

SB

4

Sectional Analysis
Senate Bill 4

Title 29. Municipal Government
Chapter 45. Municipal Taxation
Article 1. Municipal Property Tax

Section 1 AS 29.45.030(e)

030. Required exemptions. The provision amends section (e) by adding a mechanism for municipalities to prorate taxes part way through the year when a home owner who is eligible for an exemption sells his or her home to someone who is not eligible for an exemption.

Section 2 AS 29.45.050(a)

050. Optional exemptions and exclusions. The provision increases the amount a municipality may exempt residential property taxes from \$10,000 to \$50,000.

Alaska State Legislature

SENATOR
GENE THERRIAULT

Mailing Address:
119 N. Cushman, Suite 101
Fairbanks, Alaska 99701
(907) 488-0857
Fax: (907) 488-1271



Senate

While in session
State Capitol
Juneau, Alaska
99801-1182
(907) 465-4797
Fax: (907) 465-3884

Senate District Q

Senate Bill 4 **"An Act relating to a mandatory exemption from municipal property taxes for certain residences and to an optional exemption from municipal taxes for residential property; and providing for an effective date."**

Sponsor: Senator Gene Therriault

Sponsor Statement

Senate Bill 4 stems from discussions last year 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, from \$10,000 to \$50,000, on the amount a municipality may offer in residential property tax exemptions. 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.

In addition, it was brought to my attention that the mandatory exemption for senior citizens provides no mechanism for local governments to assess property taxes part way through a tax year when someone who qualifies for a tax exemption sells property to someone who does not qualify. SB 4 gives municipalities authority to prorate and collect those additional taxes. The current wording of SB 4 does not allow the provision to be exercised in the other direction—to grant an exemption mid-year when someone who is eligible for the exemption buys a house from someone who is not eligible. Although exercising the provision in reverse would result in a loss of borough revenues, I believe it is worthy of discussion and would welcome debate on that issue during the committee process. Regardless of the outcome on that aspect, I believe that the issue of prorating taxes is legitimate for consideration by the legislature.

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

BY

Offered:
Referred:

Sponsor(s): SENATOR THERBIAULT

A BILL
FOR AN ACT ENTITLED

1 **"An Act relating to a mandatory exemption from municipal property taxes for certain**
2 **residences and to an optional exemption from municipal taxes for residential property;**
3 **and providing for an effective date."**

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

5 *** Section 1. AS 29.45.030(e) is amended to read:**

6 (e) The real property owned and occupied as the primary residence and
7 permanent place of abode by a (1) resident 65 years of age or older; (2) disabled
8 veteran; or (3) resident at least 60 years old who is the widow or widower of a person
9 who qualified for an exemption under (1) or (2) of this subsection [,] is exempt from
10 taxation on the first \$150,000 of the assessed value of the real property. A
11 municipality may, in case of hardship, provide for exemption beyond the first
12 \$150,000 of assessed value in accordance with regulations of the department. Only
13 one exemption may be granted for the same property and, if two or more persons are
14 eligible for an exemption for the same property, the parties shall decide between or

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1 among themselves who is to receive the benefit of the exemption. Real property may
 2 not be exempted under this subsection if the assessor determines, after notice and
 3 hearing to the parties, that the property was conveyed to the applicant primarily for the
 4 purpose of obtaining the exemption. The determination of the assessor may be
 5 appealed under AS 44.62.560 - 44.62.570. If property is transferred during the
 6 year for which an exemption has been granted under this subsection to a person
 7 who does not qualify for the exemption, the exemption ceases on the date of the
 8 transfer. The municipality shall calculate a pro rata share of the amount of taxes
 9 that would have been levied for the year on the property had it not been granted
 10 an exemption under this subsection and shall notify the new owner of the
 11 additional amount of taxes. Payment of the additional amount of taxes is due 60
 12 days after the notice is provided to the new owner.

13 * Sec. 2. AS 29.45.050(a) is amended to read:

14 (a) A municipality may exclude or exempt or partially exempt residential
 15 property from taxation by ordinance ratified by the voters at an election. An exclusion
 16 or exemption authorized by this subsection [SECTION] may not

17 (1) exceed the assessed value of \$50,000 [\$10,000] for any one
 18 residence; or

19 (2) be applied with respect to taxes levied in a service area to fund
 20 the special services.

21 * Sec. 3. This Act takes effect January 1, 2002.



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

Rec'd 11:40 AM
- MJ

February 7, 2001

Senator Gene Terriault
Alaska State Senate
State Capitol
Juneau, AK 99811

Dear Senator Terriault

We are writing in support of SB 4, relating to Municipal Property Tax Exemption. The 2001 AML Policy Statement adopted by the entire membership of the League, states:

Part I. Revenue & Finance

C. Local Taxes

3. **Residential Tax Relief Local Option.** The League supports an amendment of A.S. 29.45.050(a), the optional local homeowner property tax exemption, to change "may not exceed the assessed value of \$10,000" to "may not exceed the assessed value of \$50,000" to allow municipalities an option to grant meaningful property tax relief to residential homeowners.

In light of last year's statewide property tax initiative, we recognize that some citizens believe there should be some changes in the way they pay for local government services. Senate Bill 4 offers Alaska's municipalities the option to increase the existing property tax exemption in order to provide for that change.

Thank you for sponsoring this legislation and if we can assist you in any way, please call me.

Sincerely,

Kevin Ritchie
Executive Director

cc: Senate Community & Regional Affairs Committee
AML Revenue & Finance Subcommittee

Rec'd. 2/6
4 PM
-MF

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB 4
() Publish Date: _____

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 Community and Regional Affairs Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
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 ()	(1,600.0)	(1,600.0)	(1,600.0)	(1,600.0)	(1,600.0)	(1,600.0)
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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)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 This legislation would allow municipalities to increase -- by a vote of the public -- the residential property tax exemption from the current \$10,000 to \$50,000 in assessed value per residence. 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 a \$1 million item located in a borough with a 15-mill tax rate. The taxpayer pays \$15,000 to the locality. When it files its state taxes it has an obligation of \$20,000, offset by a tax credit of \$15,000, so it only sends a check for \$5,000 to the state. Therefore, if the mill rates increase 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 \$1.6 million annual cost to the state of this legislation assumes that all of the localities that already grant the \$10,000 residential exemption will increase it to \$50,000, and will want to replace all of the revenues they would lose from the increased exemption and will use an increased mill rate to accomplish that -- thereby reducing state oil and gas property tax collections.

Prepared by: Dan Dickinson, Director Phone 269-1033
 Division: Tax Division Date/Time 11a.m., Feb. 6, 2001
 Approved by: Larry Persily, Deputy Commissioner Date Feb. 6, 2001
 Agency: Department of Revenue

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