

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

February 8, 2006

2:12 p.m.

MEMBERS PRESENT

Senator Bert Stedman, Chair
Senator Gary Stevens, Vice Chair
Senator Albert Kookesh

MEMBERS ABSENT

Senator Thomas Wagoner
Senator Johnny Ellis

COMMITTEE CALENDAR

SENATE BILL NO. 193

"An Act relating to an optional deferral of municipal property taxes on certain primary residences owned and occupied by individuals with incomes at or below federal poverty guidelines for the state."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 193

SHORT TITLE: DEFERRAL OF MUNICIPAL PROPERTY TAXES

SPONSOR(S): SENATOR(S) BUNDE

05/04/05	(S)	READ THE FIRST TIME - REFERRALS
05/04/05	(S)	CRA, FIN
01/30/06	(S)	CRA AT 1:30 PM BELTZ 211
01/30/06	(S)	-- Rescheduled to 02/08/06 --
02/08/06	(S)	CRA AT 1:30 PM BELTZ 211

WITNESS REGISTER

Senator Con Bunde
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Sponsor SB 193

Lauren Rice, Staff to Senator Bunde
Alaska State Capitol

Juneau, AK 99801-1182

POSITION STATEMENT: Explained portions of SB 193

Marty McGee, City Assessor

Municipality of Anchorage

4501 South Bragaw

Anchorage, AK 99508

POSITION STATEMENT: Supported the concept of SB 193 but questioned the vehicle

Ryan Stencel

Anchorage, AK

POSITION STATEMENT: Supported the concept of SB 193

Katie Nolan

Anchorage, AK

POSITION STATEMENT: Supported the concept of SB 193

Matt Shadle

Homer, AK

POSITION STATEMENT: Testified in support of SB 193

Kathie Wasserman, Deputy Director

Alaska Municipal League (AML)

217 2nd Street

Juneau, AK 99801

POSITION STATEMENT: Testified in support of the option provision in SB 193

Steve Van Sant, State Assessor

Department of Commerce, Community & Economic Development

PO Box 110800

Juneau, AK 99811-0800

POSITION STATEMENT: Commented on SB 193

ACTION NARRATIVE

CHAIR BERT STEDMAN called the Senate Community and Regional Affairs Standing Committee meeting to order at [2:12:08 PM](#). Present were Senators Gary Stevens, Albert Kookesh and Chair Bert Stedman

SB 193-DEFERRAL OF MUNICIPAL PROPERTY TAXES

[2:13:11 PM](#)

CHAIR BERT STEDMAN announced SB 193 to be up for consideration. He informed members that he didn't intend to move the bill that day and then invited Senator Bunde to come forward.

SENATOR CON BUNDE, Sponsor of SB 193, described the bill as a "homestead" bill. Municipalities would have the option of adopting an ordinance to implement a property tax deferral program for homeowners living under the federal poverty level. To qualify the homeowner would have to have occupied the home as a primary residence for a minimum of ten years. Application would be made on an annual basis and the deferred taxes would be due when the property is sold, or the homeowner dies.

He advised that he had several amendments to propose, but would bring a committee substitute (CS) to the next hearing instead.

CHAIR STEDMAN asked him to review the proposed changes.

SENATOR BUNDE described the following:

- Page 1, line 9 change the "10" year occupancy requirement to "2" years
- Page 1, line 11 insert "household" before the word "income"
- Renumber accordingly
- Page 2 add a new section stating that the tax deferral would be recorded as a lien

[2:20:54 PM](#)

SENATOR GARY STEVENS asked if there would be an age limit.

SENATOR BUNDE answered no.

SENATOR GARY STEVENS asked if the residency requirement could possibly cause a conflict.

SENATOR BUNDE replied the requirement simply establishes that the property really is the person's home.

[2:22:26 PM](#)

LAUREN RICE, Staff to Senator Bunde, added Alaska residency isn't required under SB 193 it's occupancy as a primary home so technically, a person could take advantage of the program and not be an Alaskan resident.

CHAIR STEDMAN asked about qualification and the application process.

SENATOR BUNDE explained that homeowners of any age would apply on an annual basis. A municipality would not have the burden of locating homeowners who might qualify.

CHAIR STEDMAN observed that the relevant factors would be income, primary residence, and an area that has property taxes.

SENATOR BUNDE said yes.

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MARTY MCGEE, City Assessor, Municipality of Anchorage, testified via teleconference and stated that the proposed changes address many of his concerns. One issue he had is whether this should be a deferral or an exemption. Citing his experience as an assessor he said that when people can't afford to pay property tax, the property is typically in poor repair so he envisions the municipality having to take property back that might not have enough value to repay the tax. He suggested that the Washington State program is a good model.

Referencing the sponsor's comments about what would trigger repayment of the taxes, he said he didn't find the language in the bill as drafted.

He acknowledged that Alaska could use some tools in this regard but he wasn't sure that this should be the vehicle.

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CHAIR STEDMAN asked if he supported the bill.

MR. MCGEE replied not as currently drafted.

CHAIR STEDMAN questioned the comment that a property in disrepair wouldn't be worth enough to repay the deferred taxes.

MR. MCGEE responded the program is open-ended and if tax were deferred for 10 to 15 years it could be an issue.

CHAIR STEDMAN asked him to estimate the potential impact to the municipality.

MR. McGEE answered he doesn't collect information related to income so he doesn't know how many people might qualify.

CHAIR STEDMAN invited him to participate at the next hearing.

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RYAN STENCEL, Anchorage, testified via teleconference and thanked the sponsor for shining a light on the issue. Although she agreed with the concept, she thought that offering an increased exemption might be a better approach.

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KATIE NOLAN, Anchorage, testified by teleconference and thanked the sponsor for introducing the bill. She reported that the proposed amendments allay some of her concerns, but she doesn't agree that municipalities should have an option. She favored combining the proposal with an increase in the senior citizen property tax exemption.

[2:33:28 PM](#)

MATT SHADLE, Homer assembly member, testified via teleconference in support of SB 193. He reported that the assembly has a resolution that coincides with SB 193.

He made the comment that if Anchorage had a sales tax the bill wouldn't be a financial threat to the municipality.

[2:35:37 PM](#)

SENATOR GARY STEVENS asked his opinion about the option provision.

MR. SHADLE replied he likes the fact that municipalities have the option.

[2:37:05 PM](#)

KATHIE WASSERMAN, Deputy Director, Alaska Municipal League (AML) testified in support of the option provision of SB 193. She offered the opinion that more communities would take part in the deferral if revenue sharing were a possibility.

CHAIR STEDMAN asked her to comment on whether some communities might see this as unfunded mandate similar to the \$150,000 senior citizen exemption.

MS.WASSERMAN responded as currently drafted it isn't a mandate. If this were a requirement like the senior citizen and veteran property tax exemptions the AML would probably be very much opposed to the bill.

She asked if all the deferred tax would be due at the point that an individual no longer qualified under the low-income provision or would the individual only be expected to stay current with subsequent tax payments.

CHAIR STEDMAN said the sponsor would address that at the next hearing.

[2:40:47 PM](#)

SENATOR GARY STEVENS asked Ms. Wasserman if communities don't already have the option of raising the senior exemption.

MS.WASSERMAN said she thought so, but as money becomes tighter it's more and more difficult for communities to meet the unfunded mandatory exemptions.

[2:42:27 PM](#)

STEVE VAN SANT, State Assessor, Department of Commerce, Community & Economic Development, clarified several points.

- Page 1, lines 13 and 14, states that an individual must apply for the deferral and provide proof of eligibility on an annual basis.
- The proposed deferral and the senior citizen property tax exemption are entirely different and unrelated. The senior exemption exempts the first \$150,000 of assessed property value.
- Municipalities have the authority to exempt more than the first \$150,000, but the Kenai Peninsula Borough is the only one in the state that has opted to do so.
- The deferment is open to anyone who is considered low-income according to the federal poverty threshold.
- The senior citizen exemption contains a hardship exemption that is defined by regulation.

- If a municipality were to defer a homeowner's property taxes for 20 years, it's unlikely that the deferred tax would exceed the total assessed value of the property.

CHAIR STEDMAN restated the difference between the bill and current statute. SB 193 is not specific to seniors; eligibility is determined by income rather than age. However, a senior who qualifies for the \$150,000 exemption could also be eligible for a hardship deferral.

MR. VAN SANT said that's correct; senior citizens are covered for hardship if the need were to arise. He then stated appreciation for the fact that the bill gives municipalities a tool to address the issue of helping individuals that aren't already covered.

SENATOR GARY STEVENS recounted the options and questioned whether this might not become too complex.

MR. VAN SANT agreed it could entail increased administrative work, but it's not a big issue. The deferral would entail tracking on an annual basis, but the exemption has no payback provision so there's no running ledger.

CHAIR STEDMAN asked the sponsor if he had closing comments.

SENATOR BUNDE summarized that application for the exemption is made each year so if a homeowner's income were to rise above the poverty level, then an application wouldn't be made for that year. However, the taxes that have been deferred wouldn't be due and payable until the property is sold or the homeowner passes away. In closing he emphasized that this is an option rather than an unfunded mandate.

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CHAIR STEDMAN announced he would hold SB 193 in committee until the next meeting.

There being no further business to come before the committee, Chair Stedman adjourned the meeting at [2:53:49 PM](#)