

HB

156

**<TARGET><BILL>HB 156</BILL><SUBJECT>HB
156</SUBJECT><COMM>HCRA30</COMM></TARGET>**

30-LS0602\U
Wallace/Shutts
5/13/17

CS FOR HOUSE BILL NO. 156()
IN THE LEGISLATURE OF THE STATE OF ALASKA
THIRTIETH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES TILTON, Grenn, Millett, Drummond, Spohnholz, Sullivan-Leonard, Claman, Kopp

A BILL
FOR AN ACT ENTITLED

1 **"An Act relating to a municipal tax exemption or deferral for economic development**
2 **property."**

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

4 * **Section 1.** AS 29.45.050(m) is amended to read:

5 (m) A municipality may by ordinance partially or totally exempt all or some
6 types of economic development property from taxation for **a designated period.**
7 **Except as otherwise provided by an ordinance enacted by the municipality before**
8 **January 1, 2017** [UP TO FIVE YEARS. THE MUNICIPALITY MAY PROVIDE
9 FOR RENEWAL OF THE EXEMPTION UNDER CONDITIONS ESTABLISHED
10 IN THE ORDINANCE. HOWEVER, UNDER A RENEWAL], a municipality that is
11 a school district may only exempt all or a portion of the amount of taxes that exceeds
12 the amount levied on other property for the school **district's required local**
13 **contribution under AS 14.17.410(b)(2)** [DISTRICT]. A municipality may by
14 ordinance permit deferral of payment of taxes on all or some types of economic

1 development property for a designated period. A municipality may not apply an
 2 exemption or deferral under this subsection to taxes levied for special services in
 3 a service area that is supervised by a board under AS 29.35.460 [UP TO FIVE
 4 YEARS. THE MUNICIPALITY MAY PROVIDE FOR RENEWAL OF THE
 5 DEFERRAL UNDER CONDITIONS ESTABLISHED IN THE ORDINANCE]. A
 6 municipality may adopt an ordinance under this subsection only if, before it is
 7 adopted, copies of the proposed ordinance made available at a public hearing on it
 8 contain written notice that the ordinance, if adopted, may be repealed by the voters
 9 through referendum. An ordinance adopted under this subsection must include specific
 10 eligibility requirements and require a written application for each exemption or
 11 deferral. In this subsection, "economic development property" means real or personal
 12 property, including developed property conveyed under 43 U.S.C. 1601 et seq.
 13 (Alaska Native Claims Settlement Act) [, THAT]

14 (1) to which one or more of the following applies:

15 (A) the property has not previously been taxed as real or
 16 personal property by the municipality;

17 (B) the property [(2)] is used in a trade or business in a way
 18 that

19 (i) [(A)] creates employment in the municipality;

20 (ii) [(B)] generates sales outside of the municipality of
 21 goods or services produced in the municipality; or

22 (iii) [(C)] materially reduces the importation of goods or
 23 services from outside the municipality;

24 (C) an exemption or deferral on the property enables a
 25 significant capital investment in physical infrastructure that

26 (i) expands the tax base of the municipality; and

27 (ii) will generate property tax revenue after the
 28 exemption expires; or

29 (2) that [AND (3)] has not been used in the same trade or business in
 30 another municipality for at least six months before the application for deferral or
 31 exemption is filed; this paragraph does not apply if the property was used in the same

1 trade or business in an area that has been annexed to the municipality within six
2 months before the application for deferral or exemption is filed; this paragraph does
3 not apply to inventories.

AMENDMENT

OFFERED IN THE HOUSE

TO: HB 156

1 Page 1, lines 1 - 2:

2 Delete "a municipal tax exemption or deferral for economic development
3 property"

4 Insert "municipal property tax exemptions; extending a mandatory exemption
5 from municipal property taxes for certain assets of the Alaska Industrial Development
6 and Export Authority; and providing for an effective date by amending the effective
7 dates of sec. 2, ch. 10, SLA 2010, as amended by sec. 4, ch. 61, SLA 2012, and sec. 2, ch.
8 71, SLA 2010, as amended by sec. 5, ch. 61, SLA 2012"

9

10 Page 1, following line 3:

11 Insert a new bill section to read:

12 "* Section 1. AS 29.45.030(a) is amended to read:

13 (a) The following property is exempt from general taxation:

14 (1) municipal property, including property held by a public corporation
15 of a municipality, state property, property of the University of Alaska, or land that is
16 in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-
17 830, 70 Stat. 709, except that

18 (A) a private leasehold, contract, or other interest in the
19 property is taxable to the extent of the interest; however, an interest created by
20 an operating agreement or [A] nonexclusive use agreement between the
21 Alaska Industrial Development and Export Authority and a shipyard operator
22 or a user of an integrated transportation and port facility, if the shipyard or
23 integrated transportation and port facility is owned by the authority and

1 initially placed in service before January 1, 1999, is taxable only to the extent
2 of, and for the value associated with, those specific improvements used for
3 lodging purposes;

4 (B) notwithstanding any other provision of law, property
5 acquired by an agency, corporation, or other entity of the state through
6 foreclosure or deed in lieu of foreclosure and retained as an investment of a
7 state entity is taxable; this subparagraph does not apply to federal land granted
8 to the University of Alaska under AS 14.40.380 or 14.40.390, or to other land
9 granted to the university by the state to replace land that had been granted
10 under AS 14.40.380 or 14.40.390, or to land conveyed by the state to the
11 university under AS 14.40.365;

12 (C) an ownership interest of a municipality in real property
13 located outside the municipality acquired after December 31, 1990, is taxable
14 by another municipality; however, a borough may not tax an interest in real
15 property located in the borough and owned by a city in that borough;

16 (2) household furniture and personal effects of members of a
17 household;

18 (3) property used exclusively for nonprofit religious, charitable,
19 cemetery, hospital, or educational purposes;

20 (4) property of a nonbusiness organization composed entirely of
21 persons with 90 days or more of active service in the armed forces of the United States
22 whose conditions of service and separation were other than dishonorable, or the
23 property of an auxiliary of that organization;

24 (5) money on deposit;

25 (6) the real property of certain residents of the state to the extent and
26 subject to the conditions provided in (e) of this section;

27 (7) real property or an interest in real property that is

28 (A) exempt from taxation under 43 U.S.C. 1620(d), as
29 amended or under 43 U.S.C. 1636(d), as amended; or

30 (B) acquired from a municipality in exchange for land that is
31 exempt from taxation under (A) of this paragraph, and is not developed or

1 made subject to a lease;

2 (8) property of a political subdivision, agency, corporation, or other
3 entity of the United States to the extent required by federal law; except that a private
4 leasehold, contract, or other interest in the property is taxable to the extent of that
5 interest unless the property is located on a military base or installation and the
6 property interest is created under 10 U.S.C. 2871 - 2885 (Military Housing
7 Privatization Initiative), **if** [PROVIDED THAT] the leaseholder enters into an
8 agreement to make a payment in lieu of taxes to the political subdivision that has
9 taxing authority;

10 (9) natural resources in place including coal, ore bodies, mineral
11 deposits, and other proven and unproven deposits of valuable materials laid down by
12 natural processes, unharvested aquatic plants and animals, and timber;

13 (10) property not exempt under (3) of this subsection that

14 (A) is owned by a private, nonprofit college or university that is
15 accredited by a regional or national accrediting agency recognized by the
16 Council for Higher Education Accreditation or the United States Department
17 of Education, or both; and

18 (B) was subject to a private leasehold, contract, or other private
19 interest on January 1, 2010, except that a holder of a private leasehold,
20 contract, or other interest in the property shall be taxed to the extent of that
21 interest."
22

23 Page 1, line 4:

24 Delete "**Section 1**"

25 Insert "**Sec. 2**"
26

27 Page 3, following line 8:

28 Insert new bill sections to read:

29 "*** Sec. 3.** The uncoded law of the State of Alaska is amended by adding a new section to
30 read:

31 REVISOR'S INSTRUCTION. When implementing secs. 2 and 3, ch. 10, SLA 2010,

1 and sec. 2, ch. 71, SLA 2010, the legislature does not intend to retain the amendments to
2 AS 29.45.030(a)(1) made by sec. 1 of this Act, but does intend to retain the amendment to
3 AS 29.45.030(a)(8) made by sec. 1 of this Act.

4 * **Sec. 4.** Section 8, ch. 10, SLA 2010, as amended by sec. 4, ch. 61, SLA 2012, is amended
5 to read:

6 Sec. 8. Section 2, ch. 10, SLA 2010, takes effect November 30, 2027 [2017].

7 * **Sec. 5.** Section 10, ch. 71, SLA 2010, as amended by sec. 5, ch. 61, SLA 2012, is
8 amended to read:

9 Sec. 10. Section 2, ch. 71, SLA 2010, takes effect November 30, 2027 [2017]."

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

March 30, 2016

SUBJECT: Limitation on a municipality that is also a school district
(CSHB 370(CRA), Draft Version "H"; Work Order No. 29-
LS1551\H.2)

TO: Representative Cathy Tilton
Attn: Heath Hilyard

FROM: Susie Shutts *Susie Shutts*
Legislative Counsel

Attached is the amendment you requested to CSHB 370(CRA), Draft Version "H." This amendment aims to clarify the limitation on a municipality that is also a school district to offer an economic development property tax exemption for more than five years.

As I discussed with Mr. Hilyard, I could not find any case law or attorney general opinions that discuss the language that creates this limitation. Unfortunately, there was no discussion regarding this language during committee hearings on ch. 98, SLA 1989 (SCSCSHB272(FIN)AM S), which added subsection (m) to AS 29.45.050, from the 16th Legislature. The language creating the limitation on a municipality that is a school district was adopted as a floor amendment proposed by Senator Jay Kerttula on May 9, 1989.¹

However, ch. 98, SLA 1989, also added subsection (n) to AS 29.45.050, and the floor amendment adding the limitation for a municipality that is a school district to AS 29.45.050(m) also added this language to AS 29.45.050(n). This language was deleted from AS 29.45.050(n) by ch. 66, SLA 1993 (HB 211 am S), and during an April 1, 1993, House Community and Regional Affairs Committee hearing on HB 211, Scott Hawkins, President of the Anchorage Economic Development Corporation, testified that the language in AS 29.45.050(m) regarding school districts was created by:

A bill [that] went through actually in 1989. It hit the floor of the Senate in the last day or two of session. Somebody had a feeling in their heart that schools districts should always be able to levy taxes on any inventory whether it is held for export or otherwise and it was pulled off the floor and forcibly amended and we had to live with it until now. That is what we are going back and trying to clean up.

¹ 1989 Senate Journal 1866.

Representative Cathy Tilton
March 30, 2016
Page 2

It appears that the purpose of the limitation on a municipality that is a school district in AS 29.45.050(m) is to ensure that an exemption on economic development property will not result in taxation on that economic development property falling below taxation on other property that is taxed specifically for schools.

SLS:dla
16-361.dla

Attachment

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Juneau, Alaska 99801-1182
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MEMORANDUM

April 6, 2017

SUBJECT: Authority of an assembly or council to bind a future assembly or council (Work Order No. 30-LS0794)

TO: Representative Cathy Tilton
Attn: Heath Hilyard

FROM: Susie Shutts *Susie Shutts*
Legislative Counsel

You requested a legal opinion regarding whether a municipal assembly or council may bind a future assembly or council with regard to an optional municipal property tax exemption or deferral under AS 29.45.050. Specifically, could a future assembly or council repeal an ordinance providing for an optional tax exemption at any time, thereby nullifying any agreement between a municipality and a property owner for an exemption or deferral?

Yes, a future or current assembly or council could repeal an ordinance providing for an optional tax exemption. Just as one legislature cannot bind a future legislature, one municipal assembly or council cannot bind a future assembly or council.

The Alaska Supreme Court has noted that "[i]t is a well-established principle that one legislature cannot abridge the power of a succeeding legislature."¹ As you point out, a future legislature, municipal assembly, or city council could therefore amend or repeal any portion of a law adopted by a previous legislature, assembly, or council, respectively.

I am assuming that the type of agreement between a municipality and a property owner that you are referencing is one for payment in lieu of taxation (PILT). As explained in a March 27, 2017, memorandum to your office, even if state law were amended to authorize a municipality to enter into a particular PILT agreement, such a contract would raise a constitutional issue under art. IX, sec. 1, Constitution of the State of Alaska, which provides: "The power of taxation shall never be surrendered. This power shall not be suspended or contracted away, except as provided in this article." A court could find that a PILT agreement contracts away the state's, or a municipality's, power of taxation, in

¹ *Weiss v. State*, 939 P.2d 380, 397 (Alaska 1997).

Representative Cathy Tilton
April 7, 2017
Page 2

contravention of art. IX, sec. 1.² If, however, a court *were* to uphold a PILT contract, a future legislature or municipality may be precluded from changing an existing, valid contract under art. I, sec. 15, Constitution of the State of Alaska.³

SLS:mlp
17-187.mlp

² See, e.g., 2016 Op. Alaska Att'y Gen. (June 23, 2016) (opining that the state cannot enter into a contract that purports to prohibit the legislature from changing tax terms in the future, in disagreement with earlier attorney general opinions that concluded long-term, irrevocable tax exemptions were constitutionally permissible).

³ Art. I, sec. 15, Constitution of the State of Alaska, provides, in part "[n]o law impairing the obligation of contracts, [. . .] shall be passed."

Explanation of Section 5 (SB 100)

Contains amendments to AS 29.45.050(m) that provides the following:

- There is no time limit on an optional municipal property tax exemption or deferral for economic development properties;
- However, a municipality that is a school district may not exempt the district's required local contribution (2.65 mills) under AS 14.17.410(b)(2) only any education contribution that exceeds that base rate;
- A municipality may not exempt property taxes in special service areas if the service area is supervised by a board;
- Changes the qualifiers for the exemption "or" versus "and", meaning that any one of the qualifiers can make the property eligible for the exemption or deferral;

Representative Cathy Tilton

Alaska State Legislature – House District 12



SPONSOR STATEMENT – HB 156

(30-LS0602\A)

"An Act relating to a municipal tax exemption or deferral for economic development property."

AS 29.45.050(m) authorizes municipalities to exempt or defer all or parts of real and personal property taxes by ordinance for economic development purposes. This bill would remove the time limitation mandated by statute and authorize local governments to determine time periods appropriate for specific projects and according to their own needs and objectives.

The section presently allows a municipality to grant the exemption or deferral for up to five years, with options for renewal, and contains provisions for property eligibility, public notice, hearing and referendum, project goals, preserving mandated school funding tax equivalency, and criteria regarding previous use or taxation in the subject municipality or another municipality.

As the current budget deficit limits the State's ability to invest in economic development initiatives, municipalities will need to rely more on their own means to facilitate those projects. The current initial five year limitation does not provide the longer term certainty necessary for investors to commit to larger and more capital intensive projects.

HB 156 (Municipal Tax Exemptions) amends AS 29.45.050(m) to remove the requirement that a full or partial property tax exemption or deferral for economic development property be limited to five years, with possible renewals. This legislation would authorize a municipality's discretion to establish a full or partial property tax exemption or deferral over a designated period of time without limitation in state law, and to designate a period of time for an exemption or deferral that differs based on the type of economic development property. In addition, AS 29.45.050(m) would be amended to augment the requirements for eligibility for a full or partial property tax exemption or deferral for economic development property by including economic development property that involves a "significant capital investment in physical infrastructure" that expands the tax base of the municipality and that will generate property tax revenue after the exemption expires.

State Capitol Rm. 400
907.465.2199
Rep.Cathy.Tilton@akleg.gov

Fiscal Note

State of Alaska
2017 Legislative Session

Bill Version: HB 156
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB156-DCCED-DCRA-03-17-17
Title: MUNI TAX EXEMPTION: ECON DEVEL
PROPERTY
Sponsor: TILTON
Requester: (H) Community and Regional Affairs

Department: Department of Commerce, Community and
Economic Development
Appropriation: Community and Regional Affairs
Allocation: Community and Regional Affairs
OMB Component Number: 2879

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2018 Appropriation Requested	Included in Governor's FY2018 Request	Out-Year Cost Estimates				
			FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
OPERATING EXPENDITURES	FY 2018	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2017) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2018) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? **No**
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Not applicable, initial version.

Prepared By: Katherine Eldemar, Director	Phone: (907)465-8249
Division: Community and Regional Affairs	Date: 03/17/2017 12:00 PM
Approved By: Catherine Reardon, Director	Date: 03/17/17
Agency: Division of Administrative Services, DCCED	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 LEGISLATIVE SESSION

BILL NO. HB 156

Analysis

AS 29.45.050(m) provides local communities the ability to offer a full or partial optional property tax exemption or tax deferral to economic development property for up to five (5) years. HB 156 removes the 5-year limitation and allows local communities to specify their own "designated period" which could exceed five years.

Current law also allows local communities to renew a property tax exemption/deferral beyond five years with the exception that taxes for education cannot be a part of such a renewal. HB 156 would remove this requirement.

Current law specifies that an economic development property must meet the requirements of AS 29.45.050(m)(1), (2) & (3) to qualify for the exemption/deferral. HB 156 would require that an applicant qualify for only one of the criteria that are provided in the bill.

As this is an optional exemption, the local government would be required to maintain current valuations of the property and report them to the State Assessor for inclusion in the Full Value Determination for the community. The Division of Community and Regional Affairs does not anticipate a fiscal impact from this legislation.

Current Law

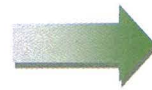
5 year cap with option for renewal.

Education funding (*Required Local Contribution*) may be exempted from new property tax revenue from new project for first 5 years. After that, must be accounted for before the remaining property tax revenue can be exempted or deferred under a renewal.



HB 156

5 year cap removed. Length of property tax exemption/deferral up to local government.



Education funding (*Required Local Contribution*) must still be funded but it is up to local government to decide what source of revenue to use, not required to use property tax revenue.

Adds new language in statute:

An exemption or deferral on the property enables a significant capital investment in physical infrastructure that expands the tax base of the municipality; and will generate property tax revenue after the exemption expires.

CASE STUDY OF CURRENT USE

RE: HB 156

AS 29.45.050(m)

From the Matanuska-Susitna Borough Assessor:

The land on which the sports center had an assessed value prior to construction of \$294,000. Today, the land and building have an assessed value of \$6,998,300. The approximate tax bill on the land prior to the exemption: \$4900. The average tax bill on the land and building today: \$102,500 and total taxes generated since the conclusion of the exemptions is \$615,100. Modeled after the actual fluctuations of the mill rate and assessed value, the undeveloped property would have generated an average of \$5200 with total taxes generated being \$31,500.

Here is a breakout of the tax exemption the MSB provided for the project:

2008 – 50% property tax exemption. Total exemption: \$48,000

2009 – 25% property tax exemption. Total exemption: \$24,400

2010 – 10% property tax exemption. Total exemption: \$9,900

Total exempted taxes (approximate): \$81,900

Increase tax revenues: \$583,500

ROI: 710% (approx.)

Guide to AS
29.45.050

Subsection	Purpose (short title)	Type (Exemption/Deferral/ Both)	Time Limit?	Length of Time Limit	Require Voter Approval?	Value Limitation?	Amount of Value Limitation	Notes
(a)	Residential	Exemption			x	x	\$50,000	
(b)	Non-Profit (historic sites, agricultural, UA)	Exemption	x (on one specific subsection - UA)	30 years				
(c)	Municipal	Adjustment						This provision allows a Borough to exempt property taxes in a city within its boundaries or a city to adjust its own property tax structure
(d)	Municipal	Grandfather						Grandfather clause for property exempted by or before September 10, 1972
(e)	Municipal	Exemption						Wetlands acquired for the specific purposes of scenic, conservation or public recreation
(f)	General	Exemption	x	4 years				Exemption on the increase in the assessed value of a property of which the value has increased as a result of improvements from maintenance or other alterations
(g)	Residential	Exemption	x	2 years				Exemption on the increase of the assessed value to a single family dwelling to which the improvement was principally designed to increase occupancy.

(h)	Fire	Exemption						Limited to improvements on property of a fire protection service or personal property affixed to it
(i)	Residential	Exemption					x \$150,000	Applies to property owned and occupied by a person who is 65 years or older and a disable veteran or Territorial Guard member; OR 60 and a widow or widower of a person qualified in the above subsection
(j)	Municipal - timber	Exemption	x	5 years	x		x May not exempt more than 75% of the applicable property tax	Applies to property used specifically for timber processing
(k)	Municipal - pollution	Exemption	x	5 years	x			Applies to property of pollution control facilities as determined by the EPA or ADEC
(l)	Residential - low income	Exemption/PILT						Applies properties developed or acquired by federal funds for low-income housing or managed as low-income by AHFC or a regional housing authority
(m)	General - Economic Development	Both	x	5 years with 5 year extension				Being amended by SB 106 for no time limit
(n)	Commercial	Exemption						Allowance for ordinance to classify and exempt inventories intended for export outside the state.
(o)	General - Deteriorated Property	Both	x	10 years				This section has numerous and complex specifications about how this exemption or deferral is to be used.
(p)	General - AIDEA	Exemption/PILT						Applies to property, assets or projects of AIDEA

(q)	General - Timber (insect infestation)	Exemption					Only to the increase in the assessed value of the property resulting from timber harvest	Specifically applies to timber properties that are insect-infested or at risk of being insect-infested.
(r)	Residential - Fire Fighters	Exemption				x	\$10,000 on the assessed value	Applies to residences of volunteer fire fighters who are certified as a fire fighter by DPS.
(s)	Residential - Widows/Widowers of slain armed service members	Exemption						Applies to residences of widows/widowers of armed forces members who die while in service or die as a result of injuries received while in service.
(t)	General - Farming	Exemption				x		Applies to farm structures used exclusively for farming activity.
(u)	General - Charter Schools	Exemption						Applies to any privately owned real property acquired for the use as a charter school.
(v)	General - Military Facility Zones	Exemption	x	10 years				Applies to properties that supports industry, development or educational opportunities directly related to facilities serving military installations.
(w)	General - Subdivisions	Exemption	x	5 years			Limited to the increase in the assessed value of the property as a result of being subdivided.	

Part 3 - Property Taxation

Table 5
HISTORICAL SUMMARY OF MUNICIPAL PROPERTY TAX RATES
Tax Years 2013-2015

Mill levies are listed for the cities located within the municipality. The mill rates will not be listed for all service areas; however, a range of mill rates is presented for each municipality. For a specific service area mill rate, contact the local municipal assessment office. An assessment jurisdiction mailing list can be found at the end of this publication.

Municipality	MILL RATES		
	2013	2014	2015
Municipality of Anchorage: (Unified Home Rule)			
General Government	(0.43) *	(0.48) *	(0.14) *
Education	7.35	7.06	6.84 <i>May not be exempted after year 5</i>
Fire	2.21	2.44	2.22
Roads/Drainage	2.60	2.36	2.31
Police	3.23	3.01	2.93
Parks & Recreation	0.60	0.59	0.54
Total	15.56	14.98	14.70 <i>Total exemption possible for year 1-5</i>
Smallest Mill Rate Reported:	6.7		7.86 <i>Total exemption possible after year 5</i>
Largest Mill Rate Reported:	15.14		
Total Number of Service Areas Reported:	43		

*Areawide mill rate credit represents property tax relief based on additional State Revenue Sharing approved by the 2015 Alaska Legislature. Revenue cap set at previous year's revenue plus Consumer Price Index, new construction, bonding, voter approved services, taxes for new judgments, and special appropriations on an emergency basis.

Bristol Bay Borough: (Second Class)

General Government	8.50 *	8.50 *	8.50 *
Education	4.50	4.50	4.50
Total	13.00	13.00	13.00

No tax cap. Mill rate is areawide. *No further breakdown.

Fairbanks North Star Borough: (Second Class)

City of Fairbanks: (Home Rule)

School & Library Bonds	0.5900	0.6690	0.7810
General Government (Boro)	4.7100	4.8560	4.3020
General Government (City)	5.7160	5.5490	5.6780
Education	5.9160	5.8310	6.5160
Total	16.9320	16.9050	17.2770

Smallest Mill Rate Reported: 5.6780 North Pole: 16.4490 (Includes Boro)
Largest Mill Rate Reported: 35.9940 Borough Levy: 13.4560
Total Number of Service Areas Reported: 156

Revenue cap set at previous year's revenue plus CPI, new construction, bonding, voter approved services, taxes for new judgments and special appropriations on an emergency basis.



March 15, 2017

**Representative Cathy Tilton
Alaska House of Representatives
State Capitol, Room 400
Juneau, AK 99801**

**Representative Jason Grenn
Alaska House of Representatives
State Capitol, Room 418
Juneau, AK 99801**

Re: Letter of Support, HB 156

Dear Representatives Tilton and Grenn:

The Anchorage Economic Development Corporation (AEDC) has nearly 30 years' experience in providing economic research, business assistance, and economic development initiatives to the Southcentral region. Our Investor companies represent over 250 of the largest businesses in Alaska across every sector of the economy and are some of the largest employers in the state.

I would like to encourage passage of Senate companion bill to House Bill 156 ("An Act relating to a municipal tax exemption or deferral for economic development property"). This bill, which proposes meaningful amendments to Alaska Statute 29.45.050 ("Optional exemptions and exclusions") subsection (m), could be tremendously helpful for local economic and community development throughout all of Alaska.

AS 29.45.050.m grants local jurisdictions the ability to "partially or totally exempt all or some types of economic development property from taxation for up to five years," giving local jurisdictions a tool to incentivize new economic activity and industry in Alaska communities.

While on its face this sounds like a useful tool for communities to pursue their economic and community development objectives, the definition of "economic development property" within this statute is limited to property that:

1. has not previously been taxed as real or personal property by the municipality;
2. is used in a trade or business in a way that
 - a. creates employment in the municipality;
 - b. generates sales outside of the municipality of goods or services produced in the municipality; or



- c. materially reduces the importation of goods or services from outside the municipality; and
3. has not been used in the same trade or business in another municipality for at least six months before the application for deferral or exemption is filed.

These criteria are overly onerous for cities and is the primary reason that no local jurisdiction, to my knowledge, has ever used this tax abatement tool. In fact, the requirements of AS 29.45.050(m) creates an unnecessary roadblock to creative economic development municipal incentives precisely when Alaska communities need it most.

For example, imagine that a company wants to buy an old warehouse building, tear it down, and build a new high-tech jet engine repair facility that will employ 60 people. Despite the positive economic benefits of a project like this, the current statute does not allow a city to provide property tax incentives because the property (a) was previously taxed; (b) does not generate sales outside of the city; (c) requires importing high-tech engine parts (goods) from outside Alaska; and (d) while it may be the only "jet" engine repair facility, it would not be the only "aircraft" engine repair facility and would not be able to meet criteria #3 of the statute.

AS 29.45.050(m) in its current form is overly onerous, too narrowly constructed, and takes a "one-size-fits-all" approach to economic and community development. Our communities are all different, and a truly effective tool would be one that provides local control over property tax-based incentives. Alaska's local communities know their own economic and community development objectives, so Alaska's local communities should have the power to determine how to achieve those objectives.

Modifying AS 29.45.050 (m) has the potential to give Alaska cities the flexibility they need to create local incentives that encourage the economic and community development goals specific to that community. In times of economic downturn like Alaska is experiencing now, tools like this provide communities with a way to invest in themselves that can pay dividends in the future. And best of all, this tool comes at no cost to the State of Alaska.

HB 156 will make important changes to AS 29.45.050.m that have the potential to give communities one more tool to use in their economic development (and self-sufficiency) efforts. HB 156 is necessary legislation if the Legislature truly desires to empower Alaska municipalities to be more self-sufficient and successful in the face of the economic headwinds they face in the coming years.

Sincerely,

A handwritten signature in blue ink, appearing to be "Bill Popp", written over a circular stamp or mark.

Bill Popp
President & CEO

CITY OF SEWARD

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- Harbor (907) 224-3138
- Fire (907) 224-3445
- City Clerk (907) 224-4046
- Community Development (907) 224-4049
- Utilities (907) 224-4050
- Fax (907) 224-4038

March 15, 2017

Representative Cathy Tilton
State Capitol Room 400
Juneau, AK 99801

We write to support HB 156, an Act relating to municipal tax exemptions.

As State capital and operating budgets are reduced, local governments will have to find more creative ways to facilitate economic development projects. Tax exemption or deferral, with some restrictions, is a tool currently available to local governments, but is currently limited by statute (AS 29.45.050-m), to an initial five year term.

That may have worked well enough for some smaller projects, but today's larger and more capital intensive developments can't find enough certainty in a five year agreement that might not be renewed as part of a viable business plan. We believe that municipalities acting in their own interest would be better served by removing the five year restriction.

This bill removes the five year mandate, and adds protections requiring that the significant capital investment expand the tax base of the municipality and thereby increases tax revenues after the exemption or deferral expires.

The City of Seward has enjoyed tremendous State support in developing the Seward Marine Industrial Center Phase One. As we get nearer to Phase Two and beyond, we recognize that private capital will have to play a bigger role, and believe a broader range of options such as this bill will help us and local governments across the state in finding solutions.

Sincerely,

Ron Long,
Assistant City Manager