



# LEGISLATIVE RESEARCH SERVICES

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## Research Brief

TO: Representative Cathy Muñoz  
FROM: Susan Haymes, Legislative Analyst  
DATE: March 23, 2015  
RE: Property Tax Deferral and Exemption for Subdivided Property  
*LRS Report 15.336*

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***You asked which municipalities have adopted the property tax deferral option for subdivided property under AS § 29.45.051. Additionally, you asked which other states have enacted property tax exemptions for subdivided property.***

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In 2012, Alaska lawmakers authorized municipalities to allow the payment of taxes on the increase in the assessed value of subdivided land to be deferred for a maximum of five years (AS § 29.45.051).<sup>1</sup> According to Ron Brown, State Assessor, Juneau is the only municipality to have adopted such an ordinance.<sup>2</sup>

We identified three states—California, Idaho, and Illinois—that have enacted some type of property tax exemption related to subdivided property.<sup>3</sup> In California, under the “builder’s exclusion” provision, property owners may apply for an exemption from payment of supplemental taxes for new construction.<sup>4</sup> In 2005, the law was amended such that developers of single-family subdivisions of five lots or more no longer have to apply for the builder’s exemption. Rather, upon the recording of the subdivision map, eligible developers are automatically exempted from paying the supplemental tax.<sup>5</sup> The builder’s exclusion applies only to the supplemental assessment for new construction, not to the property’s annual property tax.

In 2012, Idaho lawmakers passed a site improvement exemption, also known as the “developer’s discount,” which provides a tax exemption for improvements such as streets, curbs, gutters, and utilities on land held in subdivisions.<sup>6</sup> The lots are appraised as undeveloped land using values from current raw land sales. The exemption extends only to those parcels that have not been built upon. According to the Idaho State Tax Commission, the intent of the law is to provide some tax relief to land developers that have incurred the expense of building roads and bringing in utilities and other infrastructure and have been left with an inventory of buildable lots that they are unable to sell.

Illinois enacted a “developer’s exemption,” which provides that in counties with fewer than 3 million residents, the subdivision of property into separate lots and the development of the property with streets, sidewalks, curbs, gutters, and utilities will not increase the assessed value of the property.<sup>7</sup> Essentially, the law provides that qualifying subdivided land is to be valued according to its use at the time the subdivision was recorded. For example, if the underlying land was assessed as farmland at the time of platting, the subdivision’s lots will be assessed as farmland. The assessed valuation of the subdivided property is

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<sup>1</sup> Ch 64 SLA 2012.

<sup>2</sup> We include, as Attachment A, Juneau Municipal Code § 69.10.022, which authorizes a property tax deferral for subdivided land allowed under AS § 29.45.051. Mr. Brown can be reached at 907.269.4605.

<sup>3</sup> We conducted a search of numerous sources including *LexisNexis*. While we believe our research to be thorough, given the variations of wording regarding this topic, we may have missed other states that allow some kind of exemption for subdivided property.

<sup>4</sup> Cal Rev & Tax Code §75.12.

<sup>5</sup> Builders of four or fewer single-family residences may also be exempted from a supplemental assessment on new construction that is built for sale, but are required to file a claim for exclusion within 30 days of starting construction.

<sup>6</sup> Idaho Code § 63-602W.

<sup>7</sup> 35 ILCS 200/10-30.

determined each year based on the estimated price the property would bring at fair market value for use by the buyer for the same purposes. The exemption is intended to encourage real estate development by providing a tax incentive that protects a developer from paying increased taxes until a return on the investment can be made.

We hope this is helpful. If you have questions or need additional information, please let us know.

#### 69.10.022 - Deferral for certain subdivided property.

All borough property taxes, including areawide, non-areawide, solid-waste collection district, and service area taxes derived from the increase in assessed value and directly attributable to the subdivision of a single parcel of property into three or more lots and any improvements made to the property necessitated by its subdivision may be deferred for a maximum of five years. This deferral is subject to the following conditions and restrictions:

- (a) The deferred value shall be the difference between the annually assessed value of each lot and the apportioned value of the original parcel allocated to each lot at the time of subdivision.
- (b) "Improvements made to the property necessitated by its subdivision" is limited to improvements required by Title 49 of the City and Borough of Juneau Code of Ordinances.
- (c) The deferral shall only apply to property for which a subdivision application was submitted in accordance with CBJ Title 49 on or after July 1, 2013.
- (d) A signed application on a form approved by the Assessor must be submitted prior to April 30 of each year a deferral is requested. The applicant must provide all relevant information and documents requested by the Assessor's Office.
- (e) The amount deferred each year is a lien upon the lot assessed. Lien recording costs shall be submitted with the application.
- (f) The deferral shall terminate for each lot when the lot's ownership is transferred, a residential or commercial structure has been completed on the lot and a certificate of occupancy or a temporary certificate of occupancy has been issued in accordance with CBJ Title 19, or taxes have been deferred for the maximum five-year period. When the deferral terminates, the deferred tax amounts shall be paid within 30 days of written notice. Failure to pay the amount due within 30 days of the date notice was mailed will result in interest accruing as provided by CBJ Code 69.10.080(3), and the property will be subject to the provisions of CBJ Chapter 69.10. The Treasurer or the Treasurer's designee shall sign a notarized release of lien upon payment of the deferred amounts but shall not be responsible for recording the release.
- (g) Definitions, for purposes of this section:
  - (1) "*Deferred value*" is defined as the increase in assessed value, if any, that is directly attributable to the subdivision of a single parcel of property into three or more lots and any improvements required by CBJ Title 49
  - (2) "*Assessed value*" is defined as the full and true value as of January 1 after recording of the final plat and before application of any other exemptions and/or deferrals.

(Serial No. 2013-20(b), § 2, 8-19-2013, eff. 9-18-2013)