

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

April 16, 2002  
8:08 a.m.

**MEMBERS PRESENT**

Representative Kevin Meyer, Co-Chair  
Representative Andrew Halcro  
Representative Drew Scalzi  
Representative Lisa Murkowski  
Representative Beth Kerttula

**MEMBERS ABSENT**

Representative Carl Morgan, Co-Chair  
Representative Gretchen Guess

**COMMITTEE CALENDAR**

HOUSE BILL NO. 6

"An Act relating to optional exemptions from municipal property taxes on residential property."

- MOVED CSHB 6(CRA) OUT OF COMMITTEE

**PREVIOUS ACTION**

BILL: HB 6

SHORT TITLE:MUNICIPAL PROPERTY TAX EXEMPTIONS

SPONSOR(S): REPRESENTATIVE(S)DAVIES

| Jrn-Date | Jrn-Page |     | Action                             |
|----------|----------|-----|------------------------------------|
| 01/08/01 | 0025     | (H) | PREFILE RELEASED 12/29/00          |
| 01/08/01 | 0025     | (H) | READ THE FIRST TIME -<br>REFERRALS |
| 01/08/01 | 0025     | (H) | CRA, FIN                           |
| 01/16/02 | 1990     | (H) | COSPONSOR(S): SCALZI               |
| 04/16/02 |          | (H) | CRA AT 8:00 AM CAPITOL 124         |

**WITNESS REGISTER**

HELEN DONER, EMS Chief  
Anchor Point Volunteer Fire Department  
PO Box 367  
Anchor Point, Alaska 99556

POSITION STATEMENT: Testified in support of HB 6.

RON WILHOIT, Administrator  
Anchor Point Volunteer Fire Department  
PO Box 995  
Anchor Point, Alaska 99556

POSITION STATEMENT: Testified in support of HB 6.

MARI TURTAJAINEN, EMT3  
Anchor Point Volunteer Fire Department  
40894 Old Sterling Hwy  
Anchor Point, Alaska 99556

POSITION STATEMENT: Testified in support of HB 6.

DAVID TYLER  
North Star Volunteer Fire Department  
2358 Bradway Road  
North Pole, Alaska 99705

POSITION STATEMENT: Testified in support of HB 6.

ERIC MOHRMANN  
Chena-Goldstream Fire & Rescue  
PO Box 80487  
Fairbanks, Alaska 99708

POSITION STATEMENT: Testified in support of HB 6.

DAN DICKINSON, Director  
Tax Division  
Department of Revenue  
550 W 7th, Number 500  
Anchorage, Alaska 99501

POSITION STATEMENT: Discussed the fiscal note to HB 6.

KEVIN RITCHIE, Executive Director  
Alaska Municipal League  
217 Second Street  
Juneau, Alaska 99801

POSITION STATEMENT: Testified in support of HB 6.

**ACTION NARRATIVE**

TAPE 02-23, SIDE A  
Number 0001

CO-CHAIR KEVIN MEYER called the House Community and Regional Affairs Standing Committee meeting to order at 8:08 a.m. Representatives Meyer, Scalzi, Murkowski, and Kerttula were

present at the call to order. Representative Halcro arrived as the meeting was in progress.

HB 6-MUNICIPAL PROPERTY TAX EXEMPTIONS

CO-CHAIR MEYER announced that the only order of business before the committee would be HOUSE BILL NO. 6, "An Act relating to optional exemptions from municipal property taxes on residential property."

Number 0101

REPRESENTATIVE JOHN DAVIES, Alaska State Legislature, testified as the sponsor of HB 6, which is an update of the 1973 municipal property tax exemption. In these times of possibly changing revenue structures, the increase of the local [property tax] exemption would allow some additional flexibility for the municipalities to adjust between different revenue sources, he explained. This legislation adds a new option for municipalities to add another \$10,000 for those who are volunteer fire fighters, emergency medical technicians, or similar type personnel. This option is a way to recognize the volunteer efforts that many make to their community. Representative Davies highlighted the fact that this is all optional at the local level. In response to Co-Chair Meyer, Representative Davies acknowledged that SB 4 is quite similar to HB 6. In further response to Co-Chair Meyer, Representative Davies informed the committee that he has an amendment relating to service areas, which would make HB 6 similar to that in SB 4. However, he preferred to move HB 6. The companion bill is fundamentally different in two regards. Senate Bill 4 includes an exemption for the North Slope and the exemptions aren't as high as those in HB 6. Representative Davies remarked that adjusting the statute from \$10,000 to \$40,000 would be appropriate in regard to inflation alone.

Number 0481

CO-CHAIR MEYER turned to the fiscal note analysis and related that with HB 6 there is the potential for \$1,650,000 less coming to the state because of the oil and gas property taxation. He asked if that is of concern.

REPRESENTATIVE DAVIES replied yes, but pointed out that it's an absolute maximum. Furthermore, the fiscal note assumes that every municipality that can enact this option will, which is not the case now. Additionally, the fiscal note assumes that

everyone will use this to increase their rate in order to maximize their return from oil and gas property. With regard to the later assumption, Representative Davies said that he didn't intend that nor did he expect that either. Therefore, he said he believes that number should be regarded as a very high maximum.

Number 0589

REPRESENTATIVE MURKOWSKI inquired as to how such volunteers would be identified in order to avoid abuse.

REPRESENTATIVE DAVIES said that he was unclear how that identification would be established. However, he was comfortable in allowing the municipality to determine that. He noted that in discussions with fire chiefs, the fire chiefs have indicated that identifying legitimate volunteers shouldn't be a problem. Representative Davies related his assumption that since this is optional, the municipalities will have an interest in ensuring that it's a legitimate deduction.

Number 0707

REPRESENTATIVE SCALZI related his belief that HB 6 is a great bill that allows a local option.

CO-CHAIR MEYER agreed that HB 6 is a good bill.

REPRESENTATIVE DAVIES remarked that SB 4 was moving quickly in the Senate, but [it has slowed]. Therefore, he appreciated the committee hearing HB 6.

Number 0839

HELEN DONER, EMS Chief, Anchor Point Volunteer Fire Department, testified via teleconference in support of HB 6. This legislation would positively impact approximately 36 [volunteers in her area]. She, too, questioned how eligibility would be proven.

REPRESENTATIVE DAVIES reiterated that the municipality would determine the eligibility qualifications.

MS. DONER inquired as to whether HB 6 would cover the drivers [of emergency services vehicles].

REPRESENTATIVE DAVIES answered that he intended it to be as inclusive as possible. He related his presumption that the current language is broad enough to allow the local municipality to include drivers.

Number 1036

RON WILHOIT, Administrator, Anchor Point Volunteer Fire Department, testified via teleconference in support of HB 6. He noted that much of his job is in regard to recruitment and retention. He informed the committee of the extensive training and education required for these emergency positions. For example, an EMT1 requires 150 hours of in-class time. All the time, training, and cost to reach the excellent level makes it difficult to keep and retain firefighters and medics. Therefore, HB 6 would make it easier for people to be volunteers.

Number 1213

MARI TURTAJAINEN, EMT3, Anchor Point Volunteer Fire Department, testified via teleconference. Ms. Turtainen commented on the turnover of these emergency volunteers nationwide. Ms. Turtainen testified in support of HB 6 in hopes that it would retain these volunteers.

Number 1302

DAVID TYLER, North Star Volunteer Fire Department, testified via teleconference. Mr. Tyler informed the committee that the accountants like for the fire department to track the amount of in-kind services that are donated. Last year well over 25,000 hours of volunteer time was donated, which amounts to well over \$300,000 when using a \$12 an hour rate. He emphasized that these volunteers are totally uncompensated. Mr. Tyler informed the committee that there are basically two types of volunteers. There are those young individuals who don't own homes and are looking for careers in the fire service; these are the more transient individuals. There are also volunteers that are homeowners who live in the district; these are the volunteers that are difficult to retain and would be helped by HB 6. Mr. Tyler stated his strong support for HB 6.

MR. TYLER recalled a question of accountability [in regard to identifying these volunteers]. Mr. Tyler envisioned the scenario to be one in which the borough would contact [the fire department] annually. Following a pre-determined standard of

time required to volunteer, the [fire department] would furnish the borough with a list of the active volunteers.

Number 1506

ERIC MOHRMANN, Chena-Goldstream Fire & Rescue, testified via teleconference. Mr. Mohrmann echoed earlier comments regarding the extensive hours of [in-kind] service from these volunteers. Mr. Mohrmann informed the committee that it takes about three-and-a-half to four years for a person to achieve EMT3 status as a lead medic, which is required for the ambulance to [respond]. It takes even more time to bring these volunteers to the level of providing leadership on emergency scenes. Mr. Mohrmann remarked on the tremendous bargain the community is receiving from these volunteers. Mr. Mohrmann related his support of HB 6.

Number 1666

DAN DICKINSON, Director, Tax Division, Department of Revenue, testified via teleconference. Mr. Dickinson explained that in review of the volunteer exemption, it seemed to be a fairly targeted benefit that doesn't appear to impact the fiscal note. The fiscal note is focused on the change of the exemption from \$10,000 to \$40,000. Furthermore, the fiscal note [illustrates] the maximum effect, and is based on the assumption that the four communities with oil and gas property will adopt this higher level exemption and make up any [shortfalls] in revenue with an increase in their mill rates. However, this may not be the case. Mr. Dickinson explained that when the mill rate is raised for an oil and gas taxpayer, that taxpayer pays more money to the locality, and it's simply deducted from the 20 mills to the state and thus the payment to the state is lowered. Therefore, when a municipality raises its rate, there is a shift in to whom the oil and gas taxpayer makes the check.

REPRESENTATIVE KERTTULA asked if another assumption is that the state doesn't raise its rate.

MR. DICKINSON answered that if the state raised its rate overall, then there would be more revenue. However, that is independent of HB 6.

Number 1931

KEVIN RITCHIE, Executive Director, Alaska Municipal League (AML), testified in support of HB 6. Mr. Ritchie informed the

committee that [HB 6] is a provision that AML specifically supports, although it took much discussion. In essence, HB 6 is a housekeeping measure in that the \$10,000 residential property tax exemption in 1973 is about equal to the proposed \$40,000 exemption in HB 6. Mr. Ritchie acknowledged that the impact to the state would come from those communities with a lot of oil and gas property. However, property taxes are really a major tax in Alaska. He pointed out that the total municipal property taxes levied last year amounted to \$711 million. Therefore, it's possible that some communities will view HB 6 as part of a package to provide local tax relief in exchange for some other mix of revenue. Mr. Ritchie, speaking as a former volunteer, noted that volunteers are closely monitored.

Number 2055

CO-CHAIR MEYER asked if HB 6 or any other local level exemptions would encourage the local government to want to implement a sales tax. Or, would the local government become more dependent upon the state for revenue sharing, he asked. Co-Chair Meyer asked if HB 6 would create some problems for the local government.

MR. RITCHIE answered that he didn't believe so. The worst case scenario would be if the local community raised its property taxes in order to offset the exemption proposed in HB 6. He pointed out that the rate would be on the oil and gas industry as well as all businesses and commercial properties. However, Mr. Ritchie related that he believes that is the most unlikely scenario. He pointed out that a few years ago Fairbanks discussed using this exemption as part of a package in order to make the sales tax more acceptable, which he believes may be the case with HB 6. It seems that the public would more likely support tax relief in that property taxes are already fairly substantial.

REPRESENTATIVE DAVIES reminded everyone that this is optional.

Number 2164

REPRESENTATIVE MURKOWSKI turned to SB 4, which includes a provision that allows not more than two exemptions on property that has two or more individuals who are eligible for an exemption on the property. Representative Murkowski posed a situation in which there was a family with three to four members who are volunteer firefighters. She asked if the intent of HB 6 is to allow each of those volunteers to have an exemption on

that property. Or, she asked, would the sponsor be receptive to the provision of SB 4.

REPRESENTATIVE DAVIES responded that he intended for there to be only one exemption per property.

REPRESENTATIVE MURKOWSKI remarked that [the language] isn't clear that the exemption is limited to one property. She read HB 6 to say that the exemption traveled with the volunteer.

REPRESENTATIVE DAVIES commented that to the extent the language is ambiguous, it should be clarified.

CO-CHAIR MEYER, upon determining that there were no other witnesses, closed public testimony.

Number 2303

REPRESENTATIVE SCALZI moved that the committee adopt the following amendment, Amendment 1:

Page 1, line 6, following "election.":

Insert "An exclusion or exemption authorized by this subsection may not be applied with respect to taxes levied in a service area to fund the special services."

REPRESENTATIVE HALCRO objected for discussion purposes.

REPRESENTATIVE SCALZI read the amendment for the record.

REPRESENTATIVE HALCRO withdrew his objection.

Therefore, Amendment 1 was adopted.

Number 2358

REPRESENTATIVE SCALZI moved that the committee adopt the following amendment, Amendment 2:

Page 1, line 11,  
Delete "\$10,000"  
Insert "\$20,000"

REPRESENTATIVE MURKOWSKI objected.

REPRESENTATIVE SCALZI highlighted the fact that this is all optional. Furthermore, at 10 mills the property exemption amounts to about \$100. Although he felt that a \$20,000 exemption is low, it's a more fair estimate.

REPRESENTATIVE MURKOWSKI related her understanding that the sponsor intends for the exemption to only apply to the primary residence, and therefore there wouldn't be a cumulative exemption. She removed her objection.

Therefore, Amendment 2 was adopted.

REPRESENTATIVE DAVIES, in response to Co-Chair Meyer, explained that an effective date isn't necessary. The legislation would become effective 90 days after passage. He characterized SB 4 as micro managing the situation.

Number 2573

CO-CHAIR MEYER pointed out that the committee packet contains a letter from the Chena-Goldstream Fire & Rescue opposing HB 6. However, the testimony today reflected their support.

REPRESENTATIVE DAVIES said that he believes the letter in the committee packet was submitted prior to the exemption for the service areas. The adoption of Amendment 1 would eliminate [Chena-Goldstream Fire & Rescue's] concern, he said.

Number 2647

REPRESENTATIVE MURKOWSKI moved to report HB 6 as amended out of committee with individual recommendations and the accompanying zero fiscal note.

REPRESENTATIVE DAVIES acknowledged that the fiscal note should really be indeterminate. He noted that the Department of Revenue has advised that there will be a corrected fiscal note by the time the legislation is the House Finance Standing Committee.

There being no objection, CSHB 6(CRA) 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 8:49 a.m.