

**HB**

**1 2 1**

<target><bill>HB 121</bill><subject>HB  
121</subject><comm>HFIN26</comm></target>



**ALASKA STATE LEGISLATURE  
HOUSE RULES COMMITTEE  
REPRESENTATIVE JOHN COGHILL, CHAIRMAN**  
State Capitol Juneau, AK 99801-1182 (907) 465-3719  
3340 Badger Road Suite #290, North Pole, AK 99705 (907) 488-5725

**Sponsor Statement**

**HB 121**

**"An Act relating to municipal property tax credit for an  
improvement that aids in improving air quality"**

(26-LS0540\A)

The purpose of House Bill 121 is to provide a municipality with the statutory authority to pass an ordinance to provide for air quality tax credits. These tax credits will help offset a portion of the property taxes and encourage property owners to invest in improvements that help improve air quality.

Each municipality will establish the eligibility, conditions and other criteria for a tax credit by passing ordinances that will be based on local public input and specific community conditions.



# Alaska Conservation Alliance

*Uniting for Alaska's Future*

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March 13, 2009

State House of Representatives  
Alaska State Capitol  
Juneau, Alaska 99801-1182

Dear Representatives Coghill and Kawasaki,

On behalf of the 40 conservation groups and the 38,000 Alaskans that are represented by the Alaska Conservation Alliance, I am pleased to acknowledge our strong support for HB121 allowing municipalities to offer property tax credits for reductions in emissions. Offering an incentive to decrease emissions rewards pro-active Alaskans without penalizing others. Current tools available to municipalities to reduce emissions are limited to banning certain actions and other punitive measures and without this change to Title 29, municipalities are missing a very useful tool to use to become compliant with the clean air act.

HB121 could help reduce harmful levels of PM<sub>2.5</sub> in the air. PM<sub>2.5</sub> is particulate matter that is 2.5 micrometers in diameter and smaller, less than 1/10 of the diameter of a single strand of hair. This type of air pollution is unhealthy to breath because of its small size. The particles can travel deep into the respiratory tract to the lungs and has been associated with short-term health effects such as eye, nose, throat and lung irritation, coughing, sneezing, runny nose and shortness of breath. Studies also suggest that long term exposure to fine particulate matter may be associated with increased rates of chronic bronchitis, reduced lung function and increased mortality from lung cancer and heart disease. People with breathing and heart problems, children and the elderly may be particularly sensitive to PM<sub>2.5</sub>. While there are many difference sources of pollution, HB121 would address the PM<sub>2.5</sub> pollution coming from the burning of wood, heating oil, coal and natural gas in Alaskan homes.

In March 2007 the EPA set new requirements for air quality – defining those areas not meeting national PM<sub>2.5</sub> air quality standards for over 3 years as “non-attainment” areas. Currently there are two areas designated as non-attainment in Alaska - Fairbanks and Juneau. States must submit an implementation plan to the EPA for these non-attainment areas to show how they will address PM<sub>2.5</sub> levels. By allowing these and other municipalities an additional method for controlling air pollution they can potentially avoid the health and economic consequences of a non-attainment listing. HB121 does not *require* municipalities to make any change but simply puts an additional tool into the toolbox.

In conclusion, we support this bill as a way to encourage better air quality through incentives, should the municipalities choose to use it. The Alaska Conservation Alliance strongly encourages the Alaska Legislature to pass HB 121. Thank you for your time and consideration.

Sincerely,

A handwritten signature in cursive script that reads "Kate Troll".

Kate Troll  
Executive Director

CC: House Finance Committee

Alaska State Legislature  
HOUSE FINANCE COMMITTEE

Agenda  
8:30 AM

Friday, March 13, 2009

HB 121 – MUNICIPAL AIR QUALITY PROPERTY TAX CREDIT

Karen Lidster, Staff, Rep. Coghill

Kate Troll, Alaska Conservation Alliance

Alice Edwards, Acting Director, Division of Air Quality, DDEC

Teleconference

Nadine Winters, Presiding Officer, Fairbanks North Star Borough  
Assembly

Jim Connor, Air Quality Control, Fairbanks North Star Borough

Steve Van Sant, State  
Assessor



217 Second Street, Suite 200 ♦ Juneau, Alaska 99801  
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**ALASKA MUNICIPAL LEAGUE  
BOARD OF DIRECTORS**

**RESOLUTION #BOD2009-02**

**A RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE BOARD OF DIRECTORS  
ADVOCATING FOR AMENDING TITLE 29 TO ALLOW LOCAL GOVERNMENT OPTION  
TO CONSIDER PROPERTY TAX CREDITS FOR IMPROVEMENTS TO AIR QUALITY  
CONDITIONS AND FUEL CONSUMPTION**

**WHEREAS**, Alaska Municipal League Board of Directors supports the issue of local governments being able to develop local responses to Alaska's energy solutions; and

**WHEREAS**, municipalities should have the ability to adopt local incentives to encourage individuals to make their homes and businesses more energy efficient thereby improving local air quality; and

**WHEREAS**, local taxation policy determined by Title 29 currently allows a property tax credit only for river bank habitat protection; and

**WHEREAS**, by providing for an optional tax credit, local municipalities will be able to consider providing property tax credits for actions, such as reducing fuel consumption, that councils or assemblies determine will improve air quality; and

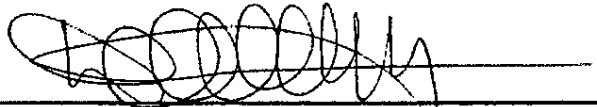
**WHEREAS**, the Alaska Municipal League Board of Directors believes it is in the best interest of Alaska to allow local government to encourage its citizens to make improvements to their home and businesses that positively impact the community's air quality and to heat their homes and businesses in the most environmentally responsible way possible.

**NOW, THEREFORE BE IT RESOLVED** that the Alaska Municipal League Board of Directors supports an amendment to Title 29 that provides local municipalities with the ability to provide tax incentives for residences or commercial businesses to improve the energy efficiency of their property, convert from carbon based energy consumption to alternative energy generation or to take other steps that positively impact their community's air quality; and

**NOW, THEREFORE BE IT RESOLVED** that the Alaska Municipal League Board of Directors supports legislation authorizing an air quality improvement tax credit that allows specific eligibility, conditions, and other criteria for the tax credits to be established by local ordinance so that governments will have flexibility in crafting appropriate tax incentives that meet their individual community's needs.

**PASSED AND APPROVED** by the Alaska Municipal League Board of Directors on this 30<sup>th</sup> day of January, 2009.

Signed:



Denise Michels, President, Alaska Municipal League

Attest:



Kathie Wasserman, Executive Director, Alaska Municipal League



# Fairbanks North Star Borough

*Office of the Mayor*

809 Pioneer Road

P.O. Box 71267

Fairbanks, Alaska 99707-1267

907/459-1300

Fax 907/459-1102

Email [mayor@co.fairbanks.ak.us](mailto:mayor@co.fairbanks.ak.us)

February 9, 2009

The Honorable Bob Herron, Co-Chair  
House Community & Regional Affairs Committee  
State Capitol  
Juneau, Alaska 99811

Dear Representative Herron:

The Fairbanks North Star Borough appreciates Representative Coghill and Representative Kawasaki's efforts to address a very serious issue facing our community by introducing HB 121. This letter is being offered in support of the change to Alaska Statutes, Title 29 proposed by HB 121, "An Act relating to a municipal property tax credit for an improvement that aids in improving air quality." This bill, if enacted by the legislature, will provide tools to local municipalities that can be used to create incentives for individuals to take actions that will improve local air quality and reduce fuel consumption. Local taxation policy and discretion is governed by Title 29 of the Alaska Statutes. Tax exemptions and tax credits are only permitted within the authority of this section of state law.

The proposed legislation expands the discretion of local municipalities in a manner that allows, by ordinance, creation of programs that will offer tax credits for actions that the local governing body determines will improve air quality. The language proposed requires that eligibility, conditions, and other criteria for the tax credits be established by ordinance.

Example of how this proposed legislation might be used by a municipality include:

- Incentives to residents to exchange old-style wood stoves for EPA certified wood stoves. Data show that EPA certified wood stoves reduce fine particulate emissions by approximately 67% over non-EPA stoves. It is clearly in the interest of any community with air quality nonattainment issues to have citizens who choose to heat with wood do so in the most environmentally friendly way possible.
- Incentives to residences or commercial businesses to improve the energy efficiency of their property. Reduced fuel consumption would lead to reduced emissions from area heating or electric generation. Incentives could be based on calculated BTU savings, MW reductions, etc.
- Incentives to convert from carbon based energy consumption to alternative energy generation. This could involve tax credits for

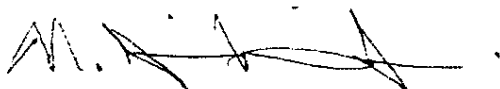
Letter to the Honorable Bob Herron  
February 9, 2009  
Page 2

construction and use of a solar array or wind turbine to power/heat residential or commercial facilities.


As the Fairbanks North Star Borough and the State of Alaska look to find solutions that will help the borough and the state come into compliance with the clean air act, there exists a clear lack of ability to provide incentives at the local level. Compliance efforts will ask individuals to take and pay for actions to benefit the air quality of the entire community. Enactment of this bill will allow local municipalities the ability to lessen the individual cost of action through creation of a tax credit program not presently allowed by state law.

The Fairbanks North Star Borough Assembly passed a resolution including this item as an FNSB legislative priority for 2009 on December 11, 2008. We support this bill and urge its passage as drafted and introduced on February 4, 2009.

Thank you.



Jim Whitaker, Mayor



Nadine Winters, Presiding Officer

JW:csm



# Alaska Conservation Alliance

*Uniting for Alaska's Future*

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March 13, 2009

State House of Representatives  
Alaska State Capitol  
Juneau, Alaska 99801-1182

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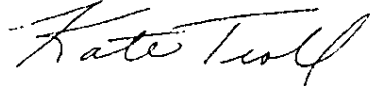
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In March 2007 the EPA set new requirements for air quality – defining those areas not meeting national PM<sub>2.5</sub> air quality standards for over 3 years as “non-attainment” areas. Currently there are two areas designated as non-attainment in Alaska - Fairbanks and Juneau. States must submit an implementation plan to the EPA for these non-attainment areas to show how they will address PM<sub>2.5</sub> levels. By allowing these and other municipalities an additional method for controlling air pollution they can potentially avoid the health and economic consequences of a non-attainment listing. HB121 does not *require* municipalities to make any change but simply puts an additional tool into the toolbox.

PO Box 1006600, Anchorage, Alaska 99501 • Ph. 907.258.6171 • Fax 907.258.6177 • [www.akvoice.org](http://www.akvoice.org)  
419 6th Street, Ste. 321, Juneau, Alaska 99801 • Ph. 907.463.3366 • Fax 907.463.2554

In conclusion, we support this bill as a way to encourage better air quality through incentives, should the municipalities choose to use it. The Alaska Conservation Alliance strongly encourages the Alaska Legislature to pass HB 121. Thank you for your time and consideration.

Sincerely,

A handwritten signature in cursive script that reads "Kate Troll".

Kate Troll  
Executive Director

CC: House Finance Committee

**ALASKA STATE LEGISLATURE**  
**HOUSE RULES COMMITTEE**  
**REPRESENTATIVE JOHN COGHILL, CHAIRMAN**  
State Capitol Juneau, AK 99801-1182 (907) 465-3719  
3340 Badger Road Suite #290, North Pole, AK 99705 (907) 488-5725

**Sectional**

**HB121**

**“An Act relating to municipal property tax credit for an  
improvement that aids in improving air quality”**

(26-LS0540\A)

**Section 1.** AS 29.45 is amended by adding a new section to read:

*Sec. 29.45.048 Air quality improvement tax credit. A municipality may, by ordinance, provide for an air quality improvement tax credit to offset a portion of the property taxes due on property that, during the immediately preceding tax year, has been improved in a way that aids in improving the air quality in the municipality. The amount of the credit shall be based on a percentage of the verifiable costs of the improvement, and the credit may be granted for more than one year. The ordinance may limit the availability of a credit to some, but not all types of improvements for which a credit may be granted under this section and to property located in areas that do not meet air quality standards required by federal or state law or regulation. Eligibility, conditions, and other criteria for the credit shall be established in the ordinance adopted under this section.*

This new section provides municipalities the opportunity to offer property owners a tax credit if they make qualifying air quality improvements on their property.

The amount of the credit is based on a percentage of the verifiable costs of the improvement, and the tax credit may be granted for more than one year.

This new section further states that an ordinance may place some restrictions on availability of the tax credit, the type of improvement, and the property location. The ordinance will establish the eligibility, conditions and other criteria for the tax credit that allows each municipality the leeway to pass an ordinance that is specific to its own unique air quality issues, location, and property.

*adopted 4/3/09*

26-LS0540P  
Cook  
4/2/09

**CS FOR HOUSE BILL NO. 121( )**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-SIXTH LEGISLATURE - FIRST SESSION**

**BY**

**Offered:  
Referred:**

**Sponsor(s): REPRESENTATIVES COGHILL, Kawasaki, Gara, Ramras, Kelly, Harris**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to and authorizing certain municipalities to provide a property tax**  
2 **credit for an improvement that aids in improving air quality."**

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

4 **\* Section 1.** AS 29.45 is amended by adding a new section to read:

5 **Sec. 29.45.048. Air quality improvement tax credit.** A municipality that  
6 includes within its boundaries an area that fails to meet federal or state air quality  
7 standards for fine particles that are less than or equal to 2.5 micrometers in diameter  
8 may, by ordinance, provide for an air quality improvement tax credit to offset a  
9 portion of the property taxes due on property that, during the immediately preceding  
10 tax year, has been improved in a way that aids in improving the air quality in the  
11 municipality. The municipality shall establish eligibility, conditions, and other criteria  
12 for the credit in the ordinance adopted under this section.

13 **\* Sec. 2.** AS 29.45.048 is repealed on January 1, 2016.

*failed*  
*2-6*

AMENDMENT 1

OFFERED IN THE HOUSE

BY REPRESENTATIVE GARA

TO: CSHB 121

Page 1, line 5, following "municipality":

Delete "that includes within its boundaries an area that fails to meet federal or state air quality standards for fine particles that are less than or equal to 2.5 micrometers in diameter"

# FISCAL NOTE

**STATE OF ALASKA**  
**2009 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: HB 121  
 (H) Publish Date: 2/18/09

Identifier (file name): HB121-CED-CRA-2-13-09 Dept. Affected: DCCED  
 Title: Municipal Air Quality Property Tax Credit RDU: Community and Regional Affairs  
 Component: Community and Regional Affairs  
 Sponsor: Representative Coghill  
 Requester: House Community and Regional Affairs Committee Component Number: 2879

**Expenditures/Revenues** (Thousands of Dollars)

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

|                               | Appropriation<br>Required | Information |            |            |            |            |            |            |
|-------------------------------|---------------------------|-------------|------------|------------|------------|------------|------------|------------|
|                               |                           | FY 2010     | FY 2010    | FY 2011    | FY 2012    | FY 2013    | FY 2014    | FY 2015    |
| <b>OPERATING EXPENDITURES</b> |                           |             |            |            |            |            |            |            |
| Personal Services             |                           |             |            |            |            |            |            |            |
| Travel                        |                           |             |            |            |            |            |            |            |
| Contractual                   |                           |             |            |            |            |            |            |            |
| Supplies                      |                           |             |            |            |            |            |            |            |
| Equipment                     |                           |             |            |            |            |            |            |            |
| Land & Structures             |                           |             |            |            |            |            |            |            |
| Grants & Claims               |                           |             |            |            |            |            |            |            |
| Miscellaneous                 |                           |             |            |            |            |            |            |            |
| <b>TOTAL OPERATING</b>        | <b>0.0</b>                | <b>0.0</b>  | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

|                             |  |  |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|--|--|
| <b>CAPITAL EXPENDITURES</b> |  |  |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|--|--|

|                               |  |  |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|--|--|
| <b>CHANGE IN REVENUES ( )</b> |  |  |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|--|--|

| FUND SOURCE                |            | (Thousands of Dollars) |            |            |            |            |            |
|----------------------------|------------|------------------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts      |            |                        |            |            |            |            |            |
| 1003 GF Match              |            |                        |            |            |            |            |            |
| 1004 GF                    |            |                        |            |            |            |            |            |
| 1005 GF/Program Receipts   |            |                        |            |            |            |            |            |
| 1037 GF/Mental Health      |            |                        |            |            |            |            |            |
| Other Interagency Receipts |            |                        |            |            |            |            |            |
| <b>TOTAL</b>               | <b>0.0</b> | <b>0.0</b>             | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

Estimate of any current year (FY2009) cost: \_\_\_\_\_

**POSITIONS**

|           |  |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|--|
| Full-time |  |  |  |  |  |  |  |
| Part-time |  |  |  |  |  |  |  |
| Temporary |  |  |  |  |  |  |  |

**ANALYSIS:** (Attach a separate page if necessary)

This bill would allow municipalities to provide a property tax exemption based on a percentage of verifiable air quality improvement costs on a property.

The Department of Commerce, Community and Economic Development does not foresee a fiscal impact as a result of this bill.

Prepared by: Tyson Fick, Legislative Liaison  
 Division: DCCED  
 Approved by: Emil Notti, Commissioner  
Department of Commerce, Community and Economic Development

Phone 465-2503  
 Date/Time 02/13/09 1:00pm  
 Date 2/13/2009