

Discussion Issues/Taxes other than sales tax

Severance Taxes

Severance taxes are a type of excise taxes. An excise tax is a tax on the performance of an act, in the case of Alaska municipalities, the severing of natural resources from the place in which they grow.

- Under the liberal construction of local government powers in the Alaska constitution, municipal governments have broad taxing powers which are not specifically enumerated in state law.
- 1986 Ag's opinion concluded that a first class borough would have legal authority to levy severance taxes within its boundaries.
- Currently only Denali Borough (gravel/coal) and Kodiak Island borough assess severance taxes

Property Tax

All real and personal property is taxable unless it is exempted from property taxation. Required exemptions from municipal property taxation are specified in Title 29. Some exemptions in statute are household furniture and personal effects of members of a household, natural resources in place, and property used exclusively for nonprofit religious, charitable, cemetery, hospital or educational purposes.

Title 29 also provides for optional exemptions and exclusions from local property taxation which the local government may choose to exempt or exclude, typically by ordinance. Two common examples of optional exemptions are the exemption of personal property and the exemption of up to \$10,000 of value of a primary residence.

- All taxable real and personal property within a municipality is included in its full value determinations, which is a key element in the calculation of state aid to schools, and in the past, for municipal assistance and revenue sharing.
- Property tax exemptions currently authorized in various municipalities across the state include residential, business machinery and equipment, motor vehicles, boats and vessels, business inventory and aircraft.

Oil and gas property is exempt from local municipal taxation; the state levies a 20 mill tax against the property and reimburses each municipality its portion.

Changing municipal conditions and PILT

The resolution approved by the Municipal Advisory Group in May 2004 contained the following two statements:

- Whereas a payment in lieu of taxes does not allow for changing conditions within a municipality or the state, such as new voter approved bonds, increased mill rates, formation of new local governments; and

- The State of Alaska should ensure the payment in lieu of taxes structure recognizes the loss to municipalities of the opportunity to respond to changing conditions through changing tax rates.

Past discussions of PILT have centered around the following three discussion points:

- Term of PILT
- Shape of PILT
- Effect of valuation