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DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

March 24, 1986

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

949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508
PHONE: (907) 563-1073

The Honorable Peter Goll
Alaska State House
of Representatives
P.O. Box V
Juneau, AK 99811

Dear Representative Goll:

RE: HOUSE BILL 697 - PROHIBITION OF MUNICIPAL SALES TAX
ON PURCHASES MADE WITH FOOD STAMPS

You have asked what effect eliminating sales tax charged on food stamps would have on cities for State Revenue Sharing or general operations. The impact on cities would be minimal, based on the following information:

* 1984 Alaska Food Stamp Benefits \$19,788,024

Half of this amount is issued in Alaska cities which do not have a sales tax. Therefore, the number we have used in calculating sales tax dollars affected is \$10,000,000 in yearly food stamp purchases.

| | |
|--|--------------|
| Taxable 1984 Food Stamp Benefits | \$10,000,000 |
| Statewide Blended Sales Tax Rate | X 3% |
| SALES TAX REVENUES LOST DUE TO EXEMPTION | \$ 300,000 |

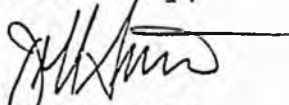
As you know, a \$300,000 yearly tax loss over the entire State would have very little effect on the Revenue Sharing Program or local government operations.

If you have any questions or would like further information, please let me know.

* Statistics from:

Mark Murray, Food Stamp Quality Control Technician
Department of Health and Social Services
Division of Public Assistance

Sincerely,



Emil Notti
Commissioner



United States
Department of
Agriculture

Food and
Nutrition
Service

Western
Region

550 Kearny Street
San Francisco, CA 94108

FEB 03 1986

MR JOHN R PUGH
COMMISSIONER
STATE DEPARTMENT OF HEALTH AND
SOCIAL SERVICES
ALASKA OFFICE BUILDING POCCH H-01
JUNEAU AK 99811

Dear Mr. Pugh:

President Reagan signed the Food Security Act of 1985 (Public Law 99-198, commonly known as the Farm Bill) on December 23, 1985. This Act mandates that "a State may not participate in the Food Stamp Program if the Secretary determines that State or local sales taxes collected within the State on purchases of food made with coupons issued under this Act". The Act provides that this provision is to become effective, with respect to a State, beginning on the first day of the federal fiscal year that commences in the calendar year during which the first session of the State legislature is convened following enactment of the law. States may delay the effective date to no later than October 1, 1987, if they can satisfy the Department of Agriculture that implementation of the sales tax provision would have an adverse effect on State program administration or would provide inadequate time for retail stores to implement changes in sales tax policy as a result of the legislation.

The enclosed letter was mailed to your Governor on January 21, 1986, to alert him of the sales taxes requirements as well as those provisions to be implemented by May 1, 1986. This Department is in the process of drafting program regulatory amendments designed to implement the requirements mandated in Section 1505 of the Food Security Act of 1985. However, we suggest that you begin working with your legislature immediately if your State is now charging a sales tax on food stamp transactions. If you determine that a delay in removing the sales tax on food purchased with coupons will be needed, your Governor should notify the Secretary of the Department of Agriculture of the State's intention to seek authority to delay the effective date to no later than October 1, 1987. Simultaneously, all supporting evidence for the delay should be forwarded to this office.

Dear Governors:

The Food Security Act of 1985 (Public Law 99-198) was signed into law by President Reagan on December 23, 1985. Section 1505 of the bill mandates that "a State may not participate in the Food Stamp Program if the Secretary determines that State or local sales taxes are collected within that State on purchases of food made with coupons issued under this Act". The Act provides that this provision is to become effective, with respect to a State, beginning on the first day of the federal fiscal year that commences in the calendar year during which the first session of the State legislature is convened following enactment of the law. States may delay the effective date to no later than October 1, 1987, if they can satisfy the Department of Agriculture that implementation of the sales tax provision would have an adverse effect on State program administration or would provide inadequate time for retail stores to implement changes in sales tax policy as a result of the legislation.

This Department is in the process of drafting regulatory amendments designed to implement the requirements mandated in Section 1505 of the Food Security Act of 1985. However, since many State legislatures will probably convene prior to our issuance of final regulations, we urge your State legislature to complete those actions necessary to change any law(s) in order to avoid exclusion of your State from Food Stamp Program participation under the provisions of Section 1505. Your cooperation in assuring your State's continued participation in our program through this action would be greatly appreciated.

Additionally, we can assure you that the Department has assigned priority status to the formulation of regulations implementing Sections 1511 and 1514 of the Food Security Act of 1985. These sections raise the program's earned income, shelter cost, and child care deductions as well as the asset limit and are effective May 1, 1986. We anticipate that program regulations implementing these provisions of the Act will be issued as final regulations no later than April 1, 1986. Accordingly, the agency responsible for administration of the Food Stamp Program in your State should begin to plan and initiate action as appropriate to ensure that the provisions of Section 1511 and 1514 of the Food Security Act will be implemented promptly on May 1, 1986 as required by law.

Thank you for your cooperation and assistance in this important matter.

Sincerely,

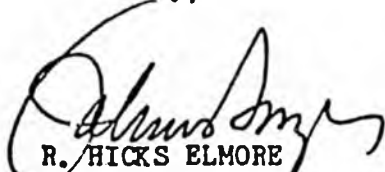
ROBERT E. LEARD
Administrator

Mr. John Pugh

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We will be in contact with you in the near future to provide additional guidance on the specific information required to document the need for a delay in implementation of the effective dates.

Sincerely,



R. HICKS ELMORE
Regional Administrator
Western Region

Enclosure

MEMORANDUM

State of Alaska

TO: Honorable John Pugh
Commissioner
Department of Health and
Social Services

DATE: February 14, 1986

FILE NO: 66-3-86-0317

TELEPHONE NO: 465-3603

FROM: Harold M. Brown
Attorney General

SUBJECT: Sales taxes on food
stamp purchases

By: George W. Edwards *GWE*
Assistant Attorney General
Human Services-Juneau

You have asked for our evaluation of the potential impact of certain recent federal food stamp legislation on the state's food stamp program eligibility.

We believe the legislation in question could result in the termination of state participation in the federal food stamp program if certain sales tax restrictions are not implemented.

Section 1505 of the Food Security Act of 1985 (H.R. 2100) amends the Food Stamp Act at 7 U.S.C. § 2013(a) to provide that:

[A] State may not participate in the food stamp program if the Secretary determines that State or local sales taxes are collected within that State on purchases of food made with coupons issued under this Act.

Alaska boroughs and cities are currently permitted to collect sales taxes on sales, rents, and services without restriction. AS 29.45.650(a) states:

(a) A borough may levy and collect a sales tax not exceeding six percent on sales, rents, and on services provided in the borough. The sales tax may apply to any or all of these sources. Exemptions may be granted by ordinance.

AS 29.45.700 states:

(a) A city in a borough that levies and collects areawide sales and use taxes may levy sales and use taxes on all sources taxed by the borough in the manner provided for boroughs, except that the assembly may by ordinance authorize a city to levy and collect sales and use taxes on other sources.

(b) A city in a borough that does not levy and collect sales and use taxes for areawide borough functions may levy and collect sales and use taxes in the manner provided for boroughs.

(c) A city outside a borough may levy and collect sales and use taxes in the manner provided for boroughs.

A study conducted by the Department of Community and Regional Affairs last year found that Alaska's food stamp purchases during 1984 totaled \$19,788,024. The department estimated that these purchases generated approximately \$300,000 in sales tax revenues. Its conclusion was that the loss of sales tax revenues from food stamp purchases would have little effect on revenue sharing or local government operations.

Since Alaska's current sales tax laws do not require that municipalities exempt food items purchased with food stamps, legislative action will be necessary to assure that the state will continue to qualify for the federal program.

Proposed legislation accompanies this memorandum. It creates an exception to existing sales tax law by prohibiting taxation of food purchases made with food stamps. You will note that it conforms to the requirements of section 1505 in not prohibiting taxation of purchases of non-food items made with food stamps. The potential for revenue loss to municipalities resulting from this legislation is minimal compared to the loss to the state's economy which would result from termination of the food stamp program.

Unless an extension is granted by the Secretary of Agriculture, section 1505 will become applicable to Alaska on October 1, 1986. This date represents the beginning of the federal fiscal year and is controlling according to the Congressional Record for December 17, 1985, at H 12398.

An extension to October 1, 1987, may be granted as set forth in section 1505(b)(2):

(2) Upon a showing by a State, to the satisfaction of the Secretary, that the application of paragraph (1), without regard to this paragraph, would have an adverse and disruptive effect on the administration of the food stamp program in such State or would provide inadequate time for retail stores to implement

Honorable John Pugh, Commissioner
Department of Health and Social Services
66-3-86-0317

February 14, 1986
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changes in sales tax policy required as a result of the amendment made by subsection (a), the Secretary may delay the effective date of subsection (a) with respect to such State to a date not later than October 1, 1987.

We are unable to address the question of how much lead time municipalities and retailers in Alaska may require to implement the sales tax changes proposed in the legislation. If a compelling case for an extension is made before the legislature by municipalities or retailers, the same argument would hopefully convince the secretary. Barring such a showing, the appropriate course of action appears to be the passage of necessary legislation with a special effective date of October 1, 1986.

Please review our proposed legislation in light of the above information and let us know how you wish to proceed.

GWE:nb

where the remaining entitlement is less than six hundred and forty acres. The Secretary is authorized to withdraw, up to two times the Corporation's entitlement, from vacant, unappropriated, and unreserved public lands, including lands solely withdrawn pursuant to section 17(d)(1), and the Regional Corporation shall select such entitlement of subsurface estate from such withdrawn lands within ninety days of receipt of notification from the Secretary.

43 USC 1616.

"(10) Notwithstanding the provisions of subsection 22(h), the Secretary, upon determining that specific lands are available for withdrawal and possible conveyance under this subsection, may withdraw such lands for selection by and conveyance to an appropriate applicant and such withdrawal shall remain until revoked by the Secretary.

Withdrawals.
43 USC 1621.

"(11) For purposes set forth in subsections (h)(1), (2), (3), (5), and (6), the term Wildlife Refuges refers to Wildlife Refuges as the boundaries of those refuges exist on the date of enactment of this Act."

(e) Any Regional Corporation which asserts a claim with the Secretary to the subsurface estate of lands selectable under section 14(h) of the Alaska Native Claims Settlement Act which are in a Wildlife Refuge shall not be entitled to any in lieu surface or subsurface estate provided by subsections 12(c)(4) and 14(h)(9) of such Act. Any such claim must be asserted within one hundred and eighty days after the date of enactment of this Act. Failure to assert such claim within the one-hundred-and-eighty-day period shall constitute a waiver of any right to such subsurface estate in a Wildlife Refuge as the boundaries of the refuge existed on the date of enactment of the Alaska Native Claims Settlement Act.

Wildlife refuge
subsurface es-
tate.
43 USC 1613
note.
43 USC 1613.
Auth. pp. 2492,
2494.43 USC 1601
note.

SHAREHOLDER HOMESITES

SEC. 1407. Section 21 of the Alaska Native Claims Settlement Act is amended by adding a new subsection at the end thereof, as follows:

43 USC 1620

"(j) A real property interest distributed prior to December 18, 1991, by a Village Corporation to a shareholder of such Corporation pursuant to a program to provide homesites to its shareholders, shall be deemed conveyed and received pursuant to this Act; *Provided*, That the land received is restricted by covenant for a period not less than ten years to single-family (including traditional extended family customs) residential occupancy, and by such other covenants and retained interests as the Village Corporation deems appropriate; *Provided further*, That the land conveyed does not exceed one and one-half acres; *Provided further*, That the shareholder receiving the homesite, if the shareholder subdivides the land received, shall pay all Federal, State, and local taxes which would have been incurred but for this subsection, together with simple interest at six percent per annum calculated from the date of receipt of the land to be paid to the appropriate taxing authority."

BASIS IN THE LAND

SEC. 1408. Section 21(c) of the Alaska Native Claims Settlement Act is amended to read as follows:

Property value

"(c) The receipt of land or any interest therein pursuant to this Act or of cash in order to equalize the values of properties exchanged pursuant to subsection 22(f) shall not be subject to any form of Federal, State, or local taxation. The basis for determining gain or

43 USC 1621.

Introduced: 3/12/86
Referred: Community & Regional
Affairs and Health, Education &
Social Services

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

1 IN THE HOUSE

2 HOUSE BILL NO. 697

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act prohibiting municipal sales tax on purchases
7 made with food stamps; and providing for an effective
8 date."

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

10 * Section 1. AS 29.45.650(a) is amended to read:

11 (a) Except as provided in (f) of this section, a [A] borough may
12 levy and collect a sales tax not exceeding six percent on sales,
13 rents, and on services provided in the borough. The sales tax may
14 apply to any or all of these sources. Exemptions may be granted by
15 ordinance.

16 * Sec. 2. AS 29 45.650 is amended by adding a new subsection to read:

17 (f) A borough may not levy and collect a sales tax on a purchase
18 made with food coupons, food stamps, or other type of certificate
19 issued under 7 U.S.C. 2011 - 2025 (Food Stamp Act).

20 * Sec. 3. AS 29.45.700(a) is amended to read:

21 (a) A city in a borough that levies and collects areawide sales
22 and use taxes may levy sales and use taxes on all sources taxed by the
23 borough in the manner provided for boroughs. The [, EXCEPT THAT THE]
24 assembly may by ordinance authorize a city to levy and collect sales
25 and use taxes on other sources except purchases made with food cou-
26 pons, food stamps, or other type of certificate issued under 7 U.S.C.
27 2011 - 2025 (Food Stamp Act).

28 * Sec. 4. This Act takes effect October 1, 1986.

Bob

Backup for HB 675
Relating to Food Stamps.

Feds recently passed a law requiring
all states to outlaw municipal sales
taxes on food stamp purchases —
must be in place by Oct. 1.

We introduced for the Gov. — of
course the Dept/Law made a drafting
error — so you'll have a CS soon.

Can you please schedule?

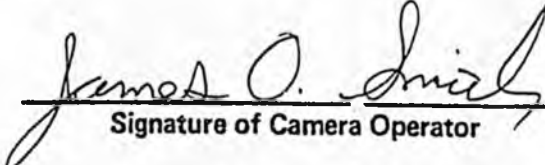
Nancy
X3759

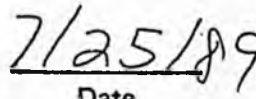
H-HESS STAFF



RECORDS CERTIFICATION

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Signature of Camera Operator


Date