

# 30<sup>th</sup> Alaska State Legislature

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## SPONSOR STATEMENT – SB 106

AS 29.45.050(m) addresses the authority of municipalities to exempt or defer all or parts of real and personal property taxes by ordinance for economic development purposes.

First, it removes the time limitation in statute and authorizes local governments to determine time limits appropriate for specific projects according to each municipality's own needs and objectives.

As the current budget deficit limits the State's ability to invest in economic development initiatives, municipalities will need to rely more on their own means to facilitate those projects. This legislation would authorize a municipality the discretion to establish a full or partial property tax exemption or deferral over a designated period of time on a case-by-case basis.

In addition, SB 106 would add to the eligibility for economic development property that involves a "significant capital investment in physical infrastructure", expanding the tax base of the municipality and generating property tax revenue after the exemption expires.

Lastly, SB 106 addresses a current municipal property tax exemption mandating a 2% property tax exemption for construction of new structures if that new construction includes sprinkler systems. This statute was adopted at a time when municipal building codes didn't already require the inclusion of sprinkler systems in new construction projects. The exemption would now be optional.