

HB

314



House of Representatives

Committee on

Community & Regional Affairs

COMMITTEE MINUTES

Pouch V
State Capitol
Juneau, Alaska 9

Official Business

DATE: 1/21/80 -

BILL NUMBER AND TITLE: HB 314 Optional Property Tax Exemptions

ORIGINAL SPONSOR : Malone

OTHER SPONSORS:

RECEIVED FROM:

FURTHER REFERRALS: Finance

MEMBERS PRESENT:

Bill Parker X
Margaret Branson X
Pat O'Connell X

Pat Carney X
Charlie Parr X
Fred Zharoff X
Ray Metcalfe X

INDIVIDUALS CONTACTED:

WITNESSES TESTIFYING:

Malone - Representing District 18 in sponsorship of HB 314. Recommends that in line 14 the "or" be removed. The bill adds an option for local government to structure its taxes. The Kenai Assembly has requested the exemption.

Malone opposes the recommendation of the Dept. of C&RA that the State offset the amount of the exemption by reimbursing it to the municipality.

Exemptions allowed in the residential real property tax are limited. In 1973 the allowable exemption was at a higher level than the current \$10,000.

*Malone will try to obtain the current cost of the existing \$10,000 exemption in the Kenai Peninsula.

Parr - Suggests amendment which would provide that the state's revenues from oil and gas property tax would not be diminished as a result.

Malone - Not sure how Parr's suggestion for an amendment would be enforced. It may be hard to establish a connection between the exemption and how much property tax is offset..the mill rate could be lowered.

Don't want to apply limitation on assessment. Could extend to include all classes of property including oil and gas.

Intent is not to have state reimburse.

Branson - Questions what the implications of HB 314 for service areas.

Malone - Will get that information.

Metcalfe - What would be the effect on the owner of a \$100,000 house?

Doesn't want any inequities and concerned that the proposed

COMMITTEE ACTION. No Action. Bill rescheduled for hearing on 1/25/80.

' bill would create such inequities by subsidizing the lower cost property owners.

Malone - It is necessary to find out what the percentage of other property which could be taxed it.

Data re who would end up paying taxes that the exempt group was not paying would be necessary. Malone contends that since this exemption is optional for the municipality that it should be acceptable to all.

Palmer McCarter, Dept. C&RA

Terry Early, State Assessor

Opposed to HB 314. Ordinarily the Dept. supports local control but this bill expands the inequity of the \$10,000 exemption. Most municipalities can't afford this and the three boroughs and the city which has opted for the exemption have pipeline revenues.

Early and McCarter referred to a study prepared by the Dept. at the request of the House C&RA Committee (see in folder) for reference of the Committee.

Parr - Pointed out that if the other municipalities reappraised, they also could afford to take the exemption. It may be they didn't want to exempt for people who couldn't afford.

t

Branson - Would borough as well as city taxes be effected?

There was discussion of the amount of money that would actually be lost to the state if there was an exemption.

O'Connell - Indicated that other segments of the community, such as the small business man would be effected if the exemption were put into effect.

Parr - Suggests that an alternative approach might be to use the real property tax as a credit on personal income tax. This method wouldn't favor one area over another.

Alaska State Legislature



Senate

SENATOR
ARLISS STURGULEWSKI

COMMITTEES
CHAIRMAN
Community & Regional Affairs

VICE-CHAIRMAN
Commerce

Health & Social Services

2957 SHELDON JACKSON
ANCHORAGE, ALASKA 99504
DISTRICT 10-H

While in Juneau
POUCH V
JUNEAU, ALASKA 99811
(907) 465-3712

March 25, 1980

Mr. Dave Walsh, President
Alaska Municipal League
c/o Pouch 6-650
Anchorage, Alaska 99502

Dear Dave:

The ability for municipalities to have a fair and equitable tax base is absolutely critical to healthy local government. I would like to urge the Alaska Municipal League, possibly in conjunction with the Alaska Native Foundation, RuralCap and others, to undertake, prior to next session, a major review of the kind and amount of taxes that the various classes of municipalities can levy and collect. The current Legislature is addressing House Bill 192, dealing with municipal revenue sharing, and Senate Bill 199, dealing with the school foundation program. These two areas provide major cornerstones for municipal school revenues. A third cornerstone, real and personal property tax, is currently faced with possible erosion and decreased credibility.

The Senate Community and Regional Affairs Committee has some twelve bills pending which impact the municipal property tax by allowing certain classes of exemptions, imposing restrictions, etc. Some, but not all, of these bills allow the municipalities to be reimbursed for the changes in their ability to levy and collect real and personal property taxes. Certainly the bills carry a major fiscal impact. I am enclosing a summary of the bills currently before my Committee. Many other tax bills affecting municipalities are before the Legislature, such as changes in the amount of sales tax which can be levied in certain municipalities and elimination of the business inventory tax.

Relating specifically to real and property taxes, it seems to me that policies must be established regarding possible exemption. If such policies are not developed, we will create a hodgepodge of a program that will serve no one well. For example, should we consider exemptions on a need basis rather than exemptions for special groups of people? Should there be equality for a whole group, rather than special interest exemptions within a group? What kind of things would be better left to grant and aid programs as opposed to exemptions in the property tax approach?

The Department of Community and Regional Affairs recently completed a study of the exemption problem. Their study gives a synopsis of information developed that deals with major exemption problems, and in some cases, suggests several options that might be taken. Their broad policy statement favors few, if any, additional exemptions, and they feel that any exemption program should meet the following criteria: "any exemption granted should be either for public property or for sufficient public good to justify a transfer of burden to the balance of the community." They recognize that the credibility of property tax has been questioned continually and with increasing intensity these past few years, and that many taxpayers feel that they are paying more than their fair share.

The state has recognized certain senior citizens' exemptions, as a matter of public policy. These exemptions support a policy of encouraging age diversity in Alaskan society, show esteem for and gratitude to the pioneers of the state and give a method of helping many to afford to stay in our state, rather than have to leave family, and friends to begin a life in another state, where it might be cheaper to live. The senior citizens who are on a fixed income and cannot absorb property taxes increased by inflation certainly are in need of assistance. However, some bills are now reaching into special groups within the senior citizens; for example, allowing for surviving spouses 55 and older of those senior citizens who qualified for real property exemption to continue to benefit from the exemption. But, what about other senior citizens within that same age group who might have just as much, or a greater need for exemptions? Disabled veterans are another group being suggested for special exemptions, but what about the equity question of all other disabled people in our State? Other questions of equity need to be considered.

Each piece of proposed legislation offers a shift in public policy -- new groups which deserve special treatment, new funding approaches, and so forth. However, sound public policy decisions can be made only within the context of effects or impacts on local governments and the general public. How can we create a new special exemption, for example, unless we are certain of municipalities fiscal needs, alternative revenue sources and the impact of using those other sources?

Again, I would urge the Alaska Municipal League to take a leadership position in review of the municipal property tax, as well as the broader impact of local municipalities being able to raise adequate revenues to fund needed municipal services. I would be most pleased to have your response as to whether you feel the Alaska Municipal League finds merit

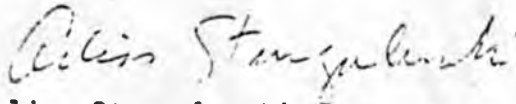
Mr. Dave Walsh

-3-

March 25, 1980

in this proposal, and if so, I sincerely hope the league will analyze the kind and amount of taxes that the various classes of municipalities can and should levy and collect.

Sincerely yours,



Arliss Sturgulewski
Senator, District 10-H

Enclosures

cc: Alaska Federation of Natives
RuralCap
Governor's Advisory Committee on
Aging
Ms. Dove Kull
Commissioner Lee McAnerney
Mayor George Sullivan
Mr. Phil Younker
Senator John Sackett
Senator Bill Ray
Representative Russ Meekins
Sponsors: SB 138, 154, 296, 299, 360, 370, 427, 431, 456, 465 & 510

Taxes
(home improvement exemption)
SENATE BILL NO. 138, by Senators Bradley and Stimson. Relates to establishment of tax exemption for home improvements. Amends AS 29.53 by adding section which provides that the "value of an alteration, repair, renovation, addition to, or improvement of an existing structure which is used by a taxpayer as his personal residence is exempt from assessment for purposes of levy and collection of property taxes under this chapter....." Repeals AS 29.53.025(f) & (g) relating to current exemptions for improvements. Provides Act effective January 1, 1979.

Introduced February 13 and referred to Community & Regional Affairs, then to Finance.

Veterans
(disabled)
(property tax exemption)
SENATE BILL NO. 154, by Senator Bradley. Amends AS 29.53.020(e) to include disabled veterans of any age to section which exempts persons 65 or over from payment of property tax. Applies to resident veterans, honorably separated from service whose service-related disability has been rated at 50% or more. Provides Act effective January 1, 1980.

Introduced February 13 and referred to Community & Regional Affairs, then to Finance.

Residential Property Tax
(partial exemption)
SENATE BILL NO. 297, by Senator Stimson. Adds to list of exemptions from municipal property tax in AS 29.53.020(a) "the real property owned and occupied as a permanent place of abode by a resident, not exceeding \$25,000 in value." Provides state shall reimburse a borough or city for revenues lost. Repeals AS 29.53.025(a) which allows municipalities to exclude or exempt or partially exempt residential property from taxation by ordinance ratified by voters, the exemption not to exceed \$10,000 per residence. Provides Act effective January 1, 1981.

Introduced January 14 and referred to Community and Regional Affairs and then to Finance.

Property Tax
(municipal)
reduction of)
SENATE BILL NO. 299, by Senator Kerttula. Amends AS 29.53.050(a) (Tax Limitation on Municipalities) to read: "A (NO) municipality may not levy and tax for any purpose in excess of nine-tenths of one (THREE) percent of the assessed valuation of property within the municipality in any one year." Provides Act effective 1/1/81.

Introduced January 14 and referred to Community and Regional Affairs.

Property Tax
(disabled Vets exempt)
SENATE BILL NO. 360, by Senators Sumner and Hackney, by request. Exempts from municipal property tax the real property owned and occupied as a permanent place of abode by a disabled veteran. Provides exemption is allowed to veteran "for a percentage of the assessed value of the real property which is the same as his percentage of disability as established by his service disability rating." Provides Act effective January 1, 1981.

Introduced January 24 and referred to Community and Regional Affairs and Finance.

Fire Prevention
SENATE BILL NO. 370, by Senators Colletta and Bradley. Adds to AS 29.53.020 (Municipal Property Tax - Required Exemptions) "Two

percent of the assessed value of a structure is exempt from taxation if the structure contains fire protection systems in operating condition incorporated as a fixture or part of the structure. The exemption is limited to 1) an amount equal to two percent of the value of the structure based on the assessment for 1981, if fire protection systems are a fixture of the real property on January 1, 1981; or an amount equal to two percent of the value of the structure as of January 1 following the installation of the fire protection systems as fixtures of the structure after January 1, 1981.

Introduced January 31 and referred to Community & Regional Affairs.

Sr. Citizens
Tax Exemp.
(surviving
spouse)

SENATE BILL NO. 427, by Senators Ferguson, Ray, Sackett, Meland, Colletta, Sumner, Kerttula, Hohman, Mulcahy and Bradley. Amends AS 29.53.020(e) relating to municipal property tax exemption for senior citizens by adding: "The real property exempt from taxation under this subsection continues to be exempt if owned and occupied as a permanent place of abode by the surviving spouse of the resident, if the surviving spouse is 55 years or older and has a gross annual income of less than \$20,000. Does not provide for effective date.

Introduced February 12 and referred to Community and Regional Affairs, then to Finance.

Property Tax
Exemptions
(for energy

SENATE BILL NO. 431, by the Rules Committee by request of the Legislative Council by request. Adds new section to AS 29.53 (Municipal Assessment & Taxation) which exempts from municipal property tax "The value of an alternation or improvement of an existing structure that reduces energy consumption in the structure." Section applies to mobile homes also. Provides Act effective January 1, 1981.

Introduced February 12 and referred to Community and Regional Affairs, then to Finance.

Municipal Pro-
perty Taxes
(exemp. sr.
citizens--
personal
property)

SENATE BILL NO. 456, by Senators Stimson and Bradley. Amends Municipal Assessment and Taxation (AS 29.53), required exemptions (020) by stating that the property of certain residents of the state is exempt and further states that "(e) The real property owned and occupied as a permanent place of abode by a resident 65 years of age or over, and the personal property owned by a resident 65 years of age or over, is exempt from taxation of the assessed value of the (REAL) property." Deletes reference to "real" property throughout and repeals AS 29.53.020(i) which defines "real property" as property including, but not limited to mobile homes whether classified as real or personal property for municipal tax purposes. Provides Act takes effect January 1, 1981.

Introduced February 18 and referred to Community & Regional Affairs, then to Finance.

Property Tax
(residential-
partial exem.
from assess)

SENATE BILL NO. 465, by Senators Ferguson, Colletta, Fahrenkamp and Sumner. Exempts from general taxation (Municipal Assessment and Taxation, required exemptions--AS 29.53.020(a)) "(7) the real property owned and occupied as a permanent place of abode by a resident, not exceeding \$85,000 in value." Exempts real property owned and occupied by a resident 65 years of age or over from

taxation of the assessed value of property which exceeds \$85,000 in value. Repeals AS 29.53.025(a) (Municipal Assessment and Taxation. Optional Exemptions and exclusions. Section (a) states: "Municipalities may exclude or exempt or partially exempt residential property from taxation by ordinance ratified by the voters at a regular or special election."), and amends AS 29.53.020(g) (relating to reimbursement of borough or city for revenue lost by exemption) by deletion of language stating that upon proper application an individual would have been granted an exemption. Provides Act takes effect January 1, 1981.

Introduced February 18 and referred to Community and Regional Affairs, then to Finance.

Municipal Pro-
perty Tax
(exempting
business
inventory)

SENATE BILL NO. 510, by the Rules Committee by Request (for the Interim Tax Policy Committee). Exempts business inventory from municipal property tax levy and provides for reimbursement to municipalities of tax revenues lost by operation of the exemption. Reimbursement made on the basis of the application of the tax rate of the borough or city to the value of business inventory reported to the state by businesses for the purpose of taxation under the Alaska Net Income Tax Act, and subject to legislative appropriation to the Department of Community and Regional Affairs for the purpose. State Departments may adopt regulations to carry out the provisions of chapter. Repeals sections of Municipal Assessment and Taxation (AS 29.53) relating to assessment of business inventory and reassessment in the case of cessation of business during the tax year. Provides Act takes effect January 1, 1980.

Introduced March 5 and referred to Community and Regional Affairs, then to Finance.

April 3, 1980

Betty Warren, Chairman
Governor's Committee on Aging
Box 116
Kenai, Alaska 99611

Dear Betty:

Enclosed are copies of letters I recently sent to Dave Walsh, President of the Alaska Municipal League, and to Governor Jay Hammond regarding tax exemptions from the municipal property tax. It seems to me that your Committee on Aging would have interest in taking a good look at the issue raised in my letters, particularly as they relate to older Alaskans.

With the pending change before the legislature, regarding the continuation of your Committee on Aging and the possible Older Alaskans Commission, I wanted to be sure to touch all bases. If you feel the issues raised have merit for consideration by your committee, I would be very delighted to have whatever follow-up information you might develop. You might wish to contact Dave Walsh to give input to the work that the Municipal League will be doing over the next year.

Thank you for your consideration of this material, and I do look forward to hearing from you.

Kindest personal regards,

Arliss Sturgulewski
Senator, District 10-H

Enclosure

Alaska State Legislature

SENATOR
ARLISS STURGULEWSKI

COMMITTEES
CHAIRMAN
Community & Regional Affairs

VICE-CHAIRMAN
Commerce

Health & Social Services



Senate

2957 SHELDON JACKSON
ANCHORAGE, ALASKA 99504
DISTRICT 10-H

While in Juneau
POUCH V
JUNEAU, ALASKA 99811
(907) 465-3712

April 2, 1980

Jay S. Hammond, Governor
State of Alaska
Pouch A
Juneau, Alaska 99811

Dear Jay:

Re: Senior Citizens Tax Exemption from Municipal Property Tax

The legislature has under consideration, SB 328, which would establish an Older Alaskans Commission. In the event this legislation is adopted, I would like to bring to them, through you, a matter for their review and, hopefully, recommendations to the next session of the legislature. I am bringing this matter to the attention of your Advisory Committee on Aging.

The Senate Regional and Community Affairs Committee has had over twelve bills pending which impact the municipal property tax by allowing certain classes of exemptions, imposing restrictions, etc. Some, but not all, of these bills allow the municipalities to be reimbursed for the changes in their ability to levy and collect real and personal property taxes. Since real and property taxes create such a major corner stone of tax revenue source for municipalities, I have asked the Alaska Municipal League to look into the matter of establishing policies regarding possible exemptions. We will create a hodgepodge of a program in the absence of such policy. Dave Walsh, Chairman of the Alaska Municipal League, has indicated to me that the League will undertake such a study. However, I feel it would be important that a commission, dealing particularly with older Alaskans' needs, undertake a study of that part of the real and personal property tax which deals with older Alaskans.

The state has recognized certain senior citizens' exemptions as a matter of public policy. These exemptions support a policy of encouraging age diversity in Alaskan society, they show esteem for and gratitude to the pioneers of the state, and give a method of helping many to afford to stay in the state, rather than to leave family and friends to begin a life in another state where it might be cheaper to live. The senior citizens who are on a fixed income and cannot absorb property taxes increased by inflation certainly are in need of assistance. However, some bills are now reaching into special groups within the senior citizens; for example, allowing for surviving spouses 55 and older of those citizens who qualified for real property exemption to continue to benefit from the exemption. But, what about other senior citizens with the

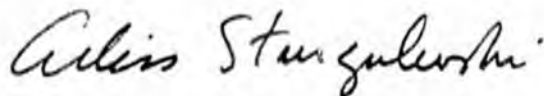
same age group who might have just as much, or a greater need for exemptions?

Disabled veterans are another group being suggested for special exemptions, but what about the equity question of all other disabled people in our state? Other questions of equity need to be considered. Each piece of proposed legislation that we have considered offers a shift in public policy. New groups which deserve special treatment, new funding approaches, etc. However, sound public policy decisions can be made only within the context of effects or impacts on the general public, and certainly on local governments.

The Department of Community and Regional Affairs recently completed a study of the exemption problem. Their study gives a synopsis of information developed that deals with major exemption problems, and in some cases, suggests several options that might be taken. Their broad policy statement favors few, if any, additional exemptions, and they feel that any exemption program should meet the following criteria: "any exemption granted should be either for public property or for sufficient public good to justify a transfer of burden to the balance of the community." They recognize that the credibility of property tax has been questioned continually and with increasing intensity these past few years, and that many taxpayers feel that they are paying more than their fair share.

Again, I think the matter of senior citizens exemptions merits consideration by the Older Alaskans Commission. If such a commission is established by the legislature I would appreciate it if you would approach them on this subject.

Sincerely,



Arliss Sturgulewski
Senator, District 10-E

STATE OF ALASKA

JAY S. HAMMOND, Governor

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

POUCH B
JUNEAU, ALASKA 99811

January 18, 1980

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

Dear Representative Parker:

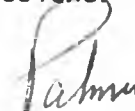
RE: OPTIONAL RESIDENTIAL EXEMPTIONS

The enclosed memo was submitted by this department to the Governor's Office in response to a request for information regarding increase of the optional \$10,000 exemption which is the same topic as that addressed in House Bill 314.

I hope this information will assist your committee in its deliberation on this bill.

Sincerely,

Lee McAnerney
Commissioner


By: Palmer McCarter
Director

Enclosure

cc: Keith Specking, Legislative Assistant
Office of the Governor

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

Don Argetsinger
Administrative Assistant
Office of the Governor

December 24, 1979

Lee McAnerney
Commissioner

Optional Residential Exemptions

By: Terry L. Earley
State Assessor

AS 29.53.025 "Optional exemptions and exclusions. (a) municipalities may exclude or exempt or partially exempt residential property from taxation by ordinance ratified by the voters at a regular or special election. An exclusion or exemption authorized by this section may not exceed \$10,000 for any one residence."

The second sentence was added by the Legislature in 1973 and took effect January 1, 1974. Prior to that time there was no limit.

Currently there are four municipalities who have opted for this exemption. They are the North Slope Borough, Kenai Peninsula Borough, Fairbanks North Star Borough, and the City of Valdez.

It is very apparent that only those municipalities with relatively high natural resource wealth have opted for this exemption. It seems a reasonable assumption that if the \$10,000 limit were raised that only the above mentioned municipalities would take advantage of it.

The following paragraphs outline the expected effect if the \$10,000 limit were increased.

The North Slope Borough would implement the exemption to the maximum extent possible as soon as possible. Due to the limits on taxation placed by AS 29.53.045 and AS 29.53.050 the additional exemptions would result in no loss in revenue to the borough. The limitation option currently selected by the North Slope Borough allows them to levy taxes on a value of \$966,973,585 (225%; times an average per capita value statewide of 53,354; times a population of 8055). Under the current procedures this value consists of 5.7% locally assessed property and 94.25% state assessed oil and gas property. If the Optional Residential Exemption limit were raised the allowable value would remain the same. The percentage of locally assessed would decrease and the state assessed would increase. For every one thousand dollars the limit was raised the net loss to the State General Fund would be \$15,320.

The Kenai Peninsula Borough would also opt for any increase allowable to the maximum extent allowed. There was an advisory vote on the question of raising the exemption to \$50,000 two years ago. The voters in Kenai indicated a strong desire to have the limit increased to \$50,000.

Don Argetsinger
December 24, 1979
Page Two

The anticipated fiscal effect in this case would be a direct reduction of operating revenues to all the municipalities in the Kenai Peninsula Borough. A probable result of that reduction would be a millage increase. This millage increase would partially negate the increase in exemption. A millage increase would be a direct tax increase to non-residential property. Over 60% of the value in Kenai is non-residential property and 21% is state assessed oil and gas property. Due to the fact that the state levies 20 mills minus the local levy the state would also lose revenue in the Kenai Peninsula Borough. For every one mill increase State General Fund revenue would be decreased by \$44,462.

The Fairbanks North Star Borough would probably not opt for an increase in the residential exemption at this time.

The City of Valdez would implement the exemption to the fullest extent possible. Valdez is in nearly the same situation as North Slope. Implementation of an increased residential exemption would result in a revenue loss to the state of \$6,028 for every additional 1,000 dollars that the exemption limit is raised.

Combining the possible revenue losses in all of these municipalities results in approximately \$32,500 in total State General Fund revenue lost for every \$1,000 the limit is increased. That is by no means a large or significant impact. It does however, only benefit a very select group of municipalities and residents thereof.

It would seem to make more sense to grant property tax relief in a form that would benefit the population in general.

During the 1978 session there were two separate bills that addressed the residential exemption question.

House Bill No. 103, sponsored by Representative Randolph and currently referred to the House Finance Committee, seeks to increase the amount optionally exemptable to \$50,000.

House Bill No. 314, sponsored by Representative Malone and currently in the House Community and Regional Affairs Committee, seeks to optionally allow either the residential exemption up to \$50,000 or a personal property exemption up to \$10,000.

In order to make this type of tax relief available to the majority of the residents of the state it would be necessary to attach a reimbursement (by the state) to the municipalities which neither of the above mentioned bills does. This would be the only way the majority of municipalities could afford this exemption. Although relatively expensive this would be one method of property tax relief that would benefit nearly all the residents of the state.

Don Argetsinger
December 24, 1979
Page Three

The most progressive form of property tax relief is an approach called a "circuit breaker". This type of reform prevents property taxes from becoming disproportionate to a person's income.

I have attached some comments prepared by this office concerning the proposed \$50,000 limit and a copy of a paper entitled "An Examination of Property Tax Exemptions", that was prepared at the request of the House Community and Regional Affairs Committee.

TLE:edo

Attachments

ESTIMATED REVENUE LOSSES BY MUNICIPALITY

FOR \$50,000 RESIDENTIAL EXEMPTION

	<u>NUMBER OF PARCELS</u>	<u>TOTAL EXEMPT VALUE</u>	<u>AVERAGE RATE (MILLS)</u>	<u>ESTIMATED REVENUE LOSS</u>
ANCHORAGE	62,054 x 50,000	3,125,200,000	13.79	43,096,508
FAIRBANKS	31,800 x 50,000	1,590,000,000	15.68	24,931,200
HAINES	1,653 x 50,000	82,650,000	8.20	677,730
JUNEAU	8,127 x 50,000	406,350,000	12.38	5,030,613
KENAI	34,408 x 50,000	1,720,400,000	11.90	20,472,760
KETCHIKAN	5,447 x 50,000	272,350,000	16.00	4,357,600
KODIAK	4,311 x 50,000	215,550,000	12.18	2,625,399
MATANUSKA-SUSITNA	40,300 x 50,000	2,015,500,000	9.40	24,548,790
NORTH SLOPE	2,000 x 50,000	100,000,000	7.66	766,000
BRISTOL BAY	1,600 x 50,000	80,000,000	10.50	840,000
CITIES	5,200 x 50,000	260,000,000	14.50	3,770,000

TOTAL REVENUE LOSS \$131,489,000

STATEWIDE COST PER \$1,000 OF EXEMPTION \$2,629,780

C&RA

BILL WORK SHEET

BILL NO. HB 314 re Optional Property Tax Exemptions

Received from _____
Referred to _____

Original Sponsor Malone
Fiscal Note : 3/16/79

LAA Legal Research Contact Chenoweth

CONTACTS:

Malone
J. Corley (get info - additional background material)
Municipal League

STATE OF ALASKA

Int Department Route Slip

TO:

MAIL STATION NUMBER 3100

DEPARTMENT _____

ATTENTION House C+RA Committee

- | | |
|--|--|
| <input type="checkbox"/> Approval | <input type="checkbox"/> Note & Return |
| <input type="checkbox"/> Signature | <input type="checkbox"/> Initial & Return |
| <input type="checkbox"/> Comment | <input type="checkbox"/> Return As Requested |
| <input type="checkbox"/> Contact Me | <input type="checkbox"/> Return For Approval |
| <input type="checkbox"/> Prepare Reply | <input type="checkbox"/> Necessary Action |
| <input type="checkbox"/> For Your File | <input type="checkbox"/> Your Information |

Remarks:

FROM:

MAIL STATION NUMBER 2100

DEPARTMENT C+RA

BY Hyman W. Kim

DATE 3/21

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill 314
Title Relating to optional property tax exemptions
Requested by Representative Malone Date _____

II. FISCAL DETAIL

Agency Affected N/A
Program Category Affected N/A
Budget Request Unit(s) Affected N/A

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES		0				
200 TRAVEL		0				
300 CONTRACTUAL		0				
400 COMMODITIES		0				
500 EQUIPMENT		0				
600 LAND & STRUCTURES		0				
700 GRANTS, CLAIMS, ETC.		0				
TOTAL		0				

FUNDING (Thousands of Dollars)

GENERAL FUND		0				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		0				
PART TIME						
TEMPORARY						

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

This bill allows municipalities the option to either, 1) allow a \$50,000 residential property exemption (current statute allows \$10,000 residential property exemption) or, 2) allow a \$10,000 personal property exemption. Currently, AS 29.53.025(d) permits municipalities now exempting personal property to continue to do so, this bill will not affect this option.

The fiscal note for HB 103 (HB 103 increases the \$10,000 residential property exemption to \$50,000) estimates a loss of \$850,000 in state oil and gas tax revenues.

Due to the municipal options available in this bill, a meaningful estimate of the reduction in state oil and gas tax revenues cannot be provided.

(Continued on following page)

IV. DATE March 16, 1979 PREPARED BY Terry L. Farley, State Assessor
AGENCY Department of Community & Regional Affairs
PHONE 465-4730
Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

Analysis (Continued from previous page)

However, state oil and gas revenues could be reduced in two ways. The first revenue reduction would be in those municipalities currently limited by statutory property tax limits due to local oil and gas tax revenues. If, due to the exemptions contained in this bill, these municipalities choose to reduce local tax revenues, the same municipalities could increase local oil and gas revenues in proportion to the local decrease. This has the effect of reducing state oil and gas revenue.

The second revenue reduction would come from municipalities that choose to increase local mill rates to offset revenue losses generated by the optional exemptions allowed by this bill. Should the local tax base include oil and gas tax revenues, the effect would be to increase the local share, and to decrease the state share, of oil and gas tax revenues.



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C&RA hearing on HB 314

Hugh Malone,
bill sponsor

Mr. Malone was questioned as to the amount of tax base in the Kenai borough related to the oil industry. He stated that approx. 50% was not oil related. He added that the statewide property tax extends to oil, exploration and transportation but does not extend to refining. The bill would not affect the amount of revenue the state receives.

Charlie Parr

Mr. Parr wanted to know how much of the 1.8 billion tax base (Kenai borough, referred to information supplied by Malone's office) is affected by 20 mill statewide property tax.

Arness
assessor(?) for
Kenai Borough

400 million is affected by 20 mill property tax.

Malone

If the present tax exemption (\$50,000 proposed in 314) were applied, Malone said there would probably be a loss of revenue of one-half million dollars. He added that an increase in the millage rate would make it a 20-25% loss.

Branson

Mrs. Branson noted some would not pay property tax at all.

Malone

Mr. Malone stated the exemption could be extended to all real and personal property; "A soak the rich approach, but that's basically what all property tax does."

Parr

Mr. Parr wondered where the initial \$10,000 exemption came from. He said that property values have gone up tremendously (since the exemption first went into effect) and could see the justification for wanting to raise it, but questioned the \$50,000 figure.



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Branson

Mrs. Branson wanted to know if it wouldn't make more sense to lower the assessment of property.

Malone

Malone said no, that that action would affect the millage rate. He added that the original aim of the bill was to provide a degree of tax relief on residential property, and that there was merit in having the assessor appraise the property at market value.

Malone said he agreed that (314) wasn't a comprehensive reform of the property tax system, in that it didn't get at the basic question of equity across the state. He said it was designed to provide a little break for people. "To be plain, I don't think comprehensive legislation will pass this session. (314) doesn't make a bad situation that much better, but it does make it a little better. That's as much as I can say about the bill."

O'Connell

Mr. O'Connell asked what the rationale was for not enlarging the range of the bill, extending beyond residential property.

Malone

Mr. Malone didn't have objections of the extension, but he didn't plan to add to the 1973 law change.

Parr

Mr. Parr requested an estimate of the increase in assessed valuation statewide since the \$10,000 limit was put in statewide.

Metcalfe

Mr. Metcalfe also wanted C&RA to find what affect the legislation would have on owners of \$50,000, 100,000 and \$150,000 homes.



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HB 314

Total property tax base of Kenai borough	\$1,842,000,000
No. of persons requesting \$10,000 exemption	3,360
Revenue lost	\$84,000
Projected revenue lost /\$50,000 exemption	\$420,000

Don Argetsinger
Administrative Assistant
Office of the Governor

January 25, 1980

Lee McAnerney
Commissioner

Optional Residential
Exemptions

By: Terry L. Earley
State Assessor

Reference is made to the memorandum to you dated December 24, regarding a \$50,000 optional residential exemption. It has come to my attention that there was a mistake made in the statewide cost of such a program.

On the last page of that memorandum, under line item "Total Revenue Loss", there should have been a deduction for non-residential properties. If this deduction had been correctly made, the final analysis of "Statewide Cost Per \$1,000 of Exemption" would have been 1,627.5. This figure coincides with the one used in preparing the fiscal analysis for S.B. 96, (mandatory \$25,000 residential exemption with state reimbursement).

I am sorry for any inconvenience this oversight on our part may have caused you.

CC: Representative, William Parker ✓
CC: Palmer McCarter, Director