

HB

2000

HFIN

FILE

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Alaska State Legislature
House Finance Committee



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Sponsor Statement

Committee Substitute for 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.

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.

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.



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

April 19, 1999

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

Dear Chairs Halcro 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

4-19-1999 1:33PM

FROM VFW DEPT. OF ALASKA 9072786700

P. 1

SENATE BILL 151

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.

SB 151

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.

SB 151

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.

SB 151

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. Munnich

STATE COMMANDER
VETERANS OF FOREIGN WARS
P O Box 870455
WASILLA AK 99687



Alaska State Legislature

Please enter into the record my testimony to the House Revenue Committee
 CS HB committee name
 committee on House Bill No 200, dated 4/20/1999
 bill/subject

Concerning TAX exemptions on
 My Home in WASILLA AREA

I am protesting the real estate
 taxing of my home. As a pioneer I
 am now qualified as tax exempt at
 this time

Signed: Barbara A Juhl
 Testifier

Representing (Optional)

Address 3851 Hebride Wayella 99654

Phone No. 373-2635



Alaska State Legislature

Please enter into the record my testimony to the HOUSE FINANCE COMMITTEE
committee name
committee on CS #B House Bill #200, dated 4/26/95
bill/subject

Concerning tax exemptions on senior citizens homes in the Palmer/Wasilla area, I am protesting the real estate taxing of senior citizens homes that are qualified as tax exempt at this time.

Signed: _____

Marion Kennedy

Testifier

Representing (Optional)

3550 Tamar Rd Wasilla, AK 99654

Address

373-4710

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the HOUSE FINANCE COMMITTEE
 committee name
 committee on CS #B House Bill #200, dated 4/26/99
 bill/subject

Concerning tax exemptions on my home in the Wasilla/Palmer area,
 I am protesting the real estate taxing of my home. As a pioneer
 of Alaska since July 1957, I am now qualified
 as tax exempt at this time.

Signed: Mary Jo S. Stangorine
 Testifier

Representing (Optional)
3550 TAMAR Rd WASILLA AK 99654
 Address
907-376-5778
 Phone No.



Alaska State Legislature

Please enter into the record my testimony to the HOUSE FINANCE COMMITTEE
 committee name
 committee on CS #B House Bill #200, dated 4/26/99
 bill/subject

Concerning tax exemptions on my home in the Wasilla/Palmer area,
 I am protesting the real estate taxing of my home. As a pioneer
 of Alaska since July 1957, I am now qualified
 as tax exempt at this time.

Signed: Walter J. Champagne
 Testifier

Representing (Optional)
3550 TAMAR Rd. WASILLA AK 99654
 Address
907-376-5778
 Phone No.



Alaska State Legislature

Please enter into the record my testimony to the HOUSE FINANCE COMMITTEE
committee name
committee on CS #B House Bill #200, dated 4-26-99
bill/subject

Concerning tax exemptions on senior citizens homes in the Palmer/Wasilla area, I am protesting the real estate taxing of senior citizens homes that are qualified as tax exempt at this time.

Signed:

Charles F. Juge
Testifier

Representing (Optional)

PO Box 871314 Wasilla Alaska 99687
Address

376 3545

Phone No.

Denakkanaaga, Inc.

409 4th Avenue
Fairbanks, Alaska 99701
Phone (907) 456-5827
FAX (907) 452-6641

Public Opinion Message

Regarding: HB 200

(Senior Property Tax Exemption Bill)

Denakkanaaga is a Non-Profit 501 (3) (c) organization established by and for Alaska Native Elders of the TCC/Doyon region, (42 villages of the Interior).

We are greatly concerned regarding the HB 200 initiative to end the Senior Property Tax Exemption. This bill allows local governments the option of discontinuing this service. By doing so would only create a greater hardship for Fairbanks Seniors. Many Interior Elders have been forced to relocate from the rural communities, where they have lived most of their lives, due to the high cost of living. Now you are talking about taking away an appreciated and valuable TAX EXEMPTION that allows the elders some respite from the additional expenses of every day life. Even though Fairbanks is less expensive than rural communities, every break the elders get is of benefit to us all.

Elders have purchased homes in Fairbanks because the cost of living is lower than in the rural communities. Removing the benefit of this TAX EXEMPTION, would only place the elders back in a position of financial hardship and at risk of not having the quality of life otherwise realized with this valuable savings on their yearly property tax.

If such a bill should pass in the Capital without any long range planning, we all know who will suffer the most, people with very limited resources and who count on every break the system gives them to achieve some sort of equitable life compared to others who have high paying jobs or adequate retirement with maximum benefits. This bill only adds to the disparity between groups. Lets stop punishing older Alaskan's by these last minute attempts to balance a budget.