

HB - 261

"An Act relating to residential property exemption from real property tax."

COMMITTEE REPORT

3/5/75

HOUSE

JUDICIARY

Mr. Speaker

Date

3-18-75

The Committee on C&RA
~~REVENUE~~ has had HB 261

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 _____ AND THAT

CS FOR _____ DO PASS

(x) "and" recommends it BE REFERRED TO THE FINANCE

COMMITTEE

() reports it back WITHOUT RECOMMENDATION

() "other"

RECOMMENDATION BE REFERRED TO FINANCE

Members signing the Majority report:

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

Chairman

MEMORANDUM

State of Alaska

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

DIVISION OF LOCAL GOVERNMENT ASSISTANCE

TO: JACK CHENOWETH
DIRECTOR

DATE: MARCH 25, 1975

FILE NO:

TELEPHONE NO:

FROM: S. ROBERT DOZIER *SRP*
STATE ASSESSOR

SUBJECT: HOUSE BILL NO. 261-(SB NO. 229) AN
ACT REALTING TO RESIDENTIAL PROPERTY
EXEMPTION FROM REAL PROPERTY TAXATION

House Bill No. 261 amends AS 29.53.025(a) by removing the existing \$10,000 exemption limitation on residential property and allows municipalities, through referendum and subsequent local ordinance, to exempt in part or in full residential property from taxation.

The \$10,000 residential property limitation provision was enacted as an important and necessary part of House Bill No. 1 FSS ch 1, SLA 1973, which is an act administered by the Department of Revenue, providing for taxes on property used in the exploration for, production of or pipeline transportation of gas or unrefined oil.

Residential property may be defined as "land and buildings in part or in whole zoned or used or capable of being used, in connection with human habitation. Examples include; single family residence, duplex, apartment, condominium, farm and multi-purpose buildings."

Residential property as defined above, may in some cases be the major tax base within a municipality. Several boroughs and cities are enjoying grandfather rights relating to exemption of personal property in whole or in part as authorized by AS 29.53.025(c)-(d). In addition, other optional exemptions are being utilized which further narrows the tax base. It is evident that the effective tax rate is governed by the tax base. The broader the base, the lower the levy.

The rate of levy set by council must be extended against all taxable property within the taxing jurisdiction. When the majority of the local tax base is exempt or excluded from taxation by state law or authorized and excercized through local option, municipal revenue required to fund municipal services must be raised by an increased mill rate on the remaining taxable properties. When the remaining property primarily consists of oil and gas property as assessed and taxed by the Department of Revenue, the cost of providing municipal services is shifted from local residents directly to the state in the form of a tax credit.

House Bill No. 261 if enacted, will provide an additional revenue sharing ~~measure~~ for existing and potential municipal taxing jurisdictions which are, or will be, endowed with an extensive industrial development tax base consisting of oil and gas production and pipeline property.

Before taking final action on any proposed legislation relating to ad valorem taxation in Alaska, the direct and indirect effects of all existing and proposed property tax relief and reform measures, including exemptions, exclusions, limitations, use value and deferred taxation measures should be considered and analyzed collectively by the legislature in light of the over all impact upon the State and units of local government.

TAPE #6
side 2
1130-end

HOUSE COMMUNITY & REGIONAL AFFAIRS COMMITTEE

Meeting Minutes
March 26, 1975

Meeting was called to order at 9:00 for discussion of HB 261 and HB 272. Present were:

Rep. Sam Cotten, Chairman	Rep. Larry Davis
Rep. Kathryn Ostrosky	Rep. Mike Hershberger
Rep. Al Ose	Rep. Oral Freeman
Rep. Glenn Hackney	
Barbara Enslert Thomas, Staff	
Mireia Guernsey, Staff	
Bob Dozier, State Assessor	
Rep. Gruening, Sponsor 272	
Danny Plotnick, Office on Aging	
Don Berry, Municipal League	

HB 261

1130-Cotten gives in production.

(1143) Dozier explains the whys of the \$10,000 limit.

Because Rep. Malone, Sponsor, couldn't be here the meeting was postponed until later.

HB 272 was then taken up.

(1212) Rep. Gruening, Sponsor, gave testimony. Home owners have more advantages than renters in deduction of taxes and equity. Rebate for renters needed. HB 272 allows payment on monthly basis, different from SB 218 and HB 168. Dept. of C&RA reimburses. Apportionment is the problem; time element-renter may not be there whole taxable year; how to divided by units. HB 168 proposed by bedrooms; HB 272 leaves it up to C&RA to determine formula.

(1305) Freeman asked for a fiscal note. Gruening had none.

(1414) Freeman asked how many renters. Gruening didn't have figures.

(1471) Dozier explains formula used for determining number. Based on 1970 census-6,950 senior citizens. 4,000 heads of households in 1976. Renter occupied 25% less valuable than owner occupied. (1525) Cotten asked where 25% came from. Dozier just nicked it; could be more or less. \$620,000 using reimbursement formula.

(1600) Dozier-\$33,000 for present owner occupied senior citizen program. Double that for center. 2,000 renters would apply for program.

(1650) Freeman suggests setting up fund which would return set amount, say \$30. Take the burden off municipalities.

(1700) Hershberger says let it be returned along with State income tax. Let one dept. take care of it.

(1757) Plotnick reads statement of the position of Office on Aging and HESS. Said there are presently 7,300 senior citizens in State. (65 or over)

Meeting adjourned at 10:00 (end side 2)

Meeting was reconvened at 11:00 for discussion of HB 261. All those at first meeting were present except for Plotnick, Freeman & Hackney. Rep. Malone, Sponsor was present.

Malone says bill would give municipality more flexibility in taxing by taking \$10,000 limit out.

(59) Comments on Mr. Doziers memo.

(74) Discussion of tax limit.

(276) Discuss implications of exclusion of \$10,000.

End discussion of HB 261 (1030)

HB 272, HB 168 (Rick Urion)

(1030) Cotten gives introduction.

(1114) Urion says the problem is determining how much money person will get.

(1157) Urion-proportioning by bedrooms, pg 2 para 2, would solve the administrative headaches. Would be too hard to determine by square feet or otherwise. IN HB 272 doesn't think municipality should pay, the State should.

(1265) Cotten not happy with fiscal note. Dozier's figures too arbitrary.

(1334) Malone asked for summary of the problems.

Cotten said concept was good. Problems are who should administer rebate payments? Cost? formula for devising amount returned?

(1356) Malone asked for administrative costs.

HB 168, SB 218-\$65,000. Rebates-\$671,000 (high)

(1377) Hershberger likes Freemans idea of fund.

Meeting adjourned at 12:00 for lunch. (1402)

Introduced: 3/5/75
Referred: Community & Regional
Affairs and Judiciary

Finance

1 IN THE HOUSE

BY MALONE

2 HOUSE BILL NO. 261

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to residential property exemption
7 from real property tax."

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

9 * Section 1. AS 29.53.025(a) is amended to read:

10 (a) Municipalities may exclude or exempt or partially exempt
11 residential property from taxation by ordinance ratified by the voters
12 at a regular or special election. [AN EXCLUSION OR EXEMPTION AUTHORIZED
13 BY THIS SECTION MAY NOT EXCEED \$10,000 FOR ANY ONE RESIDENCE.]

14
15 *Municipality should have the option.*
16 *applies to oil property.*

17
18 *Remaining Bus. prop. & pipeline*

19
20
21 *PIPELINE can be TAXED at 20 mills*
22 *7/13*

23
24 *subject to*
25 *other limitations*

26
27 *46.53.*

Hearings

HB261

3/26/75

Ak Municipal League
QA (esp. Dozier)
Rep. Malone

Notified Present Testified

X
X
X

Municipal League
Dozier
(Malone)

X
X
X

Continuing