

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672  
5607 HOUSE COMMUNITY & REGIONAL AFFAIRS

by ordinance and shall be reasonable and permit a fair return on invested capital.

(d) A municipality may provide for the creation, recording, notice, and foreclosure of a lien on real property to secure the payment of charges for water, sewer, electric, and other utilities provided to the property by the municipality, and the interest, penalties, and administration costs in the event of delinquency. When recorded the utility lien has priority over all other liens except (1) liens for property taxes and special assessments; (2) liens that were perfected before the recording of the utility lien for amounts actually advanced before the recording of the utility lien; (3) mechanic's and materialman's liens for which claims of lien under AS 34.35.070 or notices of right of lien under AS 34.35.060 have been recorded before the recording of the utility lien; and (4) sales and use tax liens created under AS 29.45.650 (e).

~~[(d)]~~ (e) This section applies to home rule and general law municipalities.

Subsection (d) which is added above is copied verbatim from the language enacted by the legislature last session to establish the priority of liens for delinquent sales and use taxes. The statute which was copied is AS 29.45.650(e).

Please call should you have any questions, but basically all we are trying to do here is make everyone responsible for their own bills. There are always some utility customers who don't feel obligated to pay, and this effort would help in collecting past due accounts.

Sincerely,



Steve Balnbridge  
City Administrator

cc Representative Richard Shultz

P.O. BOX 55109  
NORTH POLE, ALASKA  
99705



TOP OF THE WORLD  
PHONE: 907-488-2281  
AT YOUR SERVICE

March 21, 1989

The Honorable Senator Jack Coghill  
P. O. Box V  
Juneau, Alaska 99811

Re: SB 207, Municipal Utility Liens

Dear Jack:

Just a short note to let you know that we are in receipt of and support Senate Bill 207. As you are well aware, collection of utility charges has posed a major problem for small municipalities. Often, the only remedy is Small Claims Court. In instances where the delinquent party has left the area, there is little recourse.

The provisions of SB 207 would take tremendous strides toward alleviating this problem. You have the full support of The City of North Pole. Please let us know to whom we may make further contacts to aid in passage.

Sincerely,

A handwritten signature in black ink, appearing to read 'Carleta Lewis', with a long horizontal line extending to the right.

Carleta Lewis  
Mayor, City of North Pole

CL/kl

## NOME JOINT UTILITY SYSTEM

## RESOLUTION 89-09

A RESOLUTION SUPPORTING SENATE BILL NO. 207,  
AN ACT RELATING TO LIENS ON REAL PROPERTY TO SECURE PAYMENT  
FOR SERVICES PROVIDED BY A UTILITY OWNED BY A MUNICIPALITY

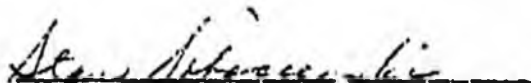
WHEREAS, there is a Senate Bill No. 207 in the Legislature of the State of Alaska Sixteenth Legislature - First Session, and

WHEREAS, this Bill is "An Act relating to liens of real property to secure payment for services provided by a utility owned by a municipality.", and


WHEREAS, the Nome Joint Utility Board would like to go on record as being in support of this Bill,

NOW THEREFORE BE IT RESOLVED that the Nome Joint Utility Board, sitting in Regular Session on March 21, 1989, supports Senate Bill No. 207, An Act Relating to Liens on Real Property to Secure Payment for Services Provided by a Utility Owned by a Municipality.

SIGNED THIS 21 DAY OF MARCH, 1989 AT NOME, ALASKA.

  
Stan Sobocienski, Chairman  
NOME JOINT UTILITY BOARD

ATTEST:

  
Gary Butcher, Secretary  
NOME JOINT UTILITY SYSTEM

## MUNICIPAL REVENUE SHARING PROGRAMS FUNDING COMPARISON, FY86-FY88

<u>Program</u>	<u>FY86</u>	<u>FY87Rev</u>	<u>FY88Gov</u>	<u>FY88Rec</u>
Basic Services (Proration factor)	20,000.0 91.0%	16,332.0 68.9%	13,065.6 55.1%*	24,000.0 100.0%
Hospital Construction (Proration factor)	1,600.0 100.0%	490.0 81.6%	392.0 99.2%	395.0 100.0%
Tax Equalization	38,032.2	31,023.0	24,845.7	29,095.1
Municipal Assistance**	81,306.8	65,858.5	52,686.8	37,500.0
(Formula calculation)	45,000.0	44,100.0	37,500.0	37,500.0
(Funding percentage)	180.7%	149.3%	140.5%	100.0%

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\*The basic services proration factor for FY88 is estimated only, and will likely be less when actual distribution is made. Increased health and road services assumed by municipalities will increase the total authorized amount eligible for receipt under this program, and therefore decrease the proration factor. The actual proration factor is estimated to be about 50%.

\*\*The formula calculation for municipal assistance is based on 30% of the previous fiscal year's corporate income tax, as specified in AS 29.60.350(a). The funding percentage is determined by comparing the formula calculated amount with the appropriated amount.

Source: Department of Community and Regional Affairs budget documents and special reports

6.4 %  
Reduction

## MUNICIPAL REVENUE SHARING BUDGET INFORMATION

The state provides financial aid to municipalities through programs in the Department of Community and Regional Affairs, in addition to the local public school funding provided through the Department of Education. In C&RA, these programs are found in the Municipal Revenue Sharing budget request unit (BRU).

The Municipal Revenue Sharing BRU consists of two components: Municipal Assistance and Revenue Sharing. Within the revenue sharing component, three separate programs are funded: basic services, tax equalization, and hospital construction.

The hospital construction program has been repealed, and funding is only included to pay off the one municipality (Kenai Peninsula Borough) that was receiving funds under this program at the time of its repeal.

Essentially, then, this BRU is made up of three programs: the Basic Municipal Services program (also known as miscellaneous services), the Tax Equalization Program, and the Municipal Assistance Program.

A proposal has been made to shift funds between the three programs. The attached chart compares funding of the municipal revenue sharing programs from FY86 through the FY88 Governor's budget request, and includes the proposal to transfer funds.

The proposed reallocation of funds is the representation in dollars of a policy shift which is required by the new fiscal realities of the state.

It is difficult to second guess prior legislatures, but the reductions in the three programs over the past two years were apparently taken as an across-the-board cut of all three revenue sharing programs, without a careful analysis of what the base amounts really should be. The purpose of the proposed changes is to readjust the funding among the three programs in order to: 1) reflect necessary base amounts; and 2) recognize that local tax effort should be rewarded.

#### Basic Services

The Basic Services program is proposed to be funded at 100% for FY88. Although this program also funds unincorporated communities and volunteer fire departments, its main purpose is to fund the basic municipal services of health care and road maintenance. The amounts of support for those basic services are set up in statute (AS 29.60.100-170).

You will note on the attached chart that the amounts received by communities for these basic services have been prorated for the past three years because of insufficient funding of this program. In times of declining revenues, it is bad policy to reduce this program below the base amounts set up in statute. To have a two year drop of almost half the funding for basic services provided by municipalities is not the right message the legislature should be sending. Basic services are basic, and should be fully funded.

In retrospect, it would have probably been more fair for the cuts made over the past two years to have been made in the other two programs of tax relief and tax equalization, and to have kept the floor level amounts set by statute for the basic services provided by this program. The changes proposed would correct the current imbalance and restore the basic services funding to a true base level.

The remainder of the revenue sharing funds would then be divided between the tax equalization program, and the tax relief program (also known as municipal assistance). The question facing the legislature is to decide what policy to implement through the funding of these two programs. To make this decision requires a good understanding of the differences between these two programs, and how the current state fiscal situation affects municipalities.

#### Municipal Assistance

The municipal assistance, or tax relief, program has the main purpose of reducing property taxes. This is stated quite clearly in AS 29.60.370(b). About \$10 Million dollars is distributed in this program under a "base amount" provision. This gives money to cities and boroughs based on amounts received under a 1978 revenue sharing program. The remainder of the funds in this program are distributed entirely by population, with no regard to basic services, local tax effort, or COLA adjustment. Since there is no requirement of any kind for this program, except to fill out the forms, it has the effect of being a "warm body," or "free lunch" program.

#### Tax Equalization

The tax equalization program, on the other hand, is designed to reward local municipalities for their own tax effort. The authority for this program set out in AS 29.60.010 states that the amount received by a taxing unit "is based on the population, relative ability to generate revenue, and local

tax burden of the taxing unit," as determined by a formula. This program takes the approach that the state helps those municipalities that care enough to tax themselves.

This is not a program that favors either urban areas or rural areas. But it does favor areas where people assume the responsibility to tax themselves to pay for local services.

In Fairbanks, for instance, the city council just voted to impose a 3% sales tax. That type of effort would be rewarded under the tax equalization program by an increase in funds received from the state. Areas of the state with a high tax effort in property taxes, such as Juneau, are also rewarded under this program.

#### Current Fiscal Situation of Local Governments

The current fiscal situation of the state and of municipalities is such that many municipalities are being forced to at least consider raising taxes just to provide basic services at even a reduced level from the past year. The recommendation to transfer funds from the tax relief program into the tax equalization program would be a policy recognition by the legislature that we understand the problem of municipalities, and are willing to help them if they are willing to help themselves through self-taxation. It would take money out of the warm-body-free-lunch revenue sharing program, and place money in a revenue sharing program that rewards municipalities for assuming their own tax burden.

This proposal is not meant to pick on any community in particular, but is intended to encourage all communities to share in the tax burden of paying for their own services. If a community finds itself receiving less money under this proposal, it probably should seriously examine its own efforts to generate revenue, to see if they are what they should be under the circumstances now facing the state.

It may be worthwhile for the legislature to consider putting all of the free-lunch revenue sharing money into the tax equalization revenue sharing program in future years. That is a major policy issue that is not addressed by the recommendation.

HB

272

HOUSE FINANCE COMMITTEE

May 3, 1988

3:00 p.m.

(Tape HFC 88-75, Side 1, #000-end)

CALL TO ORDER

Chairman Adams called the meeting of the House Finance Committee to order at 3:00 p.m.

PRESENT

All members of the Committee were present. ALSO PRESENT: Senator Sturgulewski; Senator Coghill; Senator Uehling; Senator Fahrenkamp; Senator Rodey; Charles Logsdon, Petroleum Economist, Department of Revenue; Commissioner Mark Hickey, Department of Transportation and Public Facilities; Randy Simmons, Deputy Commissioner, Department of Transportation and Public Facilities; Commissioner Hoffman, Department of Community and Regional Affairs; Ron Lehr, Executive Director, Alaska Housing Finance Corporation; Jay Hogan, Associate Director, Budget Review, Office of Management and Budget; Dove Kull, Legislative Chairman, Older Alaskans Commission; Charles Christensen, Aide to Senator President Faiks; Commissioner Munson, Department of Health and Social Services; Ann Plunkett, Aide to Senator Rodey; Tom Begich, Aide to

Representative Gruenberg; Steve Hole, Deputy Commissioner, Department of Education; and Steve Kettel, Director, Income and Excise Tax Audit Division, Department of Revenue.

SUMMARY INFORMATION

- HCR 53 "Relating to the implementation of local hire through improved cooperation between employers and schools."  
Bill HELD in Committee.
- SCR 57am "Relating to the implementation of local hire through improved cooperation between employers and schools."  
Bill reported out of Committee with a "do pass" recommendation and fiscal note dated 4/28/88 by the Senate Finance Committee in the amount of \$25.0.
- SB 79 "An Act relating to runaway and missing minors."  
Bill HELD in Committee.
- SB 102 "An Act relating to reports of missing persons; and creating a missing persons information clearinghouse."

Finance Committee Substitute reported out of Committee with a "do pass" recommendation and a fiscal note dated 3/7/88 by the Department of Commerce and Economic Development in the amount of \$300.0.

- HB 557 "An Act relating to an exemption of deferral from municipal taxation for economic development property; and providing for an effective date."  
Finance Committee Substitute reported out of Committee "without" recommendation and with a zero fiscal note dated 4/14/88 by the Department of Community and Regional Affairs.

REVENUES

Chairman Adams asked DR. CHARLES LOGSDON, PETROLEUM ECONOMIST, DEPARTMENT OF REVENUE, the estimates for the price of oil for the balance of the fiscal year and projections for FY 89. Mr. Logsdon believed that the revenue estimate of \$2174.1 billion for FY 88 would be quite consistent with what is currently happening in the market. Mr. Logsdon said Standard announced a \$16.25 per barrel price effective April 1 for Gulf Coast delivery for North Slope crude. He said the spot price for April averaged \$15.75. It was Mr. Logsdon's opinion that it would be tenuous to assume that all the companies sold their

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402 (Finance) with individual recommendations and the fiscal note dated 4/20/88 by the Department of Commerce and Economic Development. There being NO OBJECTION, it was so ordered. CS HB 402 (Finance) was reported out of Committee "without" recommendation and with a fiscal note dated 4/20/88 by the Department of Commerce and Economic Development.

hb 557

HOUSE BILL NO. 557

"An Act relating to an exemption of deferral from municipal taxation for economic development property; and providing for an effective date."

Chairman Adams advised members that the Joint Economic Recovery Committee sponsored the legislation. There is a zero fiscal note. The bill would allow municipalities to exempt or delay taxation on economic development property for a period of five years if the property creates new employment by generating sales in municipalities or by reducing the need to import goods and services to municipalities.

TOM BEGICH, LEGISLATIVE ASSISTANT, advised members that the legislation was originally proposed by the Anchorage Economic Development Corporation. The Joint Economic Recovery Committee reviewed the proposal and restructured the language

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for introduction. He said the bill is supported by the Department of Community and Regional Affairs, Juneau Economic Development Council, Municipal League, and Fairbanks North Star Borough. The bill would allow local governments to exempt or defer, by ordinance, taxation of economic development property. The exemption could not exceed five years. The governing body would have to establish specific eligibility requirements for the exemptions or deferrals. Applications would have to be submitted for each project requesting exemption. Public hearing would be required prior to approval by a governing body. A request would be denied if it created an unreasonable competitive advantage within the local government's jurisdiction. Mr. Begich described the definitions for economic development property.

There was discussion concerning the types of organizations or businesses which might qualify for an exemption.

(Tape change, Side 2)

Representative Brown said the question is whether member's feel incentives are needed to attract new business to municipalities. She said there were mixed feelings by the Economic Recovery Committee although they agreed to introducing the legislation to get the concept on the "table". She questioned whether the legislation would provide the best approach in promoting development. Representative Larson discussed a survey completed several years ago which indicated

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that taxes were not the incentive for location of a business within a municipality.

Representative Boyer believed the language nebulous and would provide an opportunity for a business to be placed out of business due to an unfair competitive advantage. He referenced page 1, line 20 and suggested the language be changed to read, "The governing body may not grant an exemption or deferral under this subsection if it finds that the exemption or deferral would result in a competitive disadvantage to other businesses in the municipality." He said this would shift the burden to the governmental entity to make a finding that there is no competitive disadvantage. Representative Boyer MOVED to adopt the change in language.

Representative Pourchot suggested an amendment to the amendment to read, "The governing body may not provide an exemption or deferral under this subsection if the exemption or deferral would result in a competitive disadvantage to other businesses in the municipality." Representative Pourchot MOVED to AMEND the MOTION as stated. There being NO OBJECTION TO THE AMENDMENT TO THE AMENDMENT, it was so ordered. There being NO OBJECTION TO THE MAIN MOTION, it was ordered.

Representative Boyer MOVED to report out of Committee CS HB 557 (Finance) with a zero fiscal note and individual recommendations. There being NO OBJECTION, it was so ordered.

N124PM DOCUMENT= 1 OF 1 PAGE = 30 OF 40

CS HB 557 (Finance) was reported out of Committee "without" recommendation with a zero fiscal note dated 4/14/88 by the Department of Community and Regional Affairs.

sb 329

SENATE BILL NO. 329

"An Act relating to the transfer of business licensing functions to the Department of Revenue to the Department of Commerce and Economic Development, and providing for an effective date."

Representative Pourchot MOVED AND ASKED UNANIMOUS CONSENT to report out of committee SB 329 with a zero fiscal note and individual recommendations. There being NO OBJECTION, it was so ordered.

SB 329 was reported out of Committee with a "do pass" recommendation and a zero fiscal note dated 4/8/88 by the Department of Commerce and Economic Development.

hb 463

HOUSE BILL NO. 463

"An Act making a special appropriation to the Department of Education for grants to school districts and regional

# State of Alaska

## Committees

CO-CHAIR, HOUSE JUDICIARY  
VICE-CHAIR, HOUSE LABOR AND COMMERCE  
HOUSE HEALTH, EDUCATION  
AND SOCIAL SERVICES



P.O. BOX V  
JUNEAU, ALASKA 99811  
(907) 465-4712  
465-4968/4986  
(SESSION)  
914 CLAY COURT  
ANCHORAGE, ALASKA 99501  
(907) 276-6844

Representative Max F. Gruenberg, Jr.  
District 11  
Spennard, Upper Midtown Anchorage

April 12, 1989

## MEMORANDUM

TO: Eileen MacLean  
FROM: Representative Max Gruenberg  
RE: Scheduling of HB 272

HB 272 is currently in your committee. The bill provides a mechanism for municipalities to grant limited municipal property tax exemptions for new job-creating businesses.

The bill specifically requires that no property can be taken off the tax rolls, and limits any exemptions to five years. A similar bill, HB 557, resided in the House Rules Committee at the close of the Fifteenth Legislature.

Legislation of this nature is strongly supported by municipalities and business development groups across the state. I hope you will be able to schedule HB 272 next week. Thank you for your consideration.



# Alaska State Legislature

## House of Representatives Community & Regional Affairs

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#### HOUSE BILL 272

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# State of Alaska

## Committees

CO-CHAIR, HOUSE JUDICIARY

CO-CHAIR, HOUSE LABOR AND COMMERCE

HOUSE HEALTH, EDUCATION  
AND SOCIAL SERVICES



P.O. BOX V  
JUNEAU, ALASKA 99811  
(907) 465-4712  
465-4968/4986  
(SESSION)

914 CLAY COURT  
ANCHORAGE, ALASKA 99503  
(907) 276-6114

Representative Max F. Gruenberg, Jr.  
District 11  
Spennard, Upper Midtown Anchorage

April 17, 1989

## MEMORANDUM

TO: Representative Eileen MacLean, Chair,  
Representatives Bette Cato, Richard Foster,  
Fritz Pettyjohn and Cheri Davis,  
House Committee on Community and Regional Affairs

FROM: Representative Max Gruenberg *MG*

RE: HB 272

House Bill 272 is presently in your committee. I sponsored the bill, which provides authority for municipalities to grant limited municipal property tax exemptions or deferrals.

The legislation enables municipalities to provide limited tax incentives to businesses that create new jobs or jobs in "primary industry," or which reduce importation of goods and services from outside the municipality.

Tax incentives of this type are a common tool used in many states to encourage business development. The legislation is necessary for Alaska's cities to compete on an equal basis with other states for new business. Within the State, tax competition among municipalities for existing Alaska businesses will be prevented by the requirement that the property to be exempted or deferred may not be currently in use in another municipality.

The bill specifically requires that no property can be taken off the tax rolls, and limits any exemptions or deferral to five years. A similar bill, HB 557, died in the House Rules Committee at the close of the Fifteenth Legislature. SB 267, introduced this year by the Senate Special Committee on Banking and Economic Development, is also similar.

HB 272 is enabling legislation only. It mandates full local control over the exemptions and deferrals, and requires that a

municipal ordinance, which can only be adopted after a full public hearing, set out the terms on which exemptions will be granted.

Legislation of this nature is strongly supported by municipalities and business development groups across the state as well as by the Department of Commerce and the Department of Community and Regional Affairs. Support of this bill can be a statement of your determination to provide the types of incentives necessary to encourage sound private enterprise development in Alaska. I hope each of you will give the bill favorable recommendation. If you have any questions, please contact me or Andy Hemenway of my staff at 465-4968. Thank you for your consideration of this measure.

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_  
Title: "An Act..optional exemption..  
deferral of payment, municipal taxes."  
Sponsor: Rep Gruenberg, Ellis, Larson &  
Requestor: \_\_\_\_\_ Zawacki

Agency Affected: Community & Regional Affairs  
BRU: \_\_\_\_\_  
Components: \_\_\_\_\_

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING:** (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

**POSITIONS:**

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

*Jim Plasman*  
Prepared by: Jim Plasman, Deputy Director Phone: 465-4750  
Division: Municipal & Regional Assistance Date: 4/14/88  
Approved by Commissioner: Raymond Hennings, Municipal Affairs Date: 4/14/89  
Agency: Community & Regional Affairs

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

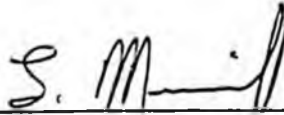
HB 272: Amendment to municipal taxing authority.

A similar bill introduced late in the last session as HB 557 did not get passed out of the House Rules Committee. Only minor wording changes were made prior to introduction of the current version.

HB 272 would extend the authority of municipalities to include tax exemptions and deferrals for certain types of "economic development" property for periods of up to five years.

From an economic development standpoint, The Department of Commerce and Economic Development supports HB 272. From a public policy standpoint, it may be prudent to allow the municipality an opportunity to set a cap on the dollar amount of the exemption. This cap would establish an amount as an acceptable loss to the tax base for the term of the exemption.

In effect, HB 272 would shift the burden of support for municipal services related to exempted property to the remaining taxpayers of that municipality or, in times of crisis, to the state; we believe that voter approval of the governing ordinance is desirable prior to implementation of policy resultant in such a reallocation of responsibility.



Larry Mercurieff, Commissioner

Date: 4/14/89

LM/WGP/dgl3851D  
041489a

STEVE COWPER, GOVERNOR

**DEPT. OF COMMUNITY & REGIONAL AFFAIRS**

OFFICE OF THE COMMISSIONER

P.O. BOX B  
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 949 E. 35TH AVENUE, SUITE 400  
ANCHORAGE, ALASKA 99508-4302  
PHONE (907) 563-1073

April 13, 1989

POSITION PAPER

RE: House Bill 272 "An Act relating to an optional exemption from, or deferral of payment of, municipal taxes."

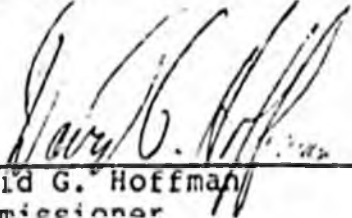
SPONSORS: Representatives Gruenberg, Ellis, Larson and Zawacki

Program Summary

This bill adds a subsection to AS 29.45.050 relating to optional exemptions from local property tax that may be adopted by municipalities. An ordinance adopted under this section would allow municipalities to exempt, partially exempt, or defer from taxation property that is classified as economic development property. In order to qualify for any tax exemption or deferral the property must fulfill certain local eligibility requirements and must create new employment and provide goods or services that are used in, or are exported from, the municipality. Property tax under this subsection may not be exempted or deferred longer than five years.

Comments

The language in HB 272 is consistent with existing statutes, serves a positive public purpose, and provides direction and guidance to municipalities. The primary focus of this bill is to assist municipalities currently seeking ways to encourage economic development. Those activities are fully promoted by this Department, and we support passage of this bill.

  
\_\_\_\_\_  
David G. Hoffman  
Commissioner

four states allow local governments the option of exempting inventories (Alaska, Georgia, Maryland, and Vermont). In Georgia, for example, at least sixty cities or counties exempt inventories. Iowa and South Carolina exempt a portion of all inventories. In South Carolina, the exempt proportion is 17 percent for 1985, 50 percent for 1986, and 100 percent thereafter, except for manufacturing inventories, which are already completely exempt. In North Carolina, inventories are taxable, but a credit is provided when they exceed a certain proportion of a manufacturer's production costs.

Certain other types of business personal property also receive preferential treatment, although they are generally taxed at a higher rate than inventories. The U.S. Census Bureau noted in 1981 that seventeen states had legal provisions for partial exemptions either as to specified types or specified value levels of commercial-industrial personal property. For example, Rhode Island exempts not only manufacturers' inventories but also certain manufacturing machinery and equipment. The states with partial exemptions for noninventory personal property are noted with footnotes in the third column of table 3.

Except for Iowa's exemption, none of these provisions explicitly favors small businesses. However, as the last two columns of table 3 indicate, there are a number of relatively minor exemptions which specify maximum values; these provisions tend to help small businesses relatively more than larger ones. These exemptions are typically for worker's or craftsman's tools or a fisherman's equipment.

To summarize, personal property tends to be treated considerably better than real property, and inventories are treated better than other kinds of personal property. This implies that, other things being equal, companies with a high ratio of personal to real property have lower effective property tax rates than other companies, especially if the personal property is in the form of inventories.

#### *Other property tax practices*

Many states have statutes granting abatements or exemptions to firms making investments to build new facilities or expand existing ones. In some cases these provisions are just for machinery but in other cases they apply to plant as well as machinery.

These measures rarely if ever make reference to the size of a business, although in a few cases they specify maximum or minimum levels of benefits or investment. Only one abatement program mentioned in a major compendium of state development incentives placed a limit on the benefits from the program. Illinois' industrial abatement program can save a company no more than \$1 million over a ten-year period. On the other hand, at least two states set a minimum on the investment needed to qualify for their abatement programs. A South Carolina five-year abatement

of county taxes requires that manufacturers invest at least \$50,000, and a South Dakota program stipulates that the investment must be at least \$30,000. Such minimum levels may prevent some small businesses from benefiting from the programs.

Tables 4 and 5 summarize these abatements and exemptions. The programs listed in table 4 generally exempt new investment, sometimes within specific geographic areas, for a limited number of years. The programs in table 5 in eight states apply primarily to machinery and involve permanent exemptions. In some cases,

Table 4

#### Property Tax Abatements for New or Expanding Facilities

Alabama	Up to ten years; does not apply to school taxes.
Arkansas	All leasehold interests in a facility financed by Industrial Revenue Bonds.
Connecticut	Manufacturing: 80 percent for five years in Urban Enterprise Zone or Urban Jobs Program. Commercial/retail: seven years, deferral of increased assessment resulting from improvements.
Florida	Up to ten years.
Georgia	No increase in assessment for up to seven years due to urban redevelopment, rehabilitation, or conservation project.
Illinois	Industrial: exemption up to ten years and up to \$1,000,000 of taxes.
Indiana	Industrial development area: up to ten years, assessment phased in over period.
Iowa	Five-year exemption, with assessment phased in over period, manufacturing; self-help areas: either 100 percent exemption for three years or partial exemption for ten years.
Louisiana	Up to ten years.
Maryland	Enterprise zone: 80 percent exemption.
Massachusetts	Property of economic development corporations exempt up to seven years.
Michigan	Fifty percent exemption up to twelve years.
Mississippi	Exemption up to ten years, except for school taxes; new structures or improvements in Central Business District of city with 45,000 or greater population exempt up to seven years.
Missouri	Twenty-five-year exemption in urban redevelopment areas (100 percent for ten years, then 50 percent).
Montana	Fifty percent exemption for five years, then phased out over next five years; manufacturing only.
New York	New York City: Twenty-year exemption, phasing down from 95 percent to 5 percent. Rest of state: ten-year exemption, phasing down from 50 percent to 5 percent.
Pennsylvania	Improvements to deteriorated property exempted up to ten years.
Rhode Island	Up to ten years.
South Carolina	Manufacturing five-year exemption, county taxes only; minimum investment, \$50,000.
South Dakota	Five-year exemption, with assessment phased in over period; minimum investment, \$30,000.
Virginia	Ten-year exemption for rehabilitated property.

Source: National Association of State Development Agencies, National Council for Urban Economic Development, and the Urban Institute, 1983. *Directory of incentives for business investment and development in the United States*. Washington, DC: The Urban Institute.



ANCHORAGE  
ECONOMIC  
DEVELOPMENT  
CORPORATION

April 13, 1989

The Honorable Max Gruenberg  
House of Representatives  
PO Box V  
Juneau, AK 99811

Dear Representative Gruenberg:

On behalf of the Anchorage Economic Development Corporation, I would like to express our strong support of HB 272 which allows municipalities to reduce or defer taxes on "economic development property" for up to five years. Economic incentive legislation like HB 272 has been passed in many states already, and will greatly aid Alaskan communities in attracting new businesses to their areas. This bill will be a first step in developing the tools necessary to compete with communities outside who offer a variety of incentives.

We appreciate it that HB 272 will grant municipalities the authority to decide on a case-by-case basis whether to offer a tax advantage to those business ventures meeting the conditions set forth in the bill.

Max, AEDC is willing to do whatever is necessary to ensure swift passage of this bill. Please call on us at any time.

Sincerely,

*CC for Scott E. Hawkins*

Scott E. Hawkins  
President

550 West 7th Avenue  
Suite 1130  
Anchorage, AK 99501  
Telephone (907) 258-3700  
FAX (907) 258-6646



ANCHORAGE  
ECONOMIC  
DEVELOPMENT  
CORPORATION

---

**A SYNOPSIS**

**OF SEVEN INDUSTRY INCENTIVE**

**PROPOSALS**

**FOR SUBMISSION TO**

**THE 1989 ALASKA LEGISLATURE**

550 West 7th Avenue  
Suite 850  
Anchorage, AK 99501  
Telephone (907) 258-3700



ANCHORAGE  
ECONOMIC  
DEVELOPMENT  
CORPORATION

### PROPERTY TAX ABATEMENT AUTHORITY

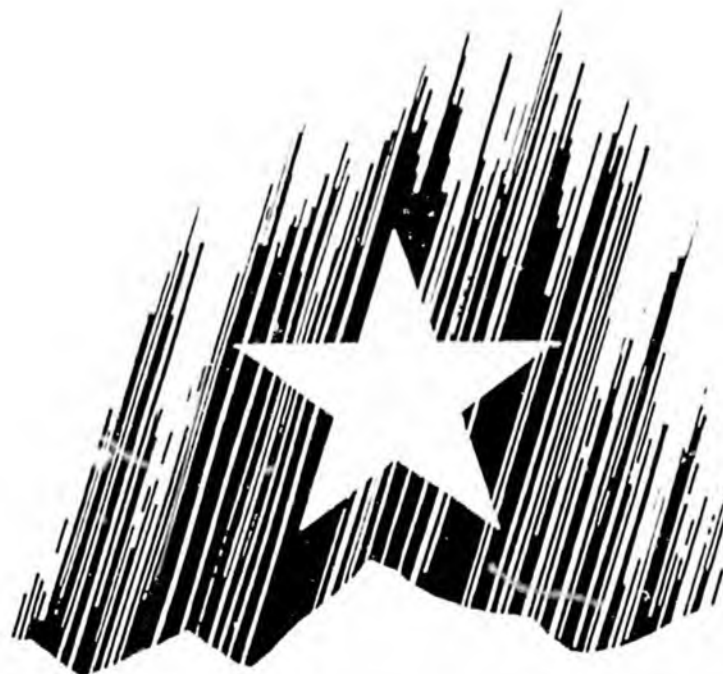
**Purpose:** This bill would give local governments the authority to offer partial and temporary property tax reductions on new buildings, leasehold improvements, equipment and inventories on new, basic industry investments. A local government may choose not to offer this incentive, but the proposed bill would give those that do wish to offer it the legal authority to do so.

**Need:** This is one of the most common incentives offered by U.S. cities and counties today. A 1987 survey of 322 cities showed that nearly 40 percent of all cities offer tax abatement and that nearly 45 percent plan to do so in the future. Alaska's boroughs and municipalities must begin to enter the competitive global arena for new jobs.

**Structure:** The proposed enabling legislation would require case-by-case local assembly approval, and would require that the new investment be one that expands the economy rather than simply intensifies competition for local markets. The maximum allowed abatement would be 50 percent, for a maximum period of five years.

**Cost:** This incentive would not apply to existing taxable property, only to new investments. Consequently, existing local revenue would not be impacted. New property tax revenue resulting from new basic industry investment would be temporarily impacted, but this incentive's role as a marketing tool will result in more private investment than would otherwise occur. Over time, this will result in a stronger tax base and more local revenue.

550 West 7th Avenue  
Suite 850  
Anchorage, AK 99501  
Telephone (907) 258-3700



Anchorage • *Star of the North*  
Chamber of Commerce

1989 Legislative Priorities

Without such a plan, any measures to resolve the current budgetary dilemma will have only temporary effect. Further, once new revenue sources are identified, State spending will return unchecked to prior levels, eliminating the possibility for improved fiscal management.

The corpus of the Permanent Fund must not be used to cure revenue shortfalls. The Chamber supports the concept of amending the constitution to provide for a 40/30/30 allocation of the Permanent Fund earnings. Further, the Chamber supports constitutional amendments imposing limitations on the level of State spending.

## 2. Economic Development

Legislation should be proposed that would provide incentives that would foster economic development.

- A) Taxes. The tax policy of the State should remain stable and manageable,, and not be subject to the political pressure of resolving revenue shortfalls. The Legislature should not yield to the proposals for a personal income tax, state sales taxes, or increased motor fuels taxes which negates the benefit of economic development incentives. The Legislature should not, under any foreseeable circumstances, impose increased taxes on any segment of our depressed economy. This would include the repeal or revision of the ELF (Economic Limit Factor) relative to the oil industry. Furthermore, departure from the unitary tax methodology would result in greater incentive to economic development.
- B) Economic Incentives. The adoption of an Economic Incentives Policy is overdue and should be given high priority in 1989. We recommend that a policy be enacted immediately to encourage the establishment and development of basic industry. This policy should follow the recommendations of the Anchorage Economic Development Corporation.

These incentives would be provided to qualifying businesses that serve to expand Alaska's economic base. These incentives should be flexible and existing statutory hindrance must be removed.

# Alaska Municipal League Policy Statement

## 1989



Adopted at the Business Meeting  
of the 38th Annual Local Government Conference  
of the  
**ALASKA MUNICIPAL LEAGUE**  
Fairbanks, Alaska  
November 18, 1988

Because a sales tax must be approved by the voters before it may be implemented, there should be no statutory limit on the rate of sales tax a municipality may impose. If the voters in a municipality desire to tax themselves at a rate higher than the 6 percent currently authorized by statute, they should be permitted to do so.

**8. Tax Liability for Certain State Agency Properties:** The League supports legislation to require payment of property taxes by state agencies for real property owned by the agency for investment purposes or acquired through holding of security interests.

Agencies of the State and federal government are treated differently as regards local property tax on property obtained through default or foreclosure. AHFC and HUD are two agencies that commit through regulation or legislation to pay local property tax in realization that local services contribute to the value of their property. Farmers Home Administration, Public Employees Retirement System, and Teachers Retirement System are also government agency investors who obtain property through default, but they do not pay local property tax, claiming exemption under AS 29.45.031(a)1. AIDA property does not contribute to local services.

**9. Local Manufacture Taxes:** The League endorses legislation that would amend AS 29.45.050(j) to permit a local option exemption from property taxes for inventory used in the in-state manufacture of product. The League also supports a three-to-five-year maximum time period for all such preferential exemptions from property taxation.

The League recognizes the critical need for permanent jobs and employment stability in local communities. Where property tax incentives are meaningful in attracting manufacturing or value-added industry using the human and natural resources of the State, exemption incentives may be an economic development tool.

This philosophy applies not just to timber but to other natural resource inventories. In any case, adoption of such an incentive should be by ordinance approved by the voters and have specific duration of three to five years, at which time the industry can be proven viable to the extent of sharing the burden with other taxpayers.

**10. Optional Exemptions:** The League does not oppose the addition of optional exemptions from property taxation provided the public agrees through a vote of the people and a sunset on the exemption is set in three to five years.

The League recognizes that expansion of optional exemptions from property taxes involves more than preferential treatment of classes of owners or property. Issues of public benefit, effects on formula funding revenues, changes in tax burden on other property owners, and competitive market influences are a few considerations to be

weighed. As these factors affect the public generally, adoption of local exemption should only be through ordinances approved by the voters. Further, in recognition of changing conditions and public needs, these exemptions should only be considered with provision of a sunset in three to five years.

**11. Real Property Transaction Values:** The League urges that if the Alaska Legislature enacts legislation requiring reporting of real property transaction values, such legislation also require that these reports be shared with the appropriate municipalities.

Alaska is one of only fourteen states in the country that does not require recording of real property transaction values. The American Bar Association's proposal for sale price reporting, new IRS reporting requirements, and national links of market data to financial institutional failures all make it likely that the State of Alaska will seriously consider or be forced to consider full reporting legislation in some form in the near future. Since municipalities are required to base local property tax on full and true value, it is equally important that any price reporting data be made available to local municipalities if uniformity and equity in assessment are to be maintained.

#### **D. PUBLIC EMPLOYEES RETIREMENT**

The League urges that any legislation that increases the cost of the Public Employees Retirement System or the Teachers Retirement System due to increased benefits require the cost to be borne by contributions from the employees. The League urges the Legislature to require fiscal notes to address the impact on each participating municipal employer if any amendments are made to the Public Employees Retirement System and the Teachers Retirement System.

Because municipal employees, including teachers, are members of the Public Employees Retirement System or the Teachers Retirement System, municipalities are affected by changes made by the Legislature to either retirement program. Many times proposals are made to change a retirement system without focusing on the increased cost to municipalities that such changes will cause. Because the municipality has no control over the retirement system and any increase in retirement benefits will decrease funds available for other municipal services, any increase in retirement system costs resulting from legislative action should be borne by the employees who will benefit from the increased retirement benefits. Additionally, in order to assist municipalities and the Legislature in evaluating changes to the retirement systems, fiscal notes accompanying such legislation should include an analysis of the fiscal impact on each of the participating municipalities.

11-15-88

Submitted by: ~~Assemblyman Campbell~~  
Prepared by: Anchorage Economic  
Development Corp.  
For reading: November 15, 1988

ANCHORAGE, ALASKA  
AR NO. 88-284

A RESOLUTION OF THE ANCHORAGE ASSEMBLY ENCOURAGING THE ALASKA  
LEGISLATURE TO ADOPT A BROAD AND RESPONSIBLE ARRAY OF ECONOMIC  
DEVELOPMENT INCENTIVES TO BE USED BY ALASKA'S COMMUNITIES

WHEREAS, the short and long-term outlook for the Alaska economy remains troublesome due to the impending projected production decline of the Prudhoe Bay oilfield and continued uncertainty in world oil markets; and

WHEREAS, there exists an urgent and pressing need for the communities of Alaska to expand and strengthen their respective basic industries; and

WHEREAS, all Alaska communities possess promotable and developable resources, both natural and human; and

WHEREAS, Alaska communities often face short-term economic hurdles that prevent the long-term development of their many and varied resources; and

WHEREAS these hurdles often include underdeveloped economic infrastructure, relatively tough commercial and industrial utility rates, the limited availability and high cost of trained labor in many occupations, and underdeveloped capital markets; and

WHEREAS, it is in the public interest for Alaska's local and state governments to take positive steps toward lowering those and other hurdles by offering a responsible and broad array of incentives for "basic industry" investment; and

WHEREAS, the use of such tools has been shown by Alaskan and non-Alaskan communities alike to be both effective and in the public interest;

NOW, THEREFORE, the Anchorage Municipal Assembly resolves:

Section 1: That the Assembly encourages the Legislature to enact laws that will create for the use of local governments, a broad, flexible and responsible array of incentives designed to induce new private investment in basic industry ventures that create net new jobs for the residents of Alaska; and

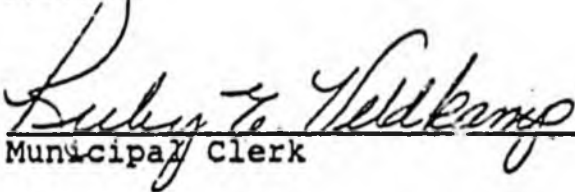
Section 2: That those incentives should address the issues of underdeveloped economic infrastructure, relatively high

commercial and industrial utility rates, the limited availability and high cost of trained labor in many occupations, and underdeveloped local capital markets.

PASSED AND APPROVED by the Anchorage Assembly this 15th day of November, 1988.

  
\_\_\_\_\_  
Chairman

ATTEST:

  
\_\_\_\_\_  
Municipal Clerk

DOCC/AR24



# FAIRBANKS INDUSTRIAL DEVELOPMENT CORPORATION

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520 5TH AVENUE  
SUITE 410  
FAIRBANKS, ALASKA 99701  
(907) 452-2185

April 14, 1989

Andy Hemenway  
Office of Rep. Max Gruenberg  
Capitol, Room 118  
Juneau, Alaska 99811

RE: H.B. 272

Dear Mr. Hemenway:

This will acknowledge your advice that the above referenced bill relating to optional exemption from local taxes has now been filed in the House of Representatives.

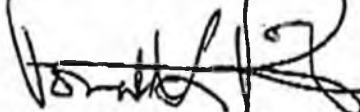
The Board of Directors of Fairbanks Industrial Development Corporation (which is inclusive of a broad cross-section of our community leadership, including both City and Borough mayors) is supportive of this proposed legislation. We believe that temporary tax exemption is an important incentive which will materially enhance our ability to put together competitive proposals for new industry start-up.

Partial and temporary tax exemption is a commonly utilized tool to support operating margins until the company's income stream builds to the point where the tax relief is no longer necessary. In this time of economic distress, Alaska municipalities need all the help they can get to attract new industry, and this authority will be a positive addition to our list of economic incentive options.

The principal objective of FIDC is to obtain 1,000 new jobs in the Fairbanks area within the next five years. Attainment of this objective, even in part, will greatly exceed the negative effect in temporarily foregoing a property tax assessment.

We appreciate the efforts of Rep. Gruenberg and others in leading this effort.

Yours very truly,



Ronald L. Ricketts  
Executive Director

RR:cp

## Chapter 41. Powers of Third Class Boroughs.

*[Repealed, § 88 ch 74 SLA 1985.]*

## Chapter 43. Powers of Cities Outside Boroughs.

*[Repealed, § 88 ch 74 SLA 1985.]*

## Chapter 45. Municipal Taxation.

### Article

1. Municipal Property Tax (§§ 29.45.010 — 29.45.250)
2. Enforcement of Tax Liens (§§ 29.45.290 — 29.45.500)
3. City Property Tax (§§ 29.45.550 — 29.45.600)
4. Borough Sales and Use Tax (§§ 29.45.650 — 29.45.670)
5. City Sales and Use Taxes (§§ 29.45.700 — 29.45.710)

### Article 1. Municipal Property Tax.

#### Section

10. Property tax
20. Taxpayer notice
30. Required exemptions
40. Property tax equivalency payments
50. Optional exemptions and exclusions
60. Farm or agricultural land
70. Mobile homes
80. Tax on oil and gas production and pipeline property
90. Tax limitation
100. No limitations on taxes to pay bonds
103. Taxation records
105. Errors in taxation procedures
110. Full and true value
120. Returns

#### Section

130. Independent investigation
140. Violations
150. Reevaluation
160. Assessment roll
170. Assessment notice
180. Corrections
190. Appeal
200. Board of equalization
210. Hearing
220. Supplementary assessment rolls
230. Tax adjustments on property affected by a natural disaster
240. Tax levy and rate
250. Rates of penalty and interest

**Sec. 29.45.010. Property tax.** (a) A unified municipality may levy a property tax. A borough may levy

- (1) an areawide property tax for areawide functions;
- (2) a nonareawide property tax for functions limited to the area outside cities;
- (3) a property tax in a service area for functions limited to the service area.

(b) A home rule or first class city may levy a property tax subject to AS 29.45.550 — 29.45.560. A second class city may levy a property tax subject to AS 29.45.590.

(c) If a tax is levied on real property or on personal property, the tax must be assessed, levied, and collected as provided in this chapter. (§ 12 ch 74 SLA 1985)

(b) Compliance with the provisions of this section is a prerequisite to receipt of municipal tax resource equalization assistance under AS 29.60.010 — 29.60.080 and state aid for miscellaneous municipal services under AS 29.60.100 — 29.60.180. The department shall withhold annual allocations under those sections until municipal officials demonstrate that the requirements of this section have been met. (§ 12 ch 74 SLA 1985)

**Sec. 29.45.030. Required exemptions.** (a) The following property is exempt from general taxation:

(1) municipal, state, or federally owned property, except that a private leasehold, contract, or other interest in the property is taxable to the extent of the interest;

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

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

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

(5) money on deposit;

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

(7) real property or an interest in real property that is exempt from taxation under 43 U.S.C. 1620(d), as amended.

(b) In (a) of this section, "property used exclusively for religious purposes" includes the following property owned by a religious organization:

(1) the residence of a bishop, pastor, priest, rabbi, minister, or religious order of a recognized religious organization;

(2) a structure, its furniture, and its fixtures used solely for public worship, charitable purposes, religious administrative offices, religious education, or a nonprofit hospital;

(3) lots required by local ordinance for parking near a structure defined in (2) of this subsection.

(c) Property described in (a)(3) or (4) of this section from which income is derived is exempt only if that income is solely from use of the property by nonprofit religious, charitable, hospital, or educational groups. If used by nonprofit educational groups, the property is exempt only if used exclusively for classroom space.

(d) Laws exempting certain property from execution under the Code of Civil Procedure (AS 09) do not exempt the property from taxes levied and collected by municipalities.

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**Sec. 29.40.180. Violations.** The owner of land located in a subdivision may not transfer, sell, offer to sell, or enter into a contract to sell land in a subdivision before a plat of the subdivision has been prepared, approved, filed, and recorded in accordance with this chapter. A person may not file or record a plat or other document depicting subdivided land in a public recorder's office unless the plat or document has been approved by the platting authority. For the violation of a provision of this chapter, a subdivision regulation adopted under this chapter, or a term, condition, or limitation imposed by a platting authority in the exercise of its powers under this chapter, a municipality may by ordinance prescribe a penalty not to exceed a fine of \$1,000 and imprisonment for 90 days. (§ 11 ch 74 SLA 1985; am § 6 ch 161 SLA 1988)

**Effect of amendments.** — The 1988 amendment, effective January 1, 1989, substituted "may not" for "to" and "filed, and recorded" for "and filed" in the first sentence, and "may not file or record" for "to file" in the second sentence. Deleted "It is unlawful for" at the beginning of the first and second sentences; and

### Chapter 45. Municipal Taxation.

#### Article

- 1. Municipal Property Tax (§§ 29.45.050, 29.45.065, 29.45.230)
- 4. Borough Sales and Use Tax (§ 29.45.650)
- 5. City Sales and Use Tax (§ 29.45.700)

#### Article 1. Municipal Property Tax.

##### Section

- 50. Optional exemptions and exclusions
- 65. Assessment of private airports open for public use

##### Section

- 230. Tax adjustments on property affected by a natural disaster

#### Sec. 29.45.030. Required exemptions.

**Cross references.** — For exemption of local ad valorem taxes, see AS electric and telephone cooperatives from 10.25.540(b).

**Sec. 29.45.050. Optional exemptions and exclusions.** (a) A municipality may exclude or exempt or partially exempt residential property from taxation by ordinance ratified by the voters at an election. An exclusion or exemption authorized by this section may not exceed the assessed value of \$10,000 for any one residence.

(b) A municipality may by ordinance

- (1) classify boats and vessels for the purposes of taxation and may establish the assessed valuation of boats and vessels on the basis of their registered or certificated net tonnage;
- (2) classify and exempt from taxation

(A) the property of an organization not organized for business or profit-making purposes and used exclusively for community purposes if the income derived from rental of that property does not exceed the actual cost to the owner of the use by the renter;

(B) historic sites, buildings, and monuments;

(C) land of a nonprofit organization used for agricultural purposes if rights to subdivide the land are conveyed to the state and the conveyance includes a covenant restricting use of the land to agricultural purposes only; rights conveyed to the state under this subparagraph may be conveyed by the state only in accordance with AS 38.05.069(c);

(3) exempt personal property from taxation;

(4) exempt business inventories from taxation;

(5) classify as to type and exempt or partially exempt any or all types of motor vehicles from taxation.

(c) The provisions of (a) of this section notwithstanding,

(1) a borough may, by ordinance, adjust its property tax structure in whole or in part to the property tax structure of a city in the borough, including but not limited to, excluding personal property from taxation, establishing exemptions, and extending the redemption period;

(2) a home rule or first class city has the same power to grant exemptions or exclude property from borough taxes that it has as to city taxes if

(A) the exemptions or exclusions have been adopted as to city taxes; and

(B) the city appropriates to the borough sufficient money to equal revenues lost by the borough because of the exemptions or exclusions, the amount to be determined annually by the assembly;

(3) a city in a borough may, by ordinance, adjust its property tax structure in whole or in part to the property tax structure of the borough, including but not limited to exempting or partially exempting property from taxation.

(d) Exemptions or exclusions from property tax that have been granted by a home rule municipality in addition to exemptions authorized or required by law, and that are in effect on September 10, 1972, and not later withdrawn, are not affected by this chapter.

(e) A municipality may by ordinance classify and exempt or partially exempt from taxation privately owned land, wet land and water areas for which a scenic, conservation, or public recreation use easement is granted to a governmental body. To be eligible for a tax exemption, or partial exemption, the easement must be in perpetuity. However, the easement is automatically terminated before an eminent domain taking of fee simple title or less than fee simple title to the property, so that the property owner is compensated at a rate that does not reflect the easement grant.

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(f) A municipality may by ordinance exempt from taxation all or part of the increase in assessed value of improvements to real property if an increase in assessed value is directly attributable to alteration of the natural features of the land, or new maintenance, repair, or renovation of an existing structure, and if the alteration, maintenance, repair, or renovation, when completed, enhances the exterior appearance or aesthetic quality of the land or structure. An exemption may not be allowed under this subsection for the construction of an improvement to a structure if the principal purpose of the improvement is to increase the amount of space for occupancy or nonresidential use in the structure or for the alteration of land as a consequence of construction activity. An exemption provided in this subsection may continue for up to four years from the date the improvement is completed, or from the date of approval for the exemption by the local assessor, whichever is later.

(g) A municipality may by ordinance exempt from taxation all or part of the increase in assessed value of improvements to a single-family dwelling if the principal purpose of the improvement is to increase the amount of space for occupancy. An exemption provided in this subsection may continue for up to two years from the date the improvement is completed, or from the date of approval of an application for the exemption by the local assessor, whichever is later.

(h) A municipality may by ordinance partially or wholly exempt land from a tax for fire protection service and fire protection facilities and may levy the tax only on improvements, including personal property affixed to the improvements.

(i) A municipality may by ordinance approved by the voters exempt from taxation the assessed value that exceeds \$150,000 of real property owned and occupied as a permanent place of abode by a resident who is

- (1) 65 years of age or older;
- (2) a disabled veteran; or

(3) at least 60 years old and a widow or widower of a person who qualified for an exemption under (1) or (2) of this subsection.

(j) A municipality may by ordinance approved by the voters exempt real or personal property in a taxing unit used in processing timber after it has been delivered to the processing site from up to 75 percent of the rate of taxes levied on other property in that taxing unit. An ordinance adopted under this subsection may not provide for an exemption that exceeds five years in duration. In this subsection "taxing unit" means a municipality and includes

- (1) a service area in a unified municipality or borough;
- (2) the entire area outside cities in a borough; and
- (3) a differential tax zone in a city.

(k) A municipality may by ordinance approved by the voters exempt from taxation pollution control facilities that meet requirements

of the United States Environmental Protection Agency or the Department of Environmental Conservation. An ordinance adopted under this subsection may not provide for an exemption that exceeds five years in duration.

(I) A municipality may by ordinance exempt from taxation an interest, other than record ownership, in real property of an individual residing in the property if the property has been developed, improved, or acquired with federal funds for low-income housing and is owned or managed as low-income housing by the Alaska State Building Authority or a regional housing authority formed under AS 18.55.996. This section does not prohibit a municipality from receiving payments in lieu of taxes authorized under federal law. (§ 12 ch 74 SLA 1985; am § 1 ch 103 SLA 1985; am § 5 ch 70 SLA 1986; am § 1 ch 151 SLA 1988)

*Effect of amendments.* — The 1988 amendment, effective January 1, 1989, added subsection (I).

**Sec. 29.45.065. Assessment of private airports open for public use.** (a) A municipality may provide by ordinance that airports located on private land and open and available for public use may be assessed at full and true value for airport use and not as if subdivided or used for some other nonairport use. The assessor shall maintain records valuing the land at both full and true value and airport use value. If the land is sold, leased, or otherwise disposed of for uses incompatible with airport use by the public or if the owner converts the land to a use incompatible with airport use by the public, the owner is liable to pay an amount equal to the additional tax at the current mill levy together with eight percent interest from the time of the incompatibility, as if the land had not been assessed for airport use. Payment of the additional tax and interest shall be made to the municipality.

(b) To secure the assessment under this section, the owner of the airport shall show that the airport is on private land, is open and available for public use, and is of benefit to the public or municipality. The owner shall apply to the assessor before May 15 of each year that the assessment is desired on forms to be prescribed by the municipality for use of the local assessor and shall include information reasonably required to determine the entitlement of the applicant. If the land is leased for airport purposes, the applicant shall furnish the assessor with a copy of the lease bearing the signature of both the lessee and lessor for the period that the exemption is requested.

(c) In this section, "airport" means an area of land or water that is used for the landing, takeoff, movement, or parking of aircraft, and the appurtenant areas that are used for airport buildings or other



6-0951E ✓  
Cook  
4/27/89

Original sponsors: Gruenberg, Ellis,  
Larson, et al.

*Passed*

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 272 ( )

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to optional exemptions from, or  
7 deferral of payment of, municipal taxes."

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

9 \* Section 1. AS 29.45.050 is amended by adding new subsections to read:

10 (m) A municipality may by ordinance partially or totally exempt  
11 all or some types of economic development property from taxation for  
12 up to five years. A municipality may by ordinance permit deferral of  
13 payment of taxes on all or some types of economic development property  
14 for up to five years. An ordinance adopted under this subsection must  
15 include specific eligibility requirements and require a written appli-  
16 cation for each exemption or deferral. In this subsection "economic  
17 development property" means real or personal property that

18 (1) has not previously been taxed by the municipality;

19 (2) is used in a trade or business in a way that

20 (A) creates employment in the municipality;

21 (B) generates sales outside of the municipality of  
22 goods or services produced in the municipality; or

23 (C) materially reduces the importation of goods or  
24 services from outside the municipality; and

25 (3) has not been used in the same trade or business in  
26 another municipality for at least six months before the application  
27 for deferral or exemption is filed; this paragraph does not apply to  
28 inventories.

29 (n) A municipality may by ordinance classify as to type

1 inventories intended for export outside the state and partially or  
2 totally exempt all or some types of those inventories from taxation.  
3 The ordinance may provide for different levels of exemption for dif-  
4 ferent classifications of inventories. An ordinance adopted under  
5 this subsection must include specific eligibility requirements and  
6 require a written application for each exemption.  
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Original sponsors: Gruenberg, Ellis,  
Larson, et al.

1 IN THE HOUSE

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3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 SIXTEENTH LEGISLATURE - FIRST SESSION

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10 (m) A municipality may by ordinance partially or totally exempt  
11 all or some types of economic development property from taxation for  
12 up to five years. A municipality may by ordinance permit deferral of  
13 payment of taxes on all or some types of economic development property  
14 for up to five years. An ordinance adopted under this subsection must  
15 include specific eligibility requirements and require a written appli-  
16 cation for each exemption or deferral. In this subsection "economic  
17 development property" means real or personal property that

18 (1) has not previously been taxed by the municipality;

19 (2) is used in a trade or business in a way that

20 (A) creates employment in the municipality;

21 (B) generates sales outside of the municipality of  
22 goods or services produced in the municipality; or

23 (C) materially reduces the importation of goods or  
24 services from outside the municipality; and

25 (3) has not been used in the same trade or business in  
26 another municipality for at least six months before the application  
27 for deferral or exemption is filed; this paragraph does not apply to  
28 inventories.

29 (n) A municipality may by ordinance classify as to type

1 inventories intended for export outside the state and partially or  
2 totally exempt all or some types of those inventories from taxation.  
3 The ordinance may provide for different levels of exemption for dif-  
4 ferent classifications of inventories. An ordinance adopted under  
5 this subsection must include specific eligibility requirements and  
6 require a written application for each exemption.  
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STATE OF ALASKA  
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

POUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907.465.3800

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMFR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

*House CV 201 - dated April 20, 1988*

HB

294

# HOUSE COMMITTEE REPORT

(5)

Date Referred: April 17, 1989

FURTHER REFERRALS: TRANSPORTATION  
FINANCE

Date of Committee Action: 3/20/90

The COMMUNITY & REGIONAL AFFAIRS Committee considered: HB 294

HOUSE BILL NO. 294 [AK RAILROAD PROPERTY TAXABLE BY MUNI'S]  
"An Act relating to taxation of property of the Alaska Railroad Corporation by municipalities; and providing for an effective date."

RECOMMENDATIONS:

- be replaced with CSHB 294 (C&RA)  the same title
- have attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of intent

ATTACHES NEW FISCAL NOTE(S): \_\_\_\_\_ APPROVES PREVIOUS: \_\_\_\_\_  
(Dept) (Date/Dept)

- fiscal impact \_\_\_\_\_
- zero fiscal note (C&RA)
- zero with analysis \_\_\_\_\_
- fiscal note(s) \_\_\_\_\_
- zero fiscal note(s) \_\_\_\_\_
- zero fn/analysis \_\_\_\_\_

SIGNING DO PASS:

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\_\_\_\_\_

SIGNING:

(Check approp. column)

	Do Not Pass	No Rec	Amend
<i>Eileen P. Mechean</i>			<input checked="" type="checkbox"/>
<i>Eugene Kubina</i>		<input checked="" type="checkbox"/>	
<i>Cheri Davis</i>	<input checked="" type="checkbox"/>		
<i>Richard [Signature]</i>	<input checked="" type="checkbox"/>		

*Eileen P. Mechean*  
Chairman's Signature

# ALASKA RAILROAD CORPORATION

## PUBLIC ENTITY LEASE POLICY

### 1. PURPOSE; APPLICATION

The purpose of this policy statement is to set forth guidelines and principles upon which the Alaska Railroad Corporation ("ARRC") will lease property to the State of Alaska and its political subdivisions. This Policy is intended to give the State and its political subdivisions information about the ARRC's policy with respect to its land program. The Policy does not create or assume a right to use of ARRC land by any public entity, but rather states the terms which shall be included in any agreement between the parties. Until their renewal, extension, assignment or termination, existing leases will not be governed by this policy.

As a public corporation established pursuant to AS 42.40, the ARRC is self-sustaining and operates without subsidy. It was the legislative intent to enhance and preserve railroad assets so as not to compromise the corporation's value in the event of a sale to the private sector. However, in recognition of the Corporation's position as a participating member within each host community, the ARRC may lease its lands to the State and its political subdivisions at less than fair market value as authorized by AS 42.40.350(d). Specific requests will be negotiated on a case by case basis, consistent with this policy statement. ARRC reserves the right to maintain compatibility with its master land use plans and guidelines in responding to specific requests. Agreements which promote the public welfare, operational safety, human health and the environment are to be encouraged.

This Policy shall control leases to eligible entities of ARRC's right-of-way and non-right-of-way lands, including any agreements for surface uses within the right-of-way which are substantially parallel to the tracks and exclude other surface uses. It does not apply to crossings of the right-of-way by roads or utilities, which will continue to be governed by permits. No annual administrative fee will be charged under public road crossing permits. In order to qualify for treatment under this Policy, an eligible entity must consult with ARRC in its initial planning process to avoid unnecessary conflicts with ARRC property usage and operations.

### 2. RESPONSIBILITY

Board of Directors - Approval of individual agreements issued under this Policy and any exceptions to the guidelines set herein, consistent with ARRC's Approval Authority Guide.

President and CEO - Interpretation of this Policy.

Vice President, Finance - Administration of this Policy.

Director, Real Estate - Implementation of this Policy.

General Counsel - Review to insure compliance with this policy statement and applicable laws and regulations.

### 3. REFERENCES

ARRC Board Rule No. 11 (ARRC Long Term Lease Policy)  
ARRC Standard Long Term Lease Form  
Alaska Statutes 42.40  
ARRC Guidelines for High Public Interest Lands  
ARRC Board Rule No. 13 (Alaska Policy on Railroad/Highway Crossings)

### 4. DEFINITIONS

#### A. Public Entity.

"Public Entity" as used in this Policy shall mean the following:

(i) The State of Alaska or any of its agencies, departments or divisions established by the Alaska Constitution or Alaska Statutes.

(ii) Political subdivisions of the State of Alaska, which shall be defined as home rule municipalities or general law municipalities (first, second and third class boroughs and first and second class cities) organized under Title 29 of the Alaska Statutes.

The following are specifically not included within the definition of Public Entity for purposes of this Policy: the United States government or its agencies or departments; non-profit corporations; school districts; tax-exempt organizations; state or federal public corporations, commissions, or boards; and the University of Alaska. Such entities are not foreclosed from negotiating agreements with ARRC outside of this Policy, consistent, however, with ARRC's statutory requirements (including specifically AS 42.40.350(d)), and the Approval Authority Guide.

#### B. Intended Property Use.

The intent of this section is to define the categories of use of the subject property intended by the Public Entity.

(i) Public Amenity Use. A use of the property for a public purpose that produces no revenues other than nominal use

fees. Use should be non-exclusive and available to the public at large. Examples of such uses include parks, greenbelts, sites of historic significance, pedestrian paths and trails.

(ii) Public Service Use. A non-revenue-generating use of the property that is required for the public safety, welfare and benefit that can stimulate economic development, or enhance tax revenues. Typical examples of Public Service Use include but are not limited to: highways, roads, airstrips, community centers, police and fire stations, certain recreational facilities, well sites, pump stations, scientific research or early warning sites, flood control sites, and qualifying communication sites.

(iii) Commercial Use. An activity that could be performed in either the public or private sector, and as to which a reasonably prudent businessperson would expect the revenues derived from the activity to cover the operating costs of the activity. To determine whether an activity meets this standard, ARRC may refer to factors considered under federal income tax regulations or other reasonably appropriate sources. Such uses can include ports, harbors, airport commercial development, parking lots, utility sub-stations, and concessions.

### C. Property Type.

The intent of this section is to establish the different categories of real property owned by ARRC, based on ARRC's use and the property's location.

(i) Operating Property. Property which is used in railroad freight, dock, and passenger operations or which is reasonably anticipated for such use.

(ii) Right-of-Way. The Right-of-Way corridor is the long narrow strip of property rights whose existence can be justified best by use for transportation, communication and/or transmission purposes in contrast to other possible uses. This property may include surface, subsurface or air rights or any combination of these rights. At the outset, Right-of-Way includes the 200-foot (less in certain locations) railroad utility corridor acquired from the federal government in full fee or as an exclusive use easement; it may be expanded to include other property acquired by ARRC for similar uses, either in fee or as a lesser estate such as a right of way easement.

(iii) Leased Land. Those parcels of land encumbered by a revenue-generating lease agreement or permit between a third party and ARRC at the time of request by the Public Entity.

(iv) Non-Operating Property. All other real property.

5. PERCENTAGE RENT FOR QUALIFYING PUBLIC ENTITY

The following chart will be consulted to calculate the percentage of fair market value rent for which a parcel of land will be made available to a Public Entity. Factors under the chart include both the use intended by the Public Entity and the type of property to arrive at a reasonable rate of return for ARRC.

<u>Type of Property</u>	<u>Public Amenity &amp; Public Service</u>	<u>Commercial</u>
ROW Operating	50%	100%
Non-Operating	NF	100%
Leased Land	100%	100%

Notes:

NF = Nominal fee to cover administrative costs.

All rents based upon above percentages, to be applied to fair market value rent as determined under paragraph 5.

In the event a parcel falls within more than one of the above property types, the category providing the greater return to ARRC shall be applied, but only if more than 25% of the parcel falls within that category.

6. DETERMINATION OF FAIR MARKET VALUE RENT

The fair market value rent to which the formula set forth in Paragraph 5 shall apply will be determined as follows:

A. Appraisal of Fair Market Value of Fee Simple Interest. ARRC will select an appraiser from a list of qualified appraisers compiled by ARRC and kept available for public inspection at its Real Estate office. The appraiser will determine, as of the date of the beginning of the applicable period, the fair market value of the fee simple interest in the property being leased, unencumbered by the Public Entity's lease, including improvements owned by ARRC and excluding improvements owned by the Public Entity.

In appropriate cases the appraiser will be instructed to value the total original parcel, the sub-parcel being appropriated for the Public Entity's use, and the effect of such appropriation on the remaining ARRC property. Use of the income approach is specifically recognized as valid in valuing the total parcel.

B. Rent Credits. It is understood that certain uses intended by a Public Entity may enhance adjoining ARRC property. In appropriate cases the appraiser will be instructed to determine the value of such enhancement and ARRC shall grant rental credits to the Public Entity in an amount not to exceed the value of the enhancement. However, the credit shall not reduce rent to an amount less than zero.

ARRC may also grant rent credits in recognition of permanent non-depreciable improvements (such as gravel fill) made to the property, to be negotiated on a case-by-case basis prior to installation. Such improvements become the property of ARRC immediately upon installation. In no event will the credit reduce rent to less than zero.

C. Rental Rate. The "rental rate" used for rent revision will remain fixed during the term of the agreement and the same rate will be employed in connection with all revisions. The rental rate will be the one in use by ARRC for commercial leases at the time the agreement is executed.

D. Fair Market Value Rent. The fair market value rent shall be the product derived from multiplying the fair market value of the property by ARRC's current rental rate.

E. Rent Revision. The rent will be revised at a minimum every five (5) years or as otherwise negotiated. The new rent established by the rent revision procedure for a particular period will not be less than the prior period's rent. A percentage rate establishing a maximum increase in rent (rent cap) to apply at the time of each revision will be predetermined and incorporated in the agreement.

## 7. AGREEMENT BETWEEN ARRC AND PUBLIC ENTITY

A. Contract Terms. The Public Entity will execute an appropriate agreement (lease or permit) with ARRC for its land use, which shall include at a minimum the following:

(i) as to Right-of-Way, appropriate restrictions and conditions on the Public Entity's use reducing the risk of safety hazard or interference with other uses of the right-of-way;

(ii) a hold harmless and indemnity for liability arising from the Public Entity's use of ARRC land;

(iii) as to land made available at less than full fair market value, an agreement by the Public Entity to stop its use of the land if such use interferes with ARRC's expansion or replacement of railroad facilities or railroad operations, or if it creates a safety hazard in the opinion of ARRC;

(iv) as to land made available at less than full fair market value, a provision allowing termination by either party on 90 days notice, except where such a provision will prevent the Public Entity from obtaining federal funds;

(v) a provision regarding compensation for the use by the Public Entity, calculated in accordance with Paragraph 5 of this Policy;

(vi) a provision placing the responsibility for compliance with land use planning and platting regulations on the Public Entity, if required by either good practice or local ordinance; and

(vii) as to land made available at less than full fair market value, a provision that compensation may increase to full fair market value in the event the character of the land's use changes to a commercial nature, whether due to the Public Entity's actions or to changes external to the premises.

B. Permit or Lease. In appropriate instances (primarily involving Right-of-Way which must remain available for uses other than the Public Entity's), ARRC will offer the Public Entity a permit rather than a lease, which will nevertheless provide for compensation to ARRC under Paragraph 5 of this Policy. In situations involving projects with federal funding, neither ARRC's standard lease nor permit may be appropriate. In such cases, the parties will negotiate an agreement in good faith and subject to ARRC Board approval.

C. Payment Terms. When requested by the Public Entity or deemed desirable by ARRC, the parties may negotiate payment of compensation (including nominal fees) for the entire term in a lump sum rather than annually, or may mutually agree to such payments at 5-year intervals. Payment for the entire term may be discounted to present value using the published Federal Reserve discount rate then in effect. Payments for a 5-year interval will not be discounted to present value.

ARRC and a Public Entity may negotiate the exchange of an interest in lands as a method of paying compensation under this Policy, subject to AS 42.40.285(1). In such event, a qualified appraiser shall determine the fair market value of both parcels (or the interests therein) proposed for exchange

under the criteria set forth above. The parties may also negotiate payment of in-kind consideration (for example, services or materials) by the Public Entity, subject to Board approval.

8. TAXATION AND ASSESSMENTS

The Public Entity will be required to pay all real property taxes and assessments of every description for which the leased property or ARRC are or become liable. In the event a tax is levied by the Public Entity against ARRC, whether on the rentals under a lease, or on the property's fee value, or on ARRC's interest in the subject property, or otherwise, the Public Entity shall pay ARRC full fair market value rent commencing as of the date the property or ARRC is made subject to such tax.

9. OWNERSHIP OF IMPROVEMENTS; TERMINATION

Subsurface improvements (except utility service connections and underground storage tanks) become the property of ARRC upon installation. Any personal property or improvements owned by the Public Entity remaining on the property upon termination must be removed at the Public Entity's expense. ARRC may, at its discretion and upon request, allow a Public Entity to leave some or all of its improvements on the property upon termination.

2931WPRE

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_ Agency Affected: Community & Regional Affairs  
 Title: An Act..taxation..property of the BRU: \_\_\_\_\_  
Alaska Railroad Corp. by municipalities.."  
 Sponsor: House Finance Committee Components: \_\_\_\_\_  
 Requestor: \_\_\_\_\_

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
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**FUNDING:** (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

**POSITIONS:**

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

**ANALYSIS :** (Attach a separate page if necessary)

There is no fiscal effect for FY 90.

Prepared by: Jim Plasman, Deputy Director Phone: 465-4750  
 Division: Municipal & Regional Assistance Date: 3/21/90  
 Approved by Commissioner: [Signature] Date: 21 March 90  
 Agency: Community & Regional Affairs

Distribution (by preparer):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)



# Alaska State Legislature

## House of Representatives Community & Regional Affairs

### Table of Contents

#### House Bill 294

\*\*\*\*\*

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- Item 2: Sectional Analysis - Legal Services Division
- Item 3: Memorandum - Alaska Municipal League
- Item 4: Resolution - Alaska Municipal League
- Item 5: Resolution - Fairbanks North Star Borough
- Item 6: Resolution - Mat-Su Borough
- Item 7: Resolution - City of Valdez
- Item 8: Resolution - City of Whittier
- Item 9: Resolution - City of North Pole
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- Item 11: Resolution - City of Fairbanks
- Item 12: Memorandum - Municipality of Anchorage Assessor
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- Item 14: Previous testimony by Alaska Railroad Corporation (May 1989)

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y STATE CAPITOL  
JUNEAU, ALASKA 99811  
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

January 25, 1990

SUBJECT: Sectional Summary of HB 294, An Act relating to taxation of property of the Alaska Railroad Corporation by municipalities

TO: Representative Eileen MacLean

FROM: George Utermohle *GU*  
Legislative Counsel

This memorandum is a sectional summary of HB 294.

A summary or analysis of a bill is not an authoritative description of the contents of the bill. The bill itself is the best statement of its contents.

Section 1 of the bill states the purpose of the bill. The purpose of the bill is to allow property of the state-owned Alaska Railroad Corporation to be taxed by municipalities.

Section 2 of the bill amends AS 29.45.030(a) by eliminating the tax exempt status of Alaska Railroad Corporation property.

Section 3 of the bill adds a new section to AS 29.45 establishing procedures for collection of delinquent taxes owed to municipalities by the Alaska Railroad Corporation.

Section 4 of the bill amends AS 42.40.910(a) by providing that the property of the Alaska Railroad Corporation is subject to municipal property taxes as authorized under AS 42.-40.910(d), as added by sec. 5 of the bill.

Section 5 of the bill amends AS 42.40.910 by adding a new subsection (d) that authorizes municipalities to tax the property of the Alaska Railroad Corporation under AS 29.-45.010 - 29.45.600.

Representative Eileen MacLean

Page 2

January 25, 1990

Section 6 of the bill provides that the bill takes effect January 1, 1990. The effective date of the bill should be changed before the bill passes the Legislature.

GU:pl  
WKP1/040



TELEPHONE  
(907) 586-1325  
FAX 463-5400

217 SECOND STREET, SUITE 200  
JUNEAU, ALASKA 99801

March 13, 1990

MEMORANDUM

TO: Representative Eileen MacLean, Chair  
Members, House Community and Regional Affairs Committee

FROM: Scott A. Burgess, Executive Director 

SUBJECT: HB 294 - Municipal Taxation of the Alaska Railroad

The Alaska Municipal League supports HB 294 allowing municipalities to assess and levy property taxes against the Alaska Railroad Corporation property within their municipal boundaries.

The Alaska Railroad Corporation is currently exempt by state law from municipal property taxes. For three reasons, the AML feels that the Alaska Railroad should no longer enjoy this protected status: (1) the Railroad's operations impact services provided by municipalities; (2) the Railroad is in direct competition with certain private carriers; and (3) the Railroad has demonstrated solvency since its transfer to the State of Alaska and is no longer in need of special treatment to ensure its success.

I have attached several resolutions of individual municipalities supporting taxation.

The League supports HB 294, introduced during the First Session of the Sixteenth Legislature, which would amend AS 29.45.030(a) to make the real and personal property of the Alaska Railroad Corporation subject to taxation.

Attachments

sab2:hb294.rrc

By: Paul Chizmar  
Introduced: 02/22/90  
Adopted: 02/22/90  
Immediate  
Reconsideration  
Failed: 02/22/90  
Adopted: 02/22/90

RESOLUTION NO. 90-020

A RESOLUTION OF THE FAIRBANKS NORTH STAR BOROUGH ASSEMBLY  
SUPPORTING THE ELIMINATION OF THE ALASKA RAILROAD CORPORATION'S  
PROPERTY TAX LIABILITY EXEMPTION.

WHEREAS, Alaska State Statute 42.40.910 grants the real and personal property of the Alaska Railroad an exemption from all taxes special assessments by the State and municipalities; and

WHEREAS, the Railroad directly and indirectly competes with private carriers in the transportation of goods along the railbelt; and

WHEREAS, the private carriers are liable for the payment of taxes to the State and municipalities; and

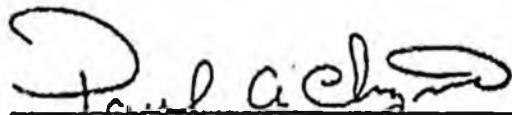
WHEREAS, these tax payments place the other carriers at a relative disadvantage vis a vis the Alaska Railroad;

WHEREAS, this tax disadvantage distorts the allocation of society's resources from the most efficient mix possible; and


WHEREAS, the Alaska Railroad's property interest benefits from services provided from the local government; and

Section 3: That copies of the resolution shall sent to the Governor of the State of Alaska and the President and CEO of the Alaska Railroad Corporation and all members of the Alaska State Legislature.

PASSED AND APPROVED THIS 22ND DAY OF FEBRUARY, 1990.

  
\_\_\_\_\_  
Presiding Officer

ATTEST:

  
\_\_\_\_\_  
Clerk of the Assembly

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

By: Paul Chizmar  
Introduced: 02/22/90  
Adopted: 02/22/90  
Immediate  
Reconsideration  
Failed: 02/22/90  
Adopted: 02/22/90

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WHEREAS, the private carriers are liable for the payment of taxes to the State and municipalities; and

WHEREAS, these tax payments place the other carriers at a relative disadvantage vis a vis the Alaska Railroad;

WHEREAS, this tax disadvantage distorts the allocation of society's resources from the most efficient mix possible; and

WHEREAS, the Alaska Railroad's property interest benefits from services provided from the local government; and

WHEREAS, the Alaska Railroad does not reimburse the local government for any of these benefits which , in fact, the Railroad is increasing fees charged to local governments for use of its right-of-ways and leasehold interests; and

WHEREAS, this disparity places an unfair burden on the local taxpayers; and

WHEREAS, a private railroad would not enjoy tax exempt status.

NOW, THEREFORE, Fairbanks North Star Borough Assembly resolves:

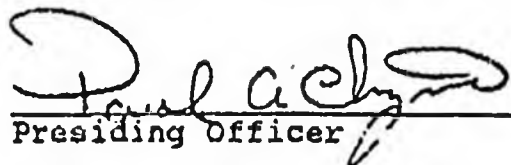
Section 1: That Alaska State Statute 42.40.910 be amended to read as follows:

A.S. 42.40.910. "Exemptions from taxation. (a) The exercise of the powers granted by this chapter shall be in all respects for the benefit of the people of the state, for their well-being and prosperity, and for the improvement of their social and economic conditions. [Subject to (b) of this section the] The real and personal property of the corporation shall be liable for property taxes levied by a Municipality. [And its assets] Its income and receipts are exempt from all taxes [and special assessments] of the State or a political subdivision of the State."


Section 2: That this resolution is effective upon passage and approval.

Section 3: That copies of the resolution shall sent to the Governor of the State of Alaska and the President and CEO of the Alaska Railroad Corporation and all members of the Alaska State Legislature.

PASSED AND APPROVED THIS 22ND DAY OF FEBRUARY, 1990.

  
\_\_\_\_\_  
Presiding Officer

ATTEST:

  
\_\_\_\_\_  
Clerk of the Assembly

MATANUSKA-SUSITNA BOROUGH  
Resolution Serial No. 90-026 AM

A RESOLUTION OF THE ASSEMBLY OF THE MATANUSKA-SUSITNA BOROUGH SUPPORTING THE PASSAGE OF LEGISLATION AUTHORIZING THE TAXATION OF ALASKA RAILROAD PROPERTY.

WHEREAS, the Alaska Municipal League (AML) has included, in its fiscal stability measures, a proposal for local taxation of Alaska Railroad Corporation property; and

WHEREAS, the real and personal property of the Alaska Railroad Corporation should be excepted from the exemption from taxation granted to public property; and

WHEREAS, House Bill 294 and Senate Bill 300 authorize the taxation of Alaska Railroad Corporation property; and

WHEREAS, the Assembly of the Matanuska-Susitna Borough supports the passage of legislation removing the exemption from taxation of Alaska railroad property; and

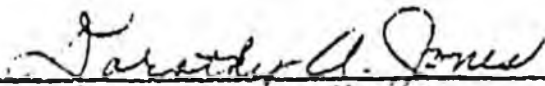
WHEREAS, the addition of such property to the tax base of local municipalities will promote the fiscal stability of local regions.

WHEREAS, the property of the Alaska Railroad places a burden upon railbelt communities for the costs of providing basic services to the railroad.

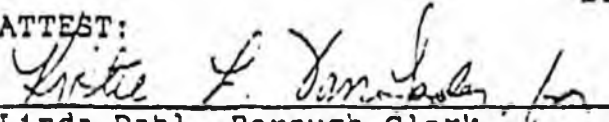
NOW, THEREFORE, BE IT RESOLVED that the Assembly of the Matanuska-Susitna Borough supports the elimination of the exemption from taxation of the real and personal property of the Alaska Railroad Corporation.

BE IT FURTHER RESOLVED that copies of this Resolution be forwarded to all members of the Alaska State Legislature, the Governor of the state of Alaska and the Alaska Municipal League.

PASSED AND APPROVED by the Assembly of the Matanuska-Susitna Borough this 30th day of February, 1990.

  
\_\_\_\_\_  
Dorothy A. Jones, Mayor

ATTEST:

  
\_\_\_\_\_  
Linda Dahl, Borough Clerk  
(SEAL)

TO: Sectt Burgess

DEPT: AML FAX #: 463-5480

FROM: J. Donald PHONE: 835-2992

CO. City of Valdez FAX #: 835-4313

Post-it brand fax transmittal memo 7871

CITY OF VALDEZ, ALASKA

RESOLUTION NO. 9018

A RESOLUTION OF CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, SUPPORTING THE ELIMINATION OF THE ALASKA RAILROAD CORPORATION'S PROPERTY TAX LIABILITY EXEMPTION

WHEREAS, Alaska State Statute 42.40.910 grants the real and personal property of the Alaska Railroad an exemption from all taxes and special assessments by the State and municipalities; and

WHEREAS, the Railroad directly and indirectly competes with private carriers in the transportation of goods along the railbelt; and

WHEREAS, the private carriers are liable for the payment of taxes to the State and municipalities; and

WHEREAS, these tax payments place the other carriers at a relative disadvantage vis a vis the Alaska Railroad; and

WHEREAS, this tax disadvantage distorts the allocation of society's resources from the most efficient mix possible; and

WHEREAS, the Alaska Railroad's property interest benefits from services provided from the local government; and

WHEREAS, the Alaska Railroad does not reimburse the local government for any of these benefits which, in fact, the Railroad is increasing fees charged to local governments for use of its right-of-ways and leasehold interests; and

WHEREAS, this disparity places an unfair burden on the local taxpayers; and

WHEREAS, a private railroad would not enjoy tax exempt status.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, that

Section 1. The City of Valdez supports the amendment of Alaska State Statute 42.40.910 to read as follows:

A.S. 42.40.910. "Exemptions from taxation. (a) The exercise of the powers granted by this chapter shall be in all respects for the benefit of the people of the state, for their well-being and prosperity, and for the improvement of their social and economic conditions. [Subject to (b) of this section the] The real and personal property of the corporation shall be liable for property taxes levied by a Municipality.

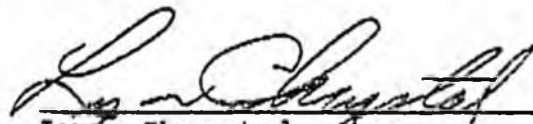
[And its assets] Its income and receipts are exempt from all taxes [and special assessments] of the State or a political subdivision of the State."

Section 2. That this resolution is effective upon passage and approval.

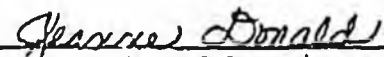
Section 3. That copies of this resolution shall be sent to the governor of the State of Alaska and the President and CEO of the Alaska Railroad Corporation, Senator Lloyd Jones Chairman of the Senate Transportation Committee, Representative Eileen MacLean Chairman of the House Community and Regional Affairs Committee, Representative Eugene Kubina, Senator Mike Szymanski, Senator Jay Kerttula and the Alaska Municipal League.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, this 5th day of March, 1990.

CITY OF VALDEZ, ALASKA

  
\_\_\_\_\_  
Lynn Chrystal, Mayor

ATTEST:

  
\_\_\_\_\_  
Jeanne Donald, City Clerk

CITY OF WHITTIER, ALASKA  
RESOLUTION NO. 151-90

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WHITTIER, ALASKA SUPPORTING THE ELIMINATION OF THE ALASKA RAILROAD CORPORATION'S PROPERTY TAX LIABILITY EXEMPTION.

WHEREAS; Alaska State Statute 42.40.910 grants the real and personal property of the Alaska Railroad an exemption from all taxes and special assessments by the State and municipalities; and

WHEREAS; the Railroad directly and indirectly competes with private carriers in the transportation of goods along the railbelt; and

WHEREAS; the private carriers are liable for the payment of taxes to the State and municipalities; and

WHEREAS; these tax payments place the other carriers at a relative disadvantage vis a vis the Alaska Railroad;

WHEREAS; this tax advantage distorts the allocation of society's resources from the most efficient mix possible; and

WHEREAS; the Alaska Railroad's property interest benefits from services provided from the local government; and

WHEREAS; the Alaska Railroad does not reimburse the local government for any of these benefits which, in fact, the Railroad is increasing fees charged to local governments for use of its right-of-ways and leasehold interests; and

WHEREAS; this disparity places an unfair burden on the local taxpayers; and

WHEREAS; a private railroad would not enjoy tax exempt status.

NOW, THEREFORE, THE WHITTIER CITY COUNCIL RESOLVES:

Section 1: That Alaska State Statute 42.40.910 be amended to read as follows:

A.S. 42.40.910. "Exemptions from taxation. (a) The exercise of the powers granted by this chapter shall be in all respects for the benefit of the people of the state, for their well-being and prosperity, and for the improvement of their social and economic conditions. (Subject to (b) of this section the) The real and personal property of the corporation shall be liable for property taxes levied by a Municipality. [And its assets] its income and receipts are exempt from all taxes [and special assessments] of the State or a political subdivision of the State."

Section 3: That copies of the resolution shall be sent to the Governor of the State of Alaska and the President and CEO of the Alaska Railroad Corporation and all members of the Alaska State Legislature.

PASSED AND APPROVED by the Whittier City Council this 5th day of March, 1990.

Georgia Buck  
Georgia Buck, Mayor

ATTEST:

Ronda Gaul  
Ronda Gaul, City Clerk

RESOLUTION 90-3

A RESOLUTION OF THE CITY OF NORTH POLE SUPPORTING  
THE ELIMINATION OF THE ALASKA RAILROAD CORPORATION'S  
PROPERTY TAX LIABILITY EXEMPTION

WHEREAS, Alaska State Statute 42.40.910 grants the real and personal property of the Alaska Railroad an exemption from all taxes and special assessments by the State and municipalities; and

WHEREAS, the Alaska Railroad directly and indirectly competes with private carriers in the transportation of goods along the railbelt; and

WHEREAS, the private carriers are liable for the payment of taxes to the State and municipalities; and

WHEREAS, these tax payments place the other carriers at a relative disadvantage in comparison to the Alaska Railroad; and

WHEREAS, this tax disadvantage distorts the allocation of society's resources from the most efficient mix possible; and

WHEREAS, the Alaska Railroad's property interests benefit from services provided by local governments; and

WHEREAS, the Alaska Railroad does not reimburse local governments for any of these benefits and, in fact, the Alaska Railroad is increasing fees charged to local governments for use of its right-of-ways and leasehold interests; and

WHEREAS, this disparity places an unfair burden on the local taxpayers; and

WHEREAS, a private railroad would not enjoy tax exempt status;

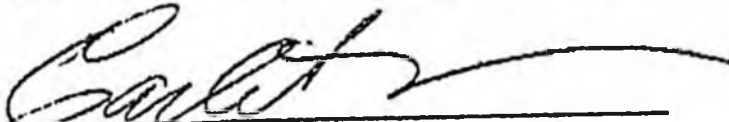
NOW, THEREFORE BE IT RESOLVED by the City Council of the City of North Pole that:

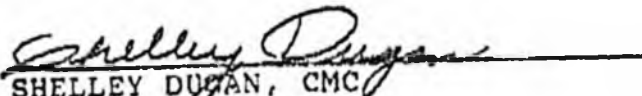
Section 1. Alaska Statute 42.40.910 be amended to read as follows:

A.S. 42.40.910. "Exemptions from taxation. (a) The exercise of the powers granted by this chapter shall be in all respects for the benefit of the people of the state, for their well-being and prosperity, and for the improvement of their social and economic conditions. (Subject to (b) of this section the) The real and personal property of the corporation shall be liable for property taxes levied by a Municipality. (And its assets) Its income and receipts are exempt from all taxes (and special assessments) of the State or a political subdivision of the State."

RESOLUTION 90-3  
PAGE TWO

PASSED AND APPROVED by a duly constituted quorum of the  
City Council of the City of North Pole this 5<sup>th</sup> day of March,  
1990.

  
MAYOR CARLETA LEWIS

  
SHELLEY DUGAN, CMC  
CITY CLERK



INTRODUCED: March 5, 1990



## CITY OF WASILLA

290 E. HERNING AVE.  
WASILLA, ALASKA 99687  
PHONE: (907) 373-9050  
FAX: (907) 373-0789

### RESOLUTION NO. WR90-13

A RESOLUTION OF THE CITY COUNCIL OF WASILLA, ALASKA SUPPORTING MUNICIPAL TAXATION OF THE ALASKA RAILROAD.

WHEREAS, the Alaska Railroad Corporation owns and operates real estate, facilities and equipment within the corporate limits of Wasilla; and

WHEREAS, those properties and operations provide benefits to the City and its transportation system, but they also create costs for road crossings, utility service, fire protection, public safety, hazardous materials exposure, noise, smoke and other negative impacts; and

WHEREAS, the rail system was originally capitalized at no cost to the corporation; and

WHEREAS the rail right-of-way and facilities and the revenues they produce are dedicated to the exclusive use and control of the railroad corporation.

NOW, THEREFORE BE IT RESOLVED by the City Council of Wasilla, Alaska that they support placing the Alaska Railroad Corporation in the same municipal tax status as any other individual or business, to pay their fair share of municipal services.

I certify that a resolution in substantially the above form was passed by a majority of those voting at a duly called and conducted meeting of the governing body of the City of Wasilla this 26th day of February, 1990.

APPROVED:

John C. Stein, Mayor

ATTEST:

  
Erling P. Nelson, CMC  
City Clerk



Introduced by: Council Member Hayes  
Date: February 26, 1990

RESOLUTION NO. 3157

A RESOLUTION OF THE CITY OF FAIRBANKS SUPPORTING  
ALASKA LEGISLATURE SENATE BILL NO. 300

WHEREAS, Alaska State Statute 42.40.910 grants the real and personal property of the Alaska Railroad an exemption from all taxes and special assessments by the State and municipalities; and

WHEREAS, The Railroad directly and indirectly competes with private carriers in the transportation of goods along the railbelt; and

WHEREAS, the private carriers are liable for the payment of taxes to the State and municipalities; and

WHEREAS, these tax payments place the other carriers at a relative disadvantage vis a vis the Alaska Railroad; and

WHEREAS, this tax disadvantage distorts the allocation of society's resources from the most efficient mix possible; and

WHEREAS, the Alaska Railroad's property interest benefits from services provided from the local government; and

WHEREAS, the Alaska Railroad does not reimburse the local government for any of these benefits which, in fact, the Railroad is increasing fees charged to local governments for use of its right-of-ways and leasehold interests; and

WHEREAS, this disparity places an unfair burden on the local taxpayers; and

WHEREAS, a private railroad would not enjoy tax exempt status.

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**



Introduced by: Council Member Hayes  
Date: February 26, 1990

RESOLUTION NO. 3157

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WHEREAS, the Alaska Railroad's property interest benefits from services provided from the local government; and

WHEREAS, the Alaska Railroad does not reimburse the local government for any of these benefits which, in fact, the Railroad is increasing fees charged to local governments for use of its right-of-ways and leasehold interests; and

WHEREAS, this disparity places an unfair burden on the local taxpayers; and

WHEREAS, a private railroad would not enjoy tax exempt status.

NOW, THEREFORE, THE CITY OF FAIRBANKS CITY COUNCIL resolves:

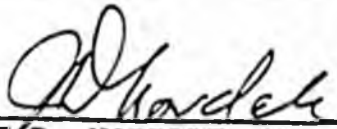
Section 1 That Alaska State Statute 42,40.910 be amended to read as follows:

A.S. 42.40.910 "Exemptions from taxation. (a) The exercise of the powers granted by this chapter shall be in all respects for the benefit of the people of the state, for their well-being and prosperity and for the improvement of their social and economic conditions. (Subject to (b) of this section the) The real and personal property of the corporation shall be liable for property taxes levied by a Municipality. [And its assets] Its income and receipts are exempt from all taxes [and special assessments], of the State or a political subdivision of the State."

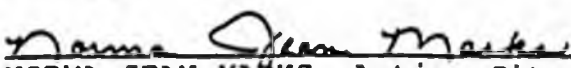
Section 2 That this resolution is effective upon passage and approval.

Section 3 That copies of the resolution shall be sent to the Governor of the State of Alaska and the President and CEO of the Alaska Railroad Corporation and all members of the Alaska State Legislature.

PASSED AND APPROVED by the City of Fairbanks City Council this 26th day of February, 1990.

  
\_\_\_\_\_  
J.D. NORDALE, Mayor

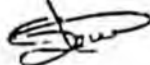
ATTEST:

  
\_\_\_\_\_  
NORMA JEAN MARKS, Acting City Clerk

# Municipality of Anchorage

## MEMORANDUM

DATE: December 21, 1988

TO: Ron Garzini, Municipal Manager  
THRU: Bob Nelson, Chief Fiscal Officer  
FROM: Steve Van Sant, Municipal Assessor 

SUBJECT: Alaska Railroad-Potential Property Tax to the Municipality of Anchorage

You have asked the question, "What would the railroad pay in taxes if it were to pay property taxes? We must try an estimate for Senator Pearce."

Short Answer: We estimate the total value of Alaska Railroad Property (real and personal) within the Municipality to be approximately \$66,679,900. At an average mill rate of 15 mills, this would yield annual revenues of approximately \$1,000,000.

More detail, as regards to our assumptions, and a copy of the ARRC Annual Report for year end December 31, 1987 are attached.

cc: Don Simmons

**TITLE:** Property Tax Liability for The Alaska Railroad Corporation  
A.S. 42.40.910 (a)

**SPECIAL LEGISLATIVE REQUEST:**

Amend the Statutes to add the following:

A.S. 42.40.910. "Exemptions from taxation. (a) The exercise of the powers granted by this chapter shall be in all respects for the benefit of the people of the state, for their well-being and prosperity, and for the improvement of their social and economic conditions. [Subject to (b) of this section the] The real and personal property of the corporation shall be liable for property taxes levied by a Municipality. [And its assets] Its income and receipts are exempt from all taxes [and special assessments] of the State or a political subdivision of the State."

**BACKGROUND/JUSTIFICATION:**

The Alaska Railroad Corporation is one of the very few government agencies in the State which is in direct competition with private enterprise, however, it claims exemption from property taxes giving it a financial advantage over private competition. Should the State sell the railroad, the private owners will be expected to pay property taxes with no other change occurring other than ownership. The Alaska Railroads property interest benefits from all services provided on a local level and the exemption of this property places undue burden on the remaining taxpayers. The Alaska Railroad is currently instituting a drastic increase of fees for use of its right of way and leasehold interests to Municipalities along the railbelt.

**STAFF CONTACT:** Bob Nelson, Chief Fiscal Officer, 343-6610



COMMUNITY AND REGIONAL AFFAIRS  
TESTIMONY ON ARRC PERSONAL & REAL PROPERTY TAXES

HB-294

MAY 2, 1989

Madam Chairman and members of the Committee. I am Marv Yetter, Vice President of Finance for the Alaska Railroad Corporation (ARRC), and am here today to testify on HB-294, ARRC personal and real property taxes by municipalities.

- Should the ARRC pay personal and real property taxes to municipalities?
- Will the municipalities continue to expect free land use and other free services from the ARRC?
- Will the State of Alaska continue to expect dividends from ARRC?

Before we answer these questions, we must determine what is the objective of ARRC paying taxes. If the objective is to raise additional funds for state and municipal governments, then HB-294 will actually reduce the funds available to these governments and increase the profits of ARRC. How is this possible?

Let's look at the actual cash value of the annual dividends paid to state and municipal governments by the ARRC:

Current in Place

<u>Number</u>	<u>Type</u>	<u>Current Fees</u>	<u>Annual FMV Fees</u>
33	Leases	\$195,726	\$767,100
35	Permits - Land	4,120	1,009,800
344	Permits - Other	11,053	100,000
100	Contributions - Cash	41,000	91,000
180	Contributions - In Kind	0	45,000
N/A	Passenger svcs - Whittier shuttle	<u>0</u>	<u>900,000</u>
<u>692</u>	TOTALS	<u>\$251,899</u>	<u>\$2,912,900</u>

In Process

<u>Description</u>	<u>Properties FMV</u>
Government Hill Bluff	\$1,500,000
Port of Anchorage Parcels	25,000
Phillips Field Road Access	150,000
Nenana Dock	400,000
Seward Dock	1,000,000 (plus)
Girdwood Section House	<u>0</u>
TOTAL	<u>\$3,075,000</u>

\*Above list of leases and permits may not be all inclusive and detailed analysis will probably indicate substantially increased values and additional properties.

As you can see, the State and its municipalities receive dividends worth approximately \$3 million on an annual basis and could receive additional

properties valued at \$3-4 million. If the ARRC was not a quasi-private corporation and treated each one of these as a pure business decision, the outcome would be that the private sector railroad would have substantially increased profits as a result.

Now, if the state and its municipalities expect the railroad to pay taxes and in addition provide these dividends at fees substantially below market value, then within one to two years it will be necessary for the state to subsidize the capital and debt service of the ARRC.

The Alaska Railroad has survived two of the worst derailments in its history, a hundred-year flood which wiped out two major bridges as well as washing out innumerable miles of track, a chemical release, and the worst economic slump in decades. In addition, ARRC reinvested all its profits plus borrowed funds into \$50 million in plant, equipment and administrative programs during the past four years. All of this for a corporation which averages less than \$4 million per year in profits since ownership by the state.

Through all of this, the ARRC has never requested funds from the State of Alaska or its subdivisions. And, in fact, has turned down on-going subsidies for passenger service which were paid to the federal government by the State until the State owned railroad was established in 1985. We will be taking delivery shortly of a new 480-seat, \$5 million passenger train, not for the Alaska Railroad, but for the State of Alaska, Seward, Whittier, Wasilla, Talkeetna, Nenana, Fairbanks, etc. to increase their tourist business. During state ownership, Whittier has seen their service increase 40% and the City of Seward will have five-day per week passenger service this summer where none existed five years ago. These are only a few examples of what the railroad is doing for Alaska, the list goes on and on.

How much more can the railroad give before it derails? Not much as it is being pushed to the limits, and with each passing legislative session, the

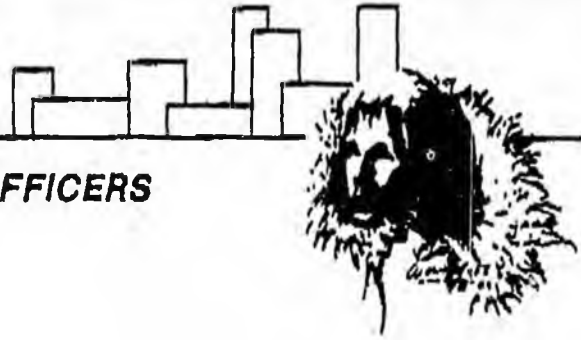
railroad loses more of what it was designed to be. If the railroad is to continue as the eighth largest employer in the state and unsubsidized by the state, then it cannot pay taxes without charging FMV for its services to government entities.

Please remember corporations don't pay taxes, people do, people like you and me.

Thank you for giving me this opportunity to comment, and I would be pleased to answer any questions you may have.

5/2/89

**ALASKA ASSOCIATION OF ASSESSING OFFICERS**



March 15, 1990

Honorable Representative Eileen MacLean, Chair  
House Community and Regional Affairs Committee  
P. O. Box V  
Juneau, Alaska 99811

Dear Representative MacLean,

This letter is in response to your inquiry regarding the types of information needed by our Association from ARRC to effectively measure the impact of HB294.

Numerous concerns have been voiced regarding the impact of taxing the ARRC and the presumed shifting of these tax liabilities by ARRC to private users in the form of increased fares, and public entities in the form of increased lease and permit fees. Another concern is whether the taxation of ARRC will negatively effect the continued operation of ARRC as a viable, self-supporting entity.

It is impossible to estimate the impact of a tax liability without knowing the amount of that liability. An estimated value of railroad property would require the disclosure by ARRC of information previously made unavailable to our Association.

Necessary information includes a detailed breakdown by jurisdiction of all operating and non-operating assets of ARRC. This breakdown should include use and location of lands owned and used by the railroad, leased or permitted to public entities or private parties including rents and terms of agreements. Additionally, a complete inventory of improvements including roadbeds, switchyards, buildings, bridges and tunnels would be required. A breakdown of equipment such as rolling stock, whether owned, leased or rented, computers, maintenance equipment and inventories would also be necessary.

In the valuation process typically three approaches are used. The market approach would have little application due to lack of comparable sales information. The cost approach would be limited by the difficulty in quantifying obsolescence. The valuation of ARRC would best be accomplished using the income approach to value. It is our opinion that a complete audit of ARRC income and expenses would be required to arrive at a realistic value. This income derived value would need to be allocated between the various jurisdictions using the detailed information supplied by ARRC of all operating and non-operating assets by location.

When this information is supplied to our Association, we will be in a better position to address concerns regarding the estimated tax liability of ARRC.

During the teleconference on HB 294 on Tuesday, March 13, we offered an amendment which we believed would alleviate some concerns raised by ARRC. Previous testimony by ARRC indicated that they would be unable to give land to municipalities for public uses while being forced to pay taxes with little or no income derived from the property. It is our opinion that the railroad should not pay taxes on property it leases to municipalities for a nominal fee for public purposes. Therefore, we would offer the following amendment:

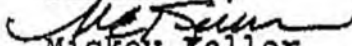
Page 1  
Line 24  
should be amended to read:

29.45.600, except property leased to, or permitted to a municipality for public purpose uses.

There was a question raised by Scott Burgess regarding protection of municipalities from the increase of fees by ARRC for use of this property. This amendment does not offer protection, it only addresses concerns raised by ARRC of being forced to pay taxes on property which does not produce income.

We appreciate your committee's concern on this issue and remain available to address any assessment questions which may arise.

Sincerely,

  
Mickey Keller  
President

# ANCHORAGE DAILY NEWS

VOL. XLII, NO. 300 120 PAGES

ANCHORAGE, ALASKA, THURSDAY, DECEMBER 1, 1960

PRICE 26 CENTS

## Railroad plans worker bonuses

### Thriving state-owned corporation to pay \$700,000 in holiday cheer

By HAL BERNI  
Daily News reporter

The state-owned Alaska Railroad, projecting a \$6 million profit in an economy racked by recession, will give its employees year-end bonuses of as much as \$1,200.

"It's been a terrific year and employees have played a key role by continuing to help us in holding down costs," said railroad President Frank Turpin. "This is management's way of showing appreciation."

The bonuses, based on the number of months worked this year, will total \$700,000.

Turpin said the railroad's more than 300 employees endured pay cuts of 10 percent

for seven months last year, and deserved to share in this year's prosperity.

The Alaska Railroad is a state-chartered corporation instructed by the legislature to operate like a private business, with no annual appropriations from the general fund. Its budget comes largely from operating revenues and borrowed funds. A seven-person board, which has its members appointed by the governor, helps oversee operations and major expenditures.

But Turpin — not the board — made the decision to award the bonuses.

"It was within the powers that they have delegated to me," Turpin said. "When

you're a manager, you have to be able to spend money."

Three board members he contacted agreed with that idea, he said, and on Monday — rushing to make sure the checks got to employees before Christmas — Turpin told union leaders of the bonus plan.

The full seven-person board met Tuesday and was briefed on the decision. But no motion was presented for board approval, according to Turpin. The bonuses are being granted by employees as a welcome surprise.

Mike Olson, chairman of the United Transportation Union, said he learned of the bonuses at the Monday meet-

ing with Turpin.

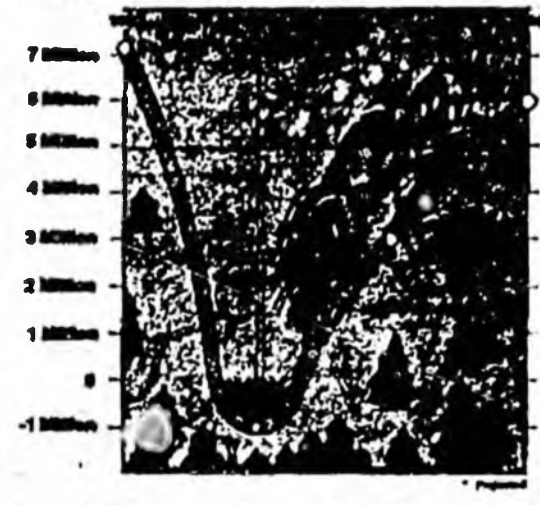
"I was actually speechless," Olson said. "I couldn't believe it. It came out of the blue."

Olson said he thought Turpin made a good decision, but that the extra money won't resolve several employer disputes resulting from management interpretations of a 1957 labor contract. "We still have many battles ahead," he said.

Gerald Volkahl, a union leader who also serves on the railroad's board, said he supported the bonuses, but wondered if the money might not be better spent on additional capital projects to improve

See Back Page, BONUSES

## Alaska Railroad Profits and Losses



Alaska Daily News/Our Bay

## Walesa airs his opinions in TV debate

### Official allows rare forum





RESOLUTION 90-10



HOUSTON, ALASKA  
A BICENTENNIAL COMMUNITY

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HOUSTON, ALASKA SUPPORTING THE ELIMINATION OF THE ALASKA RAILROAD CORPORATIONS PROPERTY TAX LIABILITY EXEMPTION.

-----

WHEREAS, Alaska State Statute 42.40.910 grants the real and personal property of the Alaska Railroad an exemption from all taxes and special assessments by the State and municipalities; and

WHEREAS, the Railroad directly and indirectly competes with private carriers in the transportation of goods along the railbelt; and

WHEREAS, the private carriers are liable for the payment of taxes to the State and municipalities; and

WHEREAS, these tax payments place the other carriers at a relative disadvantage vis a vis the Alaska Railroad; and

WHEREAS, this tax disadvantage distorts the allocation of society's resources from the most efficient mix possible; and

WHEREAS, the Alaska Railroad's property interest benefits from services provided from the local government; and

WHEREAS, the Alaska Railroad does not reimburse the local government for any of these benefits which, in fact, the Railroad is increasing fees charged to local governments for use of its right-of-ways and leasehold interests; and

WHEREAS, this disparity places an unfair burden on the local taxpayers; and

WHEREAS, a private railroad would not enjoy tax exempt status.

NOW, THEREFORE, BE IT RESOLVED that the Alaska State Statute 42.40.910 be amended to read as follows:

A.S. 42.40.910. "Exemptions from taxation. (a) The exercise of the powers granted by this chapter shall be in all respects for the benefit of the people of the state, for

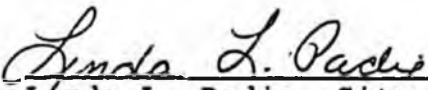
Resolution 90-10  
Page 2

their well being and prosperity, and for the improvement of their social and economic conditions. [Subject to (b) of the section the) The real and personal property of the corporation shall be liable for property taxes levied by a Municipality. [And its assets] Its income and receipts are exempt from all taxes [and special assessments] of the State or a political subdivisions of the State."

ADOPTED by a duly constituted quorum of the City Council of Houston, Alaska this 13th day of March, 1990.

  
\_\_\_\_\_  
Kenneth Young,  
Deputy Mayor Pro-Tem

ATTEST:

  
\_\_\_\_\_  
Linda L. Padie, City Clerk

Original sponsor(s): Finance Committee

1 IN THE HOUSE

BY THE C&RA COMMITTEE

2 CS FOR HOUSE BILL NO. 294 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to taxation of property of the  
7 Alaska Railroad Corporation by municipalities; and  
8 providing for an effective date."

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

10 \* Section 1. PURPOSE. This Act provides that the real and personal  
11 property of the Alaska Railroad Corporation is subject to property taxes  
12 imposed by municipalities. The real and personal property of the Alaska  
13 Railroad Corporation is excepted from the exemption from taxation granted  
14 to property of the state by art. IX, sec. 4, Constitution of the State of  
15 Alaska.

16 \* Sec. 2. AS 29.45.030(a) is amended to read:

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

18 (1) municipal, state, or federally owned property, except

19 that

20 (A) a private leasehold, contract, or other interest  
21 in the property is taxable to the extent of the interest;

22 (B) the real and personal property of the Alaska  
23 Railroad Corporation is taxable as provided in AS 29.45.010 -  
24 29.45.600, except real property leased, or subject to a permit  
25 issued, to a municipality for public use for which the cost to  
26 the municipality does not exceed the corporation's expenses of  
27 administering the lease or permit;

28 (2) household furniture and personal effects of members of  
29 a household;

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

3 (4) property of a nonbusiness organization composed entire-  
4 ly of persons with 90 days or more of active service in the armed  
5 forces of the United States whose conditions of service and separation  
6 were other than dishonorable, or the property of an auxiliary of that  
7 organization;

8 (5) money on deposit;

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

12 (7) real property or an interest in real property that is  
13 exempt from taxation under 43 U.S.C. 1620(d), as amended.

14 \* Sec. 3. AS 29.45 is amended by adding a new section to read:

15 Sec. 29.45.295. COLLECTION OF DELINQUENT TAXES ON PROPERTY OF  
16 THE ALASKA RAILROAD CORPORATION. (a) The property of the Alaska  
17 Railroad Corporation is exempt from AS 29.45.300 - 29.45.490.

18 (b) A municipality may bring an action in the superior court to  
19 compel payment of property taxes due from the Alaska Railroad Corpora-  
20 tion, if the corporation does not pay the amount due within six months  
21 from the date that the taxes are due.

22 \* Sec. 4. AS 42.40.910(a) is amended to read:

23 (a) The exercise of the powers granted by this chapter shall be  
24 in all respects for the benefit of the people of the state, for their  
25 well-being and prosperity, and for the improvement of their social and  
26 economic conditions. Except as provided in [SUBJECT TO] (b) and (d)  
27 of this section, the real and personal property of the corporation and  
28 its assets, income, and receipts are exempt from all taxes and special  
29 assessments of the state or a political subdivision of the state.

1 \* Sec. 5. AS 42.40.910 is amended by adding a new subsection to read:

2 (d) The property of the corporation is subject to property taxes  
3 imposed by municipalities under AS 29.45.010 - 29.45.600:

4 \* Sec. 6. This Act takes effect January 1, 1991.  
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