

KETCHIKAN CHARTER COMMISSION
AGENDA STATEMENT

NO. H-5

MEETING OF February 25, 2005

ITEM TITLE

Amend Article X, Sections 10.07 & Section 10.08:
Property Tax Limit and Taxation: Supermajority
Requirement to Raise Taxes or Fees Limit

SUBMITTED BY Debby Otte

SUMMARY STATEMENT

Section 10.07 sets out a property tax limit. Whether to have a property tax limit is a policy choice and one that was discussed at length in the fall of 2004, with the decision of the Charter Commission to delete this section, however, that vote and change did not go as intended. While voters tend to like property tax caps, such caps tend to restrict the options for funding public services and the Commission has expressed their belief that a super-majority requirement for any tax increase is sufficient.

Section 10.08 requires a supermajority vote of the assembly to raise taxes. Alaska Statute 29.45.240 calls for the rate of property tax levies to be determined annually. These rates are set by resolution. The Charter section appears to make an implicit assumption that an increase in the property tax levy from one year to the next is an increase in the levy. Because the levy must be set each year, and in the absence of a resolution setting the levy for a given year the levy is zero, arguably there is no default rate from which the property tax levy would be increased.

While the intent of this section may be satisfied by applying that implicit assumption, the voter ratification concept is unworkable for property tax levies, and is problematic for fees. The levy must be set by June 15 of each year. It would be a practical impossibility to have a voter ratification of an increased property tax levy. There is potential for problems with the timing of special elections for increases to fees and taxes in order to meet the deadlines for the budgetary process. The inclusion of fees in the section may create situations where government would not be able to respond in a timely manner to increased costs to provide services. The very minimum amount of time required to hold a special election is 60 days. This does not include the time required for the Assembly to pass a resolution or ordinance to call the election, nor the time to certify the election. This section may still work as drafted, but these limitations should be noted.

CONTINUED

SUGGESTED CHANGE to Section 10.08:

10.08 Taxation: Supermajority Requirement to Raise Taxes [~~OR FEES~~] Limit

Any ordinance or resolution that will increase the rate of [~~INCREASE FEES~~], sales tax levies or increase the rate of property tax levies on an areawide, nonareawide or service area basis above the rate levied in the prior fiscal year shall require the affirmative vote of two-thirds (2/3) of the Assembly. [~~OR BE APPROVED BY A MAJORITY OF THE QUALIFIED VOTERS WHO VOTE ON THE ORDINANCE OR RESOLUTION AT A GENERAL OR SPECIAL ELECTION. IF THE INCREASE IN THE RATE OF LEVY OF THE GENERAL SALES TAX, USE TAX OR FEE IS LIMITED TO A SERVICE AREA OR IS NONAREAWIDE, THE VOTE IS LIMITED TO THOSE QUALIFIED TO VOTE IN THAT AREA.~~]

RECOMMENDED ACTION:

"I move to delete Article X, Section 10.07 and amend Article X, Section 10.08 as suggested above."