

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

March 25, 2010

3:39 p.m.

MEMBERS PRESENT

Senator Donald Olson, Chair
Senator Joe Thomas, Vice Chair
Senator Linda Menard

MEMBERS ABSENT

Senator Hollis French
Senator Albert Kookesh

COMMITTEE CALENDAR

SENATE BILL NO. 201

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

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 201

SHORT TITLE: MUNICIPAL PROPERTY TAX EXEMPTIONS

SPONSOR(S): SENATOR(S) MENARD, HUGGINS

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|----------|-----|-----------------------------------|
| 01/19/10 | (S) | PREFILE RELEASED 1/8/10 |
| 01/19/10 | (S) | READ THE FIRST TIME - REFERRALS |
| 01/19/10 | (S) | CRA, FIN |
| 03/25/10 | (S) | CRA AT 3:30 PM BELTZ 105 (TSBldg) |

WITNESS REGISTER

MICHAEL ROVITO
Aide to Senator Menard
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Presented SB 201.

RAYMOND ROBERTS
Representing himself
Ketchikan, AK

POSITION STATEMENT: Testified in support of SB 201.

ED ZASTROW, president
AARP
Ketchikan, AK

POSITION STATEMENT: Testified in opposition to SB 201.

STEVE VAN SANT, state assessor
Anchorage, AK

POSITION STATEMENT: Provided information on SB 201.

KELLY TAYLOR, deputy director
Property Appraisal
Municipality of Anchorage
Anchorage, AK

POSITION STATEMENT: Testified in opposition to SB 201.

NICK BUCHTER
Representing himself
Eagle River, AK

POSITION STATEMENT: Testified in support of SB 201.

JEFF JACOBSON, chief of staff
Representing Mayor Hopkins
Fairbanks North Star Borough (FSNB), AK

POSITION STATEMENT: Testified in opposition to SB 201.

PAUL EVAN JR.
Representing Mayor Nick Alexie
City of Lower Kalskag
Lower Kalskag, AK

POSITION STATEMENT: Testified on SB 201.

KATHIE WASSERMAN, executive director
Alaska Municipal League (AML)
Juneau, AK

POSITION STATEMENT: Testified in opposition to SB 201.

ACTION NARRATIVE

[3:39:16 PM](#)

CHAIR DONALD OLSON called the Senate Community and Regional Affairs Standing Committee meeting to order at 3:39 p.m. Present at the call to order were Senators Menard, Thomas, and Olson.

SB 201-MUNICIPAL PROPERTY TAX EXEMPTIONS

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CHAIR OLSON announced consideration of SB 201.

SENATOR MENARD, sponsor of SB 201, yielded to her staff, Michael Rovito, to present SB 201.

MICHAEL ROVITO, staff to Senator Menard, said SB 201 will increase the amount of the property tax exemption for seniors, aged 65 and over, and disabled veterans, from the first \$150,000 of real property value to the first \$200,000 of real property value, but only if the state appropriates enough money to reimburse the municipalities for the loss of funds. The commissioner of Commerce, Community and Economic Development (CCED) would determine if enough money has been appropriated to reimburse those municipalities. The exemption would also apply to seniors, aged 60 and over, who are widows or widowers of persons who qualified under one of the other two qualifications for the exemption. SB 201 amends AS 29.45.030.

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SENATOR THOMAS said he assumes the decision is up to the commissioner of revenue.

MR. ROVITO said it would be the commissioner of CCED. The state assessor's department falls underneath this department.

CHAIR OLSON asked how many other times the state has reimbursed a municipality for lost revenues from property tax.

MR. ROVITO said the state assessor reports no reimbursement since 1996. A full reimbursement was given in 1985, decreasing every year thereafter, until 1996 when there was no funding.

CHAIR OLSON asked if Mr. Rovito was worried that the state's ability to reimburse city and boroughs for lost taxes will be zero as incoming revenue declines with pipeline production.

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MR. ROVITO agreed this is a concern.

CHAIR OLSON said the burden of funding municipal government will fall on the other property owners within the municipality.

MR. ROVITO replied that is correct.

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SENATOR MENARD commented that Alaska has a large and growing senior population. Though the state has not funded such a reimbursement since 1996, she wants a possible \$200,000 exemption limit on the books. Not all municipalities have to utilize the full \$200,000 exemption, but some do have more revenue. She noted that a gas pipeline may be coming soon and she wants this opportunity set for seniors, many of whom are on fixed incomes, and disabled veterans.

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CHAIR OLSON said young families are working and struggling and will bear the burden of property taxes. He noted his mother is in her 80's and at least does not have children to feed. Seniors are on fixed budgets but often have less to deal with.

MR. ROVITO said seniors are concerned about value assessments changing while they are on a fixed income. Some seniors might own their home outright but cannot afford their property taxes; their home can be taken. Younger people, however, do have to bear the burden of property tax.

CHAIR OLSON asked if Mr. Rovito has any statistics showing that seniors' houses are repossessed by cities due to unpaid taxes.

MR. ROVITO replied he can get that information.

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SENATOR MENARD said she has heard rumors [of seniors' homes being repossessed due to unpaid taxes]. When seniors get to the point of losing their homes they become a bigger burden on the state. If municipalities get into a position where they can afford to help seniors, SB 201 will have put a vehicle in place.

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CHAIR OLSON said it sounds like an unfunded mandate and having too many tax credits can be a problem.

SENATOR MENARD said, "the state can do this or the municipalities can do it"; they are both players in this scenario.

CHAIR OLSON asked if municipalities do not currently have the power to increase tax exemption for senior citizens.

SENATOR MENARD replied that is her understanding.

CHAIR OLSON asked if city government can do what SB 201 does, but on a local level.

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MR. ROVITO replied no, because this is state law and the state is telling municipalities that this is how they have to do it. He noted he would like a chance to verify that.

CHAIR OLSON said he wants some information on how many seniors have lost their homes.

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SENATOR MENARD stated that if the property assessments get too high, even a person who owns his or her home may lose the ability to pay the property taxes. In this sense, a person never owns his or her home and could lose it.

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SENATOR THOMAS said an exemption up to \$150,000 is allowed now and up to \$200,000 is allowed with an ordinance approved by the voters for three classifications people: a person 60 years or older who is the widow or widower of a person who qualified for an exemption, a person 65 years or older or a disabled veteran. Other property tax exemptions are at a maximum \$20,000.

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RAYMOND ROBERTS, representing himself, Ketchikan, said SB 201 is long overdue because of the unrealistic cost of homes due to inflation. Going on Medicaid costs the state far more than having seniors stay in their own homes. Seniors have seen the state develop and have shared in paying for its infrastructure. Seniors are finding it hard to keep their homes; they are on a fixed income while medical costs keep rising and insurance is being cut. Costs have gone beyond the means of many seniors in Alaska; Pioneer Homes are now too costly to consider. Many seniors built their own homes, with their own hands, when little financing was available. Seniors helped build the state of Alaska and need help to live here.

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CHAIR OLSON thanked Mr. Roberts and his generation for building Alaska. He asked how old Mr. Roberts is and if he has a family.

MR. ROBERTS replied that he is 83 years old and has a daughter, a son, grandchildren and great-grandchildren.

CHAIR OLSON asked if Mr. Roberts feels he is struggling with the cost of living more as a senior than as a young man with children.

MR. ROBERTS answered that he struggles more now due to the rise in costs of medical care. He has to travel to Seattle for care that is not available in Alaska. Living in Seattle for months at a time is costly. Members of his generation are hard workers; health prevents them from going out and earning extra money now. He reiterated that the cost of living is more difficult now than in his younger years.

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ED ZASTROW, president, AARP, Ketchikan, said that his AARP chapter does not support increasing the exemption to \$200,000. The chapter strongly feels that the \$150,000 exemption is adequate and additional burden on other tax payers is not justified. He added that 572 homes enjoyed the \$150,000 exemption in 2008. Now, in 2009, 634 homes do. That is a 10 or 11 percent increase. Exemptions have to be paid for by someone.

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CHAIR OLSON asked what Mr. Zastrow says to seniors who are struggling to keep up with taxes and are in danger of having to leave the state or lose their house.

MR. ZASTROW replied that "times are not like they used to be" and many do struggle, but the percentage is small. He said many have come to the reality that eventually you cannot afford to live in your home anymore. His local AARP does everything it can to educate and assist seniors with programs available to them. His local AARP chapter's goal is to educate, inform and assist.

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SENATOR THOMAS asked about people, moving out of their homes to a pioneer home, where the cost for one month is probably equal to the amount of exempted taxes over two or three years.

MR. ZASTROW agreed that is a concern. He was the chairman of the Pioneer Home Advisory Board for eight years and served on the Alaska Commission on the Aging. His concern remains that the increased exemption will cause more of a burden on those who do not get the exemption.

SENATOR THOMAS asked what Mr. Zastrow would say to organizations that say older folks should go back to work.

MR. ZASTROW replied that he himself does work part-time and unfortunately sometimes that has to happen.

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STEVE VAN SANT, state assessor, Anchorage, said under AS 29.45.050(i), municipalities have the option to increase the \$150,000 exemption to an unlimited maximum. For example, Kenai Peninsula Borough had an unlimited senior citizen exemption and has since rolled that back to a \$300,000 exemption. He also corrected Senator Menard's earlier stated figures and said the cost to fund the program to 2016 is \$17,300,000.

CHAIR OLSON asked Mr. Van Sant to confirm that a municipality does have the option to increase its tax exemption for a class of residents.

MR. VAN SANT replied yes. He said municipalities have two options. One, the hardship exemption, is under AS 29.45.030 and is for those residents in a municipality who face hard times and cannot afford their taxes due to low revenue. Under AS 29.45.050, there is an optional exemption above the current \$150,000.

CHAIR OLSON asked if Mr. Van Sant is saying SB 201 is not necessary.

MR. VAN SANT replied no, he is saying that under SB 201, another \$50,000 would be added to the current mandated exemption if the revenue loss to the municipality is reimbursed by the state. Currently, based on AS 29.45.050, the municipalities may exempt more than \$150,000 at their own expense, with nothing to do with state reimbursement.

CHAIR OLSON said he is concerned that state revenue has decreased. Many exemptions and benefits have been taken away and municipalities already have hardship.

MR. VAN SANT agreed and said this program was funded until 1996 with about \$1,100,000. The question is whether the state has an extra \$13 - \$16 million to throw at this program. He is not sure where that money would come from.

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SENATOR THOMAS asked Mr. Van Sant about the cost of people in pioneer homes versus the cost of reimbursing the taxes to municipalities. He calculated that 53 years of the increased

property tax exemption would equal about one year at a pioneer home.

MR. VAN SANT agreed that the cost of a pioneer home far exceeds the possible loss in revenue from the exemption. However, he pointed out that pioneer homes do not have enough room for all seniors anyway; 22,000 seniors and 3,200 disabled veterans are in the existing program today. Municipalities have the ability to help seniors in their own areas but cannot afford to do so. The exemption would also create a cost for other tax payers.

SENATOR THOMAS noted the potential pressure to build more pioneer homes in the future. He also asked about the amounts calculated for the fiscal note.

MR. VAN SANT explained that the fiscal note should show \$12.9 million for Fiscal Year (FY) 2011 and \$13.6 for FY 2012.

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KELLY TAYLOR, deputy director, property appraisal, Municipality of Anchorage, said Mayor Sullivan, of Anchorage, is not in support of additional property tax exemptions. He encourages the Legislature to fully fund the exemptions that are currently mandated. The current \$150,000 exemption is a good program and has attracted seniors from the Lower 48.

MS. Taylor said SB 201 would benefit all senior citizens, including those with the ability to pay, not just those with low income levels. If SB 201 passes and the state funds the program, municipalities would provide the exemption to the appropriate seniors. However, the state could decide not to fund the exemption the following year forcing municipalities to remove the exemption and negatively impact seniors.

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SENATOR THOMAS asked Ms. Taylor if seniors are moving to Alaska and buying homes.

MS. TAYLOR answered that the total number of seniors is significantly increasing, possibly outweighing the natural aging of the population.

SENATOR THOMAS asked if the increase in seniors can be attributed to seniors moving to Alaska rather than to aging.

MS. TAYLOR suggested many factors contribute to the increase in the senior population and she does not believe it can be

attributed solely to the aging of the population. She has heard, anecdotally, from people who come in to apply for the senior citizen exemption, that they moved to Alaska because of it.

SENATOR THOMAS said that surprises him.

SENATOR MENARD referred to Ms. Taylor's comment about SB 201 benefitting both those who can afford their property taxes and those who cannot and commented that people cannot be punished for being successful. She said she could care less if seniors are very wealthy; many are philanthropists. There should not be shame in giving exemptions to seniors who have done well.

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MS. TAYLOR said she agrees that if a provision is for all individuals to receive a benefit, they certainly should. However, the purpose of the senior citizen exemption was to aid senior citizens' ability to stay in their homes as opposed to losing their homes to taxation. If the benefit is intended to go to a specific population that is aging and financially suffering, a disbursement to a larger pool has a larger impact.

CHAIR OLSON asked if the state does not currently fully reimburse municipalities for mandated exemptions.

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MS. TAYLOR replied the senior citizen exemption program was reimbursed at 100 percent from 1973 to 1985. From 1985 - 1996, the percentage of reimbursement from the state went down to 6.2 percent. Since 1997, the state has not provided the municipalities with any reimbursement though they are required to provide the senior citizen exemption.

CHAIR OLSON commented that it is a black eye for the state if the state has not held up its end of the bargain in reimbursing the municipalities. He asked if Ms. Taylor would be more in favor of this legislation if SB 201 proposed a needs-based exemption.

MS. TAYLOR replied that the financial impact to municipalities without state funding for the program is in excess of \$47 million. If the Legislature's intention is to provide relief to senior citizens who are unable to pay taxes and are at risk of losing their homes, a program could be developed to assist with extreme hardship situations. Mr. Van Sant and Mr. Marty McGee [Assessor's Office, Property Appraisal Division, Municipality of

Anchorage] previously presented this concept during the Alaska Municipal League conferences.

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CHAIR OLSON asked when the last time was that the municipality foreclosed on a senior's home for non-payment of taxes.

MS. TAYLOR said she does not have that information on hand.

CHAIR OLSON said his staff will contact her for this information.

NICK BUCHTER, representing himself, Eagle River, said a break on taxes would help him and a lot seniors.

JEFF JACOBSON, chief of staff, Fairbanks North Star Borough (FNSB), said he was speaking on behalf of Mayor Hopkins and the borough. FNSB is opposed to SB 201. Property tax oversight is a local government task. Tax exemptions for senior citizens have grown from \$2 million in 1995 to over \$6 million currently. Without state reimbursement since 1995, the borough handles the entire burden. AS 29.45.050(i) already allows municipalities to increase the exemption. FNSB encourages the state to fully fund the existing exemption that has been unfunded since 1996. He also pointed out that expecting a municipality to eliminate a tax exemption once it has been offered is unrealistic.

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SENATOR THOMAS asked if the increase in senior tax exemptions from \$2 million to \$6 million over the last 15 years is in part attributed to the increase in taxes on senior's homes and not to an increase in seniors moving to Alaska.

MR. JACOBSON replied that he cannot answer that specifically. He noted that a demographic study in interior Alaska showed that most older Alaskans today moved here earlier, have stayed and are aging here. That has increased the number of tax exemptions.

PAUL EVAN JR., City of Lower Kalskag, representing Mayor Nick Alexie, said he agrees that seniors should be exempt up to \$150,000. He noted the situation is different under the Alaska Land Claims Settlement Act. He said he was taught to respect ones' elders. With inflation and unemployment going up, things are hard in rural Alaska. He is listening to what the Legislature is saying on this topic.

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CHAIR OLSON asked if Mr. Evan is aware that SB 201 would increase the property tax exemption amount from \$150,000 to \$200,000. He asked if Lower Kalskag has a property tax.

MR. EVAN replied no. He noted he is trying to get a land committee to Lower Kalskag.

CHAIR OLSON said Lower Kalskag would have to be a first class city to have property taxes and asked if Lower Kalskag has a sales tax.

MR. EVAN replied no, Lower Kalskag and Upper Kalskag do not have sales tax.

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KATHIE WASSERMAN, executive director, Alaska Municipal League (AML), said AML opposed SB 201. Property tax authority lies with the municipalities. AS 29.45.030 promised that municipalities would be reimbursed for the first \$150,000 exemption but that fell away. Due to the revenue sharing agreement made two years ago, when the state has less money from oil, municipalities also have less. Municipalities are afraid of being stuck with a \$200,000 exemption. Municipalities exempt about \$47 million across the state; SB 201 will increase that to \$60 million. Therefore, the \$60 million that municipalities receive in revenue sharing to help provide basic services would only make up for the state forced tax exemption. She also noted concern about how the commissioner will deem how much is enough money.

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CHAIR OLSON asked Ms. Wasserman to comment on seniors who are struggling to stay in their homes with the high cost of medical care.

MS. WASSERMAN replied that as a mayor of a small, first class city, which collected property tax, she saw seniors struggling but few communities would kick an older person out due to inability to afford his or her property tax. She has not heard of that happening. She pointed to the fact that a \$150,000 exemption is already given and some municipalities exempt more.

CHAIR OLSON pointed out that the increased exemption is voluntary.

MS. WASSERMAN replied that the \$150,000 exemption is not voluntary. She commented that the \$200,000 exemption is

voluntary if there is money behind it and is voluntary this year; she is worried about five years from now.

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CHAIR OLSON said he will hold SB 201 in committee.

SENATOR MENARD commented that she is satisfied with the conversation that took place today. She is trying to be sensitive to seniors and she believes a day will come that the state will be able to fund the exemption. If the law is on the books, the help will get relief to seniors faster.

[4:43:49 PM](#)

CHAIR OLSON, with no further business to come before the committee, adjourned the meeting at 4:43 p.m.