

HB

223



Alaska State Legislature

House of Representatives

Committee on

Community & Regional Affairs

COMMITTEE MINUTES

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

DATE: 3/7/79

BILL NUMBER AND TITLE: HB 223 Exemption of disabled veterans from payment of real property taxes

ORIGINAL SPONSOR : McKinnon, Buchholdt, Meekins OTHER SPONSORS:
Munson

RECEIVED FROM: FURTHER REFERRALS: Finance

MEMBERS PRESENT: Parker Zharoff MEMBERS ABSENT:
Carney O'Connell Branson None
Metcalfe Parr

INDIVIDUALS CONTACTED: FISCAL NOTE: C&RA \$279.5

WITNESSES TESTIFYING:

McKinnon -- Basically the philosophy of this kind of exemption should be considered. Modeled after exemption for Senior Citizens. Introduced last year.

Terry Earley, State Assessor

Senate Bill 154 introduced to provide the same type exemption but covers renters. (Fiscal Note would probably be for approximately \$132,000 more for coverage of renters) Questions were asked concerning the relationship of pensions to the proposed bill.

William Kelm, Department Adjutant, The American Legion, Dept. of Alaska
Veterans who are rated 10% receive "compensation" (not called "pension"). This compensation is not taxable. If a person has a 40% rating it usually means that his earning capacity is impaired.

If you are considering a renters exemption, you have an open-ended situation--how would you determine how much of the rent is going for taxes.

Committee requests fiscal impact of the following:

1. Changing gross income limit to \$10,000 and including unremarried widows of veterans in exemption
2. Include renters in bill
3. Take income tax credit approach as alternative (circuit breaker? approach)

COMMITTEE ACTION: C&RA asked to prepare fiscal notes on above options.

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

POUCH B - JUNEAU 99811

March 14, 1979

The Honorable Bill Parker
Chairman
House Community and Regional
Affairs Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Parker:

RE: HOUSE BILL NO. 223

At the request of the members of the House Community and Regional Affairs Committee, State Assessor Terry Earley has attempted, given information available from the Federal Veterans Administration, to analyze the cost of alternatives to House Bill No. 223. The five requested alternatives are recapped on the attached summary sheet; an individual fiscal note is also attached for each alternative.

I would like to again call your attention to the position stated by the State Assessor in his testimony before your committee on March 7, 1979. The Department is strongly opposed to the "piece-meal" approach of providing property tax relief to certain groups of taxpayers in Alaska (i.e., senior citizens and farmers). House Bill No. 223 would extend this type of tax relief program to disabled veterans.

Property tax relief should be made available to those in need throughout the State of Alaska but should not be provided those residents who do not have a demonstrated need for State refunded property tax relief payments. We believe a more comprehensive program of property tax relief ought to be made available by the Legislature, preferably in the form of a reimbursement or rebate based upon income as determined through the filing of Alaska State income tax returns.


The Department, through the Office of the State Assessor, is prepared to pursue a more equitable approach to providing residents of Alaska with property tax relief - particularly those in need of relief as a result of limited incomes. Proposed legislation could be made available for consideration by the next session of the State Legislature. We would appreciate an expression from your committee as to whether or not this is a worthwhile endeavor for the Department to pursue prior to the next session.

The Honorable Bill Parker
March 14, 1979
Page Two

If you have questions regarding the attached alternatives to House Bill No. 223, Mr. Earley or I will be pleased to respond.

Sincerely,

Lee McAnerney
Commissioner



By: Palmer McCarter
Director
Local Government Assistance Division

Attachments

cc: Senator Arliss Sturgulewski, Chair
Senate Community and Regional Affairs Committee

Representative Joe McKinnon (Sponsor of HB 223)

Senator Brad Bradley (Sponsor SB 154)

During the meeting of the House Committee on Community and Regional Affairs of March 7, 1979 property tax exemptions for Disabled Veterans were discussed. The following is a recap of fiscal impacts of the several proposals discussed.

	TOTAL ELIGIBLE	TOTAL COST
1. Exempting veterans over 40% disabled both homeowners and renters and leaving the \$20,000 income limit.	670	\$311,280
2. Exempting veterans over 40% disabled both homeowners and renters and reducing income limit to \$10,000.	424	\$197,948
3. Exempting veterans over 40% disabled both homeowners and renters and also including veteran's widows and reducing income limit to \$10,000.	544	\$253,698
4. Exempting veterans over 40% disabled both homeowners and renters and eliminating income restrictions.	681	\$317,044
5. Exempting veterans over 40% disabled both homeowners and renters, also including veteran's widows and eliminating income restrictions.	876	\$407,902

Prepared by:

Department of Community and Regional Affairs
Office of the State Assessor

Other Approaches & Comments

An eligible veteran shall be exempt from a portion of his local property taxes or rent equivalent based on the following chart:

Percent of Disability	Taxes Payable as a Percentage of Income
10% to 30%	5%
30% to 40%	4%
40% to 50%	3%
50% to 60%	2%
60% to 70%	1%
70% and up	0%

Examples -

A veteran who is 25% disabled and has total income of \$15,000 would be required to pay the first \$750 of the tax bill on his residence.

A veteran who is 55% disabled and has an income of \$10,000 would be required to pay the first \$200 of the tax bill on his residence.

This approach ties the exemption to both income and percent of disability.

Because of the reliance on income there is some difficulty in administration.

The simplest way to administer this approach would be as a credit on state income tax. This is, of course, a refund that requires taxpayer outlay of cash and then a refund.

This program could also be administered much in the same manner as the senior citizen renters equivalency program with the Department of Community & Regional Affairs making the refunds directly to the disabled veteran.

Yet another approach would be to make the reimbursement completely contingent on income. Something to the effect: "disabled veterans with a disability greater than _____% shall be entitled to a refund of property taxes in the amount that the annual property tax bill or rent equivalent exceeds the appropriate percentage of their income based on the following table":

Income	Percentage
Under \$4,000	0%
\$4,000 but under \$5,000	1%
\$5,000 but under \$6,000	2%
\$6,000 but under \$7,000	3%
\$7,000 but under \$10,000	4%
\$10,000 and up	5%

Examples -

An eligible veteran has an income of \$9,000 and pays taxes of \$800.
 $\$9,000 \times 4\% = \360 $\$800 - \$360 = \$440$ refund

An eligible veteran has an income of \$4,500 and pays taxes of \$1,000.
 $\$4,500 \times 1\% = \45 $\$1,000 - \$45 = \$955$ refund

The easiest approach to administration of this type of reimbursement is an income tax rebate, but could be handled like the senior citizen renters program, with rebates by the Department to the eligible applicant.

One of the major complaints about the property tax over the years is that it is not responsive to the earning power of the taxpayer. The two alternatives mentioned do make property taxes more responsive to the taxpayers ability to pay.

However, it should also be pointed out that every class of taxpayers exempted increases the burden on the balance of the taxpayers.

There are approximately 380,000 people living in areas of the state where property taxes are levied. There are currently 5,400 senior citizens and 200 farmers being exempted; that is a total of 5,600 or 1 1/2 percent of the total population being subsidized. Although 5,600 residents does not sound like a lot when considered independently, the addition of the more standard type of exempt properties such as governmental, churches, charitable institutions, and property of veterans organizations make properties that are currently tax exempt a very substantial part of the property tax base throughout Alaska.

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

POUCH B - JUNEAU 99811

March 14, 1979

The Honorable Bill Parker
Chairman
House Community and Regional
Affairs Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Parker:

RE: HOUSE BILL NO. 223

At the request of the members of the House Community and Regional Affairs Committee, State Assessor Terry Earley has attempted, given information available from the Federal Veterans Administration, to analyze the cost of alternatives to House Bill No. 223. The five requested alternatives are recapped on the attached summary sheet; an individual fiscal note is also attached for each alternative.

I would like to again call your attention to the position stated by the State Assessor in his testimony before your committee on March 7, 1979. The Department is strongly opposed to the "piece-meal" approach of providing property tax relief to certain groups of taxpayers in Alaska (i.e., senior citizens and farmers). House Bill No. 223 would extend this type of tax relief program to disabled veterans.

Property tax relief should be made available to those in need throughout the State of Alaska but should not be provided those residents who do not have a demonstrated need for State refunded property tax relief payments. We believe a more comprehensive program of property tax relief ought to be made available by the Legislature, preferably in the form of a reimbursement or rebate based upon income as determined through the filing of Alaska State income tax returns.

The Department, through the Office of the State Assessor, is prepared to pursue a more equitable approach to providing residents of Alaska with property tax relief - particularly those in need of relief as a result of limited incomes. Proposed legislation could be made available for consideration by the next session of the State Legislature. We would appreciate an expression from your committee as to whether or not this is a worthwhile endeavor for the Department to pursue prior to the next session.

During the meeting of the House Committee on Community and Regional Affairs of March 7, 1979 property tax exemptions for Disabled Veterans were discussed. The following is a recap of fiscal impacts of the several proposals discussed.

	TOTAL ELIGIBLE	TOTAL COST
1. Exempting veterans over 40% disabled both homeowners and renters and leaving the \$20,000 income limit.	670	\$311,280
2. Exempting veterans over 40% disabled both homeowners and renters and reducing income limit to \$10,000.	424	\$197,948
3. Exempting veterans over 40% disabled both homeowners and renters and also including veteran's widows and reducing income limit to \$10,000.	544	\$253,698
4. Exempting veterans over 40% disabled both homeowners and renters and eliminating income restrictions.	681	\$317,044
5. Exempting veterans over 40% disabled both homeowners and renters, also including veteran's widows and eliminating income restrictions.	876	\$407,902

Prepared by:

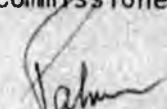
Department of Community and Regional Affairs
Office of the State Assessor

The Honorable Bill Parker
March 14, 1979
Page Two

If you have questions regarding the attached alternatives to House Bill No. 223, Mr. Earley or I will be pleased to respond.

Sincerely,

Lee McAnerney
Commissioner


By: Palmer McCarter
Director
Local Government Assistance Division

Attachments

cc: Senator Arliss Sturgulewski, Chair
Senate Community and Regional Affairs Committee
Representative Joe McKinnon (Sponsor of HB 223)
Senator Brad Bradley (Sponsor SB 154)

Other Approaches & Comments

An eligible veteran shall be exempt from a portion of his local property taxes or rent equivalent based on the following chart:

Percent of Disability	Taxes Payable as a Percentage of Income
10% to 30%	5%
30% to 40%	4%
40% to 50%	3%
50% to 60%	2%
60% to 70%	1%
70% and up	0%

Examples -

A veteran who is 25% disabled and has total income of \$15,000 would be required to pay the first \$750 of the tax bill on his residence.

A veteran who is 55% disabled and has an income of \$10,000 would be required to pay the first \$200 of the tax bill on his residence.

This approach ties the exemption to both income and percent of disability.

Because of the reliance on income there is some difficulty in administration.

The simplest way to administer this approach would be as a credit on state income tax. This is, of course, a refund that requires taxpayer outlay of cash and then a refund.

This program could also be administered much in the same manner as the senior citizen renters equivalency program with the Department of Community & Regional Affairs making the refunds directly to the disabled veteran.

Yet another approach would be to make the reimbursement completely contingent on income. Something to the effect: "disabled veterans with a disability greater than _____% shall be entitled to a refund of property taxes in the amount that the annual property tax bill or rent equivalent exceeds the appropriate percentage of their income based on the following table":

Income	Percentage
Under \$4,000	0%
\$4,000 but under \$5,000	1%
\$5,000 but under \$6,000	2%
\$6,000 but under \$7,000	3%
\$7,000 but under \$10,000	4%
\$10,000 and up	5%

Examples -

An eligible veteran has an income of \$9,000 and pays taxes of \$800.

$\$9,000 \times 4\% = \360 $\$800 - \$360 = \$440$ refund

An eligible veteran has an income of \$4,500 and pays taxes of \$1,000.

$\$4,500 \times 1\% = \45 $\$1,000 - \$45 = \$955$ refund

The easiest approach to administration of this type of reimbursement is an income tax rebate, but could be handled like the senior citizen renters program, with rebates by the Department to the eligible applicant.

One of the major complaints about the property tax over the years is that it is not responsive to the earning power of the taxpayer. The two alternatives mentioned do make property taxes more responsive to the taxpayers ability to pay.

However, it should also be pointed out that every class of taxpayers exempted increases the burden on the balance of the taxpayers.

There are approximately 380,000 people living in areas of the state where property taxes are levied. There are currently 5,400 senior citizens and 200 farmers being exempted; that is a total of 5,600 or 1 1/2 percent of the total population being subsidized. Although 5,600 residents does not sound like a lot when considered independently, the addition of the more standard type of exempt properties such as governmental, churches, charitable institutions, and property of veterans organizations make properties that are currently tax exempt a very substantial part of the property tax base throughout Alaska.

AS IF AMENDED TO INCLUDE RENTERS IN EXISTING BILL
THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill 223 PROPOSED SUBSTITUTE
 Title Provides for exemption from property taxes for Disabled Veterans
 Requested by Community and Regional Affairs Committee Date _____

II. FISCAL DETAIL

Agency Affected Department of Community and Regional Affairs
 Program Category Affected Grants
 Budget Request Unit(s) Affected Senior Citizens Homeowners and Renters Equivalency -
STATE ASSESSOR

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		1.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		310.3				
TOTAL		311.3				

FUNDING (Thousands of Dollars)

GENERAL FUND		311.3				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		0				
PART TIME		0				
TEMPORARY		0				

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

According to the Federal Veterans Administration there are 706 Veterans receiving compensation for 40% disability or greater. Assuming 25% of that number are renters, we would have 530 homeowners and 176 renters. Further assuming 30 of the homeowners and 6 of the renters would be ineligible for either income reasons or being 65 years of age and therefore already exempt leaves 500 eligible homeowners and 170 eligible renters.

500 (Homeowners) @ \$558 (average senior citizen savings)	279,000
170 (Renters) @ \$184 (average renters equivalency payment) =	<u>31,280</u>
670 TOTAL	\$310,280

IV. DATE 3-7-79 **PREPARED BY** Terry L. Earley, State Assessor
AGENCY Department of Community and Regional Affairs
PHONE 465-4730
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

AS IF AMENDED TO REDUCE INCOME LIMIT TO \$10,000 AND INCLUDE RENTERS

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill 223 PROPOSED SUBSTITUTE
 Title Provides for exemption from property taxes for disabled Veterans
 Requested by Community and Regional Affairs Committee Date _____

II. FISCAL DETAIL

Agency Affected Department of Community and Regional Affairs
 Program Category Affected Grants
 Budget Request Unit(s) Affected Senior Citizen Homeowners and Renters Equivalency -
STATE ASSESSOR

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		1.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		196.9				
TOTAL		197.9				

FUNDING (Thousands of Dollars)

GENERAL FUND		197.9				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		0				
PART TIME		0				
TEMPORARY		0				

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

According to the Federal Veterans Administration there are 706 veterans receiving compensation for 40% disability or greater. Assuming 25% of that number to be renters, we then have 176 renters and 530 homeowners. Further assuming that 40% of these numbers are ineligible due to either exceeding income limit or being over 65 years of age and already eligible for exemption. Therefore we end up with 318 eligible homeowners and 106 eligible renters.

318 homeowners @ \$558 (average senior citizens savings) = 177,444

106 renters @ \$184 (average renters equivalency payment) = 19,504

424 TOTAL \$196,948

IV. DATE 3-7-79 PREPARED BY Terry L. Earley, State Assessor
 AGENCY Department of Community and Regional Affairs
 PHONE 465-4730

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

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill 223 PROPOSED SUBSTITUTE
 Title Provides for exemption from property tax for disabled Veterans
 Requested by House Community & Regional Affairs Committee Date _____

II. FISCAL DETAIL

Agency Affected Department of Community and Regional Affairs
 Program Category Affected Grants
 Budget Request Unit(s) Affected Senior Citizens Homeowners and Renters Equivalency -
STATE ASSESSOR

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		1.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		252.7				
TOTAL		253.7				

FUNDING (Thousands of Dollars)

GENERAL FUND		253.7				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		0				
PART TIME		0				
TEMPORARY		0				

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

According to the Federal Veterans Administration there are 706 veterans receiving compensation for 40% disability or greater. Our best estimate is that there are 200 additional unremarried widows of disabled veterans. This makes a total of 906 persons initially eligible. Assuming 25% of these people rent, we would have 226 renters and 30 homeowners. If we assume 40% of those are ineligible for exceeding the income limitation or being over 65 years of age and already eligible for exemptions, we end up with 408 homeowners and 136 renters.

408 homeowners @ \$558 (average senior citizens savings) = \$227,664
 136 renters @ \$184 (average senior citizen renter reimbursement) = 25,024
 544 TOTAL \$252,688

IV. DATE 3-7-79 PREPARED BY Terry L. Earley, State Assessor
 AGENCY Department of Community and Regional Affairs
 PHONE 465-4730
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

AS IF AMENDED TO INCLUDE RENTERS AND EXCLUDE INCOME RESTRICTIONS

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No House Bill 223 PROPOSED SUBSTITUTE
 Title Provided for exemption from property taxes for disabled Veterans
 Requested by Community and Regional Affairs Committee Date _____

II. FISCAL DETAIL

Agency Affected Department of Community and Regional Affairs
 Program Category Affected Grants
 Budget Request Unit(s) Affected Senior Citizen Homeowners and Renters Equivalency -
STATE ASSESSOR

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		1.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		316.0				
TOTAL		317.0				

FUNDING (Thousands of Dollars)

GENERAL FUND		317.0				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		0				
PART TIME		0				
TEMPORARY		0				

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

According to the Federal Veterans Administration, there are 706 veterans receiving compensation for 40% disability or greater. Assuming 25% of these are renters, we have 176 renters and 530 homeowners. Assuming 20 homeowners and 5 renters are 65 years of age and already exempt, we have 510 homeowners and 171 renters.

510 (homeowners) @ \$558 (average senior citizens savings) =	\$284,580
171 (renters) @ \$184 (average senior citizen renter reimbursement) =	31,464
681	TOTAL
	\$316,044

IV. DATE 3-7-79 PREPARED BY Terry L. Earley, State Assessor
 AGENCY Department of Community and Regional Affairs
 PHONE 465-4730
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill 223 PROPOSED SUBSTITUTE
 Title Provides for exemption from property taxes for disabled Veterans
 Requested by Community and Regional Affairs Committee Date _____

II. FISCAL DETAIL

Agency Affected Department of Community and Regional Affairs
 Program Category Affected Grants
 Budget Request Unit(s) Affected Senior Citizen Homeowners and Renters Equivalency -
STATE ASSESSOR

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		1.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		406.9				
TOTAL		407.9				

FUNDING (Thousands of Dollars)

GENERAL FUND		407.9				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		0				
PART TIME		0				
TEMPORARY		0				

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

According to the Federal Veterans Administration, there are 706 veterans receiving compensation for 40% disability or greater. Our best estimate is that there are an additional 200 unremarried widows of disabled veterans. Assuming 30 of these 906 are over 65 years of age and already are eligible for exemption, leaves 876 eligible. If we assume 25% of these are renters we end up with 219 renters and 657 homeowners.

657 (homeowners) @ \$558 (average senior citizens savings) = \$366,606
 219 (renters) @ \$184 (average senior citizens renter reimbursement) = 40,296
 876 TOTAL \$406,902

IV. DATE 3-7-79 PREPARED BY Terry L. Earley, State Assessor
 AGENCY Department of Community and Regional Affairs
 PHONE 465-4730
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

POUCH B - JUNEAU 99811

March 14, 1979

The Honorable Bill Parker
Chairman
House Community and Regional
Affairs Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Parker:

RE: HOUSE BILL NO. 223

At the request of the members of the House Community and Regional Affairs Committee, State Assessor Terry Earley has attempted, given information available from the Federal Veterans Administration, to analyze the cost of alternatives to House Bill No. 223. The five requested alternatives are recapped on the attached summary sheet; an individual fiscal note is also attached for each alternative.

I would like to again call your attention to the position stated by the State Assessor in his testimony before your committee on March 7, 1979. The Department is strongly opposed to the "piece-meal" approach of providing property tax relief to certain groups of taxpayers in Alaska (i.e., senior citizens and farmers). House Bill No. 223 would extend this type of tax relief program to disabled veterans.

Property tax relief should be made available to those in need throughout the State of Alaska but should not be provided those residents who do not have a demonstrated need for State refunded property tax relief payments. We believe a more comprehensive program of property tax relief ought to be made available by the Legislature, preferably in the form of a reimbursement or rebate based upon income as determined through the filing of Alaska State income tax returns.

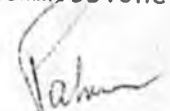
The Department, through the Office of the State Assessor, is prepared to pursue a more equitable approach to providing residents of Alaska with property tax relief - particularly those in need of relief as a result of limited incomes. Proposed legislation could be made available for consideration by the next session of the State Legislature. We would appreciate an expression from your committee as to whether or not this is a worthwhile endeavor for the Department to pursue prior to the next session.

The Honorable Bill Parker
March 14, 1979
Page Two

If you have questions regarding the attached alternatives to House Bill No. 223, Mr. Earley or I will be pleased to respond.

Sincerely,

Lee McAnerney
Commissioner


By: Palmer McCarter
Director
Local Government Assistance Division

Attachments

cc: Senator Arliss Sturgulewski, Chair
Senate Community and Regional Affairs Committee
Representative Joe McKinnon (Sponsor of HB 223)
Senator Brad Bradley (Sponsor SB 154)

During the meeting of the House Committee on Community and Regional Affairs of March 7, 1979 property tax exemptions for Disabled Veterans were discussed. The following is a recap of fiscal impacts of the several proposals discussed.

	TOTAL ELIGIBLE	TOTAL COST
1. Exempting veterans over 40% disabled both homeowners and renters and leaving the \$20,000 income limit.	670	\$311,280
2. Exempting veterans over 40% disabled both homeowners and renters and reducing income limit to \$10,000.	424	\$197,948
3. Exempting veterans over 40% disabled both homeowners and renters and also including veteran's widows and reducing income limit to \$10,000.	544	\$253,698
4. Exempting veterans over 40% disabled both homeowners and renters and eliminating income restrictions.	681	\$317,044
5. Exempting veterans over 40% disabled both homeowners and renters, also including veteran's widows and eliminating income restrictions.	876	\$407,902

Prepared by:

Department of Community and Regional Affairs
Office of the State Assessor

Other Approaches & Comments

An eligible veteran shall be exempt from a portion of his local property taxes or rent equivalent based on the following chart:

Percent of Disability	Taxes Payable as a Percentage of Income
10% to 30%	5%
30% to 40%	4%
40% to 50%	3%
50% to 60%	2%
60% to 70%	1%
70% and up	0%

Examples -

A veteran who is 25% disabled and has total income of \$15,000 would be required to pay the first \$750 of the tax bill on his residence.

A veteran who is 55% disabled and has an income of \$10,000 would be required to pay the first \$200 of the tax bill on his residence.

This approach ties the exemption to both income and percent of disability.

Because of the reliance on income there is some difficulty in administration.

The simplest way to administer this approach would be as a credit on state income tax. This is, of course, a refund that requires taxpayer outlay of cash and then a refund.

This program could also be administered much in the same manner as the senior citizen renters equivalency program with the Department of Community & Regional Affairs making the refunds directly to the disabled veteran.

Yet another approach would be to make the reimbursement completely contingent on income. Something to the effect: "disabled veterans with a disability greater than _____% shall be entitled to a refund of property taxes in the amount that the annual property tax bill or rent equivalent exceeds the appropriate percentage of their income based on the following table":

Income	Percentage
Under \$4,000	0%
\$4,000 but under \$5,000	1%
\$5,000 but under \$6,000	2%
\$6,000 but under \$7,000	3%
\$7,000 but under \$10,000	4%
\$10,000 and up	5%

Examples -

An eligible veteran has an income of \$9,000 and pays taxes of \$800.
 $\$9,000 \times 4\% = \360 $\$800 - \$360 = \$440$ refund

An eligible veteran has an income of \$4,500 and pays taxes of \$1,000.
 $\$4,500 \times 1\% = \45 $\$1,000 - \$45 = \$955$ refund

The easiest approach to administration of this type of reimbursement is an income tax rebate, but could be handled like the senior citizen renters program, with rebates by the Department to the eligible applicant.

One of the major complaints about the property tax over the years is that it is not responsive to the earning power of the taxpayer. The two alternatives mentioned do make property taxes more responsive to the taxpayers ability to pay.

However, it should also be pointed out that every class of taxpayers exempted increases the burden on the balance of the taxpayers.

There are approximately 380,000 people living in areas of the state where property taxes are levied. There are currently 5,400 senior citizens and 200 farmers being exempted; that is a total of 5,600 or 1 1/2 percent of the total population being subsidized. Although 5,600 residents does not sound like a lot when considered independently, the addition of the more standard type of exempt properties such as governmental, churches, charitable institutions, and property of veterans organizations make properties that are currently tax exempt a very substantial part of the property tax base throughout Alaska.