

**ALASKA STATE LEGISLATURE**  
**SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE**

February 22, 2022

3:30 p.m.

**MEMBERS PRESENT**

Senator Shelley Hughes, Chair  
Senator Robert Myers, Vice Chair  
Senator David Wilson  
Senator Elvi Gray-Jackson

**MEMBERS ABSENT**

Senator Lyman Hoffman

**COMMITTEE CALENDAR**

SENATE BILL NO. 181

"An Act relating to identification requirements for contractors."

- MOVED CSSB 181(CRA) OUT OF COMMITTEE

SENATE BILL NO. 172

"An Act increasing the residential property tax exemption."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 181

SHORT TITLE: IDENTIFICATION OF CONTRACTOR IN ADS

SPONSOR(S): COMMUNITY & REGIONAL AFFAIRS

02/04/22	(S)	READ THE FIRST TIME - REFERRALS
02/04/22	(S)	CRA, L&C
02/15/22	(S)	CRA AT 3:30 PM BELTZ 105 (TSBldg)
02/15/22	(S)	Heard & Held
02/15/22	(S)	MINUTE(CRA)
02/22/22	(S)	CRA AT 3:30 PM BELTZ 105 (TSBldg)

BILL: SB 172

SHORT TITLE: PROPERTY TAX EXEMPTION

SPONSOR(S): SENATOR(S) WIELECHOWSKI

01/26/22 (S) READ THE FIRST TIME - REFERRALS  
01/26/22 (S) CRA, L&C  
02/17/22 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)  
02/17/22 (S) Heard & Held  
02/17/22 (S) MINUTE (CRA)  
02/22/22 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)

**WITNESS REGISTER**

DANIEL PHELPS, Staff  
Senator Shelley Hughes  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Provided the explanation of changes from version B to version G for SB 181.

NILS ANDREASSEN, Executive Director  
Alaska Municipal League  
Juneau, Alaska

**POSITION STATEMENT:** Testified on SB 172, expressing neither support nor opposition.

CATHY JACOBY, Representing Self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of SB 172.

RACHAEL LALKI, Representing Self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SB 172.

LEE HAYWOOD, Representing Self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SB 172.

SANDRA MOLLER, Director  
Division of Community and Regional Affairs  
Department of Commerce Community and Regional Affairs  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on SB 172.

SENATOR BILL WIELECHOWSKI  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Sponsor of SB 172.

**ACTION NARRATIVE**

[3:30:31 PM](#)

**CHAIR SHELLEY HUGHES** called the Senate Community and Regional Affairs Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Gray-Jackson, Myers, Wilson, and Chair Hughes.

**SB 181-IDENTIFICATION OF CONTRACTOR IN ADS**

[3:31:38 PM](#)

**CHAIR HUGHES** announced the consideration of SENATE BILL NO. 181 "An Act relating to identification requirements for contractors."

She noted that this was the second hearing and there was a committee substitute (CS) for the committee to consider.

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**SENATOR MYERS** moved to adopt the work draft CSSB 181(CRA), work order 32-LS1404\G, as the working document.

[3:32:00 PM](#)

**CHAIR HUGHES** objected for purposes of discussion.

[3:32:10 PM](#)

At ease.

[3:32:31 PM](#)

**CHAIR HUGHES** reconvened the meeting and asked Mr. Phelps to provide an explanation of changes from version B to version G for SB 181.

[3:32:41 PM](#)

**DANIEL PHELPS**, Staff, Senator Shelley Hughes, Alaska State Legislature, Juneau, Alaska, stated that he would first answer a question Senator Meyers asked after the first hearing about what sort of contractors would be affected by SB 181. He read the definition of "contractor" in Title 08, Chapter 18 and advised that members of the Alaska General Contractors Association and the Alaska Builders Association would be affected by SB 181.

Sec. 08.18.171. Definitions.

(4) "contractor" means a person who, in the pursuit of an independent business, undertakes or offers to perform, or claims to have the capacity to perform, or

submits a bid for a project to construct, alter, repair, move, or demolish a building, highway, road, railroad, or any type of fixed structure, including excavation and site development and erection of scaffolding; "contractor" includes a general contractor, builder, mechanical contractor, specialty contractor, and subcontractor;

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CHAIR HUGHES asked for an explanation of changes from version B to version G.

MR. PHELPS stated that the CS is in response to a point the Department of Commerce, Community and Economic Development (DCCED) made about home inspectors being required to provide the same identification information as contractors. He reviewed the following explanation of changes from version B to version G for SB 181:

**Section 1 - AS 08.18.051 (b) - Page 1, Line 3 through Page 1, Line 12**

Removes the definition of "landing page" from this section and places it in section 3. No other changes.

**Section 2 - AS 08.18.053 (b) - Page 1, Line 13 through Page 2, Line 6**

Adds a section which offers a similar opportunity for home inspectors regulated under AS.08.18.053 as was made for contractors under AS.08.18.051 in section 1. The amendment language is identical in both sections.

**Section 3 - AS 08.18.171 - Page 2, Line 7 through Page 2, Line 10**

Moves the definition of "landing page" from AS.08.18.051 to AS.08.18.171 which is the definitions section for all of chapter 18.

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CHAIR HUGHES removed her objection; finding no further objection or questions, she asked the will of the committee.

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SENATOR MYERS moved to report SB 181, work order 32-LS1404\G, from committee with individual recommendations and attached fiscal notes.

[3:36:33 PM](#)

At ease.

[3:36:44 PM](#)

CHAIR HUGHES reconvened the meeting and announced that without objection, CSSB 181(CRA) was reported from the Senate Community and Regional Affairs Standing Committee.

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At ease.

### **SB 172-PROPERTY TAX EXEMPTION**

[3:38:44 PM](#)

CHAIR HUGHES reconvened the meeting and announced the consideration of SENATE BILL NO. 172 "An Act increasing the residential property tax exemption."

[3:39:00 PM](#)

CHAIR HUGHES opened public testimony on SB 172.

[3:39:40 PM](#)

NILS ANDREASSEN, Executive Director, Alaska Municipal League, Juneau, Alaska, paraphrased the following prepared testimony on SB 172:

#### Optional Property Tax Exemption

While we appreciate the bill sponsors concern for property tax relief for Alaskans, there is not consensus in support or opposition among our members that currently utilize this option. We believe there are other considerations for the Committee.

While valuation has increased in many communities, that has not translated yet into increased property taxes. We are aware of at least one property tax increase (in 2020 and 2021) that was due to the State's inability to fund school bond debt reimbursement. The answer to that is not an optional exemption, but fully funding that obligation. Overall, right-sizing property valuation is a good thing, to ensure more accurate tax policy. It can also translate into adjusted or even decreased property tax rates. Just because values go up doesn't mean budgets do.

At the same time, optional exemptions may provide some relief for some taxpayers, but shift higher costs to other taxpayers. Both mandatory and optional exemptions result in increased tax rates, reducing the burden for beneficiaries while increasing the rates overall for everyone and especially for those not benefiting from the exemption.

We would offer a few alternatives that may set in place a more strategic approach to this issue.

First, to increase the likelihood that property tax rates stay stable, the State should appropriately and fully fund its debt reimbursement obligations - school bond debt and harbor debt reimbursement is critical to ensuring stabilized property tax rates.

Second, fully fund the State's statutory obligation to reimburse local governments for the State's mandatory exemptions, including and especially the senior citizen and disabled veteran's exemptions, the value for which is \$95 million. Those costs simply shift to other taxpayers.

Third, to ensure that property valuation is accurate, the State should pass legislation to require mandatory sales price disclosure. This information can remain anonymous but serve to provide true and accurate reflections of the value of property in Alaska. Offering an exemption on the value of a property that may not be correct makes little sense to me.

Finally, there are other mechanisms that this committee could explore, including to split out residential and commercial tax rates, or to review the structure of exemptions overall. It might be worth asking the question why the State has such a role in micromanaging local exemptions, instead of encouraging local control over exemptions that make sense for each community.

I would just close with one point - while mandatory exemptions remove the property from the full value determination, optional exemptions remain part of the full value determination. The latter affects the required local contribution - the amount required of a local government to assist with the State's obligation

to fund education. Optional exemptions diminish the tax base while requiring higher levels of taxation overall to maintain the contribution to education required by the state.

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SENATOR GRAY-JACKSON asked if he said that not everyone benefits from the residential property tax exemption.

MR. ANDREASSEN said his point was that some people benefit from the optional exemption, but that doesn't decrease local government's budgetary needs. If those needs aren't met, the result may be an increase in the overall property tax rate, which would apply to everybody.

SENATOR GRAY-JACKSON said she agrees, but her point was that many people in the Municipality of Anchorage are unaware of the exemption, so she tries to educate them.

CHAIR HUGHES noted that he said there was not consensus among AML members in support or opposition of the bill. She asked which municipalities were not supportive of the proposal.

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MR. ANDREASSEN pointed out that while the exemption is optional, the expectation is that a local government will take advantage of it. That forces challenging conversations as local governments continue to try to meet their existing obligations to the state for things such as education funding. He offered his belief that some local governments would prefer that decision to be made at the local level.

CHAIR HUGHES asked if there was any conversation among AML members that increasing the exemption for residential properties would shift the tax burden to commercial properties that were already hit hard by COVID-19, as evidenced by the large number of vacant storefronts.

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MR. ANDREASSEN opined that AML members would be concerned about the potential consequences this well-intentioned effort might have on the rest of the tax base.

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CATHY JACOBY, Representing Self, Fairbanks, Alaska, related that she and her two teenage daughter live in an old house that is in poor repair. The utility bills are high and her government job

pays just enough for her to make ends meet. The most recent property tax notice showed a 71 percent increase since last year. She said any relief from this burden would be helpful.

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RACHAEL LALKI, Representing Self, Anchorage, Alaska, stated that she is a real estate agent in Anchorage and she supports the property tax exemption proposed in SB 172. She relayed her experience that the current property tax exemption helped many of her clients afford to buy a house, which has helped to reduce the housing crisis in Anchorage. She opined that the exemption has also resulted in homeowners taking better care of their homes. She noted that some people have purchased multi-family dwellings, and opted to live in one unit and take advantage of the exemption. She maintained that the renters also benefit because an owner living on premises increases the likelihood that the property will be kept in better condition. She concluded her testimony stating definite support for SB 172.

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LEE HAYWOOD, Representing Self, Anchorage, Alaska, stated that he lives in District L and he supports SB 172. He related that the property tax assessment for his home increased \$30,000 in the last year, even though there have been no significant improvements done for the last 15 years. He posited that the increases benefit people who are selling their homes and leaving the state, but for those committed to stay in Alaska it is just an added economic burden. He opined that the proposed increase in the exemption was warranted and had his full support.

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CHAIR HUGHES closed public testimony on SB 172.

CHAIR HUGHES asked Sandra Moller whether apartment complexes were eligible for this exemption.

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SANDRA MOLLER, Director, Department of Commerce Community and Regional Affairs, Anchorage, Alaska, answered that it depends on the jurisdiction but properties with up to four units (fourplexes) are typically residential and as such would be eligible for the exemption.

CHAIR HUGHES expressed concern about the potential for the unintended consequence of an owner of a multi-unit apartment building increasing the rent to offset any increase in property taxes.

SENATOR GRAY-JACKSON offered her perspective that rents would be more likely to go down in that situation.

CHAIR HUGHES clarified her concern about a potential unintended consequence. The homeowner exemption would not apply to a large apartment building, but the property taxes would go up on that commercial property and the owner might increase the rents to cover the tax increase. She asked the sponsor to add to the previous discussion about the potential for increased rents in large apartment buildings.

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SENATOR BILL WIELECHOWSKI, Alaska State Legislature, Juneau, Alaska, sponsor of SB 172, stated that SB 172 is about a residential property tax exemption for owners who live on the premises. Apartments with up to four units qualify as residential and the owner who lives in one of the units would be able to take advantage of the exemption for that unit. The property tax exemption is not available to owners who do not live in one of the units.

CHAIR HUGHES asked if he agrees that it's conceivable that the owner of a 20-unit apartment building would raise the rent to cover any increase in property taxes.

SENATOR WIELECHOWSKI acknowledged that it was theoretically possible that a property owner would increase rents under that circumstance.

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CHAIR HUGHES asked whether municipalities have other ways to relieve homeowners burdened by increasing taxes, such as with a rebate

SENATOR WIELECHOWSKI responded that it's important to remember that an increase in the tax assessment doesn't always mean the property tax will increase. It depends on the mill rate that is set by the local assembly or city council. To Senator Hughes's question, he said local communities can do a number of things to provide relief for homeowners. This includes an exemption, not taxing property to the cap, and offering a rebate to property owners. The exemption proposed in SB 172 is just one tool to address the situation.

CHAIR HUGHES asked Ms. Moller if she could describe ways a municipality could provide relief to residential property owners other than an exemption such as SB 172 proposes.

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MS. MOLLER agreed with the sponsor that there are a number of ways a city or municipality can offer relief to residents, and that it's often by reducing expenses. She also pointed out that the burden is shifted to other taxpayers if a municipality doesn't reduce expenses equally. She didn't have examples of what individual municipalities or cities might have decided to do other than offer an exemption.

CHAIR HUGHES noted that Mr. Andreassen indicated he had nothing to add. She asked the sponsor whether he wanted to highlight any of the written responses he provided to questions posed during the first hearing.

SENATOR WIELECHOWSKI said no; the document spoke for itself.

CHAIR HUGHES advised that the document would be part of the record.

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SENATOR MYERS thanked the sponsor for providing the answers to the questions from the previous hearing. He highlighted the answer to one of his questions about where Alaska would rank compared to the rest of the nation if the oil and gas property taxes were separated from the rest of the property taxes. Doing so changes Alaska's rank from second highest in the nation to 12th highest, which is still quite high.

SENATOR WIELECHOWSKI thanked the committee for taking time to hear the bill and look at the issue because people are concerned about their assessments.

CHAIR HUGHES thanked the sponsor for introducing the bill.

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CHAIR HUGHES held SB 172 in committee.

[4:06:38 PM](#)

There being no further business to come before the committee, Chair Hughes adjourned the Senate Community and Regional Affairs Standing Committee meeting at 4:06 p.m.