

H B

3 0 9

HOUSE COMMITTEE REPORT

(7) Date Referred: April 29, 1991 FURTHER REFERRALS: Finance

Date of Committee Action: 5-9-91

The COMMUNITY AND REGIONAL AFFAIRS Committee considered: HB 309

HOUSE BILL NO. 309 MOTOR VEHICLE REGISTRATION TAX

"An Act requiring annual adjustment of the municipal motor vehicle registration tax; and providing for an effective date."

RECOMMENDATIONS: be replaced with CS HB 309 (CRA) the same title a new title

- have attached amendments(s)
- do pass
- do not pass
- no recommendations
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) APPROVES PREVIOUS: (Dept/Date)
 fiscal impact _____ fiscal note(s) _____
 zero fiscal note DCRA zero fiscal note(s) _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Laird Phillips</i>	X				
<i>Betty Davis</i>	X	<i>J. B. English</i>		✓	
<i>Cheri L. Davis</i>	X				
<i>Jim M</i>	X				

Jim M
CHAIRMAN'S SIGNATURE

ALASKA STATE LEGISLATURE
REPRESENTATIVE MIKE NAVARRE

Co-Chair
House Finance Committee
P.O. Box V
Juneau, Alaska 99811
(907) 465-3779

SPONSOR'S STATEMENT

TO: Representative Jerry Mackie, Chairman, House Community & Regional Affairs Committee

FROM: Representative Mike Navarre *Mike*

SUBJECT: House Bill 309, An Act requiring annual adjustment of the municipal motor vehicle registration tax.

.....
House Bill 309 is a needed revision of AS 28.10.431, the Annual Motor Vehicle Registration Tax. This tax schedule has not been revised since 1978.

Under the current law, municipalities are given the option of participating in the registration tax program administered by the Division of Motor Vehicles or electing to levy local use or property taxes. Due to the difficulty of collecting information on ownership of motor vehicles, the majority of Alaskan municipalities have opted to participate in the state-administered program, which collects an annual registration tax according to a schedule established in statute. The Division of Motor Vehicles retains 5% of the tax collection fee and refunds the balance to the municipality for which it was collected.

The registration tax schedule has not been reviewed or revised since 1978 when it was first written. The current tax schedule is out of line compared to other forms of personal property tax. For instance, the maximum registration tax levied for a new car is \$60; the tax for a five-year old car is \$20. The average purchase price for all motor vehicles has risen dramatically since 1978, and the gap between what is raised by local property taxes based on the value of the vehicle and the state statute collection method has continued to grow. It is estimated that if local property taxes were applied to current values, municipal revenues would be three times as high.

HB 309 would institute an **indexing** system to solve the needed annual adjustment of this personal property tax. On the effective date of this legislation there would be an increase of approximately 37%. This increase would bring the revenue stream in line with the Anchorage Consumer Price Index increases that occurred since 1978.

HB 309 and the changes the law will bring are endorsed by the Alaska Municipal League and the municipalities.

My contact for this legislation will be Tom Ackerly at 465-3779.

DISTRICT 5

34824 K-Beach Road • Soldotna, Alaska 99669 • (907) 262-7842



PRINTED ON RECYCLED PAPER

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

May 3, 1991

POSITION PAPER

RE: House Bill 309

SPONSORS: Representatives Navarre, Boyer, Brown, B. Davis,
Finkelstein, Koponen

Program Effects

The bill proposes to update the motor vehicle registration tax schedule under AS 28.10.431 and keep the schedule current into the future using the Consumer Price Index for Anchorage. The registration tax schedule has not been updated since about 1978.

Comments

The Department supports the passage of HB 309. As state revenues continue to diminish, the Department generally supports the broadening of municipal tax bases to offset these annual reductions in revenues. In the case of the registration tax schedule adjustment, however, there are several specific reasons why it should be made.

Because the schedule has not been kept current since 1978, municipalities which have opted for state collection have clearly lost direct revenues as a result. In addition to that, the Full Value Determination estimated by this department under AS 14.17.140 (copy attached) specifically required the value of these motor vehicles to be estimated at their full and true value as if taxable. Because the schedule has not been kept current over the years, the higher Full Value figures, when combined with the lower revenues received by participating municipalities have resulted in negative fiscal impacts under both the Education Foundation Funding Program and the State Revenue Sharing Program. The changes proposed in HB 309 will substantially improve those problems and prevent other such occurrences in the future.


Edgar Blatchford, Commissioner

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. HB 309

Revision Date: _____ Department Affected: Community & Regional Affairs
 Title: "An Act..annual adjustment of the BRU: _____
municipal motor vehicle registration tax." Component: _____
 Sponsor: Reps Navarre, Boyer, Brown etc
 Requestor: _____ COMPONENT SERIAL NO.

--	--	--	--

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
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						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Remond Henderson, Director *Remond Henderson* Phone: 465-4708
 Division: Administrative Services Date: 5/1/91
 Approved by Commissioner: Edgar Blatchford *Edgar Blatchford*
 Agency: Community & Regional Affairs Date: 5/1/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).



May 1, 1991

Position Paper

HB 309 - Requiring Annual Adjustment of Municipal Motor Vehicle Registration Tax

The Alaska Municipal League, which represents 125 local governments and their citizens throughout the State of Alaska, supports HB 309, which would require the motor vehicle registration tax collected by the state on behalf of municipalities to be adjusted annually to reflect changes in the Consumer Price Index. This would allow an updating of statutory motor vehicle registration rates, which were originally established in 1978 and have not been changed to reflect increases in the prices of motor vehicles.

Under the current provisions of AS 28.10.431, Annual Motor Vehicle Registration Tax, municipalities are given the option of participating in the registration tax program administered by the Division of Motor Vehicles or electing to levy local use or property taxes. Because of the difficulty of collecting information on ownership of motor vehicles, the majority of Alaskan municipalities that tax motor vehicles have opted to participate in the state-administered program (see attachment). This program collects a tax based on a schedule established in statute in 1978. The Division of Motor Vehicles retains 5 percent of the tax collected as a collection fee and refunds the balance to the municipality for which it was collected.

A recent study of motor vehicle values and property tax rates in Alaskan municipalities conducted by the Municipal Finance Officers Association at the request of the Alaska Municipal League found that in order to reflect current motor vehicle values and local mill rates, the registration tax would have to be as much as 300 percent of the current rate. The approach proposed in HB 309, which would index each year's registration tax rates to the Consumer Price Index (beginning with an adjustment from 1978 to the present, an increase of approximately 67 percent), will more accurately reflect the value of motor vehicles, make additional local revenues available from this source, more than compensate the state for the administration of the program, and allow for annual adjustments.

The Alaska Municipal League supports HB 309.

Attachment

TABLE 2
LOCAL TAX POLICY

BOROUGH / UNIFIED MUNICIPALITIES	BUSINESS					
	RESIDENTIAL	MACH/ EQUIP	MOTOR VEHICLES	BOATS & VESSELS	BUSINESS INVENTORY	AIRCRAFT
ANCHORAGE	FV	FV	ST COL	FV	FV	FV
BRISTOL BAY	OP EX	FV	FV	FV	FV	FV
FAIRBANKS NORTH STAR	OP EX	EX	EX	EX	EX	EX
HAINES	FV	FV	EX	FF	EX	FV
JUNEAU	FV	FV	EX	EX	FV	FV*
KENAI PENINSULA	OP EX	FV	ST COL	FV	EX	FV
KETCHIKAN GATEWAY	FV	FV	ST COL	FF	EX	FV
KODIAK ISLAND	FV	FV	ST COL	FF	EX	FV
MATANUSKA-SUSITNA	FV	FV	ST COL	FV	FV	FV
NORTH SLOPE	OP EX	FV	FV	FV	FV	FV
SITKA	FV	FV	EX	FF	FV	FV
<u>CITIES</u>						
CORDOVA	FV	EX	EX	EX	EX	EX
CRAIG	FV	EX	EX	EX	EX	EX
DILLINGHAM	FV	FV	EX	FV	FV	FV
EAGLE	FV	EX	EX	EX	EX	EX
NENANA	FV	FV	ST COL	FV	FV	FV
NOME	FV	FV	ST COL	FV	FV	EX
PELICAN	FV	FV	EX	FF	FV	FV
PETERSBURG	FV	FV	ST COL	EX	EX	FV
SKAGWAY	FV	EX	EX	EX	EX	EX
UNALASKA	FV	FV	EX	EX	FV	FV
VALDEZ	OP EX	EX	EX	EX	EX	EX
WHITTIER	FV	FV	ST COL	FV	EX	EX
WRANGELL	FV	FV	EX	EX	EX	FV
YAKUTAT	FV	EX	EX	EX	EX	EX

The following municipalities don't levy property taxes:

<u>Boroughs</u>	<u>First Class</u>	<u>Cities</u>
ALEUTIANS EAST	GALENA	KAKE SAND POINT
LAKE & PENINSULA	HOONAH	KING COVE ST. MARY'S
NORTHWEST ARCTIC	HYDABURG	KLAWOCK TANANA

- EX Exempt Property
- FV Full and True Value Assessment
- FF Optional, flat fee collected in lieu of property tax (AS 29.45.050 [b][1])
- OP EX Optional, residential exemption up to \$10,000 exercised. (AS 29.45.050[a])
- ST COL State collected, annual motor vehicle tax. (AS 28.10.431)

* Commercial at FV and Private exempt



KENAI PENINSULA BOROUGH

144 N. BINKLEY • SOLDOTNA, ALASKA 99669
PHONE (907) 262-4441

DON GILMA
MAYOR

April 30, 1991

Representative Mike Navarre
Alaska State Legislature
Pouch V
Juneau, AK 99811

Re: HB 309 - Amending AS 28.10.431, Annual Motor Vehicle
Registration Tax.

Dear Representative ^{Mike} Navarre:

This letter is to thank you and support your recent introduction of HB 309, which will amend AS 28.10.431, the Annual Motor Vehicle Registration Tax. While the Assembly as a whole has not taken direct action on this specific issue, the legislative committee of that body did support the proposed changes this bill will make. The Assembly also voted to accept the Kenai Peninsula Caucus 1991 Statement of Legislative Positions which specifically addressed this issue.

The fee schedule, contained in AS 28.10.431, has not been updated since 1978 when the statute was first written, and now falls far out of line when compared to other forms of personal property taxation.

Under current law, municipalities are given the option of participating in the registration tax program administered by the Division of Motor Vehicles or electing to levy local use or property taxes. Personal property taxation relies on a self reporting system. It is very difficult to assess and collect taxes under this system, as compared to the collection of a fee at the time of vehicle registration. It is for this reason that the Kenai Peninsula Borough opted to participate in the State program in January of 1989. While the collection rate is much higher, the difference in the statutory

Representative Navarre

Page Two

April 30, 1991

established fee structure and the revenue based on the current mill rate is great. For example, the average mill rate in the Borough is 9.5. A new automobile valued at \$15,000 would be subject to \$142.50 in taxation under a personal property system and \$60.00 under the current State fee structure.

As State shared revenues to municipalities decline, local assessments are one of the few methods for sustaining revenues. By amending this statute to reflect the current Consumer Price Index, CPI, fees will more accurately reflect current assessment rates.

Again, your efforts in this regard are appreciated. If I can be of any further assistance, please notify me.

Sincerely,



Don Gilman
Borough Mayor

DG/mh

DEPARTMENT OF PUBLIC SAFETY

OFFICE OF THE COMMISSIONER

P.O. BOX 1
JUNEAU, ALASKA 99811-1200
PHONE: 465-4322

April 23, 1991

Mr. Tom Ackerly
Aide to Representative Navarre
Alaska State Legislature
P. O. Box V
Juneau, AK 99811

Dear Mr. Ackerly:

I am writing in response to a draft bill you sent for our review; that bill would require that motor vehicles be registered with the Division of Motor Vehicles every other year (biennially), rather than once a year.

As you may be aware, present AS 28.10.111 contains language which appears to authorize multi-year registration. This is an idea that has some merit, and is one that the Division would seriously consider if it weren't for the existence of other complicating factors.

Several extraneous programs are tied to vehicle registrations, and specifically to the annual registration requirement. For example, emission control inspections in Anchorage and Fairbanks are required by local authorities in those communities, under standards set by the federal EPA and the state DEC. Annual inspection and certification is required before a vehicle may be registered (AS 28.10.041(a)(10)). If a multi-year motor vehicle registration program were to be adopted, other means of enforcement would be needed for the local annual emission control inspections.

In addition, the Division is required by law to refuse to register a vehicle subject to the federal heavy vehicle use tax, unless proof is furnished that the annual tax has been paid to the IRS (AS 28.10.041(c)). The Division is regularly audited by the Federal Highway Administration to ensure compliance with this provision. A multi-year vehicle registration program would seriously hinder this annual federal certification.

Mr. Tom Ackerly

-2-

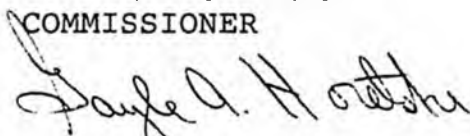
April 23, 1991

Unfortunately, even if these obstacles were overcome, the actual dollar savings from a multi-year registration program would be minimal. This is because vehicle registration renewals are the simplest and least time consuming of all motor vehicle transactions. A registration renewal usually takes about 30 seconds to process. A driver's license renewal takes about 5 minutes, and an original driver's license takes about 45 minutes (including road testing). Title application processing takes from 5 to 20 minutes, depending on the complexity. Thus, the idea of substantially cutting costs with a biennial vehicle registration program is not realistic.

I hope this information is helpful to you. Please let me know if we can be of any further assistance.

Sincerely,

RICHARD L. BURTON
COMMISSIONER



By: Gayle A. Horetski
Deputy Commissioner

cc: Lori Nottingham
Legislative Staff Assistant
Office of the Governor

Municipality of Anchorage



918 R STREET
ANCHORAGE, ALASKA 99501
(907) 272-5392

ANCHORAGE ASSEMBLY
Heather Flynn, Assembly Member

2 May, 1991

Representative Mike Navarre
Alaska House of Representatives
Pouch V
Juneau, AK. 99811

RE: HB 309

Dear Rep. Navarre,

Thank you for introducing HB 309 which will adjust the motor vehicle registration tax. I fully support your efforts. However, I wish to point out that I speak only for myself. The Anchorage Assembly has no position on the bill and the administration has consistently opposed any increases in taxes or utility rates.

The statute as currently on the books promotes inequity. It taxes the large, expensive vehicle at the same rate as the smaller, less expensive (and frequently more fuel efficient) vehicle. Given our statutory mandate to tax at full and true value, the revision you propose will help to redress this inequity.

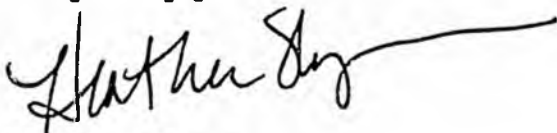
Anchorage currently collects a little more than \$3 million in auto taxes. Along with fees and diminishing state resources, real property taxes make up the bulk of (and increasing) support for local services. With our taxes capped, an increase in auto taxes would not raise additional total tax monies, it would simply redistribute the tax burden to a broader population. That seems fair.

Finally, the primary reason why I support HB 309 is that it begins to inject some reality in our state. In Anchorage, we pay between 10 and 18 mills for all services, including education. However, when you consider the permanent fund dividend, the average household pays virtually nothing

for state and local services. Please refer to ISER Fiscal Policy Papers, No. 6, April 1991. It graphically represents not only that we get a free ride, but that our free ride is coming to an end, and some segments of the populations will be disproportionately hurt. Is it not wise to make some incremental adjustments to our tax structure now, as HB 309 does, rather than hit the wall all at once?

I commend you, along with Reps. Boyer, Brown, B. Davis, Finkelstein and Koponen, for taking this courageous step.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Heather Flynn", with a long horizontal flourish extending to the right.

Heather Flynn
Anchorage Assembly

cc: Rep. Jerry Mackie, Chair, C&RA
Rep. Mark Boyer
Rep. Kay Brown
Rep. Bettye Davis
Rep. David Finkelstein
Rep. Niilo Koponen
Scott Burgess, AML
Assembly Members

Municipality of Anchorage



OFFICE OF THE MAYOR

P.O. BOX 196650
ANCHORAGE, ALASKA 99519-6650
(907) 343-4431
FAX 258-5210

TOM FINK
MAYOR

May 9, 1991

Representative Jerry Mackie, Chairman
House Community and Regional Affairs Committee
P.O. Box V
Juneau, Alaska 99811

Re: HB 309, Motor Vehicle Registration Tax

Dear Representative Mackie:

The Municipality of Anchorage opposes HB 309, requiring an annual adjustment of the municipal motor vehicle registration tax.

I am opposed to any new taxes during this period of economic recovery, and especially oppose a tax that would automatically require an annual adjustment based on changes in the consumer price index. Increased taxation in Anchorage would only pay for higher labor costs, not increased services. Until the public is convinced that new taxation would lead to increased services, they will not support such measures.

Please convey my message to your committee during today's deliberation on HB 309.

Sincerely,

Tom Fink