

**ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS
STANDING COMMITTEE**

February 22, 2001
8:04 a.m.

MEMBERS PRESENT

Representative Kevin Meyer, Co-Chair
Representative Carl Morgan, Co-Chair
Representative Andrew Halcro
Representative Drew Scalzi
Representative Lisa Murkowski
Representative Gretchen Guess
Representative Beth Kerttula

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 24

"An Act relating to use of certain borough revenues for a tourism marketing campaign."

- MOVED CSHB 24(EDT) OUT OF COMMITTEE

HOUSE BILL NO. 118

"An Act relating to a mandatory exemption from municipal taxes on certain residences; and providing for an effective date."

- MOVED HB 118 OUT OF COMMITTEE

PREVIOUS ACTION

BILL: HB 24

SHORT TITLE: BOROUGH REVENUES FOR TOURISM

SPONSOR(S): REPRESENTATIVE(S) WHITAKER

Jrn-Date	Jrn-Page		Action
01/08/01	0030	(H)	PREFILE RELEASED 12/29/00
01/08/01	0030	(H)	READ THE FIRST TIME - REFERRALS
01/08/01	0030	(H)	EDT, CRA
02/08/01		(H)	EDT AT 5:00 PM CAPITOL 124

02/08/01		(H)	Moved CSHB 24(EDT) Out of Committee
02/08/01		(H)	MINUTE(EDT)
02/12/01	0296	(H)	EDT RPT CS(EDT) NT 4DP 3NR
02/12/01	0296	(H)	DP: JAMES, DYSON, CRAWFORD, MCGUIRE;
02/12/01	0296	(H)	NR: MORGAN, MASEK, GREEN
02/12/01	0296	(H)	FN1: ZERO(CED)
02/21/01	0392	(H)	COSPONSOR(S): HALCRO
02/22/01		(H)	CRA AT 8:00 AM CAPITOL 124

BILL: HB 118

SHORT TITLE:SR. CIT./VETERAN PROPERTY

SPONSOR(S): REPRESENTATIVE(S)WHITAKER

Jrn-Date	Jrn-Page		Action
02/07/01	0267	(H)	READ THE FIRST TIME - REFERRALS
02/07/01	0267	(H)	CRA
02/22/01		(H)	CRA AT 8:00 AM CAPITOL 124

WITNESS REGISTER

REPRESENTATIVE JIM WHITAKER

Alaska State Legislature
Capitol Building, Room 411
Juneau, Alaska 99801

POSITION STATEMENT: Testified as sponsor of HB 24 and HB 118.

LORI BACKES, Staff
to Representative Whitaker
Alaska State Legislature
Capitol Building, Room 411
Juneau, Alaska 99801

POSITION STATEMENT: Answered questions regarding HB 118.

STEVE VAN SANT, State Assessor
Division of Community and Business Development
Department of Community & Economic Development
550 West 7th Avenue, Suite 1790
Anchorage, Alaska 99501-3510

POSITION STATEMENT: Testified on HB 118.

ACTION NARRATIVE

TAPE 01-11, SIDE A

Number 0001

CO-CHAIR CARL MORGAN called the House Community and Regional Affairs Standing Committee meeting to order at 8:04 a.m. Representatives Morgan, Meyer, Scalzi, and Guess were present at the call to order. Representatives Halcro, Murkowski, and Kerttula arrived as the meeting was in progress.

HB 24-BOROUGH REVENUES FOR TOURISM MARKETING

CO-CHAIR MORGAN announced that the first order of business would be HOUSE BILL NO. 24, "An Act relating to use of certain borough revenues for a tourism marketing campaign." [Before the committee is CSHB 24(EDT).]

Number 0092

REPRESENTATIVE JIM WHITAKER, Alaska State Legislature, testified as sponsor of HB 24. Simply, HB 24 allows for a local option regarding the usage of bed taxes. He offered to answer any questions from the committee.

Number 0240

CO-CHAIR MEYER inquired as to what communities would be impacted by this bill. He related his understanding that Anchorage would not be impacted by this bill.

REPRESENTATIVE WHITAKER affirmed that he shared Co-Chair Meyer's understanding. He recalled that there are about eight communities that would be impacted by this legislation.

Number 0385

BRETT CARLSON, Northern Alaska Tour Company, testified via teleconference. Although HB 24 is a simple bill, it does address an important issue for the visitor industry. He explained that since the 1970s small visitor industry businesses in communities throughout Alaska have relied on their local destination marketing organizations in order to help them compete in the increasingly competitive market place. These local destination marketing organizations are typically funded through a local tax, which is often a bed tax. Such taxes are often collected with the specific intent to help small businesses compete in the travel industry. However, Title 29 has the potential to create a situation, in 11 organized boroughs, in which a visitor tax that was enacted to fund the

industry cannot be used for that purpose. He explained that Title 29 grants second class boroughs, where the problem would be the greatest, a nonareawide economic development power. However, most of the bed taxes in the second class boroughs have been enacted on an areawide basis. He returned to Title 29 and pointed out that it says a nonareawide power cannot be used to spend an areawide tax and therein lies the challenge. This issue has come up in Fairbanks. This legislation would solve the problem. He echoed earlier comments that HB 24 would merely provide an option to the local communities. Mr. Carlson urged support of HB 24, which has support throughout the state. He informed the committee that Alaska Travel Industry Association (ATIA) has passed a resolution in support of HB 24 and the Anchorage Convention and Visitors Bureau is supportive of HB 24. In regard to Co-Chair Meyer's earlier comments, Mr. Carlson pointed out that HB 24 would indirectly benefit unified municipalities in that marketing done by any community in the state would benefit gateway communities, such as Anchorage. He indicated that allowing other communities to contribute to statewide marketing programs is also beneficial to the [unified municipalities].

Number 0802

DEBBIE TILSWORTH, Riverboat Discovery; Chair, Local Chapter of the Fairbanks Travel Industry, testified via teleconference. She remarked on the timeliness of HB 24. As [Fairbanks] looks to increasing funding in the travel industry, Fairbanks has a number of challenges. One of the challenges is to become involved in the borough's budgeting process this year. However, that is not allowed under the current [statute]. Therefore, she indicated the need to move HB 24 along in a timely fashion in order to allow the Fairbanks North Star Borough mayor and assembly to approve funding for destination marketing in the fiscal year 2002.

CO-CHAIR MORGAN asked if anyone on the teleconference in Fairbanks was opposed to this legislation. There was an indication that everyone in the Fairbanks Legislative Information Office was supportive of the bill.

REPRESENTATIVE HALCRO referred to line 5 of CSHB 24(EDT) and the language "sales tax levied upon room rentals". He assumed that language referred to hotel, motel, and bed and breakfast room rentals not a rental apartment. He asked if there should be any concern with the broad title.

REPRESENTATIVE WHITAKER explained that the title was changed due to a concern that the original title was too broad and thus was tightened to the current language. Representative Whitaker said that he wasn't opposed to tightening the title further to specify "bed tax revenues." Representative Whitaker indicated his ambivalence toward the title.

REPRESENTATIVE HALCRO asked if Fairbanks has a tax on the monthly apartment rental.

REPRESENTATIVE WHITAKER replied no.

REPRESENTATIVE HALCRO specified that his concern is in regard to someone renting apartments and whether a portion of that [tax] revenue should be used for tourism marketing.

REPRESENTATIVE WHITAKER acknowledged that [issue] could be raised if [an apartment rental] tax was in place. He said, "Knowing my own borough, ... I would be very surprised if that ever happened."

Number 1075

REPRESENTATIVE KERTTULA asked if Representative Whitaker had reviewed the March 17, 2000, memorandum from Tamara Cook, Director, Legal and Research Services, Legislative Affairs Agency, which addresses the issue as to whether the Fairbanks North Star Borough has the power to conduct a campaign under Title 29.

REPRESENTATIVE WHITAKER said that he had reviewed the aforementioned memorandum. He explained that the memorandum responds to whether the Fairbanks North Star Borough may use proceeds from a bed tax for a tourism marketing campaign, to which Ms. Cook replied no. That is the situation under existing law and thus this legislation would attempt to correct that situation.

REPRESENTATIVE KERTTULA asked, "Do you think that, then, covers the issue of whether it [the Fairbanks North Star Borough] has the power under [AS] 29.35.210, ... the broader scope issue."

REPRESENTATIVE WHITAKER replied yes.

REPRESENTATIVE MURKOWSKI asked if the common vernacular used is "bed tax."

REPRESENTATIVE WHITAKER replied yes.

REPRESENTATIVE MURKOWSKI remarked that it would be more straightforward if it were referred to as a "bed tax," although she believes the point is understood.

Number 1255

CO-CHAIR MEYER moved to report CSHB 24(EDT) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 24(EDT) was reported from the House Community and Regional Affairs Standing Committee.

HB 118-SR. CIT./VETERAN PROPERTY TAX EXEMPTION

CO-CHAIR MORGAN announced that the next order of business would be HOUSE BILL NO. 118, "An Act relating to a mandatory exemption from municipal taxes on certain residences; and providing for an effective date."

Number 1370

REPRESENTATIVE JIM WHITAKER, Alaska State Legislature, testified as sponsor of HB 188. He explained that current statute provides a property tax exemption for Alaska's senior citizens, disabled veterans, widows, and widowers who are 60 years of age. He further explained, "A one-time filing is allowed for 'non-senior residential property tax exemption,' that is: disabled veterans, widows, and widowers are allowed to file for an exemption one time whereas senior citizens are required to file yearly." This can be a significant imposition in some cases. For example, an elderly woman in Fairbanks had not filed her property tax exemption for several years. This woman was evicted and her property was taken by the borough. This woman was unable to understand the process. This legislation would simply allow local municipalities to establish their own procedure for senior property tax exemption filing.

Number 1501

REPRESENTATIVE MURKOWSKI related her understanding that only senior citizens have to apply on an annual basis. However, the sponsor statement says, "current Alaska Statute requires the recipient of the senior citizen, disabled veteran and widow and widower's exemption to file an application each year in order to qualify."

REPRESENTATIVE WHITAKER answered that the sponsor statement is correct.

REPRESENTATIVE MURKOWSKI then related her understanding that all of the aforementioned groups have to apply each year.

REPRESENTATIVE WHITAKER agreed.

REPRESENTATIVE MURKOWSKI asked if the municipalities currently have the option to only require the disabled veterans or senior citizens to apply once.

REPRESENTATIVE WHITAKER replied no. Currently, this [annual filing requirement] is mandated by state law and thus is not a local option.

REPRESENTATIVE MURKOWSKI surmised then that HB 118 would allow disabled veterans, senior citizens, and widows and widowers to only file once.

Number 1650

LORI BACKES, Staff to Representative Whitaker, Alaska State Legislature, explained that HB 118 doesn't change or mandate that municipalities set their application process in any particular timeframe. This legislation provides municipalities with the option to establish the filing requirements for their local area. In response to Representative Murkowski, Ms. Backes agreed that HB 118 applies to the statute that requires this property tax exemption and thus covers all three categories [disabled veterans, senior citizens, and widows and widowers].

REPRESENTATIVE MURKOWSKI inquired as to the municipal assessors offices' opinion of HB 118.

MS. BACKES noted that she has spoken with the state assessors as well as [Fairbanks's] local borough assessors, who don't have a problem with this. Originally, there was discussion regarding requiring a one-time filing. In regard to the notion of having the filing requirements be a local option, [the assessors] have not yet responded to that.

Number 1805

STEVE VAN SANT, State Assessor, Division of Community and Business Development, Department of Community & Economic Development, testified via teleconference. The original bill

included a one-time filing. He noted that Ms. Backes took some of the comments from the assessors and inserted the established procedures and deadlines for the application, which he believes helped the assessors with some of their concerns. Mr. Van Sant informed the committee that the "2000 Alaska Taxable," which includes an overview of the senior citizen, disabled veteran property tax exemption program for the tax year 2000, is available. For tax year 2000, this \$28.2 million program had about 16,600 applicants, of which about 15,000 were senior citizens and about 1,700 were disabled veterans. Currently, senior citizens and disabled veterans are required to file annually. He pointed out that the annual filing requirement for disabled veterans will probably remain such, even under HB 118, because the percentage of disability does change.

Number 1918

MR. VAN SANT informed the committee that one area of concern for the assessors is the change located on page 2, lines 5-7, which refers to timely filing. The requirement of filing within the assessment year has been removed and it seems that these individuals can file in any year for any prior year. In such a case it would be difficult for assessors to make observations regarding whether the property met the exemption criteria in prior years. Mr. Van Sant informed the committee that the preferred language would be as follows: "If a failure to timely file the initial application, no later than March 31 of the assessment year." Such language would be more beneficial to [the assessors].

MR. VAN SANT also informed the committee of the situation in which applicants to this program move or sell their property or die and the assessors office is not made aware of these changes. Therefore, the property would remain exempt until the assessor is made aware of the aforementioned changes. He expressed the need to include language specifying that when a property becomes ineligible for the exemption, a lien will attach for the taxes of the prior years. Thus, the taxes wouldn't be exempted during the time the property was ineligible for the exemption.

REPRESENTATIVE KERTTULA inquired as to what the lien would be for.

MR. VAN SANT explained that there are often trusts; however, they often don't let the assessors office know that the individual is no longer eligible for the property tax exemption. There have been cases that have [been in exempt status, although

that was not correct due to some change] for three to five years. This would allow the taxes to accrue from the time of ineligibility to the current date and thus the taxes would be due for all the prior years.

REPRESENTATIVE KERTTULA asked if that is the current law.

MR. VAN SANT replied yes.

REPRESENTATIVE KERTTULA asked if Mr. Van Sant is concern that the assessors would not receive the notice and thus need more statutory authority to get a lien.

MR. VAN SANT explained, "It's more of a notice to applicants that should the property become ineligible that the prior years' taxes will be owed on the property and will become a lien." In further response to Representative Kerttula, Mr. Van Sant didn't have any suggestions to change HB 118, but he did offer to work with the sponsor in order to develop some language.

REPRESENTATIVE KERTTULA asked if this was something that [assessors] could just do without having to change the bill.

MR. VAN SANT said he was not sure that it would be necessary to change HB 118 if the record reflects that intent. He remarked, "We could put it in the initial applications."

Number 2138

REPRESENTATIVE KERTTULA clarified:

I think you already have the power. I mean, certainly, when you're ineligible to receive the exemption you can't get it. If you've died, its going to go to your estate, or trust, or whatever. So, at that point, the only tricky part for you may be that you wouldn't have that filing to trigger your knowledge every year, but I think you certainly have the statutory ability to file a lien if you haven't gotten your proper taxes.

REPRESENTATIVE SCALZI referred to the following language: "Each municipality shall, by ordinance, establish procedures and deadlines", which he identified as the local option. Therefore, if the local assessor has problems with filing deadlines, or timelines, or payment problems "they" should be able to

[correct] that themselves. He said he didn't see that being of concern for the state.

MR. VAN SANT remarked that the assessors sometimes have very little political clout with these exemptions. Although he wanted to agree with Representative Scalzi's assessment, he indicated that political pressure can push [the assessors] "out in the outfield."

Number 2242

CO-CHAIR MEYER turned to the intent of the program, which he understood to be to encourage and reward Alaska's elderly to continue to live in Alaska. He expressed concern that if these people were allowed to file [for this property tax exemption] once every five years, what would prevent abuse. Abuse being a situation in which an individual keeps his/her property and rents out that property that has the property tax exemption while he/she actually lives elsewhere. He commented that perhaps this is a concern for the local government.

MR. VAN SANT informed the committee that this program began in 1973 with 911 applicants and less than \$200,000 was exempted. Originally, the program had a \$10,000 annual income requirement for eligibility. In 1985 the language referring to the disabled veterans and the widows and widowers was added to the program. Currently, the assessor's office uses the annual filing as a preliminary indication as to whether individuals are living on a property. Although this doesn't catch everyone, a return address that is outside the state can alert the assessor's office to investigate. Often, a neighbor will call and complain that an individual isn't living on the property continually, which would also prompt investigation. Mr. Van Sant estimated that those abusing the program are small in number, perhaps less than 2-3 percent. He pointed out that there will be no methodology for the assessor to uncover [abuse of the program] unless someone informs the assessor's office. He noted that there could be authority placed with the assessor such that when the assessor believes someone is taking advantage of the program, the assessor could begin an investigation.

CO-CHAIR MEYER inquired as to the requirement for eligibility for this program.

MR. VAN SANT explained that the program requires an individual to be 65 years or older, or a disabled veteran with a 50 percent [or greater] disability as of January 1 of the assessment year

for which the exemption is sought. Furthermore, the property has to be the primary place of abode. Mr. Van Sant informed the committee that the Alaska Association of Assessing Officers has drafted a voluntary standard that basically mirrors the language for the senior longevity bonus, which requires 180 residency in the house in order to maintain the exemption. He pointed out that if any parts, there being several, of the standard are not met, the assessor would launch an investigation and probably deny the exemption. He expressed the hope that the voluntary standard would be brought into regulation within a few years.

Number 2505

REPRESENTATIVE MURKOWSKI surmised that although there is a voluntary standard, HB 118 would make it a local option for the municipalities to establish these [requirements]. Therefore, Fairbanks could say there is no requirement that the individual be in the home for any length of time while Anchorage could require residency in the home for 185 days. She asked if that is correct.

MR. VAN SANT agreed with Representative Murkowski's conclusion. He pointed out that if HB 118 passed, the [Assessor's Office] would suggest all municipalities adopt the voluntary standards.

REPRESENTATIVE KERTTULA pointed out that HB 118 doesn't touch the primary residence and abode section of the [existing] statute. This legislation just changes the application and the form. She clarified that HB 118 would not allow, by municipal ordinance, an individual to live outside of the state and apply for the property tax exemption. Representative Kerttula asked if she was correct.

MR. VAN SANT indicated that Representative Kerttula was correct; this legislation is aimed at the application.

REPRESENTATIVE MURKOWSKI turned to the concern raised regarding retroactivity and Mr. Van Sant's suggestion to insert language regarding when an individual files the initial application. She asked if Mr. Van Sant is concerned that an individual could simply say that he/she didn't know about the exemption, although he/she had lived on the property for five years and thus receive a rebate on the taxes for the past five years.

MR. VAN SANT said that is the exact concern. Currently, the statute says that an individual, good reason, can make an application within the year, even if it is late, and the

governing body can direct the assessor to accept the application as a timely file for that year. The legislation eliminates the language "that year" and thus the concern is borne. He pointed out that there are individuals who, on an annual basis, request an exemption for prior years and under this [legislation] that might be appropriate.

REPRESENTATIVE KERTTULA remarked, "I'm not certain I see anything wrong with that. You've got somebody that completely qualifies and for one reason or another -- is too elderly or infirm or just doesn't know about it. It still looks like this is within your statutory authority to not allow it, but at least it gives you the option of being able to take into account those cases of true hardship." She asked if that would be accurate; that [HB 118] would provide the [assessor with the] ability to go back and review it whereas that would not be the case now.

MR. VAN SANT replied yes.

Number 2768

REPRESENTATIVE WHITAKER pointed out that the committee has to decide whether a state law should preclude a local governing body from making the types of decisions being discussed.

REPRESENTATIVE SCALZI announced that he is in favor of HB 118. He echoed earlier comments regarding the difficult situation that the [current statutes] can create when an individual doesn't file in a timely fashion. He emphasized the state's responsibility to protect the mandate for senior citizens and veterans; this [legislation] is an expansion of the program at the local level. Furthermore, the revenues are local and don't impact the state. In conclusion, Representative Scalzi remarked, "If we always keep in mind local options good, mandates are bad -- we can go on that premise there."

CO-CHAIR MEYER commented that he and Representative Scalzi would have to realize that they are wearing their "state hat." However, the senior citizen property tax that was an unfunded state mandate was of concern in Anchorage because it amounts to about \$50 million per year. Co-Chair Meyer noted his support of HB 118.

Number 2953

REPRESENTATIVE MURKOWSKI moved to report HB 118 out of committee with individual recommendations and the accompanying zero fiscal

note. There being no objection, HB 118 was reported from the House Community and Regional Affairs Standing Committee.

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 8:52 a.m.