

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

June 25, 2007

5:05 p.m.

MEMBERS PRESENT

Representative Anna Fairclough, Co-Chair
Representative Gabrielle LeDoux, Co-Chair
Representative Kurt Olson
Representative Sharon Cissna
Representative Woodie Salmon (via teleconference)

MEMBERS ABSENT

Representative Nancy Dahlstrom
Representative Mark Neuman

OTHER LEGISLATORS PRESENT

Representative Bob Lynn
Representative Mike Chenault

COMMITTEE CALENDAR

HOUSE BILL NO. 23

"An Act relating to a limit on the amount by which the assessed value of property may be increased for purposes of municipal property taxation."

- HEARD AND HELD

HOUSE BILL NO. 24

"An Act prohibiting municipalities from charging a fee for an appeal of a residential real property tax assessment to the municipality's board of equalization."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 23

SHORT TITLE: LIMIT ANNUAL INCREASE OF MUNI PROP ASSESS

SPONSOR(S): REPRESENTATIVE(S) STOLTZE, NEUMAN

01/16/07	(H)	PREFILE RELEASED 1/5/07
01/16/07	(H)	READ THE FIRST TIME - REFERRALS

01/16/07 (H) CRA, FIN
02/13/07 (H) CRA AT 8:00 AM CAPITOL 124
02/13/07 (H) Heard & Held
02/13/07 (H) MINUTE(CRA)
06/25/07 (H) CRA AT 5:00 PM Anch LIO Conf Rm

BILL: HB 24

SHORT TITLE: PROPERTY ASSESSMENT APPEAL FEE
SPONSOR(s): REPRESENTATIVE(s) STOLTZE, NEUMAN

01/16/07 (H) PREFILE RELEASED 1/5/07
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06/25/07 (H) CRA AT 5:00 PM Anch LIO Conf Rm

WITNESS REGISTER

REPRESENTATIVE BILL STOLTZE
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor of HB 23 and HB 24.

PAUL KENDALL
Anchorage, Alaska

POSITION STATEMENT: During hearing of HB 23 and HB 24, expressed concern about the large increase in property assessments.

LARRY SEMMONS
Finance Officer
City of Kenai
Kenai, Alaska

POSITION STATEMENT: Testified in opposition to HB 23 and HB 24.

KATHY WASSERMAN
Alaska Municipal League
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to HB 23 and HB 24.

BRIAN BETTS
Anchorage, Alaska

POSITION STATEMENT: During hearing of HB 23 and HB 24, expressed concern about the large increase in property assessments.

DAVE WOLFE

Chugiak, Alaska

POSITION STATEMENT: Testified in support of HB 23 and HB 24.

VICKY CANTRELL

Anchorage, Alaska

POSITION STATEMENT: During hearing of HB 23 and HB 24, expressed concern about the large increase in property assessments.

ACTION NARRATIVE

CO-CHAIR ANNA FAIRCLOUGH called the House Community and Regional Affairs Standing Committee meeting to order at [5:05:50 PM](#). Representatives Salmon, Olson, Cissna and Co-chairs Fairclough and LeDoux were present at the call to order. Also in attendance were Representatives Chenault and Lynn.

HB 23-LIMIT ANNUAL INCREASE OF MUNI PROP ASSESS

HB 24-PROPERTY ASSESSMENT APPEAL FEE

[5:07:12 PM](#)

CO-CHAIR FAIRCLOUGH announced that the only order of business would be HOUSE BILL NO. 23, "An Act relating to a limit on the amount by which the assessed value of property may be increased for purposes of municipal property taxation." and HOUSE BILL NO. 24, "An Act prohibiting municipalities from charging a fee for an appeal of a residential real property tax assessment to the municipality's board of equalization."

CO-CHAIR FAIRCLOUGH informed participants that the committee would be taking public testimony today. She asked Representative Stoltze to join the committee and said the committee would address HB 23 and HB 24 simultaneously.

[5:08:06 PM](#)

REPRESENTATIVE BILL STOLTZE, Alaska State Legislature, sponsor of both HB 23 and HB 24, told members both bills are fairly simple but have far reaching policy ramifications. He explained that HB 23 limits property tax assessments to two percent per year. He then related his desire is to work with the committee on compromises and move this progressive measure on. He said he has heard valid concerns about how HB 23 would impact the education formula so he and his staff have been working with

Eddy Jeans and other Department of Education staff to address that issue. He then told members that he views HB 24 as a due process issue related to fees charged to appeal a property tax assessment. He said he recently helped his mother appeal her property tax assessment, which was a complicated process. HB 24 would eliminate/limit the appeals fee. He appreciated the committee's willingness to take public testimony in Anchorage.

[5:12:42 PM](#)

REPRESENTATIVE STOLTZE, in response to a question from Co-Chair Fairclough, confirmed that he had requested this hearing.

CO-CHAIR FAIRCLOUGH explained that these bills were taken up in Anchorage at this time to take advantage of all members' presence in Anchorage for the special session. She noted the committee does not typically hear bills during the interim but chose to make that exception because the cost to provide that opportunity at this time is limited.

[5:14:02 PM](#)

CO-CHAIR LEDOUX returned to the sponsor's notion that the appeal process is complicated and questioned how eliminating the appeal fee will simplify the process.

REPRESENTATIVE STOLTZE said he doesn't believe eliminating the fee will reduce the complexity of the appeal process. He opined that local governments do not want to go out of their way to prove their assessments are correct so that may be the reason for the complications.

CO-CHAIR LEDOUX asked if a different piece of legislation could be introduced to streamline the complicated appeals process and make it more user friendly.

REPRESENTATIVE STOLTZE replied one could and that he would be willing to do anything to help local governments simplify the appeal process for property taxpayers. He acknowledged that he does not have any ideas at this time.

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CO-CHAIR FAIRCLOUGH invited Representatives Lynn and Chenault to join members at the table and opened public testimony on HB 23 and HB 24.

5:16:42 PM

PAUL KENDALL, an Anchorage resident, said he would like to testify on property taxes in general.

CO-CHAIR FAIRCLOUGH informed Mr. Kendall that he must speak to the legislation before the committee at this time and noted HB 23 limits property tax assessment increases to 2 percent per year and that HB 24 eliminates fees to appeal property tax assessments.

MR. KENDALL told the committee that he believes the American dream of homeownership and individual liberties has been lost. The American dream involves working a lifetime to own a home. He related his belief that all property taxes should be eliminated, at least for homes of 1,000 square feet with an attached garage or less, and that another method to fund government services should be found. He then expressed concern that the government process has become flawed regarding public involvement and that the public is sometimes limited to two minutes to speak or members take testimony by invitation only. He said the government's desire for more revenue at any cost makes the homeowner very vulnerable. He expressed interest in hearing further debate on essential services and the description of a society. He noted that people work all their lives to pay off a mortgage and then have to pay \$3,000 in property taxes per year in addition to other fees. Electric, water and gas rates are increasing. He said he feels families are being pushed out of the home market and that ownership of a single family home is a drive that unites all people despite race, gender, and etcetera. He asked the committee to take a fresh look at the problem of property taxes.

5:22:55 PM

LARRY SEMMONS, Finance Director, City of Kenai, spoke against HB 23. He believes this type of tax manipulation is ill-conceived and results in significant inequities in taxes paid by individuals. It also negatively impacts a municipality's ability to provide services. He related the following example to illustrate his point. The taxes on a \$250,000 new built home would be calculated on the full and true value. Under the 2 percent increase limit in HB 23, the assessed value of an adjacent home that is much larger and has a fair market value of \$400,000 with no recent improvements would be limited to \$200,000. The result is that those two homeowners would pay a significant difference in property taxes. Many communities in

organized areas in Alaska rely on property taxes to pay for services. If HB 23 is adopted, assessed values will grow slowly and cause municipalities to increase mil rates, cut services, or find other sources. Taxation in general is not a popular concept but services aren't free and the costs of doing business are increasing. He commented that it is unlikely that the state will step in and help with the loss of revenue if this legislation becomes law.

MR. SEMMONS emphasized that the impacts of this legislation will be very difficult for municipalities to deal with. Similar legislation has been enacted in other states with unpleasant results. He said HB 23 is an impediment to development since taxation on new construction would be much higher than on existing structures, putting developers at a disadvantage. He noted residency and other statutory exemptions already exist that deal with problems associated with home values. He indicated property taxes are a local issue and encouraged the Legislature to leave that issue alone. Regarding HB 24, Mr. Semmons said he supports municipal efforts to limit frivolous appeals and believes that many municipalities with fees should refund those fees to successful appellants.

[5:27:17 PM](#)

REPRESENTATIVE OLSON asked about the fiscal impact to the City of Kenai should HB 23 and HB 24 pass.

MR. SEMMONS said over a 10-year period, using the current rates of property inflation, which have been 12 to 15 percent in Anchorage, the kind of disparity that he previously illustrated would occur and the ability to generate property taxes would dry up or stay flat at best. He noted that property tax increases vary from year to year but, in most years, property values increase more than 2 percent. He suggested that municipalities will be forced to raise the tax rate or find another revenue source.

CO-CHAIR FAIRCLOUGH noted that Steven Van Sant and Ron Brown from the state assessor's office were present and available to answer questions after public testimony is concluded.

[5:29:35 PM](#)

KATHIE WASSERMAN, Alaska Municipal League (AML), said the AML is adamantly opposed to HB 23. She reminded the committee that although the press release for this hearing stated it was being

held in Anchorage to be closer to those affected by increasing property taxes, almost every borough and first class city throughout the state levies property taxes. She opined that HB 23 will unfairly shift the property tax burden to businesses because the need for revenues from property taxes will not diminish, which will relay a terrible message to businesses. She expressed the need to think of the repercussions HB 23 may have related to education funding because local school contributions are based on property tax assessments. She questioned who would cover the shortfall and cautioned that municipalities will be forced to increase mil rates. She said the state provides for senior citizen property tax exemptions up to \$150,000. She said this bill will devastate municipalities. The residents need for services directly results in property taxes.

MS. WASSERMAN then turned to HB 24, and said taking away an appeal fee will not lessen the hoops an appellant will have to jump through. She pointed out that only three communities in the state charge an appeal fee and those fees are very, very low. The Ketchikan Gateway Borough does not charge a fee until a second appeal has been filed. Anchorage and Kenai charge \$30 on the first \$100,000 of value and \$100 for up to \$500,000 of value. She asked the committee to think carefully about these bills as they could be very problematic for communities. She reminded members that property taxes fall under the jurisdiction of local governments.

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CO-CHAIR FAIRCLOUGH reminded participants that the committee cannot take action on this legislation during the interim and that the bill is being heard at this time as a courtesy to a fellow Representative.

[5:34:43 PM](#)

BRIAN BETTS (ph) related he moved to Anchorage in 2005 and purchased a house for \$85,000 that had been vacant for two years. The house had no running water or heat, the roof leaked and it sat on house jacks. However, the city increased the property's value to \$140,000, an 85 percent increase in one year, with minimal improvements. He paid \$100 to appeal the increase. The property value was decreased to \$122,000 and later decreased to \$117,000, which is still a 40 percent increase for a home that sits on floor jacks with no furnace and a leaking roof. He has been taken aback by the city's

arrogance. He is very upset about that increase and believes the \$100 appeal fee should not be charged.

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REPRESENTATIVE LYNN asked Mr. Betts where his property is located.

MR. BETTS said his property is located in Spenard.

5:38:29 PM

DAVE WOLFE (ph) told members he has lived in the Chugiak area for the last five years and lived in Anchorage prior to that. He has owned two homes; one in Anchorage and the Chugiak home he now lives in, which he purchased in 2002 at an assessed value of about \$200,000 at that time. In 2007, his home was assessed at \$300,000. He has six children, two are foster children. He is in the military so he does not have a lot of control over a salary increase and paying his increasing property tax bill has been difficult. He said the 2 percent increase limit in HB 23 is attractive since his property value increased 13 percent from '05 to '06 and another 10 percent the following year. That 23 percent increase includes a \$20,000 tax credit offered by the city last year. He said the increase in his home's assessed value from 06-07 totaled almost \$30,000 with no visible improvements. The cost of an appeal has deterred him from filing one, as well as the danger of allowing an assessor in the house. According to the city, his home now has an extra bedroom and chimney. He said he would like to have those features removed from his bill but does not want to go through an appeal. He commented that property tax increases in Anchorage are out of control so any method to limit those taxes should be taken advantage of. He related that he knows several families that left Alaska in 1998 and 1999 and cannot return to Anchorage because of the increase in home values and property taxes, although they would like to.

5:43:19 PM

CO-CHAIR FAIRCLOUGH mentioned that Rex Shattuck, Representative Neuman's chief of staff, was present. She then told Mr. Betts that the House Community and Regional Affairs Standing Committee passed a bill out of committee that would increase the amount of the tax exemption that local communities can offer from \$20,000 to \$50,000.

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REPRESENTATIVE CISSNA said she has traveled to various communities around the state to look at health issues and has found that people are having a tough time economically. However, the increased value of a home creates a nest egg at retirement. She asked Mr. Wolfe if he has considered that benefit and whether he has looked into further exemptions for foster parents.

MR. WOLFE acknowledged the increase in value is a nest egg and that he has sought exemptions. He said as a member of the military, he will eventually be stationed outside of Alaska but plans to return. He will probably hold on to that home.

REPRESENTATIVE STOLTZE jested that he finally found a constituent who likes his bill and that constituent is moving out-of-state.

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VICKY CANTRELL, an Anchorage resident, informed members that since 2004, the assessed value of her home has increased 70 percent, or \$245,000. She noted that she just reached the age of 65 so was not able to take advantage of the relief provided for senior citizens when that increase went into effect. Her tax bill in 2004 was \$5700; it is now \$8700, which means she pays almost \$800 per month in property taxes to live in her home. She related that she has lived in the house since 1972 and is now retired. She further informed the committee that the only major improvement was to fix a leaking roof. She mentioned that her two sons who live in town, but neither can afford to take the home because of the high cost of heat and other costs.

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CO-CHAIR FAIRCLOUGH thanked Ms. Cantrell for her service as the deputy municipal clerk at the Municipality of Anchorage. She then noted with no further testifiers, public testimony was closed on both bills.

[5:51:17 PM](#)

REPRESENTATIVE CISSNA related her understanding that property taxes are based on the assessed value of property, but the private sector has its own process of assessing property value. She said the real estate appraisal of her home is much higher

than the municipal property tax assessment and asked what the standard difference is between municipal assessments and real estate appraisals.

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STEVE VAN SANT, State Assessor, Department of Commerce, Community, & Economic Development, explained that assessments are statutorily required to represent market value. Property values in Anchorage and the Mat-Su Valley have increased astronomically over the last several years. Most municipal tax assessments for residential properties are fairly close to the market value; however there will be extremes in the difference. In Anchorage, property assessments are about 90-95 percent of market value in general. Anchorage assessors attempt to value 100,000 properties each year and it is impossible to get exact values of all properties. Alaska is a nondisclosure state so getting market data is not always easy. Assessors often get data from appeals. He said assessed values reflect what the market is actually doing so that an assessment may increase substantially when the assessor finds the sales prices are much higher than originally assumed.

MR. VAN SANT said the bottom line is in some situations the assessed value is lower than market value; however with residential property that value is usually very close. He remarked that assessors do not try to dictate market value; they try to reflect what the market is actually doing.

CO-CHAIR FAIRCLOUGH acknowledged that Kelly Huber, staff to Representative Dahlstrom, had been present for the entire meeting.

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REPRESENTATIVE STOLTZE thanked the committee for holding the hearing. He told Mr. Semmons of the City of Kenai that it is not his intent to create an inequity with HB 23. He said inequities have been created by uncontrollable market forces, especially in Anchorage and the Mat-Su Borough. He said his goal is to shake things up to force people to look outside of the box for solutions because he believes some entrenched interests in local governments have an interest in maintaining the status quo. He said he does not believe any citizen who redresses a concern with government by using the appeal process is acting in a frivolous manner. He questioned what is more important to the average American than that person's home. It

is a major life investment for most people so he objects to the term "frivolous appeal." He is not interested in starving local governments or homeowners but in finding a balance.

REPRESENTATIVE STOLTZE said he is trying to get to a rational solution and that he is not wed to a 2 percent limit. He commented that the circuit breaker concept is interesting and a concept on which he would like to hear public testimony. He expressed his desire to get some movement in this area because the average homeowner is facing serious challenges related to increased property taxes and energy costs. Representative Stoltze said although he has heard the citizens' initiative in California has created an awful experience for Californians, he has heard no talk of repealing that initiative so he assumes citizens are somewhat satisfied at putting a choker chain on government spending. He related his preference to address this issue through the committee process rather than with a ballot box initiative.

[6:02:56 PM](#)

REPRESENTATIVE CISSNA agreed with Representative Stoltze about the importance of her home to her and said she was among the working poor for the most part while she paid it off. She expressed concern about HB 23 and HB 24 because she has visited 52 Alaskan communities and, in comparison, Anchorage residents live wonderful lives because their municipal government provides good roads and schools. Many of the communities she visited are having a hard time surviving, which is forcing people into hopeless situations. She said municipal governments are failing the fastest. Alaska needs those governments to function to make it possible for residents to be able to remain in their towns.

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CO-CHAIR LEDOUX said so many of the struggling communities are smaller and don't have a tax base for property taxes. Therefore, she opined that Representative Cissna's comment expresses a need for revenue sharing because the value of the property just isn't there to tax.

CO-CHAIR LEDOUX said she is convinced that a property tax problem exists but she is not sure that HB 23 and HB 24 are the solutions. She said if a person invests \$50,000 in property and ends up with a nest egg worth \$300,000, the person would have to pay annual property taxes on the increased amount. However, if a person invested the \$50,000 in the stock market and the value

of the stocks increased to \$300,000, that person would only have to pay taxes on the profit when the stocks are sold. She reiterated her suspicion that these bills are not the answer but, at this point, she doesn't know the solution. She said she believes property tax is an inherently unfair tax particularly when compared to stock investments.

[6:09:07 PM](#)

REPRESENTATIVE STOLTZE expressed his desire to work on this legislation and develop a draft that addresses some of the concerns expressed. Regarding Representative Cissna's remarks, he said many rural areas do not have strong economies, which is a different problem that needs to be addressed. He opined that a mill rate increase is preferable because the public process is more transparent than the assessment increase process. He said elected officials must make a conscious transparent effort to raise mil rates while unelected officials increase taxes through assessments. That is a fundamental policy concern for him. He thanked the committee for the dialog and said he would continue to pursue creative solutions.

[6:12:56 PM](#)

CO-CHAIR LEDOUX remarked that one possibility is to prohibit a municipality from raising property taxes without voter consent. She thought the State of Oregon had such a law.

[6:13:54 PM](#)

CO-CHAIR FAIRCLOUGH thanked Representative Stoltze for bringing the legislation forward and said everyone can relate to the burden caused by property tax increases. She said her own property value has increased dramatically in three years. She related her belief that Representative Stoltze has already made a difference by bringing this legislation forward because the committee recently heard an extensive presentation from the Municipality of Anchorage (MOA) about its appeals process. The MOA now tries to first assure that complaints are taken care of at the counter, which has made a big difference in the number of appeals that did not move forward and decreased the city's work load.

CO-CHAIR FAIRCLOUGH said she has contacted the MOA. Mayor Begich wrote in an editorial that he would be agreeable to a \$200,000 exemption. That is a local option that could be implemented right now. She said the committee has heard

testimony, particularly from people in the Kenai-Soldotna area about the challenges that their municipality is facing in trying to curb assessments because it has an unlimited exemption. This committee is trying to balance the needs of citizens with the revenue needs of local communities. As Representative LeDoux suggested, the legislature could look at repealing full and true value. She explained:

Because that has been part of the challenge now and as we increase property tax values at true and fair market value, the city of Anchorage, I can't speak to other areas ... has a decreased hit at every exemption that we have and so previous public testimony before this committee has talked about full and true value and how that is affecting the local school districts and the impact of the state not stepping up to the plate and actually funding some of the unfunded mandates that we require cities to do at a state level and so those are certainly opportunities that we can go back and look at.

We appreciate you bringing these forward. We have heard, this committee has moved one of the bills that could, if it passes, reduce property taxes. It is more of a shift on to commercial property to pick up the burden for municipalities and that is the voluntary \$20,000 exemption moving to \$50,000. That we have discussed and that, with our state assessor talking about the circuit breakers and we have - I have called the Municipality of Anchorage, especially for our seniors that are carrying homes or anybody who is carrying a home that is going to lose that investment because of property taxes. The state law does allow an appeals process with particular criteria that you meet so that you wouldn't lose your home and that you would only pay a certain percentage in comparison to your actual annual salary and so there are ways. The Municipality to date has not been receptive to moving that forward. I have sent multiple e-mails telling them that Mat-Su, I believe, has that one in place so that their ... constituents who have invested in real property would not lose that because of taxes taking that away. The committee is handling many things that affect community and regional affairs but it is a balancing job that we take very seriously and this is the second time that we've heard this. I expect the debate to continue

with what is best for individuals. So thank you all for joining us this evening.

[HB 23 and HB 24 were held over.]

[6:18:40 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at [6:18:45 PM](#).