

S B

267

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER

FIN

**FISCAL NOTE(S) MUST BE ATTACHED
IN ACCORDANCE WITH AS 24.08.035

DATE TURNED INTO OFFICE 4.25.89

4/7/89

Mr. President:

C&RA

Committee considered

SB 267

optional exemptions from and deferral of payment of municipal taxes

and recommended:

replace with CS _____ same title

attached amendment(s) and new title

_____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

C&RA & COMMERCE

FISCAL NOTE(S) attached zero

fiscal impact

appropriation no FN attached

Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Handwritten signatures]

[Handwritten signature]

Chair: signature and recommendation

Committee backup attached

Patrick M. Rodey
Senator

Alaska State Legislature



Senate

3111 C. St., Suite 510
Anchorage, Alaska 99503
(907) 561-7618

During Session:
P.O. Box V
Juneau, Alaska 99811
(907) 465-3793

DATE: April 14, 1989

TO: Senator Al Adams, Chair
Senate Community and Regional Affairs Committee

FROM: Senator Pat Rodey *PR*

SUBJECT: SB267, Optional Tax Exemption from of
Municipal Taxation for Economic Development

I would like to request that the Community and Regional Affairs Committee consider scheduling SB 267, An Act Relating to Optional Exemptions from and deferral of Payment of Municipal Taxes.

The purpose of this legislation is to allow local governments another tool in diversifying their economic base. This legislation allows two more additional property tax exemptions that local governments could elect to use.

These two exemptions have no cost to the state and will only effect new property that is solely for the purpose of export.

If you have any questions please feel free to call my legislative aide, Mark Begich at 465-3793 in Juneau or 337-6748 in Anchorage.

COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
APRIL 25, 1989

SB 267: AN ACT RELATING TO OPTIONAL EXEMPTIONS FROM AND DEFERRAL OF PAYMENT OF MUNICIPAL TAXES
SPONSOR: BANKING
FISCAL: ZERO FROM COMMERCE AND DCRA

THE NEXT BILL BEFOR THE COMMITTEE IS SENATE BILL 267, AN ACT RELATING TO OPTIONAL EXEMPTIONS FROM AND DEFERRAL OF PAYMENT OF MUNICIPAL TAXES. THIS BILL WOULD ALLOW MUNICIPALITIES TO EXEMPT CERTAIN TYPES OF ECONOMIC DEVELOPMENT PROPERTY FROM UP TO 50% OF THE TAX RATES LEVIED ON OTHER PROPERTY. IT WOULD ALSO ALLOW MUNICIPALITIES TO EXEMPT TAXATION ON ITEMS INTENDED FOR EXPORT.

SENATOR RODEY IS HERE TO SPEAK FURTHER ON THE BILL.

PLAS

RON GARZINI AND DAN DUNSHEE

TOM LAWSON

PHILIP

STATE CHAIRMAN
COMMERCE

QUESTION: WHY ARE THEY LIMITING THE ECONOMIC DEVELOPMENT PROPERTY UNDER THIS BILL TO PROPERTY THAT HAS NOT BEEN PREVIOUSLY TAXED BY A MUNICIPALITY?

WORTLEY - EXEMPTION FOR A CERTAIN PERIOD
CONTINUE TO COUNT TOTAL VALUE OF PROPERTY
EXEMPTIONS - NOT PFD
NEW EQUIPMENT WOULD QUALIFY
KUMAR → →
ED TAKES PRICE @ LOCAL LEVEL
DEFERRED

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

- 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 17, 1989

POSITION PAPER

RE: Senate Bill 267 "An Act relating to optional exemptions from, or deferral of payment of, municipal taxes.

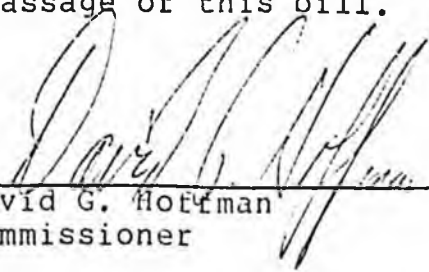
SPONSOR: Senate Special Committee on Banking and Economic Development

Program Summary

This bill adds a subsection to AS 29.45.050 relating to optional exemptions from local property tax that may be adopted by municipalities. An ordinance adopted under this section would allow municipalities to partially exempt, or defer from taxation property that is classified as economic development property. In order to qualify for any tax exemption or deferment the property must fulfill certain local eligibility requirements and must create new employment and provide goods or services that are used in, or are exported from, the municipality. Property tax under this subsection may not be exempted or deferred longer than five years.

Comments

The language in SB 267 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.



David G. Hoffman
Commissioner

SB 267: Municipal Tax Exemption or Deferral

A similar bill introduced late in the last session as HB 557.

SB 267 would extend the authority of municipalities to include tax exemptions and deferrals for certain types of "economic development" property for periods of up to five years. Up to 50% of the rate of taxes levied may be exempted.

From an economic development standpoint, The Department of Commerce and Economic Development supports HB 272. From a public policy standpoint, it may be prudent to allow the municipality an opportunity to set the cap on the dollar amount or percentage of the exemption. This cap would establish the amount that is acceptable loss to the tax base for the term of the exemption.

In effect, SB 267 would shift the burden of support for municipal services related to exempted property to the remaining taxpayers of that municipality or, in times of crisis, to the state; we believe that voter approval of the governing ordinance is desirable prior to implementation of policy resultant in such a reallocation of responsibility.

Larry Mercurieff

Larry Mercurieff, Commissioner
Date: 4/22/89

LM/TL/dgl3851D
042189b

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Economic Dev.
 Title: Municipal Tax Exemption or BRU: Business Development
Deferral
 Sponsor: Special Committee on Banking Components: _____
 Requester: and Economic Development

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of dollars)

GENERAL FUND						
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: Tom Lawson, Acting Director
 Division: Business Development

Phone: 465-2017
 Date: 4-21-89

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

Phone: 465-2500
 Date: _____

Distribution (by preparer):

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



ANCHORAGE
ECONOMIC
DEVELOPMENT
CORPORATION

A SYNOPSIS

OF SEVEN INDUSTRY INCENTIVE

PROPOSALS

FOR SUBMISSION TO

THE 1989 ALASKA LEGISLATURE

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



ANCHORAGE
ECONOMIC
DEVELOPMENT
CORPORATION

PROPERTY TAX ABATEMENT AUTHORITY

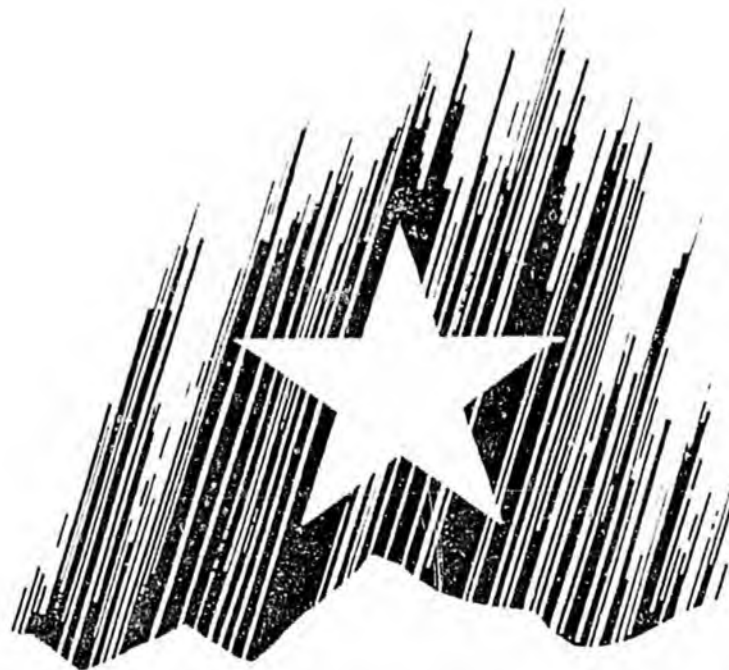
Purpose: This bill would give local governments the authority to offer partial and temporary property tax reductions on new buildings, leasehold improvements, equipment and inventories on new, basic industry investments. A local government may choose not to offer this incentive, but the proposed bill would give those that do wish to offer it the legal authority to do so.

Need: This is one of the most common incentives offered by U.S. cities and counties today. A 1987 survey of 322 cities showed that nearly 40 percent of all cities offer tax abatement and that nearly 45 percent plan to do so in the future. Alaska's boroughs and municipalities must begin to enter the competitive global arena for new jobs.

Structure: The proposed enabling legislation would require case-by-case local assembly approval, and would require that the new investment be one that expands the economy rather than simply intensifies competition for local markets. The maximum allowed abatement would be 50 percent, for a maximum period of five years.

Cost: This incentive would not apply to existing taxable property, only to new investments. Consequently, existing local revenue would not be impacted. New property tax revenue resulting from new basic industry investment would be temporarily impacted, but this incentive's role as a marketing tool will result in more private investment than would otherwise occur. Over time, this will result in a stronger tax base and more local revenue.

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Anchorage • *Star of the North*
Chamber of Commerce

1989 Legislative Priorities

Without such a plan, any measures to resolve the current budgetary dilemma will have only temporary effect. Further, once new revenue sources are identified, State spending will return unchecked to prior levels, eliminating the possibility for improved fiscal management.

The corpus of the Permanent Fund must not be used to cure revenue shortfalls. The Chamber supports the concept of amending the constitution to provide for a 40/30/30 allocation of the Permanent Fund earnings. Further, the Chamber supports constitutional amendments imposing limitations on the level of State spending.

2. Economic Development

Legislation should be proposed that would provide incentives that would foster economic development.

- A) Taxes. The tax policy of the State should remain stable and manageable, and not be subject to the political pressure of resolving revenue shortfalls. The Legislature should not yield to the proposals for a personal income tax, state sales taxes, or increased motor fuels taxes which negates the benefit of economic development incentives. The Legislature should not, under any foreseeable circumstances, impose increased taxes on any segment of our depressed economy. This would include the repeal or revision of the ELF (Economic Limit Factor) relative to the oil industry. Furthermore, departure from the unitary tax methodology would result in greater incentive to economic development.
- B) Economic Incentives. The adoption of an Economic Incentives Policy is overdue and should be given high priority in 1989. We recommend that a policy be enacted immediately to encourage the establishment and development of basic industry. This policy should follow the recommendations of the Anchorage Economic Development Corporation.

These incentives would be provided to qualifying businesses that serve to expand Alaska's economic base. These incentives should be flexible and existing statutory hindrance must be removed.

Alaska Municipal League Policy Statement

1989



Adopted at the Business Meeting
of the 38th Annual Local Government Conference
of the
ALASKA MUNICIPAL LEAGUE
Fairbanks, Alaska
November 18, 1988

Because a sales tax must be approved by the voters before it may be implemented, there should be no statutory limit on the rate of sales tax a municipality may impose. If the voters in a municipality desire to tax themselves at a rate higher than the 6 percent currently authorized by statute, they should be permitted to do so.

8. Tax Liability for Certain State Agency Properties: The League supports legislation to require payment of property taxes by state agencies for real property owned by the agency for investment purposes or acquired through holding of security interests.

Agencies of the State and federal government are treated differently as regards local property tax on property obtained through default or foreclosure. AHFC and HUD are two agencies that commit through regulation or legislation to pay local property tax in realization that local services contribute to the value of their property. Farmers Home Administration, Public Employees Retirement System, and Teachers Retirement System are also government agency investors who obtain property through default, but they do not pay local property tax, claiming exemption under AS 29.45.031(a)1. AIDA property does not contribute to local services.

9. Local Manufacture Taxes: The League endorses legislation that would amend AS 29.45.050(j) to permit a local option exemption from property taxes for inventory used in the in-state manufacture of product. The League also supports a three-to-five-year maximum time period for all such preferential exemptions from property taxation.

The League recognizes the critical need for permanent jobs and employment stability in local communities. Where property tax incentives are meaningful in attracting manufacturing or value-added industry using the human and natural resources of the State, exemption incentives may be an economic development tool.

This philosophy applies not just to timber but to other natural resource inventories. In any case, adoption of such an incentive should be by ordinance approved by the voters and have specific duration of three to five years, at which time the industry can be proven viable to the extent of sharing the burden with other taxpayers.

10. Optional Exemptions: The League does not oppose the addition of optional exemptions from property taxation provided the public agrees through a vote of the people and a sunset on the exemption is set in three to five years.

The League recognizes that expansion of optional exemptions from property taxes involves more than preferential treatment of classes of owners or property. Issues of public benefit, effects on formula funding revenues, changes in tax burden on other property owners, and competitive market influences are a few considerations to be

weighed. As these factors affect the public generally, adoption of local exemption should only be through ordinances approved by the voters. Further, in recognition of changing conditions and public needs, these exemptions should only be considered with provision of a sunset in three to five years.

11. Real Property Transaction Values: The League urges that if the Alaska Legislature enacts legislation requiring reporting of real property transaction values, such legislation also require that these reports be shared with the appropriate municipalities.

Alaska is one of only fourteen states in the country that does not require recording of real property transaction values. The American Bar Association's proposal for sale price reporting, new IRS reporting requirements, and national links of market data to financial institutional failures all make it likely that the State of Alaska will seriously consider or be forced to consider full reporting legislation in some form in the near future. Since municipalities are required to base local property tax on full and true value, it is equally important that any price reporting data be made available to local municipalities if uniformity and equity in assessment are to be maintained.

D. PUBLIC EMPLOYEES RETIREMENT

The League urges that any legislation that increases the cost of the Public Employees Retirement System or the Teachers Retirement System due to increased benefits require the cost to be borne by contributions from the employees. The League urges the Legislature to require fiscal notes to address the impact on each participating municipal employer if any amendments are made to the Public Employees Retirement System and the Teachers Retirement System.

Because municipal employees, including teachers, are members of the Public Employees Retirement System or the Teachers Retirement System, municipalities are affected by changes made by the Legislature to either retirement program. Many times proposals are made to change a retirement system without focusing on the increased cost to municipalities that such changes will cause. Because the municipality has no control over the retirement system and any increase in retirement benefits will decrease funds available for other municipal services, any increase in retirement system costs resulting from legislative action should be borne by the employees who will benefit from the increased retirement benefits. Additionally, in order to assist municipalities and the Legislature in evaluating changes to the retirement systems, fiscal notes accompanying such legislation should include an analysis of the fiscal impact on each of the participating municipalities.

11-15-88

Submitted by: Assemblyman Campbell
Prepared by: Anchorage Economic Development Corp.
For reading: November 15, 1988

ANCHORAGE, ALASKA
AR NO. 88-284

A RESOLUTION OF THE ANCHORAGE ASSEMBLY ENCOURAGING THE ALASKA LEGISLATURE TO ADOPT A BROAD AND RESPONSIBLE ARRAY OF ECONOMIC DEVELOPMENT INCENTIVES TO BE USED BY ALASKA'S COMMUNITIES

WHEREAS, the short and long-term outlook for the Alaska economy remains troublesome due to the impending projected production decline of the Prudhoe Bay oilfield and continued uncertainty in world oil markets; and

WHEREAS, there exists an urgent and pressing need for the communities of Alaska to expand and strengthen their respective basic industries; and

WHEREAS, all Alaska communities possess promotable and developable resources, both natural and human; and

WHEREAS, Alaska communities often face short-term economic hurdles that prevent the long-term development of their many and varied resources; and

WHEREAS these hurdles often include underdeveloped economic infrastructure, relatively tough commercial and industrial utility rates, the limited availability and high cost of trained labor in many occupations, and underdeveloped capital markets; and

WHEREAS, it is in the public interest for Alaska's local and state governments to take positive steps toward lowering those and other hurdles by offering a responsible and broad array of incentives for "basic industry" investment; and

WHEREAS, the use of such tools has been shown by Alaskan and non-Alaskan communities alike to be both effective and in the public interest;

NOW, THEREFORE, the Anchorage Municipal Assembly resolves:

Section 1: That the Assembly encourages the Legislature to enact laws that will create for the use of local governments, a broad, flexible and responsible array of incentives designed to induce new private investment in basic industry ventures that create net new jobs for the residents of Alaska; and

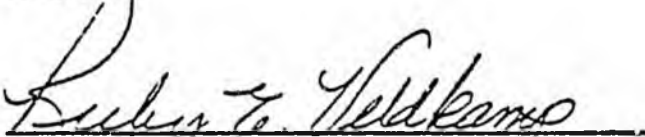
Section 2: That those incentives should address the issues of underdeveloped economic infrastructure, relatively high

commercial and industrial utility rates, the limited availability and high cost of trained labor in many occupations, and underdeveloped local capital markets.

PASSED AND APPROVED by the Anchorage Assembly this 15th day of November, 1988.


Chairman

ATTEST:


Municipal Clerk

DOCC/AR24

11

four states allow local governments the option of exempting inventories (Alaska, Georgia, Maryland, and Vermont). In Georgia, for example, at least sixty cities or counties exempt inventories. Iowa and South Carolina exempt a portion of all inventories. In South Carolina, the exempt proportion is 17 percent for 1985, 50 percent for 1986, and 100 percent thereafter, except for manufacturing inventories, which are already completely exempt. In North Carolina, inventories are taxable, but a credit is provided when they exceed a certain proportion of a manufacturer's production costs.

Certain other types of business personal property also receive preferential treatment, although they are generally taxed at a higher rate than inventories. The U.S. Census Bureau noted in 1981 that seventeen states had legal provisions for partial exemptions either as to specified types or specified value levels of commercial-industrial personal property. For example, Rhode Island exempts not only manufacturers' inventories but also certain manufacturing machinery and equipment. The states with partial exemptions for noninventory personal property are noted with footnotes in the third column of table 3.

Except for Iowa's exemption, none of these provisions explicitly favors small businesses. However, as the last two columns of table 3 indicate, there are a number of relatively minor exemptions which specify maximum values; these provisions tend to help small businesses relatively more than larger ones. These exemptions are typically for worker's or craftsman's tools or a fisherman's equipment.

To summarize, personal property tends to be treated considerably better than real property, and inventories are treated better than other kinds of personal property. This implies that, other things being equal, companies with a high ratio of personal to real property have lower effective property tax rates than other companies, especially if the personal property is in the form of inventories.

Other property tax practices

Many states have statutes granting abatements or exemptions to firms making investments to build new facilities or expand existing ones. In some cases these provisions are just for machinery but in other cases they apply to plant as well as machinery.

These measures rarely if ever make reference to the size of a business, although in a few cases they specify maximum or minimum levels of benefits or investment. Only one abatement program mentioned in a major compendium of state development incentives placed a limit on the benefits from the program. Illinois' industrial abatement program can save a company no more than \$1 million over a ten-year period. On the other hand, at least two states set a minimum on the investment needed to qualify for their abatement programs. A South Carolina five-year abatement

of county taxes requires that manufacturers invest at least \$50,000, and a South Dakota program stipulates that the investment must be at least \$30,000. Such minimum levels may prevent some small businesses from benefiting from the programs.

Tables 4 and 5 summarize these abatements and exemptions. The programs listed in table 4 generally exempt new investment, sometimes within specific geographic areas, for a limited number of years. The programs in table 5 in eight states apply primarily to machinery and involve permanent exemptions. In some cases,

Table 4

Property Tax Abatements for New or Expanding Facilities

Alabama	Up to ten years; does not apply to school taxes.
Arkansas	All leasehold interests in a facility financed by Industrial Revenue Bonds.
Connecticut	Manufacturing: 80 percent for five years in Urban Enterprise Zone or Urban Jobs Program. Commercial/retail: seven years, deferral of increased assessment resulting from improvements.
Florida	Up to ten years.
Georgia	No increase in assessment for up to seven years due to urban redevelopment, rehabilitation, or conservation project.
Illinois	Industrial: exemption up to ten years and up to \$1,000,000 of taxes.
Indiana	Industrial development area: up to ten years, assessment phased in over period.
Iowa	Five-year exemption, with assessment phased in over period, manufacturing; self-help areas: either 100 percent exemption for three years or partial exemption for ten years.
Louisiana	Up to ten years.
Maryland	Enterprise zone: 80 percent exemption.
Massachusetts	Property of economic development corporations exempt up to seven years.
Michigan	Fifty percent exemption up to twelve years.
Mississippi	Exemption up to ten years, except for school taxes; new structures or improvements in Central Business District of city with 45,000 or greater population exempt up to seven years.
Missouri	Twenty-five-year exemption in urban redevelopment areas (100 percent for ten years, then 50 percent).
Montana	Fifty percent exemption for five years, then phased out over next five years; manufacturing only.
New York	New York City: Twenty-year exemption, phasing down from 95 percent to 5 percent. Rest of state: ten-year exemption, phasing down from 50 percent to 5 percent.
Pennsylvania	Improvements to deteriorated property exempted up to ten years.
Rhode Island	Up to ten years.
South Carolina	Manufacturing five-year exemption, county taxes only; minimum investment, \$50,000.
South Dakota	Five-year exemption, with assessment phased in over period; minimum investment, \$30,000.
Virginia	Ten-year exemption for rehabilitated property.

Source: National Association of State Development Agencies, National Council for Urban Economic Development, and the Urban Institute, 1983. *Directory of incentives for business investment and development in the United States*. Washington, DC: The Urban Institute.

Chapter 41. Powers of Third Class Boroughs.

[Repealed, § 88 ch 74 SLA 1985.]

Chapter 43. Powers of Cities Outside Boroughs.

[Repealed, § 88 ch 74 SLA 1985.]

Chapter 45. Municipal Taxation.

Article

1. Municipal Property Tax (§§ 29.45.010 — 29.45.250)
2. Enforcement of Tax Liens (§§ 29.45.290 — 29.45.500)
3. City Property Tax (§§ 29.45.550 — 29.45.600)
4. Borough Sales and Use Tax (§§ 29.45.650 — 29.45.670)
5. City Sales and Use Taxes (§§ 29.45.700 — 29.45.710)

Article 1. Municipal Property Tax.

Section	Section
10. Property tax	130. Independent investigation
20. Taxpayer notice	140. Violations
30. Required exemptions	150. Reevaluation
40. Property tax equivalency payments	160. Assessment roll
50. Optional exemptions and exclusions	170. Assessment notice
60. Farm or agricultural land	180. Corrections
70. Mobile homes	190. Appeal
80. Tax on oil and gas production and pipeline property	200. Board of equalization
90. Tax limitation	210. Hearing
100. No limitations on taxes to pay bonds	220. Supplementary assessment rolls
103. Taxation records	230. Tax adjustments on property affected by a natural disaster
105. Errors in taxation procedures	240. Tax levy and rate
110. Full and true value	250. Rates of penalty and interest
120. Returns	

Sec. 29.45.010. Property tax. (a) A unified municipality may levy a property tax. A borough may levy

- (1) an areawide property tax for areawide functions;
- (2) a nonareawide property tax for functions limited to the area outside cities;
- (3) a property tax in a service area for functions limited to the service area.

(b) A home rule or first class city may levy a property tax subject to AS 29.45.550 — 29.45.560. A second class city may levy a property tax subject to AS 29.45.590.

(c) If a tax is levied on real property or on personal property, the tax must be assessed, levied, and collected as provided in this chapter. (§ 12 ch 74 SLA 1985)

(b) Compliance with the provisions of this section is a prerequisite to receipt of municipal tax resource equalization assistance under AS 29.60.010 — 29.60.080 and state aid for miscellaneous municipal services under AS 29.60.100 — 29.60.180. The department shall withhold annual allocations under those sections until municipal officials demonstrate that the requirements of this section have been met. (§ 12 ch 71 SLA 1985)

Sec. 29.45.030. Required exemptions. (a) The following property is exempt from general taxation:

(1) municipal, state, or federally owned property, except that a private leasehold, contract, or other interest in the property is taxable to the extent of the interest;

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

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

(4) property of a nonbusiness organization composed entirely of persons with 90 days or more of active service in the armed forces of the United States whose conditions of service and separation were other than dishonorable, or the property of an auxiliary of that organization;

(5) money on deposit;

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

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

(b) In (a) of this section, "property used exclusively for religious purposes" includes the following property owned by a religious organization:

(1) the residence of a bishop, pastor, priest, rabbi, minister, or religious order of a recognized religious organization;

(2) a structure, its furniture, and its fixtures used solely for public worship, charitable purposes, religious administrative offices, religious education, or a nonprofit hospital;

(3) lots required by local ordinance for parking near a structure defined in (2) of this subsection.

(c) Property described in (a)(3) or (4) of this section from which income is derived is exempt only if that income is solely from use of the property by nonprofit religious, charitable, hospital, or educational groups. If used by nonprofit educational groups, the property is exempt only if used exclusively for classroom space.

(d) Laws exempting certain property from execution under the Code of Civil Procedure (AS 09) do not exempt the property from taxes levied and collected by municipalities.

29.40.150

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§ 29.40.180

MUNICIPAL GOVERNMENT

§ 29.45.050

Sec. 29.40.180. Violations. The owner of land located in a subdivision may not transfer, sell, offer to sell, or enter into a contract to sell land in a subdivision before a plat of the subdivision has been prepared, approved, filed, and recorded in accordance with this chapter. A person may not file or record a plat or other document depicting subdivided land in a public recorder's office unless the plat or document has been approved by the platting authority. For the violation of a provision of this chapter, a subdivision regulation adopted under this chapter, or a term, condition, or limitation imposed by a platting authority in the exercise of its powers under this chapter, a municipality may by ordinance prescribe a penalty not to exceed a fine of \$1,000 and imprisonment for 90 days. (§ 11 ch 74 SLA 1985; am § 6 ch 161 SLA 1988)

Effect of amendments. — The 1988 amendment, effective January 1, 1989, deleted "It is unlawful for" at the beginning of the first and second sentences; and substituted "may not" for "to" and "filed, and recorded" for "and filed" in the first sentence, and "may not file or record" for "to file" in the second sentence.

Chapter 45. Municipal Taxation.

Article

1. Municipal Property Tax (§§ 29.45.050, 29.45.065, 29.45.230)
4. Borough Sales and Use Tax (§ 29.45.650)
5. City Sales and Use Tax (§ 29.45.700)

Article 1. Municipal Property Tax.

Section

50. Optional exemptions and exclusions
65. Assessment of private airports open for public use

Section

230. Tax adjustments on property affected by a natural disaster

Sec. 29.45.030. Required exemptions.

Cross references. — For exemption of local ad valorem taxes, see AS electric and telephone cooperatives from 10.25.540(b).

Sec. 29.45.050. Optional exemptions and exclusions. (a) A municipality may exclude or exempt or partially exempt residential property from taxation by ordinance ratified by the voters at an election. An exclusion or exemption authorized by this section may not exceed the assessed value of \$10,000 for any one residence.

(b) A municipality may by ordinance

- (1) classify boats and vessels for the purposes of taxation and may establish the assessed valuation of boats and vessels on the basis of their registered or certificated net tonnage;
- (2) classify and exempt from taxation

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

(B) historic sites, buildings, and monuments;

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

(3) exempt personal property from taxation;

(4) exempt business inventories from taxation;

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

(c) The provisions of (a) of this section notwithstanding,

(1) a borough may, by ordinance, adjust its property tax structure in whole or in part to the property tax structure of a city in the borough, including but not limited to, excluding personal property from taxation, establishing exemptions, and extending the redemption period;

(2) a home rule or first class city has the same power to grant exemptions or exclude property from borough taxes that it has as to city taxes if

(A) the exemptions or exclusions have been adopted as to city taxes; and

(B) the city appropriates to the borough sufficient money to equal revenues lost by the borough because of the exemptions or exclusions, the amount to be determined annually by the assembly;

(3) a city in a borough may, by ordinance, adjust its property tax structure in whole or in part to the property tax structure of the borough, including but not limited to exempting or partially exempting property from taxation.

(d) Exemptions or exclusions from property tax that have been granted by a home rule municipality in addition to exemptions authorized or required by law, and that are in effect on September 10, 1972, and not later withdrawn, are not affected by this chapter.

(e) A municipality may by ordinance classify and exempt or partially exempt from taxation privately owned land, wet land and water areas for which a scenic, conservation, or public recreation use easement is granted to a governmental body. To be eligible for a tax exemption, or partial exemption, the easement must be in perpetuity. However, the easement is automatically terminated before an eminent domain taking of fee simple title or less than fee simple title to the property, so that the property owner is compensated at a rate that does not reflect the easement grant.

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(f) A municipality may by ordinance exempt from taxation all or part of the increase in assessed value of improvements to real property if an increase in assessed value is directly attributable to alteration of the natural features of the land, or new maintenance, repair, or renovation of an existing structure, and if the alteration, maintenance, repair, or renovation, when completed, enhances the exterior appearance or aesthetic quality of the land or structure. An exemption may not be allowed under this subsection for the construction of an improvement to a structure if the principal purpose of the improvement is to increase the amount of space for occupancy or nonresidential use in the structure or for the alteration of land as a consequence of construction activity. An exemption provided in this subsection may continue for up to four years from the date the improvement is completed, or from the date of approval for the exemption by the local assessor, whichever is later.

(g) A municipality may by ordinance exempt from taxation all or part of the increase in assessed value of improvements to a single-family dwelling if the principal purpose of the improvement is to increase the amount of space for occupancy. An exemption provided in this subsection may continue for up to two years from the date the improvement is completed, or from the date of approval of an application for the exemption by the local assessor, whichever is later.

(h) A municipality may by ordinance partially or wholly exempt land from a tax for fire protection service and fire protection facilities and may levy the tax only on improvements, including personal property affixed to the improvements.

(i) A municipality may by ordinance approved by the voters exempt from taxation the assessed value that exceeds \$150,000 of real property owned and occupied as a permanent place of abode by a resident who is

- (1) 65 years of age or older;
- (2) a disabled veteran; or

(3) at least 60 years old and a widow or widower of a person who qualified for an exemption under (1) or (2) of this subsection.

(j) 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 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. In this subsection "taxing unit" means a municipality and includes

- (1) a service area in a unified municipality or borough;
- (2) the entire area outside cities in a borough; and
- (3) a differential tax zone in a city.

(k) A municipality may by ordinance approved by the voters exempt from taxation pollution control facilities that meet requirements

of the United States Environmental Protection Agency or the Department of Environmental Conservation. An ordinance adopted under this subsection may not provide for an exemption that exceeds five years in duration.

(I) A municipality may by ordinance exempt from taxation an interest, other than record ownership, in real property of an individual residing in the property if the property has been developed, improved, or acquired with federal funds for low-income housing and is owned or managed as low-income housing by the Alaska State Building Authority or a regional housing authority formed under AS 18.55.996. This section does not prohibit a municipality from receiving payments in lieu of taxes authorized under federal law. (§ 12 ch 74 SLA 1985; am § 1 ch 103 SLA 1985; am § 5 ch 70 SLA 1986; am § 1 ch 151 SLA 1988)

Effect of amendments. — The 1988 amendment, effective January 1, 1989, added subsection (I).

Sec. 29.45.065. Assessment of private airports open for public use. (a) A municipality may provide by ordinance that airports located on private land and open and available for public use may be assessed at full and true value for airport use and not as if subdivided or used for some other nonairport use. The assessor shall maintain records valuing the land at both full and true value and airport use value. If the land is sold, leased, or otherwise disposed of for uses incompatible with airport use by the public or if the owner converts the land to a use incompatible with airport use by the public, the owner is liable to pay an amount equal to the additional tax at the current mill levy together with eight percent interest from the time of the incompatibility, as if the land had not been assessed for airport use. Payment of the additional tax and interest shall be made to the municipality.

(b) To secure the assessment under this section, the owner of the airport shall show that the airport is on private land, is open and available for public use, and is of benefit to the public or municipality. The owner shall apply to the assessor before May 15 of each year that the assessment is desired on forms to be prescribed by the municipality for use of the local assessor and shall include information reasonably required to determine the entitlement of the applicant. If the land is leased for airport purposes, the applicant shall furnish the assessor with a copy of the lease bearing the signature of both the lessee and lessor for the period that the exemption is requested.

(c) In this section, "airport" means an area of land or water that is used for the landing, takeoff, movement, or parking of aircraft, and the appurtenant areas that are used for airport buildings or other

FISCAL NOTE

REQUEST: _____

Revision Date: _____
 Title: "An Act relating to optional
 exemptions..municipal taxes."
 Sponsor: Senate Committee on Banking &
 Requestor: Economic Development

Agency Affected: Community & Regional Affairs
 BRU: _____
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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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 Phone: 465-4750
 Division: Municipal & Regional Assistance Date: 4/25/89
 Approved by Commissioner: Walter C. Phillips Date: 4-25-89
 Agency: Community & Regional Affairs

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