

**HB**

**6**

**HFIN**

**FILE**



# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: CSHB6(CRA)  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title Municipal Property Tax Exemptions BRU Revenue Operations  
 Component Tax Division  
 Sponsor Representative Davies  
 Requester House Finance 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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>**</b>
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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)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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 for analysis of this legislation's potential effect on state revenues.

Prepared by: Dan Dickinson, Director Phone 269-1033  
 Division Tax Division Date/Time 4/16/02 3:27 PM  
 Approved by: Larry Persily, Deputy Commissioner Date 4/16/2002  
 Agency Department of Revenue

**Department of Revenue  
Fiscal Note Explanation for CSHB6(CRA)**

*April 12, 2002 - Page 2 of 2*

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 \$40,000 per residence. This legislation also would allow municipalities to exempt from taxation up to \$20,000 in assessed valuation of real property for each residence whose owner serves as a volunteer firefighter or emergency medical services volunteer.

This legislation could reduce state oil and gas property tax revenues if municipalities increase their residential property assessment exemption and then increase their overall property tax mill rate to make up for the lost revenue rather than implement alternative taxes or reduce spending.

The maximum amount the state could lose in property tax revenue under this legislation would be an estimated \$1,400,000. The actual loss to the state would depend on how many municipalities adopt the new, higher residential property tax exemption, and how those municipalities deal with the reduction in their own revenues.

Under Alaska Statute 43.56, the state imposes a 20-mill tax on all 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 maximum cost to the state of this legislation assumes that all of the municipalities with significant oil and gas properties that already grant the \$10,000 residential exemption would increase it to \$40,000, and would also provide for the \$20,000 firefighter and emergency medical service volunteer exemption. The estimate also assumes that the municipalities would want to replace all of the revenues they would lose from the increased exemption. The \$1,400,000 maximum of lost revenue to the state 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.

It should be noted that using reasonable assumptions as to the number of eligible firefighters and emergency medical service volunteers, it was concluded that even with an increase in the exemption from \$10,000 to \$20,000 the fiscal effect to state revenues of this specific provision in the legislation would be negligible.

adopted 4/29 N/O

22-LS0075\C.1  
Cook  
4/17/02

AMENDMENT

OFFERED IN THE HOUSE  
TO: CSHB 6(CRA)

BY REPRESENTATIVE DAVIES

- 1 Page 2, lines 1 - 3:
- 2 Delete all material.
- 3 Insert "municipality volunteer (1) fire fighting services; or (2) emergency medical
- 4 services. If two or more individuals are eligible for an exemption for the same property, not
- 5 more than one exemption may be granted. The exemption under this subsection is in addition
- 6 to any exclusion or exemption that may be authorized for the same property under (a) of this
- 7 section."

**Department of Revenue  
Fiscal Note Explanation for CSHB6(CRA)**

*April 12, 2002 - Page 2 of 2*

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# Alaska State Legislature

Legislative Committees:  
House Finance Committee

Legislative Budget Subcommittees:  
University of Alaska  
Department of Natural Resources  
Department of Environmental Conservation

119 N. Cushman Street Suite 207  
Fairbanks, Alaska 99701  
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FAX (907) 451-9293

While in Session:  
State Capitol  
Juneau, Alaska 99801-3182  
(907) 465-4457  
FAX (907) 465-3519

Representative John Davies  
District 29

## Sponsor Statement

### House Bill 6

“An act relating to optional exemptions from municipal taxes on residential property.”

HB 6 allows a municipality the option to increase the residential property tax exemption from its current level of \$10,000 to \$40,000 with voter approval. This is an exemption that applies only to homes that are primary residence.

Section 1 raises the limit from \$10,000 to \$40,000

Section 2 allows a municipality with approved by the voters, the ability to add an additional \$10,000 to the amount granted in sec 1 to those giving their time as volunteer fire fighters or providing volunteer emergency medical services.

Recognizing the burden placed on the residential property owner, this bill grants greater relief from property tax.

HB 6 recognizes the commitment to the community by volunteer fire fighters and those providing emergency medical services by allowing municipalities the ability to increase their property tax exemption another \$10,000.

HB 6 is entirely optional at the local government level



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Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

\*\* See Page 2 for analysis of this legislator's potential effect on state revenues.

Prepared by: Dan Dickinson, Director Phone 269-1033  
 Division Tax Division Date/Time 4/16/02 3 27 PM  
 Approved by: Larry Persily, Deputy Commissioner Date 4/16/2002  
 Agency Department of Revenue

**HB-6  
Summary Cost Sheet**

Using 10,000 exemption x average mill rate of 18.176

Chena Goldstream Volunteer Fire = 29 eligible volunteers	\$5,272 loss in tax collections
Ester Volunteer Fire Department = 14 eligible volunteers	\$2,545 loss in tax collections
North Star Volunteer Fire Department = 32 eligible volunteers	\$5,817 loss in tax collections
Salcha Rescue 11 eligible volunteers	\$1,999 loss in tax collections
Steese Volunteer Fire Department = 29 eligible volunteers	\$5,272 loss in tax collections
University Fire 7 eligible volunteers commissioners	\$1,272 loss in tax collections
City of North Pole 11 eligible volunteers	\$1,999 loss in tax collections
Two Rivers Rescue 7 eligible volunteers	\$1,272 loss in tax collections

.....  
Based on 18.176 mill rate average.

8 departments = 140 eligible volunteers out of 257 volunteers for proposed 10k deduction.

Total estimated impact on the FNSB collections =	\$25,452.
Estimated 10% increase in volunteerism =	\$ 2,545.
<b>Total estimated cost of HB-6</b>	<b>\$27,997</b>

Benefit to volunteer within community = \$181.80

Cost per replacing volunteers with paid Firefighter/medic = 45,000 +42% benefits = \$63,900

HB-6  
Worksheet

Mill Rate

North Star Fire Service Area = 16.702  
University Fire Service Area (with light district) = 19.65  
Average Mill Rate based off high/low = 18.176

Values and members – using North Star Fire Service Area actual and average mill rate.

3,230,020 Total value of volunteer properties at North Star

32 people own property / 10 additional members related to same property = 57%

31 people rent = 43%

Total members 73

32 eligible members X 10,000 exemption = \$320,000

BEFORE 10k vol exemption	AFTER 10 k exemption
3,230,020	\$2,910,020

.....  
Chena Goldstream Volunteer Fire

50 number of total volunteers minus 43% average who are not eligible = 21

29 x 181.8 = \$5,272

.....  
Ester Volunteer Fire Department

25 number of total volunteers minus 43% average who are not eligible = 11

14 x 181.8 = \$2,545

.....  
Salcha Rescue

20 number of total volunteers minus 43% average who are not eligible = 9

11 x 181.8 = \$1,999

.....  
Steese Volunteer Fire Department

50 number of total volunteers minus 43% average who are not eligible = 21

29 x 181.8 = \$5,272

.....  
University Fire

7 eligible x \$181.8 average = \$1,272

.....  
City of North Pole Fire Department

20 number of total volunteers minus 43% average who are not eligible = 9

11 x 181.8 average = \$1,999

.....  
Two Rivers Rescue

12 number of total volunteers minus 43% average who are not eligible = 5

7 x 181.8 average = \$1,272

*Estimated Revenue Loss  
Due to Increased Allowance for  
Residential Exemption*

Municipality	Residential Exempt \$ @ \$10K (Actual-Reported)	Residential Exempt \$ @ \$50K (Estimated)	Local Assessed Value-Excluding Residential Exemption	Boro/City Wide Mill Rate (TY 2000)	Revenue Generated
Fairbanks North Star Borough	\$ 128,824,767	\$ 644,123,835	\$ 3,857,010,224	15.343	\$ 59,178,108
Kenai Peninsula Borough	\$ 92,514,500	\$ 432,572,500	\$ 3,503,198,694	7.800	\$ 26,624,310
North Slope Borough	\$ 1,900,500	\$ 9,502,500	\$ 10,821,684,071	18.500	\$ 200,201,155
City of Valdez	\$ 8,500,775	\$ 42,503,875	\$ 919,309,050	20.000	\$ 18,386,181
<b>Totals</b>	<b>\$ 231,740,542</b>	<b>\$ 1,158,702,710</b>	<b>\$ 19,101,202,039</b>		<b>\$ 304,389,754</b>
	<b>Local Assessed Less New \$50K Exemption Increase</b>	<b>New Mill Rate Necessary to Rate Same Revenues</b>	<b>Value of AS 43.56 Property</b>	<b>Revenue Generated from AS 43.56 with "old mill rate"</b>	<b>Revenue Necessary for New Exemption from AS 43.56 Property</b>
Fairbanks North Star Borough	\$ 3,341,711,156	17.7089	\$ 258,225,360	\$ 3,961,952	\$ 4,572,893
Kenai Peninsula Borough	\$ 3,133,140,694	8.4976	\$ 461,506,410	\$ 3,507,449	\$ 3,921,717
North Slope Borough	\$ 10,814,082,071	18.5130	\$ 10,553,757,880	\$ 195,244,521	\$ 195,381,772
City of Valdez	\$ 885,305,950	20.7682	\$ 623,410,970	\$ 12,468,219	\$ 12,947,103
<b>Totals</b>	<b>\$ 18,174,239,871</b>		<b>\$ 11,896,900,620</b>	<b>\$ 215,182,141</b>	<b>\$ 216,823,485</b>
			<b>Estimated increased cost to state</b>		<b>\$ 1,641,344</b>

Office of the State Assessor  
Steve Van Sant  
(907) 269-4605

# 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

April 12, 2002

**SUBJECT:** Municipal exemption from taxes on residential property; sectional summary (HB 6)

**TO:** Representative John Davies

**FROM:** Tamara Brandt Cook *TBC*  
Director

This bill changes an existing optional municipal tax exemption that is available for all residential property. It adds another optional municipal tax exemption for certain municipal volunteers.

**Sec. 1.** Increases the maximum amount of the existing optional municipal tax exemption for residential property from \$10,000 to \$40,000.

**Sec. 2.** Adds a new optional tax exemption for the residences of volunteers who provide fire fighting services or emergency medical services. The exemption must be approved by the municipal voters and may not exceed \$10,000.

TBC:med  
02-374.med



Eric Mohrmann  
Fire Chief

# CHENA-GOLDSTREAM FIRE & RESCUE

P.O. Box 80487, Fairbanks, Alaska 99708  
Business: (907) 479-5672 FAX: (907) 479-5858  
Emergency: 911



David Rohwer  
President

January 19, 2001

Representative John Davies  
State Capitol Rm. 422  
State of Alaska  
Juneau, Alaska. 99801-1182

Re: House Bill No. 6

Dear Representative Davies:

Chena-Goldstream Fire & Rescue is a primarily volunteer fire and ambulance service providing protection to the resident of Goldstream Valley, Chena Ridge/Chena Pump and portions of the Rosie Creek areas. We also provide ambulance service to Ester and to the south boundary of the borough. The largest portion of our funding comes from a self-imposed tax of 1.7 mils established by the residents of our fire service district. This is one of the lowest rates in any of the fire service districts.

The property in our district is primarily residential in nature and most parcels are eligible for the current \$10,000.00 residential exemption. There are 1,354 such exempted parcels leaving a total \$274,873,096.00 taxable valuation in the district. Should the exemption proposed in your House Bill # 6 pass, and be adopted by the Fairbanks North Star Borough, it would reduce our income by 15% making it very difficult to provide the level of service we now provide. On a separate note, I would like to thank you for proposing a \$10,000.00 exemption for volunteer firefighter and EMS personnel. This certainly demonstrates that you have a respect for the men and women who risk their lives and expend their time and resources to help their neighbors.

Our district is rapidly growing placing more demands on the volunteers and small staff we now have. State and federal mandates are making it more and more expensive to provide the service needed. A substantial reduction in the budget would cause us to seek an increase in the mil rate for fire protection to pay to the equipment and supplies needed to provide a safe and effective service.

I personally believe that this large an impact on the municipalities would spur similar mil rate increases in order to pay for schools and other governmental functions thereby defeating the intent of the bill. I respectfully request that you consider the impact your bill could potentially have on our small department and other such departments trying to provide the citizens the best service possible for a very small cost.

Sincerely,

David Rohwer  
President, Board of Directors

Cc: Mayor Rhonda Boyles

## Find a mortgage. On your terms.

Wednesday, January 10, 2001

GO

Article last updated:

Wednesday, January 10, 2001 3:12 PM MST

### Bill would ease tax burden for homeowners

By SEAN COCKERHAM  
News-Miner Juneau Bureau

JUNEAU--The impact of last year's failed property taxpayer revolt is being felt in the halls of the state Capitol.

Two Interior lawmakers, with support from members of the Fairbanks North Star Borough Assembly, have introduced legislation that would allow local communities the choice of increasing the household property tax exemption.

Under the current exemption, \$10,000 is shaved off the tax assessments of homeowners living in the Fairbanks borough and in a handful of other Alaska municipalities that choose to do so.

So if a Fairbanks family lives in a house assessed at \$150,000, it can pay borough taxes as though the house is worth \$140,000.

That \$10,000 is the most that can be exempted under current state law. But Sen. Gene Therriault, R-North Pole, and Rep. John Davies, D-Fairbanks, have filed bills that would allow local ordinances to increase the exemption up to \$50,000.

"It's a maximum," Davies said. "And it's totally optional."

A group of Fairbanks North Star Borough Assembly members and the executive director of the Alaska Municipal League have said that increasing the exemption cap would give local governments room to examine how they bring in revenue.

"If the Legislature allows us that flexibility, it is one more arrow in our quiver," said Karen Parr, presiding officer of the Fairbanks assembly.

But that does not mean the borough would exercise the option and increase the household exemption, Parr said. Borough staff is studying just how much the move would drain the coffers, she said.

"Obviously those tax dollars have to be made up somehow," Parr said, noting that borough residents are not clamoring for cuts in services.

Parr said some level of sales tax would be the most likely option for replacing the lost property tax revenue, but that would require a boroughwide vote and raise thorny issues such as what goods to exempt



from the sales tax.

The borough mayor, and some assembly members, have said they want to consider alternative revenue sources in the wake of the debate over last year's failed statewide initiative to limit local property taxes to 1 percent of a home's assessed value.

An ordinance to revive the borough's revenue task force is expected to go before assembly members soon.

Raising the household exemption would not hurt the borough's bottom line as much as simply lowering the tax rate, since the largest borough taxpayers are commercial properties.

Davies' bill would put the maximum exemption at \$40,000 for most households, with an additional \$10,000 possible for those who volunteer as firefighters or emergency personnel.

Therriault's proposal would make an across-the-board exemption cap of \$50,000. Both lawmakers said their numbers are flexible.

Davies said the \$10,000 maximum exemption became law in the early 1970s and that he is figuring out just how much inflation has risen since then. He also said he is researching whether local governments could raise the exemption themselves or would also need the approval of voters.

Therriault said he is waiting to hear from the local governments regarding just how much they want the maximum exemption to be. "It's a local call," he said.

Therriault said he does not believe that property owners bear the entire local tax burden in the Fairbanks borough and that they pass some of the cost on to renters. But he wants local governments to have the option to diversify their tax base.

Davies, a former borough assembly member, believes it may be a good idea for the Fairbanks borough to institute a modest sales tax and increase the household property tax exemption.

"It would spread the burden a little bit," he said. "I think it would be a little more fair."