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COMMITTEE REPORT  
SENATE

FURTHER: FINANCE

2/16/84

Date 2 28 84

Mr. President

The Committee on C&TA considered HB 537

~~authorizing municipalities to exempt motor vehicles from taxation, etd.~~

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

Wm. Eckert - Do Pass

Wm. Galbraith

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MEMBERS HAVING  
OTHER RECOMMENDATIONS

Wm. Eckert - Do Pass

Wm. Galbraith - Do Pass

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Chairman

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Chairman recommendation

Original sponsor: Grussendorf

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IN THE HOUSE

BY THE COMMUNITY AND  
REGIONAL AFFAIRS COMMITTEE

SENATE CS FOR HOUSE BILL NO. 537 (C&RA)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
THIRTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act authorizing municipalities to exempt motor vehicles from taxation; and providing for an effective date."

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

\* Section 1. AS 29.53.025(b) is amended to read:

(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;

(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;

(C) historic sites, buildings and monuments; and

(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

1 of the land to agricultural purposes only; rights conveyed to the  
2 state under this subparagraph may be conveyed by the state only  
3 in accordance with AS 38.05.069(c);

4 (3) exempt business inventories from taxation;

5 (4) classify (as to type) and exempt or partially exempt any  
6 or all types of motor vehicles from taxation.

7 \* Sec. 2. This Act takes effect January 1, 1985.  
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HOUSE BILL 537

ALLOWS MUNICIPALITIES TO EXEMPT MOTOR VEHICLES (AS PERSONAL PROPERTY) FROM THE AD VALOREM TAX THEY IMPOSE ON THEIR RESIDENTS. SITKA DOESN'T WANT TO HAVE TO IMPOSE THE TAX BECAUSE THEY SAY IT COSTS AS MUCH TO TO COLLECT THEY MONEY AS THEY WILL END UP COLLECTING.

SENATE BILL 1 INCLUDES A SIMILAR PROVISION WHICH ALLOWS MUNICIPALITIES TO EXEMPT ALL PERSONAL PROPERTY FROM TAXATION.

FEB 21 1984

## HAINES BOROUGH

P.O. BOX H  
HAINES, ALASKA 99827  
(907) 766-2711

February 16, 1984

Senator Frank Ferguson  
Alaska State Legislature  
Pouch V (MS 3100)  
Juneau, Alaska 99811

Dear Senator Ferguson:

It is my understanding that House Bill #537, authorizing municipalities to exempt motor vehicles from taxation; and providing for an effective date, is to come before your Committee on Community and Regional Affairs. I believe Representative Grussendorf's bill (and Senator Eliason's identical Senate Bill) is one sorely needed.

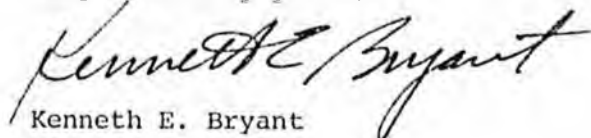
Small communities like Haines, with limited office staff, have had to exert much time and energy levying a tax that barely pays its own way administratively. We are taxing the public because state statutes say we must, even though the people are receiving virtually no benefits to this tax other than employing two office workers. The real property tax is sufficient to fund the school and fire districts. A small increase in real property tax while eliminating personal property tax would be most attractive to our taxpayers.

Several years ago the Haines City and Borough banked on the passage of the Title 29 Revisions and moved to eliminate personal property tax. With the failure of the bills passage, we had to re-establish the tax to conform to the Statutes. I am relieved that the motor vehicle and inventory tax option has emerged on its own rather than being held captive by Title 29 — and I would strongly support passage of House Bill 537.

As the Haines Borough Assessor and a member of the Haines City Council, I can safely say that both the City and Borough governments share my feelings and would welcome the option of eliminating the motor vehicle and inventory tax.

Thank you!

Very sincerely yours;

  
Kenneth E. Bryant

cc. Haines Borough Assembly  
Haines City Council  
Representative Ben Grussendorf  
Senator Richard Eliason



# City and Borough of Sitka

P.O. BOX 79 · SITKA, ALASKA · 99835

January 13, 1984

Senator Richard Eliason  
Alaska State Senate  
Pouch V M/S 3100  
Juneau, Alaska 99811

Rep. Ben Grussendorf  
Alaska House of Representatives  
Pouch V M/S 3100  
Juneau, Alaska 99811

Dear Dick and Ben:

The assembly has asked that I request you to work toward and support a change in Title 29, concerning municipal taxation of motor vehicles.

The taxation provisions of Title 29 are mandatory on all municipalities, including home rule domains like Sitka. Title 29 specifically lists the tax exemptions which we may grant. The problem is that the assembly wishes to exempt motor vehicles from the ad valorem tax, but is not allowed to under the statute.

Some municipalities such as Juneau, do not tax motor vehicles under a grandfather clause in the statute [A.S.29.53.025(d)]. This option is not open to Sitka.

Other municipalities let the state collect a local fee set by statute at the time of vehicle registration [A.S.28.10.431] however, the statutory fee is overall much higher than Sitka's ad valorem rate and the assembly does not wish to burden Sitkans with increased taxes.

With the statute requiring taxation of vehicles, Sitka is forced to comply; however, collection appears to be uneconomic. We have approximately 4,000 cars in Sitka and receive \$25,000 to \$35,000 in taxes on them annually. Most, if not all of that revenue is offset by the cost of collection and enforcement. A tax which did not produce any net revenue, but only paid the

Senator Richard Eliason & Rep. Ben Grussendorf  
TAXATION OF MOTOR VEHICLES  
January 13, 1984  
Page two

salary of the tax collector might be considered by some to be a significant comment on modern government. We just don't want that comment to be made about Sitka.

In the past we coupled tax collection with a vehicle safety inspection, but the safety inspection ordinance has been repealed leaving us with only the tax gathering function.

I would suggest that A.S. 29.53.025 be amended by adding a subsection (h) to read as follows, "municipalities may by ordinance classify and exempt or partially exempt from taxation motor vehicles".

Such an enactment would save Sitkans much time and effort if it could go into effect by January 1, 1985. Since we don't know what the fate of the proposed new Title 29 will be this year, perhaps you could not only try to get this idea into the new 29 draft, but simultaneously attempt to amend the existing statute.

The assembly would greatly appreciate your efforts and comments on this matter.

Sincerely,



Peter S. Hallgren  
Municipal Attorney

cc: Administrator  
Anderson



# City and Borough of Sitka

P.O. BOX 79 · SITKA, ALASKA · 99835

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