

**HB**

**272**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

*Delivered*  
4-11-96

DATE: 3/26/96

DATE TURNED INTO OFFICE: 4/9/96

The Finance Committee considered CS FOR HOUSE BILL NO. 272(FIN)

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

REPORTED OUT OF  
SFC 4/8/96

and recommends:

- be replaced with 5 CS CS HB 272 (FIN)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:**
- same title
  - new title
- House Bill:**
- same title
  - technical change
  - new: SCR# \_\_\_\_\_

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
		<i>Steve...</i> <i>Karl &amp; Hill</i> <i>[Signature]</i>	✓		
Co-Chair: <i>[Signature]</i>		Co-Chair: <i>[Signature]</i>			
Co-Chair:		Co-Chair: <i>Rich Halford</i>	✓		

**NEW FISCAL NOTE(S):**

Department                      Date    Zero    Fiscal


**PREVIOUS FISCAL NOTE(S):\***

Department                      Date    Zero    Fiscal

#3	DC+RA	7/2/94	0	
#4	DPS	7/4/96		44.5

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

# FISCAL NOTE

No. 4

STATE OF ALASKA  
1996 LEGISLATIVE SESSION

Bill Version: CSHB 272(FIN)  
(H) Publish Date: 2/9/96

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>	Administration
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	32.2	32.2	32.2	32.2	32.2
TRAVEL						
CONTRACTUAL	13.0	22.9	22.9	22.9	22.9	22.9
SUPPLIES						
EQUIPMENT	10.0	10.0				
LAND & STRUCTURES						
GRANTS CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>44.5</b>	<b>115.1</b>	<b>105.1</b>	<b>105.1</b>	<b>105.1</b>	<b>105.1</b>
<b>CAPITAL EXPENDITURES</b>						
<b>CHANGE IN REVENUES ( )</b>						
Revenue Code	10.5	65.5	120.5	120.5	120.5	120.5

**FUNDING: (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF	44.5	115.1	105.1	105.1	105.1	105.1
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>44.5</b>	<b>115.1</b>	<b>105.1</b>	<b>105.1</b>	<b>105.1</b>	<b>105.1</b>

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. Ote, 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 Fee Unit 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 Unit (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
<b>TOTAL</b>	<b>\$44.5</b>	<b>\$115.1</b>

## 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
Printer	3,000.00
IRMA Card	450.00
Surge Protector	55.00
Token Ring Card	400.00
Software for APSIN	500.00
Desk	500.00
Chair	400.00
Adding Machine	130.00
Waste Basket	30.00
DP Terminal Charge 1 Year	340.00
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 3% for collection costs is returned to the local governments. In addition to the 3% 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: NO. 3

Bill Version: CSHB 272(FIN)

(H) Publish Date: 2/9/96

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)**

	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
OPERATING						
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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# A FAX

Alaska State Legislature

Date: 4-9-96

To: Legal Services - Mike Ford

Fax #: 2029 Phone #: 2450

From: Kathy - Senate Finance

Phone #: 2618

Re: JCS CSNB 272 (Fix) - Please  
incorporate the attached conceptual  
amendment (in lieu of amend. 9-LS0841\F.4)  
into CSNB 272 (Fix) to produce a  
final Senate Finance version.

Following this page, please find 1 pages(s). If this does not reach you in full, please inform us ASAP.

*Please return to Room 520*



THANK YOU.

*Kathy*

4/9/96  
9-LS0841\F.4' SR  
Ford  
4/3/96 move.  
Conceptual  
amend  
adopted  
instead

AMENDMENT

OFFERED IN THE SENATE

TO: CSHB 272(FIN)

BY SENATOR RIEGER

SENATE FINANCE  
COMMITTEE

Amendment Number: 1  
Bill Number: CSHB 272(FIN)  
Sponsor: \_\_\_\_\_ Date: 4-8-96  
Logged In By: RL

1 Page 1, after line 3:

2 Insert a new bill section to read:

3 **\*\* Section 1.** AS 28.10.431(f) is amended to read:

4 (f) Money received by an organized borough under this section shall be  
5 allocated by the borough by ordinance for city, area outside city, and service area  
6 purposes within the borough. If a municipality by ordinance increases the  
7 scheduled amount of tax described under (b) of this section, the amount of  
8 additional money received under this section by a municipality equal to the  
9 amount paid by residents of a road service area and owners of vehicles with a tax  
10 situs in that road service area shall be used by the municipality only in that road  
11 service area. In this subsection, "tax situs" means the location at which the  
12 motor vehicle is usually, normally, or regularly kept or used."

13 Page 1, line 4:

14 Delete "Section 1."

15 Insert "Sec. 2."

16 Renumber the following bill section accordingly.

*Text of conceptual amendment by Sen. Rieger*

*New Section to read:*

*Money received by an increase  
under this section shall be  
used to reduce the tax mill  
rate across the entire borough.*

4/11/96  
am

3rd Attempt

Hold for word from

Betty.

4/11/96 Ordered Final

9:15 am

Approved  
by Betty

9-LS0841M ✓  
Ford  
4/10/96

SENATE CS FOR CS FOR HOUSE BILL NO. 272(FIN)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES HANLEY, Navarre, G.Davis

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(f) is amended to read:

5 (f) Money received by an organized borough under this section shall be  
6 allocated by the borough by ordinance for city, area outside city, and service area  
7 purposes within the borough. If a municipality by ordinance increases the  
8 scheduled amount of tax described under (b) of this section, the amount of  
9 additional money received under this section by the municipality shall be used to  
10 reduce property taxes levied by the municipality at a uniform rate within its  
11 entire area.

12 \* Sec. 2. AS 28.10.431 is amended by adding a new subsection to read:

13 (i) A municipality that imposes a motor vehicle registration tax as described  
14 under (a) of this section may also increase or decrease the scheduled amount of tax

1 described under (b) of this section by passage of an appropriate ordinance. A  
2 municipality that chooses to change the tax imposed under (b) of this section shall file  
3 a written notice of the change with the department by January 1 of the year preceding  
4 the year in which the change in tax is to take effect. A municipality may not change  
5 the amount of the tax imposed under this section more than once every two years.  
6 The department may charge a municipality a one-time fee to cover the cost to the  
7 department of implementing a change under this subsection.

8 \* Sec. 3. This Act takes effect July 1, 1996.

4/10/96

Hold for

approval by Sen.

Rieger.

4/10/96 - 5:45 pm

Not approved

3<sup>rd</sup> Draft coming  
tomorrow morning.

9-LS0841VK  
Ford  
4/10/96

SENATE CS FOR CS FOR HOUSE BILL NO. 272(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES HANLEY, Navarre, G.Davis

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(f) is amended to read:

5 (f) Money received by an organized borough under this section shall be  
6 allocated by the borough by ordinance for city, area outside city, and service area  
7 purposes within the borough. If a municipality by ordinance increases the  
8 scheduled amount of tax described under (b) of this section, the amount of  
9 additional money received under this section by the municipality shall be used to  
10 reduce

11 (1) areawide taxes on real and personal property in a borough; and

12 (2) taxes on real and personal property in a city.

13 \* Sec. 2. AS 28.10.431 is amended by adding a new subsection to read:

14 (i) A municipality that imposes a motor vehicle registration tax as described

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

9 \* Sec. 3. This Act takes effect July 1, 1996.

4/9/96

Hold for  
approval of  
Conceptual amend.

~~Process~~  
~~notes.~~

Copy of SC3 (Fix) draft to  
Rep. Hanley (Kim)

Sen. Rieger - Betty to get redraft.  
Larry  
Sen. Rieger did not  
like language.

4/9/96  
pm  
SR

Alaska Star  
Editorial  
2/28/96

## Service areas are threatened

There is increasing concern that the service area concept within the Municipality of Anchorage is under seige. Action taken by the Assembly to annex the Hillside into the city police service area was a shameful sham. Comments made by some assembly members made it clear that they do not respect the charter and do not support the continuation of service areas.

At risk are the many limited life road service districts in South Anchorage, the streetlight district in Eagle River, the Chugiak - Eagle River road district, the Chugiak - Eagle River parks and recreation district and volunteer fire service in the Chugiak fire district.

**UNDER LEGAL ADVICE** from the municipal attorney, Assembly members say that these service areas can be dissolved and merged by a simple six-vote majority.

That absolutely must not be allowed to happen. It violates the very basis of government within the Municipality of Anchorage. The charter — which in Anchorage has the same standing as the Constitution of the United States — is clear. A service area cannot be created, altered or abolished without a vote of the people within the area affected. That stipulation is listed in the Bill of Rights and is spelled out in more detail in the body of the document itself.

Those who want to simplify the city bookkeeping process are attempting to mix apples and oranges in the state statute barrel. What applies to other cities and boroughs does not apply to unified home rule boroughs.

**WHY SHOULD ANYONE** even care? We're told that after all, this is one city, there aren't any more ~~ne~~ areas in our megalopolis, the charter was adopted more than a quarter of a century ago and most of the people who were involved are either dead or have left the country. Why, then, should there not be one police service, one fire service, one road service, one parks service, etc.

Why, indeed. Yes, Anchorage is one city but its sections are not the same. Their needs are not the same. Their desires are not the same.

That's why the service area concept is a good tool of government. It allows people to tailor services to fit their needs.

**PARKS AND RECREATION** is a good example. People in Chug'ak - Eagle River asked to have a service area which could make the high school swimming pool available for use by the public. They also wanted an entity which could obtain and maintain parks and playfields.

They formed a local recreation district which was to operate on a half-mill tax. The district would look to volunteer organizations to operate the programs, assisted by grants from the local district to help offset some of their costs. A board of supervisors was created to oversee the allocation of funds.

Even though its budget has since septupled, that district still operates at a half-mill tax rate. It provides for local residents a swimming pool, an ice rink, dozens of sports fields, tennis courts, playgrounds, neighborhood parks and other services. The rest of Anchorage pays half again as much in taxes. We don't see where it buys for them any more parks or recreation programs per capita than are enjoyed by residents of Chugiak - Eagle River.

**GOVERNMENT LOOKS TO** user fees and volunteers as a way to help balance its budget. That's what service areas are all about.



# **Representative Mark Hanley**

---

## **Alaska State Legislature**

### **SPONSOR STATEMENT**

#### **House Bill No. 272**

**"An Act relating to municipal taxation of motor vehicles"**

---

CSHB 272 (FIN) would allow municipalities that impose a motor vehicle registration tax to increase or decrease the schedule 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 increase or decrease, and provide written notice to the department at least one year before the change would take place. The municipality would not be able to make such a change more than 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. CSHB 272 (FIN) 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.

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



# 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:

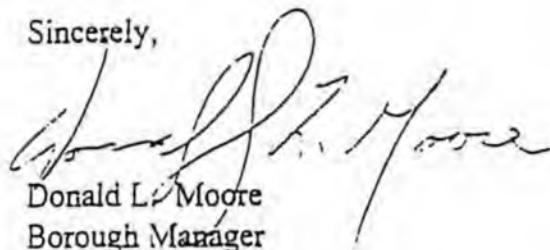
Thank you for the meeting with us recently to discuss legislative issues of interest to the borough. As we discussed at that meeting, I am providing a list of points in support of the draft legislation which would adjust the method of taxation of automobiles.

- 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



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

April 4, 1996

Senator Rick Halford  
Co-Chair, Senate Finance  
State Capitol  
Juneau, AK 99811

Dear Senator Halford:

On behalf of the Alaska Municipal League, thank you for scheduling HB 272 for a hearing in Senate Finance. HB 272 will 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 tax rates at the local level to be decided by the community and the people who pay the tax and benefit from the proceeds of the tax.

HB 272 will take the burden off the Legislature to change the amount of motor vehicle registration tax, which is money that goes directly to municipalities.

The League sees no conflict between HB 272 and the proposed biennial vehicle registration. Although some municipalities are likely to create rates lower than currently in statute, either the state or any municipality will have to take a biennial registration under consideration when setting rates. It is unlikely, and probably politically impossible, for a municipality to adopt rates considered onerous by their citizens.

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.

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

Sincerely,

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

Kevin C. Ritchie  
Executive Director

c:\jk\leg96\hb272.doc

TABLE 4

TYPE OF PROPERTY TAX LEVIED

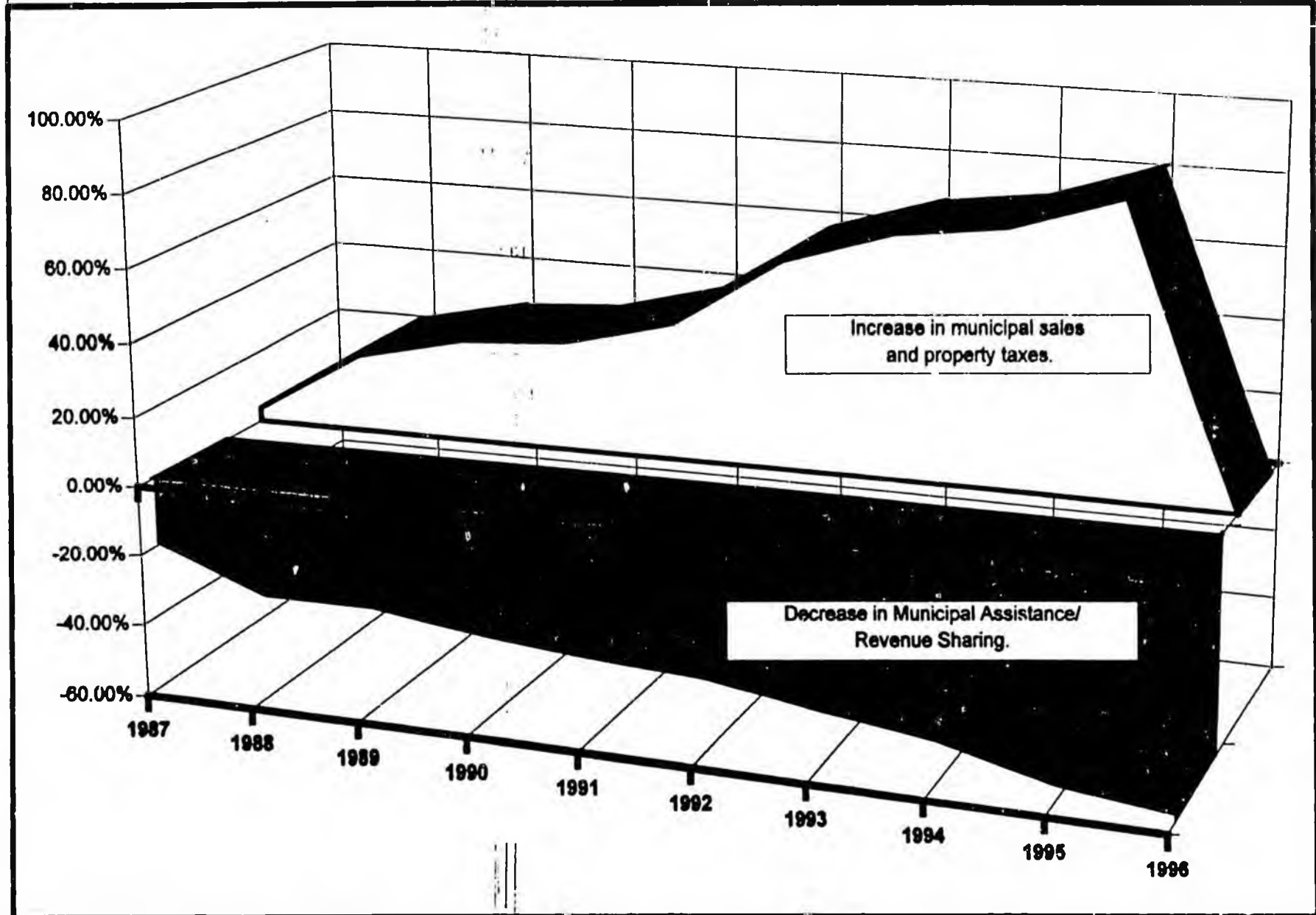
BOROUGH/UNIFIED MUNICIPALITIES	Residential	Business Machinery Equipment	Motor Vehicles	Boats & Vessels	Business Inventory	Aircraft
ANCHORAGE	FV	FV	ST COL	EX	FV	EX*
BRISTOL BAY	OP EX	FV	FV	FV	FV	FV
FAIRBANKS NORTH STAR	OP EX	EX	EX	EX	EX	EX
HAINES	FV	FV	EX	FF	EX	FV
JUNEAU	FV	FV	FV**	EX	EX	FV**
KENAI PENINSULA	OP EX	FV	ST COL	FV	EX	FV
KETCHIKAN GATEWAY	FV	FV	ST COL	FF	EX	FV
KODIAK ISLAND	FV	FV	ST COL	FF	EX	FV
MATANUSKA-SUSITNA	FV	FV	ST COL	EX‡	FV	EX‡
NORTH SLOPE	OP EX	FV	FV	FV	FV	FV
SITKA	FV	FV	EX	FF	FV	FV

CITIES

CORDOVA	FV	EX	EX	EX	EX	EX
CRAIG	FV	EX	EX	EX	EX	EX
DILLINGHAM	FV	FV	EX	FV	FV	FV
EAGLE	FV	EX	EX	EX	EX	EX
NENANA	FV	FV	ST COL	FV	FV	FV
NOME	FV	FV	ST COL	FV	FV	EX
PELICAN	FV	FV	EX	FF	FV	FV
PETERSBURG	FV	EX	EX	EX	EX	EX
SKAGWAY	FV	EX	EX	EX	EX	EX
UNALASKA	FV	FV	EX	EX	FV	FV
VALDEZ	OP EX	EX	EX	EX	EX	EX
WHITTIER	FV	FV	ST COL	FV	EX	EX
WRANGELL	FV	FV	EX	EX	EX	FV
YAKUTAT	FV	EX	EX	EX	EX	EX

- EX Exempt Property
- FV Full and True Value Assessment
- FF Optional, flat fee collected in lieu of property tax (AS 29.45.050(b)(1))
- OP EX Optional, residential exemption up to \$10,000 allowed (AS 29.45.050(a))
- ST COL State collected, annual motor vehicle tax (AS 28.10.431)
- \* Aircraft are exempt from taxes except for scheduled carriers. Exempted aircraft pay a registration fee of \$75-\$125
- \*\* Commercial at full value, private exempt
- ‡ Boats and aircraft are taxed for value only up to \$5,000 in assessed value.

### Comparison of Decreases in Municipal Assistance/Revenue Sharing vs Increases in Municipal Sales & Property Taxes





# 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

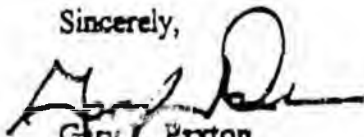
Dear Representative Hanley:

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"**

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CSHB 272 (FIN) would allow municipalities that impose a motor vehicle registration tax to increase or decrease the schedule 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 increase or decrease, and provide written notice to the department at least one year before the change would take place. The municipality would not be able to make such a change more than 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. CSHB 272 (FIN) 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.

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,

A handwritten signature in dark ink, appearing to read "Rick Mystrom". The signature is fluid and cursive, written over a light-colored background.

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



BILL: HB 272 SHORT TITLE: MUNICIPAL MOTOR VEHICLE TAX  
BILL VERSION: CSHB 272(FIN)  
SPONSOR(S): REPRESENTATIVE(S) HANLEY, NAVARRE, G.DAVIS

CURRENT STATUS: (S) FIN

STATUS DATE: 03/26/96

TITLE: "AN ACT RELATING TO MUNICIPAL TAXATION OF MOTOR VEHICLES; AND PROVIDING FOR AN EFFECTIVE DATE."

03/22/95	852	(H)	READ THE FIRST TIME - REFERRAL(S)
03/22/95	852	(H)	CRA, FINANCE
04/19/95	1365	(H)	CRA RPT CS(CRA) 2DP 2DNP 2NR
04/19/95	1366	(H)	DP: AUSTERMAN, IVAN
04/19/95	1366	(H)	DNP: VEZEY, KOTT
04/19/95	1366	(H)	NR: ELTON, NICHOLIA
04/19/95	1366	(H)	FISCAL NOTE (DPS)
02/07/96	2666	(H)	COSPONSOR(S): NAVARRE
02/09/96	2678	(H)	FIN RPT CS(FIN) 7DP 3NR
02/09/96	2678	(H)	DP: HANLEY, MULDER, GRUSSENDORF
02/09/96	2678	(H)	DP: NAVARRE, KELLY, BROWN, FOSTER
02/09/96	2678	(H)	NR: PARNELL, THERRIAULT, KOHRING
02/09/96	2678	(H)	FISCAL NOTE (DPS)
02/09/96	2678	(H)	ZERO FISCAL NOTE (DCRA)
02/21/96	2838	(H)	RULES TO CALENDAR 2/21/96
02/21/96	2838	(H)	READ THE SECOND TIME
02/21/96	2839	(H)	FIN CS ADOPTED UNAN CONSENT
02/21/96	2839	(H)	ADVANCED TO THIRD READING UNAN CONSENT
02/21/96	2839	(H)	READ THE THIRD TIME CSHB 272(FIN)
02/21/96	2839	(H)	PASSED Y33 N4 E1 A2
02/21/96	2840	(H)	EFFECTIVE DATE(S) SAME AS PASSAGE
02/21/96	2846	(H)	COSPONSOR(S): G.DAVIS
02/21/96	2848	(H)	TRANSMITTED TO (S)
02/23/96	2508	(S)	READ THE FIRST TIME - REFERRAL(S)
02/23/96	2508	(S)	CRA, FINANCE
03/26/96		(S)	CRA RPT 1DP 4NR
03/26/96		(S)	FISCAL NOTE (DPS)
03/26/96		(S)	PREVIOUS H FN (DPS)
03/26/96		(S)	PREVIOUS H ZERO FN (DCRA)
03/26/96		(S)	REFERRED TO FINANCE

**SENATE COMMITTEE REPORT**  
**First Committee of Referral**

DATE: 2/23/96

FURTHER: Finance

DATE TURNED INTO OFFICE: 3-26-96

The CRA Committee considered CS FOR HOUSE BILL NO. 272(FIN)

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

*FN's + OFN's*

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:**
- same title
  - new title
- House Bill:**
- same title
  - technical title
  - new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
		<i>Roll E Kelly</i>	✓		
		<i>Paul J. Harty</i>	✓		
		<i>James Hoffman</i>	✓		
		<i>Tim Kelly</i>	✓		
<b>CHAIR:</b> <i>John Ferguson</i>	✓	<b>CHAIR:</b>			

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal
<del>Public Safety</del>	<del>3/21/96</del>		<del>44.5</del>

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal
Comm. & Reg'l Affairs	2/7/96	✓	
Public Safety	2/5/96		✓

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill