

HB-65

COMMITTEE REPORT

HOUSE

Mr. Speaker:

Date June 13, 1943

The Committee on FINANCE has had SENATE BILL NO. 10

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

( ) "and" recommends it BE REFERRED TO THE \_\_\_\_\_

COMMITTEE

( ) reports it back WITHOUT RECOMMENDATION

( ) "other"

Members signing the Majority report:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends: DO NOT PASS  
\_\_\_\_\_ recommends: DO NOT PASS  
\_\_\_\_\_ recommends:  
\_\_\_\_\_ recommends:  
\_\_\_\_\_ recommends:

\_\_\_\_\_ Chairman

AMENDMENT

OFFERED IN THE HOUSE:

By: Community & Regional  
Affairs Committee

To: Amend \_\_\_\_\_ HOUSE BILL No. CSRB 48 65

SENATE BILL No. \_\_\_\_\_

PAGE: 1 \_\_\_\_\_

LINE: 13 \_\_\_\_\_

On page 1, line 13, delete "resided" and insert "maintained  
a permanent place of abode".

No tape of this  
meeting

House Committee on  
COMMUNITY & REGIONAL AFFAIRS

Meeting Minutes  
April 10, 1975

Meeting was called to order at 1:30 to discuss CS for SSHB 65.

Rep. Cotten	Rep. Ostrosky
Rep. Ose	Rep. Freeman
Rep. Hackney	Rep. Davis
Barbara Englert	Thomas, Staff
Andrea Guernsey,	Staff

The committee looked over the committee substitute and Rep. ose wanted to clarify that the owner had to live on the land permanently. There was an amendment added on line 13--delete "resided" and insert "maintained a permanent place of abode".

Rep. Ostrosky made a motion to move the bill out with individual recommendations as amended. So moved.

House Committee on  
COMMUNITY & REGIONAL AFFAIRS

Meeting Minutes  
April 3, 1975

Meeting was called to order at 7:30 pm for discussion of SSHB 65.  
Present were: Cotten; Ostrosky; Ose and Hershberger.

A great deal of the meeting was spent deciding who the bill was trying to protect. No concrete definitions were made.

The committee tried to outline the problems with the bill.

I. It repeals the farm use status in 29.53.35. It was agreed to leave the farm use alone and write new section dealing with undeveloped land. Page 1, sec 1, start over with something like: "Undeveloped Land", A person owning and residing on a parcel or tract of undeveloped land over \_\_\_\_\_ acres and not exceeding \_\_\_\_\_ acres may apply for an exemption under this section.

Hackney would like to talk to someone from a bank concerning what will happen if they become involved.

The effects on planning and zoning need to be discussed; to avoid haphazard development. Need to talk to Kevin Waring.

Meeting was adjourned at 9:00.

House Committee on  
COMMUNITY & REGIONAL AFFAIRS

Meeting Minutes  
March 5, 1975

Meeting was called to order at 3:20 by Chairman Cotten for discussion of SSHB65.  
Present were:

Rep. Sam Cotten	Rep. Ramona Kelley
Rep. Al Ose	Rep. Bowman, Sponsor
Rep. Larry Davis	Bob Dozier, State Assessor
Rep. Oral Freeman	Barbara Englert Thomas, Staff
	Andrea Guernsey, Staff

Rep. Bowman started by saying that the purpose of the bill was for the person who homesteaded or perhaps built their own home and then either a developer comes in next door or the community expands and the taxes go up so much that this person can no longer afford his home. This is addressed to farmers and small land owners.

Chairman Cotten asked if he intended to take out the provision for State reimbursement, without it the municipalities would suffer. Mr. Bowman didn't see that he had.

Mr. Freeman asked if there was a requirement that the land be used as a home? Bowman said no, but he had no quarel with putting in a requirement. Freeman also commented on the fact that there was a limit of 160 acres in the original bill but no limit in the substitute.

Dozier said that the first section of the sponsor substitute was already covered in the Statutes.

Chairman Cotten appointed a subcommittee of himself and Ose to work with Rep. Bowman on the bill. Cotten favors the bill but doesn't want the municipalities hurt..

Meeting adjourned at 4:30.

Sam Cotton

HB 65

S R. Doyler  
4-14-76

Comments on SB NO 529:

Define Intent of the Farm and Agriculture Land Assessment Law (AS 29 53.035).

1. Assisting People who Farm or
2. Preserving green BEST land.

1.(a) The present law is a grant of state funds to people who own farm land and have made a constructive effort toward farming the land.

2.(a) Senate CS, CS, SS, HB NO 65 is designed to assist a person retain the land in its farm use or undeveloped status with a provision that the assistance ceases only when the use of the land changes.

Recommendation:

1. Repeal AS 29.53.035 and Reenact with the wording of Senate CS CS SS HB 65.

THE LEGISLATURE OF THE STATE OF ALASKA  
FISCAL NOTE

Second Session - Ninth Legislature

I. REQUEST

Bill No. Senate CS, CS, SS, HR No. 65  
 Title: Assessment of Property for Local Taxation  
 Requested by: Senate Finance Committee Date: 4-8-76  
 Return Date Requested: 4-9-76  
 Agency: Dept. Community & Regional Affairs Program: Local Government Assistance

II. FISCAL DETAIL

Budget Request Unit(s) Affected: \_\_\_\_\_

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES		51.6				
200 TRAVEL		4.0				
300 CONTRACTUAL		6.2				
400 COMMODITIES		1.3				
500 EQUIPMENT		2.6				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		935.6				
TOTAL		1001.3				

B. FUNDING: (Thousands of dollars)

GENERAL FUND	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
GENERAL FUND		1001.3				
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
PERMANENT/TEMPORARY	/	2 /	/	/	/	/
MAN MONTHS (P./T.)	/	24 /	/	/	/	/

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

Assumptions:

1. Assessment date January 1, 1977; Tax Statements mailed July 1, 1977.
2. Projected tax base assumptions are based on known January 1, 1975 valuations. Based on the attached summary there are 38 or 4665 parcels effected, discounted 50% for development rights with appreciation of 10% per year to January 1, 1977.  
(64,974,120 = 2333 parcels x 27,856 average value x 20% appreciation)
3. Projected tax revenue is based on a statewide average rate of 12 mills.  
(935,627 = 64,974,120 tax base x 12 mills)

IV. ATTACHMENTS

DATE: 4-9-76

PREPARED BY:

*S. Robert Doyler*  
State Assessor

Final: Legislative Finance  
 Budget and Management  
 Prime Sponsor (First Legislator Named)  
**BOWMAN**

Fiscal Note: SCS,CS,SS HBN065

Assumptions Continued

Home Rule and First Class Municipalities

Real Property Assessed Value 1/1/75			4,331,686,418
Number of Parcels			155,500
Valuation Per Parcel			27,856
Population			338,123
Population Per Parcel			2.174

Residential Property	83,970	54%	2,339,068,320
Single Family Parcels	62,200	40%	1,732,643,200
3 to 160 Acre Parcels	23,325	15%	649,741,200
Ten Year Resident Parcels	4,665	3%	129,948,240
Development Rights Discount		50%	64,974,120
Appreciation 1/4/75 - 1/1/77		20%	77,968,944
Tax Revenue @ 12 mills average			\$935,627

The bill provides for partial deferrment of taxes on certain real property subject to restrictions as specified by the act in an agreement between the owner and the municipality. Deferred taxes paid by the state to the municipality for the applicant creates a lien on the property in favor of the state in an amount equal to the deferred taxes plus interest which becomes due and payable at the time the land is converted to a use inconsistent with the provisions of the agreement. A municipality is bound by the provisions of this act unless excluded by referendum.

Administration of the program will be the responsibility of the Department of Community and Regional Affairs. The pilot program will require the development of administrative code regulations, forms and procedures for both municipal and state responsibilities. The Department will assist each municipality in the development of a uniform formula for the valuation of development rights; receive and audit applications; reimburse each municipality as appropriate for lost revenue; develop lien procedures and annually file in the district court in which the property lies, a lien on each property in favor of the state; keep accurate records on each property including accrued interest at the current rate of business loans as authorized under AS 45.95; enforce tax liens as appropriate; and estimate within reasonable limits the subsequent years program FY BRU grant.

Under direction of the State Assessor, the Program Supervisor will develop regulations, procedures and forms and assume major program responsibilities. The statistical clerk position will provide the back-up for the program supervisor and assist with all related office duties.

The Administrative costs are estimated as follows:

100 Personal Services

Program Supervisor		
Range 21, Step B	29,332	
Statistical Clerk II Step B, Range 9	12,612	
Total Salary	41,944	
Fringe Benefi @ 23%	9,647	
Total Personal Services		51,591

Travel & Per Diem

State Assessor	1,000	
Program Supervisor	3,000	
Total		4,000

Contractual Services

Telephone and Long Distance	500	
Postage	100	
Printing Forms, Misc.	1,500	
Data Processing	2,500	
Machine Rental & Xeroxing	300	
Office Rent-200 sq. ft. @ 55¢	1,320	
Total		6,220

Commodities

Reference Materials and Maps	1,000	
Office Supplies	300	
Total		1,300

Equipment

Executive Desk	@315	315	
Executive Chair	@130	130	
Secretarial Desk	@370	370	
Secretarial Chair	@115	115	
Calculator	@440	440	
Typewriter	@800	800	
Filing Cabinets	@220	220	
Table	@105	105	
Book Case	@105	105	
Total Equipment			2,600

Total FY 77 Budget Request for operation of Senate CS for HB 65		65,711
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BY THE RULES COMMITTEE  
BY REQUEST

1 IN THE SENATE

2 SENATE BILL NO. 457

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 farm or agricultural lands; and  
7 providing for an effective date."

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

9 \* Section 1. AS 29.53.035(c) is amended to read:

10 (c) In this section "farm use" means the use of land for raising  
11 and harvesting crops or for the feeding, breeding and management of live-  
12 stock or for dairying or another agricultural use for profit or any  
13 combination thereof. To be farm use land, the owner or the lessee must  
14 be actively engaged in farming the land, and either the owner or the  
15 lessee must derive at least 10 per cent of his yearly gross income from  
16 the farm use land. The provisions of this section do not apply to land  
17 respecting which the owner has granted, and has outstanding, a lease or  
18 option to buy the surface rights. A property owner wishing to file for  
19 farm use classification having no history of farm-related income may  
20 submit a declaration of intent at the time of filing the application with  
21 the assessor setting out the intended use of the land and the anticipated  
22 percentage of income. An applicant using this procedure shall file with  
23 the assessor before February 1 of the following year a notarized state-  
24 ment of the percentage of gross income attributable to the farm use land.  
25 Failure to make the filing required in this subsection forfeits the  
26 exemption.

27 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-  
28 070(c).

29

1 IN THE HOUSE

BY BOWMAN, BRADNER AND KELLEY

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 65

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 assessment of real property for  
7 local taxation."

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

9 \* Section 1. AS 29.53.035 is repealed and re-enacted to read:

10 Sec. 29.53.035. FARM USE AND UNDEVELOPED LAND. (a) A person  
11 owning farm use land, or a parcel or tract of undeveloped land exceed-  
12 ing two and one-half acres in total area, may apply for assessment  
13 under this section.

14 (b) Farm use lands shall be assessed on the basis of full and true  
15 value for farm use, and shall not be assessed as if subdivided or used  
16 for some other nonfarm purpose. ~~The assessor shall maintain separate~~  
17 ~~assessment records evaluating the farm use land for other than farm use~~  
18 ~~purposes, where applicable.~~ If the farm use land is sold, ~~leased, or~~ <sup>developed</sup>  
19 otherwise disposed of, for other than farm use purposes, the owner

20 <sup>at the time of development is to the municipality</sup> the deferred taxes, plus 5 per cent interest, for the  
21 <sup>period of time the land was ~~assessed~~ <sup>used</sup> as farm use or undeveloped land, not to</sup>  
22 <sup>exceed 10 years.</sup> The amount of deferred tax shall be based on the full and  
23 <sup>plus five per cent interest, and the applicable portion of the current</sup> true value of the land, and the current mill rate, at the time of development.  
24 ~~tax year, even though the land had not been assessed for farm use purposes.~~

25 (c) Undeveloped land shall be assessed on the basis of its full  
26 and true value as undeveloped land or for the purpose for which it is  
27 actually being used, and shall not be assessed as if subdivided or used  
28 for some other purpose. ~~The assessor shall maintain separate assessment~~  
29 ~~records evaluating undeveloped land for other purposes, if applicable.~~

When the land is developed, the owner at the time it is developed is

1 ~~to the municipality the deferred taxes, plus 5 percent interest, for~~  
2 ~~liable to pay the additional tax for the period of time it was assessed as~~ <sup>assessed undeveloped</sup> ~~land, if less than 10 years.~~ <sup>not to exceed</sup>

3 ~~and the applicable portion of the current year's~~  
4 ~~amount of deferred tax shall be based on the full and true value of the land and~~  
5 ~~the land had not been assessed under this section.~~  
6 ~~current mill rate at the time of development.~~

7 (d) To secure the assessment under this section, an owner of farm  
8 use or undeveloped land must make application to the assessor before  
9 February 1 of each year in which the assessment is desired. The appli-  
10 cation shall be made upon forms prepared and supplied by the assessor  
11 and shall include information which may reasonably be required to deter-  
12 mine the entitlement of the applicant.

13 (e) In this section

14 (1) "farm use" means the use of land for raising and har-  
15 vesting crops or for the feeding, breeding and management of livestock  
16 or for dairying or another agricultural use or any combination of these  
17 uses and includes the preparation of the products raised on the farm use  
18 land and disposal by marketing or otherwise; and includes the construc-  
19 tion and use of dwellings and other buildings customarily provided in  
20 conjunction with the farm use; to be farm use land, the owner must be  
21 actively engaged in farming the land;

22 (2) "undeveloped land" means land which has remained sub-  
23 stantially unchanged in character from its natural state as evidenced by  
24 a lack of industrial or economic use, construction, or other utilization,  
25 however, inconsequential personal uses incidental to the ownership  
26 of the land are not considered land development under this section; use  
27 of the land for not more than one single-family residence shall not be  
28 considered development for the purposes of this section.

*Handwritten notes on the right margin:*  
This requirement shall be based on the full and true value of the land and the land had not been assessed under this section.  
This requirement shall be based on the full and true value of the land and the land had not been assessed under this section.

HB 65 - conversation with Bob Dozier, State Assessor, Dept of ERA 2/14/75

### Farm Use Assessment Legislation

Assessment based on farm use, not on <sup>current</sup> fair market value

State reimburses municipalities for loss of revenue & record of <sup>what</sup> ~~the~~ ~~state~~ ~~difference~~ pays (the difference between assessment of fair mkt value and farm use)

Upon sale of the property the new owner has to pay the back taxes - pays to the state the amount they paid municipalities. If any left over the municipality gets it.

An application has to be filed every year attesting to the fact that 10% of the filer's income comes from farming

### Homestead Acts

Many other states have these - a person files a homestead claim attesting that this is their home and they are granted a tax exemption because of it.

The only way the local administrator can administer this kind of program is by having people file applications every year

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

\*Section 1. AS 29.53.035 is repealed and re-enacted to read:

Sec. 29.53.035. FARM USE AND UNDEVELOPED LAND. (a) A person owning farm use land, or a parcel or tract of undeveloped land exceeding two and one-half acres in total area, may apply for assessment under this section.

(b) Farm use lands shall be assessed on the basis of full and true value for farm use, and shall not be assessed as if subdivided or used for some other nonfarm purpose. If the farm use land is sold, leased, or otherwise disposed of, for other than farm use purpose, or is developed by the owner, the owner, at the time of development is liable to pay to the municipality the deferred taxes, plus 5 per cent interest, for the period of time the land was assessed as farm use or undeveloped land, not to exceed 10 years. The amount of deferred tax shall be based on the full and true value of the land, and the current mill rate, at the time of development.

(c) Undeveloped land shall be assessed on the basis of its full and true value as undeveloped land or for the purpose for which it is actually being used, and shall not be assessed as if subdivided or used for some other purpose. When the land is developed, the owner at the time it is developed is liable to pay to the municipality the deferred taxes, plus 5 per cent interest, for the period of time it was assessed as undeveloped land, not to exceed 10 years. The amount of deferred tax shall be based on the full and true value of the land and current mill rate at the time of development.

(d) To secure the assessment.....

Other things to consider on CSSS HB65

- ① State reimbursement of municipalities: Should the state reimburse the municipalities for their loss of revenue?
- ② Permissive: Should this legislation enable the municipalities to participate in this, <sup>and consider it on a case by case basis</sup>, rather than add ① above? Should the local government be able to decide within which areas lands can be considered for this program, consistent with the municipality's comprehensive general plan.
- ③ Limit eligible owners: Should there be a requirement that this <sup>land</sup> must have been the owner's <sup>(resident)</sup> homestead or have been in his family's possession for 7 years? Should there be restrictions on corporation-held land qualifying for this, unless all of the <sup>(shareholders)</sup> members of the corporation are related to each other within the third degree of kindred. Or should there be restrictions on corporations organized for other than strictly agricultural or horticultural purposes holding land getting this tax relief? Should the owner be required to be living on the property?

Duration of the deferred tax agreement:

④ Notice of desire to reclassify land:

1. Minimum period of 10 years or else pay difference between back taxes & taxes paid, plus a ~~10% penalty~~ 10 per cent per year penalty. (Hawaii)

2. Initial restriction of 10 years, automatically extended for a year on each subsequent anniversary. (California)

3. Minimum restriction on land 10 years. After 8 yrs. the owner can give 2 years notice of desire to revert to the standard method of taxation. ~~Penalty~~ When the land reverts to standard taxation, 7 years ~~with~~ deferred taxes are collected, with interest. Penalty for failing to give proper notice: deferred taxes with interest plus a 20% penalty.

4. Minimum of <sup>(2-10)</sup> 5 years notice of the owner's desire to convert the land to nonfarm or developed use.

3/25/75

ck "last mtg"  
for HansingerKertulla

In the state's interest to set aside lands for renewable resource production

Fearful of manipulation of borough politics

That peo will take this land for "agric." interest and then will sell for real estate — or will sell the old agric. land he had for other than agric.  
Machyowski drafted it

Dorier - Assembly could retain the development rights  
Development rights held by assembly are tax exempt until sold at which time Assembly relinquishes all control and the full value is assessed

This would allow for devel. of an area that should be developed if a munic feels it should — a munic land use control

Kertulla - ~~concern~~ State ~~tax rights~~ to give this land to borough & this ought to have agric. classification unless the State sees fit to change it. Doesn't want the assembly to make a decision & change it in 3 yrs.  
land Grab situation — people won't be able to afford not to take the land

local gov't pressures — too strong, friends & relatives

Orsini - concurs; wonders if it's not too strict that Assembly won't tie up the land — would classify it as agricultural land

Kertulla - great pressure, need more land in agric.  
"All we're going to do is expose them son of a bitches that wanted it for that other purpose"

Assembly should welcome this as a support for them

Kertulla (cont)

✓ maybe you could put a time - hold for 30 years or until the legislature changes it.

Bad situation -

If you get special advantages for farming (tax advant., purchase advant.) then it's going to stay for farming - can't have best of both worlds, boys

Have to bring the problem to the legislature, but then the legislature created boroughs & created the problem

Kevin Waring - realizes the problem

✓ Questions about last part of bill - "in perpetuity" in effect, ~~that~~ the land <sup>will be</sup> held in agric usage also the strong forfeiture provisions

Have to expect that land uses change over time (i.e. Manhattan)

What is appropriate at one moment may not be at a later date.

Forfeiture - cts. been reluctant to enforce forfeiture provisions where they ran w/ covenants <sup>restrictions</sup> on the use of land

Thinks the better way to go may be the limitation of time - to make accommodations, over reasonable periods of time for changing land use patterns

The bill addresses what is a real problem for boroughs, like Mat Su, and ~~addresses~~ <sup>gives</sup> them some tools

Willis - can understand about the pressures that can be brought to bear on local govt's. Also this will help save land for future generations - look at S. Cal., the land of oranges is gone  
Would it have any merit to consider taking the consideration of future trends rather than in perpetuity  
Perhaps the Assembly could come & petition the

3) Local Boundary Commission, or someone like that — take it out of local hands — with same appeal rights as annexation (come de legislature)

Kertulla — Sure, any mechanism that removes the opportunity on a one night's meeting to change the whole damn program — the State's interests lie, among other things, <sup>and</sup> support of the school programs, the local gets contribution is ever less for agric. lands than for higher & better use, theoretically, in case there is such a thing, frankly we have a vested interest in something like this, as a state, which is another reason why we should take an interest in making certain that there is no exploitation of this present situation, before any legislation is passed

Rodey — no trouble w/ perpetuity, but maybe it would be wise to allow for at least a 20 yr. limitation from the time of classification

Kertulla — Remember the borough ordinances may well (we're just bullwarking the borough ordinances) have a time limit within them  
He'd like the perpetuity clause — takes Tillian position

Rodey — Forfeiture clause — worries about that position

Kertulla — it can be worded better to avoid contesting in court

Tillian — could strike out on line 17, right after "appropriate legal means" — there are appropriate legal means to stop someone, no need to spell out

Kertulla — would like "including, but not limited to"

Orsini - Part of the problem is that the farmers may want to keep it for 30 yrs. but then they want to sell it for subdivisions to pay for their retirement

Kertulla - they buy it <sup>with the condition</sup> for farming & that should be the only right they have - they should be allowed to sell it for farming

Tillin - agrees, Vt. has done this

Orsini - what have they done if not all of the parcel is suitable for farming though most of it is?

Kertulla - It's in flux. For tax, only the land which is farmed gets the break in some cases, in some cases it's much broader if the guy wants to run cows  
various ways of getting around it

Kevin Waring - should citizens other than the assembly be able to raise questions as to change of status

~~State's Interest in Agriculture~~

① State's Interest in Agriculture

② Development Rights

③ State vs. Borough Land Use Powers  
Should the Assembly petition the local Boundary Commission (Willis suggestion)

④ Time Limit - is 20 years too short or too long?

⑤ Problem with "forfeiture" clause (line 20) -- will this be thrown out by the courts and the rest of the legislation as well?

U. 17 Can the land change status within 20 years - w/ owners consent

10% <sup>as of</sup> Inc. date?

Div of Lands

Figures on Anch., Mat Su

State land held by borough

Not clearly established whether the inc date is used as the benchmark.

100 / 10  
3

50

Introduced: 1/24/75  
Referred: Community & Regional  
Affairs

1 IN THE HOUSE

BY BOWMAN AND BRADNER

2 HOUSE BILL NO. 65

*+ Kelley*

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 assessment of real property for  
7 local taxation; and providing for an effective date."

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

9 \* Section 1. AS 29.53.060 is amended by adding a new subsection to read:

10 (d) The assessed value of real property owned and occupied as a  
11 permanent place of abode, not to exceed 160 acres, and which has not  
12 been sold, traded or exchanged within the preceding 10 years may not be  
13 increased by more than 50 per cent in one assessment year, except to the  
14 extent of improvements to the property.

15 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-  
16 070(c).

17 *Subdivision*

*Acres*

*rationale*

18  
19  
20  
21  
22 *(works a hardship*  
23 *on work assessors)*

*discriminate*

*owner of vacant land?*

*direct conflict*

*procedures of appeal*

*resolution of the case?*

24  
25  
26 *8% in one yr.*

27 *-Theory*

*ambiguous*

*pro-rated*

28  
29 *rational*

*100% evaluation*

Title 29 chapter 53 is amended by adding a new section to read:

29.53.040. UNDEVELOPED LAND. (a) A person owning a parcel of land of at least 2 1/2 acres and not exceeding 10 acres, on which the owner had resided for at least 5 years, may qualify for assessment under this section.

(b) Undeveloped land shall be assessed on the basis of its full and true value as undeveloped land or for the purpose it is actually being used, and shall not be assessed as if subdivided or used for some other purpose. [ ~~When the land is developed or sold, the seller or developer shall lose the special assessment and a lien shall exist in favor of the municipality in the form of the deferred tax plus 5% interest for the preceeding 10 years or for the period of time it was assessed as undeveloped land. The amount of deferred tax shall be based on the full and true value of the land and the [current] mill rate at the time of development.~~ ] [When the land is developed or sold, the seller or developer shall lose the special assessment and a lien shall exist in favor of the municipality in the form of the deferred tax plus 5% interest for the preceeding 10 years or for the period of time it was assessed as undeveloped land. The amount of deferred tax shall be based on the full and true value of the land and the [current] mill rate at the time of development.]

) ADD BET'S language

(c) To secure the assessment under this section, an owner of undeveloped land must make application to the appropriate assessor before February 1 of each year in which the assessment is required. The application shall be made upon forms prepared and supplied by the assessor and shall include information which may reasonably be required to determine the entitlement of the applicant.

(d) DEFINITION. In this section (1) undeveloped land means land which has remained substantially unchanged in character from its natural state as evidenced by a lack of industrial or economic use, construction or other utilization; however, inconsequential personal uses incidental to the ownership of the land are not considered land development under this section. Use of the land for not more than one single family residence shall not be considered development for purposes of this section.

## Other things to consider on CSES HB65

- ① State reimbursement of municipalities : Should the state reimburse the municipalities for their loss of revenue?
- ② Permissive : Should this legislation enable the municipalities to participate in this, <sup>and consider it on a case by case basis</sup>, rather than add ① above? Should the local government be able to decide within which areas land can be considered for this program, consistent with the municipality's comprehensive general plan.
- ③ Limit eligible owners : Should there be a requirement that this <sup>land</sup> must have been the owner's <sup>(residence)</sup> homestead or have been in his family's possession for 7 years? Should there be restrictions on corporation-held land qualifying for this, unless all of the <sup>(shareholders)</sup> members of the corporation are related to each other within the third degree of kindred. Or should there be restrictions on corporations organized for other than strictly agricultural or horticultural purposes holding land getting this tax relief? Should the owner be required to be living on the property?

### Duration of the deferred tax agreement :

#### ④ Notice of desire to reclassify land :

1. Minimum period of 10 years or else pay difference between back taxes & taxes paid, plus a ~~10% penalty~~ 10 per cent per year penalty. (Hawaii)
2. Initial restriction of 10 years, automatically extended for a year on each subsequent anniversary. (California)
3. Minimum restriction on land 10 years. After 8 yrs. the owner can give 2 years notice of desire to revert to the standard method of taxation. ~~Penalty~~ When the land reverts to standard taxation, 7 years ~~taxes~~ deferred taxes are collected, with interest. Penalty for failing to give proper notice: deferred taxes with interest plus a 20% penalty.

4. Minimum of <sup>(2-10)</sup> 5 years notice of the owner's desire to convert the land to nonfarm or developed use.

Should the payment be in one lump sum?  
Should (b) & (c) be combined?

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

\*Section 1. AS 29.53.035 is repealed and re-enacted to read:

Sec. 29.53.035. FARM USE AND UNDEVELOPED LAND. (a) A person owning farm use land, or a parcel or tract of undeveloped land exceeding two and one-half acres in total area, may apply for assessment under this section.

(b) Farm use lands shall be assessed on the basis of full and true value for farm use, and shall not be assessed as if subdivided or used for some other nonfarm purpose. If the farm use land is sold, leased, or otherwise disposed of, for other than farm use purpose, or is developed by the owner, the owner, at the time of development is liable to pay to the municipality the deferred taxes, plus 5 per cent interest, for the period of time the land was assessed as farm use or undeveloped land, not to exceed 10 years. The amount of deferred tax shall be based on the full and true value of the land, and the current mill rate, at the time of development.

(c) Undeveloped land shall be assessed on the basis of its full and true value as undeveloped land or for the purpose for which it is actually being used, and shall not be assessed as if subdivided or used for some other purpose. When the land is developed, the owner at the time it is developed is liable to pay to the municipality the deferred taxes, plus 5 per cent interest, for the period of time it was assessed as undeveloped land, not to exceed 10 years. The amount of deferred tax shall be based on the full and true value of the land and current mill rate at the time of development.

(d) To secure the assessment under this section, an owner of farm use or undeveloped land must make application to the assessor before February 1 of each year in which the assessment is desired. The application shall be made upon forms prepared and supplied by the assessor and shall include information which may reasonably be required to determine the entitlement of the applicant.

(e) In this section

(1) "farm use" means the use of land for raising and harvesting crops or for the feeding, breeding and management of livestock or for dairying or another agricultural use or any combination of these uses and includes the preparation of the products raised on the farm use land and disposal by marketing or otherwise; and includes the construction and use of dwellings and other buildings customarily provided in conjunction with the farm use; to be farm use land, the owner must be actively engaged in farming the land;

(2) "undeveloped land" means land which has remained substantially unchanged in character from its natural state as evidenced by a lack of industrial or economic use, construction, or other utilization; however, inconsequential personal uses incidental to the ownership of the land are not considered land development under this section; use of the land for not more than one single-family residence shall not be considered development for the purposes of this section.

*Handwritten notes:*  
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# Alaska State Legislature

REPRESENTATIVE  
SAM R. COTTEN  
P.O. BOX 296  
EAGLE RIVER, ALASKA 99577

WHILE IN JUNEAU  
POUCH V  
JUNEAU, ALASKA 99811



CHAIRMAN  
COMMUNITY & REGIONAL  
AFFAIRS COMMITTEE

MEMBER  
JUDICIARY COMMITTEE

## House of Representatives

April 1, 1975

Bill and Mariann Koehler  
c/o Greatland Realty  
Eagle river, Alaska 99577

Dear Bill & Mariann:

Hello up there from down here in sunny Juneau. I hope all is well and getting better. It looks as though I'll be home in around a month if nothing suddenly comes up to delay the end of the session.

I'd like you to take a look at the bill I've enclosed and maybe let me know what you think. The idea is to allow a person holding larger parcels of land to continue to do so without being forced to sell or subdivide. One additional provision to prevent using this as a means of speculation would be to require the owner, at the time development takes place, to pay back taxes for the preceding ten years at a rate using the present value of the land as a base. In other words if you buy ten acres for \$10,000 in 1974, then in 1984 if the land is worth \$50,000, the back taxes you would pay for the preceding ten years would be based on a \$50,000 assessed evaluation for each of those ten years. The question is: would this provision tend to prevent persons from using this tax relief program for speculation?

Hope to hear from you and probably see you early next month.

Sincerely,

*Sam*  
Sam

*enclose*  
*SSNR65*

AS 29.53.035 is amended by adding a new subsection to read.

The <sup>ASSESSED</sup> ~~asses~~ value of [farm or] undeveloped land, not to exceed 160 acres owned and occupied by a resident on which is located his permanent place of abode and which has not been sold, traded, or exchanged within the preceding 10 years may apply for assessment under this section.

## FOREWORD

Among the responsibilities of the Department of Community and Regional Affairs is the annual determination of the full and true value of taxable real and personal property within each borough and city which operates a system of public education.

This report, the eleventh such prepared by the State Assessor, summarizes the Department's statistical determinations of taxable property values as of January 1, 1973.

The full value figures contained in this report are used as a part of the equalized percentage formula for determining the amount of state aid for which boroughs and city school districts may qualify under the Public School Foundation Program. The report is intended to provide municipalities with comprehensive information concerning their ad valorem tax base and insight into their revenue efforts.

In addition to presenting valuation data, the report presents a basic outline of the Public School Foundation Program, legal basis for property assessment, administrative policies concerning the property tax, Senior Citizen Property Tax Exemption, population, general obligation bonded indebtedness and relevant statutes. It is hoped that all of these features will be of value not only to Alaska municipalities but also to investors interested in participating in the exciting future of our State.

S. Robert Dozier  
State Assessor  
Division of Local  
Government Assistance

# KENAI PENINSULA BOROUGH

Box 850

Phone 262-4441

SOLDOTNA, ALASKA 99669

STAN THOMPSON  
MAYOR

March 14, 1975

Sen. Clem Tillion  
Rep. Keith Specking  
Rep. Hugh Malone  
Rep. Leo Rhode  
Pouch Y  
Juneau, Alaska 99801

Re: Sponsor Substitute for House Bill No. 65 "An Act  
Relating to Assessment of Real Property for  
Local Taxation"

Gentlemen:

This bill seems to me one of the most valuable bills to appear this session of the legislature. Our rapidly rising land assessments due to speculation, and other factors, are driving Alaskans from their land. The present situation is requiring them to subdivide in order to pay their taxes, whether it be farm land or undeveloped land.

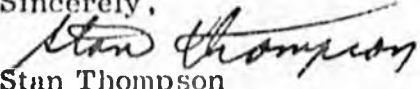
We certainly feel this is an excellent designed bill and extremely needed in our state today. I am very pleased that this bill includes undeveloped land as many Alaskans have a piece of property they wish to live on without development of any kind and should not have to pay excessive taxes in order to retain their right to use such undeveloped land.

My only suggestion might be on the undeveloped land to require residency of the owner thereof. I am not sure this is a necessity, but it might contain some merit.

Although this bill, if passed, will cost this borough some taxes for the next few years its value to the people of the borough far outweighs the monetary loss.

Thank you for introducing a bill such as this, and I hope you follow it through to its fruition.

Sincerely,

  
Stan Thompson  
Borough Mayor  
ST/tb

Sen. Clem Tillion et al  
March 14, 1975  
Page 2-

cc: Willard Bowman, Chairman, Rules Committee  
Terry Gardiner, Chairman, Judiciary Committee  
Susan Sullivan, Chairman, Health, Edu. & Soc. Services  
Nels Anderson, Chairman, Resources Committee  
William Parker, Chairman, State Affairs Committee  
Bob Bradley, Chairman, Commerce Committee  
Joseph McKinnon, Chairman, Labor & Management

Samuel Cotten, Chairman, Community & Reg. Affairs Comm.  
Alaska Municipal League, Attn: Don Berry  
Department of Community & Regional Affairs  
Attn: John B. Chenoweth, Director  
Lee McAnaerney, Commissioner

# TELEGRAM

BCA ALASKA COMMUNICATIONS, INC

PHONE: 586-6440

UNEAU, ALASKA 99801

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APR 15 PM 7 46

PMS REP SAMUEL COTTEN **1568**

JUN"

REGARDING HB65 OUR BEST ESTIMATE IS THAT ANCHORAGE BOROUGH HAS 2,250 PARCELS OF 2 TO 10 ACRES WITH A VALUE OF 95 MILLION 625 THOUSAND TAXES ON THIS VALUATION WOULD AMOUNT TO APPROXIMATELY ONE MILLION 725 THOUSAND. UNDER THE PROPOSED BILL THE ASSESSED VALUE WOULD AMOUNT TO APPROXIMATELY 3 MILLION 200 THOUSAND DOLLARS, INDICATING A LOSS OF 91 MILLION 725 THOUSAND AND A TAX LOSS OF ONE MILLION 654 THOUSAND 300 DOLLARS THIS YEAR ALONE. THIS FIGURE WILL INCREASE IN THE FUTURE AND WILL HAVE TO BE MADE UP IN THE FORM OF AN INCREASED MILL RATE ON PROPERTIES THAT DO NOT QUALIFY UNDER THE BILL THE ADDITIONAL FUNDS WILL HAVE TO COME FROM BUSINESSES AND SMALL LOT PROPERTY OWNERS I WOULD SUGGEST STATE REIMBURSEMENT BE MADE AVAILABLE TO COVER THE SUBSTANTIAL LOSS THAT WOULD BE INCURRED

GLENN M MCKEE GREATER ANCHORAGE AREA BOROUGH

# MEMORANDUM

DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS

# State of Alaska

DIVISION OF LOCAL GOVERNMENT ASSISTANCE

TO: JACK CHENOWETH  
DIRECTOR

DATE: APRIL 3, 1975

FILE NO:

TELEPHONE NO:

FROM: S. ROBERT DOZIER *S.R.D.*  
STATE ASSESSOR

SUBJECT: RECOMMENDED AMENDMENT  
SENATE BILL NO. 170  
(SS HB NO. 65)

The recommended amendment to Senate Bill No. 170 (SS HB No. 65) as outlined below deletes all language in SB No. 170 and amends AS 29.53.035 by adding a new subsection, to read:

AS 29.53.035 (f) Undeveloped land exceeding 2 1/2 acres but not more than 160 acres in total area covered by a single property tax statement, owned and occupied by a resident on which is located his permanent place of abode and which has not been sold, traded, or exchanged within the preceding 10 years may apply for assessment as provided in (a) and (b) of this section. Except that upon failure to make application, or when all or part of the property is developed, all deferred taxes as provided in (a) of this section become due and payable.

The above language does not change the administration of the farm use land provision of existing law. The language does however, include under provisions of the present Farm and Agricultural Land Use Law, the basic concept of Senate Bill No. 110, together with features of SB No. 170, which will provide a deferred tax break to long-time residents who are being forced to sell or breakup their homestead because of the property tax crunch.

Sec. 29.53.035. Farm or agricultural lands. (a) Farm use lands included in a farm unit and not dedicated or being used for non-farm purposes shall be assessed on the basis of full and true value for farm use, and shall not be assessed as if subdivided or used for some other nonfarm purpose. The assessor shall maintain records valuing the farm use land for both full and true value and farm use value. Should the farm use land be sold, leased, or otherwise disposed of, for other than farm use purposes or be converted to nonfarm use by the owner, the owner shall be liable to pay an amount equal to the additional tax together with five per cent interest for the preceding seven years, as though the land had not been assessed for farm use purposes. Payment by the owner shall be made to the state to the extent of its reimbursement for revenue loss under (c) of this section. The balance of the payment shall be made to the city or borough.

(b) An owner of farm use land must, to secure the assessment, make application to the assessor before February 1 of each year in which the assessment is desired. The application shall be made upon forms prescribed by the state assessor for the use of the local assessor and shall include information which may reasonably be required to determine the entitlement of the applicant. If the farm use land is leased for farm use purposes, the applicant shall furnish to the assessor a copy of the lease bearing the signatures of both lessee and lessor along with the completed application. The applicant shall furnish the assessor a copy of the lease covering the period for which the exemption is requested.

(c) In this section "farm use" means the use of land for raising and harvesting crops or for the feeding, breeding and management of livestock or for dairying or another agricultural use for profit or any combination thereof. To be farm use land, the owner or the lessee must be actively engaged in farming the land, and derive at least 10 per cent of his yearly gross income from the farm use land. The provisions of this section do not apply to land respecting which the owner has granted, and has outstanding, a lease or option to buy the surface rights. A property owner wishing to file for farm use classification having no history of farm-related income may submit a declaration of intent at the time of filing the application with the assessor setting out the intended use of the land and the anticipated percentage of income. An applicant using this procedure shall file with the assessor before February 1 of the following year a notarized statement of the percentage of gross income attributable to the farm use land. Failure to make the filing required in this subsection forfeits the exemption.

(d) In the event of a crop failure by an act of God the previous year, the owner or lessee may submit an affidavit affirming that 10 per cent of his gross income for the past three years was from farming.

(e) Subject to legislative appropriations for the purpose, the state shall reimburse a borough or city, as appropriate, for the real property tax revenues lost to it by the operation of this section. (§ 2 ch 118 SLA 1972; am § 1 ch 90 SLA 1974)

Effect of amendment. — The 1974 amendment made such changes in the title and added such changes

SB 170

GREATER ANCHORAGE AREA BOROUGH

3500 EAST TUDOR ROAD  
ANCHORAGE, ALASKA 99507



*Informational*

BOROUGH MAYOR'S OFFICE

February 27, 1975

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~~Senator Kay Poland, Chairman  
Senate Rules Committee  
Pouch V  
Juneau, Alaska~~

Re: SB 170 - tax assessments of undeveloped and farm use lands.

Dear Kay,

I understand that SB 170 is now in the Senate Rules Committee. If such a bill is passed I hope that it will include the following restrictions:

1. It would be up to the local government to undertake the program and the local government is permitted to consider tax relief on a case by case basis.
2. The local government should be required to designate the areas within which lands can be considered for reduction of taxes based upon open space use, before tax relief to a particular owner can be considered. Designation of these conservation areas should be consistent with the municipality's comprehensive general plan.
3. In the event the land is converted to non-open space uses, the tax payer should be required to pay all waived taxes (difference between taxes based on fair market value and taxes based on agricultural or open space use) in the tax year in which the conversion occurs, with accumulated interest on the amount of taxes waived.
4. There should be a provision that the land cannot be converted to non-open space without a minimum of five (5) years previous notice and that the tax differential will be phased out in five different annual steps - one fifth of the difference to be phased out in the first year, two fifths in the second year, etc.

These are, of course, the provisions of the California Open Space Act (Williamson Act) except that the California ten year phase out of preferential tax treatment is reduced to five years. Things are so volatile in Alaska it would be hard to get anyone to sign for a ten year program.

In addition, it would be desirable to add a provision which would permit a municipality to negotiate for land options for park, greenbelt, or open space uses pursuant to a municipal park plan and to trade off reductions in property tax liability during the option period in consideration of the granting of the option. This would make it possible to negotiate with an owner so that a given parcel of land can be held off the market until the municipality can raise monies for the acquisition for park purposes.

Not all properties should be eligible for preferential tax treatment if they are kept in open space. It is desirable that many undeveloped properties be developed at an early date so that the public convenience is served and so that the costs of governmental and utility services is reduced.

I have reviewed this letter with Borough Parks & Recreation, Planning and Property Management and Assessment people. They all agree that the restrictions outlined in this letter are important if open space is to be preserved without creating unreasonable tax loopholes.

If the bill has already been reported out of your committee, I would appreciate your forwarding a copy of this letter to the Senate or to the committee which currently has the bill.

Sincerely,



Jack Roderick  
Mayor

# MEMORANDUM

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

# State of Alaska

DIVISION OF LOCAL GOVERNMENT ASSISTANCE

TO: Jack Chenoweth  
Director

DATE: February 14, 1975

FILE NO:

TELEPHONE NO:

FROM: S. Robert Dozier  
State Assessor

SUBJECT: H.B. NO. 65 provides that property assessment on certain land cannot be increased more than 50% in one assessment year.

The bill if enacted, will provide grants of municipal funds-in-aid to a taxpayer whose property, which has been owned by him for a decade or more, is rapidly increasing or has substantially increased in value.

There are two existing property tax relief programs available to taxpayers: The Farm and Agricultural Land Use Value Assessment Program, AS 29.53.035 and the Senior Citizen Property Tax Exemption Program, AS 29.53.020(e). Property tax revenue lost to the municipality in the operation of these programs is reimbursed in full by the State. House Bill No. 65 makes no provision for the reimbursement of lost property tax revenue because of the 50% limitation factor.

The policy statement adopted by the Alaska Municipal League states as follows:

Inherent in the power of taxation in Alaska is the responsibility of assessing property at its fair market value. Local assessors are required by the Constitution, law and regulation to perform this job in such a manner, and adequate administrative procedures for appeal have been established to protect the property owner from any abuse of proper assessing practices. Therefore, the League opposes any further attempts to restrict local assessment procedures without a thorough review of the statewide impact those restrictions might have.

In general, property values in Alaska are increasing approximately 20% per year. Moreover, due to social, economic and political influences, certain property, because of its strategic location, increases substantially more than property in general. Examples of influences which may directly and indirectly effect the value of property include:

1. ...
2. Public utilities, services and schools.
3. Highway relocation and access.
4. Capitol relocation initiative.
5. Commercial and industrial developments.
6. Pipeline transportation, construction, and maintenance.
7. Harbors, docks, storage and shipping.
8. Transportation and communications.

The value of land may double or treble overnight and in some cases continue to escalate in value as a result of a zoning change approved by the assembly, or by the selection of the Capitol relocation site or a new highway access right-of-way or an industrial development site.

Municipalities are required by State Law to assess property at full and true value. The courts have approved, and the public appears to be satisfied with, property assessments administered locally on a sectional basis. The sectional basis of reassessment permits the municipal assessor to reassess a percentage of the total municipality each year, completing the cycle in three to five years depending upon the time frame selected and the funding made available. This procedure reduces substantially the annual cost of the property assessment function while at the same time providing an acceptable level of uniformity within the taxing jurisdiction.

The uniformity aspect, referred to above, is in the form of a tax break which is enjoyed by all taxpayers in the jurisdiction during the period of the fixed assessments.

An assessed value limitation placed by State Law on property defined under this act would provide grants-in-aid to certain taxpayers in an amount in proportion to the year in which the last reassessment occurred. An eligible taxpayer holding property which is rapidly increasing in value would, in numerous cases, enjoy a substantial tax break in perpetuity or until the property was sold.

The bill as written, would be almost impossible to administer. First, the bill is not clear regarding the ten year period of ownership. How can the assessor know about continuous ownership of property which has not sold in ten years, when ownership interests, in whole or in part, may have been transferred by an unrecorded contract or other instrument? ①

Secondly, the bill is not clear regarding the use of the property by the owner as his permanent place of abode. The language of the bill indicates that an owner of property is eligible without being a resident of the State of Alaska. ②

Thirdly, what is meant by "improvement" to the property? If a swamp or wet land is drained by no action of the owner of the property, which increases the value of the property, is that an improvement? Or, is a zoning change, say, residential to commercial, an improvement? ③

There is also a question of how the assessor will be involved in computing fractional assessments for the majority of property qualifying for reduced assessment under provision of the bill.

One of the major arguments in support of HB No. 65 appears to be that the bill provides the leverage desired by taxpayers to compel members of the assembly to appropriate sufficient monies for the assessor to provide reevaluation of taxable property on a more current basis.

If leverage is in fact, the intent and purpose of the bill, there are few methods which would accomplish the desired result without causing a major breakdown of the existing equalization process.

1. Amend House Bill No. 65 to require a systematic reevaluation of all taxable property at least every two years. House Bill No. 65 would then be amended to read:

Sec. 29.53.095 Reevaluation. A systematic reevaluation of taxable real and personal property undertaken by the assessor, whether of specific areas in which real property is located or of specific classes of real or personal property to be assessed, shall be made only in accordance with a resolution or other act of the assembly directing a systematic reevaluation of all taxable property within the borough every two years (OVER THE SHORTEST PERIOD OF TIME PRACTICABLE, AS DETERMINED BY THE ASSEMBLY) and fixed in the resolution or other act of the assembly.

2. Amend House Bill No. 65 to provide a grace period of two full years for all municipal taxing jurisdictions to arrange for the substantial financing required for completion of the reevaluation of all tangible property before the bill takes effect. House Bill No. 65 would then be amended to read:

Sec. 2. This act takes effect on January 1, 1978 (THE DAY AFTER ITS PASSAGE AND APPROVAL OR ON THE DAY IT BECOMES LAW WITHOUT APPROVAL).

The first suggested method has the effect of promoting a high degree of equalization and is preferred, as the amendment to AS 29.53.095 clearly indicates that the legislature is concerned about the dramatic increases in assessed property values caused by the three to five year sectional reevaluation program and has in effect, applied substantial leverage on municipal officials to properly fund more frequent reevaluation projects.

The second method applies some leverage but will promote numerous inequities, especially to individual properties and thus adversely affects the equalization process.

It is the opinion of the Legislature that it should be possible to provide a permanent place of abode, then a provision in the bill is recommended to include an annual application filed by the taxpayer on a form prescribed by the State Assessor, with the Department of Community and Regional Affairs, and further that a provision should be made in the bill for determining eligibility, appeal, and for reimbursement by the State for revenue lost to the municipality in the operation of the program.

TO: Jack Chenoweth  
Director

DATE: March 5, 1975

FILE NO:

TELEPHONE NO:

FROM: S. Robert Dozier  
State Assessor

SAD  
SUBJECT: Sponsor Substitute for House  
Bill No. 65. An act relating  
to assessment of real property  
for local taxation.

SS for HB No. 65 amends AS 29.53.035 the Farm and Agricultural Land Use Value deferred tax program by extending the scope and intent of the program to include virtually all undeveloped land in Alaska 2½ acres or more in size not used for commercial purposes.

The farm use value deferred tax program was first enacted by the First Session of the Fifth State Legislature with an effective date January 1, 1968 (ch 82 SLA 1967). The program's popularity has increased each of the seven years of its existence and in 1974 involved 64 farms ranging from 20 to 900 acres in size, averaging 176 acres each, consisting of 11,250 acres. The majority of which is situated within the Matanuska-Susitna Borough. In 1974 the program involved an assessed value loss of 4,737,290 and \$44,000 in deferred tax revenue.

An excerpt taken from the latest publication available prepared by the State Division of Agriculture, entitled "Alaska Agricultural Statistics, 1973", explains current agricultural activity in Alaska.

The total land area of Alaska is approximately 375 million acres, of which 1.6 million acres were listed as land in farms in the 1969 U. S. Census of Agriculture. Most of the land in farms consists of grazing lands leased from the U.S. Government, most of which is located in the Southwest and West. Excluding the acreage in the large grazing leases, approximately 72,000 acres are included in land in farms, a fourth of which is in crops for harvest and the balance in pasture and uncleared lands. Very few farms have been entirely cleared of brush and trees. The number of farms in Alaska according to the U.S. Census increased from 12 farms in 1900 to a peak of 623 in 1939, and has declined since then to an estimated 310 farms in 1972.

Agricultural production in Alaska is confined to relatively small areas, the major one being District 2 -- the Matanuska Valley around Palmer, including a few farms around Anchorage and a few in the adjoining Susitna Valley.

The basic elements of the original program AS 29.53.035 enacted in 1967 were as follows:

1. <sup>10% now</sup> One Fourth of the applicant's yearly gross income must be derived from the farm use land.

The farm income provision is the only meaningful definition of farm land which effectively describes land actually used for farm purposes.

2. An application prescribed by the local assessor must be filed by the applicant on or before February 1, of each year in which exemption is sought.

3. The assessor is required to maintain two assessment roll records on the property (a) full and true value and (b) the economic value of the land as a farm. Which varies from a low of \$50 to a high of \$180 per acre and construction and use of dwellings and other buildings customarily provided in conjunction with the farm use.

4. Taxes levied on the eligible applicant's farm use property were computed by applying the current rate of tax against the farm use value assessment. The balance of the tax was deferred.

5. When the property was sold, developed, or used for a non-farm purpose the owner was required to pay to the municipality the deferred portion of the tax accumulated over the past two years. The balance was forgiven.

The scope of the program was increased substantially by the Second Session of the Eighth State Legislature, (ch 90 SLA 1974) effective January 1, 1975.

The basic elements of the improved program are as follows:

1. Application must be made on forms presented by the State Assessor within the Department of Community and Regional Affairs for use of local assessors,

2. The required farm use income was reduced from 25% to 10% with added provisions for three year income averaging and estimating the current year's income,

3. Eligibility was extended to include an owner/lessee applicant and to a lessee applicant to permit continuity of the farm use assessment, should the owner himself not wish to farm the land,

4. The pay back provision was extended to seven years plus 5% interest,

5. A state reimbursement clause was added whereby the owner is required to pay to the state to the extent of its reimbursement to the municipality, the balance of the payment including 5% interest shall be paid to the municipality. This provision automatically requires the Department to adopt Alaska Administrative Code Regulations.

Under the provisions of Chapter 90, SLA 1974 effective January 1, 1975 it is estimated that the 1975 program will involve approximately 195 farms consisting of 30,000 acres of land and a loss of \$150,000 in deferred municipal revenue which under the provisions of the bill will be reimbursed by an appropriation of the First Session of the Ninth State Legislature.

Sponsor Substitute for House Bill No. 65 removes from the provisions of AS 29.53.035: (1) the farm income eligibility requirement (2) the state reimbursement provisions (3) forms prescribed by the state assessor (4) extends the scope of the farm use value assessment provision to include tracts of unimproved land 2½ acres or more, and (5) the pay back provision at time of sale or development is extended to 10 years.

Under the proposed legislation the only requirement for eligibility is that the applicant purchase and own a parcel of farm or undeveloped land 2½ acres or more which is not used for a commercial use and file an application with the local assessor on or before February 1, of the year in which the farm use value is sought. The deferred tax loss is absorbed by the municipality.

We were unable to determine the potential number of eligible property owners which would file application; however, we were able to estimate the value of farm and undeveloped land parcels within all taxing jurisdictions 2½ acres and more.

Based on actual assessed values as of January 1, 1974 and effective rates of tax for all taxing jurisdictions in Alaska the property tax produced approximately \$75 million and the sales tax produced approximately \$15 million. The value of taxable property listed on both local and state assessment rolls as of January 1, 1974 amounted to 4.5 billion, 85% of which was assessed by the local assessor and 15% by the State Department of Revenue.

The assessed value of all local assessed vacant land amounted to 1.18 billion. The assessed value of farm and unimproved land, 2½ acres and over, qualifying for deferred taxation under provision of the proposed bill, is estimated to be (231) million.

Farm use value statewide is estimated to be 20% of the full and true value assessment which amounts to 188 million. The statewide average tax rate for rural farm and undeveloped land is 11.8 mills which equals \$2.2 million annually in deferred taxes.

Only vacant land parcels have been considered in the estimates provided. Land 2.5 acres or over in urban areas on which residential improvements have been constructed could amount to 8% of the total land value or 100 million in assessed value, 80% of this figure @ 11.8 mills would result in an additional \$944,000 in potential deferred taxation for a total value of 3.1 million.

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If applications had been filed in 1974 under provisions of the proposed bill, on all property qualifying for deferred taxation within the Matanuska-Susitna Borough, an additional levy of six mills on the remaining property would have been required to meet the FY 75 borough budget.

It is estimated that 96% of the deferred tax revenue loss is attributed to the four boroughs listed. These boroughs represent 84% of the total statewide tax revenue attributed to the assessed value of property locally assessed.

	<u>% of Total Borough Tax Base</u>	<u>% of Total State Tax Base</u>	<u>Deferred Tax Revenue Loss</u>
Anchorage	.04%	67%	38%
Matanuska-Susitna	32%	4%	<del>35%</del> farm land
Kenai	9%	5%	12%
Fairbanks	4%	8%	10%
Total		84%	96%

Based on the above data and adding the assumption that property values are increasing 20% per year, in 10 years, 1984, farm and unimproved land eligible for deferred taxation would be valued at 1.15 billion and involve \$13.5 million in deferred tax revenue. Future incorporations of additional boroughs in the areas of the unorganized borough would substantially increase the above estimated figures.

In theory, the municipality will retrieve deferred property tax revenue at some future period. However, the present worth of the deferred revenue must be discounted substantially, especially when considering that the shortfall in the current municipal budget must be funded either through issuance of general obligation bonds or by increasing substantially, the current mill rate on the remaining taxable property. Compounding the problem of retrieving deferred tax revenue locally, consideration must be given to the ad valorem tax limitations per AS 29.53.045 and AS 29.53.050, enacted in special session of the Eighth State Legislature.

The larger boroughs, with a substantial amount of land classified as farm use will be in gross financial trouble unless State assistance is provided by an appropriate method. The impact of any exemption or preferential assessment prescribed by State law, whether deferred or not which adversely affects the uniformity of value concept, property tax equalization or revenue derived from the property tax must be considered in light of a direct impact appropriation from the State's general fund.

The demand for and valuation of property in Alaska is at an all time high and is expected to accelerate even more in the next few years due to the construction of the trans-Alaska pipeline and other proposed oil and gas lines and related facilities.

~~When property is appreciating this fast there is a question whether a~~ reduction in property taxes would be any real incentive to the owner to hold undeveloped land under the farm use classification status, more likely, it would simply be a means of financing the holding of land for a longer time for a higher price.

March 5, 1975

A plan adopted by the State of Vermont and which is under serious consideration by legislative bodies of several other states, Chapter 155, Section 6301, Laws of Vermont, appears to be a realistic and logical land use control method for promoting orderly growth and development of urban rural and remote areas of the State, to encourage and assist the maintenance of the present and potential uses of agricultural, forest, and other undeveloped land, prevent accelerated residential and commercial development thereof, and preserve and enhance scenic natural resources, which are an important aspect of the recreational industry.

To accomplish these worthwhile purposes as outlined above, the Vermont plan provides the tools necessary for the state or municipality, upon approval of the land use planning authority to purchase, accept by gift and sell full or partial ownership interests in property. The ownership interests are called conservation easements or development rights.

Property assessments are then adjusted downward to reflect the market value or full and true value of the property in conformity with the rights of private ownership remaining with the property.

At such time in the future as development of the property is considered to be in the best interests of the community and the State, the Land Use Planning Authority may authorize the sale of development rights either to the original owner, or at public auction.

The right to own property is one of our basic freedoms. Land is a free and basic commodity, the value of which is determined by demand, purchasing power and scarcity which can be measured only by the actions of buyers and sellers in the market. Effective demand is the desire for position or ownership coupled with the financial means to implement and sustain that desire.

Many states have yielded to the strong arguments offered by speculators, disguised as do-gooders, and have implemented deferred taxation programs without adequate land use planning controls, in an effort to curtail urban sprawl with its demand for isolated municipal services.

The deferred taxation alone has been helpful in a very few circumstances; in general, it has been proven to be a tax haven for individuals, corporations and syndicates.

Enclosure: Farm and Agricultural Land  
AS 29.53.035  
Program Summary

FARM AND AGRICULTURAL LAND

AS 29.53.035

Table I 1974 Actual Data  
(25% of yearly gross income requirement)

	<u>Number of Applicants</u>	<u>Total Acres</u>	<u>Av. Acres Per Claim</u>	<u>Assessed Value Loss</u>	<u>Av. Loss Per Acre</u>	<u>Mill Rate</u>	<u>Loss of Revenue</u>
Matanuska-Susitna	59	8,073	137	3,977,240	493	9.0	85,979
Fairbanks	9	3,130	340	363,350	116	6.5	2,362
Kenai	1	1.5	1.5	2,500	1,667	5.0	13
Anchorage	<u>2</u>	<u>35</u>	<u>17.5</u>	<u>394,200</u>	<u>11,263</u>	<u>14.45</u>	<u>5,692</u>
<u>TOTAL</u>	<u>64</u>	<u>11,240</u>	<u>176</u>	<u>4,737,290</u>	<u>420</u>	<u>9.30</u>	<u>44,046</u>

Table II 1975 Estimate

AS 29.53.035 am ch 90 SLA 1974  
(10% of yearly gross income requirement)

Matanuska-Susitna	125	17,125	137	8,442,625	493	10.0	84,425
Fairbanks	30	10,200	340	5,028,600	493	7.0	35,200
Kenai	30	4,110	137	2,026,230	493	6.0	12,155
Anchorage	<u>10</u>	<u>175</u>	<u>17.5</u>	<u>2,012,500</u>	<u>11,500</u>	<u>15.0</u>	<u>30,185</u>
<u>TOTAL</u>	<u>195</u>	<u>31,610</u>	<u>162</u>	<u>17,509,955</u>	<u>554</u>	<u>9.20</u>	<u>161,965</u>

Prepared: September 6, 1974

By: S. Robert Dozier  
State Assessor  
Division of Local Government Assistance  
Department of Community & Regional Affairs

# MEMORANDUM

DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS

# State of Alaska

DIVISION OF LOCAL GOVERNMENT ASSISTANCE

TO: JACK CHENOWETH  
DIRECTOR

DATE: APRIL 2, 1975

FILE NO:

TELEPHONE NO:

FROM: S. ROBERT DOZIER *SRD*  
STATE ASSESSOR

SUBJECT: COMMENTS ON CSHB 65(SB 170)

As of November 1, 1973, 31 states have enacted some form of differential or use value assessment law relating to farmland, forest land, open space land, recreational land or lands of unusual historic, scenic or ecological importance.

These laws fall within three classifications: preferential assessment, deferred taxation and restrictive agreements which may be defined as follows:

Preferential Assessment means property is valued or taxed according to its current use or a defined use rather than full and true value.

Deferred Tax means property is valued according to preferential assessment with a penalty tax levied against the owner or the property when the land use changes.

Restrictive Agreement means the property owner and the local government agree on terms for restrictive land use in return for preferential assessment. A change in land use by either party requires several years prior notice. Serious penalties are imposed for noncompliance, and the classification of land as farm use, scenic, recreational, parks and open space is granted subject to the municipal comprehensive plan and subject to municipal option for selection of these lands for future development.

### Recommended Amendments:

1. The Department of Community and Regional Affairs shall prescribe and supply uniform statewide application forms.
2. The Department shall develop Alaska Administrative Code Regulations for local administration of a uniform program in conformity with the planning and assessment departments of each municipality.
3. The State shall reimburse tax revenue lost to municipalities in the operation of the program.
4. That the amount of the reimbursement is a lien on the property in favor of the State to the extent of the reimbursement.
5. Set up a separate budget request unit with an appropriation of \$1,000,000 for revenue lost in the operation of the program.

# STATE OF ALASKA

## DEPT. OF COMMUNITY & REGIONAL AFFAIRS

DIVISION OF LOCAL GOVERNMENT ASSISTANCE

POUCH B-JUNEAU ~~99811~~ 99811

*Handwritten:* Xref SB 127  
JAY S. HAMMOND, Governor

March 6, 1975

The Honorable Samuel R. Cotten  
Chairman  
House Community & Regional Affairs  
Committee  
Pouch V  
Juneau, AK 99811

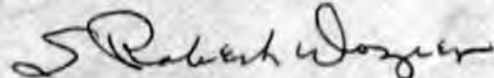
Dear Representative Cotten:

For your information, enclosed are copies of two letters dated February 25, 1975 commenting on Sponser Substitute for House Bill No. 65 (SB 170) relating to farm and unimproved land deferred taxation, and Senate Bill No. 127 relating to deferred taxation for sewer and water special assessments on property owned by a senior citizen.

The Director of Property Assessment and Management Department, Pat McKee, Greater Anchorage Area Borough, has outlined the GAAB and Eagle River Chugiak Borough situation in relation to SS HB No. 65 (SB 170) and some ramifications of the proposed legislation.

The GAAB Attorney, Gary Thurlow has made comment to Senator Roddy, Chairman, Senate Community & Regional Affairs Committee, in regard to SB 127 which may be pertinent; although, CS for SB 127 has substantially expanded the scope of the original bill.

Very truly yours,



S. Robert Dozier  
State Assessor

SRD:nc

Enclosures

GREATER ANCHORAGE AREA BOROUGH MAR 06 1975

3500 EAST TUDOR ROAD  
ANCHORAGE, ALASKA 99507

March 4, 1975

PROPERTY ASSESSMENT AND MANAGEMENT DEPARTMENT



Mr. S. Robert Dozier  
State Assessor  
Department of Community & Regional Affairs  
Pouch B  
Juneau, Alaska 99801

Dear Bob:

The main problem I see with Senate Bill 170 is not so much the farm use portion, but the undeveloped land portion under Section C. If you look at the Bill, Page 2, Third line, it refers back to farm use land; either they should talk about undeveloped land or farm use land, there is a difference. They also, on the next line down, did not indicate the rate of interest. I am assuming it is the 5% rate referred to in the farm use land section.

Whereas land used for farming is actually producing, I feel that undeveloped land, under this Bill, would benefit speculators. It would also, in my opinion, add to inflation in that, at the time of sale, someone is going to have to pick up the back taxes and possibly the interest on those taxes. Either the seller is going to be forced to take a reduced value, or he will add the cost of taxes and interest to the property value at the time of sale. Land in this area is increasing in value at the rate of between 1% to 3% per month. This Bill would, in my opinion, increase this rate by actually adding to the value of those lands not placed under the protection of Senate Bill 170. There is only so much land left in the Anchorage area and, if a goodly portion of it is sheltered, the remainder will increase much more rapidly thereby placing a much heavier burden on the taxpayers who can not qualify for Senate Bill 170.

For instance, one of the appraisers in my office still has 130 acres of land left in his homestead. He is living on this tract of land, and at the present time it is worth approximately \$1,000,000 or about \$8,000 per acre. For farm use land, as the law now reads, we have been allowing a maximum of \$750 per acre. This would give him an assessed value of \$97,500 for his undeveloped land whereas extremely marginal land with a 10 to 15 foot peat overburden at market value is bringing \$130,000 an acre. If a number of people were to take advantage of this Bill and, I'm sure they would, it would place the burden on the legislative body to increase the mill rates to make up the difference in support of a budget. An increased mill rate would affect

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Mr. S. Robert Dozier  
Page 2  
March 4, 1975

the "little man" while the person holding large blocks of land would, even if temporarily, be paying on less than 10% of the value of his property. The homeowner and businessman would pick up the difference.

As an example, I took a tract of land containing approximately 2.4 acres and another containing slightly over 2.55 acres. We have many such tracts. If we assume that both of them were valued on the open market at 21¢ per square foot, this would give us a value on the 2.4 acre tract of \$21,955 and \$23,310 on the 2.55 acre tract. Again assume that both properties are being used for residential sites. By discounting the value of the buildings and just speaking to the land, at 18 mills the person owning the 2.4 acre tract would pay \$395 tax on the land while his neighbor taking advantage of Senate Bill 170 would pay \$41.95. This, in my opinion, is discrimination and should not be allowed. The Chugiak/Eagle River Borough has hundreds of such parcels, and it would be severely affected, especially in the first few years.

If inflation continues as it has in the past, a person who decides to convert his land to another use rather than leaving it in its native state would be paying the back taxes on a highly inflated dollar. Again, he would have the benefit over the next door neighbor who had to pay taxes as he went along on a current basis.

Another problem I see is that we have a new residential zoning that makes it mandatory to have five acre tracts for a single family residence. These properties would never be assessed at more than 10% of their full and true value and, by law, could not be used in any other way. This would give us a value of approximately \$3,750 to the land while the person living on a normal single family residential lot is paying on a value of between \$12,000 to \$20,000. I fail to see the equity in this situation.

Another example comes to mind, which is somewhat different. Just outside the central area of the City of Anchorage lies a large 20 acre tract of land, zoned R-4. Next to this property is approximately 20 acres of B-3 zoned property. These properties for all practical purposes are still in their natural state and they have been zoned for many years and not used. If I read Senate Bill 170 correctly, they would also be included under Section C as undeveloped land. They are at this time prime for development, but the owner has chosen for reasons known only to him not to proceed to develop them.

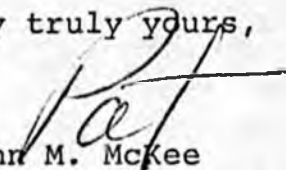
I'm sure we have many millions of dollars worth of property

Mr. S. Robert Dozier  
Page 3  
March 4, 1975

in this Borough that would fall under Senate Bill 170, and I know that the Chugiak/Eagle River Borough would be hurt even worse. The Bill may be fine for some areas in Alaska, but I think the more urbanized you get the more those people who can't qualify are going to be hurt. If we assume a one or two mill increase because of this type of Bill, it would be easier to pay that on 10% of your value rather than all of your value.

I would suggest it be permissive rather than mandatory.

Very truly yours,



Glenn M. McKee  
Director

GMM:ma

cc: Mayor's Office

# GREATER ANCHORAGE AREA BOROUGH

3500 EAST TUDOR ROAD  
ANCHORAGE, ALASKA 99507

DEPARTMENT OF LAW  
279-8686



February 25, 1975

Received

FEB 26 1975

Senator Pat Rodey, Chairman  
Community and Regional Affairs Committee  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99801

BOROUGH ASSESSOR

Re: Senate Bill No. 127 - An Act Related To Special Assessments

Dear Senator Rodey:

Greater Anchorage Area Borough assessment revenues would not be affected by Senate Bill No. 127 because of the reimbursement provisions of A.S. 29.53.020(E)(I) which Senate Bill No. 127 incorporates.

However, you may want to place some income and property valuation limitations on persons who can qualify under the act. There are currently several residents 65 years of age or over in the Greater Anchorage Area Borough who have properties on which they live, which properties are of a value in excess of \$2,000,000. These persons are already exempted from real property taxation under A.S. 29.53.020 and the annual state subsidy for these persons in the Anchorage area runs as high as \$5,000 per year per property owner.

If such properties are presently unsewered, and become sewerred, a property could easily be worth many times its value in an unsewered state.

For example, if a 40 acre tract of ground, worth \$400,000 in an unsewered state, upon which the owner has his permanent place of abode, is sewerred and is zoned R-1, as many as 120 lots could be carved out of the property. This is three lots per acre. If each lot were sold a. \$20,000 each, which is a common price for a lot in the Anchorage area, and if the development cost for each lot were \$10,000 each, the total net profit for the lots would be \$800,000 (\$2,400,000 in gross sales less \$400,000 in land costs less \$1,200,000 in development costs).

Very often the difference between large lot zoning and small lot zoning is the availability of municipal sewage systems. It is very common in the Anchorage area for property to triple and quadruple in

Copy to Bob Dooz  
Glen

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Senator Pat Rodey  
Page 2  
February 25, 1975

value because of the availability of municipal sewerage and because of a change in zoning from large lot to small lot zoning which municipal sewerage permits. For some years now one of the greatest opportunities for profit in the Anchorage area has been conversion of land from less intense use to more intense use.

To avoid use of Senate Bill No. 127 by those who are interested in holding or acquiring land for speculative purposes, I suggest a maximum gross income limitation of \$15,000 per property owner plus an acreage limitation sufficient to just cover the area reasonably required for use by the resident's place of abode, say one-half acre.

As you know, assessments are totally different than taxes. An assessment for federal and state income tax purposes is regarded as a capital improvement to property, and the taxpayer cannot list it as a tax deduction. The theory is that the value of the owner's property is increased by an amount equal to or greater than the amount of the assessment.

To my knowledge, all recent sewer assessment districts in the Greater Anchorage Area Borough have been initiated by property owners. They have petitioned the local governing body for laterals on the basis that either their properties are being damaged because of lack of municipal sewers or that they could make better use of their properties with municipal sewerage. Typically, there will be twenty to forty property owners in a lateral improvement district, and typically it takes approximately one half of the property owners in a proposed district to satisfy the statutory requirements for initiating a petition (property owners owning one-half in value of the property in the proposed district must sign the petition). Sewer assessments for laterals are virtually always initiated at the neighborhood level. They are not imposed by the Assembly.

In the Anchorage area, once an area is in a special assessment district, it will be subject, not only to the lateral improvement district assessments, which generally run from 10 to 25 cents per square foot (for the first 150 feet behind the property line), but will also be subject to a trunk line assessment which currently runs at three cents per square foot (for the first 150 feet behind the property line).

I know that you and members of your committee are aware of the distinctions between taxes and assessments, but I thought that it

Senator Pat Rodey

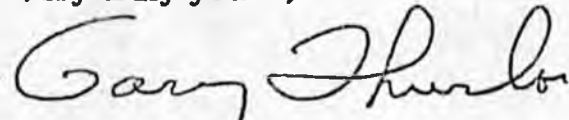
Page 3

February 25, 1975

might be well if I wrote this letter to emphasize the opportunities to speculate with land at the state's expense if sewer assessments are subsidized by the state for a particular property owner.

An older property owner could easily make a profit in excess of several hundred thousand dollars purely on the basis of the state assuming the assessment costs for improvements benefiting his property. This opportunity for a profit would be denied to a person under 65.

Very truly yours,



Gary Thurlow  
Borough Attorney

GT/kj

Pat, I notice that  
CS for Senate Bill 127  
is quite different than  
the bill as originally  
introduced. Even so,  
I thought you would be  
interested in some of the  
observations on the original  
bill so I Gary  
will send this  
letter anyway.

# MEMORANDUM

# State of Alaska

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

DIVISION OF LOCAL GOVERNMENT ASSISTANCE

TO: JACK CHENOWETH  
DIRECTOR

DATE: March 24, 1975

FILE NO:

TELEPHONE NO:

FROM: S. ROBERT DOZIER *S.R.P.*  
STATE ASSESSOR

SUBJECT: PROPOSED PROPERTY TAX BASE AND  
STATE POLICY STUDY CONCERNING  
AD VALOREM TAXATION

A number of bills have been introduced in the First Session of the Ninth State Legislature which if enacted will change substantially the concept and philosophy of administration of the property tax in Alaska.

It is apparent that members of the legislature are concerned about property tax relief and reform and that a statewide ad valorem tax study should be conducted before the majority of these measures be adopted, with recommendations completed for consideration at the Second Session of the legislature in 1976. The scope of the study, as outlined below, will require a legislative appropriation of \$300,000 and include the following:

1. The present and future interdependence of municipal government on revenue generated by ad valorem taxation.
2. The type or classes of property, real and personal, which because of their sociopolitical and economic benefit to society as a whole should be classified and granted partial or full exemption, use value assessment, and/or deferred taxation status with partial or full state reimbursement provisions.
3. The revenue impact of existing and recommended preferential taxation measures on organized boroughs and cities and on the unorganized borough as a whole.
4. Land use planning objectives and controls both state and municipal necessary to promote and maintain orderly growth and development of urban, rural and remote areas of the state. (See H.B. No. 169) *Land Use Plan*
5. An ad valorem tax base study to determine the value of taxable real and personal property situated within the unorganized borough. The study would provide for the first time a realistic potential tax base figure on which to base planning and research efforts relating to future development of potential organized boroughs and cities and of areas of the unorganized borough which should seriously be considered for incorporation.

Proposed bills pending legislative action to date as itemized below:

- A. Senior citizen property tax state reimbursement programs
1. HB No. 227 owner occupied housing
  2. HB No. 168 tenant occupied housing (HB No. 272-SB No. 218)
  3. SB No. 127 sewer and water special assessments

*3/26/75 - Chenoweth in agreement with concept*

- B. Farm agriculture and undeveloped land
  - 4. SHB No. 65 special use value deferred taxation programs (SB No. 170)
  - 5. SB No. 14 agricultural land classification
  - 6. SB No. 227 disposition of borough agricultural land
- C.- 7. SB No. 229 residential property (optional exemption) (*HB No 261*)
- D.- 8. SB No. 109 exemption of pollution abatement equipment
- E.- 9. HB No. 85 am. exemption of conservation easements *SCS for HB 1085 am.*
- F.- 10. HB No. 277 in lieu tax payment on state buildings
- G.- 11. HB No. 173 indemnification of investment capital as a result of the capitol relocation

SRD:nc

SS HB 65 (SB 170)

A Tillion suggestion - have the payback provision be 10 years ~~&~~ worth of differential payments, plus interest at present figures (assessment of land & mill rate)

GAAB Assessor McKee suggests this be permissive rather than mandatory legislation

GAAB Mayor Redmond's suggestions: ① this should be permissive legs, and allow local govt to consider on a case by case basis ② local govt should be able to decide <sup>within</sup> which areas lands can be considered for this program - consistent with munic's comprehensive general plan ③ the land can't be converted to non-open space & without a minimum of 5 yrs. previous notice

-035-

29.53.040 - Undeveloped land -

- (a) A person owning and residing on a parcel or tract of undeveloped land ~~of at least~~ <sup>or more</sup> 2 1/2 acres, ~~and not~~ <sup>to exceed</sup> ~~to exceed~~ 10 acres, may apply for assessment under this section.
- (b) Undeveloped land shall be assessed on the basis of its full & true value as undeveloped land or for the purpose for which it is actually being used, and shall not be assessed as if subdivided or used for some other purpose. The assessor shall maintain separate assessment records evaluating undeveloped land for other purposes, if applicable. When ~~the~~ <sup>or sold</sup> land is developed, the owner at the time <sup>or sold</sup> it is developed <sup>or sold</sup> shall be liable to pay <sup>to the muni.</sup> the <sup>deferred</sup> additional tax <sup>+ 5% interest</sup> for the preceding 10 years or for the period of time it was assessed as undeveloped land. The amount of deferred tax shall be based on the full & true value of the land & current mill rate at the time of development.

to Farm vs. Undeveloped

would a farm <sup>that</sup> necessarily also qualify as undeveloped.

€ 2953.040 — undeveloped lands

- a.
- ✓ ① — limit of minimum acres  
— " " max acres
  - ✓ ② — residency of owner on property
  - ✓ ③ — deferred taxes payable upon development at current rate
  - × ④ — Notice time? required to get permits
  - × ⑤ — STATE pay back of revenues lost to municipality
  - ⑥ — consideration of local planning
  - ✓ ⑦ — define undeveloped land
  - ⑧ — often each transaction the seller must make the taxes good. □ (
  - × ⑨ — Banking interest —
  - ✓ ⑩ — is the house also qualifying for the special assist.
  - × ⑪ — Rich folks on 5 or more acres

~~In the event the land is converted  
to open space use~~

P1 line 29  
Pg  
L line 1

In the event the land is developed,  
The owner at the time it is developed, is  
shall be <sup>liable</sup> ~~required~~ to pay the additional tax  
for the preceding 10 yrs. or for the period  
of time it was assessed as undeveloped land,  
if less than 10 yrs, plus 5% interest, as  
though the land had not been assessed  
under this section. The assessed value  
of the land at the time the development takes  
place shall be ~~used~~ considered the value  
of the land for tax purposes for the preceding  
10 yrs. or that period of time it was assessed  
~~under this section~~ (as undeveloped land)

Title 29 chapter 53 is amended by adding a new section to read:

29.53.040. UNDEVELOPED LAND. (a) A person owning a parcel of land of at least 2 1/2 acres and not exceeding 10 acres, on which the owner had resided for at least 5 years, may qualify for assessment under this section.

(b) Undeveloped land shall be assessed on the basis of its full and true value as undeveloped land or for the purpose it is actually being used, and shall not be assessed as if subdivided or used for some other purpose. The assessor shall maintain separate assessment records evaluating undeveloped land for other purposes, if applicable. When the land is developed or sold, the seller or developer shall lose the special assessment and a lien shall exist in favor of the municipality in the form of the deferred tax plus 5% interest for the preceeding 10 years or for the period of time it was assessed as undeveloped land. The amount of deferred tax shall be based on the full and true value of the land and the [current] mill rate at the time of development.

(c) To secure the assessment under this section, an owner of undeveloped land must make application to the appropriate assessor before February 1 of each year in which the assessment is required. The application shall be made upon forms prepared and supplied by the assessor and shall include information which may reasonably be required to determine the entitlement of the applicant.

(d) DEFINITION. In this section (1) undeveloped land means land which has remained substantially unchanged in character from its natural state as evidenced by a lack of industrial or economic use, construction or other utilization; however, inconsequential personal uses incidental to the ownership of the land are not considered land development under this section. Use of the land for not more than one single family residence shall not be considered development for purposes of this section.

**HB65**

	Notified	Present	Testified
2/14/75 CRA, Dozier (State Assessor)	X	X	X
AML	X	X	
Rep. Willard Bowman	X		
2/19/75 CRA, Dozier	X	X	X
AML	X	X	
Rep Willard Bowman	X	X	X

**SSHB65**

3/5/75 CRA, Dozier	X	X	X
AML	X		
Rep. Willard Bowman	X	X	X
Rep. Ramona Kelley	X	X	X

3/26 CRA, Dozier	X		
M.L.	X		
Bowman	X		
Kelley	X		

4/3 Dozier	X	X	X
Berry	X	X	
Bowman	X	X	X
Waring	X	X	X

4/8/75 Miles Schlossberg, Dir. Div. of Banking  
 Banking Lobby, Kenneth Hume (3818 Drake Drive, Anch.)  
 Alaska Bankers Assoc. 279-5914  
 Deputy Dir. Ladwick 2533  
 Mr. Coffman - Alaska Federal  
 6-1010

4/16

CS SS/EL5

Leave farm use land as is in the current statutes

Create 29.53 .040 Undeveloped land

~~Zone U. AHD65~~  
~~Added to AHD65~~

① Residency requirement on land

Maximum <sup>minimum</sup> amount of land

lien on property - talk to Kevin - notice to platting authority

what would a lending institution / mortgage co. say - if you defaulted they'd have to pay the super penalty because they couldn't qualify (couldn't live on land, lien come due)  
Call Miles Schlossberg & lending lobby