FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number:	3
Bill Version:	CSSB 4 (FIN)
(S) Publish Date:	4/5/01

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 Finance	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						
CHANGE IN REVENUES ( )	**(714.1)**	**(714.1)**	**(714.1)**	**(714.1)**	**(714.1)**	**(714.1)**

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)*

See attached page.

Prepared by:	Dan Dickinson, Director	Phone	269-1033
Division	Tax Division	Date/Time	3 p.m., March 28, 2001
Approved by:	Larry Persily, Deputy Commissioner	Date	03/28/2001
Agency	Department of Revenue		

For distribution information, call the Governor's Legislative Office

(Rev 1/26/2000 OMB)

This legislation would allow some municipalities to increase -- by a vote of the public -- the residential property tax exemption from the current $10,000 per residence to $30,000 per residence, or 20% in assessed value per residence, whichever is less. 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 oil and gas property valued at $1 million is located in a borough with a 15-mill tax rate. The taxpayer would pay $15,000 to the locality. When it files its state taxes it has an obligation of $20,000 (the 20-mill rate), offset by a tax credit of $15,000, so it would send a check for $5,000 to the state. Therefore, if the mill rates increase because of this legislation 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 $714.1 annual cost to the state of this legislation assumes that all of the localities that already grant the $10,000 residential exemption would increase it to $30,000 and would want to replace all of the revenues they would lose from the increased exemption. The $714.1 cost also assumes that the municipalities would use an increased mill rate to replace the lost revenues -- thereby reducing state oil and gas property tax collections.

However, the $714.1 estimate is a maximum because, in some limited cases, this legislation could actually result in higher residential property tax payments to municipalities. Under this legislation, most municipalities in the state would see the existing $10,000 residential tax assessment exemption change to $30,000, or a minimum of 20% of a residence's tax assessment, whichever is less. Because of that change, mobile homes, trailers and small homes valued at under $50,000 could actually pay higher property taxes under this bill. For example, a $40,000 trailer home under existing law could receive a $10,000 tax assessment exemption, leaving a taxable assessment of $30,000. But under this legislation, the exemption would be limited to 20% of the trailer's value, or $8,000. Instead of paying property taxes on $30,000 under the existing law, the property owner would pay taxes on $32,000 ($40,000 - $8,000), resulting in a slightly higher tax payment.

It also should be noted that we have not included the North Slope Borough in our calculations for this legislation because the borough would be excluded from the option of increasing the property tax exemption above $10,000 per residence. Sec. 2 of the bill says a municipality may not adopt a property tax exemption in excess of $10,000 per residence if the municipality has a “level of total bonded indebtedness that equals of exceeds $15,000 multiplied by the number of residents in the municipality.” The North Slope Borough is the only municipality in Alaska that exceeds that limit at this time.