



CITY OF WASILLA

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INFORMATION MEMORANDUM NO. 92-33

To: Council

From: Mayor Stein

Date: November 18, 1992

Subject: Five-Year Exemption for New Economic Development Property

New state statutes provide that a municipality may exempt from taxation certain job-producing, new economic development property.

Wasilla has been approached by a potential new industry to offer such an exemption.

Staff is researching similar ordinances and will present a version for Council introduction in December.

A copy of the statute and an example, Juneau's Ordinance 92-45, are enclosed for your information.

John C. Stein, Mayor

Enclosures

Presented by: The Manager
Introduced: 09/14/92
Drafted by: K.C.R.

1 ORDINANCE OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

2 Serial No. 92-45

3 AN ORDINANCE AMENDING TITLE 03, THE WATER UTILITY RATE SCHEDULE TO
4 INCLUDE EXPORT MANUFACTURING UNDER METERED WATER SERVICE MONTHLY
5 CHARGES; AND AMENDING TITLE 69 TO EXEMPT EXPORT MANUFACTURING FROM
6 PROPERTY TAXATION.

7 WHEREAS, manufacturing is an essential part of economic
8 development in the city and borough and,

9 WHEREAS, in order to enhance the competitiveness of enterprises
10 which manufacture goods for export, state law authorizes
11 municipalities to exempt previously untaxed property used for the
12 production of export goods from real and personal property taxes, and

13 WHEREAS, enactment of this exemption would promote growth and
14 expand the tax base without decreasing current tax revenues;

15 NOW, THEREFORE, BE IT ENACTED BY THE ASSEMBLY OF THE CITY AND
16 BOROUGH OF JUNEAU, ALASKA:

17 * Section 1. Classification. This ordinance is of a general and
18 permanent nature and shall become a part of the city and borough code;
19 this section does not apply to Section 5.

20 * Section 2. Amendment of Section. Subsection (a) of CBJ
21 03.10.270 is amended to read:

22 (a) Metered Water Service. The monthly charge for the first
23 four thousand gallons or any part thereof is thirteen dollars; for
24 each one thousand gallons in excess of four thousand, an additional
25 charge of one dollar and seventy-five cents shall be paid; provided,
the monthly charge for seafood processing and small export

1 manufacturers, shall be two hundred fifty dollars, plus fifty cents
2 for each one thousand gallons in excess of five hundred thousand
3 gallons. For any property upon which the water utility has installed
4 more than one meter, each meter shall be read and billed to the owner
5 of the property as if it were a separate service. For purposes of
6 this section, "export manufacturer" shall mean a trade or business
7 meeting the requirements of CBJ 69.10.020(11)(B).

8 * Section 3. Amendment of Section. CBJ 69.10.020 is amended to
9 read:

10 69.10.020 PROPERTY EXEMPT. The following property shall be
11 exempt from the general tax:

- 12 (1) Property exempted by state or federal law;
- 13 (2) Household property of a head of a family or household;
- 14 (3) Motor vehicles not used for commercial purposes;
- 15 (4) Vessels;
- 16 (5) Airplanes or other aircraft not used for commercial
17 purposes;
- 18 (6) For four tax years, that part of residential property equal
19 in value to the cost of qualifying repairs and rehabilitation as
20 provided in Section 69.10.025, but not exceeding ten thousand dollars.
21 Residential property is a structure used solely for nontransient
22 residential purposes containing eight or fewer living units;
- 23 (7) For four tax years, that part of designated historic
24 property equal in value to the cost of qualifying repairs and
25 rehabilitation as provided in Section 69.10.025, but not exceeding

1 twenty thousand dollars; provided that any qualifying repairs and
2 rehabilitation for which an exemption has been granted under
3 subsection (6) of this section shall not be eligible for an exemption
4 under this subsection; and provided further that the total of the
5 exemptions granted under subsections (6) and (7) may not exceed twenty
6 thousand dollars.

7 (8) Commencing on January 1, 1989, an interest, other than
8 record ownership, in real property of an individual residing in the
9 property if the property has been developed, improved or acquired with
10 federal funds for low-income housing and is owned or managed as low-
11 income housing by the Alaska State Building Authority or a regional
12 housing authority found under AS 18.55.996. This subsection does not
13 prohibit the city and Borough from receiving payments in lieu of taxes
14 authorized under federal law;

15 (9) The property of an organization not organized for business
16 or profit-making purposes and used exclusively for community purposes,
17 provided that income derived from rental of that property does not
18 exceed the actual cost to the owner of the use by the renter. In
19 order for property to be considered used exclusively for community
20 purposes, its use must benefit a significant portion of the public and
21 the organization seeking the exemption must have a current 501(c)(3)
22 or 501(c)(4) exemption ruling from the Internal Revenue Service. In
23 order to qualify for this exemption, the claimant must file a written
24 application for the exemption no later than January 31[ST] of each
25 assessment year for which the exemption is sought. The application

1 shall be on a form prescribed by the city and borough assessor and
2 shall include all information determined necessary by the assessor to
3 determine the character of the organization and the nature of the uses
4 made of the property. An exemption granted under this subsection
5 shall be only for the assessment year for which the exemption was
6 sought.

7 (10) Commencing on January 1, 1994, business inventories.

8 (11) That part of real or personal property that:

9 (A) has not previously been taxed as real or personal
10 property by the city and borough;

11 (B) is used in a trade or business having fewer than 50
12 annual full-time equivalent employees in a way that

13 (i) creates employment in the city and borough;

14 (ii) generates sales outside of the city and borough of
15 goods produced in the city and borough; or

16 (iii) materially reduces the importation of goods from
17 outside the city and borough; and

18 (C) has not been used in the same trade or business in
19 another municipality for at least six months before the application
20 for deferral or exemption is filed; this paragraph does not apply if
21 the property was used in the same trade or business in an area that
22 has been annexed to the city and borough within six months before the
23 application for deferral or exemption is filed; this paragraph does
24 not apply to inventories.

25 Such real property or personal property shall be exempted as

1 | follows:

	<u>Percent of Full Taxation</u>
3 <u>Year One</u>	<u>0%</u>
4 <u>Year Two</u>	<u>20%</u>
5 <u>Year Three</u>	<u>40%</u>
6 <u>Year Four</u>	<u>60%</u>
7 <u>Year Five</u>	<u>80%</u>
8 <u>Year Six</u>	<u>100%</u>

9 | (D) In order to qualify for this exemption, the claimant
10 | must file a written application for the exemption no later than
11 | January 31 of the first assessment year in the five-year period for
12 | which the exemption is sought. The application shall be on a form
13 | prescribed by the city and borough assessor and shall include all
14 | information determined necessary by the assessor to determine
15 | eligibility of the property for the exemption. The Assembly shall
16 | approve all exemptions under this section.

17 | * Section 4. Special Notice. Pursuant to AS 29.45.050(m),
18 | notice is hereby given that this ordinance, if passed, may be repealed
19 | by the voters through referendum. This Section 4 is a noncode
20 | section.

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housing by the Alaska State Housing 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.

X (m) A municipality may by ordinance partially or totally exempt all or some types of economic development property from taxation for up to five years. The municipality may provide for renewal of the exemption under conditions established in the ordinance. However, under a renewal, a municipality that is a school district may only exempt all or a portion of the amount of taxes that exceeds the amount levied on other property for the school district. A municipality may by ordinance permit deferral of payment of taxes on all or some types of economic development property for up to five years. The municipality may provide for renewal of the deferral under conditions established in the ordinance. A municipality may adopt an ordinance under this subsection only if, before it is adopted, copies of the proposed ordinance made available at a public hearing on it contain written notice that the ordinance, if adopted, may be repealed by the voters through referendum. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application for each exemption or deferral. In this subsection "economic development property" means real or personal property, including developed property conveyed under 43 U.S.C. 1601 - 1629e (Alaska Native Claims Settlement Act), that

(1) has not previously been taxed as real or personal property by the municipality;

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

(A) creates employment in the municipality;

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

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

(3) has not been used in the same trade or business in another municipality for at least six months before the application for deferral or exemption is filed; this paragraph does not apply if the property was used in the same trade or business in an area that has been annexed to the municipality within six months before the application for deferral or exemption is filed; this paragraph does not apply to inventories.

(n) A municipality may by ordinance classify as to type inventories intended for export outside the state and partially or totally exempt all or some types of those inventories from taxation. A municipality that is a school district may, under this

subsection, only exempt all or a portion of the amount of taxes that exceeds the amount levied on other property for the school district. A municipality may adopt an ordinance under this subsection only if, before it is adopted, copies of the proposed ordinance made available at a public hearing on it contain written notice that the ordinance, if adopted, may be repealed by the voters through referendum. The ordinance may provide for different levels of exemption for different classifications of inventories. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application for each exemption. (Sec. 12 ch 74 SLA 1985; am sec. 1 ch 103 SLA 1985; am sec. 5 ch 70 SLA 1986; am sec. 1 ch 151 SLA 1988; am sec. 2 ch 73 SLA 1989; am sec. 1 ch 98 SLA 1989)

Revisor's Notes - Subsection (h) of this section was enacted as AS 29.53.025(h). Renumbered in 1985. Chapter 103, SLA 1985 also enacted, in sec. 2, AS 29.63.066, which provides an exemption identical to that set out in (h) of this section from taxes levied under former AS 29.63, repealed by sec. 88, ch. 74, SLA 1985. The provisions of former AS 29.63 were substantially incorporated in AS 29.45, and the addition of subsection (h) to AS 29.45.050 makes it unnecessary to codify sec. 2, ch. 103, SLA 1985 to achieve the legislature's purpose.

Effect of Amendments - The first 1989 amendment, effective May 31, 1989, in subsection (e), deleted "However" from the beginning of the third sentence and added the present last sentence.

The second 1989 amendment, effective September 10, 1989, added subsections (m) and (n).

The 1988 amendment, effective January 1, 1989, added subsection (l).

The 1985 amendment added subsection (h). The 1986 amendment, effective January 1, 1987, added subsections (i), (j), and (k). The 1988 amendment, effective January 1, 1989, added subsection (l). The first 1989 amendment, effective May 31, 1989, in subsection (e), deleted "However" from the beginning of the third sentence and added the present last sentence. The second 1989 amendment, effective September 10, 1989, added subsections (m) and (n).

Legislative History Reports - For legislative letter of intent in connection with the enactment of (m) and (n) of this section by ch. 98, SLA 1989 (SCS CSHB 272(Fin) am S), see 1989 Senate Journal 1866.

Notes to Decisions - City may not exempt property without express authority. - The authority of a municipal corporation to allow exemptions of particular property from taxation, unless expressly conferred by law, has very generally been denied. *Valentine v. City of Juneau*, 36 F.2d 904 (9th Cir. 1929), decided under former, similar law.

Cited in *City of Valdez v. State, Dep't of Community & Regional Affairs*, Sup. Ct. Op. No. 3601 (File No. S-3135), P.2d (1990).