

330

HCRA

HB 70

-

HB 87

Levy and Computation of license fee -

- (a) by maintaining \$55 flat fee is additional fee based on one-half of one % of the gross receipts in excess of \$20,000 (exception all gross volume in excess of \$100,000 a yr. is taxed at rate of 1/4 of 1% : What impact will this have upon object 5Pm. 1, 1980 ?
- license for privilege of taking orders through order ^{it} is not ~~there~~ conceivable that gross volume may not be included if delivery is made elsewhere - any way of knowing impact

(d) under sec. 38(b) of this chapter

43.70.040. Reversal and Determination of license Tax

43.70.110. Repeal of definition "gross receipts"

Note: All money collected by the department (licensing) shall be deposited in the general fund. Dept. of Revenue shall refund to each org. borough and each city of any share 60% of the money collected in the local gov't.

Mick McCormick - (1-21) 11:05

- revenue loss would be based on 1976^A he will compute and send to us today
- possibility of a projection out to 1980 is conceivable -
- editorial comment -

Palmer - 1st week in February - for fiscal note

2-7 - combine license tax

Lee Shape - legislative response - establishment of set of both burden and priorities
meeting dollar amount (sub section 30-1) reflection of legislative recognition of increasing dollar costs -
- units & dollars as he sees it match up &
new sections transportation & hospitals did fee up some additional monies.

Mr. Berry - supported repeal of gross business license tax & RS bill / 100% endorsement of Alaska Municipal League.

? How will this result in decrease in property taxes - local gov't feels that property taxes have been kept down.

Palmer - RS recog. contribution to state from municipality by existing programs and does not come close to covering (Ad hoc after ~~repacking~~ a service not as start-up)
Not incentive to provide and operate a program - the monies are just not substantial enough

Hospital Section - "as the municipality may elect"
in terms of bed dollars

- Ms. Smith's career after language - confusion
- Also Fair Mardal clause in conjunction with CAA who has authority to make that determination
- Section 1140 paragraph 2 line 11 p. 9.
municipalities inside bureau incorporating in order to attain RS (don't want to encourage the

040. enacted in 76 -
still remains - debate

2-8 - Palmer - (cont.) fiscal effects
reduced by Governor (\$17 mil. 5)

new legislation that would provide new categories -

HB 70 - slightly over 25 mil -

Larger municipalities that would benefit due to new categories -

- Question: work figures / available by community
Able to fund 95.78% - for this current year program ready to send out checks (2 weeks)
This year provisioning - allow it to carry over to following year.

Mr. Burns:

- * Move for letter of intent - Merle Snider
- * Draft to clarify the language - Smith to get specific
- * Amendment PASSED - Rudd

~~1/18~~

2-9 Sally Smith -

Proposed CS for 2-10 by Barrier

2-10 Look into this particular paragraph

HB

72

Municipality of Anchorage



POUCH 6-650
ANCHORAGE, ALASKA 99502
(907) 274-2525

GEORGE M. SULLIVAN,
MAYOR

OFFICE OF THE MAYOR

January 28, 1977

The Honorable Lisa Rudd,
Chairwoman of House Community
and Regional Affairs Committee
The House of Representatives
Pouch V
Juneau, Alaska 99811

Regarding House Bill No. 72: Historical Districts


Dear Representative Rudd:

It was recently brought to our attention that along with others you are sponsoring the subject bill on establishment of Historical Districts. I have also been informed that the Anchorage Historical Landmarks Preservation Commission has reviewed the bill and endorses it.

Our community is under tremendous pressure for development in areas where some of our older buildings are located. We are very much interested in trying to preserve these landmarks of our past. Just last week, the Municipality entered into a contract with an historic preservation specialist, Mr. Michael Carberry, to conduct a survey of our older structures. Your bill should help us considerably in attempting to establish an historic district encompassing these treasures of our past.

The Municipal Administration endorses the proposed bill and would like to support any efforts you are making to get it approved by the legislature.

Sincerely,

for 
George M. Sullivan,
Mayor

GMS:pl

cc: Samuel Coxson
Katharine Crittenden

Enclosures:10



Municipality of Anchorage



POUCH 6-650
ANCHORAGE, ALASKA 99502
(907) 274-2525

GEORGE M. SULLIVAN,
MAYOR

PLANNING DEPARTMENT

HISTORICAL LANDMARKS PRESERVATION COMMISSION

January 28, 1977

The Honorable Lisa Rudd,
Chairwoman of House Community
and Regional Affairs Committee
The House of Representatives
Pouch V
Juneau, Alaska 99811

Regarding House Bill No. 72: Historical Districts

Dear Representative Rudd:

Lisa!

The Municipality of Anchorage Historical Landmarks Preservation Commission is pleased to announce that in their regular meeting of January 25, 1977 House Bill Number 72 pertaining to creation of Historical Districts was formally and unanimously endorsed.

As you may be aware, our community is currently struggling to preserve some of our older landmarks and attempting to establish a district. These efforts are being conducted under dynamic circumstances where development pressures are forcing the replacement of older homes and buildings by high rise structures on a daily basis.

It is gratifying to the Commission that our State legislators are cognizant of our situation. We deeply appreciate your support. Your proposed Bill will aid us immeasurably in our activities in Anchorage.

As a result of your efforts, the lives of countless future residents and visitors of Alaska should be enriched through experiencing the fascinating historical and cultural foundations of our community.

Sincerely,

Katharine C. Crittenden

Katharine C. Crittenden, Chairwoman
Historical Landmarks Preservation Commission

KC:pl

cc:Mayor Sullivan/Samuel Coxson

Enc:10



COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

LISA RUDD, CHAIRMAN

HOUSE OF REPRESENTATIVES

JUNEAU, ALASKA.

* WE, THE UNDERSIGNED, OPPOSE HB72. IT WOULD ALLOW ANY PROPERTY TO BE INCLUDED WITHIN AN HISTORIC DISTRICT ONLY BECAUSE OF ITS PROXIMITY TO STRUCTURES SELECTED AS HISTORIC. THIS DESIGNATION COULD EVENTUALLY HAVE AN ADVERSE EFFECT UPON DEVELOPMENT OF THE NON-HISTORIC PROPERTY. NO APPOINTIVE BODIES SHOULD HAVE THE RIGHT TO TAKE BINDING ACTION AFFECTING PRIVATE PROPERTY WITHOUT STRICT ADHERENCE TO PROFESSIONALLY ACCEPTED STANDARDS FOR ESTABLISHING HISTORIC SIGNIFICANCE. POSSIBLY UNQUALIFIED PERSONS COULD, IN THEIR ZEAL, ADVERSELY AFFECT THE RIGHTS OF OTHERS. WE URGE NO ACTION BE TAKEN ON HB72.

* SEE ATTACHED LIST OF SIGNATURES.

(Ref. Nola Campbell - 277-4008

Janet Goetz - 277-2072)
(Goetz)

WE THE UNDERSIGNED give our permission to have our names appear on the attached telegraphic message to the Alaska State Legislature re House Bill No.72.

<u>NAME</u>	<u>Date</u>	<u>NAME</u>	<u>Date</u>
1. HARLAND W. DAVIS	10 FEB. '77	26. JOHN S. SWISS	
2. J. DOUGLAS WILLIAMS	11	27. MORRIS S. BOLINGER	
3. Alma E. Hicks		28. PATRICIA A. HIEBERT	
4. JOHN M. STERN JR.		29. A. G. HIEBERT	
5. ELAINE G. SWISS		30. RODERIC S. CARPENTER	
6. F.M. SWALLING		31. ROLPH S. HANSON	
7. DENNIS O'BRIEN		32. PAUL J. NANGLE	
8. RAYMOND A. NESBETT		33.	
9. JESS G. ADAMS		34.	
10. JANET C. GOETZ		35.	
11. NOLA H. CAMPBELL		36.	
12. RICHARD W. ADAMS		37.	
13. D. H. CUDDY		38.	
14. PATRICIA A. HOUSTON		39.	
15. CLYDE C. HOUSTON		40.	
16. ELIZABETH JOHNSON		41.	
17. MYRTLE STALNAKER		42.	
18. ALLEN L. JEWELL		43.	
19. GEORGIA M. BOLINGER		44.	
20. FRANKLIN C. LANDSTROM..		45.	
21. JEAN M. DONATELLO		46.	
22. EVELYN E. MARTIN		47.	
23. JOHN . GOETZ		48.	
24. BETTY M. CARPENTER		49.	
25. ESTHER BYRNES		50.	



February 11, 1977

Mr. P. J. Nagle
1010 Christensen Drive
Anchorage, Alaska 99501

Dear Mr. Nagle:

Enclosed is a copy of H.B. 72, An Act relating to the creation of historical districts within municipalities. Perhaps you misunderstood the intent of the legislation. The bill in no way takes away property with or without compensation. H.B. 72 establishes historical districts and allows individuals owning property within the districts to become eligible for low-interest long-term loans.

I hope this clarifies any questions you may have had concerning my bill.

Sincerely,

A handwritten signature in cursive script that reads "Mike Miller".

Mike Miller

bcc: Lisa Rudd

REPRESENTATIVE

MIKE MILLER

ALASKA STATE LEGISLATURE

P.O. Box 1494

JUNEAU, ALASKA 99802

HOME PHONE (907) 586-3067

LEGISLATIVE PHONE (907) 465-3739

HOUSE MAJORITY LEADER

CHAIRMAN, LEGISLATIVE COUNCIL

MEMBER, RULES COMMITTEE

MEMBER, RESOURCES COMMITTEE

HB

75

STATE
of ALASKA

MEMORANDUM

TO: House Community & Regional Affairs
Committee
The Alaska State Legislature

DATE : May 19, 1977

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT: CSHB 75

I have reviewed the recent version of the referenced bill. While it addresses some of the concerns which I mentioned previously to the committee, there are still several very important issues which are not addressed.

First, there is no limitation in the bill as to how large a population center or centers would be necessary to place this in effect. For example, the City of Hoonah could decide to adopt the municipal income tax which would necessitate our putting into effect the full administrative procedures necessary to carry out this legislation. The cost of the administrative procedures would far outweigh any income which the municipality might receive from the tax. I strongly urge the committee to consider placing a restriction in the law which would make the tax effective only after a city or cities in the State, comprising a certain percentage of the State population, have opted to enact the municipal income tax.

In subsection B of page 1 of the bill, there is a provision that a municipality may impose, modify, or repeal the income tax only after giving 120 days notice to the Commissioner of the Department of Revenue. That simply is not enough time for us to make the necessary adjustments to the tax forms prior to printing them for that year. I strongly urge that the provision be changed to read that the tax may be imposed, modified, or repealed "only after first giving notice to the Commissioner of Revenue not later than July 1 of the previous year".

Subsection C on page 1 states that the income tax may not exceed 50 percent of the liability of the taxpayer under AS 43.20. I strongly recommend that a definition of liability be placed in the bill so that it is clear which liability figure is to be used. Is it to be the initially computed liability, the liability after deducting some or all credits, or the liability after deducting credits and adding in additional taxes due?

In subsection E on page 2 it should still be recognized that determining the source of the income will be difficult since we will have to go by mailing address. As I am sure the committee realizes, many people live in one area and have their mail delivered in a different area.

In section 3 of the bill, on page 2, the new phrase added reference to a municipality which levies "and collects" a tax on net income. In this version of the bill, which provides for the State of Alaska to collect the tax for the municipality, it would appear that you might want to delete the words, "and collects".

Let's wait on this one

OK

OK

OK

*let's
leave
out*

With regard to the concept of allowing the tax to be deducted in a subsequent year on the Alaska income tax return, this would establish a precedent which is not normally allowed in an income tax. It should be remembered that the municipal tax, being based on the Alaska income tax, would be reduced by the allowance of the deduction of the tax previously paid. As I am sure the committee is aware, the Alaska income tax paid in one year is not deductible in the next year on the Alaska income tax return.

*leave
at 5%
for now*

In subsection C of section 7 of the bill, it is noted that the administration costs will be allowed up to 5 percent of the amount of tax payable to a municipality. First, I feel that the change from 2 percent to 5 percent is a good one. Second, this will only be valid if the limitation is placed on how large a population must be represented before the municipal income tax is placed into effect.



Matanuska-Susitna Borough, Inc.

BOX B, PALMER, ALASKA 99645 • PHONE 745-3246

DEPARTMENT OF ADMINISTRATION

April 29, 1977

Ms. Lisa Rudd, Chairman
House Community & Regional
Affairs Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Ms. Rudd:

Subject: House Bill 75

On several occasions the Matanuska-Susitna Borough Assembly has sought alternative revenue sources in order to reduce property taxes.

Since HB 75 would permit municipal income taxes under certain conditions, this Borough favors HB 75 and encourages its passage--hopefully with a provision that the State Department of Revenue could assist municipalities to collect local income taxes.

Very truly yours,

Wesley M. Howe
Borough Manager

WMH:er

cc: Alaska Municipal League
Representative Al Ose

February 10, 1977

TO: LISA
FROM: JUDITH

PER: Sam Coxson

Municipality of Anchorage supports HB75 on basis
of increased flexibility of local taxing authority.

Ted Burns will not be at our meeting tomorrow [2/11/77]

Call taken at 2:15 p.m.

CITY OF SEWARD



P. O. BOX 337
SEWARD, ALASKA 99664

CITY MANAGER	224.5214
COMPTROLLER	224.5216
INFORMATION	224.5215
CITY POLICE	224.5201

February 15, 1977

MS. LISA RUDD, CHAIR
ALASKA STATE LEGISLATURE
HOUSE COMMUNITY & REGIONAL AFFAIRS COMMITTEE
Pouch V - State Capitol
Juneau, AK 99811

HB 75 - BOROUGH AND CITY INCOME TAX AUTHORITY

At its meeting of February 14, 1977, the Seward City Council voiced opposition to House Bill 75, authorizing boroughs and cities to levy income taxes. The Council unanimously felt this was an authority which should not be granted to the local governmental bodies.

The Council requests that this opinion of HB 75 be considered during the hearings to be held this week.

JOANNE E. SHANLEY
CITY CLERK-TREASURER



CITY of BETHEL

P. O. Box 388 • Bethel, Alaska 99559

543-2297 — Area Code 907

P.C.
A-3-10

March 29, 1978

Representative Lisa Rudd
Chairperson, Community & Regional Affairs Committee
Pouch V
Juneau, Alaska 99811

Dear Representative Rudd:

At the regular meeting of the Bethel City Council held on March 27, 1978, Council passed Resolution No. 229, endorsing sponsor substitute for House Bill No. 75, "AN ACT AUTHORIZING A BOROUGH OR CITY TAX ON NET INCOME."

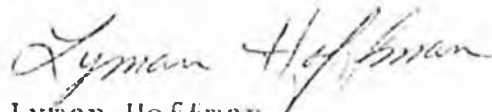
Although there seems to be some problem whether you tax individuals that reside in the community or the ones that work in the community it is felt by the Bethel City Council that a City income tax on net income would be a more equitable form of taxation than a property tax.

If this bill was passed by the legislature it would also give municipalities another option under taxation which could eventually improve services at the local level because the Communities would have a wider choice of ways to fund different services and programs.

In the Bethel area where a large portion of the citizens depend on subsistence as a way of life and own property, a tax on property would jeopardize their choice to live off the land. It is for this reason as well as giving each municipality an option in taxation that the City of Bethel endorses this legislation and encourages the State legislature to pass and approve it.

If you should need any additional information in regard to the City's position on this piece of legislation, do not hesitate to contact Me.

Sincerely,


Lyman Hoffman
City Manager

LH:lf "Deep Sea Port and Transportation Center of the Kuskokwim"

CITY OF BETHEL, ALASKA
RESOLUTION NO. 229

A RESOLUTION OF THE CITY OF BETHEL, ALASKA ENDORSING THE SPONSCR SUBTSITUTE FOR HOUSE BILL NO. 75, A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING A BOROUGH OR CITY TAX ON NET INCOME."

WHEREAS, a Municipal Tax on net income would provide an additional option of taxation other than sales tax, personal property tax, or real property tax to an assembly or council of a municipality, and

WHEREAS, this Municipal Income Tax would not become effective unless the residents of the municipality, by referendum, enacted an ordinance adopting a local income tax, and

WHEREAS, the United States Federal Government as well as the Alaska State Government do levy a individual income tax to support governments services, and

WHEREAS, the Council believes that a municipal income tax would be a more fair and equitable form of taxation then the sales tax, personal and real property tax.

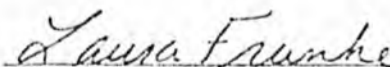
NOW THEREFORE BE IT RESOLVED THAT The City of Bethel, Alaska endorses the Sponsor Substitute of House Bill No. 75, a bill for an act entitled: "An Act Authorizing a Borough or City Tax on Net Income." and would endorse a similar bill if introduced in the Senate and encourages the State Legislature to pass and approve this important piece of legislation.

PASSED, APPROVED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF BETHEL, ALASKA THIS 23 DAY OF March, 1978.

APPROVED:


MAYOR

ATTEST:


CITY CLERK

*What will
Fbr. for instance
lose in sales tax?
ask Dept of Rev. What inc.
tax wd. bring in?*

*30 copies of each
35 copies of 202*

Introduced: 5/25/77
Referred: Community & Regional
Affairs, Judiciary and Finance

1 IN THE HOUSE BY PARR AND COWPER

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 75

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing a borough or city tax on net
7 income."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 29.53 is amended by adding a new section to read:

10 ARTICLE 6. MUNICIPAL TAX ON NET INCOME.

11 Sec. 29.53.500. TAX ON NET INCOME. (a) The assembly or council
12 of a municipality may, by referendum, enact an ordinance adopting by
13 reference a local income tax imposed upon individual residents and
14 corporations doing business within the municipality. The tax shall be
15 a percentage of the liability of the resident or corporation of the tax
16 imposed under the Alaska Net Income Tax (AS 43.20).

17 (b) An ordinance enacted in accordance with the provisions of
18 this section shall impose a rate of tax for the next calendar year and
19 may provide that the tax rate shall continue in effect for each succeed-
20 ing calendar year until the tax rate is modified by a subsequent ordi-
21 nance. A municipality imposing an income tax may repeal the tax. A
22 municipality may impose, modify or repeal an income tax only after first
23 giving notice to the commissioner of revenue not later than July 1 of the
24 previous year. Enactment, modification or repeal of an income tax
25 authorized by this section shall become effective only on the first day
26 of a calendar year.

27 (c) An income tax imposed by a municipality under this section may
28 not exceed 50 per cent of the liability of the taxpayer under AS 43.20
29 after deduction of credits and inclusion of additional taxes due.

1 (d) An income tax imposed under this section shall be administered
2 by the commissioner of revenue, who shall collect and account for the
3 revenue in the manner provided in AS 43.20.360.

4 (e) A borough may preempt an income tax levied by a city under
5 this section by adopting an areawide income tax. The commissioner shall
6 refund the taxes collected within the borough to the borough and all
7 cities within the borough in proportion to the amount of income tax
8 revenue raised by each city within the borough unless the borough and
9 all cities within it mutually agree on a different method of sharing.

10 (f) A municipality may levy the tax authorized under this section
11 if it levies and collects not more than one of the following taxes
12 authorized by law:

13 (1) sales taxes, authorized by sec. 415 of this chapter;

14 (2) personal property taxes, authorized by sec. 10 of this
15 chapter;

16 (3) real property taxes, authorized by sec. 10 of this chapter.

17 (g) In this section, "resident" means an individual resident, non-
18 resident or part-year resident of Alaska, as defined in AS 43.20.011, who
19 is domiciled in or maintains his principal residence or place of abode
20 in the municipality.

21 * Sec. 2. AS 29.13.100 is amended by adding a new paragraph to read:

22 (37) AS 29.53.500 (borough or city tax on net income)

23 * Sec. 3. AS 29.53.035 is amended by adding a new subsection to read:

24 (f) A municipality which levies an income tax under sec. 500 of
25 this chapter may exempt from taxation real or personal property.

26 * Sec. 4. AS 43.20.160(c) and (d) are amended to read:

27 (c) The department shall prescribe and furnish all necessary forms,
28 and adopt and publish all necessary regulations in plain and concise
29 language conformable with this chapter for the assessment and collection

What cities, states & fed all levy inc. taxes (Huber)

1 of the taxes imposed by secs. 10 - 350 of this chapter and for a municipi-
2 pal tax on net income levied and collected under authority of AS 29.53.-
3 500 and sec. 360 of this chapter. The department shall apply as far as
4 practicable the administrative and judicial interpretations of the
5 federal income tax law. The department shall also prepare a concise
6 statement of the contents of the code sections referred to in this
7 chapter for the information of the taxpayer and make them available to
8 the taxpayer making a return.

9 (d) All money collected by the department under secs. 10 - 350 of
10 this chapter shall be deposited in the general fund of the state.

11 * Sec. 5. AS 43.20.170(a) is amended to read:

12 (a) Every employer making payment of wages or salaries shall deduct
13 and withhold an amount of tax computed in a manner to approximate the
14 amount of tax due on those wages under this chapter and under an income
15 tax levied by a municipality in accordance with AS 29.53.500 and
16 collected by the department for that year. The department shall publish
17 the rate of withholding required by this section and the rate required
18 by the income tax levy of a municipality which shall be expressed as a
19 percentage of the amount required to be withheld under sec. 3402 of the
20 Internal Revenue Code of 1954. Every employer making a deduction and
21 a withholding shall furnish to the employee upon request a record of
22 the amount of tax withheld from the employee on a form prescribed by the
23 department.

24 * Sec. 6. AS 43.20.290 is amended to read:

25 Sec. 43.20.290. [EXCLUSIVE] STATE AUTHORITY. No tax may be levied
26 and collected upon the net income of resident or nonresident individuals
27 by a general law municipality [CITY] or by a home rule municipality
28 [CITY] or any other political subdivision of the state except as
29 provided by AS 29.53.500.

1 * Sec. 7. AS 43.20 is amended by adding a new section to read:

2 ARTICLE 6. MUNICIPAL TAX ON NET INCOME.

3 Sec. 43.20.360. ADMINISTRATION. (a) Municipal income taxes
4 levied and collected under AS 29.53.500 are subject to the provisions of
5 this chapter.

6 (b) A municipal income tax levied and collected under AS 29.53.500
7 shall be administered by the commissioner of revenue, who shall collect
8 and account for the revenue.

9 (c) The commissioner shall determine each municipality's share of
10 the cost of administering this section. In determining each munici-
11 pality's share, the commissioner shall apportion the cost of collection
12 and accounting for the funds in proportion to the tax collected from each
13 municipality of the state which levies an income tax. The commissioner
14 may withhold the prorated share of the cost of collecting and accounting
15 for funds, but the amount withheld may not exceed five per cent of the
16 amount payable to a municipality. After deducting the amount of any
17 refunds due and the prorated share of the cost of collecting and
18 accounting for funds, the commissioner shall pay to each municipality,
19 as soon as practicable, the amount to which it is entitled under AS 29.-
20 53.500.

LOCAL INCOME TAX

Philadelphia enacted a local income tax in 1939. Since then about 4,000 localities in 10 states have followed its example. Approximately 40 million residents live within localities levying a local income tax.¹

Revenue derived from these taxes rose from 18 million in 1940 to 2.403 billion in 1973. The percentage of revenue from local income taxes has grown from .3% (1940) to 3% in 1973.²

A majority of these municipalities levy a flat rate which varies between .25% and 3.5%. Cities in Maryland charge a percentage of the state income tax.³

The total revenue from all municipalities derived from city income tax is 8.8%.⁴ A number of communities receive a majority of their revenue from income tax.⁵

Collections per capita from 48 communities range from \$35.17 to a maximum of \$195.71.⁶

From 1948-1972, the increase in receipts from local income tax was 17.9%.⁷

*does not include the Washington D.C. which is 25.7%.

CITY INCOME TAXES

Sources: Tax Foundation; Commerce Clearing House

Philadelphia has the distinction of levying the oldest local income tax still in effect today. Earlier efforts at such taxation, including one in Charleston, S.C., in the early 1800s, foundered on administrative difficulties.

Since the path-breaking Philadelphia enactment in 1939, however, about 4,000 localities in 10 states have followed suit. And authorizations have been granted (although no locality has acted) in Arkansas and Kansas.

In addition, a related levy has been imposed on employers: the local payroll tax, based on an employer's wage expenses. This has been enacted in Jersey City, Newark, N.J., San Francisco, and four Oregon counties.

Despite first impressions from the table that follows, the local income tax is primarily a big-city phenomenon.

Most of the taxing jurisdictions are small, but this is because many—over 3,800—small towns and school districts in Ohio and Pennsylvania use the levy. Elsewhere the tax is typically used by large jurisdictions.

Nine of the 25 biggest cities in the United States, including Washington, D.C., now impose their own income taxes.

Few of these local taxes are really comparable to state or U.S. taxes, since most apply only to wages and salaries—"earned" income. However, those levied by New York City, Baltimore, and cities in

Michigan are closely linked, both in coverage and administration, to overlapping state taxes.

In the District of Columbia, where the tax has broad coverage and applies at graduated rates, there is little to distinguish it from a state income tax.

Besides the roughly 40 million residents in localities levying income taxes, countless others who work in them but live elsewhere—commuters in Alabama, Delaware, Kentucky, Missouri, Ohio, and Pennsylvania—are subject to the levy.

Maryland's local taxes apply to residents only, as does the District of Columbia's tax.

Commuters in Michigan pay one-half the resident rates, while those in New York City pay sharply lower rates.

Where many localities in the same area tax income, special arrangements are necessary to avoid unfair treatment of those who work in one jurisdiction but live in another.

As the table below shows, local income taxes are essentially confined to the states in the Northeast and Middle Atlantic regions—with the exception of St. Louis and Kansas City, Mo., and six places in Alabama, including Birmingham and Gadsden.

The table below, compiled by the Tax Foundation from Commerce Clearing House data, lists the rates in effect as of Sept. 1, 1976, for all U.S. localities with income taxes.

CITY AND LOCAL INCOME TAXES AND RATES¹

STATE AND LOCALITY	RATE	STATE AND LOCALITY	RATE	STATE AND LOCALITY	RATE
Alabama		Michigan (continued)		Ohio (continued)	
Birmingham	1.0%	Pontiac	1.0%	Springfield	2.0%
Gadsden	2.0%	Saginaw	1.0%	Toledo	1.5%
Montgomery	1.0%	10 cities		Warren	1.0%
3 cities		under 50,000	1.0%	Youngstown	1.5%
under 50,000	1.0-2.0%			Over 340 cities	
Delaware		Missouri		and villages	
Wilmington	1.25%	Kansas City	1.0%	under 50,000	0.25-2.0%
Indiana		St. Louis	1.0%	Pennsylvania²	
38 counties	0.5-1.0%	New York		Abington Township ..	1.0%
Kentucky		New York City ³	0.9-4.3%	Allentown	1.0%
Covington	2.5%	Ohio		Alltoona	1.0%
Lexington	2.0%	Akron	1.5%	Boothleheim	1.0%
Louisville ⁴	1.25%	Canton	1.5%	Chester	1.0%
Owensboro	1.0%	Cincinnati	2.0%	Erie	1.0%
40 cities		Cleveland	1.0%	Harrisburg	1.0%
under 50,000	0.25-2.5%	Cleveland Heights ..	1.0%	Lancaster	0.5%
4 counties	0.5-2.2% ⁵	Columbus	1.5%	Penn Hills	
Maryland		Dayton	1.75%	Township	1.0%
Baltimore ⁶	5.0%	Elyria	1.0%	Philadelphia	3.0%
23 counties ⁶	20.0-50.0%	Euclid	1.0%	Reading	1.0%
Michigan		Hamilton	1.5%	Scranton	2.0%
Detroit	2.0%	Kettering	1.0%	Wilkes-Barre	1.0%
Flint	1.0%	Lakewood	1.0%	Over 3,500	
Grand Rapids	1.0%	Lima	1.0%	other local	
Lansing	1.0%	Lorain	1.0%	jurisdictions	0.25-1.0%
		Mansfield	1.0%	York	1.0%
		Parma	1.0%	Washington, D.C. ⁷ ..	20-11.0%

¹ Rates shown separately for cities of 50,000 or more. Where rates differ for resident and nonresident income, only resident rates are given. In Ohio and Pennsylvania cities, rates are the same. ² Additional tax of 0.75% for school purposes is levied by Jefferson County. ³ Additional tax of 0.2% imposed in Jefferson County outside of Louisville on earnings of employees. ⁴ Percent of state income tax. ⁵ Resident income taxes are progressive. ⁶ Except for Philadelphia, Scranton, and Wilkes-Barre, the total rate payable by any taxpayer is limited to 1%.

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During

48 Largest Cities
by Function and City

Fiscal Year 1973

Police and fire	Health and hospitals	Highways	Education	Public welfare	Financial administration*	Other
\$77.42	\$50.10	\$22.01	\$90.27	\$78.05	\$18.03	\$188.03
57.43	0.40	20.39	10.72	0.20	14.03	261.45
95.91	51.76	61.47	245.02	157.35	26.85	161.18
49.96	29.11	28.97	8.28	0.22	10.28	138.02
129.01	121.52	21.89	246.27	11.95	29.07	298.02
81.74	0.21	10.78	241.03	0.10	17.42	193.14
55.51	12.60	15.24	6.53	3.23	0.27	133.64
72.71	96.11	19.51	247.30	0.01	13.96	187.74
81.90	7.19	14.29	0.02	0.01	10.73	119.45
57.55	5.19	20.60	—	0.01	10.45	108.78
88.02	4.02	20.51	—	0.00	9.00	120.76
65.30	66.34	20.57	1.62	91.01	28.67	190.51
83.63	31.95	14.14	0.10	2.61	15.79	196.72
31.91	3.70	0.16	0.10	0.01	5.05	83.00
37.97	4.14	18.75	—	—	8.46	102.64
58.37	2.80	21.33	—	—	29.06	149.41
48.03	7.99	12.36	3.00	0.04	1.74	82.78
41.31	37.67	31.69	1.51	39.65	15.46	107.11
37.02	63.80	18.02	0.08	5.54	20.09	115.52
71.85	25.39	21.05	2.93	0.5	15.59	177.61
74.39	5.32	16.49	—	—	9.82	186.93
81.89	0.87	26.35	—	0.20	13.19	119.27
66.90	14.25	10.57	3.22	0.05	8.96	201.08
60.28	13.07	13.65	159.11	0.60	5.07	181.72
62.05	1.87	7.77	0.06	—	6.24	65.15
75.09	8.81	20.52	1.03	—	13.67	125.10
42.62	10.07	39.10	—	9.85	13.92	146.91
43.97	31.85	31.40	184.22	6.66	19.15	169.22
122.50	9.28	3.83	325.04	41.72	20.64	102.22
61.01	0.12	11.84	2.27	3.24	17.36	149.28
78.01	2.42	20.42	295.63	314.51	29.03	314.00
49.18	10.19	18.62	147.40	57.63	13.12	211.05
99.38	151.41	19.62	—	—	12.49	159.53
34.62	22.26	32.66	2.93	—	8.71	134.85
74.10	—	—	—	—	8.10	134.08
43.53	—	—	—	—	31.69	202.21
47.86	3.37	21.67	12.61	17.72	12.65	118.47
88.99	48.05	14.99	6.21	0.06	10.19	123.52
66.50	0.26	22.04	0.03	—	12.38	146.55
63.01	0.12	18.89	0.03	—	10.97	113.04
78.01	74.21	14.80	0.35	4.02	10.49	189.55
49.87	6.47	33.55	6.08	18.86	69.24	131.45
32.32	5.00	11.03	—	1.05	10.87	273.40
42.40	0.07	14.79	—	0.03	37.36	120.74
97.89	93.13	27.35	1.41	0.01	12.10	153.80
53.55	—	25.41	—	—	8.19	141.79
78.80	11.07	32.19	—	—	6.51	141.79
56.65	8.14	28.19	—	—	63.78	523.37
36.22	—	31.99	—	—	—	—
153.30	153.81	68.79	333.44	263.37	—	—

* Includes and urban renewal, parks and recreation, libraries and interest on general debt, general administration, and other.

19. Total Local Revenue by Source and Percentage Distribution

Selected Fiscal Years 1902-1973

Year	Total ^a	From own sources										Intergovernmental		
		Total own sources	General revenue								Insurance trust ^f	From states	From Federal ^g	
			Total general	Taxes				Charges and miscellaneous	Utility	Liquor stores				
				Total	Property	Sales and gross receipts	Income ^b							License and other
Amount (Millions)														
1902.....	\$914	\$858	\$798	\$704	\$624	—	—	\$80	\$94	\$60	—	—	\$53	\$1
1913.....	1,765	1,658	1,540	1,408	1,192	\$3	—	113	232	110	\$2	—	91	0
1922.....	4,148	3,827	3,545	3,069	2,973	20	—	70	476	296	10	—	312	9
1932.....	6,192	6,381	4,870	4,271	4,150	26	—	89	605	403	39	—	601	10
1940.....	7,724	6,702	6,007	4,497	4,170	130	\$18	179	510	704	\$13	—	68	278
1950.....	16,101	11,673	6,584	7,984	7,042	481	64	391	1,692	1,808	94	—	185	211
1960.....	37,324	27,209	22,012	19,081	15,708	1,339	254	692	4,811	3,613	136	—	549	592
1965.....	53,408	38,242	32,302	25,110	21,817	2,059	433	692	7,215	4,008	177	—	795	1,155
1966.....	69,268	41,490	35,494	27,301	23,830	2,011	472	1,000	8,013	6,069	180	—	837	1,378
1967.....	84,808	41,410	38,015	29,074	25,186	1,956	510	8,971	6,246	105	—	—	933	1,163
1968.....	70,171	47,875	40,880	31,171	25,835	1,932	1,077	9,174	6,683	202	—	—	1,044	1,054
1969.....	70,274	53,192	48,881	31,781	26,692	2,470	1,381	11,080	5,931	245	—	—	1,165	2,245
1970.....	89,882	69,521	61,392	38,833	32,963	3,069	1,630	12,558	6,608	258	—	—	1,299	2,605
1971.....	100,993	80,557	67,491	43,434	36,726	3,663	1,747	1,298	14,058	7,270	—	—	1,484	3,301
1972.....	113,162	74,144	61,449	48,930	40,876	4,238	2,241	1,576	15,510	7,797	—	—	1,625	4,162
1973.....	120,082	81,210	70,489	53,032	43,970	4,924	2,406	1,731	17,450	8,622	—	—	1,814	7,963

Percentage Distribution of Revenue from Own Sources^a

Year	Total own sources	Total general	Total	Property	Sales and gross receipts	Income ^b	License and other	Charges and miscellaneous	Utility	Liquor stores	Insurance trust ^f	From states	From Federal ^g
1902.....	100.0	93.0	82.1	72.7	—	—	0.3	11.0	7.0	—	—	5.7	.4
1913.....	100.0	92.0	78.9	71.9	.2	—	0.8	13.0	7.0	—	—	5.2	.3
1922.....	100.0	92.6	80.2	77.7	.5	—	2.0	12.4	7.0	—	—	7.5	.2
1932.....	100.0	90.7	79.4	77.3	.5	—	1.7	11.2	8.0	—	—	12.9	.3
1940.....	100.0	86.4	77.0	72.0	2.2	.3	3.1	8.8	12.2	.2	—	21.4	3.6
1950.....	100.0	83.1	68.4	60.3	4.1	.5	3.4	13.7	15.5	.8	—	26.2	1.3
1960.....	100.0	84.2	66.5	58.1	4.9	.9	2.6	17.8	13.3	.5	—	25.5	1.6
1965.....	100.0	81.8	65.7	57.0	5.4	1.1	2.1	18.8	12.6	.5	—	24.2	3.2
1966.....	100.0	83.3	65.9	57.4	4.9	1.1	2.1	19.1	12.2	.6	—	27.7	2.3
1967.....	100.0	85.0	65.4	56.7	4.4	2.1	2.3	20.2	11.8	.4	—	28.5	2.7
1968.....	100.0	85.4	65.1	56.1	4.0	2.2	2.8	20.3	11.9	.6	—	29.0	2.8
1969.....	100.0	85.2	65.4	55.8	4.6	2.6	2.3	20.8	11.2	.5	—	30.1	2.8
1970.....	100.0	80.3	65.2	55.4	5.2	2.7	2.0	21.1	11.1	.4	—	30.2	2.9
1971.....	100.0	80.4	65.3	55.2	5.5	2.6	2.0	21.1	10.9	.4	—	30.8	3.4
1972.....	100.0	86.9	66.0	55.1	6.7	3.0	3.1	20.9	10.5	.4	—	30.5	3.9
1973.....	100.0	80.8	65.3	54.1	6.1	3.0	2.1	21.5	10.6	.4	—	31.0	6.1

^a Duplicative transactions between levels of government are excluded in arriving at aggregates.
^b Principally individual income.
^c Includes collections for unemployment compensation and employee retirement funds.
^d Amounts received directly from Federal government, not transfers of Federal funds received initially by states.
^e Intergovernmental revenue is shown as a percent of total revenue.
 Source: Department of Commerce, Bureau of the Census; percentage computations by Tax Foundation.

TABLE 150 - LOCAL INCOME TAXES, RATES AND COLLECTIONS
(Dollar amounts in thousands)

State and local government	Rate July 1, 1973 (percent)	Total tax collections	Municipal tax collections, 1971-72 (Cities with over 61,000 population in 1970)	
			Income tax collections	
			Amount	As a percent of total collections
Alabama:				
Auburn	1.0	--	--	--
Birmingham	1.0	\$28,043	\$5,527	19.7
Gadsden	2.0	5,165	2,977	57.6
Opelika	1.0	--	--	--
Rainbow City	2.0	--	--	--
Delaware:				
Wilmington	1.25	20,752	7,614	36.7
Indiana (counties): ¹				
Bartholomew	1.0	--	--	--
Benton	0.5	--	--	--
Blackford	0.5	--	--	--
Brown	0.5	--	--	--
Carroll	0.5	--	--	--
Cass	0.5	--	--	--
Clinton	1.0	--	--	--
Decatur	1.0	--	--	--
DeKalb	0.5	--	--	--
Elkhart	1.0	--	--	--
Fountain	0.5	--	--	--
Hancock	1.0	--	--	--
Hendricks (eff. 1/1/74)	0.5	--	--	--
Huntington	1.0	--	--	--
Jasper	0.5	--	--	--
Johnson	0.5	--	--	--
Kosciusko	0.5	--	--	--
Lawrence	1.0	--	--	--
Marshall	1.0	--	--	--
Morgan	0.5	--	--	--
Newton (eff. 1/1/74)	0.5	--	--	--
Noble	1.0	--	--	--
Ohio	0.5	--	--	--
Randolph	0.5	--	--	--
Rush	0.75	--	--	--
Starke	0.5	--	--	--
Steuben (eff. 1/1/74)	0.5	--	--	--
Tipton	0.5	--	--	--
Union	1.0	--	--	--
Wabash	1.0	--	--	--
Washington	0.5	--	--	--
Wayne	1.0	--	--	--
Wells	0.5	--	--	--
White	1.0	--	--	--
Kentucky:				
Ashland	1.5	--	--	--
Auburn	1.0	--	--	--
Benton	0.5	--	--	--
Berea	1.5	--	--	--
Bowling Green	1.5	--	--	--
Burkesville	0.5	--	--	--
Callettsburg	1.0	--	--	--

See footnotes at end of table.

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TABLE 150 -- LOCAL INCOME TAXES, RATES AND COLLECTIONS (Cont'd)
(Dollar amounts in thousands)

State and local government	Rate July 1, 1973 (percent)	Total tax collections	Municipal tax collections, 1971-72 (Cities with over 50,000 population in 1970)		State and local
			Income tax collections		
			Amount	As a percent of total collections	
Kentucky (Continued)					
Covington	2.5	\$4,754	\$2,682	56.4	Michigan (Con
Cynthiana	1.5	--	--	--	Hudson
Danville	1.0	--	--	--	Jackson
Dawson Springs	1.0	--	--	--	Lansing
Elizabethtown	0.8	--	--	--	Lapeer
Flemingsburg	1.0	--	--	--	Pontiac
Frankfort	1.0	--	--	--	Port Huron
Fulton	1.0	--	--	--	Saginaw
Gamaliel	1.0	--	--	--	Missouri:
Glasgow	1.0	--	--	--	Kansas City
Hazard	1.0	--	--	--	St. Louis
Hickman	1.0	--	--	--	New York:
Hopkinsville	1.0	--	--	--	New York
Leitchfield	1.0	--	--	--	Ohio:
Lexington	2.0	13,925	7,778	55.9	Akron
Louisville	1.25	38,333	21,312	55.6	Canton
Jefferson County ²	2.0	--	--	--	Cincinnati
Ludlow	1.0	--	--	--	Cleveland
Marshall County	0.5	--	--	--	Cleveland
Mayfield	1.0	--	--	--	Columbus
Maysville	1.5	--	--	--	Dayton
Middlesboro	1.0	--	--	--	Elyria
Morgantown	1.0	--	--	--	Euclid
Newport	2.0	--	--	--	Hamilton
Owensboro	1.0	2,685	1,375	47.7	Kettering
Paducah	1.25	--	--	--	Lakewood
Pikeville	1.5	--	--	--	Lima
Prestonsburg	1.0	--	--	--	Lorain
Princeton	1.0	--	--	--	Mansfield
Richmond	1.0	--	--	--	Parma
Russellville	1.0	--	--	--	Springfield
Springfield	1.0	--	--	--	Toledo
Versailles	1.0	--	--	--	Warren
Wilder	0.25	--	--	--	Youngstown
Woodford County	0.5	--	--	--	315 cities (with 1 popul:
Maryland:					
Baltimore City	% of State tax	\$229,285	\$32,550	14.2	Pennsylvania:
20 Counties	50	--	--	--	Abington
Queen Anne's County	40	--	--	--	Allentow
Talbot County	35	--	--	--	Altoona
Worcester County	20	--	--	--	Bethlehe
Michigan:³					
Albion	1.0	--	--	--	Chester
Battle Creek	1.0	--	--	--	Erie
Big Rapids	1.0	--	--	--	Harrisbu
Detroit	2.0 ⁴	268,924	94,473	35.1	Lancaste
Flint	1.0	18,884	10,778	57.1	Penn Hi
Grand Rapids	1.0	16,494	7,727	46.9	Philadelp
Grayling	1.0	--	--	--	Pittsbu
Hamtramck	1.0	--	--	--	Reading
Highland Park	1.0	--	--	--	Scranor

See footnotes at end of table.

See footnotes

TABLE 150 — LOCAL INCOME TAXES, RATES AND COLLECTIONS (Cont'd)
(Dollar amounts in thousands)

State and local government	Rate July 1, 1973 (percent)	Municipal tax collections, 1971-72 (Cities with over 50,000 population in 1970)		
		Total tax collections	Income tax collections	
			Amount	As a percent of total collections
Michigan (Continued):³				
Hudson	1.0	—	—	—
Jackson	1.0	—	—	—
Lansing	1.0	\$14,859	\$6,120	41.2
Lapeer	1.0	—	—	—
Pontiac	1.0	11,991	4,322	36.0
Port Huron	1.0	—	—	—
Saginaw	1.0	10,212	3,501	34.3
Missouri:				
Kansas City	1.0	78,610	29,106	37.0
St. Louis	1.0	125,035	36,784	29.4
New York:				
New York City	0.7-3.5 ⁴	3,830,557	805,578	21.0
Ohio:				
Akron	1.5	26,440	17,478	66.1
Canton	1.5	9,770	7,814	80.0
Cincinnati	2.0	75,528	43,606	57.7
Cleveland	1.0	81,181	38,807	47.8
Cleveland Heights	1.0	5,025	1,299	25.9
Columbus	1.5	45,024	35,195	78.2
Dayton	1.0	27,344	15,662	57.3
Elyria	1.0	3,413	1,808	53.0
Euclid	1.0	8,240	3,278	39.8
Hamilton	1.5	5,002	3,703	74.0
Kettering	1.0	4,437	2,304	51.9
Lakewood	1.0	5,295	1,518	28.7
Lima	1.0	2,872	2,106	73.3
Lorain	1.0	6,712	3,418	50.9
Mansfield	1.0	4,350	3,053	70.2
Parma	1.0	6,126	3,484	56.9
Springfield	1.5	6,888	4,736	80.5
Toledo	1.5	33,383	25,002	74.9
Warren	1.0	3,507	2,693	76.8
Youngstown	1.5	13,925	9,299	66.8
315 cities and villages (with less than 50,000 population)	0.25-1.7	—	—	—
Pennsylvania:⁶				
Abington Township	1.0 ⁷	3,692	n.a.	n.a.
Allentown	1.0 ⁷	0,082	1,941	21.4
Altoona	1.0 ⁸	3,246	745	23.0
Bethlehem	1.0 ⁷	6,342	1,657	26.1
Chester	1.0 ⁹	4,523	2,116	46.8
Erie	1.0 ⁷	9,597	1,655	17.2
Harrisburg	1.0 ⁷	5,927	978	16.5
Lancaster	1.0 ⁷	4,578	694	15.2
Penn Hills Township	1.0 ⁷	2,943	925	31.4
Philadelphia	2.1125 ¹⁰	410,362	256,738	62.6
Pittsburgh	1.0 ¹¹	77,281	13,028	16.9
Reading	1.0 ⁷	6,312	1,530	24.2
Scranton	1.0 ^{7,12}	7,825	2,128	27.2

See footnotes at end of table.

TABLE 150 - LOCAL INCOME TAXES, RATES AND COLLECTIONS (Cont'd)
(Dollar amounts in thousands)

State and local government	Rate July 1, 1973 (percent)	Total tax collections	Municipal tax collections, 1971-72 (Cities with over 50,000 population in 1970)	
			Income tax collections	
			Amount	As a percent of total collections
Pennsylvania: ⁶ (Continued)				
Wilkes-Barre	0.5 ⁷	\$4,291	\$630	14.7
York	1.0 ⁹	4,157	556	13.4
Approx. 3,750 other local jurisdictions (including over 1,000 school systems)	0.25-1.0	—	—	—

Note: Excludes Washington, D.C. which has a graduated net income tax that is more closely akin to a State tax than to the municipal income taxes (see table 141). Also excludes the Denver Employee Occupational Privilege Tax of \$2 per employee per month, which applies only to employees earning at least \$250 per month; the Newark 1% payroll tax imposed on employees, profit and nonprofit, having a payroll over \$2,500 per calendar quarter; the San Francisco 1% payroll expense tax (eff. 10/1/70); the 1/2 of 1% quarterly payroll tax on employers imposed in the Tri-county Metropolitan Transit District (encompassing all of Washington, Clackamas and Multnomah counties, Oregon); and the 1/4 of 1 percent payroll tax imposed on employers in the Lane County Oregon Mass Transit District.

— Signifies a county, or a city under 50,000 population.
n.a. "not available."

¹ The tax rate on nonresidents for all counties is 1/4 of 1%.

² A taxpayer subject to the 1.25 percent tax imposed by the City of Louisville may credit this tax against the 2.0 percent levied by Jefferson County.

³ Under the Michigan "Uniform City Income Tax Act," the prescribed rates are 1.0 percent for residents and 0.5 percent for nonresidents. A resident is allowed credit for taxes paid to another city as a nonresident.

⁴ The rate for residents in Detroit was increased from 1 percent to 2 percent effective October 1, 1968.

⁵ New York City residents' rate ranges from 0.7 percent on taxable income of less than \$1,000 to 3.5 percent on taxable income in excess of \$30,000. An earnings tax of 0.45 percent of wages or 6% 100 of 1 percent on net earnings from self-employment, not to exceed that which would be due if taxpayer were a resident, is levied against nonresidents. A 4% tax is imposed on unincorporated businesses carried on in the city.

⁶ Except for Philadelphia, Pittsburgh, and Scranton, the total rate payable by any taxpayer is limited to 1 percent. For coterminous jurisdictions, such as borough and borough school district, the maximum is usually divided equally between the jurisdictions unless otherwise agreed. However, school districts may tax only residents. Thus, if a borough and a coterminous school district each have a stated rate of 1 percent, the total effective rate for residents is 1 percent (1/2 of 1 percent each to the borough and school district) and the tax on nonresidents is 1 percent, the stated rate imposed by the borough.

⁷ The school district rate is the same as the municipal rate.

⁸ The school district rate is 0.5 percent.

⁹ There is no school district income tax.

¹⁰ The Philadelphia school district imposes a 2% tax on investment income.

¹¹ School district rate. The Pittsburgh city income tax was repealed effective January 1, 1973.

¹² Combined city and school district rate may not exceed 2.0 percent.

Source: ACIR staff compilation based on Commerce Clearing House, *State Tax Reporter*, and U.S. Bureau of the Census, *Governments Division*.

TABLE 12 - THE FISCAL ROLE OF LOCAL INCOME AND GENERAL SALES TAXES,
SELECTED YEARS, 1957-1971
(Tax amounts in millions of dollars)

Level of Government and type of tax	1971	1967	1962	1957
<u>All Local Governments 1/</u>				
Total tax collections	\$ 43,434	\$ 29,074	\$ 20,993	\$ 14,286
Income taxes:	(3,675)	(2,130)	(1,185)	(785)
Amount	1,747	916	309	191
% of total taxes	4.0	3.2	1.5	1.3
General sales taxes:	(3,820)	(2,596)	(1,875)	(1,550)
Amount	2,339	1,201	958	656
% of total taxes	5.4	4.1	4.6	4.6
Income and sales -- %	9.4	7.3	6.1	5.9
<u>All Local Governments 2/</u>				
Total tax collections	43,000	28,799	20,810	14,143
Income taxes:				
Amount	1,617	852	271	165
% of total taxes	3.8	3.0	1.3	1.2
General sales taxes:				
Amount	2,262	1,158	932	636
% of total taxes	5.3	4.0	4.5	4.5
Income and sales -- %	9.1	7.0	5.8	5.7
<u>Municipalities 1/</u>				
Total tax collections	15,097	10,507	7,934	5,908
Income taxes:	(1,085)	(625)	(350)	(255)
Amount	1,416	818	259	181
% of total taxes	9.4	7.8	3.3	3.1
General sales taxes:	(3,270)	(2,245)	(1,725)	(1,485)
Amount	1,658	977	866	602
% of total taxes	11.0	9.3	10.9	10.2
Income and sales -- %	20.4	17.1	14.2	13.3
<u>Municipalities 2/</u>				
Total tax collections	14,663	10,232	7,751	5,765
Income taxes:				
Amount	1,286	754	221	155
% of total taxes	8.8	7.4	2.9	2.7
General sales taxes:				
Amount	1,580	934	840	582
% of total taxes	10.8	9.1	10.8	10.1
Income and sales -- %	19.6	16.5	13.7	12.8
<u>Counties</u>				
Total tax collections	8,702	5,702	4,149	2,790
Income taxes:	(24)	(4)	(1)	(0)
Amount	167	16	6	---
% of total taxes	1.9	0.3	0.1	0
General sales taxes:	(505)	(330)	(145)	(65)
Amount	590	202	91	53
% of total taxes	6.8	3.5	2.2	1.9
Income and sales -- %	8.7	3.8	2.3	1.9

1/ Including the District of Columbia.

2/ Excluding the District of Columbia.

Note: Figures in parenthesis are the approximate number of local governments with sales and income taxes as of January 1st for the year indicated (except for the year 1957 which are as of September 1, 1958).

Source: ACIR staff calculations based on U.S. Bureau of the Census, Governments Division, published and unpublished data; and Commerce Clearing House, State Tax Reporter.

TABLE 2. CITY INCOME TAXES, RATES AND COLLECTIONS
(Dollar amounts in thousands)

State and City	Rate 12/31/69 (percent)	Municipal tax collections, 1967-68		
		Total tax collections	Income tax collections Amount	As % of total collections
Alabama:				
Gadsden	2.0	\$ 4,420	\$ 2,548	67.6
Delaware:				
Wilmington	% of 1% or % of 1% ¹	11,778 ²	3	3
Kentucky:				
Covington	2.0	3,326	1,225	36.8
Lexington	1.5	8,939	4,292	48.0
Louisville ⁴	1.25	31,248	16,428	52.6
Maryland:				
Baltimore City	% of State tax 50%	176,886	30,211	17.1
Michigan:				
Detroit	5 ⁵ 6	165,600	47,337	28.6
Flint	6	16,681	8,764	52.5
Grand Rapids	5	13,082	4,243	32.4
Lansing	5	8,243	3	3
Pontiac	6	6,053	3	3
Saginaw	6	6,693	3,367	50.3
Missouri:				
Kansas City	0.5	45,345	11,531	25.4
St. Louis	1.0	89,326	30,351	34.0
New York:				
New York City	0.4-2.0 ⁷	2,680,466	430,191	16.0
Ohio:				
Akron	1.0	21,723	11,130	51.3
Canton	1.4 ⁰	5,944	4,459	75.0
Cincinnati	1.0	48,293	20,365	42.2
Cleveland	1.0	68,447	9,676	14.1
Cleveland Heights	1.0	3,546	3	3
Columbus	1.0	25,467	10,202	40.1
Dayton	1.0	25,227	14,751	58.5
Euclid	1.0	5,438	013	2.4
Hamilton	1.0	3,380	2,034	60.2
Kettering	1.0	2,245	3	3
Lakewood	1.0	3,350	3	3
Lima	1.0	2,410	1,613	66.7
Lorain	1.0	3,166	3	3
Parma	1.0	4,120	3	3

TABLE 2. CITY INCOME TAXES, RATES AND COLLECTIONS (cont'd)
(Dollar amounts in thousands)

State and City	Rate 12/31/69 (percent)	Municipal tax collections, 1967-68		
		Total tax collections	Income tax collections Amount	As % of total collections
Ohio (cont'd)				
Springfield	1.0	4,154	2,966	71.4
Toledo	1.5	25,987	17,043	65.6
Warren	1.0	3,194	2,182	68.3
Youngstown	1.5	10,235	7,236	70.7
Pennsylvania ⁹				
Abington Township	1.0 ¹⁰	2,439	3	3
Allentown	1.0 ¹⁰	5,685	1,044	18.4
Altoona	1.0 ¹¹	2,604	1,483	55.3
Bethlehem	1.0 ¹⁰	4,326	541	12.5
Chester	1.0 ¹²	3,289	1,611	49.0
Erie	1.0 ¹⁰	8,610	1,593	19.9
Harrisburg	1.0 ¹⁰	4,411	935	21.2
Johnstown	1.0 ¹¹	2,259	412	18.2
Lancaster	0.5 ¹³	2,222	596	26.8
Penn Hill Township	1.0 ¹¹	1,763	652 est.	37.0
Philadelphia	3.0 ¹²	265,016	126,247	47.6
Pittsburgh	1.0 ¹⁰	55,374	11,237	20.3
Reading	1.0 ¹⁷	4,850	3	3
Scranton	1.0 ^{10 14}	5,113	1,048	20.5
Wilkes Barre	0.5 ¹⁰	3,325	1,195	35.9
York	1.0 ¹⁰	2,286	523	22.9

Note: Includes only cities with 50,000 or more inhabitants in 1960. Excludes Washington, D. C., which has a graduated net income tax that is more closely akin to a State tax than to the municipal income taxes. Also excludes the Denver Employee Occupational Privilege Tax of \$2 per employee per month, which applies only to employees earning at least \$250 per month.

¹ If total annual wages or net profits are \$4,000 or less there is no tax liability. On income between \$4,000.01 and \$6,000.00 the rate is 1/4 of 1%; on income of \$6,000.01 or more 1/2 of 1%. The tax rates apply to total income, not merely to the proportion of income falling within a given bracket. In this sense the tax is not a typical graduated levy.

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SECTION VI

203. Per Capita General Revenue in the 48 Largest Cities by Source and City

204. Local Debt by City

Fiscal 1973

City	Total	From own sources				Inter-governmental	
		Total ^a	Taxes				
			Property	General sales	Income		
Total.....	\$540.77	\$317.88	\$240.61	\$136.82	\$20.11	\$40.74	\$228.89
Atlanta.....	314.22	248.07	130.07	85.33	—	40.87	65.25
Baltimore.....	953.40	369.07	270.17	196.03	—	77.70	583.49
Birmingham.....	204.20	169.44	116.79	26.40	—	34.95	34.70
Boston.....	826.28	675.31	479.33	473.58	—	—	250.97
Buffalo.....	542.17	238.73	197.13	189.97	.07	—	303.44
Chicago.....	281.24	200.98	165.19	101.37	20.60	—	80.20
Cincinnati.....	677.73	452.11	162.64	57.82	—	04.06	225.61
Cleveland.....	201.74	180.20	122.25	53.58	—	04.40	75.45
Columbus.....	210.42	155.25	98.37	15.64	—	77.21	65.17
Dallas.....	206.87	189.02	149.44	108.27	28.20	—	16.94
Denver.....	470.30	309.79	199.36	81.50	81.77	—	160.60
Detroit.....	439.52	253.51	186.70	102.19	—	09.06	186.01
El Paso.....	142.15	133.12	72.24	45.13	16.35	—	9.03
Fort Worth.....	153.09	141.40	94.83	63.47	21.08	—	11.60
Honolulu.....	279.09	212.30	171.68	133.98	—	—	60.70
Houston.....	173.01	147.64	112.23	70.34	28.77	—	25.40
Indianapolis.....	261.82	172.71	127.07	123.43	—	—	91.91
Jacksonville.....	223.90	161.80	100.23	63.73	—	—	69.09
Kansas City.....	326.05	250.59	172.51	40.57	15.51	63.35	70.35
Los Angeles.....	331.85	272.02	137.58	86.87	24.43	—	69.83
Louisville.....	276.45	207.52	147.52	75.12	28.48	—	68.87
Memphis.....	304.64	200.33	112.34	40.32	—	63.74	101.31
Miami.....	419.60	161.02	101.65	71.08	—	—	258.58
Minneapolis.....	201.88	177.15	142.13	87.71	—	—	24.72
Milwaukee.....	269.78	150.65	109.02	105.20	—	—	119.13
Nashville.....	284.55	169.97	118.71	103.02	—	—	114.68
Newark.....	456.50	311.99	242.85	162.79	55.60	—	144.54
New Orleans.....	800.15	423.25	334.18	309.21	—	35.17	375.19
New York.....	276.14	183.71	119.92	44.70	51.62	—	02.43
Norfolk.....	1,200.02	618.22	521.36	299.40	60.83	100.65	618.40
Oakland.....	610.15	204.81	204.92	102.00	23.23	—	315.35
Oklahoma City.....	313.01	218.08	136.43	81.51	20.38	—	91.02
Omaha.....	201.02	145.60	85.55	40.59	33.57	—	65.43
Philadelphia.....	220.68	146.49	112.09	65.63	31.44	—	74.20
Pittsburgh.....	425.72	291.42	223.83	34.95	—	140.63	131.31
Portland.....	220.00	145.04	103.03	63.29	41.07	—	75.86
San Antonio.....	235.77	163.13	149.80	88.97	—	25.78	72.64
San Diego.....	282.06	173.85	108.50	83.34	—	—	108.21
San Francisco.....	342.63	251.24	202.07	58.66	24.17	56.37	91.39
Seattle.....	271.84	176.09	118.96	96.19	—	—	95.85
Toledo.....	135.06	107.74	62.71	41.83	17.13	—	27.32
Tulsa.....	217.17	130.60	89.97	48.46	27.07	—	80.57
Washington, D. C.....	844.31	507.88	339.66	236.02	41.75	—	336.43
	253.70	158.56	103.73	53.08	25.73	—	65.14
	328.90	206.02	118.53	54.96	17.60	69.73	121.98
	207.32	147.30	90.86	15.57	—	—	60.02
	209.54	157.50	103.26	32.11	61.17	—	51.95
	1,414.76	763.75 ^a	655.21	187.94	128.44	105.71	651.01

^a Includes amount for charges and miscellaneous general revenue not shown separately.
^b Includes amount for miscellaneous tax revenue not shown separately.
^c Includes \$16.6 million or \$21.05 per capita for unemployment compensation revenue.
 Source: Department of Commerce, Bureau of the Census.

Year	Gross debt
1902.....	\$1,877
1922.....	8,078
1932.....	16,373
1942.....	16,449
1944.....	14,703
1948.....	13,564
1950.....	14,980
1952.....	18,830
1954.....	23,226
1956.....	29,331
1958.....	35,978
1959.....	39,301
1960.....	42,793
1961.....	47,180
1962.....	51,412
1963.....	55,030
1964.....	59,255
1965.....	64,270
1966.....	67,181
1967.....	72,478
1968.....	77,487
1969.....	82,142
1970.....	85,492
1971.....	93,995
1972.....	101,563
1973.....	111,034
	120,019
	129,110

Unit	1952
Gross debt.....	\$23,226
Short-term.....	1,146
Long-term.....	22,080
Full faith and credit.....	17,510
Nonguaranteed.....	4,571
County.....	2,018
Short-term.....	80
Long-term.....	1,938
City.....	12,659
Short-term.....	610
Long-term.....	12,113
Township.....	619
Short-term.....	15
Long-term.....	604
School district.....	3,806
Short-term.....	91
Long-term.....	3,715
Special district.....	4,123
Short-term.....	415
Long-term.....	3,710

* Data for 1902-1950 are as of June 30; begin
 Source: Department of Commerce, Bureau of the Census.

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Tax Foundation Inc. Facts & Figures on Gov't. Finance, 1975.

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TABLE 5 — AVERAGE ANNUAL RATE OF INCREASE OR DECREASE (—)
IN THE RECEIPTS FROM MAJOR FEDERAL, STATE, AND LOCAL TAXES,
SELECTED PERIODS 1948 THROUGH 1972 EST.

Item	1948-1972 est.	1968-1972 est.	1963-1968	1958-1963	1953-1958	1948-1953
<i>By Level of Government:</i>						
Federal, State and Local	7.0	9.0	7.2	6.9	3.3	10.3
Federal	6.0	6.7	6.3	5.0	1.6	10.6
State and Local	9.2	12.8	9.0	7.7	7.8	9.4
State	9.6	13.6	10.5	8.2	7.2	9.4
Local	8.7	11.8	7.3	7.2	8.3	9.4
<i>By Type of Tax, by Government:</i>						
Federal						
Individual income	6.9	8.4	7.6	6.5	3.1	9.1
Corporation income	5.1	2.8	5.8	1.5	(-1.1)	17.0
Sales, gross receipts, and customs	3.3	4.0	2.7	4.7	1.7	6.2
Death and gift	7.8	15.4	7.1	9.2	9.6	0.3
All other	4.6	5.8	(-7.6)	18.1	1.3	7.6
State						
Individual income	14.7	21.1	16.3	13.0	9.8	14.2
Corporation income	8.6	14.1	10.8	8.1	4.7	6.7
General sales and gross receipts	10.9	14.1	13.5	9.6	7.6	10.6
Selective sales and gross receipts	7.8	10.1	7.6	6.9	6.8	8.1
Motor vehicle and operators licenses	7.2	5.9	6.9	4.7	8.3	9.9
Death and gift	8.9	12.6	7.9	11.1	9.6	4.3
All other	7.8	11.6	6.4	6.7	5.7	10.5
Local						
Property	8.4	11.2	7.0	7.2	8.4	9.0
Sales and gross receipts	10.4	22.1	4.2	7.8	8.5	12.4
Individual income ¹	17.9	20.9	28.2	7.7	17.6	17.1
All other	5.9	(-2.5)	8.9	5.8	4.3	11.7

¹Includes minor amounts of corporation income taxes.

Source: ACIR staff computations, based on table 3.

⑦

ACIR, Local Revenue, Diversification: Income, Sales, Taxes, & User Charges, 1974.

HB

75

(NEW MATERIAL
1978)

REPORT OF THE INTERIM COMMITTEE
ON TAXATION IN THE UNORGANIZED BOROUGH

The purpose and scope of the interim committee was to organize public hearings to receive comments from citizens in Delta, Tok, and Fort Yukon as representative of unorganized areas of the state that would be effected by taxation in the unorganized borough.

The interim committee was composed of standing members of the House Community and Regional Affairs Committee for the Tenth Session of the Alaska State Legislature. The members are:

Representative Lisa Rudd, Chair .
Representatives Merle Snider, Bill Miles, Sally Smith,
Randy Phillips, Nels Anderson, Pete Lovseth, Al Ose and
Tim Kelly.

Staff accompanying the committee were:

Bob Dozier, State Assessor, Jim McKenzie, Legislative
Affairs Legal Division and Judy Pinero, Administrative
Assistant to the committee.

There was no action taken on the bill nor was there any work sessions or mark-up during the scheduled public hearings.

Public Hearings

Delta	October 17
Tok	October 18
Fort Yukon	October 20

(with stops in Beaver and Stevens village)

Notification-Publication

August, 1977	Letters to Delta, Tok and Fort Yukon School Board to arrange meeting space in the local schools.
August, 1977	Letters to Dot Lake, Beaver, and Stevens Village advising community of the committee's informal visit to talk to residents.
September, 1977	Public hearing announcements provided to interested persons and newspapers in the community and surrounding area.

Summary and History of House Bill 202

House bill 202 - An Act providing for assessment, levy and collection of a tax on developed land in the unorganized borough; and providing for an effective date."

HB 202, if enacted, would levy a tax on improved property in the state's unorganized borough - that is, any land in the state which is not within an incorporated borough or a first class borough or a home rule city. HB 202 was introduced by Rep. Charles Parr of Fairbanks.

There is a similar bill in the Senate, which was introduced by Senator Joe Orsini of Anchorage.

Only improved property would be taxed and the bill calls for the tax rate to equal the average of the property tax rates levied by the boroughs in the state for the support of borough school districts. The Department of Community and Regional Affairs has estimated that the rate is about 7 mills (7/10ths of 1% of the assessed value of the property).

As the bill is drafted, the following property would be except from taxation:

1. Property which has not been improved, such as acreage in woodland.
2. Real property which is exempt from taxation under the state's municipal code, such as the property of churches, veterans' groups and senior citizens;
3. Real property which is being taxed under the state's 20 mill levy on property used for the exploration, production or transportation of oil, and
4. up to \$10,000. of the value of residential real property, if it is within a municipality and if the municipality approves the exemption.

The bulk of the legislation, after describing the extent of the tax, addresses the mechanics of assessment, appeals of assessments, collection of the tax, and enforcement processes and penalties.

HB 202 is not the first time the question of a property tax in the unorganized borough has been raised. It came up in 1972 when the 20 mill tax was placed on oil and gas properties. At that time, the question was whether it was fair to tax the pipeline, but not any of the other valuable property in the unorganized areas.

In fact, I believe the oil industry raised this question as a constitutional "equal protection" issue in litigation, but the suit was settled before the issue was decided. Later efforts to focus on the question of taxation in the unorganized borough came in 1975 with the rural education attendance areas in the unorganized borough. Some legislators felt at that time that local control and policy making power should not be given to the REAA's without requiring them to make local tax contributions to help support the REAA's.

The fact that the REAA's are entirely supported by the state whereas school districts in incorporated areas must support much of their education services through local tax levies, seems to be the reason for the introduction of HB 202. Urban legislators find it hard to justify this apparent inequity to their constituents, who are paying both local and state taxes to support education in the state.

That the legislature has the power to levy a property tax, or any tax, in the unorganized borough is without doubt. Under the state constitution (Art. X, Sec. 6) the legislature is the assembly, or governing body, of the unorganized borough.

PUBLIC HEARING COMMENTS - SYNOPSIS

The majority of those testifying in Delta, Tok and Fort Yukon were opposed to the levy and collection of a tax on developed land in the unorganized borough for the following reasons:

- imposed taxation forces the formation of local government.
- cost of levy and collection versus revenue
- no assurance that revenues generated would benefit their area.
- taxation without representation
- assessed valuation is too high in the present bill
- opposition to property tax in principle.
- amount of taxation would not equal the services to the area.
- punitive legislation

- improved land to be taxed (i.e. local electric company) would result in higher rates to consumer.

SUGGESTED AMENDMENTS TO HB 202:

- remove exemption for unimproved land
- clarify vague language in the bill
- provide a definition of unimproved land

RECOMMENDATIONS BY PUBLIC HEARING PARTICIPANTS:

1. raise the amount of school tax paid by residents of the unorganized borough.
2. if the tax were to be levied, upon receipt of 100% state-funded education, the tax would be lifted.
3. one request for a further referral to House Health, Education and Social Services Committee to determine the possibility of redistricting that would effect the satellite REAA's.
4. Need for more public testimony.



KETCHIKAN GATEWAY BOROUGH

344 FRONT STREET
KETCHIKAN, ALASKA 99901

June 6, 1977

The Honorable Lisa Rudd
2827 Lore Road
Anchorage, Alaska 99507

The Honorable Ms. Rudd:

I am writing in response to your letter requesting testimony relative to House Bill 75, borough or city net income tax. The overall concept of this bill has merit, especially in that income tax is generally accepted as a more fair taxation than property tax or sales tax. There are a great many detail questions that deserve some consideration before I could support such legislation.

(1) Why should real and personal property taxes be separated, thus allowing only one or the other to be imposed in conjunction with an income tax? Property tax should be one classification for the purposes of this legislation to avoid confusing the situation more than it already is. In recent years we have seen mobile homes changed from personal to real property for taxation purposes, which leaves an impression of ambiguity to confuse the issue.

(2) The proposal to refund the taxes collected within a borough that has preempted a city income tax in proportion to the amount of income tax revenue raised by each city within the borough is unclear. Does it mean that the Borough will only receive income tax from those persons living outside the City? Does it mean for those taxes generated within the City that the that the City an Borough receive one-half ($\frac{1}{2}$) each? Does it mean that the distribution is in the ratio of each jurisdictions tax levy for the appropriate area inside or outside of each City?

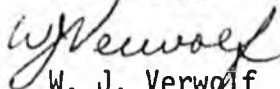
(3) What are the options for a borough to preempt the income tax levied by a city? Must they establish a single tax rate for the entire area, or can separate, different rates be set for borough and city income tax?

The Honorable Lisa Rudd
June 6, 1977
Page 2

These questions are important to answer before this legislation becomes law. The borough and cities provide different services. The borough services, including education, apply to all borough residents, both inside and outside of the cities. The tax rates should be adjusted to reflect a higher rate in the cities to raise funds for those city services to be funded by income taxes.

I appreciate the opportunity to furnish my opinions for the consideration of your committee.

Sincerely,


W. J. Verwolf
Borough Manager

WVJ/aa



City of Kodiak

PHONE (907) 486-3224

TELEX 25345

P.O. BOX 1397

KODIAK ALASKA 99615

June 8, 1977

Ms. Lisa Rudd, Chairman
House Community & Regional Affairs Committee
Pouch V
Juneau, Alaska 99811

Dear Ms. Rudd:

If reference to your letter dated May 29, 1977, pertaining to HB 75 which authorizes a Borough or City tax on net income. The City of Kodiak has no objection to the idea of a municipality adopting a local income tax, nor to the method that is prescribed for collection.

However, the City does object to the portion of the bill that limits the municipality's right to levy only two (2) of the four (4) possible taxes. Between the City and the Kodiak Island Borough, we already levy three (3): property and real property by the Borough, and sales tax by the City. The sales tax is the largest source of income for the City and we feel this bill would force us to eliminate it.

If you need any further information on our feelings or suggestions towards this bill, please let us know.

Very truly yours,

CITY OF KODIAK

A handwritten signature in cursive script that reads "Herman T. Beukers".

Herman T. Beukers
Acting City Manager

HTB/yt

Municipality of Anchorage



OFFICE OF THE MAYOR

POUCH 6-650
ANCHORAGE, ALASKA 99502
(907) 274-2525

GEORGE M. SULLIVAN,
MAYOR

June 10, 1977

Mrs. Lisa Rudd
State Representative
Alaska State Legislature
2827 Lore Road
Anchorage, AK 99507

Dear Mrs. Rudd:

You recently sent to Mayor Sullivan a letter notifying the Municipality of Anchorage of hearings you plan to hold on House Bill No. 75 entitled, "An Act authorizing a borough or city tax on net income". Your letter states that hearings will be held in Yakutat, Cordova, Kenai, Homer, and Kodiak; but you do not mention Anchorage.

As Chairman of the Ad Hoc Tax Review Commission, recently appointed by Mayor Sullivan, I respectfully request that you hold hearings on HB-75 in Anchorage. The work of the Commission is directly concerned with this subject. I would appreciate you notifying me as to whether or not an Anchorage hearing is possible.

Yours very truly,


Jim Campbell, Chairman
Ad Hoc Tax Review Commission

279-8611

/lw

cc: Mayor Sullivan



City of Soldotna

Box 409

Phone 262-4492

SOLDOTNA, ALASKA
99669

June 3, 1977

The Honorable Lisa Rudd
Alaska House of Representatives
2827 Lore Road
Anchorage, Alaska 99507

Re: House Bill 75

Dear Representative Rudd:

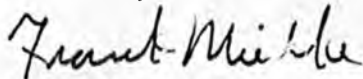
In response to your May 29, 1977 letter to Alaskan municipalities on House Bill 75, the City of Soldotna would certainly appreciate notification of any hearings on HB75 that will be held on the Kenai Peninsula.

In case the City does not have the opportunity to participate at any hearings, the following comments are given as testimony:

1. The limitation of only two taxes would place a substantial limit on the ability of many cities to raise revenue. Many cities currently levy sales, property realty and personalty taxes. To cut out any of these would limit the potential revenue a municipality might raise.
2. A net income tax would never pass a voter's referendum in most Alaskan municipalities. This would effectively reduce the ability to raise revenues under HB75.

Thank you for this opportunity to submit this testimony.

Sincerely,



Frank G. Mielke
City Administrator

FGM/pb



City of Kodiak

PHONE (907) 486-3224 TELEX 25345

P.O. BOX 1397
KODIAK ALASKA 99615

June 8, 1977

Ms. Lisa Rudd, Chairman
House Community & Regional Affairs Committee
Pouch V
Juneau, Alaska 99811

Dear Ms. Rudd:


If reference to your letter dated May 29, 1977, pertaining to HB 75 which authorizes a Borough or City tax on net income. The City of Kodiak has no objection to the idea of a municipality adopting a local income tax, nor to the method that is prescribed for collection.

However, the City does object to the portion of the bill that limits the municipality's right to levy only two (2) of the four (4) possible taxes. Between the City and the Kodiak Island Borough, we already levy three (3): property and real property by the Borough, and sales tax by the City. The sales tax is the largest source of income for the City and we feel this bill would force us to eliminate it.

If you need any further information on our feelings or suggestions towards this bill, please let us know.

Very truly yours,

CITY OF KODIAK


Herman T. Beukers
Acting City Manager

HTB/yt

Municipality
of
Anchorage



POUCH 6-650
ANCHORAGE, ALASKA 99502
(907) 274-2525

GEORGE M. SULLIVAN,
MAYOR

OFFICE OF THE MAYOR

June 10, 1977

Mrs. Lisa Rudd
State Representative
Alaska State Legislature
2827 Lore Road
Anchorage, AK 99507

Dear Mrs. Rudd:

You recently sent to Mayor Sullivan a letter notifying the Municipality of Anchorage of hearings you plan to hold on House Bill No. 75 entitled, "An Act authorizing a borough or city tax on net income". Your letter states that hearings will be held in Yakutat, Cordova, Kenai, Homer, and Kodiak; but you do not mention Anchorage.

As Chairman of the Ad Hoc Tax Review Commission, recently appointed by Mayor Sullivan, I respectfully request that you hold hearings on HB-75 in Anchorage. The work of the Commission is directly concerned with this subject. I would appreciate you notifying me as to whether or not an Anchorage hearing is possible.

Yours very truly,


Jim Campbell, Chairman
Ad Hoc Tax Review Commission

279-8611

/lw

cc: Mayor Sullivan



City of Soldotna

Box 409

Phone 262-4492

SOLDOTNA, ALASKA
99669

June 3, 1977

The Honorable Lisa Rudd
Alaska House of Representatives
2827 Lore Road
Anchorage, Alaska 99507

Re: House Bill 75

Dear Representative Rudd:

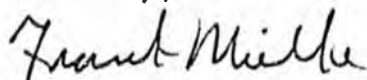
In response to your May 29, 1977 letter to Alaskan municipalities on House Bill 75, the City of Soldotna would certainly appreciate notification of any hearings on HB75 that will be held on the Kenai Peninsula.

In case the City does not have the opportunity to participate at any hearings, the following comments are given as testimony:

1. The limitation of only two taxes would place a substantial limit on the ability of many cities to raise revenue. Many cities currently levy sales, property realty and personalty taxes. To cut out any of these would limit the potential revenue a municipality might raise.
2. A net income tax would never pass a voter's referendum in most Alaskan municipalities. This would effectively reduce the ability to raise revenues under HB75.

Thank you for this opportunity to submit this testimony.

Sincerely,



Frank G. Mielke
City Administrator

FGM/pb

Munis. can't get rid of prop. tax because of bonded indebtedness.

How much can munis. make in income tax?
(Must be enough to offset sales tax rev.)

Introduced: 5/25/77
Referred: Community & Regional Affairs, Judiciary and Finance

1 IN THE HOUSE BY PARR AND COWPER
2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 75
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 TENTH LEGISLATURE - FIRST SESSION
5 A BILL

6 For an Act entitled: "An Act authorizing a borough or city tax on net
7 income."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 29.53 is amended by adding a new section to read:

10 ARTICLE 6. MUNICIPAL TAX ON NET INCOME.

11 Sec. 29.53.500. TAX ON NET INCOME. (a) The assembly or council
12 of a municipality may, by referendum, enact an ordinance adopting by
13 reference a local income tax imposed upon individual residents and
14 corporations doing business within the municipality. The tax shall be
15 percentage of the liability of the resident or corporation of the tax
16 imposed under the Alaska Net Income Tax (AS 43.20).

17 (b) An ordinance enacted in accordance with the provisions of
18 this section shall impose a rate of tax for the next calendar year and
19 may provide that the tax rate shall continue in effect for each succeed-
20 ing calendar year until the tax rate is modified by a subsequent ordi-
21 nance. A municipality imposing an income tax may repeal the tax. A
22 municipality may impose, modify or repeal an income tax only after first
23 giving notice to the commissioner of revenue not later than July 1 of the
24 previous year. Enactment, modification or repeal of an income tax
25 authorized by this section shall become effective only on the first day
26 of a calendar year.

27 (c) An income tax imposed by a municipality under this section may
28 not exceed 50 per cent of the liability of the taxpayer under AS 43.20
29 after deduction of credits and inclusion of additional taxes due.

can be evaded if tied to employment, not so easily

1 (d) An income tax imposed under this section shall be administered
2 by the commissioner of revenue, who shall collect and account for the
3 revenue in the manner provided in AS 43.20.360.

4 (e) A borough may preempt an income tax levied by a city under
5 this section by adopting an areawide income tax. The commissioner shall
6 refund the taxes collected within the borough to the borough and all
7 cities within the borough in proportion to the amount of income tax
8 revenue raised by each city within the borough unless the borough and
9 all cities within it mutually agree on a different method of sharing.

10 (f) A municipality may levy the tax authorized under this section
11 if it levies and collects not more than one of the following taxes
12 authorized by law:

13 (1) sales taxes, authorized by sec. 415 of this chapter;

14 (2) personal property taxes, authorized by sec. 10 of this
15 chapter;

16 (3) real property taxes, authorized by sec. 10 of this chapter.

17 (g) In this section, "resident" means an individual resident, non-
18 resident or part-year resident of Alaska, as defined in AS 43.20.011, who
19 is domiciled in or maintains his principal residence or place of abode
20 in the municipality.

21 * Sec. 2. AS 29.13.100 is amended by adding a new paragraph to read:

22 (37) AS 29.53.500 (borough or city tax on net income)

23 * Sec. 3. AS 29.53.035 is amended by adding a new subsection to read:

24 (f) A municipality which levies an income tax under sec. 500 of
25 this chapter may exempt from taxation real or personal property.

26 * Sec. 4. AS 43.20.160(c) and (d) are amended to read:

27 (c) The department shall prescribe and furnish all necessary forms,
28 and adopt and publish all necessary regulations in plain and concise
29 language conformable with this chapter for the assessment and collection

1 of the taxes imposed by secs. 10 - 350 of this chapter and for a municipi-
2 pal tax on net income levied and collected under authority of AS 29.53.-
3 500 and sec. 360 of this chapter. The department shall apply as far as
4 practicable the administrative and judicial interpretations of the
5 federal income tax law. The department shall also prepare a concise
6 statement of the contents of the code sections referred to in this
7 chapter for the information of the taxpayer and make them available to
8 the taxpayer making a return.

9 (d) All money collected by the department under secs. 10 - 350 of
10 this chapter shall be deposited in the general fund of the state.

11 * Sec. 5. AS 43.20.170(a) is amended to read:

12 (a) Every employer making payment of wages or salaries shall deduct
13 and withhold an amount of tax computed in a manner to approximate the
14 amount of tax due on those wages under this chapter and under an income
15 tax levied by a municipality in accordance with AS 29.53.500 and
16 collected by the department for that year. The department shall publish
17 the rate of withholding required by this section and the rate required
18 by the income tax levy of a municipality which shall be expressed as a
19 percentage of the amount required to be withheld under sec. 3402 of the
20 Internal Revenue Code of 1954. Every employer making a deduction and
21 a withholding shall furnish to the employee upon request a record of
22 the amount of tax withheld from the employee on a form prescribed by the
23 department.

24 * Sec. 6. AS 43.20.290 is amended to read:

25 Sec. 43.20.290. [EXCLUSIVE] STATE AUTHORITY. No tax may be levied
26 and collected upon the net income of resident or nonresident individuals
27 by a general law municipality [CITY] or by a home rule municipality
28 [CITY] or any other political subdivision of the state except as
29 provided by AS 29.53.500.

1 * Sec. 7. AS 43.20 is amended by adding a new section to read:

2 ARTICLE 6. MUNICIPAL TAX ON NET INCOME.

3 Sec. 43.20.360. ADMINISTRATION. (a) Municipal income taxes
4 levied and collected under AS 29.53.500 are subject to the provisions of
5 this chapter.

6 (b) A municipal income tax levied and collected under AS 29.53.500
7 shall be administered by the commissioner of revenue, who shall collect
8 and account for the revenue.

9 (c) The commissioner shall determine each municipality's share of
10 the cost of administering this section. In determining each munici-
11 pality's share, the commissioner shall apportion the cost of collection
12 and accounting for the funds in proportion to the tax collected from each
13 municipality of the state which levies an income tax. The commissioner
14 may withhold the prorated share of the cost of collecting and accounting
15 for funds, but the amount withheld may not exceed five per cent of the
16 amount payable to a municipality. After deducting the amount of any
17 refunds due and the prorated share of the cost of collecting and
18 accounting for funds, the commissioner shall pay to each municipality,
19 as soon as practicable, the amount to which it is entitled under AS 29.-
20 53.500.

HB

83

CITY OF SEWARD



P. O. BOX 337
SEWARD, ALASKA 99664

CITY MANAGER	224-5214
COMPTROLLER	224-5216
INFORMATION	224-5215
CITY POLICE	224-5201

April 7, 1977

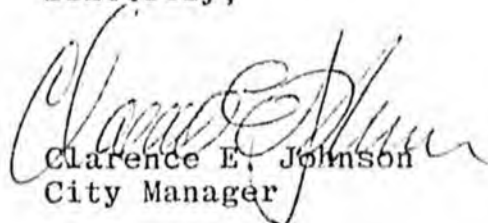
Honorable Keith Specking
Alaska House of Representative
Pouch V
Juneau, Ak 99811

Dear Keith:

The City of Seward urges your strong objection to HB 83. This bill amends AS 29.68.10 by adding a new section stating that if 10 percent of the qualified voters of an area which is to be annexed or excluded from any proposed local government boundary change, petition for a vote on the question, the local Boundary Commission must conduct at its own expense an advisory vote.

We believe by placing an advisory vote before the Legislature this bill will only further serve to increase the difficulty of Seward in acquiring territory desperately needed to adequately guide OCS support facilities development. Title 29.68.10 (b) (1) already provides that annexation of land by local action must first be approved by a majority of the qualified voters in the area proposed to be annexed. HB 83 would expand this requirement to an advisory vote on all annexation actions, including direct action by the Local Boundary Commission. We feel that this would go way beyond the original purposes of AS 29.68.10 and would for a practical matter, lead to a policy of voter approval of all proposal annexation.

Sincerely,


Clarence E. Johnson
City Manager

cc: All Members of Alaska Legislature

HB

85

Introduced: 1/21/77
Referred: Community & Regional
Affairs and Finance

1 IN THE HOUSE

BY MALONE

2 HOUSE BILL NO. 85

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

Vote on issue

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to residential property exemption
7 from real property tax."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 29.53.025(a) is amended to read:

10 (a) Municipalities may exclude or exempt or partially exempt
11 residential property from taxation by ordinance ratified by the voters
12 at a regular or special election. [AN EXCLUSION OR EXEMPTION AUTHORIZED
13 BY THIS SECTION MAY NOT EXCEED \$10,000 FOR ANY ONE RESIDENCE.]

14 *Art. 9 Sec. 4*

15
16 *Can legis. delegate power to grant*
17 *exemptions?*
18

19
20 *How many cities now grant exemption?*
21

22
23
24
25 *Ans. under pressure all the time*
26 *People shd. all pay share*
27
28

29

HB

87

DO NOT
TAX Residents
Pro-cons-

Introduced: 1/21/77
Referred: Community & Regional
Affairs and Judiciary

1 IN THE HOUSE

BY MALONE

2 HOUSE BILL NO. 87

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to appropriations and grants from
7 boroughs to service areas and cities; and providing
8 for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 29.63.090(b) is amended to read:

11 (b) The assembly may levy or authorize the levying of taxes,
12 charges, or assessments in service areas to finance the special services
13 or may by ordinance authorize appropriations from areawide taxes or other
14 areawide revenues to finance all or part of the special service and,
15 after enactment of an authorizing ordinance, may make appropriations for
16 the purpose authorized.

17 * Sec. 2. AS 29.73 is amended by adding a new section to read:

18 Sec. 29.73.070. REVENUE SHARING GRANTS BY BOROUGHES. A home rule
19 or general law borough of any class may make grants from areawide taxes
20 or other areawide revenues to cities within the borough or service areas
21 of the borough for a function the city or service area is authorized to
22 perform. Grants so made shall be authorized by borough ordinance.

23 * Sec. 3. AS 29.13.100 is amended by adding a new subsection to read:

24 (37) AS 29.73.070 (revenue sharing by boroughs)

25 * Sec. 4. AS 29.48.210 is amended to read:

26 Sec. 29.48.210. EXPENDITURE OF BOROUGH REVENUES. Borough revenues
27 levied and collected on an areawide basis by a home rule or general law
28 borough may be expended on general administrative costs, [AND] on area-
29 wide functions, and as authorized in AS 29.63.090(b) and 29.73.070 only.

1 Revenues levied and collected in the area outside cities only may be
2 expended on general administrative costs and functions which render
3 service to the area outside cities only.

4 * Sec. 5. AS 29.53.010 is amended to read:

5 Sec. 29.53.010. GENERAL PROPERTY TAX. Home rule and general law
6 boroughs may levy (1) an areawide property tax for areawide functions,
7 for appropriations authorized under AS 29.63.090(b), for grants autho-
8 ri- zed under AS 29.73.070; and (2) a property tax limited to the area
9 outside cities for functions limited to the area outside cities. A
10 property tax if levied must be assessed, levied and collected on real
11 and personal property as provided in this chapter.

12 * Sec. 6. This Act takes effect immediately in accordance with AS 01.10.-
13 070(c).

14 *Amendment - adopted*

15 *BE Before pavers would assume*
16 *There would be a vote of the people -*

17 *DUAL*
18 *MAJORITY / INSIDE & OUTSIDE CITIES*

Introduced: 1/21/77
Referred: Community & Regional
Affairs and Finance

1 IN THE HOUSE

BY MALONE

2 HOUSE BILL NO. 85

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to residential property exemption
7 from real property tax."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 29.53.025(a) is amended to read:

10 *Amended* (a) Municipalities may exclude or exempt or partially exempt
REAL OR PERSONAL
11 residential property from taxation by ordinance ratified by the voters
12 at a regular or special election. [AN EXCLUSION OR EXEMPTION AUTHORIZED
13 BY THIS SECTION MAY NOT EXCEED \$10,000 FOR ANY ONE RESIDENCE.]
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*Senator Chance
Dec. 8, 1975*

*Sen. Chance
12/8/75*

December 8, 1975

PROFIT SHARING

Senator Genie Chance
310 "K" Street
Suite 701
Anchorage, Alaska 99501

Dear Senator Chance:

I am pleased to enclose with this letter two pieces of proposed legislation which represent the recommendations of this interim committee in the area of shared revenues with municipalities. The proposed legislation is the product of a number of meetings of the committee in the months since the adjournment of the legislature plus two public hearings. One of these public hearings was held in conjunction with the October convention of the Alaska Federation of Natives, in order to receive bush community viewpoints. The other hearing was held in conjunction with the October conference of the Alaska Municipal League. In addition, suggestions and constructive criticism were requested by mail and received from a wide variety of cities and communities throughout the State of Alaska.

It was considered crucial, since revenue sharing has been created solely for the purpose of assisting municipalities in the funding of needed local services, that the final product of the committee take maximum note of the views and suggestions of the various municipalities across the state. The enclosed bill represents what the committee considers to be the most beneficial and most feasible of those suggestions.

Perhaps some review might be in order concerning the need for revision of the current shared revenue program. Although the program in concept currently enjoys the unanimous and enthusiastic support of every municipality in the state, the following were considered deficiencies which new legislation could correct.

REPRESENTATIVE
MIKE MILLER
ALASKA STATE LEGISLATURE
P.O. Box 1494
JUNEAU, ALASKA 99802
HOME PHONE 586-3067
LEGISLATIVE PHONE 465-3739

HOUSE MAJORITY LEADER
VICE CHAIRMAN, LEGISLATIVE COUNCIL
VICE CHAIRMAN, STATE AFFAIRS COMMITTEE
MEMBER, RULES COMMITTEE
MEMBER, COMMITTEE ON COMMITTEES

First, it was felt that a "foundation" approach might be useful in the field of revenue sharing--"foundation" approach meaning a formula with a foundation amount similar in concept to that utilized in the school foundation statutes. The beauty of such an approach is that whenever a legislature wishes to raise the foundation amount (to recognize increases in the cost of doing business) it is necessary merely to amend one word in the statutes. Absent the foundation approach it is necessary, whenever you wish to recognize the increase in the cost of doing business, to go into the statutes and revise the per capita dollar figure for each of the various categories in which shared revenue assistance is given to municipalities. This is both cumbersome and, in practice, inequitable. Some categories tend to get raised, others do not and the system can easily get out of balance.

It was felt, too, that the amount of shared revenues being designated for small communities was much too small. It was recognized that the present purely per capita approach just did not offer the very small communities enough money to assist in any meaningful way in meeting the obligations of local government. It was recognized that whether a second class city had 25 residents, or 75 residents, or 125 residents there was nonetheless an irreducible minimum cost of doing business, and that that minimum was just as great for very small villages as it was for medium sized second class cities. It was, therefore, considered desirable that a minimum grant base be established for these communities and it was further considered desirable that the base amount agreed upon be as generous as possible in order that the benefits of government on the local level be economically feasible for the communities.

Another deficiency in the current statutes was the lack of the requirement for standards and criteria by which the Department of Community and Regional Affairs could determine whether communities were actually entitled to shared revenues in the various categories under which they were seeking aid. This deficiency has long been recognized by the Department of Community and Regional Affairs and has been recognized additionally by the Legislative Budget and Audit staff. This is not to say that the shared revenue monies allotted to the communities should be required to be spent in the categories designated--far from it. It was and still is the consensus of the committee and of the municipalities that local discretion should continue in the spending of shared revenue receipts. It was felt, however, that in order to receive shared revenue monies in, for example the fire department category it should be demonstrated that the community can meet minimum standards in that category.

December 8, 1975
Senator Genie Chance
Page #3

Finally, there was a question projected by some communities as to whether the use of categories in sharing state revenues was even appropriate. It was thought perhaps more appropriate simply to allocate available dollars to the municipalities and let each local government establish its own priorities without regard to existing municipal services.

In order to correct these deficiencies the committee drafted three alternate pieces of legislation for consideration by the committee and the municipalities of Alaska. With considerable--and greatly appreciated--assistance from the University of Alaska/Anchorage, we were able to develop extensive data showing the practical results (i.e., the dollars to be received) for each community in the state under the various alternatives. We developed similar data based on proposed legislation already in the house (legislation which, incidentally, had been previously endorsed by the Alaska Municipal League) and also on a simple per capita allocation of funds to municipalities. Four of these five total alternative were specifically noncategorical in approach. All of the alternatives and all of the data were presented to delegates of the Alaska Federation of Natives Convention and delegates to the Alaska Municipal League Conference. In addition, this material was mailed to virtually every municipality, large and small, in the state with requests for evaluations and suggestions.

I think it would be fair to say that prior to the hearings and meetings there was a strong feeling among the larger communities, in particular, that revenue sharing should be based on tax effort. The feeling was that those who tax themselves the most should receive the most additional state aid. This was the principle thrust of the existing proposed legislation which the Alaska Municipal League had previously endorsed. The committee recognized this concept in two of the alternatives they proposed, but built in additional factors including the availability of tax resources plus tax effort in relation to those resources. Interestingly, when all the facts--in the form of state-wide computerized readouts--were laid before the communities a very noticeable modification of opinion became apparent during the hearings and in countless conversations afterward. Committee members noted a discernible reluctance on the part of communities, large and small, to terminate the categorical approach. What was needed, several elected officials indicated, was a bill which more or less continued the "tried and true" categorical approach, in the present revenue sharing system but which also incorporated the "foundation approach".

Basically, then, this is the bill which the interim subcommittee has proposed:

First, the bill does create a municipal "foundation approach" to revenue sharing. It does so by allocating varying numbers of units to various categories of municipal services and then multiplying those units times population, and then multiplying this product times a "foundation" base figure. For this bill the committee established a foundation base at \$1.00. In future years if the cost of doing business goes up, for instance 11%, the legislature may, if it chooses, raise the foundation amount by simply changing the figure \$1.00 to \$1.11.

In establishing categories and establishing unit values within each category, the committee did indeed stick by the "tried and true" categories of past years. Police protection, for instance, which in previous years earned communities shared revenue at the rate of \$12.00 per capita will earn units within the foundation formula at the rate of 12 units. Fire protection is 7.5 units (as opposed to \$7.50 per capita under the present system). Additional ingredients include air or water pollution control (2 units), land use planning (2 units), parks and recreation (5 units). Two important changes have been made in the categorical designations. Under present law a community can receive \$5.00 per capita for operating either a small boat harbor/ port or for operating mass transit or for operating an airport. In the proposed bill 5 units can be accumulated in each of these categories. The second important difference is the addition of solid waste disposal as a new category, which in the proposed bill will be valued at 2 units.

The proposed legislation establishes a \$25,000 minimum grant for municipalities whose low per capita standing would otherwise earn them only small amounts of revenue. The committee felt the \$25,000 figure was a generous but nonetheless fair amount. It was interesting to note that at neither public hearing was there any criticism of this amount. At one meeting of the committee, a single individual did observe that he thought the figure was pretty high for the very smallest communities. He did not, however, seek to have the committee change the amount.

Additional features of the bill include the following:

Special start-up grants have been established in various categories for municipalities who do not currently offer such services as police protection, fire protection, air

and water pollution control, land use planning, parks and recreation, small boat harbors/ports, air ports or mass transit systems. The Department of Community and Regional Affairs is specifically charged with creating minimum standards of service in the various categories for which municipalities can receive revenue sharing. Revenue sharing for hospitals remains virtually the same as under current law except that responsibility for administering this section is transferred to the Department of Health and Social Services. Additionally, in the area of health, a paragraph specifies that no hospital or health facility shall be eligible for revenue sharing unless the facility has received a Certificate of Need from a municipality or the state. This paragraph anticipates that "Certificate of Need" legislation will be passed in this session of the legislature. Another interim committee is studying the whole broad area of health facilities so this section may undergo substantial modification when that interim committee completes its deliberations. Shared revenues for road maintenance remains virtually the same as current law. A very important feature of the new legislation is that if a new second class city is created in an organized borough after passage of this law, the city would not be eligible for the \$25,000 minimum grant. This feature is designed to preclude small gatherings of 25 people or more from incorporating simply to take advantage of the \$25,000 revenue sharing opportunity. Finally, a very important feature of the proposed legislation is the clause which guarantees each municipality that it will not receive less money than it is receiving under the current statutes.

There, of course, are many additional features to the legislation, but this summary covers most of the major changes.

As noted earlier, the committee is submitting two bills for introduction and for consideration by the legislature. One is quite large and comprehensive and is described in the report above. The other bill consists of only one paragraph and this paragraph constitutes one of the many provisions of the larger bill.

The provision, drafted at the request of the Department of Community and Regional Affairs, simply mandates that the department create minimum standards and criteria to qualify municipalities for grants in each category of shared revenue. If the major bill should run into difficulties and if passage does not seem assured, then it is recommended that the legislature consider and enact the oneparagraph small piece of "clean-up" legislation.

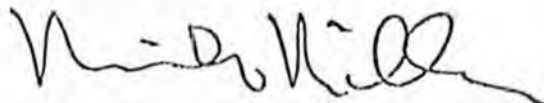
December 8, 1975
Senator Genie Chance
Page #6

The fiscal impact of the legislation will be to raise the state shared revenue allocation from a current level of about \$15 million to a level of approximately \$20 million--if the bill is fully funded. The raise, of course, comes from creating the \$25,000 minimum grants to small cities, from creating a new category (solid waste) and from separating the now-combined port/harbor-airport-mass transit category into three separate categories.

This report would not be complete without making special acknowledgement of the work of the several individuals and agencies. The committee is extremely appreciative of the hours of work, both during committee sessions and out of session, by Dr. Garth Jones and P. J. Hill, both of the University of Alaska/Anchorage. The vast volume of computerized data that both Dr. Jones and Mr. Hill provided was crucial in the final deliberations and directions of the committee.

Similarly, we would like to give a special thanks to Mr. Rich Wilson and Mr. Sam Coxson, both of the City of Anchorage who helped in obtaining and analyzing the data, and who attended most of the sessions and hearings of the committee and contributed greatly to the deliberations. We are indebted as well to the Alaska Federation of Natives who made time available for us during the annual AFN convention in Anchorage, and the Alaska Municipal League who similarly made time available during its annual conference in that same city. The League, as well, was most helpful to the committee in circularizing its membership and alerting municipalities of Alaska to the work of the committee. Finally, I would like to acknowledge the fine work of the staff of the Legislative Affairs Agency, and Bill Berrier in particular, plus the membership of the interim committee. Interest was lively, suggestions were broad and imaginative and attitudes were positive throughout the course of the committee's deliberations. It has been a pleasure to chair this committee and of course all of us on the committee stand ready to answer any questions which you or other members of the legislature might have concerning the recommended legislation. Thank you for your own fine support of the committee.

Sincerely,



Mike Miller, Chairman, Interim
Committee on Shared Revenues
with Municipalities

MM:smh

Enclosures

HB 87

Library of Congress Catalogue No. 73-620002

ISBN 0-88353-404-5

EQUALIZATION OF
LOCAL GOVERNMENT REVENUES IN ALASKA

by

Richard W. Garnett, III

Now fine and just actions, which political science investigates, admit of much variety and fluctuation of opinion, so that they may be thought to exist only by convention and not by nature. . . . We must be content, then, in speaking of such subjects and with such premises to indicate the truth roughly and in outline. . . . In the same spirit therefore should each type of statement be *received*; for it is the mark of an educated man to look for precision in each class of things just so far as the nature of the subject admits.

Aristotle, *Ethics*.

Introduction

As the development of natural resources in Alaska accelerates, the need to determine how the taxable wealth of the state is to be distributed becomes increasingly important. This paper discusses revenue sharing in Alaska as a means toward equalizing, rather than simply augmenting, revenues of local governments.¹ First, the general problem of financing municipal services is

¹The term "revenue sharing" ordinarily is applied to transfer downward from one level of government to another, as in the federal-state program recently enacted (H.R. 11950) or the state municipal services revenue sharing program (AS 43.18).

ISEGR Occasional Papers are published periodically by the Institute of Social, Economic and Government Research, University of Alaska. Authors are free to develop their own ideas on their own topics.

Richard W. Garnett, III is Assistant Attorney General, Department of Law, State of Alaska.

Preparation of this paper was supported in part by the U.S. Department of Health, Education and Welfare under Title I of the Higher Education Act of 1965.

Price \$1.00

Victor Fischer, Director of the Institute

reviewed briefly. Then a description of the Alaska case provides background for discussion of recent legislative efforts in Alaska and suggestions for future policy approaches.

This paper does not discuss fully every aspect of revenue equalization among localities. Rather, it focuses primarily on technical and legal problems involved with such a program. Nevertheless, a realistic approach to this topic cannot ignore the influence of strong social and political forces at work in Alaska on any effort to readjust local tax revenues.

One of these forces is related to the widely accepted, anthropomorphic idea that towns and regions have rights and interests of their own apart from the sum of the rights and interests of the individuals involved. Consequently, a program that takes from one governmental unit and gives to another suggests to many a form of economic egalitarianism that they find unacceptable at both individual and corporate levels.

Further, a comprehensive equalization program involves creation of new taxing units and, perhaps, a state tax to eliminate tax havens. Naturally, the businesses and individuals who benefit from the present situation will oppose changes that subject them to additional taxation and government control.

Race is another factor affecting the situation in Alaska. Rural Alaska is inhabited primarily by Indian and Eskimo people. The growth of political consciousness among Alaska Natives, dramatically symbolized by passage of the Alaska Native Claims Settlement Act, has paralleled a tremendous increase in the wealth and the prospect of wealth in rural Alaska and in the North Slope region in particular. Many regional Native leaders are distinctly wary of any state government activity that might affect the economic prospects of their constituents. Moreover, there is a general fear that local government in rural areas may somehow compete with or impede full implementation of the Claims Act.

By definition, an adequate local government revenue equalization program will result in less economic power for those regions

most extraordinarily endowed with natural wealth.² The justification, if any, for reduction of economic power of the North Slope or other regions is the corresponding benefit to other, equally needy and deserving areas where nature was less generous.

The General Problem

Municipal services in the United States are financed largely by revenues from an ad valorem tax on property located within the taxing jurisdiction. The level and quality of services therefore depends on the value of the tax base, which varies widely among different communities and regions. As a result, areas with low valuation per capita must tax themselves at a higher rate than more wealthy areas in order to raise the same revenue.

The value of the local tax base has not always varied so widely. One writer describes the typical composition and effects of the tax base before World War II this way:

The important thing to remember is that in the pre-war days the total tax base of the community was there to support the needed services. It allowed a logical concentration of commercial and industrial property. It allowed a section of town to be low-value housing without a diminution of services in that area or a severe tax penalty. The tax base to educate the children of the area was the rich man's home, the poor man's home, the places where they both worked and where they shopped. When land was taken off the tax rolls for parks or for other purposes, everyone was affected.

He goes on to note an important structural change in local government organization since the war, and describes the disparity in

²It should be noted that the loss may be more theoretical than real, as in the case where taxable property provides potential revenue far in excess of the needs of the local jurisdiction. For example, the North Slope Borough proposes to levy a very small tax on the vast property at Prudhoe Bay. Additional revenue raised from a state tax on this property could benefit other rural areas of the state without undue burden on the owners or loss to the North Slope.

wealth and its effects among local areas which have resulted from this change:

The post-war experience has been vastly different. The inter-dependent neighborhoods of the actual total community have become legally independent municipalities . . .

Suburban communities that happen to have the shopping centers and the commercial property—and if they are lucky, the wealthy homes—can live “high on the hog.” On the other hand, those communities which are carved out of the northern sand plains in our region, flat and relatively uninteresting, may be in trouble.³

The tax-service inequity problem has been challenged in the courts. In *Serrano v. Priest*,⁴ the Supreme Court of California held that the state could not maintain a system of financing public education which made the quality of education largely dependent on the taxable wealth of the local school district. In spite of a certain amount of state aid, it was shown at trial that certain areas with low property valuation could not achieve a level of financing for education, even with a relatively high tax rate, that others could achieve with low tax rates.

The court reached its conclusion by characterizing education as a “fundamental interest” and wealth as a “suspect category”⁵ when dealing with education. In light of these determinations, the court found that the state must show a “compelling state interest”

³Charles R. Weaver, “Urban Fiscal Capacity,” *State Government*, Council of State Governments, Lexington, Kentucky (Spring 1972) p. 100-01.

⁴487 P. 2d 1241 (Cal. 1972).

⁵Ordinarily, in reviewing classifications created by state law, courts accord very wide latitude to legislative discretion. However, where the classification relates to certain specially protected areas, such as free speech or voting, and where the basis of the classification appears invidious on its face, as in the case of distinctions according to race or religion, the presumption of validity is replaced by a burden on the state to show that the classification is necessary.

rather than the usual “rational basis” in order to justify its financing system.

In considering wealth a “suspect category” with respect to education, *Serrano* and related cases have alluded to the special nature of education, distinguishing it from other municipal services. Thus, the *Serrano* line of cases has not yet provided direct support for the view that the level of other local government services, such as water supply and sanitation or police protection, also may not be tied to the local tax base.

Nevertheless, when courts enunciate a principle in a particular context, it may subsequently be extended to its logical limit. Note, for example, the extension of the one man, one vote principle from the state level to units of general and specialized local government and the progressive elimination of durational residence requirements. If local wealth is a “suspect category” in determining education services, past experience suggests that it will not long remain a legitimate determinant of the level of other local services.

It has already been held that differences in the level of any public service available in a municipality cannot be based on race. In *Hawkins v. Town of Shaw*,⁶ the court found that the town provided better services of all kinds to white areas than to black, and held that such a pattern denies equal protection of the laws.

As wealth increasingly becomes a category as suspect as race, it is difficult to see how the courts will be able to avoid extending the “compelling state interest” test beyond education to a broader range of public service disparities. It can be argued that hospitals and police, in their spheres, are as important to local well-being as is public education, and that their availability, too, should not depend on how much wealth a particular community happens to have.

⁶437 F. 2d 1286 (5th Cir. 1971).

In any case, it is clear that local government spending is not immune from equitable constraints, at least in the educational field. Regardless of whether judicial activism carries the *Serrano* principle all the way, that principle deserves serious consideration in legislative policy making for state and local government services and taxation.

The Problem in Alaska

The Alaska constitution calls for "maximum local self-government with a minimum of local government units"⁷ and for avoiding "duplication of tax levying jurisdiction."⁸ It also directs that "the entire state shall be divided into boroughs, organized or unorganized"⁹ and that the legislature "shall provide for the performance of services it deems necessary or advisable in unorganized boroughs . . ." ¹⁰

There are 11 organized boroughs in Alaska, located, with two exceptions,¹¹ in the more developed areas of the state. A single unorganized borough comprises the rest of the state, an area several times larger than all of the organized boroughs combined (see map on following page).

Organized boroughs levy a property tax inside their boundaries. Cities within the boroughs may also levy taxes, but assessment and collection are exclusively borough responsibilities. Outside organized boroughs, no property tax is levied except within cities that have taxing power.

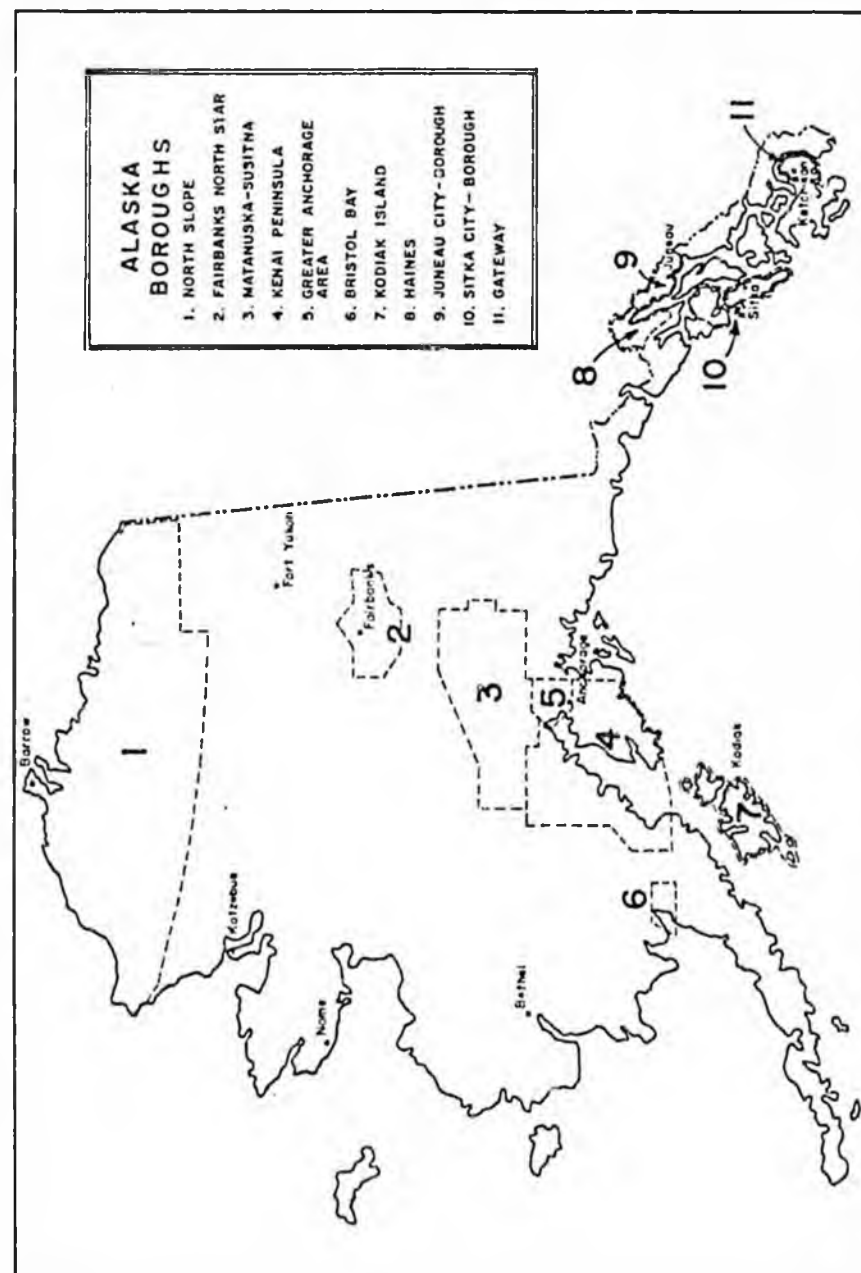
⁷ Art. X, Sec. 1, Constitution of Alaska.

⁸ *Ibid.*

⁹ Art. X, Sec. 3, Constitution of Alaska.

¹⁰ Art. X, Sec. 6, Constitution of Alaska.

¹¹ The North Slope and Bristol Bay boroughs.



The boroughs are typically quite large relative to local government units in other states. Generally, boroughs encompass one or more core communities, scattered settlements, and a considerable amount of vacant territory. Responsibility for education and other basic services is borough-wide. Accordingly, the whole borough tax base supports certain services for all borough residents.¹² The problem of tax and service equity is therefore on a different scale in Alaska than in the more developed states.

In Alaska the major disparities are among rather than within regions. Taxable wealth per capita in 1967 varied from \$3,182 in the Bristol Bay Borough to \$16,067 for the Kenai Peninsula Borough.¹³ Although assessment figures for the newly organized North Slope Borough have not yet been established, the concentration of property in the Prudhoe Bay area is conservatively estimated at \$300 million, yielding a North Slope Borough tax base per capita of approximately \$98,000.

No comprehensive assessment of the unorganized borough has been made. However, the present per capita tax base in the unorganized borough is well below the average for organized boroughs, partly because much of the real estate in the unorganized area is tax exempt but more so because the area lacks appreciable commercial and industrial development.

In the more developed and populated states, where the bulk of the tax base is residential, commercial, or manufacturing-industrial, there is at least some correlation between the taxable

¹²It is said with some justification that cities may carry more than their share of the revenue burden by taxing themselves to provide nonarea-wide services, such as police protection and parks and recreation, which noncity residents utilize. Nevertheless, the system of allocating powers between borough and city contains, however imperfectly, the mechanism for equitable distributions of tax burdens and services.

¹³Thomas A. Morehouse and Victor Fischer, *Borough Government in Alaska*, Institute of Social, Economic and Government Research, University of Alaska, ISEGR Report No. 29 (1971) p. 162.

value of the property and the service requirements that arise from the property itself. (However, such correlation, as the *Serrano* case testifies, is not sufficiently close to avoid constitutional difficulty.) By contrast, the major taxable properties in Alaska are and will be related to mineral extraction. Such activity normally emphasizes capital rather than labor, generating less need for public services than does other revenue-producing activity. Accordingly, it may be anticipated that Alaska local government financing as presently organized, will reflect a significant disparity between the taxable wealth available and the level of services required.

North Slope oil development and the trans-Alaska oil pipeline dramatize this point. Taxable value of the pipeline alone will exceed the total assessed value of property in all organized areas of the state.¹⁴ Moreover, neither the pipeline nor oil production facilities will demand heavy public services. Unlike hotels, shopping centers, factories, and homes, the pipeline will need no sewers, no playgrounds, no schools. It is, in this regard, the ideal addition to a local tax base.

The prospective mining operation at Lost River on the Seward Peninsula is another of several developments that will add to the taxable wealth of the state. At around \$50 million, its probable value is small compared to the pipeline, but immeasurably significant relative to the present situation on the peninsula. Comparable mineral development, including oil, may occur in other rural areas of the state as well.

Most of the valuable taxable property that will appear in the unorganized borough will be located in accordance with the distribution of natural resources. Because this distribution bears little relation to the pattern of local jurisdictions and fiscal needs, there will be increasing variation in wealth and services among regions unless an equitable statewide distribution of revenue from Alaska resources can be achieved.

¹⁴Robert Dozier, *Alaska Taxable*, Local Affairs Agency, Juneau, Alaska (1971) p. 36.

Wealth Distribution and New Boroughs

The disparity in wealth among boroughs that follows from the pattern of development described above has several consequences. The likelihood of severe disparity in service levels among regions has been noted. A less obvious consequence stems from the unfinished nature of the Alaska local government system.

The local government article of the state constitution calls for the division of the state into boroughs, organized and unorganized. The language of the article presupposes plural unorganized units. The specific reference in Section 6 to "maximum local participation and responsibility" in unorganized boroughs indicates that manageable units encompassing communities of interest were contemplated for unorganized as well as organized boroughs.¹⁵

It is difficult to believe that the single unorganized borough that now exists complies with the intention expressed in the constitution. All indications are that a division of the state into natural socioeconomic units was contemplated. These units would achieve organized status at varying rates. But from the beginning, the people of rural Alaska were to have a governmental framework under state law for identifying regional problems and participating in their solution. Partly as a result of the absence of state-created units and partly for fiscal and political reasons, to be discussed further, the unorganized areas, with the exception of the North Slope, have so far made only negligible movement toward regional governmental organization.

The Need for Organization

Some form of governmental organization should come to rural Alaska as soon as possible. There are several reasons for

¹⁵See Appendix A for the local government article of the Alaska constitution.

urgency. The first reason is political and social unity. The governmental vacuum in rural Alaska has been occupied in part by the Native corporations established under the Alaska Native Claims Settlement Act. But the claims corporations are private entities outside the framework of state government. If state-ordained forms of local government with appropriate governmental powers remain unavailable to help solve problems in rural Alaska, disenchantment with state government, already evident, may increase and persist to the point of polarization. The potential problem will become more threatening as the contrast continues and increases between regional corporation activity and orthodox local government inactivity.

The terms of the Claims Act certainly are not hostile to the growth of local government. Sec. 2(c) provides that the Act is not intended to diminish the obligation of the state to promote the welfare of Native citizens. In a very real sense, the legacy of local government power is a means by which the state promotes the welfare of its citizens. If services are not provided by local government, the tendency will be to use claims money for this purpose. But this money was intended for payment in settlement of private rights, not in lieu of public services. Also more directly, Sec. 14(c)(3) of the Act provides for transfer to the local (village) municipality of title to the surface estate of land where the municipality is located. Where a municipality has not been formed, the state holds the same land in trust until incorporation.

Another reason for deliberate speed lies in the accelerated pace of economic development anticipated in rural areas, partly as a result of the claims settlement, and partly on the initiative of the private sector. The general welfare in Alaska will be advanced if local government organization precedes rather than follows economic development. New industrial development will create stresses manageable only by application of governmental powers. Planning and zoning will be particularly important in reconciling industrial development with subsistence living, and taxing power will be needed to insure local benefit from development activity. Municipalities which form after major economic interests have become

established may be too late to influence significantly the activities of those interests.¹⁶

On the other hand, it may be futile to extoll the desirability for self-determination to people who presently lack the economic resources necessary to the effective exercise of local government power. In fact, Native leaders wisely may have sensed that organization under such circumstances would only increase frustration as expectations went unsatisfied.

To summarize, a power vacuum presently exists in rural Alaska, where vast resources, actual and anticipated, are unevenly spread across the state, requirements for government services are increasing as the pace of development accelerates, and many areas are financially unable to organize prior to development. In this context, the absence of a mechanism for more efficient and equitable distribution of public revenues is a problem requiring state initiative.

1972 Legislative Program

The Governor introduced to the second session of the Seventh Legislature a series of bills dealing with local government.¹⁷ Five bills were designed to function together as a coherent program to:

- Provide for subdivision of the unorganized borough (HB 596).
- Create a Department of Community and Regional Affairs (HB 552).

¹⁶The canned salmon, copper, and lumber industries have each furnished examples of economic power wielded in Alaska without effective governmental restraint, with resultant hardship for resident Alaskans.

¹⁷These bills resulted from extended problem analysis, drafting, and policy review at several levels of state government.

- Levy a 15 mill tax on property located in unorganized boroughs, with distribution of revenue among unorganized boroughs (HB 597).
- Levy a 20 mill tax on the pipeline, with distribution to local governments, organized and unorganized (HB 598).
- Provide for a general equalization of new taxable property, wherever located (not introduced).¹⁸

The following sections review the bills, discuss their intended operation, and point out the areas of greatest difficulty encountered. The bills are discussed in their final versions, which include committee amendments.

Subdivision of the Unorganized Borough

An essential starting point to organization, HB 596 provided for establishing borough boundaries in the unorganized borough which would conform to statutory and constitutional standards.¹⁹ The unorganized boroughs so formed would serve as units for administering state services and the revenue sharing features of the proposed property and pipeline taxes. The people within each unorganized borough might at their option proceed toward organization either as boroughs of a particular class or as home rule boroughs. This bill was reported favorably by the House Local Government Committee, but died in the House Finance Committee.

¹⁸See Appendix B through Appendix F for copies of these bills.

¹⁹A number of previous bills had attempted a similar division into borough units, but they have not provided for charter organization. The Mandatory Borough Act, 52 SLA 1963, sponsored by Senator John Rader, was the only effective state initiative to actually establish boroughs in the unorganized area of the state.

formula based on population, present wealth, and the cost of providing services. In other words, if the cost of services were twice as great in one area as in another, the first area would receive twice the revenue per capita in order to insure the same level of service. If the first area also had only half the taxable revenue per capita as the second area, the share of the first area would again double per capita with respect to the second area.

The 15 mill tax was withdrawn by the Governor for further study prior to final action.

Pipeline Tax

Designed to complement the 15 mill general property tax, HB 598 provided for a 20 mill tax on property used in oil and gas transportation. Property subject to this tax was limited to oil and gas pipelines over 21 inches in diameter. The 20 mill rate, which approximates the existing tax level for such property in organized boroughs and cities, was to be in lieu of any other state and local taxes on the same property, including the 15 mill tax under HB 597. However, local governments that already taxed property affected by HB 598 would continue to do so with respect to property taxed as of January 1, 1972 (e.g., oil and gas transportation facilities on the Kenai Peninsula). Property that became taxable under HB 598 after January 1, 1972 (e.g., trans-Alaska oil pipeline) would be subject only to the 20 mill state tax.

The rationale for the state tax as the exclusive tax on the oil pipeline was that such property provides immense taxable value to certain areas without regard to the level of services required in those areas. It was believed that the revenue anticipated from taxation of oil and gas pipelines is properly considered a state resource rather than the exclusive property of the area where the property happens to be located. At the same time, it was also felt that this revenue, like other property tax revenue, should be used for the benefit of local governments. Accordingly, the revenue from the state oil and gas pipeline tax would be distributed to all local government units, including cities, organized boroughs, and

unorganized boroughs, in accordance with a formula similar to that which governed distribution of the general property tax revenue under HB 597.

The pipeline tax bill passed the House but died in the Senate Finance Committee.

Tax Equalization

The tax equalization bill (not introduced) was simple in concept. It provided for a determination of the *annual increase* in assessed valuation of property in all "governmental units," defined to include cities and boroughs, organized and unorganized. Sixty percent of the new revenue from this increased valuation, raised by application of the mill rate of each jurisdiction, including the 15 mill rate applicable to unorganized boroughs under HB 597, would be remitted to the state. The Department of Community and Regional Affairs would administer this revenue pool. The department would distribute the funds directly to organized units of local government, and, as trustee for unorganized units, would expend amounts to be determined by a distribution formula. The formula was similar to the HB 598 formula, except that a "local effort" provision insured that areas which taxed themselves heavily (thus contributing greater proportionate amounts to the pool) would receive a proportionately higher return.

Distribution Formula

A key to any revenue sharing system is the distribution formula. The 1972 legislative proposals based the distribution of revenues on four factors: (1) need for services, (2) ability to raise revenue, or fiscal capacity, (3) relative cost of services, and (4) local tax effort. Each of these elements may be defined and weighted according to desired goals.

"Need for services" may be expressed as a function of total population, school age population, population density, or other

other boroughs, but also to draw on revenues from resources outside its own borders. Finally, the distribution of revenues under HB 598, the 20 mill pipeline tax, also would have provided revenue regardless of whether an area was organized.

The 20 mill tax suffered because the major legislative struggle of the 1972 session centered on a package of legislation designed to protect the state's future oil production revenues. When these bills finally were passed, legislative leadership was in no mood to face what appeared to be still another oil revenue bill.²³

As noted, the borough organization bill failed largely because establishment of new boroughs, in the absence of adequate revenues, might have created expectations which could not be fulfilled. In addition, some Native leaders felt that the state should not be involved in drawing boundaries for rural boroughs, but that people in these areas should determine their own governmental configuration. Especially in rural areas with Native population majorities, Native leaders are most likely to prefer that borough boundaries be coterminous with those of the regional corporations established under the Alaska Native Claims Settlement Act. This is also likely to be the view of state policymakers, unless there are compelling reasons for following a different course. In any case, the Alaska constitution²⁴ and state Supreme Court decisions on the point²⁵ indicate that the state has ultimate responsibility for local government boundaries. As noted by the court in the *Fairview* case:

²³HB 598's relatively simple ad valorem approach to oil revenue (the 20 mill pipeline tax) is likely to command further attention particularly if present measures based on maintenance of wellhead price encounter serious difficulty in court.

²⁴Art. X, Sec. 3 and 12.

²⁵*Fairview Public Utility District No. 1 v. City of Anchorage*, 368 P. 2d. 540, 543 (Alaska 1962).

An examination of the relevant minutes of [the Constitutional Convention's committee on local government] meetings shows clearly the concept that was in mind when the local boundary commission was being considered: that local political decisions do not usually create proper boundaries and that boroughs should be established at the state level.²⁶

Also, the failure of voluntary borough formation in the years since statehood indicates the practical importance of state initiative in this area.

Conclusion

The 1972 legislative program brought before the legislature and the public much useful information and debate. New programs take time to be perfected in detail and to gain public acceptance. The possible approaches to fiscal resource equalization were by no means exhausted by the 1972 legislative proposals. Given the legal and social pressures involved, it is likely that further attempts will be made, based either on refinements of that legislation or on different concepts. It may be useful to suggest certain tentative principles which seem to emerge from the research and experience generated by the 1972 program:

- Revenue equalization is desirable to promote early formation of rural boroughs, and on legal and equitable grounds.
- A prerequisite to equalization is coherent geographic units; the state should have ultimate control over the configuration of new boroughs.
- Revenue distribution should not be dependent on organizational status. That is, an area should not be forced to assume government responsibility prematurely in order to procure adequate services, and a decision to incorporate should carry no fiscal penalty.

²⁶*Ibid.*

- The mechanics of the program should be as simple and orthodox as possible, involving minimum interference with local decision making and minimum disturbance of existing tax bases.

Local government is a volatile policy area, and proposals dealing with local finances can verge on the incendiary. As a result, any legislative decision on new approaches to local government is difficult. But inaction is also a decision, and by now we should know enough about the historical results of inaction in Alaska to prefer innovation, unnerving though it may sometimes be.

APPENDIX A

ALASKA STATE CONSTITUTION

Article X

Local Government

Section 1. Purpose and Construction. The purpose of this article is to provide for maximum local self-government with a minimum of local government units, and to prevent duplication of tax-levying jurisdictions. A liberal construction shall be given to the powers of local government units.

Section 2. Local Government Powers. All local government powers shall be vested in boroughs and cities. The State may delegate taxing powers to organized boroughs and cities only.

Section 3. Boroughs. The entire State shall be divided into boroughs, organized or unorganized. They shall be established in a manner and according to standards provided by law. The standards shall include population, geography, economy, transportation, and other factors. Each borough shall embrace an area and population with common interests to the maximum degree possible. The legislature shall classify boroughs and prescribe their powers and functions. Methods by which boroughs may be organized, incorporated, merged, consolidated, reclassified, or dissolved shall be prescribed by law.

Section 4. Assembly. The governing body of the organized borough shall be the assembly, and its composition shall be established by law or charter.

Section 5. Service Areas. Service areas to provide special services within an organized borough may be established, altered, or abolished by the assembly, subject to the provisions of law or charter. A new service area shall not be established if, consistent with the purposes of this article, the new service can be provided by an existing service area, by incorporation as a city, or by annexation to a city. The assembly may authorize the levying of taxes, charges, or assessments within a service area to finance the special services.

Section 6. Unorganized Boroughs. The legislature shall provide for the performance of services it deems necessary or advisable in unorganized boroughs, allowing for maximum local participation and responsibility. It may exercise any power or function in an unorganized borough which the assembly may exercise in an organized borough.

Section 7. Cities. Cities shall be incorporated in a manner prescribed by law, and shall be a part of the borough in which they are located. Cities shall have the powers and functions conferred by law or charter. They may be merged, consolidated, classified, reclassified, or dissolved in the manner provided by law.

Section 8. Council. The governing body of a city shall be the council.

Section 9. Charters. The qualified voters of any borough of the first class or city of the first class may adopt, amend, or repeal a home rule charter in a manner provided by law. In the absence of such legislation, the governing body of a borough or city of the first class shall provide the procedure for the preparation and adoption or rejection of the charter. All charters, or parts or amendments of charters, shall be submitted to the qualified voters of the borough or city, and shall become effective if approved by a majority of those who vote on the specific question.

Section 10. Extended Home Rule. The legislature may extend home rule to other boroughs and cities.

Section 11. Home Rule Powers. A home rule borough or city may exercise all legislative powers not prohibited by law or by charter.

Section 12. Boundaries. A local boundary commission or board shall be established by law in the executive branch of the state government. The commission or board may consider any proposed local government boundary change. It may present proposed changes to the legislature during the first ten days of any regular session. The change shall become effective forty-five days after presentation or at the end of the session, whichever is earlier, unless disapproved by a resolution concurred in by a majority of the members of each house. The commission or board, subject to law, may establish procedures whereby boundaries may be adjusted by local action.

Section 13. Agreements; Transfer of Powers. Agreements, including those for cooperative or joint administration of any functions or powers, may be made by any local government with any other local government, with the State, or with the United States, unless otherwise provided by law or charter. A city may transfer to the borough in which it is located any of its powers or functions unless prohibited by law or charter, and may in like manner revoke the transfer.

Section 14. Local Government Agency. An agency shall be established by law in the executive branch of the state government to advise and assist local governments. It shall review their activities, collect and publish local government information, and perform other duties prescribed by law.

Section 15. Special Service Districts. Special service districts existing at the time a borough is organized shall be integrated with the government of the borough as provided by law.