

CS FOR HOUSE BILL NO. 119(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 5/7/18

Referred: Today's Calendar

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to a mandatory exemption from municipal property taxes for certain**
2 **assets of the Alaska Industrial Development and Export Authority; relating to dividends**
3 **from the Alaska Industrial Development and Export Authority; relating to the meanings**
4 **of 'mark-to-market fair value,' 'net income,' 'project or development,' and 'unrestricted**
5 **net income' for purposes of the Alaska Industrial Development and Export Authority;**
6 **and providing for an effective date."**

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

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

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

10 (1) municipal property, including property held by a public corporation
11 of a municipality, state property, property of the University of Alaska, or land that is
12 in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-
13 830, 70 Stat. 709, except that

1 (A) a private leasehold, contract, or other interest in the
 2 property is taxable to the extent of the interest; **however, an interest created**
 3 **by an operating agreement or nonexclusive use agreement between the**
 4 **Alaska Industrial Development and Export Authority and a user of a**
 5 **shipyard or an integrated transportation and port facility, if the shipyard**
 6 **or integrated transportation and port facility is owned by the authority**
 7 **and initially placed in service before January 1, 1999, is taxable only to the**
 8 **extent of, and for the value associated with, those specific improvements**
 9 **used for lodging purposes;**

10 (B) notwithstanding any other provision of law, property
 11 acquired by an agency, corporation, or other entity of the state through
 12 foreclosure or deed in lieu of foreclosure and retained as an investment of a
 13 state entity is taxable; this subparagraph does not apply to federal land granted
 14 to the University of Alaska under AS 14.40.380 or 14.40.390, or to other land
 15 granted to the university by the state to replace land that had been granted
 16 under AS 14.40.380 or 14.40.390, or to land conveyed by the state to the
 17 university under AS 14.40.365;

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

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

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

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

30 (5) money on deposit;

31 (6) the real property of certain residents of the state to the extent and

1 subject to the conditions provided in (e) of this section;

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

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

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

8 (8) property of a political subdivision, agency, corporation, or other
9 entity of the United States to the extent required by federal law; except that a private
10 leasehold, contract, or other interest in the property is taxable to the extent of that
11 interest unless the property is located on a military base or installation and the
12 property interest is created under 10 U.S.C. 2871 - 2885 (Military Housing
13 Privatization Initiative), if [PROVIDED THAT] the leaseholder enters into an
14 agreement to make a payment in lieu of taxes to the political subdivision that has
15 taxing authority;

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

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

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

24 (B) was subject to a private leasehold, contract, or other private
25 interest on January 1, 2010, except that a holder of a private leasehold,
26 contract, or other interest in the property shall be taxed to the extent of that
27 interest.

28 * **Sec. 2.** AS 29.45.030(a), as amended by sec. 1 of this Act, is amended to read:

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

30 (1) municipal property, including property held by a public corporation
31 of a municipality, state property, property of the University of Alaska, or land that is

1 in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-
2 830, 70 Stat. 709, except that

3 (A) a private leasehold, contract, or other interest in the
4 property is taxable to the extent of the interest; [HOWEVER, AN INTEREST
5 CREATED BY AN OPERATING AGREEMENT OR NONEXCLUSIVE
6 USE AGREEMENT BETWEEN THE ALASKA INDUSTRIAL
7 DEVELOPMENT AND EXPORT AUTHORITY AND A USER OF A
8 SHIPYARD OR AN INTEGRATED TRANSPORTATION AND PORT
9 FACILITY, IF THE SHIPYARD OR INTEGRATED TRANSPORTATION
10 AND PORT FACILITY IS OWNED BY THE AUTHORITY AND
11 INITIALLY PLACED IN SERVICE BEFORE JANUARY 1, 1999, IS
12 TAXABLE ONLY TO THE EXTENT OF, AND FOR THE VALUE
13 ASSOCIATED WITH, THOSE SPECIFIC IMPROVEMENTS USED FOR
14 LODGING PURPOSES;]

15 (B) notwithstanding any other provision of law, property
16 acquired by an agency, corporation, or other entity of the state through
17 foreclosure or deed in lieu of foreclosure and retained as an investment of a
18 state entity is taxable; this subparagraph does not apply to federal land granted
19 to the University of Alaska under AS 14.40.380 or 14.40.390, or to other land
20 granted to the university by the state to replace land that had been granted
21 under AS 14.40.380 or 14.40.390, or to land conveyed by the state to the
22 university under AS 14.40.365;

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

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

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

31 (4) property of a nonbusiness organization composed entirely of

1 persons with 90 days or more of active service in the armed forces of the United States
 2 whose conditions of service and separation were other than dishonorable, or the
 3 property of an auxiliary of that organization;

4 (5) money on deposit;

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

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

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

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

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

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

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

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

28 (B) was subject to a private leasehold, contract, or other private
 29 interest on January 1, 2010, except that a holder of a private leasehold,
 30 contract, or other interest in the property shall be taxed to the extent of that
 31 interest.

1 * **Sec. 3.** AS 44.88.088(b)(2) is amended to read:

2 (2) "net income" means the change in net position, or the equivalent
 3 term under generally accepted accounting principles, of the revolving fund, the change
 4 in net position of the Alaska Industrial Development and Export Authority sustainable
 5 energy transmission and supply development fund (AS 44.88.660), or the change in
 6 net position of the Arctic infrastructure development fund (AS 44.88.810) as set out in
 7 the audited financial statements of the authority for the base fiscal year, excluding
 8 amounts attributable to intergovernmental transfers, capital contributions, grants, [OR
 9 IMPAIRMENT] losses on **a project or development to the extent**
 10 **[DEVELOPMENT PROJECTS] financed with state or federal grants or**
 11 **appropriations, mark-to-market fair value based accounting entries, and noncash**
 12 **accounting entries related to retirement obligations** [UNDER AS 44.88.172];

13 * **Sec. 4.** AS 44.88.088(b)(3) is amended to read:

14 (3) "unrestricted net income" means the unrestricted change in net
 15 position, or the equivalent term under generally accepted accounting principles, of the
 16 revolving fund, the Alaska Industrial Development and Export Authority sustainable
 17 energy transmission and supply development fund (AS 44.88.660), or the Arctic
 18 infrastructure development fund (AS 44.88.810) as set out in the audited financial
 19 statements of the authority for the base fiscal year, excluding amounts attributable to
 20 intergovernmental transfers, capital contributions, grants, [OR IMPAIRMENT] losses
 21 on **a project or development to the extent** [DEVELOPMENT PROJECTS] financed
 22 **with state or federal grants or appropriations, mark-to-market fair value based**
 23 **accounting entries, and noncash accounting entries related to retirement**
 24 **obligations** [UNDER AS 44.88.172].

25 * **Sec. 5.** AS 44.88.088(b) is amended by adding new paragraphs to read:

26 (4) "mark-to-market fair value" means fixing the value of an
 27 investment as its market value as of the financial reporting date;

28 (5) "project or development" means

- 29 (A) an Arctic infrastructure development;
 30 (B) a development project;
 31 (C) a project; or

1 (D) a qualified energy development.

2 * **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to
3 read:

4 **RETROACTIVITY.** Section 1 of this Act is retroactive to November 30, 2017.

5 * **Sec. 7.** Sections 1 and 3 - 6 of this Act take effect immediately under AS 01.10.070(c).

6 * **Sec. 8.** Section 2 of this Act takes effect November 30, 2027.