPROPRIATE. I DO APPRECIATE THE OPPORTUNITY  
TO BE HERE WITH YOU AND AM PARTICULARLY APPRECIATIVE OF THE CON-  
TRIBUTION WHICH YOU WILL MAKE TO DISCUSS THE MATTER AND SEE SOLUTIONS.

THANK YOU FOR YOUR PARTICIPATION IN THIS MATTER.

SECTION 471 - IS GOING TO BE ADMINISTERED BY THE BOARD OF TAXATION.  
FEB. 14, 1973.

FOR STAYING IN THIS

PLEASE TO TRY AGAIN TO SEND TWO PAGE LETTER AND HAVE POST TO  
SEND THIS VIA AIR.

Municipality  
of  
Anchorage



POUCH 6-650  
ANCHORAGE, ALASKA 99502  
(907) 274-2525

ANCHORAGE ASSEMBLY

February 8, 1973

Senator Ed Willis  
Pouch V, State Capitol  
Juneau, Alaska 99811

Dear Ed:

Thank you for your quick response to the auto registration tax problem. I have a copy of your Senate Bill 471 which was introduced on February 7th and referred to State Affairs and Finance.

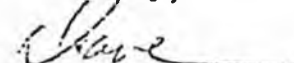
The tax deductibility problem seems to be taken care of by the name change from "Annual Motor Vehicle Registration Tax" to "Annual Motor Vehicle Property Tax." Property taxes generally are deductible while registration taxes are not. Additionally, the reference on line 13 to a percentage of fair market value is indicative of the fact that the tax is indeed ad valorem oriented and thus deductible qualified.

The election to pay one and one-half percent of value in lieu of the tax set forth in the table is a good stroke. This will properly address the problem of older, low value vehicles and will restore everyone's original intent that older vehicle owners would pay their fair share but not more. I cannot assess the impact of paperwork on Department of Revenue but you might expect that department to raise some concern. I expect that other alternatives to solution of the problem might surface once the bill goes to hearing.

The exemption of one vehicle from taxation for the elderly will be welcomed by persons in that group. Seniors have always been subject to personal property tax (even under the old system) so this is a new benefit for them. I have no problem with this since the State will reimburse the municipality for any potential lost revenue. I don't know whether this section will receive flak from representatives of other jurisdictions which do not levy such a tax or whether the statewide price tag on such an exemption is one which is affordable. Again, I am sure this will all be hashed out in committee.

Ed, let me thank you for your responsiveness on this. You have pointed out that several changes may take place once the committees start their review. Regardless of the exact end product you are to be commended for starting things moving.

Sincerely,

  
Dave Rose



Sec. 164 [page 19,501]—DEDUCTIBLE STATE TAXES 19,533

(i) *Special rules relating to compensating use taxes.* (1) In general, a use tax on an item is complementary to a general sales tax on similar items if the use tax is imposed on an item which was not subject to such general sales tax but which would have been subject to such general sales tax if the sale of the item had taken place within the jurisdiction imposing the use tax. For example, a tax imposed by State A on the use of a motor vehicle purchased in State B is complementary to the general sales tax of State A on similar items, if the latter tax applies to motor vehicles sold in State A.

(2) Since a compensating use tax is treated as a general sales tax, it is subject to the rule of subparagraph (C) of section 164(b)(2) and paragraph (g)(4) of this section that no deduction is allowed for a general sales tax imposed in respect of an item at a rate other than the general rate of tax (except in the case of lower rates on the sale of food, clothing, medical supplies, and motor vehicles). The fact that a compensating use tax in respect of any item provides for an adjustment in the rate of the compensating use tax or the amount of such tax to be paid on account of a sales tax on such item imposed by another taxing jurisdiction is not taken into account in determining whether the compensating use tax is imposed in respect of the item at a rate other than the general rate of tax. For example, a compensating use tax imposed by State C on the use of an item purchased in State D is considered to be imposed at the general rate of tax even though the tax imposed by State C allows a credit for any sales tax paid on such item in State D, or the rate of such compensating use tax is adjusted to reflect the rate of sales tax imposed by State D. [Reg. § 1.164-3.]

.01 Historical Comment: Proposed 1/19/57. Adopted 10/7/57 by T. D. 6256. Amended 12/21/64 by T. D. 6750 to reflect Sec. 207(a) and (b) of P. L. 88-272.

[§ 1453A] Definitions—Deductible State Taxes

• • CCH Explanation

.01 Real property taxes.—Real property taxes include those imposed on interests in real property and levied for the general public welfare. This does not include assessments for local benefits (see Reg. § 1.164-4, § 1455).

.02 Personal property taxes.—To qualify for deduction as personal property taxes, the tax must be—

(1) an ad valorem tax—one assessed in proportion to the value of the property;

(2) an annual tax—one imposed on an annual basis (even though it is collected more or less often than once a year); and

(3) a tax imposed on personal property (even though in form it may be imposed on the exercise of a privilege).

License fees paid for the registration of a motor vehicle are deductible as personal property taxes, therefore, if they meet these three qualifications. Meeting the ad valorem requirement is the most difficult. Reg. § 1.164-3(c) specifies that a motor vehicle tax based on weight, model year, and horsepower, or any of these characteristics, is not an ad valorem tax. But a tax based partly on value and partly on other criteria can qualify in part.

*Example:* State X imposes a motor vehicle registration tax of 2 percent of the value of the vehicle plus 20 cents per hundred weight. A, a resident of X, owns a car having a value of \$2,000

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill No. 760

Title "An Act relating to the registration tax on motor vehicles."

Requested by Phillips, Gruening and Meekins

Date 2/3/78

II. FISCAL DETAIL

Agency Affected Department of Public Safety

Program Category Affected n/a

Budget Request Unit(s) Affected n/a

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND			30.0	30.0	32.0	35.0
FEDERAL FUNDS						
OTHER (Specify)						
Program Receipts			(30.0)	(30.0)	(32.0)	(35.0)

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

\$10-reduction of collection on each vehicle over 5 years old

64,000 - vehicles effected by reduction at 5% commission rate

Net result is \$30,000.00 estimated loss of program receipt revenue

*This fiscal note Does not incl. sr. cit. exemption*

IV. DATE 2/16/78

PREPARED BY Trygve R. Hermann, Director, Admin. Services

AGENCY Department of Public Safety

PHONE 465-4322

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)