

HB

217

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 217
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title: Municipal Property Assessment and Tax BRU: Revenue Operations
 Component: Tax Division

Sponsor: Representative Kohring
 Requester: House Community & Regional Affairs Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
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 EXPENDITURES						
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CHANGE IN REVENUES ()	**	**	**	**	**	**
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

** This legislation could result in a loss to the state of several million dollars a year in oil and gas property tax revenue.

See attached analysis.

Prepared by: Dan Dickinson, Director Phone 269-1033
 Division: Tax Division Date/Time April 18, 2001, 4 p.m.
 Approved by: Larry Persily, Deputy Commissioner Date 4/18/01
 Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

Department of Revenue Fiscal Note and Bill Analysis
House Bill 217 – April 18, 2001

HB 217 would remove the equity requirement in property assessment and taxation. It would eliminate current language requiring that all property subject to an ad valorem tax be taxed at the same rate during the year.

HB 217 would also allow municipalities to adopt varying levels of assessment and extend the municipal exemption authority outside the mandatory or optional exemptions provided for in AS 29.45.030 and AS 29.45.050. If passed, this bill would allow municipalities to assess commercial and residential properties at different levels of market value, say, 20% for residential and 75% for commercial. It would also allow for varying rates of taxation applied to different categories, i.e., 5 mills for residential and 20 mills for commercial.

However, the bill could also cost the state millions of dollars of revenue received through assessment of oil and gas properties provided for under AS 43.56. This statute requires the state to levy a 20-mill property tax on all oil and gas property throughout the state and to give a credit to oil and gas property owners for any taxes paid to a local government.

In oil-rich communities where the value of AS 43.56 property is a very high percentage of the total tax base, it is conceivable that those communities could exempt all residential property from property taxes and pass the burden to the commercial and industrial property with a higher mill rate. Under this scenario, the tax burden would be paid by the few local commercial property owners and the oil and gas industry. AS 43.56 currently does not prevent this type of burden shifting if the tax levy on oil and gas property is no higher than the rate applicable to other property taxable by the municipality.

It is impossible to estimate what municipalities would do if this legislation passes. However, in order to estimate the worst-case scenario, the assumption was made that the four municipalities with large amounts of AS 43.56 property within their boundaries would completely exempt all residential property and shift the burden to commercial, industrial and AS 43.56 property. Using this assumption, the state could lose in excess of \$20 million of oil and gas property tax revenue a year within those municipalities that are currently incorporated as boroughs. The revenue loss could be much higher if areas such as the Copper River and Delta/Greeley areas incorporated and levied a property tax in a similar fashion.

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 217
 () Publish Date: _____

Revision Date/Time (Note if correction): 04/18/2001 3:35p.m. Dept. Affected: DCED
 Title: MUNICIPAL PROPERTY ASSESSMENT BRU: Comm.Asst & Econ.Dev
AND TAX Component: Community & Business
 Sponsor: Representative Kohring Development
 Requester: House CRA Component Number: 2486

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
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 EXPENDITURES						
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CHANGE IN REVENUES (GF)	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1156 RSS						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 217 removes the equity requirement in property assessment and taxation. It eliminates current language which requires all property subject to an ad valorem tax be taxed at the same rate during the year.

HB 217 would also allow municipalities to adopt varying levels of assessment and extend the municipal exemption authority outside the mandatory or optional exemptions provided for in AS 29.45.030 and AS 29.45.050. If passed, this bill would allow municipalities to assess commercial and residential properties at different levels of market value, say, 20% for residential and 75% for commercial. It would also allow for varying rates of taxation applied to different categories, i.e., 5 mills for residential and 20 mills for commercial.

(continued on separate page)

Prepared by: Steve VanSant, State Assessor Phone 907-269-4605
 Division Community and Business Development Date/Time 4/18/2001 3:35p.m.
 Approved by: Commissioner Deborah B. Sedwick Date 4/18/2001
 Agency Department of Community & Economic Development

For distribution information, call the Governor's Legislative Office

HB 217 - Analysis continued:

However, the bill could also cost the State of Alaska millions of dollars of revenue received through assessment of oil and gas properties provided for under AS 43.56. This statute requires the state to levy a 20 mill property tax on all oil and gas property throughout the state and give a credit to the oil and gas property owners for any taxes paid to a local government.

In "oil rich" communities where the value of AS 43.56 property is a very high percentage of the total tax base, it is conceivable that those communities could exempt all residential property from property taxes and pass the burden on to the commercial and industrial property with a higher mill rate. Under this scenario, the tax burden would be paid by the few local commercial property owners and the oil and gas industry. AS 43.56 currently does not prevent this type of burden shifting, if the tax levy on oil and gas property is no higher than the rate applicable to other property taxable by the municipality.

It is impossible to estimate what municipalities will do if this legislation passes, however, in order to estimate the "worst case scenario", the assumption was made that the four municipalities with large amounts of AS 43.56 property within their boundaries would completely exempt all residential property and shift the burden to commercial, industrial and AS 43.56 property. Using this assumption, the state could lose in excess of \$20 million of oil and gas revenue within only those municipalities which are currently incorporated as boroughs. The revenue loss could be much higher if areas such as the Copper River and Delta/Greeley areas incorporated and levied a property tax in a similar fashion.

ALASKA STATE LEGISLATURE



Interim:
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Wasilla, Alaska 99654
(907) 373-1842
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Session:
State Capitol Building, Room 24
Juneau, Alaska 99801-1182
(907) 465-2186
Fax - (907) 465-3818

REPRESENTATIVE VIC KOHRING
DISTRICT 26

Memorandum

To: Representative Morgan
Representative Meyer

From: Representative Kohring *Vic*

Date: April 5, 2001

Re: House Bill 217

I respectfully request a hearing of House Bill 217, 'An act relating to municipal property assessment and taxation; and providing for an effective date,' in the Community and Regional Affairs committee.

Attached is a packet of materials, including a copy of the bill, the sponsor statement, a sectional analysis, and a letter of support.

Thank you for your consideration.



CITY OF WASILLA

APR 02 RECD

290 E Heming Avenue
Wasilla, AK 99654-7091
Phone: (907) 373-9050
Fax: (907) 373-9092

March 28, 2001

Dear Rep. Kohring,

I wish to add my "two-cents" regarding HB 217, "An act relating to municipal assessment and taxation; and providing for an effective date".

I applaud legislators like you, Rep. Vic Kohring, who will consider measures that permit municipalities to exercise self-governance and local control over the manner in which taxes are collected in our Alaska communities.

Although I have not had the opportunity to digest all aspects and consequences of the proposed HB 217, I do appreciate your efforts to introduce proposals that help keep local governments accountable. I believe this bill will assist in this mission of trying to keep government accountable to our residents, and it can help local governments stay fiscally conservative.

Thank you for your work on this and other issues that lead to more self-governance for municipalities, and that allow local control over other issues, as well.

Sincerely,

Mayor Sarah Palin

ADMINISTRATION Phone: (907) 373-9055 Fax: (907) 373-9096	CLERK'S OFFICE Phone: (907) 373-9090 Fax: (907) 373-9092	FINANCE Phone: (907) 373-9070 Fax: (907) 373-9085	LIBRARY Phone: (907) 376-5913 Fax: (907) 376-2347	MUSEUM Phone: (907) 373-9011 Fax: (907) 373-9072
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APR 10 REC'D



April 5, 2001

Representative Kohring
State Capital Room #24
Juneau, Alaska 99801

Dear Representative Kohring:

I am writing to express my support for House Bill No. 217, which allows municipalities to effect home rule regarding real property assessment and taxation.

I strongly support the proposed amendments to AS 29.45.110 (a), which will allow municipalities to exercise self-governance and local control over the manner in which real property within their jurisdiction is assessed and taxed.

Your action to sponsor legislation that recognizes the diversity of Alaskan communities, and the unique challenges our local governing bodies must address is very much appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Bert L. Cottle', is written over a horizontal line.

Bert L. Cottle, Mayor
City of Valdez

ALASKA STATE LEGISLATURE



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REPRESENTATIVE VIC KOHRING DISTRICT 26

Sectional Analysis

HB 217, "An Act relating to municipal property assessment and taxation; and providing for an effective date."

Section 1. Eliminates the requirement that ad valorem property taxes be levied at the same rate.

Section 2. Modifies the definition of "full and true value" to be the price that the property would bring in an open market on the date of assessment in a sale between a willing seller and willing buyer both conversant with the property and with prevailing general price levels.

Section 3. Permits a municipality to classify property on the basis of use for the purposes of assessment and taxation. Permits a municipality to provide varying rates of taxation, assessment standards, or exemptions or partial exemptions for different classes of property. Permits the initiative and referendum process to be used to classify property and set tax rates.

Section 4. Adds a severability clause.

Section 5. States that this law will take effect on January 1, 2002.

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REPRESENTATIVE VIC KOHRING DISTRICT 26

Sponsor Statement

HB 217, "An act relating to municipal property assessment and taxation; and providing for an effective date"

AS 29.45.090 and AS 29.45.110 deal with the manner in which property, both real and personal, is assessed and taxed. Currently, under AS 29.45.090(a) all municipalities must assess and tax all property within their boundaries in the same manner.

House Bill 217 eliminates the requirement that municipalities assess and tax all property in the same manner. HB 217 adds a subsection to AS 29.45.110 that permits municipalities to classify property based on use and to apply different rates of taxation, assessment standards, or exemptions for different classes of property.

This bill recognizes that because of their diversity, Alaska's communities operate most efficiently when each can control its municipal functions as much as possible. Taxation is a municipal function. HB 217 simply allows municipalities to exercise self-governance and local control over the manner in which property within their jurisdictions is assessed and taxed.