

CLERK'S OFFICE
APPROVED
Date: 10-26-04
IMMEDIATE RECONSIDERATION
FAILED 10-26-04

Submitted by: Chairman of the Assembly
at the Request of the Mayor;
Assemblymembers Tesche,
Jennings, Shamberg, Traini,
Tremaine, Whittle, Stout

Prepared by: Finance
For reading: October 12, 2004

ANCHORAGE, ALASKA
AO NO. 2004-140

1 AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE SECTIONS 12.10.010 AND
2 12.10.020 TO PROVIDE A TAX EXEMPTION FOR ASSESSED VALUE OF BUSINESS
3 PERSONAL PROPERTY.

4
5 THE ANCHORAGE ASSEMBLY ORDAINS:

6
7 **Section 1.** Anchorage Municipal Code section 12.10.010 is amended to read as follows:

8
9 **12.10.010 Property subject to taxation.**

10
11 A. Except as otherwise provided in this chapter, the following personal property which
12 has a tax situs within the municipality is subject to taxation:

13
14 1. Vehicles. All vehicles propelled by other than human muscular power shall
15 be taxable as personal property, including but not limited to automobiles,
16 motorcycles, aircraft, except aircraft subject to Chapter 12.08, boats and
17 snowmobiles.

18
19 2. Mobile homes. Mobile homes located within licensed mobile home courts or
20 mobile homes no wider than 14 feet which are situated on temporary footings
21 or temporary foundations and located on private property shall be classified
22 as personal property.

23
24 3. Taxable business personal property [BUSINESS INVENTORIES].

25
26 a. Business personal property is taxable to the extent that a taxpayer's
27 total assessed value for all business personal property within the
28 Municipality of Anchorage exceeds \$20,000.00.

29
30 b. Business personal property includes but is not limited to:

31
32 i. All personal property including, but not limited to, furniture,
33 furnishings, fixtures, machinery and equipment used by a
34 business or in a business capacity; and

35
36 ii. Inventory in the hands of a retail or wholesale merchant who
37 holds it for sale, lease or rental shall be taxable as personal
38 property; and

- iii. Inventory held by a manufacturer or processor in the form of raw materials shall be taxable as personal property.

[4. **BUSINESS PERSONAL PROPERTY.** ALL PERSONAL PROPERTY INCLUDING BUT NOT LIMITED TO FURNITURE, FURNISHINGS, FIXTURES, MACHINERY AND EQUIPMENT USED BY A BUSINESS OR IN A BUSINESS CAPACITY SHALL BE TAXABLE AS PERSONAL PROPERTY.]

- B. All other personal property not exempt by law is subject to taxation as personal property.

(AO No. 81-218(S); AO No. 94-74(S-1), § 1, 1-1-95; AO No. 94-211, § 2, 1-1-95)

Section 2. Anchorage Municipal Code section 12.10.020 is amended to add a new subsection to read as follows:

12.10.020 Exemptions.

- A. Individual personal property utilized solely and exclusively for personal, non-business uses or purposes, not including mobile homes, is exempt from taxation under this chapter.


- B. The first \$20,000.00 of assessed valuation of business personal property owned by each taxpayer shall be exempt from municipal property taxation.

1. For a taxpayer with more than one business personal property tax account, the \$20,000.00 exemption shall be distributed pro rata among all of the taxpayer accounts, based on the proportion of the assessed value in each account to the total assessed value of that taxpayer's business personal property.

(GAAB 10.05.030; AO No. 81-218(S); AO No. 85-182, 1-1-86; AO No. 86-211(S-1); AO No. 94-74(S-1), § 2, 1-1-95; AO No. 94-97(S), § 2, 1-1-95; AO No. 94-211, § 3, 1-1-95; AO No. 94-219, § 1, 1-1-95; AO No. 97-128, § 1, 10-21-97)

Section 3. This ordinance shall become effective immediately upon passage and approval by the Assembly for business personal property tax returns due in the year 2005.

PASSED AND APPROVED by the Anchorage Municipal Assembly this 26th day of October, 2004.


Chair of the Assembly

ATTEST:


Municipal Clerk

MUNICIPALITY OF ANCHORAGE

Summary of Economic Effects -- General Government

AO Number: 2004- 140

Title: An Ordinance Amending Anchorage Municipal Code Sections 12.10.010 and 12.10.020 to Provide a Tax Exemption for Assessed Value of Business Personal Property

Sponsor: Mayor
 Preparing Agency: Finance
 Others Impacted: None

CHANGES IN EXPENDITURES AND REVENUES:		(In Thousands of Dollars)				
	FY05	FY06	FY07	FY08	FY09	
Operating Expenditures						
1000 Personal Services	\$ -	\$ -	\$ -	\$ -	\$ -	
2000 Non-Labor						
3900 Contributions						
4000 Debt Service						
		SEE NOTE BELOW				
TOTAL DIRECT COSTS:	\$ -	\$ -	\$ -	\$ -	\$ -	
Add: 6000 Charges from Others						
Less: 7000 Charges to Others						
FUNCTION COST:	\$ -	\$ -	\$ -	\$ -	\$ -	
REVENUES:	\$ -	\$ -	\$ -	\$ -	\$ -	
CAPITAL:						
POSITIONS: FT/PT and Temp						

PUBLIC SECTOR ECONOMIC EFFECTS:

The proposed exemption is expected to reduce the number of tax returns filed by approximately 10,393. Based on a fully loaded MOA cost to process each return of \$70, the MOA's total cost assignable to processing these returns is about \$727,510. Some of the costs are direct (labor and non-labor) and some are indirect (IGC's). In addition, some are fixed, some are variable, some are fully dedicated and some are shared. The variable direct costs will be reassigned so as to increase the level of review/audit of the remaining taxable business personal property returns and/or be reassigned to other assessing functions having the greatest need. The fixed and indirect costs will be reassigned to other assessing functions as appropriate. The estimated impact on business personal property tax revenue is a reduction of approximately \$1,912,000. This is expected to be fully offset by other elements of the tax reform plan resulting in no net change to total MOA revenues.

PRIVATE SECTOR ECONOMIC EFFECTS:

This ordinance is anticipated to reduce the number of tax returns required by 10,393 in 2005. It is estimated that it costs businesses an average of about \$150 to prepare and file these returns. The elimination of 10,393 tax returns will therefore save private businesses about \$1,558,950 in return preparation and filing costs. It will also reduce the tax burden directly attributable to business personal property tax by an estimated \$1,912,000. As indicated above, this reduction is expected to be offset by other elements of the tax reform plan resulting in no net change to MOA taxpayers as a whole.

Prepared by: Marty McGee, Assessor

Telephone: 343-6897



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

AM No. 762-2004

Meeting Date: October 12, 2004

1 **From:** Mayor

2
3 **Subject:** An Ordinance Amending Anchorage Municipal Code Sections 12.10.010
4 and 12.10.020 to Provide a Tax Exemption for Assessed Value of
5 Business Personal Property
6
7

8 This ordinance represents one of the four elements of the mayor's proposed tax reform
9 plan. It provides the greatest benefit to small businesses and is intended to improve
10 the administrative efficiency of the municipal tax system. This ordinance changes the
11 assessment and taxation of business personal property by making the first \$20,000 of
12 business personal property owned by each taxpayer exempt from municipal property
13 taxation. As a result, 10,393 small businesses that own business personal property
14 with a total value of less than \$20,000 will no longer be required to file an annual tax
15 return.
16

17 In tax year 2004 businesses prepared and filed about 14,200 business personal
18 property tax returns. These returns produce \$32.4 million in business personal property
19 tax revenue. The proposed \$20,000 exemption will reduce the number of businesses
20 required to file a business personal property tax return by 10,393, or 73%. At the same
21 time, only 6%, or \$1.9 million, of business personal property tax revenue will be lost.
22 The municipal assessor estimates that the 10,393 eliminated accounts generate an
23 average of \$185 in tax revenue. These same returns cost the municipality about \$70
24 per return to process and cost each taxpayer about \$150 per return to prepare and file.
25 In other words, the cost to prepare, file and process these 10,393 returns exceeds the
26 tax revenue they generate by an average of \$35. Therefore, eliminating the
27 requirement for these 10,393 small businesses to file a return and pay business
28 personal property taxes will actually improve the efficiency of the overall municipal tax
29 system.
30

31 THE ADMINISTRATION RECOMMENDS THE ASSEMBLY APPROVE
32 AO NO. 2004-140 PROVIDING A TAX EXEMPTION FOR ASSESSED VALUE OF
33 BUSINESS PERSONAL PROPERTY.
34

35 Prepared by: Don "Marty" McGee, Assessor, Appraisal Division
36 Concur: Jeffrey E. Sinz, Chief Fiscal Officer
37 Concur: Fredrick H. Boness, Municipal Attorney
38 Concur: Denis C. LeBlanc, Municipal Manager
39 Respectfully submitted: Mark Begich, Mayor

Content Information**Content ID :** 002214**Type:** Ordinance - AO

An Ordinance Amending Anchorage Municipal Code Sections

Title: 12.10.010 and 12.10.020 to Provide a Tax Exemption for Assessed Value of Business Personal Property, Finance**Author:** pruittns**Initiating Dept:** Finance**Description:** Tax Exemption Assessed Value of Business Personal Property**Date Prepared:** 9/30/04 5:34 PM**Director Name:** Jeffrey Sinz**Assembly Meeting** 10/12/04
Date MM/DD/YY:**Public Hearing Date** 10/26/04
MM/DD/YY:**Workflow History**

<u>Workflow Name</u>	<u>Action Date</u>	<u>Action</u>	<u>User</u>	<u>Security Group</u>	<u>Content ID</u>
AllOrdinanceWorkflow	9/30/04 5:37 PM	Checkin	pruittns	Public	002214
AllOrdinanceWorkflow	10/1/04 9:29 AM	Reject	sinzje	Public	002214
AllOrdinanceWorkflow	10/1/04 12:07 PM	Checkin	pruittns	Public	002214
Finance_SubWorkflow	10/1/04 12:13 PM	Approve	sinzje	Public	002214
OMB_SubWorkflow	10/1/04 12:36 PM	Approve	pearcydl	Public	002214
Legal_SubWorkflow	10/1/04 12:48 PM	Approve	fehlenrl	Public	002214
MuniManager_SubWorkflow	10/1/04 3:53 PM	Approve	katkusja	Public	002214
MuniMgrCoord_SubWorkflow	10/1/04 4:10 PM	Approve	katkusja	Public	002214