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STATE OF ALASKA
THE LEGISLATURE

POUCHY - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

May 15, 1978

SUBJECT: CSHB 899

TO: Representative Rudd, Chairman,
Community and Regional Affairs Committee

FROM: David T. Walker, Legislative Counsel 

You should be aware that durational residences are considered suspect categories by the courts today. We are not confident that the five year residency requirement established by this bill would withstand a court challenge.

DTW/lm

March 28, 1978

The Honorable Russ Meekins
House of Representatives
Alaska State Legislature
Pouch V, State Capitol
Juneau, Alaska 99811

Dear Representative Meekins:

IN RE: Senior Citizens Property Tax Exemption, AS 29.53.020

<u>FY 78</u>	<u>Assessed Value</u>	<u>Exemption</u>
Current Operation:	103,992,129	\$1,512,800
Legislative Proposal:	138,309,532	2,057,379
Difference:	34,317,403	\$ 554,600
 <u>FY 79</u>		
Current Operation:	117,344,450	\$1,919,025
Legislative Proposal:	154,894,674	2,515,220
Difference:	37,550,224	\$ 596,195

The preliminary data outlined above is in response to the request for the probable impact of redefining "permanent place of abode" to exempt the senior citizen homeowner "total tract".

This information has been obtained largely by telephone from only those municipalities most likely to be heavily impacted by such a redefinition. No attempt was made to project the impact, should a more liberal program influence additional applications, it should be noted that this could be an important factor.

The estimates should not in any way be considered as other than assumptions for projection basis. A computer analysis of the FY 78 program is

The Honorable Russ Meekins

March 28, 1978

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being prepared by the Division of Data Processing. It is predicted that a detailed report will be available from Department of Administration Data Processing Division within a few days.

Sincerely,

Lee McAnerney
Commissioner



By: Palmer McCarter
Director
Local Government
Assistance Division

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

FOUCHY - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465 3600

MEMORANDUM

March 20, 1978

SUBJECT: Proposed amendment of the senior citizens
property tax statute, changing the term
"permanent place of abode." (W.O. #5198)

TO: Representative Al Ose, Chairman
Administrative Regulation Review Committee

FROM: John B. Chenoweth, Legislative Counsel

Work order 5198, asking that AS 29.53.020(e) be amended by incorporating into it a definition of "permanent place of abode" found in AS 29.63.065 (special assessment exemptions for senior citizens), has been assigned to me.

*Review
with
etc.*

Would you please clarify for me the purpose of the change requested?

In AS 29.63.065, there is no separate definition of the term "permanent place of abode." Rather, there appears, in sec. 65(a), the following:

The real property owned and occupied by a resident 65 years of age or over, or the spouse, widow, widower, or minor heir of the original applicant, on which is located only his permanent place of abode which is a single family residence, is exempt ...

If I adapt the foregoing language directly into the senior citizen property tax exemption provision, I believe you will be creating more problems than you will resolve. The new language added to the senior citizen property exemption language would limit the application for the exemption to property "on which is located only [the] permanent place of abode" without regard to whether the parcel also contained outbuildings, a farm or garage, or commercial buildings. It does not address the multi-family residential situation (i.e. condominiums). Moreover, adaptation into the senior citizen property tax exemption of the language of AS 29.63.065 would likely not clear up the current confusion that exists with respect to whether less than the entire parcel of property may receive the benefit of the property tax exemption.

Representative Al Ose
March 20, 1978
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I assume that the purpose of this request is to cut off the authority of the administering agency, the Department of Community and Regional Affairs, to enforce its regulation purportedly limiting the senior citizen property tax to five acres or less than the entire parcel. If this is the purpose of this work order request, may I respectfully suggest to you the following language:

AS 29.53.020(i) is repealed and re-enacted to read:

(i) In (e) - (i) of this section, "real property"

(1) means

(A) the dwelling or residence of the applicant if the dwelling or residence is a single-family residence or structure, together with the entire parcel or tract of real property on which the residence is located; or

(B) the dwelling or residential unit of the applicant, if the dwelling or residential unit is part of a multi-family residence or structure, together with a proportional part of the parcel or tract of real property on which the residence is located which is held in common;

(2) includes, but is not limited to, mobile homes, whether classified as real or personal property for municipal tax purposes.

Subsection (a)(1) would provide the operative definition with respect to single-family residences; (a)(2) would address the multi-family situation, including jointly-owned duplexes and condominium units, extending the exemption to a portion of any commonly owned property in the tract or parcel on a prorated basis.

Would you please advise, at your earliest convenience, as to how I should proceed with this request. Thank you.

JBC:hjd

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

DIVISION OF LOCAL GOVERNMENT ASSISTANCE

POUCH 8 - JUNEAU 99311

February 14, 1978

The Honorable Al Ose, Representative
Alaska State Legislature
Pouch "V"
Juneau, Alaska 99801

Dear Representative Ose:

This letter is written to offer additional written background to support and explain the Department's operation of the Senior Citizen's Property Tax Exemption program as authorized by AS 29.53.020 (e)-(i).

Last year the legislature approved passage of CS for HB 5 which effectively removes the previous \$40,000 (third quartile) property value limitation of the program. In both our written and verbal testimony before the various committees which acted on HB 5, the Department indicated that the State administration and municipal governments had established property size limitations for this program in the absence of any specific legislative acreage limitation. In preparing our fiscal notes to the legislature indicating the additional cost to be incurred by removal of the \$40,000 limitation, we pointed out in every instance that, as an assumption, a maximum of 5 acre land limitation would remain in affect. To further document this statement I attach copies of the fiscal notes which were prepared for original HB 5 and CS for HB 5.

Currently the departmental regulation which further describes "permanent place of abode" is found at 19 AAC 35.120 (4) and is defined as "a dwelling, or a dwelling unit in a multiple dwelling, including lots and outbuildings, or an appropriate portion thereof, which are necessary to convenient use of the dwelling unit;"

Municipalities throughout the State (who determine initial eligibility for the exemption) have generally further defined the statute and this regulation to include acreage not to exceed 1 acre in urban areas and 5 acres in rural areas.

In order to further clarify existing regulation, the Department has proposed new regulations which would revise the current definition of "principal place of abode" by adding the language "limited to not more than 1 acre if urban nor more than 5 acres if rural as determined by the local assessor". This proposed new regulatory language would formalize the practice that has heretofore been administered by most assessors at the local municipal government level in the interest of maintaining uniform, statewide standards.

The Honorable Al Ose, Representative
February 14, 1978
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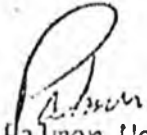
As you know, the Department last year was very much opposed to removal of the "third quartile" property value limitation (i.e., \$40,000) that had previously been legislated. We offered, as a suggestion, a "circuit breaker" concept which would allow additional exemption for senior citizens based on need as measured by impact on income. A letter to Senator Sackett dated February 24, 1977 is also attached which includes that proposal of the department.

In summary, we feel that the current regulations governing this program are reasonable and that the proposed regulation (which would further define "principal place of abode" as including land not to exceed 1 and 5 acre limitation for urban and rural areas, respectively) is appropriate in order to provide some reasonable and equitable basis for the administration of this particular exemption program. As previously indicated, we would be happy to work with you or any other legislator or legislative committee in reviewing this or any other state mandated property tax relief program.

If we can provide you with additional information please advise.

Sincerely,

Lee McAnerney
Commissioner


by: Palmer McCarter
Director

Enclosures

cc: Honorable Hugu Malone, Representative
Alaska State Legislature

APPENDIX B

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

Effective January 1, 1973, the first Senior Citizen Property Tax Exemption Program was enacted. (ch 118 SLA 1972) Effective January 1, 1974, the \$10,000 gross annual income limitation as a prerequisite to eligibility was deleted. (Sec. 1 ch 60 SLA 1974) Effective January 1, 1975, an extension of the filing date deadline for good cause shown was authorized. (Sec. 1 ch 65 SLA 1975) Effective January 1, 1977, a formula was adopted for determining an assessed value exemption limit each year. (Sec. 1 ch 217 SLA 1976)

AS 29.53.020(e): "... the assessed value limit is the upper limit of the third quartile class in a frequency distribution of previous year assessed values in the state..."

The property tax exemption limit for the 1977 tax year has been determined to be the assessed value of the real property up to and including 40,000 in assessed value. The frequency distribution of assessed values approved for exemption in the 1976 program is illustrated in Table B-2.

In response to objections to the assessed value limit, a "circuit breaker" assistance amendment is proposed. The amendment is a favorable and acceptable measure intended to relieve disproportionate impact to senior citizen income affected by tax values over the exemption limit.

The property tax exemption application form 21-400 has been expanded to allow senior citizen homeowners to renew special assessment deferments, AS 29.63.065, on the same form; in order to avoid duplicate verification of qualifying criteria each year. (See Appendix C, Senior Citizen Special Assessment Exemption)

A breakdown of the 1976 program impact listed by participating municipalities, is illustrated in Table B-1.

A four-year performance summary of the property tax exemption program is outlined below:

Tax Year	Number of Applications Approved	Assessed Value Exempt	Total Revenue Reimbursement	Average Value Per Application	Average Tax Per Application
1973	911	12,960,993	\$ 197,050	14,227	\$216
¹ 1974	1,887	40,842,657	631,891	21,644	335
² 1975	2,426	59,918,061	930,915	24,693	384
1976	2,603	76,737,060	1,171,227	29,424	449

¹\$10,000 income limit deleted

²Extended filing deadline

TABLE B-1

SENIOR CITIZEN PROPERTY TAX EXEMPTION, AS 29.53.020(e)

1976 PROGRAM SUMMARY

<u>BOROUGHES</u>	<u>NUMBER OF APPLICATIONS APPROVED</u>	<u>ASSESSED VALUE EXEMPT</u>	<u>TAX EXEMPT</u>	<u>AVERAGE VALUATION PER APPLICATION</u>	<u>AVERAGE TAX PER APPLICATION</u>
Anchorage, Municipality	886	29,560,962	\$ 552,525.42	33,365	\$624
Bristol Bay	7	83,825	1,173.55	11,975	168
Fairbanks North Star	334	9,954,475	130,318.05	29,804	390
Haines	23	434,086	4,780.11	18,873	208
Juneau, City & Borough	254	10,052,250	149,737.84	39,575	590
Kenai Peninsula	247	5,135,050	74,140.10	20,790	300
Ketchikan Gateway	208	5,367,165	91,003.58	25,804	438
Kodiak Island	68	1,522,622	22,659.52	22,392	333
Matanuska-Susitna	212	5,453,020	50,316.29	25,722	237
North Slope	19	305,410	3,145.73	16,074	166
Sitka, City & Borough	95	3,598,790	17,993.95	37,882	189
<u>TOTAL BOROUGHES</u>	<u>2,353</u>	<u>71,467,655</u>	<u>\$1,097,749.14</u>	<u>30,373</u>	<u>\$467</u>
<u>CITIES</u>					
Cordova	33	670,380	\$ 12,402.07	20,315	\$376
Craig	8	96,010	1,056.11	12,001	132
Dillingham	16	423,702	7,838.60	26,481	490
Heena	1	3,700	37.00	3,700	37
Nome	49	390,960	6,992.11	7,979	143
Pelican	3	16,941	237.16	5,647	79
Petersburg	59	1,611,790	19,341.50	27,318	328
Skagway	19	467,467	8,414.40	24,604	443
Unalaska	3	72,100	1,261.76	24,033	421
Valdez	10	337,640	3,374.89	33,764	337
Wrangell	54	1,178,715	12,477.49	21,828	231
<u>TOTAL CITIES</u>	<u>255</u>	<u>5,269,405</u>	<u>\$ 73,433.09</u>	<u>20,664</u>	<u>\$288</u>
BOROUGHES	2,353	71,467,655	\$1,097,749.14	30,373	\$467
CITIES	255	5,269,405	73,433.09	20,664	288
<u>STATEWIDE TOTAL</u>	<u>2,608</u>	<u>76,737,050</u>	<u>\$1,171,227.23</u>	<u>29,424</u>	<u>\$449</u>

TABLE B-2
SENIOR CITIZEN PROPERTY TAX EXEMPTION
1976 TAX YEAR PROGRAM

FREQUENCY DISTRIBUTION: INTERVALS IDENTIFIED BY LOWER LIMITS

BOROUGH/S	Range		Frequencies of Assessed Value (in thousands) in Intervals of 5,000																				Total		
	Low	High	0	5	10	15	20	25	30	35	40	45	50	55	60	65	70	75	80	85	90	95+			
Anchorage	0.4	230	63	33	27	88	98 ¹	102	131 ²	89	64 ³	53	39	26	17	14	7	3	4	4	4	15	936		
Bristol Bay*	11.9	26			2 ¹	1	2 ²	1 ³	1														7		
Fairbanks	0.3	109	7	23	44	32 ¹	50	41 ²	24	20	19 ³	19	15	9	7	9	1	3	2	1	1	2	324		
Haines	2.3	49	5	1	2 ¹	6 ²	4	1 ³		2	1	1											23		
Juneau	1.0	142	6	8	13	17	22 ¹	20	21	32 ²	23	24	12 ³	18	7	9	3	2	1	3	2	6	254		
Kenai	2.5	70	13	40	37 ¹	41 ²	33	19 ³	19	10	10	6	1	1	1	1	2						247		
Ketchikan	2.0	93	8	16	21	33 ¹	30 ²	26	26 ³	22	6	4	1	3		1	2	1		2	1		222		
Kodiak	0.6	42	7	14 ¹	4	4	8 ²	11	6 ³	7	6	1											62		
Matanuska-Susitna	0.5	83	19	14	25 ¹	19	30 ²	29	27 ³	16	10	10	3	4	1	2	1		1	1			212		
North Slope*	10.6	51			4	1 ¹	1	7 ²	4 ³				1	1									19		
Sitka	1.0	122	4	7	5	8 ¹	10	12	7 ²	7	7	2	4 ³	5	2	3	2	2	1	1		6	95		
TOTAL	0.4	230	132	174	184	255 ¹	293	269 ²	265	211 ³	151	121	76	66	35	39	18	11	9	12	8	29	2,300		
CITIES																									
Cordova			5	6	8	1	2	5		1	1	2	1	1										33	
Craig			1	2	4		1																	8	
Dillingham					2	2	3	3	2	3		1												16	
Kenena			1																					1	
Nome			21	15	5	3	2	3																49	
Pelican			1	2																				3	
Petersburg			1	1	5	13	12	5	5	6	3	3	3	1	1									59	
Skagway				2	2	3	3	3	3	1	2													19	
Unalaska			1	1											1									3	
Valdez			1		1			2		1	1	3	1											10	
Wrangell			4	9	7	8	7	5	5	3	2	2			2									54	
TOTAL	0.5	69	36	30 ¹	34	30 ²	30	26 ³	15	14	9	10	6	2	5									255	
STATEWIDE TOTAL	0.4	230	100	212	218	285 ¹	318	295 ²	280	225 ³	160	131	82	68	40	39	18	11	9	12	8	29	2,608		
						(15,945)		(26,745)		(39,020)															

¹ First Quartile ² Median ³ Third Quartile

* Includes 10,000 Value Municipal Residential Property Exemption, AS 29.53.035(a)

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

DIVISION OF LOCAL GOVERNMENT ASSISTANCE

JAY S. HAMMOND, Governor

POUCH B - JUNEAU 99811

March 31, 1978

The Honorable Al Ose
Chairman, Administrative
Regulation Review Committee
Pouch V
Juneau, Alaska 99811

Dear Representative Ose:

RE: Memorandum from John B. Chenoweth, Legislative Counsel in compliance with request (W.O. #5198) - March 20, 1978

I concur with Mr. Chenoweth's suggestion that the incorporation of language from AS 29.63.065 into AS 29.53.020 (e) is inappropriate. Most important, AS 29.63.065 does not provide for an exemption, per se. It only qualifies the property for an interest free loan. The total property is presumed to be benefitted, hence a lien is generated also against the total property.

The language suggested by Mr. Chenoweth as an amendment to repeal and re-enact AS 29.53.020 (i) fails to clarify the statutory language in AS 29.53.020 (e) which says, in effect, that the portion of "real property" owned and occupied as a permanent place of abode is a required exemption.

The term "real property" includes land, structures and any other improvements installed in or on the land.

The lack of specificity as to what constitutes permanent place of abode is not made more restrictive by an attempt to redefine "real property".

AS 29.53.020 (b) (3) (relating to property for religious purposes) is specific as to land to be included with exemption and states "lots supporting and adjacent to a structure or residence mentioned in (1) or (2) of this subsection which are necessary to convenient use;" (underscore added for emphasis).

The Honorable Al Ose
March 31, 1973
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Should the political intent of Alaska legislators be to provide exemption in the form of a total "homestead" type of tax free ownership, regardless of years of ownership or Alaska residency, for the entire legally described property on which is situated the residential structure of the Senior Citizen owner occupant, that should be stated at AS 29.53.020 (e). A prohibition against combining properties after a specific date solely to increase benefit should be included.

The need to administratively define permanent place of abode would be thereby negated and a blanket exemption which would ignore the income producing characteristics and the excess of land as a factor would prevail.

Sincerely,

LEE MCANERNEY
COMMISSIONER

By:  Palmer McCarter
Director

cc: Mr. John Chenoweth
Legal Services
Legislative Affairs Agency

PC. 4-11-78
CC MADE

C/O Tyonek Timber
Tyonek, Alaska 99682
April 5, 1978

Representative Lisa Rudd
House Community & Regional
Affairs Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Lisa Rudd:

I hope you will give House Bill no. 899, "An Act relating to the senior citizens' property tax exemption; and providing for an effective date," a do pass recommendation. Even with all of the federal and state help it is still hard for a senior citizen to get by. This bill should help lessen the burden.

Thank you,

Richard Willson

Richard Willson