

RESOLUTION #2020-17

Supporting Amendments to AS 29.45.500 to Require Municipalities to Pay Reasonable Interest on Tax Refunds.

WHEREAS, Alaska Statute 29.45.500 requires municipalities to pay interest on certain taxes it refunds to taxpayers, including taxes refunded after "a remittance by a taxpayer through error"; and

WHEREAS, the statute presently requires municipalities to pay interest fixed at 8%; and

WHEREAS, 8% is not presently a market interest rate, and is grossly excessive to fairly compensate taxpayers for the lost time-value of money; and

WHEREAS, in recognition of the fact that market interest rates fluctuate, the Alaska State Legislature has in other circumstances, such as for pre-judgment interest awarded in lawsuits under AS 09.30.070, tied interest rates to the "12th Federal Reserve District discount rate in effect on January 2 of the year"; and

WHEREAS, interest required to be paid by municipalities to taxpayers should likewise be tied to a market index; and

WHEREAS, municipalities should not be required to pay non-market interest rates when refunding taxes it receives from taxpayers due to an error of the taxpayer (and not of the municipality).

NOW, THEREFORE BE IT RESOLVED that the Alaska Municipal League supports an amendment to AS 29.45.500 to require municipalities to pay interest at a reasonable, market- based rate in circumstances where it is required to pay interest on tax refunds.