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SENATE CS FOR CS FOR HOUSE BILL NO. 10(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:

Referred:

**Sponsor(s): REPRESENTATIVES GRUENBERG, CHENAULT, THOMAS, GARA, HARRIS, AND
KAWASAKI, Richard Foster, Dahlstrom, Lynn, Olson, Gatto, Petersen**

SENATOR Meyer

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to mandatory exemptions from municipal property taxes for certain**
2 **assets of the Alaska Industrial Development and Export Authority and for property**
3 **owned by certain private colleges or universities; relating to optional exemptions from**
4 **municipal property taxes for certain residential property; and providing for an effective**
5 **date."**

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 *** Section 1. AS 29.45.030(a) is amended to read:**

8 (a) The following property is exempt from general taxation:

9 (1) municipal property, including property held by a public corporation
10 of a municipality, state property, property of the University of Alaska, or land that is
11 in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-
12 830, 70 Stat. 709, except that

13 (A) a private leasehold, contract, or other interest in the
14 property is taxable to the extent of the interest; **however, an interest created**
15 **by a nonexclusive use agreement between the Alaska Industrial**

1 Development and Export Authority and a user of an integrated
2 transportation and port facility owned by the authority and initially
3 placed in service before January 1, 1999, is taxable only to the extent of,
4 and for the value associated with, those specific improvements used for
5 lodging purposes;

6 (B) notwithstanding any other provision of law, property
7 acquired by an agency, corporation, or other entity of the state through
8 foreclosure or deed in lieu of foreclosure and retained as an investment of a
9 state entity is taxable; this subparagraph does not apply to federal land granted
10 to the University of Alaska under AS 14.40.380 or 14.40.390, or to other land
11 granted to the university by the state to replace land that had been granted
12 under AS 14.40.380 or 14.40.390, or to land conveyed by the state to the
13 university under AS 14.40.365;

14 (C) an ownership interest of a municipality in real property
15 located outside the municipality acquired after December 31, 1990, is taxable
16 by another municipality; however, a borough may not tax an interest in real
17 property located in the borough and owned by a city in that borough;

18 (2) household furniture and personal effects of members of a
19 household;

20 (3) property used exclusively for nonprofit religious, charitable,
21 cemetery, hospital, or educational purposes;

22 (4) property of a nonbusiness organization composed entirely of
23 persons with 90 days or more of active service in the armed forces of the United States
24 whose conditions of service and separation were other than dishonorable, or the
25 property of an auxiliary of that organization;

26 (5) money on deposit;

27 (6) the real property of certain residents of the state to the extent and
28 subject to the conditions provided in (e) of this section;

29 (7) real property or an interest in real property that is exempt from
30 taxation under 43 U.S.C. 1620(d), as amended;

31 (8) property of a political subdivision, agency, corporation, or other

1 entity of the United States to the extent required by federal law; except that a private
2 leasehold, contract, or other interest in the property is taxable to the extent of that
3 interest unless the property is located on a military base or installation and the
4 property interest is created under 10 U.S.C. 2871 - 2885 (Military Housing
5 Privatization Initiative), provided that the leaseholder enters into an agreement to
6 make a payment in lieu of taxes to the political subdivision that has taxing authority;

7 (9) natural resources in place including coal, ore bodies, mineral
8 deposits, and other proven and unproven deposits of valuable materials laid down by
9 natural processes, unharvested aquatic plants and animals, and timber;

10 **(10) property not exempt under (3) of this subsection that is owned**
11 **by a private or nonprofit college or university that is accredited by a regional or**
12 **national accrediting agency recognized by the Council for Higher Education**
13 **Accreditation or the United States Department of Education, or both.**

14 * Sec. 2. AS 29.45.030(a), as amended by sec. 1 of this Act, is amended to read:

15 (a) The following property is exempt from general taxation:

16 (1) municipal property, including property held by a public corporation
17 of a municipality, state property, property of the University of Alaska, or land that is
18 in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-
19 830, 70 Stat. 709, except that

20 (A) a private leasehold, contract, or other interest in the
21 property is taxable to the extent of the interest; [HOWEVER, AN INTEREST
22 CREATED BY A NONEXCLUSIVE USE AGREEMENT BETWEEN THE
23 ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY
24 AND A USER OF AN INTEGRATED TRANSPORTATION AND PORT
25 FACILITY OWNED BY THE AUTHORITY AND INITIALLY PLACED IN
26 SERVICE BEFORE JANUARY 1, 1999, IS TAXABLE ONLY TO THE
27 EXTENT OF, AND FOR THE VALUE ASSOCIATED WITH, THOSE
28 SPECIFIC IMPROVEMENTS USED FOR LODGING PURPOSES;]

29 (B) notwithstanding any other provision of law, property
30 acquired by an agency, corporation, or other entity of the state through
31 foreclosure or deed in lieu of foreclosure and retained as an investment of a

1 state entity is taxable; this subparagraph does not apply to federal land granted
2 to the University of Alaska under AS 14.40.380 or 14.40.390, or to other land
3 granted to the university by the state to replace land that had been granted
4 under AS 14.40.380 or 14.40.390, or to land conveyed by the state to the
5 university under AS 14.40.365;

6 (C) an ownership interest of a municipality in real property
7 located outside the municipality acquired after December 31, 1990, is taxable
8 by another municipality; however, a borough may not tax an interest in real
9 property located in the borough and owned by a city in that borough;

10 (2) household furniture and personal effects of members of a
11 household;

12 (3) property used exclusively for nonprofit religious, charitable,
13 cemetery, hospital, or educational purposes;

14 (4) property of a nonbusiness organization composed entirely of
15 persons with 90 days or more of active service in the armed forces of the United States
16 whose conditions of service and separation were other than dishonorable, or the
17 property of an auxiliary of that organization;

18 (5) money on deposit;

19 (6) the real property of certain residents of the state to the extent and
20 subject to the conditions provided in (e) of this section;

21 (7) real property or an interest in real property that is exempt from
22 taxation under 43 U.S.C. 1620(d), as amended;

23 (8) property of a political subdivision, agency, corporation, or other
24 entity of the United States to the extent required by federal law; except that a private
25 leasehold, contract, or other interest in the property is taxable to the extent of that
26 interest unless the property is located on a military base or installation and the
27 property interest is created under 10 U.S.C. 2871 - 2885 (Military Housing
28 Privatization Initiative), provided that the leaseholder enters into an agreement to
29 make a payment in lieu of taxes to the political subdivision that has taxing authority;

30 (9) natural resources in place including coal, ore bodies, mineral
31 deposits, and other proven and unproven deposits of valuable materials laid down by

1 natural processes, unharvested aquatic plants and animals, and timber;

2 (10) property not exempt under (3) of this subsection that is owned by
3 a private or nonprofit college or university that is accredited by a regional or national
4 accrediting agency recognized by the Council for Higher Education Accreditation or
5 the United States Department of Education, or both.

6 * **Sec. 3.** AS 29.45.030(a), as amended by secs. 1 and 2 of this Act, is amended to read:

7 (a) The following property is exempt from general taxation:

8 (1) municipal property, including property held by a public corporation
9 of a municipality, state property, property of the University of Alaska, or land that is
10 in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-
11 830, 70 Stat. 709, except that

12 (A) a private leasehold, contract, or other interest in the
13 property is taxable to the extent of the interest;

14 (B) notwithstanding any other provision of law, property
15 acquired by an agency, corporation, or other entity of the state through
16 foreclosure or deed in lieu of foreclosure and retained as an investment of a
17 state entity is taxable; this subparagraph does not apply to federal land granted
18 to the University of Alaska under AS 14.40.380 or 14.40.390, or to other land
19 granted to the university by the state to replace land that had been granted
20 under AS 14.40.380 or 14.40.390, or to land conveyed by the state to the
21 university under AS 14.40.365;

22 (C) an ownership interest of a municipality in real property
23 located outside the municipality acquired after December 31, 1990, is taxable
24 by another municipality; however, a borough may not tax an interest in real
25 property located in the borough and owned by a city in that borough;

26 (2) household furniture and personal effects of members of a
27 household;

28 (3) property used exclusively for nonprofit religious, charitable,
29 cemetery, hospital, or educational purposes;

30 (4) property of a nonbusiness organization composed entirely of
31 persons with 90 days or more of active service in the armed forces of the United States

1 whose conditions of service and separation were other than dishonorable, or the
2 property of an auxiliary of that organization;

3 (5) money on deposit;

4 (6) the real property of certain residents of the state to the extent and
5 subject to the conditions provided in (e) of this section;

6 (7) real property or an interest in real property that is exempt from
7 taxation under 43 U.S.C. 1620(d), as amended;

8 (8) property of a political subdivision, agency, corporation, or other
9 entity of the United States to the extent required by federal law; except that a private
10 leasehold, contract, or other interest in the property is taxable to the extent of that
11 interest unless the property is located on a military base or installation and the
12 property interest is created under 10 U.S.C. 2871 - 2885 (Military Housing
13 Privatization Initiative), provided that the leaseholder enters into an agreement to
14 make a payment in lieu of taxes to the political subdivision that has taxing authority;

15 (9) natural resources in place including coal, ore bodies, mineral
16 deposits, and other proven and unproven deposits of valuable materials laid down by
17 natural processes, unharvested aquatic plants and animals, and timber;

18 (10) property not exempt under (3) of this subsection that is owned by
19 a private or nonprofit college or university that is accredited by a regional or national
20 accrediting agency recognized by the Council for Higher Education Accreditation or
21 the United States Department of Education, or both, **except that a private leasehold,
22 contract, or other interest in the property is taxable to the extent of the private
23 interest.**

24 * Sec. 4. AS 29.45.030(e) is amended to read:

25 (e) The real property owned and occupied as the primary residence and
26 permanent place of abode by a [(1)] resident **who is (1) 65 years of age or older; (2) a
27 disabled veteran; or (3) [RESIDENT] at least 60 years of age and [OLD WHO IS] the
28 widow or widower of a person who qualified for an exemption under (1) or (2) of this
29 subsection [,] is exempt from taxation on the first \$150,000 of the assessed value of
30 the real property. **A municipality may by ordinance approved by the voters grant
31 the exemption under this subsection to the widow or widower under 60 years of****

1 **age of a person who qualified for an exemption under (2) of this subsection.** A
 2 municipality may, in case of hardship, provide for exemption beyond the first
 3 \$150,000 of assessed value in accordance with regulations of the department. Only
 4 one exemption may be granted for the same property and, if two or more persons are
 5 eligible for an exemption for the same property, the parties shall decide between or
 6 among themselves who is to receive the benefit of the exemption. Real property may
 7 not be exempted under this subsection if the assessor determines, after notice and
 8 hearing to the parties, that the property was conveyed to the applicant primarily for the
 9 purpose of obtaining the exemption. The determination of the assessor may be
 10 appealed under AS 44.62.560 - 44.62.570.

11 * **Sec. 5.** AS 29.45 is amended by adding a new section to read:

12 **Sec. 29.45.053. Exemption for certain residences of law enforcement**
 13 **officers.** (a) A municipality may, by ordinance, provide for the designation of areas
 14 within its boundaries that are eligible for tax exemptions on parcels of residential
 15 property. The amount of the tax exemption provided in the ordinance may not exceed
 16 \$150,000 of the assessed value of a parcel. The exemption may be granted for a parcel
 17 only if it is

- 18 (1) entirely within an eligible area;
- 19 (2) primarily used for residential purposes; and
- 20 (3) owned and occupied as the primary place of abode by a law
 21 enforcement officer.

22 (b) Only one exemption may be granted for the same parcel under an
 23 ordinance adopted under (a) of this section, and, if two or more individuals are eligible
 24 for an exemption for the same parcel, the individuals shall decide between or among
 25 themselves who is to receive the benefit of the exemption.

26 (c) The municipality that adopts the ordinance under (a) of this section may
 27 not request state funds to cover any loss of revenue to the municipality caused by the
 28 ordinance.

29 (d) The ordinance adopted under (a) of this section must define "law
 30 enforcement officer" to include only some or all positions listed in the definition of
 31 "peace officer" in AS 01.10.060 or in the definition of "police officer" in

1 AS 18.65.290. The ordinance may include other eligibility requirements for an area;
2 however, an eligible area must

3 (1) meet the eligibility requirements under a federal program of special
4 assistance for urban development, neighborhood revitalization, or law enforcement,
5 without regard to whether an application for the federal assistance on behalf of the
6 area has been made or whether the area has received or is receiving the federal
7 assistance;

8 (2) have a statistically higher occurrence of crime than the
9 municipality as a whole; the crime rate for an eligible area must be established in the
10 ordinance; or

11 (3) meet the requirements of (1) and (2) of this subsection.

12 (e) The municipality may establish a specific area as an eligible area for
13 purposes of this section only in the ordinance adopted under (a) of this section or by
14 adopting a separate ordinance. The municipality is not required to establish as an
15 eligible area for purposes of this section every area that meets the requirements of the
16 ordinance that is adopted under (a) of this section.

17 * **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to
18 read:

19 **RETROACTIVITY.** AS 29.45.030(a)(1)(A), as amended by sec. 1 of this Act, is
20 retroactive to November 30, 2009.

21 * **Sec. 7.** Sections 1 and 6 of this Act take effect immediately under AS 01.10.070(c).

22 * **Sec. 8.** Section 2 of this Act takes effect November 30, 2012.

23 * **Sec. 9.** Section 3 of this Act takes effect December 31, 2035.