

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

March 24, 2004

2:03 p.m.

**TAPE (S) (S) 04-8**

**MEMBERS PRESENT**

Senator Bert Stedman, Chair  
Senator Thomas Wagoner, Vice Chair  
Senator Gary Stevens  
Senator Kim Elton  
Senator Georgianna Lincoln

**MEMBERS ABSENT**

**COMMITTEE CALENDAR**

SENATE BILL NO. 267

"An Act relating to the exemption from taxation of real property used as the primary residence of the widow or widower of a resident 65 years of age or older, and to tax equivalency payments for the widow or widower of a resident 65 years of age or older."

MOVED CSSB 267(CRA) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: SB 267

SHORT TITLE: SENIOR WIDOW(ER) PROPERTY TAX EXEMPTION

SPONSOR(S): SENATOR(S) WILKEN

01/16/04	(S)	READ THE FIRST TIME - REFERRALS
01/16/04	(S)	CRA, FIN
03/24/04	(S)	CRA AT 2:00 PM FAHRENKAMP 203

**WITNESS REGISTER**

Senator Gary Wilken  
Alaska State Capitol  
Juneau, AK 99801-1182

**POSITION STATEMENT:** Sponsor SB 267

Wynola Possenti  
No address provided

**POSITION STATEMENT:** Testified on SB 267

Randy Hoffbeck  
Department of Revenue  
PO Box 110400  
Juneau, AK 99811-0400

**POSITION STATEMENT:** Commented on SB 267

**ACTION NARRATIVE**

**TAPE 04-8, SIDE A**

**CHAIR BERT STEDMAN** called the Senate Community and Regional Affairs Standing Committee meeting to order at 2:03 p.m. Present were Senators Wagoner, Gary Stevens, Elton and Chair Stedman. Senator Lincoln arrived several minutes later.

**SB 267-SENIOR WIDOW(ER) PROPERTY TAX EXEMPTION**

CHAIR BERT STEDMAN announced SB 267 to be up for consideration and invited Senator Wilken to come forward.

SENATOR GARY WILKEN, sponsor, read the sponsor statement into the record:

Senate Bill 267 extends the senior or disabled veteran property tax exemption to a widow or widower of an eligible resident. Under current law, a resident 65 years of age or older is exempt from property taxation on the first \$150,000 of the assessed value of the person's primary residence. Unfortunately if the eligible resident dies, the remaining spouse is denied the benefit of the previous exemption unless the spouse is at least 60 years old.

Coping with the loss of a love one as well as the accompanying loss of financial security is difficult enough without the added burden of increase property taxes. Senator Bill 267 permits a widow or widower of a qualified applicant to remain eligible for the senior or disabled veteran property tax exemption regardless of age until the individual remarries. This legislation helps make a difficult situation a little bit easier.

As the residence in question is already exempted from taxation, Senate Bill 267 will have negligible impact on a municipality. However, this legislation will have

a huge impact on those individuals affected. Please join me in endorsing the supporting this legislation.

SENATOR WILKEN noted that Wynola Possenti was available to offer testimony and it was her circumstance that caused him to introduce the bill.

SENATOR KIM ELTON asked how many people might be affected by this legislation.

SENATOR WILKEN replied, "One so far," and noted that all communities recognize the senior property tax exemption and he was certain that other cases would surface.

SENATOR THOMAS WAGONER chimed in that he didn't think it was a matter of recognition. This was a state mandate and is therefore a statewide requirement.

SENATOR GARY STEVENS said he appreciated the intent, but from the borough's point this would be a loss of revenue. He asked the sponsor if he would consider asking the state to pick up that cost for the borough.

SENATOR WILKEN said, "The cost of what Senator?"

SENATOR GARY STEVENS replied he was referring to the property tax that the various boroughs would lose.

SENATOR WILKEN maintained there would be no loss or no additional burden because the exemption already exists.

SENATOR GARY STEVENS held that the borough would receive the property tax if this did not pass.

SENATOR WILKEN agreed with that point.

SENATOR KIM ELTON stated that the potential cost to a municipality could be sizeable if the widow or widower was quite young. He thought that issue was probably discussed when the 60-year requirement was established. Suggesting that the 60-year floor might be too high, he questioned whether a 50-year floor should be considered.

SENATOR WILKEN responded that he didn't know and maintained that the borough is already carrying the exemption so continuing to exempt the widow or widower represents no additional cost. "Going back to Senator Stevens, I'm not sure where the added

cost is." He said that Mrs. Possenti is now responsible for property taxes since it was her deceased husband who qualified for the exemption. "So that's the added revenue," he reasoned. "Would I consider picking up some way to recognize that added revenue," he asked.

SENATOR GARY STEVENS replied he has always thought that it was unconscionable for the state to pass a law that burdens a borough. Certainly the exemption already exists, but without this bill the borough would be able to collect property tax on that property. When the surviving spouse qualifies for the exemption, they could apply for their own exemption. "Many people have done that in the past."

SENATOR WILKEN countered that that's the purpose of the bill. It's to relieve the surviving spouse from the added tax burden.

CHAIR STEDMAN opened public testimony.

WYNOLA POSSENTI testified via teleconference in support of SB 267. She thanked Senator Wilken for introducing the legislation and stated her belief that very few people would be affected by the change, but it would have a tremendous and positive impact on those few. She proceeded to tell members about her personal situation and further suggested that it might be appropriate to increase the \$150,000 amount to more accurately reflect the current property values.

SENATOR WAGONER asked Mrs. Possenti to restate her last suggestion, which she did. Her comments caused him to say, "I don't believe we want to go there today."

CHAIR STEDMAN told Mrs. Possenti her suggestion would have a substantial impact on municipalities and cities statewide.

MRS. POSSENTI said, "I wanted to throw it out as a thought," then restated her support of the bill.

SENATOR WAGONER gave Mrs. Possenti some background information explaining that when the state originally set the program in place for seniors, it was a funded mandate to forgive the first \$150,000 per resident. Since then the state withdrew the funding, but left the statute in place granting the exemption. Because of that, "There's a lot of resistance at most of the government levels to do anything with this bill other than to have the state get rid of it."

MRS. POSSENTI thanked him for the explanation.

SENATOR GARY STEVENS surmised there might be a dozen people in his community that might benefit from this bill, but maintained that this money wasn't coming out of a state coffer. Rather, the money comes out of the boroughs' pockets. "It's less money that the boroughs would be getting."

Since the boroughs are paying the price, they should be the ones that make the decision, he said. This should be an option that is available to them; the state shouldn't decide, he emphasized.

CHAIR STEDMAN asked if he would like to offer an amendment.

SENATOR GARY STEVENS said he would, but he wasn't sure where to insert it or how to frame the language. Nonetheless he stated that, "Conceptually I would move that this be an option for the boroughs."

CHAIR STEDMAN asked whether there was opposition to the amendment.

SENATOR WAGONER spoke up and said that he and Senator Gary Stevens have been in municipal government and he understands what this does to municipal government. "It's not so much the level of funds as it is the unfunded mandate and the borough's ability not to control their own their own tax relief measures that are offered."

Although he wasn't sure he would vote against the bill, he did intend to contact the borough if the bill passed from committee to find out how many might people take advantage of this option. This is a commendable idea but "I think it's kind of a 'Is the glass half full or half empty?' kind of deal." Certainly it would be a considerable burden on some surviving spouses to have to pay the tax, but at the same time it would also be a burden on the taxpayers in the incorporated area if the tax exemption were to continue.

CHAIR STEDMAN asked if there was a state representative available to offer information and there was no response.

SENATOR ELTON wondered whether the sponsor had contacted the Alaska Municipal League then remarked that it's difficult to debate a conceptual amendment that might take a number of different forms. Also, he wasn't clear whether or not the

\$150,000 exemption could transfer to a new property if that became the primary residence.

SENATOR WILKEN said, "This legislation doesn't contemplate that. It's silent on that."

CHAIR STEDMAN asked Mr. Hoffbeck if he had any enlightening information regarding potential costs that boroughs and cities might have to assume were this to pass.

RANDY HOFFBECK, Department of Revenue, advised that the cost to the state would be negligible and the impact on boroughs and municipalities would depend on how many residents qualify. He opined that the number would be in the dozens, but they have no data on that.

SENATOR GEORGIANNA LINCOLN said the state assessor indicated that 12 or 13 underage widow or widowers statewide might be affected by this legislation. She wasn't sure where he got that information, but if there is a record the sponsor might want to have that information for the next committee of referral.

SENATOR WILKEN said, "I don't know how to get that information."

SENATOR LINCOLN told him her information came from the state assessor.

SENATOR WILKEN replied, "I don't know how to get it."

CHAIR STEDMAN looked around and asked if there was any more discussion on the amendment.

SENATOR ELTON asked for someone to restate the amendment.

SENATOR GARY STEVENS explained that when one group of people is given an exemption, everyone else in the community has to make up for that difference. "In fact, what you are doing in communities is taxing others higher in order to give people this benefit.... I just question whether it's our right to force the boroughs to accept this reduced revenue or to pass the taxes on to your neighbors when we are not the ones that are paying the bill."

The conceptual amendment is "that this be passed with the option for the boroughs to accept it or not."

SENATOR ELTON asked the Chair to consider this at a later meeting saying:

It seems to me that right now a borough can opt in. They can take a proactive approach and say, 'We're going to extend a property tax exemption to this class of people.' It would seem to me that what Senator [Gary] Stevens may want to consider is that this bill have an opt-out, that this provision or this tax exemption is extended to this class of people unless a borough opts out because right now a borough can opt in. They can exempt any class of taxpayer they want - or most classes of taxpayers if they want.

I don't know if that's a friendly amendment to an amendment that I'm not sure how I feel about in the first place, but it's a point that I'd like to make.

CHAIR STEDMAN asked Senator Gary Stevens to respond.

SENATOR GARY STEVENS jested that he just made a bad amendment worse. Becoming serious, he agreed that boroughs can certainly opt-in at any time and increase the exemption, but he thought they were unlikely to do so. What he intended is to allow boroughs to opt-out of the additional exemption proposed in SB 267.

SENATOR ELTON said he would restate what he believes he heard, which was:

So the amendment is that this class of citizens is exempted from municipal property taxes unless the borough brings them back as taxpayers. The borough would have to adopt by ordinance a provision that says we're not going to participate in this tax break.

SENATOR GARY STEVENS declared legal help was needed.

CHAIR STEDMAN asked if he wanted time to work on the amendment.

SENATOR GARY STEVENS questioned whether the committee was at odds.

SENATOR WAGONER suggested moving the bill to the Finance Committee.

SENATOR GARY STEVENS emphatically stated, amid peals of laughter, that that was a bad idea.

SENATOR WAGONER judged that the committee was spending a lot of time on the bill when that wasn't the real problem. The real problem is the unfunded mandate, he said. Furthermore:

The good Senator on my right [Senator Lincoln] has already stated that her staff discussed this with the state assessor and there is probably a dozen, 12 or 13, people in the state that this may affect and I, for one, would be willing to take it on my back to extend this. I plan to call the borough mayor in my borough and tell him what is going on and explain it to him. I don't think they would have that much problem with it.

CHAIR STEDMAN announced there was an amendment before the committee and asked Senator Gary Stevens whether he wanted to withdraw his amendment or have the committee vote on it.

SENATOR GARY STEVENS asserted he did not want to withdraw his amendment. He was willing to negotiate with the members, but he maintained that there should be an option for the boroughs to decide whether or not they want to pick up this cost. "And the place to argue it then is at the borough assembly."

CHAIR STEDMAN asked for further discussion and there was none. He then called for a roll call vote on conceptual amendment 1.

Conceptual amendment 1 passed with Senators Gary Stevens, Wagoner, Lincoln, and Elton voting yea and Chair Stedman voting nay. Conceptual amendment 1 would allow boroughs and cities the option of extending the senior citizen property tax exemption to widows and widowers.

SENATOR WAGONER made a motion to move CSSB 267(CRA) from committee with individual recommendations and attached fiscal note.

SENATOR ELTON asked to see the conceptual amendment when it was prepared. "I think it needs to be written in a way that it allows them to opt-out rather than opt-in because right now they can opt-in and extend that benefit to any class of citizen that they want. So I just need to see it to understand it."

SENATOR GARY STEVENS contended the amendment wouldn't be difficult to insert.

CHAIR STEDMAN announced that CSSB 267(CRA) moved from committee.

There being nothing further to come before the committee, Chair Stedman adjourned the meeting at 2:35 pm.