

HB309

DATE: 5/4/92

FURTHER:

DATE TURNED INTO OFFICE: [REDACTED]

The Finance Committee considered CS FOR HOUSE BILL NO. 309 (FINANCE) am "An Act relating to the municipal motor vehicle registration tax; and providing for an effective date."

and recommends:

- replace with CS HB 309 (FINANCE)
- or adopt previous CS _____
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

adopts _____ Letter of Intent

further referral to the _____

- do pass
- do not pass
- no recommendation
- individual recommendations

NEW FISCAL NOTES: Dept/Date
 zero fiscal notes _____

fiscal notes _____

appropriation--no fiscal note

DO PASS:

1. [Signature]
Co-Chair: Signature/Recommendation

PREVIOUS FISCAL NOTES: Dept/Date
 zero fiscal notes [REDACTED]

fiscal notes [REDACTED]

OTHER RECOMMENDATIONS:

[Signature] (No Rec)
[Signature] - No Rec
[Signature] No Rec
2. _____
Co-Chair: Signature/Recommendation

FISCAL NOTE

3

Bill Version: CSHB 309(FIN)

(H) Publish Date: 2-24-92

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date: _____
Title: "...relating to the municipal motor vehicle registration tax; and providing for an effective date."
Sponsor: Rep. Navarre, Bover, Brown, B.Davis, Finkelstein, Koponen
Requestor: _____

Department Affected: Community and Regional Affairs
BRU: _____
Component: _____
COMPONENT SERIAL NO.

0	0	0	0
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME						
TEMPORARY						

Estimate of current year impact:

ANALYSIS: (Attach a separate sheet)

Changes in CSB CSHB309(FIN) have no fiscal impact. This fiscal note is appropriate.
5-8-92 date J. Guzman Comte Aide (initial)

Changes in CSB CSHB309(STATE) have no fiscal impact. This fiscal note is appropriate.
5-4-92 date Tina by AMR Comte Aide (initial)

Prepared By: Remond Henderson
Division: Administrative Services Division

Phone: 465-4708
Date: 2/21/92

Approved by Commissioner: E. J. ...
Agency: Department of Community and Regional Affairs

Date: 2-21-92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).
Rev 10/7/91

COMMITTEE COPY

FISCAL NOTE

No. 2 Corrected
 Bill Version: CSHB 309 (FIN)
 (H) Publish Date: 2/28/92

STATE OF ALASKA
 1992 LEGISLATIVE SESSION

Revision Date: 2/21/92 Department Affected: Public Safety
 Title: An Act relating to motor vehicle registration tax BRU: Motor Vehicles
 Sponsor: Representative Navarre Component: Field Services
 Requestor: House Finance COMPONENT SERIAL NO.

5	0	2
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EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	52.5	0	0	0	0	0
TRAVEL						
CONTRACTUAL	4.5	0	-0-	-0-	-0-	-0-
SUPPLIES						
EQUIPMENT	30.0	0	-0-	-0-	-0-	-0-
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	87.0	0	0	0	0	0

CAPITAL						
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REVENUE	275.0	671.0	748.0	748.0	822.8	822.8
FUND SOURCE:						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	87.0	0	0	0	0	0
FUND SOURCE: 1005						
TOTAL	87.0	0	0	0	0	0

POSITIONS:

FULL-TIME	3	0	0	0	0	0
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

See Attached.

Changes in CSHB 309 (FIN)
 reflect NO FISCAL CHANGE from the original
 fiscal note. This fiscal note is appropriate.
5/8/92 date [Signature] Comte Aide (initial)

Prepared By: Jay N. Dulany, Director Phone: 269-5559
 Division: Motor Vehicles Date: 2/27/92
 Approved by Commissioner: [Signature] Richard L. Burton
 Agency: Department of Public Safety Date: 2/27/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

Rev 10/7/91

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Page 1 of 2

This bill changes the Motor Vehicle Registration Tax amounts. The first two years' increases will be 35% each year to equal the increase in the Anchorage area CPI since the program first began in 1978. After the first two years, adjustments to the tax schedule based upon the Federal Consumer Price index will be made at three-year intervals by the Alaska Department of Labor.

Additional administrative work will be needed to change the computer programs to reflect the new rates and in training the employees on the new rate structure. This work alone is not enough to justify a full-time position, but absorbing it will adversely affect other administrative functions.

Approximately 355,000 vehicles, or 66% of the total number of registered vehicles, are in areas subject to the tax. Any increase in fees increases the workload in the public service offices of the Division since DMV employees collecting the tax will receive any public complaints, which take time and result in increased delays for others in line. Frequent changes to fees increase processing time because employees will not be familiar with the fees. There are only 17 different registration fees, but there are 89 different categories for the registration tax.

Based on DMV's experience, increases of this nature will impact workloads 3-5%. As a result, DMV will increase the field office staffing by 3% or 3 PFT positions for the first year. Under the proposed bill, DMV's retention of funds to cover collection costs would be increased from 5% to 8%, subject to appropriation by the legislature. The increase is adequate to cover the increased costs of administering this program.

The Revenue fund source for FY 93 through FY 98 is 8% of the total revenue that DMV will be collecting for the municipalities. Those totals are as follows:

FY93	FY94	FY95	FY96	FY97	FY98
6462.5	8387.5	9350.0	9350.0	10285.0	10285.0

The detailed costs are as follows:

	FY 93
Personal Services	
3 Motor Vehicle Rep I/II positions (Range 8/9)	\$ 52.5 (6 months)
Contractual	
Terminal Charges (3 APSIN terminals)	\$ 4.5
Equipment	
Office Equipment (3 new positions)	\$ 9.0
Computer terminals and printers	\$ 21.0
TOTAL	\$ 87.0

SENATE CS FOR CS FOR HOUSE BILL NO. 309 (FINANCE)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): REPRESENTATIVES NAVARRE, Boyer, Brown, B.Davis, Finkelstein, Koponen

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the municipal motor vehicle registration tax; and providing for an
2 effective date."

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

4 * Section 1. AS 28.10.431(b) is amended to read:

5 (b) The tax is levied upon motor vehicles subject to the license tax under AS 28.10.411
6 and 28.10.421, not including mobile homes, and is based upon the age of vehicles as determined
7 by model year according to the following schedule:

	Tax According to Age of Vehicle Since Model Year							
	1st	2nd	3rd	4th	5th	6th	7th	8th or over
8								
9								
10								
11	Motor Vehicle							
12	(1) motorcycle	<u>\$ 11</u>	<u>\$ 9</u>	<u>\$ 8</u>	<u>\$ 7</u>	<u>\$ 5</u>	<u>\$ 4</u>	<u>\$ 3</u>
13		[\$ 8]	[\$ 7]	[\$ 6]	[\$ 5]	[\$ 4]	[\$ 3]	[\$ 2]
14	(2) vehicles specified in	<u>81</u>	<u>68</u>	<u>54</u>	<u>41</u>	<u>27</u>	<u>20</u>	<u>14</u>
								<u>7</u>

1	AS 28.10.421(b)(1)	[60]	[50]	[40]	[30]	[20]	[15]	[10]	[5]
2	(3) vehicles specified in	<u>81</u>	<u>68</u>	<u>54</u>	<u>41</u>	<u>27</u>	<u>20</u>	<u>14</u>	<u>7</u>
3	AS 28.10.421(b)(3)	[60]	[50]	[40]	[30]	[20]	[15]	[10]	[5]
4	(4) vehicles specified in								
5	AS 28.10.421(c)(1) - (4)								
6	5,000 pounds or less	<u>81</u>	<u>68</u>	<u>54</u>	<u>41</u>	<u>27</u>	<u>20</u>	<u>14</u>	<u>7</u>
7		[60]	[50]	[40]	[30]	[20]	[15]	[10]	[5]
8	5,001 - 12,000 pounds	<u>135</u>	<u>108</u>	<u>81</u>	<u>68</u>	<u>54</u>	<u>41</u>	<u>27</u>	<u>14</u>
9		[100]	[80]	[60]	[50]	[40]	[30]	[20]	[10]
10	12,001 - 18,000 pounds	<u>203</u>	<u>162</u>	<u>135</u>	<u>108</u>	<u>81</u>	<u>54</u>	<u>41</u>	<u>27</u>
11		[150]	[120]	[100]	[80]	[60]	[40]	[30]	[20]
12	18,001 pounds or over	<u>270</u>	<u>108</u>	<u>176</u>	<u>135</u>	<u>108</u>	<u>81</u>	<u>54</u>	<u>27</u>
13		[200]	[160]	[130]	[100]	[80]	[60]	[40]	[20]
14	(5) vehicles specified in	<u>135</u>	<u>108</u>	<u>81</u>	<u>68</u>	<u>54</u>	<u>41</u>	<u>27</u>	<u>14</u>
15	AS 28.10.421(b)(4)	[100]	[80]	[60]	[50]	[40]	[30]	[20]	[10]
16	(6) vehicles specified in	<u>11</u>	<u>9</u>	<u>8</u>	<u>7</u>	<u>5</u>	<u>4</u>	<u>3</u>	<u>3</u>
17	AS 28.10.421(b)(6)	[8]	[7]	[6]	[5]	[4]	[3]	[2]	[2]
18	(7) vehicles specified in	<u>81</u>	<u>68</u>	<u>54</u>	<u>41</u>	<u>27</u>	<u>20</u>	<u>14</u>	<u>7</u>
19	AS 28.10.421(d)(9)	[60]	[50]	[40]	[30]	[20]	[15]	[10]	[5]
20	(8) vehicles specified in	<u>81</u>	<u>68</u>	<u>54</u>	<u>41</u>	<u>27</u>	<u>20</u>	<u>14</u>	<u>7</u>
21	AS 28.10.421(b)(2)	[60]	[50]	[40]	[30]	[20]	[15]	[10]	[5]
22	(9) vehicles specified in	<u>54</u>							
23	AS 28.10.421(d)(10)	[40]							

* Sec. 2. AS 28.10.431(b) is repealed and reenacted to read:

(b) The tax is levied upon motor vehicles subject to the license tax under AS 28.10.411 and 28.10.421, not including mobile homes, and is based upon the age of vehicles as determined by model year according to the following schedule:

	Tax According to Age of Vehicle Since Model Year							
	1st	2nd	3rd	4th	5th	6th	7th	8th or
								over

Motor Vehicle

1	(1) motorcycle	\$ 14	\$ 12	\$ 10	\$ 9	\$ 7	\$ 5	\$ 3	\$ 3
2	(2) vehicles specified in	102	85	68	51	34	26	17	9
3	AS 28.10.421(b)(1)								
4	(3) vehicles specified in	102	85	68	51	34	26	17	9
5	AS 28.10.421(b)(3)								
6	(4) vehicles specified in								
7	AS 28.10.421(c)(1) - (4)								
8	5,000 pounds or less	102	85	68	51	34	26	17	9
9	5,001 - 12,000 pounds	170	136	102	85	68	51	34	17
10	12,001 - 18,000 pounds	255	204	170	136	102	68	51	34
11	18,001 pounds or over	340	272	221	170	136	102	68	51
12	(5) vehicles specified in	170	136	102	85	68	51	34	17
13	AS 28.10.421(b)(4)								
14	(6) vehicles specified in	14	12	10	9	7	5	3	3
15	AS 28.10.421(b)(6)								
16	(7) vehicles specified in	102	85	68	51	34	26	17	9
17	AS 28.10.421(d)(9)								
18	(8) vehicles specified in	102	85	68	51	34	26	17	9
19	AS 28.10.421(b)(2)								
20	(9) vehicles specified in	68							
21	AS 28.10.421(d)(10)								

* Sec. 3. AS 28.10.431(e) is amended to read:

(e) The department shall refund money collected under this section, less eight [FIVE] percent as collection costs, to a municipality for which the money was collected, as determined by (1) the address of residence of an individual required to pay the tax, or (2) the situs of the vehicle if the vehicle is not owned by an individual; the tax situs is the location at which the motor vehicle is usually, normally, or regularly kept or used. For the first year in which the tax is levied within a municipality, the department may retain actual costs of collection of the tax within the municipality as determined by the department.

* Sec. 4. AS 28.10.431 is amended by adding a new subsection to read:

(j) The Department of Labor shall adjust the schedule under (b) of this section every

1 three years to reflect changes in the transportation new vehicle segment of the Consumer Price
2 Index for all urban consumers for all items compiled by the Bureau of Labor Statistics, United
3 States Department of Labor for the second half of the preceding calendar year. The semiannual
4 index for the second half of 1994 is the reference base index. The Department of Labor shall
5 round each scheduled amount adjusted under this subsection to the nearest dollar. The
6 Department of Community and Regional Affairs shall provide the revised schedule to each
7 municipality in the state that imposes a tax under this section and to the Department of Public
8 Safety, and shall make the schedule available to the public by February 28th of each year in
9 which the schedule is revised. A tax imposed under an adjusted schedule takes effect on July 1
10 of the year in which the schedule is adjusted.

11 * Sec. 5. AS 28.10.431(j) is repealed June 30, 1998.

12 * Sec. 6. Sections 1 and 3 of this Act take effect January 1, 1993.

13 * Sec. 7. Section 2 of this Act takes effect January 1, 1994.

14 * Sec. 8. Sections 4 and 5 of this Act take effect January 1, 1997.

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SCS CSHB 309(SA)

Revision Date: 5/06/92 Department Affected: Public Safety
 Title: An Act relating to motor vehicle registration tax. BRU: Motor Vehicles
 Component: Field Services
 Sponsor: Representative Navarre
 Requestor: Senate Finance COMPONENT SERIAL NO.

	5	0	2
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EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	190.0	253.3	148.3	148.3	148.3	148.3
TRAVEL						
CONTRACTUAL	52.2	19.2	19.2	19.2	19.2	19.2
SUPPLIES						
EQUIPMENT	70.0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	312.2	272.5	167.5	167.5	167.5	167.5

CAPITAL						
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REVENUE FUND SOURCE:	275.0	594.0	748.0	748.0	822.8	822.8
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE: 1005	312.2	272.5	167.5	167.5	167.5	167.5
TOTAL						

POSITIONS:

FULL-TIME	7	4	4	4	4	4
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)
See Attached.

Prepared By: Charles R. Hosack, Deputy Director Phone: 269-5559
 Division: Motor Vehicles Date: 5/4/92
 Approved by Commissioner: *Charles R. Hosack* for Richard L. Burton
 Agency: Department of Public Safety Date: 5/6/92

This bill changes the Motor Vehicle Registration Tax amounts. The first two years increase will be 35% each year to equal the increase in the Anchorage area CPI since the program first began in 1978. After the first two years, adjustments to the tax schedule based upon the Federal Consumer Price Index will be made at three-year intervals by the Alaska Department of Labor.

The bill also requires cities currently in the program to approve the program in a regular or special election by January 1, 1993, or the tax will no longer be collected. The current law only requires passage of an appropriate ordinance to participate in the program. This is usually done by the local assembly or council rather than by a general election. For the purposes of this fiscal note the Division will assume that all local governments that are currently in the program will schedule an election to continue the tax and that the voters will approve the tax. The Division recognizes that this is probably an unlikely happening but it is the only way to estimate the costs of such a major change as this on very short notice. If a city does not approve the tax by 1/1/93, then they would be out of the program for at least 1995 because, by law, the Division must be notified by January 1 of the year preceding the start of the tax.

The bill also allows fleets of 50 or more vehicles which have change of at least 50% each year to pay only partial year tax and registration fees. This is a radical change from a system that has traditionally been based on an annual registration period. Changing to a partial year prorated fee system will require a major reprogramming effort for the computer system and will require several administrative changes as well. For example the vehicles with partial-year registrations would not be able to use the mail renewal system, since they would be registering for undetermined periods rather than the standard one year period. Each application would require more data entry to calculate the fees and reflect a new expiration month that is determined by the fleet owner. This takes approximately 10 times more data entry time than the current renewal process. Since the fleet owners, at their option, may renew for as little as one month at a time, it is conceivable to perform as many as 12 registrations for a vehicle in a year's time. An estimated 5,000 - 7,000 vehicles may be eligible for this special treatment and each vehicle will be processed at least twice and likely more than that each year, rather than just once. Since this requires special handling for a select group of vehicles and also requires special treatment that is not available to the public or to smaller commercial operations that use their vehicles seasonally, a special unit will be centrally located in Anchorage to process these special fleet registrations. This will avoid adversely affecting public services in the field offices used by the vast majority of owners who pay normal fees.

Approximately 355,000 vehicles, or 66% of the total number of registered vehicles, are in areas subject to the tax. Any increase in fees increases the workload in public service offices

of the Division, since DMV employees collecting the tax will receive public complaints, which take time and result in increased delays for the others in line. Frequent changes to the fees increase processing time, because employees will not be as familiar with the fees. There are only 17 different registration fees, but there are 89 different categories for the registration tax. This will be further complicated by the need to prorate amounts.

Based on DMV's experience, increase of this nature will impact workloads 3-5%. As a result, DMV will increase the field office staffing by 3% or 3 PFT positions for the first year. A four-person unit will be created to process the fleet registrations. Under the proposed bill, DMV's retention of funds to cover collection costs would be increased from 5% to 8%, subject to appropriation by the legislature. The increase is adequate to cover the cost of administering the program.

If Section 4 of the bill were deleted to remove the partial year registration and tax for the fleets, then the fiscal note could be reduced to \$113.4. This would fund only the 3 positions and related equipment to handle the increased workload the first year caused by the complaints and reactions to the increased fees.

The revenue fund source for FY 93 through FY 98 is 8% of the total revenue that DMV will be collecting for the municipalities. The partial year registration will not affect revenue, since the new owner will pay fees not paid by the fleet owner if the vehicle is sold. The revenue totals are as follows:

FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
5500.0	7425.0	9350.0	9350.0	10285.0	10285.0

The detailed costs are as follows:

Personal Services (FY 93 9 months only PS)

	FY 93	FY 94
Field Office Staffing		
3 Motor Vehicle Rep I/II positions	\$ 78.9	\$ 105.0
Fleet Prorate Unit		
1 Motor Vehicle Rep IV (lead worker)	\$ 32.2	\$ 43.3
3 Motor Vehicle Rep I/II	\$ 78.9	\$ 105.0

Contractual

Terminal Charges (7 APSIN Terminals)	\$ 10.5	
Programming 300 hours @ \$75/hour	\$ 22.5	
Lease Space 800 sq. ft. @ \$2.00/sq. ft./mo.	\$ 19.2	\$ 19.2

Equipment

Office Equipment (7 new positions)	\$ 21.0
Computer terminals and printers	\$ 49.0

Total	\$ 312.2	\$ 272.5
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Position Title Motor Vehicle Representative I/II			Number of Positions 6	Range/Step 8/9	Bargaining Unit GGU
Time Status PFT	Staff Months 54		Location Statewide	Election District Statewide	
Type of Expenditure			Justification		
1	2	3	<p>The adoption of this legislation is estimated to impact the workload of the Division by 3-5%. Approximately 355,000 vehicles, or 66% of the total number of vehicles are in areas subject to the tax. Any increase in fees increases the workload in the public service offices of the Division, since DMV employees collecting the tax will receive the public complaints. Also, frequent changes to fees increases processing time, because employees will not be familiar with the fees. For example, there are only 17 different registration fees, but there are 89 different categories for the registration tax.</p> <p>Since this bill requires special handling of a select group of vehicles, and requires special handling and treatment that is not available to the public or smaller commercial operations that use their vehicles seasonally, a special unit of 4 Motor Vehicle Representative I/II's will be required to handle the additional processing workload for these special fleet registrations.</p>		
Salary*	104.0				
Benefits*	53.8				
Premium Pay (Included in Above)					
Other					
Total Personal Services		157.8			
Travel					
Contractual		52.2			
Commodities					
Equipment		70.0			
Other					
Total Cost		280.0			
Funding Source for Total Cost					
Federal Receipts	1002				
G.F. Match	1003				
General Fund	1004				
Program Receipts/GF	1005	280.0			
I-A Receipts	1007				
CIP Receipts	1061				
Other					
* Personal Services Salary and Benefits Costs are from PACS calculations.					

REQUEST FOR
NEW POSITION

AGENCY Department of Public Safety

BRU Motor Vehicles

COMPONENT Field Services

FY 93

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Revised Date

Position Title Motor Vehicle Representative IV			Number of Positions 1	Range/Step 12	Bargaining Unit GGU
Time Status PFT	Staff Months 9		Location Anchorage	Election District	
Type of Expenditure			Amount		
1	2	3			
Salary*	21.9		Justification This bill requires special handling of a select group of vehicles. This handling requires special treatment that is not available to the public or smaller commercial operations that use their vehicles seasonally. A special unit to be centrally located in Anchorage will be necessary to process these special fleet registrations. This position will function as the lead worker and supervisor for this section, and will be responsible for day-to-day operations of the unit. Funding for personal services is for 9 months, starting in FY 93.		
Benefits*	10.3				
Premium Pay (Included in Above)					
Other					
Total Personal Services		32.2			
Travel					
Contractual					
Commodities					
Equipment					
Other					
Total Cost		32.2			
Funding Source For Total Cost					
Federal Receipts	1002				
G.F. Match	1003				
General Fund	1004				
Program Receipts/GF	1005	32.2			
I-A Receipts	1007				
CIP Receipts	1061				
Other					
* Personal Services Salary and Benefits Costs are from PACS calculations.					

REQUEST FOR
NEW POSITION

AGENCY Department of Public Safety
BRU Motor Vehicles
COMPONENT Field Services

FY 93

Page 5 of 5
Revised Date

Alaska State Legislature



OFFICE OF THE CLERK
ALASKA STATE LEGISLATURE
607 W. 5TH AVENUE
ANCHORAGE, ALASKA 99501

LEGISLATIVE COUNCIL
607 W. 5TH AVENUE
ANCHORAGE, ALASKA 99501

Representative Mike Navarre

MEMORANDUM

TO: Senator Pat Pourchot, Co-Chair, Senate Finance Committee
Senator Jay Kertulla, Co-Chair, Senate Finance Committee

FROM: Representative Mike Navarre *Mike*

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

DATE: May 5, 1992

.....

In a recent meeting of the Senate State Affairs Committee, an amendment was put forward by a representative of a fleet operator.

Upon close examination, I believe current **AS 29.45.050, optional exemptions and exclusions**, supplies the source of the relief that fleet operators are seeking. **AS 29.45.050 (C) 5** states "*a municipality may by ordinance classify as to type and exempt or partially exempt any or all types of motor vehicles from taxation.*" If the municipality chooses to adopt such a measure, the fleet operators may apply for such an exemption from the municipality where they register their vehicles.

Alaska statute 28.10.431 allows the State of Alaska to provide a better mechanism of convenient tax collection for the municipalities - whether to exempt or partially exempt certain kinds of motor vehicles is better left to the municipalities' discretion.

In light of this, I respectfully request that the Senate Finance Committee to move the bill from committee without the State Affairs amendment.

Alaska State Legislature



WHILE IN SESSION
PO BOX V
JUNEAU, ALASKA 99811
907 465 3779

HOME ADDRESS
PO BOX 169
KENAI, ALASKA 99811
907 252 9366

Representative Mike Navarre

SPONSOR'S STATEMENT

TO: Senator Pat Pourchot, Co-Chair, Senate Finance Committee
Senator Jay Kertulla, Co-Chair, Senate Finance Committee

FROM: Representative Mike Navarre *Mike Navarre*

SUBJECT: House Bill 309, An Act requiring annual adjustment of the municipal motor vehicle 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 current law, municipalities are given the option of participating in the registration tax program administered by the Division of Motor Vehicles (DMV) or collect their own local use or personal property tax. Due to the difficulty of collecting information on ownership of motor vehicles, the majority of the Alaskan municipalities have opted to participate in the state-administered program, which collects an annual registration tax according to a schedule established in statute. DMV currently retains 5% of the tax collected 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 the statute was first written. The current tax schedule is out of line compared to other forms of personal property tax. The average purchase price for all motor vehicles has increased dramatically since 1978, therefore the gap between what is raised by personal property taxes based on the full value of the vehicle and what is collected by the state continues to widen. It is estimated that if local property tax rates 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 annual increase of 35% for two years. The schedule would then be adjusted tri-annually, reflecting a closer relationship to full and true value of the vehicles.

Another feature of HB 309 is a fee increase of 3% (from 5% to 8%) for the Division of Motor Vehicles. DMV is expecting an increase in operating costs and this percentage increase should more than offset anticipated costs.

The index calculation will be based on the annual All Urban Consumer Price Index(CPI-U), using the transportation new vehicle segment of the CPI-U.

As state shared revenues decline, adjustments to the motor vehicle tax will provide municipalities with the means to offset lost revenues. The legislation also allows for a continued inflation-proofing adjustment to the fee schedule.

HB 309 and the positive changes it will bring are endorsed by the Alaska Municipal League.

STATE OF ALASKA

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February 19, 1992

POSITION PAPER

RE: CS HB 309 (Fin) Work Draft

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

Program Effects of Bill

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. The registration tax schedule has not been updated since 1978.

Comments

The Department previously filed a position paper on HB 309. The comments in that position paper continue to be valid for the work draft dated 2/13/92 before the House Finance Committee. These comments are provided to assist in comparing the original legislation with the work draft.

The original legislation provided for an annual revision of the tax schedule but did not list the schedule with the revised tax figures. The work draft lists the schedule to be applied in 1993 in Section 1 and the schedule to be applied in 1994 in Section 2. Thereafter, the schedule will be revised every three years by the Department of Labor using the transportation new vehicle segment of the Consumer Price Index for all urban consumers. The Department of Community and Regional Affairs will provide the revised schedule to the Department of Public Safety, to the public, and to the municipalities in the state that impose a motor vehicle registration tax, by February 28th of each year in which the schedule is revised.

An additional change between the original legislation and the work draft is the increase in the percent of money collected to be retained by the Department of Public Safety for collection costs from 5% to 8%.

Position Paper for CS HB 309
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The Department supports the changes made in the legislation by the work draft. The Department also supports the tax equity that will result by revising the motor vehicle registration schedule so that owners of motor vehicles are treated equally under local tax laws with owners of other personal property subject to local property taxes.

Ed. Blatchford

Edgar Blatchford, Commissioner

BILL NO: DRAFT CSHB 309(FIN)

DATE: February 13, 1992

TITLE: An Act relating to motor
vehicle registration tax. . .

CONTACT: Gayle A. Horetski
Deputy Commissioner
465-4322

POSITION PAPER - Department of Public Safety

The Division of Motor Vehicles collects a Motor Vehicle Registration Tax on behalf of some municipalities at the time that a vehicle is registered. Local governments have the option to have DMV collect this tax at the time of registration in lieu of them collecting a personal property tax on vehicles. The tax revenue is returned to the cities minus a 5% collection cost. This bill will adjust the amount of the tax to reflect cost of living increases since the start of the program, and will provide a method for future increases. The bill will also increase the amount retained by DMV to cover administrative collection costs from 5% to 8%.

This program was started in 1978 at the request of cities which were having difficulty collecting the personal property taxes due. Collecting the tax at the time a vehicle is registered makes it very difficult to avoid paying the proper tax; the cities also were spared the administrative collection costs. To avoid placing an undue administrative burden on DMV the tax was based solely on the age of the vehicle. This method eliminated the cumbersome process that is associated with ad valorem taxes. The tax fees have only been changed once since 1978, and that change reduced the tax for older vehicles.

This bill raises the level of tax imposed on vehicles by 70% over a two-year period. This will impact the total cost to the customer for vehicle registration. Under the current tax rates the total cost associated with registration of a new passenger vehicle would be \$95.00 (\$35 for registration and \$60 for tax). After the first two years' increase the total cost would be \$137 (\$35 for registration and \$102 for tax). The bill also requires the Alaska Department of Labor to adjust the tax schedules every three years based upon changes in the Federal Consumer Price Index. The impact of these tax increases will be felt at the public service counters where the customers will take the time to make their feelings on the increase known. The increase in the collection costs will offset the costs of dealing with this public reaction.

The Department takes no position on this bill. The appropriate level of taxation is something that must be decided by the legislature and the municipalities. The increased workload upon DMV as a result of these rate changes is adequately offset by the increased administrative percentage (8%) retained by the Division of Motor Vehicles.



Richard L. Burton
Commissioner

Table 1: Local Policy on Taxation of Motor Vehicles

Municipality	Form of Taxation
Municipality of Anchorage	State-collected ^a
Bristol Bay Borough	Full and true value ^b
Cordova	Exempt ^c
Craig	Exempt
Dillingham	Exempt
Eagle	Exempt
Fairbanks North Star Borough	Exempt
Haines Borough	Exempt
City and Borough of Juneau	Exempt
Kenai Peninsula Borough	State-collected
Ketchikan Gateway Borough	State-collected
Kodiak Island Borough	State-collected
Matanuska-Susitna Borough	State-collected
Nenana	State-collected
Nome	State-collected
North Slope Borough	Full and true value
Pelican	Exempt
Petersburg	State-collected
Skagway	Exempt
City and Borough of Sitka	Exempt
Unalaska	Exempt
Valdez	Exempt
Whittier	State-collected
Wrangell	Exempt
Yakutat	Exempt

^a Collected by the state on behalf of municipality under AS 28.10.431.

^b Taxed by the municipality at full and true value.

^c Exempt from municipal taxation.

Source: *Alaska Taxable, 1991*

Legislation revising AS 28.10.431, Annual Motor Vehicle Registration Tax, should be approved to more accurately and equitably reflect the value of motor vehicles, make additional local revenues available from this source, and allow for annual adjustments. The revenue received as a result of an adjustment in rates will more than compensate the state for the administration of the program.