

HB

2000

I-LS0807G
Cook✓
4/20/99

CS FOR HOUSE BILL NO. 200(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

**Offered:
Referred:**

Sponsor(s): HOUSE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

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

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

6 * **Section 1.** AS 14.17.510(a) is amended to read:

7 (a) To determine the amount of required local contribution under
8 AS 14.17.410(b)(2) and to aid the department and the legislature in planning, the
9 Department of Community and Regional Affairs, in consultation with the assessor for
10 each district in a city or borough, shall determine the full and true value of the taxable
11 real and personal property in each district in a city or borough. If there is no local
12 assessor or current local assessment for a city or borough school district, then the
13 Department of Community and Regional Affairs shall make the determination of full
14 and true value from information available. In making the determination, the

1 Department of Community and Regional Affairs shall be guided by AS 29.45.110.
2 However, the value of property exempted under AS 29.45.050(i) may not be
3 included in the determination to the extent of the exemption. The determination
4 of full and true value shall be made by October 1 and sent by certified mail, return
5 receipt requested, on or before that date to the president of the school board in each
6 city or borough school district. Duplicate copies shall be sent to the commissioner.
7 The governing body of a city or borough that is a school district may obtain judicial
8 review of the determination. The superior court may modify the determination of the
9 Department of Community and Regional Affairs only upon a finding of abuse of
10 discretion or upon a finding that there is no substantial evidence to support the
11 determination.

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

13 (h) Nothing in (i) [EXCEPT AS PROVIDED IN (g) OF THIS SECTION,
14 NOTHING IN (e) - (j)] of this section affects similar exemptions from property taxes
15 granted by a municipality on September 10, 1972 [, OR PREVENTS A
16 MUNICIPALITY FROM GRANTING SIMILAR EXEMPTIONS BY ORDINANCE
17 AS PROVIDED IN AS 29.45.050].

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

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

21 * Sec. 4. AS 29.45.050(i) is amended to read:

22 (i) A municipality may by ordinance approved by the voters wholly or
23 partially exempt from taxation the assessed value [THAT EXCEEDS \$150,000] of
24 real property owned and occupied as a permanent place of abode by a resident who
25 is (1) 65 years of age or older; (2) a disabled veteran, including a person who was
26 disabled in the line of duty while serving in the Alaska Territorial Guard; or (3) at
27 least 60 years old and a widow or widower of a person who qualified for an exemption
28 under (1) or (2) of this subsection. An ordinance adopted under this subsection
29 may limit the exemption to only those individuals with financial need as defined
30 in the ordinance.

31 * Sec. 5. AS 29.45.030(a)(6), 29.45.030(c), 29.45.030(f), 29.45.030(g), 29.45.030(i), and

1 29.45.040 are repealed.

2 * Sec. 6. This Act takes effect January 1, 2000.

4-19-1999 1:33PM

FROM VFW DEPT. OF ALASKA 9072786780

P. 1

Please do not support House Bill 200. I think it is completely unfair to try and balance the budget deficit on the backs of disabled veterans and elderly people.

House Bill 200 is a disgrace to individuals who have given so much for the freedom of this country. Their earning power is already diminished due to their disability and now you will penalize them more if House Bill 200 passes.

House Bill 200 needs to be deep sixed immediately. This would cause undue hardship to disabled veterans and elderly residences of this great state and cause many of them to have to relocate.

I request that you do not support House Bill 200. If passed, this bill would be devastating to our handicapped veterans and other elderly people.

John W. Munnick
STATE COMMANDER
VETERANS OF FOREIGN WARS
PO Box 810455
WASILLA AK 99687

4-20-99

Please submit as written testimony to the House Community & Regional Affairs Committee regarding HB 200 and the Senate Finance Committee regarding SB 151:

"The state's plan to continue excessive government, bureaucracies, etc. at expense of municipalities and senior citizens is a travesty (HB 200, SB 151). Cut whole departments, reduce all operational expenses and salaries by 10% (Governor on down), SELL state land, stop "discretionary funding" and put a one-year moratorium on all capital projects. Thanks."

Stan Thompson
Box 217
Kenai, AK 99611

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Alaska State Legislature
House Finance Committee



State Capitol, Juneau, Alaska 99901-1182

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Sponsor Statement

House Bill 200

Repeals State Mandated Senior Citizen/Disabled Veteran Property Tax Exemption

The Senior Citizen/Disabled Veteran Property Tax Exemption Program is a classic unfunded mandate on local governments.

This tax exemption was last fully funded in 1985. Since 1985 the funding has dwindled from 100% down to 0% the past 3 years. It is not funded in the FY 00 budget proposal. The budget the House passed limits state financial assistance to local communities as a partial response to the billion dollar deficit the state faces. We believe the state should remove mandates it is not able to fully fund.

House Bill 200 does not directly affect the property tax exemption. HB 200 makes the senior citizen property tax exemption a permissive, rather than mandatory, program for local governments. It turns over to each local government the decision whether or not to tax property owned by disabled veterans or seniors. This allows local communities to develop their own priorities and funding obligations, providing maximum local choice.

Senior Citizen/Disabled Veteran Property Tax Exemption

Program History

YEAR	TOTAL NUMBER OF APPLICATIONS	AMOUNT OF TAXES EXEMPTED	AMOUNT OF STATE FUNDING	STATE FUNDING PERCENTAGE
1985	5,418	4,005,075	4,005,075	100.0%
1986	6,061	4,977,451	3,958,567	79.5%
1987	6,569	6,325,763	2,770,300	43.8%
1988	7,118	6,753,663	2,622,969	38.8%
1989	7,900	7,454,557	2,519,344	33.8%
1990	8,557	8,627,081	2,543,469	29.5%
1991	9,246	9,585,192	2,557,900	26.7%
1992	9,986	11,293,150	2,838,800	25.1%
1993	10,719	13,669,469	2,838,800	20.8%
1994	11,594	14,843,296	1,551,766	10.5%
1995	12,199	16,894,296	1,163,800	6.9%
1996	12,919	18,636,513	1,163,800	6.2%
1997	13,698	20,366,257	0	0.0%
1998	14,643	22,317,994	0	0.0%
1999	15,143	24,649,743	0	0.0%
2000	15,900	27,114,717	0	0.0%

Task Force on Governmental Roles

Final Report

by

Brad Pierce, Task Force Staff

July 10, 1992

This document was produced jointly by the Governor's Office of Management and Budget and the Alaska Municipal League.



that refuse to pay for local police services or prosecute criminals. Title 29 should be changed to allow the assemblies of unified municipalities and home rule boroughs to establish service areas for police protection, notwithstanding charter restrictions. Contract jails are a state responsibility. A working group of state and local officials should be established to determine reasonable costs for contract jail facilities.

Transportation

State transportation policy must address both revenue and responsibility issues. Some form of shared fuel taxes would be the preferred funding alternative for local takeover of maintenance responsibilities on state roads. The working group process, advocated in the State Transportation Plan, offers a reasonable alternative for sorting through the myriad of localized issues on an individual road and maintenance district basis. Each municipality should enter into a contract with DOT/PF to ensure that state roads are brought up to standard before assuming maintenance responsibilities.

Senior Citizen / Disabled Veteran Property Tax Exemption

The Senior Citizen / Disabled Veteran Property Tax Exemption is a classic example of a seriously underfunded state mandate on municipalities that should either be changed into a direct state rebate program or made a local option.

Municipal Assistance and Revenue Sharing

The legislature should consider combining the Revenue Sharing and Municipal Assistance Programs into a single distribution formula that rewards municipalities for local revenue generation and compensates them for population increases.

State Tax Policies

The Task Force examined two statewide tax alternatives, a personal income tax and general sales tax, without making recommendations on either. It also studied the relative tax burden of households in Alaska compared to the national average. Members felt that the information collected was important enough to publish in the Final Report (see Section VI and Appendices 1 and 2) for review by future work groups and task forces involved in fiscal policy development or weighing various revenue alternatives.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH 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

April 16, 1999

SUBJECT: Determination of full and true value (CSHB 200(CRA))

TO: Representative Andrew Halero, Co-Chair
House Community and Regional Affairs Committee
Attn: Jonathan Lack

FROM: Tamara Brandt Cook
Director

TBC

Here is the draft committee substitute you requested adding a provision to HB 200 amending the section of law that requires the Department of Community and Regional Affairs to determine the full and true value of taxable municipal property so that property which has been granted a senior/disabled veterans exemption will not be included in the calculation. This I did in bill sec. 1 by amending AS 14.17.510(a). I understand the purpose of the change is to avoid including this type of exempted property in the 4 mill local contribution calculation for public school funding purposes. That statute is AS 14.17.410(b)(2) and it contains a cross-reference to the statute amended in this bill, AS 14.17.510(a).

There are, however, other statutes that rely on the determination of full and true value under AS 14.17.510(a). Those statutes will also be affected by the change made in bill sec. 1 of this draft. They are AS 14.11.008(b); AS 14.17.410(c) and (e) (as well as (b), which I have already mentioned); AS 14.17.490(b); and AS 29.60.030(d). I know of no policy reason for treating these provisions differently with regard to how full and true value is determined, but you might want to check with the Department of Education with respect to the provisions in AS 14 that are affected and with the Department of Community and Regional Affairs with respect to the change in AS 29.60.030(d) (municipal revenue sharing).

TBC;jdr:gle
09-218,jdr

Enclosure

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Sponsor Statement

Committee Substitute for House Bill 200

Repeals State Mandated Senior Citizen/Disabled Veteran Property Tax Exemption

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This tax exemption was last fully funded in 1985. Since 1985 the funding has dwindled from 100% down to 0% the past 3 years. It is not funded in the FY 00 budget proposal. The budget the House passed limits state financial assistance to local communities as a partial response to the billion dollar deficit the state faces. We believe the state should remove mandates it is not able to fully fund.

House Bill 200 does not directly affect the property tax exemption. HB 200 makes the senior citizen property tax exemption a permissive, rather than mandatory, program for local governments. It turns over to each local government the decision whether or not to tax property owned by disabled veterans or seniors. This allows local communities to develop their own priorities and funding obligations, providing maximum local choice.

The Committee Substitute corrects an unintended change that would be caused by making the exemption optional. The CS provides that any property made exempt pursuant to AS29.45.050 would not be counted toward the property tax base in calculating funding for education. This change is necessary so as to prevent added cost to a municipality that chooses to continue the exemption.

1-LS0807D ✓
Cook
4/16/99

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26 (1) 65 years of age or older;

27 (2) a disabled veteran, including a person who was disabled in the line
28 of duty while serving in the Alaska Territorial Guard; or

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

31 * Sec. 5. AS 29.45.030(a)(6), 29.45.030(e), 29.45.030(f), 29.45.030(g), 29.45.030(i), and

- 1 29.45.040 are repealed.
- 2 * Sec. 6. This Act takes effect January 1, 2000.

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. HB 200

Revision Date: 4-20-99
 Title: Municipal Property Tax Exemptions
 Sponsor: House Finance
 Requester: _____

Dept. Affected _____
 BRU _____
 Component _____
 Component Serial No. _____

Expenditures/Revenues		(Thousands of Dollars)				
OPERATING EXPENDITURES	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES []						
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FUND SOURCE		(Thousands of Dollars)				
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: _____

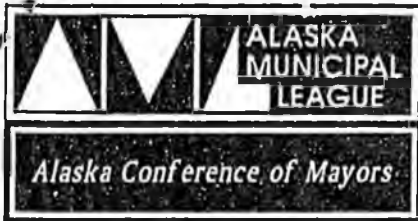
POSITIONS						
Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation has no fiscal impact

Prepared by Jessica Lack
Jessica Lack, House Committee
and Regional Affairs Committee Staff

Phone 465-4929
 Phone _____
 Date _____



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

April 19, 1999

Representative Andrew Halero, Co-chair
Representative John Harris, Co-chair
House Community and Regional Affairs Committee
State Capitol
Juneau, AK 99801

Dear Chairs Halero and Harris:

On behalf of the members of the Alaska Municipal League and Alaska Conference of Mayors, we are writing to support passage of HB 200, exemptions for municipal property taxes for certain primary residences (senior citizens and disabled veterans). We would like to see changes to the bill to:

- ensure that municipalities are not penalized under the school funding formula, and;
- give the communities the broadest possible discretion to work with seniors, veterans, and the public to design a program that meets the needs of individual communities including needs based exemptions, capping exemption amounts, or tax deferral, etc.

In 1973, the program to exempt senior citizens from local property taxes was enacted by the Alaska Legislature. AS 29.45.030(e) requires municipalities to exempt from local property tax, "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 a widow or widower of a person qualified" for such an exemption, up to an assessed value of \$150,000. The program also required the state to reimburse municipalities for tax revenues lost to their communities because of the exemption.

Although the exemption is mandated by state law, full funding for the exemption has not been provided by the state since 1985, which has meant that all other municipal taxpayers have been forced to bear an additional tax burden. The state zeroed out reimbursement for the program in 1996, and now costs municipal taxpayers nearly \$25 million in 1999. The cost of this program is increasing at \$2-3 million per year and has increased 400 percent since 1990.

Over the years, the League has supported changes to the program in order to give local taxpayers an option on how it is managed. Our first choice is that the state fully fund its exemptions by reimbursing municipalities. In light of current budget considerations, however, we understand that may not be possible.

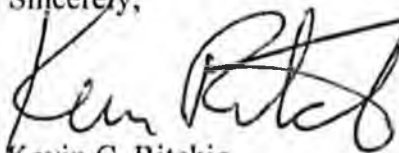
Our understanding is that HB 200 eliminates the requirement for municipalities to exempt senior citizens and disabled veterans and makes it an optional program with a vote of the people. At this time, we know of no community that plans to eliminate the program entirely, because seniors have come to rely on the exemption. Municipalities could change the program to try and slow the growth by:

- Reducing the exemption amount. In the past, we have proposed reducing the exemption to \$75,000, which would protect seniors who need it most and still offer a substantial discount to others, or
- Make it a needs-based program, or
- Defer the taxes until the property is sold or some other future date, or
- Some combination of the above

None of the above changes would reduce the present cost of the program to taxpayers, but only slow the growth in future years. HB 200 should be part of a long-range fiscal plan to control costs, but is of no help in saving money next year. While we support decisions on tax exemptions to be made at the local level, we must stress that we are unaware of any community that plans to eliminate the exemption.

We again stress that HB 200, in fairness to seniors and disabled veterans, will not realistically recapture substantial revenues from seniors and disabled veterans next year. Also, for those municipalities with a tax cap, this bill will not increase revenues but will spread the tax burden among more tax payers. In addition, this will not make up for cuts to state revenue sharing programs. If you have any questions, please call 586-1325.

Sincerely,



Kevin C. Ritchie
Executive Director

cc: AML Board of Directors

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Alaska State Legislature

HOUSE OF REPRESENTATIVES

Rep. Andrew Halcro, Co-Chair
Rep. John Harris, Co-Chair
Rep. Carl Morgan
Rep. Lisa Murkowski
Rep. Fred Dyson
Rep. Reggie Joule
Rep. Al Kookesh



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COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

ADDITIONAL MATERIAL FOR HB 200

APRIL 22, 1999 HEARING