

347

HCRA

HB 760

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HB 766

1	specified					
2	in sec.					
3	200(b)(3)					
4	of this					
5	chapter	60	50	40	30	20
6	(4) vehicles					
7	specified					
8	in sec.					
9	200(b)(4)					
10	of this					
11	chapter					
12	5,000					
13	pounds					
14	or less	60	50	40	30	20
15	5,001-					
16	12,000					
17	pounds	100	80	60	50	40
18	12,001-					
19	18,000					
20	pounds	150	120	100	80	60
21	18,001					
22	pounds					
23	or over	200	160	130	100	80
24	(5) vehicles					
25	specified					
26	in sec.					
27	200(b)(5)					
28	of this					
29	chapter	100	80	60	50	40

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(6) vehicles
specified
in sec.
200(b)(6)
of this
chapter 8 7 6 5 4

*pickups
vans*

(7) vehicles
specified
in sec.
200(b)(7)
of this
chapter 60 50 40 30 20

*trucks
12-18,000 lbs.*

(8) vehicles
specified
in sec.
200(b)(8)
of this
chapter 60 50 40 30 20

*over
18,000 lbs.*

(9) vehicles
specified
in sec.
250 of
this
chapter 40

*snow
machines*

* Sec. 2. AS 28.10.255 is amended by adding a new subsection to read:

(i) A resident 65 years of age or older is entitled to an exemption from tax levied under (b)(2) of this section for one motor vehicle subject to license tax under sec. 200(b)(2) of this chapter. No exemption may be granted except upon written application for exemption on a

1 form prescribed by the department. The state shall reimburse a borough
2 or city, as appropriate, for the tax revenues lost to it by the opera-
3 tion of this subsection.
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February 1, 1978

Mr. Jerome R. Sager
1774 Dimond Parkway
Anchorage, Alaska 99507

Representative Lisa Rudd
2827 Lore Road
Anchorage, Alaska 99507

Dear Representative Rudd:

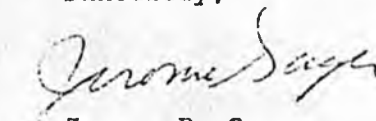
The vehicle registration tax legislation passed two years ago is much in need of revision for the following reasons:

- (1) Registration tax is not deductible from Federal Income Taxes, while Personal Property Taxes are deductible. The wording of the present registration tax could be revised to correct this.
- (2) The owner of an old car, regardless of the value of the car, must pay \$20.00 in tax. This means that a car valued at \$200.00 pays \$20.00 tax or 10%. This violates the States rule prohibiting municipalities from levying a property tax higher than 30 mills.
- (3) A person endeavoring to conserve by buying a smaller car must pay a tax equal to any larger car of this same year. In our present energy conscience society this seems counter-productive.

I urge you to give this some consideration.

Incidentally, as a result of this legislation that will "reduce the average taxpayers personal property tax," my tax increased 400%.

Sincerely,


Jerome R. Sager

JRS/rxp

H3760

76 Charles
100,000

February 16, 1978

Ms. Lisa Rudd
Representative for Dist. 11 - Senate Dist. I
Pouch V
Juneau, AK 99811

Dear Ms. Rudd:

We are writing in regards to the fee schedule on our new 1978 vehicle registration forms.

As far as we are concerned, the base tax fee of \$20.00 for vehicles with a model year of 1974 and older is far too high.

Last year, our two older model automobiles were valued at a combined value of \$300.00, and we paid approximately \$3.00 tax on the two vehicles!! Now we are expected to pay \$40.00 tax and an additional \$60.00 in registration fees!! That is a very high expense for the value of the two cars. Don't you think?

Something must be changed, and we are counting on you to help us get the base tax fee lowered, for older model automobiles, to no more than \$5.00. This is a much more reasonable figure.

Thank you so much for your time and help.

Sincerely,
David R. Swezey
Christie A. Swezey

David R. Swezey
Christie A. Swezey
3031 North Circle
Anchorage, AK 99507

G - see if our
standard MV letter works.
Thais. J.

P. O. Box 492
Girdwood, Alaska 99587
February 28, 1978

Representative Lisa Rudd
Pouch V
Juneau, Alaska 99811

Dear Representative Rudd:

I am upset about the rate schedule for personal property tax on motor vehicles now being collected by the State for the Municipality of Anchorage. The method of collection seems fair and reasonable: that does not concern me. But the rate schedule for this tax is inadequate to the point of being unjust and inequitable.

Last year I paid personal property taxes to the Municipality of Anchorage in the amounts of \$2.64 for my automobile and \$1.52 for my motorcycle. This year, under the new system, I am being charged \$20 for the same car (now 11 years old) and \$4 for the same motorcycle. I am sure you would agree that this is an unreasonable and unjustifiable increase in my taxes.

While I am being overtaxed for my older car, the owner of a new car, according to a source in the Municipal Tax Assessor's Office, may be undertaxed by an even greater amount. In addition, under this rate schedule the owner of a new \$40,000 Rolls Royce will be taxed exactly the same amount as the owner of a new \$5,000 Volkswagen.

I am certain that a more equitable rate schedule for motor vehicle taxes can be put into effect without a great deal of difficulty. And, with a new rate schedule, it is possible that more tax would be collected than presently.

Please see what you can do on this matter. May I look forward to some tax relief this year or am I stuck with a 750% tax increase on my car?

Thank you very much.

Sincerely,

Pat Preis

Pat Preis

Municipality
of
Anchorage



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

ANCHORAGE ASSEMBLY

February 8, 1978

Senator Ed Willis
Pouch V, State Capitol
Juneau, Alaska 99811

Dear Ed:

Thank you for your quick response to the auto registration tax problem. I have a copy of your Senate Bill 471 which was introduced on February 7th and referred to State Affairs and Finance.

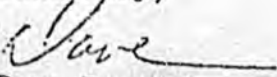
The tax deductibility problem seems to be taken care of by the name change from "Annual Motor Vehicle Registration Tax" to "Annual Motor Vehicle Property Tax." Property taxes generally are deductible while registration taxes are not. Additionally, the reference on line 13 to a percentage of fair market value is indicative of the fact that the tax is indeed ad valorem oriented and thus deductible qualified.

The election to pay one and one-half percent of value in lieu of the tax set forth in the table is a good stroke. This will properly address the problem of older, low value vehicles and will restore everyone's original intent that older vehicle owners would pay their fair share but not more. I cannot assess the impact of paperwork on Department of Revenue but you might expect that department to raise some concern. I expect that other alternatives to solution of the problem might surface once the bill goes to hearing.

The exemption of one vehicle from taxation for the elderly will be welcomed by persons in that group. Seniors have always been subject to personal property tax (even under the old system) so this is a new benefit for them. I have no problem with this since the State will reimburse the municipality for any potential lost revenue. I don't know whether this section will receive flak from representatives of other jurisdictions which do not levy such a tax or whether the statewide price tag on such an exemption is one which is affordable. Again, I am sure this will all be hashed out in committee.

Ed, let me thank you for your responsiveness on this. You have pointed out that several changes may take place once the committees start their review. Regardless of the exact end product you are to be commended for starting things moving.

Sincerely,


Dave Rose



AT GOING TO TRY AGAIN TO SEND TWO PAGE LETTER FROM DAVE ROSE TO SEN. HILLIS VIA CAT.

TO: SENATOR ED HILLIS

SUBJECT: TESTIMONY FOR STATE AFFAIRS COMMITTEE, FEB. 16, 1973, REGARDING AUTO REGISTRATION TAX

FROM: DAVE ROSE, ANCHORAGE MUNICIPAL ASSEMBLYMAN

GOOD AFTERNOON, I REGRET THAT I AM UNABLE TO BE PRESENT WITH YOU TODAY TO DISCUSS THE PROBLEMS BEING ENCOUNTERED WITH THE AUTO REGISTRATION TAX IN ANCHORAGE. I DO APPRECIATE, HOWEVER, THE OPPORTUNITY TO ENTER THIS TESTIMONY AND AM PARTICULARLY APPRECIATIVE OF THE COMMITTEE'S WILLINGNESS TO DISCUSS THE MATTER AND SEEK SOLUTIONS.

BASICALLY THERE ARE TWO PROBLEMS: FIRST, THE TAX ADVERSELY AFFECTS THOSE WHO OWN OLDER VEHICLES IN THAT IT PROVIDES HIGHER TAXATION UNDER THIS SCHEME THAN UNDER THE OLD PERSONAL PROPERTY TAX SCHEME. SECONDLY, THERE IS A STRONG PROBABILITY THAT THE CURRENT TAX IS NOT INCOME TAX DEDUCTIBLE WHEREAS THE OLD PERSONAL PROPERTY TAX WAS DEDUCTIBLE.

THIS MATTER WAS DISCUSSED BEFORE THE ANCHORAGE ASSEMBLY UNDER SPECIAL ORDERS OF BUSINESS ON TUESDAY EVENING, FEB. 14, 1973. AT THAT TIME THE ASSEMBLY DISCUSSED THE BILL BEFORE YOU THIS AFTERNOON AS WELL AS ALTERNATIVES. THIS TESTIMONY REPRESENTS THE POINT OF VIEW OF THE ANCHORAGE MUNICIPAL ASSEMBLY.

WITH RESPECT TO TAXATION DEDUCTIBILITY: THE ASSEMBLY FULLY SUPPORTS THE PROPOSED CHANGE OF THE NAME OF THE TAX FROM "REGISTRATION" TO "PROPERTY". THIS MAY ASSIST IN CONVINCING INTERNAL REVENUE THAT WE ARE TALKING ABOUT THE TYPE OF TAX WHICH IS DEDUCTIBLE.

WITH RESPECT TO ADJUSTMENT OF TAX RATES: TESTIMONY BY THE MUNICIPAL ASSESSOR INDICATES THAT 65 PERCENT OF OUR PEOPLE PAY LESS TAXES UNDER THE AUTO TAX APPROACH THAN UNDER THE PERSONAL PROPERTY TAX APPROACH; 15 PERCENT PAY ABOUT THE SAME, AND 20 PERCENT PAY MORE. THOSE WHO PAY MORE ARE THOSE WHO OWN THE OLDER VEHICLES. WE HAVE DOUBTS THAT THE ELECTION TO PAY ONE AND ONE HALF PERCENT OF FAIR MARKET VALUE - AS PROVIDED IN SB 471 - IS GOING TO BE ADMINISTRATIVELY WORKABLE. IT IS PERHAPS THE FAIREST APPROACH BUT PROBABLY WILL BE EXTREMELY COSTLY TO EXECUTE. FOR EXAMPLE, THE TAXPAYER WHO HAS A ONE DOLLAR DIFFERENCE BETWEEN THE TAX TABLE AND THE ELECTION WOULD PROBABLY TAKE THE ELECTION ROUTE THUS INCURRING A HIGH GOVERNMENT COST IN EXCESS OF THE ONE DOLLAR SAVED.

THE ASSEMBLY RECOMMENDS THAT SB 471 BE ALTERED TO PROVIDE FOR AN EXTENSION OF THE EXISTING TABLE FOR AUTOMOBILES. PROVIDE FOR A SIXTH YEAR AT A TAX RATE OF 15 DOLLARS; A SEVENTH YEAR AT 10 DOLLARS AND A EIGHT YEAR AND OLDER COLUMN AT 5 DOLLARS. WE FEEL THAT ALL VEHICLES, REGARDLESS OF AGE, SHOULD PAY AT LEAST FIVE DOLLARS AND THAT THE CHART SHOULD NOT BE CUT OFF IN SUCH A MANNER AS TO PROVIDE FOR NO TAX AT ALL ON SOME VEHICLES.

THE ASSEMBLY DID NOT DISCUSS THE PROVISION OF THE BILL WHICH PROVIDES AN EXEMPTION FOR THE ELDERLY AS THERE HAS BEEN A RECENT REQUEST FOR SUCH AN EXEMPTION. IF THE EXEMPTION IS PROVIDED, WE CONCUR WITH THE WORDING IN THE BILL; PARTICULARLY THAT WHICH APPEARS ON LINES 21 AND 22.

I HOPE I HAVE BEEN OF SOME HELP IN THIS MATTER. IF YOU HAVE QUESTIONS, I

HOUSE
JOURNAL SUPPLEMENT

March 3, 1978

Friday

No. 16

DEPARTMENT OF PUBLIC SAFETY
DIVISION OF MOTOR VEHICLES

SSHB
760

The Honorable Randy Phillips
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

February 28, 1978

RE: SSHB 760

Dear Representative Phillips:

In an attempt to respond to your request for a fiscal note dealing with Section 2, of SSHB 760, I want to make you aware of the fact that the following figures are based upon certain assumptions. The department does not have the data required to give you an accurate projection of lost revenue in these communities.

According to the Office of the Aging there are approximately 2432 people in the three communities affected by this bill who are age sixty-five (65) or older. There are 1727 in Anchorage, 540 in Ketchikan and 165 in Petersburg.

In order to provide you with approximations the following assumptions were made:

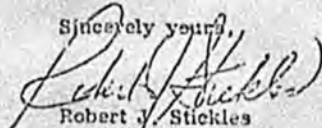
- (1) We assumed that 65% of the people in this category own vehicles.
- (2) We assumed that the average age of these vehicles was four years.
- (3) We assumed that all of these vehicles were passenger vehicles.

Given these assumptions the projected revenue loss is \$47,430.00. This is broken down as follows:

	# 65 or older	# Vehicles	Revenue Lost
Anchorage	1727	1123	33690
Ketchikan	540	351	10530
Petersburg	165	107	3210
Totals:	2432	1581	47430

If we can be of further assistance please contact us again.

Sincerely yours,



Robert J. Stickles
Chief of Driver Services
Division of Motor Vehicles

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill No. 760

Title "An Act relating to the registration tax on motor vehicles."

Requested by Phillips, Gruening and Meekins

Date 2/3/78

II. FISCAL DETAIL

Agency Affected Department of Public Safety

Program Category Affected n/a

Budget Request Unit(s) Affected n/a

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND			30.0	30.0	32.0	35.0
FEDERAL FUNDS						
OTHER (Specify)						
Program Receipts			(30.0)	(30.0)	(32.0)	(35.0)

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

\$10-reduction of collection on each vehicle over 5 years old

64,000 - vehicles effected by reduction at 5% commission rate

Net result is \$30,000.00 estimated loss of program receipt revenue

IV. DATE 2/16/78

PREPARED BY Trygve R. Hermann, Director, Admin. Services

AGENCY Department of Public Safety

PHONE 465-4322

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

HB

766

STATE OF ALASKA
Inter-Department Route Slip

TO:
MAIL STATION NUMBER 3100
DEPARTMENT Legislature
ATTENTION Lisa Kudd

- | | |
|--|--|
| <input type="checkbox"/> Approval | <input type="checkbox"/> Note & Return |
| <input type="checkbox"/> Signature | <input type="checkbox"/> Initial & Return |
| <input type="checkbox"/> Comment | <input type="checkbox"/> Return As Requested |
| <input type="checkbox"/> Contact Me | <input type="checkbox"/> Return For Approval |
| <input type="checkbox"/> Prepare Reply | <input type="checkbox"/> Necessary Action |
| <input type="checkbox"/> For Your File | <input checked="" type="checkbox"/> Your Information |

Remarks:

FROM:
MAIL STATION NUMBER ~~3100~~ 0800
DEPARTMENT CD
BY Insurance DATE 4/24

02-002 (REV.10/73)

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
Division of Insurance

The Honorable Richard Eliason
House of Representatives
Alaska State Legislature

April 25, 1978

Richard L. Block
Director

You asked me the other day if I could provide you with the copy of conditions that I suggested be imposed, should municipalities allow unbonded contracts of up to \$250,000.

What is attached is the information which I provided the Community and Regional Affairs Committee at their hearing on HB 766.

This is indeed a very rough cut at some suggested conditions and is not to be interpreted as either exact or entirely all necessary, but does point out the approach that I think ought to be taken, should any governmental agency allow the use of unbonded contracts for work of any significant size.

Should this be offered as an amendment on the floor, I would urge that there be some minor modifications to reflect some additional information which I have received concerning these conditions.

Should you desire, I would be happy to provide you with a draft of a modified list of suggested conditions.

RLC:lc2:7

cc: Lisa Rudd, Chairman
Community and Regional Affairs
Committee of the House

*Additional material requested from Div. of Ins.
AS*

The State, or a political subdivision of the State, may award a contract of up to \$200,000 without the requirement of bond, provided all of the following conditions are met:

(1) The contractor is, and for five years immediately preceding the award of contract has been, a licensed contractor having its principal offices in the state;

(2) The contract is for alteration, repair or maintenance of existing buildings or improvements and requires the performance of substantially all work by the contractor utilizing his own tools, equipment and employees, and requires the contractor to use no sub-contractors.

(3) The contractor has a financial statement as of no earlier than nine months prior to submitting the bid for the contract, certified by a certified public accountant showing:

(a) a net worth of no less than 20% of the face amount of the contract;

(b) A profit from contracting operations for at least both of the last two fiscal years preceding the award of the contract, and for at least three of the last five years preceding the award of the contract;

(c) The contractor has not defaulted on any contract awarded him in the last three years.

(4) The contractor provides evidence that he has fully performed contracts of similar work in the state in both of the last two years preceding the award of the contract.

(5) The total amount of all contracts being performed by the contractor during the term of the subject contract, including the contract being awarded under this statute, does not exceed seven times the net worth of the contractor.

(6) The State, or political subdivision, awarding the contract has received bids from at least three other contractors, whose bids are accompanied by a bid bond or who meet the qualifications of this subsection, and the successful contractor's bid is not less than 10% lower than the average of all bids on the same job

(7) The State, or political subdivision, establishes a disbursement procedure wherein:

(a) funds are disbursed in periodic progress payments relating to the amount of work performed to date of disbursement;

(b) No less than 10% of each disbursement is withheld to the end of the contract to assure completion fo the contract;

(c) the State or political subdivision performs such audits and requires such lien releases as is appropriate to assure payment of all employers of and suppliers to the contractor.

A M E N D M E N T

Offered in the HOUSE

By Rudd

TO: CS FOR HOUSE BILL NO. 766

Page 1, lines 12 - 15: delete all material and insert the following:

Sec. 36.25.025. EXEMPTION BY MUNICIPALITIES. (a) A municipality may exempt contractors from compliance with the provisions of sec. 10(a) of this chapter if

(1) the contract is one for the alteration, repair or maintenance of an existing building or improvement and

(2) the estimated cost of the project does not exceed \$250,000.

(b) An exemption authorized by this section shall be granted by ordinance. No ordinance is effective to grant the exemption provided in this section unless it

(1) establishes or incorporates by reference a provision for disbursement by which

(A) funds are disbursed in periodic progress payments in relation to the amount of work performed under the contract to the date of disbursement;

(B) not less than 10 per cent of each disbursement is withheld by the municipality to the end of the contract; and

(C) lien releases sufficient to assure payment of all employees and suppliers of the contractor are required; and

(2) provides that

(A) a contractor claiming the benefit of the exemption has been a licensed contractor for at least two years preceding the award of the contract and has his principal office in the state;

(B) the contractor has not defaulted on any contract awarded to him during the three years preceding the award of the contract; and

(C) the contract requires substantially all work by the contractor utilizing his own tools, equipment and employees, and prohibits the use of subcontractors.

TO: Lisa FROM: Annette

HB 766

I talked with Rocky Gutterrez of Sitka about this bill. He said he believed the bill was proposed by small contractors who have difficulty getting adequate bonding for projects.

Construction performance bonds apparently are based on the contractor's experience and his assets -- mostly finances, plus various other small details such as the contractor's financial statements must be done by a CPA. Cost of a bond is based on a percentage of the project -- usually 1.5%.

Performance bonds come into play when a contractor defaults on the contract for some reason, like bankruptcy, Then the insurance company picks up the tab or finishes the project as the case may be. Mr. Gutterrez says there have been times when it took the city 2 years to collect from the bonding company.

Mr. Gutterrez favors the legislation in that it allows municipalities to use local contractors who may not be able to get a performance bond. The cost of the bond is just added on to the bid price, he says. (That cost, on a \$250,000 project at 1.5% would be an additional \$3,750.) There are contractors in Sitka who are perfectly capable of doing small projects for the city but are unbonded and the city believes it is good policy to give the local guys the jobs. Sitka handles such situations by requiring the deposit of a 25% performance cashiers check with the city. This narrows the field at the outset. The municipality also provides for advance payments on materials once presented with all the invoices for same. Rocky believes most \$250,000 jobs would be preferably handled this way by the city rather than requiring a bond. But, he said, there may be instances when the city would believe that the project risk is such that a performance bond would be desirable. In that case, such would be required in the contract specifications. I would say that Sitka has things under control.

Small contractors do have difficulty obtaining bonds. I guess this is due to the conservative nature of the insurance business and the bad track record which Alaska has. (There have been several defaults in the state, particularly to the Westward.)

There are very few bond brokers in Alaska and they remain in the larger towns like Anchorage and Juneau. The bonding companies are generally in Seattle. I talked with Dawson Company here in Juneau who do some bond brokering. They say it is particularly hard on small contractors in small towns because there is little or no money in bonding these outfits and they do not have access to the bond brokers. It is not worthwhile for Dawson to go out to the towns to check out these small outfits. Also, bonding companies (these being the big guys in Seattle) require CPA financial statements for the contracting companies. Many smaller towns do not even have a CPA nearby.

This bill can be seen as helping the small contractor in a small municipality who normally cannot obtain the necessary bonding. And it may be seen as a help to the small municipality from the stand point of their desire to use local contractors for small projects. My only comment is that it is the small contractor who is most likely to default on a contract and it is the small community which is least likely to have the money to pick up the tab or to pay the expenses of prosecuting through the courts. While there is argument that a municipality need not pass such an ordinance, it is also the small municipality which is most likely to yield to pressure from a local contractor to pass such an ordinance. Very often it is the weight of the state or the restrictions in state statutes which guides local decisions and keeps them out of trouble.