

**HB**

**66**

**HFIN**

**FILE**

# HOUSE COMMITTEE REPORT

(11)

Date Referred: March 2, 1993

FURTHER REFERRALS:

Date of Committee Action: 3/25/93

The FINANCE Committee considered:

HB 66

HOUSE BILL NO. 66

MUNICIPAL PROPERTY TAX EXEMPTIONS

"An Act relating to municipal property tax exemptions for certain residences and to property tax equivalency payments for certain residents; and providing for an effective date."

**RECOMMENDATIONS:**

be replaced with CS HB66 Fin  the same title

a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact DOE

fiscal note(s) \_\_\_\_\_

zero fiscal note \_\_\_\_\_

zero fiscal note(s) DOA 11/5/93  
PCRA 11/5/93

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<u>Eileen P. Mackean</u>	<input checked="" type="checkbox"/>	<u>Ronald J. Larson</u>		<input checked="" type="checkbox"/>	
<u>Mark Hanley</u>	<input checked="" type="checkbox"/>	<u>Terry Martin</u>		<input checked="" type="checkbox"/>	
		<u>Scott Parrell</u>		<input checked="" type="checkbox"/>	
		<u>Ben S. Gussendorf</u>		<input checked="" type="checkbox"/>	
		<u>Mike Savare</u>		<input checked="" type="checkbox"/>	
		<u>Jay Brown</u>		<input checked="" type="checkbox"/>	
		<u>Gene Therrault</u>		<input checked="" type="checkbox"/>	

Ronald J. Larson EP Mackean

CHAIRMAN'S SIGNATURE

# FISCAL NOTE

STATE OF ALASKA

BILL NO. CSHB 66(FIN)

**1993 LEGISLATIVE SESSION**

Revision Date: 3-26-93

Department Affected: Education

Title: An act relating to municipal property tax exemptions  
certain residences and to property tax equivalency payment

BRU: K-12

Sponsor: Governor

Component: Foundation Program

Requestor: House Finance

COMPONENT SERIAL NO. 141

**Expenditures/Revenues:**

(Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	0	0	0-(3,655.9)	0-(3,802.1)	0-(3,954.2)	0-(4,112.4)
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0-(3,655.9)	0-(3,802.1)	0-(3,954.2)	0-(4,112.4)

CAPITAL						
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REVENUE FUND SOURCE:						
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**FUNDING:**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0	0	0-(3,655.9)	0-(3,802.1)	0-(3,954.2)	0-(4,112.4)
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	0	0	0-(3,655.9)	0-(3,802.1)	0-(3,954.2)	0-(4,112.4)

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

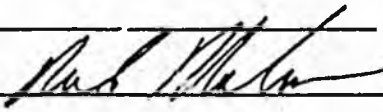
Estimate of current year (FY93) impact: \$ \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)

See Attached.

Prepared by: Eddy Jeans  
Division: School Finance

Phone: 465-8685  
Date: 3-26-93

Approved by Commissioner:   
Agency: Education

Jerry Covey  
Date: 3-26-93

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Assumes a 4% annual increase after FY95 due to estimated property value increase. Fiscal note contains a range of savings from zero to (3,655.9) in FY96 because of the amendment in Section 1(a) which states "However, the value of property exempted under AS 29.45.052 may not be included in the determination". This amendment allows each municipality to voluntarily participate in the exemption of property owned by senior citizens and disabled veterans. Properties covered by the optional deferral and property not exempted from taxation will be included in the full value determination.

Under the foundation program, AS 14.17.025, property that is included in the municipalities full value determination increases a district's required local contribution while decreasing the state general fund obligation.

FISCAL NOTE

No. 1  
 Bill Version: HB 66  
 (H) Publish Date: 1/15/93

STATE OF ALASKA  
 1993 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
 Title: An act relating to municipal tax exemptions  
 Sponsor: Rules Committee  
 Requestor: Governor

Department Affected: Administration  
 BRU: Div. of Pioneers' Benefits  
 Component: Central Office

COMPONENT SERIAL NO. 34

Expenditures/Revenues:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

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

Estimate of current year (FY93) impact: 0

ANALYSIS: (Attach a separate page if necessary.)  
 There is no fiscal impact on programs in the Division of Pioneers' Benefits

Prepared by: Dennis L. DeWitt, Director  
 Division: Pioneers' Benefits

Phone: 465-4400  
 Date: 12/28/92

Approved by Commissioner: Nancy Bear Usery  
 Agency: Administration

Date: 12/28/92

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FISCAL NOTE

Revision Date: \_\_\_\_\_ Dept. Affected: Community & Regional Affairs  
Title: "An Act relating to property tax exemptions...." BRU: Senior Citizens/Disabled Veterans  
Component: Renters Equivalence Rebate

Sponsor: \_\_\_\_\_  
Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 654

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

POSITIONS:

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

Estimate of current (FY93) impact \$ none

ANALYSIS: (Attach a separate page if necessary)

The Renters Rebate program was instituted in order to treat seniors, who paid rent for their homes, on an equitable basis with those seniors who owned their own homes in terms of property tax relief. Since the Homeowners' program is being proposed for deletion with legislation making it a local option of the municipality, funding for the Renters Rebate program is also being deleted.

NOTE: This fiscal impact is reflected in the proposed FY94 operating budget.

Prepared by: Demond Hendrick Phone: 465-4708  
Division: Administrative Services Date: 12/29/92

Approved by Commissioner: Rh for EDGAR BLATCHFORD Date: 12/29/92

Agency: Community & Regional Affairs

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FISCAL NOTE

Revision Date: \_\_\_\_\_ Dept. Affected: Community & Regional Affairs  
 Title: "An Act relating to property tax exemptions...." BRU: Senior Citizens/Disabled Veterans  
 Component: Homeowner's Property Tax  
 Sponsor: \_\_\_\_\_ Exemption  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 653

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

POSITIONS:

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

Estimate of current (FY93) impact \$ none

ANALYSIS: (Attach a separate page if necessary)

As the law currently exists, municipalities are required to fund the balance of the program not funded by the state. Full funding for this program is approximately 13 million, however, at the current state general fund level of 2838.8 (21.8% of full funding amount), municipalities are required, by statute, to fund the balance. This places an extreme hardship on municipalities who are already faced with declining revenues. Therefore, the department proposes to delete the funding for this program and support legislation which would make the program a local option of the municipalities.

Note: This fiscal impact is reflected in the proposed FY94 operating budget.

Prepared by: Kimond Henderson Phone: 465-4708

Division: Administrative Services Date: 12/29/92

Approved by Commissioner: R.H. for EDGAR BLACKHALL Date: 12/29/92

Agency: Community & Regional Affairs

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8-GH1032R  
Cook  
3/5/93

CS FOR HOUSE BILL NO. 66( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
EIGHTEENTH LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL  
FOR AN ACT ENTITLED

1 "An Act relating to an exemption from and deferral of municipal property taxes  
2 for certain primary residences, to property tax equivalency payments for certain  
3 residents, to the determination of full and true value of taxable property in a  
4 municipality; and providing for an effective date."

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

6 \* Section 1. AS 14.17.140(a) is amended to read:

7 (a) To determine the amount of local effort under AS 14.17.025 and to aid the  
8 department and the legislature in planning, the Department of Community and  
9 Regional Affairs, in consultation with the assessor for each district, shall determine the  
10 full value of the taxable real and personal property in each city or borough district.  
11 If there is no local assessor or current local assessment for a district, then the  
12 Department of Community and Regional Affairs shall make the determination of full  
13 value from information available. In making the determination, the Department of  
14 Community and Regional Affairs shall be guided by AS 29.45.110. However, the

1 value of property exempted under AS 29.45.052 may not be included in the  
2 determination. The determination of full value shall be made by October 1 and sent  
3 by certified mail, return receipt requested, on or before that date to the president of the  
4 school board in each district. Duplicate copies shall be sent to the commissioner. The  
5 governing body of a borough or city that is a school district may obtain judicial review  
6 of the determination. The superior court may modify the determination of the  
7 Department of Community and Regional Affairs only upon a finding of abuse of  
8 discretion or upon a finding that there is no substantial evidence to support the  
9 determination.

10 \* Sec. 2. AS 29.45.030(h) is amended to read:

11 (h) Nothing [EXCEPT AS PROVIDED IN (g) OF THIS SECTION,  
12 NOTHING] in (j) [(e) - (j)] of this section affects similar exemptions from property  
13 taxes granted by a municipality on September 10, 1972, or prevents a municipality  
14 from granting similar exemptions by ordinance as provided in AS 29.45.050.

15 \* Sec. 3. AS 29.45.030(k) is amended to read:

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

18 \* Sec. 4. AS 29.45 is amended by adding new sections to read:

19 Sec. 29.45.052. OPTIONAL EXEMPTION FOR CERTAIN RESIDENCES.

20 (a) The real property owned and occupied as the primary residence and permanent  
21 place of abode by a resident of the state who is (1) 65 years of age or older; (2) a  
22 disabled veteran; or (3) at least 60 years old and the widow or widower of a person  
23 who qualified for an exemption under former AS 29.45.030(e) or under (1) or (2) of  
24 this section, may by ordinance be exempted from taxation on all or part of the assessed  
25 value of the real property. Only one exemption may be granted for the same property  
26 and, if two or more persons are eligible for an exemption for the same property, the  
27 parties shall decide between or among themselves who is to receive the benefit of the  
28 exemption. Real property may not be exempted under this subsection if the assessor  
29 determines, after notice and hearing to the parties, that the property was conveyed to  
30 the applicant primarily for the purpose of obtaining the exemption. The determination  
31 of the assessor may be appealed under AS 44.62.560 - 44.62.570.

1 (b) In this section,

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

7 (2) "real property" includes mobile homes, whether classified as real  
8 or personal property for municipal tax purposes.

9 Sec. 29.45.054. OPTIONAL DEFERRAL FOR CERTAIN RESIDENCES. (a)  
10 Payment of taxes on all or part of the assessed value of real property may be deferred  
11 by ordinance if the property is owned and occupied as the primary residence and  
12 permanent place of abode by a resident of the state who is (1) 65 years of age or  
13 older; (2) a disabled veteran; or (3) at least 60 years old and the widow or widower  
14 of an individual who qualified for an exemption under former AS 29.45.030(e) or for  
15 a deferral under (1) or (2) of this section. The taxes become due when the property  
16 ceases to be owned by the resident who qualified for the deferral or the spouse if the  
17 spouse also qualified for a deferral. Only one deferral may be granted for the same  
18 property and, if two or more persons are eligible for a deferral for the same property,  
19 the parties shall decide between or among themselves who is to receive the benefit of  
20 the deferral. Payment of taxes may not be deferred under this subsection if the  
21 assessor determines, after notice and hearing to the parties, that the property was  
22 conveyed to the applicant primarily for the purpose of obtaining the deferral. The  
23 determination of the assessor may be appealed under AS 44.62.560 - 44.62.570.

24 (b) In this section,

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

30 (2) "real property" includes mobile homes, whether classified as real  
31 or personal property for municipal tax purposes.

- 1 \* Sec. 5. AS 29.45.030(a)(6), 29.45.030(e), 29.45.030(f), 29.45.030(g), 29.45.030(i),
- 2 29.45.040, and 29.45.050(i) are repealed.
- 3 \* Sec. 6. This Act takes effect January 1, 1994.

# MEMORANDUM

## State of Alaska

Department of Community  
and Regional Affairs

TO: Representative Eileen MacLean  
Co-Chair House Finance

DATE: March 5, 1993

FILE NO: CS HB 66/FIN/3-5

THRU:

TELEPHONE:(907) 465-4700

FROM: Bruce R. Geraghty *BRG*  
Deputy Commissioner

SUBJECT: CS HB 66( )  
Proposed WORK DRAFT

Thank you for scheduling HB 66 in House Finance Committee, Monday, March 8, 1993 at 1:30 pm.

Attached you will find:

- 1) DCRA Position Paper for the WORK DRAFT
- 2) DCRA Sectional Analysis of the WORK DRAFT

The Fiscal Note continues to be Zero for this work draft, and we will be pleased to provide you with a correct fiscal note should the committee adopt this work draft.

Please distribute this information to your committee. Thank you.

STATE OF ALASKA  
DEPARTMENT OF COMMUNITY  
& REGIONAL AFFAIRS

POSITION PAPER

Bill No.: CS HB 66( )  
Work Draft:

DCRA FN: Zero

Sponsor: Governor

Position: Support

**Title:** An Act relating to an exemption from and deferral of municipal property taxes for certain residences, to property tax equivalency payments for certain residents, to the determination of full and true value of taxable property in a municipality; and providing for an effective date.

The legislature created the mandatory tax exemption program in 1973. However, since 1985 the legislature has failed to fully refund to communities (only 20% in FY 93) the total cost of this mandated exemption. The renters rebate program was established in 1976 as a means of providing the same benefit to seniors and disabled veterans that rent their residence. The rebate program in FY 93 was funded at 85% of those eligible. The estimated cost of the property tax program in FY 94 is \$15.4 million. The estimated cost of the renters rebate program in FY 94 is \$1.3 million. The departments proposed FY 94 budget does not fund either program.

The department strongly supports the Work Draft, returning the Governor's language for the optional senior citizens/disabled veterans property tax exemption; simplifying the deferral option introduced in the House HESS committee; containing an exemption from the true value determination for educational funding; and changing the effective date to January 1, 1994.

The department strongly supports making the senior citizens/disabled veterans property tax exemption available to municipalities as an optional local tax exemption program. Encouraging seniors citizens and disabled veterans to remain in their own residences, is an issue best handled at the local level. Local governments are in the best position to evaluate the needs of their population with regard to local property taxation issues. In light of the legislative funding history, it is important to afford municipalities the taxing flexibility to appropriately meet the needs of their community.

The property tax deferral option presented in this bill has merit, so long as the deferral provides the greatest amount of flexibility for municipalities to design their own program. Both the Alaska Municipal League and the Older Alaskans Commission have testified in support of the deferral option.

In the departments preliminary research, the deferral concept appears to benefit municipalities in the long run through payment of property taxes at the time of sale. However a question arises as to the effect this would have on seniors citizens or disabled veterans ability to sell a residence where a deferral had been granted and they wish to purchase more suitable independent housing. Also there is a question regarding municipal accounting practices. Deferred taxes would be accounted for as current year receivable, the same as taxes paid, even though the moneys might not be paid for several years or decades. This could result in cash shortages for some municipalities. The department is unsure at this time whether the cash shortage is a result of the deferral or because of the relationship of the deferral to a "tax cap", if one existed, and the accounting practices. The department is also concern with the effect on the marketability of property, at the time of sale, with a large municipal lien due to deferred taxes. For these reason, the department supports this concept as long as deferral is totally optional to municipalities as a taxation tool, with maximum flexibility for municipalities to implement a deferral program by ordinance tailored to their local situation.

The department supports CS HB 66( ) WORK DRAFT.

*Edgar Blatchford*

---

Edgar Blatchford  
Commissioner

*MARCH 8-93*

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Date

STATE OF ALASKA  
DEPARTMENT OF COMMUNITY  
& REGIONAL AFFAIRS

Sectional Analysis

Bill No.: CS HB 66( )  
WORK DRAFT

DCRA FN: Zero

Sponsor: Governor

Position: Support

**Title:** An Act relating to an exemption from and deferral of municipal property taxes for certain residences, to property tax equivalency payments for certain residents, to the determination of full and true value of taxable property in a municipality; and providing for an effective date.

**Section 1.** Amends AS 14.17.140(a), DETERMINATION OF FULL AND TRUE VALUE BY DCRA, to remove real property owned and occupied by senior citizens or disabled veterans, from the departments determination of the full value of the taxable real and personal property in each city or borough district, when the city or borough has exempted this property by ordinance under section 29.45.052 of this bill. This provision maintains the status quo. Presently under the existing mandatory municipal tax exemption for senior citizens and disabled veterans residences, the properties are excluded from the municipalities "full value determination".

**Section.2.** Amends AS 29.45.030(h) stating that nothing in this section defining disabled veteran and real property, affects similar exemptions contained in AS 29.45.050 or in existence on September 10, 1972.

AS 29.45.050 OPTIONAL EXEMPTIONS AND EXCLUSIONS, contains numerous exemptions available to municipalities at this time. For example, AS 29.45.050(i) is a senior citizen/disabled veteran property tax exemption for their residences on the assessed value of the property exceeding \$150,000. Subsection (i) is repealed in section 5 of this bill.

Other exemptions allowed under AS 29.45.050 include; boats and vessels; non-profit community service property; historic sites; non-profit land for agricultural purposes; and others.

**Section 3.** Repeals DCRA's authority to adopt regulations to implement AS 29.45.030(g), the existing mandatory exemption reimbursement provision; this provision is repealed by Section 5 of this Act. In this section, (j) refers to the Department of Public Safety, and its regulatory authority regarding senior citizens motor vehicle registration tax exemption.

**Section 4.** Adds two new sections to AS 29.45.

The first section, AS 29.45.052 OPTIONAL EXEMPTION FOR CERTAIN PRIMARY RESIDENCES, gives specific authority for municipalities to grant senior citizens, disabled veterans, or their widows or widowers, an exemption from property taxation by municipal ordinance. This ordinance may be based on need. There may only be one exemption for the same property. Transfer of a property for the purpose of receiving the exemption is prohibited. The section also includes an appeals process where a dispute results from a possible conveyance of a property for the purpose of obtaining the exemption.

Disabled veteran is defined as a veteran with a 50% disability incurred as a result of military service.

Real Property is defined to include mobile homes.

The second part of this section, simplifies the deferral concept introduced in the House HESS Committee.

AS 29.45.054. OPTIONAL DEFERRAL FOR CERTAIN RESIDENCES. This section allows a municipality to defer taxes on the assessed value on real property owned and occupied as a primary residence and permanent place of abode by a senior citizen, disabled veteran or their widow or widower. The taxes become due when the property ceases to be owned by the resident, or spouse, who qualified for the deferral. Only one deferral may be granted for the same property. Conveyance of a property for the purposes of obtaining the deferral is prohibited. Judicial appeal is provided for, when a dispute results from the local assessors decision not to grant a deferral due to determining that conveyance of the property took place for the purposes of obtaining the deferral.

Disabled veteran is defined as a veteran with a 50% disability incurred as a result of military service.

Real property is defined to include mobile homes.

Section 5. Repeals all aspects of the state mandated property tax exemption and renters rebate for senior citizens and disabled veterans.

The specific sections repealed are:

1. Under AS 29.45.030. REQUIRED EXEMPTIONS. (mandated exemptions statute)

AS 29.45.030(a)(6): The real property of senior citizens and disabled veterans as conditioned in (e).

AS 29.45.030(e) : Defines the mandatory senior citizen and disabled veterans property tax exemption on the first \$150,000 of assessed value.

AS.29.45.030(f) : Prescribes for municipalities the application process and the municipal waiver of untimely filed application authority.

AS.29.45.030(g) : Provides the conditions governing the states reimbursement of municipalities for revenues lost due to the mandatory senior citizens and disabled property tax exemption. Explicitly stating that "If appropriations are not sufficient to fully fund reimbursements under this subsection, the amount available shall be distributed pro rata among eligible municipalities."

AS.29.45.030(i) : This subsection contains definitions of disabled veterans and real property.

2. AS.29.45.040 : PROPERTY TAX EQUIVALENCY PAYMENTS,  
This is commonly referred to as the renters rebate program.  
This program is also pro rata relative to legislative appropriation;

3. Under AS.29.45.050. OPTIONAL EXEMPTIONS AND EXCLUSIONS.

AS.29.45.050(i) :This subsection grants authority for municipalities to, by ordinance approved by the voters, exempt from taxation the assessed value exceeding \$150,000 of senior citizen and disabled veterans. There is no reference to "hardship" in this provision.

Section 6. Establishes effect date of January 1, 1994.

Back-up

# STATE OF ALASKA

## DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

P.O. BOX 112100  
JUNEAU, ALASKA 99811-2100  
PHONE: (907) 465-4750

333 W. 4TH AVENUE, SUITE 220  
ANCHORAGE, ALASKA 99501-2341  
PHONE: (907) 269-4500

March 12, 1993

The Honorable Eileen MacLean  
Alaska State Representative  
Finance Committee  
Alaska State Legislature  
Juneau, AK 99801-1182

Dear Representative MacLean:

At your request, the following represents a brief overview of the process used by the Office of the State Assessor in determining the Full Value of Municipalities. The Full Value Determination is used in education foundation funding and municipal revenue sharing, both of which are formula driven. This simply means that as certain characteristics, such as population or assessed value, of a particular municipality change, so does the amount of funding received.

The Full Value Determination (FVD) can be defined as being the equalized measure of taxable wealth of a municipality. In theory, the more wealth a municipality has, (measured by it's equalized tax base), the better it can afford to provide education and other basic services. Consequently, the FVD is supposed to represent the total taxable value (wealth) of a municipality. This measurement should reflect the total value estimate of property that a municipality could levy taxes against should it so desire.

In order to estimate the FVD, the Office of the State Assessor "equalizes" each assessment district so that, when comparisons are made between municipalities, the comparisons utilize similar data. In other words, when the FVD is given for different municipalities, they represent all the taxable value of each municipality. If, for example, two similar municipalities have a total taxable value of \$1,000,000 but municipality "A" chooses to optionally exempt all personal property subsequently reducing it's assessed value by, for example, one-half, an unequalized comparison would show one municipality with a value of \$500,000 and the other at \$1,000,000. This comparison would then indicate that one municipality could raise only half the revenue as the other with the same mill levy, even though they both had the same measurement of wealth. In order to reflect the "true" value of both municipalities, the value of the optionally exempted property would be added into the FVD.

The Honorable Eileen MacLean  
March 12, 1993  
Page two

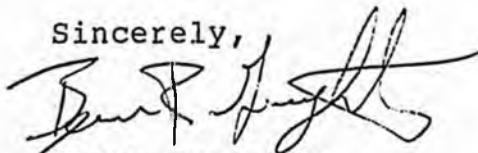
Additionally, when a FVD is made by the State Assessor, the local assessed values are reviewed for adherence to AS 29.45.110. This is to insure that the assessed values represent full and true value, which is sometimes referred to as 100% of market value. If the assessed value is found to be either high or low, it is adjusted accordingly. This process is accomplished by utilizing sales-ratio studies, which in most cases, is undertaken by the local assessing office. The State Assessor then estimates, with the assistance of the local assessor, the value of all property which has been optionally exempted and adds this value to the adjusted local assessed value. The sum of the adjusted local assessed value, any state oil and gas property assessed under AS 45.56 and the value of any optionally exempted property represents the Full Value Determination.

Typically, whenever the FVD changes, formula driven state funding is also changed. The committee substitute for HB66 excludes the value of senior citizens and disabled veterans from the FVD for educational foundation funding. Consequently, under this substitute version, there would be no impact on educational foundation funding if a municipality chose the optional exemption. If, however, this version was amended to include the value in the FVD it would have an affect. For example, in the Municipality of Anchorage, the current senior citizen/disabled veteran program exempts approximately \$400 million in value. If this were included in the FVD, it would reduce the state's educational contribution by 4 mills or \$1.6 million. Other municipalities which comprise school districts would be affected in the same manner.

State shared revenue is also formula driven using the FVD, however, our analysis indicates that the inclusion of the senior citizen/disabled veteran value would have a very small affect on revenue sharing. In almost all cases, the result was less than a 2% difference.

I hope this has helped in addressing your questions regarding this matter. If you feel further explanation is needed, please feel free to contact me at your convenience.

Sincerely,



Bruce Geraghty  
Deputy Commissioner

cc: Robert K. Walsh, Director  
Municipal and Regional Assistance Division

**DIVISION OF LEGAL SERVICES**

**LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA**

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

MAR 19 1993

130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

MEMORANDUM

March 19, 1993

**SUBJECT:** Tax Exemption for Certain Residential Property (HB 66)

**TO:** Representative Kay Brown

**FROM:** Tamara Brandt Cook *TBC*  
Director

Under HB 66 as introduced by the Governor a mandatory municipal property tax exemption is converted to an optional exemption applicable to the categories of residents that currently qualify for the mandatory exemption. In addition, under the Governor's bill, a municipality is authorized to base the optional exemption on "hardship." You have informed me that there has been contradictory testimony as to the need for this language, with some testimony indicating a belief that the imposition of a "needs based" eligibility requirement is within the discretion of the municipality even in the absence of language authorizing the imposition of such a requirement.

In my opinion, if it is the intent to allow a municipality to impose other eligibility criteria in crafting the property tax exemption, statutory language must specifically grant the municipality that power. AS 29.45.010(b) provides "If a tax is levied on real property or on personal property, the tax must be assessed, levied, and collected as provided in this chapter." So, unless a specific provision in AS 29.45 permits a municipality to exercise discretion in the formulation of an ordinance relating to taxation, the municipality is bound by the literal requirements of the statutes.

In HB 66 a municipality is granted the option of granting a tax exemption for certain property. However, if the option is exercised by a municipality, it must be exercised in accordance with the requirements of the statute that authorized the exemption.

TBC:gc  
93-246.glc

A M E N D M E N T

OFFERED IN THE HOUSE BY REPRESENTATIVES BROWN AND NAVARRE  
TO: CSHB 66( ) (Draft dated 3/15/93)

Page 2, after line 18:

Insert a new bill section to read:

"\* Sec. 4. AS 29.45 is amended by adding a new section to read:

Sec. 29.45.042. DEFERRAL FOR CERTAIN RESIDENCES. (a) Payment of taxes on the first \$150,000 of the assessed value of real property is deferred if the property is owned and occupied as the primary residence and permanent place of abode by a resident of the state who is eligible under (b) of this section and is (1) 65 years of age or older; (2) a disabled veteran; or (3) at least 60 years old and the widow or widower of an individual who qualified for an exemption under former AS 29.45.030(e) or for a deferral under (1) or (2) of this subsection. The taxes become due when the property ceases to be owned by the resident who qualified for the deferral or the spouse if the spouse also qualified for a deferral. Only one deferral may be granted for the same property and, if two or more persons are eligible for a deferral for the same property, the parties shall decide between or among themselves who is to receive the benefit of the deferral. Payment of taxes may not be deferred under this section 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 deferral. The determination of the assessor may be appealed under AS 44.62.560 - 44.62.570.

(b) To qualify for a deferral for a year, the adjusted gross income of an individual for the prior year may not exceed \$24,000 if the individual filed a single return, or \$36,000 if the individual files jointly with another. The determination of adjusted gross income is based upon the federal income tax return filed by the individual.

(c) In 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, 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 Department of Veterans' Affairs;

(2) "real property" includes mobile homes, whether classified as real or personal property for municipal tax purposes."

Renumber the following bill sections accordingly.

Page 2, line 18:

Delete "new sections"

Insert "a new section"

Page 3, lines 9 - 31:

Delete all material.

MAR 20 1993

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE BROWN

TO: CSHB 66( ) (Draft dated 3/15/93)

Page 2, line 25:

After "property."

Insert "The exemption may be based upon economic hardship as provided in the ordinance."

Page 3, line 15:

After "section."

Insert "The deferral may be based upon economic hardship as provided in the ordinance."

Senior Citizen and Disabled Veteran  
Property Tax Exemption Programs  
Department of Community and Regional Affairs

Property Tax Exemption Program

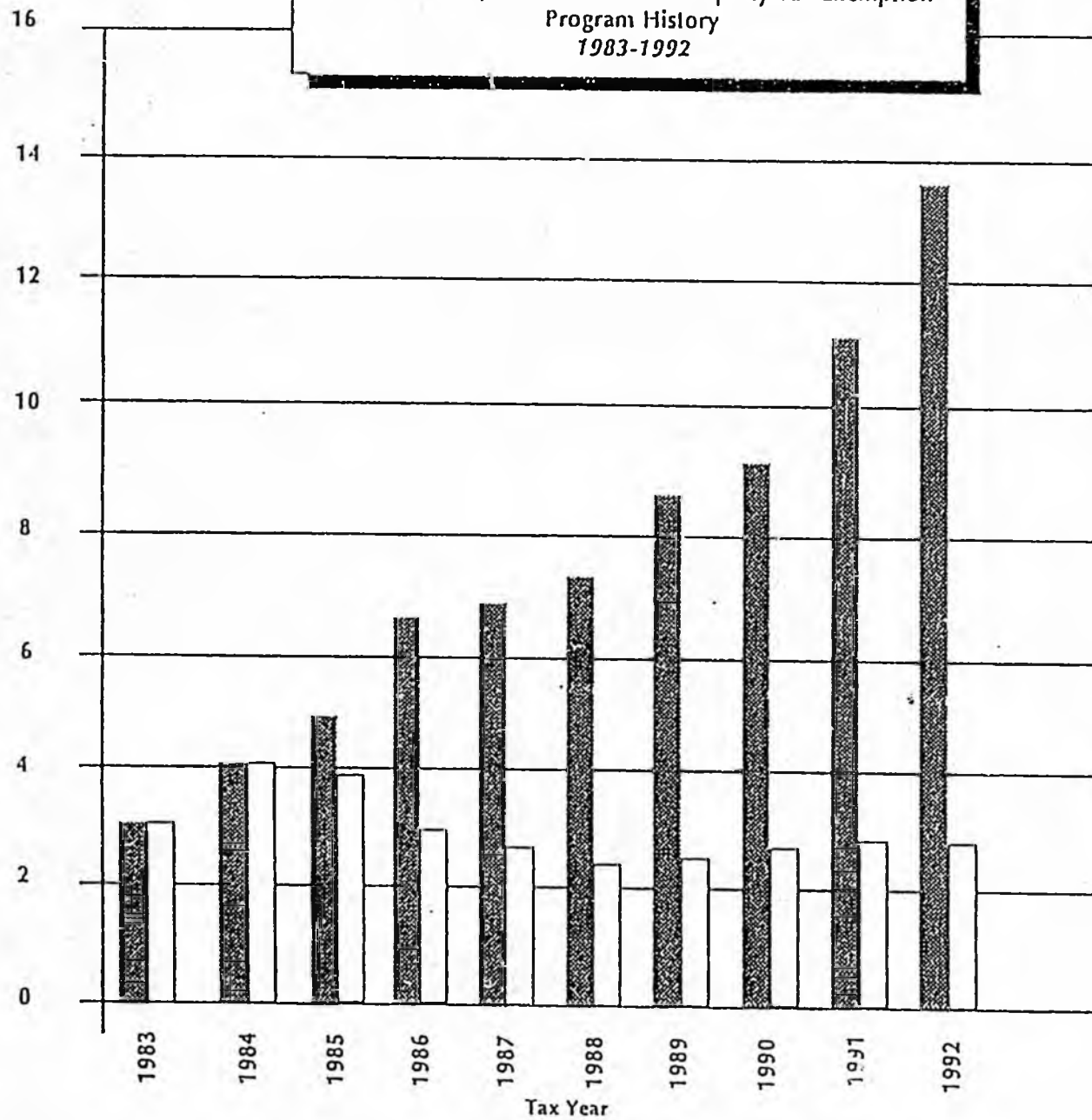
Created in 1974, the Senior and Disabled Veteran Property Tax Exemption Program exempts senior citizens (65 years of age or older) and disabled veterans (with a 50% or greater service-related disability) from payment of property tax on the first \$150,000 of assessed valuation of the applicant's permanent place of abode. Program participants apply each year directly to the municipality in which they seek a tax exemption. The effected municipalities compile annual reports of exempted applicants, exempted assessed value and exempted tax amounts. Based on these figures, the municipalities apply to the Department for reimbursement for property tax revenues lost due to this state-mandated program. After the submitted applications are audited and certified, the Department issues warrants to the municipalities. If taxes exempted under this program exceed funding appropriation levels, the State issues payments on a prorated basis. This has been the case since FY 86. In FY 93, state funding covered about 20% of the reimbursement requests submitted by municipalities.

Senior Citizen/Disabled Veteran Property Tax Equivalency Program



This program was created in 1976 as a companion program to the property tax exemption program. The program rebates eligible applicants for that portion of their yearly rent on their permanent place of abode that goes toward the payment of real property taxes. Applicants must be at least 65 years of age or disabled veterans and rent property that is subject to a local property tax. Rent rebate payments are calculated as one percent of the local mill rate times the total annual rent. Applicants apply directly to the Department and payments are issued to each eligible applicant. Rebate payments are prorated if program costs exceed the annual program appropriation. The renter rebate program has exceeded funding levels since 1986. In FY 93 applicants will each receive about 85% of the amount calculated by formula.

HISTORY OF PROGRAM FUNDING

Senior Citizen/Disabled Veteran Property Tax Exemption  
Program History  
1983-1992



Tax Yr.	State Funding Level	Municipal Reimbursement Request
1983	3,146,618	3,146,618
1984	4,005,075	4,005,075
1985	3,985,567	4,977,451
1986	2,770,300	6,325,763
1987	2,622,969	6,753,663
1988	2,519,344	7,464,557
1989	2,542,803	8,627,081
1990	2,557,900	9,585,192
1991	2,838,000	11,293,150
1992	2,838,000	13,669,469

 Municipal Reimbursement Request  
 State Funding Level

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217 Second Street, Suite 200, Juneau, Alaska 99801

907-586-1325 FAX 907-463-5480

# Municipal Platform

## 1993

Adopted by the  
Board of Directors  
of the  
Alaska Municipal League  
November 14, 1992



## Senior Citizens/Disabled Veterans Property Tax Exemption Mandate

The Alaska Municipal League supports legislation to solve the problem of the unfunded mandate imposed on municipalities by AS 29.45.030, which establishes the Senior Citizens/Disabled Veterans Property Tax Exemption Program. The League supports replacement of mandated municipal property tax exemptions with a direct state rebate program for qualified senior citizens and disabled veterans who paid real property taxes on qualified property.

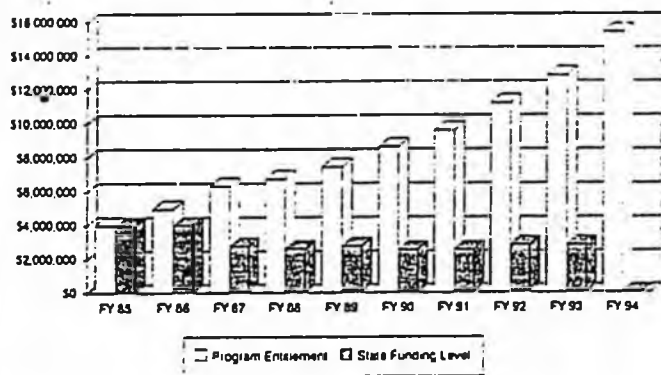
Unfunded mandates are a major element contributing to the increasing costs of government at both the state and local levels. Environmental regulations passed down from the federal to the state to the local level are but one example of unfunded mandates. Another mandate, one that has cost Alaskan municipalities over \$45 million during the last eight years, is the Senior Citizens/Disabled Veterans Property Tax Exemption Program, a program that is steadily growing at the same time funding for it is shrinking.

In 1973, a program to exempt senior citizens from local property taxes was enacted by the Alaska Legislature. In order to make the program workable for municipalities, the program included a provision that the state would reimburse municipalities for tax revenues lost because of the exemption. The intent of the original exemption, for those over 65, was to make it easier for senior citizens to remain in their own homes and, thus, to remain in Alaska. A complementary program, which provides refunds directly to senior citizen renters to compensate for property tax included in their rent charges, was also enacted in 1973. In 1985, the programs were extended to include disabled veterans with a disability of 50 percent or more.

AS 29.45.030(e) requires municipalities to exempt from local property tax "the real property owned and occupied as the primary residence and permanent place of abode by (1) resident 65 years or older; (2) disabled veteran; or (3) resident at least 60 years old who is the widow or

widower of a person qualified\* for such an exemption, up to an assessed value of \$150,000. Although this exemption is mandated by state law, full funding for the mandated exemption has not been provided by the state since 1985, which has meant that all other (i.e., non-senior or disabled veteran) municipal taxpayers have been forced to bear an additional tax burden or municipal service levels have been reduced because of the costs of this underfunded mandate.

**Figure 4 - Funding History - Senior Citizens/ Disabled Veterans Property Tax Exemption Program**



The total cost of the program, which was \$197,050 in 1973 when the program was begun, has grown steadily, reaching over \$12.8 million in FY 93 (see Figure 4). In FY 93 the state appropriation for the program was \$2,838,800, just over 22 percent of the total cost of this state mandate. The estimated cost of the exemption program for FY 94 is \$15.4 million.

The last year the legislature provided full funding for the homeowners program was 1985, when 5,418 taxpayers were eligible for the exemption and just over \$4 million was appropriated. Since then the number of applicants for the exemption has more than doubled, with nearly 11,000 senior citizens and disabled veterans claiming the exemption for FY 93. The growth in exemptions claimed was 14 percent from FY 92 to FY 93 alone. In 1990 the average value of the exemption per person was estimated to be \$1,000, and for FY 93 the average exemption claimed was \$1,374.

During those same years, Alaskan municipalities have been forced by inflation, population increases, and cut-backs in state aid to increase property tax rates, which has intensified the impact of the shortfunding on municipal budgets and local taxpayers. In the last eight years, the unwillingness of the legislature and the administration to appropriate adequate funding for this state-mandated program has cost local taxpayers nearly \$45 million. In FY 93 alone, for instance, non-exempt taxpayers in Alaska's municipalities were required to pay an additional \$10 million in property taxes, or 7 percent of the cost of the program, because reimbursement for the mandatory exemption was underfunded.

Table 7 shows the cost of FY 92 underfunding to individual municipalities and their taxpayers; FY 93 data are not yet final.

**Table 7: FY 92 Cost to Individual Municipalities of Underfunding of the Senior Citizens/ Disabled Veterans Tax Exemption Program**

Municipality	Cost of FY 92 Underfunding
Anchorage	\$4,234,348
Bristol Bay Borough	2,937
Cordova	15,653
Craig	3,549
Dillingham	8,978
Eagle	224
Fairbanks North Star Borough	1,049,667
Haines Borough	43,617
Juneau	691,369
Kenai Peninsula Borough	640,660
Ketchikan Gateway Borough	329,244
Kodiak Island Borough	100,150
Matanuska-Susitna Borough	988,536
Nenana	6,634
Nome	42,263
North Slope Borough	15,455
Pelican	1,049
Petersburg	94,472
Sitka	90,278
Skagway	15,134
Unalaska	2,518
Valdez	28,511
Whittier	514
Wrangell	41,938
Yakutat	6,652
<b>Total Shortfall in FY 92</b>	<b>\$8,454,350</b>

Source: Department of Community and Regional Affairs

Local taxpayers should not have to pay the costs of this state-mandated program without having a chance to make a conscious decision on whether or not they want to provide the tax exemption for senior citizens and disabled veterans. If the legislature wants to provide tax relief for these groups, it should be provided through state-administered tax rebate programs.

The 1993 Alaska Municipal League Policy Statement includes the following statement with reference to state-mandated tax exemption programs: "The League opposes the imposition of state-mandated exemptions of certain classes of property, individuals, organizations, or commodities from the application of taxes unless full compensation is made for revenues lost due to these exemptions. If the reimbursements for state-mandated exemptions are not fully funded, currently or in the future, the exemptions should be repealed or prorated."

The League's Policy Statement and AML Resolution No. 93-3 also oppose the imposition of unfunded mandates on local governments by the state. The tax exemption program for senior citizens and disabled veterans is an excellent example of the way state-mandated programs that are not accompanied by adequate funding impose an unfair burden on citizens and their local governments. Governor Hickel's proposed FY 94 budget, which was released in December 1992, calls for no state funding at all for this mandated exemption, which would place the entire burden of the estimated \$15.4 million cost on municipalities. The governor has indicated he will introduce and support legislation that would eliminate the state mandate and make the program entirely a local option.

The Alaska Municipal League urges the Alaska State Legislature to accept full responsibility for the state's senior citizen/disabled veteran property tax exemptions by amending the statutes governing the program to base direct state rebates for local property taxes paid by eligible senior citizens and disabled veterans on the level of state funding appropriated. This would give senior citizens and disabled veterans a tax exemption based on the state's commitment to the program and remove the ever-growing burden the current program has placed on local taxpayers, who have had no opportunity to approve the exemption.

Table 8: Senior Citizens/Disabled Veterans Property Tax Exemption Program

Fiscal Year	Entitlement	State Appropriation	Shortfall/ Cost to Municipal Taxpayers <sup>a</sup>	% <sup>b</sup>
1985	\$ 4,005,075	\$ 4,005,075	\$ 0	100.0
1986	4,977,451	4,008,600	968,851	79.5
1987	6,325,763	2,770,300	3,555,463	43.8
1988	6,753,663	2,622,969	4,130,694	38.8
1989	7,464,557	2,782,300	4,682,257	37.3
1990	8,627,081	2,557,900	6,069,181	29.6
1991	9,585,192	2,557,900	7,027,292	26.7
1992	11,293,150	2,838,800	8,454,350	25.1
1993	12,829,291 <sup>c</sup>	2,838,800	9,990,491	22.1
1994	15,395,149 <sup>d</sup>	0 <sup>e</sup>	15,395,149	00.0

<sup>a</sup>The actual cost to municipalities exceeds this figure by \$100,000 - \$160,000, depending on the underfunding of the renters program.

<sup>b</sup>Ratio of state appropriation (reimbursement to municipalities) to the total cost of the program.

<sup>c</sup>FY 93 figures are estimated and subject to final audit.

<sup>d</sup>Estimate as of January 1993

<sup>e</sup>Governor Hickel's proposed FY 94 budget, released in December 1992, includes no funding for this program nor for the renters rebate program. Governor Hickel has indicated that he will introduce legislation to eliminate the state-mandated program and make it a local option.

Source: Department of Community and Regional Affairs



217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907)586-1325, Fax (907)463-5480

March 18, 1993

TO: Representatives Ron Larson and Eileen MacLean, Co-Chairs  
and  
Members, House Finance Committee

FROM: Kent E. Swisher, Executive Director

RE: HB 66, Municipal Property Tax Exemption

This memo focuses on the draft Committee Substitute under discussion by Representative MacLean's subcommittee.

The proposed Committee Substitute represents a substantial evolution since the introduction of HB 66 in January and contains a number of positive features from local government's point of view. The League does, however, have three specific concerns with the measure.

#### Community Approval

Granting an exemption or a deferral is an important public policy decision having impacts on all other taxpayers and on the level of service offered by the local government. It seems appropriate that the local public should have the opportunity to participate in this decision through the polls. AML requests that the Committee consider amending HB 66 to provide for voter approval of local ordinances creating exemption or deferral structures.

#### Personal Financial Circumstances

At this point the statute does not include authority for local governments to consider individual financial need or other circumstances in creating an exemption, deferral, or combination system. Such considerations would seem to be desirable in creating systems that will provide fair and equitable treatment of people locally. AML urges the Committee to amend HB 66 to clarify local government's ability to consider need in making decisions in this area. We are advised by municipal attorneys who have reviewed this draft that a clear grant of authority is needed.

#### Effective Date

When HB 66 was introduced, it had an effective date of January 1, 1993, which is consistent with there being no money provided in the Governor's budget proposal for funding of this mandate. At that time, the concept of deferral was not included in the bill, and the required action at the local level was to grant or not grant a tax exemption to a clearly defined group per regulations to be adopted by DCRA. That seemed possible, albeit hasty.

House Finance Committee re HB 66  
March 18, 1993  
page 2

The current proposal is an improvement over the original, offering more options and flexibility at the local level; as a consequence, the local decision process will be more complex. It is still technically possible, in most communities, to pass an ordinance responding to HB 66 if the measure is enacted and signed in the next week or so. Beyond that point, it becomes extremely difficult for a local government to draft and enact an ordinance on this subject before tax rates are fixed. (The statutory requirement for establishing tax rates is not later than June 15, and many jurisdictions act earlier.) It would not be possible to refer such an ordinance to the public within the available time frame. A schedule of tax bill mailing dates and tax due dates is appended for the Committee's information.

The problem with a 1994 effective date is that there is no funding currently provided to even partially reimburse local governments for the cost of the mandated exemption. Local government has borne a substantial and increasing financial burden in this area over the years. While we are sensitive to the equity/expectation issue posed by seniors having already applied for exemption for this year, local officials feel that they have done their part over the years and should not be asked to bear the whole burden in this last year of the mandate. AML urges the Committee to provide \$2.8 million, the same amount appropriated in each of the past two years, to serve as a bridge from the present situation to the new, local options authorized by HB 66. If this is not possible, AML recommends that the effective date be January 1, 1993.

Enclosure

KES3:hb66posn.mem

## TAXING JURISDICTION TAX MAILING AND DUE DATES

<u>MUNICIPALITY</u> <i>(BOROUGHS)</i>	<u>TAX BILL MAILING DATE</u>	<u>FIRST HALF DUE</u>	<u>SECOND HALF DUE</u>
ANCHORAGE	MAY 15	JUNE 15	AUGUST 15
BRISTOL BAY	MAY 31	AUGUST 31	AUGUST 31
FAIRBANKS	JUNE 30	SEPTEMBER 1	NOVEMBER 1
HAINES	JUNE 29	SEPTEMBER 1	MARCH 1
JUNEAU	JUNE 30	SEPTEMBER 30	N/A
KENAI PENINSULA	JULY 1	AUGUST 15	NOVEMBER 15
KETCHIKAN GATEWAY	JULY 1	SEPTEMBER 30	N/A
KODIAK ISLAND	JUNE 23	AUGUST 15	NOVEMBER 15
MATANUSKA-SUSITNA	JUNE 30	AUGUST 16	FEBRUARY 7
NORTH SLOPE	JUNE 1	JUNE 30	AUGUST 31
SITKA	JULY 1	AUGUST 31	N/A
<b>CITIES</b>			
CORDOVA	JULY 1	AUGUST 31	OCTOBER 31
CRAIG	JULY 1	DECEMBER 31	
DILLINGHAM	JULY 31	OCTOBER 2	DECEMBER 1
EAGLE	JULY 1	SEPTEMBER 30	
NENANA	JULY 1	JULY 31	SEPTEMBER 1
NOME	JUNE 8	JULY 15	SEPTEMBER 15
PELICAN	MAY 31	OCTOBER 15	MARCH 15
PETERSBURG	JUNE 30	SEPTEMBER 1	
SKAGWAY	JULY 1	SEPTEMBER 1	
UNALASKA	JUNE 30	AUGUST 17	OCTOBER 17
VALDEZ	JULY 1	JULY 1	SEPTEMBER 26
WHITTIER	DNR (SENT FAX)		
WRANGELL	JUNE 30	AUGUST 15	DECEMBER 15
YAKUTAT	JULY 1	AUGUST 31	

## ADMINISTRATIVE MATRIX SD/DV REIMBURSEMENT PROGRAM

Typical Dates (1) (MSB)	Statutory Requirements	Actions	Comments
Dec. 1		Municipalities mail form to SC/DV Advertisements of program	SC/DV must file annually - approved for exemption by local assessor
Jan. 1	Assessment Date		
Jan. 15	Filing Date SC/DV		
Feb. 28	Assessment Notice		
Mar. 15	Deadline for filing SC/DV Applications	Deadline for filing SC/DV	Must file unless physically or mentally unable per doctor (2)
Mar. 1-30	Appeal Period		
April-May	BOE Hearings		
May	Indicated Leg. Approp.		End of Legislative session
June 15	Set Mill rate by	SC/DV Tax Roll to State	Cannot be done before mill rate set (No amendments after post mark this date.)
June 30	Tax bills to be mailed by		Not possible to include SC/DV exemption on tax bill - requires separate letter.
July		Dept. advise Reimb. level	Depends on Governor's signature
July 1-Aug. 15	Varies by Muni.	1/2 payment due	SC/DV pay 1/2 tax and receive authorization to receive reimbursement which is to be sent to the State (3)
Aug. 15	Varies by Muni.	Payment delinquent	
Dec. 20	Varies by Muni.	Second 1/2 bill mailed	
Dec. 20-Feb. 8	Varies by Muni.	Second 1/2 payment due	SC/DV pay 2nd half or balance of total tax due.
Feb. 9	Varies by Muni.	Payment delinquent	

### HARDSHIP AS 29.45.030(e)

19 AAC 35.010 TO .040  
 Deadline to file for Hardship Exemption  
 Application First half delinquency date.  
 Sept. 1 Deadline submit hardship  
 authorizations to State

### EXTREME HARDSHIP

Deadline for Application  
 to the Governing body -  
 2nd half delinquency date.

### Footnotes

(1) Because of variance in fiscal years and local dates of assessment annual cycle it will be necessary for municipalities and the department to agree on deadlines mutually possible to meet.

(2) From municipal code - MOA necessary for determination of reimbursement level. Deadline for filing could be extended to date of hearings of the BOE or into May before "physically or mentally unable" applies. In any case suggest keeping mention of Jan. 15 filing date in statute based on practice and convention among applicants.

(3) Optional suggestion - SC/DV authorize assignment to municipality for claim of reimbursement from State in cases of convenience to the SC/DV applicant.



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 15, 1993

The Honorable Ramona L. Barnes  
Speaker of the House  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear Speaker Barnes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the mandatory and optional property tax exemptions for residences of senior citizens, disabled veterans and their widow or widowers, and to property tax equivalency payments for certain residents.

The bill provides for municipalities to offer tax exemptions to these people and repeals the mandatory property tax exemption. The bill also repeals the provision for state reimbursement to municipalities for property tax revenue lost to the municipality by operation of the mandatory tax exemptions. Also, the bill repeals the provision for a property tax equivalency payment from the state to persons who rent a residence but would otherwise qualify for a mandatory tax exemption (the "renter's rebate" program). Finally, the bill has a retroactive effective date to January 1, 1993.

Due to declining state revenue, it has become apparent over the past several years that the state can no longer afford to fully pay for the municipal reimbursement program for the mandatory senior citizen or disabled veteran property tax exemptions. As a result, municipalities have not been reimbursed in full for the tax revenue lost due to the mandatory property tax exemptions. This bill will allow municipalities to decide whether they wish to exempt such property from taxation in whole or in part. If they choose to exempt the property, they will, of course, lose tax revenue, but that decision will be up to the individual municipality and will not be mandated by the state.

Also, again due to declining state revenue, the state has not fully funded the "renter's rebate" program during the past several years. It is appropriate that this program be repealed at the same time as the mandatory property tax

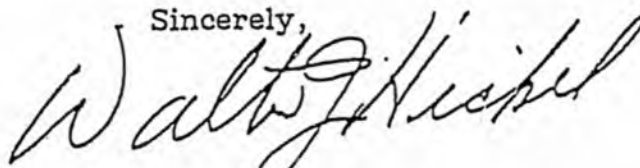
GOV.'S TRANSMITTAL LETTER

The Honorable Ramona L. Barnes  
January 15, 1993  
Page 2

exemption provision in order to ensure that, for property tax purposes, the state is treating seniors and disabled veterans who rent a residence in a manner similar to seniors and disabled veterans who own a residence.

I urge your prompt consideration and passage of this bill.

Sincerely,

A handwritten signature in cursive script that reads "Walter J. Hickel". The signature is written in dark ink and is positioned above the printed name and title.

Walter J. Hickel  
Governor



ALASKA STATE LEGISLATION  
ALASKA SENIOR CITIZEN/DISABLED VETERANS  
PROPERTY TAX RELIEF PROGRAM  
POSITION PAPER  
1993

AARP POSITION

The Alaska State Legislative Committee of the American Association of Retired Persons supports the Alaska Senior Citizen/Disabled Veterans Property Tax Relief Program and urges the state to resume complete responsibility for full funding as well as to continue the program.

Discussion

The Alaska Senior Citizen/Disabled Veterans Property Tax Relief Program (Chapter 118, SLA 72, effective January 1, 1973), by allowing property tax forgiveness, helps Alaskans over age 65 to remain in their homes.

Tax forgiveness and renter rebates, under the program, have been made available through cooperation between the state and local property taxing authority. When the local authority grants forgiveness under the program this revenue loss to the local taxing authority is expected to be covered from state appropriation to reimburse the local taxing authority. Originally, the total cost was borne by the state.

Alaska legislative action (Chapter 70, SLA 86) amended the initial program providing an upper limit of property tax forgiveness of \$150,000 per applicant but provided also permissive authorization for a municipality to exceed the limit. Legislative appropriations required to reimburse local authorities have been seriously reduced in recent years. These reductions have created financial problems for the local taxing authorities.

There is an approximate 15 to 20 year period in life in which a retiree can generally live independently and contribute to the economic base and social structure of a community if permitted. According to information received in a survey of retirees in Juneau, almost 3/4 of all the persons over age 65 own their own home and want to continue to live in them as long as possible. By continuing to live independently, nursing home and other long-term care costs are reduced and the retiree is allowed to serve in volunteer work as well as contribute retirement income locally.

The Alaska Senior Citizen/Disabled Veterans Property Tax Relief Program under full funding operation accomplished the initial objective for the program. The program contributes to economic security of all Alaskans. It provides intergenerational support mechanisms which bolster social as well as economic support to community life.

POSITION REPORT

HB 66 & SB 102

SENIOR CITIZENS/DISABLED VETERANS  
PROPERTY TAX EXEMPTION MANDATE

The Kenai Peninsula Borough supports HB66 & SB102, which essentially changes the mandatory exemption (up to \$150,000) on the real property of Senior Citizens and Disabled Veterans to a local municipal optional exemption.

State funding of this mandatory exemption has been steadily declining each year and for the 1992 funding municipalities received only 20% of the total amount exempted. The Governor's budget contains zero funding for this year.

The following provisions are of particular emphasis for inclusion in the exemption language:

1. Municipalities should be given the opportunity to draft an exemption ordinance in a manner and method that is in keeping with the wants and needs of that community. It is prudent to include language that requires voter approval.
2. January 1, 1994 should be considered the effective date as apposed to a retroactive date of January 1, 1993. Applicants have already applied for, qualified for and most have been granted the exemption with respect to the existing exemption provisions. Lending agencies have already adjusted and processed the collection for reserves for taxes. Also, municipalities should have ample time, upon passage, to analyze and draft local legislation for voter approval.
3. Exclusion from full value determination is also recommended.

*If you mandate the program, fund it.*

Cambridge Energy Research Ass Sec  
Ak Dept of Revenue

17.78

18.33

Nov. 20<sup>th</sup>



ALASKA STATE LEGISLATION  
ALASKA SENIOR CITIZEN/DISABLED VETERANS  
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For further information, please contact:

Mary Lou Meiners, Chair  
State Legislative Committee  
(907) 586-2568

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9750 Third Ave, NE Ste. 400  
Seattle, WA 98115  
(206) 526-7918

Joe Alter, Coordinator  
Capital City Task Force  
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John J. Shaffer, Chair  
Economic Security Subcommittee  
(907) 747-8425

Adopted: December 8, 1992

aktaxrel.pos

POSITION REPORT

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Cambridge Energy Research Assoc Dec  
AK Dept of Revenue

17.78

18.35

Nov. 20<sup>th</sup>

Effect of HB66/SB102 on Local Contribution Requirement to School Districts

Municipality	1992 Full Value Determination	1992 SC/DV Exempt Value	Total Full Value with SC/DV Exempt Value		Required Millage Equivalency Contribution		Required Millage Equivalency Contribution		Local Additional Contribution AS14.17.025	% Change
			SC/DV	Exempt Value	W/SC/DV	Exempt Value	WO/SC/DV	Exempt Value		
Aleutians East Borough	\$86,859,000	N/A	\$86,859,000		\$347,436		\$347,436		\$0	0%
Municipality of Anchorage	\$11,256,384,640	\$409,111,032	\$11,665,495,672		\$45,025,539		\$46,661,983		\$1,636,444	4%
Bristol Bay Borough	\$173,673,500	\$880,203	\$174,553,703		\$694,694		\$698,215		\$3,521	1%
Cordova	\$151,877,040	\$3,121,040	\$154,998,080		\$607,508		\$619,992		\$12,484	2%
Craig	\$50,954,200	\$1,382,282	\$52,336,482		\$203,817		\$209,346		\$5,529	3%
Dillingham	\$121,235,100	\$2,648,830	\$123,883,930		\$484,940		\$495,536		\$10,595	2%
Fairbanks North Star Borough	\$3,256,294,590	\$86,472,935	\$3,342,767,525		\$13,025,178		\$13,371,070		\$345,892	3%
Galena	\$19,965,100	N/A	\$19,965,100		\$79,860		\$79,860		\$0	0%
Haines Borough	\$122,749,700	\$8,278,375	\$131,028,075		\$490,999		\$524,112		\$33,114	7%
Hoonah	\$22,813,100	N/A	\$22,813,100		\$91,252		\$91,252		\$0	0%
Hydaburg	\$5,736,300	N/A	\$5,736,300		\$22,945		\$22,945		\$0	0%
City & Borough of Juneau	\$1,566,985,160	\$73,804,100	\$1,640,789,260		\$6,267,941		\$6,563,157		\$295,216	5%
Kake	\$16,951,200	N/A	\$16,951,200		\$67,805		\$67,805		\$0	0%
Kenai Peninsula Borough	\$3,465,369,120	\$88,648,599	\$3,554,017,719		\$13,861,476		\$14,215,071		\$354,594	3%
Ketchikan Gateway Borough	\$933,887,400	\$38,087,600	\$971,975,000		\$3,735,550		\$3,887,900		\$152,350	4%
Klawock	\$14,793,800	N/A	\$14,793,800		\$59,175		\$59,175		\$0	0%
Kodiak Island Borough	\$829,302,700	\$16,464,204	\$845,766,904		\$3,317,211		\$3,383,068		\$65,857	2%
Lake & Peninsula Borough	\$68,423,800	N/A	\$68,423,800		\$273,695		\$273,695		\$0	0%
Matanuska-Susitna Borough	\$2,020,623,780	\$97,234,600	\$2,117,858,380		\$8,082,495		\$8,471,434		\$388,938	5%
Nenana	\$15,112,200	\$918,542	\$16,030,742		\$60,449		\$64,123		\$3,674	6%
Nome	\$126,631,300	\$4,996,402	\$131,627,702		\$506,525		\$526,511		\$19,986	4%
North Slope Borough	\$12,537,472,080	\$1,188,570	\$12,538,660,650		\$5,014,989		\$5,015,464		\$475	0.01%
Northwest Arctic Borough	\$326,931,100	N/A	\$326,931,100		\$1,307,724		\$1,307,724		\$0	0%
Pelican	\$13,922,600	\$254,750	\$14,177,350		\$55,690		\$56,709		\$1,019	2%
Petersburg	\$186,577,700	\$13,216,531	\$199,794,231		\$746,311		\$799,177		\$52,866	7%
City & Borough of Sitka	\$517,476,500	\$23,012,580	\$540,489,080		\$2,069,906		\$2,161,956		\$92,050	4%
Skagway	\$76,393,200	\$2,635,253	\$79,028,453		\$305,573		\$316,114		\$10,541	3%
St. Mary's	\$4,459,300	N/A	\$4,459,300		\$17,837		\$17,837		\$0	0%
Tanana	\$11,245,600	N/A	\$11,245,600		\$44,982		\$44,982		\$0	0%
Unalaska	\$331,802,360	\$265,940	\$332,068,800		\$1,327,211		\$1,328,275		\$1,064	0.08%
Valdez	\$1,146,257,830	\$2,809,747	\$1,149,067,577		\$1,375,509		\$1,378,881		\$3,372	0.25%
Wrangell	\$132,997,300	\$6,922,290	\$139,919,590		\$531,989		\$559,678		\$27,689	5%
City & Borough of Yakutat	\$19,957,200	\$742,650	\$20,699,850		\$79,829		\$82,799		\$2,971	4%

2/22/93

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