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HOUSE COMMITTEE REPORT

(11)

Date Referred: May 2, 1990

FURTHER REFERRALS:

Date of Committee Action: 5/7/90

The FINANCE Committee considered:

CSSB 308 (FINANCE)

CS SB NO. 308 (Fin)

MUNICIPAL TAXATION OF CERTAIN ST. PROP

"An Act relating to taxation by municipalities of certain property of governmental entities; and providing for an effective date."

RECOMMENDATIONS:

- be replaced with _____ the same title
- have 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):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- fiscal impact _____ fiscal note(s) _____
- zero fiscal note C&ED zero fiscal note(s) _____
- zero with analysis _____ zero fn/analysis _____

SIGNING DO PASS:

SIGNING:

(Check approp. column)

Do Not
Pass No Rec Amend

<u>Ronald J. Larson</u> Larson	_____			
<u>C. Swackhamm</u> Swackhamm	<u>D. Skultz</u> Skultz		<input checked="" type="checkbox"/>	
<u>Ray Brown</u> Brown				
<u>M. Keponen</u> Keponen				
<u>F. Ulmu</u> Ulmu				
<u>A. Barnes</u> Barnes				
<u>L. Riesen</u> Riesen				
<u>K. Wallis</u> Wallis				

Ronald J. Larson Larson
CO Chairman's Signature

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to taxation of certain state property by municipalities
Sponsor: Pearce
Requestor: House Finance

Agency Affected: Commerce & Economic Dev.
BRU: Alaska Industrial Development & Export Authority; Division of Investments
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) No fiscal impact for FY 90.

SEE ATTACHED

Prepared by: Guy Bell, Director
Division: Administrative Services

Phone: 455-2505
Date: 5/4/90

Approved by Commissioner: Larry Mercurieff
Agency: Department of Commerce & Economic Development

Date: 5/4/90

Distribution (by preparer):

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

**ANALYSIS
CSSB 308 (FIN)**

All costs associated with this legislation will be paid from AIDEA and Investments foreclosure reserves and do not require legislative appropriation.

Alaska Industrial Development and Export Authority:

The tax on \$27 million of defaulted loans at an average of 15 mills would equate to approximately \$400,000. Over the years, property acquired through foreclosures should decrease while the value of property will increase. No property owned by the authority under its development program is included (DeLong Mountain) as CSSB 308 (C&RA) would not put them on the tax rolls.

<u>LOCAL GOVERNMENT</u>	<u>NUMBER OF PROPERTIES</u>	<u>ASSESSED VALUE</u>	<u>AIDEA PAYMENT (Excluding Bank Owned Portion)</u>
Municipality of Anchorage	39	\$17,434,400	\$292,001
Fairbanks North Star Borough	6	2,088,620	32,392
Kenai Peninsula Borough	5	2,602,900	27,418
Matanuska-Susitna Borough	7	2,148,800	26,592
City & Borough of Juneau	2	565,000	6,905
City & Borough of Sitka	1	825,730	3,606
City of Valdez	1	817,400	12,220
North Slope Borough	1	482,900	8,871
Total	<u>62</u>	<u>\$26,965,750</u>	<u>\$410,005</u>

Division of Investments:

The Division of Investments has reviewed the fund-owned repossessed property and estimated the property tax that would have been paid to municipalities in 1989 if the state were not exempt from property taxes.

Boroughs do require the state to pay taxes the year that the property is repossessed. After notifying the boroughs that the property is owned by the state, future years' taxes are exempt.

The following breakdown by taxing jurisdiction has been adjusted for these amounts:

<u>BOROUGH</u>	<u>ESTIMATED 1990 R.E. TAXES</u>	<u>TAXES DUE UNDER CURRENT PROCEDURES</u>	<u>PROPOSED INCREASE</u>
Mat-Su	\$ 818.40		\$ 818.40
Anchorage	12,876.57	\$2,908.72	9,967.85
Juneau	4,744.96		4,744.96
Fairbanks	2,003.63	1,619.56	384.07
Ketchikan	<u>238.25</u>	<u> </u>	<u>238.25</u>
	<u>\$20,681.81</u>	<u>\$4,528.28</u>	<u>\$16,153.53</u>

It is anticipated that the 1991 tax amounts would not be materially different from the 1990 taxes.

Original sponsor(s): SEN. PEARCE

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 308 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to taxation by municipalities of
7 certain property of governmental entities; and
8 providing for an effective date."

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

10 * Section 1. AS 29.45.030(a) is amended to read:

11 (a) The following property is exempt from general taxation:

12 (1) municipal or [,] state [, OR FEDERALLY OWNED] property,
13 except that

14 (A) a private leasehold, contract, or other interest
15 in the property is taxable to the extent of the interest;

16 (B) notwithstanding any other provision of law, prop-
17 erty acquired by an agency, corporation, or other entity of the
18 state through foreclosure or deed in lieu of foreclosure and
19 retained as an investment of a state entity is taxable; this
20 subparagraph does not apply to property exempt from municipal
21 taxation under AS 14.25.200(a) or AS 39.35.500;

22 (2) household furniture and personal effects of members of
23 a household;

24 (3) property used exclusively for nonprofit religious,
25 charitable, cemetery, hospital, or educational purposes;

26 (4) property of a nonbusiness organization composed entire-
27 ly of persons with 90 days or more of active service in the armed
28 forces of the United States whose conditions of service and separation
29 were other than dishonorable, or the property of an auxiliary of that

1 organization;

2 (5) money on deposit;

3 (6) the real property of certain residents of the state to
4 the extent and subject to the conditions provided in (e) of this
5 section;

6 (7) real property or an interest in real property that is
7 exempt from taxation under 43 U.S.C. 1620(d), as amended;

8 (8) property of a political subdivision, agency, corpo-
9 ration, or other entity of the United States to the extent required by
10 federal law.

11 *Sec. 2. AS 29.45 is amended by adding a new section to read:

12 Sec. 29.45.295. COLLECTION OF DELINQUENT TAXES ON CERTAIN STATE
13 OR FEDERAL PROPERTY. AS 29.45.300 - 29.45.490 do not apply to state
14 property taxable under AS 29.45.030(a)(1) or to federal property not
15 exempted under AS 29.45.030(a)(8). A municipality may bring an action
16 in the superior court to compel payment of property taxes due from the
17 state or federal entity if the entity does not pay the amount due
18 within six months after the date that the taxes are due.

19 * Sec. 3. AS 44.88.140(a) is amended to read:

20 (a) Except as provided in AS 29.45.030(a)(1), the [THE] real and
21 personal property of the authority and its assets, income, and re-
22 ceipts are declared to be the property of a political subdivision of
23 the state and, together with any project or development project fi-
24 nanced under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, and a
25 leasehold interest created in a project or development project fi-
26 nanced under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, de-
27 voted to an essential public and governmental function and purpose,
28 and the property, assets, income, receipts, project, development
29 project, and leasehold interests shall be exempt from all taxes and

1 special assessments of the state or a political subdivision of the
2 state, including, without limitation, all boroughs, cities, municipal-
3 ities, school districts, public utility districts and other taxing
4 units. All bonds of the authority are declared to be issued by a
5 political subdivision of the state and for an essential public and
6 governmental purpose and to be a public instrumentality, and the
7 bonds, and the interest on them, the income from them and the transfer
8 of the bonds, and all assets, income and receipts pledged to pay or
9 secure the payments of the bonds, or interest on them, shall at all
10 times be exempt from taxation by or under the authority of the state,
11 except for inheritance and estate taxes and taxes on transfers by or
12 in contemplation of death. Nothing in this section affects or limits
13 an exemption from license fees, property taxes, or excise, income or
14 any other taxes, provided under any other law, nor does it create a
15 tax exemption with respect to the interest of any business enterprise
16 or other person, other than the authority, in any property, assets,
17 income, receipts, project, development project, or lease whether or
18 not financed under this chapter. By January 10 of each year, the
19 authority shall submit to the governor and the legislature a report
20 describing the nature and extent of the tax exemption of the property,
21 assets, income, receipts, project, development project and leasehold
22 interests of the authority under this section.

23 * Sec. 4. This Act takes effect January 1, 1991.

Alaska State Legislature

3111 C Street, Suite 150
Anchorage, Alaska 99503
(907) 561-2038



During Session:
P.O. Box V
Juneau, Alaska 99811
(907) 465-4993

Senator Drue Pearce
District G

MEMORANDUM

TO: Representative Lyman F. Hoffman, Co-Chair
Representative Ronald L. "Ron" Larson, Co-Chair
House Finance Committee

FROM: Drue Pearce *Drue Pearce*

RE: Scheduling request for SB 308

DATE: May 2, 1990

When you next consider scheduling for House Finance Committee please include SB 308 for hearing. This is the last committee of referral for the bill, which passed out of House Community & Regional Affairs Committee on May 1, 1990.

SB 308 taxes real property acquired by state and federal agencies through foreclosure or deed in lieu of foreclosure and retained for investment purposes. This is important legislation for the municipalities because millions of dollars in assessed values are being removed from the tax rolls across the state, depriving municipalities of revenue to which they are entitled for the services they supply.

This legislation was requested and is strongly supported by the Alaska Municipal League.

DP:pc

Alaska State Legislature

3111 C Street, Suite 150
Anchorage, Alaska 99503
(907) 561-2038



During Session:
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Juneau, Alaska 99811
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Senator Drue Pearce
District G

SB 308

Sponsor Statement

May 2, 1990

SB 308 taxes real property acquired by state or federal agencies through foreclosure or deed in lieu of foreclosure and retained for investment purposes.

The legislation was requested by the Alaska Municipal League because millions of dollars of assessed values are being removed from assessment rolls across the state by certain governmental agencies which have foreclosed on property in which they have a security interest. Some state agencies, like Alaska Industrial Development and Export Authority (AIDEA), have been exempted from taxation while others like Alaska Housing Finance Corporation (AHFC) pay local property taxes. SB 308 will correct this inequity and will give municipalities the revenue to which they are entitled for the services they supply.

SB 308 extends to federal properties similarly held and not otherwise exempt from taxation by the provisions of federal law.

The Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS) were exempted from this legislation by the Senate Finance Committee substitute for SB 308.

Passage of this legislation is supported by the Municipality of Anchorage and the Alaska Association of Assessing Officers.

DP:pc

The Alaska Municipal League supports legislation to require payment of local property taxes by state and federal agencies for real and personal property owned by the agency for investment purposes or acquired through holding of security interests.

The various agencies of the State and the federal government are treated differently with regard to local property tax on property obtained through default or foreclosure. The Alaska Housing Finance Corporation and the Department of Housing and Urban Development are two agencies that have made a commitment, through regulation or legislation, to pay local property taxes in recognition of the fact that local services contribute to the value of their property.

On the other hand, other government agency investors that obtain property through default, such as the Farmers Home Administration, Public Employees Retirement System, Teachers Retirement System, and Alaska Industrial Development and Export Agency, do not pay local property taxes, claiming exemption under the provisions of AS 29.45.031(a)1. Local governments are required to provide services such as roads, utilities, and police and fire protection, services that help protect and maintain the value of resale property owned by these agencies, and the agencies have an obligation to support these services as a cost of owning investment property.

OTHER REAL ESTATE OWNED SOLD (OREOS)
- COMBINED PERS & TRS TRUSTS

	<u>ANNUAL</u> <u>TOTAL OREOS</u>		<u>OREOS</u> <u>SOLD</u>	
FY 87	88	\$11,358,655	22	\$ 3,155,576
FY 88	144	\$18,338,681	22	\$ 2,766,937
FY 89	205	\$23,787,548	31	\$ 3,050,978
FY 90 (ESTIMATED)	205	\$23,787,548	40	\$ 4,641,440
FY 91 (ESTIMATED)	185	\$21,466,660	50	\$ 5,801,800
FY 92 (ESTIMATED)	145	\$16,825,220	60	\$ 6,962,160

Projected OREO sales will increase due to economic stability!

Annual Total OREO increase will reverse and continue with steady decline due to economic stability!

(Estimates for FY's 90, 91 and 92 are based on FY 89 average figures;
- \$116,036 per loan)