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PROPOSED CS FOR SB 53

* Section 1. AS 29.53.020(a) is amended by adding a new paragraph to read:

(3) business inventories held for resale.

* Sec. 2. AS 29.45.030(a) is amended by adding a new paragraph to read:

(8) business inventories held for resale.

Remaining sections of bill would remain unchanged.

PREPARED BY: GARY L. JENKINS, DIRECTOR/GOVERNMENTAL RELATIONS
NATIONAL FEDERATION OF INDEPENDENT BUSINESS

"LETTER OF INTENT OF HOUSE

SENATE BILL NO. 53

The bill broadens municipal discretion and requires no change in municipal taxation, but it is not the intention of the House to replace revenues which may be lost by the exemption by increased municipal assistance or state aid. Local officials exercising the authority to exempt business inventories from taxation under this bill would be well advised not to anticipate compensating revenues from the state to replace such lost local tax receipts."

Adopted in the House May 13, 1983.

Alaska State Legislature

Barbara Lacher, Chairman
Mac Tischer, Vice-Chairman
Randy Phillips
Milo Fritz
Don Clocksin
Jack McBride
Mike Szymanski



Room 104
State Capitol
Juneau, Alaska 99811

Pouch V
Juneau, Alaska 99811

House of Representatives Committee on Community & Regional Affairs

TO: Committee on Community and Regional Affairs
FROM: STAFF
RE: SB 53

SB 53 provides municipalities with the option to exempt business inventories from municipal taxation.

AS 29.53.025 is specific as to what categories of property a municipality may exempt from Taxation. Business inventories are not included as a optional item for exemption.

Municipalities that are allowed to exempt business inventories because of "grand father" rights.

From Sen. Mulcahy
Re. SB 53 SAME AS HB250

TABLE II
LOCAL ASSESSMENT POLICY

BOROUGHS	RESIDENTIAL		GENERAL PERSONAL PROPERTY		MOTOR VEHICLES		BOATS & VESSELS		BUSINESS INVENTORY		AIRCRAFT	
	AV	EX	AV	EX	AV	EX	AV	EX	AV	EX	AV	EX
ANCHORAGE, MUNICIPALITY OF	X	-	X	-	2	-	X	-	X	-	X	-
BRISTOL BAY BOROUGH	1	-	X	-	X	-	X	-	X	-	X	-
FAIRBANKS NORTH STAR BOROUGH	1	-	-	X	-	X	-	X	-	-	X	-
HAINES BOROUGH	X	-	-	X	-	X	-	-	X	-	-	X
JUNEAU, CITY & BOROUGH	X	-	X	-	-	X	-	-	X	-	X	-
KENAI PENINSULA BOROUGH	1	-	X	-	X	-	X	-	-	X	X	-
KETCHIKAN GATEWAY BOROUGH	X	-	X	-	2	-	-	3	X	-	X	-
KODIAK ISLAND BOROUGH	X	-	X	-	2	-	X	-	X	-	X	-
MATANUSKA-SUSITNA BOROUGH	X	-	X	-	2	-	X	-	X	-	X	-
NORTH SLOPE BOROUGH	1	-	X	-	-	-	X	-	X	-	X	-
SITKA, CITY & BOROUGH	X	-	X	-	X	-	-	3	X	-	X	-
<u>CITIES</u>												
CORDOVA	X	-	-	X	-	X	-	-	X	-	-	X
CRAIG	X	-	-	X	-	-	X	-	-	X	-	X
DILLINGHAM	X	-	X	-	X	-	X	-	X	-	X	-
EAGLE	X	-	X	-	-	X	-	-	X	-	-	X
GALENA		NA		NA		NA		NA		NA		NA
HOONAH		NA		NA		NA		NA		NA		NA
HYDABURG		NA		NA		NA		NA		NA		NA
KAKE		NA		NA		NA		NA		NA		NA
KING COVE		NA		NA		NA		NA		NA		NA
KLAWOCK		NA		NA		NA		NA		NA		NA
NENANA	X	-	X	-	X	-	X	-	X	-	X	-
NOME	X	-	X	-	X	-	X	-	X	-		NA
PELICAN	X	-	X	-	-	X	-	-	3	-	X	-
PETERSBURG	X	-	X	-	2	-	-	X	X	-	X	-
ST. MARY'S		NA		NA		NA		NA		NA		NA
SKAGWAY	X	-	-	X	-	X	-	-	X	-	-	X
TANANA		NA		NA		NA		NA		NA		NA
UNALASKA	X	-	X	-	-	X	-	-	X	-	X	-
VALDEZ	1	-	-	X	-	X	-	-	X	-	-	X
WRANGELL	X	-	X	-	-	X	-	-	X	-	X	-
YAKUTAT	X	-	-	X	-	X	-	-	X	-	-	X

1. optional residential exemption up to \$10,000 exercised (AS 29.53.025(a))
2. state collected, annual motor vehicle tax (AS 28.10.431)
3. option 5 & 15 dollar fee collected in lieu of property tax (AS 25.53.025(b)(1))

revenue lost to the municipality by reason of the exemption authorized in those provisions may be reimbursed to the municipality by the state."

The 1977 amendment, in subsection (e), deleted "up to and including an assessed value limit determined no later than January 15 of each year by the commissioner of the Department of Community and Regional Affairs" from the end of the first sentence and deleted the former second

sentence, which read "The assessed value limit is the upper limit of the third quartile class in a frequency distribution of previous year assessed values in the state."

The first 1980 amendment, added paragraph (7) of subsection (a) and subsection (j).

The second 1980 amendment, added paragraph (8) of subsection (a).

NOTES TO DECISIONS

Strict construction.

The courts must narrowly construe statutes granting tax exemptions. *Greater Anchorage Area Borough v. Sisters of Charity of House of Providence*, Sup. Ct. Op. No. 1299 (File No. 2445), 553 P.2d 467 (1976).

Burden of showing eligibility for exemption. — A taxpayer claiming a tax exemption has the burden of showing that the property is eligible for the exemption. *Greater Anchorage Area Borough v. Sisters of Charity of House of Providence*, Sup. Ct. Op. No. 1299 (File No. 2445), 553 P.2d 467 (1976).

Exclusive use for nonprofit religious, etc., purposes must be shown. In order to qualify for an exemption, the taxpayer must show not benefits, but exclusive use for nonprofit religious, charitable, cemetery, hospital or educational purposes. *Greater Anchorage Area Borough v. Sisters of Charity of House of Providence*, Sup. Ct. Op. No. 1299 (File No. 2445), 553 P.2d 467 (1976).

When the property in question is used even in part by nonexempt parties for their private business purposes, there can be no exemption. *Greater Anchorage Area Borough v. Sisters of Charity of House of Pro-*

vidence, Sup. Ct. Op. No. 1299 (File No. 2445), 553 P.2d 467 (1976).

Actual use rather than owner's use should be analyzed in determining eligibility for an exemption. *Greater Anchorage Area Borough v. Sisters of Charity of House of Providence*, Sup. Ct. Op. No. 1299 (File No. 2445), 553 P.2d 467 (1976).

Office space rented to doctors engaged in private practice. — Office space in a building partially used exclusively for nonprofit hospital purposes, rented to doctors engaged in the private practice of medicine by a nonprofit charitable and religious corporation, was not exempt from taxation. *Greater Anchorage Area Borough v. Sisters of Charity of House of Providence*, Sup. Ct. Op. No. 1299 (File No. 2445), 553 P.2d 467 (1976).

While the use of office space by doctor-tenants in conducting their private practices does provide incidental benefits to the adjacent hospital, the office space is not used exclusively for hospital purposes. *Greater Anchorage Area Borough v. Sisters of Charity of House of Providence*, Sup. Ct. Op. No. 1299 (File No. 2445), 553 P.2d 467 (1976).

Sec. 29.53.025. Optional exemptions and exclusions. (a) Municipalities may exclude or exempt or partially exempt residential property from taxation by ordinance ratified by the voters at a regular or special election. An exclusion or exemption authorized by this section may not exceed \$10,000 for any one residence.

(b) Municipalities may by ordinance

(1) classify boats and vessels for purposes of taxation and may establish the assessed valuation of boats and vessels on the basis of their registered or certificated net tonnage; a tax based upon a tonnage valuation shall not exceed \$5 a year for a boat or vessel of less than five net tons and shall not exceed \$15 a year for a boat or vessel of more than five net tons;

(2) classify and exempt from taxation

(A) the household furniture over \$500 in value and the effects of the head of a family or a householder; and

(B) the property of an organization not organized for business or profit-making purposes and used exclusively for community purposes, provided that income derived from rental of such property does not exceed the actual cost to the owner of the use by the renter; and

(C) historic sites, buildings and monuments;

(D) land of a nonprofit organization used for agricultural purposes if rights to subdivide the land are conveyed to the state and the conveyance includes a covenant restricting use of the land to agricultural purposes only; rights conveyed to the state under this subparagraph may be conveyed by the state only in accordance with AS 38.05.069(c).

(c) The provisions of (a) of this section notwithstanding,

(1) a home rule or first or second class borough may, by ordinance, adjust its property tax structure in whole or in part to the property tax structure of a city within it, including but not limited to, excluding personal property from taxation, establishing exemptions, and extending the redemption period;

(2) a home rule or first class city shall have the same power to grant exemptions or exclude property from borough taxes that it has as to city taxes, provided that the exemptions or exclusions have been adopted as to city taxes and further provided that the city appropriate to the borough sufficient money to equal revenues lost by the borough because of the exemptions or exclusions, the amount to be determined annually by the assembly without weighted voting;

(3) a home rule or general law city within an organized borough may, by ordinance, adjust its property tax structure in whole or in part to the property tax structure of the borough, including but not limited to exempting or partially exempting property from taxation.

(d) Exemptions or exclusions from property tax which have been granted by home rule municipalities in addition to exemptions authorized or required by law, and which are in effect on September 10, 1972 and not later withdrawn, are not affected by this Act.

(e) Municipalities may by ordinance classify and exempt or partially exempt from taxation privately owned land, wet land and water areas for which a scenic, conservation, or public recreation use easement is granted to a governmental body. To be eligible for a tax exemption, or partial exemption, the easement must be in perpetuity. However, the easement is automatically terminated before an eminent domain taking of fee simple title or less than fee simple title to the property so that the property owner is compensated at a rate which does not reflect the easement grant.

(f) A municipality may by ordinance exempt from taxation all or any part of the increase in assessed value of improvements to real property if an increase in assessed value is directly attributable to alteration of

*"Grandfather"
Clause*

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National Federation of
Independent Business

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EFFECT OF EXEMPTING BUSINESS INVENTORIES FROM
MUNICIPAL TAXATION

	<u>Value of 1 mil</u>	<u>\$ of Bus. Inv. Tax</u>	<u>Portion of 1 mil</u>
Anchorage	\$ 7,981,000	\$ 2,441,200	.3059
Fairbanks		-0-	-0-
City/Borough of Juneau	839,000	233,654	.2785
Ketchikan-Borough	574,129	30,119	.0525
-City	289,426	112,248	.3878

Alaska
MUNICIPAL
League

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204 N. FRANKLIN ST.
JUNEAU, ALASKA 99801

March 17, 1983

to: Senate Finance Committee
from: Ginny Chitwood, AML Executive Director *GC*
re: SB 53 - Business Inventory Exemption

Alaska Municipal League supports passage of SB 53, authorizing municipalities to exempt business inventories from taxation.

_____ Municipalities would like to see increased business activity in their areas. Local officials see eliminating the property tax on business inventories as one way of encouraging economic activity.

_____ In many cases, the business inventory property tax is merely a "nuisance" tax - a hassle for both the business person and the local official withough enough money changing hands to be worth the effort.

This bill would assist municipalities in being able to design their local tax structure to fit th' local situation.

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

POUCH B
JUNEAU, ALASKA 99811
PHONE: (907) 465-4700

February 8, 1983

POSITION PAPER

RE: SB 53

SPONSORS: Senators Mulcahy and Kelly

Program Effects of Bill

Provides for a local option for tax exemptions on business inventories.

Comments

The Department has supported maximizing local options as opposed to mandating such tax exemptions. This measure would allow a municipality to consider such exemptions, assuring that any decision is a local one. The Department believes that the position of the Alaska Municipal League (AML) on this bill should be an important guide post. The AML has supported such a local option for sometime now and continues to do so in their 1983 Policy Statement. One reason is that business inventory taxes often cost more to collect than they bring in; another impetus is the general encouragement of private enterprise by repealing taxes such as that on business inventories.



STATE OF ALASKA
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: SB 53 Date on Bill: 1/18/83
 Title: Authorize Municipalities to exempt business inventories from taxation.
 Sponsor: Mulcahy and Kelly
 Requestor: SCRA

1. Estimated fiscal impacts on: Department of Community and Regional Affairs

a. Expenditures:

(Thousands of Dollars)

			FY 83	FY 84	FY 85	FY 86		
Capital				-0-	-0-	-0-		
Operating				-0-	-0-	-0-		
Total				-0-	-0-	-0-		

b. Revenues:

Revenue								
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2. Source of funds to offset fiscal impact of bill:

3. Assumptions: This bill allows municipal governments the option of excluding business inventories from taxation. This option will have no impact on the Department's operations. No fiscal impact.

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor. It does not represent the policy of the Sheffield Administration or the final estimate of fiscal impact.

Prepared By: Richard Rainery *RR* Phone: 465-4703
 Division: Commissioner's Office Date: _____
 Approved by Commissioner: *[Signature]* Date: _____
 Department: Department of Community and Regional Affairs

5. Distribution:

- Original to Legislative Finance
- Copy to OMB
- Copy to Sponsor
- Copy to Requestor

2/8/83

ALASKA'S INVENTORY TAX

Donald R. Magnusson

The inventory tax is the most unfair and inequitable business tax in Alaska today. This tax has been condemned repeatedly by the Federal Advisory Commission on Intergovernmental Relations and by innumerable state level legislative and administrative studies. Many of their conclusions are well known and we think it is unnecessary to dwell on them at length, but we do think they should be stated briefly for the record. The inventory tax is unfair in that it bears no relation to profit or loss, placing a heavy burden on one segment of the business community which is not shared, either by private citizens or by other segments of the business and professional community. The business or profession that does not hold merchandise for resale, but who may deal with services, professional or otherwise, pays no similar tax. In fact, the merchant who attempts to compete efficiently by stocking more sizes to serve the hard-to-fit, who has more inventory and less turnover, ends up paying more inventory tax -- even if there is no profit with which to pay it.

Taxes on the same amount of inventory vary widely because of different local tax rates and different methods used by taxpayers in determining "fair market value", with some taxpayers paying a tax on maximum value while others pay on a much lower amount. Inventory taxes are, by universal admission, almost impossible to administer fairly, even by the most conscientious tax assessor.

Inventory taxes discourage the warehousing of goods within the State and can cause serious disruptions in the flow of goods, higher prices (such as freight) and more inconvenience to the consumer. In Alaska, this is a matter of critical concern.

When seeking to attract new industry, nontax states openly advertise that they have no inventory tax.

Attached is a list of the forty (40) states, plus the District of Columbia, that have acted to repeal or substantially reduce the inventory tax. Note that twenty-seven (27) states, plus the District, have completely repealed it or are in process of completely phasing it out. (Note also, in this connection, that on March 14, 1979 the Illinois Supreme Court declared the personal property tax abolished as of January 1, 1979 irrespective of whether or not the legislature acts to implement its prior constitutional mandate.)

Most of these actions have occurred during the past dozen years and there is every indication that the trend will continue. No state that has repealed its inventory tax has ever reimposed it. The evidence shows just the opposite. States that have abolished the tax are reporting increased business activity and more jobs created from improvement in the state's business climate. State and local tax revenues have increased due to improved sales tax and income tax collections. Increases in the number of jobs lowers welfare and unemployment insurance costs. The repealed inventory

tax increases the efficiency of city and town administration by permitting greater attention to appraisal of real property and other items of personal property that remain subject to tax.

And, most importantly, a repealed inventory tax removes the pyramiding of inventory tax costs through the various trade levels which are reflected in the price of consumer goods.

In summary, the inventory tax is unfair, unwieldy and unworkable, and has been recognized as such by most states which seek to attract and retain a wide variety of business and industry. If a tax falls unfairly upon a limited few, and if its enforcement is irregular and compliance strained, then the tax should be abolished and a better system substituted in its place. The tax on inventories should be repealed.

TAXATION OF BUSINESS INVENTORIES

Alabama	Inventory tax repealed by constitutional amendment effective 10/1/78.
Arizona	State constitution exempts all inventories effective 1964.
California	Inventories taxed at .5% of value effective 7/1/78.
Colorado	95% exemption on inventories effective 1973.
Connecticut	Inventory tax phases out by 1982.
Delaware	Exempts all personal property, including inventories, effective 1953.
District of Columbia	Inventories exempt effective 1974.
Florida	90% exemption for inventories of finished goods, 99% exemption for goods in process and raw materials, effective 1978.
Hawaii	Exempts all personal property, including inventories, effective 1947.
Idaho	Inventories exempt effective 1971.
Illinois	An approved constitutional amendment to exempt all personal property, including inventories, effective 1/1/79, has yet to be implemented by the legislature.
Indiana	35% exemption on inventories plus 20% property tax credit.
Iowa	Annually increases personal property credits until total exemption is reached, probably in 1986.
Maine	Inventories exempt effective 1977.
Maryland	Local option phase-out of inventory tax is in progress, each county having different effective date.
Massachusetts	All personal property, including inventories, is exempt unless taxpayer is subject to the corporate excise tax.
Michigan	Inventories exempt effective 1976.
Minnesota	Inventories exempt effective 1967.
Mississippi	Exempts manufactured products in hands of manufacturer, effective 1942.
Montana	93% exemption on inventories effective 1975.

Nebraska	Inventories exempt effective 1979..
Nevada .	1978 constitutional amendment phases out the inventory tax over four years and authorizes the legislature to exempt all other personal property.
New Hampshire	Exempts all personal property, including inventories, effective 1970.
New Jersey	Inventories exempt effective 1966.
New Mexico	Inventories exempt effective 1974.
New York	Exempts all personal property, including inventories, effective 1917.
North Carolina	Partially exempts manufacturers' inventories effective 1/1/80.
North Dakota	Exempts all personal property, including inventories, effective 1970.
Ohio	Phasing in an inventory tax exemption of 65%.
Oregon -	Inventories exempt effective 1980.
Pennsylvania	Exempts all personal property, including inventories, effective 1939.
Rhode Island	Exempts manufacturers' inventories effective 1966.
South Carolina	Exempts manufacturers' inventories effective 1962.
South Dakota,	Inventories exempt effective 1979.
Tennessee	Inventories exempt effective 1972.
Utah	Inventories exempt effective 1973.
Vermont	Inventories exempt on local option basis.
Virginia	Inventories exempt in all counties that impose license tax.
Washington	Inventory tax phase-out, with full exemption in 1983.
Wisconsin	Inventory tax phase-out, with full exemption in 1981.
Wyoming	Inventories exempt effective 1972.

KODIAK ISLAND BOROUGH
RESOLUTION NO. 83-19-R

A RESOLUTION OF THE KODIAK ISLAND BOROUGH ASSEMBLY REAFFIRMING SUPPORT TO EXEMPT BUSINESS INVENTORIES FROM PERSONAL PROPERTY TAXES.

WHEREAS, it is the intent of the Kodiak Island Borough Assembly to allow the exemption of business inventories from personal property taxation through the initiation of legislation to amend Alaska Statute 29, Chapter 53, Municipal Assessment and Taxation, and

WHEREAS, Senate Bill No. 53 introduced in the legislature of the State of Alaska, Thirteen Legislature, First Session, is a bill entitled "An Act Authorizing Municipalities to Exempt Business Inventories from Taxation; and Providing for an Effective Date.", and

WHEREAS, the Kodiak Island Borough did by Resolution No. 82-1-R pass a resolution seeking to change municipal assessment and taxation thereby exempting all business inventories, and

WHEREAS, the Kodiak Retailers Association has requested the Borough to initiate through legislation by local representatives the exemption of all commercial and business inventories.

NOW, THEREFORE, BE IT RESOLVED by the Kodiak Island Borough Assembly that they again reaffirm their support to exempt business inventories from personal property taxes.

BE IT FURTHER RESOLVED that the Assembly does hereby express its support for Senate Bill No. 53 introduced by Senators Mulcahy and Kelly and further request that a companion House Bill be introduced thereby exempting business inventories from taxation.

PASSED AND APPROVED this 3rd day of February, 1983
by the Borough Assembly.

KODIAK ISLAND BOROUGH

By *R. Dan Herntea*
Borough Mayor

ATTEST:

By *Shirley Miller, CMC*
Borough Clerk

CITY OF KODIAK
RESOLUTION NUMBER 06-83

A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK SEEKING A CHANGE IN THE ALASKA STATUTES TITLE 29, CHAPTER 53, MUNICIPAL ASSESSMENT AND TAXATION, SECTION 29.53.025 OPTIONAL EXEMPTIONS AND EXCLUSIONS

WHEREAS, it is the intent of the Kodiak City Council to seek to allow an exemption of commercial and business inventories from personal property taxation, through the initiation of legislation by local representatives, to amend Alaska Statutes Title 29, Chapter 53, Municipal Assessment and Taxation; and

WHEREAS, more specifically, the intended change would be an addition of the following words to Section 29.53.025 Optional exemptions and exclusions.

(b)(2) "(E) All commercial and business inventories."

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska, that Senator Mulcahy and Representative Zharoff are requested to initiate the appropriate legislative action, which, if approved, would exempt commercial and business inventories from personal property taxation.

BE IT FURTHER RESOLVED that this resolution be communicated to the following people:

The Honorable Bill Sheffield, Governor of Alaska

The Honorable Stephen McAlpine, Lieutenant Governor of Alaska

The Honorable Bob Mulcahy, Alaska State Senator

The Honorable Fred Zharoff, Alaska Representative

PASSED AND APPROVED this 27th day of January, 1983.

CITY OF KODIAK

Alan J. Beasley
MAYOR

ATTEST:

Marcella Dalke
CITY CLERK

CITY OF KODIAK
RESOLUTION 57-81

A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK SEEKING A CHANGE IN THE ALASKA STATUTES TITLE 29, CHAPTER 53. MUNICIPAL ASSESSMENT AND TAXATION, SECTION 29.53.025 OPTIONAL EXEMPTIONS AND EXCLUSIONS.

WHEREAS, it is the intent of the Kodiak City Council to seek to allow the exemption of commercial and business inventories from personal property taxation, through the initiation of legislation by local representatives, to Alaska Statutes Title 29, Chapter 53, Municipal Assessment and Taxation; and

WHEREAS, more specifically, the intended change would be an addition of the following words to Section 29.53.025 Optional exemptions and exclusions. (b)(2) "(E) all commercial and business inventories."

NOW, THEREFORE, BE IT RESOLVED by the Kodiak City Council as follows:

Section 1. Senator Mulcahy and Representative Zharoff initiate the appropriate legislative action, which, if approved, would exempt commercial and business inventories from personal property taxation.

PASSED AND APPROVED this 28 day of December, 1981.

CITY OF KODIAK

Alan J. Bradley
MAYOR

ATTEST:

Nancy E. Gilbert
CITY CLERK

TELEPHONES
(907) 586-1325
586-6526



204 N. FRANKLIN ST.
JUNEAU, ALASKA 99801

1983 POLICY STATEMENT

The Alaska Municipal League is a voluntary, non-profit, nonpartisan organization whose member cities, boroughs, and unified municipalities represent over 95% of Alaska's population. The League provides a forum through which local government officials may assist each other in the solution of municipal problems and may express their common concerns to state and federal officials. A major objective of the League is to advance the interests and well-being of the people residing within the state by promoting the betterment of every aspect of local government in Alaska.

This 1983 municipal statement was adopted November 13, 1982 by the delegates attending the Alaska Municipal League 32nd Annual Local Government Conference in Fairbanks. It represents the collective philosophy, goals, responsibilities, and ideals of Alaska's local government officials. Items included in the statement have been reviewed and debated for several months by municipal officials who are concerned on a day-to-day basis with the many complex problems facing local governments in Alaska. The statement is a guide to the priority concerns of AML member municipalities.

1982 & 1983 Alaska Municipal League
statements supporting exemption

16. Population Determination and Impact: The League supports following federal census practices for determination of population based on residency and encourages the Legislature and Governor to recognize the need for a comprehensive policy to alleviate the social and economic impact of major development on municipalities by state funding from funds appropriated separately from revenue sharing and municipal assistance funding.

17. State Aid to Municipalities for Law Enforcement: Title 18 of the Alaska Statutes confers upon the state the responsibility for law enforcement powers within the state. Municipalities may assume law enforcement powers within their jurisdiction. With the increase in crime throughout Alaska, and the resulting public demand for increased police protection, the League encourages the state to assist municipalities in assuming law enforcement powers, expanding such powers to additional areas, or improving existing services through a program which partially reimburses municipalities for the costs of providing law enforcement services.

C. LOCAL TAXES

1. State-Mandated Exemptions: The League opposes the imposition of state-mandated exemption of certain classes of property, individuals, organizations, or commodities from the application of taxes unless adequate compensation is made by the state to reimburse local governments for revenues lost due to these exemptions.

2. Payments-in-Lieu: The League endorses the position whereby the state would pay to the local governments a payment-in-lieu of ad valorem taxes for the state-owned property as well as payments for its share of the cost of improvements and services which benefit such property.

3. Right To Tax: The League opposes any further effort on the part of the state to levy a property tax which would infringe upon the rights of local governments to levy the same rate of tax as levied on other property within the taxing jurisdiction.

4. Personal Property: The League supports legislation which would provide for the optional exemption or a partial exemption of personal property and for the classification and exemption or partial exemption of classes of personal property from property taxation.

5. Interest Rate Limit: The League supports legislation to remove the limits established in Title 29 on the penalty and interest rate for delinquent property and sales tax payments and allow municipalities to set their own rates.

6. Waiver of Tax Collection: The League endorses legislation to permit the waiver of collection of taxes when collection costs exceed taxes due.

D. FORMATION OF NEW MUNICIPALITIES

The League supports legislation to provide adequate funds to assist in the study of the feasibility of forming new municipalities and in the formation of newly organized municipalities.

E. PUBLIC EMPLOYEES RETIREMENT

The League urges that in any legislation passed which increases benefits under the Public Employees Retirement System and Teachers Retirement System, the increased cost be borne by contributions from the employees. The League urges the Legislature to recognize the effect on participating municipal employers if any amendments are made to PERS and TRS.



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204 N. FRANKLIN ST.
JUNEAU, ALASKA 99801

1982 POLICY STATEMENT

The Alaska Municipal League is a voluntary, non-profit, nonpartisan organization whose member cities, boroughs and unified municipalities represent over 90% of Alaska's population. The League provides a forum through which local government officials may assist each other in the solution of municipal problems and may express their common concerns to state and federal officials. A major objective of the League is to advance the interests and well-being of the people residing within the state by promoting the betterment of every aspect of local government in Alaska.

This 1982 municipal statement was adopted November 7, 1981 by the delegates attending the Alaska Municipal League 31st Annual Local Government Conference in Anchorage. It represents the collective philosophy, goals, responsibilities and ideals of Alaska's local government officials. Items included in the statement have been reviewed and debated for several months by municipal officials who are concerned on a day-to-day basis with the many complex problems facing local governments in Alaska. The statement is a guide to the priority concerns of AML member municipalities.

6. Permanent Endowment For Local Government: The League supports the concept of a permanent endowment for local governments. The income from this endowment would be made available for use by local governments for operating expenses and/or capital programs. Criteria for developing any permanent endowment and allocation of income approach should include equity, predictability and maximum local control.

7. State-Collected, Locally Shared Taxes: Municipalities in Alaska presently derive significant revenues from state-collected, locally shared taxes to help meet their basic operating expenses. The League, therefore, opposes reduction of such revenues through elimination of such taxes unless other equal sources of revenue are made available to local governments, or appropriations to compensate for lost revenues are made by the state.

8. Abandoned Motor Vehicle Fund: The League continues to urge adequate funding of the Abandoned Motor Vehicle Fund with special emphasis paid to the cost incurred in handling abandoned vehicles which have no value.

9. Basic Allocations: The League supports an increase in the state revenue sharing minimum allocation to \$50,000 for each city or eligible unincorporated community.

10. Administration of Grants & Entitlements: The League supports legislation eliminating delay, administrative regulations, or complexity associated with administration of municipal entitlements and grants programs by state departments and agencies. Administration of grants and entitlements should, when possible, be consolidated in a single state department. The League further supports elimination of administration fees deducted by state departments administering the grants.

11. Pass-Through Funds: The League encourages the Legislature to adopt policies for pass-through funds to non-profit corporations that do not cause any present or future liabilities to the municipality.

12. Federal Block Grant Programs: The League requests the state to publish, without further delay, its plans for implementing the Federal Block Grant Programs.

13. Increase in State Revenue Sharing For Specific Recipients: In those cases where legislation is approved increasing the state revenue sharing entitlement for specific recipients or for a specific purpose, the League advocates that the total funding for state revenue sharing be increased accordingly in order to preclude the dilution of funding to other recipients.

C. LOCAL TAXES

1. State-Mandated Exemptions: The League opposes the imposition of state-mandated exemption of certain classes of property, individuals, organizations or commodities from the application of taxes unless adequate compensation is made by the state to reimburse local government for revenues lost due to these exemptions.

2. Payments-in-Lieu: The League endorses the position whereby the state would pay to the local governments a payment-in-lieu of ad valorem taxes for the state-owned property as well as payments for its share of the cost of improvements and services which benefit such property.

3. Right To Tax: The League opposes any further effort on the part of the state to levy a property tax which would infringe upon the rights of local governments to levy the same rate of tax as levied on other property within the taxing jurisdiction.

4. Business Inventories: The League supports legislation which would provide for the optional exemption of business inventories from property tax.

5. Interest Rate Limit: The League supports legislation to remove the limits established by AS 29.53.180 and AS 29.53.415(d) on the penalty and interest rate for delinquent property and sales tax payments.

D. FORMATION OF NEW MUNICIPALITIES

1. The League supports legislation to provide adequate funds to assist in the study of the feasibility of forming new municipalities and in the formation of newly organized municipalities.

E. PUBLIC EMPLOYEES RETIREMENT

1. The League urges that in any legislation passed which increases benefits under the Public Employees Retirement System and Teachers Retirement System, the increased cost be borne by contributions from the employees. The League urges the Legislature to recognize the effect on participating municipal employers if any amendments are made to PERS and TRS.

F. LOCAL HOSPITAL USE

1. Utilization of Local Health Facilities: The League urges the state and federal agencies responsible for health care to utilize the local health facilities and to transport patients to regional centers only when necessary services are not available.

2. Increased State Funding: The League strongly supports increased state funding of hospital construction costs and of special hospital and health facility construction and operating costs.

3. Separate Funding For Hospitals: The League strongly supports funding of hospital and health facility grants outside the municipal revenue sharing program.

STATE OF ALASKA

Bill Sheffield, Governor

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

POUCH B
JUNEAU, ALASKA 99811
PHONE: (907) 465-4700

March 16, 1983

POSITION PAPER

RE: HB 250

SPONSOR: Representative Zharoff

Program Effects of Bill

Provides for a local option for tax exemptions on business inventories.

Comments

The Department has supported maximizing local options as opposed to mandating such tax exemptions. This measure would allow a municipality to consider such exemptions, assuring that any decision is a local one. The Department believes that the position of the Alaska Municipal League (AML) on this bill should be an important guide post. The AML has supported such a local option for sometime now and continues to do so in their 1983 Policy Statement. One reason is that business inventory taxes often cost more to collect than they bring in; another impetus is the general encouragement of private enterprise by repealing taxes such as that on business inventories.



Mark Lewis, Commissioner

ANALYSIS

HB 250

This bill allows municipal governments the option of excluding business inventories from taxation. This option will have no impact on the Department's operations. No fiscal impact.

Introduced: 3/11/83
Referred: Community & Regional
Affairs and Finance

File

BY ZHAROFF

1 IN THE HOUSE

2 HOUSE BILL NO. 250

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing municipalities to exempt business
7 inventories from taxation; and providing for an
8 effective date."

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

10 * Section 1. AS 29.53.025(b) is amended by adding a new paragraph to
11 read:

12 (3) exempt business inventories from taxation.

13 * Sec. 2. AS 29.45.050(b) is amended by adding a new paragraph to read:

14 (4) exempt business inventories from taxation.

15 * Sec. 3. Section 1 of this Act is repealed.

16 * Sec. 4. Sections 2 and 3 of this Act take effect on ^{January 1 following} the effective
17 date of a version of an Act revising AS 29 passed by the Thirteenth Legis-
18 lature and enacted into law.

19 * Sec. 5. Section 1 of this Act takes effect ^{January 1, 1984} immediately in accordance
20 with AS 01.10.070(c).

see attached page

↓

If the effective date takes place when the Gov signs off, then the municipalities would encounter an administrative burden because part of the business inventories for this year (1983) would be subject to tax and the other portion of the year (1983) business inventories would not be subject to the tax.

Since taxes are calculated from Jan. 1st to Dec 31st, taxing policies and laws should also follow under the same dates, in order for laws to be administered and applied in the most cost effective and efficient manner.

January 1st 1984