

HB

243

HOUSE COMMITTEE REPORT

(5)

Date Referred: March 23, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: 3/6/90

The COMMUNITY & REGIONAL AFFAIRS Committee considered: HB 243

HOUSE BILL NO. 243 [TAX EXEMPTION FOR CERTAIN RESIDENCES]
"An Act relating to an exemption from municipal property taxation for certain primary residences; and providing for an effective date."

RECOMMENDATIONS:

- be replaced with CSHB 243 (C&RA) the same title a new title
- have attached amendment(s)
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ "letter of intent"

ATTACHES NEW FISCAL NOTE(S): _____ (Dept)

APPROVES PREVIOUS: _____ (Date/Dept)

- fiscal impact (C&RA)
- zero fiscal note _____
- zero with analysis _____

- fiscal note(s) _____
- zero fiscal note(s) _____
- zero fn/analysis _____

SIGNING DO PASS:

Richard J. Tooley
Eileen P. McKeen

SIGNING:
(Check approp. column)

	Do Not Pass	No Rec	Amend
<u>Eugene Kukina</u>		X	
<u>Cheri Davis</u>		X	

Eileen P. McKeen
Chairman's Signature

Original sponsor(s): Finance Committee

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 243 ()
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to reimbursement for, exemption
7 from, and deferral of municipal property taxes for
8 certain primary residences; and providing for an
9 effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. AS 29.45.030(k) is amended to read:

12 (k) The department shall adopt regulations to implement the
13 provisions of [(g) AND] (j) of this section.

14 * Sec. 2. AS 29.45.040(f) is amended to read:

15 (f, In this section "disabled veteran" has the meaning given in
16 AS 29.45.042(g) [AS 29.45.030(i)].

17 * Sec. 3. AS 29.45 is amended by adding a new section to read:

18 Sec. 29.45.042. PROPERTY TAX REIMBURSEMENT PAYMENTS. (a) A
19 resident of the state who owns a permanent place of abode in a munic-
20 ipality and occupies it as the primary residence is eligible for a
21 property tax reimbursement payment from the department if the resident
22 is

23 (1) at least 65 years old;

24 (2) a disabled veteran; or

25 (3) at least 60 years old and the widow or widower of a
26 person who was eligible for payment under (1) or (2) of this subsec-
27 tion or for an exemption under former AS 29.45.030(e).

28 (b) A reimbursement payment may only be made for taxation on the
29 first \$150,000 of the assessed value of the real property. Only one

1 payment may be granted for the same property each year and, if two or
2 more persons are eligible for a payment for the same property, the
3 payment may not be granted unless the parties decide between or among
4 themselves who is to receive it. A reimbursement payment may not be
5 made unless the municipal assessor determines that the applicant is
6 eligible for the payment. A reimbursement payment may not be made if
7 the municipal assessor determines, after notice and hearing to the
8 parties, that the property was conveyed to the applicant primarily for
9 the purpose of obtaining the payment. A determination of the municipi-
10 pal assessor may be appealed to the superior court under procedures
11 set out in AS 44.62.560 - 44.62.570.

12 (c) A reimbursement payment may not be made except upon written
13 application for the payment on a form and in the manner prescribed by
14 the department. The applicant must file the application with the
15 municipality no later than January 15 of the assessment year for which
16 the payment is sought. The municipality for good cause shown may
17 waive an applicant's failure to make timely application for that year
18 and accept the application as if timely filed if it is received by
19 March 31. The applicant must file a separate application for each
20 assessment year for which the payment is sought. If an application is
21 filed within the required time and is approved by the municipal asses-
22 sor, the department shall approve the payment. The municipal assessor
23 shall require proof in the form the assessor considers necessary of
24 the right to and amount of a reimbursement payment claimed under this
25 section, and shall require a disabled veteran claiming a payment to
26 provide evidence of the disability rating. The assessor may require
27 proof under this section at any time.

28 (d) Reimbursement payments under this section shall be made from
29 appropriations to the department for that purpose. If appropriations

1 are not sufficient to fully fund payments, the amount available shall
2 be distributed pro rata among eligible applicants.

3 (e) If the municipal assessor determines that an individual is
4 eligible for a reimbursement payment under (b) of this section, the
5 portion of taxes for which the individual is eligible for reimburse
6 ment is not due until 30 days after the reimbursement payment is
7 issued by the department. A deferral may not be granted under this
8 subsection unless the individual applies for the deferral and assigns
9 the reimbursement payment to the municipality at the time of applica-
10 tion.

11 (f) In cases of hardship, the municipality may by ordinance
12 provide for an exemption from taxes for property for which a reim-
13 bursement payment is granted. The exemption may apply only to that
14 portion of the taxes for which no reimbursement payment is issued. If
15 standards for determining hardship are not adopted by ordinance, the
16 exemption under this subsection may be granted only in accordance with
17 regulations of the department for determining hardship. The value of
18 property exempt under this subsection may not be used by the depart-
19 ment in determining the full value of the taxable property within that
20 municipality under AS 14.17.140.

21 (g) In this section

22 (1) "disabled veteran" means a disabled person separated
23 from the military service of the United States under a condition that
24 is not dishonorable, whose disability was incurred or aggravated in
25 the line of duty in the military service of the United States, and
26 whose disability has been rated as 50 percent or more by the branch of
27 service in which that person served or by the Veterans' Administra-
28 tion;

29 (2) "real property" includes mobile homes, whether

1 classified as real or personal property for municipal tax purposes.

2 * Sec. 4. AS 29.45.030(a)(6), 29.45.030(e), 29.45.030(f), 29.45.030(g),
3 29.45.030(h), and 29.45.030(i) are repealed.

4 * Sec. 5. This Act takes effect January 1, 1991.
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FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act of reimbursement..property tax..effective date."
Sponsor: House Finance Committee
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: Admin & Support
Components: Admin Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	32.8	32.8	32.8	32.8	32.8	32.8
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT	8.5					
LAND & STRUCTURES						
GRANTS, CLAIMS	*See attached					
MISCELLANEOUS						
TOTAL OPERATING	41.3	32.8	32.8	32.8	32.8	32.8

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	41.3	32.8	32.8	32.8	32.8	32.8
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY	3.0	3.0	3.0	3.0	3.0	3.0

ANALYSIS : (Attach a separate page if necessary)

There is no fiscal effect for FY 90.

*Please see attached.

Prepared by: Carol B. Carroll, Deputy Director
Division: Administrative Services

Phone: 465-4707

Date: 3/6/90

Approved by Commissioner: Remond Henderson for David Henderson
Agency: Community & Regional Affairs

Date: 3/6/90

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

STATE OF ALASKA 1990 - 16TH LEGISLATURE
SECOND SESSION
FISCAL NOTE

Bill/Resolution No.: CS for House Bill 243

Title: "An Act relating to reimbursement for and exemption from municipal property taxation for certain primary residences; and providing for an effective date."

This bill requires the department of Community and Regional Affairs to send out payments to individual senior citizens who qualify for a property tax exemption. The deadline for submittal of information from the municipalities is July 15th of each fiscal year. It is estimated that between 9,000 and 10,000 checks will have to be sent in FY 91. The deadline for receipt of funds by the seniors is September 30th of the fiscal year.

In order for the department to make the deadline, three new positions will be required. The months of June, July, August and September of each fiscal year are those with the highest workload. This is the time that all prior year bills must be paid, federal reports prepared, adjustments to the accounting records made and all new accounts and appropriations entered on the state books. Existing personnel would not be able to add this additional program during these crucial months.

For each individual check sent out, a vendor code must be established if a code does not already exist, and 1099's must be prepared if this program is determined to be taxable to the individual. This adds at most 18,000 to 20,000 more transactions to be entered on the state accounting system.

Grants, Claims

This program has been partially funded at a level of approximately \$2,500,000 for the past few years. Under the CS for HB 243, the Legislature would have the same latitude to partially fund, or fully fund the program as exists under current law. If the program were fully funded, however, the total cost would be approximately \$9,000,000, or \$6,500,000 higher than the current funding level.

Position Title Accounting Technician I		No. of Positions 1	Range/Step 12A	Barg. Unit CGU
Time Status Temp	Staff Months 4.0	Location Juneau		Election District
Type of Expenditure		Amount		
1	2	3		
Salary	8.3			
Benefits	3.4			
Premium Pay				
Other				
Total Personal Services		11.7		
Travel				
Contractual				
Commodities				
Equipment		4.5		
Other		16.2		
Total Cost				
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	16.2		
I-A Receipts	1006			
CIP Receipts	1061			
Other				
Justification This position will be responsible for review and approval of 9-10,000 payment requests processed on AKSAS. System internal checks require dual approval of all transactions entered on AKSAS. Because these positions are temporary, some up-front training on the system will be required before actual work can commence. This is the reason for these positions being on staff for four months. Proper training increases accuracy of payments. In addition, one WANG terminal and a printer are required to input transactions and provide an audit trail for client files and payments.				

**Request For
New Position**

Agency Department of Community & Regional Affairs
BRU Admin & Support
Component Admin Services

Page 3 of 4
Revised Date

FY 91

Position Title Accounting Clerk III		No. of Positions 2	Range/Step 10A	Parg. Unit GGU	
Time Status Temp	Staff Months 4 months each	Location Juneau		Election District	
Type of Expenditure		Justification			
Amount		Two accounting clerk positions will be required to input 9-10,000 payment transactions on AKSAS. Also required will be vendor codes for each individual and if a taxable payment, 9-10,000 1099's will have to be processed. In addition, two WANG terminals will have to be purchased to allow data input on AKSAS.			
1	2				3
Salary	14.7				
Benefits	6.4				
Premium Pay					
Other					
Total Personal Services					21.1
Travel					
Contractual					
Commodities					
Equipment					
Other					
Total Cost		25.1			
Funding Source for Total Cost					
Federal Receipts	1002				
G. F. Match	1003				
General Fund	1004	25.1			
I A Receipts	1006				
CIP Receipts	1061				
Other					

**Request For
New Position**

Agency Department of Community & Regional Affairs
 BRU Admin & Support
 Component Admin Services

Page 4 of 4
 Revised Date

FY 91

FISCAL NOTE

REQUEST: _____

Revision Date: _____
 Title: "An Act..exemption from municipal
 property taxation ..certain.."
 Sponsor: House Finance Committee
 Requestor: _____

Agency Affected: Community & Regional Affairs
 BRU: Senior Citizen/Disabled Vet Tax
 Relief
 Components: Homeowners Property Tax
 Exemption

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS		*	*	*	*	*
MISCELLANEOUS						
TOTAL OPERATING		*	*	*	*	*

CAPITAL						
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		*	*	*	*	*
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

*Unknown - see attached analysis

Prepared by: Jim Plasman, Deputy Director
 Division: Municipal & Regional Assistance

Phone: 465-4750
 Date: 4/3/89

Approved by Commissioner: [Signature]
 Agency: Community & Regional Affairs

Date: _____

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

FISCAL NOTE ANALYSIS
HB 243

It is impossible to estimate the fiscal impact of this bill. Currently, the senior/disabled veteran property tax exemption is mandatory and municipalities must exempt covered property from local property tax. Although the state is to reimburse municipalities for this mandated exemption, it has historically underfunded the program so that this year it is prorated at about thirty percent. For this reason, we may anticipate that some municipalities may choose to exercise their option to not exempt this property from local taxation; however, we will not know how many. In light of the level of underfunding of this program, a number of municipalities would have to opt out before a fiscal savings would be realized.

It should also be noted that by making the exemption from local property tax optional instead of mandatory, the value of the affected property must be included in municipal full and true value determinations. In general, this will mean an increase in a municipality's education foundation contribution which is based in large part on the municipal full and true value. In FY 89, the unequalized locally assessed value of exempted senior/disabled veteran property amounted to \$760,355,700.

Requested

#2

SENIOR CITIZENS/DISABLED VETERAN PROPERTY TAX EXEMPTION PROGRAM FY 89 - TAX YEAR '88

Municipality of Anchorage	\$3,912,137.71
Bristol Bay	3,186.60
Cordova	18,344.96
Craig	4,459.35
Dillingham	13,471.80
Eagle	247.86
Fairbanks North Star	988,162.55
Haines	45,870.77
City and Borough of Juneau	568,624.76
Ketchikan Gateway Borough	359,081.21
Kodiak Island Borough	86,350.50
Kenai Peninsula Borough	571,539.71
Mat-Su Borough	509,194.65
Nenana	6,656.67
Nome	39,045.60
North Slope Borough	11,558.42
Pelican	2,992.87
Petersburg	91,969.08
City and Borough of Sitka	78,423.88
Skagway	10,095.96
Unalaska	1,633.28
Valdez	27,071.38
Whittier	1,027.50
Wrangell	53,939.15
Yakutat	8,582.33
TOTAL REQUEST TO DATE:	<u>\$7,443,311.53</u>
FY 89 BUDGET:	\$2,782,300.00
Transfer to Rebate:	280,000.00
Reimbursement:	<u>\$2,502,300.00</u>
TOTAL REQUEST TO DATE:	\$7,443,311.53
AVAILABLE FUNDING:	<u>2,502,300.00</u>
SHORTAGE TO DATE:	<u>\$4,941,011.53</u>

PRORATIONED REIMBURSEMENT TO MUNICIPALITIES AT 34%

Community and Regional Affairs

TO Sam Thomas
Administrative Officer II
Juneau/Fiscal

DATE March 17, 1989

FILE NO 0175T/CF/cbs/1410.3

TELEPHONE NO 465-4750

THRU

SUBJECT FY 89 Senior Citizen
Disabled Veteran
Homeowner Warrant
Request

FROM Jim Plasman *JJP*
Deputy Director
Municipal and Regional
Assistance Division

Funded by State

Please prepare warrants for the Senior Citizen/Disabled Veteran Property Tax Exemption Program in the amounts listed below and please return to this Division for mailing.

MUNICIPALITY

WARRANT AMOUNTS

Municipality of Anchorage	\$1,320,375.46
Bristol Bay Borough	1,075.50
Cordova	6,323.50
Craig	1,505.06
Dillingham	4,546.84
Eagle	83.65
Fairbanks North Star Borough	333,512.18
Haines Borough	15,481.73
City and Borough of Juneau	191,915.07
Ketchikan Gateway Borough	121,192.57
Kodiak Island Borough	29,143.93
Kenai Peninsula Borough	192,898.89
Mat-Su Borough	171,856.97
Nenana	2,246.68
Nome	13,178.17
North Slope Borough	3,901.05
Pelican	1,010.11
Petersburg	31,040.25
City and Borough of Sitka	26,468.64
Skagway	3,407.46
Unalaska	551.24
Valdez	9,136.79
Whittier	346.79
Wrangell	18,204.86
Yakutat	2,896.61

STATEWIDE TOTAL

\$2,502,300.00

Collocation Code 21-22-8-001

cc: Mike Worley, State Assessor
Traci Carpenter, Administrative Assistant

Resolution of the Alaska Municipal League

Resolution No. 89-2

**A RESOLUTION RELATING TO FULL FUNDING
OF THE REQUIRED STATUTORY PROPERTY TAX EXEMPTIONS
FOR SENIOR CITIZEN AND DISABLED VETERANS**

WHEREAS, the Alaska statutes provide for and require property tax exemptions for senior citizens and disabled veterans, and

WHEREAS, when authorized by the Legislature, these required property tax exemptions were accompanied by a commitment to appropriation by the State of Alaska to defray the fiscal effects on the local communities, and

WHEREAS, in the past three years the State has retracted the commitment to fully fund the statutory requirement for these property tax exemptions, and

WHEREAS, this fiscal responsibility has now fallen to the local governments, and

WHEREAS, these required property tax exemptions cost Alaskan communities hundreds of thousands of dollars each year;

NOW, THEREFORE, BE IT RESOLVED that the Alaska Municipal League urges that the Governor and the Alaska State Legislature fully fund the senior citizen and disabled veteran property tax exemptions required under Alaska law.

BE IT FURTHER RESOLVED that the Alaska Municipal League deliver a strong message to the Governor and the Alaska State Legislature that local communities are not capable of assuming the burden and responsibility of this State-initiated program through a local option mandate.

Adopted at Annual Business Meeting o November 18, 1988 o Fairbanks, Alaska

Senior Citizens/Disabled Veterans (SC's/DV's) Program Options

Option	Pros	Cons	Groups Supporting (in Past)	Groups Opposing (In Past)
A. Do Nothing	1. SC's/DV's keep homes	1. Cost to State \$3 million 2. Cost to Munis \$5 million	SC's/DV's	Municipalities
B. Repeal	1. State saves \$3 million 2. Munis save \$5 million 3. IRS write off	1. SC's/DV's lose homes 2. Only state in U.S. without benefit 3. Added to FVD	Municipalities	SC's/DV's
C. Deferment/Lien	1. State saves \$3 million 2. Munis save \$5 million 3. SC's/DV's keep homes	1. Heirs pay taxes 2. Added to FVD 3. Added staff (state)		SC's/DV's
D. Fully Fund	1. Munis save \$5 million 2. SC's/DV's keep homes	1. Cost to state \$8 million	Municipalities SC's/DV's	
E. Entitlement	1. Easy to administer	1. SC's/DV's lose homes 2. Duplication of state effort (L.B.P.) 3. Added to FVD 4. Taxed by IRS	SC's/DV's	Municipalities
F. Optional	1. Partial reduction in state cost 2. Possible IRS write off	1. Only state without statewide policy 2. Added to FVD 3. Non-uniform tax treatment (muni to muni, Homeowner to renter) 4. SC's/DV's lose homes	Municipalities	SC's/DV's
G. Needs Basis	1. SC's/DV's keep homes 2. State saves \$1.5 million 3. Munis save \$3.5 million 4. SC's/DV's who are able pay tax 5. Partial or total IRS write off	1. SC's/DV's must provide IRS return 2. Partial add to FVD	OAC	Municipalities SC's/DV's
H. Reduce \$150,000 cap	1. Partial IRS write off	1. SC's/DV's lose homes 2. No substantial savings to state 3. No substantial savings to munis 4. Partial add to FVD		Municipalities SC's/DV's
I. Exemption based on reimbursement	1. Munis save \$5 million 2. Partial IRS write off	1. Cost to state of \$3 million 2. Percentage of value added to FVD (?) 3. SC's/DV's either apply for hardship or lose homes		

W

FEBRUARY 25, 1988

The following are funding levels of the Homeowners Program given a range of full funding caps from \$150,000 to \$50,000, in increments of \$10,000.

H Reduce Cap

PROJECTED FUNDING WITH \$150,000 CAP

RANGE	ASSESSED VALUE	SENIORS & DV'S	100% OF 15,000	CAPPED FUNDING	ESTIMATES ADJUSTED TO FY 89
				NR = 9.584	
> 200001	\$154,822,476	488	\$73,187,236		
200-175'	\$42,585,506	230	\$34,430,926		
175-150'	\$72,778,774	453	\$67,921,117		
150-125'	\$121,611,018	887	\$121,611,018		CAPPED FUNDING
125-100'	\$135,219,576	1,194	\$135,219,576		* .975 * 1.068 * 1.05
100-75'	\$123,675,885	1,375	\$123,675,885		
75-50'	\$76,136,664	1,183	\$76,136,664		
50-25'	\$35,095,206	868	\$35,095,206		
25-10'	\$8,636,697	413	\$8,636,697		
<10000	\$1,101,293	153	\$1,101,293		
	\$771,663,094	7,242	\$677,017,618	\$6,488,483	\$7,094,280 =====

7

PROJECTED FUNDING WITH \$140,000 CAP

RANGE	ASSESSED VALUE	SENIORS & DV'S	100% OF 140000	CAPPED FUNDING	ESTIMATES ADJUSTED TO FY 89
				MR = 9.584	
> 200001	\$154,822,476	488	\$68,309,954		
200-175'	\$42,585,506	230	\$32,135,531		
175-150'	\$72,778,774	453	\$63,393,042		
150-140'	\$48,644,407	325	\$45,500,000		CAPPED FUNDING
140-125'	\$72,966,611	561	\$72,966,611		
125-100'	\$135,219,576	1,194	\$135,219,576		* .975 * 1.068 * 1.05
100-75'	\$123,675,885	1,375	\$123,675,885		
75-50'	\$76,136,664	1,183	\$76,136,664		
50-25'	\$35,095,206	868	\$35,095,206		
25-10'	\$8,636,697	413	\$8,636,697		
<10000	\$1,101,293	153	\$1,101,293		
	\$771,663,094	7,242	\$662,170,459	\$6,346,189	\$6,938,701 =====

PROJECTED FUNDING WITH \$130,000 CAP

RANGE	ASSESSED VALUE	SENIORS & DV'S	100% OF 130000	CAPPED FUNDING	ESTIMATES ADJUSTED TO FY 89
				MR = 9.584	
> 200001	\$154,822,476	488	\$68,309,954		
200-175'	\$42,585,506	230	\$32,135,531		
175-150'	\$72,778,774	453	\$63,393,042		
150-130'	\$97,288,814	709	\$92,170,000	--	CAPPED FUNDING
130-125'	\$24,322,204	177	\$24,322,204		
125-100'	\$135,219,576	1,194	\$135,219,576		* .975 * 1.068 * 1.05
100-75'	\$123,675,885	1,375	\$123,675,885		
75-50'	\$76,136,664	1,183	\$76,136,664		
50-25'	\$35,095,206	868	\$35,095,206		
25-10'	\$8,636,697	413	\$8,636,677		
<10000	\$1,101,293	153	\$1,101,293		
	\$771,663,094	7,242	\$660,196,052	\$6,327,266	\$6,918,011 =====

PROJECTED FUNDING WITH \$120,000 CAP

RANGE	ASSESSED VALUE	SENIORS & DV'S	100% OF 120000	CAPPED FUNDING	ESTIMATES ADJUSTED TO FY 87
				MR = 9.584	
> 200001	\$154,822,476	488	\$58,551,387		
' 200-175'	\$42,585,506	230	\$27,544,741		
' 175-150'	\$72,778,774	453	\$54,336,893		
' 150-125'	\$121,611,018	887	\$106,440,000		CAPPED FUNDING
' 125-120'	\$27,043,915	200	\$24,000,000		
' 120-100'	\$108,175,661	994	\$108,175,661		x .975 x 1.068 x 1.05
' 100-75'	\$123,675,885	1,375	\$123,675,885		
' 75-50'	\$76,136,664	1,183	\$76,136,664		
' 50-25'	\$35,095,206	868	\$35,095,206		
' 25-10'	\$8,636,697	413	\$8,636,697		
<10000	\$1,101,293	153	\$1,101,293		
	\$771,663,094	7,242	\$623,694,429	\$5,977,438	\$6,535,521 =====

PROJECTED FUNDING WITH \$110,000 CAP

RANGE	ASSESSED VALUE	SENIORS & DV'S	100% OF 110000	CAPPED FUNDING	ESTIMATES ADJUSTED TO FY 87
				MR = 9.584	
> 200001	\$154,822,476	488	\$53,672,107		
' 200-175'	\$42,585,506	230	\$25,249,346		
' 175-150'	\$72,778,774	453	\$49,808,819		
' 150-125'	\$121,611,018	887	\$97,548,019		CAPPED FUNDING
' 125-110'	\$81,131,854	716	\$78,760,000		
' 110-100'	\$54,087,902	478	\$54,087,902		x .975 x 1.068 x 1.05
' 100-75'	\$123,675,885	1,375	\$123,675,885		
' 75-50'	\$76,136,664	1,183	\$76,136,664		
' 50-25'	\$35,095,206	868	\$35,095,206		
' 25-10'	\$8,636,697	413	\$8,636,697		
<10000	\$1,101,293	153	\$1,101,293		
	\$771,663,274	7,242	\$603,771,938	\$5,786,502	\$6,326,759 =====

PROJECTED FUNDING WITH \$100,000 CAP

RANGE	ASSESSED VALUE	SENIORS & DV'S	100% OF 100000	CAPPED FUNDING	ESTIMATES ADJUSTED TO FY 89
				MR = 9.584	
> 200001	\$154,822,476	488	\$48,792,824		
200-175'	\$42,585,506	230	\$22,953,951		
175-150'	\$72,778,774	453	\$45,280,744		
150-125'	\$121,611,018	887	\$88,680,017		CAPPED FUNDING
125-100'	\$135,219,576	1,194	\$119,410,717		* .975 * 1.068 * 1.05
100-75'	\$123,675,885	1,375	\$123,675,885		
75-50'	\$76,136,664	1,183	\$76,136,664		
50-25'	\$35,095,206	868	\$35,095,206		
25-10'	\$8,636,697	413	\$8,636,697		
<10000	\$1,101,293	153	\$1,101,293		

	\$771,663,094	7,242	\$569,763,979	\$5,460,573	\$5,970,399 =====

PROJECTED FUNDING WITH \$90,000 CAP

RANGE	ASSESSED VALUE	SENIORS & DV'S	100% OF 90000	CAPPED FUNDING	ESTIMATES ADJUSTED TO FY 89
				MR = 9.584	
> 200001	\$154,822,476	488	\$43,913,542		
200-175'	\$42,585,506	230	\$20,658,556		
175-150'	\$72,778,774	453	\$40,752,670		
150-125'	\$121,611,018	887	\$79,812,016		CAPPED FUNDING
125-100'	\$135,219,576	1,194	\$107,469,645		* .975 * 1.068 * 1.05
100-90'	\$49,470,354	499	\$44,910,000		
90-75'	\$74,205,531	875	\$74,205,531		
75-50'	\$76,136,664	1,183	\$76,136,664		
50-25'	\$35,095,206	868	\$35,095,206		
25-10'	\$8,636,697	413	\$8,636,697		
<10000	\$1,101,293	153	\$1,101,293		

	\$771,663,095	7,242	\$532,691,820	\$5,105,276	\$5,581,730 =====

PROJECTED FUNDING WITH \$80,000 CAP

RANGE	ASSESSED VALUE	SENIORS & DV'S	100% OF 80000	CAPPED FUNDING	ESTIMATES ADJUSTED TO FY 89
				MR = 9.584	
> 200001	\$154,822,476	488	\$39,034,259		
200-175'	\$42,585,506	230	\$18,363,161		
175-150'	\$72,778,774	453	\$36,224,596		
150-125'	\$121,611,018	887	\$70,944,014		CAPPED FUNDING
125-100'	\$135,219,576	1,194	\$95,520,000		
100-80'	\$98,940,708	1,100	\$88,000,000		* .975 * 1.068 * 1.05
80-75'	\$24,705,177	275	\$24,705,177		
75-50'	\$76,136,664	1,183	\$76,136,664		
50-25'	\$35,095,206	868	\$35,095,206		
25-10'	\$8,636,697	413	\$8,636,697		
<10000	\$1,101,293	153	\$1,101,293		
				\$4,732,167	\$5,173,985

PROJECTED FUNDING WITH \$70,000 CAP

RANGE	ASSESSED VALUE	SENIORS & DV'S	100% OF 70000	CAPPED FUNDING	ESTIMATES ADJUSTED TO FY 89
				MR = 9.584	
> 200001	\$154,822,476	488	\$34,154,977		
200-175'	\$42,585,506	230	\$16,067,766		
175-150'	\$72,778,774	453	\$31,696,521		
150-125'	\$121,611,018	887	\$62,076,012		CAPPED FUNDING
125-100'	\$135,219,576	1,194	\$83,587,502		
100-75'	\$123,675,885	1,375	\$96,250,000		* .975 * 1.068 * 1.05
75-70'	\$15,227,333	190	\$13,300,000		
70-50'	\$60,909,331	992	\$60,909,331		
50-25'	\$35,095,206	868	\$35,095,206		
25-10'	\$8,636,697	413	\$8,636,697		
<10000	\$1,101,293	153	\$1,101,293		
				\$4,244,481	\$4,640,768

PROJECTED FUNDING WITH \$60,000 CAP

RANGE	ASSESSED VALUE	SENIORS & DV'S	100% OF 60000	CAPPED FUNDING	ESTIMATES ADJUSTED TO FY 87		
				NR = 9.584			
> 200001	\$154,822,476	488	\$29,275,695				
200-175'	\$42,585,506	230	\$13,772,370				
175-150'	\$72,778,774	453	\$27,168,447				
150-125'	\$121,611,018	887	\$53,208,010		CAPPED FUNDING		
125-100'	\$135,219,576	1,194	\$71,640,000		* .975 * 1.068 * 1.05		
100-75'	\$123,645,885	1,375	\$82,500,000				
75-60'	\$45,681,998	710	\$42,600,000				
60-50'	\$30,454,666	473	\$30,454,666				
50-25'	\$35,095,206	868	\$35,095,206				
25-10'	\$8,636,697	413	\$8,636,697				
<10000	\$1,101,293	153	\$1,101,293				
			\$771,633,094	7,242	\$395,452,385	\$3,789,984	\$4,143,836

PROJECTED FUNDING WITH \$50,000 CAP

RANGE	ASSESSED VALUE	SENIORS & DV'S	100% OF 50000	CAPPED FUNDING	ESTIMATES ADJUSTED TO FY 87		
				NR = 9.584			
> 200001	\$154,822,476	488	\$24,376,412				
200-175'	\$42,585,506	230	\$11,476,975				
175-150'	\$72,778,774	453	\$22,640,372				
150-125'	\$121,611,018	887	\$44,340,009		CAPPED FUNDING		
125-100'	\$135,219,576	1,194	\$59,705,358		* .975 * 1.068 * 1.05		
100-75'	\$123,675,885	1,375	\$68,750,000				
75-50'	\$76,136,664	1,183	\$59,150,000				
50-25'	\$35,095,206	868	\$35,095,206				
25-10'	\$8,636,697	413	\$8,636,697				
<10000	\$1,101,293	153	\$1,101,293				
			\$771,663,094	7,242	\$335,292,323	\$3,213,415	\$3,513,435

6-1082H
Cook
3/31/89

Original sponsor: Finance Committee

I

Exemption based on
reimbursement

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IN THE HOUSE

CS FOR HOUSE BILL NO. 243 ()
IN THE LEGISLATURE OF THE STATE OF ALASKA
SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to an exemption from municipal property taxation for certain primary residences; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 29.45.030(k) is amended to read:

(k) The department shall adopt regulations to implement the provisions of [(g) AND] (j) of this section.

* Sec. 2. AS 29.45.040(f) is amended to read:

(f) In this section "disabled veteran" has the meaning given in AS 29.45.032(d) [AS 29.45.030(i)].

* Sec. 3. AS 29.45 is amended by adding a new section to read:

Sec. 29.45.032. EXEMPTION FOR CERTAIN PRIMARY RESIDENCES. (a) The real property owned and occupied as the primary residence and permanent place of abode by a resident (1) 65 years of age or older; (2) disabled veteran; or (3) at least 60 years old who is the widow or widower of a person who qualified for an exemption under (1) or (2) of this subsection, is, subject to (c) of this section, exempted from taxation on the first \$150,000 of the assessed value of the real property. A municipality may, in case of hardship, provide for exemption beyond the first \$150,000 of assessed value in accordance with regulations of the department. Only one exemption may be granted for the same property and, if two or more persons are eligible for an exemption for the same property, the exemption may not be granted unless the parties decide between or among themselves who is to

1 receive the benefit of the exemption. Real property may not be ex-
2 empted under this subsection if the assessor determines, after notice
3 and hearing to the parties, that the property was conveyed to the
4 applicant primarily for the purpose of obtaining the exemption. The
5 determination of the assessor may be appealed to the superior court
6 under procedures set out in AS 44.62.560 - 44.62.570.

7 (b) An exemption may not be granted under (a) of this section
8 except upon written application for the exemption on a form approved
9 by the state assessor for use by local assessors. The claimant must
10 file the application no later than January 15, or a date provided by
11 ordinance that is not later than March 31, of the assessment year for
12 which the exemption is sought. The governing body of the municipality
13 for good cause shown may waive during a year the claimant's failure to
14 make timely application for exemption for that year and authorize the
15 assessor to accept the application as if timely filed. The claimant
16 must file a separate application for each assessment year in which the
17 exemption is sought. If an application is filed within the required
18 time and is approved by the assessor, the assessor shall allow an
19 exemption in accordance with the provisions of this section. If a
20 failure to file by January 15, or a date provided by ordinance that is
21 not later than March 31, of the assessment year has been waived as
22 provided in this subsection and the application for exemption is
23 approved, the amount of tax that the claimant has already paid for the
24 assessment year for the property exempted shall be refunded to the
25 claimant. The assessor shall require proof in the form the assessor
26 considers necessary of the right to and amount of an exemption claimed
27 under (a) of this section, and shall require a disabled veteran claim-
28 ing an exemption under (a) of this section to provide evidence of the
29 disability rating. The assessor may require proof under this section

1 at any time.

2 (c) The legislature may appropriate money to the department to
3 be used to reimburse municipalities for revenue lost as a result of
4 the exemption under (a) of this section. On ^{April} ~~January~~ 1 of each year
5 the department shall distribute on an equitable basis to municipal-
6 ities money appropriated during the prior year for reimbursements. If
7 the amount distributed to a municipality under this subsection is not
8 sufficient to fully reimburse the municipality for revenue that will
9 be lost to the municipality that year as a result of the exemption
10 under (a) of this section, the amount of the exemption for that year
11 shall be reduced on a pro rata basis by the amount determined by the
12 municipality to be in excess of the reimbursement distribution.

13 (d) In this section

14 (1) "disabled veteran" means a disabled person separated
15 from the military service of the United States under a condition that
16 is not dishonorable, whose disability was incurred or aggravated in
17 the line of duty in the military service of the United States, and
18 whose disability has been rated as 50 percent or more by the branch of
19 service in which that person served or by the Veterans' Administra-
20 tion;

21 (2) "real property" includes mobile homes, whether classi-
22 fied as real or personal property for municipal tax purposes.

23 * Sec. 4. AS 29.45.030(a)(6), 29.45.030(e), 29.45.030(f), 29.45.030(g),
24 29.45.030(h), and 29.45.030(i) are repealed.

25 * Sec. 5. This Act takes effect January 1, 1990.
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Matanuska-Susitna Borough

P.O. BOX 1608, PALMER, ALASKA 99645-1608 • PHONE 745-9842

ASSESSMENT DEPARTMENT

March 31, 1989

Representative Eileen Maclean
House of Representatives
P. O. Box V (Capitol, Room 128)
Juneau, AK. 99811

Dear Rep. Maclean:

SUBJECT: HB 243

I do not know which subject has elicited as many letters of the type than the SC/DV tax exemption program.

It is important to recall why this program exists at all. In simplest form and intent it is to guarantee that no qualified senior citizen, disabled veteran or widow/widower of the same ever be displaced from their permanent place of abode for inability to pay property taxes. I don't think there is any disagreement to this concept. The most elementary solution is a program which guarantees tax payment to municipalities prior to foreclosure.

Right now municipalities provide local staff administration and absorb 66% of the lost taxes due to operation of the program. Municipalities do not like this but have little recourse. Labeling the program "optional" will absolutely not change the situation as it exists except to affect Full Value Determination in the School Foundation and Revenue Sharing Formulas without extensive modification of these statutes to account for taxed, reimbursed and untaxed portions of value (similar to my complaint about motor vehicle tax).

Last session the possibility of cutting cost of the program was proposed by DCRA through a needs base formula. This proved extremely unpopular to all involved. What has not been taken seriously are a number of restrictions which are acceptable, I believe, and will reduce cost of the program:

1. Reviewing the \$150,000 limit in relation to mean residential value per community. This is more reasonable and relatively easy to establish.
2. Limiting the residential exemption to one parcel of land on which the residence is located. Exemption of contiguous parcels inflates program costs.
3. Defining residency either in statute or regulation to mirror resident requirements of the Longevity Bonus Program. Mere intent of residency is too broad.
4. Stiffening filing and late filing requirements such as the attached Anchorage Code example.
5. Set March 15 as the date of filing and meeting of the Board of Equalization as the absolute last date to accept late filings in conformity to AS29.45.180(a).

There seems no advantage to making the program optional to municipalities and disadvantage in disruption to formula pass throughs, however, if there is to be local option it should be option of the voters rather than by ordinance. This has been the trend in adoption of optional exemptions in the recent past, and because of the growing cost of this program voters should have voice.

I realize there is effort to modify the program wherein exemption is granted only to extent of reimbursement from the state. This is good, although it raises administrative questions of how, when, how much, and who rebates whom. This requires considerable thought since, upon first blush, it appears that we give - then taketh away - which is questionable public conduct.

The Alaska Municipal League has stated position to either fund or repeal this state program, and in discussion of HB 243 that position remains. While this letter is not representing the League, but only one municipal assessor, I hope it offers ideas of program changes which will be helpful.

Sincerely,



Gary A. Lewis
Borough Assessor

ys
Enclosure

3. a person who has reached the age of 60 prior to January 1 of the year for which the assessment applies and also is a widow or widower of a person who was qualified to receive a tax exemption under subsection (A)(1) of this section in a previous assessment year.

b. Only one exemption may be granted under this section for any single piece of real property in any assessment year.

c. An annual application for exemption under this section shall be filed no later than March 15 of the assessment year to which the exemption shall apply. The assessor shall accept an application after March 15 only upon receipt of a written explanation by a medical doctor which unequivocally shows that the person was physically or mentally unable to file a timely application or to authorize an agent to do so on his behalf.

d. No exemption shall be available under this section if the real property has been conveyed to the person seeking the exemption for the primary purpose of obtaining the exemption. A person may appeal a decision by the assessor to deny an exemption under this section to the Superior Court, Third Judicial District, Alaska.

2. As used in this section, "real property" includes a mobile home, regardless of the classification of a mobile home as personal or real property elsewhere in this code. (AO 86-211(S-1), AO 88-158).

12.15.020 Real property tax assessments.

Real property is assessed to the owner of record as shown in the records of the district recorder. (new).

12.15.030 Real property methods of assessment.

a. Full and true value. The assessor shall assess real property at its full and true value as of the first day of the assessment year, except as provided by state law.



2/18
#7

Older Alaskans Commission

Box C

Juneau, Alaska 99811-0209

907/465-3250

POSITION PAPER

Bill No. SSHB 159

Sponsor Substitute for House Bill No. 159 replaces the original bill which had proposed elimination of the state funded portion of the senior and disabled citizen exemption from municipal property taxes on the person's residence. The bill also further defines the tax exemption available for farm use land.

The Older Alaskans Commission is primarily interested in the residential exemption section. SSHB 159 now proposes to create a partial, variable exemption for seniors and disabled persons, dependent on the level of the property owner's income. Homeowners with a "household income" over \$50,000 would be entitled to no exemption, and homeowners with lesser incomes would receive greater percentages of exemption from taxation. Homeowners with less than \$15,000 income would be the only ones to be totally, or 100%, exempted from taxation.

The 1986-1988 State Plan of the Older Alaskans Commission supports all programs, and adequate funding for those programs, which enable older Alaskans to remain in their own homes. (The Commission wishes to remind legislators of the need of many nonhomeowner seniors for affordable and senior-appropriate housing.)

The Commission would prefer full funding of the existing senior tax exemption program. However, the Commission realizes that public dollars are limited. Therefore, the Commission has taken the position that seniors who are property rich but tax poor should be provided tax exemptions that will assist them to continue living in their own homes. In addition, the Commission believes that older Alaskans who are financially able should contribute to the tax base of their communities. This bill intends to achieve this goal.

The Older Alaskans Commission supports the general concept of SSHB 159, but believes that there are several amendments needed to make the bill serve its true purpose, and to make the bill capable of simple and uniform implementation by all municipal taxing authorities.

First, the hardship exemption referred to in lines 18--22, page 1, must include a definition of "hardship" and at least some general guidelines on methods for municipalities to use in deciding hardship cases. The Commission urges that a definition of hardship be added in Section 4 as follows:

Insert at page 4, after line 8: (f) "hardship" includes, but is not limited to a situation where a homeowner's tax bill is greater than two percent of the applicant's gross household income, or where the homeowner has experienced catastrophic increases in vital expenses or severe reduction in income since the period used for determination of the household income.

Second, the definitions of "annual household income" and "household" do not seem equitable in their present form. Household includes all relatives of the applicant related by marriage or descent, but does not include siblings or other blood relatives. Perhaps even more troubling, the calculation of "annual household income" lumps together the earned and unearned incomes of all defined persons sharing a household, but does not divide that income by the number of persons, nor take into account any special expenses or needs of those household members.

Under this scenario, a low-income senior homeowner who shares the home with a daughter and four children, perhaps themselves receiving public assistance, could have a joint "annual household income" that puts them in the same exemption bracket as a single homeowner with a \$30,000 income. Obviously, the income in the first household is divided to meet the needs of many more people than the income of the second homeowner.

Multi-generational sharing of a home may be an economic necessity or a family or cultural choice, but it does not in itself ensure adequate disposable income to pay the property taxes. Also, the income of other household members is not always legally, or even morally, available to the homeowner to assist with taxes.

The Commission urges that the "annual household income" definition be amended to include some apportionment of income between all the persons in the home, perhaps based on division by a full share for each adult and a half-share for each child.

In addition, the Commission feels strongly that a simple method for determining income should be included in the bill,

so that each municipality uses the same method, one that is not an undue burden on either the tax officials nor the applicant. The Commission urges the use of the adjusted gross income figure reported to the IRS in the prior calendar year. The Commission recognizes that this figure would not capture all income, such as tax free bond income, nor all major deductions, but the adjusted gross figure is the most simple way for tax assessors to get verifiable information on which to determine income.

The Commission's third concern relates to the requirements for "primary residence" (Sec. 1 (e), line 12).

The Commission staff has talked to several tax assessor offices which suggested that the definition of "primary residence" be tightened up to conform to the residency and allowable absences requirements in the Longevity Bonus statute. At the current time, the Bonus program allows no more than a 90 day continuous absence from the state, per year, in order to maintain residency. If a homeowner does not choose to reside in the Alaska-located home at least nine months a year, the home should not qualify as "the primary residence and permanent place of abode," under this bill.

The Commission's final concern relates to the primary residency requirement and its impact on a small number of senior or disabled homeowners who experience extended stays in long term care nursing institutions. The Commission urges an amendment assuring that those individuals receive the same exemptions despite extended absences from their primary residence due to institutionalization. Even if the residence is rented, the income may not be enough to cover taxes, especially if the homeowner uses the rental income toward payment of the homeowner's care expenses.

In communicating this concern to the Department of Community and Regional Affairs, the Commission has learned that the fiscal impact of such an amendment would be minimal. The Commission also acknowledges that these types of situations have been handled on the local level and are usually approved if the institutionalized senior intends to return home. However, a clear statutory directive would ensure that all persons receive equal consideration from municipalities throughout the state.

The Older Alaskans Commission supports this bill, but urges the amendments discussed above. We feel that these

amendments involve policy choices that should not be left to the regulatory process, but should be made by the legislature.

APPROVED:

9/5 Dove M. Kull

Dove Kull, Chair
Legislative Committee
Older Alaskans Commission

Date: 2/10/88

REVIEWED:

J.M.A.

John M. Andrews, Commissioner
Department of Administration

Date: 2/10/88

(c) Property described in (a)(3) or (4) of this section from which income is derived is exempt only if that income is solely from use of the property by nonprofit religious, charitable, hospital, or educational groups. If used by nonprofit educational groups, the property is exempt only if used exclusively for classroom space.

(d) Laws exempting certain property from execution under the Code of Civil Procedure (AS 09) do not exempt the property from taxes levied and collected by municipalities.

(e) The real property owned and occupied as the primary residence and permanent place of abode by a (1) resident 65 years of age or older; (2) disabled veteran; or (3) resident at least 60 years old who is the widow or widower of a person who qualified for an exemption under (1) or (2) of this subsection, is exempt from taxation on the first \$150,000 of the assessed value of the real property. A municipality may, in a case of hardship, provide for exemption beyond the first \$150,000 of assessed value in accordance with regulations of the department. Only one exemption may be granted for the same property and, if two or more persons are eligible for an exemption for the same property, the parties shall decide between or among themselves who is to receive the benefit of the exemption. Real property may not be exempted under this subsection if the assessor determines, after notice and hearing to the parties, that the property was conveyed to the applicant primarily for the purpose of obtaining the exemption. The determination of the assessor may be appealed under AS 44.62.560 — 44.62.570.

(f) An exemption may not be granted under (e) of this section except upon written application for the exemption on a form approved by the state assessor for use by local assessors. The claimant must file the application no later than January 15, or a date provided by ordinance that is not later than March 31, of the assessment year for which the exemption is sought. The governing body of the municipality for good cause shown may waive during a year the claimant's failure to make timely application for exemption for that year and authorize the assessor to accept the application as if timely filed. The claimant must file a separate application for each assessment year in which the exemption is sought. If an application is filed within the required time and is approved by the assessor, the assessor shall allow an exemption in accordance with the provisions of this section. If a failure to file by January 15, or a date provided by ordinance that is not later than March 31, of the assessment year has been waived as provided in this subsection and the application for exemption is approved, the amount of tax that the claimant has already paid for the assessment year for the property exempted shall be refunded to the claimant. The assessor shall require proof in the form the assessor considers necessary of the right to and amount of an exemption claimed under (e) of this section, and shall require a disabled veteran claiming an exemption under (e) of this section to provide evidence of the disability rating. The assessor may require proof under this section at any time.

TAX RELIEF PROGRAMS



State of Alaska
Steve Cowper, Governor

Department of Community and Regional Affairs
David G. Hoffman, Commissioner



TAX RELIEF PROGRAMS
FOR THE FISCAL YEAR 1988
STATE OF ALASKA
STEVE COWPER, GOVERNOR

PREPARED BY
DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS
MUNICIPAL AND REGIONAL ASSISTANCE DIVISION
OFFICE OF THE STATE ASSESSOR
P.O. BOX BH
JUNEAU, ALASKA 99811
465-4783

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**SENIOR CITIZENS AND
DISABLED VETERANS
PROPERTY TAX
RELIEF PROGRAMS**

- **Tax Exemption for Homeowners.**
- **Equivalency Payments for Renters.**

SENIOR CITIZEN AND DISABLED VETERAN
PROPERTY TAX EXEMPTION PROGRAM HISTORY
AS 29.45.030(e) - (i)

January 1, 1973 - Alaska's first Senior Citizen Property Tax Exemption Program was enacted (Chapter 118, SLA 72).

January 1, 1974 - The \$10,000 gross annual income limitation as a prerequisite to eligibility was deleted (Sec. 1, Chapter 60, SLA 74).

January 1, 1977 - An extension of the filing date deadline for "good cause shown" was authorized (Sec. 1, Chapter 65, SLA 75).

January 1, 1985 - Disabled veterans, whose disability has been rated as 50 percent or more and the widow or widower of a person who was eligible for payment and is at least 60 years old were added to the program. Prorating language was also included in this bill allowing the department to prorate payments if appropriations are not sufficient to fully fund municipal reimbursements from this program. The senior citizen and disabled veteran will continue to receive 100 percent exemption under Chapter 40, SLA 84.

January 1, 1987 - The exemption was limited to the first \$150,000 of the assessed value of real property. A municipality may, in case of hardship, provide for exemption beyond the first \$150,000 of the assessed value (Chapter 70, SLA 86).

The law exempts 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.

A breakdown of the FY 88 program by participating municipalities is illustrated in the table on the following page.

An eleven-year performance summary is outlined below:

<u>FISCAL YEAR</u>	<u>NO. OF APP.'S APPROVED</u>	<u>ASSESSED VALUE EXEMPT</u>	<u>TOTAL REVENUE REIMBURSEMENT</u>	<u>AVERAGE VALUE PER APP</u>	<u>AVERAGE TAX PER APP</u>
1978	2,909	\$104,306,352	\$1,512,983	\$35,856	\$520
1979	3,108	128,810,117	1,761,540	41,445	567
1980	3,393	165,159,728	1,899,611	48,677	560
1981	3,842	211,428,981	2,291,811	55,031	596
1982	4,147	277,154,113	1,757,887	66,833	423
1983	4,893	324,220,034	2,092,317	66,262	428
1984	5,156	392,215,073	3,146,618	76,070	610
1985	5,418	478,983,142	4,105,075	88,406	739
1986	6,061	609,947,921	3,958,567*	100,635	821
1987	6,569	737,706,208	3,770,300*	112,301	963
1988	7,118	760,355,699	2,622,969*	106,822	949

* PRORATED REIMBURSEMENT DUE TO BUDGET SHORTFALL

**SENIOR CITIZEN AND DISABLED VETERAN PROPERTY TAX EXEMPTION PROGRAM
FY 88 PROGRAM SUMMARY BREAKDOWN**

MUNICIPALITY BOROUGHES	NO. OF APPLICANTS APPROVED	ASSESSED VALUE EXEMPT	TAX EXEMPT	PRORATED * PAYMENT	SHORTAGE	AVERAGE VALUATION PER APP	AVERAGE TAX PER APP
Anchorage	2,791	\$386,998,922	\$3,415,163	\$1,326,449	\$2,088,914	\$138,659	\$1,224
Bristol Bay	8	558,100	2,791	1,084	1,707	69,763	349
Fairbanks North Star	982	74,223,442	925,098	359,287	565,811	75,584	942
Haines	72	5,167,620	44,837	17,414	27,423	71,773	623
Juneau	562	50,930,400	534,747	207,682	327,064	90,623	952
Kenai Peninsula	777	86,209,957	593,503	230,503	363,000	110,952	764
Ketchikan Gateway	378	30,143,409	347,449	134,941	212,508	80,459	919
Kodiak Island	145	12,514,335	78,681	30,558	48,123	86,306	543
Matanuska-Susitna	772	68,410,407	466,088	181,018	285,070	88,615	604
North Slope	18	615,470	11,306	4,391	6,915	34,193	628
Sitka	164	14,083,265	68,304	26,528	41,776	85,874	416
BOROUGHES SUBTOTAL	6,669	\$729,855,327	\$6,488,167	\$2,519,856	\$3,968,311	\$109,440	\$973
CITIES							
Cordova	33	\$2,403,900	\$ 7,212	\$ 2,801	\$ 4,411	\$ 72,845	\$ 219
Craig	9	770,200	4,448	1,727	2,721	85,578	494
Dillingham	18	2,084,800	6,254	2,429	3,825	115,822	347
Eagle	5	229,460	229	89	140	45,892	46
Nenana	20	722,897	6,506	2,527	3,979	36,145	325
Nome	73	4,704,983	35,286	13,704	21,582	64,452	483
Pelican	9	504,074	3,036	1,179	1,857	56,008	337
Petersburg	109	9,200,505	88,555	34,393	54,162	84,408	812
Skagway	29	1,585,927	11,563	4,491	7,072	54,687	399
Unalaska	7	453,300	5,793	2,250	3,543	64,757	828
Valdez	31	2,201,796	31,170	12,106	19,064	71,026	1,005
Whittier	9	260,000	1,300	505	795	28,889	144
Wrangell	86	4,777,180	56,747	22,039	34,708	55,549	660
Yakutat	11	601,350	7,397	2,873	4,524	54,668	672
CITIES SUBTOTAL	449	\$30,500,372	\$265,496	\$103,113	\$162,383	\$67,930	\$591
STATEWIDE TOTAL	7,118	\$760,355,699	\$6,753,663	\$2,622,969	\$4,130,694	\$106,822	\$949

* PRORATIONING = 38.84% WITH EXISTING FUNDS

FY 88 TOTAL REQUEST = \$6,753,663
 FY 88 TOTAL BUDGET = \$2,622,969
 FY 88 SHORTAGE = \$4,130,694

ALASKA STATUTES, TITLE 29
MUNICIPAL GOVERNMENT
CHAPTER 45

* AS 29.45.030 (e)

Sec. 29.45.030. Required Exemptions. (e) The real property owned and occupied as the primary residence and permanent place of abode by a (1) resident 65 years of age or older; (2) disabled veteran; or (3) resident at least 60 years old who is the widow or widower of a person who qualified for an exemption under (1) or (2) of this subsection, is exempt from taxation on the first \$150,000 of the assessed value of the real property. A municipality may, in case of hardship, provide for the exemption beyond the first \$150,000 of the assessed value in accordance with regulations of the department. Only one exemption may be granted for the same property and, if two or more persons are eligible for an exemption for the same property, the parties shall decide between or among themselves who is to receive the benefit of the exemption. Real property may not be exempted under this subsection if the assessor determines, after notice and hearing to the parties, that the property was conveyed to the applicant primarily for the purpose of obtaining the exemption. The determination of the assessor may be appealed under AS 44.62.560 - 44.62.570.

(f) An exemption may not be granted under (e) of this section except upon written application for the exemption on a form approved by the state assessor for use by local assessors. The claimant must file the application no later than January 15, or a date provided by ordinance that is not later than March 31, of the assessment year for which the exemption is sought. The governing body of the municipality for good cause shown may waive during a year the claimant's failure to make timely application for exemption for that year and authorize the assessor to accept the application as if timely filed. The claimant must file a separate application for each assessment year in which the exemption is sought. If an application is filed within the required time and is approved by the assessor, the assessor shall allow an exemption in accordance with the provisions of this section. If a failure to file by January 15, or a date provided by ordinance that is not later than March 31, of the assessment year has been waived as provided in this subsection and the application for exemption is approved, the amount of tax that the claimant has already paid for the assessment year for the property exempted shall be refunded to the claimant. The assessor shall require proof in the form the assessor considers necessary of the right to and amount of an exemption claimed under (e) of this section, and shall require a disabled veteran claiming an exemption under (e) of this section to provide evidence of the disability rating. The assessor may require proof under this section at any time.

(g) The state shall reimburse a borough or city, as appropriate, for the real property tax revenues lost to it by the operation of (e) of this section. However, reimbursement will be made to a municipality for revenue lost to it only to the extent that the loss exceeds an exemption that was granted by the municipality, or that on proper application by an individual would have been granted under AS 29.45.050(a). If appropriations are not sufficient to fully fund reimbursements under this subsection, the amount available shall be distributed pro rata among eligible municipalities.

(h) Except as provided in (g) of this section, nothing in (e) - (j) of this section affects similar exemptions from property taxes granted by a municipality on September 10, 1972, or prevents a municipality from granting similar exemptions by ordinance as provided in AS 29.45.050.

(i) In (e) - (i) of this section

(1) "disabled veteran" means a disabled person separated from the military service of the United States under a condition that is not dishonorable who is a resident of the state, whose disability was incurred or aggravated in the line of duty in the military service of the United States, and whose disability has been rated as 50 percent or more by the branch of service in which that person served or by the Veterans' Administration;

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

* Revise Effective 1/1/86 (Chapter 74, SLA 1985)

ALASKA ADMINISTRATIVE CODE TITLE 19
DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS
SENIOR CITIZEN AND DISABLED VETERAN PROPERTY TAX EXEMPTION
CHAPTER 35

19 AAC 35.010. METHOD OF APPLICATION. Applications for the senior citizen and disabled veteran property tax exemption shall be on forms provided by the Department of Community and Regional Affairs. (Eff. 1/28/73, Reg. 45; am / /88, Register 107)

19 AAC 35.020. FORMS. Form 21-400 and Form 21-400b are hereby adopted by the department for use in the application for senior citizen and disabled veteran property tax exemptions, respectively. (Eff. 1/28/73, Reg. 45; am 1/27/74, Reg. 48; / /88, Register 107)

19 AAC 35.030. OBTAINING FORMS. Application forms are available only from the office of the clerk or assessor of the municipality. (Eff. 1/28/73, Reg. 45)

19 AAC 35.040. DEADLINES AND CALCULATIONS. (a) Exemption applications filed after January 15, of the assessment year, or after a date provided by ordinance as specified in AS 29.45.030(f), must be accompanied by an affidavit stating the reason for the late filing. (Eff. 1/28/73, Reg. 45; am 3/31/76, Reg. 57)

(b) To qualify for hardship exemption beyond the first \$150,000 of assessed value of real property under AS 29.45.030 - (e), the applicant must apply by completing Form 21-400c and submitting the form, including necessary attachments, to the municipal assessor before July 1, or before a date provided by ordinance as specified in AS 29.45.030(f), of the exemption year.

(c) An eligible applicant may qualify for a hardship exemption beyond the first \$150,000 of assessed value of real property if the amount of the applicant's tax bill is greater than two percent of the applicant's gross household income. An exemption will be granted only for that portion of the applicant's taxes in excess of two percent of the gross household income. "Gross household income" means total annual compensation, earned and unearned, from all sources, of all members of the household.

(d) In cases of extreme hardship, an exemption up to 100 percent of the applicant's assessed value of real property may be granted by two-thirds vote of the governing body.

(e) Hardship exists when the amount taxes owed is in excess of two percent of an applicant's gross household income.

(f) The following are examples of hardship exemption calculations:

(1) Example A

Household Income: \$30,000
Assessed Value: \$200,000
Mill Rate: 10.0

Taxes Calculated: \$200,000 x 10.0 mills = \$2,000
\$150,000 Cap: \$150,000 x 10.0 mills = \$1,500

Tax Liability: \$ 500

Ability to Pay: \$30,000 x 2% = \$600 = No Hardship
Exemption
Allowed

(2) Example B

Household Income: \$10,000
Assessed Value: \$200,000
Mill Rate: 10.0

Taxes Calculated: \$200,000 x 10.0 mills = \$2,000
\$150,000 Cap: \$150,000 x 10.0 mills = \$1,500

Tax Liability: \$ 500

Ability to Pay: \$10,000 x 2% = \$200

Tax Liability: \$500
Ability to Pay: (200)
Hardship
Exemption: \$300

(Eff. 1/26/73, Register 45; am 3/31/76, Register 57; am 10/ /88,
Register 107)

19 AAC 35.050. SUBMISSION OF AMENDED APPLICATION. Repealed.
(Eff. 1/27/74, Reg. 48)

19 AAC 35.060. SUPPLEMENTARY INFORMATION. Repealed.
(Eff. 1/27/74, Reg. 48)

19 AAC 35.070. CONFIDENTIALITY. Repealed. (Eff. 1/27/74, Reg. 48)

19 AAC 35.080. APPLICABILITY OF INCOME CRITERIA. (a)(b)&(c)
Repealed. (Eff. 1/27/74, Reg. 48)

19 AAC 35.085. ELIGIBILITY. (a) When an eligible person and his or her spouse occupy the same permanent place of abode, the reimbursement described in AS 29.45.030 (g) applies, regardless of whether the property is held in the name of the husband, wife, or both.

(b) A resident widow or widower who is at least 60 years old is eligible for the hardship exemption under AS 29.45.030(e) if the deceased spouse of the widow or widower was at the time of his or her death

- (1) a resident of the State of Alaska; and
- (2) at least 65 years old or a disabled veteran.

(c) If property is occupied by a person other than the eligible applicant and his or her spouse, an exemption, to be eligible for reimbursement, applies only to the portion of the property permanently occupied by the eligible applicant and his or her spouse as a place of abode.

(d) The real property eligible for reimbursement under this chapter includes only a

(1) primary parcel: the entire parcel of real property owned and occupied by an applicant as a permanent place of abode; and

(2) subsidiary parcel: a parcel of real property adjacent to the primary parcel described under (1) of this subsection, subject to approval by the department.

19 AAC 35.090. APPLICABILITY OF LIENS. Repealed 11/24/82.

19 AAC 35.095. OTHER STATUTORY ENCUMBRANCES. Approval of the property for the property tax exemption does not exempt the property from other statutory encumbrances.

19 AAC 35.100. PENALTY. Repealed. (Eff. 1/27/73, Reg. 48)

19 AAC 35.110. APPEAL. (a) An applicant aggrieved by any determination of the local assessor, except a decision as to the purpose of a transfer, may appeal under AS 29.53.130 - 29.53.135 to his local board of equalization.

(b) The determination of the board of equalization is appealable under AS 44.62.560 - 44.62.570. (Eff. 1/28/73, Reg. 45)

19 AAC 35.120. DEFINITIONS. In this chapter

(1) repealed (Eff. 1/27/73, Reg. 48);

(2) "exemption year" means the calendar year for which the exemption is sought;

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

(4) "permanent place of abode" means a dwelling, or a dwelling unit in a multiple dwelling, including lots and outbuildings, or an appropriate portion thereof, which are necessary to convenient use of the dwelling unit;

(5) "resident" includes applicants who have a a fixed habitation in the State of Alaska, and, when absent, intend to return to the State of Alaska;

(6) "ownership" means possession of an interest in real property, including but not limited to, a mobile home or condominium, which interest is recorded in the office of the district recorder, or, if unrecorded, is attested by a contract, bill of sale, deed of trust, or other proof in a form satisfactory to the local assessor;

(7) "department" means the Department of Community and Regional Affairs;

(8) "senior citizen" means one who is age 65 or older before January 1 of the exemption year.

(9) "disabled veteran" has the same meaning as in AS 29.45.030(i)(1);

(Eff. 1/28/73, Reg. 45; am 4/18/73, Reg. 45; am 1/27/74, Reg. 48; am 3/31/76, Reg. 57; am 11/24/82, Reg. 84)

SENIOR CITIZEN AND DISABLED VETERAN
PROPERTY TAX EQUIVALENCY PROGRAM HISTORY
AS 29.45.040

September 18, 1976 - the Senior Citizen Property Tax Exemption Program was enacted and became effective the same date (Sec. 2, Chapter 217, SLA 1976).

The amount of the equivalency payment is computed by multiplying the number of mills which a municipality levies times one-half percent to determine the percentage portion of the total annual rent paid. The result is considered to be the amount of property tax which is included as part of the rent. The amount of equivalency payment grant is subject to a limitation of \$375 for a full year. For 1976, the \$375 limitation was adjusted to 28.688%, or \$107.58.

January 1, 1978 - the Act was amended to increase the payment from 1/2 percent to 1 percent and the \$375 payment limit was eliminated.

January 1, 1985 - the Act was amended to include a disabled veteran whose disability is 50% or more and the widow or widower of a person who was eligible for payment and is at least 60 years old. Prorating language was also included in this bill allowing the department to prorate payments if appropriations are not sufficient to fully fund tax equivalency payments.

A eleven-year performance summary is outlined below:

<u>FISCAL YEAR</u>	<u>NO. OF APPLICATIONS APPROVED</u>	<u>ANNUAL RENT PAID</u>	<u>PAYMENT</u>	<u>AVERAGE RENT</u>	<u>AVERAGE PAYMENT</u>
1978	538	\$1,220,587	\$ 97,143	\$2,269	\$181
1979	533	\$1,260,698	\$ 94,824	\$2,365	\$178
1980	738	\$1,857,731	\$122,894	\$2,517	\$167
1981	694	\$1,921,244	\$230,996	\$2,768	\$333
1982	742	\$2,249,821	\$160,163	\$3,032	\$216
1983	720	\$2,439,506	\$208,538	\$3,388	\$290
1984	662	\$2,482,387	\$210,573	\$3,750	\$318
1985	695	\$2,849,565	\$258,349	\$4,100	\$386
1986	654	\$2,900,469	\$260,592	\$4,435	\$399
1987	710	\$3,232,464	\$311,632	\$4,553	\$439
1988	711	\$3,221,064	\$379,592	\$4,530	\$534

SENIOR CITIZEN AND DISABLED VETERAN
PROPERTY TAX EQUIVALENCY PAYMENTS

FY 88 PROGRAM SUMMARY BREAKDOWN

SENIOR CITIZENS

MUNICIPALITY BOROUGHES	NO. OF APPLICANTS APPROVED	ANNUAL RENT PAID	PAYMENT AMOUNT*	AVERAGE ANNUAL RENT PER APP	AVERAGE PAYMENT PER APP
Anchorage	352	\$1,608,835	\$213,267	\$4,571	\$606
Fairbanks North Star	75	350,759	43,679	4,677	582
Haines	3	9,004	1,306	3,001	435
Juneau	91	483,330	49,949	5,311	549
Kenai Peninsula	63	214,454	21,195	3,403	336
Ketchikan Gateway	29	137,747	19,643	4,750	677
Kodiak Island	37	156,237	10,158	4,223	275
Matanuska-Susitna	24	93,197	7,329	3,883	305
Sitka	16	80,071	3,883	5,004	243
BOROUGHES SUBTOTAL	690	\$3,133,634	\$370,409	\$4,941	\$537
<u>CITIES</u>					
Cordova	1	\$ 3,638	\$ 109	\$3,638	\$109
Nenana	1	4,200	378	4,200	378
Nome	1	5,400	405	5,400	405
Petersburg	8	32,755	3,275	4,094	409
Skagway	2	5,400	424	2,700	212
Valdez	1	6,520	894	6,520	894
Wrangell	7	29,580	3,698	4,226	528
CITIES SUBTOTAL	21	\$87,493	\$9,183	\$4,166	\$437
STATEWIDE TOTAL	711	\$3,221,127	\$379,592	\$4,530	\$534

DISABLED VETERANS

MUNICIPALITY BOROUGHES	NO. OF APPLICANTS APPROVED	ANNUAL RENT PAID	PAYMENT AMOUNT*	AVERAGE ANNUAL RENT PER APP	AVERAGE PAYMENT PER APP
Anchorage	12	\$ 70,162	\$ 9,338	\$ 5,847	\$ 778
Fairbanks North Star	2	16,220	2,026	8,110	1,013
Juneau	2	17,240	1,881	8,620	941
Kenai Peninsula	1	7,351	778	7,351	778
Ketchikan Gateway	2	18,338	2,714	9,169	1,357
Kodiak Island	2	12,012	782	6,006	391
STATEWIDE TOTAL	21	\$141,323	\$17,519	\$ 6,730	\$ 834

* PAYMENTS BASED ON RENTS PAID DURING 1987.

ALASKA STATUTES, TITLE 29
MUNICIPAL GOVERNMENT
CHAPTER 45
PROPERTY TAX EQUIVALENCY PAYMENTS

* AS 29.45.040

Sec. 29.45.040. Property tax equivalency payments. (a) A resident of the state who rents a permanent place of abode is eligible for a tax equivalency payment from the state through the department if the resident is:

(1) at least 65 years old;
(2) a disabled veteran; or
(3) at least 60 years old and the widow or widower of a person who was eligible for payment under (1) or (2) of this subsection.

(b) For purposes of determining the amount of a payment to an eligible person, the department shall calculate at the rate of one percent per mill a property tax equivalent percentage for each municipality that levies a property tax. The property tax equivalent percentage applied to the annual rent charged to the applicant equals the property tax equivalency payment payable under this section.

(c) To obtain a tax equivalency payment the eligible resident must apply to the department for payment for the preceding year by January 15 of each year on forms and in the manner prescribed by the department. The department for good cause shown may waive an applicant's failure to make timely application for a tax equivalency payment and accept the application as if timely filed. Each applicant shall submit with the application rental receipts or, if rental receipts are not available, other evidence satisfactory to the department for determination of the fact of payment of rent and the amount paid. A disabled veteran shall submit with the application evidence of the disability rating.

(d) If two or more persons occupy a residence as tenants, not all of whom are eligible for a tax equivalency payment under this section, the assessor shall determine equitable partial payments to be made to the eligible tenants. However, a tax equivalency payment to an eligible applicant may not be reduced because the spouse is less than 65 years of age or is not a disabled veteran. If all occupants in a residence are eligible for a tax equivalency payment under this section, the occupants shall decide between and among themselves which shall receive payment.

* Revise effective 1/1/86 (Chapter 74, SLA 1985)

ALASKA ADMINISTRATIVE CODE TITLE 19
DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS
SENIOR CITIZEN AND DISABLED VETERAN PROPERTY TAX EQUIVALENCY PAYMENT
CHAPTER 36

19 AAC 36.010. FORMS. (a) 21-405 and Form 21-406 are adopted by the department for use in application for the senior citizen and disabled veteran renter property tax equivalency payment. Form 21-405a and Form 21-406a "rent certificate" are adopted by the department as supplements to Form 21-405 and Form 21-406, respectively.

(b) Application forms will be supplied upon request by the office of the state assessor.

19 AAC 36.020. RENTAL PAYMENT VERIFICATION. Satisfactory evidence of payment and the amount paid, as required by AS 29.45.040(c), includes:

- (1) Form 21-405a and Form 21-406a, property completed by the landlord and attached to Form 21-405 or Form 21-406 respectively;
- (2) cancelled checks payable to the landlord for rent paid;
- (3) rent receipts; or
- (4) a combination of the items on (1)-(3) of this section.

19 AAC 36.030. ELIGIBILITY. (a) To be eligible, property for which rent is paid must be subject to a local property tax. Payment in place of property tax is not considered local property tax for purposes of this chapter.

(b) To be eligible, a rental payment must be paid to the landlord and must exclude security deposits, rent paid for the year before the program year, and advance payments for the year after the program year. Rental charges for food, medical care and supplies, personal services, or other items not eligible. Sales tax paid to the landlord for the rental may be included in the eligible rent paid.

(c) An applicant may not receive a property tax exemption under AS 29.45.030(e) - (i) and renter equivalency payments under AS 29.45.040 for the same program year unless a portion of a permanent place of abode is owned and a portion of the same permanent place of abode is rented.

(d) An applicant must be age 65 or older before January 1 of the program year to be eligible.

(e) Application for an equivalency payment must be mailed to the department by January 15 of the year following the program year.

19 AAC 36.040. VERIFICATION OF AGE. (a) Documentation of birth date is required the first year an applicant enters the program. Submission of one of the following documents clearly showing birth date of the applicant is adequate documentation:

- (1) birth certificate;
- (2) proof of eligibility for the Alaska Longevity Program, or any Alaska state program that requires similar adequate documentation of age;
- (3) baptismal certificate showing date of birth and issued during the first few years of life;
- (4) naturalization papers;
- (5) a document issued by the Social Security Administration showing date of birth; or

(6) a Bureau of the Vital Statistics record of birth.

(b) The department will, in its discretion, accept as adequate documentation other documents attesting to the age of the applicant. (Eff. 11/24/82, Reg. 84)

Authority: AS 29.45.040
AS 44.47.980

19 AAC 36 amended by adding a new section to read:

19 AAC 36.045. VETERAN VERIFICATION OF DISABILITY. (a) For each year of application, a disabled veteran must submit a letter of certification from the Veterans Administration attesting to the disabled veteran's current percentage of disability. The letter of certification must be attached to FORM 21-406.

(b) A disabled veteran will not be required to provide a current letter of certification as specified in (a) of this section if the disabled veteran submits a letter from the Veterans Administration certifying that his or her disability is of a permanent nature and does not require reevaluation. (Eff. 10/ /88, Register 107).

Authority: AS 29.45.040
AS 44.47.980

19 AAC 36.050. COMPUTATION OF PAYMENT. (a) No payment will be made for less than \$1.

(b) The property tax equivalent percentage for each home rule or general law municipality that levies a general property tax is based on the highest mill rate levied within that municipality during the program year.

(c) The mill rate levied against the abode most recently occupied is used to determine the equivalent percentage for that year. (Eff. 11/24/82, Reg. 84).

Authority: AS 29.45.040
AS 44.47.980

19 AAC 36.060. DEFINITIONS. In this chapter

(1) "department" means the Department of Community and Regional Affairs;

(2) "program year" means the calendar immediately preceding the filing date.

(3) "disabled veteran" has the same meaning as in AS 29.45.030(i)(1). (Eff. 11/24/82, Reg. 84; am / /88, Reg. 107).

Authority: AS 29.45.040
AS 44.47.980

Editor's Note: 19 AAC 37 was repealed effective / /88, Register 107, October, 1988. Its statutory authority was repealed in 1985 by S 88, Ch. 74, SLA 1985.

**SENIOR CITIZEN
MOTOR VEHICLE
REGISTRATION
TAX PAYMENT**

SENIOR CITIZEN MOTOR VEHICLE TAX EXEMPTION
AS 29.45.030(j)

October 15, 1978 - the law requiring senior citizen motor vehicle registration tax payments was enacted (Chapter 178, SLA 1978).

January 1, 1979 - the Division of Motor Vehicles began to administer this program.

January 1, 1987 - the Legislature amended this program and eliminated the States obligation to reimburse municipalities for lost revenues. However, the Senior Citizen will continue to receive the exemption. Effective 1/1/87 (Chapter 70, SLA 86).

"The Department of Community and Regional Affairs shall pay to the borough or city in which a person who is granted an exemption under (c) of this section resides, an amount equal to the tax levied under section 431(b) of this chapter regardless of whether the borough or city is eligible for the tax levied under that section."

The law provides for exemption from the locally imposed, state collected registration tax on a motor vehicle owned by a Senior Citizen. The Senior Citizen completes an exemption form at the time of registration and is exempt from the tax. That form is then forwarded to the Department of Community and Regional Affairs and the appropriate municipality is reimbursed.

A summary of program payments by municipalities for Fiscal Year 1986 is provided on the following page.

The six-year program performance summary is outlined below:

<u>FISCAL YEAR</u>	<u>NUMBER OF AFFIDAVITS</u>	<u>MUNICIPAL REIMBURSEMENT</u>	<u>AVERAGE PER AFFIDAVIT</u>
1981	5,127	\$ 88,156	\$17.19
1982	5,141	\$ 93,089	\$18.10
1983	6,053	\$110,839	\$18.31
1984	6,220	\$115,748	\$18.60
1985	6,964	\$133,957	\$19.24
1986	5,770	\$112,483	\$19.48

ALASKA STATUTES TITLE 29
MUNICIPAL GOVERNMENT CHAPTER 45
MUNICIPAL TAXATION
MOTOR VEHICLE TAX EXEMPTION

* AS 29.45.030(j)

(j) One motor vehicle per household owned by a resident 65 years of age or older on January 1 of the assessment year is exempt either from taxation on its assessed value or from the registration tax under AS 28.10.431. An exemption may be granted under this subsection only upon written application on a form prescribed by the Department of Public Safety. The state shall reimburse a municipality for tax revenues lost to it because of the exemption required by this subsection. Reimbursement to a municipality equals the amount of registration tax authorized under AS 28.10.431(b) for each vehicle exempted under this subsection.

* Amended effective 1/1/86 (Chapter 74, SLA 85)

**SENIOR CITIZEN
SPECIAL ASSESSMENTS
EXEMPTION**

WATER AND SEWER

SENIOR CITIZEN SPECIAL ASSESSMENT
DEFERMENT PROGRAM HISTORY
AS 29.46.090

September 2, 1975 - the first senior citizen deferred tax program relating to special assessments was enacted (Sec. 1, Chapter 114, SLA 1975).

June 21, 1976 - the act was repealed and reenacted (Sec. 1, Chapter 215, SLA 1976).

June 2, 1979 - the renewal deadline was extended to March 15, and the department became the agency responsible for waiver of the deadline (Sec. 23, Chapter 83, SLA 1979).

January 1, 1987 - this program was repealed in Chapter 70, SLA 86. Senior citizens currently on the program will continue to receive deferral of the special assessment payment.

The law provides for deferred payment of special assessments levied by municipalities for the installation of sewer and/or water systems. Properties owned and occupied by permanent residents of the state, 65 years of age or older, may be eligible.

State reimbursement is provided to the municipality for revenue lost in operation of the program. At the time of reimbursement, the municipal lien is satisfied and a lien in favor of the state is recorded in the amount of the assessment levied upon the property. The lien becomes due and payable upon sale or transfer of the property except to a spouse, widow, widower, or minor heir. Qualification must be verified each year in order for the deferment to be retained.

SENIOR CITIZEN SPECIAL ASSESSMENTS DEFERMENT PROGRAM
FIVE-YEAR PERFORMANCE SUMMARY

MUNICIPALITY	NUMBER OF APPLICATIONS APPROVED	AVERAGE DEFERMENT PER APPLICATION	TOTAL REVENUE REIMBURSEMENT
<u>FY 83</u>			
Anchorage	3	\$ 2,461	\$ 7,383
Wasilla	<u>3</u>	\$ 4,689	<u>14,068</u>
Total	6		\$21,451
<u>FY 84</u>			
Anchorage	1	\$ 4,222	\$ 4,222
Wasilla	1	\$ 362	362
Palmer	<u>1</u>	\$ 7,425	<u>7,425</u>
Total	3		\$12,009
<u>FY 85</u>			
Anchorage	3	\$ 7,096	\$21,288
<u>FY 86</u>			
Anchorage	3	\$ 3,814	\$11,442
Wasilla	<u>2</u>	\$ 3,777	<u>7,555</u>
Total	5		\$18,997
<u>FY 87</u>			
Program was repealed effective 1/1/87. No applications approved.			
<u>TOTAL FY 83 - FY 87</u>		17	\$73,745

LIENS RELEASED AND PAYMENTS RETURNED TO THE STATE GENERAL FUND

	<u>Number of Liens Released</u>	<u>Total Revenue Collected</u>
FY 83	9	\$10,918
FY 84	15	24,630
FY 85	6	20,768
FY 86	11	16,937
FY 87	12	18,385
FY 88	<u>6</u>	<u>17,006</u>
	59	\$108,644

ALASKA STATUTES, TITLE 29
MUNICIPAL GOVERNMENT
CHAPTER 46
SPECIAL ASSESSMENTS

* AS 29.46.090

Sec. 29.46.090. Exemption. (a) The real property owned and occupied by a resident 65 years of age or over, or the spouse, widow, widower, or minor heir of the original applicant, on which is located only the permanent abode of the applicant that is a single-family residence, is exempt from (1) special sewer assessments levied by a municipality after September 2, 1975, and (2) special water assessments levied by a municipality after September 2, 1975. Only one exemption may be granted with respect to the same property, and, if two or more persons are eligible for an exemption with respect to the same property, the parties shall decide between or among themselves which shall receive the benefit of the exemption. Real property may not be exempted under this subsection that the municipality determines, after notice and hearing to the parties concerned, has been conveyed to the applicant primarily for the purpose of obtaining the exemption. The determination of the municipality is appealable under AS 44.62.560 - 44.62.570.

(b) An exemption may not be granted under this section except upon written application for the exemption on a form prescribed by the state assessor for use by local assessors and in accordance with the following requirements:

(1) the claimant must file the initial application during the period of time between the date the assessment roll is confirmed and the time of payment fixed by the governing body. Within one year after the date the assessment roll is confirmed the governing body for good cause shown may waive the claimant's failure to make timely initial application for the exemption and authorize the assessor to accept the application as if timely filed.

(2) a claimant receiving the exemption must file with the assessor by March 15 of each subsequent year a separate application proving eligibility as of January 1 in order to retain the exemption. Within the same year the assessor for good cause shown may waive the claimant's failure to make timely application and approve the application as if timely filed.

(3) if an application is filed within the required time under this subsection and is approved by the governing body, the exemption shall be allowed in accordance with the provisions of this section. If a waiver under this subsection is granted and the application for exemption approved, the amount of any assessment, penalty, or interest that the claimant has already paid on the assessment shall be refunded to the claimant. The municipality may at any time require proof in the form considered necessary of the right and amount of an exemption claimed under this section.

(c) The state shall reimburse a municipality for the sewer and water assessment revenues that it would receive but for the operation of this section. Reimbursement under this subsection is a lien in favor of the state against the property exempted to the extent of the assessment against the property exempted. When properly recorded, the lien is prior and superior to other liens against the property except for property taxes or other special assessments and may be enforced by lien foreclosure. The lien becomes immediately due and payable

(1) upon sale or other transfer of the property except to a spouse, widow, widower, or minor heir; however, if the property is transferred to a minor heir the lien becomes due and payable on the date the minor heir reaches the age of 25 years;

(2) when property exempted under (a)(1) or (2) of this section receives more than one sewer connection or more than one water connection; or

(3) when the claimant fails to prove eligibility under (b)(2) of this section.

(d) This section applies to home rule and general law municipalities.

(e) In this section

(1) "minor heir" means a person who, at the time of transfer of the property, has not attained the age of 19 years or who, if under 22 years of age, is a full-time student at an educational institution or a member of the armed forces of the United States;

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

* Repealed effective 1/1/87 (Chapter 70, SLA 1986)

ALASKA ADMINISTRATIVE CODE TITLE 19
DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS
CHAPTER 37, SENIOR CITIZEN SPECIAL
SEWER AND WATER ASSESSMENT DEFERMENT

19 AAC 37.010. FORMS. (a) Form 21-401 is adopted by the department for use in filing an application for the Senior Citizen Sewer and Water Assessment Deferred Payment. Form 21-401b is adopted as the application form for annual renewal of the deferment.

(b) Application forms for the initial deferred payment (Form 21-401) are available only from the clerk, the assessor, or the revenue collector of a municipality. Application forms to renew the deferment (Form 21-401b) are available only from the department.

19 AAC 37.020. ELIGIBILITY. Eligibility requirements under AS 29.63.065 must be met as of the date the assessment district roll is certified under AS 29.63.050.

19 AAC 37.030. MUNICIPAL REIMBURSEMENT. Reimbursement to the municipality will be a lump sum amount equal to the amount authorized under AS 29.63.065(c) as determined by the municipality. Reimbursement will not include penalty or interest.

19 AAC 37.040. LIEN. (a) Upon sale or transfer of all or a portion of the real property, subject to the requirements of AS 29.63.065(c), the entire lien becomes due and payable.

(b) Upon demonstrated need, the department will, in its discretion, arrange repayment of the lien in periodic installments. Upon repayment of the total amount the department will release the lien. If the payment schedule becomes 30 days delinquent, foreclosure of the lien will begin 60 days after notice of delinquency.

(c) Upon sale or other transfer of all or a portion of the real property, the department will release the lien on the entire property and issue a new lien on the portion retained by the claimant if:

(1) the amount of the lien is paid at the time of transfer on the transferred portion based upon a pro rata percentage at the time of the transfer, and

(2) legal descriptions of the transferred property and the retained property are filed with a new application for exemption.

FARM LAND USE ASSESSMENT

FARM USE LAND ASSESSMENT PROGRAM HISTORY
AS 29.45.060

January 1, 1968 - the first Farm and Agricultural Lands Deferred Tax Program was enacted (Chapter 82, SLA 1967).

January 1, 1975 - the act was substantially amended (Sec. 1, Chapter 90 SLA 1974). The 1974 amendment reduced the yearly gross farm income requirement from 25% to 10%, provided for the averaging of income over a three year period, provided for estimated farm income for the current year, provided for the use of the lessee farm income to qualify the owner for farm use assessment, increased to seven years the deferred tax payment provision, and provided for reimbursement by the state of property tax revenue lost to the municipality through the operation of the act.

January 1, 1977 - the act was further amended (Sec. 3, Chapter 229, SLA 1976). The 1976 amendment increased the penalty for conversion of the land to a use incompatible with farm use by requiring the owner to pay an amount equal to the additional tax at the current mill levy together with eight percent interest for the preceding seven years as though the land had not been assessed for farm use purposes.

September 10, 1978 - the filing deadline was moved to May 15 (Sec. 1, Chapter 66, SLA 1978).

The program was essentially inactive during the first four years of operation since agricultural and rural real estate, for a variety of reasons, simply was not assessed at as high a percentage of value as urban real estate.

The Farm Use Land Assessment Program requires a differential assessment for qualified farm land, with the owner's paying taxes on the land value as a farm, and the State paying the taxes on the remaining value. If the land is converted to a use incompatible with farming, the owner is liable to pay the deferred tax for the preceding seven years.

Experience over the past several years has vividly demonstrated the difficulty of administering the existing legislation. The omission of a lien provision to make the eligible property liable for the payment to the state of an amount equal to the deferred taxes plus interest is a glaring weakness in the legislation which effectively negates the imposition of the penalty provisions.

FARM USE LAND ASSESSMENT
FY 88 PROGRAM SUMMARY BREAKDOWN

MUNICIPALITY	NO. OF APPLICANTS	NO. OF ACRES	FULL & TRUE VALUE	DEFERRED VALUE	DEFERRED TAX	FY 88 PAYMENT*	SHORTAGE
Anchorage	4	141.25	\$ 4,750,980	\$ 3,470,012	\$ 45,258.41	\$ -0-	\$ 45,258.41
Fairbanks	30	3,620.04	\$ 9,978,219	\$ 3,815,216	\$ 67,912.26	\$ -0-	\$ 67,912.26
Kenai	16	2,643.00	\$ 6,291,500	\$ 4,498,000	\$ 37,483.61	\$ -0-	\$ 37,483.61
Kodlak	6	385.40	\$ 1,907,755	\$ 1,478,320	\$ 6,667.20	\$ -0-	\$ 6,667.20
Mat-Su	71	10,847.02	\$31,119,500	\$28,531,900	\$188,177.52	\$ -0-	\$ 188,177.52
STATEWIDE TOTAL	127	17,636.71	\$54,047,954	\$41,793,448	\$345,499.00	\$ -0-	\$ 345,499.00

* Zero Budget for FY/88.

NINE-YEAR SUMMARY OF PROGRAM PERFORMANCE

FISCAL YEAR	NO. OF APPLICANTS	NO. OF ACRES	FULL & TRUE LAND VALUE	TOTAL DEFERRED VALUE	TOTAL DEFERRED TAX
1980	108	16,412	\$19,705,705	\$18,338,680	\$145,129
1981	116	17,666	\$22,997,524	\$20,348,079	\$178,714
1982	115	19,197	\$29,653,344	\$20,595,440	\$142,249
1983	115	19,636	\$23,862,462	\$22,006,210	\$122,924
1984	121	19,159	\$29,328,035	\$26,113,035	\$201,025
1985	119	18,147	\$31,653,580	\$28,566,334	\$220,046
1986	119	16,973	\$50,355,100	\$38,141,410	\$255,473
1987	130	16,576	\$44,584,528	\$39,999,314	\$296,265
1988	127	17,637	\$54,047,954	\$41,793,448	345,499

ALASKA STATUTES, TITLE 29
MUNICIPAL GOVERNMENT
CHAPTER 45
MUNICIPAL ASSESSMENT AND TAXATION
AS 29.45.060. FARM OR AGRICULTURAL LAND

Sec. 29.45.060. Farm or Agricultural Land. (a) Farm use land included in a farm unit and not dedicated or being used for nonfarm purposes shall be assessed on the basis of full and true value for farm use and may not be assessed as if subdivided or used for some other nonfarm purpose. The assessor shall maintain records valuing the land for both full and true value and farm use value. If the land is sold, leased, or otherwise disposed of for uses incompatible with farm use or converted to a use incompatible with farm use by the owner, the owner is liable to pay an amount equal to the additional tax at the current mill levy together with eight percent interest for the preceding seven years, as though the land had not been assessed for farm use purposes. Payment by the owner shall be made to the state to the extent of its reimbursement for revenue loss under (e) of this section for the preceding seven years. The balance of the payment shall be made to the municipality.

(b) An owner of farm use land must, to secure the assessment under this section, apply to the assessor before May 15 of each year in which the assessment is desired. The application shall be made upon forms prescribed by the state assessor for the use of the local assessor, and shall include information that may reasonably be required to determine the entitlement of the applicant. If the land is leased for farm use purposes, the applicant shall furnish to the assessor a copy of the lease bearing the signatures of both lessee and lessor along with the completed application. The applicant shall furnish the assessor a copy of the lease covering the period for which the exemption is requested.

(c) In this section "farm use" means the use of land for profit for raising and harvesting crops, for the feeding, breeding, and management of livestock, for dairying, or another agricultural use, or any combination of these. To be farm use land, the owner or lessee must be actively engaged in farming the land, and derive at least 10 percent of yearly gross income from the land. This section does not apply to land for which the owner has granted, and has outstanding, a lease or option to buy the surface rights. A property owner wishing to file for farm use classification having no history of farm-related income may submit a declaration of intent at the time of filing the application with the assessor setting out the intended use of the land and the anticipated percentage of income. An applicant using this procedure shall file with the assessor before February 1 of the following year a notarized statement of the percentage of gross income attributable to the land. Failure to make the filing required in this subsection forfeits the exemption.

(d) In the event of a crop failure by an act of God the previous year, the owner or lessee may submit an affidavit affirming that 10 percent of gross income for the past three years was from farming.

(e) Subject to legislative appropriations for the purposes, the state shall reimburse a borough or city, as appropriate, for the property tax revenues lost to it by the operation of this section.

ALASKA ADMINISTRATIVE CODE TITLE 19
DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS
CHAPTER 38, FARM OR AGRICULTURAL LANDS

19 AAC 38.010. FORMS. (a) The Department of Community and Regional Affairs Form 21-410 and Form 21-411 are adopted for use in application for the farm and agricultural land use assessment and tax deferment program.

(b) Application and authorization forms shall be made available by and shall be returned to the clerk or assessor of the municipality in which the land for which the farm use assessment and tax deferment are sought is located. (Eff. 12/31/75, Reg. 56)

19 AAC 38.020. INCOME VERIFICATION. (a) In addition to the application prescribed in 19 AAC 38.010, an applicant must establish before May 15th of the assessment year that the gross income attributed to farm use land is at least 10 percent of the applicant's yearly gross income, by either

(1) providing the clerk or assessor of the municipality proof of income eligibility as shown by income tax returns or other reasonably documented information which is determined by the local assessor to be sufficient proof of eligibility; or

(2) providing the department with copies of signed federal income tax returns submitted to the Internal Revenue Service for the previous year.

(b) Failure to provide documentation as required by this section forfeits the claim for reimbursement for that assessment year. (Eff. 11/24/82, Register 84)

19 AAC 38.030. APPEAL. An Applicant for the farm use assessment and tax deferment who believes that the valuation or classification assigned to the land that is the subject of the application is erroneous may appeal to the board of equalization of the municipality in which the land is located in the manner provided by AS 29.53.130. The municipality shall report the disposition of all such appeals to the state assessor. (Eff. 12/31/75, Reg. 56)

19 AAC 38.040. MAINTENANCE OF RECORDS DUPLICATE COPIES. The municipality in which the land is located shall maintain separate files and records of all applications for the farm use assessment and tax deferment, whether allowed by the municipality or not, including valuation of the property under the full and true value standard of AS 29.53.060. Duplicate copies of all records relating to the application entered in the file shall be forwarded to the state assessor. The municipality shall investigate to determine whether title to land for which the assessment and deferment have been granted has been conveyed or alienated in such a way that the assessment or deferment may be terminated and shall advise the state assessor as to the results of its investigation. (Eff. 12/31/75, Reg. 56)

19 AAC 38.050. CONFIDENTIALITY. Tax records and other documents providing evidence of the applicant's eligibility for the farm use assessment and tax deferment are confidential and shall be used only for the purpose of ascertaining whether the applicant is entitled to the benefits of the assessment and deferment.
(Eff. 12/31/75, Reg. 56)

19 AAC 38.060. DEFINITIONS. In this chapter:

(1) "farm use assessment" means the value of the unit or parcel of property for which application for a farm use assessment and tax deferment is made, based upon its highest and best use as farm or agricultural land;

(2) "yearly gross income" means the income of the applicant for the year preceding the tax year for which the application is filed and means the adjusted gross income of the applicant as defined in Section 62 of the Internal Revenue Code (26 U.S.C. 62).
(Eff. 12/31/75, Reg. 56)

6-1082H
Cook
3/31/89

Original sponsor: Finance Committee

I
Exemption based on
reimbursement

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 243 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to an exemption from municipal
7 property taxation for certain primary residences; and
8 providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 29.45.030(k) is amended to read:

11 (k) The department shall adopt regulations to implement the
12 provisions of [(g) AND] (j) of this section.

13 * Sec. 2. AS 29.45.040(f) is amended to read:

14 (f) In this section "disabled veteran" has the meaning given in
15 AS 29.45.032(d) [AS 29.45.030(i)].

16 * Sec. 3. AS 29.45 is amended by adding a new section to read:

17 Sec. 29.45.032. EXEMPTION FOR CERTAIN PRIMARY RESIDENCES. (a)
18 The real property owned and occupied as the primary residence and
19 permanent place of abode by a resident (1) 65 years of age or older;
20 (2) disabled veteran; or (3) at least 60 years old who is the widow or
21 widower of a person who qualified for an exemption under (1) or (2) of
22 this subsection, is, subject to (c) of this section, exempted from
23 taxation on the first \$150,000 of the assessed value of the real
24 property. A municipality may, in case of hardship, provide for ex-
25 emption beyond the first \$150,000 of assessed value in accordance with
26 regulations of the department. Only one exemption may be granted for
27 the same property and, if two or more persons are eligible for an
28 exemption for the same property, the exemption may not be granted
29 unless the parties decide between or among themselves who is to

1 receive the benefit of the exemption. Real property may not be ex-
2 empted under this subsection if the assessor determines, after notice
3 and hearing to the parties, that the property was conveyed to the
4 applicant primarily for the purpose of obtaining the exemption. The
5 determination of the assessor may be appealed to the superior court
6 under procedures set out in AS 44.62.560 - 44.62.570.

7 (b) An exemption may not be granted under (a) of this section
8 except upon written application for the exemption on a form approved
9 by the state assessor for use by local assessors. The claimant must
10 file the application no later than January 15, or a date provided by
11 ordinance that is not later than March 31, of the assessment year for
12 which the exemption is sought. The governing body of the municipality
12 for good cause shown may waive during a year the claimant's failure to
14 make timely application for exemption for that year and authorize the
15 assessor to accept the application as if timely filed. The claimant
16 must file a separate application for each assessment year in which the
17 exemption is sought. If an application is filed within the required
18 time and is approved by the assessor, the assessor shall allow an
19 exemption in accordance with the provisions of this section. If a
20 failure to file by January 15, or a date provided by ordinance that is
21 not later than March 31, of the assessment year has been waived as
22 provided in this subsection and the application for exemption is
23 approved, the amount of tax that the claimant has already paid for the
24 assessment year for the property exempted shall be refunded to the
25 claimant. The assessor shall require proof in the form the assessor
26 considers necessary of the right to and amount of an exemption claimed
27 under (a) of this section, and shall require a disabled veteran claim-
28 ing an exemption under (a) of this section to provide evidence of the
29 disability rating. The assessor may require proof under this section

1 at any time.

2 (c) The legislature may appropriate money to the department to
3 be used to reimburse municipalities for revenue lost as a result of
4 the exemption under (a) of this section. On ^{April} ~~January~~ 1 of each year
5 the department shall distribute on an equitable basis to municipal-
6 ities money appropriated during the prior year for reimbursements. If
7 the amount distributed to a municipality under this subsection is not
8 sufficient to fully reimburse the municipality for revenue that will
9 be lost to the municipality that year as a result of the exemption
10 under (a) of this section, the amount of the exemption for that year
11 shall be reduced on a pro rata basis by the amount determined by the
12 municipality to be in excess of the reimbursement distribution.

13 (d) In this section

14 (1) "disabled veteran" means a disabled person separated
15 from the military service of the United States under a condition that
16 is not dishonorable, whose disability was incurred or aggravated in
17 the line of duty in the military service of the United States, and
18 whose disability has been rated as 50 percent or more by the branch of
19 service in which that person served or by the Veterans' Administra-
20 tion;

21 (2) "real property" includes mobile homes, whether classi-
22 fied as real or personal property for municipal tax purposes.

23 * Sec. 4. AS 29.45.030(a)(6), 29.45.030(e), 29.45.030(f), 29.45.030(g),
24 29.45.030(h), and 29.45.030(i) are repealed.

25 * Sec. 5. This Act takes effect January 1, 1990.



Alaska State Legislature

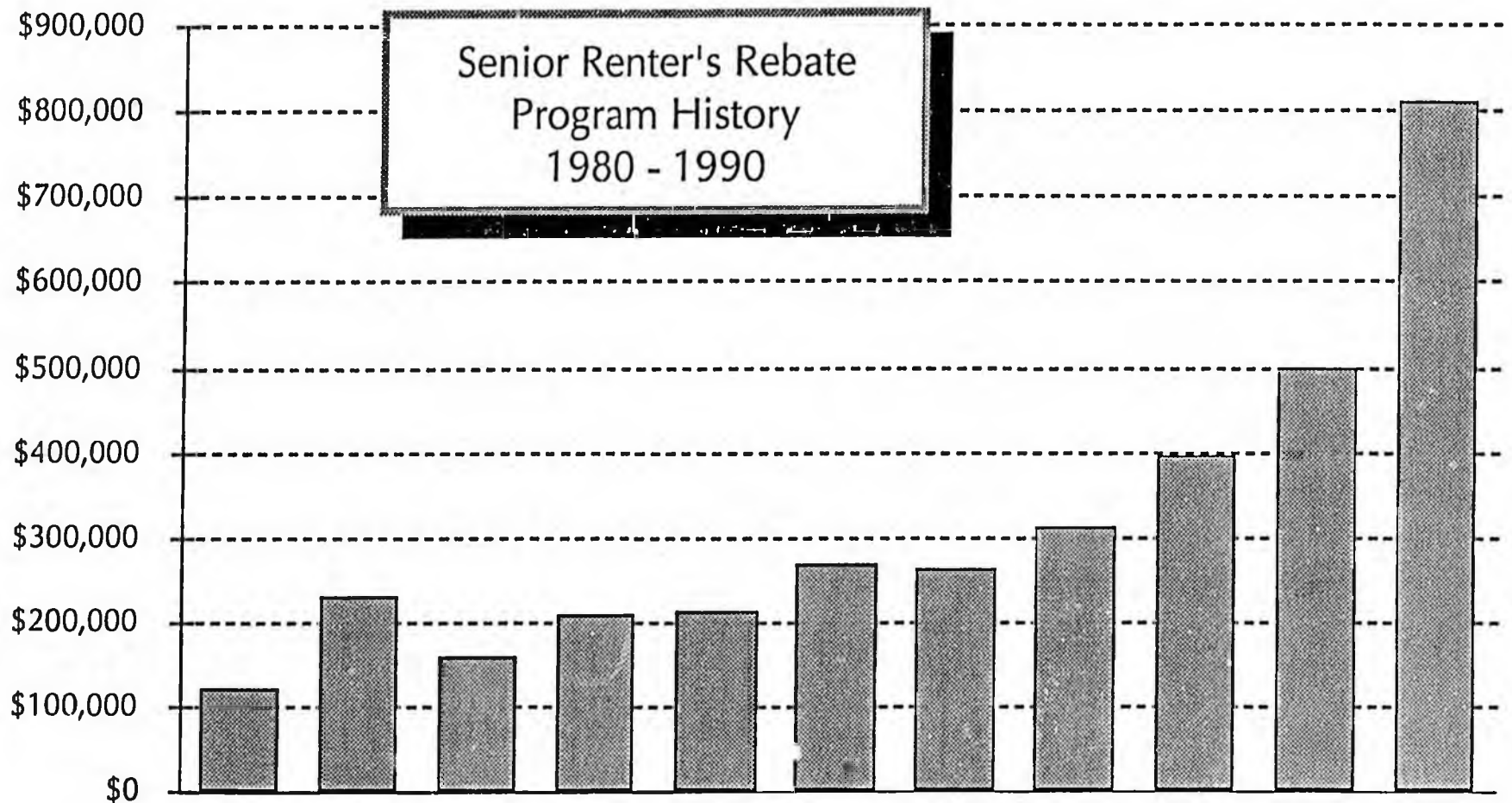
House of Representatives Community & Regional Affairs

A G E N D A

Tuesday, April 4, 1989, 1:30 p.m.

- *HB 174 "An Act relating to suspension of a municipal ordinance or resolution against which a referendum petition is filled." - C&RA COMMITTEE

- *HB 243 "An Act Relating to an exemption from municipal property taxation for certain primary residences; and providing for an effective date." - FINANCEE



Senior Renter's Rebate
Program History
1980 - 1990

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990 (est.)
Applications	738	694	742	720	662	695	654	710	732	802	1,050
% Annual Change		88%	-31%	30%	1%	27%	-3%	20%	27%	26%	62%

Table 7

Homestead Exemption and Credit Programs, 1988

EXEMPTION = AMOUNT SUBTRACTED FROM ASSESSED VALUE OF PROPERTY

CREDIT = AMOUNT SUBTRACTED FROM THE TAX LIABILITY OF PROPERTY AFTER COMPUTING TAX

Senior citizens receive a larger exemption or credit than others (9 states)

Alabama*	All households: exemptions of varying amounts by different categories of local government	Local
	Seniors: complete exemption from state tax and additional exemption if income under \$12,000	Local
Georgia	All households: \$2,000 exemption (equivalent to \$5,000)	Local
	Seniors: \$4,000 exemption (equivalent to \$10,000) for general property taxes and \$10,000 exemption (equivalent to \$25,000) for school taxes if income under \$10,000	Local
Hawaii	All households: exemption of \$20,000 assessed value	Local
	Seniors: additional \$20,000 exemption for persons aged 60 or over; additional \$30,000 exemption for persons aged 70 or over	Local
Illinois	All households: exemption up to \$3,500 (equivalent to \$21,000 in Cook County and \$10,500 in other counties) for increase in assessed valuation since 1977	Local
	Seniors: additional \$2,000 exemption (equivalent to \$12,000 in Cook County and \$6,000 in other counties)	Local
Indiana	All households: credit for 4 percent of property tax liability	State
	Seniors: \$1,000 deduction (equivalent to \$3,000) if income under \$10,000 and assessed valuation under \$11,000	Local

Table 7

Homestead Exemption and Credit Programs, 1988
(continued)Senior citizens receive a larger exemption or credit than others (cont.)

Massachusetts	All households: local option exemption up to 20 percent of average assessed value in locality	Local
	Seniors: local option exemption varying according to household circumstances	Local
Mississippi*	All households: partial exemption up to \$6,000 of assessed value of property	State
	Seniors: total exemption based on value of property up to \$6,000 of assessed value of property	State
New Jersey*	All households: credit depending on assessed valuation and tax rate	State
	Seniors: additional \$50 credit. In addition, another \$250 deduction is given to elderly households with incomes under \$10,000	State
Texas*	All households: local option exemption up to 20 percent of appraised value	Local
	Seniors: additional \$10,000 exemption of appraised value for school taxes	Local
<u>Only for Senior Citizens (14 states)</u>		
Alaska	Capped at \$150,000 assessed valuation	State
Colorado*	Total exemption for seniors with incomes within 50 percent of limits prescribed for similar individuals or families who occupy whatever low-rent public housing is nearest to the property	Local
Delaware	\$5,000 exemption if income under \$3,000	Local

Table 7

**Homestead Exemption and Credit Programs, 1988
(continued)**

Only for Senior Citizens (cont.)

Kentucky*	Exemption of \$6,500 in 1972 dollars. amount increased biennially for inflation (1988 exemption is \$17,100)	Local
Nebraska	\$35,000 exemption if income is less than \$10,400	State
New Hampshire	\$5,000 exemption if income under \$5,000 and assets under \$35,000; additional local option exemption.	Local
New York	Local option to exempt up to 50 percent of assessed value if low-income senior citizen	Local
North Carolina*	\$12,000 exemption if income under \$11,000	1/2 State 1/2 Local
South Carolina*	\$20,000 exemption	State
Tennessee*	\$15,000 exemption if income under \$9,200	State
Utah*	Local option to abate to the lesser of 50 percent of taxes assessed or \$300 for senior citizens with incomes under \$10,000	Local
Virginia	Local option to totally exempt property of senior citizens with incomes up to \$22,000	Local
Washington*	If income is under \$18,000, exemption from all special levies. If income is under \$14,000, \$24,000 exemption or 30 percent of value of residence up to \$40,000, whichever is greater, from regular levies. If income is under \$12,000, \$28,000 exemption or 50 percent of value of residence, whichever is greater.	Local
West Virginia*	\$20,000 exemption	Local

Table 7

Homestead Exemption and Credit Programs, 1988
(continued)

Notes:

* Disabled persons are given the same benefits as senior citizens.

This table does not include programs restricted to special groups, such as widows and veterans. Most states have programs for veterans.

In states where assessments are set by law at less than full market value, the amount of market value exempted is shown in parentheses. Property is often assessed at less than the level prescribed by law, however, and the actual value of the exemptions may be understated.

Source: NCSL Survey, July 1988.

CIRCUITBREAKER - TAX DEDUCTION BASED ON INCOME CEILING AND TAX BILL

Table 8
Features of Circuitbreakers, 1988

State	Property Tax Rent Equivalent	Income Ceiling ^a	Maximum Benefit/Taxes/or Assessed Value	
<u>All ages, homeowners and renters</u>				
Dist. of Columbia*	15%	\$20,000	\$ 750	ben
Kansas ^{D,*}	15	12,800	400	ben
Maine ^{C,*}	15 (AA)	28,000 (AA)	250 (AA)	ben
	25 (ELD)	7,200 (ELD)	400 (ELD)	ben
Michigan*	17	82,550	1,200	ben
Minnesota*	Varies	35,000	1,100	ben
New York	25	18,000	375 ^d	ben
Oregon	17	17,500	750(H)/375(R)	ben
Vermont	24	None	None	ben
Wisconsin	25	16,500	1,200	taxes
<u>All ages, homeowners; only elderly renters</u>				
Maryland ^{B,*}	15	None	1500(H)/500(R)	ben
<u>Only elderly homeowners and renters</u>				
Arizona	Varies	\$ 5,500	\$ 478	ben
California*	f	13,200	34,000	AV
Colorado*	20	11,200	500	ben
Connecticut ^g	35	20,000	1,250	ben
Illinois*	30	14,000	780	ben
Iowa*	25	12,000	1,000	taxes
Missouri	20	13,000 ^h	750	ben
Montana	15	None	400	ben
Nevada	6	15,100	500	ben
New Mexico	6	16,000	250	ben
North Dakota*	20	12,000	2,000(H)/200(R)	ben
Pennsylvania*	20	15,000	500	ben
Rhode Island	20	12,500	200	ben
Utah	1	10,000	300	ben
West Virginia	12	5,000	125	taxes
<u>Elderly homeowners only</u>				
Arkansas		\$12,000	\$ 250	ben
Idaho ^{g,*}		13,860	400	ben
Ohio*		16,500	5,000	AV
Oklahoma*		8,500	200	ben
South Dakota*		7,750	55%	taxes

Table 10

Major Features of Property Tax Deferral Programs, 1988
(continued)

a California: Persons with incomes up to \$24,000 may defer property taxes, if first participating in 1984. Persons who deferred property taxes prior to 1984 still may defer taxes if their incomes do not exceed \$34,000.

b Georgia: The deferral amount is arranged locally with a lending institution. The lending institution determines the rate of interest on the deferred amount.

c Iowa: This is a local program. Counties are mandated to allow all recipients of Supplemental Security Income to defer property taxes. At their option, counties also may allow the aged or infirm to defer taxes.

d North Dakota: Disabled persons receive the same benefits as senior citizens.

e Oregon: Prior to 1984, there was no maximum income limitation for deferral participation. Persons deferring property taxes prior to 1984 have been "grandfathered in" under the new provision and are not required to have incomes under \$17,500 to be eligible. Maximum income limit applies only in the year that applicant first applies.

Source: NCSL Survey, July 1988.

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BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 159

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to exemptions from, deferments of,
7 and payments relating to, municipal property taxes;
8 and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 29.45.030(e) is amended to read:

11 (e) The tax liability on a parcel of real property owned and
12 occupied as the primary residence and permanent place of abode by a
13 (1) resident 65 years of age or older; (2) disabled veteran; or (3)
14 resident at least 60 years old who is the widow or widower of a person
15 [WHO] qualified for a deferment [AN EXEMPTION] under (1) or (2) of
16 this subsection, may not exceed four percent of the ^{parcel's household} owner's taxable
17 household income under federal law, if that household taxable income
18 does not exceed \$40,000. In this subsection, "household taxable
19 income" means the combined taxable income of every person residing on
20 the portion of the property for which the deferment is sought; it does
21 not include the taxable income of a person renting a portion of the
22 property. If, but for the four percent limitation, the tax would
23 exceed that amount, liability for the excess may be deferred until the
24 property is transferred to the ownership of a person who is not qual-
25 ified under this subsection. The tax on any portion of the property
26 that is rented out may not be deferred. [IS EXEMPT FROM TAXATION ON
27 THE FIRST \$150,000 OF THE ASSESSED VALUE OF THE REAL PROPERTY.] A
28 municipality may provide by ordinance that, in a case of hardship, a
29 tax liability limitation below that specified in this subsection may

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1 be set [PROVIDE FOR EXEMPTION BEYOND THE FIRST \$150,000 OF ASSESSED
 2 VALUE IN ACCORDANCE WITH REGULATIONS OF THE DEPARTMENT]. Only one
 3 deferment [EXEMPTION] may be granted for the same property and, if two
 4 or more persons are eligible for a deferment [AN EXEMPTION] for the
 5 same property, the parties shall decide between or among themselves
 6 who is to receive the benefit of the deferment [EXEMPTION]. Real
 7 property tax may not be deferred [EXEMPTED] under this subsection if
 8 the assessor determines, after notice and hearing to the parties, that
 9 the property was conveyed to the applicant primarily for the purpose
 10 of obtaining the deferment [EXEMPTION]. The determination of the
 11 assessor may be appealed under AS 44.62.560 -- 44.62.570.

12 * Sec. 2. AS 29.45.030(f) is amended to read:

13 (f) A deferment [AN EXEMPTION] may not be granted under (e) of
 14 this section except upon written application for the deferment [EX-
 15 EMPTION] on a form approved by the state assessor for use by local
 16 assessors. The claimant must file the application no later than
 17 August 1 [JANUARY 15, OR A DATE PROVIDED BY ORDINANCE THAT IS NOT
 18 LATER THAN MARCH 31,] of the assessment year for which the deferment
 19 [EXEMPTION] is sought. The governing body of the municipality for
 20 good cause shown may waive during a year the claimant's failure to
 21 make timely application for deferment [EXEMPTION] for that year and
 22 authorize the assessor to accept the application as if timely filed.
 23 The claimant must file a separate application for each assessment year
 24 in which the deferment [EXEMPTION] is sought. If an application is
 25 filed within the required time and is approved by the assessor, the
 26 assessor shall allow a deferment [AN EXEMPTION] in accordance with the
 27 provisions of this section. If a failure to file by August 1 [JANUARY
 28 15, OR A DATE PROVIDED BY ORDINANCE THAT IS NOT LATER THAN MARCH 31,]
 29 of the assessment year has been waived as provided in this subsection

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1 and the application for deferment [EXEMPTION] is approved, the amount
 2 of tax that the claimant has already paid for the assessment year for
 3 the property tax deferred [EXEMPTED] shall be refunded to the claim-
 4 ant. The assessor shall require proof in the form the assessor con-
 5 siders necessary of the right to and amount of a deferment [AN EX-
 6 EMPTION] claimed under (e) of this section, and shall require a dis-
 7 abled veteran claiming a deferment [AN EXEMPTION] under (e) of this
 8 section to provide evidence of the disability rating. The assessor
 9 may require proof under this section at any time.

10 * Sec. 3. AS 29.45.030(h) is amended to read:

11 (h) Except as provided in (g) of this section, nothing in (e) --
 12 (j) of this section affects senior citizen and disabled veteran [SIMI-
 13 LAR] exemptions from property taxes granted by a municipality on
 14 September 10, 1972, or prevents a municipality from granting senior
 15 citizen and disabled veteran [SIMILAR] exemptions by ordinance as
 16 provided in AS 29.45.050.

17 * Sec. 4. AS 29.45.030 is amended by adding a new subsection to read:

18 (o) Reimbursement under (g) of this section is a lien in favor
 19 of the state against the property for which a deferment is granted, to
 20 the extent of the assessment against that property and without inter-
 21 est being charged on that amount. Upon recordation in the recording
 22 office of the district in which the property is located, the lien is
 23 prior and superior to other liens against the property except for
 24 general taxes or other special assessments and may be enforced by lien
 25 foreclosure. The lien becomes immediately due and payable

26 (1) upon sale or other transfer of the property to a person
 27 who is not qualified for the deferment under (e) of this section;
 28 however, if the property is transferred to a minor heir, the lien
 29 becomes due and payable on the date the minor heir reaches the age of

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25 years; or

(2) when the claimant fails to prove eligibility under (e) of this section.

* Sec. 5. AS 29.45 is amended by adding new sections to read:

Sec. 29.45.033. ACCOUNTING FOR AND DISPOSITION OF RECEIPTS. Money received by the department under AS 29.45.030(o) must be deposited in the general fund. The commissioner of administration shall separately account for all amounts deposited in the general fund by the Department of Community and Regional Affairs under this section. The annual estimated balance in the account may be appropriated by the legislature to the department for the purpose of reimbursing municipalities in accordance with AS 29.45.030(g).

Sec. 29.45.036. MUNICIPAL PROPERTY TAX REIMBURSEMENT FUND. There is created in the department the municipal property tax reimbursement fund to be used for the purpose of reimbursing municipalities in accordance with AS 29.45.030(g). The fund consists of money appropriated to it by the legislature.

* Sec. 6. AS 29.45.050(a) is amended to read:

(a) A municipality may exclude or exempt or partially exempt residential property from taxation by ordinance approved [RATIFIED] by the voters at an election. Except as provided in (i) of this section, an [AN] exclusion or exemption authorized by this section may not exceed the assessed value of \$10,000 for any one residence.

* Sec. 7. AS 29.45.050(i) is amended to read:

(i) Notwithstanding (a) of this section, a [A] municipality may, by ordinance approved by the voters, exempt or partially exempt from taxation the assessed value [THAT EXCEEDS \$150,000] of real property owned and occupied as a permanent place of abode by a resident who is

(1) 65 years of age or older;

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(2) a disabled veteran; or

(3) at least 60 years old and a widow or widower of a person who qualified for an exemption under (1) or (2) of this subsection.

* Sec. 8. AS 29.45.060(a) is repealed and reenacted to read:

(a) A municipality may, by ordinance approved by the voters, assess farm use land on the basis of full and true value for farm use.

* Sec. 9. AS 29.45.060(c) is amended to read:

(c) In this section "farm use" means the use of land for profit for raising and harvesting crops, for the feeding, breeding, and management of livestock, for dairying, or another agricultural use, or any combination of these. To be farm use land, the land must be included in a farm unit and must not be dedicated to or used for nonfarm purposes. The [THE] owner or lessee must be actively engaged in farming the land, and derive at least 10 percent of yearly gross income from the land. This section does not apply to land for which the owner has granted, and has outstanding, a lease or option to buy the surface rights. A property owner who wishes [WISHING] to file for farm use classification, but who has [HAVING] no history of farm-related income, may submit a declaration of intent at the time of filing the application with the local assessor, setting out the intended use of the land and the anticipated percentage of income. An applicant using this procedure shall file with the local assessor before February 1 of the following year a notarized statement of the percentage of gross income attributable to the land. Failure to make ~~such a statement~~ on this subsection forfeits the exemption.

Sec. 29.45.060 is amended by adding a new subsection to read:

2. If farm use land that was assessed on the basis of full and true value for farm use before May 16, 1987, is leased, sold, or

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otherwise disposed of by the owner for uses incompatible with farm use, the owner is liable to pay an amount equal to the additional tax at the current mill levy, together with eight percent interest for the preceding seven years, as though the land had not been assessed for farm use purposes. Payment by the owner must be made to the state to the extent of its reimbursement of the municipality's revenue loss for the preceding seven years. The balance of the payment must be made to the municipality.

* Sec. 11. AS 29.45.030(a)(6), 29.45.040, 29.45.060(b), and 29.45.060(e) are repealed.

* Sec. 12. This Act applies to assessment years beginning after December 31, 1986.

* Sec. 13. AS 29.45.060(f), enacted in sec. 10 of this Act, is repealed.

* Sec. 14. Sections 1 -- 12 of this Act take effect immediately under AS 01.10.070(c).

* Sec. 15. Sections 1 -- 5 of this Act are retroactive to January 1, 1987.

* Sec. 16. Section 13 of this Act takes effect January 1, 1995.



Older Alaskans Commission

Box C
Juneau, Alaska 99811-0209
907/465-3250

POSITION PAPER -- HOUSE BILL NO. 243

RELATING TO MUNICIPAL PROPERTY TAX EXEMPTIONS FOR SENIORS

The Older Alaskans Commission (OAC) opposes House Bill 243 because it would convert the present mandatory tax exemption program for the primary homes of seniors, disabled veterans, and widows/ers to an "optional" exemption which would vary from city to city. As long as it makes good public policy sense to help keep seniors in their own homes, then the public policy should be uniform statewide.

If seniors who are "land rich" but "tax poor" are forced to sell or lose their residences, they can not usually afford to buy or even to rent again in the Alaska housing market. The alternative public costs of institutionalization in nursing homes or Pioneers Homes, or to build more subsidized housing, would be borne by all state residents. In addition, the state economy would suffer from the loss of those seniors who would decide to leave the state to procure more affordable housing than is currently available in Alaska.

OAC's Senior Housing Report surveyed seniors in late 1988 about their housing situation. Of the sample, 78 % own their own homes, and 20 % are renters. Seniors reported that 35 % of them had individual incomes under \$ 10,000 a year, and another 34 % under \$ 20,000 per year.

When seniors are trying to stretch these low or moderate incomes to meet the increasing property tax on today's appreciated value of their homes, it can be a great burden. In fact, 67 % of the seniors surveyed stated that "Property Tax Relief" was the second most important community service which allows them to remain in their own homes and communities.

The Older Alaskans Commission realizes that the Legislature and the local governments have to deal with the reality of declining dollars. The Commission favors the reinstatement of personal income tax and a school tax, because they believe seniors are willing to pay their share of taxes based on income, and to support education.

However, property taxes are often regressive, and hurt the senior on a fixed income most. The Older Alaskans Commission would prefer to see the State, or the State and the municipalities, continue full funding of the property tax exemption. If this is not possible, then the OAC would be supportive of a statewide exemption from property taxes which would grant a variable percentage of exemption based on the senior property owner's income, with some upper limit cap on any exemption, and a "hardship exemption" available for special cases.

Such a program should be set up so it is simple to administer, and so the municipalities have clear guidelines on how to determine income levels and whether a "hardship" exists.

The OAC recognizes this bill as an initial effort to reallocate decreasing public dollars. The Commission also recognizes the increased burden on local tax municipalities caused by the present situation, where the exemption is mandated by the State but only partially funded by the State.

The OAC would be pleased to work with legislators, the municipal representatives, and other interested advocacy groups on possible ways to meet the most pressing needs of all interested parties. Unfortunately, House Bill 243, in its current form, does not achieve a balanced public policy answer to all the concerns in this situation.

Approved by:

Connie J. Lipp, Executive Director
for Mellie Terwilliger
Chair, Legislative Subcommittee
Older Alaskans Commission

Date: April 4, 1989

Senior Citizens/Disabled Veterans (SC's/DV's) Program Options

Option	Pros	Cons	Groups Supporting (In Past)	Groups Opposing (In Past)
A. Do Nothing	1. SC's/DV's keep homes	1. Cost to State \$3 million 2. Cost to Munis \$5 million	SC's/DV's	Municipalities
B. Repeal	1. State saves \$3 million 2. Munis save \$5 million 3. IRS write off	1. Some SC's/DV's lose homes 2. Only state in U.S. without benefit 3. Added to FVD	Municipalities	SC's/DV's
C. Deferment/Lien	1. State saves \$3 million 2. Munis save \$5 million 3. SC's/DV's keep homes	1. Heirs pay taxes 2. Added to FVD 3. Added staff (state)		SC's/DV's
D. Fully Fund	1. Munis save \$5 million 2. SC's/DV's keep homes	1. Cost to state \$8 million	Municipalities SC's/DV's	
E. Entitlement	1. Easy to administer	1. Some SC's/DV's lose homes 2. Duplication of state effort (L.B.P.) 3. Added to FVD 4. Taxed by IRS	SC's/DV's	Municipalities
F. Optional	1. Partial reduction in state cost 2. Possible IRS write off	1. Only state without statewide policy 2. Added to FVD 3. Non-uniform tax treatment (muni to muni, homeowner to renter) 4. Some SC's/DV's lose homes		Municipalities SC's/DV's
G. Needs Basis	1. SC's/DV's keep homes 2. State saves \$1.5 million 3. Munis save \$3.5 million 4. SC's/DV's who are able pay tax 5. Partial or total IRS write off	1. SC's/DV's must provide IRS return 2. Partial add to FVD	OAC	Municipalities SC's/DV's
H. Reduce \$150,000 cap	1. Partial IRS write off	1. Some SC's/DV's lose homes 2. No substantial savings to state 3. No substantial savings to munis 4. Partial add to FVD		Municipalities SC's/DV's
I. Exemption based on reimbursement (SC's/DV's make up \$5 million)	1. Munis save \$5 million 2. Partial IRS write off	1. Cost to state of \$3 million 2. Percentage of value added to FVD (?) 3. Some SC's/DV's either apply for hardship or lose homes		
J. Exemption based on reimbursement (Munis match state funding)	1. Munis save \$2 million 2. Partial IRS write off	1. Cost to state of \$3 million 2. Cost to munis of \$3 million 3. SC's/DV's make up \$2 million		

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LAKE CITY SAN FRANCISCO
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State Tax Policy Options for the Elderly: A Guide for Aging Advocates

National Association of State Units on Aging

STATE TAX POLICY OPTIONS
FOR THE ELDERLY:

A GUIDE FOR AGING ADVOCATES

May 1985

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600 Maryland Avenue, S.W.
Washington, D.C. 20024

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PREFACE

A project examining state efforts to assist the elderly through the tax structure was begun in April 1984 by the National Conference of State Legislatures (NCSL) and the National Association of State Units on Aging (NASUA) under a grant from the Administration on Aging, U.S. Department of Health and Human Services. Although it was assumed that every state did indeed provide tax benefits to the elderly, there had not been any systematic compilation of information on these tax provisions for use by state legislators, other policymakers, and older people.

This project resulted in two major, complimentary publications. The first, State Tax Policy and Senior Citizens: A Legislator's Guide, published by NCSL, is written primarily for an audience of state legislators and their staff. This guide, State Tax Policy Options for the Elderly: A Guide for Aging Advocates, is written primarily for use by older persons and other aging advocates.

In carrying out this project, NCSL administered a survey to legislative staff in all 50 states and the District of Columbia to obtain information on state tax policy provisions. The survey included questions pertaining to key provisions of tax policies, program participation, and the amount of benefits

distributed. Information on specific state tax provisions included in this guide is based upon the findings of NCSL's work. In addition, NASUA administered a survey to state units on aging to identify the composition of the aging advocacy structures in each state and to learn of their activities in relation to state tax policy. Information included in Chapter One on the demographic characteristics of older people was largely obtained from Developments in Aging, U.S. Senate Special Committee on Aging.

Many individuals contributed to this project including those who completed the surveys used to collect information for the publications and those who participated in project advisory and review committees. Mitchell Zahn and Stephen Gold, both of NCSL, were responsible for the overall administration of the project and greatly contributed to the information included in this guide on specific state tax provisions. Joy Johnson Wilson, also of NCSL, was instrumental in the initial design and development of this project. Gregory Merrill, American Association of Retired Persons, was very helpful in providing information for inclusion in Chapter Four of this guide. Finally, this guide could not have been published without the skillful production expertise of Cindy Wellons and Jacqueline Jones.

INTRODUCTION

The political, social, and economic agendas of older persons are as varied and complex as those of any other age group within the population. There are, however, unique aspects to growing old which distinguish the elderly from their younger counterparts. Retirement from the work force, be it voluntary or mandatory, invariably results in a decrease in income level. There is a definite correlation between age and health status requiring increased expenditures for the elderly. The need for social services to maintain independence greatly increases with age.

Since 1935 and the passage of the landmark Social Security Act, public policies have been developed at the federal, state, and local levels to help ensure that older persons live their later years with independence and dignity. In housing, health care, employment, transportation, and social services a vast array of programs have been established to assist older persons. Also, a network of state and area agencies on aging has been put in place to provide advocacy, planning, coordination, and services for older people throughout the country.

Central to the well-being of older persons and their ability to continue to contribute to the economic and social

life of the nation is their income level. Social Security, continued employment, private and public pensions, the Supplemental Security Income program, and food stamps are major sources of income support for the aged. These sources, however, for most older persons do not compensate for the loss of income due to retirement from the work force. For that reason, the federal and state governments have enacted tax provisions to benefit older persons and thus increase their discretionary income levels.

The types and forms of these tax provisions in federal and state law are often complex and difficult to understand. This guide is intended to provide aging advocates and older persons themselves with a brief overview and explanation of the different kinds of tax policy options in the states which do and can benefit older persons.

The guide begins with some descriptive information on the economic status of older persons. Chapter Two discusses the various tax policy options which have been adopted by individual states. Chapter Three discusses the current status of statewide advocacy on behalf of older persons as well as a brief description of the advocacy and service network of state and area agencies on aging. The concluding chapter provides some insight on how to understand and access the state legislative process as it relates to tax issues or any other issue of concern to aging advocates.

CHAPTER ONE

OLDER PEOPLE: UNIQUE CHARACTERISTICS, DIVERSE NEEDS

This chapter provides a brief overview of the economic status of the older population in the United States. It begins with some basic demographic information and provides data on those characteristics, often unique to the elderly, which impact on the aged's economic status: health, housing, living arrangements, as well as income levels and sources. Finally, information is included on major subgroups of the older population which have very unique characteristics and needs: women, minorities, and the oldest of the old.

Why begin a guide to state tax policy for the elderly with demographic and economic data? It has been said in this highly technical society in which we live that information is power. Whether one agrees with this statement or not, it has always been the case that responsive, equitable and effective public policy can only be developed when decision makers have accurate, timely, and well documented information. Deciding on whether to provide tax benefits for the older population, what kind of benefits, and for which subgroups of the older population are always complex and often controversial decisions for policymakers. Aging advocates must begin with the capability to

articulate the needs of the older population for tax relief. This chapter is intended to provide a basic economic guide for older persons and aging advocates on the economic status of the elderly.

All of the data provided here are by necessity national in scope. In addition to utilizing this comprehensive information, it is imperative for those working at the state and local levels to document specific demographic and economic data on the elderly in their respective states, counties, or cities.

GROWTH OF THE AGING POPULATION

Each year, the number of persons 65 years of age and older increases. Today, there are as many Americans 65 and over as there are teenagers. In the last two decades the 65 plus population grew twice as fast as the rest of the population:

- o In 1960, the 65 plus population numbered about 16 1/2 million persons, or 9.2 percent of the total population. In 1983, there were 27.4 million persons over the age of 65, about 11.7 percent of the total U.S. population.
- o Between 1960 and 1980, the entire U.S. population grew by 26 percent, in contrast to the 65-74 year old population which increased by 41 percent, the 75 to 84 year old population which increased by 67 percent, and the 85+ population which experienced a 142 percent increase.
- o By the year 2030, there will be about 65 million persons over the age of 65, representing 21.1 percent of the total U.S. population.
- o Of the 27.4 million older population in 1983, 16.4 million were older women. As a result there were about 149 women for every 100 men. For persons 85 and older, there were 241 women for every 100 men.

- o Older women will continue to live longer than older men. Those women who had their sixty-fifth birthday in 1980 can expect to live until age 83. Men, on the other hand who had their sixty-fifth birthday in 1980 can expect to live 14.02 more years or until age 79.
- o Over the last decade the minority elderly population grew faster than the elderly white population. For example, between 1970 and 1980 the older white population increased by about one fourth while the older black population grew by about one-third.

INCOME LEVELS

While the older population can be found on all levels of the economic ladder, they are more heavily concentrated at the lower level than any other segment of the population. Some older people had low incomes before reaching old age. Others become poor in later life, most times due to factors beyond their control, e.g., exit from the work force, poor health or death of a spouse.

- o In 1981, the median income for older men was \$8,200, compared to \$ 21,000 for men below age 50.
- o Of all persons over the age of 65 in 1981, approximately 75 percent had yearly incomes below \$10,000. Of the nonelderly, 42 percent had such incomes.
- o Minority older persons have even lower incomes. In 1981, the median income of elderly black men was \$4,900; elderly black women, \$3,500; and for elderly white men, \$8,600.
- o Persons 65 and older living alone are likely to have even lower incomes. In 1981, the median income of those living alone was \$5,134.

POVERTY RATES

The overall economic status of older people has improved

over the last 25 years and the proportion of older persons living in poor households decreased from 35 to 15 percent. In large measure the decline in poverty among the elderly can be attributed to the establishment of cost of living adjustments in Social Security payments. However, large numbers of older people still remain in poverty.

- o In 1981, one out of every seven older persons lived in poverty, compared to one in four in 1970, and one in three in 1959.
- o In addition 24 percent of the elderly have incomes below 125 percent of the poverty level.
- o Within the elderly population, women, minorities, those persons living alone, those over age 75, those not married, and residents of small towns and rural areas have the highest rates of poverty. In addition over 30 percent of those who had only Social Security income in 1981 were in poverty.
- o In 1982, the poverty rate for elderly white men was about 8.3 percent, compared to 17.5 percent for elderly white women, 31.8 percent for older black men, and 42.4 percent for elderly black women. Elderly black women were five times as likely to be in poverty than elderly white men.

HOUSING

Many argue that because almost three-fourths of all persons over the age of 65 own their own homes, they have comparable assets to nonelderly persons. Equity in a home, however is not readily changed into cash income. Equity in a home puts many older people in the category of being "house rich, but cash poor."

- o Six out of every 10 older homeowners have incomes below \$5,000.

- o Although the majority live in houses that are physically satisfactory, there are major differences among the elderly. Single older men who live alone, for example, are more likely than any other group of the older population to live in defective housing (21 percent). The percent is higher for poor hispanic males living alone, black males who live alone, and families where there is a black female head of household.
- o A 1979 Housing and Urban Development (HUD) housing survey showed that almost 50 percent of all elderly homeowners live in homes that were built before 1939. The median value of a house built in 1939 or earlier was \$35,000. The resale value for housing built in 1970 or later was \$62,200. Only 8 percent of all older homeowners live in homes built after 1969.
- o Elderly renters, in particular, are likely to spend a significant percentage of their income on housing. According to the U.S. Senate Special Committee on Aging, the median rent of an elderly woman living alone represents almost 50 percent of her income.

LIVING ARRANGEMENTS

By 1980, the number of persons 65 and older living alone had increased to approximately 30 percent of the older population, up from 14.4 percent in 1950.

- o The average size of an elderly household is 1.5 persons, compared to 3.4 persons in a nonelderly family.
- o Living arrangements of older women and men are quite different. Of the 7 million older persons who lived alone in 1982, most were women.
- o Only a third (37 percent) of older women live in husband-wife households, compared to 75% of older men.
- o The percentage of older women who live in husband-wife households decreases after age 75. Sixty-five percent of all men 75 and older live in husband-wife households. Only 1 out of every 5 women over age 75 live in similar households.

HEALTH CARE COSTS

In recent years the elderly have been forced to pay more of their fixed incomes on necessary health care. Unfortunately, the current rate of inflation in health care costs will force the older population to pay even a larger percentage of their personal incomes on health care in the future.

- o In 1983, health expenditures in all sectors—hospital services, physician services and nursing home care—increased at rates three times that of inflation in the general economy.
- o Older persons spent on the average 15 percent of their income (or \$1,550) on health care. This percentage is expected to increase to 17 percent (\$2,892) by 1993 and 19 percent (\$4,637) by the year 2000.
- o Older persons now spend the same percentage of their personal income on health care as was spent prior to the enactment of Medicare. This is due to: (1) an escalation in health care costs that over the past ten years has been 3 times greater than increases in the consumer price index, and (2) increases in cost sharing for Medicare recipients through higher premiums, deductibles and co-payments.
- o Per capita health care expenditures for nonelderly persons in 1981 were \$828. Per capita health care expenditures for elderly persons were \$3,140 (over three times that of the nonelderly).

OLDER MINORITIES

Those who are old, poor, and a member of a minority group are faced with "triple jeopardy".

- o Minority older people are set apart from the rest of the older population because of poorer health, shorter life expectancy, lower levels of education, high levels of poverty and near poverty, and the problems often encountered in obtaining necessary services.

- o Many older Americans did not become poor until they became old. Large numbers of elderly blacks and other minorities have lived in poverty all their lives.
- o In 1981, the median income level for older white men was \$8,600 and \$4,900 for older white women, in contrast to \$4,900 for older black men and \$3,500 for older black women.
- o In 1982, 38.2 percent of all older blacks and 26.6 percent of all older persons of Hispanic origin lived in poverty, compared to 12.4 percent of all older whites.
- o Upon retirement, the minority elderly receive lower benefits from Social Security than older whites. This is due in part to a lifetime of discrimination in employment opportunities.

THE OLD OLD: SPECIAL NEEDS

By 1983, the population between the age of 75 and 84 was 11 times larger and the population over the age of 85 was 20 times larger than they were in 1900. In 1983, there were over 8 1/2 million persons between ages 75 and 84, and about 2 1/2 million over age 85. By the year 2050, the 85 plus population will increase from 1 to 5 percent of the total population.

- o The old-old are likely to suffer from chronic health conditions, have some functional limitations, and are likely to be dependent to some degree on family, friends, and other support systems in their communities.
- o The old-old are likely to have significantly lower incomes than the "younger" elderly. In 1980, the median income of persons 55-61 years of age was approximately \$12,000, compared to \$3,920 for persons 73 and older.
- o The percentage of persons with incomes below the poverty level is greater for the oldest of the old. In 1982, 14 percent of all older people had incomes below the poverty level. However, the poverty rate was 17.4 percent for those between 75 and 84 and 21.2 percent for those age 85 and over.

CHAPTER TWO

STATE TAX POLICIES BENEFITING THE ELDERLY

This chapter is intended to provide older persons and other aging advocates at the state and local level with a brief and non-technical overview of the different tax policy options for the elderly available to federal, state and local governments. The goal of these various options is always the same -- to enhance the economic self-sufficiency of the older population. At the same time, the types and forms of these tax benefit provisions are varied and often complex. The following major types of tax incentives for older persons are the focus of this chapter: property tax, personal income tax, sales tax and dedicated revenues for aging programs.

All states use some form of tax policy to provide benefits to their older citizens. In deciding which tax benefit provision to support, however, it is very important for older persons and other aging advocates to keep in mind that each provision has certain advantages and disadvantages to different segments of the older population. At the same time, support for maintaining or expanding tax benefits must always be considered in the broader context of a state, county, or city's policy agenda. What makes sense in one place may not be feasible or appropriate in another. Each jurisdiction has its own unique social,

economic and political milieu which impacts on the always difficult decisions of policymakers on how to collect public resources, and how to spend them for the good of the entire population.

There are a number of key questions that older persons and aging advocates need to ask themselves before deciding to support tax benefits as a means to enhance their economic self-sufficiency.

- o Is tax relief the most effective and administratively efficient way to provide increased income to older persons?
- o Does tax relief provide an equitable mechanism to target assistance to those older persons most in economic need?
- o Is tax relief more acceptable to older persons and policymakers as a means of providing benefits in contrast to more traditional income maintenance programs?
- o Is tax relief or a direct expenditure program the most appropriate means of helping the elderly?
- o What is the impact of a tax relief provision on the overall budget and revenues of the state, county or city?
- o Should older persons be treated differently than other low-income population groups?

If the decision is made to pursue tax benefits as a means to enhance the economic self-sufficiency of older persons, there are additional questions which responsible advocates need to ask themselves:

- o Which current tax provisions have the most negative impact on the economic well being of older persons?

- o How do the various tax relief options impact on the subgroups of the older population, e.g., renters, homeowners, low-income, moderate income, private pension holders, etc?
- o Which tax relief options more effectively target benefits to those most in need of economic support?

Finally, since states currently provide a wide range of tax benefits to the elderly, the most appropriate policy course for aging advocates in most instances will be to fine tune existing provisions. In this regard, the issue of expanding assistance to those most in need may often be the central focus of an advocacy effort.

This chapter provides an overview of the major types of tax policies adopted on behalf of older people. These legislative approaches can be categorized into four major areas: property tax, personal income tax, sales tax and dedicated revenues.

PROPERTY TAX

The three major forms of federal, state and local taxation directly affecting individuals include the property tax, the personal income tax, and the sales tax. Advocates promoting state policies designed to alleviate the effect of taxation on older persons traditionally have focused on property taxes. At the same time, a variety of measures have been enacted at the federal and state levels which provide for specialized benefits to older persons through the income tax structure. However, for a number of reasons, both policymakers and older people have most intensely debated the impact of property tax.

The property tax is an important mechanism for raising revenues to support public services. It is the primary vehicle used by local governments to support important public responsibilities such as police and fire protection, education, health and social services, public transportation, maintenance of streets, etc. Raising revenues based on individual property values provides a balance to raising revenues based on income through the income tax, and based on personal expenditures through the sales tax.

Yet at the same time, property taxes are considered regressive, particularly due to their impact on lower income households. For the low and moderate income elderly, property taxes can be especially burdensome. While many older people have property assets, they are faced with significant reductions in income due to departure from the work force. Their ability to pay property taxes therefore, is reduced.

States have responded to these dilemmas by enacting a variety of programs designed to provide property tax relief to older persons, as well as to younger persons with low and moderate incomes.

The most common programs which provide property tax relief are the homestead and circuitbreaker programs. Other frequently used property tax relief measures are renters credits and deductions and tax deferral programs. Less common are property tax freeze programs. Table II-1 provides an overview of all property relief measures used by states.

TABLE II-1

Property Tax Relief Mechanisms Employed by States: 1985

States	Homestead Exemption or Credit		Circuitbreaker	Renter Credit	Deferra
	All Ages	Seniors Only			
New England					
Connecticut			S		
Maine			S		
Massachusetts	X	X		A	S
New Hampshire		X			S
Rhode Island			S		
Vermont			A		
Mid Atlantic					
Delaware		X			
District of Columbia	X		A		A
Maryland			A		
New Jersey(a)	X	X		A(a)	
New York		X	A		
Pennsylvania			S		
Great Lakes					
Illinois	X	X	S		S
Indiana	X	X		A	
Michigan			A		S
Ohio	X	X	S		
Wisconsin(b)	X		A	A	
Plains					
Iowa	X		S		A
Kansas			A		
Minnesota	X		A		
Missouri			S		
Nebraska(c)	X	X	S		
North Dakota			S		
South Dakota			S		
Southeast					
Alabama	X	X			
Arkansas			S		
Florida	X	X			A
Georgia	X	X			S
Kentucky		X			
Louisiana	X				

*Homestead Exemption
or Credit*

	<u>All Ages</u>	<u>Seniors Only</u>			Deferral
Mississippi	X	X			
North Carolina		X			
South Carolina		X			
Tennessee		X			
Virginia		X			S
West Virginia		X			S
<hr/>					
Southwest					
Arizona	X		S		
New Mexico	X		S	A	
Oklahoma	X		S		
Texas	X	X			S
<hr/>					
Rocky Mountain					
Colorado		X	S		S
Idaho	X		S		
Montana		X	S		
Utah		X	S		S
Wyoming	X	X			
<hr/>					
Far West					
Alaska (d)	X	X		S	S (d)
California	X		S	A	S
Hawaii	X	X		A	
Nevada			S		
Oregon	X		A	A	S
Washington		X			S

Circuit-breaker
S

Renter Credit

Source: NCSL Survey

Notes:

- X = Denotes homestead exemption or credit program.
- S = Program is for senior citizens only.
- A = Program includes persons of all ages.

- a. New Jersey: Senior citizens receive a greater renter credit benefit than do persons under age 65.
- b. Wisconsin: The Wisconsin circuitbreaker is known as the "Homestead Exemption" program. The property tax/renter credit, which reimburses taxpayers 10 percent of property taxes paid (or the property tax equivalent for renters) is the state's homestead and renter credit program. In addition, Wisconsin passed legislation in 1981 authorizing a property tax deferral program for senior citizens, but never implemented it because revenue bond financing was not feasible.
- c. Nebraska: All homeowners in Nebraska receive a homestead exemption. In addition, senior citizens receive an additional exemption that varies according to income, much like a circuitbreaker.
- d. Alaska: Senior citizens may defer special assessments. They are from exempt all property taxes.

It is appropriate at this time to provide definitions for those tax relief programs discussed throughout this section. In addition, brief information will be provided on the characteristics and benefits of each. Homestead exemptions and circuitbreakers are the most utilized and provide the greatest relief to older people. Therefore, they will be discussed first.

HOMESTEAD EXEMPTIONS AND CREDITS

A homestead exemption is a property tax relief program which provides financial relief to residential property taxpayers. Homestead exemptions, in their usual form, function by exempting a certain amount of the assessed value of one's property from taxation, and are granted before the property tax bill is computed. Homestead exemptions offer the same amount of financial relief to all homeowners who are eligible, regardless of their income level. Although a homeowner's income may be used to determine eligibility income is not used to compute the amount of relief received. Unlike circuitbreakers, which may include benefits to renters, homestead exemptions are for homeowner's only.

It is important to note that since states assess property in different ways, the amount of property tax relief provided will vary. Whereas one community may assess property at its full market value, another may assess it at a portion of its market value. Therefore, in comparing exemption amounts across states, it is important to know how property is assessed. If property

is assessed at some fraction of its market value, the effect of an exemption will be greater in comparison to that same exemption applied to assessments at full market value.

A homestead credit is the amount subtracted from the total property tax bill. In most states, the credit is for tax on a certain portion of the assessed property value.

As of December 1984, 37 states and the District of Columbia had homestead programs. As is shown on Table II-2, 13 states limit participation in the program to the elderly (in many of these, disabled persons are eligible). In 24 states and the District of Columbia participation is not limited by age; however 13 of these states provide greater benefits to older persons. Table II-3 describing homestead exemption and credit programs also notes how the programs are financed. If the program is state funded, localities are reimbursed by the state for the costs of providing the exemptions. If the program is financed locally, communities will be likely to increase tax rates to compensate for the costs of the exemptions.

CIRCUITBREAKERS

The circuitbreaker is another form of property tax relief. It contrasts with a homestead exemption or credit in that the amount of relief depends on both income and the property tax bill. It receives its name from its electrical namesake, which shuts off electric flow when the system is overloaded. When property taxes exceed a specified percentage of income, the

TABLE II-2

Homestead Exemption and Credit Programs: 1985

<u>State</u>	<u>Description</u>	<u>Financing</u>
	No age restrictions (11 states and the District of Columbia)	
Arizona	Credit for 56 percent of school property taxes.	State
California	Credit for tax on \$7,000 of assessed valuation.	State
District of Columbia	\$9,000 exemption.	Local
Idaho	Exemption of \$50,000 or half of assessed valuation, whichever is lower.	Local
Iowa	Credit for tax on \$4,850 of assessed valuation.	State
Louisiana	Credit for tax on \$7,500 of assessed valuation (equivalent to \$75,000).	Mostly State
Minnesota	54 percent credit for tax on first \$67,000 of market value up to \$650 maximum.	State
New Mexico	\$200 exemption (equivalent to \$600).	Local
Ohio	Credit for 2-1/2 percent of tax.	State
Oklahoma	\$1,000 exemption (equivalent to \$8,333); additional exemption if income under \$8,500.	Mostly Local
Oregon	Credit for 30 percent of tax (maximum \$170 in 1934, higher in previous years).	State
Wisconsin	Credit for 10 percent of tax.	State
	Senior citizens receive a larger exemption or credit than others (13 states).	
Alabama (a)	All households: exemptions of varying amounts by different categories of local government.	Local
	Seniors: complete exemption from state tax and additional exemption if income under \$12,000	Local
Alaska	All households: varying amounts, at option of municipality.	Local
	Seniors: complete exemption.	State

Florida	All households: \$25,000 exemption.	Local
	Seniors: additional \$10,000 exemption from taxes levied by counties, cities, and special districts.	Local
Georgia	All households: \$2,000 exemption (equivalent to \$5,000).	Local
	Seniors: \$4,000 exemption (equivalent to \$10,000) for general property taxes and \$10,000 exemption (equivalent to \$25,000) for school taxes if income under \$8,000.	Local
Hawaii	All households: \$20,000 exemption.	Local
	Seniors: \$40,000 exemption if age 60 to 70; \$50,000 if age 70 or older.	Local
Illinois	All households: exemption up to \$3,500 (equivalent to \$21,000 in Cook County and \$10,500 in other counties) for increase in assessed valuation since 1977.	Local
	Seniors: additional \$2,000 exemption (equivalent to \$12,000 in Cook County and \$6,000 in other counties).	Local
Indiana	All households: credit for 4 percent of property tax liability (effective in 1986).	State
	Seniors: \$1,000 exemption (equivalent to \$3,000) if income under \$10,000 and assessed valuation under \$11,000.	Local
Massachusetts	All households: local option exemption up to 10 percent of average assessed value in locality.	Local
	Seniors: local option exemption varying according to household circumstances.	Local
Mississippi	All household: varying exemption amounts based on value of property.	State
	Seniors: additional \$7,500 exemption (equivalent to \$50,000) effective in 1986.	State
Nebraska	All households: \$3,000 exemption.	State
	Seniors: additional \$7,000 - \$35,000 exemption if income is less than \$10,400 (formula similar to a circuitbreaker).	State

New Jersey(a)	All households: credit depending on assessed valuation and tax rate.	State
	Seniors: additional \$50 credit. In addition, another \$250 credit is given to elderly households with incomes under \$10,000.	State
Texas(a)	All households: local option exemption up to 30 percent of market value.	Local
	Seniors: \$10,000 exemption for school taxes and local option additional.	Local
Wyoming	All households: credit depending on assessed valuation and tax rate.	State
	Seniors: additional refund for low-income senior citizens that varies. Payment also represents a portion of sales tax paid and a rebate of home utility costs.	State
Only for senior citizens (13 states).		
Colorado(a)	Total exemption for seniors with incomes within 150 percent of limits prescribed for occupants of nearby low-rent public housing.	Local
Delaware	\$5,000 exemption if income under \$3,000.	Local
Kentucky(a)	Exemption of \$7,500 in 1972 dollars, amount increased annually for inflation (1984 exemption was \$15,000).	Local
Montana(a)	Varying amount based on income (but different than the state's circuitbreaker program).	Local
New Hampshire	\$5,000 exemption if income under \$5,000 and assets under \$35,000; additional local option exemptions.	Local
New York	Local option to exempt up to 50 percent of assessed value if low-income senior citizen.	Local
North Carolina(a)	\$8,500 exemption if income under \$9,000.	Mostly Local
South Carolina(a)	\$20,000 exemption.	State
Tennessee(a)	\$12,000 exemption if income under \$8,500	State

Utah(a)	Local option to abate up to the lesser of 50 percent of taxes assessed or \$300 for senior citizens with incomes under \$7,500 if single or \$8,000 if married.	Local
Virginia(a)	Local option to totally exempt property of senior citizens with incomes up to \$18,000	Local
Washington(a)	Exemption from all special levies if income under \$15,000; \$20,000 exemption or 30 percent of value of residence up to \$40,000, whichever is greater, from regular levies if income under \$12,000; \$25,000 exemption or 50 percent of value of residence, whichever is greater, if income is below \$9,000.	Local
West Virginia	\$20,000 exemption.	Local

Source: NCSL Survey; and ACIR, Significant Features of Fiscal Federalism 1983-1984 Edition.

Notes:

This table does not include programs restricted to special groups, such as widows and veterans. Most states have programs for veterans.

In states where assessments are set by law at less than full market value the amount of market value exempted is shown in parentheses. Property often is assessed at less than the level prescribed by law, however, and the actual value of exemptions may be understated.

a. Disabled persons are given the same benefits as senior citizens.

circuitbreaker overrides the property tax levy, and rebates the excessive payment to the taxpayer. Benefits are structured, generally, so that as income rises, the amount of benefit falls.

In addition, circuitbreakers can be structured to provide renters with benefits, with the rationale that part of a rent payment is attributed to the landlord's property tax obligation. Renters generally have lower incomes than homeowners. This approach can help target benefits to low income persons.

As of December 1984, 30 states and the District of Columbia have in place some type of circuitbreaker program that provides relief to residential property taxpayers. Renters are eligible for relief in 25 of these programs. Most circuitbreaker programs are limited to senior citizens. Of the 31 programs, however, nine are open to the general population. While the programs in the District of Columbia, Michigan and Minnesota are applicable to persons of all ages, they provide greater relief to older people than to the general population. Additionally, 17 states and the District of Columbia have both a homestead program and a circuitbreaker program.

By design, circuitbreaker programs can target property tax relief based on some measure of need for assistance. Factors which must be considered include the extent to which benefits will be restricted to low and moderate income persons through setting an upper income limit on participation; the maximum amount of benefit available; and the relationship between benefit levels, incomes and amount of property tax due.

There are two general ways to design circuitbreaker programs. Some states have structured their programs so that a percentage of an individual's property tax payment is rebated, with the percentage decreasing as income rises. Other states define a percentage of income which will be devoted to property tax; amounts over that percentage qualify for relief.

Circuitbreaker programs are an important mechanism which states can use to target relief to older persons with below average incomes. Table II-3 summarizes key elements of each state's program.

RENTER CREDITS AND DEDUCTIONS

A renter credit or deduction is one means that several states have pursued in order to eliminate the gap in the tax system which favors homeowners (through the deduction of interest on home mortgages and other tax breaks, and through property tax relief programs). States generally credit renters with a percentage of rent paid. Although some programs impose a maximum income eligibility criterion to participate, renter credit programs differ from circuitbreaker programs (which can include renters) in that the amount of the credit is not a function of the taxpayer's income. Usually persons of all ages and income levels are eligible for assistance. At the end of 1983, there were nine states which offered renter credit programs. States which offer the program are: Alaska, Arizona, California, Hawaii, Indiana, Massachusetts, New Jersey, Oregon,

TABLE II-3

Summary Statistics of State Circuitbreaker Programs: 1983 and 1985

State	Property Tax Rent Equivalent	Income Ceiling (a)	Maximum Benefit/Taxes/or Assessed Value	Average Benefit	Cost per Capita (b)
All ages, homeowners and renters					
District of Columbia (c)	15%	\$20,000	\$ 750 ben	\$275 (d)	\$16.50 (d)
Kansas (c,e)	15	12,800	400 ben	144	3.41
Michigan	17	80,000	1,200 ben	396	42.03
Minnesota (f)	Varies	40,000	1,125 ben	305	45.17
New York	25	16,000	250 (g) ben	74	1.33
Oregon (h)	17	17,500	750 (h) / 375 (r) ben	205	32.35
Vermont	20	25,000	500 ben	248	10.66
Wisconsin	25	16,500	1,200 taxes	318	17.44
All ages, homeowners; only elderly renters					
Maryland (c)	15%	None	\$1,200 (h) / 450 (r) ben	\$351	\$ 8.77
Only elderly, homeowner's and renters					
Arizona	Varies	\$ 5,500	\$ 413 ben	\$325 (d)	\$ 5.24 (d)
California (c)	i	12,000	32,640 AV	125	1.28
Colorado (c)	20%	11,200	500 ben	271	4.79
Connecticut	20	14,800	700 ben	313	4.16
Illinois (c,h)	30	12,000	700 ben	250	6.99
Iowa (c)	25	12,000	1,000 taxes	181	3.27
Maine (c)	25	7,400	400 ben	274	5.02
Missouri	20	11,500	500 taxes	138	1.21
Montana	15	None	400 ben	119	2.30
Nevada	17	14,000	500 ben	168	2.03
New Mexico	6	16,000	250 ben	74	1.48
North Dakota (c)	20	10,000	2,000 (h) / 190 (r) ben	107	3.47
Pennsylvania (c,h)	20	12,000	500 ben	215	8.16
Rhode Island	20	12,500	200 ben	159	.33
Utah	j	10,000	300 ben	106	.68
West Virginia	12	5,000	125 taxes	16	.01
Elderly homeowners only					

Arkansas	\$12,000	\$ 250 ben	\$ 81	\$1.13
Idaho(c)	12,300	400 ben	181(d)	3.24
Nebraska	10,400	35,000 AV	463	16.08
Ohio(c)	15,000	5,000 AV	153	5.01
Oklahoma(c)	8,500	200 ben	90	.06
South Dakota(c,k)	7,375	55% taxes	113	1.08

Source: NCSL Survey; and ACIR, Significant Features of Fiscal Federalism, 1983-84 Edition.

Notes:

The property tax rent equivalent and income ceiling amounts are 1985 data. Average benefit and cost per capita are 1983-84 data.

ben = Maximum benefit.

taxes = Formula uses a maximum tax amount to set the ceiling benefit.

AV = Formula uses a maximum assessed value to set the ceiling benefit.

h = Maximum benefit for homeowners.

r = Maximum benefit for renters.

- a. When there are separate maximum income levels for single persons and married couples, the amount stated in this table is for married couples.
- b. Per capita cost was determined by dividing total benefits distributed by the total state population.
- c. Disabled persons receive the same benefits as senior citizens.
- d. 1984 data.
- e. Kansas: Persons under age 55 must have a dependent under age 18 to be eligible for circuitbreaker benefits.
- f. Minnesota: Amount shown represents net cost of circuitbreaker program. The amount of the circuitbreaker benefit is reduced by the amount of the homestead credit benefit. Data are for 1981.
- g. New York: The maximum benefit for senior citizens is \$250; the maximum benefit for all others is \$45.
- h. 1982 data.
- i. California: Property tax equivalent is \$250, regardless of amount of rent paid.
- j. Utah: For elderly renters, from 5 to 95 percent of rent paid is reimbursed, with a decreasing portion of rent paid reimbursed as income increases.
- k. South Dakota: Cost figures also include states's sales tax refund to the elderly.

and Wisconsin. Most of the renter credit programs offer credits/deductions to the general population. In Alaska, however, relief is only available to older people. Oregon's program has two parts: one for the general population and one for low income older people who pay a large percent of their income for rent. Finally, although the programs in Hawaii and New Jersey offer credits to the general population, they offer greater benefits to older people.

Table II-4 summarizes the key provisions of each of the renter credit programs.

PROPERTY TAX DEFERRAL PROGRAMS

Tax deferral programs permit older people to delay paying some or all of their property taxes for a certain length of time. The postponed taxes must be paid, however, either at the death of the property owner or when the property is sold. Generally, below market interest rates are charged on the amount of the debt.

Property tax deferral programs can provide significant relief to older persons at a fairly low cost since the state is eventually reimbursed for the deferred taxes. Property tax deferral programs can be particularly beneficial to elderly homeowners with limited incomes available to pay rising property taxes. Despite this advantage, participation of older people in these programs is limited. The decision to place a lien on one's home is often difficult and frightening to older persons.

TABLE II-4

Summary Statistics of State Renter
Credit and Deduction Programs: 1985

<u>State</u>	<u>Minimum Age</u>	<u>Program Description</u>	<u>Number of Households Participating</u>	<u>Average Benefit</u>
Alaska	65	Amount representing property tax payments rebated	720	\$290
Arizona	None	5% of rent paid, up to \$100	257,000	119
California	None	Income tax credit of \$137 to married couples; \$60 to individuals	4.6 million	98
Hawaii	None(a)	\$50 tax credit per exemption on income tax	45,000	100
Indiana	None	\$1,500 income tax deduction	400,000	45
Massachusetts	None	Income tax deduction for one-half of rent, up to \$2,500	n.a.	n.a.
New Jersey	None(a)	\$65 tax credit; persons 65 and older receive additional \$35.	680,124	68
Oregon	None	Credit of 4.7 percent of rent, up to \$96 maximum	325,000	81
Wisconsin	None	Credit of 2.5 percent of rent paid if heat is not included; 2 percent if heat is included	1.3 million(b)	96

Source: NCSL survey

Notes:

n.a. = not available

Program description for 1985. Number of participants and average benefit are 1983 data.

- a. Persons 65 and older receive additional benefits, as explained in the program description.
- b. Includes homeowners who receive a homestead credit through the same program.

Table II-5 summarizes key elements of such programs in operation across the country. Seventeen states have property tax deferral programs for homeowners. With the exception of Washington, D.C., Florida, and Iowa, all of the programs are limited to older people.

PROPERTY TAX FREEZE

Property tax freeze programs exist in only three states, Connecticut, South Dakota and Texas. Unlike some other tax relief measures, freeze programs are only applicable to elderly homeowners.

Many elderly people live on fixed incomes. When their property taxes increase on a yearly basis, this takes away from their ability to buy other needed household goods. One of the unique benefits of property tax freeze programs is that once taxes are frozen, older homeowners know exactly how much they will have to pay for property taxes on a yearly basis.

However, unlike some other forms of property tax relief, it is difficult to target benefits to those most in need. In several states, these programs have been recently phased out.

PERSONAL INCOME TAX

The personal income tax is a major source of revenue for the federal government and most state governments. Like the federal tax system, most state income tax systems are progressive. In a progressive tax system, tax rates rise as income rises.

TABLE II-5

Major features of property tax deferral programs: 1984(a)

<u>State</u>	<u>Minimum Age</u>	<u>Maximum Income</u>	<u>Amount of Tax Deferrable</u>	<u>Interest Rate</u>
Alaska (b)	65	None	All special assessments	0%
California	62	\$34,000/\$24,000	All	Yield of state investments over comparable time
Colorado	65	None	All	8%
District of Columbia	No	\$20,000	Taxes in excess of 110 percent of previous year's tax bill	Average U.S. T-bill rate in previous year
Florida	No	None	Portion of tax that exceeds 5 percent of applicant's household income. Local program.	Average yield of Florida state pension fund
Georgia (d)	62	\$15,000	Taxes levied on first \$50,000 of homestead's assessed value	Locally determined
Illinois	65	\$10,000	Up to 80 percent of taxpayer's equity interest in property	6%
Iowa (e)	No	None	All	6%
Massachusetts	65	\$20,000	Up to 50 percent of assessed value. Local program.	8%
Michigan	65	\$10,000	Summer property taxes may be deferred until February 15 of the following year without penalty	0%
New Hampshire	65	None	Up to 85 percent of assessed value. Local program.	5%
Oregon (f)	62	\$17,500	All	6%

Tennessee	65	\$12,000	Taxes on first \$60,000 of appraised value, or on first \$50,000 of appraised value in excess of 1979 value. Local option.	10%
Texas	65	None	All	6% plus one-time 8% penalty
Utah	65	\$7,500 (single) \$8,000 (married)	All	6%
Virginia	65	\$18,000-\$22,000	All. Local option.	Locally determined
Washington	61	\$15,000	Up to 80 percent of owner's equity	8%

Source: NCSL survey

Notes:

- a. Kentucky and Maryland have property tax deferral programs that are not included in this table because these programs are based on land-zoning changes. This table highlights only those programs designed to help people for whom property taxes represent a substantial burden. Generally, these programs are limited to senior citizens. In addition to the programs listed, Wisconsin passed legislation in 1981 authorizing a deferral option for senior citizens but never implemented a program because the state was unable to receive revenue bond funds to finance one.
- b. Alaska: Senior citizens do not pay any property taxes in Alaska. They are responsible for special assessments but may defer them.
- c. California: Persons with incomes up to \$24,000 may defer property taxes, if first participating in 1984. Persons who deferred property taxes prior to 1984 still may defer taxes if their incomes do not exceed \$34,000.
- d. Georgia: The deferral amount is arranged locally with a lending institution. The lending institution determines the rate of interest on the deferred amount.
- e. Iowa: This is a local program. Counties are mandated to allow all recipients of Supplemental Security Income to defer property taxes. At their option, counties also may allow the aged or infirm to defer taxes.
- f. Oregon: Prior to 1984, there was no maximum income limitation for deferral participation. Persons deferring property taxes prior to 1984 have been "grandfathered in" under the new provision and are not required to have incomes under \$17,500 to be eligible.

C PERSONAL INCOME TAXES

States	States That Tax Personal Income	Full Social Security Exemption	State Public Pension Exemption	Federal Public Pension Exemption	Private Pension Exemption	Special Preference for Elderly	Elderly Income Credit
ALABAMA	X	X	X	X			
ALASKA							
ARIZONA	X	X	X	X		PE	
ARKANSAS	X	X	X	X	X	C	
CALIFORNIA	X	X				C	X
COLORADO	X		X	X	X	SD*	
CONNECTICUT							
DELAWARE	X	X	X	X	X	SD*	
FLORIDA							
GEORGIA	X	X	X	X	X	SD*	
HAWAII	X	X	X	X	X	PE	
IDAHO	X	X	X	X		C	
ILLINOIS	X	X	X	X			
INDIANA	X	X		X		PE	X
IOWA	X		X	X		C	
KANSAS	X		X	X		SD*	
KENTUCKY	X	X	X	X		C	
LOUISIANA	X	X	X	X	X	PE	X
MAINE	X	X				C	X
MARYLAND	X	X	X	X	X	SD*	
MASSACHUSETTS	X	X	X	X		PE	
MICHIGAN	X	X	X	X	X	PE	
MINNESOTA	X		X	X	X	SD*	
MISSISSIPPI	X	X	X	X	X	PE	
MISSOURI	X		X			SD*	
MONTANA	X		X	X	X	PE	
NEBRASKA	X					SD*	X
NEVADA							
NEW HAMPSHIRE							
NEW JERSEY	X	X	X	X	X	PE	
NEW MEXICO	X	X	X	X			
NEW YORK	X	X	X	X	X		
NORTH CAROLINA	X	X	X	X		PE	
NORTH DAKOTA	X			X		SD*	
OHIO	X	X				C	X
OKLAHOMA	X	X	X	X		PE	
OREGON	X	X	X	X		SD	X
PENNSYLVANIA	X	X	X	X	X		
RHODE ISLAND	X					SD*	X
SOUTH CAROLINA	X	X	X	X	X	SD*	
SOUTH DAKOTA							
TENNESSEE							
TEXAS							
UTAH	X		X	X	X	SD*	
VERMONT	X					SD*	X
VIRGINIA	X	X	X	X	X	PE	X
WASHINGTON							
WASHINGTON, D.C.	X	X	X	X		PE	
WEST VIRGINIA	X		X	X	X		
WISCONSIN	X					C	
WYOMING							

C = Credit
 PE = Personal Exemption
 SD = Standard Deduction

*A number of states conform to federal taxable income for state income tax purposes. Since the federal government allows an additional standard deduction for people 65 years of age or older, the states that conform to federal taxable income also allow this deduction. These states are marked in the table.

Information for this chart was compiled from sources cited on page 1.

OTHER TAXES

States	SALES TAX		Exemptions	PROPERTY TAX			ESTATE TAX		INHERITANCE TAX
	State Rate %	Combined State-Local Rate		Circuit-breaker	Homestead Exemption or Credit	Deferral Program	Pick-up Only	Pick-up and Estate	Pick-up and Inheritance
ALABAMA	4	8	D		X		X		
ALASKA	0	4			X		X		
ARIZONA	5	7	DF	X	X		X		
ARKANSAS	4	6	D	X			X		
CALIFORNIA	4.75	6.5	DF	X	X	X	X		
COLORADO	3	7.1	DF	X	X	X	X		
CONNECTICUT	7.5	7.5	DF	X					X
DELAWARE	0	0			X				X
FLORIDA	6	6	DF		X	X	X		
GEORGIA	3	5	D		X	X	X		
HAWAII	4	4	D				X		
IDAHO	5	5	D	X	X				X
ILLINOIS	5	8	DF	X	X	X	X		
INDIANA	5	5	DF		X				X
IOWA	4	5	DF	X	X	X			X
KANSAS	4	6	D	X					X
KENTUCKY	5	5	DF		X				X
LOUISIANA	4	9			X				X
MAINE	5	5	DF	X			X		
MARYLAND	5	5	DF	X					X
MASSACHUSETTS	5	5	DF		X	X		X	
MICHIGAN	4	4	DF	X		X			X
MINNESOTA	6	7	DF	X	X		X		
MISSISSIPPI	6	6	D		X			X	

A glossary is included to briefly explain some of the more technical tax terms. Before you make a final relocation decision, you may want to contact the state's Department of Revenue for more detailed tax information such as the state income tax rate (addresses of the state Departments of Revenue are listed on the back page).

Please use this information as a starting point. We hope it helps you understand the possible tax implications of your relocation decision — an important step on your way to making your new home a happy one.

This information was assembled for AARP in the Summer of 1988 by the National Conference of State Legislatures (NCSL). It is based on an NCSL Survey conducted in June-July, 1988; the Commerce Clearing House State Tax Guide; and the Advisory Commission on Intergovernmental Relations' Significant Features of Fiscal Federalism, 1988 Edition, Volume I.

amount of the deferral plus interest charges represents a lien on the property.

DEDUCTION: An amount that is subtracted from adjusted gross income as part of the process of determining taxable income.

ELDERLY INCOME CREDIT: A nonrefundable amount that is subtracted from income tax liability for persons 65 and older. (Also see CREDIT)

ESTATE TAX: A tax placed on the net estate of a decedent. The amount of the tax is determined solely by the size of the estate. The relationship of the heirs to the decedent has no bearing unless the heir (e.g., a surviving spouse) is exempt. There are also federal estate taxes.

EXCLUSION: Income not reported on the income tax return, e.g., public assistance payments.

pensions are paid by business, industry, or other private sector employers.

PROPERTY TAX: A tax placed on real and/or personal property.

PUBLIC PENSION: Income that is paid to a retiree from his/her previous employer(s) if the retiree has met certain conditions, such as length of service or other employer-imposed criteria. Public pensions are paid by federal, state, or local governments.

SALES TAX: A tax on the purchase of goods (and sometimes services), determined as a percentage of the sales price.

STANDARD DEDUCTION: An amount that is subtracted from adjusted gross income to determine taxable income when the taxpayer does not itemize deductions.

TAXABLE INCOME: Income minus adjustments, such as exemptions and deductions to which tax rates are applied to determine income tax liability.

RELOCATION GUIDE

State Tax Information for Relocation Decisions

Are you thinking about moving to a new state? The decision to relocate can be complex, taking into account family, climate, cost of living, and many other factors. One aspect of the decision may be the taxes you would owe if you moved to another state. Specifically, you may want to evaluate how that state treats retirement income like Social Security or pensions, or special state tax provisions for older taxpayers.

This brochure has been designed to provide basic state tax information. The first chart provides details about personal income taxes. It shows which states tax personal income, and then describes income that is exempt from tax in these states. Credits and other special provisions for the elderly are also listed.

The second chart lists other types of taxes which may affect older residents. It includes the state sales tax, and notes whether some counties or cities also apply a sales tax. In addition, property tax relief programs are listed and the type of estate or inheritance tax is described.

GLOSSARY

ADJUSTED GROSS INCOME (AGI): The sum of all wages, interest, rent, and other income adjusted by subtracting certain expenses, such as employee business expenses and the penalty on early withdrawal of savings.

CIRCUITBREAKER: A property tax credit in which benefits depend on both income and property tax payments. There are two types of circuitbreakers - sliding scale and threshold. Sliding scale programs rebate a percentage of property tax liability, with the rebate being larger for low income people. Threshold programs rebate the amount of property tax that exceeds a certain percentage of income; for example, a threshold program might provide for the rebate of property tax that exceeds three percent of income.

CREDIT: tax credit reduces the amount of tax owed. A nonrefundable tax credit can reduce the amount of tax due to zero. A refundable credit can result in a payment to the taxpayer if the credit exceeds the amount of tax that was owed.

DEFERRAL PROGRAM: A program that allows certain people, usually the elderly and disabled, to postpone paying property taxes until death or sale of their property. Generally, below market interest rates are charged on the deferred taxes. The

HOMESTEAD PROGRAM: A program that reduces the property taxes on a homeowner's primary residence. The program usually reduces the assessed value of the property or provides a tax credit, thereby reducing the amount of tax owed.

INHERITANCE TAX: A tax placed on the amount that an heir receives from a decedent. The tax applies to all transfers at death and to transfers made in contemplation of death (transfers made within two years prior to death).

PERSONAL EXEMPTION: A fixed amount per person subtracted from adjusted gross income in the process of determining taxable income.

PERSONAL INCOME TAX: A tax placed on an individual's income.

PICK-UP TAX: This tax applies only to estates which are required to pay a federal estate tax, i.e. estates exceeding \$600,000. This tax allows the state to "pick up" a portion of the revenue paid for federal estate tax without increasing the total tax owed by the estate.

PRIVATE PENSION: Income that is paid to a retiree from his/her previous employer(s) if the retiree has met certain conditions, such as length of service or other employer imposed criteria. Private

State	4.225	6.225	D	X			X	
MISSOURI	4.225	6.225	D	X			X	
MONTANA	0	0		X	X			X*
NEBRASKA	4	5.5	DF		X			X*
NEVADA	6.75	8.25	DF	X			X	
NEW HAMPSHIRE	0	0			X	X		X*
NEW JERSEY	6	8	DF		X			X*
NEW MEXICO	4.75	5.375		X	X		X	
NEW YORK	4	8.25	DF	X	X		X	
NORTH CAROLINA	3	5	D		X			X*
NORTH DAKOTA	5.5	6.5	DF	X	X	X	X	
OHIO	5	6.5	DF	X	X			X
OKLAHOMA	4.5	8.5	D	X	X			X*
OREGON	0	0		X		X	X	
PENNSYLVANIA	6	8	DF	X				X
RHODE ISLAND	6	6	DF	X				X
SOUTH CAROLINA	5	5	D		X			X
SOUTH DAKOTA	4	6	D	X				X*
TENNESSEE	5.5	7.75	D	X				X
TEXAS	6	8	DF		X	X	X	
UTAH	6.004	6.253	D	X	X		X	
VERMONT	4	4	DF	X			X	
VIRGINIA	3.5	4.5	D	X			X	
WASHINGTON	6.5	7.9	DF		X	X	X	
WASHINGTON, D.C.	0	6	DF	X	X		X	
WEST VIRGINIA	6	6	DF	X	X		X	
WISCONSIN	5	5.5	DF	X	X	X		
WYOMING	3	5	D		X		X	

- D = Prescription Drugs
- F = Food
- * = Transfers to Spouse are Exempt

Note: The combined state-local sales tax rate indicates the maximum rate currently imposed in some jurisdictions; the combined state-local rate may be lower depending on the locally levied rate.

