

PROPERTY
TAX ASSESSMENT
STUDY



Official Business

Alaska State Legislature

House of Representatives

Committee on

Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811

May 1, 1979

Lee McAnerney
Commissioner
Community & Regional Affairs
Pouch B
Juneau, Alaska 99811

Dear Lee,

I was pleased to learn that the Department of Community and Regional Affairs, through the Office of the State Assessor, is preparing to do a study of 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.

I concur that this study would indeed be a worthwhile endeavor and that the current "piece-meal" approach of providing property tax relief to certain groups of taxpayers needs revision.

As this study will presumably result in legislation which would be reviewed by the Community and Regional Affairs Committee, I would appreciate being informed of its progress. Please send any pertinent information to the following addresses.

Rep. Bill Parker
200 Denali
Anchorage, Ak. 99801

Marjorie Gorsuch
411 Coleman
Juneau, Ak. 99801

Yours truly,

Bill Parker
Chairman

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

POUCH B
JUNEAU, ALASKA 99811

April 16, 1979

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

Dear Mr. Chairman:

RE: PROPERTY TAX ADMINISTRATION

The enclosed article was published in the April/May edition of the "Assessment Digest" and is one of the better dissertations on need for property tax reform and some current thinking on alternate approaches.

Realizing that you and your committee are very busy at this time, these are being transmitted for your review at your convenience. It does, however, appear certain that tax reform measures will continue to be one of the major issues of concern in future sessions of the legislature.

This article, which is relatively well written, points out some basic ideas and may be helpful as these items are discussed and legislative action is proposed.

Sincerely,

Lee McAnerney
Commissioner

By: 
Palmer McCarter
Director

Enclosure

The Only Alternative to the Property Tax—A Better Property Tax

Walter Rybeck

In one sense there is no alternative to the property tax. It is unique. It performs good and necessary functions that no other tax duplicates.

Yet none of us would claim that the property tax in its present form is a model of perfection. In that sense, the best alternative to the property tax is a better property tax.

There are no practical or logical reasons that we cannot attain that better property tax. Perhaps the chief obstacles are the mental images that stand in the way of understanding. How these images hold us captive was nicely explained by Don Marquis, the light-hearted philosopher. In what he modestly dubbed "The Almost Perfect State," Marquis wrote:

Personally, I was never able to see the remotest resemblance to anything like a human face in the moon. But when I was a child I was told that there was a face in the moon; presently, I thought I *should* see it, and began to say I saw it. And all my life I have gone on lying about it—talking and even writing about the Man in the Moon.¹

The myths surrounding the property tax are more formidable than how the moon appears to earthlings. But if Marquis, back in the 1920s and long before moon landings could discern that there was no face on the moon, and could further conclude that the moon was not made of green cheese, we should not now despair about the public's ability to sift through the

bizarre notions that momentarily obscure a clear vision of property tax issues.

Whatever the power of false images, in this year of the "Great Tax Revolt" it could be perilous to fail to stand up to those who seek to maim or abolish the property tax. For if they succeed, it would be a calamity of the first magnitude, depriving us of a tax that can be one of our keys to an independent and prosperous future.

Howard Jarvis made himself a legitimate target when he designed the amendment that erodes the California property tax and sets back assessment administration in that state by light years. We can aim our retaliatory barbs at him in the spirit of the spearthrower who said, as he took aim at his foe, "This should put some iron in his blood." Of course, Jarvis is far from the only villain in the act. In passing out responsibility, we should not overlook the long parade of economists who have gained the spotlight by kicking the property tax.² Nor should we forget all the politicians who have won acclaim by taking cheap shots at property taxes and assessments.³ How long has it been since you heard public finance specialists or local politicians stand up in public to say anything favorable about the property tax?

No wonder, after continuously hearing property taxes badmouthed

by their leaders, citizens consistently list the property tax as their least popular tax. And no wonder they will follow a Jarvis, or his clones, that are cropping up elsewhere, giving up their birthright in good property taxation for a mess of tax relief potage.

It cannot be emphasized too much that the property tax is one of the best taxes in our fiscal kit of tools. Property values grow as the community grows, providing a kind of natural income for it. Tapping a local source of revenue, the property tax can prevent communities from becoming too dependent on distant, centralized governments. The property tax alone enables the city or county to recoup values which they create through public works and services. And the tax is one of the few that citizens can readily speed up or slow down to exercise control over their officials.

Prevalent Myths about the Property Tax

To restore this tax to the reputation it deserves requires weeding out its counterproductive features. The most notorious of these features, in my view, is the taxation of improvements.

A look at some of the false images surrounding the property tax may suggest why the untaxing of housing and other buildings should take high

priority in the battle to save the property tax.

FABLE NUMBER 1. A site value tax would be a new tax. Far from being a new tax, we already have the site value or land value tax. We have always had it. Are there any assessors who are not assessing land or any jurisdictions that are not taxing it? We do not base the tax on land exclusively, but we certainly tax land.

A pure site value tax is what remains when improvements are excluded from the tax. Such an exclusion would not be novel. In the United States, the property tax started out mostly as a land tax. Then we went through a long period of adding a wide array of things to produce an all-encompassing general property tax. More recently, as John B. Rackham has pointed out, there has been a trend to get back to basics. Among the items that many states have discarded—because of their negative impacts or the difficulty in their enforcement—have been business inventories and personal property. Clearly, after these facets of the tax had outlived their usefulness and had been eliminated, the property tax that remained was not viewed as some strange, unfamiliar creature. The site value tax has always been an integral part—and in the opinion of many, the best part—of the property tax. All the good things that may be said about the site value tax, therefore, refer at least in some degree to the property tax that is now under siege.

FABLE NUMBER 2. The property tax is inelastic. According to this old saw, property tax receipts fail to keep pace with economic expansion and growth of incomes. The public finance experts who used to repeat this alleged weakness were remarkably silent when Californians and others began protesting that the property tax was too elastic. These experts claimed that the tax had reached its upper limits by World War II. If so, it has certainly been reborn as a revenue producer. From 1920 through 1945, property tax collections nationwide ranged from four to five billion dollars a year. By 1955 they rose to \$11 billion. By 1970 to \$30 billion. And now to \$65 billion. So much for inelasticity.

FABLE NUMBER 3. The property tax is regressive. Strong evidence to the contrary has been developed by Mason

Gaffney, Henry Aaron, and others.⁴ Where faulty assessment procedures favor wealthy property holders, the tax may weigh more heavily on the poor. But a tax system cannot be fairly condemned because its rules are disregarded in particular instances. The warranty for the evenhandedness of the tax assumes normal care and handling.

However, the regressive theory wins adherents to the extent taxes on rental homes and apartments are passed on to low-income tenants. Untaxing these buildings would make the property tax decidedly more progressive. And because valuable lands are highly concentrated in the hands of the rich, a site value tax would offer substantial relief to middle-income and lower-income families.

FABLE NUMBER 4. The property tax is confiscatory. Jarvis revived this myth during the Proposition 13 campaign. He urged citizens to save themselves from the oppressive taxation of Latin America's "dictator countries" and from what he called the "English disease." On this point, Jarvis scores high on inventiveness.

As Gaffney remarked, poor South American nations have had Proposition 13 for most of their history.⁵ When I worked in Ecuador, property was barely taxed at all. Ecuadorians had a saying, "We're a rich land but a poor people." While this was mostly true, some of the people—those in the small landholding class that held rural and urban areas in their grip—were fabulously wealthy. One would have to be exceedingly naive to suppose that this ruling class shielded the property they owned from taxation out of concern for the impoverished masses. England's landed gentry, too, have managed fairly well to shelter property from taxation; it is the incomes of England's working people that are being taxed to the bone.

One of the virtues of the property tax which emerges from the pages of our history is that it can be a brake against the confiscation of land by the few from the many. The contrast between socioeconomic conditions in the nations settled by the British, which relied almost exclusively on the property tax for local revenues, and the nations settled by the Portuguese and Spanish, which did not, speaks eloquently to this point.

Until a century ago, virtually all local government revenue and the bulk of state funds in the United States were derived from property taxes; federal taxes, except for tariffs, were minute. This era when the property tax reigned supreme coincided with the nation's most dynamic growth. Upward mobility was at a maximum. The very idea of a poverty class seemed unAmerican. The property tax, far from being considered confiscatory, was widely accepted as a necessary element of a just economy.

FABLE NUMBER 5. The property tax is inflationary. This is half fable, half truth. The tax on buildings is inflationary, the tax on land is not. When both are linked together, their opposing impacts somewhat cancel each other out. This helps explain why the substantial property tax cut in California did not bring tenants the instant rent reductions Jarvis promised. Because Jarvis was a long-time lobbyist for apartment owners, some suspect his promise was simply a cynical ploy to win votes. It is conceivable, nevertheless, that Jarvis was really confused, along with the typical American, thanks to the failure of most economists to spell out how taxes on land and on buildings behave differently.

It is a common experience to watch taxes force prices up. We see this tax inflation at the gasoline pump, or at checkout counters where sales taxes are added to the cost of purchases. Taxes on houses and commercial structures follow this pattern. The higher the taxes, the higher the total prices.

Taxes on land, however, do not work this way. Mysterious or contrary to intuition as it may appear, the higher the tax on land, the lower its price falls, as real estate brokers know from practical experience. Because of this, I predicted that Proposition 13 may have an inflationary impact on land prices:

Of (California's) \$7 billion tax cut, at least 40 percent, or \$2.8 billion, represents land values. This is likely to be capitalized in increased land prices, adding \$45 billion or more on top of already staggeringly high land prices.⁶

How this capitalization effect occurs is illustrated by the following specific example.

You bought a piece of land in 1975 for \$150,000; annual property taxes were \$4,200. Under Proposition 13, the tax is cut to \$1,500. This annual tax savings of \$2,700 makes the land more attractive by the amount one would have to put in the bank to reap \$2,700 a year. At 6 percent interest, this would be \$45,000. Thus, the \$150,000 property now sells for \$195,000, a 30 percent increase.

I hope I am wrong about this prediction of escalating land prices in California. Since my example deals exclusively with a case of bare land, the effect may be mitigated somewhat by the reduction in taxes on buildings.⁷ But what land economics teaches in general is this: high taxes on buildings and low taxes on land create a double-barreled inflationary effect. The maximum anti-inflationary effects can be realized by reducing or eliminating the taxes on buildings and shifting them to land values.

FABLE NUMBER 6. Property taxes don't make much difference. Tell it to Governor Brown and the legislators in Sacramento who disregarded citizen pleas for relief. Tell it to cities like Boston where little private commercial building occurs unless developers first win property tax abatements for twenty years or more. Tell it to communities that lure commerce and industry with property tax reductions. Tell it to the Minneapolis-St. Paul region where, to halt tax warfare among neighboring jurisdictions, a tax-base sharing system was instituted.

Tell it to all the people sitting on land ripe for development who find it more profitable to hold their parcels out of use. From their perspective, a land tax is a holding cost. If this cost is low relative to the annual increase in value of the site (actual or anticipated), owners sit patiently while gains accrue without any effort on their part. These decisions to withhold land from use are reinforced by the knowledge that any buildings they construct on the site will immediately bring forth higher taxes.

The fairy tale that property taxes make little difference to land speculation, blight, urban sprawl, housing supply, and business locations has been peddled by many academics. This is puzzling until you realize that those who state this viewpoint have neglected to differentiate between land taxes and improvement taxes. Both taxes are very potent. But they

pull in opposite directions, like two locomotives on either end of a train, one chugging north and the other chugging south. An observer looking only at the way the freight cars jerk back and forth might falsely conclude the locomotives were weak.

Jarvis recognized that the property tax did make a difference. Focusing exclusively on the building tax locomotive, he struck paydirt with voice by reminding them how the tax, in effect, punished property owners who built or remodeled, even though these activities put people to work and improved city neighborhoods. The quarrel with Jarvis on this point is that he tarred and feathered the whole property tax, not just the building tax that has been causing so much individual and social pain.

Cartoonist Herblock recently pictured a renovated home and a homeowner proudly telling the wife and kids, "we had to break the piggy bank to do it, but we finally got the old house fixed up." An assessor is shown slinking around the side of the house, toting up its higher taxable value. What bothered me was the implication that the assessor was the villain. He merely carries out the laws mandating that improvements be included in the property tax base. The laws, not the assessors, impose this disincentive to housing construction and maintenance. Homeowners and other citizens who tolerate such laws are not without blame. If citizens dislike the laws, they may look to Pennsylvania and the District of Columbia for examples of enabling laws that permit taxes on improvements to be reduced or eliminated. Australia and New Zealand have undertaken wholesale abandonment of property taxes on buildings, and with good results.

FABLE NUMBER 7. Site value reform must await assessment reform. I confess that for years I have often gone along with this view. But it proved to be a soap bubble punctured by Proposition 13. California has been among the nation's leaders in the drive to achieve accurate, uniform, frequent assessments, yet that is where the ax fell. Was this coincidental? Apparently, the full and timely reassessments during a highly inflationary period exaggerated the defects of the property tax, making it more onerous and contributing to the

taxpayer revolt. Political leaders welcomed assessment reforms and the greater revenues they produced. When taxpayers complained about escalating burdens, politicians blamed assessments, conveniently forgetting to mention that they alone had the power to raise—and lower—property tax rates.

Let me stress that my support of reforms to make assessments as uniform and fair as humanly possible is in no way diminished.¹⁰ But these reforms should be undertaken in tandem with the move to rid the tax of its punitive impact on those who build and maintain our communities. A clock seems to be running out on the public's tolerance of the property tax in its present state. We no longer have the luxury of dealing with its problems one at a time.

FABLE NUMBER 8. The property tax is the most burdensome tax. This myth is so much at odds with the facts that many commentators concluded that Proposition 13 supporters simply clobbered property taxes to register their displeasure with all taxes. The polls do not entirely support this view; they reveal tremendous anti-property tax sentiment. Perhaps tax administrators unwittingly perpetuate this sentiment by their inattention to a small but critical detail—the method of payment.

Why not take a cue from the income tax fraternity? They collect taxes, seemingly painlessly, via paychecks. They often take out too much, using interest-free money that does not belong to them until accounts are settled each year. Instead of resenting these excess payments, most taxpayers look at the refunds as windfalls. They are so grateful they tell friends how many hundreds they get back, hardly noticing how many thousands they paid in.

In contrast, the annual lump sum payment of property taxes hits many homeowners like a ton of bricks. The cash flow problem is avoided when mortgage lenders require property taxes to be paid in advance in monthly installments, along with capital, interest, and insurance. For owners who lack this mechanism, why not devise property tax payroll deduction plans for people on wages and salaries? And for retirees and others who do not receive regular payroll checks, why not

devise automatic monthly payment plans through checking accounts, of the sort that many insurance firms utilize?

Officials who resolve this seemingly minor payments problem are likely to become heroes to their constituents. No doubt they will be widely copied, and they will do much to strengthen property tax support in the future.

Suggestions and Conclusion

If there is a move to modernize the property tax, leaving it as a tax on land values alone, some have suggested that the tax rate on land values be progressive. Jefferson, according to a letter written in 1795,¹¹ favored such an approach. Among nations that have levied land taxes at increasingly high rates as parcels become larger or more valuable are Australia, Brazil, Egypt, and Poland. Taiwan offers an interesting current example.

Taiwan levies a flat 1 percent land tax on small plots of urban land occupied by owners. It levies a flat 1.5 percent land tax on sites in industrial use. But it levies a progressive land tax ranging from 2 to 7 percent on large, valuable holdings. According to Shih-ko Shen, director of Taiwan's Land Bureau, this strategy prevents land speculation and facilitates land acquisition by actual users.¹² There is reason to believe that Taiwan's landlords, after seeing landlords literally wiped out by Communists on the Chinese mainland, accepted this remarkable system as their ticket to survival.

My preference is for a neutral property tax. It is now biased in the United States against land use in favor of land holding. This could be corrected by removing the tax on improvements, requiring land users to pay no more than their adjacent land bankers. I would rather see how this kind of neutral tax functions before adding a special stinger through a progressive tax rate. Yet one can imagine circumstances—for example, where landlordism of an almost feudal nature had taken hold—in which a progressive land tax might be considered necessary.

Let me conclude by stressing again that the property tax is one of the best taxes. The tax on buildings, however, strikes me as one of the least desirable

taxes—a weakness that detracts from our property tax. Removing this building tax will help defuse the taxpayer revolt by combining relief with tax equity. It will do this without strangling local government finances; on the contrary, taxing site values should strengthen the local tax base. It will encourage more compact land use which is no small matter in an era of energy shortages.¹³ And it will help suppress the inflation that has become one of our most critical domestic problems.

In sum, it makes sense to appreciate and hold fast to what is best in the property tax.

The views expressed are the author's and do not necessarily reflect those of the organization with which he is associated.

1. Don Marquis, *The Almost Perfect State*, (New York: Doubleday, Page & Co., 1927).

2. Some of the current generation of economists present far more balanced views of the property tax, including its merits. Notable among them are Mason Gaffney, C. Lowell Harriss, Arthur P. Becker, Dick Netzer, Donald C. Shoup, Gene Wunderlich, John Shannon, and L. L. Ecker-Racz.

3. Exceptions to this rule appear to be so rare that it might be worthwhile for IAAO to search out state and local public officials who have the integrity to speak forthrightly about property taxes, and then to give appropriate awards to such individuals.

4. Henry J. Aaron, *Who Pays the Property Tax: A New View* (Washington, D.C.: Brookings Institution, 1975); Mason Gaffney, "The Property Tax Is a Progressive Tax," *Proceedings*, National Tax Association, 1971.

5. Mason Gaffney, "Tax Limitation: Proposition 13 and Its Alternatives," mimeographed, remarks to Center for the Study of Democratic Institutions, August, 1978.

6. Rybeck, "Urban Sounding Board," *Nation's Cities*, vol. 16, no. 8, August 1978.

7. Inflationary impacts are far too complex to treat in detail in this summary. For an example of this complexity, the lower taxation of buildings tend to contribute to higher land values at the same time that it reduces building prices.

8. *Washington Post*, May 24, 1978.

9. R. W. Archer, *Site Value Taxation in Central Business District Redevelopment, Sydney, Australia* (Washington, D.C.: Urban Land Institute, 1972); Roland O'Regan, *Rating in New Zealand* (Wainuiomata, New Zealand: Baranduin Publishers, Ltd., 1973). Both of these publications are unusually evenhanded, indicating problems as well as advantages of site value taxation.

10. IAAO's major new work on adminis-

trative streamlining. *Improving Real Property Assessment: A Reference Manual*, was published in November 1978. The author was privileged to participate in the preparation of this comprehensive and current guidebook.

11. Letter to James Madison, quoted by Aaron M. Sakolski, *Land Tenure and Land Taxation in America* (New York: Robert Schalkenbach Foundation, 1957), p. 62.

12. Archibald M. Woodruff, James R. Brown, and Sein Lin, eds., *International Seminar on Land Taxation, Land Tenure, and Land Reform in Developing Countries* (West Hartford, Conn.: John C. Lincoln Foundation, 1966), pp. 304-348.

13. Some land use implications of site value taxation are discussed in Rybeck, "Can the Property Tax Be Made to Work for Rather Than Against Urban Development?" in *Property Tax Reform* (Chicago: International Association of Assessing Officers, 1973).

Walter Rybeck is Special Assistant to the Chairman, Committee on Banking, Finance, and Urban Affairs, U.S. House of Representatives.

LAW

Supreme Court Decision Exposes Assessors to Potential Liability

On January 15, 1979 the United States Supreme Court entered a brief order which may have the profound effect of exposing local and state property tax officials, for the first time, to personal liability in certain narrowly defined situations. The Supreme Court exercised its discretion not to hear an appeal of *Cullerton v. Fulton Market Cold Storage Co.*, No. 78-748, letting stand the decision of the lower Court of Appeals for the Seventh Circuit, No. 77-2133, August 7, 1978.

Fulton Market claimed that, from 1958 to 1973, its property in Cook County, Illinois had systematically and intentionally been assessed at levels of up to two and one half times that at which property was generally assessed in the county in those years. In 1974, Fulton Market filed suit in the United States District Court for the Northern District of Illinois against the two Cook County assessors in

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.



THE AMERICAN LEGION

DEPARTMENT OF ALASKA

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JUNEAU, ALASKA 99802

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Department Adjutant - Service Officer
Box 250, Juneau, Alaska 99802

March 5, 1979

Representative Joseph H. McKinnon
Alaska House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Representative McKinnon:

I thank you for the opportunity to comment on House Bill No. 223. As you may recall, I had the opportunity to testify at a hearing on substantially the same bill of the Community & Regional Affairs Committee two years ago.

The proposed amendments to AS 29.53.020 were discussed and the gross income limitation and eligibility (40% service-connected disability) were adjudged fair.

The American Legion, Department of Alaska, has had many opportunities to discuss the proposed amendments. We wholeheartedly endorse the concept of exempting from taxation the real property owned and occupied by a disabled veteran.

As stated above, the conditions for exemption are reasonable and just.

Please accept this statement as giving full support to House Bill No. 223. If further testimony is desired, I will be more than happy to appear before the committee seeking information.

Sincerely,

WILLIAM C. KELM
Department Adjutant

cc: Department Officers

February 20, 1979

: Bill

Representative Joyce Munson
Pouch V
Juneau, Alaska 99811

Dear Joyce,

I received a number of bills from Juneau recently and noted that you are a co-sponsor on HB 223. I want to suggest a slight change. I would like to see the addition of (unremarried widow of the disabled veteran) without the inclusion of the adjusted gross income of (less than \$20,000).

It could also read (unremarried widow and/or the principal abode of the children of the disabled veteran).

I approve the 40% disability clause vs the Senate Bill 154 which reads 50% disability of the disabled veteran.

I have rewritten sections of HB 223 so you can see what I mean.

HB 223 An Act providing for exemption of disabled veterans (or unremarried widows who maintain the principal abode of the children of the disabled veteran) from payment of real property taxes;

(e) The real property owned and occupied as a permanent place of abode by a resident 65 years of age or over or by a disabled veteran (or unremarried widow who maintains the principal abode of the children of the disabled veteran) without regard to his age is exempt from taxation of the assessed value of the real property.

I am assuming that the bill has been written in order to provide relief to a disabled veteran and his dependents or minor children. I contend that if the veteran dies, that it is even more important to provide a home for the children of the veteran because of the stress encountered upon the absence of the (probably) major wage-earner. Therefore I feel that widows and minor children should be included.

I don't believe this addition is going to cost very much because, lets face it, how many unremarried widows with minor children of a disabled veteran do we have maintaining a home in Alaska?

Good luck in Juneau.

Cheers!!

Luis Pillizant

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill No. 223
 Title Provides for exemption from property taxes for disabled Veterans
 Requested by Rep. McKinnon, Buchholdt, Meekins & Munson Date _____

II. FISCAL DETAIL

Agency Affected Department of Community and Regional Affairs
 Program Category Affected Grants
 Budget Request Unit(s) Affected Senior Citizen Homeowners - 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		.5				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		279.0				
TOTAL		279.5				

FUNDING (Thousands of Dollars)

GENERAL FUND		279.5				
FEDERAL FUNDS		0				
OTHER (Specify)		0				

POSITIONS

FULL TIME		0				
PART TIME		0				
TEMPORARY		0				

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

According to the Federal veteran's Administration, there are approximately 706 disabled veterans receiving compensation for 40% or greater disability. Assuming about 25% rent their homes, 530 may be presumed eligible. Assuming that another 30 would be ineligible for either exceeding the income limit or being 65 years of age and already exempt leaves approximately 500 eligible veterans.

500 (veterans) times \$558 (average senior citizen tax savings) = \$279,000.

IV. DATE 3-6-79 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)

REVISED 3-6-79

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)

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)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
GENERAL FUND		311.3				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
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
 Original: Legislative Finance PHONE 465-4730
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 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 680 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
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THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. House Bill 223 PROPOSED SUBSTITUTE
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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)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
GENERAL FUND		317.0				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
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

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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)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
GENERAL FUND		407.9				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
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 unmarried 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

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