

**CS FOR HOUSE BILL NO. 156(CRA)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - FIRST SESSION

BY THE HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered: 5/17/17

Referred: Rules

Sponsor(s): REPRESENTATIVES TILTON, Grenn, Millett, Drummond, Spohnholz, Sullivan-Leonard, Claman, Kopp

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to municipal property tax exemptions; extending a mandatory**  
2 **exemption from municipal property taxes for certain assets of the Alaska Industrial**  
3 **Development and Export Authority; and providing for an effective date by amending**  
4 **the effective dates of sec. 2, ch. 10, SLA 2010, as amended by sec. 4, ch. 61, SLA 2012,**  
5 **and sec. 2, ch. 71, SLA 2010, as amended by sec. 5, ch. 61, SLA 2012."**

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

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

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

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

13 (A) a private leasehold, contract, or other interest in the

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

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

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

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

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

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

29 (5) money on deposit;

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

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

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

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

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

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

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

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

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

27 \* **Sec. 2.** AS 29.45.050(m) is amended to read:

28 (m) A municipality may by ordinance partially or totally exempt all or some  
29 types of economic development property from taxation for **a designated period.**  
30 **Except as otherwise provided by an ordinance enacted by the municipality before**  
31 **January 1, 2017** [UP TO FIVE YEARS. THE MUNICIPALITY MAY PROVIDE

1 FOR RENEWAL OF THE EXEMPTION UNDER CONDITIONS ESTABLISHED  
 2 IN THE ORDINANCE. HOWEVER, UNDER A RENEWAL], a municipality that is  
 3 a school district may only exempt all or a portion of the amount of taxes that exceeds  
 4 the amount levied on other property for the school **district's required local**  
 5 **contribution under AS 14.17.410(b)(2)** [DISTRICT]. A municipality may by  
 6 ordinance permit deferral of payment of taxes on all or some types of economic  
 7 development property for **a designated period. A municipality may not apply an**  
 8 **exemption or deferral under this subsection to taxes levied for special services in**  
 9 **a service area that is supervised by a board under AS 29.35.460** [UP TO FIVE  
 10 YEARS. THE MUNICIPALITY MAY PROVIDE FOR RENEWAL OF THE  
 11 DEFERRAL UNDER CONDITIONS ESTABLISHED IN THE ORDINANCE]. A  
 12 municipality may adopt an ordinance under this subsection only if, before it is  
 13 adopted, copies of the proposed ordinance made available at a public hearing on it  
 14 contain written notice that the ordinance, if adopted, may be repealed by the voters  
 15 through referendum. An ordinance adopted under this subsection must include specific  
 16 eligibility requirements and require a written application for each exemption or  
 17 deferral. In this subsection, "economic development property" means real or personal  
 18 property, including developed property conveyed under 43 U.S.C. 1601 et seq.  
 19 (Alaska Native Claims Settlement Act) [, THAT]

20 (1) **to which one or more of the following applies:**

21 **(A) the property** has not previously been taxed as real or  
 22 personal property by the municipality;

23 **(B) the property** [(2)] is used in a trade or business in a way  
 24 that

25 **(i)** [(A)] creates employment in the municipality;

26 **(ii)** [(B)] generates sales outside of the municipality of  
 27 goods or services produced in the municipality; or

28 **(iii)** [(C)] materially reduces the importation of goods or  
 29 services from outside the municipality;

30 **(C) an exemption or deferral on the property enables a**  
 31 **significant capital investment in physical infrastructure that**

1 **(i) expands the tax base of the municipality; and**

2 **(ii) will generate property tax revenue after the**

3 **exemption expires; or**

4 **(2) that** [AND (3)] has not been used in the same trade or business in  
 5 another municipality for at least six months before the application for deferral or  
 6 exemption is filed; this paragraph does not apply if the property was used in the same  
 7 trade or business in an area that has been annexed to the municipality within six  
 8 months before the application for deferral or exemption is filed; this paragraph does  
 9 not apply to inventories.

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

12 REVISOR'S INSTRUCTION. When implementing secs. 2 and 3, ch. 10, SLA 2010,  
 13 and sec. 2, ch. 71, SLA 2010, the legislature does not intend to retain the amendments to  
 14 AS 29.45.030(a)(1) made by sec. 1 of this Act, but does intend to retain the amendment to  
 15 AS 29.45.030(a)(8) made by sec. 1 of this Act.

16 \* **Sec. 4.** Section 8, ch. 10, SLA 2010, as amended by sec. 4, ch. 61, SLA 2012, is amended  
 17 to read:

18 Sec. 8. Section 2, ch. 10, SLA 2010, takes effect November 30, **2027** [2017].

19 \* **Sec. 5.** Section 10, ch. 71, SLA 2010, as amended by sec. 5, ch. 61, SLA 2012, is  
 20 amended to read:

21 Sec. 10. Section 2, ch. 71, SLA 2010, takes effect November 30, **2027** [2017].