

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

April 4, 2006

8:04 a.m.

MEMBERS PRESENT

Representative Kurt Olson, Co-Chair
Representative Bill Thomas, Co-Chair
Representative Pete Kott
Representative Gabrielle LeDoux
Representative Mark Neuman
Representative Sharon Cissna
Representative Woodie Salmon

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 299

"An Act relating to and increasing the municipal property tax exemption on residences of certain seniors and others; and providing for an effective date."

- HEARD AND HELD; ASSIGNED TO SUBCOMMITTEE

HOUSE BILL NO. 390

"An Act limiting the amount that a municipality may charge for an appeal of a residential real property tax assessment to the municipality's board of equalization."

- MOVED CSHB 390(CRA) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 299

SHORT TITLE: MUNICIPAL PROPERTY TAX EXEMPTION

SPONSOR(S): REPRESENTATIVE(S) KOHRING

05/04/05	(H)	READ THE FIRST TIME - REFERRALS
05/04/05	(H)	CRA, STA
03/23/06	(H)	CRA AT 8:00 AM CAPITOL 124
03/23/06	(H)	-- Meeting Canceled --
04/04/06	(H)	CRA AT 8:00 AM CAPITOL 124

BILL: HB 390

SHORT TITLE: PROPERTY ASSESSMENT APPEAL FEE

SPONSOR(S): REPRESENTATIVE(S) STOLTZE

01/25/06 (H) READ THE FIRST TIME - REFERRALS
01/25/06 (H) CRA, FIN
04/04/06 (H) CRA AT 8:00 AM CAPITOL 124

WITNESS REGISTER

REPRESENTATIVE VIC KOHRING

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor of HB 299.

SHANE HORAN, Assessor

Kenai Peninsula Borough

Kenai, Alaska

POSITION STATEMENT: During hearing of HB 299, related opposition to increasing the unfunded mandate and during the hearing of HB 309 testified that the \$10 fee proposed wouldn't be a sufficient deterrent to frivolous appeals and may consume more resources than necessary.

JOHN KOSCH

Homer Senior Citizens Board

Homer, Alaska

POSITION STATEMENT: Related strong support for HB 299.

HENRY ESTES

(No address provided)

POSITION STATEMENT: During hearing of HB 299, expressed concern that there are no checks and balances on those who are increasing property taxes.

FRED BROWN

(No address provided)

POSITION STATEMENT: During hearing of HB 299, expressed concern with regard to the increases in assessments [in the Mat-Su Borough].

KATHIE WASSERMAN

Alaska Municipal League

Juneau, Alaska

POSITION STATEMENT: Expressed concerns with HB 299 and testified that HB 390 impinges on local control.

REPRESENTATIVE BILL STOLTZE

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor of HB 390.

STEVE VAN SANT, State Assessor

Department of Commerce, Community, & Economic Development

Juneau, Alaska

POSITION STATEMENT: During hearing of HB 390, answered questions.

DENNIS FINEGAN

Ketchikan, Alaska

POSITION STATEMENT: During hearing of HB 390, explained Ketchikan's appeal fee.

ACTION NARRATIVE

CO-CHAIR BILL THOMAS called the House Community and Regional Affairs Standing Committee meeting to order at [8:04:32 AM](#). Representatives Thomas, Olson, Kott, LeDoux, and Neuman were present at the call to order. Representatives Cissna and Salmon arrived as the meeting was in progress.

HB 299-MUNICIPAL PROPERTY TAX EXEMPTION

[8:04:52 AM](#)

CO-CHAIR THOMAS announced that the first order of business would be HOUSE BILL NO. 299, "An Act relating to and increasing the municipal property tax exemption on residences of certain seniors and others; and providing for an effective date."

[8:05:06 AM](#)

REPRESENTATIVE VIC KOHRING, Alaska State Legislature, sponsor, explained that HB 299 simply raises the property tax exemption from \$150,000 to \$250,000 for homeowners who are age 65 and older, disabled veterans, widows or widowers, or those who were disabled while serving in the Territorial Guard. The program was created in 1971 and the current exemption was established in 1986. He explained that he wanted to increase the exemption because inflation and the rapidly rising property values have [lessened the value of the current \$150,000 exemption]. Moreover, many low income seniors have been placed in a financial situation such that they have to choose between paying

for their property tax or their medicine. The legislation, he related, has quite a bit of support. Representative Kohring concluded by opining that this legislation is the right thing and the moral thing to do.

8:08:00 AM

REPRESENTATIVE LEDOUX inquired as to the economic impact this proposal would have in various communities across the state.

REPRESENTATIVE KOHRING opined that it would be relatively neutral because the same amount of money would remain in each community. He acknowledged that the municipalities would receive less for their programs while individuals in this category would retain more of their own money that would theoretically be spent in the community.

REPRESENTATIVE KOHRING, in further response to Representative LeDoux, suggested that municipalities shouldn't automatically assume that they should tax more to makeup for shortfalls but rather they should determine how to be more efficient.

8:09:41 AM

REPRESENTATIVE NEUMAN said that he has heard mention of a needs-based amendment to this legislation, which he said he would support because there is only so much money to go around.

REPRESENTATIVE KOHRING said that he is amenable to a needs-based provision to HB 299. However, he expressed the need to be cautious when drawing the line because he didn't want to exempt too many folks who depend and rely upon the exemption. In further response to Representative Neuman, Representative Kohring recalled that a few years ago Governor Murkowski established the senior care program for which the exemption is \$10,000 per individual.

REPRESENTATIVE NEUMAN opined that \$10,000 is very low, and therefore he suggested at least doubling that amount.

REPRESENTATIVE KOHRING said that he would entertain an amendment for such a change, if it's the will of the committee.

8:13:35 AM

REPRESENTATIVE CISSNA expressed concern that there have been a number of policy changes on seniors recently and those have had

significant impacts. Furthermore, in many small communities there is an influx of retired folks who build lovely homes and enjoy the benefit of the senior tax exemption. She suggested that there are inequities.

REPRESENTATIVE KOHRING indicated that a needs-based provision could address that concern. He then related his philosophical view "that whether an individual is well to do or not, it's really their money that we talking about So, really if we're giving them an exemption we're not saying that we're subsidizing you ... we're just allowing you to keep your own hard-earned money."

REPRESENTATIVE CISSNA pointed out that often the influx of retirees expect certain services that may not have been in the area before.

[8:16:42 AM](#)

REPRESENTATIVE LEDOUX asked if any communities have a local exemption.

REPRESENTATIVE KOHRING answered that Kenai has a local exemption.

REPRESENTATIVE LEDOUX related her belief that when the political will exists for something, it seems that sometimes it's easier to accomplish things at the local level. Therefore, she questioned why the proposed exemption couldn't be implemented at the local level.

REPRESENTATIVE KOHRING commented that he isn't confident that local municipalities would retain the senior exemption if it was left to be a local option, especially in the face of the lack of funding available for the current exemption.

[8:18:32 AM](#)

CO-CHAIR OLSON informed the committee that Kenai has an ordinance on its ballot to reduce the exemption to \$250,000. He then asked if the sponsor had considered funding the program rather than placing another unfunded mandate on the boroughs.

REPRESENTATIVE KOHRING opined that it's one of the few unfunded mandates that he believes is appropriate because it basically reduces taxes and makes it easier for [seniors] to live. With

regard to applying a funding source to this, Representative Kohring said he hadn't reviewed such.

[8:20:00 AM](#)

SHANE HORAN, Assessor, Kenai Peninsula Borough, related opposition to increasing this unfunded mandate. He further related that the potentially exempted assessed value for the 2006 assessment year for the Kenai Peninsula Borough would approximate \$4 million in revenue. The exemption and those participating in the program are growing about 7-13 percent per year in the Kenai Peninsula Borough. He noted that the Kenai Peninsula Borough Assembly is considering capping the current unlimited exemption at \$250,000 and invoking the hardship program such that those taxes that exceed 2 percent of one's gross household income would be exempt, which is specified in AS 29.45.030.

[8:22:16 AM](#)

JOHN KOSCH, Homer Senior Citizens Board, related strong support for HB 299 and noted that he will submit a resolution to that effect. He then pointed out that the seniors in the state have paid many taxes over the years and this exemption provides a small break to them in a time when their income has decreased.

[8:23:26 AM](#)

HENRY ESTES related that the Mat-Su Borough has raised [property] taxes so much. The aforementioned is unfair because there are no checks and balances on those increasing the property taxes.

[8:24:08 AM](#)

FRED BROWN expressed concern with regard to the increases in his assessments. He said that although he appreciates the exemptions, the property values have been increased so much that seniors receive less of the benefit. At the current rate of increases, Mr. Brown opined that he will have to sell his home in the next few years.

[8:25:37 AM](#)

KATHIE WASSERMAN, Alaska Municipal League, said she agreed with Representative Kohring regarding seniors and the desire to help them, especially at the local level. However, HB 299 would cost

an additional \$14 million to communities and would result in local communities paying out up to \$56 million for this proposed exemption [on top of the existing exemption]. A needs-based provision, particularly with local control, is the way to go, she said. She suggested that if the mandate were funded it would remedy the problem. Ms. Wasserman closed by pointing out that this is all about taxing authority and the local municipalities have the local taxing authority.

[8:27:18 AM](#)

REPRESENTATIVE LEDOUX asked if Ms. Wasserman knew how much it would cost community-to-community.

MS. WASSERMAN said that the [amount spent on the existing exemption] is specified in the Alaska tax table and she suggested that [this proposal would amount to] perhaps an additional one-third of that.

[8:28:43 AM](#)

CO-CHAIR THOMAS, upon determining no one else wished to testify, closed public testimony.

[8:28:53 AM](#)

REPRESENTATIVE NEUMAN expressed his desire for an amendment [that would base the exemption] on need.

[8:29:16 AM](#)

REPRESENTATIVE CISSNA suggested that the program also be funded by the state, especially since many tools have been taken away from the local municipalities.

[8:30:57 AM](#)

REPRESENTATIVE NEUMAN commented that the two suggestions are separate issues.

[8:31:13 AM](#)

REPRESENTATIVE KOHRING said that basing the exemption on need is good, but he suggested that the line be drawn higher in order to include as many seniors as possible. He also suggested that those who currently receive the exemption should be grandfathered in regardless of need.

REPRESENTATIVE NEUMAN agreed that the higher the limit the better, but he maintained that there has to be a limit.

[8:33:10 AM](#)

REPRESENTATIVE KOTT acknowledged that the municipalities throughout the state are hurting. He then said that he is torn over HB 299 because globally the greatest wealth in the U.S. is held by those 55 and over. Those hurting the most are the young couples with children. Representative Kott said that if this is a significant issue for the state, he would rather the state address it. Furthermore, if this proposal is pursued, it should be pursued based on need. He mentioned that he does like the disabled veteran provision in the legislation. Furthermore, there is the possibility that an increase in the taxation exemption status may cause rise for an increase in property taxes for everyone else because the money must come from somewhere.

[8:37:46 AM](#)

CO-CHAIR THOMAS agreed with Representative Kott regarding the notion that increasing exemption places the burden on others, such as young couples with children. He then mentioned that those who own a house outside of Alaska shouldn't qualify for any exemption at all. He also mentioned that the program could be phased out within the next five to six years. Co-Chair Thomas suggested placing HB 299 in a subcommittee.

[8:39:24 AM](#)

REPRESENTATIVE KOHRING informed the committee that the senior care program exemption is \$20,913 per individual and \$28,053 for a household of two. The committee, he suggested, could base the program on the aforementioned standards as opposed to sending the legislation to a subcommittee.

[8:40:06 AM](#)

REPRESENTATIVE NEUMAN related the need to determine whether those receiving the current exemption will be eliminated from the program with the increased exemption based on need or will the needs-based portion be on the additional \$100,000 and allow the existing exemption to remain.

[8:40:57 AM](#)

REPRESENTATIVE KOTT pointed out that the statute is written such that there is already a needs-based provision in that an applicant with a hardship can petition the municipality to go beyond the \$150,000. Therefore, he expressed the need to start from scratch with this proposal. He noted his agreement with an earlier comment that those who own two homes shouldn't receive the exemption, especially if the home is outside the state. He then questioned whether those who travel outside of the state for three months out of the year should receive the exemption. The aforementioned could be used as a needs-based threshold, he said.

[8:42:39 AM](#)

CO-CHAIR THOMAS announced that HB 299 would be placed in a subcommittee comprised of Representatives Kott, Neuman, and Cissna.

HB 390-PROPERTY ASSESSMENT APPEAL FEE

[8:43:24 AM](#)

CO-CHAIR THOMAS announced that the final order of business would be HOUSE BILL NO. 390, "An Act limiting the amount that a municipality may charge for an appeal of a residential real property tax assessment to the municipality's board of equalization."

[8:43:45 AM](#)

REPRESENTATIVE BILL STOLTZE, Alaska State Legislature, sponsor, explained that HB 390 limits the amount a municipality can charge for a board of equalization appeal. He reminded the committee that this was a proposed amendment to the real estate appraisers legislation last year. He characterized this legislation as a due process issue and related that he would prefer that there be no fee. Representative Stoltze noted that only a few communities have appeal fees.

[8:46:06 AM](#)

REPRESENTATIVE KOTT asked if the state charges individual property owners an assessment fee for appealing his/her taxes.

[8:46:20 AM](#)

STEVE VAN SANT, State Assessor, Department of Commerce, Community, & Economic Development (DCCED), specified that Anchorage, Kenai, and Ketchikan charge an assessment fee for appealing property taxes. With regard to whether the state charges such a fee, Mr. Van Sant explained that the state doesn't have a board of equalization, except for the state assessment and review board. The state assessment and review board hears appeals of oil and gas properties for which there is no charge. Mr. Van Sant said that the fees charged by the aforementioned communities are based on a sliding scale. In Ketchikan, the first appeal is free while \$30-\$100 is charged for multiples thereafter. In Anchorage, the fee is \$30 for property assessed up to \$100,000, \$100 for property assessed between \$100,000-\$500,000, and it increases from there. He related his understanding that Kenai has a similar fee scale. Furthermore, in all cases, if a change is made by the board of equalization, the fee is refunded.

[8:47:49 AM](#)

DENNIS FINEGAN related that Ketchikan was the first jurisdiction in Alaska to implement an appeals fee. He expressed the need to be sure that no one loses his/her appeal rights, which is why Ketchikan's ordinance was crafted to allow one parcel to be appealed without the \$25 fee. Mr. Finegan opined that the appeal fee has provided credibility to the appeal process and has saved about three employee months in the appeal process. The fee that is collected is insignificant, he said. Mr. Finegan explained that the first step in the appeals process is review of the property and reviews not to the taxpayer's satisfaction can be appealed. He opined that if the legislation utilized language to the effect of "a fee of not more than \$10 for the first appeal" would allow Ketchikan to not charge for the first appeal and continue to utilize the \$25 fee for later appeals. The aforementioned would stem situations in which individuals with multiple properties appeal all of their properties, although they only have an issue with one property.

[8:52:06 AM](#)

REPRESENTATIVE LEDOUX inquired as to whether those communities with the appeal fee have a waiver for those who can't afford it.

MR. VAN SANT said that he wasn't sure and deferred to others on line.

[8:53:01 AM](#)

CO-CHAIR THOMAS asked if any communities have a professional board of equalization.

MR. VAN SANT specified that Anchorage, Fairbanks, Mat-Su, and Kenai have appointed boards that consist mainly of individuals who are familiar with property values along with city council members and assembly members.

[8:53:51 AM](#)

SHANE HORAN, Assessor, Kenai Peninsula Borough, related that Kenai instituted an appeal filing fee in 2005 that mirrors that of Anchorage. According to Kenai's code, if the appeal results in a reduction from the original assessed value or if the appeal is withdrawn before evidence is due to the board of equalization, the filing fee is refunded. In fact, the appeal fee may be waived based on an individual's annual income. He opined that the filing fee has reduced the number of frivolous appeals and has helped the [assessor's] office become more efficient and effective with the appraisers in the field in order to ensure equity in all assessments. He reminded the committee that the burden of proving that the assessment is unequal, improper, excessive, or undervalued lies with the property owner. The fee provides the property owner more responsibility and ownership in the appeal process itself. Mr. Horan related his belief that because the fee is reimbursed to anyone winning the appeal or withdrawn due to the hardship waiver, reasonable accommodations have been made such that due process is afforded to those wishing to appeal. He informed the committee that Kenai, through ordinance, offers the opportunity for anyone receiving an assessment notice an informal meeting with the appraiser or assessor regarding his/her assessment. The aforementioned has been successful in resolving numerous appeals. In conclusion, Mr. Horan opined that the \$10 fee proposed in HB 390 wouldn't be a sufficient deterrent to those frivolous appeals and may consume more resources than necessary.

[8:57:11 AM](#)

REPRESENTATIVE NEUMAN commented that he takes exception to the notion that there are frivolous appeals because those who work in government are responsible to [the citizens in the area] in which they work. Furthermore, he questioned whether the work load increases commensurate to the sliding scale fee amounts.

[8:58:01 AM](#)

REPRESENTATIVE KOTT inquired as to the number of appeals that Kenai receives annually. He further inquired as to how many of those the property owner wins on appeal.

MR. HORAN answered that in the past the Kenai Peninsula Borough has had from 400-500 appeals, of which approximately 50-70 have moved on to the board of equalization. Of those before the board, approximately 50 percent attend the board hearing. He estimated that a small fraction of that 50 percent win the appeal.

[9:00:02 AM](#)

CO-CHAIR THOMAS related his understanding that HB 390 only applies to residential property owners.

REPRESENTATIVE STOLTZE replied yes.

[9:00:21 AM](#)

KATHIE WASSERMAN, Alaska Municipal League, opined that HB 390 impinges on local control. She commented that she finds it ironic that it's acceptable for Kenai to fund over and above the senior citizens tax exemption, but that it's not acceptable for it to charge a bit more for property tax appeals. Kenai, like all other communities, needs to find ways to continue to operate its government. Ms. Wasserman related that prior to the implementation of the fee in Anchorage there were an estimated 2,000-3,000 [appeals] a year, which has decreased to 600-700 since the implementation of the fee. If appealing one's property tax is important to the property owner, she surmised that he/she would find the funds to pay for it. She highlighted that the local governments can fairly set the fees.

[9:01:53 AM](#)

MR. VAN SANT related that Marty McGee, Anchorage Assessor, had e-mailed him with the following information. Anchorage, prior to the institution of the fee, had approximately 2,500 appeals per year of which 1,300 were addressed administratively and less than 2 percent of the appeals were changed. The cost per appeal was about \$725, including the assessor's time and the board's costs. Mr. Van Sant further related that with the commercial property appeals sometimes the municipality will have to hire experts, which increases the cost of appeals. Mr. Van Sant

clarified that he wasn't advocating one way or another on this matter.

9:03:08 AM

CO-CHAIR THOMAS closed public testimony.

9:03:20 AM

REPRESENTATIVE KOTT characterized HB 390 as a worthy idea. However, he said that he doesn't like to enter into issues of local control, but he also didn't want to prohibit/prevent those who want to appeal. He further said he didn't believe it to be the purview of this committee to determine whether \$10 is the correct amount for the appeal fee.

9:04:48 AM

CO-CHAIR OLSON inquired as to whether the sponsor would accept a friendly amendment exempting political subdivisions with populations of 30,000 or less.

REPRESENTATIVE STOLTZE indicated that he would accept such an amendment.

CO-CHAIR THOMAS expressed concern with regard to accelerated rates and senior citizens who may not come forward.

9:06:41 AM

REPRESENTATIVE LEDOUX suggested that a \$1,000 fee would probably be related to commercial property because she didn't believe there would be many properties in Alaska that are assessed at the \$2 million level.

CO-CHAIR THOMAS said that Anchorage might have \$2 million homes. He noted that Fairbanks had its first home that was assessed at over \$1 million last year.

REPRESENTATIVE CISSNA opined that in Anchorage if the appeals process is made too easy, there are enough homes to slow municipal government. She related that she views it as a local issue that should be left at the local level.

9:08:40 AM

REPRESENTATIVE STOLTZE informed the committee that he introduced HB 390 because many believe that the process is rigged. He indicated agreement with Representative Kott that residential homeowners should be treated with the same standards as large corporate taxpayers on their oil production property for which there isn't an appeal fee. He emphasized that the burden is on the property owner and it's a fairly tough case to win. He then noted his disappointment that the city of Anchorage didn't provide it's own testimony today.

[9:11:58 AM](#)

CO-CHAIR OLSON moved Amendment 1, which would exempt political subdivisions with populations under 30,000. There being no objection, Amendment 1 was adopted.

[9:12:26 AM](#)

CO-CHAIR OLSON moved to report HB 390, as amended, out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE CISSNA objected.

A roll call vote was taken. Representatives LeDoux, Salmon, Kott, Olson, and Thomas voted in favor of reporting HB 390, as amended, from committee. Representative Cissna voted against it. Therefore, CSHB 390(CRA) was reported out of the House Community and Regional Affairs Standing Committee by a vote of 5-1.

[9:13:07 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 9:13 a.m.