

HB

296

A M E N D M E N T

Offered in the HOUSE

By _____

To: X HOUSE Bill No. 296

 SENATE Bill No.

AMENDMENT: Page 2 Line line 16

After (f) on line 16 add the following:

(g) The state shall reimburse the borough or city, as the case may be, for all the real property tax revenues lost to it by the operation of (e) of this section.

PROPOSED AMENDMENT

HB 296

On Page 2, Line 16 add the following:

(g) The state shall reimburse the borough or city, as the case may be, for all the real property tax revenues lost to it by the operation of (e) of this section.



Alaska State Legislature
Senate

JUNEAU ALASKA

February 11, 1972

Don M. Berry, Executive Director
Alaska Municipal League
210 Admiral Way
Juneau, Alaska 99801

Dear Mr. Berry:

Enclosed is a copy of HB 296, committee substitute for HB 296, as well as a copy of my analysis of both bills.

We intend to hold a hearing concerning these bills on March 8, at 1:30 P.M., Room 5, Capitol Building. We feel that the various municipal and borough governments of the state may be interested in the bills as they would appear to impact local governments in a financial manner, depending upon whether or not the state decides to reimburse the local governments.

Would you please ask your members to give us estimates of the impact and what the result would be should the impact be left to the local governments and the obligation not assumed by the state.

Yours very truly,

John L. Rader,
Senator

JLR:gw
Enclosures

cc: Rep. Helen Fischer
Lorena Showers
Hank Harmon
Rep. Mike Miller

PRELIMINARY ANALYSIS OF COMMITTEE SUBSTITUTE FOR HB 296 AND
SENATE LOCAL GOVERNMENT COMMITTEE PROPOSED COMMITTEE SUBSTITUTE

This bill gives a real property tax exemption on the residences of persons over 65 years of age who have less than \$10,000 gross income. The local taxing government (city or borough) grants the exemption and the State reimburses the local government for lost revenue.

A. ANALYSIS OF EXISTING BILL

1. Eligibility for tax relief depends upon the claimant having not more than \$10,000 gross annual income. It is quite possible that a person could have well in excess of \$10,000 gross annual income and less than \$100 net annual income. It would seem that the income considered should be net, as defined by state and federal income tax laws.

2. The bill is inequitable in that it does not provide tax relief for persons who would otherwise be eligible but who live in trailer houses. This is due to the fact that a customary house is considered to be real property while a trailer house is considered personal property.

3. The bill is inequitable in that it favors citizens who are able to afford their own homes and, in effect, penalizes those who are unable to own their own homes because of their financial condition or who must live in rented quarters because of physical disability or other reasons. There is no question but that a tenant pays real property taxes on the real property he is renting. Real estate taxes are included in the price of the rent. The landlord is merely the tax conduit between a tenant and the tax assessor. Therefore, it would seem that persons who are renting should equitably be given relief equivalent to those who are home owners.

4. The bill is inequitable in that it does not give relief to persons over 65 who qualify due to income, but who live outside organized first class cities, home rule cities and boroughs. Other states which give this type of tax relief generally have a statewide property tax. In these states there is no discrimination between urban and rural residents. In Alaska, however, there is no statewide property tax and, therefore, the bill as presently written, would provide a state subsidy for qualified citizens only if they live in an urban or borough area.

B. ANALYSIS OF PROPOSED SENATE LOCAL GOVERNMENT COMMITTEE
SUBSTITUTE

It is tentatively proposed that new sections be added to the bill, which would provide an alternative \$400 payment to every citizen who qualified for the property tax exemption. This payment would be annually in lieu of the property tax exemption. The apparent advantages of the Senate Local Government Committee substitute are as follows:

1. For eligibility purposes, one must receive not more than \$10,000 annual net income instead of gross annual income.

2. The bill would apply statewide and, therefore, prevent any discrimination between persons living in cities and boroughs and those not.

3. It would remove the discrimination between the owner of a home which is real property as contrasted with the owner of a trailer house.

4. It removes the discrimination between home owners and tenants. In effect, the home owner can get a tax exemption and a tenant a rent supplement.

The primary disadvantage of both bills is the fact that they operate so as to give those with the largest homes the greatest subsidy. The committee substitute allows a \$400 payment in lieu of the exemption. This was calculated as being the tax on an average \$20,000 house at an average mill rate of 20 mills. It is possible that after more discussion and consideration, a top limit may be placed on the value of any home exempted. Stating it differently, perhaps only the first \$20,000 would be tax exempt with the value amount in excess of \$20,000 being taxed at the normal rate.

Submitted May 6, 1971
by Sen. John Rader, Chairman
Senate Local Government Committee

Property Tax Exemption OK'd

JUNEAU (AP) — A bill exempting from taxation the real property of most elderly Alaskans was approved unanimously by the House Monday afternoon.

Under the proposal, real property owned by persons 65 and older would be exempted if their gross annual income totals less than \$10,000.

"This is a small piece of legislation compared to what we should be passing," said Rep. Helen Fischer, D-Anchorage, the bill's sponsor.

In other action, Rep. Dick Whittaker, D-Ketchikan, introduced a resolution "urging the immediate removal of all U.S. troops from Southeast Asia in a manner consistent with the safety and security of our armed services."

The resolution was to go directly to the Rules Committee for placement on the calendar.

A bill beefing up the standards for discharge of ballast water in Alaska also was passed by the House. Under the proposal, ships would be required to arrive in Alaska with their ballast intact. The master also would sign a statement that he has not dumped any ballast between his last port of call and Alaska.

The House also approved a bill that would increase the maximum weekly compensation for temporary disability or permanent partial disability to \$175 from \$127, and raise the minimum to \$65 weekly from \$25.

In the morning session, a resolution asking any native land claims bill to bar all but

natives from benefit "as a result of activities connected with the acquisition of the settlement" was rejected 22-16 by the House.

The resolution was introduced by Rep. Earl Hillstrand, D-Anchorage, who said it had "one purpose and one purpose only ... to establish a policy that only native Alaskans will be the recipients."

Rep. Mike Rose, D-Anchorage, termed the resolution "one of the worst pieces of legislation I've seen." He contended the natives should be able to spend their settlement as they wish, without influences of paternalism.

Passed 34-3 and sent to the Senate was a Commerce Committee bill to establish a mobile home standards code for Alaska.

The House also adopted and sent to the Senate five resolutions which:

—Ask the Division of Personnel to make a study of personnel rules and to give broader eligibility of applicants;

—Ask the Legislative Council for a study between sessions on proposals to increase the maximum weekly workman's compensation benefits to persons disabled from on-the-job injuries;

—Ask the Legislative Council to make an interim study of logging and commercial fishing policies in Southeast Alaska;

—Ask the federal government for improved mail service at Fort Yukon and Barrow; and

—Ask for construction of a U.S. Public Health Service

hospital at Mountain Village, near Bethel.

On Sunday, Senate members passed two bills, one of them calling for exploration of Alaska's geothermal resources.

The bill providing for exploration and development of Alaska's geothermal resources was sponsored by Sen. Ed Merdes, D-Fairbanks. It was approved 18-0.

Another bill approved 11-8 in the short Sunday session, prohibited members of borough and city school boards from being subject to personal liability resulting from the activities of the school board "while acting within the scope" of their authority.

Adopted 18-0 was a resolution by the Senate Health, Welfare and Education Committee seeking additional funds from Congress for the Arctic Health Research Center near Fairbanks.

The House Resources Committee reversed an earlier action Saturday afternoon by recommending passage of a strong environmental department bill in place of a proposal by the governor.

In other weekend actions, the Senate passed a House resolution relating to Alaskan

colleges and universities. It asks the Legislative Council to contract with a nationally recognized education consulting firm to study laws, policies, programs and facilities. It requests recommendations on how to get best quality education for dollars spent.

The House worked its way through four bills and two resolutions before adjourning for the weekend.

A liquor bill passed which would allow a town of fewer than 3,500 persons to establish a municipal liquor store.

A measure to increase to seven from five the number of members of the State Human Rights Commission was passed and sent to the Senate.

Another bill sent to the Senate would allow persons to train as lawyers by clerking in the office of a practicing attorney in lieu of attending law school.

A bill spelling out criteria to be used in state salary surveys was passed 35-0 and sent to the governor.

The environmental bill favored by the House Resources Committee still must go to the House Finance Committee before reaching the floor.

TELEGRAM

RCA ALASKA COMMUNICATIONS, INC.

PHONE 586-7477

JUNEAU, ALASKA 99801 APR 6 AM 7 12

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CORDOVA ALASKA 5 410P AST

DON BERRY, ALASKA MUNICIPAL LEAGUE

213 ADMIRAL WAY, JUNEAU ALASKA

CORDOVA WOULD LOOSE BETWEEN TWO AND THREE THOUSAND

ANNUALLY ON SENIOR CITIZEN EXEMPTION HE296.

PALMER MCCARTER, CITY MANAGER

HE296

TELEGRAM

RCA ALASKA COMMUNICATIONS, INC.
PHONE 586-7477
JUNEAU, ALASKA 99801

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TLAM PALMER ALASKA 5 330P 1971 APR 5 PM 5 57

DON M BERRY EXECUTIVE DIRECTOR ALASKAN MUNICIPAL LEAGUE

JUN 0600

REVENUE LOSS SENIOR CITIZEN EXEMPTION HB296 ESTIMATED
AT \$152,222 AT PRESENT MILL LEVY OF 14 OUR BOROUGH
IS STATISTICALLY ONE OF OLDEST POPULATION IN STATE
MOST OWNED PROPERTY

R H VROMAN BOROUGH CHAIRMAN NATCH BOROUGH

TELEPHONE NO.

6-1325

SEND TO

G.H.

\$152,222 HB296 14

8400

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TO BE

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Delv
410

4641 Grumman St.
Anchorage, Alaska
March 16, 1971

Helen Fischer: State Affairs Committee
Juneau, Alaska - 99801

Dear Mrs. Fischer;

The news of your bill to relieve older Alaskans of property tax wins my approval. But, why not go a step further? Instead of just those 65 and under being the beneficiaries, why not add widows and the disability-retired?

My husband and I have lived in Alaska 25 years, raised a family of five and own a small, hard-earned home. I work as Clerk II - Step F ("frozen pay and position") for the State Dept. of Health & Welfare. My husband is disability-retired. It was a struggle to raise a family and pay off the \$10,000 purchase price on blue collar wages (I never worked at that time). Now that we own the place, we would like to make much desired improvements, but everytime you make improvements they raise the taxes. The Borough has more than doubled the assessments - over \$5000 on the land alone in the past year - with almost no improvements. What will they do, if and when we get a sewer or can ever afford to clear and landscape our 1 1/2 acres.

Since my husband is only 57 it will be almost 10 years before your bill would benefit us. By that time the Borough could tax us out of the State.

Very sincerely yours,

Betty A. Smith
Betty A. Smith (Mrs Geo D.)

Anchorage, Alaska
March 21, 1971

Rep. Helen Fischer
Alaska House of Rep.
Juneau, Ak. 99801

Dear Mrs. Fischer:

Your bill to give relief on taxes to those
home owners 65 years and older was
most realistic and commendable. We
are in the 65 age group now and must
plan on leaving Alaska and our home
because of the high cost of staying here.
Tax relief would help a great deal. Wishing
you luck in the passage of your bill.

Very truly yours,
Anton and Eva Shostin

March 12, 1971

The Honorable Helen Fischer
House of Representatives
Pouch Y
Juneau, Alaska 99801

Re: Your bill concerning
Alaska Oldtimers Tax
Exemptions

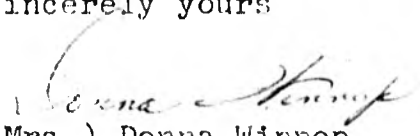
My Dear Mrs. Fischer:

I read with great interest last night an article in our local paper (Daily Sitka Sentinel) regarding your introduction of a bill which would exempt from taxation the real property of a resident 65 or older whose gross annual income is less than \$10,000.00.

Although retirement age is a long way off for my husband and myself, we have often wondered how we would be able to pay taxes and insurance etc. when we will be of retirement age. It seems so unfair to work for many, many years to pay for a nice home to retire in and then not being able to enjoy it or keep it mostly due to the high rate of taxation.

Please keep up the good work, we really do appreciate it.

Sincerely yours


(Mrs.) Donna Winnop
Post Office Box 294
Sitka, Alaska 99835

dw
cc: The Honorable Pete Meland

Mike

April 6, 1971

Revenue loss due to exemptions in HB 296:

Palmer	\$150,000
Wrangell	\$ 15,000 - 25,000
Kenai Peninsula	Very Little
Sitka Borough	\$ 5,411.57

MB 296

FAIRBANKS NORTH STAR BOROUGH

Box 1267, Fairbanks, Alaska 99701

March 22, 1971

Mr. Dan Casey
c/o The Honorable Richard L. McVeigh
Chairman
House State Affairs Committee
Pouch V
Juneau, Alaska 99801

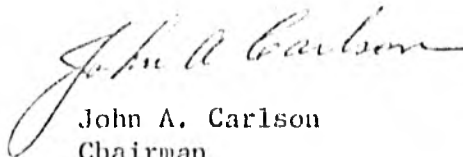
Dear Mr. Casey:

Reference your telephone conversation this morning with Mr. Dinkins.

During tax and calendar year 1970 our records show that our Senior Citizens Tax Exemption Program cost the borough \$29,421, the City of North Pole \$133, and the City of Fairbanks \$16,719 in sacrificed real property taxes. Total real property tax billings prior to the exemptions for the same period for all three local governments were \$3,568,067.

As you can see, the revenues sacrificed under this program were negligible in comparison with total real property tax revenues. The borough is enthusiastic about continuing the program and we hope that it may contribute to the ability of those senior citizens who wish to do so to remain in Alaska during the years when their incomes are normally reduced.

Sincerely,



John A. Carlson
Chairman

JAC/tj

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review
income

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essmen.
fact that

NOTICE TO SENIOR CITIZENS

Senior Citizens must apply annually on or before May 31 of each tax year for exemption from real property taxes per Fairbanks North Star Borough Code of Ordinances, Title 69, Chapter 5. Forms are available at the Fairbanks North Star Borough Offices, room 108, Lathrop Office Building, 614 Second Avenue.

Section 69.05.020 (j). One parcel of real property shall be exempt from real property taxes up to and including the amount of Two Hundred Fifty (\$250.00) Dollars, provided the property is owned by a resident of the Fairbanks North Star Borough who satisfies all the following requirements: (1) Is sixty-five (65) years of age or attains age sixty-five (65) on or before the last calendar day of the year in which the tax is levied. (2) Has occupied the property in which the exemption is sought for not less than eight (8) consecutive months immediately prior to filing for the exemption. (3) Is the head of the household. (4) Has been a resident of Alaska for not less than ten (10) consecutive years immediately prior to filing for the exemption. (5) Files an application for exemption with the Fairbanks North Star Borough on or before May 31 of the year in which the tax is levied.

S

Start Paper next week

MEMORANDUM

State of Alaska

OFFICE OF THE GOVERNOR

To: The Honorable Mike Miller
Chairman, Local Government Committee
Alaska State House of Representatives

Thru: Mr. Byron I. Hallott
Director, Local Affairs Agency

DATE: March 25, 1971

FROM: Sigvald J. Strandberg
Local Government Specialist

SUBJECT: House Bill 135 and House Bill 296

The agency has reviewed House Bills 135 and 296 both of which relate to partial or complete exemption from city and borough taxation of the homesteads of senior citizens of limited incomes. It is our conclusion, after careful and thorough consideration that both bills, while addressing themselves to the growing problems of our senior citizens, do not represent measures which would be in the best interests of the state or local governments.

We fully recognize that the sponsors of the bills are seeking to remedy the situation that a growing number of state citizens at age 65 and over are facing, i.e., increasing property taxes due to appreciating values on real property coupled with the effects of the inflationary spiral of living costs in the face of rather static personal incomes. But to compel our municipalities to shoulder the additional revenue needs which would result from exemption of senior citizens from property taxation will only act to further erode the financial base of local governments.

While senior citizen tax exemptions are not presently mandatory, a number of Alaska cities and boroughs are providing for such exemptions at their own option.

It has been suggested that both House Bills 135 and 296 might be amended to provide for the State to reimburse local governments to the extent that senior citizen property tax exemptions are granted. Prior to enactment of such a bill, it will be necessary to determine the cost to the State. A study of this nature for all municipal property taxing jurisdictions could not be immediately done because neither the local governments nor the office of the State Assessor have available facilities to go along with property tax assessment rolls. As a consequence, the actual costs on either H. B. 135 or H. B. 296 would be quite difficult to prepare.

In further note, it is the agency's judgment that legislative approval to broaden tax exemptions to property taxation will likely encourage further exemptions in subsequent legislative sessions.

In conclusion, it is the feeling of the agency that House Bills 135 and 296 should not be acted upon until such time that the actual costs of these measures, both to the local governments and to the State, can be ascertained.

MEMORANDUM

State of Alaska
OFFICE OF THE GOVERNOR

William I. Halliott
Director
Local Affairs Agency

DATE March 31, 1971

SUBJECT House Bills 135 and 296

Robert Dozier
State Assessor

I concur with the comments of Sigvald Strandberg as stated in his memorandum through you to Representative Mike Miller dated March 25, 1971.

In prior years, numerous bills have been introduced concerning assistance to senior citizens. Enactment has failed due to the cumbersome and costly formulae.

There is little justification for saddling the various sophisticated levels of Alaska Local Government with the administration of any formulae which requires access to state income tax records. This is not a compatible arrangement under the borough form of government.

Consider for a moment that it is difficult for senior citizens with limited means to retire in Alaska. Not only those who own property but those who do not have a place to live as well.

Formulae based on residency, age, and income could be administered properly and economically on the state level. Payments thus received by qualifying senior citizens could be used as desired.

WID:FW