

SB

4

22-LS0190\E
Cook
5/7/02

**HOUSE CS FOR CS FOR SENATE BILL NO. 4(CRA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION**

BY THE HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

**Offered:
Referred:**

Sponsor(s): SENATORS THERRIAULT, Wilken

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to optional exemptions from municipal property taxes on residential
2 property and limiting an optional exclusion or exemption to the assessed value of
3 \$10,000 for a residence in a municipality with a total bonded indebtedness that equals or
4 exceeds \$15,000 multiplied by the number of residents in the municipality; and
5 providing for an effective date."

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

7 * Section 1. AS 29.45.050(a) is amended to read:

8 (a) A municipality may exclude or exempt or partially exempt residential
9 property from taxation by ordinance ratified by the voters at an election. An
10 exclusion or exemption authorized by this subsection may not be applied with
11 respect to taxes levied in a service area to fund the special services. An exclusion
12 or exemption authorized by this subsection [SECTION] may not exceed the assessed
13 value of \$10,000 for any one residence in a municipality with a level of total

1 bonded indebtedness that equals or exceeds \$15,000 multiplied by the number of
2 residents in the municipality. Otherwise, an exclusion or exemption authorized
3 by this subsection may not, for any one residence, exceed the greater of the
4 following amounts:

5 (1) the assessed value of \$15,000 or 20 percent of the assessed value
6 of the residence, whichever is less; or

7 (2) the assessed value of \$10,000.

8 * Sec. 2. AS 29.45.050 is amended by adding a new subsection to read:

9 (q) A municipality may by ordinance exempt from taxation an amount not to
10 exceed \$10,000 of the assessed value of real property owned and occupied as a
11 permanent place of abode by a resident who provides in the municipality volunteer (1)
12 fire fighting services and is certified as a fire fighter by the Department of Public
13 Safety, or (2) emergency medical services and is certified under AS 18.08.082. If two
14 or more individuals are eligible for an exemption for the same property, not more than
15 two exemptions may be granted.

16 * Sec. 3. This Act takes effect January 1, 2003.

Alaska State Legislature

SENATOR
GENE THERRIALT

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Senate

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Senate District Q

CS SB 4(RLS) am "An Act relating to optional exemptions from municipal property taxes on residential property and limiting an optional exclusion or exemption to the assessed value of \$10,000 for a residence in a municipality with a total bonded indebtedness that equals or exceeds \$15,000 multiplied by the number of residents in the municipality; and providing for an effective date."

Sponsor: Senator Gene Therriault

Sponsor Statement

Senate Bill 4 stems from discussions in 2000 over the ballot measure proposing a 10 mill cap on property taxes. During debate leading up to the election, many residents expressed their belief that property owners bear an unfair portion of government expenses. Senate Bill 4 raises the ceiling on the amount a municipality may offer in residential property tax exemptions.

Under current law, municipalities may exempt up to \$10,000 of the assessed value of any single residential property. For example, if a house has an assessed value of \$100,000, the municipality would assess taxes on \$90,000. Five municipalities offer this exemption: Kenai, Bristol Bay, the Fairbanks North Star Borough, the North Slope Borough and Valdez. All except the Fairbanks North Star Borough give an across-the-board \$10,000 exemption, regardless of the value of the property. The North Star Borough allows an exemption of 20 percent of the assessed value of the residence, up to a maximum of \$10,000.

SB 4 continues the \$10,000 residential exemption for all municipalities. In addition, it allows those municipalities in which the total per capita bonded indebtedness is less than \$15,000 to exempt an additional \$5,000, up to a total of \$15,000, or 20% of the assessed value of the residence, whichever is less. As is currently the case, the exemption is optional and up to the discretion of local taxing authorities. Considering that the current \$10,000 cap has been on the books since 1974, I believe it is time to look at adjusting the property exemption allowance to give local governments more flexibility in their taxing decisions. Section (q) adds a new section allowing municipalities the option of extending the amount of the property tax exemption by an additional \$5,000 per resident in the household, up to two people, for residents who are certified as volunteer firefighters or paramedics.

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Earlier versions of SB 4 included a provision to allow local governments to prorate taxes part way through a tax year when someone who qualifies for a tax exemption sells property to someone who does not qualify. This provision was deleted following concerns raised by local tax assessing offices regarding difficulties in implementing this section.

Sectional Analysis
CS SB 4(RLS) am LS0190\M.A

Section 1 AS 29.45.050

(a) Current law allows municipalities to exempt or partially exempt residential property from taxation by ordinance ratified by voters at an election.

Page 1, Lines 9-11 Adds a sentence specifying that the exemption may not be applied with respect to taxes levied in a service area to fund special services. This sentence was added last year in Senate Finance in response to concerns that SB 4 would impact revenues levied by service areas for special services.

Page 1, Line 13 through Page 2, Line 2 Allows a municipality with a level of total bonded indebtedness that equals or exceeds \$15,000 multiplied by the number of residents in the municipality to exempt up to \$10,000 for any one residence.

Page 2, Line 2 through Line 7 Allows all other municipalities to exempt:

- A maximum of \$10,000 of assessed value for residences with a value up to \$50,000
- A maximum of 20 percent of the assessed value for residences with a value of more than \$50,000, up to a maximum of \$15,000

(q) Adds a new section allowing municipalities the option of exempting up to \$5,000 of the assessed value of a residence owned and occupied by a resident who is certified as a volunteer firefighter or volunteer EMS professional. If two or more individuals are eligible for an exemption for the same property, not more than two exemptions may be granted.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 5
Bill Version: CSSB4(2dFIN)
(S) Publish Date: 4/22/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Municipal Property Tax Exemption BRU Revenue Operations
Component Tax Division
Sponsor Senator Therriault
Requester Senate Rules Committee Component No. 2476

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 ()	(200.0)	(200.0)	(200.0)	(200.0)	(200.0)	(200.0)
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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)

See Page 2.

Prepared by: Dan Dickinson, Director Phone 269-1033
Division Tax Division Date/Time 4/10/02 1:06 PM
Approved by: Larry Persily, Deputy Commissioner Date 4/10/2002
Agency Department of Revenue

**Department of Revenue
Fiscal Note Explanation for CSSB 4(2d FIN) #5**

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This legislation would allow some municipalities to increase -- by a vote of the public -- the residential property tax exemption from the current \$10,000 per residence to \$15,000 per residence, or 20% in assessed value per residence, whichever is less. This legislation also would allow municipalities to exempt from taxation up to \$5,000 in assessed valuation of real property for each owner and occupant of a residence who serves as a volunteer firefighter or emergency medical services volunteer.

This could have an indirect effect on state revenues if municipalities increase their residential property assessment exemption and then increase their overall mill rate to make up for the lost revenue.

Under AS 43.56, the state imposes a 20-mill tax on oil and gas property in the state. If the municipality in which the oil and gas property is located also has a property tax, the taxpayer is allowed a credit for any local taxes before paying the state tax. For example, assume oil and gas property valued at \$1 million is located in a borough with a 15-mill tax rate. The taxpayer would pay \$15,000 to the locality. When it files its state taxes it has an obligation of \$20,000 (the 20-mill rate), offset by a tax credit of \$15,000, so it would send a check for \$5,000 to the state. Therefore, if the mill rates increase because of this legislation in localities that have extensive oil and gas production property, oil and gas taxpayers will pay more to the localities and less to the state.

The projected \$200,000 annual cost to the state of this legislation assumes that all of the localities that already grant the \$10,000 residential exemption would increase it to \$15,000 and would want to replace all of the revenues they would lose from the increased exemption. The \$200,000 cost also assumes that the municipalities would use an increased mill rate to replace the lost revenues -- thereby reducing state oil and gas property tax collections.

The \$200,000 estimate is a maximum.

It also should be noted that we have not included the North Slope Borough in our calculations for this legislation because the borough would be excluded from the option of increasing the property tax exemption above \$10,000 per residence. Sec. 1 of the bill says a municipality may not adopt a property tax exemption in excess of \$10,000 per residence if the municipality has a "level of total bonded indebtedness that equals or exceeds \$15,000 multiplied by the number of residents in the municipality." The North Slope Borough is the only municipality in Alaska that exceeds that limit at this time.