

HB

272

CS FOR HOUSE BILL NO. 272(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:

Referred:

Sponsor(s): REPRESENTATIVE HANLEY

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to municipal taxation of motor vehicles; 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 is amended by adding a new subsection to read:

5 (i) A municipality that imposes a motor vehicle registration tax as described
6 under (a) of this section may also increase or decrease the scheduled amount of tax
7 described under (b) of this section by passage of an appropriate ordinance. A
8 municipality that chooses to change the tax imposed under (b) of this section shall file
9 a written notice of the change with the department by January 1 of the year preceding
10 the year in which the change in tax is to take effect. A municipality may not change
11 the amount of the tax imposed under this section more than once every two years.
12 The department may charge a municipality a one-time fee to cover the cost to the
13 department of implementing a change under this subsection.

14 * Sec. 2. This Act takes effect July 1, 1995.

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE HANLEY

TO: HB 272

1 Page 1, lines 11 - 14:

2 Delete "In addition to money retained under (e) of this section, the department may
3 retain money collected for a municipality under this section necessary to cover the
4 administrative expenses of the department incurred in implementing this section for that
5 municipality."

6 Insert "The department may charge a municipality a one-time fee to cover the cost to
7 the department of implementing a change under this subsection."

Municipal Accounting Report
 State of Alaska
 Division of Motor Vehicles
 February 1, 1995

FISCAL YR : 94

LOCATION	VENDOR#	COLLOCODE	MVRT TOTAL	RETAINED	REMITTED
BETHEL	CIB84214	64120043	\$39,717.00	\$3,177.36	\$36,524.64
DILLINGHAM	CID84836	64120051	\$24,138.00	\$1,931.04	\$22,121.96
NENANA	CIN84291	64120049	\$7,494.00	\$599.52	\$6,894.48
NOME	CIN84936	64120047	\$30,276.00	\$2,422.08	\$27,853.92
PETERSBURG	CIP84181	64120042	\$35,561.00	\$2,844.88	\$32,651.12
UNALASKA	CIU84215	64120046	\$40,538.00	\$3,243.04	\$37,272.96
WHITTIER	CIW84474	64120048	\$3,627.00	\$290.16	\$3,336.84
KENAI	KPB88172	64120052	\$762,038.00	\$60,963.04	\$700,331.96
KETCHIKAN	KGB84466	64120041	\$219,904.00	\$17,592.32	\$202,098.68
KODIAK	KIB84128	64120045	\$174,674.00	\$13,973.92	\$160,560.08
NAT-SU	MAB84586	64120044	\$810,088.00	\$64,807.04	\$744,586.96
ANCHORAGE	MUA84635	64120040	\$4,236,972.00	\$338,957.76	\$3,894,591.24
TOTALS:			\$6,385,027.00	\$510,802.16	\$5,868,824.84

pymvrtot

Revision Date: April 10, 1995 Dept. Affected: Community & Regional Affairs
 Title: An Act relating to municipal taxation of BRU: none
motor vehicles Component none
 Sponsor: Rep. Hanley
 Requestor: House CRA COMPONENT SERIAL NO. _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
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	0.0	0.0	0.0	0.0	0.0	0.0

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 (FY94) impact \$ none

ANALYSIS: (Attach a separate page if necessary)

This legislation would have no fiscal impact on the department.

Prepared by: Remond Henderson, Director *Remond Henderson* Phone: 465-4708
 Division: Division of Administrative Services Date: 4/10/95
 Approved by Commissioner: *Mike Scriven* Date: 4/10/95
 Agency: Community & Regional Affairs

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO: HB 272

Revision Date: _____ Dept. Affected: Public Safety
 Title: Act relating to municipal taxation of motor BRU: Motor Vehicles
vehicles and providing for an effective date. Component: Field Services
 Sponsor: Rep. Hanley Administration
 Requestor: _____ COMPONENT SERIAL NO. 0502

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

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	43.3	278.3	278.3	278.3	278.3	278.3
TRAVEL						
CONTRACTUAL	13.0	13.0	13.0	13.0	13.0	13.0
SUPPLIES						
EQUIPMENT	10.0	50.0				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	66.0	351.3	291.3	291.3	291.3	291.3

CAPITAL EXPENDITURES	-0-	-0-	-0-	-0-	-0-	-0-
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CHANGE IN REVENUES ()	66.0	351.2	291.2	291.2	291.2	291.2
Revenue Code						

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	66.0	351.3	291.3	291.3	291.3	291.3
1006 GF/MHTIA						
Other						
TOTAL	66.0	351.3	291.3	291.3	291.3	291.3

Estimate of current year (FY 95) impact: \$ _____

POSITIONS:

FULL-TIME	1	7	7	7	7	7
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary.)

The Municipal Vehicle Registration Tax (MVRT) program began in 1978. One of the basic principles involved in having Division of Motor Vehicles become a tax collection agency for the local governments was to eliminate the administrative burden on the state by maintaining only one tax rate for all locations. Even at that time it was recognized that the long lines at DMV offices would become longer if the registration process were to become more cumbersome. This approach sought to avoid the problems of many other states that have multiple confusing tax schedules. This bill will eliminate the one tax schedule and allow each local government to set their own rates.
(See attached sheet for continuation)

Prepared By: Charles R. Hosack Phone: 269-5559
 Division: Motor Vehicles Date: 3-31-95
 Approved by Commissioner: _____ Date: 4-11-95
 Agency: Ronald L. Otte, Dept. of Public Safety

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Revision Date: _____ Dept. Affected: Public Safety

ANALYSIS CONTINUED:

There are 13 local governments currently in the MVRT program and therefore DMV faces the very real possibility of administering 13 separate tax schedules. Each local government has cited their desire to address their individual tax needs and therefore it stands to reason that each tax schedule will be different. The two main sources of dissatisfaction with the program are that the tax rates have not kept pace with increases in other taxes and that the rates are difficult to change. These same reasons are cited as reasons for not participating by those governments not currently in the program. If this bill passes then it is anticipated that more government units will participate in the program giving rise to even more tax tables.

The multiple tax schedules will require increased costs for extensive data processing changes and for administrative oversight to ensure correct and timely payments. These are overhead charges that would be incurred even if only a few local governments changed each year rather than the universal changes that are expected. The real costs will come in the increased complexity that each customer will face at the DMV counter and the dissatisfaction that the customers will voice to DMV concerning the increased taxes. Even though it is a municipal tax rather than a state tax, DMV employees will be the ones who must handle the customer comments. Any increase in taxes will generate more complaints or comments and it takes time to deal with these. This concept was recognized in 1993 when the tax rates were increased by only 10% yet 3 new employees were authorized. This bill has the potential for allowing much larger increases. For example an average new car costing \$15,000 pays a maximum of \$60 under the MVRT tax schedule but the same vehicle would pay \$240 under a typical mill rate for personal property.

Increases of this magnitude will certainly generate a large volume of customer comments and each must be dealt with. Another factor is that customers want to know how much a registration will cost before hand. The computer system now calculates fees but only after the registration has been completed. To respond to questions and phone calls the employees will have to consult several tables rather than one. This again adds to the complexity and takes time. A conservative estimate is that handling the complaints, questions and added complexity will add one minute to each registration transaction. This will take 6 employees to absorb the additional work without impact existing services at the field office. In addition to the field office employees an Accounting Technician I position will be used to set up the program, test new computer programs, coordinate year change over to the new schedules, and to develop new payment and auditing services. This position will start immediately to establish the program. As the changes take place after the year notification an Accounting Clerk III will be needed to do additional audit work and payment processing.

If the bill passes with an effective date of July 1, 1995, any municipality could notify DMV before January 1, 1996, that the tax schedule will change. The soonest date that the new taxes will be collected will be January 1, 1997. The Accounting Tech position will be needed immediately to establish the program and the computer changes will also be accomplished in FY 96 in order to be ready for registrations that can be processed early. The costs for computer changes will continue each year as it is anticipated that there will be various changes and new municipalities will join. The field office employees will be needed in July 1996 even though the tax would not start until January. Three months are needed for training before the first renewal notices with the new tax are sent in October.

The cost detail is as follows:

PERSONAL SERVICES

FY 96 1 Accounting Tech I (Range 12B)	43.5
FY 97 5 MVR I/II (Range 9B) @ \$39.2	196.0
FY 97 1 Accounting Clerk III (Range 10B)	39.0

CONTRACTUAL

Computer programming 140 hrs @ \$75.00 (Includes basic program modification for new tables, mailout program and batch reconciliation reports.)	10.5
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DP charge back costs	2.5
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EQUIPMENT

Computer workstation and office equip. for new employees @ \$10,000.00	70.0
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FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO: HB 272

Revision Date: _____ Dept. Affected: Public Safety

ANALYSIS CONTINUED:

REVENUE

Currently DMV collects in excess of \$6,000,000 in Municipal Tax revenue for local governments. All of this municipal tax revenue is returned to the local government less 8% collection costs which is returned to the State. This bill authorizes DMV to also retain the actual administrative costs for any changes made to the motor vehicle registration tax schedule. This amount will be taken from the revenue already collected. These costs are reflected as new revenue amounts in FY 96 and FY 97. In addition to the start up costs it is assumed that all municipalities that elect to change their tax rates will increase rather than decrease the scheduled amount of tax. This will also generate additional revenue as DMV will retain 8% of any increase. It is not possible to accurately estimate the amount of the increase until the local ordinance process is completed therefore, these increases are not reflected on the fiscal note.

The major impact of this bill will not be felt until the second year after passage when the new tax rates go into effect. It will be necessary to show an increment in DMV's FY97 budget component authorizing DMV to receive and expend the increased Program Receipts to fund the additional costs. DMV will not be able to implement the program if the FY97 increment is not authorized and funded.

POSITION INFORMATION HAS BEEN UPDATED AND FUNDING HAS BEEN UPDATED.

04/10/95

Position Information Inquiry/Update

10:14:23

Position: 12-125115 Project: 0 _____ Salary Costs: 29,352.00
Component: 12-55-07-07-01-04 Region: Benefits Costs: 14,268.66
Scenario: 7 FY: 96 COLA % = 0.000 Total Costs: 43,320.66

Actuals from Payroll (Status: FILLED) Retirement Code: A

K ° Step: B for 12.0 months & Step: C for 0.0 months (total: 12.00)
04/06/16 ° Merit Date; use merit defaults? N (0.0 @ & 0.0 @)
1 ° Class/Sched Prefix: 1 Schedule: 1A (actual: 1A)
EG ° Bargaining Unit: EG Range: 12 (actual: 12)
EBA ° Location Code: EBA Place: ANCHORAGE
P1210 ° Job Class Code: P1210 Title: ACCOUNTING TECH I
F ° Seasonal Indic.: F Type: FACL - FULL TIME / OMB AUTH

Optional Override Salary Rates:

Monthly Rate: 0.00 _____ for 0.0 months & rate of 0.00 _____ for 0.0 months
Hourly Rate: 0.00 _____ for 0.0 months Frozen at this rate? (Y/N): N

Premium Pay Items/Amounts Budgeted

	Item Cost	----- Actual Costs ----- Y.T.D.	Prior Year
Overtime Hours: _____	0.00	13	0
Graveyard Shift Diff. (months): _____	0.00	0	0
Swing Shift Diff. (months): _____	0.00	0	0
Hazard Pay (\$): _____	0.00	0	0
Sea Duty Pay (\$): _____	0.00	0	0
Standby Pay (\$): _____	0.00	0	0
Higher Class Work Pay (\$): _____	0.00	0	0
Area Subsistence Pay (\$): _____	0.00	0	0
Additional Salary (\$): _____	0.00	0	0
PLUS 0.00000 PERCENT C.O.L.A.	0.00		
Total Premium Pay Costs:	0.00	13	0

PCN: 12-125115 Scenario: 7 Salary Costs: 29,052.00
Component: 12-55-07-07-01-04 Benefits Costs: 14,268.66
Total Costs: 43,320.66

	Percentage	Amount
1002 FEDERAL RECEIPTS	0.00	0.00
1003 GENERAL FUND MATCH	0.00	0.00
1004 GENERAL FUND	100.00	43,320.66
1005 PROGRAM RECEIPTS/GEN FUND	0.00	0.00
????	0.00	0.00
????	0.00	0.00
????	0.00	0.00
????	0.00	0.00
????	0.00	0.00
????	0.00	0.00
????	0.00	0.00
????	0.00	0.00
????	0.00	0.00
????	0.00	0.00
????	0.00	0.00
????	0.00	0.00

To add, enter code & percentage; to delete, zero percentage.

ENTER=Update 1=PCN Inquiry/Update 2=Premium Pay 12=Exit Selection: 0

POSITION INFORMATION HAS BEEN UPDATED AND FUNDING HAS BEEN UPDATED.
 04/10/95 Position Information Inquiry/Update

10:10:45

Position: 12-125117 Project: 0 Salary Costs: 25,764.00
 Component: 12-55-07-07-01-04 Region: Benefits Costs: 13,242.15
 Scenario: 7 FY: 96 COLA % = 0.000 Total Costs: 39,006.15

Actuals from Payroll (Status: FILLED) Retirement Code: A

M Step: B for 12.0 months & Step: C for 0.0 months (total: 12.00)
 00/00/00 Merit Date; use merit defaults? N (0.0 @ & 0.0 @)
 1 Class/Sched Prefix: 1 Schedule: 1A (actual: 1A)
 GG Bargaining Unit: GG Range: 10 (actual: 10)
 EBA Location Code: EBA Place: ANCHORAGE
 P1203 Job Class Code: P1203 Title: ACCOUNTING CLERK III
 F Seasonal Indic.: F Type: FACL - FULL TIME / OMB AUTH

Optional Override Salary Rates:

Monthly Rate: 0.00 for 0.0 months & rate of 0.00 for 0.0 months
 Hourly Rate: 0.00 for 0.0 months Frozen at this rate? (Y/N): N

Premium Pay Items/Amounts Budgeted

Item Cost	Actual Costs Y.T.D.	Prior Year
Overtime Hours: 0.0	0.00	0
Graveyard Shift Diff. (months): 0.00	0.00	0
Swing Shift Diff. (months): 0.00	0.00	0
Hazard Pay (\$): 0.00	0.00	0
Sea Duty Pay (\$): 0.00	0.00	0
Standby Pay (\$): 0.00	0.00	0
Higher Class Work Pay (\$): 0.00	0.00	0
Area Subsistence Pay (\$): 0.00	0.00	0
Additional Salary (\$): 0.00	0.00	0
PLUS 0.00000 PERCENT C.O.L.A.	0.00	0
Total Premium Pay Costs:	0.00	0

PCN: 12-125117 Scenario: 7
 Component: 12-55-07-07-01-04

Salary Costs: 25,764.00
 Benefits Costs: 13,242.15
 Total Costs: 39,006.15

	Percentage	Amount
1002 FEDERAL RECEIPTS	0.00	0.00
1003 GENERAL FUND MATCH	0.00	0.00
1004 GENERAL FUND	100.00	39,006.15
1005 PROGRAM RECEIPTS/GEN FUND	0.00	0.00
????	0.00	0.00
????	0.00	0.00
????	0.00	0.00
????	0.00	0.00
????	0.00	0.00
????	0.00	0.00
????	0.00	0.00
????	0.00	0.00
????	0.00	0.00
????	0.00	0.00
????	0.00	0.00

To add, enter code & percentage; to delete, zero percentage.

ENTER=Update 1=PCN Inquiry/Update 2=Premium Pay 12=Exit Selection: 0

POSITION INFORMATION HAS BEEN UPDATED AND FUNDING HAS BEEN UPDATED.

03/08/95

Position Information Inquiry/Update

10:35:26

Position: 12-125234 Project: 0 _____ Salary Costs: 23,556.00
Component: 12-55-07-07-01-01 Region: Benefits Costs: 12,552.81
Scenario: 7 FY: 96 COLA %= 0.000 Total Costs: 36,108.81

Actuals from Payroll (Status: FILLED) Retirement Code: A

A ° Step: A for 12.0 months & Step: B for 0.0 months (total: 12.00)
05/08/16 ° Merit Date; use merit defaults? N (1.5 @ A & 10.5 @ B)
1 ° Class/Sched Prefix: 1 Schedule: 1A (actual: 1A)
3G ° Bargaining Unit: GG Range: 09 (actual: 08)
AWA ? ° Location Code: EBA Place: ANCHORAGE
P7549 ? ° Job Class Code: P7550 Title: MOTOR VEHICLE REP II _____
F ° Seasonal Indic.: F Type: FACL - FULL TIME / OMB AUTH

Optional Override Salary Rates:

Monthly Rate: 0.00 _____ for 0.0 months & rate of 0.00 _____ for 0.0 months
Hourly Rate: 0.00 _____ for 0.0 months Frozen at this rate? (Y/N): N

Premium Pay Items/Amounts Budgeted

Item Cost	Y.T.D.	Prior Year
Overtime Hours: _____ 0.0	0.00	0
Graveyard Shift Diff. (months): _____ 0.00	0.00	0
Swing Shift Diff. (months): _____ 0.00	0.00	0
Hazard Pay (\$): _____ 0.00	0.00	0
Sea Duty Pay (\$): _____ 0.00	0.00	0
Standby Pay (\$): _____ 0.00	0.00	0
Higher Class Work Pay (\$): _____ 0.00	0.00	0
Area Subsistence Pay (\$): _____ 0.00	0.00	0
Additional Salary (\$): _____ 0.00	0.00	0
PLUS 0.00000 PERCENT C.O.L.A.	0.00	0
Total Premium Pay Costs:	0.00	0

Press ENTER to update record; enter # or use PF key to go another screen:
1=Position Inquiry/Update 2=Funding info 12=Exit w/o update Selection: 0_



Representative Mark Hanley
Alaska State Legislature

SPONSOR STATEMENT

House Bill No. 272

"An Act relating to municipal taxation of motor vehicles"

HB 272 would allow municipalities that impose a motor vehicle registration tax to increase or decrease the schedule currently set in statute. Currently, there is no provision to change or update the fee schedule. This change would relieve the legislature of the burden of adjusting rates by legislation.

A municipality electing to change its rates would be required to pass an ordinance in support of the change, and provide written notice of the change to the department at least one year before it would take place. The opportunity for change would be available once every two years.

The municipality would pay the one time programming cost for the change incurred by the Department of Public Safety. The department collects 8% of the gross as a collection fee; a rate increase would result in a larger base for collection.

HB 272 puts the responsibility for change where it belongs, with the municipality. Each municipality should be able to choose reasonable tax rates suited to its needs and situation. The local ordinance provision and the democratic process will sufficiently protect the public from unreasonable tax rates.



Representative Mark Hanley
Alaska State Legislature

MEMORANDUM

DATE: March 31, 1995

TO: Representative Ivan M. Ivan
Co-Chair, Community & Regional Affairs

FROM: Representative Mark Hanley *MH*

RE: House Bill No. 272: "An Act relating to municipal taxation of motor vehicles"

This memo is to respectfully request that you schedule HB 272 for a hearing in your committee at your earliest convenience.

HB 272 would allow municipalities that impose a motor vehicle registration tax to increase or decrease the schedule currently set in statute. Currently, there is no provision to change or update the fee schedule. This change would relieve the legislature of the burden of adjusting rates by legislation.

A municipality electing to change its rates would be required to pass an ordinance in support of the change, and provide written notice of the change to the department at least one year before it would take place. The opportunity for change would be available once every two years.

The municipality would pay the one time programming cost for the change incurred by the Department of Public Safety. The department collects 8% of the gross as a collection fee; a rate increase would result in a larger base for collection.

HB 272 puts the responsibility for change where it belongs, with the municipality. Each municipality should be able to choose reasonable tax rates suited to its needs and situation. The local ordinance provision and the democratic process will sufficiently protect the public from unreasonable tax rates.

MUNICIPALITY OF ANCHORAGE
1995 LEGISLATIVE PROGRAM

LEGISLATIVE ISSUES

TITLE: Vehicle Registration Fees Set By Local Government

The Municipality of Anchorage supports amending existing statutes to allow Municipalities and other local governments to determine appropriate motor vehicle registration fees to meet funding needs for their localities.

Road and street maintenance is becoming increasingly costly in Alaska. In Anchorage, these costs are borne by property taxpayers. One significant example of such costs involves the over \$100,000 of general tax revenues currently applied to cover the annual cost of removing abandoned and junk vehicles. A more equitable distribution of costs would involve empowering the local community to increase vehicle registration fees in order to increase the vehicle owners' share of road and street maintenance costs.

We support legislation that would allow a more equitable taxation on motor vehicles for each community. The current statute should be amended to allow each community participating in the Motor Vehicle Registration Tax program (AS 28.10.431) to establish individual rates for vehicle taxation. These individual community rates could be established within the state computer system. The rates would continue to be based on type and age of vehicle (information which is currently obtained from the state's vehicle registration files).

A legislative change in 1993 increased the administrative fee charged by the State Division of Motor Vehicles for administration of the Motor Vehicle Registration Tax program from 5% to 8%. For Anchorage, this fee is currently about \$330,000 annually. The State Division of Motor Vehicles should be able to accommodate any additional costs generated by the proposed local government determination of appropriate motor vehicle registration fees within the 8% fee. Since the amount of the 8% fee revenues to the State could increase significantly if local governments increase the amount of the Motor Vehicle Registration Tax, the Statutes should be amended to limit the State's fee to the actual costs for administration of the program not to exceed eight percent of the amount collected.

(more)

Vehicle Registration Fees Set By Local Government
(Continued)

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

* Section 1. INTENT. It is the intent of the legislature that every community participating in the Motor Vehicle Registration Tax program shall set their own rates of taxation; that this program shall continue to be administered and collected by the State of Alaska; that the State of Alaska shall continue to return all amounts so collected, less actual collection costs not to exceed eight percent of the amount collected, to the municipality for which the money was collected.

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

Section 28.10.431(b). The tax is levied upon motor vehicles subject to the license fee under AS 28.10.411 and 28.10.421 and is based upon the type and age of vehicles as determined by model year according to the schedule established by each community participating in this program. If the community does not choose to establish their own schedules, the tax will be computed based on the following schedule:

* Section 3. AS 28.10.431(e) is amended as follows:

Section 28.10.431(e). The department shall refund money collected under this section, less the departments actuals costs of administration not to exceed eight percent of the amount collected [less eight percent as collection costs], to a municipality for which the money was collected

Contact: Gene Dusek, Budget Director
Office of Management & Budget
Phone: 343-4490



MATANUSKA-SUSITNA BOROUGH

Borough Manager

350 E. Dahlia Avenue, Palmer, Alaska 99645-6488

Phone (907) 745-9689 • FAX (907) 745-0886

April 3, 1995

The Honorable Lyda Green
Alaska State Legislature
Rm. 423, State Capitol
Juneau, Alaska 99801-1182

Dear Senator Green:

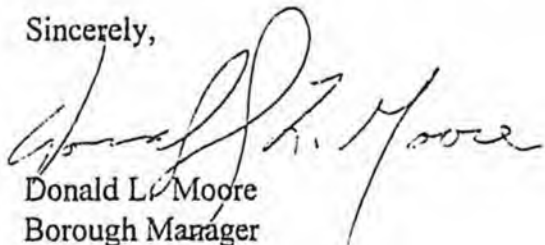
Thank you for the meeting with us recently to discuss legislative issues of interest to the borough. As we discussed at that meeting, I am providing a list of points in support of the draft legislation which would adjust the method of taxation of automobiles.

- This is not a new tax. The State of Alaska currently collects a "fee" on motor vehicles on behalf of local municipalities. Unfortunately, the fee schedule is far too low and does not allow municipalities any flexibility to adjust the schedule to their individual needs.
- The draft legislation would not increase state taxes. This legislation only allows local municipalities to raise or lower their taxes. If local governments are going to be burdened with cuts in revenue, they will need the tools to adjust local taxation programs in a manner that best meets their needs.
- State collection costs would be charged to the program. The point of registration is the most efficient manner to collect fees on motor vehicles. Under this program the state would charge its collection costs to the municipality on whose behalf the tax is collected.
- Many demands for local government services are related to roads and automobiles. The proposed legislation would allow local governments to recover some of the costs and generate revenues to provide services that relate to motor vehicles. Examples are: emergency medical and rescue services, road maintenance, and capital matching money for construction.
- Promote equity in the personal property taxation program. If the current very low vehicle tax were raised, the local municipality could generate sufficient funds to adjust or eliminate the onerous features of personal property taxation.

I hope this information is useful to you. The very restrictive personal property taxation laws in the State of Alaska have been a problem for municipalities, especially the Matanuska-Susitna Borough for a long time now. We greatly appreciate your willingness to finally craft some legislation in this regard that allows us to deal with this issue in a rational way.

Please give me a call if you require further information.

Sincerely,



Donald L. Moore
Borough Manager

er

cc: Jim Colberg, Assembly Member



217 Second Street, Suite 200 • Juneau, Alaska 99801 • Tel (907) 586-1325, Fax (907) 453-5480

April 6, 1995

TO: Representative Mark Hanley, Chairman
House Finance Committee

FROM: *Kevin C. Ritey*
Executive Director

RE: HB 272 - Municipal Motor Vehicle Tax

On behalf of the Alaska Municipal League, I would like to thank you for introducing HB 272, which would allow municipalities who have a motor vehicle registration tax to change their tax rate not more than once every two years.

The League supports putting responsibility for setting the tax rates at the local level to be decided by the community and people who pay the tax and benefit from the proceeds of the tax.

HB272 would take the burden off the Legislature to change the amount of the motor vehicle registration tax, which is money that goes directly to municipalities.

The state provides an efficient collection system for the municipalities. The current state system to track and collect the fees could not be duplicated by any municipality. For its assistance, the state collects an 8 percent administrative fee plus any special up front costs to change rates. This bill represents a good partnership between the state and its municipalities.

There has been concern expressed over a possible public reaction to a substantial increase in the rates. First, it is no less an ordeal to raise tax rates on the local level than it is at the state level. Second, the League supports an effort to place appropriate information on the tax notice

identifying it as a municipal tax and which municipal official to call if there are questions or comments.

Again, our thanks for your consideration on this issue and if you have any questions regarding the League's position, please do not hesitate to call me at 586-1325.

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