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Al Underwood

Bob Johnson, representing the Committee for fair and equal taxes

Leonard Whitfield, city controller-treasurer

March 19, 1961

Fairbanks, Alaska

KFRB's Al Underwood introduces the two speakers who will discuss the ordinance 1068 concerning sales taxes and property taxes. Leonard Whitfield will talk about passing the ordinance that will eliminate the personal property taxes and increase the sales taxes to 3%. Bob Johnson will discuss retaining the property taxes and the current rate of sales taxes.

Leonard Whitfield said that there has been a great deal said in the last few weeks about the proposal to eliminate the personal property taxes and increase sales taxes. Members of the city council and other officials and the speaker have attempted to explain to the public about why personal properties taxes should be abolished. They have tried to explain to the public the many of the complexities of administering public property taxes. There have been many reports compiled from all over the nation. The facts and findings support the abolishment of property taxation. The law requires taxation on property that is difficult to value. Nowhere in the operation of the city is there a more waste of money to levy and collect personal property taxes. He is concerned for the future of Fairbanks. It has been incorporated for over 57 years. The development of the community has been long and hard. The city still does not have water and sewerage in some communities. Sidewalks and gutters are lacking. He talked about the fire department and their lack of equipment. There is inadequate police department. Just prior to 1959 a finance department was established in the administrative departments of the city. In just two years the financial position of the city is now able to provide services and facilities which are twenty-five to thirty years late. They have a large improvement project planned in the current year. It is the responsibility of his office to project and anticipate the necessary financing for the improvements. It is up to the city voters to decide if they want to continue to be a slow progressive city or increase the net revenue by twice to support improvements.

Bob Johnson said over the last few weeks he has heard the ordinance discussed in many ways and by different definitions. At times it has been a question if property taxes should be abolished at other times it is the question of the city progressing. Their group questions if they will have fair and equal taxes. His group believes that progress is necessary. They feel that ordinance 1068 should be examined for what it does. If it is passed then we shall see the deliberate exemption from taxes on property worth over 5,000,000 dollars in assessed evaluation. It is real property which by legal definition is called personal property. It involves lease holdings on Alaska Railroad land, city land and holding leases which state that they shall be taxed as personally. Bob Johnson said that creates a tax exempt group and it relieves the group that demands the most from governmental services from paying a pro rata share. He gives an

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example of a business not paying direct taxes to the city of Fairbanks through this type of taxation, but demanding services. It must follow that someone else must pick up the burden. The burden with the sales tax will be placed on the consumer. This is a fifty percent increase in consumer taxes. It will bring in 400,000-490,000 dollars per year. We believe that this burdens those that are least able to afford it. It is unfair. Oddly enough most businesses pass on their inventory taxes on to the customer. The consumer does not pay it by the same amount. They do not defend personal property taxes. They believe that steps can be taken to alleviate some of the nature of this tax. They do not believe in placing an unfair burden on those that can least afford it. If it is true that it costs quite a bit of money for the city to collect property taxes then it would be reasonable to believe that there would be a substantial increase in taxes received by the city. They could cut their payroll by a large amount. Bob talks about the city budget and the number of personnel on the payrolls. They believe that the city will need money to progress but they believe that progress without fair and equal taxes destroys the very element which is attempting to progress. The fifty percent increase in sales tax does not reflect the benefits received by the individual citizens. They believe that the best thing to do for the future of Fairbanks is to vote no on the ordinance.

Leonard Whitfield's rebuttal. Mr. Whitfield questioned the lease hold interests discussed by Mr. Johnson. He gave a description of lease-hold interest. It is the lease-hold interests that need to be evaluated and assessed. He comments about Mr. Johnson's comments about lease holds. The lease hold interest in land is classified as real property according to the state. He discussed a legal case with Chugach Electric. He refers to several other cases involving lease-hold interests. He does not believe that the city has leased property itself. Up until this year the city of Fairbanks has never assessed lease-hold interests. The properties have been classified as real property and not personal property.

Bob Johnson's rebuttal. Mr. Johnson commented about leases of the city. He said a lease-hold interest is not the same as the buildings on the property. He talked about the school district levying personal property taxes. He said he was surprised that lease-hold interests were not picked up on the tax rolls. Bob Johnson talked about the city of Juneau getting rid of their personal property. They used sales taxes. Now they are increasing real property taxes because they had no other source of taxes. He wonders where the city would make up their difference if they didn't have several sources of taxes. He believes the ordinance is not for the good of the city.

Al Underwood reads a question. If the sales taxes are passed will the city still try to collect from people who have delinquent personal property taxes. Mr. Whitfield said they would continue to collect all liabilities presently owed to the city. Mr. Johnson said most people will accept that taxes are necessary if we are to govern ourselves. If everyone refused to pay property tax it would be the beginning of the end.

Question for Mr. Whitfield. Even though you are on record for opposing all property taxes, don't you think they can be improved through changes in regulation and administration. Mr. Whitfield said there are two things that make personal property taxes most difficult to administer. The first one is that it is very often difficult to locate and value the property.

Question for Mr. Whitfield. If the personal property taxes can't be collected in the school district how is it proposed to make up for this loss to the schools. The same tax payers in the school district are real and personal property taxes. It would be collected from the real property taxes. The dollar amount of tax burden would be no greater.

Question for Mr. Johnson. Who is behind the Committee for fair and equal taxes. Mr. Johnson said there are contributions from 232 people that cover almost every walk of life. People feel like it jeopardizes the school district. He invited anyone to come down to headquarters for a detailed explanation.

Question for Mr. Johnson. What happened to the original group of people with the central liquor dealers who were opposed to this ordinance. He was asked if he plans to leave town shortly. Mr. Johnson said there are many unfounded rumors. The liquor dealers said they will make no attempt with the enactment of this ordinance.

Question for Mr. Whitfield. If the city tax assessor comes to a private home are the occupants required to let them enter without a search warrant. Mr. Whitfield looks up the law in the state and municipal laws. He quotes the 1957 Session laws and Fairbanks code of ordinances state that the assessor has the power to enter homes and businesses and to do whatever is necessary to locate and levy taxes against personal property.

Question for Mr. Johnson. Is it fair for a businessman not to be taxed on his inventory than it is for a person not to be taxed on their savings accounts. Mr. Johnson said they are two different things. He talked about what happens at a bank when they are assessed on a certain day of the year. The element of fairness is hard to assess. He believes that banks and financing are key to growth.

Question for both men. What would happen if the states would impose a 3 or 4 percent sales tax. Bob said the law states you can't wipe out the city sales tax because they have been in existence and the state can add a tax on top of that. It has happened in other states. Leonard said that he finds that difficult to relate to what they are here to discuss. He thinks they are replacing it with a more fair and equitable tax. It will not result in more tax dollars. It would broaden the tax base.

Question for Mr. Johnson. How without a sales tax do you propose to collect taxes from people who have neither real nor personal property? Mr. Johnson said that there is a sales tax already. It brings in \$970,000 a year. He feels that everyone qualifies for some type of personal property tax.

Question for Mr. Whitfield. Who is paying for the campaign for the sales tax. Mr. Whitfield said that the city hasn't spent one penny on any radio or television advertising. They did spend a few dollars for an ad with the newspaper. Money has been from merchants and tax payers.

Question for both men. Does it not appear that the city is using our eagerness to get rid of a personal property tax as a leverage to force us to vote in favor of increasing the sales tax which penalizes large families. Mr. Johnson said it does appear that way. He isn't sure why each question can't be voted on separately. Mr. Whitfield said that the question is substituting a one percent increase in sales tax for the personal property tax. They collect about \$320,000 a year from personal property taxes for 1961. He

said if that is done away with then real property taxes would have to make up the difference. That would be from the very people that are already burdened with taxes.

Question for both men. Is it true that an Anchorage member of the legislature has a proposal to do away with property taxes. Bob Johnson said it was House Bill 204. It would eliminate personal property taxes throughout the state. He commented on the cost of collecting personal property taxes.

Question for Mr. Whitfield. For people in the school district is it fair for them to pay increased real property taxes and sales taxes? Mr. Whitfield said the city is concerned with the welfare of this city and these are sources of revenue. If people use the services they should be paying for the services even if they live outside the city.

Question for Mr. Johnson. Since you are a permanent resident why are you not for the transient person to pay for the cost of the city government. Bob Johnson said that is a highly personal question. He thinks the transient is a legend. He thinks the residents would be paying the sales taxes.

Question for Mr. Whitfield. What effect would the sales tax have on the school district. Mr. Whitfield said the school districts won't have the power to increase sales taxes under their present structure.

Mr. Whitfield commented about the House Bill 204. He said the people of the community are concerned about issues in this community and not the whole state. Bob talked about when the bill was introduced.

Question for Mr. Johnson. Why do people have to pay taxes on clothing year after year. Bob said he disagrees with that type of tax. He thinks with the value of the property decreasing over the years. You should have the ability to write the property off.

Question for Mr. Whitfield. What progress has the city made for getting new industries? Mr. Whitfield said it is not the responsibility of the city's administration to woo industry. There are other organizations that do that. They do have the ability to offer financial incentives. Any area with a high tax is a discouragement to new industries. Bob said he felt that the city has the financial ability and the power to get industries to come to the city. He feels capital improvements should be curtailed. He feels they should encourage tourism by supporting the planned historical park.

Question for Mr. Whitfield. Can you explain how Anchorage has survived without sales taxes. Mr. Whitfield said you have to look at their mill rate. He thought it was twenty or thirty mills. Bob Johnson said their mill rate was 24 mills and they do it on seventy percent assessed evaluation. Fairbanks has full evaluation. Taxes are less in Anchorage on this basis. Mr. Whitfield said they have a much broader tax base.

Question for Bob Johnson. Why are we subject to both personal property taxes and sales tax when we live outside the city limit? Bob said everyone is subject to both taxes right now. He isn't certain whether or not the school district will be able to collect personal property taxes. Mr. Whitfield read the words of the tax ordinance. He said if the city residents are exempted from the taxes then the residents outside the city limits are also exempt.

Question for Mr. Whitfield. If the ordinance does not pass can the city council pass this tax? Mr. Whitfield said he thinks that they could. This gives the residents a voice in the government of their city.

Question for Bob Johnson. Since you feel that those owning property and living outside the city limits would be taxed unfairly, but don't you think they should share the cost of city services. Bob said he feels that they are doing that right now. If the population is broken down there are 30,000 people with 13,000 inside the city limit. Everyone will be paying 640,000 worth of sales taxes. Every bit of the community must work together. He doesn't think those outside the city limits are getting their share of the city services.

Question for Mr. Whitfield. Does he classify seasonal workers as transient as well as the tourists? Mr. Whitfield said transients are people here on a temporary basis for days or years. They are transients if they don't have enough interest in the community to contribute to it on a permanent basis. Bob said that classes 3,000 people in the town who rent homes as transients. It is more difficult to buy homes in Fairbanks. Mr. Whitfield didn't mean to imply renters as transients. He means people that are here that do not plan on becoming permanent residents.

Question for Mr. Whitfield. If we pay sales taxes why can't we have fire protection? Mr. Whitfield said under the present set up they can't give fire protection outside of the city.

Bob talked about inventory tax and how it is passed onto the customers compared to savings account taxes.

Question for Mr. Whitfield. How can the city accept gratuities from businessmen who want the personal property tax abolished. Mr. Whitfield said there is no law that prevents them from taking gratuities.

Harrie Hughes comments briefly about personal property taxes.