

HB

309

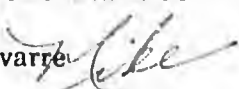
ALASKA STATE LEGISLATURE
REPRESENTATIVE MIKE NAVARRE

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

SPONSOR'S STATEMENT

TO: Senator Pat Rodey, Senate State Affairs Committee

FROM: Representative 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.

On the effective date of this legislation there would be an annual increase of 35% for two years. Three years later an adjustment is made based on All Urban Consumer Price Index (CPI-U), using the transportation new vehicle segment of the CPI-U. The adjustment segment of HB 309 then sunsets.

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.

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.

DISTRICT 5

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

SPONSOR STATEMENT - Rep. Navarre

House Bill 309 Fact Sheet

- AS 28.10.431, dealing with the Annual Motor Vehicle Registration Tax has not been adjusted since its inception in 1978. Inflationary factors have eroded the value of the revenue generated.
- HB 309 would over a two year period bring the values back to within 70% of what they would have been had they been annually adjusted.
- After the two year adjustment period, a three year period will pass and then an adjustment to the schedule will occur, then the adjustment mechanism will sunset.
- The five year adjustment would be calculated on the Consumer Price Index for All Urban Consumers (CPI-U), using the new vehicle transportation segment of the index.
- 1991 revenues were \$ 5,235,112.15 for the participating municipalities.
- The Division of Motor Vehicles receives 5% from the total collected for the municipalities. In 1991 DMV share amounted to \$276,081.85. Under HB 309 DMV's percentage increases to 8%. FY 1995 anticipated state share will be \$ 763,000.
- DMV claims increased operational costs because of tri-annual chart adjustments, consumer misunderstandings, and additional personnel. The additional 3% should cover the anticipated costs.
- HB 309 is a major plank in the Alaska Municipal League 1992 legislative platform.

DISTRICT 5

3480 W. Beach Road • Soldotna, Alaska 99669 • (907) 262-7842

HB-309 FACT SHEET - Rep. Navarre

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

☐ 150 THIRD STREET
JUNEAU, ALASKA 99801-1291
PHONE: (907) 465-4700

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ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

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 - C&RA

Position Paper for CS HB 309
February 19, 1992
Page Two

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

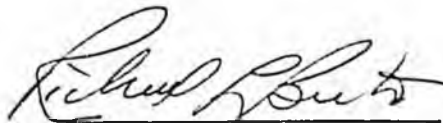
POSITION PAPER - Department of Public Safety

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



February 14, 1992

Position Paper

HB 309 - Requiring Adjustment of Municipal Motor Vehicle Registration Tax

The Alaska Municipal League, which represents 118 local governments and their citizens throughout the State of Alaska, supports HB 309, which would require a regular indexing of the motor vehicle registration tax collected by the state on behalf of municipalities to reflect changes in the value of automobiles since the tax schedule was statutorily established in 1978. This issue was identified by the League's Board of Directors as one of its top priorities for the 1992 legislative session.

The proposed Committee Substitute for HB 309 calls for a phased increase in the tax structure that would total approximately 70 percent over two years and partially compensate for inflation in the value of vehicles between 1978 and 1992. It also includes a provision for the tax structure to be adjusted every three years to keep up with inflation in the future and more equitably tax motor vehicles in comparison to other forms of personal property. The proposed CS would allow an increase in the administrative fee retained by the state from 5 percent to 8 percent.

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 an administrative 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 level. The approach included in the proposed CS for HB 309, which would regularly adjust the tax structure to reflect inflation (beginning with an adjustment from 1978 to the present, an increase of approximately 70 percent), will more accurately reflect the value of motor vehicles and thus tax them more equitably as compared to other types of personal property, make additional local revenues available from this source, and allow for regular adjustments. Increasing the state-retained administrative fee from 5 percent to 8 percent will more than compensate the state for the costs of administering the program, especially when the increased rate is applied to the adjusted tax structure.

The Alaska Municipal League supports HB 309.

Attachment

Member

MUNICIPAL LEAGUE
Position Paper

C92TE1ST:HB309.2

Division of Counties



217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907) 586-1325, Fax (907) 463-5480

Revision of Motor Vehicle Registration Tax Rates

The Alaska Municipal League urges the legislature and the governor to support legislation to revise AS 28.10.431, which establishes motor vehicle registration tax rates, to reflect equity in taxation of vehicles compared to other forms of personal property.

The Alaska Municipal League, which represents 118 local governments and their citizens throughout the State of Alaska, supports legislation that would require the motor vehicle registration tax collected by the state on behalf of municipalities to be increased 100 percent and automatically adjusted annually to reflect changes in the Consumer Price Index. Such legislation would allow an updating of the 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, to ensure a proportionate and equitable treatment of taxes on vehicles as compared to other forms of personal property.

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 Table 1). 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. However, local officials estimate that the registration tax collected by the state and returned to municipalities is less than half the local revenue that could be generated by levying a local personal property tax.

A 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 statutory rate. The League is advocating a 100 percent increase with an automatic annual adjustment for inflation. Another approach would be to 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.

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.



217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907) 586-1325, Fax (907) 463-5480

**Projected Return to Selected Municipalities Resulting from
Adjustment in Motor Vehicle Taxes (AS 28.10.431)
under Provisions of Proposed CS HB 309**
(rounded to nearest \$1,000)

| Municipality | FY 91 Received by Municipality | FY 94 Projected Return* | FY 95 Projected Return* |
|--|-----------------------------------|-------------------------------|-------------------------------|
| Currently Participating In Program** | | | |
| Anchorage | \$ 3,420,000 | \$ 4,471,000 | \$ 5,947,000 |
| Kenai Peninsula Borough | 672,000 | 878,000 | 1,168,000 |
| Mat-Su Borough | 628,000 | 820,000 | 1,092,000 |
| Ketchikan Gateway Borough | 190,000 | 248,000 | 330,000 |
| Currently Not Participating In Program*** | | | |
| Fairbanks North Star Borough | na | 1,357,000 | 1,805,000 |
| City and Borough of Juneau | na | 441,000 | 586,000 |

*FY 94 return would in fact be somewhat higher because adjusted registration tax schedules would go into effect in January 1993 and January 1994, half-way through the fiscal year. Based on FY 91 statistics from Division of Motor Vehicles and using a 35% adjustment of tax schedule beginning in January 1993 and an additional 33% adjustment beginning in January 1994 as well as an increase in state administrative fee from 5% to 8%.

**For currently participating municipalities, calculations are based on actual FY 91 average return/registered vehicle figures: Anchorage's average return was \$15.31; Kenai Peninsula Borough's, \$11.73; Mat-Su's, \$10.26; and Ketchikan Peninsula Borough's, \$12.77. These return figures vary because of the mix of vehicle types and ages within each municipality. Projections assumed no increase in the number of vehicles registering.

***Calculated using an average return to a municipality of \$12/registered vehicle.

Prepared by Alaska Municipal League, 13 February 1992

**Letters / Resolutions of Support for HB-309,
increasing municipal vehicle tax levy**

Alaska Municipal League
Kenai Peninsula Borough
Kenai Peninsula Caucus
Anchorage Municipal Assembly
City of Soldotna
City of Nenana
City of Whittier
Matanuska-Susitna Borough
City of Petersburg
City of Wasilla

House Letter of Intent
for
CSHB 309(Finance) am

"It is the intent of the Legislature that the fiscal note attached to CSHB 309(Finance) am shall be zero and the new employees be zeroed out."

7-LS1019V
Ford
5/1/92

SENATE CS FOR CS FOR HOUSE BILL NO. 309 (STATE AFFAIRS)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE STATE AFFAIRS 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(a) is repealed and reenacted to read:

5 (a) There is levied a motor vehicle registration tax within each municipality in which the
6 tax has been approved by the qualified voters at a regular or special municipal election.

7 * Sec. 2. AS 28.10.431(b) is amended to read:

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

| | | | | | | | | | |
|----|---------------|--|-----|-----|-----|-----|-----|-----|--------|
| 11 | | Tax According to Age of Vehicle Since Model Year | | | | | | | |
| 12 | | 1st | 2nd | 3rd | 4th | 5th | 6th | 7th | 8th or |
| 13 | | | | | | | | | over |
| 14 | Motor Vehicle | | | | | | | | |

WORK DRAFT

WORK DRAFT

WORK DRAFT

| | | | | | | | | | |
|----|---------------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1 | (1) motorcycle | <u>\$ 11</u> | <u>\$ 9</u> | <u>\$ 8</u> | <u>\$ 7</u> | <u>\$ 5</u> | <u>\$ 4</u> | <u>\$ 3</u> | <u>\$ 3</u> |
| 2 | | [\$ 8] | [\$ 7] | [\$ 6] | [\$ 5] | [\$ 4] | [\$ 3] | [\$ 2] | [\$ 2] |
| 3 | (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> |
| 4 | AS 28.10.421(b)(1) | [60] | [50] | [40] | [30] | [20] | [15] | [10] | [5] |
| 5 | (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> |
| 6 | AS 28.10.421(b)(3) | [60] | [50] | [40] | [30] | [20] | [15] | [10] | [5] |
| 7 | (4) vehicles specified in | | | | | | | | |
| 8 | AS 28.10.421(c)(1) - (4) | | | | | | | | |
| 9 | 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> |
| 10 | | [60] | [50] | [40] | [30] | [20] | [15] | [10] | [5] |
| 11 | 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> |
| 12 | | [100] | [80] | [60] | [50] | [40] | [30] | [20] | [10] |
| 13 | 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> |
| 14 | | [150] | [120] | [100] | [80] | [60] | [40] | [30] | [20] |
| 15 | 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> |
| 16 | | [200] | [160] | [130] | [100] | [80] | [60] | [40] | [20] |
| 17 | (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> |
| 18 | AS 28.10.421(b)(4) | [100] | [80] | [60] | [50] | [40] | [30] | [20] | [10] |
| 19 | (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> |
| 20 | AS 28.10.421(b)(6) | [8] | [7] | [6] | [5] | [4] | [3] | [2] | [2] |
| 21 | (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> |
| 22 | AS 28.10.421(d)(9) | [60] | [50] | [40] | [30] | [20] | [15] | [10] | [5] |
| 23 | (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> |
| 24 | AS 28.10.421(b)(2) | [60] | [50] | [40] | [30] | [20] | [15] | [10] | [5] |
| 25 | (9) vehicles specified in | <u>54</u> | | | | | | | |
| 26 | AS 28.10.421(d)(10) | [40] | | | | | | | |

* Sec. 3. 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 as adjusted under (j) of this section:

Tax According to Age of Vehicle Since Model Year

WORK DRAFT

WORK DRAFT

WORK DRAFT

| | 1st | 2nd | 3rd | 4th | 5th | 6th | 7th | 8th or over |
|----|-----|-----|-----|-----|-----|-----|-----|-------------|
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* Sec. 4. AS 28.10.431(c) is amended to read:

(c) Except as provided in this subsection, the [THE] registration tax shall be levied, collected, enforced, and otherwise administered in the same manner as provided for the registration fees in this chapter. Except for motor vehicles for which a prorated tax is collected, only [ONLY] one registration tax may be collected with respect to the same motor vehicle in the year for which the tax is paid. A person who operates a fleet of 50 or more motor vehicles may pay a proportionate prorated registration fee that allows a vehicle in

1 the fleet to be registered in monthly increments if (1) the motor vehicles are subject to the
2 registration tax in a single municipality under (a) of this section, and (2) the motor vehicle
3 fleet increases or decreases by more than 50 percent in a calendar year. The department
4 shall prorate registration fees in monthly increments to allow registration in less than
5 one-year periods when required by this subsection.

6 * Sec. 5. AS 28.10.431(e) is amended to read:

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

14 * Sec. 6. AS 28.10.431 is amended by adding a new subsection to read:

15 (j) The Department of Labor shall adjust the schedule under (b) of this section every
16 three years to reflect changes in the transportation new vehicle segment of the Consumer Price
17 Index for all urban consumers for all items compiled by the Bureau of Labor Statistics, United
18 States Department of Labor for the second half of the preceding calendar year. The semiannual
19 index for the second half of 1994 is the reference base index. The Department of Labor shall
20 round each scheduled amount adjusted under this subsection to the nearest dollar. The
21 Department of Community and Regional Affairs shall provide the revised schedule to each
22 municipality in the state that imposes a tax under this section and to the Department of Public
23 Safety, and shall make the schedule available to the public by February 28th of each year in
24 which the schedule is revised. A tax imposed under an adjusted schedule takes effect on July 1
25 of the year in which the schedule is adjusted.

26 * Sec. 7. AS 28.10.431(j) is repealed June 30, 1998.

27 * Sec. 8. TRANSITION. A municipality in which a motor vehicle registration tax was imposed
28 under AS 28.10.431 before January 1, 1993, may not impose the tax on or after January 1, 1993, until
29 the municipality meets the requirements of AS 28.10.431(a), as repealed and reenacted in sec. 2 of this
30 Act.

31 * Sec. 9. Sections 2 and 5 of this Act take effect January 1, 1993.

- 1 * Sec. 10. Section 3 of this Act takes effect January 1, 1994.
- 2 * Sec. 11. Sections 6 and 7 of this Act take effect January 1, 1997.

A M E N D M E N T

OFFERED IN THE SENATE

TO: CSHB 309 (FINANCE)

Page 3, after line 21:

Insert a new bill section to read:

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

(c) Except as provided in this subsection, the [THE] registration tax shall be levied, collected, enforced, and otherwise administered in the same manner as provided for the registration fees in this chapter. Except for motor vehicles for which a prorated tax is collected, only [ONLY] one registration tax may be collected with respect to the same motor vehicle in the year for which the tax is paid. A person who operates a fleet of 50 or more motor vehicles may pay a proportionate prorated registration fee that allows a vehicle in the fleet to be registered in monthly increments if (1) the motor vehicles are subject to the registration tax in a single municipality under (a) of this section, and (2) the motor vehicle fleet increases or decreases by more than 50 percent in a calendar year. The department shall prorate registration fees in monthly increments to allow registration in less than one-year periods when required by this subsection."

Renumber the following bill sections accordingly.

Page 4, line 11:

Delete "and 3"

Insert ", 3, and 4"

Page 4, line 13:

Delete "4"

Insert "5"



Official Business

Alaska State Legislature

P.O. Box V
State Capitol
Juneau, Alaska 99811

SENATE STATE AFFAIRS COMMITTEE

March 23, 1992

To: HEATHER FLYNN
Assemblymember

From: Max Gifford *MG*
Legislative Assistant
465-3793

Subj: HB-309, Municipal Motor Vehicle Registration Tax

The Anchorage Assembly approved AR NO. 91-260, urging the legislature to increase the registration fees in AS 28.10.431, and provide for an annual adjustment rate. Such an increase is contained in CSHB-309 (Fin) am, by the House Finance Committee.

The Senate State Affairs Committee considered the measure and the attached amendment (LS1019\p.2, 3/18/92) which provides for a "proportionate prorated registration fee" on operations with a fleet of 50 or more motor vehicles.

Senators expressed interest in knowing the opinion of the Anchorage Assembly with regard to the proposed amendment. It should be noted that a local option vehicle classification exemption is already contained in AS 29.45.050 (b) (5) (copy included in this fax transmission).

I would appreciate you or someone at the Assembly office calling to let me know the Assembly reaction to the amendment. I'll pass the information to committee members when/if the measure is rescheduled for hearing.

Thank you.

This cover plus 2 pages

A M E N D M E N T

OFFERED IN THE SENATE

TO: CSHB 309 (FINANCE)

Page 3, after line 21:

Insert a new bill section to read:

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

(c) Except as provided in this subsection, the [THE] registration tax shall be levied, collected, enforced, and otherwise administered in the same manner as provided for the registration fees in this chapter. Except for motor vehicles for which a prorated tax is collected, only [ONLY] one registration tax may be collected with respect to the same motor vehicle in the year for which the tax is paid. A person who operates a fleet of 50 or more motor vehicles may pay a proportionate prorated registration fee that allows a vehicle in the fleet to be registered in monthly increments if (1) the motor vehicles are subject to the registration tax in a single municipality under (a) of this section, and (2) the motor vehicle fleet increases or decreases by more than 50 percent in a calendar year. The department shall prorate registration fees in monthly increments to allow registration in less than one-year periods when required by this subsection."

Renumber the following bill sections accordingly.

Page 4, line 11:

Delete "and 3"

Insert ", 3, and 4"

Page 4, line 13:

Delete "4"

Insert "5"

term "developed" in this section, is consistent with the meaning of that term as used in the Alaska Native Claims Settlement Act. *Kenai Peninsula Borough v. Tyonek Native Corp.*, 807 P.2d 502 (Alaska 1991).

The definition of "developed" is broad enough to include subdivided land which is ready for sale. *Kenai Peninsula Borough v. Cook Inlet Region, Inc.*, 807 P.2d 487 (Alaska 1991).

Housing project on air force base. — Any property interest of the federal government in an air force base housing project or any other property within a federal reservation is exempt from taxation by state or local authorities, but any pri-

vate interest in such land is taxable to the extent of the interest. *Ben Lomond, Inc. v. Fairbanks N. Star Borough Bd. of Equalization*, 760 P.2d 508 (Alaska 1988).

Where taxpayer has leased land on an air force base from the federal government and has leased back to the government the housing project taxpayer constructed on the land, taxpayer's leasehold interest as well as its interest in the buildings are subject to taxation. *Ben Lomond, Inc. v. Fairbanks N. Star Borough Bd. of Equalization*, 760 P.2d 508 (Alaska 1988).

Cited in *City of Valdez v. State, Dep't of Community & Regional Affairs*, 793 P.2d 532 (Alaska 1990).

X

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

(b) A municipality may by ordinance

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

(2) classify and exempt from taxation

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

(B) historic sites, buildings, and monuments;

(C) land of a nonprofit organization used for agricultural purposes if rights to subdivide the land are conveyed to the state and the conveyance includes a covenant restricting use of the land to agricultural purposes only; rights conveyed to the state under this subparagraph may be conveyed by the state only in accordance with AS 38.05.069(c);

(3) exempt personal property from taxation;

(4) exempt business inventories from taxation;

X

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

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

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

3 of 3 Flynn

A M E N D M E N T

✓ OFFERED IN THE SENATE

BY SENATOR RODEY

TO: CSHB 309 (FINANCE)

Page 3, after line 21:

Insert a new bill section to read:

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

(c) Except as provided in this subsection, the [THE] registration tax shall be levied, collected, enforced, and otherwise administered in the same manner as provided for the registration fees in this chapter. Except for motor vehicles for which a prorated tax is collected, only [ONLY] one registration tax may be collected with respect to the same motor vehicle in the year for which the tax is paid. A person who operates a fleet of 50 or more motor vehicles may pay a proportionate prorated registration fee that allows a vehicle in the fleet to be registered in monthly increments if (1) the motor vehicles are subject to the registration tax in a single municipality under (a) of this section, and (2) the motor vehicle fleet increases or decreases by more than 50 percent in a calendar year. The department shall prorate registration fees in monthly increments to allow registration in less than one-year periods when required by this subsection."

Renumber the following bill sections accordingly.

Page 4, line 11:

Delete "and 3"

Insert ", 3, and 4"

Page 4, line 13:

Delete "4"

Insert "5"

How many OTHERS
WILL IT
AFFECT

To: Mike Ford - legal
From: MAX (Rodney's Office)
Subj: HB-309 - Motor Vehicle Tax

Please review for possible
amendment or inclusion in

CS

Any person or business entity which maintains a motor vehicle fleet of fifty (50) or more motor vehicles within a city or town which has adopted an ordinance adopting the tax provided in AS _____ and whose motor vehicle fleet size varies throughout the calendar year by more than fifty percent (50%), shall be permitted to register its motor vehicles for less than one (1) calendar year with minimal registration increments of one (1) calendar month paying prorata registration for each registration increment necessary to have the motor vehicle properly registered based upon the schedules set forth in section _____ above.

Dana Parks -

Files 586-2230

A-562-7051

re: seasonal ^{part-time} ~~part~~
for area vehicles -

FRI

MAX / PAT:

ED DANKW, CALL

RE: HB 309.

WANTS US TO

ASK FOR A

STA REFERRAL

WHEN ITS

READ ACROSS.

Patrick M. Rodey
Senator

Alaska State Legislature



Senate

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

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

MEMORANDUM

DATE: March 9, 1992

TO: Senator Dick Eliason, President
Alaska State Senate

FROM: Senator Patrick M. Rodey *Pat*

SUBJ: Request for Committee Referral

I request that CSHB 309 (FIN) am, due to be read across to-day, be given a referral to the Senate State Affairs Committee. We are currently reviewing two other motor vehicle related bills, and I feel committee evaluation of HB 309 is appropriate in this context.

PMR/tb/memo004

ALASKA STATE LEGISLATURE
REPRESENTATIVE MIKE NAVARRE

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

MEMORANDUM

TO: Senator Pat Rodey, Senate State Affairs Committee

FROM: Representative Mike Navarre

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

DATE: March 26, 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.

This bill 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 State Affairs move the bill from committee without amendment.

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

150 THIRD STREET
JUNEAU, ALASKA 99801-1291
PHONE: (907) 465-4700

949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

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 - C&RA

Position Paper for CS HB 309
February 19, 1992
Page Two

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



February 14, 1992

Position Paper

HB 309 - Requiring Adjustment of Municipal Motor Vehicle Registration Tax

The Alaska Municipal League, which represents 118 local governments and their citizens throughout the State of Alaska, supports HB 309, which would require a regular indexing of the motor vehicle registration tax collected by the state on behalf of municipalities to reflect changes in the value of automobiles since the tax schedule was statutorily established in 1978. This issue was identified by the League's Board of Directors as one of its top priorities for the 1992 legislative session.

The proposed Committee Substitute for HB 309 calls for a phased increase in the tax structure that would total approximately 70 percent over two years and partially compensate for inflation in the value of vehicles between 1978 and 1992. It also includes a provision for the tax structure to be adjusted every three years to keep up with inflation in the future and more equitably tax motor vehicles in comparison to other forms of personal property. The proposed CS would allow an increase in the administrative fee retained by the state from 5 percent to 8 percent.

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 an administrative 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 level. The approach included in the proposed CS for HB 309, which would regularly adjust the tax structure to reflect inflation (beginning with an adjustment from 1978 to the present, an increase of approximately 70 percent), will more accurately reflect the value of motor vehicles and thus tax them more equitably as compared to other types of personal property, make additional local revenues available from this source, and allow for regular adjustments. Increasing the state-retained administrative fee from 5 percent to 8 percent will more than compensate the state for the costs of administering the program, especially when the increased rate is applied to the adjusted tax structure.

The Alaska Municipal League supports HB 309.



217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907) 586-1325, Fax (907) 463-5480

Revision of Motor Vehicle Registration Tax Rates

The Alaska Municipal League urges the legislature and the governor to support legislation to revise AS 28.10.431, which establishes motor vehicle registration tax rates, to reflect equity in taxation of vehicles compared to other forms of personal property.

The Alaska Municipal League, which represents 118 local governments and their citizens throughout the State of Alaska, supports legislation that would require the motor vehicle registration tax collected by the state on behalf of municipalities to be increased 100 percent and automatically adjusted annually to reflect changes in the Consumer Price Index. Such legislation would allow an updating of the 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, to ensure a proportionate and equitable treatment of taxes on vehicles as compared to other forms of personal property.

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 Table 1). 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. However, local officials estimate that the registration tax collected by the state and returned to municipalities is less than half the local revenue that could be generated by levying a local personal property tax.

A 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 statutory rate. The League is advocating a 100 percent increase with an automatic annual adjustment for inflation. Another approach would be to 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.



217 Second Street, Suite 200 • Juneau, Alaska 99801 • Tel (907) 586-1325, Fax (907) 463-5480

**Projected Return to Selected Municipalities Resulting from
Adjustment in Motor Vehicle Taxes (AS 28.10.431)
under Provisions of Proposed CS HB 309
(rounded to nearest \$1,000)**

| Municipality | FY 91 Received by Municipality | FY 94 Projected Return* | FY 95 Projected Return* |
|--|-----------------------------------|-------------------------------|-------------------------------|
| Currently Participating In Program** | | | |
| Anchorage | \$ 3,420,000 | \$ 4,471,000 | \$ 5,947,000 |
| Kenai Peninsula Borough | 672,000 | 878,000 | 1,168,000 |
| Mat-Su Borough | 628,000 | 820,000 | 1,092,000 |
| Ketchikan Gateway Borough | 190,000 | 248,000 | 330,000 |
| Currently Not Participating In Program*** | | | |
| Fairbanks North Star Borough | na | 1,357,000 | 1,805,000 |
| City and Borough of Juneau | na | 441,000 | 586,000 |

*FY 94 return would in fact be somewhat higher because adjusted registration tax schedules would go into effect in January 1993 and January 1994, half-way through the fiscal year. Based on FY 91 statistics from Division of Motor Vehicles and using a 35% adjustment of tax schedule beginning in January 1993 and an additional 33% adjustment beginning in January 1994 as well as an increase in state administrative fee from 5% to 8%.

**For currently participating municipalities, calculations are based on actual FY 91 average return/registered vehicle figures: Anchorage's average return was \$15.31; Kenai Peninsula Borough's, \$11.73; Mat-Su's, \$10.26; and Ketchikan Peninsula Borough's, \$12.77. These return figures vary because of the mix of vehicle types and ages within each municipality. Projections assumed no increase in the number of vehicles registering.

***Calculated using an average return to a municipality of \$12/registered vehicle.

Prepared by Alaska Municipal League, 13 February 1992

**Letters / Resolutions of Support for HB-309,
increasing municipal vehicle tax levy**

Alaska Municipal League
Kenai Peninsula Borough
Kenai Peninsula Caucus
Anchorage Municipal Assembly
City of Soldotna
City of Nenana
City of Whittier
Matanuska-Susitna Borough
City of Petersburg
City of Wasilla

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. DRAFT CSHB 309(FIN)

Revision Date: 2/12/92 Department Affected: Public Safety
 Title: An Act relating to motor vehicle BRU: Motor Vehicles
registration tax Component: Field Services
 Sponsor: Representative Navarre
 Requestor: House Finance COMPONENT SERIAL NO.

| | | | |
|--|---|---|---|
| | 5 | 0 | 2 |
|--|---|---|---|

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 | 105.0 | 105.0 | 105.0 | 105.0 | 105.0 |
| TRAVEL | | | | | | |
| CONTRACTUAL | 4.5 | -0- | -0- | -0- | 20.0 | -0- |
| SUPPLIES | | | | | | |
| EQUIPMENT | 30.0 | -0- | -0- | -0- | -0- | -0- |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 87.0 | 105.0 | 105.0 | 105.0 | 105.0 | 105.0 |

| | | | | | | |
|---------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|---------|--|--|--|--|--|--|

| | | | | | | |
|-------------------------|-------|-------|-------|-------|-------|-------|
| REVENUE FUND SOURCE: | 517.0 | 671.0 | 748.0 | 748.0 | 822.8 | 822.8 |
|-------------------------|-------|-------|-------|-------|-------|-------|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|----------------------------|-------------|--------------|--------------|--------------|--------------|--------------|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER FUND SOURCE: 1005 | 87.0 | 105.0 | 105.0 | 105.0 | 105.0 | 105.0 |
| TOTAL | 87.0 | 105.0 | 105.0 | 105.0 | 105.0 | 105.0 |

POSITIONS:

| | | | | | | |
|-----------|---|---|---|---|---|---|
| FULL-TIME | 3 | 3 | 3 | 3 | 3 | 3 |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)
 Note: Half year personal services costs are shown in FY 93 since the program begins January 1, 1993.
 Revenue figures for FY 93 & 94 reflect increases in the middle of the fiscal year.
 (continued on attachment)

Prepared By: Jay N. Dulany, Director Phone: 269-5559
 Division: Motor Vehicles Date: 2/10/92
 Approved by Commissioner: *Richard L. Burton* Richard L. Burton
 Agency: Department of Public Safety Date: 2/13/92

Prep'd
2/13/92

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. 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:

| | |
|--|--------------------|
| 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 |

| | | | | |
|---|--------------------|--------------------------|--------------------------------|------------------------|
| Position Title Motor Vehicle Representative I/II | | Number of Positions 3 | Range/Step 8/9 | Bargaining Unit GGU |
| Time Status PFT | Staff Months 36 | Location Statewide | Election District Statewide | |
| Type of Expenditure | | Amount | | |
| 1 | 2 | 3 | | |
| Salary* | 69.3 | | | |
| Benefits* | 35.7 | | | |
| Premium Pay (Included in Above) | | | | |
| Other | | | | |
| Total Personal Services | | 105.0 | | |
| Travel | | | | |
| Contractual | | 4.5 | | |
| Commodities | | | | |
| Equipment | | 30.0 | | |
| Other | | | | |
| Total Cost | | 139.5 | | |
| Funding Source For Total Cost | | | | |
| Federal Receipts | 1002 | | | |
| G.F. Match | 1003 | | | |
| General Fund | 1004 | | | |
| Program Receipts/GF | 1005 | 139.5 | | |
| I-A Receipts | 1007 | | | |
| CIP Receipts | 1061 | | | |
| Other | | | | |
| * Personal Services Salary and Benefits Costs are from PACS calculations. | | | | |

Justification
The adoption of this legislation is estimated to impact the workload of the Division by 3-5%. Approximately 355,000 vehicles or 36% 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 increase 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.

REQUEST FOR
NEW POSITION

AGENCY Department of Public Safety

BRU Motor Vehicles

COMPONENT Field Services

FY 93

Page 3 of 3
Revised Date

BILL: HB 309 SHORT TITLE: MOTOR VEHICLE REGISTRATION TAX
NAME: CSHB 309(FIN) AM
TITLE: "AN ACT RELATING TO THE MUNICIPAL MOTOR VEHICLE REGISTRATION TAX; AND PROVIDING FOR AN EFFECTIVE DATE."

SPONSOR(S): REPRESENTATIVE(S) NAVARRE, BOYER, BROWN, B. DAVIS, FINKELSTEIN, KOPONEN

CURRENT STATUS: (S) STA STATUS DATE: 03/09/92
THEN FIN, RLS

HEARING: (S) STA MAR 18 01:30 PM

| | | | |
|----------|------|-----|---|
| 04/29/91 | 1010 | (H) | READ THE FIRST TIME - REFERRAL(S) |
| 04/29/91 | 1010 | (H) | CRA, FINANCE |
| 05/10/91 | 1270 | (H) | CRA RPT CS(CRA) 4DP 1NR |
| 05/10/91 | 1270 | (H) | (DP: G. PHILLIPS, B. DAVIS, C. DAVIS, MACKIE) |
| 05/10/91 | 1270 | (H) | (NR: GONZALES) |
| 05/10/91 | 1270 | (H) | -ZERO FISCAL NOTE (DCRA) 5/10/91 |
| 02/24/92 | 2396 | (H) | FIN RPT CS(FIN) NEW TITLE 5DP 4NR |
| 02/24/92 | 2397 | (H) | (DP: MACLEAN, NAVARRE, BOYER, BROWN, ULMER) |
| 02/24/92 | 2397 | (H) | (NR: R. PHILLIPS, LARSON, SHARP, BARNES) |
| 02/24/92 | 2397 | (H) | -FISCAL NOTE (DPS) 2/24/92 |
| 02/24/92 | 2397 | (H) | -ZERO FISCAL NOTE (DCRA) 2/24/92 |
| 02/28/92 | | (H) | RULES TO CALENDAR 2/28/92 |
| 02/28/92 | 2460 | (H) | READ THE SECOND TIME |
| 02/28/92 | 2460 | (H) | CORRECTED FN #2 SUBMITTED BY H. FIN |
| 02/28/92 | 2460 | (H) | -FISCAL NOTE (DPS) 2/28/92 |
| 02/28/92 | 2460 | (H) | FIN CS ADOPTED UNAN CONSENT |
| 02/28/92 | 2460 | (H) | AM 1 BY HANLEY |
| 02/28/92 | 2461 | (H) | AM NO 1 FAILED Y15 N20 E5 |
| 02/28/92 | 2461 | (H) | AM 2 BY HANLEY |
| 02/28/92 | 2461 | (H) | AM 2 WITHDRAWN |
| 02/28/92 | 2462 | (H) | AM 3 RULED OUT OF ORDER |
| 02/28/92 | 2462 | (H) | ADVANCE TO 3RD RDG FLD Y22 N12 E5 A1 |
| 02/28/92 | 2462 | (H) | ADVANCED TO THIRD READING 3/2 CALENDAR |
| 03/02/92 | 2488 | (H) | READ THE THIRD TIME CSHB 309(FIN) |
| 03/02/92 | 2489 | (H) | RETURN TO SECOND FOR AM 4 UNAN CONSENT |
| 03/02/92 | 2489 | (H) | AM 4 BY NAVARRE |
| 03/02/92 | 2489 | (H) | AM NO 4 ADOPTED Y32 N6 E2 |
| 03/02/92 | 2490 | (H) | RETURN TO SECOND FOR AM 2 UNAN CONSENT |
| 03/02/92 | 2490 | (H) | AM 2 BY HANLEY |
| 03/02/92 | 2490 | (H) | AM NO 2 FAILED Y19 N19 E2 |
| 03/02/92 | 2491 | (H) | PASSED Y32 N6 E2 CSHB 309(FIN) AM |
| 03/02/92 | 2491 | (H) | EFFECTIVE DATE SAME AS PASSAGE |
| 03/02/92 | 2491 | (H) | (H) ADOPTED LETTER OF INTENT |
| 03/02/92 | 2491 | (H) | GRUENBERG NOTICE OF RECONSIDERATION |
| 03/04/92 | 2525 | (H) | HELD ON RECONSIDERATION TO 3/6/92 |
| 03/06/92 | 2552 | (H) | RECONSIDERATION NOT TAKEN UP |
| 03/06/92 | 2552 | (H) | TRANSMITTED TO (S) |
| 03/09/92 | 2336 | (S) | READ THE FIRST TIME - REFERRAL(S) |
| 03/09/92 | 2336 | (S) | STATE AFFAIRS, FINANCE |

BILL HISTORY

House Bill 309 Fact Sheet

- AS 28.10.431, dealing with the Annual Motor Vehicle Registration Tax has not been adjusted since its inception in 1978. Inflationary factors have eroded the value of the revenue generated.
- HB 309 would over a two year period bring the values back to within 70% of what they would have been had they been annually adjusted.
- After the two year adjustment period, a three year period will pass and then an adjustment to the schedule will occur, then the adjustment mechanism will sunset.
- The five year adjustment would be calculated on the Consumer Price Index for All Urban Consumers (CPI-U), using the new vehicle transportation segment of the index.
- 1991 revenues were \$ 5,235,112.15 for the participating municipalities.
- The Division of Motor Vehicles receives 5% from the total collected for the municipalities. In 1991 DMV share amounted to \$276,081.85. Under HB 309 DMV's percentage increases to 8%. FY 1995 anticipated state share will be \$ 763,000.
- DMV claims increased operational costs because of tri-annual chart adjustments, consumer misunderstandings, and additional personnel. The additional 3% should cover the anticipated costs.
- HB 309 is a major plank in the Alaska Municipal League 1992 legislative platform.

DISTRICT 5

34824 E. Beach Road • Seldotna, Alaska 99669 • (907) 262-7842

HB-309 FACT SHEET - Rep. Navarre



KENAI PENINSULA BOROUGH

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

DON GILMAN
MAYOR

Position Paper

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

The Kenai Peninsula Borough Supports HB 309 and urges passage by the legislature this session.

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 statutorily established fee structure and the revenue based on the current mill rate is great.

The Kenai Peninsula Borough currently collects \$673,000 annually from this program, which is shared with the other municipalities and service areas in the borough. The proposed changes will increase this level of funding to approximately \$1,226,700 in two years. The indexing system will allow the rate structure to maintain inflationary increases.

As state shared revenue to municipalities decline, local assessments are one of the few methods for sustaining revenue.

*Filed 12/10/91
Approved 12/10/91*

CLERK'S OFFICE

APPROVED

Date: 12/03/91

Submitted by: Assemblymember Flynn

Prepared by: Assembly Budget Analyst

For reading: December 3, 1991

ANCHORAGE, ALASKA

AR NO. 91-260

A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY URGING THE PASSAGE OF HB 309 WHICH INCREASES REGISTRATION FEES FOR MOTOR VEHICLES TO MORE ACCURATELY REFLECT THE FULL AND TRUE VALUE.

WHEREAS, the Municipality of Anchorage does not levy a property tax on motor vehicles but instead receives registration fees collected by the Department of Motor Vehicles; and

WHEREAS, the registration fee tax schedule in AS 28.10.431 was adopted in 1978 and has not been revised since that time; and

WHEREAS, the registration fees received by the Municipality are less than half of the revenue that could be generated by levying a local personal property tax on motor vehicles; and

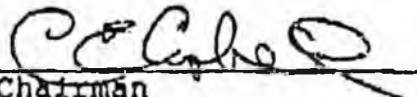
WHEREAS, currently, Alaskan motor vehicle licensing and registration fees are among the lowest in the United States; and

WHEREAS, the Alaska Municipal League supports increasing the tax table in AS 28.10.431 by 100 percent and statutory provision for an annual adjustment in motor vehicle registration tax rates.

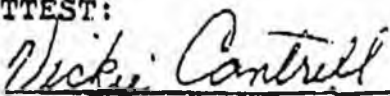
NOW, THEREFORE, The Anchorage Municipal Assembly resolves:

That the Municipality of Anchorage urge the Alaska Legislature to increase the registration fees in AS 28.10.431 and provide for an annual adjustment in those rates by passage of HB 309 or other similar legislation.

PASSED AND APPROVED by the Anchorage Assembly this 3rd day of December, 1991.


Chairman

ATTEST:


Municipal Clerk, Deputy



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 1151-91

Meeting Date: December 3, 1991

From: Assemblymember Flynn
Subject: A Resolution supporting HB 309, Increase of vehicle registration fees

Alaska State Statute 29.45.110 requires full and true valuation on all real and personal property. The Division of Motor Vehicles, for 5% fee, collects personal property tax on vehicles. For that reason, rates of valuation/taxation are set in Statute. The Statutes have not been revised for more than a decade and in no way reflect full and true value.

HB 309 will raise tax rates to more accurately reflect full and true value.

Alaskan rates for vehicle registration/license taxes are the lowest in the country.

An increase in the personal property taxes on vehicles will not expand taxes beyond the tax cap. It will merely spread the base beyond real property taxpayers.

Prepared by:

Jean G. Ruppert

Respectfully submitted,

Heather Flynn
Assemblymember

JGR:dab
DOCC/AM

MUNICIPALITY OF ANCHORAGE

MEMORANDUM

DATE: November 22, 1991

TO: Assemblyperson Heather Flynn

THRU: Larry Crawford, Municipal Manager

THRU: Jerry Anderson, Chief Fiscal Officer

FROM: Steve Van Sant, Municipal Assessor

SUBJECT: Motor Vehicle Percentage of Total Personal Property Roll

The following information is in response to your inquiry as to what percentage of the total personal property roll is motor vehicles.

In 1990, our personal property rolls (including business and oil & gas properties) totaled approximately \$1.242 billion and generated about \$25.9 million tax revenue. The State Assessor's office estimates that the value of motor vehicles in the Municipality was \$664.8 million and we received almost \$3.4 million in registration fees.

Based upon these numbers, motor vehicles represent 34.8% of the assessed value and generate 11.5% of the personal property taxes. Motor vehicle taxes equate to approximately .5% of value while all other personal property taxes equate to about 2%.



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

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Alaskan rates for vehicle registration/license taxes are the lowest in the country.

An increase in the personal property taxes on vehicles will not expand taxes beyond the tax cap. It will merely spread the base beyond real property taxpayers.

Prepared by:

A handwritten signature in cursive script, reading "Jean G. Ruppert".

Jean G. Ruppert

Respectfully submitted,

A handwritten signature in cursive script, reading "Heather Flynn".

Heather Flynn
Assemblymember

JGR:dab
DOCC/AM

KENAI PENINSULA CAUCUS
AN ORGANIZATION REPRESENTING
MUNICIPAL GOVERNMENTS AND CHAMBERS OF COMMERCE
OF THE KENAI PENINSULA BOROUGH
177 North Birch Street, Soldotna, AK 99669
Phone: 262-9107

Board of Directors

Municipal Governments

Don Gilman, Kenai Peninsula Borough
Betty Glick, Kenai Peninsula Borough
C.E. Swackhammer, City of Homer
Gary L. Davis, City of Soldotna
Phil Morris, Kachemak City
Vern McCorkle, City of Seldovia
William Noll, City of Seward
John J. Williams, City of Kenai

Chambers of Commerce

Stan Harrington, Anchor Point
Gloria Wisecarver, Funny River
Dee Forest, Homer
John Torgerson, Soldotna
Jack Brown, North Peninsula
Darlene Crawford, Seldovia
Al Schafer, Seward
Jim Carter, Kenai

May 9, 1991

Representative Mike Navarre
State of Alaska
House of Representatives
P.O. Box V
Juneau, AK 99811

Dear Mike,

This is a letter of support for House Bill 309. The Kenai Peninsula Caucus Board and membership support and applaud your efforts on our behalf.

Please contact me if I can provide additional information.

Sincerely,

KENAI PENINSULA CAUCUS


Jack Brown, President

JB/clf

City of Soldotna

• 177 North Birch • Soldotna, Alaska 99669 • Phone: 262-9107



May 8, 1991

Representative Jerry Mackie, Chairman
Community & Regional Affairs Committee
Room 110, Capitol
Box V
Juneau, AK 99811

MAY 18 1991

Dear Representative Mackie,

The City of Soldotna 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.

In this economic climate it becomes more important to make taxation as fair as possible while maximizing each revenue source.

We estimate that had this increase been in effect in FY 89-90, the increase in the City's revenues would have been \$11,435. The estimated increase for FY 90-91 would have been approximately \$15,000.

We ask for your support of HB 309.

We appreciated your efforts on behalf of the municipalities and political subdivisions of the State.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gary L. Davis".

Gary L. Davis
Mayor

cc: Rep. Mike Navarre
AML Legislative Committee



City of Nenana

P.O. Box 00070
Nenana, Alaska 99760
(907) 832-5441
FAX 832-5503



February 12, 1992

Representative Miko Navarre
Alaska State Legislature
P.O. Box V (MS 3100)
Juneau, AK 99811

RE: CSHB 309 - an Act Relating to Municipal Motor Vehicle Registration Tax

Dear Representative Navarre,

The City of Nenana supports the proposed Committee Substitute to HB 309. The current rates, established circa 1978, are long overdue for revision. For example, assuming the value of a new vehicle is \$17,000, the mil equivalence of the \$60 flat fee tax would be 3.5 mils. At the City's current 12.3 mil rate, the same \$17,000 vehicle would be assessed \$209 in personal property tax. This is almost four times the amount collected thru MVRT. The two year phased increase in registration rates, with an automatic adjustment in the rate every three years to reflect changes in the Consumer Price Index, allows for a more equitable adjustment of the rates.

Nenana currently receives more than \$6,000 per year under the current rate structure. This represents approximately 5% of our locally generated revenues. The proposed increase would most likely produce \$2000 in additional revenues. Do not hesitate to call me should you require additional information.

Sincerely,

Steve Bainbridge
City Administrator

cc: Governor Walter Hickel
Senator Dick Shultz
Representative John Gonzales
Scott Burgess, Executive Director/AML

FAX TRANSMITTAL MEMO
TO: Representative Mike Navarre
DEPT: Legislature FAX #: 465-2278
FROM: Steve Bainbridge PHONE: 832-5501
CO: City of Nenana FAX #: 832-5503
Post-It brand fax transmittal memo 7871

NO. OF PAGES
one



CITY OF WHITTIER

RESOLUTION NO. 279-92

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WHITTIER, ALASKA SUPPORTS THE PROPOSED COMMITTEE SUBSTITUTE TO HB 309.

WHEREAS, Motor vehicle registration tax rates have not been adjusted since 1978; and

WHEREAS, Motor vehicle values have increased substantial since 1978, and

WHEREAS, Motor vehicle registration tax rates should automatically increase in the future according to the consumer. Price index or some other criteria; and

WHEREAS, the motor vehicle registration tax is collected by the state on behalf of municipalities; and

WHEREAS, equitable adjustments to the motor vehicle registration tax rates will increase revenue to the City of Whittier.

NOW, THEREFORE, BE IT RESOLVED

THAT the City of Whittier supports the proposed committee substitute to HB 309 and urges the Alaska state legislature to approve this bill.

PASSED AND APPROVED by a duly constituted quorum of the Whittier City Council on this _____ day of _____.

Kelly Carlisle, Mayor

ATTEST:

Tina Lorrekovich, City Clerk



Matanuska-Susitna Borough

BOROUGH MANAGER

February 7, 1992

| | | |
|--|----------------|-----------------|
| Post-it™ brand fax transmittal memo 7871 | | # of pages |
| To | Representative | From |
| Mike Navarre | | Donald L. Moore |
| Co. | | Co. |
| Dept. | | Phone # |
| | | (907) 745-9689 |
| Fax # | 465-2278 | Fax # |

The Honorable Mike Navarre
Alaska State Legislature
Room 511, Capitol
P. O. Box V
Juneau, Alaska 99811

Dear Representative Navarre:

Subject: **HOUSE BILL 309**


The Matanuska-Susitna Borough very much supports passage of changes to the motor vehicle registration tax to make this tax more equitable to tax on other forms of personal property.

The tax rate structure of HB 309 represents a compromise among municipalities due to relative mill levy which results in registration tax for less than what would be taxed if vehicles were taxed as personal property in the Matanuska-Susitna Borough and most other boroughs, however, it will result in a 35% increase in pass through tax receipts less the increase in Department of Motor Vehicles (DMV) administrative fee the first year and a 70% increase the second year. Current receipts from DMV are about \$500,000 annually.

We appreciate the wisdom of indexing the registration tax to reflect changes in the Consumer Price Index. This will hopefully avoid major adjustments such as we face now.

The Matanuska-Susitna Borough Assessor has been instrumental in development of this legislation and is available if there are questions. Feel free to call him at 745-9641 at any time on this subject. Please do pass HB 309.

Sincerely,


Donald L. Moore
Borough Manager

Ltr/2792-1

1

February 7, 1992

er

cc: Representative Mark Boyer
Representative Kay Brown
Representative Bettye Davis
Representative David Finkelstein
Representative Niilo Koponen
Representative Ronald L. Larson
Representative Eileen MacLean
Representative George Jacko
Representative Fran Ulmer
Representative Ramona Barnes
Representative Randy Phillips
Representative Bart Sharp

**CITY OF PETERSBURG**

P.O. BOX 329 • PETERSEBURG, ALASKA 99833

TELEPHONE (907) 772-4511

TELECOPIER (907) 772-3759

February 7, 1991

Representative Mike Navarre
Room 511, Capital Building
P. O. Box V
Juneau, AK 99811

RE: HOUSE BILL NO. 309

Representative Navarre:

It has come to the attention of the City of Petersburg, via communications with the Alaska Municipal League, that you are sponsoring House Bill No. 309. As one of the municipalities who receives the motor vehicle registration tax, we would like to express our appreciation for your efforts in addressing the need to have this tax updated to more closely reflect current values.

A copy of Committee Substitute for HB 309 has been sent to us and based on that proposed legislation the following increases would result. The City of Petersburg in FY '91 received a total of \$27,338 in revenues from the motor vehicle registration tax. The increases proposed by your legislation would increase these revenues to, roughly, \$35,000 the first year and \$49,000 for the second year. These numbers do not take into account an increase in the number of vehicles, only the increase in rate and the decrease of revenues due to the increase in the administration percentage. These additional revenues can help off-set expenses of street and road maintenance within the City of Petersburg.

Your efforts and support for this legislation are applauded and, hopefully, this year will be passed by the legislature.

Sincerely,

Jodell Jones, City Treasurer

cc: Governor Walter Hickel
Alaska Municipal League



Matanuska-Susitna Borough

BOROUGH MANAGER

February 7, 1992

The Honorable Mike Navarre
Alaska State Legislature
Room 511, Capitol
P. O. Box V
Juneau, Alaska 99811

Dear Representative Navarre:

Subject: **HOUSE BILL 309**

The Matanuska-Susitna Borough very much supports passage of changes to the motor vehicle registration tax to make this tax more equitable to tax on other forms of personal property.

The tax rate structure of HB 309 represents a compromise among municipalities due to relative mill levy which results in registration tax for less than what would be taxed if vehicles were taxed as personal property in the Matanuska-Susitna Borough and most other boroughs, however, it will result in a 35% increase in pass through tax receipts less the increase in Department of Motor Vehicles (DMV) administrative fee the first year and a 70% increase the second year. Current receipts from DMV are about \$500,000 annually.

We appreciate the wisdom of indexing the registration tax to reflect changes in the Consumer Price Index. This will hopefully avoid major adjustments such as we face now.

The Matanuska-Susitna Borough Assessor has been instrumental in development of this legislation and is available if there are questions. Feel free to call him at 745-9641 at any time on this subject. Please do pass HB 309.

Sincerely,

A handwritten signature in cursive script that reads "Donald L. Moore".

Donald L. Moore
Borough Manager

Ltr/2792-1

1

February 7, 1992



CITY OF WASILLA

290 E. HERNING AVE.
WASILLA, ALASKA 99654-7091
PHONE: (907) 373-9050
FAX: (907) 373-0788

February 11, 1992

The Honorable Mike Navarre
Alaska State Legislature
P. O. Box V
Juneau, Alaska 99811

Re: HB 309 CS

Dear Representative Navarre:

I'm writing to support HB 309, Vehicle Registration Tax. Vehicle ad valorem tax represents a significant portion of personal property tax revenues. Loss of local revenue as the result of outdated tax rates not only diminishes critical school and general fund support but discriminates against other fully-taxed property including aircraft.

Adjustments to the vehicle registration tax program should be made as rapidly as possible. More consideration should be given to the years of free ride enjoyed by vehicle owners than to the impact of the rate increase adjustment.

Sincerely,

John C. Stein
Mayor, City of Wasilla

JCS/sbh



Revision of Motor Vehicle Registration Tax Rates

The Alaska Municipal League urges the legislature and the governor to support legislation to revise AS 28.10.431, which establishes motor vehicle registration tax rates, to reflect equity in taxation of vehicles compared to other forms of personal property.

The Alaska Municipal League, which represents 118 local governments and their citizens throughout the State of Alaska, supports legislation that would require the motor vehicle registration tax collected by the state on behalf of municipalities to be increased 100 percent and automatically adjusted annually to reflect changes in the Consumer Price Index. Such legislation would allow an updating of the 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, to ensure a proportionate and equitable treatment of taxes on vehicles as compared to other forms of personal property.

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 Table 1). 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. However, local officials estimate that the registration tax collected by the state and returned to municipalities is less than half the local revenue that could be generated by levying a local personal property tax.

A 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 statutory rate. The League is advocating a 100 percent increase with an automatic annual adjustment for inflation. Another approach would be to 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.

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.

Municipal Accounting Report
 State of Alaska
 Division of Motor Vehicles
 February 11, 1992

FISCAL YR : 91

| <u>LOCATION</u> | <u>VENDOR#</u> | <u>COLLOCODE</u> | <u>MVRT TOTAL</u> | <u>RETAINED</u> | <u>REFUNDS</u> | <u>REMITTED</u> |
|-----------------|----------------|------------------|-----------------------|---------------------|--------------------|-----------------------|
| BETHEL | CIB84214 | 64120043 | \$32,079.00 | \$1,603.95 | \$155.00 | \$30,320.05 |
| DILLINGHAM | CID84836 | 64120051 | \$22,396.00 | \$1,119.80 | \$0.00 | \$21,276.20 |
| NEKANA | CIN84291 | 64120049 | \$6,501.00 | \$325.05 | \$5.00 | \$6,170.95 |
| NOOME | CIN84936 | 64120047 | \$28,371.00 | \$1,418.55 | \$5.00 | \$26,947.45 |
| PETERSBURG | CIP84181 | 64120042 | \$34,771.00 | \$1,738.55 | \$120.00 | \$32,912.45 |
| UNALASKA | CIU84215 | 64120046 | \$30,281.00 | \$1,514.05 | \$70.00 | \$28,696.95 |
| WHITTIER | CIW84474 | 64120048 | \$4,013.00 | \$200.65 | \$0.00 | \$3,812.35 |
| KEEY | KPB88172 | 64120052 | \$709,261.00 | \$35,463.05 | \$1,624.00 | \$672,173.95 |
| KETCHIKAN | KGB84466 | 64120041 | \$200,412.00 | \$10,020.60 | \$475.00 | \$189,916.40 |
| KODIAK | KIB84128 | 64120045 | \$184,156.00 | \$9,207.80 | \$235.00 | \$174,713.20 |
| KAT-SU | MAB84586 | 64120044 | \$662,396.00 | \$33,119.80 | \$1,554.00 | \$627,722.20 |
| ANCHORAGE | MUA84635 | 64120040 | \$3,607,000.00 | \$180,350.00 | \$6,200.00 | \$3,420,450.00 |
| | | TOTALS: | <u>\$5,521,637.00</u> | <u>\$276,081.85</u> | <u>\$10,443.00</u> | <u>\$5,235,112.15</u> |

STATE OF ALASKA
DEPARTMENT OF PUBLIC SAFETY
DIVISION OF MOTOR VEHICLES

VEHICLES REGISTERED IN 1951 BY GOVERNMENT BOUNDARY

| | PSNOR | MOTOR CYCLE | COMM. TRAILER | TRAILER | COMM. TRUCK | PICKUP | BUS | SNOW MOBILE | ALL VEHICLES |
|-----------------------|----------------|----------------|------------------|---------------|----------------|----------------|--------------|----------------|-----------------|
| OTHER OUTSIDE | 8,031 | 267 | 920 | 610 | 2,352 | 1,906 | 64 | 3 | 14,153 |
| OTHER ALASKA | 6,961 | 238 | 549 | 1,438 | 1,355 | 6,257 | 263 | 94 | 17,155 |
| WASHINGTON | 1,234 | 36 | 1,032 | 107 | 75 | 392 | | 4 | 2,880 |
| MUNI OF ANCHORAGE | 137,091 | 4,195 | 5,797 | 21,561 | 8,660 | 43,727 | 330 | 2,114 | 223,475 |
| FAIRBANKS N/STAR BOR | 44,488 | 2,132 | 2,648 | 9,611 | 4,939 | 21,273 | 519 | 884 | 86,494 |
| CITY & BOR OF JUNEAU | 16,438 | 553 | 334 | 2,780 | 1,244 | 6,620 | 136 | 13 | 28,118 |
| KETCHIKAN GATEWAY BOR | 7,604 | 437 | 253 | 1,440 | 767 | 4,289 | 81 | 1 | 14,872 |
| CITY & BOR OF SITKA | 4,034 | 172 | 237 | 694 | 507 | 2,141 | 43 | | 7,828 |
| NOME | 748 | 35 | 59 | 51 | 304 | 957 | 19 | 6 | 2,179 |
| HAINES | 1,153 | 99 | 59 | 325 | 225 | 986 | 39 | 17 | 2,903 |
| YAKUTAT | 233 | 13 | 8 | 16 | 55 | 274 | 1 | | 600 |
| BETHEL | 1,062 | 32 | 21 | 79 | 185 | 906 | 10 | 2 | 2,297 |
| TOK | 812 | 46 | 24 | 286 | 88 | 775 | 12 | 3 | 2,046 |
| GLENNVALLEN | 805 | 25 | 84 | 291 | 163 | 616 | 51 | 6 | 2,041 |
| DELTA JUNCTION | 2,081 | 85 | 55 | 732 | 180 | 1,606 | 31 | 3 | 4,773 |
| VALDEZ | 2,693 | 85 | 66 | 539 | 383 | 1,463 | 44 | 121 | 5,394 |
| CORDOVA | 1,325 | 103 | 158 | 484 | 246 | 1,368 | 3 | 7 | 3,694 |
| NORTH SLOPE BOROUGH | 495 | 19 | 44 | 51 | 430 | 332 | 22 | 12 | 1,405 |
| UNALASKA | 386 | 27 | 24 | 13 | 154 | 310 | 8 | | 922 |
| MATSU BOROUGH | 30,443 | 1,042 | 394 | 7,868 | 2,114 | 18,571 | 124 | 638 | 61,194 |
| CRAIG | 519 | 17 | 21 | 100 | 107 | 628 | | | 1,392 |
| KODIAK ISLAND BOR | 5,891 | 217 | 675 | 909 | 965 | 3,585 | 24 | 148 | 12,414 |
| BRISTOL BAY BOROUGH | 681 | 35 | 42 | 108 | 281 | 805 | 10 | 1 | 1,963 |
| SEAGWAY | 495 | 58 | 58 | 117 | 105 | 385 | 51 | | 1,269 |
| MEMANA | 507 | 26 | 13 | 119 | 63 | 466 | 11 | 1 | 1,206 |
| PETERSBURG | 1,340 | 132 | 61 | 468 | 187 | 1,154 | 10 | 4 | 3,356 |
| DILLINGHAM | 840 | 26 | 25 | 61 | 163 | 785 | 10 | 4 | 1,914 |
| KOTzebue | 201 | 5 | 1 | 15 | 46 | 160 | 1 | 5 | 434 |
| KENAI PEN BOROUGH | 26,278 | 950 | 1,059 | 8,206 | 2,959 | 17,450 | 259 | 136 | 57,297 |
| WRANGELL | 985 | 67 | 37 | 150 | 165 | 844 | 12 | 4 | 2,264 |
| METLAKATLA | 292 | 15 | 6 | 20 | 27 | 197 | 1 | | 558 |
| FINAL TOTAL | 306,146 | 11,189 | 14,764 | 59,249 | 29,494 | 141,228 | 2,189 | 4,231 | 568,490 |

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. CS HB 309

Revision Date: _____ Department Affected: Community and Regional Affairs
 Title: "...relating to the municipal motor vehicle registration tax; and providing for an effective date." BRU: _____
 Sponsor: Rep. Navarre, Boyer, Brown, B.Davis, Finkelstein, Koponen Component: _____
 Requestor: _____ COMPONENT SERIAL NO.

| | | | |
|---|---|---|---|
| 0 | 0 | 0 | 0 |
|---|---|---|---|

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 |

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|---------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
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| | | | | | | |
|----------------------|--|--|--|--|--|--|
| REVENUE FUND SOURCE: | | | | | | |
|----------------------|--|--|--|--|--|--|

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 page if necessary.)

Prepared By: Remond Henderson Phone: 465-4708
 Division: Administrative Services Division Date: 2/21/92
 Approved by Commissioner: E. J. ... Date: 2-21-92
 Agency: Department of Community and Regional Affairs

FISCAL NOTE

No. 2 Corrected
 Bill Version: CSHB 309 (FTN)
 (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 |
|---|---|---|

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 |

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| 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 FUND SOURCE: 1005 | 87.0 | 0 | 0 | 0 | 0 | 0 |
| 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.

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

Fiscal Note - DPS

2/27/92

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 APSIFA terminals) | \$ 4.5 | |
| Equipment | | |
| Office Equipment (3 new positions) | \$ 9.0 | |
| Computer terminals and printers | \$ 21.0 | |
| TOTAL | \$ 87.0 | |

FISCAL NOTE

3

Bill Version: CSHB 309(FIN)
 (H) Publish Date: 2-24-92

STATE OF ALASKA
 1992 LEGISLATIVE SESSION

Revision Date: _____ Department Affected: Community and Regional Affairs
 Title: "...relating to the municipal motor vehicle registration tax: and providing for an effective date." BRU: _____
 Sponsor: Rep. Navarre, Boyer, Brown, B.Davis, Finkelstein, Koponen Component: _____
 Requestor: _____ COMPONENT SERIAL NO.

| | | | |
|---|---|---|---|
| 0 | 0 | 0 | 0 |
|---|---|---|---|

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 | | | | | | |
|---------|--|--|--|--|--|--|

| | | | | | | |
|--------------|--|--|--|--|--|--|
| REVENUE | | | | | | |
| FUND SOURCE: | | | | | | |

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 page if necessary.)

Prepared By: Remond Henderson Phone: 465-4708
 Division: Administrative Services Division Date: 2/21/92

Approved by Commissioner: E. J. ... Date: 2-2-92
 Agency: Department of Community and Regional Affairs

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

Rev 10/7/91

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COMMIT Fiscal Note-CRA