

SB70

(11)

HOUSE COMMITTEE REPORT

Date Referred: May 13, 1991

FURTHER REFERRALS:

Date of Committee Action: 5.19.91

The FINANCE Committee considered:

CSSB 70(FIN)

CS FOR SENATE BILL NO. 70 (FINANCE)

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 HCS CSSB 70(FIN) 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)

fiscal impact _____

zero fiscal note _____

APPROVES PREVIOUS:

fiscal note(s) DCED 3/6/91 ^(Dept/Date) DCED 3/29/91 Dept of Rev 3/29/91

zero fiscal note(s) Def Admin 3/29/91 DCRA 2/15/91

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<u>Mike Navarre</u> NAVARRE	✓	<u>Ed Maclean</u> MACLEAN		✓	
<u>Mark Boyer</u> BOYER	X	<u>Greg JACO</u> JACO		X	
<u>Tom Brown</u> BROWN	✓				
<u>John Koponen</u> KOPONEN	✓				
<u>Barbara Barnes</u> BARNES	X				
<u>Bob Sharp</u> SHARP	X				
<u>Ross E. Phillips</u> PHILLIPS	X				
<u>Ronald Hanson</u> HANSON	X				
<u>Alan Ulmer</u> ULMER	X				

Mike Navarre NAVARRE Ed Maclean MACLEAN
CHAIRMAN'S SIGNATURE

FISCAL NOTE

No. 1
 Bill Version: SB 70
 (S) Publish Date: 2/15/91

STATE OF ALASKA
 1991 LEGISLATIVE SESSION

Revision Date: _____ Department Affected: Community & Regional Aff:
 Title: "An Act relating to taxation..of certain property of governmental...." BRU: _____
 Sponsor: Senator Pearce Component: _____
 Requestor: Senate C&RA Committee COMPONENT SERIAL NO.

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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						
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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						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)
 Changes in CSSB 70 (C&RA) have no fiscal impact. This fiscal note is appropriate.
 Date: 2/14/91 Comte Aide (initial): [Signature]

Prepared By: Remond Henderson, Director Phone: 465-4708
 Division: Administrative Services Date: 2/13/91

Approved by Commissioner: _____
 Agency: Community & Regional Affairs

Changes in CSSB 70 (Fin) have no fiscal impact. This fiscal note is appropriate.

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Reql

Date: 3/28/91 Comte Aide (initial): [Signature]

FISCAL NOTE

No. 5
 Bill Version: CSSB 70 (Fin)
 (S) Publish Date: 3

STATE OF ALASKA
 1991 LEGISLATIVE SESSION

Revision Date: February 15, 1991 Department Affected: Commerce & Economic Development
 Title: An Act Relating to Taxation by BRU: AK Industrial Development and Export Authority
Municipalities Component: _____

Sponsor: Pearce
 Requestor: Senate Finance

COMPONENT SERIAL NO.	1	2	3	4
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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	0	400.0	400.0	400.0	400.0	400.0
TOTAL OPERATING	0	400.0	400.0	400.0	400.0	400.0

CAPITAL		NONE				
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	0	400.0	400.0	400.0	400.0	400.0
TOTAL	0	400.0	400.0	400.0	400.0	400.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY		NONE				

Estimate of current year impact: - 0 -

ANALYSIS: (Attach a separate page if necessary.) Payment of taxes would be approximately \$420.0 in FY 93, assuming the taxable properties remain at \$29 million and mill rates remain constant. The attached illustrates the projected payments by political subdivision. Amounts payable will vary with changes in mill rate, assessed valuation and disposals of property. This analysis assumes the status quo remains through FY 97 which should be the worst case scenario.

Prepared By: Bertram Wagner Executive Director Phone: (907) 561-8050
 Division: AK Industrial Development & Export Authority Date: March 18, 1991
 Approved by Commissioner: Glenn A. Olds
 Agency: Department of Commerce & Economic Development Date: 3-21-91

Changes in CSSB 70 (Fin) nce, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies) have no fiscal impact. This fiscal note is appropriate.

3/28/91
 date Comte Aide (initial)

FISCAL NOTE
SENATE BILL 70

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 \$29 million of defaulted loans at an average of 15 mills would equate to approximately \$435,000. Over the years, property acquired through foreclosures should decrease while the value of property will increase. The first payment to local governments would be July 1, 1992 which would occur in FY93.

AS OF DECEMBER 31, 1990

<u>LOCAL GOVERNMENT</u>	<u>NUMBER OF PROPERTIES</u>	<u>ASSESSED VALUE</u>	<u>AIDEA PAYMENT (Excluding Bank Owned Portion)</u>
Municipality of Anchorage	41	\$15,828,742	\$257,080
Fairbanks North Star Borough	9	4,375,387	53,695
Kenai Peninsula Borough	13	4,442,086	42,840
Matanuska-Susitna Borough	10	2,269,530	27,968
City & Borough of Juneau	5	850,185	10,379
City & Borough of Sitka	1	501,480	6,174
City of Valdez	1	858,270	12,810
North Slope Borough	<u>1</u>	<u>507,045</u>	<u>9,314</u>
Total	<u>81</u>	<u>\$29,632,725</u>	<u>\$420,260</u>

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

No. 6

Bill Version: CSSB 70 (FIN)

(S) Publish Date: 3-29-91

Revision Date: _____ Department Affected: Commerce & Economic Dev.
 Title: An Act Relating to Taxation BRU: Investments
by Municipalities Component: _____
 Sponsor: Pearce
 Requestor: Pearce COMPONENT SERIAL NO.

3	8	3
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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	0	16.0	16.0	16.0	16.0	16.0
TOTAL OPERATING	0	16.0	16.0	16.0	16.0	16.0

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	0	16.0	16.0	16.0	16.0	16.0
TOTAL	0	16.0	16.0	16.0	16.0	16.0

POSITIONS:

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

Estimate of current year impact: 0

ANALYSIS: (Attach a separate page if necessary.)

SEE ATTACHED

Prepared By: Martin Richard, Director Phone: 465-2510
 Division: Investments Date: March 22, 1991
 Approved by Commissioner: Glenn A. Olds *[Signature]* ASST. COMM.
 Agency: Department of Commerce & Economic Development Date: March 22, 1991

Changes in CSSB 70 (Fin) inance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies) have no fiscal impact. This fiscal note is appropriate.

3/28/91
date

[Signature]
name

Division of Investments:

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

The Division of Investments has reviewed the fund-owned repossessed property and estimated the property tax that would have been paid to municipalities in 1990 if the state were not exempt from property taxes.

Boroughs currently 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 1991 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 1992 tax amounts would not be materially different from the 1991 taxes.

FISCAL NOTE

No. 7

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Bill Version: CSSB 70(FIN)

(S) Publish Date: 3-29-91

Revision Date: March 19, 1991

Department Affected: Revenue

Title: An act relating to taxation of certain State property by municipalities BRU: Treasury/PERS & TRS

Component: _____

Sponsor: Pearce

Component Serial No.

	1	2	1
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Requestor: Senate C & RA

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	116.5	200.0	175.0	150.0	125.0	100.0
TOTAL OPERATING	116.5	200.0	175.0	150.0	125.0	100.0

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	116.5	200.0	175.0	150.0	125.0	100.0
TOTAL	116.5	200.0	175.0	150.0	125.0	100.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact:

ANALYSIS: The tax cost on the March 12, 1991 balance of \$21.6 million of foreclosed real estate loans owned by the retiremer funds using average mill rates by location equates to \$232,962. This tax cost approximates a statewide levy of 10.8 mills. Loan balances were used because it would not be practical to obtain current assessed values on each of the properties. Using assessed values may result in a higher or lower tax result. The effective date of January 1, 1992 would create a tax bill of approximately \$116.5 for FY 92. Over the years, property acquired through foreclosure should decrease because of the improved State economy and reduction in real properties owned.

Prepared by: Brian C. Andrews

Phone: 465-2350

Division: Treasury

Date: March 19, 1991

Approved by Commissioner: [Signature]

Agency: Revenue

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, &

Rev 10/90

Changes in CSSB 70 (F) have no fiscal impact. This fiscal note is appropriate.

3/28/91 date [Signature] Comptroller



STATE OF ALASKA
OFFICE OF THE GOVERNOR

BILL ANALYSIS

DEPARTMENT Revenue	DIVISION Treasury	BILL NUMBER CS SB 70	SPONSOR Pearce
SHORT TITLE OF BILL An act relating to taxation of certain State property by municipalities			
DEPARTMENT POSITION See below.			
PREPARED BY Brian C. Andrews	DATE 3-19-91	COMMISSIONER'S SIGNATURE <i>[Signature]</i>	DATE 3-19-91

SUMMARY

OTHER AGENCIES AFFECTED BY BILL AIDEA	CONSTITUENT GROUP(S) AFFECTED BY BILL
ORGANIZATIONAL SUPPORT FOR BILL Municipalities and local government	ORGANIZATIONAL OPPOSITION TO BILL

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

The intent of this bill is to place all real property of PERS and TRS onto the tax rolls of the municipality within which it is located. Current law exempts such property from taxation.

ANALYSIS OF BILL/PROGRAM EFFECTS

Makes all real property of the PERS and TRS subject to real property taxes effective January 1, 1992. PERS and TRS have no direct single ownership of real estate investments. PERS and TRS properties that were once collateral to loans and through default have since become other real estate owned, would result in an annual tax bill of approximately \$232,96 based on loan balances using average actual mill rates by location. This results in an average 10.8 mill levy for all property. Loan balances were used because it is not practical to obtain assessed values. Assessed values may be higher or lower than loan balances.

ARCHONMENTS PROPOSED DEPARTMENT POSITION

Opposed because as fiduciary, endorsing such action would not be in the best interest of beneficiaries.

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____
Title: An Act relating to taxation by municipalities of certain property of
governmental entities and for an effective date.
Sponsor: Senator Pearce

Department Affected: Revenue
BRU: Alaska Housing Finance Corporation
Component: Alaska Housing Finance Corporation
Requestor: _____

COMPONENT SERIAL NO.

1	1	0
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
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	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

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

Estimate of current year impact:

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Judy DeSpain
Division: Alaska Housing Finance Corporation/Administration

Phone: (907)561-1900
Date: March 27, 1991

Approved by Commissioner: [Signature]
Agency: DEPARTMENT OF REVENUE

Date: 3-27-91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impact

Changes in CSSB 70 (A) have no fiscal impact. This fiscal note is appropriate.

FISCAL NOTE

No. 9

Bill Version: CSSB 70 (Fin)

(S) Publish Date: 3-29-91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____
Title: "An act relating to taxation by municipalities
of property of governmental agencies"
Sponsor: Senate Community and Regional affairs Committee
Requestor: _____

Department Affected: Administration
BRU: Retirement and Benefits
Component: Retirement and Benefits

COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
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	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS

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

Estimate of current year impact: zero

ANALYSIS: (attach a separate page if necessary.)

The Department of Revenue estimates that this bill will result in a decrease of \$232,000 per year in PERS and TRS fund earnings. The system's actuary does not recommend a change in the current earnings assumption of 9% because this proposed reduction represents less than .01% of the combined funds invested. If this type of restriction to the earnings potential of the systems were to result in a reduction of the earnings assumption, a corresponding increase in the employers rates would become necessary.

Prepared By: Gary Bader *Gary M. Bader*

Phone: 465-4460

Division: Retirement and Benefits

Date: _____

Approved by Commissioner: Millett Keller *Millett Keller*

Date: 3/26/91

Agency: Department of Administration

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

Rev 10/90

Changes in CSSB 70 (Fin)
have no fiscal impact. This
fiscal note is appropriate.
3/28/91 *W. Miller*

HOUSE CS FOR CS FOR SENATE BILL NO. 70 (FINANCE)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): SENATOR PEARCE

A BILL

FOR AN ACT ENTITLED

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

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

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

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

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

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

9 (B) notwithstanding any other provision of law, property acquired by
10 an agency, corporation, or other entity of the state through foreclosure or deed in
11 lieu of foreclosure and retained as an investment of a state entity is taxable; this
12 subparagraph does not apply to

13 (i) federal land granted to the University of Alaska under
14 AS 14.40.380 or 14.40.390, or to other land granted to the university by the

1 state to replace land that had been granted under AS 14.40.380 or 14.40.390:

2 (ii) property exempt from municipal taxation under
3 AS 14.25.200(a):

4 (iii) property exempt from municipal taxation under
5 AS 39.35.500:

6 (C) an ownership interest of a municipality in real property located
7 outside the municipality acquired after December 31, 1990, is taxable by another
8 municipality; however, a borough may not tax an interest in real property located
9 in the borough and owned by a city in that borough;

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

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

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

17 (5) money on deposit;

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

20 (7) real property or an interest in real property that is exempt from taxation under
21 43 U.S.C. 1620(d), as amended;

22 (8) property of a political subdivision, agency, corporation, or other entity
23 of the United States to the extent required by federal law; except that a private leasehold,
24 contract, or other interest in the property is taxable to the extent of that interest.

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

26 Sec. 29.45.295. COLLECTION OF DELINQUENT TAXES ON CERTAIN
27 GOVERNMENTAL PROPERTY. AS 29.45.300 - 29.45.490 do not apply to property taxable
28 under AS 29.45.030(a)(1)(B) or (C) or to federal property not exempted under
29 AS 29.45.030(a)(8). A municipality may bring an action in the superior court to compel payment
30 of property taxes due from the state, municipal, or federal entity if the entity does not pay the
31 amount due within six months after the date that the taxes are due.

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

2 (a) Except as provided in AS 29.45.030(a)(1), the [THE] real and personal property of
3 the authority and its assets, income, and receipts are declared to be the property of a political
4 subdivision of the state and, together with any project or development project financed under
5 AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, and a leasehold interest created in a project
6 or development project financed under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177,
7 devoted to an essential public and governmental function and purpose, and the property, assets,
8 income receipts, project, development project, and leasehold interests shall be exempt from all
9 taxes and special assessments of the state or a political subdivision of the state, including, without
10 limitation, all boroughs, cities, municipalities, school districts, public utility districts and other
11 taxing units. All bonds of the authority are declared to be issued by a political subdivision of
12 the state and for an essential public and governmental purpose and to be a public instrumentality,
13 and the bonds, and the interest on them, the income from them and the transfer of the bonds, and
14 all assets, income and receipts pledged to pay or secure the payments of the bonds, or interest
15 on them, shall at all times be exempt from taxation by or under the authority of the state, except
16 for inheritance and estate taxes and taxes on transfers by or in contemplation of death. Nothing
17 in this section affects or limits an exemption from license fees, property taxes, or excise, income
18 or any other taxes, provided under any other law, nor does it create a tax exemption with respect
19 to the interest of any business enterprise or other person, other than the authority, in any property,
20 assets, income, receipts, project, development project, or lease whether or not financed under this
21 chapter. By January 10 of each year, the authority shall submit to the governor and the
22 legislature a report describing the nature and extent of the tax exemption of the property, assets,
23 income, receipts, project, development project and leasehold interests of the authority under this
24 section.

25 * Sec. 4. This Act takes effect January 1, 1992.

CS FOR SENATE BILL NO. 70 (FINANCE)
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 3/29/91
Referred: Rules

Sponsor(s): SENATOR PEARCE

A BILL

FOR AN ACT ENTITLED

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

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

DELETE SECTION 1 + 4

4 * Section 1. AS 14.25.200(a) is amended to read:

5 (a) Except as provided in AS 29.45.030(a)(1), member [MEMBER] contributions and
6 other amounts held in the system on behalf of a member or other person who is or may become
7 eligible for benefits under the system are exempt from Alaska state and municipal taxes and are
8 not subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge
9 of any kind, either voluntary or involuntary, before they are received by the person entitled to
10 the amount under the terms of the system, and any attempt to anticipate, alienate, sell, transfer,
11 assign, pledge, encumber, charge, or otherwise dispose of any right to amounts accrued in the
12 system is void. However, a member's right to receive benefits may be assigned under a qualified
13 domestic relations order.

14 * Sec. 2. AS 29.45.030(a) is amended to read:

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

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

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

5 (B) notwithstanding any other provision of law, property acquired by
6 an agency, corporation, or other entity of the state through foreclosure or deed in
7 lieu of foreclosure and retained as an investment of a state entity is taxable;

8 (C) an ownership interest of a municipality in real property located
9 outside the municipality acquired after December 31, 1990, is taxable by another
10 municipality; however, a borough may not tax an interest in real property located
11 in the borough and owned by a city in that borough;

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

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

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

19 (5) money on deposit;

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

22 (7) real property or an interest in real property that is exempt from taxation under
23 43 U.S.C. 1620(d), as amended;

24 (8) property of a political subdivision, agency, corporation, or other entity
25 of the United States to the extent required by federal law; except that a private leasehold,
26 contract, or other interest in the property is taxable to the extent of that interest.

27 * Sec. 3. AS 29.45 is amended by adding a new section to read:

28 Sec. 29.45.295. COLLECTION OF DELINQUENT TAXES ON CERTAIN
29 GOVERNMENTAL PROPERTY. AS 29.45.300 - 29.45.490 do not apply to property taxable
30 under AS 29.45.030(a)(1)(B) or (C) or to federal property not exempted under
31 AS 29.45.030(a)(8). A municipality may bring an action in the superior court to compel payment

1 of property taxes due from the state, municipal, or federal entity if the entity does not pay the
2 amount due within six months after the date that the taxes are due.

3 * Sec. 4. AS 39.35.500 is amended to read:

4 Sec. 39.35.500. SAFEGUARD OF EMPLOYEE FUNDS HELD BY THE SYSTEM. Except
5 as provided in AS 29.45.030(a)(1), employee [EMPLOYEE] contributions and other amounts
6 held in the system are exempt from Alaska state and local taxes. Amounts held on behalf of, or
7 payable to, any employee or other person who is or may become eligible for benefits under the
8 system are not subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance,
9 or charge of any kind, either voluntary or involuntary, before being received by the person
10 entitled to the amount under the terms of the system. An attempt to anticipate, alienate, sell,
11 transfer, assign, pledge, encumber, charge, or otherwise dispose of a right to amounts held under
12 the system is void. However, an employee's right to receive benefits may be assigned under a
13 qualified domestic relations order.

14 * Sec. 5. AS 44.88.140(a) is amended to read:

15 (a) Except as provided in AS 29.45.030(a)(1), the [THE] real and personal property of
16 the authority and its assets, income, and receipts are declared to be the property of a political
17 subdivision of the state and, together with any project or development project financed under
18 AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, and a leasehold interest created in a project
19 or development project financed under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177,
20 devoted to an essential public and governmental function and purpose, and the property, assets,
21 income, receipts, project, development project, and leasehold interests shall be exempt from all
22 taxes and special assessments of the state or a political subdivision of the state, including, without
23 limitation, all boroughs, cities, municipalities, school districts, public utility districts and other
24 taxing units. All bonds of the authority are declared to be issued by a political subdivision of
25 the state and for an essential public and governmental purpose and to be a public instrumentality,
26 and the bonds, and the interest on them, the income from them and the transfer of the bonds, and
27 all assets, income and receipts pledged to pay or secure the payments of the bonds, or interest
28 on them, shall at all times be exempt from taxation by or under the authority of the state, except
29 for inheritance and estate taxes and taxes on transfers by or in contemplation of death. Nothing
30 in this section affects or limits an exemption from license fees, property taxes, or excise, income
31 or any other taxes, provided under any other law, nor does it create a tax exemption with respect

1 to the interest of any business enterprise or other person, other than the authority, in any property,
2 assets, income, receipts, project, development project, or lease whether or not financed under this
3 chapter. By January 10 of each year, the authority shall submit to the governor and the
4 legislature a report describing the nature and extent of the tax exemption of the property, assets,
5 income, receipts, project, development project and leasehold interests of the authority under this
6 section.

7 * Sec. 6. This Act takes effect January 1, 1992.

A M E N D M E N T

OFFERED IN THE HOUSE

TO: CSSB 70 (FINANCE)

Page 2, line 7, after "taxable":

Insert "this subparagraph does not apply to federal land granted to the University of Alaska under AS 14.40.380 or 14.40.390, or to other land granted to the university by the state to replace land that had been granted under AS 14.40.380 or 14.40.390;"

MEMORANDUM

May 20, 1991

SUBJECT: Municipal taxation (HCS CSSB 70(FIN))

TO: Kris Gray
Chief Clerk

FROM: Representative Mike Navarre, Co-chair
Representative Eileen MacLean, Co-chair *Em*
House Finance Committee

On May 19, 1991 the House Finance Committee reported out HCS CSSB 70(Fin) incorporating an amendment to delete sections 1 and 4 from the bill. The intended effect of this amendment was to preserve the tax exempt status of property owned by the Teacher's Retirement System and the Public Employee's Retirement System. Along with deleting the two sections, the Legal Services Division was requested to accomplish this purpose in preparing the final.

Although Legal Services Division modified the language in AS 29.45.030(a)(1)(B) contained in section 1 of the HCS, the change did not accomplish the purpose as a technical matter. To accomplish this purpose, AS 29.45.030(a)(1)(B)(ii) and (iii) should read:

(ii) an interest in property of the Teacher's Retirement System
under AS 14.25;

(iii) an interest in property of the Public Employee's Retirement
System under AS 39.35;

Please prepare a corrected HCS CSSB 70(FIN) making this correction.

TBC:gc

91-268.glc

cc: Representative Johnny Ellis, Chair

House Rules Committee

Tamara Brandt Cook, Director

Division of Legal Services



Brian Rogers
Vice President for Finance
(907) 474-7448

May 16, 1991

University of Alaska
Fairbanks, Alaska 99775-5260

Senator Drue Pearce
P.O. Box V
Juneau, AK 99811

SENT VIA FAX THIS DAY TO: 463-5352

Dear Senator Pearce:

Thank you for your assistance in seeking an amendment to CSSB 70 (Fin) exempting University of Alaska trust land from the municipal taxation provisions.

The university received a series of land grants from the federal government under legislation enacted in 1915, 1929, and 1959. That trust land was managed by the State of Alaska for a period of time and became the subject of litigation between the state and university in the late 1970s. The state has since reconstituted the university trust in a fashion similar to the current mental health trust settlement. Municipal selection of university trust lands after 1978 led to subsequent litigation which required replacement land to be made available to the university.

In the university land settlements, the university received subdivision properties and mortgage contracts from the state. Based on the history of subdivision sales and contract management since the 1982 settlement, approximately 12% of contracts and deeds of trust default and become subject to foreclosure actions. Most of the foreclosures which result from these defaults are on unimproved properties, which do not require municipal services. The university estimates that annual taxes of \$83,500 would be required on the foreclosed properties until the properties can be resold. This payment would reduce the amount of funding available for natural resource-related research and educational projects at the university.

Once again, thank you for your assistance. Please do not hesitate to contact me if you have any questions.

Sincerely,

A handwritten signature in dark ink, appearing to be "BR", written over a circular stamp or mark.

Brian Rogers
Vice President for Finance

cc: Jerome Komisar, President
Bill Kauffman, Vice President and General Counsel
Wendy Redman, Vice President for University Relations

**Municipality
of
Anchorage**



P.O. BOX 198650
ANCHORAGE, ALASKA 99519-6650
(907) 343-4433
TOM FINK,
MAYOR

April 30, 1991

OFFICE OF THE MUNICIPAL MANAGER

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

Re: SB 70, Municipal Taxation of Certain Property

Dear Representative Mackie:


The Municipality of Anchorage supports the passage of SB 70. This bill makes certain properties of state agencies taxable if they are obtained through foreclosure and held by the agencies as investments. The bill also provides for taxation of property held by federal agencies if taxation is allowed by federal law. It is our understanding that there is at least one federal agency which has refused to pay property taxes due to language contained in our state statutes even though federal law permits taxation.

The bill also provides that property owned by one municipality located within another municipality is taxable. All of the properties covered by this bill utilize services provided by the host municipality and should not be given a competitive edge over the private sector by being exempt from property taxes.

The Municipality of Anchorage does not support the exclusion of the Teachers Retirement System nor the Public Employees Retirement System from this bill. If these two retirement systems wish to make investments within municipalities, they should be prepared to bear the cost of doing business as does the private sector. Property taxes are typical expenses in the normal business environment.

We would appreciate your consideration of our position on this bill. Please feel free to contact me if you have any questions.

Sincerely,


Larry D. Crawford
Municipal Manager

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, 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 26, 1991

POSITION PAPER

RE: CS for Senate Bill 70 (Fin)

SPONSOR: Senator Pearce

Program Effects

Section one of the bill provides for property which is retained by the State for investment purposes to become taxable by municipal governments. Section one also makes it clear in state law that federal property which is taxable under federal law is taxable as well under Alaska Statutes.

The proposed amendment to the bill (7-LS0420A.1 Cook) provides for property which is owned by one municipality, but is located in another, to become taxable. The amendment precludes taxation by a borough of property which is located within its jurisdiction and is owned by a city within the borough. Within boroughs, however, property belonging to one city and located in another, would become taxable by the city within which it is located.

Taking Fairbanks North Star Borough as an example of this:

If the City of North Pole owned property which were located in the City of Fairbanks, the Fairbanks North Star Borough would not be allowed to levy a tax against the property because the property would be "located within a borough and owned by a city within that borough." That feature of the amendment would not alter existing law. At the present time, no borough levies property taxes against property owned by a city which is located within that borough.

On the other hand, using the same example, any property tax rate levied by the City of Fairbanks would be levied against the property owned by the City of North Pole because "municipal real property located outside the municipality is taxable by another municipality." In this example, the real property of the City of North Pole is located outside of North Pole and is taxable by the City of Fairbanks.

Comments

The primary reason publicly owned property is typically exempted from property taxation is because the property normally belongs to the people who pay for the provision of municipal services to the property, and who would receive the payment of tax revenues from a levy against the property. In other words, in a case where property is owned by and located in the same municipality, all residents of the municipality would be the taxpayers, the service providers, and the recipients of the resulting revenues. Clearly, it would simply be a waste of time and money to levy against and collect property taxes from such property.

In the case addressed by the amendment, however, there are two distinctly separate groups of people involved. In the example cited above, the people of the City of North Pole receive services such as police protection, etc. for their property which is located in the City of Fairbanks. The people of the City of Fairbanks pay for and provide those services to the property owned by North Pole. The proposed amendment would provide for the people of North Pole to reimburse the City of Fairbanks through property taxation for the services provided to the North Pole property.

The Department supports the passage of Committee Substitute for Senate Bill 70. Whenever practical, the Department believes municipal services provided to property and to people should be paid for by the recipients of the services. Committee Substitute Senate Bill 70 directly addresses that concept.

Edgar Blatchford

Edgar Blatchford, Commissioner



April 8, 1991

POSITION PAPER

CS FOR SENATE BILL NO. 70 (FIN)

The Alaska Municipal League supports CS for Senate Bill No. 70 (FIN). The legislation would require certain public entities to fairly compensate municipalities through the payment of property taxes on certain properties which benefit from municipal services. The AML urges the passage of the legislation to protect fiscal stability at the local level. The bill would do three important things:

1. It would make state agency property which is acquired through foreclosure or deed in lieu of foreclosure and retained as an investment subject to local taxation. Currently, AHFC pays local taxes on investment property but PERS, TRS and AIDEA do not.
2. It would make property acquired after December 31, 1990 by a municipality subject to taxation by the municipality in which the property is located except a borough could not tax property owned by a city within that borough. Without the legislation, the residents of the municipality in which the property of another municipality is located receives no benefit in exchange for the tax revenue it must forego.
3. It would clarify that property owned by the federal government is subject to local taxation to the extent required by federal law. Currently, the FDIC, FSLIC, HUD and VA pay taxes or payments in lieu of taxes, but the FHA has chosen not to because state law is not clear.

While, traditionally, property owned by a public entity is tax exempt, the line between private and public has become less distinct today. Certain public property is held not for administrative or public service purposes but for investment purposes, intentionally or unintentionally. These properties generate income and compete with property owned by the private sector and which is subject to local taxation. The property or investment is enhanced, or at least protected, by the municipal services provided to it, such as fire and police protection. Therefore, such property should be subject to local taxes to protect a municipality's tax base and its ability to provide services, especially as state oil revenues decline.

The AML supports CSSB 70 (FIN) and urges its passage. Thank you.


Scott A. Burgess
Executive Director

JAN 31 1991



Matanuska-Susitna Borough

350 EAST DAHLIA AVE, PALMER, ALASKA 99645-6488 • PHONE 745-9680
BOROUGH ATTORNEY'S OFFICE PHONE 745-9679

January 28, 1991

The Honorable Drue Pearce
Alaska State Senate
P.O. Box V
Juneau, Alaska 99811

ATTENTION: Talley Johnson

Dear Senator Pearce:

SUBJECT: Taxation of Farmers Home Administration Properties

I have enclosed information related to the Matanuska-Susitna Borough's disagreement with Farmers Home Administration (FmHA) regarding the taxability of properties held by that agency. As you can see from the packet of information enclosed, Representative Larson has requested the attorney general's office to provide an opinion on the taxability of the property.

Please call if I can be of further assistance or if you require additional information on this matter.

Sincerely,
MATANUSKA-SUSITNA/BOROUGH

A handwritten signature in cursive script that reads "Michael Gatti".

MICHAEL GATTI
Borough Attorney

MG:sah
16\012891-2

enclosures w/index

FISCAL NOTE

No. 5

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Bill Version: CSSB 70 (FIN)

(S) Publish Date: 3

Revision Date: February 15, 1991 Department Affected: Commerce & Economic Development

Title: An Act Relating to Taxation by BRU: AK Industrial Development and Export Authority

Municipalities: _____ Component: _____

Sponsor: Pearce

Requestor: Senate Finance COMPONENT SERIAL NO.

1	2	3	4
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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	0	400.0	400.0	400.0	400.0	400.0
TOTAL OPERATING	0	400.0	400.0	400.0	400.0	400.0

CAPITAL		NONE				
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	0	400.0	400.0	400.0	400.0	400.0
TOTAL	0	400.0	400.0	400.0	400.0	400.0

POSITIONS:

FULL-TIME						
PART-TIME		NONE				
TEMPORARY						

Estimate of current year impact: - 0 -

ANALYSIS: (Attach a separate page if necessary.) Payment of taxes would be approximately \$420.0 in FY 93, assuming the taxable properties remain at \$29 million and mill rates remain constant. The attached illustrates the projected payments by political subdivision. Amounts payable will vary with changes in mill rate, assessed valuation and disposals of property. This analysis assumes the status quo remains through FY 97 which should be the worst case scenario.

Prepared By: Bertram Wagon, Executive Director Phone: (907) 561-8050

Division: AK Industrial Development & Export Authority Date: March 18, 1991

Approved by Commissioner: Glenn A. Olds

Agency: Department of Commerce & Economic Development Date: 3-21-91

Changes in CSSB 70 (Fin) nce, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies) have no fiscal impact. This fiscal note is appropriate.

3/28/91
date Wilson
Comte Aide (initial)

FISCAL NOTE
SENATE BILL 70

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 \$29 million of defaulted loans at an average of 15 mills would equate to approximately \$435,000. Over the years, property acquired through foreclosures should decrease while the value of property will increase. The first payment to local governments would be July 1, 1992 which would occur in FY93.

AS OF DECEMBER 31, 1990

<u>LOCAL GOVERNMENT</u>	<u>NUMBER OF PROPERTIES</u>	<u>ASSESSED VALUE</u>	<u>AIDEA PAYMENT (Excluding Bank Owned Portion)</u>
Municipality of Anchorage	41	\$15,828,742	\$257,080
Fairbanks North Star Borough	9	4,375,387	53,695
Kenai Peninsula Borough	13	4,442,086	42,840
Matanuska-Susitna Borough	10	2,269,530	27,968
City & Borough of Juneau	5	850,185	10,379
City & Borough of Sitka	1	501,480	6,174
City of Valdez	1	858,270	12,810
North Slope Borough	<u>1</u>	<u>507,045</u>	<u>9,314</u>
Total	<u>81</u>	<u>\$29,632,725</u>	<u>\$420,260</u>