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HOUSE COMMITTEE REPORT

(7)

Date Referred: January 10, 1994

FURTHER REFERRALS:

Date of Committee Action: _____

The COMMUNITY AND REGIONAL AFFAIRS Committee considered:

SSHB 263

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 263

TAX EXEMPTION FOR AIRCRAFT

"An Act relating to municipal property tax exemptions."

RECOMMENDATIONS: [] the same title
 be replaced with _____ [] 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 _____

[] zero fiscal note(s) _____

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Tom Sandus</i>	✓	<i>Auley Ollberg</i>		✓	
<i>Carl Bunde</i>	✓				
<i>John A. Danks</i>	✓				
<i>Ed Willis</i>	✓				
<i>John K. Williams</i>	✓				
<i>[Signature]</i>	✓				

Auley Ollberg
 CHAIRMAN'S SIGNATURE

DIVISION OF LEGAL SERVICES

**LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA**

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

January 25, 1994

SUBJECT: Municipal property tax exemptions (SSHB 263)

TO: Representative Harley Olberg, Chair
House Community and Regional Affairs Committee

FROM: Tamara Brandt Cook
Director *TBC*

Here is the sectional summary you requested.

Sec. 1. Permits a municipality by ordinance to provide an exemption from property taxes for aircraft, certain vessels, pickup campers, shells and canopies, unlicensed all-terrain vehicles, snow machines and trail bikes.

TBC:lmb
94-023.lmb



FACSIMILE TRANSMISSION SHEET

DATE: 1-25-94
TO: Kim Duke -- Rep. Hanley's Office
FAX NO: 465-2418
FROM: Doug Griffin, City Manager
FAX NO: (907) 835-2992 OFFICE NO: (907) 835-4313

TOTAL NUMBER OF PAGES (INCLUDING COVER SHEET): 1

MESSAGE: I have reviewed Rep. Hanley's SSHB 263 and believe it to have no ill effect on the taxing ability of Valdez. The City of Valdez does not presently have a personal property tax in any form, but it may have to enact one in the future. I see nothing in this bill that would create a problem should we wish to institute a tax on boats, automobiles, RVs, airplanes, etc. I believe the supporting information made some good points about demands on city services. I do not agree with all of the analysis and comparisons (I think airplanes might require more city services than you think - responding to crashes or other airplane accidents with fire & EMT service, potential pollution problems with fuel and oil spills, etc.), but the goal of maximum local government flexibility is a good one that I can support.

IF YOU HAVE ANY PROBLEMS RECEIVING THE TOTAL NUMBER OF PAGES, PLEASE CONTACT THE SENDER AT THE OFFICE NUMBER ABOVE.
I speak for myself and not on behalf of the Valdez City Council, the official policy making authority for the City of Valdez.
P.O. BOX 307 • VALDEZ, ALASKA 99886
TELEPHONE (907) 835-4313 • TELEX 25-381 • TELECOPIER (907) 835-2992

POSITION PAPER

PERSONAL PROPERTY TAXATION OF PRIVATE AIRCRAFT

The Municipality of Anchorage (MOA) derives operating revenues from many sources, including personal property tax. Primarily an ad valorem tax, it is paid annually by owners of defined personal property. In return for payment of such taxes, taxpayers expect, and in most cases receive, certain services and/or benefits provided by the MOA.

People pay taxes on real and personal property to fund a variety of government furnished institutions, including schools, police and fire departments, and other administrative agencies. Children live in homes which are taxed to pay for schools. Similarly, automobile taxes pay for roads which are constructed, maintained, lighted, plowed, swept, and marked with signs.

There is one group of individuals, however, who pay a disproportionate share of the tax burden in Anchorage. Ironically, they receive little, if any, service or benefit from the MOA in exchange for the dollars they contribute to the government's coffers. They are the owners of private aircraft.

For years many of them have been dutifully acknowledging ownership of small aircraft, and paying many hundreds of dollars annually in personal property tax. Their money goes into the general fund, providing no benefit or service to the aviation community. In fact, the MOA's only involvement or interest in aviation (other than collecting taxes) is Merrill Field, which is rightfully "controlled" by the FAA. The MOA merely owns the land and charges leaseholders for the right to use it.

It is noteworthy that most aircraft with a tax situs in Anchorage are used almost exclusively outside the Municipality. They are, in effect, stored in Anchorage, and used to travel everywhere else in and out of the State. Most are parked in Anchorage simply as a matter of convenience to their owners, who reside and work in the community.

Anchorage has always been an aviation hub for the State as well as the world. As such, it serves a unique purpose. Aviation fosters commerce and brings people to town. As a result, many local businesses directly support this important industry and, in turn, rely on it for their livelihood. Examples are parts stores, maintenance facilities, equipment manufacturers, and flight schools. They cater not only to locally based aircraft, also to many that "come in from the bush" to be worked on. Similarly, many local retail merchants, hotels, and restaurants profit from airplane pilots and their passengers who frequent Anchorage. Thus aviation is a major contributor to the financial stability and diversity of Anchorage's economy.

It is ironic then, that the present personal property tax on aircraft discourages the presence of airplanes in the Municipality. Airplane owners residing elsewhere often avoid "wintering" their planes in Anchorage to have work done on them, for fear of establishing a tax situs there. Likewise, many locals have work done and/or park their aircraft elsewhere to avoid paying the tax. Some simply don't admit ownership, choosing to avoid the tax by omission. For them, the amount of money saved is worth the risk of being caught.

In recent years the financial burden on private airplane owners has grown considerably. Fuel, maintenance, and insurance costs have all escalated. But perhaps the greatest proportional increase has been the personal property tax. That is because market values of many aircraft have skyrocketed as manufacturing declined or ceased due to product liability; not because existing aircraft are inherently worth any more. The significant rise in costs is pushing airplane ownership out of the reach of more and more pilots. Admittedly, everyone cannot afford to buy an airplane. But many who could afford the acquisition cost don't have the resources to meet the recurrent costs such as taxes. As a result, the number of airplanes in Anchorage is decreasing. During the past five years, the number of general aviation aircraft parked at Merrill Field has declined by 160. While some may have relocated elsewhere in the local area, some undoubtedly left forever. With them went tax revenues and customers valued by local businesses.

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The fundamental problem involves the tax rate. Airplanes, which have high relative value, are taxed at the same mill rate as other less valuable personal property. While mill rates approaching 20 may be appropriate for homes, they are unrealistic when applied to airplanes. The owner of a \$150,000 home pays about \$3000 in property tax. For that he receives all the basic government services. But he does not receive any additional services for the almost \$1000 tax he now pays for the privilege of owning a \$50,000 airplane. Yet his airplane ownership and use costs the MOA absolutely nothing!

Anchorage Municipal Code (AMC) 12.10.010, Personal Property Subject to Taxation, subparagraph A.1., states,

"All vehicles propelled by other than human muscular power shall be taxable as personal property. This shall include, but is not limited to automobiles, motorcycles, aircraft, boats and snowmobiles."

Alaska Statute (AS) 29.45.050 provides for optional property tax exemptions and exclusions. Paragraph (b) states,

"A municipality may by ordinance...(5) classify as to type and exempt or partially exempt any or all types of motor vehicles from taxation."

On December 21, 1976, the Municipality of Anchorage (MOA) Assembly passed AR No. 121-76, providing for an Annual Motor Vehicle Registration Tax (MVRT) in lieu of a personal property tax assessment on certain motor vehicles, including automobiles and motorcycles. This method of taxation, provided for by 1976 SLA 256, is based on a fixed fee schedule. Accordingly, a NOTE was added to AMC 12.10.010 paragraph A, stating,

"Pursuant to Ch. 256 SLA 1976 and AR 121-76, the Municipality no longer imposes a personal property tax on motor vehicles."

This action simplified processing, lowered the rate per vehicle, and resulted in a net increase in revenue due to the fact that more people paid the tax. Today, the owner of a new \$50,000 motorhome is taxed \$60 the first year, and less in subsequent years. In return, he benefits from many miles of MOA maintained roads, parks, street lights and signs, etc. Despite the NOTE quoted above, the owner of an airplane valued at \$50,000 is still taxed almost \$1000, yet the airplane gets nothing for its revenue contribution.

It is time to revise tax rates for airplanes. A simple fee schedule like that used for other motor vehicles is the best solution. An annual tax of \$60, an amount equal to that paid for the most expensive private automobile or motorhome, is both fair and reasonable. Such a flat fee would significantly reduce administrative costs for the MOA, since each airplane would not have to be appraised every year by physically "canvassing" local airports and researching "book" values. Likewise, the present appeals process, which requires much review time and negotiation, would be eliminated.

All parties stand to gain from such reform. Municipal administrative costs will go down, the sagging and vulnerable general aviation industry will be stimulated, and local businesses will benefit from revived activity at local airports.

Revision Date: 4/22/93

Dept. Affected: Community & Regional Affairs

Title: *An Act relating to a municipal property tax exemption.*

BRU:

Component:

Sponsor: Hanley

Requestor:

COMPONENT SERIAL NO.

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

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

Estimate of current (FY93) impact \$ none

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Remond Henderson Phone: 465-4708
 Division: Administrative Services Date: 4/22/93
 Approved by Commissioner: Barry K. Jorgensen Deputy Commissioner Date: 4/22/93
 Agency: Community & Regional Affairs

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January 24, 1994

TO: Representative Harley Olberg, Chair
and Members
House Committee on Community and Regional Affairs

FROM: Kent E. Swisher, Executive Director

RE: **SS HB 263 - Tax exemption for certain personal property**

As your committee considers SS HB 263, which would allow a municipality, by ordinance, to grant tax exemptions on a variety of personal property, the Alaska Municipal League requests that you consider the overall impact of such exemptions and require that two additional conditions be met before such exemptions are granted: 1) approval of any ordinance granting an exemption by a vote of the people and 2) sunset of the exemption in three to five years. In addition, the League strongly urges that your committee request the Department of Community and Regional Affairs to prepare an "impact on local government" fiscal note for your consideration prior to passing the legislation. If these conditions are met, the League does not oppose the addition of optional exemptions from property taxation (*1994 Policy Statement, Part I - Taxation & Finance, D.5*)

The League recognizes that expansion of optional exemptions from property taxes involves more than preferential treatment of classes of owners or property. Issues of public benefit, effects on formula funding revenues, changes in tax burden on other property owners, and competitive market influences are a few considerations to be weighed. As these factors affect the public generally, adoption of local exemptions should only be through ordinances approved by the voters.

In recognition of changing conditions and public needs, these exemptions should only be considered with provision of a sunset in three to five years.

Because the impact of property tax exemptions on full value determinations affects state funding under the formula programs, and because this impact is often not fully understood by local governments and voters approving optional tax exemptions, the League requests the legislature to provide "impact on local government" fiscal notes with any legislation authorizing additional property tax exemptions. Such fiscal notes should be based on the prior year full value determination, municipal levies, and local assessors' estimates of amount of value to be exempt should an optional exemption be adopted.

An additional issue to be considered with regard to legislation allowing exemptions from property tax for personal property is whether it is uniform and equitable to exempt any forms of property that are used for commercial purposes, such as aircraft or fishing boats, which are often not documented vessels. You may want to consider an amendment to prohibit exemptions for property used commercially.

CLERK'S OFFICE

APPROVED

Date: 2-23-93

Chairman of the Assembly
at the Request of the
Mayor

Submitted by: Mayor
Prepared by: Department of Law
For Reading: February 23, 1993 *ALA*

ANCHORAGE, ALASKA
RESOLUTION NO. AR 93-46(S)

A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE ENDORSING OPTIONAL
EXEMPTION OF DESIGNATED ITEMS FROM PERSONAL PROPERTY TAX

THE ANCHORAGE ASSEMBLY FINDS:

WHEREAS, Alaska Statutes 29.45.050 permits municipalities to exempt certain items from property taxation; and

WHEREAS, AS 29.45.050 does not permit a partial or total exemption for aircraft and some other personal property items but does allow such exemptions for boats, vessels or motor vehicles; and

WHEREAS, the Municipality of Anchorage wishes to adopt a partial exemption for certain personal property.

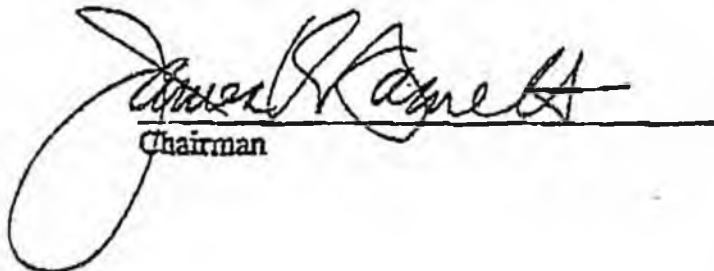
NOW, THEREFORE, the Anchorage Assembly resolves that:

Section 1. The Municipality endorse an amendment to AS 29.45.050 to allow partial or total exemption of aircraft, pick-up campers, shells and canopies, all-terrain vehicles, snow vehicles, undocumented boats and motors, and unlicensed trail bikes from property taxation as part of its legislative program.

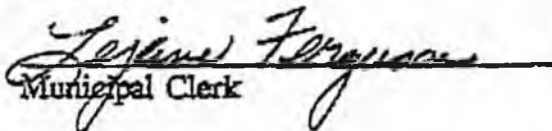
Section 2. An ordinance providing a partial exemption (i.e. flat fee tax) for exempt items taxation will be introduced within 30 days of passage of an amendment to AS 29.45.050 which authorizes use of such an approach.

Section 3. Passage of this resolution indicates a firm statement of intent of those Assembly members voting for this resolution to vote in favor of the ordinance referenced in Section 2.

PASSED AND APPROVED this 23rd day of February, 1993.


Chairman

ATTEST:


Municipal Clerk

AM 270-93

RESOLUTION OF SUPPORT

How THEY VOTED (FEB 23, 93) ON
PERSONAL PROPERTY TAX RESOLUTION

Bozich Bozich	☆		
Landers	☆		
Campbell Campbell	☆		
Abney	☆		
Kubitz	☆		
Campbell Bischoff	☆		
Faulkner	☆		
Traini	☆		
Flynn		☆	
Wood	☆		
Bozich French			

Yes

No

Abstain

Date

2/23/92

Title

~~Member~~ #1

AR 93-46(S)



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 270-93

Meeting Date: February 23, 1993

From: Mayor

Subject: AR 93-46(S) - Exemption of Personal Property Items

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The public testimony last week was oriented primarily on the need for changes to the personal property tax on aircraft. The Administration recommends the scope of the Assembly Resolution to the Alaska State Legislature be expanded to include other items that are taxed unevenly due to self-reporting requirements. A registration tax at the point of sale with possible annual renewals is probably a more equitable system.

The Administration recommends approval of AR 93-46(S).

Concurrence:

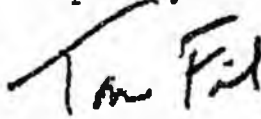
Prepared by:

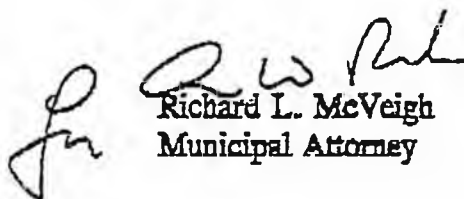

Larry B. Crawford
Municipal Manager


Jerry Anderson
Chief Fiscal Officer

Respectfully submitted:

Concurrence:


Tom Fink
Mayor


Richard L. McVeigh
Municipal Attorney

MUNICIPALITY OF ANCHORAGE
ASSEMBLY MEMORANDUM

NO. AM 127-93

Meeting Date: February 2, 1993

From: Assemblymember Campbell

Subject: AN ORDINANCE PROPOSING AN AMENDMENT TO CHAPTER 12, SECTION 12.10.020 OF THE ANCHORAGE MUNICIPAL CODE PERTAINING TO EXEMPTIONS FOR CERTAIN AIRCRAFT NOT SUBJECT TO THE TAX PROVISIONS OF SECTION 12.10.060, FROM THE "FULL AND TRUE VALUE" PROVISIONS OF 12.10.60.

There is a lack of equity and consistency in the municipal tax code in the taxation applied to various classes of personal property. For example, motor homes, some of considerable value, are not subject to a municipal personal property tax; but instead pay a relatively flat fee to the State of Alaska, with a tax remuneration from the State being transferred to the municipality. The maximum fee received by the municipality from the State is \$60 for a brand new vehicle or motor home, regardless of book value.

However, privately owned, non-commercial aircraft are taxed by the municipality based upon their full book value. Thus while Anchorage resident owning a \$50,000 book value motor home is paying a fee of \$60 to the municipality, a private aircraft assessed at \$50,000 owned by an Anchorage resident is costing that resident about \$1,000 in personal property taxes.

Unfortunately the Assembly cannot change the State statute regarding the taxes on motor vehicles. However the Assembly can address inequities the statute creates in the municipal personal property tax system by modifying the method of property taxation to come more closely in line with the State's approach. This ordinance represents a first step toward addressing the inequity issues in the personal property tax system. It proposes changing the method of taxing private aircraft from an ad valorem system to a flat fee, based on the number of engines the aircraft possesses. Single engine aircraft would pay a fee of \$75, and multi-engine aircraft would pay a fee of \$125.

The municipality obtains roughly \$800,000 annually from the taxes on about 2,100 private airplanes, for an average tax of \$381/aircraft. Between 100-200 of the 2,100 fees are appealed annually; however most protests are resolved at staff level, with only 3 or 4 proceeding to the Board of Equalization for a more formal review.

The new tax structure would generate about \$160,000 in annual revenue, and would likely eliminate the need for about 1-1.5 municipal positions, for an approximate personnel savings of \$60,000 to \$90,000. Net loss of municipal tax revenue would thus be about \$520,000-550,000 annually. However, the change would place more equity in the personal property tax system.

C&D
~~MUNI ORDINANCE~~

Chapter 12.10

PERSONAL PROPERTY TAXATION

Sections:

- 12.10.010 Personal property subject to taxation.
- 12.10.020 Exemptions.
- 12.10.030 Tax situs of personal property.
- 12.10.040 Filing personal property tax returns.
- 12.10.045 Disclosure of ownership.
- 12.10.050 Property tax assessments.
- 12.10.060 Methods of assessment.
- 12.10.070 Assessment notice for personal property.
- 12.10.080 Payment of personal property and business personal property and inventory tax.
- 12.10.090 Decals for personal property.
- 12.10.100 Enforcement of tax obligations.
- 12.10.105 Refund of taxes.

12.10.010 Personal property subject to taxation.

- A. Except as otherwise provided in this chapter, the following personal property which has a tax situs within the municipality is subject to taxation.
 - 1. Vehicles. All vehicles propelled by other than human muscular power shall be taxable as personal property. This shall include but is not limited to automobiles, motorcycles, aircraft, boats and snowmobiles.
 - 2. ~~Mobile homes~~ Mobile homes located within licensed mobile home courts or mobile homes no wider than 14 feet which are situated on temporary footings or temporary foundations and located on private property, shall be classified as personal property.
 - 3. Business inventories.
 - a. Inventory in the hands of a retail or wholesale merchant who holds it for sale, lease, or rental shall be taxable as personal property.
 - b. Inventory held by a manufacturer or processor in the form of raw materials shall be taxable as personal property.

NOTE: Pursuant to Ch. 256 SLA 1976 and AR 121-76, the municipality no longer imposes a personal property tax on motor vehicles.

4. Business personal property. All personal property including but not limited to furniture, furnishings, fixtures, machinery and equipment used by, or in a business capacity shall be taxable as personal property.
- B. All other personal property not exempt by law is subject to taxation as personal property. (new, am AO 82-218(S)).

12.10.020 Exemptions.

- A. Household effects. The household furniture and personal effects of the head of a family or household are exempt from taxation.
- B. Fallout shelters. A modification or addition to an existing structure, designed to provide shelter from radioactive fallout, bombs or like disaster, is exempt from taxation.
- C. Documented boats and vessels.
 1. Pursuant to AS 29.45.050 documented boats and vessels are classified for purposes of taxation and are taxed by the municipality at a rate of \$15.00 per year.
 2. Undocumented boats and vessels shall be assessed by the assessor at their full and true value pursuant to AS 29.45.110 and ~~taxed~~ accordingly by the municipality.
 3. As used in this section "documented boats or vessels" means boats or vessels of at least five net tons for which certificates of documentation have been issued under the laws of the United States.
 4. The assessor by regulation shall implement this section. (Adapted from GAAB 10.05.030, am AO 81-218(S), AO 85-182 (effective January 1, 1986), AC 86-211(S-1)).

12.10.030 Tax situs of personal property.

- A. Tax situs. All personal property which has a tax situs within the municipality on January 1 of the tax year is subject to taxation. Tax situs means the principle place where an item of personal property is located, having due regard to the residence and domicile of its owner, the place where it is registered or licensed, whether it is taxed by other municipalities, and any other factors which may indicate the principal location of the property.

U.S. Department
of Transportation

United States
Coast Guard



Commanding Officer
Marine Safety Office
Vessel Documentation

2760 Sherwood Lane
Suite 2A
Juneau, AK 99801
(907)463-2460

MARCH 1992

DOCUMENTATION OF VESSELS

INTRODUCTION

This pamphlet provides basic information about documentation of vessels. The information is not intended to be all-inclusive inasmuch as each vessel has its own peculiarities and must be handled on a case-by-case basis. General documentation procedures, however, are the same for all vessels and are found in Title 46, Code of Federal Regulations, Part 67.

WHAT IS DOCUMENTATION

Documentation is a form of national registration and evidence that a vessel qualifies to be employed in a specified trade. Any vessel of at least 5 net tons which engages in the coastwise trade (carrying passengers, hauling freight, towing, etc.), Great Lakes trade or American fisheries IS REQUIRED BY FEDERAL LAW TO BE DOCUMENTED. Generally a 32' vessel measures at least 5 net tons. All other vessels which meet the 5 net ton requirement are eligible for documentation at the option of the owner; however, they are not required to be documented--this includes recreational vessels.

Documentation does not exempt vessels from any State or Federal taxes. It also does not excuse non-compliance with all safety and equipment regulations of the Federal Government and the State of Alaska.

NOTE: An undocumented vessel equipped with propelling machinery must have a number issued by the proper issuing authority in the state in which the vessel principally operates. For the State of Alaska, AK registration numbers are issued by Commander(b), U. S. Coast Guard, P. O. Box 25517, Juneau, Alaska 99802-5517.

An AK registration number will not be issued to a vessel which is documented or required to be documented.

DEFINITIONS

ADF&G NUMBER: The number assigned by the State of Alaska, Department of Fish and Game to commercial fishing vessels.

COMMERCIAL VESSEL: Any vessel used in the coastwise trade (such as carrying passengers on sightseeing tours, charter fishing, carrying freight, towing) OR engaged in fisheries OR documented for registry.

DOCUMENTED VESSEL: A vessel which has been issued a Certificate of Documentation.

HAILING PORT: The city and state marked on the vessel.

HOME PORT: The port of documentation where the records of a vessel are kept. This port is determined by the owner's domicile (residence) OR in the case of a corporation, its principal place of business or address within state of incorporation. It is not the port in which the vessel operates. Juneau is the only place in the State of Alaska where vessel documentation records are maintained by the Coast Guard.

HULL IDENTIFICATION NUMBER (HIN): A 12-digit identification number assigned by either the builder/manufacturer or a state motorboat agency to recreational vessels and vessels which will carry six or fewer passengers.

OFFICIAL NUMBER: The six-digit number assigned to vessels which are issued Certificates of Documentation by the U.S. Coast Guard.

RECREATIONAL (PLEASURE) VESSEL: Any vessel used entirely for the personal use of the owner (sport fishing, day trip with friends where friends contribute nothing to the operation of the vessel, hunting trip, etc.).

TON (TONNAGE): Equivalent to 100 cubic feet; it is a measure of cubic volume rather than vessel weight.

CITIZENSHIP OF OWNER AND PERSON IN COMMAND OF VESSEL

Documented vessels must be owned entirely by citizens of the United States.

A documented vessel may only be operated by a citizen of the United States.

Additional individual licensing requirements may apply. Contact the nearest Coast Guard Regional Examination Center for specific guidance.

MEASUREMENT OF A VESSEL

A vessel may be documented only if it has been measured to establish gross and net tonnages and measures at least 5 net tons. The TONNAGE of a vessel is not a measure of weight, but rather a measure of cubic volume; one ton being equal to 100 cubic feet. Gross tonnage (total cubic volume) is determined and then the volumes of certain spaces are deducted to calculate net tonnage.

There are two methods which are used to determine tonnage--simplified and standard. A commercial vessel less than 79 feet which is required to be documented, may be measured under either the Simplified Measurement Method (through the Coast Guard) or the Standard Measurement System (through the American Bureau of Shipping or Det Norske Veritas). Under the simplified system, a vessel may be measured by providing basic vessel data to the Coast Guard on Form CG-5397, Application for Optional Simplified Measurement. This may be submitted to the Coast Guard at the vessel's home port or the port where the initial application for documentation or subsequent changes is processed. There is no fee for simplified measurement.

Barges of any size not engaged in international voyages may be measured under either the simplified or standard systems.

Generally, vessels 79 feet and over must be measured under the standard system. The only two organizations authorized to provide this service are American Bureau of Shipping (ABS) and Det Norske Veritas (DNV). Contact each organization directly for information on costs involved. Addresses and telephone numbers are provided below.

ABS Americas, 263 North Belt East, Houston, Texas 77060-6080;
Telephone 713-873-0700; FAX No. 713-874-9553

Det Norske Veritas, Attn: Phil Essex, 80 Grand Ave., Suite 201,
River Edge, New Jersey 07661
Telephone 201-488-0112; FAX No. 201-488-1778

TO ANCHORAGE
ASSEMBLY
2/16/93

Statement by: Bob Gastrock, 13151 Nora Drive, Anchorage 99515
Flying Crown Homeowners' Association

Good evening, my name is Bob Gastrock. I am here tonight representing the aircraft owners and pilots of the Flying Crown Homeowners' Association.

Speaking on their behalf, I would like to make four brief but important points:

1. The tax many of us are paying for the privilege of keeping airplanes in Anchorage is grossly disproportionate to that paid by owners of other types of motor vehicles.
2. We are ready and willing to pay our fair share of taxes
3. This issue involves correcting an acknowledged lack of equity and consistency in the municipal tax code. It should be dealt with on its own merit. It should not be deferred pending resolution of the many tax initiatives presently being considered.
4. Disposition of this matter is rightly within the purview and authority of this Assembly. It need not and should not be relegated to a ballot proposition.

This matter is before you tonight because we believe a change is in order. During the mid 1970s, airplanes, cars, trucks, and other motor vehicles were all taxed on the same basis. Then, in 1976, the Municipality elected to participate in a State sponsored program to collect a Motor Vehicle Registration Tax in lieu of personal property tax. The program did not include airplanes, which have continued to be taxed as personal property. At first, the difference in tax paid by owners of airplanes and the other vehicles was not significant enough to prompt concern. In recent years, however, the gap has widened considerably, to the point that many airplanes are taxed more than 15 times as much as new motorhomes of comparable value. For example, a new \$50,000 motorhome is taxed \$60, while most Cessna 185s worth the same amount are taxed almost \$1000! When one considers the fact that the motorhome tax declines yearly to only \$5 after the seventh year, the disparity becomes even more exaggerated. What makes this lack of parity even more difficult for us to accept is the fact that while other motor vehicles use roadways that are constructed, maintained, and lighted by the Municipality, airplanes get virtually no benefits in return for their considerably higher tax contribution.

Contrary to a popular misconception, airplane owners, especially those in Alaska, are not generally a wealthy bunch. They are school teachers, truck drivers, and people of virtually every profession. They use airplanes like pickup trucks: to haul people and goods around a state with few roads. Most pilots have been staggered by rapidly increasing costs for maintenance, parts, and insurance. Excessive taxes contribute unfairly to their mounting financial burdens. Indeed, escalating costs, especially fixed ones that must be paid before a propeller turns, are negatively impacting airplane ownership in our town. As a result, many owners have had to sell. Likewise, many aspiring buyers have been priced out of the market by recurring overhead expenses as much as by initial acquisition cost. Anyone who doubts this fact needs only to survey the growing empty ramp space on Merrill Field. - -

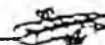
To say that we are unhappy with the current situation would be an understatement at best. Yet it is important to note that airplane owners are ready and willing to pay their fair share of taxes. We simply ask for reasonable and equitable treatment. We look to you to reestablish fairness in the system. You are our elected representatives, and we trust in you to protect our fundamental right to just taxation.

Thank you very much.



ALASKA AIRMEN'S ASSN., INC.

U of A Aviation Complex
1515 East 13th Avenue Anchorage, Alaska 99501
(907) 272-1251



THE FOLLOWING PACKAGE IS A BRIEF LOOK AT AIRCRAFT TAXATION AROUND THE UNITED STATES. IT IS NOT INTENDED TO BE A COMPLETE AND COMPREHENSIVE STUDY, BUT DOES GIVE A GENERAL PICTURE OF THE COUNTRY AT LARGE.

ALABAMA	NO TAX ON AIRCRAFT NO LOCAL TAXES ARE PERMITTED
CALIFORNIA	NO STATE TAX ON AIRCRAFT 1 % ASSESSED VALUE FOR LOCAL PROPERTY TAX
COLORADO	FUEL TAX ONLY. LOCAL PROPERTY TAX
CONNECTICUT	LOCAL PROPERTY TAX
DELAWARE	NO AIRCRAFT TAX
FLORIDA	SALES TAX ONLY. ALL FUNDS GO TO DEDICATED AVIATION TRUST FUND
GEORGIA	LOCAL PROPERTY TAX
HAWAII	ONLY STATE FEE \$10 TO DEDICATED AVIATION FUND NO LOCAL PROPERTY TAX ALLOWED
IDAHO	REGISTRATION NOT MORE THAN \$200. NO LOCAL TAX PERMITTED
ILLINOIS	BIENNIAL FEE. PILOTS \$10. AIRCRAFT \$20. DEDICATED TO AVIATION FUND. LOCAL GOVT MAY HAVE SALES TAX.
INDIANA	EXCISE TAX BASED ON AGE/ CLASS/WEIGHT. NO OTHER GOVT TAX PERMITTED.
IOWA	ASSESSED VALUE DECREASING BY YEAR
KANSAS	NO AIRCRAFT TAX

MAINE	EXCISE TAX BASED ON VALUE DECREASING BY YEAR
MARYLAND	SALES TAX ONLY. NO LOCAL TAX PERMITTED
MICHIGAN	\$.01/ POUND OF MAX T/O WEIGHT IN LIEU OF PROPERTY AND SALES TAX
MISSISSIPPI	REGISTRATION. \$100 UP TO 5500 POUNDS. \$200 FOR HIGHER WEIGHTS
MINNESOTA	REGISTRATION -APPROX \$50. SALES TAX. NO OTHERS
MISSOURI	LOCAL PERSONAL PROPERTY TAX
MONTANA	REGISTRATION FEE BASED ON HP/ ENGINE/AGE
NEBRASKA	LOCAL PROPERTY TAX
NEVADA	LOCAL PROPERTY TAX
NEW JERSEY	NO AIRCRAFT TAX
NEW MEXICO	BY WEIGHT TO DEDICATED AVIA TION FUND. NEW \$.02/ POUND MGW FOR NEW DECREASING TO \$.01 /POUND MGW FOR OLD (OVER 5 YEARS OLD)
NEW YORK	NO AIRCRAFT TAX
NORTH DAKOTA	BASED ON GROSS WEIGHT 2500 LBS - \$75 5000 LBS - \$150
OHIO	MAX TAX \$95
PENNSYLVANIA	SALES TAX ONLY
RHODE ISLAND	BY WEIGHT 2000-3000LBS - \$60 4500-12500LBS - \$160 NO OTHER TAX PERMITTED
SOUTH CAROLINA	NO AIRCRAFT TAX

TENNESSEE

NONE. SALES TAX ON FUEL
NO OTHER TAX PERMITTED

TEXAS

NO AIRCRAFT TAX, NOT EVEN FUEL

VERMONT

5% SALES TAX. NO OTHER TAX
PERMITTED

WASHINGTON

PARTICULARS NOT AVAILABLE BUT
QUITE LOW

WYOMING

NO FEE, SALES TAX
NO PROPERTY TAX FOR PRIVATE
OWNERS

PERSONAL PROPERTY TAX ON AIRCRAFT -

P O I N T P A P E R

Three reasons to change current tax structure

- Tax is inequitable and unfair to minority
- Collection is imprecise, inefficient, and costly
- Has adverse effect on Anchorage economy

>> Current tax is inequitable

- Assembly Memorandum 127.93 cites inconsistencies
- Only 2100 airplane owners now pay \$800,000 in tax
 - Inequity/inconsistency has evolved over time
 - Until mid 70s, ad valorem tax covered all types of motor vehicles
 - In 1976, Municipality began participating in State sponsored Motor Vehicle Registration Tax, utilizing fixed fee schedule
 - Program does not include aircraft
 - For several years, net tax difference between autos and airplanes not significant
 - New car taxed \$60 first year
 - Average Cessna 180 taxed \$150 per year
 - Market value about \$15,000
 - Mill rate averaged 10-12
 - But now the disparity has become extreme
 - New motorhome still taxed \$60 first year
 - Only taxed \$5 after 7 years
 - Same Cessna 180 (now 20+ yrs old) taxed about \$700
 - Most small airplane production has ceased, causing market value to soar to about \$35,000
 - Mill rate pushing 20 in most areas
 - Most motor vehicles benefit from Municipality built and maintained roadways, street lighting, signage, etc.
 - Airplanes receive virtually no benefits or services
 - All aircraft tax revenues go to the general fund
 - Contrary to popular opinion, Merrill Field is not funded by the Municipality
 - It is entirely self supporting

- >> Current tax system is inefficient and costly to administer
 - Difficult to establish true values
 - Many important variables may produce considerable value range for two of same year/model aircraft
 - Engine time
 - Prop type/time/condition
 - Airframe time
 - Avionics
 - Corrosion
 - Interior condition/style
 - Exterior (paint/fabric condition)
 - Modifications (legal/documented?)
 - Completeness of logbooks
 - Compliance with Airworthiness Directives
 - "Book" values only good as a rough guide, yet are used as gospel
 - Requires assessors with special expertise and understanding
 - Methodology contributes to unfairness
 - Fosters disagreements and appeals
 - Almost 10% of assessments are appealed annually
 - Requires staff work to review and investigate
 - Reevaluation and negotiation is time consuming process
 - Unduly burdensome on taxpayers

- >> High airplane tax rate adversely affects Anchorage economy
 - Discourages basing airplanes in Anchorage
 - Many guides and lodge owners have their airplanes worked on and stored elsewhere
 - Many owners keep their planes in the Valley; some as far away as Lower 48 (it "pays" to do so, especially for higher value aircraft)
 - Growth in concerted effort to avoid establishing tax situs here
 - Local businesses suffer
 - Maintenance shops, parts houses, avionics suppliers, restaurants, hotels, taxis, lose business to other communities
 - Costs local jobs
 - Negatively impacts overall Municipal tax base
 - Example: ever decreasing # of planes at Merrill
 - Lost tiedown fees
 - Decreased fuel sales
 - Number of Fixed Base Operators declining

J. Glen Harper
12011 Shore Circle
Anchorage, AK 99515-3131

March 26, 1993

Honorable Representative Harley Olberg
State Capital
Juneau, AK 99801-1182

Dear Representative:

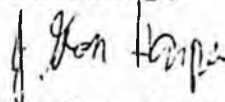
Please support amendment to AS 29.45.050, proposed/supported by Representative Mark Hanley and Senator Rick Halford; it will allow partial exemptions from Ad Valorem personal property tax at the municipal level on airplanes.

I own as 26 year old Cessna, value \$25,000, which is taxed at approximately \$500 per year. I drive a 12 year old car and do not have a high income. If I drove a late model high priced import luxury car or a motor home, I would pay less than \$100 a year in tax.

Aviation is very much a part of the Alaskan lifestyle and it should not be discriminated against by taxing it out of existence.

Thank you.

Sincerely,



J. Glen Harper

LETTERS OF SUPPORT

04/05/93
11:50:42

PUBLIC OPINION MESSAGE SYSTEM
MEMBER OFFICE OLB Olberg

POMS100
LHSCALL
WASTEBASKET

From: Mr. Bob Gastrock
13151 Nora Dr.

Anchorage

AK 99515

Tel: 345-0261

Bill# HB 263 Title: TAX EXEMPTION FOR AIRCRAFT
Subject

SUPPORTS THIS LEGISLATION

Message: ALASKA AIRMEN'S ASSOCIATION URGES CRA TO ACT EXPEDITIOUSLY ON HB 263. THIS MEASURE MUST PASS THIS SESSION IN ORDER FOR NUMEROUS TAXPAYERS TO REALIZE PARITY IN 1994. WITH NO KNOWN OPPOSITION AND A STRONG SUPPORTIVE RESOLUTION FROM THE ANCHORAGE ASSEMBLY (AR 93-46 S), THIS BILL SHOU'D GET HIGH PRIORITY.

Entered By: LIOCCRI on 4/ 2/93 PomID 10962 Distribution 7
MSG:
Enter Next Message PF4 Menu PF6 WasteBasket PF7 Previous POM PF10 BigWaste

4B

04/12/93
15:36:21

PUBLIC OPINION MESSAGE SYSTEM
MEMBER OFFICE OLB Olberg

POMS100
LHSCALL
WASTEBASKET

From: Mrs. Carol Merrill
822 South Lane

Anchorage

AK 99508

Tel: 333-8416

Bill# HB 263 Title: TAX EXEMPTION FOR AIRCRAFT
Subject

SUPPORTS THIS LEGISLATION

Message: I WANT YOU TO VOTE IN FAVOR OF PERSONAL PROPERTY EMEMPTION FOR
AIRCRAFT.

Entered By: LIOCCRI on 4/12/93 PomID 12825 Distribution 5
MSG:
Enter Next Message PF4 Menu PF6 WasteBasket PF7 Previous POM PF10 BigWaste

4B

LINE 1 COL 1

04/12/93
15:36:45

PUBLIC OPINION MESSAGE SYSTEM
MEMBER OFFICE OLB Olberg

POMS100
LHSCALL
WASTEBASKET

From: Mrs. Luella Sutherland
22532 Chamberlane

Chugiak

AK 99567

Tel: 688-3170

Bill# HB 263 Title: TAX EXEMPTION FOR AIRCRAFT
Subject

SUPPORTS THIS LEGISLATION

Message: PLEASE PUSH HB 263 THROUGH THE COMMITTEE FOR A VOTE. ALSO CONSIDER
INCLUDING RESOLUTION 93-46S. THANK YOU.

Entered By: LIOCCRI on 4/12/93 PomID 12830 Distribution 6
MSG:
Enter Next Message PF4 Menu PF6 WasteBasket PF7 Previous POM PF10 BigWaste

4B

LINE 1 COL 1

04/12/93
15:36:21

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MEMBER OFFICE OLB Olberg

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LHSCALL
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Entered By: LIOCCRI on 4/12/93 PomID 12825 Distribution 5

MSG:
Enter Next Message PF4 Menu PF6 WasteBasket PF7 Previous POM PF10 BigWaste

4B LINE 1 COL 1

04/12/93
15:36:45

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Entered By: LIOCCRI on 4/ 2/93 PomID 10962 Distribution 7
MSG:
Enter Next Message PF4 Menu PF6 WasteBasket PF7 Previous POM PF10 BigWaste

4B

Revision Date: 1/26/94 Dept. Affected: Community & Regional Affairs
 Title: "An Act relating to a municipal property tax exemption for aircraft." BRU: _____
 Sponsor: Hanley Component: _____
 Requestor: _____ COMPONENT SERIAL NO. _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
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)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

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

Estimate of current (FY93) impact \$ none

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Remond Henderson Director Phone: 465-4708
 Division: Administrative Services Date: 1/26/94
 Approved by Commissioner: [Signature] Deputy Commissioner Date: 1/26/94
 Agency: Community & Regional Affairs

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