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Revision Date: 2/11/93 Dept. Affected: Community & Regional Affairs
 Title: "An Act relating to property tax exemptions..." BRU: Senior Citizens/Disabled Veterans
 Component: Renters Equivalency Rebate
 Sponsor: Rules
 Requestor: Governor 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						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

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						
TOTAL	0	0	0	0	0	0

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 pay 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: Remond Henderson Phone: 465-4708
 Division: Administrative Services Date: 2/11/93
 Approved by Commissioner: [Signature] Date: 2/11/93
 Agency: Community & Regional Affairs

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STATE OF ALASKA
1993 LEGISLATIVE SESSION

FISCAL NOTE

BILL NO: CS HB 66 (CRA)

Revision Date: 2/11/93

Dept. Affected: Community & Regional Affairs

Title: "An Act relating to property tax exemptions..."

BRU: Senior Citizens/Disabled Veterans

Component: Homeowners' Property Tax

Sponsor: Rules

Exemption

Requestor: Governor

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						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE FUND SOURCE:						
----------------------	--	--	--	--	--	--

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						
Oth.er						
TOTAL	0	0	0	0	0	0

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: Remond Henderson Phone: 465-4708

Division: Administrative Services Date: 2/11/93

Approved by Commissioner: [Signature] Date: 2/11/93

Agency: Community & Regional Affairs

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STATE OF ALASKA
1993 LEGISLATIVE SESSION

FISCAL NOTE

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

Revision Date: _____
Title: An act relating to municipal tax exemptions

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

Sponsor: Rules Committee
Requestor: Governor

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
---------	---	---	---	---	---	---

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: Denris L. DeWitt, Director
Division: Pioneers' Benefits

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

Approved by Commissioner: Nancy Bear Usura
Agency: Administration

Date: 12/28/92

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COMMITTEE COPY

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FN-ADMIN. - PIONEERS' BENEFITS

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

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

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

MEMORANDUM

February 19, 1993

SUBJECT: Municipal Property Taxes (CSHB 66(HES))

TO: Representative Con Bunde, Chair
House Health Education and Social Services Committee

FROM: Tamara Brandt Cook
Director *TBC*

Here is the sectional summary you requested.

Sec. 1. The value of property exempted by a municipality under the optional exemption provided for under Sec. 4 of the draft is not to be included in the determination of full value of taxable property in that municipality prepared by the Department of Community and Regional Affairs. Under existing law several state formula programs are based upon this value, including the calculation used to establish the amount of local effort required by a municipal school district under formula funding for schools.

Sec. 2. Technical change to remove references to the subsections being repealed in this draft dealing with the mandatory tax exemption for seniors and disabled veterans.

Sec. 3. Technical change to remove a reference to a subsection being repealed in this draft.

Sec. 4. Establishes an optional exemption for certain residences that is identical to that which exists now as a mandatory tax exemption with the following changes: (1) the exemption may be provided by ordinance by a municipality, but need not be; (2) a widow or widower of a person who qualified for an exemption under the former mandatory law or under the optional law in this draft will also qualify for the exemption; (3) DCRA is no longer required to define "hardship" by regulation for purposes of increasing the amount exempted; (4) the state assessor is no longer required to devise application forms.

Also establishes a new optional deferral of tax payments for the same types of property that qualify for the optional exemption under this draft. The deferred

Sectional Summary for Proposed CS

Representative Con Bunde

February 19, 1993

Page 2

taxes become due when the property ceases to be owned by the resident who qualified for the deferral. A municipality may also charge interest not to exceed 5% per year on amounts deferred.

Sec. 5. The mandatory tax exemption for residences of certain seniors and disabled veterans is repealed. The renters' rebate program for certain seniors and disabled veterans is repealed.

Sec. 6. The Act takes effect at the beginning of the next calendar year.

TBC:mi:gc

93-031.mai

HOUSE COMMITTEE REPORT

(9) Date Referred: February 10, 1993 FURTHER REFERRALS: Finance

Date of Committee Action: 2-24-93

The HEALTH, EDUCATION AND SOCIAL SERVICES 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: the same title
 be replaced with CS HB 66 (HES) 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 _____ fiscal note(s) _____
 zero fiscal note _____ ² zero fiscal note(s) ORA 2/11

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Pete Kost</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				

[Signature]
CHAIRMAN'S SIGNATURE



Alaska State Legislature

House of Representatives

COMMITTEE ON HEALTH, EDUCATION
AND SOCIAL SERVICES

FEBRUARY 23, 1993

DATE: 1/23/93

PLACE: Capitol Room 106

SUBJECT OF MEETING:
 HB 66: MUNICIPAL PROPERTY TAX EXEMPTION
 (HELD FROM 2/22/93)
 *HB 85: PUBLIC SCHOOL FOUNDATION PROGRAM
 (HELD FROM 2/18/93)

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
✓ Chris A. N. Rose	Assoc of AK Sch Bds.	Juneau	99801	6-1083	6-1083	<input checked="" type="radio"/>	<input type="radio"/>	HB 85
✓ David H. Roberts	AARP	"	"	463-5234		<input type="radio"/>	<input checked="" type="radio"/>	
✓ Charles W. Brown	North Slope Borough School District	Burns Dr Slopes Borough School District	99573	852-3601	0260	<input type="radio"/>	<input checked="" type="radio"/>	
✓ DUNE GUILLEY	DOE ✓	Juneau	99801	5-2891		<input checked="" type="radio"/>	<input type="radio"/>	HB 85
✓ Bob Berglund	AARP	157 Behrend Ave	99801	6-2600		<input type="radio"/>	<input checked="" type="radio"/>	
✓ Bruce Gerard H. H.	DCRA	Juneau		4700		<input checked="" type="radio"/>	<input type="radio"/>	HB 66
						<input type="radio"/>	<input type="radio"/>	
✓ Marie Parkie	NARFE	Box 1283 Juneau	99802			<input checked="" type="radio"/>	<input type="radio"/>	HB 66
						<input type="radio"/>	<input type="radio"/>	
✓ Kent Swishok	AML	217 2nd Juneau	99801		586-1725	<input checked="" type="radio"/>	<input type="radio"/>	HB 66
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	

**** ORDER SUMMARY ****

2/23/93

SPONSOR: MHES HOUSE HEALTH, EDUCATION AND SOCIAL SERVI CHAIRS: TOOHEY
PURPOSE: PUB PUBLIC HEARING BUNDE
CONTACT: LYNN SMITH TEL#: (907)465-6825
CHAIRING SITE: JUNEAU CAPITOL CAP106

SPONSOR REMARKS(PUB): TESTIMONY:Y ALLOWED 3 MINUTE LIMIT
HB 66 WILL BE LISTEN ONLY.
TCN REQUESTED:ON 02/23/93 AND HAS 8 UPDATES

**** AGENDA ****

- 1 HB 85 PUBLIC SCHOOL FOUNDATION PROGRAM
- 2 HB 66 MUNICIPAL PROPERTY TAX EXEMPTIONS
- 3 (HB66 LISTEN ONLY)

**** PARTICIPATING LIOS ****

ANC ANCHORAGE	3111 C STREET	LOCATION STAFF
BAR BARROW	COURTHOUSE #305	LOCATION STAFF
BET BETHEL	301 WILLOW ST.	LOCATION STAFF
* JNU JUNEAU	CAPITOL CAP106	LOCATION STAFF
MAT MATSU	165 E PARKS HWY.	LOCATION STAFF
NOM NOME	FRONT STREET	LOCATION STAFF
SIT SITKA	210 LAKE STREET	LOCATION STAFF
SOL KEN/SOL	34824 KALIFONSKY	LOCATION STAFF
TOK TOK LIO	MP 1314 AK. HWY	LOCATION STAFF
VAL VALDEZ	STATE BLDG. #13	LOCATION STAFF

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3 MR. LARRY WIGET		TSFY. HB 85
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4 MR. MIKE BRADNER		OBSV. ALL ITEMS
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5 MS. SUSAN REILLY	ROGERS PARK	OBSV. HB 85
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2 REP TOOHEY		TSFY. HB 85
		AK (907)000-0000
3 REP VEZEY		TSFY. HB 85
		AK (907)000-0000
4 REP KOTT		TSFY. HB 85
		AK (907)000-0000

PARTICIPANTS IN:JUNEAU

JNU

5 REP DAVIES		TSFY. HB 85
		AK (907)000-0000

LTN1100-R01
02/24/93

LEGISLATIVE TELECONFERENCE NETWORK

PAGE 04
09:28:04

TCN: 30248

DATE & TIME: 02/23/93 15:00 TO 17:00

STATUS: 7 STATS. IN

PARTICIPANTS IN: JUNEAU

JNU

58	2	OBSERVE		OBSV. HB 85
			AK	(907)000-0000
59	2	OBSERVE		OBSV. HB 85
			AK	(907)000-0000
60	2	OBSERVE		OBSV. HB 85
			AK	(907)000-0000

PARTICIPANTS IN: MATSU

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1 MS.	CARLENE SANDERS			OBSV. HB 85
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2 MR.	JAMES SANDERS			OBSV. HB 85
	P.O. BOX 877492	WASILLA	AK	99687 (907)376-2912
3 MR.	VIRGIL POPPERT			OBSV. HB 85
	890 E. RAILROAD AVENUE		AK	99654 (907)376-5541
4 MS.	ROSE PALMQUIST			TSFY. HB 85
	TALKEETNA AVE.	WASILLA	AK	99687 (907)376-2274

PARTICIPANTS IN: NOME

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1 MS.	LINDA CONLEY			NOME CITY CLERK OBSV. HB 66
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PARTICIPANTS IN: SITKA

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1 MR.	MIKE LITMAN			SITKA SCH. BRD. OBSV. HB 85
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2 MRS.	SUSAN LITMAN			OBSV. HB -85
	BOX 1971	SITKA	AK	99835 (907)747-3660

PARTICIPANTS IN: KEN/SOL

SOL

1 MR.	DICK SWARNER			KPBSD TSFY. HB 85
	148 N. BINKLEY	SOLDOTNA	AK	99669 (907)262-5846

PARTICIPANTS IN: TOKALIO

TOK

1 MS.	CATHERINE WILSON			AKGTWY SCH DIST OBSV. HB 85
	BOX 226	TOK	AK	99780 (907)883-5151

PARTICIPANTS IN: VALDEZ

VAL

1 MR.	GREG WILLIAMS			KCHU OBSV. ALL ITEMS
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2 MR.	JOHN TONGEN			CITY SCHOOL OBSV. HB 85
	P.O. BOX 398	VALDEZ	AK	99686 (907)835-4357



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.

For further information, please contact:

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

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

Joe Alter, Coordinator
Capital City Task Force
(907) 586-6680

John J. Shaffer, Chair
Economic Security Subcommittee
(907) 747-8425

Adopted: December 8, 1992

aktaxrel.pos

MEMORANDUM

State of Alaska

Department of Community
and Regional Affairs

TO: Representative Con Bunde
Co-Chair, House HESS

DATE: February 22, 1993

Representative Cynthia Toohey
Co-Chair, House HESS

FILE NO: CS HB 66/HES/2-22

THRU:

TELEPHONE: (907) 465-4700

FROM: Bruce R. Geraghty *BRG*
Deputy Commissioner

SUBJECT: Work Draft 8-GH1032K
2/18/93

The department reviewed over the weekend the proposed Committee Substitute, identified as "Work Draft 8-GH1032K" dated 2/18/93.

Regarding this Work Draft, attached you will find:

- 1) DCRA Position Paper
- 2) DCRA Sectional Analysis
- 3) DCRA Recommended Amendments
- 4) DCRA analysis of effects of Senior Citizen/Disabled Veteran Property Tax Deferment with 5% Interest
- 5) DCRA analysis of effects of Senior Citizen/Disabled Veteran Property Tax Deferment Without Interest
- 6) DCRA Tax Year '92 - FY 93 Senior Citizen Disabled Veteran Property Tax Exemption Program. This shows the percentages and costs of only the Disabled Veterans portion of the existing program.
- 7) DCRA analysis of the Senior Citizen/Disabled Veteran Property Tax Exemption Program FY 93/TY 92
- 8) DCRA analysis of the Effect of HB 66/SB 102 on Local Contribution Requirement to School Districts
- 9) DCRA estimates of HB 66 Impact on FY 94 SRS Program. SRS is short for State Revenue Sharing.

Please distribute this information to your committee. Thank you.

STATE OF ALASKA
DEPARTMENT OF COMMUNITY
& REGIONAL AFFAIRS

POSITION PAPER

Bill No.: CS HB 66(HES)
Work Draft 8-GH1032\K
2/18/93

DCRA FN: Zero

Sponsor: Governor

Position: Support with
Recommended
Amendments
(attached)

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 department's proposed FY 94 budget does not fund either program.

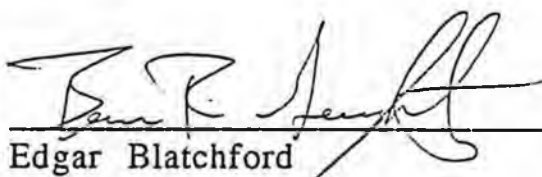
The department supports the amendment made in CRA committee. Due to consultations between the Department of Law and Legislative Legal Services, it was determined that section 1 in the original bill was unnecessary.

The department strongly supports making this program 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 new draft may have merit. The department has not at this time fully analyzed the potential impacts of this deferral concept. Both the Alaska Municipal League and the Older Alaskans Commission have recently testified in the Senate on a similar bill, supporting consideration of this concept.

In the departments preliminary research, this 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 receivables, the same as taxes paid, even though the monies 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 practises. 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. 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 continues to research this option.

The department supports the work draft 8-GH1032\K, dated 2/18/93, with the attached amendments.


for Edgar Blatchford
Commissioner

2-20-93
Date

to the Department of Public Safety, and this departments regulatory authority regarding senior citizens motor vehicle registration tax exemption.

Section 4. Adds two new sections to AS 29.45.

The first part of this section, AS 29.45.052, OPTIONAL EXEMPTION FOR CERTAIN PRIMARY RESIDENCES, is essentially the concept represented in the Governor's original bill. The section gives specific authority for municipalities to grant senior citizens, disabled veterans, or their widows or widowers, an exemption from property taxation by municipal ordinance. The ordinance may exempt the property from taxation on the first \$150,000 of the assessed value. The municipality may provide for exemption beyond the first \$150,000 of assessed value in cases of hardship. There may only be one exemption for the same property. The exemption is not allowed if the local assessor determines that the transfer of a property was for the primary purpose of receiving the exemption. The section also includes a judicial appeal provision where a dispute results from a local assessors determination that a conveyance of property was made for the purpose of obtaining the exemption.

Subsection (b) of this section, contains prescriptions for municipalities to follow in the process for granting an exemption. The section sets deadlines for application, waiver authority for untimely filed applications, and a refund provision for the amount of tax that the claimant has already paid for an assessment year for a property later exempted.

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 introduces a new concept to the bill, AS 29.45.054. OPTIONAL DEFERRAL FOR CERTAIN RESIDENCES. This section allows a municipality to defer taxes on the first \$150,000 of 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. The municipality may provide the deferral beyond the first \$150,000 of assessed value in cases of hardship. The municipality may charge up to 5% annual interest upon taxes deferred. The accumulated interest may only

be collected after the deferral has ended and the taxes become due. 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.

Subsection (b) of this section, also contains prescriptions for municipalities to follow in the process for granting an exemption. The section sets deadlines for application, waiver authority for untimely filed applications, and a refund provision for the amount of tax that the claimant has already paid for an assessment year for a property later deferred.

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. AS 29.45.030. REQUIRED EXEMPTIONS.

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. 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 an effective date of January 1, 1994.

STATE OF ALASKA
DEPARTMENT OF COMMUNITY
& REGIONAL AFFAIRS

Recommended Amendments

The following recommendations are for Work Draft 8-GH1032\K, Cook, 2/18/93, proposed by House HESS.

RECOMMENDATION 1: Section 4.: The department recommends using the language contained in HB 66(CRA) for Sec. 29.45.052. **OPTIONAL EXEMPTION FOR CERTAIN RESIDENCES.** This language gives maximum flexibility for municipalities to tailor their ordinance to best meet the needs of local senior citizens and disabled veterans, and the financial position of municipality.

Sec. 29.45.052 would then read:

OPTIONAL EXEMPTION FOR CERTAIN PRIMARY RESIDENCES. (a) The real property owned and occupied as the primary residence and permanent place of abode by a resident of the state who is (1) 65 years of age or older; (2) a disabled veteran; or (3) at least 60 years old and who is the widow or widower of a person who qualified for an exemption under (1) or (2) of this subsection, may by ordinance be exempted from taxation on all or part of the assessed value of the real property. The ordinance may base the exemption on hardship. 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 receive the benefit of the exemption. Real property may not be exempted under this subsection if the local 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 to the superior court under procedures set out in AS 44.62.560 - 44.62.570.

(b) 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 Veteran's Affairs;

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

RECOMMENDATION 2: Section 4. AS 29.45.054. OPTIONAL DEFERRAL FOR CERTAIN RESIDENCES. The department recommends removal of the \$150,000 deferral amount, even though deferral is an independent option to be exercised by a municipality by ordinance. Additionally, the department believes the language should reflect as closely as possible, the exemption authority granted municipalities in AS 29.45.052.

Sec. 29.45.054 would then read:

OPTIONAL DEFERRAL FOR CERTAIN PRIMARY RESIDENCES. (a) The real property owned and occupied as the primary residence and permanent place of abode by a resident of the state who is (1) 65 years of age or older; (2) a disabled veteran; or (3) at least 60 years old and who is the widow or widower of a person who qualified for an exemption under AS 29.45.052(a) or under (1) or (2) of this subsection, may by ordinance be deferred from payment of taxes on all or part of the assessed value of the real property. The taxes become due when the property ceases to be

owned by the resident who qualifies for the deferral or the spouse if the spouse also qualifies for the deferral. The ordinance may base the deferral on hardship. 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. Real property taxation may not be deferred under this subsection if the local 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 to the superior court under procedures set out in AS 44.62.560 - 44.62.570.

(b) 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 Veteran's Affairs;

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

CSHB66 (HES) -- Senior Citizen/Disabled Veteran Property Tax Deferment with 5% interest

SC/DV Property Tax Exemption at \$150,000 Assessed Valuation of Permanent Place of Abode				
	SC/DV Deferred Property Tax After Five Years w/5% Interest	SC/DV Deferred Property Tax After Ten Years w/5% Interest	SC/DV Deferred Property Tax After Twenty Years w/5% Interest	SC/DV Deferred Property Tax After Thirty Years w/5% Interest
5 mills	\$4,144	\$9,433	\$24,799	\$49,829
10 mills	\$8,288	\$18,867	\$49,599	\$99,658
15 mills	\$12,433	\$28,300	\$74,398	\$149,487
20 mills	\$16,577	\$37,734	\$99,198	\$199,317
25 mills	\$20,721	\$47,167	\$123,997	\$249,146

SC/DV Property Tax Exemption at \$82,427 Statewide Average Assessed Valuation of Permanent Place of Abode				
	SC/DV Deferred Property Tax After Five Years w/5% Interest	SC/DV Deferred Property Tax After Ten Years w/5% Interest	SC/DV Deferred Property Tax After Twenty Years w/5% Interest	SC/DV Deferred Property Tax After Thirty Years w/5% Interest
5 mills	\$2,278	\$5,185	\$13,630	\$27,386
10 mills	\$4,555	\$10,369	\$27,260	\$54,772
15 mills	\$6,833	\$15,554	\$40,889	\$82,158
20 mills	\$9,111	\$20,738	\$54,519	\$109,544
25 mills	\$11,388	\$25,923	\$68,149	\$136,930

Effects of Senior Citizen/Disabled Veteran Property Tax Deferment
WITHOUT INTEREST

SC/DV Property Tax Exemption at \$150,000 Assessed Valuation of Permanent Place of Abode	SC/DV Deferred Property Tax After Five Years	SC/DV Deferred Property Tax After Ten Years	SC/DV Deferred Property Tax After Twenty Years	SC/DV Deferred Property Tax After Thirty Years
5 mills	\$3,750	\$7,500	\$15,000	\$22,500
10 mills	\$7,500	\$15,000	\$30,000	\$45,000
15 mills	\$11,250	\$22,500	\$45,000	\$67,500
20 mills	\$15,000	\$30,000	\$60,000	\$90,000
25 mills	\$18,750	\$37,500	\$75,000	\$112,500
SC/DV Property Tax Exemption at \$82,427 Statewide Average Assessed Valuation of Permanent Place of Abode	SC/DV Deferred Property Tax After Five Years	SC/DV Deferred Property Tax After Ten Years	SC/DV Deferred Property Tax After Twenty Years	SC/DV Deferred Property Tax After Thirty Years
5 mills	\$2,061	\$4,121	\$8,243	\$12,364
10 mills	\$4,121	\$8,243	\$16,485	\$24,728
15 mills	\$6,182	\$12,364	\$24,728	\$37,092
20 mills	\$8,243	\$16,485	\$32,971	\$49,456
25 mills	\$10,303	\$20,607	\$41,214	\$61,820

Tax Year '92 -- FY 93 Senior Citizen Disabled Veteran Property Tax Exemption Program

Municipality	1992 Disabled Veteran	1992 Disabled Veteran Exempt Value	1992 Disabled Veteran Exempt Tax
Municipality of Anchorage	421	\$43,808,744	\$753,880
Bristol Bay Borough	0	\$0	\$0
Cordova	0	\$0	\$0
Craig	2	\$91,060	\$546
Dillingham	0	\$0	\$0
Eagle	0	\$0	\$0
Fairbanks North Star Borough	97	\$1,847,423	\$118,772
Haines Borough	2	\$100,200	\$960
City & Borough of Juneau	26	\$3,125,000	\$43,107
Kenai Peninsula Borough	34	\$2,388,950	\$28,118
Ketchikan Gateway Borough	6	\$645,400	\$8,434
Kodiak Island Borough	9	\$814,525	\$6,465
Matanuska-Susitna Borough	96	\$8,431,100	\$140,226
Nenana	1	\$26,548	\$327
Nome	1	\$112,400	\$1,040
North Slope Borough	0	\$0	\$0
Pelican	0	\$0	\$0
Petersburg	3	\$325,450	\$3,255
City & Borough of Sitka	1	\$129,000	\$774
Skagway	1	\$120,400	\$920
Unalaska	0	\$0	\$0
Valdez	3	\$136,950	\$2,696
Whittier	0	\$0	\$0
Wrangell	0	\$0	\$0
City & Borough of Yakutat	0	\$0	\$0
STATEWIDE DV TOTALS:	703	\$62,103,150	\$1,109,520
STATEWIDE TOTAL W/SC:	10,719	\$883,539,005	\$13,669,469
% of DV Participants:	7%	7%	8%

HB 66 IMPACT ON FY94 SRS PROGRAM
ESTIMATES ONLY! DATA NOT FINAL

\$
Difference

Municipality of Anchorage	(\$54,532)
Bristol Bay Borough	\$487
Cordova	\$9
Craig	(\$330)
Dillingham	(\$83)
Eagle	\$7
Fairbanks North Star Borough	(\$6,464)
Haines Borough	\$7
City and Borough of Juneau	(\$43,519)
Kenai Peninsula Borough	(\$2,432)
Ketchikan Gateway Borough	(\$3,746)
Kodiak Island Borough	\$235
Matanuska-Susitna Borough	(\$15,554)
Nenana	(\$637)
Nome	(\$3,101)
North Slope Borough	\$3,562
Pelican	\$7
Petersburg	(\$7,601)
City and Borough of Sitka	(\$6,141)
Skagway	(\$264)
Unalaska	\$4,690
Valdez	\$1,944
Whittier	\$5
Wrangell	(\$3,624)
City and Borough of Yakutat	(\$286)

Senior Citizen/Disabled Veteran Property Tax Exemption Program FY 93/TY 92

BOROUGH	TY91/FY92 NUMBER OF APPLICANTS APPROVED	TY92/FY93 NUMBER OF APPLICANTS APPROVED	TY91/FY92 TOTAL ASSESSED VALUE EXEMPT	TY92/FY93 TOTAL ASSESSED VALUE EXEMPT	TY91/FY92 TOTAL TAX EXEMPT	TY92/FY93 TOTAL TAX EXEMPT	TY91/FY92 PRORATED PAYMENT	TY92/FY93 PRORATED PAYMENT	TY91/FY92 REIMBURSE- MENT SHORTAGE	TY92/FY93 REIMBURSE- MENT SHORTAGE	TY91/FY92 AVERAGE EXEMPT VALUE PER APP.	TY92/FY93 AVERAGE EXEMPT VALUE PER APP.	TY91/FY92 AVERAGE EXEMPT TAX PER APP.	TY92/FY93 AVERAGE EXEMPT TAX PER APP.	% INCREASE/ DECREASES IN PROGRAM COST
Municipality of Anchorage	4,325	4,751	330,769,989	409,111,032	5,656,157	7,082,897	1,421,809	1,470,937	4,234,348	5,611,960	76,479	86,111	1,308	1,491	0.20
Bristol Bay Borough	14	13	784,657	880,203	3,923	4,401	986	914	2,937	3,487	56,047	67,708	280	339	0.11
Fairbanks North Star Borough	1,306	1,379	82,932,034	86,472,935	1,402,124	1,665,069	352,457	345,792	1,049,667	1,319,276	63,501	62,707	1,074	1,207	0.16
Haines Borough	101	110	7,328,875	8,278,375	58,263	71,402	14,648	14,828	43,617	56,574	72,543	75,258	577	649	0.18
City & Borough of Juneau	698	714	67,004,000	73,804,100	923,516	1,017,742	232,148	211,359	691,369	806,383	95,994	103,367	1,323	1,425	0.09
Kenai Peninsula Borough	1,035	1,108	74,518,204	88,648,598	855,781	1,007,552	215,121	209,243	640,660	798,309	71,998	80,008	827	909	0.15
Keetchikan Gateway	430	438	36,090,974	38,087,600	439,797	509,577	110,553	105,828	329,244	403,751	83,932	87,357	1,023	1,169	0.14
Kodiak Island Borough	209	181	15,591,524	16,454,204	133,778	127,227	33,628	26,422	100,150	100,805	74,601	80,962	640	703	-0.05
Matanuska-Susitna Borough	1,133	1,249	79,829,563	97,234,600	1,320,466	1,633,159	331,930	339,166	988,536	1,293,994	70,459	77,850	1,165	1,308	0.19
North Slope Borough	20	22	1,133,642	1,188,570	20,644	20,946	5,189	4,350	15,455	16,596	56,682	54,026	1,032	952	0.01
City & Borough of Sitka	201	226	20,098,445	23,012,380	120,591	138,025	30,313	28,664	90,278	109,361	99,892	101,826	600	611	0.13
Borough Subtotal	9,472	10,189	716,079,907	843,182,798	10,935,040	13,277,997	2,748,780	2,757,501	8,180,261	10,520,496	75,600	82,754	1,154	1,303	0.18
CITIES															
CORDOVA	40	41	2,947,465	3,121,040	20,909	34,331	5,256	7,130	15,653	27,201	73,687	76,123	523	837	0.39
CRAIG	11	20	782,478	1,382,282	4,741	8,294	1,192	1,722	3,549	6,571	71,134	69,114	431	415	0.43
DILLINGHAM	23	23	2,663,130	2,648,830	9,321	11,920	2,343	2,475	6,978	9,444	115,788	115,167	405	518	0.22
EAGLE	5	6	299,540	317,550	300	318	75	66	224	252	59,908	52,925	60	53	0.05
NEENANA	19	21	937,666	918,542	11,533	11,298	2,899	2,346	8,634	8,952	49,351	43,740	607	538	-0.02
NDKE	77	76	5,018,169	4,996,402	56,455	46,217	14,191	9,598	42,283	36,610	65,171	65,742	733	608	-0.22
PELICAN	5	5	254,750	254,750	1,401	1,401	352	291	1,039	1,110	50,950	50,950	260	280	0.00
PETERSBURG	133	135	12,619,436	13,216,531	126,124	132,165	31,722	27,447	94,472	104,718	94,883	97,900	949	979	0.05
SKAGWAY	38	38	2,511,267	2,635,253	20,216	18,390	5,082	3,819	15,134	14,571	66,086	69,349	532	484	-0.10
UNALASKA	4	4	285,500	265,940	3,363	3,133	845	851	2,518	2,482	71,375	66,485	841	783	-0.07
VALDEZ	37	38	2,343,968	2,809,747	38,084	55,314	9,573	11,487	28,511	43,826	63,350	73,941	1,029	1,456	0.31
WHITTIER	7	6	137,400	124,400	887	622	173	129	514	493	19,629	20,733	98	104	-0.10
WRANGELL	104	108	6,563,021	6,922,290	56,520	58,935	14,082	12,239	41,938	46,896	63,106	65,305	539	556	0.05
YAKUTAT	11	11	722,400	742,650	3,886	9,135	2,235	1,897	6,652	7,238	65,673	67,514	808	830	0.03
CITIES SUBTOTAL	514	530	38,086,190	40,356,207	358,110	391,472	90,020	81,299	268,089	310,173	74,098	76,144	697	739	0.09
FY 93 STATEWIDE TOTAL	9,986	10,719	734,166,097	883,539,005	11,293,150	13,669,469	2,839,800	2,838,800	8,454,350	10,830,669	75,522	82,427	1,131	1,275	0.21
FISCAL YR. FUNDING LEVELS						2,838,800	2,838,800								
FF SHORTAGE						(FY92 Shortage)	(FY93 Shortage)								
						-8,454,350	-10,830,669								
						Prorationing %	0.25137382	0.207674488							

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 W/SC/DV Exempt Value	Required Millage Equivalency Contribution WO/SC/DV Exempt Value	Local Additional Contribution AS14.17.025	% Change
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%
Kenai	\$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	\$14,216,071	\$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	\$2,069,306	\$2,161,956	\$92,650	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	\$331,802,860	\$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%

STATE OF ALASKA
DEPARTMENT OF COMMUNITY
& REGIONAL AFFAIRS

POSITION PAPER

Bill No.: CS HB 66(CRA)
Sponsor: Governor

DCRA FN: Zero (attached)
Position: Support

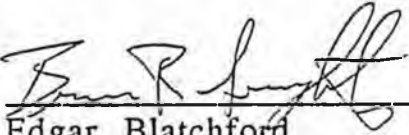
Title: An Act relating to municipal property tax exemptions or certain residences and to property tax equivalency payments for certain residents; and providing for an effective date.

This bill effectively repeals the mandatory provisions of the senior citizens, disabled veterans, and their widow or widowers, property tax exemption; and the renters rebate program for this class of individuals.

The legislature created the tax exemption program in 1973 but, since 1985, 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 residences. The rebate program 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 supports the amendment made in CRA committee. Due to consultations between the Department of Law and Legislative Legal Services, it was determined that section 1 in the original bill was unnecessary.

The department strongly supports making this program 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.


for _____
Edgar Blatchford
Commissioner

2-11-93
Date

STATE OF ALASKA
DEPARTMENT OF COMMUNITY
& REGIONAL AFFAIRS

Sectional Analysis

Bill No.: CS HB 66(CRA)
Sponsor: Governor

DCRA FN: Zero
Position: Support

Title: 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.

Section 1. Repeals DCRA's authority to adopt regulations to implement AS 29.45.030(g), the reimbursement program; that program is repealed by Section 4 of this Act.

Section 2. Adds a new section to AS 29.45. This 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. The ordinance may exempt the property in whole or in part, and the exemption may be based on need. There may only be one exemption for the same property. The exemption is not allowed if the local assessor determines that the transfer of a property was for the primary purpose of receiving the exemption. The section also includes an appeal 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.

Section 3. Repeals all aspects of the state mandated property tax exemption and renters rebate for senior citizens and disabled veterans.

Section 4. Makes this Act retroactive to January 1, 1993.

Section 5. Establishes an immediate effective date.



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

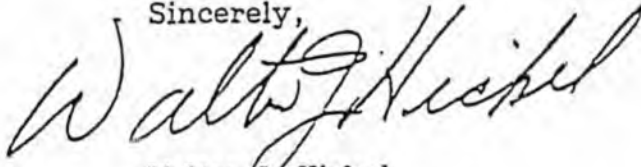
GOV'S TRANSMITTAL LETTER

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, reading "Walter J. Hickel". The signature is written in dark ink and is positioned above the printed name and title.

Walter J. Hickel
Governor

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 values 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.

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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.

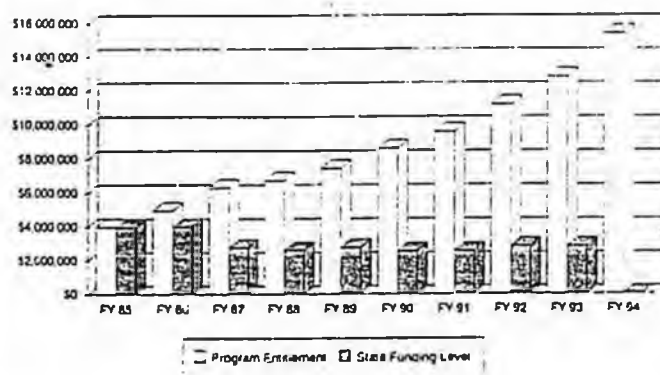
Unfunded mandates are a major element contributing to the increasing costs of government at both the state and local levels. Environmental regulations passed down from the federal to the state to the local level are but one example of unfunded mandates. Another mandate, one that has cost Alaskan municipalities 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 29.45.330(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

power 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 cutbacks 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 78 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
Nonana	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
Total Shortfall in FY 92	\$8,454,350

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 ^a	% ^b
1985	\$ 4,005,075	\$ 4,005,075	\$ 0	100.0
1986	4,977,451	4,078,600	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	6,069,151	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 ^c	2,838,800	9,990,491	22.1
1994	15,395,149 ^d	0 ^e	15,395,149	00.0

^aThe actual cost to municipalities exceeds this figure by \$100,000 - \$160,000, depending on the underfunding of the renters program.

^bRatio of state appropriation (reimbursement to municipalities) to the total cost of the program.

^cFY 93 figures are estimated and subject to final audit.

^dEstimate as of January 1993

^eGovernor 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

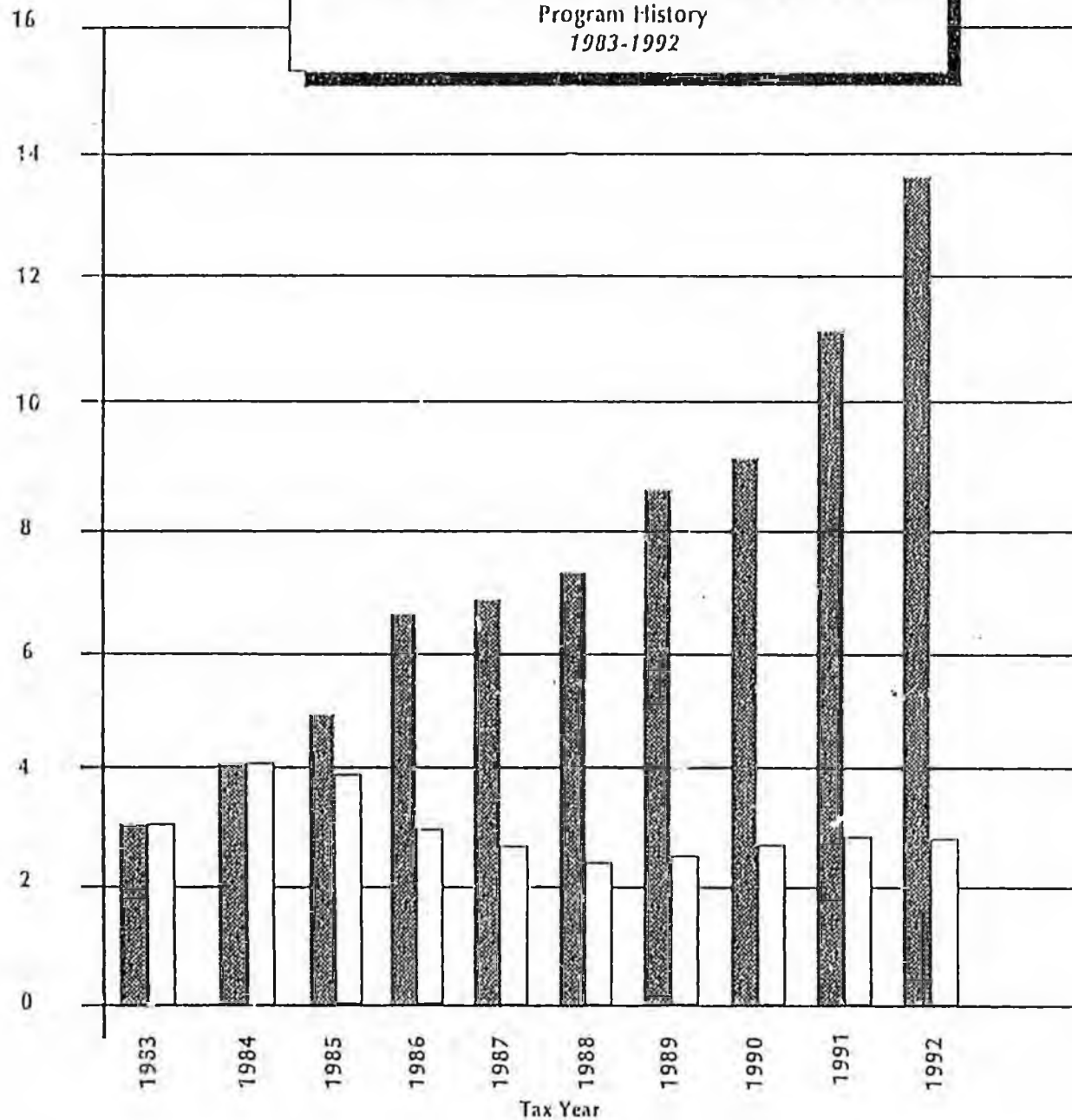
Tax Jurisdiction Summary – Tax Year 1991/FY 92

	Seniors	Veterans	Requested Rebates
Anchorage Municipality	480	61	\$516,576.00
Cordova	1		\$269.57
Craig	1		\$9.42
Fairbanks NS Borough	72	11	\$75,744.77
FNSB/Fairbanks City	35		\$30,212.51
FNSB/North Pole	1	2	\$1,909.92
Haines Borough	5		\$1,835.30
Juneau, City & Boro	112	5	\$93,077.04
Kenai Peninsula Boro	1		\$663.60
Ketchikan Gateway Boro	32	1	\$22,734.97
Kodiak Island Borough	34	1	\$9,378.73
KPB/Homer	8	2	\$6,793.11
KPB/Kenai	26		\$10,914.73
KPB/Seward	2		\$1,835.70
KPB/Soldotna	47	1	\$17,844.21
Mat-Su Borough	2		\$1,486.35
Mat-Su/Palmer	20	4	\$13,670.20
Mat-Su/Wasilla	16	3	\$18,311.78
Nenana	1		\$516.60
Pelican	2		\$250.36
Petersburg	5	1	\$2,863.00
Sitka, City & Boro	18		\$5,836.96
Skagway	1		\$303.43
Valdez	1		\$357.45
Wrangell	7		\$2,991.23
Total Rebates Requested	930	92	\$836,387.02

CRA - PROP. TAX REBATES - TAX YEAR 1991/FY 92

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	2,038,000	11,293,150
1992	2,038,000	13,669,469

