

HB

272

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred: April 19, 1995

FURTHER REFERRALS:

Date of Committee Action: 2/7/96

The FINANCE Committee considered:

HB 272

HOUSE BILL NO. 272

MUNICIPAL MOTOR VEHICLE TAX

"An Act relating to municipal taxation of motor vehicles; and providing for an effective date."

recommends it be replaced
with the following committee substitute

CS HB 272 (FIN)

the same title
 a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal note(s) DPS

fiscal note(s) _____

zero fiscal note(s) DCRA

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Mark Hanley</i>	Hanley	X			
<i>Gordon Mulder</i>	MULDER	X			
<i>Grussendorf</i>	grussendorf	X			
<i>John R. Parnell</i>	Parnell			X	
<i>Navarre</i>	Navarre	X			
<i>Kelly</i>	Kelly	✓			
<i>Therriault</i>	Therriault			X	
<i>Brown</i>	BROWN	✓			
<i>Therriault</i>				X	

Co-CHAIR'S SIGNATURE

Mark Hanley

Hanley.

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO: CSHB 272(CRA)

Revision Date: <u>2/6/96</u>	Dept. Affected: <u>Public Safety</u>
Title: <u>Act relating to municipal taxation of motor vehicles and providing for an effective date.</u>	BRU: <u>Motor Vehicles</u>
Sponsor: <u>Rep. Hanley</u>	Component: <u>Field Services</u>
Requestor: <u>H.Finance</u>	<u>Administration</u>
	COMPONENT SERIAL NO. <u>0501</u>

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

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	21.5	82.2	82.2	82.2	82.2	82.2
TRAVEL						
CONTRACTUAL	13.0	22.0	22.0	22.0	22.0	22.0
SUPPLIES						
EQUIPMENT	10.0	10.0				
LAND & STRUCTURES						
GRANTS CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	44.5	115.1	105.1	105.1	105.1	105.1
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()	10.5	65.5	120.5	120.5	120.5	120.5
Revenue Code						

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GE Match						
1004 GE	44.5	115.1	105.1	105.1	105.1	105.1
1005 GE/Program Receipts						
1006 GE/MHTIA						
Other						
TOTAL	44.5	115.1	105.1	105.1	105.1	105.1

Estimate of current year (FY 96) impact: \$ _____

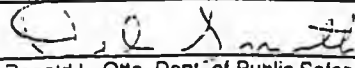
POSITIONS:

FULL-TIME	1	2	2	2	2	2
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. Under this program a municipality can elect to have DMV collect a municipal tax at the same time as the registration fees are collected. This tax would be in lieu of a personal property tax collected by the local government. DMV retains 8% of the tax for collection costs and the remainder is returned to the municipalities. In FY 95 DMV collected approximately \$6.9 million in tax for the 13 local governments in the program. The original program was established with one tax schedule that applied to all vehicles in the state. 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: <u>Juanita M. Hensley</u>	Phone: <u>465-2650</u>
Division: <u>Motor Vehicles</u>	Date: <u>2/5/96</u>
Approved by Commissioner: <u></u>	Date: <u>2/10/96</u>
Agency: <u>Ronald L. Otte, Dept. of Public Safety</u>	

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO: CSHB 272(CRA)

Revision Date: 2/5/96 Dept. Affected: Public Safety

ANALYSIS CONTINUED:

It is anticipated that each of the 13 local governments in the program will establish their own 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 have been 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. This bill will address those problems and with these changes it is likely that other local governments may elect to join the program.

PROGRAM COSTS

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. This program will be a significant change from the existing program where all participants are paid according to the same fee schedule. The data processing changes will create and maintain separate tax tables for each taxable location and change the processing logic for both the mail renewal notices and the on-line processing system. Costs will be incurred each time any one of the taxable locations changes fees. DP chargeback fees will increase due to the increased processing time for accessing multiple separate tax tables. The programming will be accomplished by contract programmers as all existing programmers are fully committed to other mandatory projects.

If the bill passes with an effective date of July 1, 1996, any municipality could notify DMV before January 1, 1997, that the tax schedule will change. The soonest date that the new taxes will be collected will be January 1, 1998. 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 on January 1, 1997, to establish the program so only 50% of the personal services costs will be shown in FY97. This position will continue through the life of the program and will be the single position responsible for auditing and payment for 13 local tax collection and payment programs and for establishing new programs for any local government that elects to join the program. The computer changes will also be accomplished in FY 97 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 program will also have an impact on the mail renewal unit and will require one Motor Vehicle Rep III position beginning on July 1, 1997. This position will be responsible for work associated with returning mail to owners who have moved to a new location and have sent incorrect fees. Each year there are address changes for approximately 25% of the vehicle owners. Currently this is not a major problem because the majority of the vehicles are in a taxable location and the fees remain the same regardless of location. Under this bill the tax fees would be different if the owner moves to a new city and the renewal could not be processed until correct fees are submitted. Not all of the address changes are to a new city but a significant percentage are. This analysis will assume that half or 12.5% of the address changes will have to be returned for correct fees. Based on the mail renewal usage in 1995 this equates to 31,000 renewals that will have to be returned and reprocessed when returned with correct fees. Additional postage will be required for this work also.

PERSONAL SERVICES

	<u>FY97</u>	<u>FY98</u>
1 Accounting Tech I (Range 12B) (50% shown in FY97)	\$21.5	\$43.0
1 MVR III (Range 9B) @ 39.2 (FY 98 and forward)		\$39.2

CONTRACTUAL

Computer programming 140 hrs @ \$75.00 (Includes basic program modification for new tables, mailout program and batch reconciliation reports.)	\$10.5	\$10.5
Postage (31,000 letters @ \$0.32) (FY 98 and forward)		\$ 9.9
DP charge back costs	\$2.5	\$2.5

EQUIPMENT

Computer workstation and office equip. for new employees @ \$10,000.00 (see schedule below)	\$10.0	\$10.0
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<u>TOTAL</u>	<u>\$44.5</u>	<u>\$115.1</u>
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FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO: CSHB 272(CRA)

Revision Date: 2/5/96

Dept. Affected: Public Safety

ANALYSIS CONTINUED:

Workstation Equipment

Computer 486/66	\$3,000.00
Monitor	300.00
Pnnter	3,000.00
IRMA Card	450.00
Surge Protector	55.00
Token Ring Card	400.00
Software for APSIN	600.00
Desk	500.00
Chair	400.00
Adding Machine	130.00
Waste Basket	30.00
DP Terminal Charge 1 Year	840.00
Station Hook Up (Coax)	95.00
Misc Desk Supplies	<u>200.00</u>
Total	\$10,000.00

***REVENUE ***

In FY 95 DMV collected nearly \$6,900,000 in Municipal Tax revenue for local governments. All of this less 8% for collection costs is returned to the local governments. In addition to the 8% collection costs, this bill authorizes DMV to also retain the actual costs for any changes made to the fee schedule. These are the new revenue amounts that are shown in the first two years of the program and these are the new costs associated with the start up of the program. In addition to the start up costs it is assumed that all municipalities that elect to change their rates will increase rather than decrease the tax rates. This will also generate additional revenue as DMV will retain 8% of any increase.

For purposes of this fiscal note it will be assumed that tax collections in future years will increase by 20% and the revenue shown in FY 99-FY02 will reflect this increase of 20% over the \$550,000 that is currently retained for collection costs. Only half this increase will be shown in FY 98 as the new tax rates go into effect on January 1. Actual revenue increases will depend on the tax level adopted by each local government unit.

The major impact of this bill will not be felt until the second year after passage when the new tax rates go into effect. DMV will need to have an increment in the FY98 budget to have the authority to receive and expend the increased Program Receipts to fund the additional costs.

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO: HB 272

Revision Date: 2/2/96
Title: An Act relating to municipal taxation of motor vehicles
Sponsor: Rep. Hanley
Requestor: House Finance

Dept. Affected: Community & Regional Affairs
BRU: none
Component: none
COMPONENT SERIAL NO. _____

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

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL EXPENDITURES	0	0	0	0	0	0
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CHANGE IN REVENUES () Revenue Code						
--	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GE Match						
1004 GE						
1005 GE/Program Receipts						
1006 GE/MHTIA						
Other						
TOTAL	0	0	0	0	0	0

Estimate of current year (FY 95) impact: \$ none

POSITIONS:

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

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: 465-4808
Division: Administrative Services Date: 2/2/96
Approved by Commissioner: Mike Irwin *Mike Irwin* Date: 2/2/96
Agency: Mike Irwin, Dept. of Community & Reg. Affairs

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2/7/96



KENAI PENINSULA BOROUGH

144 N. BINKLEY SOLDOTNA, ALASKA 99669-7599
BUSINESS (907) 262-4441 FAX (907) 262-1892

DON GILMAN
MAYOR

POSITION STATEMENT - HB 272

MUNICIPAL MOTOR VEHICLE TAX

The Kenai Peninsula Borough Assembly and administration supports House Bill 272. This bill amends Alaska Statutes by adding a new subsection to AS 28.10.431. If amended, the Statutes would provide municipalities the option of revising the tax schedule as it applies to motor vehicle taxation within their jurisdiction. Revisions could not be made more than once every two years. Payment of a one-time fee to the Department of Public Safety for implementing any changes seems fair and reasonable.

(Public Safety for implementing any changes seems fair & reasonable)
We seek your support in passage of this legislation to allow us and other municipalities the flexibility of setting our own tax rate schedule. We appreciate your consideration of House Bill 272 and are ready to provide you with any assistance or information you may require.

Kenai Peninsula Borough

By: Don Gilman
Don Gilman, Borough Mayor

2/7/96
Date

By: Andrew P. Scalzi
Andrew P. Scalzi/Assembly President

2/7/96
Date

9-LS0841\F
Ford
1/26/96

adopted

CS FOR HOUSE BILL NO. 272(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE 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, 1996.



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,

A handwritten signature in cursive script, appearing to read "Donald L. Moore".

Donald L. Moore
Borough Manager

er

cc: Jim Colberg, Assembly Member

Alaska State Legislature



Official Business
Fax : (907) 465-3472

Speaker of the House of Representatives

State Capitol
Juneau, Alaska 99801-1182
(907) 465-3720
(907) 465-2689

November 27, 1995

Mr. Donald E. Ronda
PO Box 832
Homer, AK 99603

Dear Mr. Ronda:

Thank you for your letter regarding House Bill 272, relating to municipal motor vehicle taxes. Your comments regarding this bill are worthy of thorough consideration; therefore, I am passing a copy of your letter along to the bill's sponsor, Rep. Hanley. HB 272 is currently in our House Finance Committee which Rep. Hanley co-chairs, and I am certain he will include it in the bill packets for Finance Committee members to review. In addition, when this bill comes to the House Floor for a vote, I will keep your comments in mind.

Again, I appreciate hearing from you. When I can be of help in the future, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "Gail".

Gail Phillips
SPEAKER OF THE HOUSE

GP:jmj

cc: Representative Mark Hanley
Co-Chair, House Finance Committee

RECEIVED NOV 20 1995

Representative Gail Phillips
126 W. Pioneer Ave., Suite 3
Homer AK 99603

P.O. Box 832
Homer AK 99603
November 14, 1995

*Judi -
Pls respond -
didn't we
already
pass 27?*

*Tim - it is in Homer
Lemmon*

Dear Representative Phillips:

I'm writing in support of HB 272 which essentially is a housekeeping bill to correct omissions in HB 263.

HB 272 permits local government to set and adjust motor vehicle property taxes and so notify the state so that the state may continue the current practice of collecting these taxes at the time of vehicle registration.

In the last session, HB 86, which permits local government to exempt certain types of personal property from ad valorem taxes and enact flat rate taxes in their stead, was passed by both houses. Automobiles, trucks and RVs were included in this act.

Unfortunately, current law does not permit the state to collect flat rate taxes for motor vehicles unless the boro uses the standard decreasing flat rate imposed by the State of Alaska. These are clearly inequitable when compared with the taxes imposed on aircraft and boats. Presently in our borough a \$50,000 aircraft or boat pays approximately \$800 per year in property tax while an RV or automobile of equal value would pay a maximum of \$77 down to a minimum of \$7 depending upon its age.

The aviation and maritime industries and aircraft and vessel owners on the Kenai Peninsula are suffering because of this discrimination. As a comparison, Anchorage and MatSu currently charge a flat tax of \$75/\$125 for single/multi engine aircraft. Kodiak charges less than \$100 property tax on vessels. You can imagine the impression this makes on the owner of a \$100,000 airplane or seiner or crabber. Properties are being moved to neighboring boroughs to avoid these taxes. The service providers are also deserting the Kenai Boro as the properties requiring their services leave the area.

HB 272 is essential to fulfill the intent of HB 86.

HB 272 provides flexibility for local government to adjust taxes to best fit local conditions and needs.

HB 272 would make Kenai Boro taxes competitive with those of neighboring boroughs.

HB 272 permits passing a more equitable flat rate tax on autos instead of the state imposed inequitable declining rates.

HB 272 has widespread support among the more than 6700 airplane and boat owners here on the peninsula.

HB 272 has no fiscal impact on the State of Alaska.

For all these reasons I would appreciate your support in getting this important piece of legislation passed as soon as possible in the coming session. Thanks in advance for your help.

Sincerely,

Donald E. Ronda
Donald E. Ronda

*Texted Judi
11/22/95
9:30 AM ①*

HOUSE COMMITTEE REPORT

4/19/95

(7)
Date Referred: March 22, 1995

FURTHER REFERRALS:

Finance

Date of Committee Action: 4-18-95

The COMMUNITY AND REGIONAL AFFAIRS Committee considered:

HB 272

HOUSE BILL NO. 272

MUNICIPAL MOTOR VEHICLE TAX

"An Act relating to municipal taxation of motor vehicles; and providing for an effective date."

recommends it be replaced with the following committee substitute CS for HB 272 (CRA) the same title a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) Public Safety

fiscal note(s) _____

zero fiscal note(s) CRA

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
	ELTON			✓	
	AUSTERMAN	✓			
	VEZEY		✓		
	KOTT		✓		
	NICHOLIA			✓	
	IVAN	✓			
		(2)	(2)	(2)	

CO-CHAIR'S SIGNATURE IVAN

AUSTERMAN

Municipal Accounting Report
 State of Alaska
 Division of Motor Vehicles
 January 29, 1996

FISCAL YR : 95

LOCATION	VENDOR#	COLLOCODE	MVRT TOTAL	RETAINED	REFUNDS	REMITTED
BETHEL	CIB84214	64120043	\$40,600.00	\$3,248.00	\$0.00	\$37,352.00
DILLINGHAM	CID84836	64120051	\$27,374.00	\$2,189.92	\$0.00	\$25,184.08
NENANA	CIN84291	64120049	\$8,289.00	\$663.12	\$119.00	\$7,506.88
NOME	CIN84936	64120047	\$30,707.00	\$2,456.56	\$0.00	\$28,250.44
PETERSBURG	CIP84181	64120042	\$39,333.00	\$3,146.64	\$33.00	\$36,153.36
SITKA	CIB84599	64120053	\$49,939.00	\$3,995.12	\$71.00	\$45,872.88
UNALASKA	CIU84215	64120046	\$39,932.00	\$3,194.56	\$0.00	\$36,737.44
WHITTIER	CIW84474	64120048	\$4,053.00	\$324.24	\$0.00	\$3,728.76
KENAI	KPB88172	64120052	\$817,027.00	\$65,362.16	\$443.00	\$751,221.84
KETCHIKAN	KGB84466	64120041	\$229,990.00	\$18,399.20	\$89.00	\$211,501.80
KODIAK	KIB84128	64120045	\$181,177.00	\$14,494.16	\$32.00	\$166,650.84
MAT-SU	MAB84586	64120044	\$885,858.00	\$70,868.64	\$408.00	\$814,581.36
ANCHORAGE	MUA84635	64120040	\$4,523,234.00	\$361,858.72	\$2,531.00	\$4,158,844.28
TOTALS:			\$6,877,513.00	\$550,201.04	\$3,726.00	\$6,323,585.96

mvrvtot

Municipality
of
Anchorage



P.O. Box 196650
Anchorage, Alaska 99519-6650
Telephone: (907) 343-4431
Fax: (907) 343-4499

Rick Mystrom, Mayor

OFFICE OF THE MAYOR

January 23, 1996

Representative Mark Hanley
Alaska State Legislature
State Capitol
Juneau, Alaska 99801

Re: House Bill 272

Dear Mark:

The Municipality of Anchorage supports your efforts through House Bill 272 to enable municipalities to set the tax rate imposed on motor vehicles within their jurisdiction.

We believe passage of this bill will help Anchorage and other Alaska communities solve one of our nagging problems.

Road and street maintenance is becoming increasingly costly in Alaska. In Anchorage these costs are borne by property taxpayers. If local government was empowered to set vehicle registration fees, some of the road maintenance costs could be borne by the users instead of the property taxpayers.

HB 272 is a positive bill that addresses a major problem facing Alaska's cities. Thank you for leadership on this important issue.

Sincerely,

Rick Mystrom
Mayor

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



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

April 6, 1995

TO: Representative Mark Hanley, Chairman
House Finance Committee

FROM: 
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.

a:jk\hb272ltr



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

February 5, 1996

Representative Mark Hanley, Chair
House Finance Committee
State Capitol
Juneau, AK 99811-1182

Re: HB 272

Dear Representative Hanley,

Both the Alaska Municipal League and the Alaska Conference of Mayors jointly approved a list of legislative priorities at the 44th Annual Local Government Conference in Valdez. **HB 272** was specifically approved as a piece of AML/ACoM priority legislation. The AML/ACoM represent all of the major municipalities and most of the smaller ones.

Two weeks ago the AML and ACoM affirmed this commitment to **HB 272** by identifying it as one of four pieces of top priority municipal legislation presented in meetings with the Governor and Legislators.

HB 272 is a small, but important, step in giving municipalities the needed flexibility to design a system to revenue generation best suited to the needs and desires of the community. It is also a good partnership between the state and municipalities.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kevin Ritchie', written over a horizontal line.

Kevin Ritchie
Executive Director

C:\kevin.legcomm:296hb272.doc

TALKING POINTS
HB 272
ALLOWS MUNICIPALITIES TO SET
MUNICIPAL MOTOR VEHICLE TAX RATE
BY ORDINANCE INSTEAD OF STATE STATUTE

- This is a municipal tax collected by the Department of Public Safety for an 8% collection fee. Currently, the municipal motor vehicle tax rate is set by the statute by the legislature. The legislature has not raised the rate significantly.
- Municipalities need assistance from the Department of Public Safety to collect the tax efficiently because the Department keeps has a mechanism in place to track motor vehicles and enforce the payment of fees through the registration process.
- If a municipality raises its rate to a level acceptable in the community, both the state and the municipality receive more revenue.
- If the rate is set by each municipality, it will reduce the public perception that this is a state tax.

**Alaska Conference of Mayors/ Alaska Municipal League
Lobbying Information**

1. **Support the "Safe Communities" bill** as approved by AML and ACoM as the first step in simplifying and stabilizing the revenue sharing programs until the long range financial plan is put into effect. Without this bill up to 91 small communities will dissolve and transfer their service costs back to the state over the next several years. Also, taxpayers will recognize that the state has indirectly tripled property taxes in many communities and is continuing to try to balance the state budget on the backs of local taxpayers.
2. **Support making the Senior/Disabled Veteran Property Tax exemption a local option because this is 100% locally paid for.** The state must give municipalities flexibility to meet community needs.
3. **Support HB 272 to allow municipalities to set rates for the Municipal Vehicle Registration Tax.** This municipal tax is currently set by state statute. It is collected by the Department of Public Safety less and 8% collection fee.
4. **Support creating a state municipal task force to revise HB 154, the property "takings" bill.** Although municipalities support private property rights, this bill is so broad that it would essentially eliminate municipal zoning, environmental protection, building regulation, etc. Further, it would set up a economic impact assessment mandate that would stop or delay economic development and community projects.



Approval of legislation to give municipalities the ability to adjust their **Motor Vehicle Registration Tax** by ordinance.



Support of **quality education** for Alaskans through adequate funding for operations, maintenance, school debt reimbursement, and school construction. Support the revision of state statutes controlling the management and administration of local education.



Approval of legislation to allow **local option on the Senior Citizen Property/Disabled Veteran Tax Exemption** unfunded mandate on municipalities.



Support of Senate Joint Resolution 21 which proposes a **long term funding source** (ANWR revenues) for revenue sharing to municipalities and for school funding.



Support of efforts to **improve rural sanitation** through the construction and maintenance of the most cost effective treatment systems.



Support of legislation which proposes **supplemental land entitlements for municipalities**.



Support establishment of a task force to develop **balanced private property "takings"** legislation that does not create liabilities and unfunded mandates for municipalities.



City and Borough of Sitka

100 LINCOLN STREET • SITKA, ALASKA 99835

February 6, 1996

The Honorable Mark Hanley
Alaska State House of Representatives
FAX 465-2418
Juneau, Alaska

Dear Representative Hanley:

At an Alaska Municipal League teleconference today, I learned HB 272 relating to Municipal Taxation of Motor Vehicles will be discussed in a House Finance Hearing tomorrow. The City and Borough of Sitka supports this bill to provide flexibility to municipalities to impose or change a motor vehicle registration tax to provide local revenues.

This bill will also provide State revenues through the 8 percent collection fee. Municipalities need assistance from the Department of Public Safety to collect the tax efficiently and enforce the payment of fees through the registration process. Although Sitka does not intend at this time to raise municipal motor vehicle tax rates, at some time in the future, this may need to happen. HB 272 will facilitate this process and provide a measure of local control for municipalities to be able to set a rate at a level acceptable in each community.

Thank you for the opportunity to comment.

Sincerely,

Gary L. Paxton
Administrator

cc: Alaska Municipal League
Representative Grussendorf
Senator Taylor



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.

Each municipality should be able to choose reasonable tax rates suited to its needs and situation. HB 272 gives communities another tool to decide on the local level how to handle their fiscal situations, and puts the responsibility for change where it belongs. This will become increasingly important as state funding for municipalities continues to decline. The local ordinance provision and the democratic process will ensure adequate public input on any tax rate changes.