

"An Act, providing for property tax equivalency payments to senior citizen renters."

COMMITTEE REPORT

4/11/75

HOUSE

Mr. Speaker:

Date 4/15/75

The Committee on FINANCE has had SSHB 272

under consideration. A Majority of the members of the Committee

- recommends it DO PASS
- recommends it DO NOT PASS
- recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- recommends it BE REPLACED WITH CS FOR SSHB 272 AND THAT CS FOR SSHB 272 DO PASS
- "and" recommends it BE REFERRED TO THE _____ COMMITTEE
- reports it back WITHOUT RECOMMENDATION
- "other"

Members signing the Majority report:

<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____

Members NOT concurring in the Majority report:

[Signature] recommends: no rec

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

[Signature] Chairman

Original sponsor: Gruening and Duncan

Offered: 4/17/75
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 272

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act providing for property tax equivalency payments
7 to senior citizen renters."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 29.73 is amended by adding a new section to read:

10 Sec. 29.73.060. PROPERTY TAX EQUIVALENCY PAYMENTS. (a) A resi-
11 dent of the state 65 years of age or older who rents a permanent place
12 of abode is eligible for tax equivalency payments from the state through
13 the Department of Community and Regional Affairs.

14 (b) For purposes of determining payments to eligible persons, the
15 department shall calculate a property tax equivalent percentage for each
16 home rule or general law municipality which levies a general property
17 tax. The percentage shall be determined by dividing the average resi-
18 dential rent in the municipality by the average property tax on residen-
19 tial real property within the municipality or, if the municipality has
20 differential rates of levy for real property tax levied in different
21 areas, the average property tax on residential real property in the area
22 in which the permanent place of abode is located. This percentage of
23 the annual rent charged to the applicant is the property tax equivalency
24 payment.

25 (c) To obtain tax equivalency payments the eligible resident must
26 apply to the department for payment for the preceding year by January 15
27 of each year on forms and in the manner prescribed by the department.
28 Each applicant shall submit with the application rental receipts or, if
29 rental receipts are not available, other evidence satisfactory to the

1 department for determination of the fact of payment of rent and the
2 amount paid.

3 (d) If two or more persons occupy a residence as tenants, not all
4 of whom are eligible for tax equivalency payments under this section,
5 the assessor shall determine equitable partial payments to be made to
6 the eligible tenants. However, tax equivalency payments to an eligible
7 applicant may not be reduced because the spouse is less than 65 years of
8 age. If all occupants in a residence are eligible for tax equivalency
9 payments under this section, the occupants shall decide between and
10 among themselves which shall receive payment.
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Introduced: 4/10/75
Referred: Community &
Regional Affairs and Finance

1 IN THE HOUSE

BY GRUENING AND DUNCAN

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 272

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act providing for property tax equivalency payments
7 to senior citizen renters."

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11 dent of the state 65 years of age or older who rents his permanent
12 place of abode is eligible for tax equivalency payments from the state
13 through the Department of Community and Regional Affairs.

14 (b) For purposes of determining payments to eligible persons, the
15 department in cooperation with the municipality shall calculate a
16 property tax equivalent percentage for each home rule or general law
17 municipality which levies a general property tax. The percentage shall
18 be determined by dividing the average residential rent in the munici-
19 pality by the average property tax on residential real property within
20 the municipality or, if the municipality has differential rates of
21 levy for real property tax levied in different areas, the average
22 property tax on residential real property in the area in which the
23 permanent place of abode is located. This percentage of the annual rent
24 charged to the applicant is the property tax equivalency payment.

25 (c) To obtain tax equivalency payments the eligible resident must
26 apply to the department for payment for the preceding year by January 15
27 of each year on forms and in the manner prescribed by the department.
28 Each applicant shall submit with the application rental receipts or, if
29 rental receipts are not available, other evidence satisfactory to the

1 department for determination of the fact of payment of rent and the
2 amount paid.

3 (d) If two or more persons occupy a residence as tenants, not all
4 of whom are eligible for tax equivalency payments under this section,
5 the assessor shall determine equitable partial payments to be made to
6 the eligible tenants. However, tax equivalency payments to an eligible
7 applicant may not be reduced because his spouse is less than 65 years of
8 age. If all occupants in a residence are eligible for tax equivalency
9 payments under this section, the occupants shall decide between and
10 among themselves which shall receive payment.

Introduced: 3/7/75
Referred: Community & Regional
Affairs

1 IN THE HOUSE

BY GRUENING AND DUNCAN

2 HOUSE BILL NO. 272

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act extending the benefits of the senior citizen
7 property tax exemption to senior citizen renters."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 29.73 is amended by adding a new section to read:

10 Sec. 29.73.060. REBATE OF PROPERTY TAX PAYMENTS TO SENIOR CITIZEN
11 RENTERS. (a) A home rule or general law municipality which levies
12 a general property tax shall make a tax rebate payment to an eligible
13 resident 65 years of age or older who rents rather than owns the
14 residence he occupies. The payment shall be in an amount equal to the
15 amount of general property tax paid by the property owner on that
16 residence for the period it was occupied by the applicant.

17 (b) To be eligible for a rebate payment under this section, a
18 person must file an application with the municipal assessor not later
19 than January 15 of the assessment year during which rebate payments
20 are to be claimed, and must file a separate application for each
21 assessment year for which payments under this section are sought. The
22 application shall be on a form prescribed and provided by the Depart-
23 ment of Community and Regional Affairs for use by the municipality.

24 (c) To obtain rebate payment under this section, the applicant
25 must submit to the assessor rent receipts for the assessment year
26 for which payment is claimed before January 15 of the following assess-
27 ment year. Payment shall be made to qualified applicants for each
28 assessment year by March 1 of the following year. An applicant is
29 not eligible for rebate payments if the assessor determines, after

1 notice and hearing to the parties concerned, that the landlord-tenant
2 relationship was created primarily for the purpose of obtaining rebate
3 payments. The determination of the assessor is appealable under
4 AS 44.62.560 - 44.62.570.

5 (d) If an eligible applicant is a renter for only a part of the
6 assessment year, or if his residence is an apartment in a multi-unit
7 building or comprises only a portion of the taxable property, the
8 rebate payment shall be proportionate to the annual assessment on the
9 entire property. The Department of Community and Regional Affairs
10 shall provide guidelines to assist municipalities in computing pro-
11 portionate payments, in computing payments when an eligible applicant
12 has more than one residence during an assessment year, and in computing
13 partial payments under (e) of this section.

14 (e) If two or more persons occupy a residence as tenants, not
15 all of whom are eligible for rebate payments under this section, the
16 assessor shall determine equitable partial payments to be made to the
17 eligible tenants. However, rebate payments to an eligible applicant
18 may not be reduced because his spouse is less than 65 years of age.
19 If all occupants in a residence are eligible for rebate payments under
20 this section, the occupants shall decide between and among themselves
21 which shall receive payment under this section.

22 (f) A municipality may establish a system of monthly or quarterly
23 payments during the assessment year in lieu of a single annual payment.

24 (g) The state shall reimburse the municipality for the tax rebate
25 payments made under this section, and, in the case of a municipality
26 which provides monthly or quarterly payments, for the cost of adminis-
27 tering the monthly or quarterly payments.
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MASTER FILE

I. REQUEST

Bill No. Sponsor Substitute for HB No. 272
 Title: Tenant Senior Citizen Reimbursement Payment Program.
 Requested by: House Finance Date: April 15, 1975
 Return Date Requested: _____
 Agency: C & RA Program: Social Services

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Senior Citizen

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES		45.5				
200 TRAVEL		6.0				
300 CONTRACTUAL		9.8				
400 COMMODITIES		.6				
500 EQUIPMENT		2.4				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		620.4				
TOTAL		684.8				

Development Subcommittee decided to include only the grants portion in the fiscal note. Administrative costs will be separately addressed in the budget.

B. FUNDING: (Thousands of dollars)

GENERAL FUND		684.8				
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	2/1	/	/	/	/
MAN MONTHS (P./T.)	/	24/6	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Assumptions

- 1.) Statewide population in 1976 will approximate 365,000.
- 2.) The increase in property values or average tax per application of 11 will continue for the next few years.
- 3.) Residential property owned by the Senior Citizen is generally of a higher quality than can be afforded by a tenant. To reflect this difference, a 25% discount in average tax per application is used for tenant occupied housing.
- 4.) Section 1 (c) means payments would be made for this period

IV. ATTACHMENTS

Jan. 1--Dec. 31, 1975.

V. DATE: April 15, 1975

PREPARED BY: S. Robert Dozier

S. Robert Dozier, State Assessor
 Local Government Assistance Div.

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Limitation Formula (Fiscal Note)

Individual tax equivalency payments may not exceed \$250.

Program Analysis:

Number of claimants		2,492
Claimants 100% exempt	(38%)	946
Claimants partially exempt	(62%)	1,546
Estimated FY 77 BRU grant		\$385,956
Average tax per claimant		\$155

Based on the FY 77 program analysis applying the \$250 limitation, 946 claimants would be reimbursed 100% of the amount as indicated by application of the formula up to \$250. The remaining 1,546 claimants would be paid \$250 each.

Total program reduction: $\$339,164 = (725,120 - 385,956)$
Average impact per affected claimant: $\$219 = (339,164 \div 1,546)$

Dollar Limitation, Alternates

1. Individual tax equivalency payment may not exceed \$375.

Number of claimants		2,492
Claimants 100% exempt	(57%)	1,420
Claimants partially exempt	(43%)	1,072
Estimated FY 77 BRU grant		\$512,329
Average tax per claimant		\$206

Total program reduction: $\$212,791 = (725,120 - 512,329)$
Average impact per affected claimant: $\$198 = (212,791 \div 1,072)$

2. Individual tax equivalency payment may not exceed \$500.

Number of claimants		2,492
Claimants 100 exempt	(73%)	1,819
Claimants partially exempt	(27%)	673
Estimated FY 77 BRU grant		\$596,148
Average tax per claimant		\$239

Total program reduction: $\$128,972 = (725,120 - 596,148)$
Average impact per affected claimant: $\$192 = (128,972 \div 673)$

Program development, implementation, administration and reimbursement is the responsibility of the Department. The pilot program will require in-depth research to develop appropriate standardized methods, procedures and forms. A professional services fee is included in the first year for this purpose which includes a survey of residential rent receipt equivalency rates which reflect variables for utilities, facilities, and services and reflect the validity of the original program assumptions. The existing Research Analyst will assume responsibility including program implementation, initial screening of applications, review of rental receipts, audit, and tabulation of claims and follow-up contact with landlords and tenants. Under direction of the Research Analyst, a Clerk IV position and Clerk Typist III position will assume major program responsibilities and clerical back-up, distribute materials, answer questions, and handle the multitudinous follow-up details.

The administrative costs are estimated as follows:

100 Personal Services

Clerk IV Range 9 Step B	\$ 12,612
Clerk Typist III Range 8 Step B (part-time 9 mo.)	8,883
Total Salary	21,495
Fringe Benefits 23%	4,943
Total Personal Services	26,438

Travel & Per Diem

State Assessor	1,000	
Consultant	1,000	
Total Travel & Per Diem		\$ 2,000

Contractual Services

Telephone and long distance	2,500	
Postage	1,600	
Printing and advertising - hearing notices, application forms, posters & manual	4,000	
Office Rent - 150 sq. ft. @.55/sq. ft.	990	
Machine Rental and Xerox	400	
Professional Fees	7,316	
Total Contractual Services		\$ 17,206

Commodities

Reference Materials	300	
Office Supplies	300	
Total Commodities		\$ 600

Equipment

Secretarial Desk @370	740	
Secretarial Chair @115	115	
Typewriter @800	1,600	
Calculator @440	440	
Filing Cabinet @230	230	
Total Equipment		\$ 3,125

Total FY 77 Budget Request for Operation of CS SS HB No. 272 am		\$ 49,369
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SRD:1mb

The 1970 census indicated that 1.3% of the State population are Senior Citizen "Heads of Households". By deducting the projected number of Senior Citizen property owners in 1976, leaves a balance of 1,995 Senior Citizens to whom the benefits of this program would be extended under this bill. The projected average reimbursement per participant in 1976, discounted by 25% (assumption #3) equals \$311.

$$1,995 \times \$311 = \$620,445$$

The bill places the responsibility for administering this portion of the Tax Exemption program on the Department which includes verifying applications and determining the tax attributable to exemption for a Senior Citizen living in a multipurpose building, condominium, duplex or apartment. This will require the services of an Assistant State Assessor who will also develop regulations, prepare the necessary application forms, instruction manual and will conduct on-site surveys of residential property within the 72 differential tax code areas to establish tax equivalent percentage ratios. These ratios will be applied to actual rent receipts. An existing research assistant position would be up-graded to a research analyst to take on the additional responsibilities of the initial screening process of applications, review of rental receipts upon submission, analysis, tabulation, and audit of claims and program follow-up through correspondence with landlords and tenant Senior Citizens. Under direction of the Research Analyst, a Clerk Typist III position and one-half Clerk Typist II position will assume the clerical backup for providing general information about the program and answering individual questions. They will also handle the multitudinous follow-up detail for ambiguous and incomplete information supplied on application forms. These positions will also provide clerical support for the Assistant State Assessor.

The administrative costs are estimated as follows:

100 Personal Services

Assistant State Assessor Range 19	\$21,960	
Clerk Typist II Range 7 (Part time)	5,040	
Clerk Typist III Range 8	10,332	
Upgrade Research Assistant to Range 13	1,296	
Total Salary	33,628	
Fringe Benefits 18%	6,953	
Total Personal Services		\$45,581

Travel & Per Diem

Assistant State Assessor on-site survey of residential property	\$6,000
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Contractual Services

Telephone and long distance	2,900	
Postage	1,600	
Printing and advertising - hearing notices, application forms and manual	4,000	
Office Rent - 150 sq. ft. @ .50/sq. ft.	900	
Machine Rental and Xerox	400	
		\$ 9,800

April 15, 1975

Commodities

Reference Materials	300	
Office Supplies	<u>300</u>	\$ 600

Equipment

Executive Desk @ 270	270	
Secretarial Desk @ 300	300	
2 Typewriters @ 570	1,140	
1 Calculator @ 600	600	
1 Filing Cabinet @ 125	<u>125</u>	\$2,435
Total FY 76 Budget Request for Operation of SS HB No. 272		\$64,416

MEMORANDUM
DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS

State of Alaska
DIVISION OF LOCAL GOVERNMENT ASSISTANCE

TO: LYNN WEGENER
ADMINISTRATIVE OFFICER

DATE: APRIL 15, 1975

THRU: JACK CHENOWETH
DIRECTOR

FILE NO:

TELEPHONE NO:

FROM: S. ROBERT DOZIER
STATE ASSESSOR

SUBJECT: RECOMMENDED FISCAL NOTE AND
PROGRAM ANALYSIS FOR SPONSOR
SUBSTITUTE FOR HOUSE BILL NO.
272

Reimbursement:

Number of applicants, assumes statewide 1976 population to be 365,000 adjusted by percentage to senior citizen real property owner program, shows an estimated 1,995 possible applicants with a predicted increase of 11.5% per year of program operation. See Table I, memo, HB No. 168 by SRD to Lynn Wegener, 3/11/75.

Average tax reimbursement per applicant is based upon the existing senior citizen program data adjusted down by 25% to reflect a higher quality of housing involved in the existing program. See Table II, memo above.

	<u>Number of Applications</u>		<u>Average Per Application</u>		<u>Total</u>
Reimbursement	1995	x	\$311.00	=	\$625,000
Administration	1995	x	31.50	=	63,000
Total Program	1995	x	\$342.50	=	\$688,000

Administration:

Program analysis:

1. Development of Alaska Administrative Code Regulations. Regulations will be somewhat greater in detail than those developed for the existing senior citizen program for the reason that the Department will be administering the program on an individual applicant basis rather than through the administrative offices of the local municipality.
2. Development and printing of application forms and rent receipt certificates.
3. Preparation and duplication of instruction manuals to accompany application packets. This will call for careful detail since there will be little opportunity for individual assistance in forms preparation.
4. Preparation of program alert materials geared to advising eligible persons of the new program. This was a major problem with the existing owner-occupant program as illustrated by the 32% increase in applications from 1974 to 1975.
5. Forms distribution may present a problem, it appears that arrangement should be made to make application information and/or forms available at municipal offices and/or other appropriate locations on a local level as well as through the mail. It is recommended that a toll-free telephone be installed to furnish information and to increase accessibility of forms.

6. A survey of residential real property to establish average rental rates to facilitate calculation of the property tax equivalency percentage for the 78 differential tax code areas in the state, will be required. This will entail:

Contact local realtors, corporation, finance institutions, landlords and other persons involved in rental of residential properties;

An analysis of representative properties as to assessed value, lease rent and property tax;

Contact the local clerk or assessor and analyse municipal assessment records regarding differential assessed values and tax rates between single-family, duplex apartment and multiple use dwelling units within each service area.

7. Correlation of data and periodic update of current percentage rates in each area.

8. Receipt of application will require:

a. Categorize and locate property by tax code area.

b. Follow-up to establish marginal, ambiguous and incomplete information which will require extensive correspondence and/or field inspection.

c. Audit forms and compute equivalency reimbursement, entailing proration and adjustments for varying rental agreements and locations in the state.

9. Establish standardized filing and accounting procedures and prepare reimbursement roll, to include the services of a systems analyst in order to make use of the state data processing facility.

10. Establish reimbursement, request and mailout procedures.

11. Follow-up correspondence, program update and adjustment, summary tabulation and budget forecasts.

12. Furnish ongoing, systematic public relations information.

Personal Services:

The program analysis indicates that administration of SSB No. 272 will require the addition of two and one half positions and the upgrade of one position:

Assistant State Assessor - Range 19

Assist in the development of regulations and forms.

Implement the residential real property survey as outlined in Item #6.

Compute adjustments, prorations and location of property.

Assist the State Assessor in other property appraisal and program responsibility.

Clerk-Typist III - Range 8

Assume a portion of existing standardized clerical duties to allow a broader spread of routine, technical processes among the staff.

Furnish secretarial support for the Assistant State Assessor and provide clerical backup for the multitudinous details inherent in an individually reimbursed project.

Assume proportionate responsibility for special projects and absorb additional workload differential due to overall program growth.

Clerk-Typist II - Range 7

Assume portion of existing standardized clerical procedures.

Provide clerical backup for filing, categorizing, screening procedures required for the new program during the active months of the program operation.

Upgrade Research Assistant from Range 11 to Range 13

Shift portion of existing secretarial duties to other clerical positions.

Assume responsibility for existing reimbursement programs and new program operation, maintenance, audit, reimbursement, tabulation, planning, research and analysis.

Assist with the SS HB 272 regulations drafts and forms development and program initiation.

SRD:1mb

100 Personal Services

Assistant State Assessor Range 19	1736 x 12	20,832
Clerk Typist II Range 7	760 x 6	4,560
Clerk Typist III Range 8	790 x 12	9,430
Upgrade Research Assistant to Range 13	171 x 12	2,052
Total Salary		36,924
Fringe Benefits 18%		6,646
Total Personal Services		<u>43,570</u>

200 Travel & Per Diem

Assistant State Assessor

Travel to the 25 municipalities which levy taxes and conduct a survey of all 72 tax code areas to establish average rental rates for single family, duplex, apartment and multipurpose buildings to facilitate calculation of property tax equivalency rates.

Air fare	2,000	
Car Rental	1,000	
Per Diem	<u>3,000</u>	
Total Travel & Per Diem		<u>6,000</u>

300 Contractual Services

310 Comm. Serv.	900	
*311 Telephone	2,000	
*314 Postage	1,600	
*320 Printing & Advertising	4,000	
330 Space Rent	900	
340 Repairs	100	
360 Equipment rental	400	
390 Other fees (Legal)	<u>500</u>	
Total Contractual		<u>10,400</u>

400 Commodities

Reference Materials	300	
Office Supply	<u>300</u>	
Total Commodities		<u>600</u>

500 Equipment

3 Desks @ 200	600	
3 Chairs @ 50	150	
2 Typewriters @ 600	1,200	
1 Calculator @ 600	600	
1 Filing Cabinet @ 125	<u>125</u>	
Total Equipment		2,675

Total FY 76 Budget Request		63,245
for Operation of SS HB No. 272		<u>63,000</u>

* See attached itemization

311 Telephone - reflects estimate of toll-free telephone charges.

<u>314 Postage</u> -	Reimbursement mailout =	900	(\$.45 x 2,000)
	Alert Materials	200	
	Other	500	
	Total	<u>\$1,600</u>	

320 Printing & Advertising

Advertising

Regulations	1,200	
Alert		
Newspaper	700	
Radio	<u>700</u>	<u>2,600</u>

Printing

Forms with		
Certificate	650	
Alert Material	<u>750</u>	<u>1,400</u>
Total Printing & Advertising		<u>4,000</u>

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

DIVISION OF LOCAL GOVERNMENT ASSISTANCE

JAY S. HAMMOND, Governor

POUCH B - JUNEAU 99811

March 18, 1976

Senator John Butrovich
Alaska State Senate
Pouch "V" State Capitol Building
Juneau, Alaska 99811

Dear Senator Butrovich:

- Re: 1. Limitation of Benefits, Senior Citizen Property Tax Exemption
AS 29.53.020 (a). (Proposed Bill.)
2. Limitation of tax equivalency payments to Senior Citizen
Tenants, CS SS HB No. 272 am. (Proposed Amendment)

You have requested a fiscal note and language for a bill which addresses the problem of perceived inequities in The Senior Citizen Property Tax Exemption Program between the very wealthy and the very poor.

The formula as outlined in the enclosed fiscal note and bill draft, is an attempt to avoid a fixed, assessed value limitation as proposed in Senate Bill No. 408, by allowing the program to adjust annually to increasing property valuations. The formula will support the program goals while avoiding total subsidy of presumably affluent taxpayers.

Additionally, you have requested a fiscal note and language for an amendment which will provide a limit of \$250 for tax equivalency payments to senior citizen tenants as proposed in HB No. 272.

Suggested amendment, CS SS HB No. 272 am.

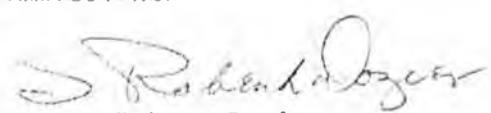
Page 1. Line 18, after "applicant" add not to exceed \$250.

In addition, to a program analysis of the \$250 suggested limitation, the enclosed fiscal note includes for your consideration a program summary for two additional dollar limitations, \$375 and \$500.

I am available at any time should you require additional data or an explanation of the enclosed data.

Sincerely,

Lee McAnerney
Commissioner


By: S. Robert Dozier
State Assessor

MEMORANDUM

State of Alaska

DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS

DIVISION OF LOCAL GOVERNMENT ASSISTANCE

Lee McAnerney
Commissioner

DATE: January 23, 1976

FILE NO:

TELEPHONE NO:

FROM: Palmer McCarter
DirectorSUBJECT: Attached bill relating to the
Senior Citizen Property Tax
Exemption ProgramBy: S. Robert Dozier
State Assessor

The legislation, as presented in the Attorney General's memorandum to Governor Hammond, dated December 8, 1975, recommends a formula be initiated which recognizes perceived inequities in the existing Senior Citizen Property Tax Exemption Program, AS 29.53.020 (e), between the very wealthy and the very poor. The formula as recommended is an attempt to avoid an arbitrary limitation, as proposed in SB 403, by allowing the program to adjust annually to variations in property valuations. The formula will support the program goals while avoiding total subsidy of presumably affluent taxpayers.

Under the formula as presented, the applicant would be required to pay only the amount of the tax as levied on the property exceeding the limitation, as annually determined by the Commissioner.

A statewide limitation formula based on assessed values is the most equitable, as a limitation based on tax dollars levied is distorted by the wide variations in the rates of tax levied.

<u>Stipulations</u>	<u>FY 76 (actual)</u>	<u>FY 77 (Estimate)</u>
Number of applications	2,423	2,665
BRU expenditure	\$ 933,000	\$1,150 ,000
Average tax per application	\$ 385	\$ 432

As a result of our analysis of the 2,432 applicants involved in the 1975 (FY 76) exemption program, we recommend adoption of one of the t_{w0} formulas as outlined below:

Limitation Formula No. 1

Line 15: "The assessed value limitation is the [LOWER] UPPER limit of the third quartile class in a frequency distribution of the previous program year assessed values arranged in intervals of \$5,000."

The analysis of the FY 76 program based on the above formula indicates an assessed value limitation of \$35,000. Adoption of the above limitation formula will exempt in full, approximately 75% of the 2,665 applicants estimated to be involved in the FY 77 program.

Limitation Formula No. 2

Line 15 is amended to read: "The assessed value limitation is the assessed value adjusted to the next \$1,000 in a frequency distribution of the previous program year assessed values arranged in intervals of \$5,000, which exempts in full, 35% of all applicants."

Adoption of Limitation Formula No. 2 will exempt in full, approximately 80% of the 2,665 applicants estimated to be involved in the FY 77 program.

Attached are tables summarizing the statistical analysis of two separate frequency distributions of the 2,423 approved 1975 senior citizen application forms. Table 1 is based on assessed values, and Table 2 is based on tax dollars levied.

Table 1 indicates that the lower limit of the third quartile class results in an assessed value limitation of 30,000, which exempts in full, 69% or 1,678 senior citizens. And that the upper limit of the third quartile class results in an assessed value limitation of 35,000, which exempts in full 79%, or 1,923 senior citizens. The remaining 500 applicants would be forgiven 13 to 99% of their tax bills and 52 applicants would be paying in excess of 50% of their total tax bill.

Table 2, which is based on tax dollars levied, arranged in intervals of \$100, indicates that the lower limit of the third quartile class results in a tax dollar limit of \$500, which would exempt in full 73%, or 1,760 senior citizens. While the upper limit of the third quartile class results in a tax dollar limit of \$600. The latter exempts in full 82%, or 1,978 senior citizens, which amounts to \$543,400 or 58% of the total FY 76 program BRU expenditure.

Enclosure

SRO:imb

TABLE NO. 1
 SENIOR CITIZEN PROPERTY TAX EXEMPTION
 1975 PROGRAM ANALYSIS
 AS 29.53.020 (e)-(i)

<u>VALUATION IN \$5,000 INTERVALS</u>	<u>NUMBER OF WITHIN INTERVALS</u>	<u>OF APPLICATIONS</u>	<u>CUMULATIVE TOTAL</u>	<u>PERCENT TO TOTAL</u>	<u>PERCENT OF TAX FORGIVEN</u>
0-4.9	185			8%	
5.0-9.9	303		488	20%	
¹ 10.0-14.9	265		753	31%	
15.0-19.9	360		1,113	46%	
² 20.0-24.9	289		1,402	58%	
25.0-29.9	276		1,678	69%	
³ <u>30.0-34.9</u>	<u>245</u>		<u>1,923</u>	<u>79%</u>	100%
35.0-39.9	146		2,069	85%	88-100%
40.0-44.9	101		2,170	90%	78-88%
45.0-49.9	82		2,252	93%	70-78%
50.0-54.9	54		2,306	95%	64-70%
55.0-59.9	34		2,340	96.5%	58-64%
60.0-64.9	19		2,359	97.3%	54-58%
65.0-69.9	12		2,371	97.8%	50-54%
70.0-74.9	13		2,384	98.4%	47-50%
75.0-99.9	22		2,406	99.3%	50-35%
100.0-260.0	17		2,423	100%	35-13%

1) 1st quartile=12,218

2) Median= 21,565

3) 3rd quartile = 32,758

Office of the State Assessor
 Division of Local Government Assistance
 Department of Community & Regional Affairs
 January 16, 1976

TABLE NO. 2

SENIOR CITIZEN PROPERTY TAX EXEMPTION
1975 PROGRAM ANALYSIS
AS 29.53.020 (e)-(i)

EXEMPT TAX DOLLARS IN \$100 INTERVALS	NUMBER OF APPLICATIONS			EXEMPT TAX DOLLARS		% DOLLARS TO TOTAL	
	WITHIN INTERVALS	CUMULATIVE TOTAL	% TO TOTAL	WITHIN INTERVALS	CUMULATIVE TOTAL	WITHIN INTERVALS	CUMULATIVE TOTAL
0-99	365	365	15%	18,250	18,250	2%	2%
¹ 100-199	399	764	32%	59,850	78,100	6%	8%
200-299	325	1,089	45%	81,250	159,350	9%	17%
² 300-399	378	1,467	61%	132,300	291,650	14%	31%
400-499	293	1,760	73%	131,850	423,500	14%	45%
³ 500-599	218	1,978	82%	119,900	543,400	13%	58%
600-699	165	2,143	88%	107,250	650,650	12%	70%
700-799	99	2,242	93%	74,250	724,900	8%	78%
800-899	57	2,299	95%	48,450	773,350	5%	83%
900-999	48	2,347	97%	45,600	818,950	5%	88%
1,000-1,099	22	2,369	97.7%	23,100	842,050	2%	90%
1,100-1,199	13	2,382	98.3%	14,950	857,000	2%	92%
1,200-1,299	8	2,390	98.6%	10,000	867,000	1%	93%
1,300-1,799	19	2,409	99.4%	29,350	896,350	3%	96%
1,800-2,299	8	2,417	99.7%	16,200	912,550	2%	98%
2,300-5,000	6	2,423	100%	20,500	933,050	2%	100%

1) 1st quartile = 160.40 2) Median = 332.50

3) 3rd quartile = 526.60

Office of the State Assessor
Division of Local Government Assistance
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January 16, 1976

TABLE I

The rental property surveys for Ketchikan and Juneau were compiled from readily available information and should not be considered a representative random sample.

Properties have been listed by categories in the following order:

Apartment and multi-unit complexes: reflects the net assessed value for the entire property. Rental rates include centralized heat and facilities, but excludes electricity and such special items as telephone and cable T.V.

Condominium units: reflect the net assessed value for a dwelling unit. Rental rates include such facilities as parking and laundry, but exclude heat and electricity which were found to be billed separately.

Single family residences and mobile homes: reflect net assessed value for the entire property. Rental rates exclude all utilities.

The percent of tax to rental rate is shown in relation to the actual rate of tax levied and again with a "frozen" mill rate of 15 mills for purposes of comparison of properties in differential tax areas.

RENTAL PROPERTY SURVEY 1974

Description	Mill Rate	Assessed Value	Actual Tax Levy	Annual Rent	% of Tax to Rent Actual	Tax @ Avg. %	% of Tax to Rent @ 15 Mills
Ketchikan							
7-8 Plexes	16.4	1,429,800	23,448.72	187,656	12.5	22,406	11.4
5 Plex	16.4	52,550	861.82	12,060	7.15	1,440	6.5
4 Plex	16.4	44,900	736.36	7,656	9.62	914	8.8
3 Plex	16.4	43,650	715.86	7,200	9.94	860	9.1
3 Plex	16.4	57,500	943.00	9,720	9.7	1,161	8.9
Duplex	16.4	27,450	450.18	2,880	15.63	344	14.3
Duplex	16.4	39,350	645.34	6,240	10.34	745	9.5
Duplex	16.4	43,250	709.30	6,600	10.7	788	9.8
Duplex	16.4	45,100	739.64	5,520	13.4	659	12.3
Duplex	16.4	46,450	761.78	5,760	13.2	688	12.1
Duplex	16.4	49,700	815.08	7,200	11.3	860	10.4
Duplex	16.4	58,900	965.96	7,200	13.4	860	12.3
Duplex	8.0	28,550	228.40	4,800	4.7	211	8.9
Duplex	8.0	40,200	321.60	6,600	4.8	290	9.1
1 Br. Condo.	16.4	13,050	214.02	3,360	6.37	401	5.8
3 Br. Condo.	16.4	44,950	737.18	4,400	16.75	525	15.3
S. Fam. Resid.	16.4	25,300	414.90	3,900	10.64	466	9.7
S. Fam. Resid.	16.4	24,000	393.60	3,600	10.93	430	10.0
10x40 Trailer (low quality)	8.0	3,250 (no land)	26.00	1,800	1.44	79	2.7
2 Br. Trailer (high quality)	8.0	17,000	136.00	3,000	4.5	132	8.5
83 Units	16.4	2,045,900	33,552.74	280,952	11.94avg.		
4 Units	8.0	89,000	712.00	16,200	4.40avg.		

TABLE I
(continued)

Description	Mill Rate	Assessed Value	Actual Tax Levy	Annual Rent	% of Tax to Rent Actual	% of Tax to Rent Actual
Juneau						
26 Unit Apt	17.59	263,600	4,636.72	68,352	6.4	5.8
24 Unit Apt	17.59	542,300	9,539.06	100,596	9.5	8.1
4 Plex	16.71	85,600	1,430.38	15,600	9.2	8.2
Duplex	16.00	50,200	803.20	9,360	8.6	8.0
Duplex	16.71	41,900	700.15	6,984	10.0	9.0
Condo.	14.83	35,000	519.05	5,100	10.2	10.3
S. Fam. Resid.	17.59	32,500	315.00	3,780	15.1	12.9
S. Fam. Resid.	16.71	60,300	1,007.61	6,000	16.8	15.1
10x50 Trailer (1965)	15.62	3,668	57.29	2,400	2.4	2.3
14x70 Trailer (1974)	15.62	12,234	191.10	3,600	5.3	5.1

In the table below two Juneau apartment complexes were combined to illustrate the effect of averaging the contract rental rates and dividing by the average tax levy.

Unit rental rates are arranged in ascending order in Column I. Column II gives the number of units commanding the Column I rate and Column III states the total rent collected. Column IV shows the tax equivalency payment per unit which is based on the average tax equivalency percentage of 8.2% applied to the rental rate in Column I. Individual unit tax levies are not available for comparison without extensive analysis of the properties illustrated.

Consideration should be given to the fact that this represents information regarding only apartment units of a low-medium and medium range quality and no consideration is given to unit living space, availability of facilities, etc. Heat is centralized in both buildings and therefore is included in the contract rent. Electricity is included in the contract rent of one building. Mill rates are the same.

ANALYSIS OF 50 APARTMENT UNITS

Unit Annual Rent	Number of Units	Total Rent	@ Average 8.2%
2,232	4-efficiency	8,928	183.02
2,760	18-1 bedroom	49,680	226.32
3,360	2-1 bedroom	6,720	275.52
3,408	4-2 bedroom	13,632	279.46
3,768	1-1 bedroom(f)	3,768	308.98
4,116	13-2 bedroom	53,508	337.51
4,440	5-2 bedroom(f)	22,200	364.08
4,800	3-3 bedroom	14,400	393.60
	<u>50</u>	<u>172,836</u>	

(f)=includes furnishings

Total Tax	=	Building No. I	+	Building No. II
\$14,175.78		\$4,636.72		\$9,539.06
Average Tax	=	Property Tax	÷	Number of Units
\$ 283.52		\$14,175.78		50
Average Rent	=	Total Rent	÷	Number of Units
\$ 3,457		\$172,836		50
Tax Equivalency Percentage	=	Average Tax	÷	Average Rent
8.2%		\$ 283.52		\$3,457.

TABLE II

The unit contract rental is illustrated below and shows the extensive variation in rates after categorization by number of bedrooms.

DISPERSION BY NUMBER OF BEDROOMS

	EFFICIENCY	1 BEDROOM	1½ BEDROOM	2 BEDROOM	3 BEDROOM	OVER 3 BEDROOM
<u>Ketchikan</u>						
7-8 plex		245 x 14		280 x 28	312 x 14	
5 plex	175	165/175		240/250		
4 plex	85	112	216	227		
3 plex			200 x 3			
3 plex				270 x 3		
Condominium		280				
Condominium					370	
Single Family					300	
Single Family				325		
Mobile Home		200				
Mobile Home				250		
<u>Juneau</u>						
Duplex				285		
Apartment	186 x 4	229 x 18		284 x 4		
Apartment		314/280 x 2		5 x 370/343 x 13	400	
Single Family						500
Mobile Home				275		
Mobile Home					375	
Condominium					425	
4 plex				325		

TABLE III

Table III shows an array of unit assessed values arranged in ascending intervals for the purpose of comparison with variable rental rates. Column II illustrates unit tax per year calculated at an equalized tax levy of 15 mills.

Study of the table shows that reasonable rental rates compared to realistic assessed values will normally fall within an area between 2% and 15%. It may be assumed that an in-depth survey of rental markets and assessed valuations thereof would yield average percentiles within these bounds.

COMPARISON OF EQUALIZED TAX VALUE TO RENTAL RATES

Unit Assessed Value	Unit Tax @15 Mills	Percentage of Tax to Rental Rate									
		100 Mo.	150 Mo.	200 Mo.	250 Mo.	300 Mo.	400 Mo.	500 Mo.	600 Mo.	800 Mo.	1,000 Mo.
2500	38	3%	2%	1.6%	-	-	-	-	-	-	-
5000	75	6.3	4.2	3.1	2.5%	-	-	-	-	-	-
7500	113	9.4	6.3	1.7	3.8	3.1%	-	-	-	-	-
10000	150	12.5	8.3	6.3	5.0	4.2	3.1%	-	-	-	-
12500	188	15.6	10.4	7.8	6.3	5.2	3.9	3.1%	-	-	-
15000	225	-	12.5	9.4	7.5	6.3	4.7	3.8	3.1%	-	-
20000	300	-	16.7	12.5	10.0	8.3	6.3	5.0	4.2	-	-
25000	375	-	-	15.6	12.5	10.4	7.8	6.3	5.2	3.9%	-
30000	450	-	-	18.8	15.0	12.5	9.4	7.5	6.3	4.7	-
35000	525	-	-	-	17.5	14.6	10.9	8.8	7.3	5.5	4.4%
40000	600	-	-	-	20.0	15.7	12.5	10.0	8.3	5.3	5.0
45000	675	-	-	-	-	18.8	14.1	11.3	9.4	7.0	5.6
50000	750	-	-	-	-	20.8	15.6	12.5	10.4	7.0	6.3
55000	825	-	-	-	-	-	17.2	10.8	11.5	8.6	6.9
60000	900	-	-	-	-	-	18.8	15.0	12.5	9.4	7.5
65000	975	-	-	-	-	-	-	16.3	13.5	10.2	8.1
70000	1050	-	-	-	-	-	-	17.5	14.6	10.9	8.8
80000	1200	-	-	-	-	-	-	-	16.7	12.5	10.0
90000	1350	-	-	-	-	-	-	-	18.8	14.1	11.3
100000	1500	-	-	-	-	-	-	-	-	15.6	12.5

TABLE I
RENTAL PROPERTY SURVEY
1974

COMPARISON OF FORMULA VALUES AND DEVIATION FROM ACTUAL TAX

Description	Mill Rate	Assessed Value	Actual Tax	Annual Rent	0.5% Per Mill		0.6% Per Mill		0.7% Per Mill	
					Tax Equiv.	Deviation	Tax Equiv.	Deviation	Tax Equiv.	Deviation
Ketchikan										
7-8 Plexes	16.4	1,429,900	23,448.72	187,656	15,387.79	- 8,060.93	18,405.35	- 4,983.37	21,542.91	- 1,905.81
5 Plex	16.4	52,550	861.82	12,060	923.92	+ 127.10	1,185.70	+ 451.98	1,384.49	+ 974.55
4 Plex	16.4	44,900	736.35	7,655	627.79	- 108.57	753.35	+ 16.99	878.91	+ 142.55
3 Plex	16.4	43,650	715.85	7,290	590.40	- 125.45	708.48	- 7.38	826.56	+ 110.70
3 Plex	16.4	57,500	943.00	9,720	797.04	- 145.96	956.45	+ 13.45	1,115.86	+ 172.85
Duplex	16.4	27,450	450.18	2,680	236.16	- 214.02	283.39	- 166.79	330.62	- 119.56
Duplex	16.4	39,350	645.34	6,240	511.68	- 133.66	614.02	- 31.32	716.35	+ 71.01
Duplex	16.4	43,250	709.30	6,600	541.20	- 168.10	649.44	- 59.66	757.68	+ 46.38
Duplex	16.4	45,100	739.64	5,520	452.64	- 287.00	543.17	- 196.47	633.70	- 105.94
Duplex	16.4	46,450	761.78	5,760	472.32	- 289.46	566.78	- 195.00	661.25	- 100.53
Duplex	16.4	49,700	815.08	7,200	590.40	- 224.68	708.48	- 106.60	826.56	+ 11.48
Duplex	16.4	52,900	865.96	7,200	590.40	- 375.56	708.48	- 257.48	826.56	+ 139.40
Duplex	8.0	28,550	228.40	4,800	192.00	- 36.40	230.40	+ 2.00	268.80	+ 40.40
Duplex	8.0	40,200	321.60	6,600	264.00	- 57.60	316.80	- 4.00	396.60	+ 75.00
1 Br. Condo.	16.4	13,050	214.02	3,350	275.62	+ 61.50	330.62	+ 116.60	385.73	+ 171.71
3 Br. Condo.	16.4	44,950	737.18	4,400	360.80	- 376.38	432.96	- 304.22	505.12	- 232.06
S.Fam. Resid.	16.4	25,300	414.90	3,900	319.80	- 95.10	383.76	- 31.14	447.72	+ 32.82
S.Fam. Resid.	16.4	24,000	393.60	3,600	295.20	- 98.40	354.24	- 39.36	413.28	+ 19.68
10x40 Trailer	8.0	3,250**	26.00	1,800	72.00	+ 46.00	86.40	+ 60.40	100.80	+ 74.80
2 Br. Trailer	8.0	17,000	136.00	3,000	120.00	- 16.00	144.00	+ 8.00	168.00	+ 32.00
92 Units		2,134,900	34,264.74	297,152	23,686.06	- 10,578.68	22,423.24	- 5,941.50	33,160.42	- 1,104.32
Juneau										
26 Unit Apt.	17.59	263,600	4,636.72	68,352*	6,011.56	+ 1,374.84	7,213.83	+ 2,577.11	8,416.11	+ 3,779.39
24 Unit Apt.	17.59	542,300	9,539.06	100,596	8,847.42	- 691.64	10,516.97	+ 1,071.91	12,386.35	+ 2,847.29
4 Plex	16.71	85,600	1,430.38	15,600	1,303.38	- 127.00	1,564.06	+ 133.68	1,824.73	+ 394.35
Duplex	16.00	50,200	803.20	9,360	748.80	- 54.40	898.56	+ 95.36	1,048.32	+ 245.12
Duplex	16.71	41,900	700.15	6,924	593.51	- 116.64	700.15	- 0-	816.95	+ 116.80
Condo.	14.83	35,000	519.05	5,100	372.17	- 146.88	453.80	- 65.25	529.43	+ 10.38
S.Fam. Resid.	17.59	32,500	571.00	3,780	332.45	+ 17.45	398.94	+ 83.94	465.43	+ 150.43
S.Fam. Resid.	16.71	60,300	1,007.61	6,000	501.30	- 506.31	601.56	- 405.05	701.82	- 305.79
10x50 Trailer	15.62	3,668	57.29	2,400	187.44	+ 130.15	224.93	+ 167.64	262.42	+ 205.13
14x70 Trailer	15.62	12,234	191.10	3,600	221.15	+ 90.05	337.39	+ 146.29	393.62	+ 202.52
63 Units		1,127,302	19,199.56	221,772	19,175.19	- 24.37	23,010.20	+ 3,810.64	26,845.36	+ 7,645.80
92 Ketchikan		2,134,900	34,264.74	297,152	23,686.06	- 10,514.68	22,423.24	- 5,941.50	33,160.42	- 1,104.32
63 Juneau		1,127,302	19,199.56	221,772	19,175.19	- 24.37	23,010.20	+ 3,810.64	26,845.36	+ 7,545.80
155 Total		3,262,202	53,464.30	518,924	42,861.25	- 10,603.05	51,433.44	- 2,030.85	60,005.78	+ 6,541.48
Ketchikan Average Deviation						120.09		76.67		49.80
Juneau Average Deviation						51.53		75.35		143.09
Total Average Deviation						92.24		76.13		87.72

*Minus lights @\$12/unit

**No land