

**SB**

**106**

<TARGET><BILL>SB 106</BILL><SUBJECT>SB  
106</SUBJECT><COMM>SCRA30</COMM></TARGET>

# 30<sup>th</sup> Alaska State Legislature

Judiciary Committee

Chairman

Resources Committee

Vice-Chair

Education Committee

Vice-Chair

State Affairs Committee

Select Committee on Legislative

Ethics

Joint Armed Services Committee



**Senator John Coghill**

Session Address:  
State Capitol, Room 119  
Juneau, AK 99801-1182  
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## SPONSOR STATEMENT – SB 106

AS 29.45.050(m) addresses the authority of municipalities to exempt or defer all or parts of real and personal property taxes by ordinance for economic development purposes.

First, it removes the time limitation in statute and authorizes local governments to determine time limits appropriate for specific projects according to each municipality's own needs and objectives.

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. This legislation would authorize a municipality the discretion to establish a full or partial property tax exemption or deferral over a designated period of time on a case-by-case basis.

In addition, SB 106 would add to the eligibility for economic development property that involves a "significant capital investment in physical infrastructure", expanding the tax base of the municipality and generating property tax revenue after the exemption expires.

Lastly, SB 106 addresses a current municipal property tax exemption mandating a 2% property tax exemption for construction of new structures if that new construction includes sprinkler systems. This statute was adopted at a time when municipal building codes didn't already require the inclusion of sprinkler systems in new construction projects. The exemption would now be optional.

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## SECTIONAL – SB 106

**Section 1.** Removes the five year limitation on economic development property exemptions and deferrals. Removes renewals provision and the limit on property tax exemptions for renewals.

(m)(1) Eligibility for economic development property exemption is based on one qualifier instead of multiple qualifiers.

Adds a qualifier for property development that “enables a significant capital investment in physical infrastructure that:

1. Expands the tax base of the municipality; and
2. Will generate property tax revenue after the exemption expires.

**Sec. 2.** Eliminates a mandated tax exemption for a fire protection system up to 2% of the value of the structure. SB 106 makes the exemption optional.

**SENATE COMMITTEE REPORT  
First Committee of Referral**

DATE: 4/5/17

FURTHER: State Affairs

DATE TURNED IN TO OFFICE: 4/12/17

Community and Regional Affairs Committee considered SENATE BILL NO. 106

SB 106-MUNI TAX EXEMPTION: ECON DEVEL PROPERTY

"An Act relating to a municipal tax exemption or deferral for economic development property; and relating to a municipal tax exemption for a fire protection system."

and recommends:

- be replaced with CS SB 106 (CRA)  Same Title  New Title
- adopt previous CS \_\_\_\_\_ (\_\_\_\_\_)  Same Title  New Title
- attached amendment(s)
- adopt \_\_\_\_\_ Letter of Intent
- further referral to \_\_\_\_\_ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
EED	MVA
EC	DNR
G	DPS
	REV
	DOT
	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CED			✓	1

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

Chair

PROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Clair Bishop</i>	Bishop	✓			
<i>Beta Gardner</i>	Gardner	✓			
<i>Steve...</i>	STEVE...			✓	
<i>[Signature]</i>		✓			
CHAIR:					

# Fiscal Note

State of Alaska  
2017 Legislative Session

Bill Version: SB 106  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB106-DCCED-DCRA-04-07-17  
Title: MUNI TAX EXEMPTION: ECON DEVEL  
PROPERTY  
Sponsor: COGHILL  
Requester: (S) 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	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2018 Request	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>OPERATING EXPENDITURES</b>	<b>FY 2018</b>	<b>FY 2018</b>					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
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>

**Fund Source (Operating Only)**

None							
<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>

**Positions**

Full-time							
Part-time							
Temporary							

**Change in Revenues**

None							
<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>

**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  
Division: Community and Regional Affairs  
Approved By: Catherine Reardon, Director  
Agency: Division of Administrative Services, DCCED

Phone: (907)465-8249  
Date: 04/07/2017 06:00 PM  
Date: 04/07/17

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2017 LEGISLATIVE SESSION

BILL NO. SB106

**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. SB 106 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. SB 106 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. SB 106 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.

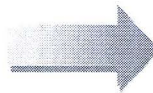
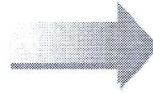
This legislation also moves the exemption for fire protection systems from a mandatory exemption to a voluntary exemption.

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.



## SB 106 Provisions

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.

30-LS0797D  
Shutts  
4/6/17

**CS FOR SENATE BILL NO. 106( )**

IN THE LEGISLATURE OF THE STATE OF ALASKA  
THIRTIETH LEGISLATURE - FIRST SESSION

**BY**

**Offered:**  
**Referred:**

**Sponsor(s): SENATOR COGHILL**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to a municipal tax exemption or deferral for economic development**  
2 **property; and relating to a municipal tax exemption for a fire protection system."**

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** [UP  
7 TO FIVE YEARS. THE MUNICIPALITY MAY PROVIDE FOR RENEWAL OF  
8 THE EXEMPTION UNDER CONDITIONS ESTABLISHED IN THE  
9 ORDINANCE. HOWEVER, UNDER A RENEWAL, A MUNICIPALITY THAT IS  
10 A SCHOOL DISTRICT MAY ONLY EXEMPT ALL OR A PORTION OF THE  
11 AMOUNT OF TAXES THAT EXCEEDS THE AMOUNT LEVIED ON OTHER  
12 PROPERTY FOR THE SCHOOL DISTRICT]. A municipality may by ordinance  
13 permit deferral of payment of taxes on all or some types of economic development  
14 property for **a designated period** [UP TO FIVE YEARS. THE MUNICIPALITY

4,900  
100% annually  
650,000

1 MAY PROVIDE FOR RENEWAL OF THE DEFERRAL UNDER CONDITIONS  
2 ESTABLISHED IN THE ORDINANCE]. A municipality may adopt an ordinance  
3 under this subsection only if, before it is adopted, copies of the proposed ordinance  
4 made available at a public hearing on it contain written notice that the ordinance, if  
5 adopted, may be repealed by the voters through referendum. An ordinance adopted  
6 under this subsection must include specific eligibility requirements and require a  
7 written application for each exemption or deferral. In this subsection, "economic  
8 development property" means real or personal property, including developed property  
9 conveyed under 43 U.S.C. 1601 et seq. (Alaska Native Claims Settlement Act) [,  
10 THAT]

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

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

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

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

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

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

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

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

24 (ii) will generate property tax revenue after the  
25 exemption expires; or

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

1 \* **Sec. 2.** AS 29.45.050 is amended by adding a new subsection to read:

2 (y) A municipality may by ordinance exempt from taxation up to two percent  
3 of the assessed value of a structure if the structure contains a fire protection system  
4 that is approved under AS 18.70.081, in operating condition, and incorporated as a  
5 fixture or part of the structure. An exemption under this subsection is limited to an  
6 amount that does not exceed two percent of the value of the structure based on the  
7 assessment

8 (1) for 1981, if the fire protection system was a fixture of the structure  
9 on January 1, 1981; or

10 (2) as of January 1 of the year immediately following the installation  
11 of the fire protection system, if the fire protection system became a fixture of the  
12 structure after January 1, 1981.

13 \* **Sec. 3.** AS 29.45.030(I) is repealed. *2% sprinkler*

*Sec*