

HOUSE BILL NO. 70

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE TOMASZEWSKI

Introduced: 2/13/23

Referred: Community and Regional Affairs

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to property exempt from municipal taxation."**

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 * **Section 1.** AS 29.45.030(a) is amended to read:

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

5 (1) municipal property, including property held by a public corporation
6 of a municipality, state property, property of the University of Alaska, or land that is
7 in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-
8 830, 70 Stat. 709, except that

9 (A) a private leasehold, contract, or other interest in the
10 property is taxable to the extent of the interest; however, an interest created by
11 an operating agreement or nonexclusive use agreement between the Alaska
12 Industrial Development and Export Authority and a user of a shipyard or an
13 integrated transportation and port facility, if the shipyard or integrated
14 transportation and port facility is owned by the authority and initially placed in
15 service before January 1, 1999, is taxable only to the extent of, and for the

1 value associated with, those specific improvements used for lodging purposes;

2 (B) notwithstanding any other provision of law, property
3 acquired by an agency, corporation, or other entity of the state through
4 foreclosure or deed in lieu of foreclosure and retained as an investment of a
5 state entity is taxable; this subparagraph does not apply to federal land granted
6 to the University of Alaska under AS 14.40.380 or 14.40.390, or to other land
7 granted to the university by the state to replace land that had been granted
8 under AS 14.40.380 or 14.40.390, or to land conveyed by the state to the
9 university under AS 14.40.365;

10 (C) an ownership interest of a municipality in real property
11 located outside the municipality acquired after December 31, 1990, is taxable
12 by another municipality; however, a borough may not tax an interest in real
13 property located in the borough and owned by a city in that borough;

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

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

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

22 (5) money on deposit;

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

25 (7) real property or an interest in real property that is

26 (A) exempt from taxation under 43 U.S.C. 1620(d), as
27 amended or under 43 U.S.C. 1636(d), as amended; or

28 (B) acquired from a municipality in exchange for land that is
29 exempt from taxation under (A) of this paragraph, and is not developed or
30 made subject to a lease;

31 (8) property of a political subdivision, agency, corporation, or other

1 entity of the United States to the extent required by federal law; except that a private
 2 leasehold, contract, or other interest in the property is taxable to the extent of that
 3 interest unless the property is located on a military base or installation and the
 4 property interest is created under 10 U.S.C. 2871 - 2885 (Military Housing
 5 Privatization Initiative), if the leaseholder enters into an agreement to make a payment
 6 in lieu of taxes to the political subdivision that has taxing authority;

7 (9) natural resources in place, including coal, ore bodies, mineral
 8 deposits, and other proven and unproven deposits of valuable materials laid down by
 9 natural processes, unharvested aquatic plants and animals, and timber;

10 (10) property not exempt under (3) of this subsection that

11 (A) is owned by a private, nonprofit college or university that is
 12 accredited by a regional or national accrediting agency recognized by the
 13 Council for Higher Education Accreditation or the United States Department
 14 of Education, or both; and

15 (B) was subject to a private leasehold, contract, or other private
 16 interest on January 1, 2010, except that a holder of a private leasehold,
 17 contract, or other interest in the property shall be taxed to the extent of that
 18 interest;

19 **(11) a parking lot**

20 **(A) owned by an organization incorporated under state law**
 21 **that is exempt from taxation under 26 U.S.C. 501(c) (Internal Revenue**
 22 **Code); and**

23 **(B) used for parking or another use as long as the parking**
 24 **or other use is permitted without charge;**

25 **(12) real and personal property of a store operated by an**
 26 **organization incorporated under state law that is exempt from taxation under 26**
 27 **U.S.C. 501(c) (Internal Revenue Code) if the store**

28 **(A) deals exclusively in donated inventory that is**
 29 **distributed without cost as part of a program to provide needy persons**
 30 **with food, shelter, clothing, or health care without charge; or**

31 **(B) sells merchandise below market value to support a**

1 **literacy program or a program to provide needy persons with food,**
2 **shelter, clothing, or health care without charge.**

3 * **Sec. 2.** AS 29.45.030 is amended by adding a new subsection to read:

4 (o) An organization that owns property exempt from taxation under (a)(11) or
5 (12) of this section may lease the property and still qualify for the exemption if

6 (1) the owner leases the property to another organization incorporated
7 under state law that is exempt from taxation under 26 U.S.C. 501(c) (Internal Revenue
8 Code) and that organization uses the property for an exempt activity under (a)(11) or
9 (12) of this section;

10 (2) the lease payments are not the product of the owner's dominant
11 profit motive; and

12 (3) the amount the owner charges to lease the property is incidental to
13 and reasonably necessary for the exempt use of the property and does not exceed the
14 operational requirements of the exempt activity.