

HB

211

# HOUSE COMMITTEE REPORT

(7)

Date Referred: March 10, 1993

FURTHER REFERRALS:

Judiciary

Date of Committee Action: 4-1-93

The COMMUNITY AND REGIONAL AFFAIRS Committee considered:

HB 211

HOUSE BILL NO. 211

MUNICIPAL INVENTORY TAX EXEMPTION

"An Act relating to the municipal tax exemption for inventories intended for export."

**RECOMMENDATIONS:**

be replaced with \_\_\_\_\_ [ ] the same title  
 [ ] a new title

[ ] have attached amendments(s)

do pass

[ ] do not pass

[ ] no recommendations

[ ] individual recommendations

[ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): \_\_\_\_\_ (Dept)

APPROVES PREVIOUS: \_\_\_\_\_ (Dept/Date)

[ ] fiscal impact \_\_\_\_\_

[ ] fiscal note(s) \_\_\_\_\_

zero fiscal note C + RA

[ ] zero fiscal note(s) \_\_\_\_\_

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Jerry Sander</i>	✓	<i>Carl Bende</i>		✓	
<i>Joe Rain</i>	✓	<i>Ed Willis</i>		✓	
<i>John Doe</i>	✓				
<i>Harley Olberg</i>	✓				
<i>W.K. Williams</i>	✓				

*Harley Olberg*  
 CHAIRMAN'S SIGNATURE



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March 31, 1993

The Honorable Cynthia Toohey  
House of Representatives  
Alaska State Legislature  
State Capitol, Room 104  
Juneau, Alaska 99801-1182

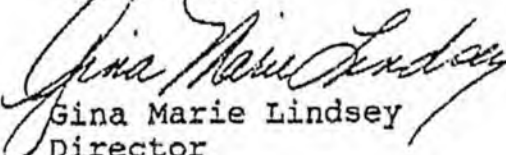
Dear Representative Toohey:

I have reviewed House Bill 211 which, if enacted, will amend AS 29.45.050. I have also discussed the draft legislation with Fairbanks Airport Manager, Bob Bullock.

Mr. Bullock and I agree with the concept of the proposed amendment. If Fairbanks and Anchorage have flexibility regarding taxation of goods for transshipment, it might enhance the ability of the communities to market themselves as international distribution centers.

Thank you for the opportunity to review this draft legislation.

Sincerely,

  
Gina Marie Lindsey  
Director

cc: Bob Bullock, FAI Manager  
Katy McHugh, DOT&PF Legislative Liaison  
D. Randy Simmons, DOT&PF Deputy Commissioner



Official Business

# Alaska State Legislature

## HOUSE OF REPRESENTATIVES

REPRESENTATIVE CYNTHIA D. TOOHEY

DISTRICT 13

State Capitol  
Juneau, AK 99801-1182

### SPONSOR STATEMENT HOUSE BILL 211

To be a viable international distribution center, it is crucial that high value products that are being held for out-of-state shipment not be subject to local property taxes on inventory. Attempting to tax such inventory is virtually certain to prevent municipalities in the state that are (or have the potential to become) transportation hubs from competing for international distribution business. Yet, state statute now requires municipalities to levy some taxes on goods being held for out-of-state shipment.

The existence of foreign trade zones in certain parts of the state provide some partial protection from local inventory taxes. However, there are significant limitations. First, the goods have to be inside an FTZ and must be involved in FTZ activity. This is sometimes costly and unnecessary for simple distribution operations.

Secondly, the goods exempted from taxes within an FTZ are generally those that are being held for shipment outside the U.S. In some cases, goods being stored for distribution may have originated inside the U.S. and be destined for markets inside the U.S. Indeed, the U.S. is the largest single market in the world, and Alaska's proximity to it and the large amount of airlift we have to serve it are important elements of our marketing programs that seek to attract international distribution business.

House Bill 211 would remove the glitch in the state statute governing local business inventory taxes which could prevent a transportation hub from becoming an international warehousing and distribution center. It amends statute to allow municipalities, at their option, the ability to exempt goods being held for shipment out-of-state from inventory property taxes. Once state government allows municipalities this taxation flexibility, it will be the responsibility of each local government to adopt its own ordinance to activate and govern the exemption.

STATE OF ALASKA  
DEPARTMENT OF COMMUNITY  
& REGIONAL AFFAIRS

POSITION PAPER

Bill no.: HB 211  
Sponsor: Rep. Toohey

DCRA FN: Zero (attached)  
Position: Support

Title: An Act relating to the municipal tax exemption for inventories intended for export

This legislation amends AS 29.45.050(n) by deleting a specific limitation to the inventory tax exemption provided for in this subsection. The language that would be deleted limits the value of the exempted inventory property taxes based on the level of other property taxes which provide for school funding. Only those inventory property taxes which exceed the level of other property taxes for schools may be exempted. In other words, property taxes raised for school funding must not be effected by implementation of an inventory property tax exemption.

The department supports the principle of maximizing the flexibility of local governments to generate local revenues in the manner which local residents determine to be most appropriate. The department also supports measures which provide local governments flexibility in providing incentives for local economic development. Deleting the exception language from AS 29.45.050(n) as proposed in this bill is consistent with these principles. Therefore, the department supports this bill. The department does recommend, however, that consideration be given to amending the bill to also delete similar exception language under AS 29.45.050(m) for purposes of consistency in municipal taxation practices.

Edg. Blatchford

Edgar Blatchford  
Commissioner

MARCH 30 - 93 /

Date

File No: HB 211

3/25/93

2:00 pm



**Municipality  
of  
Anchorage**



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*Tom Fink, Mayor*

OFFICE OF THE MAYOR

March 16, 1993

Representative Cynthia Toohey  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801

Re: HB 211, An Act Relating to the Municipal Tax Exemption for Inventories Intended for Export

Dear Representative Toohey:

As I indicated during my appearance before the Anchorage Caucus, the Administration of the Municipality of Anchorage supports HB 211, an Act relating to the municipal tax exemption for inventories intended for export.

I would like to see the legislation remain as a local option, with an ordinance providing for different levels of exemption for different classifications of inventories. This option would allow our community to decide for itself what form of taxation or non-taxation best meets our needs.

Sincerely,

Tom Fink  
Mayor



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

DATE: March 24, 1993  
TO: Representative Cynthia Toohy  
FROM: Kent E. Swisher, Executive Director  
SUBJ: HB 211, Municipal Tax Exemption for Inventories

This measure would expand local governments' ability to structure local taxes so as to encourage the development of warehousing and international distribution facilities. The municipalities may exercise this power at their option.

The League's Policy Statement provides, in part, that "The League supports state policies and legislation to provide maximum local authority for economic development activities and methods to accomplish those activities."

HB 211 seems to be within the scope of that position and AML would support the bill on the basis of it being an additional element of flexibility for local governments in this important area.

from receiving those payments or any payments in lieu of taxes authorized under federal law.

(m) A municipality may by ordinance partially or totally exempt all or some types of economic development property from taxation for up to five years. The municipality may provide for renewal of the exemption under conditions established in the ordinance. However, under a renewal, a municipality that is a school district may only exempt all or a portion of the amount of taxes that exceeds the amount levied on other property for the school district. A municipality may by ordinance permit deferral of payment of taxes on all or some types of economic development property for up to five years. The municipality may provide for renewal of the deferral under conditions established in the ordinance. A municipality may adopt an ordinance under this subsection only if, before it is adopted, copies of the proposed ordinance made available at a public hearing on it contain written notice that the ordinance, if adopted, may be repealed by the voters through referendum. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application for each exemption or deferral. In this subsection "economic development property" means real or personal property, including developed property conveyed under 43 U.S.C. 1601 — 1629e (Alaska Native Claims Settlement Act), that

(1) has not previously been taxed as real or personal property by the municipality;

(2) is used in a trade or business in a way that

(A) creates employment in the municipality;

(B) generates sales outside of the municipality of goods or services produced in the municipality; or

(C) materially reduces the importation of goods or services from outside the municipality; and

(3) has not been used in the same trade or business in another municipality for at least six months before the application for deferral or exemption is filed; this paragraph does not apply if the property was used in the same trade or business in an area that has been annexed to the municipality within six months before the application for deferral or exemption is filed; this paragraph does not apply to inventories.

(n) A municipality may by ordinance classify as to type inventories intended for export outside the state and partially or totally exempt all or some types of those inventories from taxation. A municipality that is a school district may, under this subsection only exempt all or a portion of the amount of taxes that exceeds the amount levied on other property for the school district. A municipality may adopt an ordinance under this subsection only if, before it is adopted, copies of the proposed ordinance made available at a public hearing on it contain written notice that the ordinance, if adopted, may be repealed by

the voters through referendum. The ordinance may provide for different levels of exemption for different classifications of inventories. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application for each exemption. (§ 12 ch 74 SLA 1985; am § 1 ch 103 SLA 1985; am § 5 ch 70 SLA 1986; am § 1 ch 151 SLA 1988; am § 2 ch 73 SLA 1989; am § 1 ch 98 SLA 1989; am § 15 ch 93 SLA 1991; am § 107 ch 4 FSSLA 1992)

Revisor's notes. -- Subsection (h) of this section was enacted as AS 29.53.025(h). Renumbered in 1985. Chapter 103, SLA 1985 also enacted, in § 2, AS 29.63.066, which provides an exemption identical to that set out in (h) of this section from taxes levied under former AS 29.63, repealed by § 88, ch. 74, SLA 1985. The provisions of former AS 29.63 were substantially incorporated in AS 29.45, and the addition of subsection (h) to AS 29.45.050 makes it unnecessary to codify § 2, ch. 103, SLA 1985 to achieve the legislature's purpose.

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

The first 1989 amendment, effective May 31, 1989, in subsection (e), deleted

"However" from the beginning of the third sentence and added the present last sentence.

The second 1989 amendment, effective September 10, 1989, added subsections (m) and (n).

The 1991 amendment, effective September 30, 1991, inserted "including a person who was disabled in the line of duty while serving in the Alaska Territorial Guard" in paragraph (i)(2).

The 1992 amendment, effective July 1, 1992, rewrote subsection (l).

Legislative history reports. — For legislative letter of intent in connection with the enactment of (m) and (n) in this section by ch. 98, SLA 1989 (SL 1989 HB 272(Fin) am S), see 1989 Senate Journal 1866.

#### NOTES TO DECISIONS

City may not exempt property without express authority. — The authority of a municipal corporation to allow exemptions of particular property from taxation, unless expressly conferred by law, has very generally been denied. *Valentine*

*v. City of Juneau*, 36 F.2d 904 (9th Cir. 1929), decided under former, similar law.

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

**Sec. 29.45.060. Farm or agricultural land.** (a) Farm use land included in a farm unit and not dedicated or being used for nonfarm purposes shall be assessed on the basis of full and true value for farm use and may not be assessed as if subdivided or used for some other nonfarm purpose. The assessor shall maintain records valuing the land for both full and true value and farm use value. If the land is sold, leased, or otherwise disposed of for uses incompatible with farm use or converted to a use incompatible with farm use by the owner, the owner is liable to pay an amount equal to the additional tax at the current mill levy together with eight percent interest for the preceding seven years, as though the land had not been assessed for farm use purposes. Payment by the owner shall be made to the state to the extent of its reimbursement for revenue loss under (d) of this section for the preceding seven years. The balance of the payment shall be made to the municipality.

CHAIRMAN OLBERG, MEMBERS OF THE COMMITTEE,  
THANK YOU FOR THIS OPPORTUNITY TO SPEAK ABOUT  
HOUSE BILL 211.

HB211 WOULD REMOVE A GLITCH IN STATE STATUTE  
REGARDING LOCAL BUSINESS INVENTORY TAXES WHICH  
COULD PREVENT A TRANSPORTATION HUB FROM  
BECOMING AN INTERNATIONAL WAREHOUSING AND  
DISTRIBUTION CENTER. IT AMENDS STATUTE TO ALLOW  
MUNICIPALITIES, AT THEIR OPTION, THE ABILITY TO  
EXEMPT GOODS BEING HELD FOR SHIPMENT OUT-OF-  
STATE FROM INVENTORY PROPERTY TAXES.

ALASKA'S PROXIMITY TO ASIA AND THE POTENTIAL OF  
OPENING A NORTHERN SEA ROUTE TO EUROPE, WHICH IS  
ANTICIPATED TO TAKE 20 DAYS LESS THAN THE PANAMA CANAL  
ROUTE, ARE TREMENDOUS INCENTIVES TO BRING  
WAREHOUSING BUSINESS TO ALASKA FROM ALL OVER  
THE WORLD, BUT COMPETITION IS GREAT ACROSS THE  
U.S. AND OTHER PARTS OF THE WORLD.

HOUSE BILL 211 WOULD ALLOW A LOCAL GOVERNMENT  
TO EXPLORE OPPORTUNITIES FOR ATTRACTING  
WAREHOUSING AND DISTRIBUTION OF GOODS. THAT  
LOCAL GOVERNMENT WOULD DECIDE WHAT  
EXEMPTIONS TO ALLOW AND THEN CREATE ITS OWN  
ORDINANCE TO ACTIVATE AND GOVERN THE EXEMPTION.

IN OTHER WORDS, SHOULD A LOCAL GOVERNMENT WANT TO LIMIT EXEMPTIONS PARTIALLY OR FULLY, THAT WOULD BE ITS LOCAL OPTION TO DO SO. REMOVAL OF THE LANGUAGE IN HB211 WOULD JUST ALLOW GREATER FLEXIBILITY.

HOUSE BILL 211 HAS A ZERO FISCAL NOTE FROM THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS. THE DEPARTMENT AS WELL AS THE ALASKA MUNICIPAL LEAGUE, THE MUNICIPALITY OF ANCHORAGE, AND THE ANCHORAGE AND FAIRBANKS AIRPORTS SUPPORT THIS BILL.

I WOULD APPRECIATE YOUR SUPPORT OF THIS LEGISLATION. IF YOU HAVE ANY QUESTIONS, I WOULD BE HAPPY TO ANSWER THEM OR HAVE SCOTT HAWKINS FROM THE ANCHORAGE ECONOMIC DEVELOPMENT CORPORATION RESPOND. THANK YOU.