

S B

367

SENATE COMMITTEE REPORT

FURTHER

DATE TURNED INTO OFFICE _____

3/21/88
Mr. President:

_____ FINANCE _____ Committee considered _____ SB 367 _____

optional exemptions from municipal taxes

and recommended

replace with _____ CS _____) same title
 or adopt _____ CS _____) new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Chairman signature and recommendation

Committee Backup attached

SENATE COMMITTEE REPORT

5-16636
(b)

FIRST COMMITTEE OF REFERRAL

Date of 3/10/88 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

**FISCAL NOTE(S) ATTACHED yes **
IN ACCORDANCE WITH AS 24.08.035
(see below)

FURTHER: Finance
3/18/88

1/25/88
Mr. President:

DATE TURNED INTO OFFICE 3/18/88

C&RA

Committee considered SB 367

optional exemptions from municipal taxes

and recommended:

replace with CS for SB 367 (C&RA) same title
 attached amendment(s) and new title

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

DFM

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

2. Mike Sweeney - Do Not Pass
2. Tim Kelly - Do Not Pass

Curtis Sturgalinski Do Pass
Chairman signature and recommendation

Committee Backup Attached

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
TIM KELLY, Vice Chairman
RICK HALFORD
MIKE SZYMANSKI
FRED ZHAROFF



P. O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4989

Senate Community and Regional Affairs Committee

TO: Senate C&RA Committee

February 3, 1988

FROM: Senate C&RA Staff

MFA

RE: SB 367 "An Act relating to optional exemptions from municipal taxes."

In this packet is a sectional analysis by Senator Duncan, a position paper and fiscal note by the Department of Community and Regional Affairs, a position paper by the Alaska Municipal League, and some back up information from the Juneau Economic Development Council.

DC&RA and the AML both support the bill but suggest amendments in their position papers.

BY SENATOR DUNCAN

Senate Bill 367

"An Act relating to optional exemptions from municipal taxes."

Section 1.

Sub-paragraph (6) provides that a municipality may by ordinance grant a total or partial exemption from inventory taxation any type of inventory that is created from the processing or manufacturing in Alaska of natural resources originating in Alaska.

Sub-paragraph (7) provides that a municipality may by ordinance grant up to a 100 percent tax exemption to real or personal property that is used in the processing or manufacture of fisheries resources this includes all aquatic plants and animals.

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

February 3, 1988

POSITION PAPER

RE: Senate Bill 367: "An Act relating to optional exemptions from municipal taxes."

SPONSOR: Senator Duncan

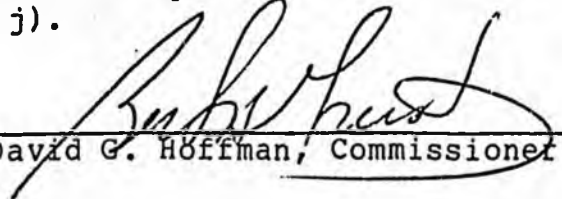
Program Summary

This bill relates to property taxes and adds two sections to the optional exemptions that municipalities may adopt under AS 29.45.050. Under current law, municipalities may exempt all business inventories from taxation. Paragraph (6) of this bill would allow municipalities to classify and exempt certain inventories from taxation, specifically, those inventories made in Alaska from Alaska resources.

Paragraph (7) of the bill would allow municipalities to exempt real and personal property used in the processing of marine resources. This is similar to existing language which currently allows municipalities to exempt up to 75% of timber processing property [AS 29.45.050 (j)].

Comments

The Department supports passage of this bill with two amendments. We recommend that the percentage of exemption currently allowed under AS 19.45.050(j) (see attached) be changed from 75% to 100% to be consistent with paragraph (7) of this bill. In addition, we suggest the bill be amended to provide for an exemption which would not exceed five years in duration. That amendment would be compatible with the exemption allowance under AS 29.45.050 (j).



David G. Hoffman, Commissioner

ATTACHMENT

Section 1.(7) amend by adding:

An ordinance adopted under this subsection may not provide for an exemption that exceeds five years in duration.

Section 2. AS 29.45.050(j) is amended to read:

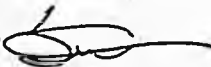
A municipality may by ordinance approved by the voters exempt real or personal property in a taxing unit used in processing timber after it has been delivered to the processing site from up to 100 [75] percent of the rate of taxes levied on other property in that taxing unit. An ordinance adopted under this subsection may not provide for an exemption that exceeds five years in duration.

Alaska
MUNICIPAL
League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

TO: The Honorable Jim Duncan, Senator

FROM: Scott A. Burgess, Executive Director 

DATE: February 2, 1988

SUBJECT: SB 367 - Optional exemptions from municipal taxes

On behalf of its 135 municipal members, the Alaska Municipal League supports SB 367, allowing municipalities to exempt inventory and property taxes on certain natural resources industries. In addition, I would like to offer the following comments.

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 in the area of optional exemptions on "inventories produced from the processing or manufacturing in the state of a natural resource originating in the state" and optional exemptions on "real and personal property used in the processing or manufacturing of fisheries resources". A similar provision is provided in AS 29.45.050(j), allowing a more limited exemption for timber processing.

The AML would request that you or the Senate Community and Regional Affairs Committee broaden the language to allow municipalities the option of exempting taxes on any business or industry. Many municipalities do not enjoy the wealth of natural resources available to Juneau and, therefore, cannot attract resource-related industries or businesses. However, once a municipality identifies the type of industry or business it wishes to attract or support, it should have similar "tools" available such as offering tax incentives.

Again, the AML supports SB 367 but asks that it be broadened to allow all municipalities to benefit from flexibility in the statutes dealing with local taxing powers. Allowing optional tax exemptions for all businesses and industries will provide municipalities another option in developing community development strategies to fit their unique circumstances.

cc: Senator Sturgulewski, Chair, Senate Community and Regional Affairs Committee

JUNEAU ECONOMIC DEVELOPMENT COUNCIL

463-3662
(2)

P.O. Box 21227 • 1107 West 8th St.

Juneau, Alaska 99802



MEMBERS

Greg O. Cleary, Chairperson
Deborah Bales, Vice-Chairperson

William Brock, Treasurer

Patrick Anderson
William M. Howe

Peter Hildre

John B. Sisk

CBJ REPRESENTATIVES

Mayor Ernest E. Polley
Kevin Ritchie

463-3662

MEMORANDUM

TO: Kevin Ritchie
FROM: James M. Kohler
DATE: November 5, 1987
SUBJ: AML Policy Proposals

I have attached a draft of two proposed additions to the AML Policies which could be introduced during the upcoming AML Conference.

The first addresses the need to change existing state statute to allow a local exemption from property tax on inventory that is needed in the manufacture of product within the community. This is something that Mayor Polley tried to enact locally but couldn't because of conflicting state law.

The second would embed into AML policy the preference for state economic development support at the local and regional level to come in the form of financial assistance to execute local and regional plans -- not to have them created at the state level and passed down. The specific resolution supporting the regional entity funding by the Department of Commerce and Economic Development, enacted by the Assembly on November 2, is one example of this type of program or legislation.

I will be happy to review these proposed policy insertions with you and the Juneau delegation at your convenience.

JUNEAU ECONOMIC DEVELOPMENT COUNCIL

907 463-3662

P.O. Box 21227 • 1107 West 5th St.

Juneau, Alaska 99802



MEMBERS

Lynn Hill Chairperson
Deborah Bates Vice Chairperson

William Brock, Treasurer
Patrick Anderson
William M. Howe

Peter Hildre
John B. Nisk

CITY REPRESENTATIVES

Mayor Ernest E. Polley
Kevin Ritchie

**DRAFT
PROPOSED POLICY STATEMENTS
AML CONFERENCE
NOVEMBER 11-13, 1987**

PART I: TAXATION AND FINANCE

D. LOCAL TAXES

6. Local Taxes: The League endorses legislation that would amend AS 29.45.050(j), permitting a local option exemption from property taxes for inventory used in the in-state manufacture of product. *DERIVED FROM ALASKA RESOURCES.*

PART X: ECONOMIC DEVELOPMENT

B. INCENTIVES

2. The League urges state programs be implemented and/or legislation be enacted that encourages, through direct financial assistance, economic development efforts to be developed and implemented at the local and regional levels.

Original sponsor: Duncan

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 367 (C&RA)

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 optional exemptions from munic-
7 ipal taxes."

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

9 * Section 1. AS 29.45.050(b) is amended to read:

10 (b) A municipality may by ordinance

11 (1) classify boats and vessels for the purposes of taxation
12 and may establish the assessed valuation of boats and vessels on the
13 basis of their registered or certificated net tonnage;

14 (2) classify and exempt from taxation

15 (A) the property of an organization not organized for
16 business or profit-making purposes and used exclusively for
17 community purposes if the income derived from rental of that
18 property does not exceed the actual cost to the owner of the use
19 by the renter;

20 (B) historic sites, buildings, and monuments;

21 (C) land of a nonprofit organization used for agricul-
22 tural purposes if rights to subdivide the land are conveyed to
23 the state and the conveyance includes a covenant restricting use
24 of the land to agricultural purposes only; rights conveyed to the
25 state under this subparagraph may be conveyed by the state only
26 in accordance with AS 38.05.069(c);

27 (3) exempt personal property from taxation;

28 (4) exempt business inventories from taxation;

29 (5) classify as to type and exempt or partially exempt any
S

1 or all types of motor vehicles from taxation;

2 (6) classify as to type and exempt or partially exempt any
3 or all inventories produced from the processing or manufacturing in
4 the state of a natural resource originating in the state;

5 (7) exempt, for a period not to exceed five years, personal
6 property used in the processing of fisheries resources from up to 100
7 percent of the rate of taxes levied on other property; for purposes of
8 this paragraph "fisheries resources" includes all aquatic plants and
9 animals.

Introduced: 1/25/88
Referred: Community and Regional
Affairs and Finance

5-1663A

1 IN THE SENATE

BY DUNCAN

2 SENATE BILL NO. 367

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FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act relating to optional exemptions from municipal taxes."
Sponsor: Duncan
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: Local Government Assistance
Components: State Assessor

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						
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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
Division: Municipal & Regional Assistance

Phone: 465-4750

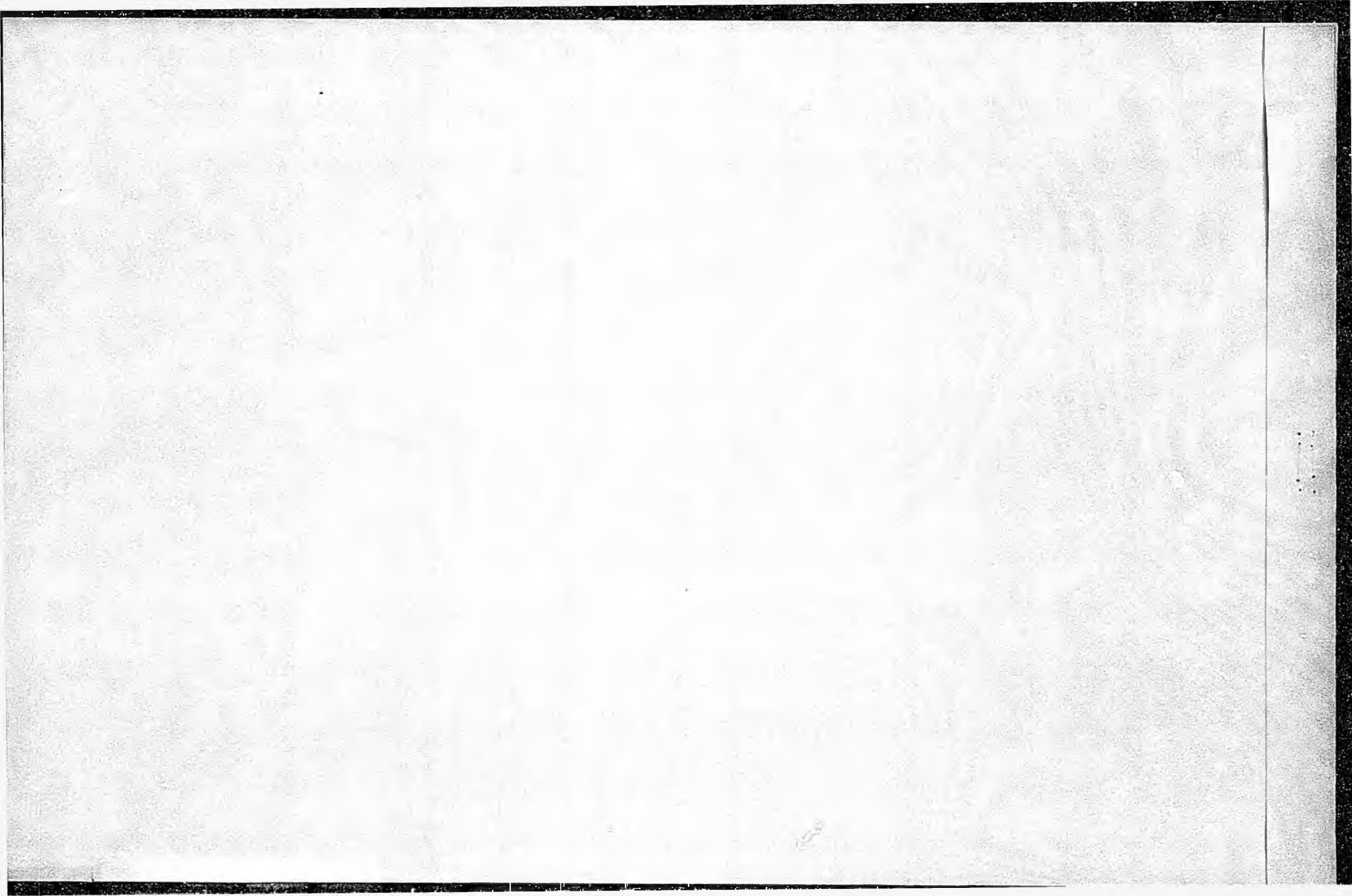
Date: 1-27-88

Approved by Commissioner: [Signature]
Agency: Community & Regional Affairs

Date: 1-27-88

Distribution (by preparer):

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



ALASKA STATE LEGISLATURE

15th . . . Legislature **2nd** . . . Session

SENATE **BILL** NO. **367** .

By . . . **DUNCAN**

"An Act relating to optional exemptions from municipal taxes."

Introduced in the Senate **1/25** , 19 **88** . . .

HISTORY IN THE SENATE

1988

Read first time and referred to Committee on

1 25 C&RA, Finance

Reported back with recommendation that

3 21 *C&RA replace w/CS
1 do pass, 2 do not pass,
CFN to Finance*

Read second time and

Read third time and

PASSED	Effective Date
Yeas	Yeas
Nays	Nays
Excused	Excused
Absent	Absent

Reconsideration
Reconsideration not taken up

PASSED	Effective Date
Yeas	Yeas
Nays	Nays
Excused	Excused
Absent	Absent

Reported correctly engrossed
Signed by President
Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASSED	Effective Date
Yeas	Yeas
Nays	Nays
Excused	Excused
Absent	Absent

Reconsideration
Reconsideration not taken up

PASSED	Effective Date
Yeas	Yeas
Nays	Nays
Excused	Excused
Absent	Absent

Reported correctly engrossed
Signed by Speaker
Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Received from House

To enrolling

Reported correctly enrolled

Sent to Governor

..... by Governor

Chapter No.

Filed with Lt. Governor