

Alaska State Senate

Senator Forrest Dunbar

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SB 77: MUNI PROP TAX EXEMPTION/TAX BLIGHTED PROP

SB 77 provides local governments with additional, optional tools to incentivize economic development.

First, SB 77 allows municipalities to fully exempt property taxes for economic development purposes. Currently, municipalities may only exempt the portion of property taxes that is above the district's required local contribution. SB 77 removes this limit for economic development properties. However, this change does not impact education funding. The mandated local contribution must still be met, but other revenue sources may be used to meet this requirement.

Second, SB 77 allows local governments to levy a "blight tax". "Blighted" properties are heavily deteriorated properties that can reduce property tax and quality of life by devaluing neighboring properties. Blighted properties often become a magnet for criminal activity, which impose additional costs upon the local government. A "blight tax" implements a higher tax on these properties, however, the tax is reduced when the property is appropriately remediated and no longer considered "blighted." Under SB 77, it is up to the local government's discretion to define what properties are considered "blighted," what the tax rate would be, and what is considered "remediated." It is further left to the local government's discretion whether they seek to establish this system; they cannot use the blight tax tool without adopting additional local code.

Declining state revenue has limited the State's ability to invest in economic development initiatives. This has left the municipalities to rely more on their own means to facilitate those projects. Coupled with rising construction costs and an insufficient labor force, economic development initiatives have suffered. SB 77 seeks to address these concerns by providing further options for localities; however, it does not impose any new requirements—local governments are free to use these tools or to decline to do so. I urge your support.

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