Service Area Tax Cap

Division of Rural Services
All Service Areas operate as separate taxing jurisdictions. As such, they each have their own tax cap (budget).
**Service Area Tax Cap**

**What is a Tax Cap?**

- A tax cap is a “cap” on taxes that can be collected within that taxing jurisdiction. Tax caps are a set **dollar amount** that can be collected within that specific jurisdiction, for the specified service.

- Taxing jurisdictions operate on boundaries. Anyone *inside* the boundary of that specific taxing jurisdiction is subject to its tax cap.

- There can be more than one taxing jurisdiction in one location. E.g. general Borough tax, City tax, Fire Service Area tax, Road Service Area tax. Whether a person pays these taxes depends on *location*. Not everyone in the Borough pays for the same services.

- Tax caps are often referred to as “budgets”. The tax cap is the revenue that a Service Area will bring in via taxes to fund the road maintenance within the Service Area.

- Tax cap increases must be voted on in an official election by the residents within the boundaries of the service area (taxing jurisdiction).
Consumer Price Index and New Construction

Each fiscal year, tax caps are adjusted (increased) to compensate for the official Consumer Price Index for Urban Alaska and any new construction or boundary changes that may have occurred within the last fiscal year. Tax caps are never decreased due to negative CPI.

These instances are the only way a tax cap can increase without a vote of the residents within the service area.
Service Area Tax Cap

Three Components of the Process

01
Once voted on, the tax cap will be in effect indefinitely.

02
The Service Area will always receive its tax cap (budget) regardless of taxable assessed value fluctuation.

03
Boundary changes (annexations) will increase the tax cap in relation to the current mill rate applied to the existing boundary of the service area.
What is a Mill Rate?

The mill rate is the millage tax rate used to determine the rate of tax. It is the product of a calculation using the **Taxable Assessed Value (TAV)** and the **Tax Cap**.

If a service area has a Taxable Assessed Value of $7,500,000 and a Tax Cap (Budget) of $12,000, the calculation to get the mill rate would be:

\[
\text{Mill rate} = \frac{\text{Service Area Revenue}}{\text{Taxable Assessed Value}} \times 1000
\]

\[
x = \frac{12,000}{7,500,000} \times 1000
\]

\[X=1.6\]

Each resident would have a mill rate of 1.6, which equals $160 per $100,000 of their personal taxable assessed value.

If a resident’s parcel has a taxable assessed value of $200,000, they would pay $320 a year for road service area tax.

1 mill is equal to $100 per $100,000 of TAV
A brand for a company is like a reputation for a person.

Reasons to Increase the Tax Cap

Every fiscal year, Service Area Commissioners are asked to review their budget (tax cap) and expenditures to determine if the current funding is adequate for future maintenance and repair expenses.

A healthy service area spends approximately $7,000 to $9,000 per mile/per year on regular maintenance items.

Those Service Area’s that operate below the recommended $7,000 per mile, and/or are expecting future improvement expenses are encouraged to consider a tax cap increase to be able to continue to provide adequate service to the residents of the service area.
Reducing the Tax Cap

Reducing a service area tax cap does **not** require a vote of the residents.

Done during the annual budget process in February. Commissioners hold a public meeting where they vote to reduce the tax cap by X amount.

The request is forwarded on to the Mayor, who, with the Division of Rural Services recommendation, will make the final determination.

The tax cap **cannot** be increased without an official election, even if it is to the previous amount.
**Service Area Tax Cap**

**Tax Cap Election Request**

**STEP 1**
Hold a public meeting with Tax Cap Request as an agenda item

**STEP 2**
Submit meeting minutes clearly indicating each commissioners vote, as well as the tax cap that was agreed upon

**STEP 3**
Fill out and submit the “Tax Cap Election Request” form as well as meeting minutes to Rural Services by the specified deadline.
Tax Cap Election Request

The commission and/or residents have the option of performing a survey of the residents within the service area.

A written survey must be prepared, which is to include the increased dollar amount proposed and the approximate mill rate equivalent.

The survey can be hand-carried or mailed to area residents.

A detailed tally of survey results must be returned along with a Tax Cap Election Request form to Rural Services by the specified deadline.
Tax Cap Election Request Form

In order to successfully request a tax cap election, the “Tax Cap Election Request” form must be submitted to Rural Services.

Be sure to indicate which option is being used to request a tax cap election: Meeting or Survey.

The amount that the service area would like to increase their tax cap amount by must also be listed on the form, as well as the estimated increase to the current mill rate.

Please contact Jamie at 459-1222 for the current Taxable Assessed Value of the service area to calculate the estimated mill rate.

All active commissioners must sign the form.
How to Have a Successful Election

Educate:

• Send flyers or newsletters to residents
• Hold a service area meeting to discuss the election in more detail
• Conduct a survey to spread information and gauge involvement

Campaigning is prohibited as a Service Area Commissioner

• Commissioners can register with APOC should they wish to campaign.
• All information given to residents must be limited to facts, not opinions.
Letters Mailed to Commissions

In August, Chairs of each commission receive notice via USPS regarding the upcoming Tax Cap Election Request deadline.

Tax Cap Election

Tax Cap Elections take place the 4th Tuesday of March at the Juanita Helms Administrative Center.

Requests Due

Tax Cap Election requests and meeting minutes are due the second Friday in October.

Results Certified

Tax Cap Election results are certified in April and posted on the borough webpage. Notices will also be sent via USPS to all Service Area residents.
Clerks Office

The Clerks Office, located in the Juanita Helms Administrative Center, arranges all aspects of official elections for the Fairbanks North Star Borough.

- Election notification
- Mailouts
- Election Questions

Once the Tax Cap Election Request is submitted to Rural Services, the Clerks Office will manage all aspects of the Election.
Election Costs

Per FNSBC 5.04.130 paragraph B, Service area elections held at the request of a service area and for the primary benefit of the residents of that service area shall be paid for by the service area requesting the election. The Clerks office will bill the service area for actual costs associated with holding the election.

It is impossible for the Clerk’s office to provide an exact estimate due to the nature of election participation, however service areas can expect to pay around $2,000 - $5,000.
SUMMARY

• Taxing jurisdictions operate as a Tax Cap

• Increase Tax Cap if Service Area is underfunded

• Hold a public meeting where the commissioners vote to hold an election, or survey residents

• Educate residents

• Elections held in March

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