

S

B

204

**COMMITTEE REPORT**  
**SENATE**

3/24/83

FURTHER: Finance

Date: \_\_\_\_\_

Mr. President:

The Committee on C & RA has had SB 204

Limiting the exemption from taxation for an abode of a resident 65 years of age or older to \$50,000 of the assessed value; and eff. date.

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for \_\_\_\_\_  same title  
 new title
- and recommends \_\_\_\_\_
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

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\_\_\_\_\_  
CHAIRMAN

ENCLOSURES FOR SENATE BILL 204

1. Position Paper from the Older Alaskans Commission
2. Letter from the Older Alaskans Commission opposing Senate Bill 204
3. Fiscal Note from the Department of Administration
4. Position Paper and Fiscal Note from the Department of Community and Regional Affairs.
5. Press Release from Senator Faiks
6. Senior Citizens Tax Relief Budget Summary - FY 84
7. Senior Citizens Tax Relief Budget Summary - FY 85

SENATE BILL 204.

"Limiting property tax exemption for senior citizens". Faiks.

Limits property tax exemption for senior citizens to  
\$150,000.

ALASKA STATE LEGISLATURE

13th Legislature FIRST Session

SENATE BILL NO. 204

By FALLS

"An Act limiting the exemption from taxation for an abode of a resident 65 years of age or older to \$150,000 of the assessed value; and providing for an effective date."

Introduced in the Senate 3/24, 1983

HISTORY IN THE SENATE

1983

3 24

Read first time and referred to Committee on

C&RA and Finance

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed  
Signed by President  
Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed  
Signed by Speaker  
Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Received from House

To enrolling

Reported correctly enrolled

Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No. ....



## KENAI PENINSULA BOROUGH

BOX 850 • SOLDOTNA, ALASKA 99669  
PHONE 262-4441

FEB 13 1984

STAN THOMPSON  
MAYOR

February 7, 1984

The Honorable Frank Ferguson  
State Capitol  
Pouch V (M.S. 3100)  
Juneau, AK 99811

Dear Senator Ferguson:

SENATE BILL 204, PROPERTY TAX EXEMPTION, WHICH  
WOULD CHANGE THE SENIOR CITIZEN'S PROPERTY TAX  
EXEMPTION PROGRAM TO PROVIDE THAT NO MORE THAN  
\$150,000 OF ASSESSED VALUES BE EXEMPT FROM TAXATION.

Please oppose this bill. It is not a bill that is wise at this time.

In our borough we have many homesteaders that have been on their land for some period of time. They like their property and they want to keep their property, but due to the fact of our oil industry, etc., our assessed values have gone up to where their land may be worth as much as \$2,000 to \$5,000 per acre. Many of them would like to stay on their homesteads. They gave a good deal of their life and hard work for it. They may only have a house that is of comparatively small value, but they like their property and they don't want to sell it; however, as they become senior citizens they would be forced to sell it under this bill. I don't think that we should be forcing people to dispose of their property. It seems that the senior citizen's tax exemption should be not a welfare measure, but a measure to show appreciation to the senior citizens that have lived here for some period of time. The tax exemption is one way that we can do so. Let's continue to exempt the property they live on, whether its a palatial home or a miserable shack on 160 acres, or whatever it may be.

Please oppose the property tax exemption change.

Thank you,

*Stan Thompson*  
Stan Thompson  
Kenai Peninsula Borough Mayor

ST:lc

## POSITION PAPER

### OLDER ALASKANS COMMISSION

Bill Number: SB 204

Date: April 5, 1983

Title: "An Act limiting the exemption from taxation for an abode of a resident 65 years of age or older to \$150,000 of the assessed value; and providing for an effective date."

The Older Alaskans Commission has a statutory mandate to make recommendations directly to the Governor and Legislature with respect to legislation. While the proposed act would pose no direct impact upon Commission programs, it would directly impact older Alaskans. According to information provided to the legislature by the Department of Community and Regional Affairs, 197 older Alaskans would have been affected in 1982 and the state would have gained \$99,236 in additional tax revenue.

Property assessment is not a valid method of determining need or one's ability to pay taxes. Few could argue against basing state programs upon need. To do so, one's ability to pay taxes should be based upon income not assets or property assessment.

The State of Alaska places a high value on maintaining the independence of older Alaskans. In addition, the state can realize an economic benefit from programs which contribute to independence including those like property tax exemption which enable older persons to remain in their own homes. Housing is one of the state's major problems. Older Alaskans have noted this in hearings conducted by the Commission throughout the state. Nearly 65 percent of elderly Alaskans own their own homes. The Older Alaskans Commission Comprehensive Statewide Plan Segment One report states,

"For many elders, the cost requirements associated with housing are causing them to make trade-offs between housing and such other basic needs as food and clothing. Nationally, over one-third of the average elder's income goes toward housing costs (rent/mortgage, maintenance and operation, and utilities). At the same time, the buying power of the relatively fixed income elders continues to shrink as rents, maintenance, fuel and other housing costs rise. Since 60 percent of the nation's elders reside in dwellings built prior to 1950 (U.S. Senate, 1980), many elders reside in structures which are more in need of maintenance and are less energy efficient than those of other age groups. For rural Alaskans, the cost of housing has an even more severe impact on income. The long months of cold weather coupled with extraordinarily high energy costs mean that for many 60 percent or more of income from October through April is devoted to meeting housing costs.

"It is not surprising then that housing issues ranked high among the priorities of each of the regional forums and community meetings."

The Older Alaskans Commission is opposed to the changes proposed for the current tax exemption program.

*Jon B. Wolfe* *4/5/83*  
Jon B. Wolfe                      Date  
Executive Director  
Older Alaskans Commission

*Lisa Rudd* *4/7/83*  
Lisa Rudd                              Date  
Commissioner  
Department of Administration

# STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

## DEPARTMENT OF ADMINISTRATION

### OLDER ALASKANS COMMISSION

POUCH C, M.S. 0209  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3250

February 7, 1984

Senator Frank Ferguson, Chairman  
Senate Community and Regional Affairs  
Committee  
Pouch V  
Juneau, Alaska 99811

Dear Senator Ferguson:

The Older Alaskans Commission opposes Senate Bill 204. This bill would limit the exemption from taxation to \$150,000 of the assessed value of a dwelling owned and occupied as a permanent place of abode by a resident 65 years or older.

While this bill would have no direct impact on Older Alaskans Commission programs, it would directly impact a number of older Alaskans who own their own homes. The Older Alaskans Commission is mandated to help senior citizens maintain independent lives. Under the current property tax exemption program, seniors are encouraged to live independently in their own homes without the financial burden of property taxes. We have no difficulty with attempts to limit the program. However we are concerned that persons may be forced out of their homes due to their inability to pay property taxes. Therefore, the method used to limit the program must be carefully considered.

Over the past decade, home and property values have increased at a rapid rate. Senior citizens who purchased homes ten or more years ago have seen the value of their property double or triple over the original purchase price. At the same time, the fixed incomes on which many senior citizens live have not kept pace with these increases in property values of the cost of living in general. Because of the disparity between property value and fixed incomes, property assessment alone is not a valid measure of a senior's ability to pay taxes.

The Older Alaskans Commission believes that taxes on property assessment in excess of \$150,000 could present a financial burden to seniors in Alaska which could threaten their independent living. For that reason, the Commission opposes SB 204 as written. If a limitation on property tax exemptions is desired, the Commission recommends net income and cost of living as determination factors.

Thank you for your consideration.

Sincerely,  
*Hazel Heath*

*Hazel Heath*  
Chair

STATE OF ALASKA  
FISCAL NOTE

Revision Date \_\_\_\_\_, 1983

I. REQUEST

Bill/Resolution No.: SB 204  
Title: "An Act limiting the exemption from  
Sponsor: FAKS taxation...  
Requestor: Senate C & RA 65 years."

II. FISCAL DETAIL

Agency Affected: Department of Administration  
Program Category Affected: Social/Economic  
BRU, Program of Subprogram(s) Affected: Assis  
Older Alaskans Commission tance  
for the Aged

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
<b>TOTAL OPERATING</b>	-0-	-0-	-0-	-0-	-0-	
<b>CAPITAL</b>						
<b>REVENUE</b>						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Jon B. Wolfe *Jon B. Wolfe* Phone: 465-3250  
Division: Older Alaskans Commission *1* Date: April 5, 1983  
Approved by Commissioner: *J.B.W.* Date: *4/7/83*  
Department: Administration

Distribution:

Original to Legislative Finance  
Copy to Office of Management and Budget (for Legislature introduced bills)  
Copy to Department (for Governor introduced bills)  
Copy to Sponsor  
Copy to Requestor (if different from Sponsor)

IV. ANALYSIS:

The Bill as proposed would have no fiscal impact upon the Older Alaskans Commission.

**DEPT. OF COMMUNITY & REGIONAL AFFAIRS**

OFFICE OF THE COMMISSIONER

POUCH B  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-4700

April 18, 1983

POSITION PAPER

RE: SB 204

SPONSOR: Senator Faiks

Program Effects of Bill

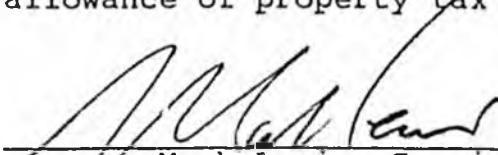
This Bill amends AS 29.53.020(e) by placing a limit on the exemption to \$150,000 of the assessed value of property of a resident 65 years of age or older. Only \$150,000 of the assessed value would be exempt from taxation, the resident would pay taxes on the remaining value.

Comments

The Department supports the concept of limiting the exemption, however, we believe any limitation should take into account the actual need of the Senior Citizen. Although property value does, in most cases reflect the wealth of the individual, we believe consideration of income would be a more appropriate measure of need.

Generally, the Department has a concern for the senior citizen whose property value has appreciated over the years and currently exceeds the \$150,000 limit. Said property value may be high, however, their income may be low, placing a hardship on the senior citizen.

We suggest some appropriate gross or net income figure be used as an additional criterion for the allowance of property tax exemptions for Seniors.

  
\_\_\_\_\_  
Mark Lewis, Commissioner

STATE OF ALASKA  
FISCAL NOTE

Revision Date \_\_\_\_\_, 1983

I. REQUEST

Bill/Resolution No.: SB 204  
 Title: Limiting Senior citizen exemption  
 Sponsor: Senator Jan Faiks  
 Requestor: Senate Community & Regional Affairs

II. FISCAL DETAIL

Agency Affected: Community & Regional Affairs  
 Program Category Affected: development  
 BRU, Program of Subprogram(s) Affected: State Assessor

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
<b>TOTAL OPERATING</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>CAPITAL</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>REVENUE</b>	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						
	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						
	-0-	-0-	-0-	-0-	-0-	-0-

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Sponsor did not indicate.

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Terry Earley Phone: 465-4730  
 Division: Local Government Assistance Date: 4/18/83  
 Approved by Commissioner: [Signature] Date: 4/18/83  
 Department: Community & Regional Affairs

Distribution:

Original to Legislative Finance  
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 Copy to Department (for Governor introduced bills)  
 Copy to Sponsor  
 Copy to Requestor (if different from Sponsor)

3/8/83

FISCAL ANALYSIS OF SB 204

The bill would affect 197 senior citizens currently in the Senior Citizen Exemption Program.

The savings to the state would be \$99,236 broken down by municipality as follows:

<u>MUNICIPALITY</u>	<u>NUMBER OF SENIOR CITIZENS RECEIVING AN EXEMPTION IN 1982</u>	<u>TAXES WHICH WOULD BE PAID BY SENIOR CITIZENS (SAVINGS TO THE STATE)</u>
1. Anchorage	108	\$65,588.58
2. Juneau	15	6,305.00
3. Haines	1	111.00
4. Kodiak	3	1,615.00
5. Sitka	6	1,426.98
6. Ketchikan	7	884.50
7. Mat-Su	23	4,895.17
8. Fairbanks	17	16,028.00
9. Kenai	<u>17</u>	<u>2,382.00</u>
Total	197	\$99,236.00

FOR IMMEDIATE RELEASE:

March 24, 1983

FAIKS LEGISLATION WOULD CLOSE

ALASKA PROPERTY TAX LOOPHOLE

JUNEAU, AK. -- A bill (S.B. 204) which would close a loophole in Alaska's property tax laws for senior citizens was introduced in the State Senate today by Anchorage Senator Jan Faiks.

Currently, Alaskans 65 years of age or older are exempt from property taxes on their homes, regardless of the value of that property. Under the Faiks bill only the first \$150,000 of assessed property value would be exempt from the state's personal property tax.

"The present property tax law was originally designed to make it easier for our senior citizens to remain in Alaska, which they helped to build, after their retirement," Faiks explained. "But there are several senior Alaskans who really don't need this kind of financial assistance."

The Anchorage Republican said she sees nothing wrong with the state helping those senior citizens who genuinely need financial assistance. "But it seems unfair for the state to subsidize those few senior citizens who are financially secure and are more than capable of paying property taxes without curtailing the <sup>ir</sup> lifestyles in the least."

(more)

Faiks said one Anchorage resident has an estate assessed at about \$2 million but that this resident now pays nothing in property taxes. "It just seems to me that anyone with a \$2 million estate should be able to come up with the \$12,700 in property taxes," Faiks said.

She said the attorney general's office will not allow the Department of Community and Regional Affairs to release the names of senior citizens in this category because they feel that disclosure of the information would violate the rights of the people exempted.

"Nonetheless, I would be happy to sit down and talk to anyone who feels that paying taxes on property assessed in excess of \$150,000 would be a financial burden for them," Faiks said. "I think my bill will effectively remove an inequity from our present system of personal property taxation."

The Anchorage senator said that only about 100 senior citizens in Anchorage would be affected by the new bill.

-30-

For further information, contact:  
Allen Tosch, Tel.: 465-4738

03-18-01-01-00 (21-22-3-08-01-00)

## STATE OF ALASKA -- COMPONENT BUDGET SUMMARY

14:00

1/25/83

AGENCY: DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS  
CATEGORY: SOCIAL SERVICESPROGRAM: SENIOR CITIZENS TAX RELIEF  
SUB-PROGRAM: HOMEOWNERS' PROPERTY TAX EXEMP

## ----- F I S C A L Y E A R 1 9 8 4 -----

EXPENDITURES & FUNDING	(01) FY82 ACT	(02) FY83 ATH	(03) FY83 RP	(04) FY83 SUP	(05) CONT.	(06) REQUEST	(07) GOV AMD	(08) GOVERNOR	(09) HOUSE	(10) SENATE	(11) F.C.C.	(12) BILLS	(13) LEG. BILL
01 PERS. SERV.													
02 TRAVEL													
03 CONTRACTUAL													
04 COMMODITIES													
05 EQUIPMENT													
06 LANDS/BLDGS													
07 GRANTS, CLMS	1753.6	2055.3			2158.6	2158.6		2158.6					
08 MISC.													
** TOTAL EXPEND	1753.6	2055.3			2158.6	2158.6		2158.6					
09 I-A TRANSFER													
10 FED. RECEIPT													
11 G. F. MATCH													
12 GENERAL FUND	1753.6	2055.3			2158.6	2158.6		2158.6					
13 PGM RECEIPTS													
14 OTHER FUNDS													
15 FULL TIME													
16 PART TIME													
17 TEMPORARY													
18 STAFF MONTHS													

BRU: Senior Citizen Tax Relief

COMPONENT: Homeowner Property Tax Exemption

DESCRIPTION: State reimburses municipalities for loss in revenues due to exemption of senior citizen's homes from local property taxes.

IMPACT: 5449 senior citizen homeowners

FUNDING:	<u>FY'84 ADJ</u>	<u>GOVERNOR'S</u>
GF:	\$2,158,600	\$2,158,600
TOTAL:	<u>\$2,158,600</u>	<u>\$2,158,600</u>

POSITIONS: No positions.

POSITION PAPER  
SB 204

This bill would limit the exemption from taxation to \$150,000 of the assessed value of a dwelling owned and occupied as a permanent place of abode by a resident 65 years or older.

While this bill would have no direct impact on Older Alaskans Commission programs, it would directly impact a number of older Alaskans who own their homes. The Older Alaskans Commission is mandated to help senior citizens maintain independent lives. Under the current property tax exemption program, seniors are encouraged to live independently in their own homes without the financial burden of property taxes. We have no difficulty with attempts to limit the program to persons who need it most. However, we are concerned that the bill as currently written may force persons out of their homes due to their inability to pay property taxes. We, therefore, urge that cautious consideration be used to determine the method of limiting the program.

Over the past decade, home and property values have increased at a rapid rate. Senior citizens who purchased homes ten or more years ago have seen the value of their property double or triple over the original purchase price. At the same time, the fixed incomes on which most senior citizens live have not kept pace with these increases in property values nor with the cost of living. Because of the discrepancy between property assessments and fixed incomes, property assessment alone is not a valid measure of a senior's ability to pay taxes.

The Older Alaskans Commission believes that the payment of taxes on property assessments in excess of \$150,000 could present a financial burden to seniors in Alaska which could threaten their independent living. For that reason, the Commission opposes SB 204 as written. If a limitation on property tax exemptions is desired, the Commission recommends net income and cost of living as determination factors. The State must also consider that the costs of administering a limited program will be greater than required in the current program.

*Jon B. Wolfe*  
Jon B. Wolfe, Executive Director  
Older Alaskans Commission

*February 9, 1984*  
Date

*Lisa Rudd*  
for Commissioner Lisa Rudd  
Department of Administration

*2/9/84*  
Date

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date:

**REQUEST**

Bill/Resolution No.: SB 204  
 Title: limiting the exemption from  
           taxation  
 Sponsor: Faiks  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected: Dept. of Administration  
 Program Category Affected: Older Alaskans  
   Commission  
 BRU, Program or Subprogram(s) Affected:  
Social & Economic Assistance for  
the aged

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
900 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>CAPITAL</b>						
<b>REVENUE</b>						

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:**

**ANALYSIS:** Attach a separate page for analysis

Prepared By: Jon B. Wolfe, Executive Director *filed for* Phone: 465-3250  
 Division: Older Alaskans Commission Date: 2/3/84

Approved by Commissioner: Lisa Rudolph Date: 2/10/84  
 Agency: Administration

**Distribution (by Agency preparing fiscal note):**  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

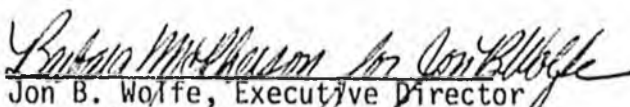
POSITION PAPER  
SB 204

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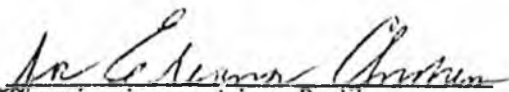
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Jon B. Wolfe, Executive Director  
Older Alaskans Commission

2/7/84  
Date

  
Commissioner Lisa Ruld  
Department of Administration

2/10/84  
Date