

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 4
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Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title: Municipal Property Tax Exemption BRU: Revenue Operations
 Component: Tax Division
 Sponsor: Senator Therriault
 Requester: Senate Community and Regional Affairs Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	(1,600.0)	(1,600.0)	(1,600.0)	(1,600.0)	(1,600.0)	(1,600.0)
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would allow municipalities to increase -- by a vote of the public -- the residential property tax exemption from the current \$10,000 to \$50,000 in assessed value per residence. This could have an indirect effect on state revenues if municipalities increase their residential property assessment exemption and then increase their overall mill rate to make up for the lost revenue. Under AS 43.56, the state imposes a 20-mill tax on oil and gas property in the state. If the municipality in which the oil and gas property is located also has a property tax, the taxpayer is allowed a credit for any local taxes before paying the state tax. For example, assume a \$1 million item located in a borough with a 15-mill tax rate. The taxpayer pays \$15,000 to the locality. When it files its state taxes it has an obligation of \$20,000, offset by a tax credit of \$15,000, so it only sends a check for \$5,000 to the state. Therefore, if the mill rates increase in localities that have extensive oil and gas production property, oil and gas taxpayers will pay more to the localities and less to the state.

The projected \$1.6 million annual cost to the state of this legislation assumes that all of the localities that already grant the \$10,000 residential exemption will increase it to \$50,000, and will want to replace all of the revenues they would lose from the increased exemption and will use an increased mill rate to accomplish that -- thereby reducing state oil and gas property tax collections.

Prepared by: Dan Dickinson, Director Phone 269-1033
 Division: Tax Division Date/Time 11a.m., Feb. 6, 2001
 Approved by: Larry Persily, Deputy Commissioner Date Feb. 6, 2001
 Agency: Department of Revenue

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