

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

February 20, 2007

8:03 a.m.

MEMBERS PRESENT

Representative Anna Fairclough, Co-Chair
Representative Gabrielle LeDoux, Co-Chair
Representative Nancy Dahlstrom
Representative Mark Neuman
Representative Kurt Olson
Representative Sharon Cissna
Representative Woodie Salmon

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 67

"An Act relating to an optional exemption from municipal property taxes on certain residences of law enforcement officers."

- MOVED CSHB 67(CRA) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 67

SHORT TITLE: MUNI PROP TAX EXEMPTION FOR POLICE HOMES

SPONSOR(S): REPRESENTATIVE(S) GRUENBERG, CHENAULT

01/16/07	(H)	PREFILE RELEASED 1/5/07
01/16/07	(H)	READ THE FIRST TIME - REFERRALS
01/16/07	(H)	CRA, FIN
02/06/07	(H)	CRA AT 8:00 AM CAPITOL 124
02/06/07	(H)	Heard & Held
02/06/07	(H)	MINUTE(CRA)
02/20/07	(H)	CRA AT 8:00 AM CAPITOL 124

WITNESS REGISTER

NORMAN COHEN, Staff
to Representative Max Gruenberg
Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: During hearing of HB 67, answered questions.

CONRAD JACKSON, Staff
to Representative Olson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: During hearing of HB 67, explained Amendment 2.

STEVE VAN SANT, State Assessor
Division of Community Advocacy
Department of Commerce, Community, & Economic Development
Anchorage, Alaska

POSITION STATEMENT: During hearing of HB 67, answered questions.

SHANE HORAN, Assessor
Kenai Peninsula Borough
Soldotna, Alaska

POSITION STATEMENT: Testified on HB 67.

ACTION NARRATIVE

CO-CHAIR ANNA FAIRCLOUGH called the House Community and Regional Affairs Standing Committee meeting to order at [8:03:53 AM](#). Representatives Fairclough, Dahlstrom, Neuman, and Olson were present at the call to order. Representatives LeDoux, Cissna, and Salmon arrived as the meeting was in progress.

HB 67-MUNI PROP TAX EXEMPTION FOR POLICE HOMES

[8:04:20 AM](#)

CO-CHAIR FAIRCLOUGH announced that the only order of business would be HOUSE BILL NO. 67, "An Act relating to an optional exemption from municipal property taxes on certain residences of law enforcement officers."

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

[8:05:00 AM](#)

REPRESENTATIVE NEUMAN moved that the committee adopt Amendment 1, labeled 25-LS0314\A.1, Cook, 2/14/07, which read:

Page 1, line 14:

Delete all material.

Insert "ordinance must contain a definition of "law enforcement officer" that includes only some or all positions identified in the definition of "peace officer" set out in AS 01.10.060 or in the definition of "police officer" set out in AS 18.65.290. The ordinance must"

[8:06:05 AM](#)

NORMAN COHEN, Staff to Representative Max Gruenberg, Alaska State Legislature, spoke on behalf of Representative Gruenberg, a joint prime sponsor. In response to Co-Chair Fairclough, Mr. Cohen confirmed that Amendment 1 was requested by Representative Gruenberg.

[8:06:21 AM](#)

There being no objection, Amendment 1 was adopted.

[8:06:32 AM](#)

REPRESENTATIVE OLSON drew attention to and offered [Amendment 2]. He related that he has met with both joint prime sponsors, who aren't in opposition to Amendment 2.

[8:08:27 AM](#)

REPRESENTATIVE NEUMAN moved that the committee adopt Amendment 2, as follows [original punctuation provided]:

Amend AS 29.45.050 by adding a new subsection to read:

(t)A municipality may by ordinance exempt from taxation the property of a fraternal society, order or association that is exempt from federal taxes under 26 U.S.C. 501(c)(8) or (10) (Internal Revenue Code) if property is used predominantly for one or more of the following purposes:

- (1) religious;**
- (2) charitable;**
- (3) scientific;**

- (4) literary;
- (5) educational; or
- (6) fraternal.

[8:09:27 AM](#)

CONRAD JACKSON, Staff to Representative Olson, Alaska State Legislature, pointed out that Amendment 2 falls under AS 29.45.050, which is the optional portion of the property tax statute. Therefore, the exemption in new subsection (t) would be completely optional for taxing authorities throughout the state.

[8:09:51 AM](#)

REPRESENTATIVE DAHLSTROM opined that this legislation seems to be similar to legislation passed last year regarding a religious organization with quite a few properties. She recalled that it was fairly contentious. She inquired as to any examples of what groups would be covered under new subsection (t) and the number of properties it might entail.

MR. JACKSON specified that the Loyal Order of the Moose, the Fraternal Order of Eagles, and the Benevolent Protective Order of the Elks (Elks) are a few examples of organizations that would be impacted. He informed the committee that from the Elks association within Alaska, he learned that it contributes \$1.366 million when including cash, non-cash, miles driven, and volunteer hours. With regard to the number of properties statewide, Mr. Jackson said he didn't know and deferred to the state assessor for such information.

REPRESENTATIVE DAHLSTROM asked if a municipality in which such an organization [is granted this exemption] would expect the legislature to help it recover the funds that were lost because of the exemption.

MR. JACKSON reiterated that Amendment 2 inserts [the exemption] in the optional portion of statute and thus it's not an unfunded mandate. Therefore, he expressed hope that if a municipality chooses to offer the proposed exemption, it wouldn't come to the state for reimbursement.

[8:12:31 AM](#)

STEVE VAN SANT, State Assessor, Division of Community Advocacy, Department of Commerce, Community, & Economic Development, said

that after reviewing the service organizations in the state he has determined that there are about 61 properties with a total value of \$22.8 million. If all of those properties were exempted, the taxes lost to municipalities, based on last year's mill rates, would amount to about \$323,000. In further response to Representative Dahlstrom, Mr. Van Sant related that no municipalities reported any scientific, literary, or education organizations.

[8:14:02 AM](#)

REPRESENTATIVE DAHLSTROM remarked that she is supportive of HB 67, although she said she's not completely comfortable with Amendment 2 and potential unintended consequences.

[8:14:28 AM](#)

REPRESENTATIVE NEUMAN asked if Representative Olson would accept a friendly amendment to Amendment 2 to include senior centers, many of which are hanging on by a thread.

REPRESENTATIVE OLSON related his understanding that in the Kenai Peninsula Borough, the senior centers don't pay taxes at this time.

MR. VAN SANT confirmed that most senior centers pay taxes, although those in Kenai are exempt under city ownership.

[8:16:47 AM](#)

CO-CHAIR LEDOUX inquired as to the difference between a 501(c)(3) organization and a 501(c)(8) or (10) organization.

MR. JACKSON related that in the Internal Revenue System (IRS) Code 501(c)(8) organizations are defined, as follows:

(8) Fraternal beneficiary societies, orders, or associations -

(A) operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and

(B) providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their dependents.

MR. JACKSON then related that in the IRS Code 501(c)(10) organizations are defined, as follows:

(10) Domestic fraternal societies, orders, or associations, operating under the lodge system -
(A) the net earnings of which are devoted exclusively to religious, charitable, scientific, literary, educational, and fraternal purposes, and
(B) which do not provide for the payment of life, sick, accident, or other benefits.

[8:18:13 AM](#)

CO-CHAIR LEDOUX inquired as to whether any 501(c)(8) or (10) organizations would be allowed to discriminate on the basis of sex, color, or other ways.

MR. JACKSON related his understanding that nationwide anyone is eligible to join fraternal organizations, subject to the organization's initiation process and membership application.

REPRESENTATIVE OLSON reiterated that Amendment 2 isn't intended to mandate anything, but rather merely provides a tool for political subdivisions.

CO-CHAIR FAIRCLOUGH expressed concern with the amendment to Amendment 2, which seems inconsistent with federal code.

[8:21:35 AM](#)

CO-CHAIR LEDOUX inquired as to why Amendment 2 wouldn't include 501(c)(3) corporations for which there is no requirement for insurance and isn't really a membership organization such as the 501(c)(8) and (10) organizations.

REPRESENTATIVE OLSON answered that the intent of Amendment 2 was to keep [the exemption] fairly tight. He informed the committee that to his knowledge the maximum possible exposure is a little over \$300,000 if every political subdivision of the state offered [the exemption proposed in Amendment 2].

[8:22:40 AM](#)

REPRESENTATIVE NEUMAN referred to the "may" language in Amendment 2, which is optional language that allows municipalities more freedom at the local level. He said he is in favor of local governments making such decisions.

CO-CHAIR FAIRCLOUGH related her understanding that 501(c)(3) organizations already qualify for the exemptions.

[8:24:05 AM](#)

CO-CHAIR LEDOUX surmised then that if 501(c)(3) organizations are already exempted, then senior centers wouldn't need to be included as they are 501(c)(3) organizations.

CO-CHAIR FAIRCLOUGH recalled that Mr. Van Sant related earlier that some senior centers aren't 501(c)(3) organizations and are paying taxes.

MR. VAN SANT explained that currently in order to qualify for an exemption under AS 29.45.030(a)(3), the organization must be a 501(c)(3). However, not all senior centers are used for charitable purposes and in fact, senior centers on the Kenai Peninsula are owned by the city and thus fall under a different exemption.

CO-CHAIR LEDOUX asked if currently 501(c)(3) organizations are already exempted from property taxes.

MR. VAN SANT replied no, not all 501(C)(3) organizations are exempt. In order to be exempt an organization must be a 501(c)(3) and the property must be used for a charitable use.

[8:26:22 AM](#)

REPRESENTATIVE CISSNA opined that Amendment 2 would change the entire conversation of the idea embodied in HB 67. Therefore, she expressed her opposition to Amendment 2.

[8:28:03 AM](#)

CO-CHAIR LEDOUX asked if the Alaska Municipal League (AML) has weighed in on Amendment 2.

CO-CHAIR FAIRCLOUGH replied no. Co-Chair Fairclough announced that although the public hearing on HB 67 had previously been closed, she would re-open it to allow the following witness to testify.

[8:28:34 AM](#)

SHANE HORAN, Assessor, Kenai Peninsula Borough, said that he appreciates the optional nature of HB 67 and Amendment 2,

although it does place some pressure on the municipalities to adopt such. Mr. Horan clarified that the senior centers in the Kenai Peninsula Borough are currently exempted under the community purpose exemption under AS 29.45.050. As indicated earlier, these organizations are typically established as 501(c)(3) charitable organizations although some may not qualify for the exemption because the [property] isn't used exclusively for a charitable purpose. With regard to the fraternal 501(c)(8) organizations, he expressed reservations because the Kenai Peninsula Borough currently has 14 such organizations which equate to about \$2 million in assessed value. At 12 mills that equates to about \$25,000 in taxes. He reminded the committee that these organizations are usually exclusive to their members.

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

[8:31:23 AM](#)

REPRESENTATIVE SALMON related his belief that 501(c)(3) organizations should be included in Amendment 2.

REPRESENTATIVE DAHLSTROM objected for discussion purposes.

REPRESENTATIVE OLSON reiterated that he met with the joint prime sponsors regarding Amendment 2. He specified that he didn't intend for Amendment 2 to thwart the process of HB 67, and therefore if that's the case, he said he would pull Amendment 2.

[8:33:03 AM](#)

CO-CHAIR LEDOUX noted her agreement with including 501(c)(3) organizations.

REPRESENTATIVE OLSON withdrew Amendment 2.

[8:34:10 AM](#)

REPRESENTATIVE DAHLSTROM moved to report HB 67, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 67(CRA) was reported from the House Community and Regional Affairs Standing Committee.

The committee took an at-ease from 8:34 a.m. to 8:35 a.m.

8:36:57 AM

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 8:36 a.m.