

364 HCRA SB 340 - SJR 46

M E M O R A N D U M

TO: Lisa Rudd

FROM: Annette Smith

Summary of CSHB 430

CSSB 430, Extending the authority of the Alaska Municipal Bond Bank.

By expanding the definition of municipal bonds in Section 3, SB 430 extends the authority of the Municipal Bond Bank to include revenue bonds as well as general obligation bonds of municipalities. Revenue debt was not included in the original bond bank authority because it was felt the Bond Bank needed to establish a "track record" before it expanded into the area of revenue debt. The broadening of the definition of municipal bonds will permit the Bond Bank to assist smaller cities in financing projects such as utility and port development and will enable it to use CEIP Federal money to leverage debt rather than State funds.

Mr. Rose can elaborate on the proposal to use CEIP funds to back up municipal revenue bonds, but basically it consists of a method to use a portion of the \$69 million available to the state under CEIP which is designated for Credit Assistance, i.e., loans to municipalities for the construction of facilities in response to coastal energy impact. The loan money is now available at 8% from the Federal government. The Bond Bank proposes to borrow up to \$50 million of these funds from the Feds at 8%, reinvest the money at 8% and use that money to back up its municipal revenue bonds with a 100% guarantee, thereby securing a lower rate for the municipalities. This idea was conceived by the DC&RA and the Bond Bank and has been well received by all parties concerned. In order for the program to work effectively, however, the Bond Bank needs this extra authority in the field of revenue bonds.

Section 2 is part of the committee substitute. It establishes a ceiling (\$150 million) on the amount of revenue bonds outstanding at any one time. This is the same ceiling as for general obligation bonds. This ceiling on bonds is considered desirable for the first few years of operation of the program.

Section 1 inserts the distinction of the type of municipal bonds referred to in that section since there are now two types of municipal bonds in the Authority.

Section 4 is inserted at the request of the Bond Bank. The change will allow them to market general obligation debt without the stigma of the word "Authority" which frequently has the connotation of risk, and thus may result in higher interest rates.

The insertion of the words "to the extent permitted by law" (Sec. 3, p. 2, line 4) was at the request of Lee Sharp of Juneau and is designed to clear up a gray area created by the Kalamarides decision on municipal tax limitation. Apparently, in order for the Bond Bank to buy a city's bonds, the city has to promise to levy taxes without limitation as to rate or amount. The Kalamarides decision declares that a municipality may not make that promise. As a result, the bond bank cannot buy the city's bonds because it has no authority to. There is a Supreme Court ruling pending on this decision. The amendment language would allow the city to make whatever pledge the court finally determines the law to be. The new language also has the blessings of Eric Wolforth, bond counsel.



# THE CITY AND BOROUGH OF JUNEAU

CAPITAL OF ALASKA

155 SOUTH SEWARD ST. JUNEAU, ALASKA 99801

DATE: March 16, 1978

FILE NO. Legislature - 1978 Session

SUBJECT: SB 430, AMBBA Authority

Honorable Joe Orsini, Chairman  
Senate Community and Affairs Committee  
Pouch "V"  
Juneau, Alaska 99811

Dear Senator Orsini,

As you and the committee are no doubt aware, litigation involving the oil companies and the North Slope Borough have cast doubts on the meaning of sections of Title 29 which relate to the extent of the authority of municipalities to pledge taxes to secure debt. The decision in the Superior Court placed certain limitations on the language which municipalities and bond counsel had not previously believed existed. The definition of "municipal bond" as it appears in the Alaska Municipal Bond Bank Act reflects the commonly held view that there was no limitation on the authority of the municipality to levy taxes for the purposes of securing and paying debt and interest. The bond bank is authorized by the Act to buy only municipal bonds which are defined as bonds which have an unlimited tax pledge. Unfortunately, the decision in the North Slope case prohibits the municipality from making an unlimited pledge of taxes. Therein lies the problem. The AMBBA is authorized by law to buy bonds which boroughs, first class and home rule municipalities are unable to issue under the North Slope decision. To overcome this dilemma, we suggest that the following amendment be made to Senate Bill 430:

In line 16, after the word "generally" add the phrase "to the extent permitted by law".

This amendment would authorize the AMBBA to purchase municipal bonds where the municipality had made a pledge of its taxes to the extent authorized by law. The law being what the court says it is (until the legislature changes it), this amendment would authorize the purchase by the AMBBA of municipal bonds which it cannot now purchase under the North Slope ruling.

I believe that the proposed amendment is in keeping with the original purpose of defining a municipal bond in the

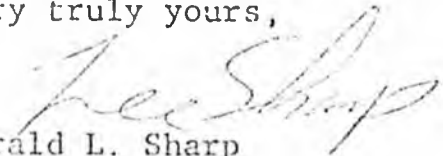
Joe Orsini  
March 16, 1978  
Page Two

manner it presently appears; that is, that the bond be backed by the maximum full faith and credit pledge which the municipality could lawfully make.

Today, I discussed this proposed amendment with Eric Wolforth, who is bond counsel for the AMBBA. He concurred that the proposed amendment would alleviate the problem created by the North Slope decision as it relates to the authority of the bond bank to purchase bonds.

We urge the committee to include the proposed language in a committee substitute for Senate Bill 430.

Very truly yours,



Gerald L. Sharp  
City/Borough Attorney

GLS/sm

cc: Senators Willis, Ferguson, Hackney and Sumner

SB

471

I HOPE THERE HAS BEEN NO CHANGE IN THIS MATTER. IF YOU HAVE QUESTIONS,

THE ASSEMBLY DID NOT DISCUSS THE PROVISIONS OF THE BILL WHICH PROVIDES  
EXEMPTION FOR THE ELECTRICITY AND GAS UTILITIES. THE EXEMPTION IS PROVIDED IN  
SECTION 471 - IS GOING TO BE ADMINISTERED BY THE BOARD OF TAXATION. IT IS

THE ASSEMBLY DECIDED THAT IT WILL BE ALTERED TO PROVIDE FOR AN  
EXEMPTION OF THE EXISTING TAXES FOR VEHICLES. WE HAVE DECIDED THAT THE  
ELECTION TO PAY ONE AND ONE HALF PERCENT OF FAIR MARKET VALUE - AS  
PROVIDED IN SECTION 471 - IS GOING TO BE ADMINISTERED BY THE BOARD OF  
TAXATION. FOR EXAMPLE, THE TAXPAYER WHO HAS A ONE DOLLAR DIFFERENCE  
BETWEEN THE TAX TABLE AND THE ELECTOR WOULD PROBABLY TAKE THE ELECTOR  
ROUTE THIS INCLUDING A HIGH COMMISSION COST IN EXCESS OF THE ONE DOLLAR  
SAVED.

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 DECIDED THAT THE  
ELECTION TO PAY ONE AND ONE HALF PERCENT OF FAIR MARKET VALUE - AS  
PROVIDED IN SECTION 471 - IS GOING TO BE ADMINISTERED BY THE BOARD OF  
TAXATION. FOR EXAMPLE, THE TAXPAYER WHO HAS A ONE DOLLAR DIFFERENCE  
BETWEEN THE TAX TABLE AND THE ELECTOR WOULD PROBABLY TAKE THE ELECTOR  
ROUTE THIS INCLUDING A HIGH COMMISSION COST IN EXCESS OF THE ONE DOLLAR  
SAVED.

THE PROPOSED CHANGE OF THE NAME OF THE TAX FROM "RESIDENTIAL" TO  
"PROPERTY". THIS WILL ASSIST IN COMPARING INTERVAL REVENUE THAT WE  
ARE TALKING ABOUT THE TYPE OF TAX WHICH IS PROPOSED.

THIS MATTER WAS DISCUSSED BEFORE THE ADVISORY ASSEMBLY UNDER SPECIAL  
ORDERS OF BUSINESS ON THURSDAY 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  
ADVISORY MUNICIPAL ASSEMBLY.

BASICALLY THERE ARE TWO PROBLEMS: FIRST, THE TAX ADVISORY ASSEMBLY  
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.

YOUR QUESTION, I WOULD LIKE TO BE ANSWERED TO BE ANSWERED WITH YOU  
TO TRY TO DISCUSS THE PROBLEMS WITH YOU. I DO APPRECIATE THE OPPORTUNITY  
TO BE HERE TO DISCUSS THE MATTER AND WOULD BE GLAD TO DISCUSS THE MATTER AND  
OFFER SOLUTIONS.

FOR: ADVISORY MUNICIPAL ASSEMBLY

CHIEF, LEGISLATION FOR STATE AFFAIRS, FEB. 14, 1973

FOR: ADVISORY MUNICIPAL ASSEMBLY

PLEASE TRY TO TRY AGAIN TO SEND TWO PAGE LETTER AND HAVE POST TO  
SEND THIS VIA AIR.

Municipality  
of  
Anchorage



ANCHORAGE ASSEMBLY

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

February 8, 1973

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.

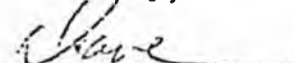
The tax deductibility problem seems to be taken care of by the name change from "Annual Motor Vehicle Registration Tax" to "Annual Motor Vehicle Property Tax." Property taxes generally are deductible while registration taxes are not. Additionally, the reference on line 13 to a percentage of fair market 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



Sec. 164 [page 19,501]—DEDUCTIBLE STATE TAXES 19,533

(i) *Special rules relating to compensating use taxes.* (1) In general, a use tax on an item is complementary to a general sales tax on similar items if the use tax is imposed on an item which was not subject to such general sales tax but which would have been subject to such general sales tax if the sale of the item had taken place within the jurisdiction imposing the use tax. For example, a tax imposed by State A on the use of a motor vehicle purchased in State B is complementary to the general sales tax of State A on similar items, if the latter tax applies to motor vehicles sold in State A.

(2) Since a compensating use tax is treated as a general sales tax, it is subject to the rule of subparagraph (C) of section 164(b)(2) and paragraph (g)(4) of this section that no deduction is allowed for a general sales tax imposed in respect of an item at a rate other than the general rate of tax (except in the case of lower rates on the sale of food, clothing, medical supplies, and motor vehicles). The fact that a compensating use tax in respect of any item provides for an adjustment in the rate of the compensating use tax or the amount of such tax to be paid on account of a sales tax on such item imposed by another taxing jurisdiction is not taken into account in determining whether the compensating use tax is imposed in respect of the item at a rate other than the general rate of tax. For example, a compensating use tax imposed by State C on the use of an item purchased in State D is considered to be imposed at the general rate of tax even though the tax imposed by State C allows a credit for any sales tax paid on such item in State D, or the rate of such compensating use tax is adjusted to reflect the rate of sales tax imposed by State D. [Reg. § 1.164-3.]

.01 *Historical Comment:* Proposed 1/19/57. Adopted 10/7/57 by T. D. 6256. Amended 12/21/64 by T. D. 6750 to reflect Sec. 207(a) and (b) of P. L. 88-272.

[§ 1453A] Definitions—Deductible State Taxes

• • *CCH Explanation.*

.01 *Real property taxes.*—Real property taxes include those imposed on interests in real property and levied for the general public welfare. This does not include assessments for local benefits (see Reg. § 1.164-4, § 1455).

.02 *Personal property taxes.*—To qualify for deduction as personal property taxes, the tax must be—

(1) an ad valorem tax—one assessed in proportion to the value of the property;

(2) an annual tax—one imposed on an annual basis (even though it is collected more or less often than once a year); and

(3) a tax imposed on personal property (even though in form it may be imposed on the exercise of a privilege).

License fees paid for the registration of a motor vehicle are deductible as personal property taxes, therefore, if they meet these three qualifications. Meeting the ad valorem requirement is the most difficult. Reg. § 1.164-3(c) specifies that a motor vehicle tax based on weight, model year, and horsepower, or any of these characteristics, is not an ad valorem tax. But a tax based partly on value and partly on other criteria can qualify in part.

*Example:* State X imposes a motor vehicle registration tax of 2 percent of the value of the vehicle plus 20 cents per hundred weight. A, a resident of X, owns a car having a value of \$2,000

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

*This fiscal note Does not incl. sr. cit. exemption*

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)

SCR

12

APPENDIX A

FARM USE LAND ASSESSMENT  
AS 29.53.035

APPENDIX A

FARM USE LAND ASSESSMENT  
AS 29.53.035

The 1976 Program Summary includes data for the four boroughs involved in the program as indicated on 89 applications filed which are subject to the department's final audit and approval.

Effective January 1, 1968, the first Farm and Agricultural Land Deferred Tax Program was enacted. (ch 82 SLA 1967) Effective January 1, 1975, the act was substantially amended. (Sec 1 ch 90 SLA 1974) And effective January 1, 1977, the act was further amended. (Sec 3 ch 229 SLA 1976)

The 1974 amendment reduced the yearly gross farm income requirement from 25% to 10%; provided for the averaging of income over a three year period; provided for estimated farm income for the current year; provided for the use of the lessee farm income to qualify the owner for farm use assessment; increased to seven years the deferred tax payment provision; and provided for reimbursement by the state of property tax revenue lost to the municipality in the operation of the act.

The 1976 amendment increased the penalty for conversion of the land to a use incompatible with farm use by requiring the owner to pay an amount equal to the additional tax at the current mill levy together with eight percent interest for the preceding seven years as though the land had not been assessed for farm use purposes.

Experience over the last several years has vividly demonstrated the difficulty of administering existing legislation dealing with the dual or differential assessment included in AS 29.53.035.

The omission of a lien provision to make the eligible property liable for the payment to the state of an amount equal to the deferred taxes plus interest is a glaring weakness in the legislation requiring farm use assessments in addition to assessments mandated by AS 29.53.060 at full and true value.

In an effort to correct the obvious deficiency in the existing law, an amendment is respectfully suggested and recommended.

FARM USE LAND ASSESSMENT  
AS 29.53.035

\*1976 PROGRAM SUMMARY

| <u>MUNICIPALITY</u>      | <u>Number of Applications</u> | <u>Number of Acres</u> | <u>Full and True Land Value</u> | <u>Total Deferred Value</u> | <u>Total Deferred Tax</u> |
|--------------------------|-------------------------------|------------------------|---------------------------------|-----------------------------|---------------------------|
| Anchorage                | 4                             | 40.950                 | 849,475.00                      | 835,150.00                  | \$13,050.63               |
| Fairbanks                | 11                            | 1,960.500              | 1,105,117.00                    | 866,867.00                  | 5,527.58                  |
| Kenai                    | 9                             | 727.808                | 305,650.00                      | 178,900.00                  | 1,127.83                  |
| Matanuska-Susitna        | 64                            | 13,420.628             | 12,615,420.00                   | 9,681,540.00                | 79,473.00                 |
| STATEWIDE TOTAL          | 88                            | 16,149.886             | 14,875,662.00                   | 11,562,457.00               | \$99,179.04               |
| AVERAGE PER APPLICATION: |                               | 183.520                | 169,041.61                      | 131,391.56                  | \$ 1,127.03               |
| AVERAGE PER ACRE:        |                               |                        | 921.10                          | 715.95                      | \$ 6.14                   |

\* *Estimated pending final approval of accounts*

FIVE-YEAR SUMMARY OF PROGRAM PERFORMANCE

| <u>YEAR</u> | <u>Number of Applications</u> | <u>Number of Acres</u> | <u>Total Deferred Value</u> | <u>Total Deferred Tax</u> |
|-------------|-------------------------------|------------------------|-----------------------------|---------------------------|
| 1972        | 55                            | *NA                    | 2,299,265                   | \$25,290                  |
| 1973        | 66                            | *NA                    | 3,332,290                   | 34,945                    |
| 1974        | 71                            | 11,250                 | 4,737,290                   | 57,735                    |
| 1975        | 91                            | 18,759                 | 6,140,300                   | 77,805                    |
| 1976        | 88                            | 16,150                 | 11,562,457                  | 99,179                    |

\* *Data not available*

ALASKA ADMINISTRATIVE CODE TITLE 19  
DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

CHAPTER 55  
FARM USE LAND ASSESSMENT

19 AAC 55.010. FORMS. (a) The Department of Community and Regional Affairs Form 21-410 and Form 21-411 are adopted for use in application for the farm and agricultural land use assessment and tax deferment program.

(b) Application and authorization forms shall be made available by and shall be returned to the clerk or assessor of the municipality in which the land for which the farm use assessment and tax deferment are sought is located.

19 AAC 55.020. SUPPLEMENTARY INFORMATION SUPPORTING APPLICATION FOR THE ASSESSMENT AND TAX DEFERMENT. (a) Applicants for the assessment and tax deferment shall in addition to the application prescribed in Section 10 of this Chapter:

(1) provide for inspection by the clerk or assessor of the municipality copies of the applicant's state income tax returns as required for the application as submitted and such other information as may reasonably establish that the applicant has derived at least 10 per cent of his yearly gross income from the agricultural use of the land for which the assessment and tax deferment are sought and that the percentage was from agricultural use; or

(2) attach to the application form an authorization, signed and notarized, granting to the office of the state assessor the right of inspecting Alaska income tax returns to ascertain that the applicant has derived the requisite level of yearly gross income from the use of the land for which the application is submitted for farm purposes.

(b) Failure to provide documentation or authorization required by this section forfeits the claim for the farm use assessment and tax deferment.

19 AAC 55.030. APPEAL. An applicant for the farm use assessment and tax deferment who believes that the valuation or classification assigned to the land that is the subject of the application is erroneous may appeal to the board of equalization of the municipality in which the land is located in the manner provided by AS 29.53.130. The municipality shall report the disposition of all such appeals to the state assessor.

19 AAC 55.040. MAINTENANCE OF RECORDS: DUPLICATE COPIES. The municipality in which the land is located shall maintain separate files and records of all applications for the farm use assessment and tax deferment, whether allowed by the municipality or not, including valuation of the property under the full and true value standard of AS 29.53.060. Duplicate copies of all records relating to the application entered in the file shall be forwarded to the state assessor. The municipality shall investigate to determine whether title to land for which the assessment and deferment have been granted has been conveyed or alienated in such a way that the assessment or deferment may be terminated and shall advise the state assessor as to the results of its investigation.

19 AAC 55.050. CONFIDENTIALITY. Tax records and other documents providing evidence of the applicant's eligibility for the farm use assessment and tax deferment are confidential and shall be used only for the purpose of ascertaining whether the applicant is entitled to the benefits of the assessment and deferment.

19 AAC 55.060. DEFINITIONS. In this Chapter:

(1) "farm use assessment" means the value of the unit or parcel of property for which application for a farm use assessment and tax deferment is made, based upon its highest and best use as farm or agricultural land;

(2) "yearly gross income" means the income of the applicant for the year preceding the tax year for which the application is filed and means the adjusted gross income of the applicant as defined in Section 62 of the Internal Revenue Code (26 USC 62).

FARM USE ASSESSMENT APPLICATION

AS 29.53.035

May 1

Application must be filed on or before February 1 of the assessment year.  
Complete one form for each parcel of property within the farm unit.

NAME \_\_\_\_\_  
DATE REC'D \_\_\_\_\_  
BY: \_\_\_\_\_

MUNICIPALITY \_\_\_\_\_  
NAME OF APPLICANT \_\_\_\_\_  
MAILING ADDRESS \_\_\_\_\_  
CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_  
TELEPHONE \_\_\_\_\_ SOC. SEC. NO. \_\_\_\_\_

ACCOUNT NUMBER \_\_\_\_\_  
LAND USE \_\_\_\_\_ ACRES \_\_\_\_\_  
CROPS: \_\_\_\_\_ / \_\_\_\_\_  
Row Crops \_\_\_\_\_ Grains \_\_\_\_\_  
OTHER FARM USE: \_\_\_\_\_ / \_\_\_\_\_  
Pasture \_\_\_\_\_ Hay-Silage \_\_\_\_\_  
BUILDING SITE: \_\_\_\_\_ / \_\_\_\_\_  
Farm Use \_\_\_\_\_ Residential \_\_\_\_\_  
COMPATIBLE USES: \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_  
Uncleared/Windbreak/Graze \_\_\_\_\_  
TOTAL: \_\_\_\_\_

PROPERTY LOCATION AND DESCRIPTION

CITY OR SERVICE AREA \_\_\_\_\_  
PARCEL NUMBER \_\_\_\_\_  
SUBDIVISION/JSS \_\_\_\_\_ BLOCK \_\_\_\_\_ LOT \_\_\_\_\_  
SECTION \_\_\_\_\_ TOWNSHIP \_\_\_\_\_ RANGE \_\_\_\_\_

PROPERTY OWNERSHIP

OWNER OF RECORD RECORDING DISTRICT \_\_\_\_\_  
 LEASED LAND DATE OF INSTRUMENT \_\_\_\_\_  
Copy of Lease attached TYPE \_\_\_\_\_ VOL. \_\_\_\_\_ PAGE \_\_\_\_\_

Ownership Verified By: \_\_\_\_\_  
Assessor or Clerk

INCOME

I hereby apply for Farm Use Property Tax Assessment on the property described above as provided in AS 29.53.035 for 197 \_\_\_\_\_ assessment year. I am actively engaged in using the land for profit and declare that my gross income attributed to the farm use land for the year(s) indicated below is 10% or more of my yearly gross income:

- I will provide income verification documents for inspection of the clerk or assessor on or before May 15 of the assessment year or,
- Attached is a notarized authorization granting to the state assessor the right of inspection my state income tax return, which will be available at the Department of Revenue prior to December 31 of the assessment year.

- For last year  Averaged for two years
- Estimated for this year  Averaged for three years

CERTIFICATION

I the undersigned hereby certify that I have read this application and the answers given are true and correct to the best of my knowledge. I understand that willful misstatement is subject to punishment by fine or imprisonment under AS 11.30.270. My signature, hereon, authorizes the assessor to review municipal records with those of the local Soil Conservation Subdistrict.

DATE \_\_\_\_\_ SIGNATURE OF APPLICANT \_\_\_\_\_

This space for local annotations only

Approved  Denied \_\_\_\_\_

| PROPERTY      | FULL VALUE | FARM VALUE | DEFERRED |
|---------------|------------|------------|----------|
| Land          | _____      | _____      | _____    |
| Buildings     | _____      | _____      | _____    |
| Total         | _____      | _____      | _____    |
| Mill Rate     | _____      |            |          |
| Amount of Tax | \$ _____   |            |          |

"Does the gross income attributed to the farm use land for which application is made equal or exceed 10% of the applicant's annual gross income?"

YES  NO DATE: \_\_\_\_\_

Verified By: \_\_\_\_\_  
Assessor or Clerk

Department of Community & Regional Affairs  
 YES  NO DATE: \_\_\_\_\_  
Verified By: \_\_\_\_\_



PROPOSED LEGISLATION

AN ACT

Relating to the differential assessment and deferred tax reimbursement payment by the state to a municipality for revenue lost to it by the operation of Section 29.53.035.

Be it enacted by the legislature of the State of Alaska:

AS 29.53.035 is amended to read:

- (a) Farm use lands included in a farm unit and not dedicated or being used for nonfarm purposes shall be assessed on the basis of full and true value for farm use (, AND SHALL NOT BE ASSESSED AS IF SUBDIVIDED OR USED FOR SOME OTHER NONFARM PURPOSE.) The assessor shall maintain records valuing the farm use land for both full and true value and farm use value. Should the farm use land be converted to a use incompatible with farm use, the owner shall be liable to pay an amount equal to the additional tax at the current mill levy together with eight percent interest for the preceding seven years, as though the land had not been assessed for farm use purposes. Payment by the owner shall be made to the state to the extent of its reimbursement for revenue loss under (e) of this section for the preceding seven years. The balance of the payment shall be made to the city or borough.
- (e) Subject to legislative appropriations for the purpose, the state shall reimburse a borough or city, as appropriate, for the real property tax revenues lost to it by the operation of this section. Reimbursement under this subsection is a lien in favor of the state against the property for which a partial tax deferred payment has been approved and granted. Upon recordation in the recording office of the district in which the property is situated, the lien is prior and superior to other liens against the property except for general taxes and may be enforced by lien foreclosure as provided in AS 34.10.070 - 34.10.220. The lien becomes immediately due and payable on change of use to a purpose not compatible with farm and agricultural use.

SUGGESTED LEGISLATION  
AS 29.53.035  
FARM USE LAND ASSESSMENT

The preservation of farm and agricultural land as open space areas is vitally important to the continuance of that which is designated as beneficial to the health and welfare of the people, statewide, nationwide and worldwide.

To accomplish the desired objective it is necessary to make it financially possible and attractive to owners of open space areas to utilize such properties for purposes which are consistent with agricultural use.

Much of the open space area possesses an actual full and true value several times higher than the farm and agricultural use value. The assessment and taxation of such property at the higher value creates an ownership financial burden that is a compelling factor in the trend away from maintaining land in a use compatible with farm and agricultural purposes.

The most logical approach to preserving as much area as possible in a use compatible with farm and agricultural purposes is the "Development Rights" concept by which an owner may apply for farm use assessment and petition the state to reimburse the municipality for revenue lost. In exchange for the granting of the application and petition, the owner would grant to the state a first option to purchase the development rights to the property.

At some future date, should a change of use be inescapable, the state would have the prerogative to purchase the development rights at a negotiated price or release the option upon payment by the owner of an amount equal to the total state reimbursement to the municipality for the revenue lost. At some future date should a change of use be inescapable, the option to purchase could be exercised at a negotiated price.

This concept offers several advantages and benefits to owners, potential owners and the general public. One immediate and direct benefit to an owner is the opportunity to continue ownership and use without the burden of satisfying high value liability on a lower value use. The possibility of transferring title to property that will not change use is enhanced by the protection from a high value tax liability. A second benefit is the possibility that the state has an opportunity to purchase the development rights and guide the growth or change in an area in a fashion that is complementary and compatible with the trend indicated at that time.

This total concept provides the necessary mechanism for orderly statewide land use development which is designed and determined to be in the best interests of all residents of Alaska.

# MEMORANDUM

State of Alaska

DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS

TO: Lee McAnerney  
Commissioner

DATE: February 18, 1977

FILE NO:

THRU: Palmer McCarter  
Director

TELEPHONE NO:

FROM: S. Robert Dozier  
State Assessor

SUBJECT:

Senate Concurrent Resolution No. 12  
"Farm and Agricultural Land Use  
Assessment and Tax Deferment  
Program" (AS 29.53.035)

Senate Concurrent Resolution No. 12 if adopted by an affirmative vote of both houses annuls Administrative Regulation 19 AAC 38.020 which was adopted by the Department as a means of verifying that the applicant is actively engaged in farming the land for profit and that 10 percent of his yearly gross income is derived by use of land for farm purposes.

Under Administrative Regulation 19 AAC 38.020 the applicant may either provide for inspection by the local assessor a copy of his Alaska State Income Tax Return and other information as may be required or attach to the application form an authorization, signed and notarized, granting to the Office of the State Assessor the right of inspecting Alaska income tax returns to ascertain the requisite level of income.

Approximately 2/3 of the 86 applications received by the Department under the 1976 program provided necessary verification of income to the local assessor. The remaining applicants submitted Income Authorization forms to the Office of the State Assessor.

A copy of Form 21-411 "Authorization for Income Verification" as adopted by the Department is attached.

The notarized signature on the income verification form authorizes the Department of Revenue to inspect the applicant's Alaska state income tax returns and release to the State Assessor the answer to the following question: "Does the gross income attributed to farm use land equal or exceed 10% of the applicant's adjusted gross income?"

Should 19 AAC 38.020 be annulled, legislative intent will be established which prohibits local and state government officials the right to verify the requisite level of yearly gross income.

The farm use land value assessment statute AS 29.53.035 was enacted as a relief measure designed to assist a property owner who is actively engaged in farming land for profit by deferment of a portion of his current tax liability. Lands included in a farm ownership unit, although only partially utilized, are considered eligible for the special farm use assessment. The deferred tax for a period not to exceed seven years, becomes a tax liability against the applicant only at such time the land is converted to a nonfarm use.

The payback penalty imposed by statute against the owner at the time farm land is converted to nonfarm purposes has been vividly demonstrated to be impossible to enforce. For example the accumulated seven year tax deferment liability may be against one or more prior owner-applicants. The current owner-developer will have no deferred tax liability. If it is legislative intent that the deferred tax liability be repaid to the State an amendment to existing law will be required which assigns the deferred tax liability to the property rather than to the applicant (i.e. establishing a tax lien against the property at such time as a deferred payment of taxes is allowed).

Enactment of Senate Concurrent Resolution No. 12 will deny both the local and state governments an opportunity to verify income. This will result in an open-end tax exemption program rather than a tax deferment program for owners of land not dedicated or used for farm purposes.

SRD: nc

Attachment

March 18, 1977

LETTER OF INTENT TO SCR 12

The intent of the Senate Community and Regional Affairs Committee, in the approval of SCR 12, is that the language of 19 AAC 38.020 is repugnant to the concerns of Alaskans, and should be annulled.

However, the Committee felt that the implementation of the regulations was inoffensive and reasonable, and well served the intent of the statutes. Therefore, while the Committee believes the regulation itself should be annulled, it could see no reason to change the existing procedures, and recommends the adoption of a new regulation which more closely describes these procedures.

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Senator Joe Orsini  
Chairman  
Senate Community and  
Regional Affairs  
Committee

SJR

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TESTIMONY  
SENATE JOINT RESOLUTION NO. 46

The scheduling of hearings in Alaskan communities impacted by pipeline construction along the Alcan is an excellent idea.

For Alaska, the proposed pipeline will entail much more than a right-of-way. It is a large scale industrial project passing through communities with no local government, no statutory authority to control growth, no ability to tax development and no mechanism to officially receive impact assistance.

While the pipeline will be built primarily on federal lands, State funds and technical assistance will be required to anticipate what might happen and to prevent unwanted impacts. My department has in the past, been responsible for providing planning assistance to unincorporated villages and for seeing that federal impact money (CEIP) was distributed to those communities needing funds.

We thus have a great interest in the proposed federal project recognizing that, at the same time, the Federal Energy Regulatory Commission and the Department of Interior both have the responsibility to inform Alaskan communities of the scope and magnitude of the project, to solicit their views on the project itself and its impact on the environment, village organization, values, use of land and lifestyles, and most importantly, they have the responsibility to incorporate the findings of the hearings in the conditions of right-of-way leases and certificates of public convenience and necessity.

To further strengthen the resolution before your committee today, I recommend the following changes be made:

BE IT RESOLVED by the Alaska State Legislature that the Department of Interior and the Alaska Gas Project Office of the Federal Energy Regulatory Commission are respectfully requested to schedule separate or joint hearings on socio-economic impacts in Alaskan communities this year, especially in those located on or near the proposed route. And furthermore,

BE IT RESOLVED that the Federal Energy Regulatory Commission use the findings of the hearings in conditions of the Certificate of Public Convenience and Necessity and that the Department of the Interior incorporate findings in the right-of-way lease it issues.

The Canadian government has been forthright in its intent to seek out the implications of pipeline development along both the Alcan and Arctic routes. The Berger and the Lysyk Commissions reflect well Canada's genuine respect for the hearing process and the government's ability to lay out the terms and conditions under which development will take place, keeping in mind the best interest of the communities and people who will be affected.

Our federal government should take heed to the Canadian example and begin soon. With the proposed additions, I heartily support this resolution.