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HOUSE COMMITTEE REPORT

(11)

Date referred: 4/21/88

FURTHER REFERRALS:

DATE: 5-3-88

The Finance Committee has considered HB 557

"An Act relating to an exemption or deferral from municipal taxation for economic development property; and providing for an effective date."

RECOMMENDS:

- replace with CS HB 557 (FIN) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published 4/21/88
- zero with analysis

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

Adams Al Adams - No Rec

Pourchet Pat Pourchet no rec

Larson Ron Larson No Rec

Swack Cliff Swack NO Rec

Boyer Mark Boyer no rec.

Rieger Steve Rieger

Frank Frank no rec.

Wallis Kay Wallis

Brown Taylor Brown No Rec

Al Adams
Chairman's signature

Davis Mike Davis No Rec

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: "An Act..exemption..municipal taxation..economic development property.."
 Sponsor: Rules Committee
 Requestor: House Members of the Joint Committee on Economic Recovery

Agency Affected: Community & Regional Affairs
 BRU: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director Phone: 465-4750
 Division: Municipal & Regional Assistance Date: 4/14/88

Approved by Commissioner: M.K. Rutherford Date: 4/14/88
 Agency: Community & Regional Affairs

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Original sponsors: Rules/House Members of
the Joint Committee on
Economic Recovery

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 557 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to an exemption or deferral from
7 municipal taxation for economic development property;
8 and providing for an effective date."

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

10 * Section 1. AS 29.45.050 is amended by adding a new subsection to
11 read:

12 (1) A municipality may by ordinance exempt or defer from taxa-
13 tion, in whole or in part, economic development property. An ordi-
14 nance adopted under this subsection may not provide for an exemption
15 or deferral that exceeds five years in duration, must establish spe-
16 cific eligibility requirements for the exemption or deferral, must
17 require a written application for each exemption or deferral demon-
18 strating eligibility, and must subject each exemption or deferral to
19 approval by the governing body after a public hearing. The governing
20 body may not provide an exemption or deferral under this subsection if
21 the exemption or deferral would result in a competitive disadvantage
22 to other businesses in the municipality. In this subsection "economic
23 development property" means real or personal property that may be
24 depreciated for federal income tax purposes and is used in a trade or
25 business in a way that

26 (1) creates new employment in the municipality by generat-
27 ing sales outside of the municipality of goods or services produced in
28 the municipality; or

29 (2) materially reduces the importation of goods or services

1 from suppliers outside the municipality.

2 * Sec. 2. This Act takes effect January 1, 1989.

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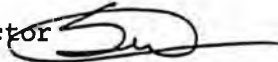
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Alaska
MUNICIPAL
League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

TO: Representative Al Adams, Chair
Members of the House Finance Committee

FROM: Scott A. Burgess, Executive Director 

DATE: May 3, 1988

SUBJECT: HB 557 - Optional exemption or deferral from municipal taxes for economic development property

On behalf of its municipal members, the Alaska Municipal League supports HB 557, allowing municipalities to exempt or defer municipal taxes on economic development property.

The AML's support is based on the 1988 AML Policy Statement language below:

PART X - ECONOMIC DEVELOPMENT, B. INCENTIVES:

1. Local Incentives: The League urges the Legislature to adopt legislation which would allow local municipalities greater flexibility through the use of local options in offering property tax incentives to new and expanding industry and business.

The bill would accomplish this policy in the area of optional exemptions or deferrals on economic development property, in whole or part, for up to five years. The proposed legislation would allow a municipality to provide an incentive to a specific or type of industry or business it wishes to attract or support. Allowing optional tax exemptions or deferrals for economic development property will provide municipalities with another option in carrying out community development strategies which fit their unique circumstances. Adequate safeguards exist by requiring an ordinance; a five year limitation; eligibility criteria; and, findings of no "unreasonable competitive disadvantage" and of benefit to the community.

While tax advantages may be only one, and in some cases a less significant, criteria for a business or industry locating in a community, it could also be the deciding factor. The AML supports HB 557. Thank you.

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

- P.O. BOX B
JUNEAU, ALASKA 99811-2100
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

April 15, 1988

POSITION PAPER

RE: House Bill 557 "An Act relating to an exemption or deferral from municipal taxation for economic development property; and providing for an effective date."

SPONSOR: House Joint Committee on Economic Recovery

Program Summary

This bill relates to property taxes and adds a section to the optional exemptions that municipalities may adopt under AS 29.45.050. An ordinance adopted under this section would allow municipalities to exempt or partially exempt or defer or partially defer from taxation property that is classified as economic development property. In order to qualify for any tax exemption or deferral the property must fulfill certain local eligibility requirements and must create new employment and provide goods or services that are used in, or, exported from the municipality.

Comments

The language in HB 557 is consistent with existing statutes, serves a positive public purpose and provides direction and guidance to municipalities. The primary focus of this bill is to assist municipalities currently seeking ways to encourage economic development. Those activities are fully promoted by this Department, and we support passage of this bill.



Marty Rutherford
Acting Deputy Commissioner

State of Alaska

House Majority Leader

COMMITTEES

HOUSE HEALTH, EDUCATION
AND SOCIAL SERVICES
HOUSE JUDICIARY
HOUSE RULES



Representative Max F. Gruenberg, Jr.
District 11
Spennard, Upper Midtown Anchorage

P.O. BOX V
UNIVERSITY ALASKA 99811
(907) 465-3718
465-4968/4986

914 CLAY COURT
ANCHORAGE, ALASKA 99503
(907) 276-6844

MEMORANDUM

TO: REPRESENTATIVE ALBERT ADAMS, CHAIR
HOUSE FINANCE COMMITTEE

FROM: MAX F. GRUENBERG, JR., HOUSE CHAIR
JOINT COMMITTEE ON ECONOMIC RECOVERY

DATE: APRIL 20, 1988

RE: JOINT COMMITTEE LEGISLATION

I would appreciate your consideration of CSHB 557 at your earliest convenience. CSHB 557, "An Act relating to an exemption or deferral from municipal taxation for economic development property; and providing for an effective date" was developed by the Anchorage Economic Development Corporation and considered by the members of the House side of the Joint Committee on Economic Recovery at our April 8 and 9 meetings. This bill was then introduced at the House members' request by the House Rules Committee.

CSHB 557 would allow the governing body of a municipality to provide a limited exemption or deferral of local taxes for economic development property. The purpose of this legislation is to encourage economic growth and investment as well as provide greater opportunities for employment within those municipalities that choose to provide this exemption or deferral. Again, this bill simply enables local governments to use this economic development tool, if they so choose.

This bill was heard and passed by the Community and Regional Affairs Committee. The changes reflected in the Committee substitute were technical and stylistic in nature.

I have also attached correspondence from the Alaska Economic Development Corporation regarding this legislation.

I hope you can speedily schedule this bill before your committee to enhance its chance of passage this session.

If you have any questions please give Tom Begich of my staff a call at 465-3718 or 465-4968.

Thanks.

attachments



Alaska State Legislature

House of Representatives

Committee on Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4833

Date: April 18, 1988
TO: Rep. Henry Springer, Chairman HCRA
FROM: David C. Harrison, HCRA Staff
SUBJECT: HB 557 "An Act relating to an exemption or deferral from municipal taxation for economic development property; and providing for an effective date."

Section 1. AS 29..45.050 is amended by adding a new section under municipal statutes concerning optional tax exemptions.

REVIEW:

This bill would allow the governing body of a municipality to provide a limited exemption or deferral from municipal taxation for (delete comma and add the word) new economic development property. (by adding the word new before economic development property restricts allowable exemptions or deferrals thereby encouraging new economic developments.)

Conditions for exemptions may be in whole or in part for economic development property and cannot exceed five years duration.

Municipality must establish specific eligibility requirements for the exemptions and deferrals whereby written applications show need or demonstrate eligibility subjecting each exemption or deferral to approval by the governing body after a public hearing.

Emphasis is that strong local control in municipal tax exemption or deferrals is assured. Denial of application would be based upon determination that such tax exemptions or deferrals would result in unreasonable competitive disadvantage to other businesses in the municipality.

Definition of "economic development property" is that:

1. Property that may be depreciated for federal income tax purposes;

2. Is used in a trade or business in a way that creates employment in the municipality (delete coma generates) and add by generating sales outside of the municipality of goods or services produced in the municipality, or materially reduces the importation of goods or services from suppliers outside the municipality.

Allowing municipalities an option to assist in economic recovery and investment through tax exemption and deferrals, if they so choose, provides both private and public sectors an avenue to work together in stimulating economic opportunities locally.

The process, specifics and conditions placed in the bill should prevent over shifting of the tax burden to property owners. No doubt, municipalities, the private sector and state level efforts are necessary to speed and enhance economic recovery in the State of Alaska.



ANCHORAGE
ECONOMIC
DEVELOPMENT
CORPORATION

March 31, 1988

Honorable Max Gruenberg
House of Representatives
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Representative Gruenberg:

Recently you received from my office two pieces of draft legislation regarding economic development incentives. Specifically, one would give local governments the authority to offer property tax abatements and the other would allow utilities to offer economic development incentive rates. Both bills contain strong provisions for local control and oversight and strong safeguards that ensure public process.

This letter is to reconvey those bills to you with some slight improvements. Those passages that are underlined have been added or redrafted. However, none of the changes are substantive, just some fine tuning.

The support for this legislation is broad and growing. Groups as diverse as the Alaska Municipal League, the Anchorage Chamber of Commerce and the Anchorage Board of Realtors have endorsed it specifically or in concept. These groups understand the real need for some tools with which to conduct economic development.

Again, we would welcome any comments on these bills and appreciate your time and support.

Respectfully submitted,

Scott E. Hawkins
President and CEO

Attachments:

- 1) Revised Bills
- 2) Position Statements from Various Organizations
- 3) Survey of U.S. Cities' Use of Economic Development Tools

550 West 7th Avenue
Suite 850
Anchorage, AK 99501
Telephone (907) 258-3700



ANCHORAGE
ECONOMIC
DEVELOPMENT
CORPORATION

March 23, 1988

Honorable Max Gruenberg
House of Representatives
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Representative Gruenberg:

Although the 1988 Legislative session is more than half over, I am forwarding for your consideration two pieces of draft legislation that, if adopted, will significantly enhance the ability of local areas to conduct economic development. One allows local governments to offer tax incentives to businesses that locate or expand in their jurisdictions. The other allows utilities to offer economic development incentive rates to new or expanding businesses.

The best phrase to describe both of these initiatives is "local control." At present, the clear statutory authority to offer these incentives is lacking. Our intent is to make these tools available to those local areas that choose to use them.

The need for this legislation is painfully clear. In just a few short months of operation, the A.E.D.C. has found that it has precious few tools with which to conduct economic development. In conversations or correspondence with firms that have some interest in locating or expanding in Anchorage, we find that we bring very little to the table. In most cases we are reduced to being cheerleaders, or promoters, while similar organizations in other U.S. cities offer attractive inducements that add credence to their promotions and give businesses a clear signal that they are welcome there.

550 West 7th Avenue
Suite 850
Anchorage, AK 99501
Telephone (907) 258-3700

Neither of these draft bills are designed to increase the burden on taxpayers or consumers. Both are oriented toward generating new revenue, albeit at a lower rate in the early years. Further, both are targeted at "export" businesses, which means businesses that primarily serve customers outside of the local jurisdiction. This will avoid simply intensifying the competition in "support" industries such as retail trade, wholesale trade and services.

You probably have found during your years in Juneau that opportunities to support legislation that truly improves Alaska's competitive position are rare. The enclosed bills are two such opportunities.

We would welcome your support and, as always, encourage your comments.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "S. Hawkins", with a long horizontal stroke extending to the right.

Scott E. Hawkins
President & CEO

Enclosures

HB 557
SBB 12

By: Howard "Buzz" Ollis + Walt Johnson
Introduced: 04/14/88
Amended: 04/19/88
Adopted: 04/19/88

RESOLUTION NO. 88-059

A RESOLUTION IN SUPPORT OF CHANGES TO STATE LAW
TO PERMIT CREATING MUNICIPAL INCENTIVES TO
FOSTER ECONOMIC DEVELOPMENT

WHEREAS, economic development and diversification are necessary
to pull the Alaska economy from its current doldrums; and

WHEREAS, a method of fostering economic develop is for local
governments to offer incentives to develop; and

WHEREAS, this body has supported enactment of legislation to
enact granting of tax incentives; and

WHEREAS, the Alaska Municipal League has urged the Alaska
Legislature to adopt legislation which would allow municipalities to offer for
a five year period property tax incentives to new and expanding industry
and businesses; and

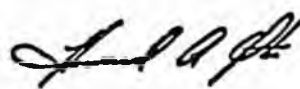
WHEREAS appropriate legislation to accomplish these ends has
been proposed by Anchorage Economic Development Corporation.

NOW, THEREFORE, BE IT RESOLVED by the Assembly of the
Fairbanks North Star Borough that the draft act entitled "An Act relating
to exemption from taxation by a municipality of economic development; and
providing for an effective date", attached hereto as attachment 1, and a
draft entitled "An Act relating to reduce utility rates, fees and charges
for qualified economic development projects and providing for an effective
date" attached hereto as attachment 2, are endorsed.

BE IT FURTHER RESOLVED, that these proposed statutory
changes should be enacted during this session.

BE IT FURTHER RESOLVED, that copies of this resolution shall
be forwarded to the Legislature and Governor.

PASSED AND APPROVED THIS 19TH DAY OF APRIL, 1988.



Presiding Officer

ATTEST:



Clerk of the Assembly

BY THE RULES COMMITTEE
BY REQUEST OF THE HOUSE MEMBERS
OF THE JOINT COMMITTEE ON
ECONOMIC RECOVERY

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3 IN THE LEGISLATURE OF THE STATE OF ALASKA

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19 approval by the governing body after a public hearing. The governing
20 body may deny an exemption or deferral under this subsection if it
21 finds that the exemption or deferral would result in an unreasonable
22 competitive disadvantage to other businesses in the municipality. In
23 this subsection "economic development property" means real or personal
24 property that may be depreciated for federal income tax purposes and
25 is used in a trade or business in a way that creates employment in the
26 municipality, generates sales outside of the municipality of goods or
27 services produced in the municipality, or materially reduces the
28 importation of goods or services from suppliers outside the municipal-
29 ity.

1 * Sec. 2. This Act takes effect January 1, 1989.