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Official Business

Alaska State Senate

Senate Finance Committee

3/28/02

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

MEMORANDUM

To: Representative Carol Morgan, Co-Chair
House Community & Regional Affairs Committee

Representative Kevin Meyer, Co-Chair
House Community & Regional Affairs Committee *DM*

Fr: Senator Dave Donley, Co-Chair
Senate Finance Committee

Re: Calendar Request for SB 337, "Relating to eligibility for an exemption from municipal property taxes for certain seniors and disabled veterans."

Date: March 18, 2002

I request that you schedule Senate Bill 337, "Relating to eligibility for an exemption from municipal property taxes for certain seniors and disabled veterans", for a hearing in the House Community and Regional Affairs committee as soon as possible

Senate Bill 337 allows local governments to apply the same eligibility requirements as the Permanent Fund Dividend program to senior citizen and disabled veteran property tax exemption.

The original intent of the property tax exemption was to encourage seniors and veterans to remain in Alaska.

Senate Bill 337 passed the Senate on March 4, 2002, with a vote of 17 yeas and 3 nays.

Thank you in advance for your consideration of this request. If you or your staff should have any questions, please contact myself or Marilyn Wilson of my staff at 6541.

DD/mjw

Attachments
Sponsor Statement
Sectional Analysis
Fiscal Note
Background Information



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

SPONSOR STATEMENT

Senate Bill No. 337

“An Act relating to eligibility for an exemption from municipal property taxes for certain seniors and disabled veterans.”

The Senior Citizen and Disabled Veteran Property Tax Exemption program is a statutorily mandated program that local communities are required to provide. Originally, the cost of the program to local governments in lost property taxes was reimbursed by the state. But currently, the state provides no such compensation and this unfunded mandate has put a tremendous financial burden on local governments.

Senate Bill 337 gives local governments more flexibility for determining who receives a property tax exemption under this program. Senate Bill 337 allows local governments to apply the same eligibility requirements as the Permanent Fund Dividend program to the senior citizen and disabled veteran property tax exemption.

The original intent of the property tax exemption was to encourage seniors and disabled veterans to remain in Alaska. Limiting its applicability to only those who really live here is common sense and good public policy.

DD/mjw

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

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

February 26, 2002

SUBJECT: Senior municipal property tax exemption; sectional summary
(SB 337)

TO: Senator Dave Donley, Co-chair
Senate Finance Committee

FROM: Tamara Brandt Cook
Director

TBC

Sec. 1. Permits a municipality by ordinance to add, as an eligibility requirement for the mandatory exemption from municipal property taxes on the residences of seniors and disabled veterans, that the individual also be eligible for a permanent fund dividend or that the individual would have been eligible for the dividend had the individual applied.

TBC:med
02-210.med

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 337
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title Eligibility for municipal tax exemption BRU Community Assist & Econ. Dev. (405)
 Component Community & Business Development
 Sponsor Senate Finance
 Requester Senate Finance Component No. 2486

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
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						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 This bill has no fiscal impact on the department.

Prepared by: Pat Poland, Director Phone 907-269-4578
 Division Community & Business Development Date/Time 2/26/02 10:07 AM
 Approved by: Deborah B. Sedwick, Commissioner Date 2/26/2002
 Agency Department of Community & Economic Development

TABLE 14 (A)

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

State law exempts real property owned and occupied as a permanent home by a resident, 65 years of age or older, or, by a disabled veteran with a 50% or greater service-connected disability. The exemption applies to the first \$150,000 of assessed valuation. Applicants must apply directly to their municipality before January 15 each year. (The municipality of Anchorage has extended this deadline to March 15 each year.) Program costs have exceeded funding levels from the state since 1986 resulting in prorating payments to eligible municipalities. The Alaska Legislature has not funded the reimbursement for the program since FY 1997, Tax Year 1996.

Ten Year Performance Summary

Tax Year	No. of Applications Approved	Total Exempt Assessed Value	Annual Value Percent Change	Total Exempt Taxes	Annual Tax Percent Change	Average Exempt Value \$\$ Per Appl.	Average Exempt Tax \$\$ Per Appl.
1992	10,719	\$883,539,005	17.15%	\$13,669,469	21.04%	\$82,427	\$1,275
1993	11,594	\$979,290,045	10.84%	\$14,843,296	8.59%	\$84,465	\$1,280
1994	12,199	\$1,064,556,490	8.71%	\$16,394,296	13.82%	\$87,266	\$1,385
1995	12,919	\$1,183,291,858	11.15%	\$18,636,513	10.31%	\$91,593	\$1,443
1996	13,692	\$1,293,232,403	9.29%	\$20,371,389	9.31%	\$94,452	\$1,480
1997	14,643	\$1,403,624,823	8.54%	\$22,317,994	9.56%	\$95,836	\$1,524
1998	15,143	\$1,544,691,456	10.05%	\$24,649,743	10.45%	\$102,007	\$1,628
1999	15,836	\$1,671,478,280	8.21%	\$26,694,955	8.30%	\$105,549	\$1,686
2000	16,656	\$1,798,704,610	7.61%	\$28,248,856	5.82%	\$107,991	\$1,696
2001	17,640	\$1,942,143,407	7.97%	\$31,076,097	10.01%	\$110,099	\$1,762

Distributed by
Senator Donley

TABLE 14 (B)

SENIOR CITIZEN AND DISABLED VETERAN PROPERTY TAX EXEMPTION

Program Summary
FY 02/Tax Year 2001

Municipality	Number of Applicants Approved	Total Assessed Value Exempt	% Value Inc./Dec. Over 2000	Total Tax Amount Exempt	% Tax Inc./Dec. Over 2000	Average Value Per Appl	Average Tax Per Appl
Municipality of Anchorage	8,011	\$950,056,746	9.07%	\$16,924,430	9.85%	\$118,594	\$2,113
Bristol Bay Borough	19	\$1,848,900	17.75%	\$24,027	61.07%	\$97,311	\$1,265
Fairbanks North Star Borough	2,308	\$221,835,846	6.81%	\$4,362,377	12.99%	\$96,116	\$1,890
Haines Borough	144	\$15,041,200	3.72%	\$160,423	-2.10%	\$104,453	\$1,114
City & Borough of Juneau	934	\$123,556,000	1.07%	\$1,417,187	-3.63%	\$132,287	\$1,517
Kenai Peninsula Borough	2,062	\$181,826,950	7.81%	\$2,053,871	3.09%	\$88,180	\$996
Ketchikan Gateway Borough	555	\$62,958,300	1.01%	\$718,255	2.72%	\$113,438	\$1,294
Kodiak Island Borough	254	\$28,121,540	11.17%	\$315,199	10.63%	\$110,715	\$1,241
Matanuska-Susitna Borough	2,345	\$246,787,500	10.23%	\$4,051,395	19.31%	\$105,240	\$1,728
North Slope Borough	41	\$4,244,100	16.83%	\$80,171	19.30%	\$103,515	\$1,955
City & Borough of Sitka	327	\$41,078,225	6.58%	\$247,119	6.56%	\$125,621	\$756
City & Borough of Yakutat	19	\$1,204,250	0.08%	\$10,277	0.09%	\$63,382	\$541
Cordova	66	\$7,096,612	1.26%	\$91,553	1.73%	\$107,524	\$1,387
Craig	34	\$3,089,100	13.55%	\$18,535	13.55%	\$90,856	\$545
Dillingham	31	\$3,514,100	26.35%	\$37,289	67.69%	\$113,358	\$1,203
Nenana	22	\$784,182	20.91%	\$9,410	20.91%	\$35,645	\$428
Nome	82	\$6,773,617	-0.34%	\$85,348	4.61%	\$82,605	\$1,041
Pelican	6	\$328,100	0.00%	\$1,969	0.00%	\$54,683	\$328
Petersburg	138	\$16,616,517	3.44%	\$168,990	5.20%	\$120,410	\$1,225
Skagway	42	\$5,903,200	7.42%	\$38,779	11.28%	\$140,552	\$923
Unalaska	7	\$615,596	5.92%	\$7,255	5.91%	\$87,942	\$1,036
Valdez	62	\$6,458,821	18.43%	\$129,176	18.43%	\$104,175	\$2,083
Whittier	8	\$254,250	-4.83%	\$1,271	-4.83%	\$31,781	\$159
Wrangell	123	\$12,149,755	21.78%	\$121,792	3.85%	\$98,778	\$990
Totals	17,540	1,942,143,407	7.97%	31,076,097	10.01%	\$110,099	\$1,762

Distributed by
Senator Donley

March 4, 2002

SB 337

An Act relating to eligibility for an exemption from municipal property taxes for certain seniors and disabled veterans.”

**ALLOWABLE ABSENCES
PERMANENT FUND DIVIDEND ELIGIBILITY**

Section 43.23.004(a)

The allowable absence for an individual for no reason to be gone is up to 180 days.

An individual may be absent for any amount of time under (1) – (13).

The maximum allowable absence for an individual under (1) or (2) of subsection 43.23.008(a) is plus 120 days, if they are not claiming an additional absence under (3) – (13).

The maximum allowable absence for an individual settling an estate of a deceased parent, spouse, sibling, child, or stepchild is 220 days.

An additional 45 days may be added to any of the allowable or cumulative absences claimed under (1) – (13) of subsection 43.23.0008 (a).

mjw

ALASKA STATUTE

AS 43.23.008. Allowable absences

- (a) Subject to (b) and (c) of this section, an otherwise eligible individual who is absent from the state during the qualifying year remains eligible for a current year permanent dividend if the individual was absent
- (1) receiving secondary or postsecondary education on a full-time basis;
 - (2) receiving vocational, professional, or other specific education on a full-time basis for which, as determined by the Alaska Commission on Postsecondary Education, a comparable program is not reasonably available in the state;
 - (3) serving on active duty as a member of the armed forces of the United States;
 - (4) serving under foreign or consular articles of employment aboard an oceangoing vessel of the United States merchant marine;
 - (5) receiving continuous medical treatment recommended by a licensed physician or convalescing as recommended by the physician that treated the illness if the treatment or convalescence is not based on a need for climatic change;
 - (6) providing care for a parent, spouse, sibling, child, or stepchild with a critical life-threatening illness whose treatment plan, as recommended by the attending physician, requires travel outside the state for treatment at a medical specialty complex;
 - (7) providing care for the individual's terminally ill parent, spouse, sibling, child, or stepchild;
 - (8) settling the estate of the individual's deceased parent, spouse, sibling, child, or stepchild, provided the absence does not exceed 220 cumulative days;
 - (9) serving as a member of the United States Congress;
 - (10) serving on the staff of a member from this state of the United States Congress;
 - (11) serving as an employee of the state in a field office or other location;
 - (12) accompanying a minor who is absent under (5) of this subsection;
 - (13) accompanying another eligible resident who is absent for a reason permitted under (1) - (3), (5) - (12), or (14) of this subsection as the spouse, minor dependent, or disabled dependent of the eligible resident;
 - (14) for any reason consistent with the individual's intent to remain a state resident, provided the absence or cumulative absences do not exceed
 - (A) 180 days if the individual is not claiming an absence under (1) - (13) of this subsection;
 - (B) 120 days in addition to any absence or cumulative absences claimed under (1) or (2) of this subsection if the individual is not claiming an absence under (3) - (13) of this subsection; or
 - (C) 45 days in addition to any absence or cumulative absences claimed under (1) - (13) of this subsection.
- (b) An individual may not claim an allowable absence under (a)(1) - (13) of this section unless the individual was a resident of the state for at least six consecutive months immediately before leaving the state.
- (c) An otherwise eligible individual who has been eligible for the immediately preceding 10 dividends despite being absent from the state for more than 180 days in each of the related 10 qualifying years is only eligible for the current year dividend if the individual was absent 180 days or less during the qualifying year. This subsection does not apply to an absence under (a)(9) or (10) of this section or to an absence under (a)(13) of this section if the absence is to accompany an individual who is absent under (a)(9) or (10) of the section. (Applies only to periods of absence during January 1, 1998, and thereafter)

Sec. 29.45.030. Required exemptions. (a) [See delayed amendment note.] [See editor's note.] The following property is exempt from general taxation:

(1) municipal property, including property held by a public corporation of a municipality, state property, property of the University of Alaska, or land that is in the trust

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

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

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

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

(i) In (e) — (i) of this section,

(1) "disabled veteran" means a disabled person

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

(B) who served in the Alaska Territorial Guard, who is a resident of the state, whose disability was incurred or aggravated in the line of duty while serving in the Alaska Territorial Guard, and whose disability has been rated as 50 percent or more;

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

(j) One motor vehicle per household owned by a resident 65 years of age or older on January 1 of the assessment year is exempt either from taxation on its assessed value or from the registration tax under AS 28.10.431. An exemption may be granted under this subsection only upon written application on a form prescribed by the Department of Administration.

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

(l) Two percent of the assessed value of a structure is exempt from taxation if the structure contains a fire protection system approved under AS 18.70.081, in operating condition, and incorporated as a fixture or part of the structure. The exemption granted by this subsection is limited to

(1) an amount equal to two percent of the value of the structure based on the assessment for 1981, if the fire protection system is a fixture of the structure on January 1, 1981; or

(2) an amount equal to two percent of the value of the structure based on the assessment as of January 1 of the year immediately following the installation of the fire protection system if the fire protection system becomes a fixture of the structure after January 1, 1981.

(m) For the purpose of determining property exempt under (a)(7) of this section, the following definitions apply to terms used in 43 U.S.C. 1620(d) unless superseded by applicable federal law:

(1) "developed" means a purposeful modification of the property from its original state that effectuates a condition of gainful and productive present use without further substantial modification; surveying, construction of roads, providing utilities or other similar actions normally considered to be component parts of the development process, but that do not create the condition described in this paragraph, do not constitute a developed state within the meaning of this paragraph; developed property, in order to remove the exemption, must be developed for purposes other than exploration, and be limited to the smallest practicable tract of the property actually used in the developed state;

(2) "exploration" means the examination and investigation of undeveloped land to determine the existence of subsurface nonrenewable resources;

(3) "lease" means a grant of primary possession entered into for gainful purposes with a determinable fee remaining in the hands of the grantor; with respect to a lease that conveys rights of exploration and development, this exemption shall continue with respect to that portion of the leased tract that is used solely for the purpose of exploration.

(n) If property or an interest in property that is determined not to be exempt under (a)(7) of this section reverts to an undeveloped state, or if the lease is terminated, the exemption shall be granted, subject to the provisions of (a)(7) and (m) of this section. (§ 12 ch 74 SLA 1985; am §§ 1, 2 ch 91 SLA 1985; am § 44 ch 37 SLA 1986; am §§ 2—4 ch 70 SLA 1986; am § 3 ch 66 SLA 1991; am § 1 ch 85 SLA 1991; am § 14 ch 93 SLA 1991; am § 1 ch 54 SLA 1992; am § 4 ch 97 SLA 1992; am E.O. No. 99 § 71 (1997); am § 81 ch 21 SLA 2000; am § 2 ch 117 SLA 2000; am § 8 ch 136 SLA 2000)

Delayed amendment. — Under secs. 3 and 19, ch. 117, SLA 2000, effective July 1, 2004, subsection (a) will be amended. The language of subsection (a) on July 1, 2004 will depend on the outcome of *Alaska Legislative Council v. Knowles*, 1-JU-00-1237 Civ. (First Judicial District at Juneau), which may determine the validity of the enactment of ch. 136, SLA 2000. If ch. 136, SLA 2000 was validly enacted, subsection (a) will read, on July 1, 2004, as follows: "(a) The following property is exempt from general taxation:

"(1) municipal property, including property held by

a public corporation of a municipality, state property, property of the University of Alaska, or land that is in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-830, 70 Stat. 709, except that

"(A) a private leasehold, contract, or other interest in the property is taxable to the extent of the interest;

"(B) notwithstanding any other provision of law, property acquired by an agency, corporation, or other entity of the state through foreclosure or deed in lieu of foreclosure and retained as an investment of a state entity is taxable; this subparagraph does not apply to



ALASKA ASSOCIATION OF REALTORS, INC.
741 Sesame Street, Suite 100 • Anchorage, Alaska 99503
Telephone 907-563-7133 • Fax 907-563-8476

March 11, 2002

Senator Dave Donley
State Capitol
Juneau, Alaska 99801-1187

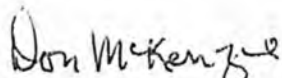
RE: SB 337 – An Act relating to eligibility for an exemption from municipal property taxes for certain seniors and disabled veterans.

Dear Senator Donley,

The Alaska Association of REALTORS with over 1, 100 members statewide supports Senate Bill 337 that would allow certain seniors and disabled veterans to be eligible for an exemption from municipal property taxes. We agree that to be eligible, the individual must also be eligible for a permanent fund dividend that same year.

The Alaska Association of REALTORS encourages the passage of Senate Bill 337.

Sincerely,


Don McKenzie
President



Approved

Date: 3/5/02

Submitted by: Assemblymembers Fairclough,
Kendall, Shamberg, Taylor, Tremaine, Traini, Van Etten,
and Von Gemmingen

Prepared by: Department of Assembly

For reading: March 5, 2002

**ANCHORAGE, ALASKA
AR NO. 2002-75**

**A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY SUPPORTING
SENATE BILL NO. 337, "AN ACT RELATING TO ELIGIBILITY FOR AN EXEMPTION
FROM MUNICIPAL PROPERTY TAXES FOR CERTAIN SENIORS AND DISABLED
VETERANS."**

WHEREAS, established in 1973, the Senior Citizen and Disabled Veteran Property Tax Exemption Program provides an excellent incentive to encourage our seniors and disabled veterans to remain in the State of Alaska; and

WHEREAS, the Program is statutorily mandated and, prior to 1996, the cost to local governments in lost property taxes was reimbursed by the State; and

WHEREAS, Senate Bill No. 337 provides improvements to the existing program by giving local governments more flexibility for determining who receives a property tax exemption and also allows municipalities to apply the same eligibility requirements as the Permanent Fund Dividend Program; and

NOW, THEREFORE, the Anchorage Assembly resolves:

Section 1: That this body supports and urges passage of Senate Bill No. 337 relating to eligibility for an exemption from municipal property taxes for certain seniors and disabled veterans.

Section 2: That a copy of this resolution is forwarded to the Governor and the Alaska State Legislature immediately upon passage and approval.

PASSED AND APPROVED by the Anchorage Assembly this _____ day of _____, 2002.

Chair

ATTEST:

Municipal Clerk



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

SPONSOR STATEMENT

Senate Bill No. 337

“An Act relating to eligibility for an exemption from municipal property taxes for certain seniors and disabled veterans.”

The Senior Citizen and Disabled Veteran Property Tax Exemption program is a statutorily mandated program that local communities are required to provide. Originally, the cost of the program to local governments in lost property taxes was reimbursed by the state. But currently, the state provides no such compensation and this unfunded mandate has put a tremendous financial burden on local governments.

Senate Bill 337 gives local governments more flexibility for determining who receives a property tax exemption under this program. Senate Bill 337 allows local governments to apply the same eligibility requirements as the Permanent Fund Dividend program to the senior citizen and disabled veteran property tax exemption.

The original intent of the property tax exemption was to encourage seniors and disabled veterans to remain in Alaska. Limiting its applicability to only those who really live here is common sense and good public policy.

DD/mjw

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

February 26, 2002

SUBJECT: Senior municipal property tax exemption; sectional summary
(SB 337)

TO: Senator Dave Donley, Co-chair
Senate Finance Committee

FROM: Tamara Brandt Cook
Director *TBC*

Sec. 1. Permits a municipality by ordinance to add, as an eligibility requirement for the mandatory exemption from municipal property taxes on the residences of seniors and disabled veterans, that the individual also be eligible for a permanent fund dividend or that the individual would have been eligible for the dividend had the individual applied.

TBC:r:ed
02-210.med

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 337
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title Eligibility for municipal tax exemption BRU Community Assist & Econ. Dev. (405)
 Component Community & Business Development
 Sponsor Senate Finance
 Requester Senate Finance Component No. 2486

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
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Supplies						
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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						
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Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 This bill has no fiscal impact on the department.

Prepared by: Pat Poland, Director
 Division Community & Business Development
 Approved by: Deborah B. Sedwick, Commissioner
 Agency Department of Community & Economic Development

Phone 907-269-4578
 Date/Time 2/26/02 10:07 AM
 Date 2/26/2002

TABLE 14 (A)

**SENIOR CITIZEN AND DISABLED VETERAN
PROPERTY TAX EXEMPTION HISTORY
AS 29.45.030(e) - (I)**

State law exempts real property owned and occupied as a permanent home by a resident, 65 years of age or older, or, by a disabled veteran with a 50% or greater service-connected disability. The exemption applies to the first \$150,000 of assessed valuation. Applicants must apply directly to their municipality before January 15 each year. (The municipality of Anchorage has extended this deadline to March 15 each year.) Program costs have exceeded funding levels from the state since 1986 resulting in prorating payments to eligible municipalities. The Alaska Legislature has not funded the reimbursement for the program since FY 1997, Tax Year 1996.

Ten Year Performance Summary

Tax Year	No. of Applications Approved	Total Exempt Assessed Value	Annual Value Percent Change	Total Exempt Taxes	Annual Tax Percent Change	Average Exempt Value \$\$ Per Appl.	Average Exempt Tax \$\$ Per Appl.
1992	10,719	\$883,539,005	17.15%	\$13,669,469	21.04%	\$82,427	\$1,275
1993	11,594	\$979,290,045	10.84%	\$14,843,296	8.59%	\$84,465	\$1,260
1994	12,199	\$1,064,556,490	8.71%	\$16,894,296	13.82%	\$87,266	\$1,385
1995	12,919	\$1,183,291,858	11.15%	\$18,636,513	10.31%	\$91,593	\$1,443
1996	13,692	\$1,293,232,403	9.29%	\$20,371,389	9.31%	\$94,452	\$1,488
1997	14,643	\$1,403,624,823	8.54%	\$22,317,994	9.56%	\$95,856	\$1,524
1998	15,143	\$1,544,691,456	10.05%	\$24,649,743	10.45%	\$102,007	\$1,628
1999	15,836	\$1,671,478,280	8.21%	\$26,694,955	8.30%	\$105,549	\$1,686
2000	16,656	\$1,798,704,610	7.61%	\$28,248,856	5.82%	\$107,991	\$1,696
2001	17,640	\$1,942,143,407	7.97%	\$31,076,097	10.01%	\$110,099	\$1,762

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TABLE 14 (B)

SENIOR CITIZEN AND DISABLED VETERAN PROPERTY TAX EXEMPTION
 Program Summary
 FY 02/Tax Year 2001

Municipality	Number of Applicants Approved	Total Assessed Value Exempt	% Value Inc./Dec. Over 2000	Total Tax Amount Exempt	% Tax Inc./Dec. Over 2000	Average Value Per Appl	Average Tax Per Appl
Municipality of Anchorage	8,011	\$950,056,746	9.07%	\$16,924,430	9.85%	\$118,594	\$2,113
Bristol Bay Borough	19	\$1,848,900	17.75%	\$24,027	61.07%	\$97,311	\$1,265
Fairbanks North Star Borough	2,308	\$221,835,846	6.81%	\$4,362,377	12.99%	\$96,116	\$1,890
Haines Borough	144	\$15,041,200	3.72%	\$160,423	-2.10%	\$104,453	\$1,114
City & Borough of Juneau	934	\$123,556,000	1.07%	\$1,417,187	-3.63%	\$132,287	\$1,517
Kenai Peninsula Borough	2,062	\$181,826,950	7.81%	\$2,053,871	3.09%	\$88,180	\$996
Ketchikan Gateway Borough	555	\$62,958,300	1.01%	\$718,255	2.72%	\$113,438	\$1,294
Kodiak Island Borough	254	\$28,121,540	11.17%	\$315,199	10.63%	\$110,715	\$1,241
Matanuska-Susitna Borough	2,345	\$246,787,500	10.23%	\$4,051,395	19.31%	\$105,240	\$1,728
North Slope Borough	41	\$4,244,100	16.83%	\$80,171	19.30%	\$103,515	\$1,955
City & Borough of Sitka	327	\$41,078,225	6.58%	\$247,119	6.56%	\$125,621	\$756
City & Borough of Yakutat	19	\$1,204,250	0.08%	\$10,277	0.09%	\$63,382	\$541
Cordova	66	\$7,096,612	1.26%	\$91,553	1.73%	\$107,524	\$1,387
Craig	34	\$3,089,100	13.55%	\$18,535	13.55%	\$90,856	\$545
Dillingham	31	\$3,514,100	26.35%	\$37,289	67.69%	\$113,358	\$1,203
Nenana	22	\$784,182	20.91%	\$9,410	20.91%	\$35,645	\$428
Nome	82	\$6,773,617	-0.34%	\$85,348	4.61%	\$82,605	\$1,041
Pelican	6	\$328,100	0.00%	\$1,969	0.00%	\$54,683	\$328
Petersburg	138	\$16,616,517	3.44%	\$168,990	5.20%	\$120,410	\$1,225
Skagway	42	\$5,903,200	7.42%	\$38,779	11.28%	\$140,552	\$923
Unalaska	7	\$615,596	5.92%	\$7,255	5.91%	\$87,942	\$1,036
Valdez	62	\$6,458,821	18.43%	\$129,176	18.43%	\$104,175	\$2,083
Whittier	8	\$254,250	-4.83%	\$1,271	-4.83%	\$31,781	\$159
Wrangell	123	\$12,149,755	21.78%	\$121,792	3.85%	\$98,778	\$990
Totals	17,640	1,942,143,407	7.97%	31,076,097	10.01%	\$110,099	\$1,762

Distributed by
 Senator Donley

March 4, 2002

SB 337

An Act relating to eligibility for an exemption from municipal property taxes for certain seniors and disabled veterans.”

**ALLOWABLE ABSENCES
PERMANENT FUND DIVIDEND ELIGIBILITY**

Section 43.23.004(a)

The allowable absence for an individual for no reason to be gone is up to 180 days.

An individual may be absent for any amount of time under (1) – (13).

The maximum allowable absence for an individual under (1) or (2) of subsection 43.23.008(a) is plus 120 days, if they are not claiming an additional absence under (3) – (13).

The maximum allowable absence for an individual settling an estate of a deceased parent, spouse, sibling, child, or stepchild is 220 days.

An additional 45 days may be added to any of the allowable or cumulative absences claimed under (1) – (13) of subsection 43.23.0008 (a).

mjw

ALASKA STATUTE

AS 43.23.008. Allowable absences

- (a) Subject to (b) and (c) of this section, an otherwise eligible individual who is absent from the state during the qualifying year remains eligible for a current year permanent dividend if the individual was absent
- (1) receiving secondary or postsecondary education on a full-time basis;
 - (2) receiving vocational, professional, or other specific education on a full-time basis for which, as determined by the Alaska Commission on Postsecondary Education, a comparable program is not reasonably available in the state;
 - (3) serving on active duty as a member of the armed forces of the United States;
 - (4) serving under foreign or consular articles of employment aboard an oceangoing vessel of the United States merchant marine;
 - (5) receiving continuous medical treatment recommended by a licensed physician or convalescing as recommended by the physician that treated the illness if the treatment or convalescence is not based on a need for climatic change;
 - (6) providing care for a parent, spouse, sibling, child, or stepchild with a critical life-threatening illness whose treatment plan, as recommended by the attending physician, requires travel outside the state for treatment at a medical specialty complex;
 - (7) providing care for the individual's terminally ill parent, spouse, sibling, child, or stepchild;
 - (8) settling the estate of the individual's deceased parent, spouse, sibling, child, or stepchild, provided the absence does not exceed 220 cumulative days;
 - (9) serving as a member of the United States Congress;
 - (10) serving on the staff of a member from this state of the United States Congress;
 - (11) serving as an employee of the state in a field office or other location;
 - (12) accompanying a minor who is absent under (5) of this subsection;
 - (13) accompanying another eligible resident who is absent for a reason permitted under (1) – (3), (5) – (12), or (14) of this subsection as the spouse, minor dependent, or disabled dependent of the eligible resident;
 - (14) for any reason consistent with the individual's intent to remain a state resident, provided the absence or cumulative absences do not exceed
 - (A) 180 days if the individual is not claiming an absence under (1) – (13) of this subsection;
 - (B) 120 days in addition to any absence or cumulative absences claimed under (1) or (2) of this subsection if the individual is not claiming an absence under (3) – (13) of this subsection; or
 - (C) 45 days in addition to any absence or cumulative absences claimed under (1) – (13) of this subsection.
- (b) An individual may not claim an allowable absence under (a)(1) – (13) of this section unless the individual was a resident of the state for at least six consecutive months immediately before leaving the state.
- (c) An otherwise eligible individual who has been eligible for the immediately preceding 10 dividends despite being absent from the state for more than 180 days in each of the related 10 qualifying years is only eligible for the current year dividend if the individual was absent 180 days or less during the qualifying year. This subsection does not apply to an absence under (a)(9) or (10) of this section or to an absence under (a)(13) of this section if the absence is to accompany an individual who is absent under (a)(9) or (10) of the section. (Applies only to periods of absence during January 1, 1998, and thereafter)

Sec. 29.45.030. Required exemptions. (a) [See delayed amendment note.] [See editor's note.] The following property is exempt from general taxation:

(1) municipal property, including property held by a public corporation of a municipality, state property, property of the University of Alaska, or land that is in the trust

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

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

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

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

(i) In (e) — (i) of this section,

(1) "disabled veteran" means a disabled person

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

(B) who served in the Alaska Territorial Guard, who is a resident of the state, whose disability was incurred or aggravated in the line of duty while serving in the Alaska Territorial Guard, and whose disability has been rated as 50 percent or more;

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

(j) One motor vehicle per household owned by a resident 65 years of age or older on January 1 of the assessment year is exempt either from taxation on its assessed value or from the registration tax under AS 28.10.431. An exemption may be granted under this subsection only upon written application on a form prescribed by the Department of Administration.

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

(l) Two percent of the assessed value of a structure is exempt from taxation if the structure contains a fire protection system approved under AS 18.70.081, in operating condition, and incorporated as a fixture or part of the structure. The exemption granted by this subsection is limited to

(1) an amount equal to two percent of the value of the structure based on the assessment for 1981, if the fire protection system is a fixture of the structure on January 1, 1981; or

(2) an amount equal to two percent of the value of the structure based on the assessment as of January 1 of the year immediately following the installation of the fire protection system if the fire protection system becomes a fixture of the structure after January 1, 1981.

(m) For the purpose of determining property exempt under (a)(7) of this section, the following definitions apply to terms used in 43 U.S.C. 1620(d) unless superseded by applicable federal law:

(1) "developed" means a purposeful modification of the property from its original state that effectuates a condition of gainful and productive present use without further substantial modification; surveying, construction of roads, providing utilities or other similar actions normally considered to be component parts of the development process, but that do not create the condition described in this paragraph, do not constitute a developed state within the meaning of this paragraph; developed property, in order to remove the exemption, must be developed for purposes other than exploration, and be limited to the smallest practicable tract of the property actually used in the developed state;

(2) "exploration" means the examination and investigation of undeveloped land to determine the existence of subsurface nonrenewable resources;

(3) "lease" means a grant of primary possession entered into for gainful purposes with a determinable fee remaining in the hands of the grantor; with respect to a lease that conveys rights of exploration and development, this exemption shall continue with respect to that portion of the leased tract that is used solely for the purpose of exploration.

(n) If property or an interest in property that is determined not to be exempt under (a)(7) of this section reverts to an undeveloped state, or if the lease is terminated, the exemption shall be granted, subject to the provisions of (a)(7) and (m) of this section. (§ 12 ch 74 SLA 1985; am §§ 1, 2 ch 91 SLA 1985; am § 44 ch 37 SLA 1986; am §§ 2—4 ch 70 SLA 1986; am § 3 ch 66 SLA 1991; am § 1 ch 85 SLA 1991; am § 14 ch 93 SLA 1991; am § 1 ch 54 SLA 1992; am § 4 ch 97 SLA 1992; am E.O. No. 99 § 71 (1997); am § 81 ch 21 SLA 2000; am § 2 ch 117 SLA 2000; am § 8 ch 136 SLA 2000)

Delayed amendment. — Under secs. 3 and 19, ch. 117, SLA 2000, effective July 1, 2004, subsection (a) will be amended. The language of subsection (a) on July 1, 2004 will depend on the outcome of *Alaska Legislative Council v. Knowles*, 1-JU-00-1237 Civ. (First Judicial District at Juneau), which may determine the validity of the enactment of ch. 136, SLA 2000. If ch. 136, SLA 2000 was validly enacted, subsection (a) will read, on July 1, 2004, as follows: "(a) The following property is exempt from general taxation:

"(1) municipal property, including property held by

a public corporation of a municipality, state property, property of the University of Alaska, or land that is in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-830, 70 Stat. 709, except that

"(A) a private leasehold, contract, or other interest in the property is taxable to the extent of the interest;

"(B) notwithstanding any other provision of law, property acquired by an agency, corporation, or other entity of the state through foreclosure or deed in lieu of foreclosure and retained as an investment of a state entity is taxable; this subparagraph does not apply to



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March 11, 2002

Senator Dave Donley
State Capitol
Juneau, Alaska 99801-1182

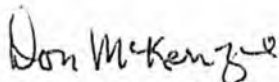
RE: SB 337 – An Act relating to eligibility for an exemption from municipal property taxes for certain seniors and disabled veterans.

Dear Senator Donley,

The Alaska Association of REALTORS with over 1,100 members statewide supports Senate Bill 337 that would allow certain seniors and disabled veterans to be eligible for an exemption from municipal property taxes. We agree that to be eligible, the individual must also be eligible for a permanent fund dividend that same year.

The Alaska Association of REALTORS encourages the passage of Senate Bill 337.

Sincerely,


Don McKenzie
President



Approved

Date: 3/5/02

Submitted by: Assemblymembers Fairclough,
Kendall, Shamberg, Taylor, Tremaine, Traini, Van Etten,
and Von Gemmingen

Prepared by: Department of Assembly

For reading: March 5, 2002

**ANCHORAGE, ALASKA
AR NO. 2002-75**

**A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY SUPPORTING
SENATE BILL NO. 337, "AN ACT RELATING TO ELIGIBILITY FOR AN EXEMPTION
FROM MUNICIPAL PROPERTY TAXES FOR CERTAIN SENIORS AND DISABLED
VETERANS."**

WHEREAS, established in 1973, the Senior Citizen and Disabled Veteran Property
Tax Exemption Program provides an excellent incentive to encourage our seniors and
disabled veterans to remain in the State of Alaska; and

WHEREAS, the Program is statutorily mandated and, prior to 1996, the cost to local
governments in lost property taxes was reimbursed by the State; and

WHEREAS, Senate Bill No. 337 provides improvements to the existing Program by
giving local governments more flexibility for determining who receives a property tax
exemption and also allows municipalities to apply the same eligibility requirements as the
Permanent Fund Dividend Program; and

NOW, THEREFORE, the Anchorage Assembly resolves:

Section 1: That this body supports and urges passage of Senate Bill No. 337
relating to eligibility for an exemption from municipal property taxes for certain seniors and
disabled veterans.

Section 2: That a copy of this resolution is forwarded to the Governor and the
Alaska State Legislature immediately upon passage and approval.

PASSED AND APPROVED by the Anchorage Assembly this _____ day of
_____, 2002.

Chair

ATTEST:

Municipal Clerk



Alaska State Senate

Senate Finance Committee


Official Business

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

MEMORANDUM

To: Representative Carol Morgan, Co-Chair
House Community & Regional Affairs Committee

Representative Kevin Meyer, Co-Chair
House Community & Regional Affairs Committee

Fr: Senator Dave Donley, Co-Chair 
Senate Finance Committee

Re: Calendar Request for SB 337, "Relating to eligibility for an exemption from municipal property taxes for certain seniors and disabled veterans."

Date: March 18, 2002

I request that you schedule Senate Bill 337, "Relating to eligibility for an exemption from municipal property taxes for certain seniors and disabled veterans", for a hearing in the House Community and Regional Affairs committee as soon as possible

Senate Bill 337 allows local governments to apply the same eligibility requirements as the Permanent Fund Dividend program to senior citizen and disabled veteran property tax exemption.

The original intent of the property tax exemption was to encourage seniors and veterans to remain in Alaska.

Senate Bill 337 passed the Senate on March 4, 2002, with a vote of 17 yeas and 3 nays.

Thank you in advance for your consideration of this request. If you or your staff should have any questions, please contact myself or Marilyn Wilson of my staff at 6541.

DD/mjw

Attachments
Sponsor Statement
Sectional Analysis
Fiscal Note
Background Information