

HB

211

HOUSE COMMITTEE REPORT

(7)

Date Referred: April 2, 1993

FURTHER REFERRALS:

Date of Committee Action: 4-12-93

The JUDICIARY Committee considered:

HB 211

HOUSE BILL NO. 211

MUNICIPAL INVENTORY TAX EXEMPTION:EXPORTS

"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 _____

zero fiscal note(s) DC+RA (3-25-93)

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				

[Signature]
 CHAIRMAN'S SIGNATURE

Revision Date: _____ Dept. Affected: Community & Regional Affairs
 Title: An Act relating to the Municipal BRU: _____
tax exemption for inventories intended for exp Component: _____
 Sponsor: Representative Toohy
 Requestor: Representative Toohy 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						
---------	--	--	--	--	--	--

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 *Remond Henderson* Phone: 465-4708
 Division: Administrative Services Date: 3/25/93
 Approved by Commissioner: Eg. A. J. Date: 3/25/93

Agency: Community & Regional Affairs
 PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further dis _____ e Office



Official Business

Alaska State Legislature

HOUSE OF REPRESENTATIVES

REPRESENTATIVE CYNTHIA D. TOOHEY

DISTRICT 13

State Capitol
Juneau, AK 99801-1182

MEMORANDUM

TO: Representative Brian Porter, Chair
House Judiciary Committee

FROM: Representative Cynthia Toohey *CT*

DATE: March 24, 1993

RE: Request for hearing for HB211, "An Act relating to the
municipal tax exemption for inventories intended for
export."

I respectfully request that, *pending referral*, you schedule the above-referenced bill for hearing at your earliest convenience.

HB211 would give municipalities, *at their option*, the ability to exempt goods being held for shipment out-of-state from inventory property taxes.

Thank you for your consideration of this request.

REQUEST TO SCHEDULE



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

POSITION STATEMENT

Municipality of Anchorage



P.O. BOX 196650
ANCHORAGE, ALASKA 99519-6650
TELEPHONE: (907) 343-4431
FAX: (907) 272-1991

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 Toohey
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.

SOUTHEAST CONFERENCE

Tel. (907) 463-3445

FAX (907) 463-5670

124 West 5th Street

Juneau, Alaska 99801

April 13, 1993

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

Dear Representative Toohey:

Due to meetings in Anchorage I will be unable to attend the House Judiciary Committee meeting scheduled for April 14.

The Southeast Conference supports HB211, scheduled for hearing at that committee meeting. I am hopeful that, if you have the opportunity, you will convey our support for this legislation before the committee.

HB211 grows from a specific need in the Anchorage area to provide that local government with an option to modify particular sections of its local property tax code for the purpose of encouraging export transshipment businesses to take advantage of its expanding airport and marine cargo facilities.

Without a relaxation of state code, Anchorage and other municipalities will not have the flexibility to bring their local tax codes in line with other transshipment communities around the country and world. Without that flexibility, Anchorage and other Alaska municipalities cannot enter into, let alone hope to be competitive in, the transshipment of international products and cargo.

While Anchorage may be the initial benefactor of this legislation, I am convinced that other communities, from Unalaska to Fairbanks to Prince of Wales Island, will benefit as well before the decade is out.

Thank you for your support of HB211 and please contact me if I can be of any assistance explaining the merits of this legislation to your colleagues.

Sincerely,



James M. Kohler
Executive Director

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 29.46, 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 (i).

Legislative history reports. — For legislative letter of intent in connection with the enactment of (m) and (n) of this section by ch. 98, SLA 1989 (SCS CSHB 272(Fin) am S), see 1989 Senate Journal 1865.

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.

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: [] 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) _____
 [] fiscal impact _____
 zero fiscal note C + RA

APPROVES PREVIOUS: (Dept/Date) _____
 [] fiscal note(s) _____
 [] zero fiscal note(s) _____

SIGNING <u>DO PASS</u>	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Don Sanders</i>	✓	<i>Car Bende</i>		✓	
<i>Bob Rain</i>	✓	<i>Ed Willis</i>		✓	
<i>[Signature]</i>					
<i>[Signature]</i>	✓				
<i>Anders Olberg</i>	✓				
<i>[Signature]</i>	✓				

Anders Olberg
 CHAIRMAN'S SIGNATURE
 C+RA comm. RPT.