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Member of the National League of Cities and the National Association of Counties

## **Re: SB 259 – Property Tax Assessment Increases**

Dear Members of the Senate Finance Committee,

Thank you for the opportunity to provide written testimony on SB 259.

The Alaska Municipal League (AML) supports SB 259 as a tool that provides local governments with additional flexibility to respond to the needs of local taxpayers who have to manage the impact of rapidly increasing, market-based property valuations. The ability for municipalities to adopt an optional cap that acts as a smoothing mechanism on annual increases to the assessed value of property offers a meaningful, locally driven approach to providing stability and predictability for owners facing sharp valuation increases.

We should say that we preferred the original version of this legislation, which attempted to address the impact felt by those with owner-occupied homes. This limited scope was targeted and responsive to the testimony describing individual homeowners, seniors, and other vulnerable taxpayers within a community unable to keep up with increasing valuation. This can be seen through the perspective of addressing Alaska's housing and affordability challenge.

To strengthen the bill and address concerns about clarity and implementation, we respectfully suggest a targeted amendment. Rather than including language that leaves open to interpretation what "penalizing" means, the statute should clearly state that: When a municipality adopts an ordinance establishing a cap under this section, the State Assessor shall use the capped assessed value as the full and true value determination. We recognize the committee's discussion regarding the importance of maintaining compliance with full and true value standards, and believe clarifying statutory language will help resolve this uncertainty.

At the same time, we recognize and appreciate the concerns raised by municipal assessors and others regarding implementation. As discussed in committee, these concerns include potential administrative complexity, impacts on maintaining full and true value standards, and unintended distortions in local property tax systems. These are important considerations, and we encourage that they continue to be carefully evaluated and addressed as municipalities consider whether and how to implement such a cap.

Alaska's longstanding policy choice not to require real estate sale price disclosure continues to present a fundamental challenge for municipal assessors. Without consistent, reliable sales data, assessors must rely on limited information, indirect indicators, and professional judgment to estimate market value—making the process inherently less precise than in disclosure states. This contributes to the very volatility and occasional large adjustments in assessed values that SB 259 seeks to address. SB259 maintains robust assessment standards, simply increasing the ability to offer relief to those who need it most. Importantly, SB 259 is structured as an optional tool. We believe that local governments are best positioned to weigh these tradeoffs, in consultation with their assessors and communities, and to determine whether adopting this smoothing is appropriate given local conditions and capacity.

This mechanism should complement—not replace—existing local tools such as mill rate adjustments. It is important to recognize that, over time, assessed values tend to increase at a relatively modest and predictable average rate—often in the range of about five percent annually. SB 259 does not fundamentally alter that long-term trajectory; rather, it provides a local option to smooth out atypical spikes that can occur in any given year. Concerns about a significant "snap-back" at the end of the ten-



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year period are understandable, but in practice are likely to be limited so long as locally adopted caps are set within a reasonable range of underlying market trends. The 10-year true-up also means that local assessors will still maintain a market-based assessment. If a community sets a cap near the historical average, the adjustment to reach full and true value should be gradual and manageable. Only in cases where smoothing is set well below actual market movement over time would a more pronounced correction be necessary—reinforcing the importance of thoughtful local calibration and ongoing assessor input.

In practice, many properties will reset to market value through sale or improvement well before the 10-year mark, and when locally adopted caps are set reasonably close to underlying market trends, the likelihood of a significant “snap-back” is limited. Maintaining flexibility for local governments to calibrate their approach, while retaining a clear outer boundary for true-up, strikes an appropriate balance between predictability, administrative practicality, and equity.

In closing, SB 259 offers a thoughtful, locally controlled mechanism to address real concerns about property tax volatility. With continued attention to assessor concerns and the clarifying amendment suggested above, we believe the bill can provide both flexibility and certainty for Alaska’s communities.

Thank you for your consideration.

A handwritten signature in blue ink, appearing to read "Nils Andreassen", written over a light blue horizontal line.

Nils Andreassen  
Executive Director