

**SB**

**4**

SFIN

FILE

**SENATE FINANCE COMMITTEE REPORT**

REPORTED OUT  
MAR 21 2002  
SENATE FINANCE  
COMMITTEE

**RETURNED TO FINANCE:**

DATE: 3/1/02

FURTHER:

DATE TURNED  
IN TO OFFICE:

3/21/02

Finance Committee considered

SENATE BILL NO. 4

*SB 4 MUNICIPAL PROPERTY TAX EXEMPTION*

"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."

and recommends:

- be replaced with \_\_\_\_\_ CS SB 4 (2d FIN)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**Senate Bill:**

- same title
- new title

**House Bill:**

- same title
- technical title
- new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
Revenue	4/1/2002		✓	

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Loren S. Kuman</i>			✓	
<i>George Wilber</i>	✓			
<i>Alan Austin</i>	✓			
<i>[Signature]</i>			✓	
COCHAIR: <i>[Signature]</i>		✓		
COCHAIR: <i>[Signature]</i>	✓			

# FISCAL NOTE

STATE OF ALASKA  
 2002 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: CSSB4(FIN)  
 ( ) 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 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>(714.1)</b>	<b>(714.1)</b>	<b>(714.1)</b>	<b>(714.1)</b>	<b>(714.1)</b>	<b>(714.1)</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 attached page.

Prepared by: Jan Dickinson, Director Phone 269-1033  
 Division Tax Division Date/Time 4/3/02 5:28 PM  
 Approved by: Larry Persily, Deputy Commissioner Date 4/3/2002  
 Agency Department of Revenue

**Department of Revenue  
Fiscal Note Explanation for CSSB4(FIN)**

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 \$30,000 per residence, or 20% in assessed value per residence, whichever is less. This could have an indirect effect on state 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.

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 \$714,100 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 \$30,000 and would want to replace all of the revenues they would lose from the increased exemption. The \$714,100 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.

However, the \$714.1 estimate is a maximum because, in some limited cases, this legislation could actually result in higher residential property tax payments to municipalities. Under this legislation, most municipalities in the state would see the existing \$10,000 residential tax assessment exemption change to \$30,000, or a minimum of 20% of a residence's tax assessment, whichever is less. Because of that change, mobile homes, trailers and small homes valued at under \$50,000 could actually pay higher property taxes under this bill. For example, a \$40,000 trailer home under existing law could receive a \$10,000 tax assessment exemption, leaving a taxable assessment of \$30,000. But under this legislation, the exemption would be limited to 20% of the trailer's value, or \$8,000. Instead of paying property taxes on \$30,000 under the existing law, the property owner would pay taxes on \$32,000 (\$40,000 - \$8,000), resulting in a slightly higher tax payment.

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. 2 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.

22-LS0190V  
Cook  
3/13/02

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

BY

Offered:  
Referred:

Sponsor(s): SENATOR THERRIAULT

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to optional exemptions from municipal property taxes on residential  
2 property; and providing for an effective date."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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

5 (a) A municipality may exclude or exempt or partially exempt residential  
6 property from taxation by ordinance ratified by the voters at an election. An  
7 exclusion or exemption authorized by this subsection may not be applied with  
8 respect to taxes levied in a service area to fund the special services. An exclusion  
9 or exemption authorized by this subsection [SECTION] may not exceed the assessed  
10 value of \$10,000 for any one residence (in a municipality with a level of total  
11 bonded indebtedness that equals or exceeds \$15,000 multiplied by the number of  
12 residents in the municipality.) Otherwise, an exclusion or exemption authorized  
13 by this subsection may not, for any one residence, exceed the greater of the  
14 following amounts:

\*  
Conceptual  
Amend  
A1  
7/8  
#5

\* incorporate this  
language into title  
CSSB-4( )

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

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

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

5                   (q) A municipality may by ordinance exempt from taxation an amount not to  
6                   exceed \$5,000 of the assessed value of real property owned and occupied as a  
7                   permanent place of abode by a resident who provides in the municipality volunteer (1)  
8                   fire fighting services, or (2) emergency medical services. If two or more individuals  
9                   are eligible for an exemption for the same property, not more than two exemptions  
10                  may be granted.

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

*Conceptual  
Amendment  
#1  
3/21/02*

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

*(Should be  
amend #5)*

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): SENATOR THERRIAULT

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 \$5,000 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, or (2) emergency medical services. If two or more individuals  
13 are eligible for an exemption for the same property, not more than two exemptions  
14 may be granted.

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



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### FAX COVER SHEET

DATE: Thurs. 3/21/02 TIME: 11:50 AM

TO: Paula / Legal

NUMBER OF PAGES, INCLUDING COVER SHEET: 3

FROM: ROBIN PAUL  
SENATE FINANCE CMTE. ASST. SECRETARY  
PHONE: 465-2618  
FAX: 465-2187

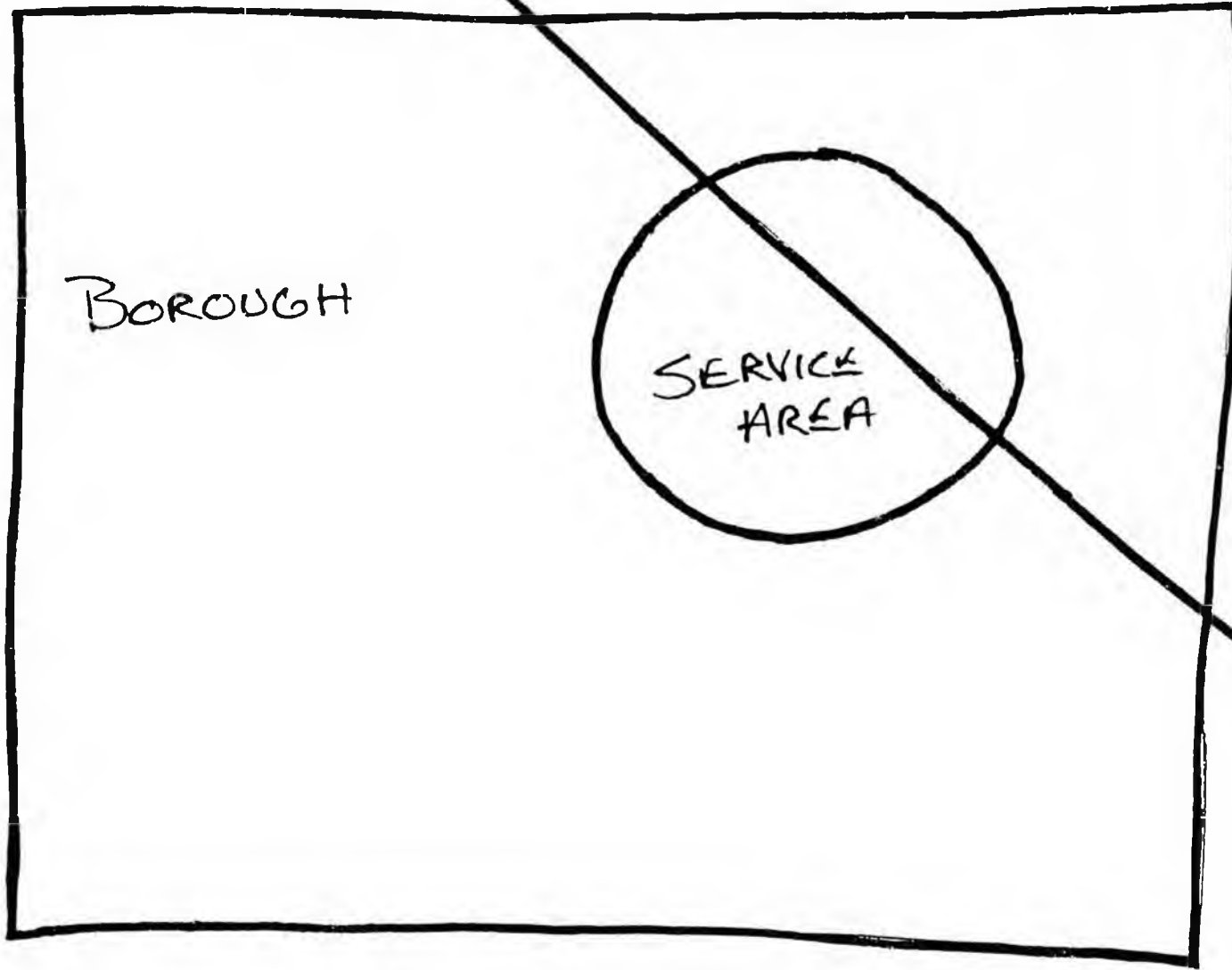
NOTES: Paula

Attached is info for Conceptual  
Amendment for SB 4.

Bracketed area indicates language to  
be incorporated into title.  
(Page 1, lines 10 thru 12)

*Thank you!*  
*Robin*

T.A.P.S.



DISTRIBUTED BY SEN. THERRIAULT

# Alaska State Legislature

SENATOR  
**GENE THERRIALT**

Mailing Address:  
119 N. Cushman, Suite 101  
Fairbanks, Alaska 99701  
(907) 488-0857  
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While in session:  
State Capitol  
Juneau, Alaska  
99801-1182  
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Senate District: Q

## Senate

CS SB 4 LS0190\I "An Act relating to optional exemptions from municipal property taxes on residential property; 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. Finally, section (q) of the proposed CS adds a new section allowing municipalities to exempt up to \$5,000 of the assessed value of a residence owned and occupied by a resident who volunteers fire fighting or emergency medical services.

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. The Rules CS deleted this provision following concerns raised by local tax assessing offices regarding difficulties in implementing this section.

**Sectional Analysis**  
**CS SB 4 LS0190\I**

**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 6-8** 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, Lines 10-12** 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 1, Line 12 through Page 2, Line 3** 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 to exempt up to \$5,000 of the assessed value of a residence owned and occupied by a resident who volunteers fire fighting or emergency medical services. If two or more individuals are eligible for an exemption for the same property, not more than two exemptions may be granted.





# SENATE FINANCE COMMITTEE REPORT

REPORTED OUT

MAR 27 2001

SENATE FINANCE  
COMMITTEE

DATE: 3/1/01

FURTHER:

DATE TURNED IN TO OFFICE: 5 April 2001

Finance Committee considered **SENATE BILL NO. 4**

**MUNICIPAL PROPERTY TAX EXEMPTION**

"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."

and recommends:

- be replaced with CS SB 4 (FIN)
- adopt previous CS (        )
- attached amendment(s)
- adopt Letter of Intent by          Committee
- further referral to          Committee

- Senate Bill:**
- same title
  - new title
- House Bill:**
- same title
  - technical title
  - new: SCR #

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
Revenue	3/28/01		✓	

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	No REC	AMEND
<i>Randy Neen</i>			✓	
<i>Walter Clustia</i>			✓	
<i>Jim Hill</i>			✓	
<i>Michael P. Olson</i>			✓	
<i>Frank White</i>	✓			
<i>Steve D. Fenner</i>				✓
COCHAIR: <i>Don Douglas</i>				✓
COCHAIR: <i>John G. Kelly</i>				

# FISCAL NOTE

REPORTED OUT  
  
MAR 27 2001  
  
SENATE FINANCE  
COMMITTEE

STATE OF ALASKA  
2001 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CS SB 4 (FINANCE)  
( ) 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 Finance 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						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	(714.1)	(714.1)	(714.1)	(714.1)	(714.1)	(714.1)
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**FUND SOURCE** (Thousands of Dollars)

FUND SOURCE	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	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)

See attached page.

Prepared by: Dan Dickinson, Director Phone 269-1033  
Division: Tax Division Date/Time 3 p.m., March 28, 2001  
Approved by: Larry Persily, Deputy Commissioner Date 03/28/2001  
Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

## Department of Revenue

### Fiscal Note Explanation for CS SB 4 (FINANCE) *March 28, 2001*

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 \$30,000 per residence, or 20% in assessed value per residence, whichever is less. 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 \$714.1 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 \$30,000 and would want to replace all of the revenues they would lose from the increased exemption. The \$714.1 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.

However, the \$714.1 estimate is a maximum because, in some limited cases, this legislation could actually result in higher residential property tax payments to municipalities. Under this legislation, most municipalities in the state would see the existing \$10,000 residential tax assessment exemption change to \$30,000, or a minimum of 20% of a residence's tax assessment, whichever is less. Because of that change, mobile homes, trailers and small homes valued at under \$50,000 could actually pay higher property taxes under this bill. For example, a \$40,000 trailer home under existing law could receive a \$10,000 tax assessment exemption, leaving a taxable assessment of \$30,000. But under this legislation, the exemption would be limited to 20% of the trailer's value, or \$8,000. Instead of paying property taxes on \$30,000 under the existing law, the property owner would pay taxes on \$32,000 (\$40,000 - \$8,000), resulting in a slightly higher tax payment.

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. 2 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.

Adopted

WORK DRAFT

WORK DRAFT

WORK DRAFT

22-LS0190\P  
Cook  
3/14/01

**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 THERRIAULT**

**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

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. A municipality may by ordinance  
6 provide that, if property is transferred during the year for which an exemption  
7 has been granted under this subsection to a person who does not qualify for the  
8 exemption, the exemption ceases on the date of the transfer. The municipality  
9 shall calculate a pro rata share of the amount of taxes that would have been  
10 levied for the year on the property had it not been granted an exemption under  
11 this subsection and shall notify the new owner of the additional amount of taxes.  
12 Payment of the additional amount of taxes is due 60 days after the notice is  
13 provided to the new owner.

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

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

18 (1) exceed the assessed value of \$40,000 [\$10,000] for any one  
19 residence; or

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

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

SENATE FINANCE COMMITTEE  
~~2000~~ **COMMITTEE ACTION**

3/27/01

Bill Number	SB 4		
Amendment	CS "P"		
Motion	adopt		
<u>Motion by</u>	Wilken		
<u>Objection by</u>	none		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Ward			
Senator Wilken			
Senator Austerman			
Senator Green			
Senator Hoffman			
Senator Leman			
Senator Olson			
Co-Chair Donley			
Co-Chair Kelly			
<u>Tally</u>			
Yea			
Nay			
Absent			
<b>MOTION</b>	Pass		

SENATE FINANCE COMMITTEE  
~~2000~~ COMMITTEE ACTION

3/19/01

Bill Number	SB 4		
Amendment	CS "P"		
Motion	adopt as work draft		
<u>Motion by</u>	Wilken		
<u>Objection by</u>	Donley		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	<u>Y</u>	<u>Vote</u>	<u>N</u>
Senator Olson			
Senator Ward			
Senator Wilken			
Senator Austerman			
Senator Green			
Senator Hoffman			
Senator Leman			
Co-Chair Donley			
Co-Chair Kelly			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	WITHDREW		

SENATE FINANCE COMMITTEE  
2000 COMMITTEE ACTION

<b>Bill Number</b>	SB 4		
<b>Amendment</b>			
<b>Motion</b>	move from Committee		
<b>Motion by</b>	Wilken		
<b>Objection by</b>	Donley		
<b>Removed</b>	✓ U		
<b>Second Objection by</b>			
<b>Committee Member</b>	<b>Y</b>	<b>Vote</b>	<b>N</b>
Senator Leman			
Senator Olson			
Senator Ward			
Senator Wilken			
Senator Austerman			
Senator Green			
Senator Hoffman			
Co-Chair Donley			
Co-Chair Kelly			
<b>Tally</b>			
Yea			
Nay			
Absent			
<b>MOTION</b>			

SENATE FINANCE  
COMMITTEE

Amendment Number: 1

Bill Number: SB 4

Sponsor: Donley Date: 03/22

Logged in By: Cadic

22-LS0190\O.1

Cook

3/21/01

A M E N D M E N T

(not offered)

OFFERED IN THE SENATE

BY SENATOR DONLEY

TO: CSSB 4(CRA)

1 Page 1, line 1, after "relating":

2 Insert "to limitations on municipal taxation of oil an production and pipeline  
3 property and"

5 Page 2, following line 11:

6 Insert new bill sections to read:

7 \*\* Sec. 2. AS 29.45.080 is amended by adding a new subsection to read:

8 (f) Notwithstanding AS 29.45.090(a) and regardless of whether the  
9 municipality levies the tax under (b) or (c) of this section, a municipality may not,  
10 during a year, levy a tax on property taxable under AS 43.56 for any purpose in excess  
11 of 1.8 percent of the assessed value of that property.

12 \* Sec. 3. AS 29.45.100 is amended to read:

13 Sec. 29.45.100. Applicability of [NO] limitations on taxes to pay bonds.  
14 The limitations provided for in AS 29.45.080 - 29.45.090 do not apply to taxes levied  
15 or pledged to pay or secure the payment of the principal and interest on bonds issued  
16 before January 1, 2002. Taxes to pay or secure the payment of principal and interest  
17 on bonds issued before January 1, 2002, may be levied without limitation as to rate  
18 or amount, regardless of whether the bonds are in default or in danger of default. The  
19 limitations provided for in AS 29.45.080(a) - (e) and 29.45.090 do not apply to  
20 taxes levied or pledged to pay or secure the payment of the principal and interest  
21 on bonds issued on or after January 1, 2002, regardless of whether the bonds are  
22 in default or in danger of default."

23

24 Renumber the following bill section accordingly.

§ 29.45.070

MUNICIPAL GOVERNMENT

year that the assessment is desired on forms to be prescribed by the municipality for use of the local assessor and shall include information reasonably required to determine the entitlement of the applicant. If the land is leased for airport purposes, the applicant shall furnish the assessor with a copy of the lease bearing the signature of both the lessee and the lessor for the period that the exemption is requested.

(c) In this section, "airport" means an area of land or water that is used for the landing, takeoff, movement, or parking of aircraft, and the appurtenant areas that are used for airport buildings or other airport facilities or right-of-way, together with airport buildings and facilities at the location. (§ 1 ch 16 SLA 1987)

**Sec. 29.45.070. Mobile homes.** Mobile homes, trailers, house trailers, travel trailers, coaches, and similar property used or intended to be used for residential, office, or commercial purposes and attached to the land or connected to water, gas, electric, or sewage facilities are classified as real property for tax purposes unless expressly classified as personal property by ordinance. This section does not apply to house trailers and mobile homes that are unoccupied and held for sale by persons engaged in the business of selling mobile homes. (§ 12 ch 74 SLA 1985)

→ **Sec. 29.45.080. Tax on oil and gas production and pipeline property.** (a) A municipality may levy and collect taxes on taxable property taxable under AS 43.56 or by using one of the methods set out in (b) or (c) of this section.

(b) A municipality may levy and collect a tax on the full and true value of taxable property taxable under AS 43.56 as valued by the Department of Revenue at a rate that does not exceed that which produces an amount of revenue from the total municipal property tax equivalent to \$1,500 a year for each person residing in its boundaries.

(c) A municipality may levy and collect a tax on the full and true value of that portion of taxable property taxable under AS 43.56 as assessed by the Department of Revenue which value, when combined with the value of property otherwise taxable by the municipality, does not exceed the product of 225 percent of the average per capita assessed full and true value of property in the state multiplied by the number of residents of the taxing municipality.

(d) By February 1 of each assessment year a taxing municipality shall inform the Department of Revenue which method of taxation the municipality will use.

(e) For purposes of this section, population shall be determined by the commissioner based on the latest statistics of the United States Bureau of the Census or on other reliable population data, and the commissioner shall advise each municipality of its population by January 15 of each year. (§ 12 ch 74 SLA 1985)

**Opinions of attorney general.** — The military population of the state should be included in the total population for purposes of applying the property tax methodology described in this section. 1978 Op. Att'y Gen. No. 21, decided under former, similar law.

Section 43.56 property annexed to a municipality

after the statutorily prescribed January 1, property assessment deadline, but before a municipality finalizes its tax roll, is taxable under this section and the tax paid to the municipality will be a credit against that oil company's corporate state tax for that year under AS 43.56.010(d). March 1, 1989 Op. Att'y Gen.

NOTES TO DECISIONS

Cited in *City of Valdez v. State, Dep't of Community & Regional Affairs*, 793 P.2d 532 (Alaska 1990).

**Sec. 29.45.090. Tax limitation.** (a) A municipality may not, during a year, levy an ad valorem tax for any purpose in excess of three percent of the assessed value of property in the municipality. All property on which an ad valorem tax is levied shall be taxed at the same rate during the year.

(b) A municipality, or combination of municipalities occupying the same geographic area, in whole or in part, may not levy taxes

MUNICIPAL TAXATION

§ 29.45.103

(1) that will result in tax revenues from all sources exceeding \$1,500 a year for each person residing within the municipal boundaries; or

(2) upon value that, when combined with the value of property otherwise taxable by the municipality, exceeds the product of 225 percent of the average per capita assessed full and true value of property in the state multiplied by the number of residents of the taxing municipality.

(c) The commissioner shall apportion the lawful levy and equitably divide the tax revenues on the basis of need, services performed, and other considerations in the public interest if two or more municipalities occupying the same geographical area, in whole or in part, attempt to levy a tax

(1) the combined levy of which would result in tax revenues from all sources exceeding \$1,500 a year for each person residing within the municipal boundaries; or

(2) upon value that, when combined with the value of property otherwise taxable by the municipality, exceeds the product of 225 percent of the average per capita assessed full and true value of property in the state multiplied by the number of residents of the taxing municipality.

(d) For the purpose of (b) and (c) of this section, population shall be determined by the commissioner based on the latest statistics of the United States Bureau of the Census or other reliable population data. (§ 12 ch 74 SLA 1985; am § 3 ch 40 SLA 1995)

**Effect of amendments.** — The 1995 amendment, effective August 23, 1995, inserted references to ad valorem taxes in two places in subsection (a).

NOTES TO DECISIONS

**Paragraph (b)(1) does not apply to sales taxes.** *Keane v. Local Boundary Comm'n*, 893 P.2d 1239 (Alaska 1995).

**Promulgation of regulations.** — Although the tax-limitation statutes do not require that the Department of Community and Regional Affairs promulgate regulations, the department should have promulgated its approach to 1983 tax-limitation population counts as an administrative regulation. *Matanuska-Susitna Borough v. Hammond*, 726 P.2d 166 (Alaska 1986)

(decided under former similar law).

**Determination of "population".** — The Department of Community and Regional Affairs' 1983 determinations of the "population" of municipalities for state revenue-sharing and tax-limitation purposes, including its method of counting remote site workers on the North Slope, were a rational exercise of its discretion. *Matanuska-Susitna Borough v. Hammond*, 726 P.2d 166 (Alaska 1986) (decided under former similar law).

→ **Sec. 29.45.100. No limitations on taxes to pay bonds.** The limitations provided for in AS 29.45.080 — 29.45.090 do not apply to taxes levied or pledged to pay or secure the payment of the principal and interest on bonds. Taxes to pay or secure the payment of principal and interest on bonds may be levied without limitation as to rate or amount, regardless of whether the bonds are in default or in danger of default. (§ 12 ch 74 SLA 1985)

NOTES TO DECISIONS

**Prohibition on people, acting through initiative.** — Since a municipality, in its legislative capacity, is prohibited from enacting a limitation on taxes to pay bonds, then the people, acting through the initia-

tive, in their legislative capacity, are similarly precluded. *Whitson v. Anchorage*, 608 P.2d 759 (Alaska 1980), decided under former similar law.

**Sec. 29.45.103. Taxation records.** (a) Municipal records dealing with assessment, valuation, or taxation may be inspected by the state assessor or a designee.

(b) If a municipality's assessment and valuation has been done by a private contractor, records concerning the municipality's valuation and assessment shall be made available to the state assessor or a designee on request.

(c) Upon request, a record described in (a) or (b) of this section shall promptly be made available to the child support enforcement agency created in AS 25.27.010 or the child



## SENATOR DAVE DONLEY

ALASKA STATE LEGISLATURE

Based on calendar year 2000 values, limiting this to 18 mills will affect the North Slope Borough and Valdez only.

The North Star Borough will not be affected at all by this limitation. The mill rate for the North Star Borough last year was 15.343 mills. The borough assessor does not believe that there is any oil & gas property located in service areas with mill rates in excess of 18 mills.

The North Slope Borough mill rate was 18.5 mills.

The value of AS 43.56 property (O&G) was \$10,553,757,880.

They received \$195,244,521 in property taxes at 18.5 mills.

They would get \$189,967,642 with an 18 mill cap for a reduction in revenue of \$5,276,879

The Valdez mill rate was 20 mills.

The value of AS 43.56 property (O&G) was \$623,410,970

They received \$12,468,219 in property taxes at 20 mills.

They would get \$11,221,397 with an 18 mill cap for a reduction in revenue of \$1,246,822

A reduction to 19 mills would have no affect on the North Slope Borough and would reduce Valdez revenues by \$623,411.

NOTE: This past calendar year, Valdez imposed a personal property tax on tankers (they worded their ordinance so it applied only to them). The tankers were valued at \$95 million and the city, provided they win the current lawsuit, will receive \$1.9 million in taxes on the tankers. The only other tax the Valdez imposes is a 6% hotel bed tax.

**Co-Chair: Senate Finance Committee**

**Vice-Chair: Senate Judiciary Committee**

**Member: Legislative Budget and Audit Committee • Legislative Council**

---

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[www.akrepublicans.org/Donley.htm](http://www.akrepublicans.org/Donley.htm) • [www.legis.state.ak.us/senate/donley/html](http://www.legis.state.ak.us/senate/donley/html)

SENATE FINANCE  
COMMITTEE

Amendment Number: #2  
Bill Number: SB 4  
Sponsor: Leman Date: 3/27/01  
Logged In By: Mindy

22-LS0190\P.3  
Cook  
3/27/01

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR LEMAN

TO: CSSB 4( ), Draft Version "P"

1 Page 1, line 2:

2 Delete "and"

3 Insert "; relating "

4 Following "property"

5 Insert "and prohibiting a municipality from replacing tax revenue lost as a  
6 result of the optional exemption with revenue generated from a tax on certain oil  
7 and gas production and pipeline property"

8

9 Page 2, line 16, following "election.":

10 Insert "However, the municipality may not replace tax revenue lost as a result of  
11 the exclusion or exemption with revenue generated from a tax levied under AS 29.45.080  
12 on property taxable under AS 43.56."

SENATE FINANCE COMMITTEE  
3/27/2001 COMMITTEE ACTION

Bill Number	SB4		
Amendment	#2		
Motion	acpt		
<u>Motion by</u>	L		
<u>Objection by</u>	Olson + Hoffman		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	<u>Y</u>	<u>Vote</u>	<u>N</u>
Senator Austerman			✓
Senator Green	✓		
Senator Hoffman			✓
Senator Leman	✓		
Senator Olson			✓
Senator Ward		—	
Senator Wilken			✓
Co-Chair Donley	✓		
Co-Chair Kelly			✓
<u>Tally</u>			
Yea	3		
Nay	5		
Absent	1		
<u>MOTION</u>	FAIL		

Amend #3  
(adopted)

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. A municipality may by ordinance  
 6 provide that, if property is transferred during the year for which an exemption  
 7 has been granted under this subsection to a person who does not qualify for the  
 8 exemption, the exemption ceases on the date of the transfer. The municipality  
 9 shall calculate a pro rata share of the amount of taxes that would have been  
 10 levied for the year on the property had it not been granted an exemption under  
 11 this subsection and shall notify the new owner of the additional amount of taxes.  
 12 Payment of the additional amount of taxes is due 60 days after the notice is  
 13 provided to the new owner.

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

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

18 (1) exceed the assessed value of ~~\$10,000~~ [ \$10,000 ] for any one  
 19 residence; or 430,000, ←

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

or 20% of the  
 assessed value,  
 whichever is less

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

SENATE FINANCE COMMITTEE

2000 COMMITTEE ACTION

3/27/01

Bill Number	584		
Amendment	#3		
Motion	adopt		
<u>Motion by</u>	Austerman		
<u>Objection by</u>	None		
Removed			
<u>Second Objection by</u>			
<u>Committee Member</u>	<u>Y</u>	<u>Vote</u>	<u>N</u>
Senator Green			
Senator Hoffman			
Senator Leman			
Senator Olson			
Senator Ward			
Senator Wilken			
Senator Austerman			
Co-Chair Donley			
Co-Chair Kelly			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	PASS		

Amend #4  
(adopted)

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. A municipality may by ordinance  
 6 provide that, if property is transferred during the year for which an exemption  
 7 has been granted under this subsection to a person who does not qualify for the  
 8 exemption, the exemption ceases on the date of the transfer. The municipality  
 9 shall calculate a pro rata share of the amount of taxes that would have been  
 10 levied for the year on the property had it not been granted an exemption under  
 11 this subsection and shall notify the new owner of the additional amount of taxes.  
 12 Payment of the additional amount of taxes is due 60 days after the notice is  
 13 provided to the new owner.

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

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

18 (1) exceed the assessed value of ~~\$40,000~~ [\$10,000] for any one  
 19 residence; or \$30,000, ←

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

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

assessed value,  
whichever is less

Conceptual: <sup>→</sup> Sec. 2(a)(1)  
 The increase is only available to those  
 governments with a debt service less  
 than \$15,000 per person

SENATE FINANCE COMMITTEE  
2000 COMMITTEE ACTION

Bill Number	SB4.		
Amendment	# 4		
Motion	abpt		
<u>Motion by</u>	D		
<u>Objection by</u>	A		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Hoffman			✓
Senator Leman	✓		
Senator Olson			✓
Senator Ward			
Senator Wilken	✓		
Senator Austerman			✓
Senator Green	✓		
Co-Chair Donley	✓		
Cc-Chair Kelly	✓		
<u>Tally</u>			
Yea	5		
Nay	3		
Absent	1		
<u>MOTION</u>	PASS		

\$30,000

only available to those  
 under 80

210,000 - 30000

do those splits that are less

than \$15,000 per person

**CS FOR SENATE BILL NO. 4(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-SECOND LEGISLATURE - FIRST SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:**

**Referred:**

**Sponsor(s): SENATOR THERRIAULT**

**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

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. A municipality may by ordinance  
 6 provide that, if property is transferred during the year for which an exemption  
 7 has been granted under this subsection to a person who does not qualify for the  
 8 exemption, the exemption ceases on the date of the transfer. The municipality  
 9 shall calculate a pro rata share of the amount of taxes that would have been  
 10 levied for the year on the property had it not been granted an exemption under  
 11 this subsection, and shall notify the new owner of the additional amount of taxes.  
 12 Payment of the additional amount of taxes is due 60 days after the notice is  
 13 provided to the new owner.

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

15 (a) A municipality may exclude or exempt or partially exempt residential  
 16 property from taxation by ordinance ratified by the voters at an election. An  
 17 exclusion or exemption authorized by this subsection may not be applied with  
 18 respect to taxes levied in a service area to fund the special services. An exclusion #3  
 19 or exemption authorized by this subsection [SECTION] may not exceed the assessed #4  
 20 value of \$10,000 for any one residence in a municipality with a level of total  
 21 bonded indebtedness that equals or exceeds \$15,000 multiplied by the number of  
 22 residents in the municipality. Otherwise, an exclusion or exemption authorized  
 23 by this subsection may not exceed the assessed value of \$30,000 or 20 percent of  
 24 the assessed value, whichever is less, for any one residence.

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



Official Business

# Alaska State Senate

Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

## FAX COVER SHEET

DATE: 27 March 01 TIME: 7:00 pm

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 3

FROM: MINDY ROWLAND  
SENATE FINANCE COMMITTEE SECRETARY  
PHONE: 465-4935  
FAX: 465-2187

NOTES: SB 4 22-LS01901P Cook  
Please send final FIN CS 3/14/01  
With accompanying amendments  
incorporated.

Amendment #4 is conceptual

Call w/ any questions  
Thanks  
Mindy

Senate Finance Committee Co-Chair Donley introduces language to a bill that would cap oil and gas property taxation in Anchorage and Fairbanks, in addition to other communities in Alaska. Senator Donley's amendments would reduce taxing authority vested in municipal governments from 20 mills to 18 mills. Supporting documents indicate primary targets of amendment are North Slope Borough and Valdez, however, consider the following:

Senator Donley claims "Based on calendar year 2000 values, limiting this to 18 mills will affect the North Slope Borough and Valdez only. The mill rate for the North Star Borough last year was 15.343 mills. The borough assessor does not believe that there is any oil & gas property located in service areas with mill rates in excess of 18 mills." But, the State Assessor's Office indicates the area-wide tax rate for the Fairbanks North Star Borough was 15.343 mills in 2000, with six tax districts ranging from 16.702 mills to 17.9 mills, plus tax district 8 at 19.889 mills and tax district 11 at 30.349 mills. FNSB Tax districts 4, 7,8,9,10 & 11 have oil & gas property.

If tax years beside 2000 are considered, Fairbanks has had one or more tax districts in excess of 18 mills every year from 1991 to 1999. Eight of these ten years the tax rates were higher than the North Slope Borough. With the potential of a natural gas hub in the Fairbanks North Star Borough, do FNSB resident's wish to pass up the revenue associated with a 2 mill reduction in its authority to tax hundreds of millions of dollars of new oil & gas property?

Anchorage has also had one or more tax districts with oil & gas property in excess of 18 mills every year from 1989 to 1999 with the exception of 1993 & 1994. Five of these nine years the MOA tax rates were higher than the North Slope Borough. Anchorage residents may wish to consider the North Star modules that were recently shipped to the North Slope. During construction, the Municipality of Anchorage was able to tax the full value of these modules within the MOA through its oil & gas property taxing authority in AS 43.56. Future modules may be constructed at the Port of Anchorage. Do Anchorage resident's wish to replace this potential revenue source with another tax? Is a sales tax the necessary revenue replacer?



Tony Knowles, Governor

## Division of International Trade and Market Development

850 W. 7th Avenue, Suite 1770, Anchorage, AK 99501-3510

Telephone: (907) 269-9110 • Fax: (907) 269-8125 • Text Telephone: (907) 465-5437

Email: AKTrade@dced.state.ak.us • Website: www.dced.state.ak.us/trade/

March 19, 2001

Ms. Wilda Rodman  
State Capitol, Room 121  
Juneau, AK 99801-1182

Dear Ms. Rodman,

You have asked for an explanation as to how CSSB 4 might affect school funding for those municipalities that might increase the exemption which is addressed in that legislation.

Section 2 of the proposed legislation, AS 14.17, which addresses the effect of the proposed exemption on the full and true value of a municipality for the purposes of AS 14.17.

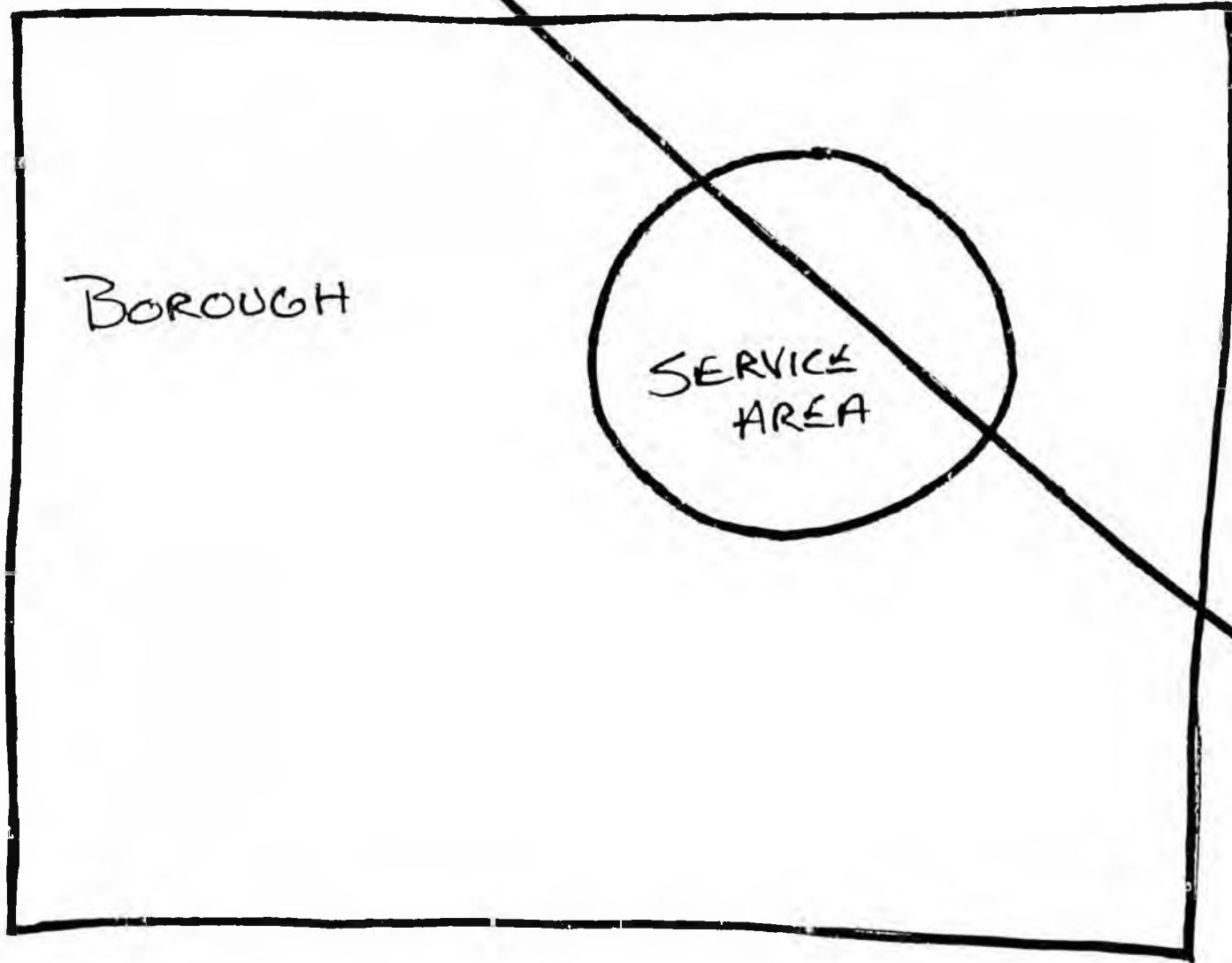
AS 14.17 requires that a municipality participate with the cost of education with a minimum of a four mill equivalency, or four mills times the full and true value of the municipality. The full and true value of a municipality is calculated by my office. The full and true value of a municipality represents the total value of the municipality upon which it could levy taxes if it so chose to do so. This full and true value includes the value of all optional exemptions which the municipality has enacted. For example, if a municipality's local assessed value is \$10,000,000 and it has enacted the residential exemption which totals \$200,000, my office will add the optional exemption to the local assessed value to obtain the full value, in this case, the full value would be \$10,200,000. The proposed exemption, if enacted, would result in a lower total local assessed value, in this example to \$9,400,000 and would increase the exempted amount to \$800,000. My office would calculate the full value by adding the two amounts which would result in a full value \$10,200,000. The four mill equivalency of the full value, for either of the exempt amounts, is exactly the same, thus causing no difference in funding amounts. The only issue that might address any funding is the fact that the municipality will lose, in this example, \$600,000 of assessed value upon which a property tax can be levied, thus requiring either an increase in the local mill rate, an alternate source of revenue, a decrease in services so the revenue loss may be made up without increasing the levy or a combination of these.

I hope this adequately addresses your question regarding this matter. If you have any other questions, please feel free to contact me.

Sincerely,

Steve Van Sant  
State Assessor

T.A.P.S.



SB 4

DISTRIBUTED BY SEN. THERRIAULT

# Alaska State Legislature

SENATOR  
GENE THERRIAULT

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## Senate

Senate District Q

**CSSB 4 (CRA)**      **"An Act relating to a mandatory exemption from municipal property taxes for certain residences; and providing for an effective date."**

**Sponsor:**              **Senator Gene Therriault**

### Sponsor Statement

---

---

Senate Bill 4 provides a mechanism within the mandatory senior citizen residential property tax exemption for local governments to assess property taxes part way through a tax year. SB 4 gives municipalities authority to prorate and collect the additional taxes when someone who qualifies for a tax exemption sells property to someone who does not qualify. 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; however, I would support language to allow this latitude.

I would also like to request that the Finance Committee consider adopting a substitute version of the bill that includes a provision to raise the ceiling on the amount a municipality may offer in residential property tax exemptions. This idea arose 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. I believe local governments should be given the opportunity to exercise greater flexibility in offering tax relief to residential property owners, and have submitted a substitute for the committee's consideration that would raise the ceiling from the current \$10,000 to \$40,000. As is currently the case, the exemption would be 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 leeway in their taxing decisions.

provided by  
Senator Thériault

**Sectional Analysis**  
**CSSB 4 CRA**

**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.

*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	Borc./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	\$ 462,572,500	\$ 3,503,198,694	7.600	\$ 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>\$ 19,101,272,039</b>		<b>\$ 304,389,754</b>
	<b>Local Assessed Less New \$50K Exemption Increase</b>	<b>New Mill Rate Necessary to Raise 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	\$ 10,553,757,890	\$ 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



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

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

## PARTIAL RESIDENTIAL EXEMPTION WHAT-IF SCENARIOS

The following scenario was calculated from the actual 2000 certified Tax Roll which had 13,649 properties receiving the partial residential exemption.

AT 20%; \$10,000 MAX. (Actual)	AT 20%; \$20,000 MAX.	AT 20%; \$30,000 MAX.	AT 20%; \$40,000 MAX.	AT 20%; \$50,000 MAX.
\$128,875,253	\$232,357,191	\$291,951,856	\$312,035,758	\$318,422,181
Factor of 1.00	1.80	2.27	2.42	2.47

\* Note: Only 364 applicants would receive the full \$50,000 exemption

Tax Dollars using Mill Rate Of 15.343 (ie. Last year's mill rate)				
\$1,977,333	\$3,565,056	\$4,479,417	\$4,787,565	\$4,885,552

This next scenario was calculated using the same 2000 Tax Roll but eliminating the 20% since that is not in the State Statutes.

(What-If) Flat \$10,000	Flat \$20,000	Flat \$30,000	Flat \$40,000	Flat \$50,000
\$135,708,011	\$268,798,752	\$398,375,104	\$523,835,068	\$644,629,161
Factor of 1.00	1.98	2.94	3.86	4.75

\* Note: 11,829 (or 87%) would receive the full \$50,000 exemption

Tax Dollars using Mill Rate Of 15.343 (ie. Last year's mill rate)				
\$2,082,168	\$4,124,179	\$6,112,269	\$8,037,201	\$9,890,545



# Fairbanks North Star Borough

Office of the Mayor

809 Pioneer Road

P.O. Box 71267

Fairbanks, Alaska 99707-1267

907/459-1300

Fax 907/459-1102

Email [mayor@co.fairbanks.ak.us](mailto:mayor@co.fairbanks.ak.us)

March 14, 2001

The Honorable Senator Gene Therriault  
State Capitol  
Juneau, AK 99801-1182

Dear Senator Therriault,

I would like to express my support for the proposed committee substitute for SB4, which allows a municipality to exempt or partially exempt residential property from taxation not to exceed the assessed value of \$40,000. If the exemption is not applied to taxes levied in a service area, the Fairbanks North Star Borough can continue its efforts to reduce residential property taxes without jeopardizing service area funding or raising service area mill rates.

The original version of SB4 allowed the increased residential exemption to be applied to services areas. This raised concerns that the exemption would significantly reduce service area revenues, thus leading to a potential mill rate increase on pipeline, undeveloped parcels, and commercial parcels in order to maintain the same level of service. These concerns are not relevant if the increased exemption does not apply to service areas. I appreciate your willingness to help us devise a solution that may provide some relief to residential property taxpayers and not lead to an increased mill rate for service areas.

If the proposed committee substitute for SB4 passes, the Fairbanks North Star Borough will propose an increased exemption only if other sources of revenue that are palatable to residents are approved by the assembly or voters. As you know, the borough operates under a revenue tax cap. The increased residential exemption will only be presented to voters if alternative sources of revenue can be put into place that will make up the difference in lost property taxes. I have established an Alternative Revenue Commission that is evaluating different revenue sources, community support for revenue proposals, and administrative costs associated with collection. The Commission will report to the Assembly in June 2001. SB4 is an important tool in devising a tax structure that residents deem fair and equitable.

Again, thank you for your assistance as we explore revenue alternatives. If you need further information, please do not hesitate to contact me at 459-1804.

Sincerely,

Rhonda Boyles  
Borough Mayor

**SENATE COMMITTEE REPORT  
First Committee of Referral**

DATE: 1/8/01

FURTHER: Finance

Date of 5-Day Notice: 2/01/01  
(in accordance with Uniform Rule 23)

DATE TURNED ~~1/05/01 CRA~~  
IN TO OFFICE: 2/28/01

Community and Regional Affairs Committee considered

SENATE BILL NO. 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."

and recommends:

- be replaced with CS SB 4 (CRA)
- adopt previous CS (        )
- attached amendment(s)
- adopt Letter of Intent by          Committee
- further referral to          Committee

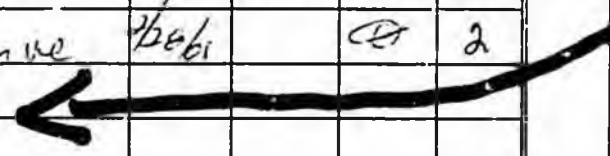
- Senate Bill:**  
 same title  
 new title
- House Bill:**  
 same title  
 technical title  
 new: SCR #

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
Revenue	2/6/01		CR	2

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
Revenue	2/6/01	✓		1



APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
CHAIR: <i>[Signature]</i>	✓			



**SITE: ANCHORAGE LIO**

**COMMITTEE:**

Senate Finance

**DATE: 3-19-2001**

**SUBJECT OF MEETING:**

SCR 7-Health Care Cost Review Task Force

SB 4-Municipal Property Tax Exemption

SB 137-AK Human Resource Investment Council

SB 6-Mobile Home Park Eviction Notice

**UPDATE #:**



## PLEASE SIGN IN

**PLEASE PRINT:**

**NAME**

**ADDRESS (MAILING & ZIP)**

**REPRESENTING**

**DO YOU WANT  
TO TESTIFY?  
Y or N**

NAME	ADDRESS (MAILING & ZIP)	REPRESENTING	DO YOU WANT TO TESTIFY? Y or N
Steve Van Sant		State Assessor	Ans ?s SB 4
<del>Steve Van Sant</del>			<del>Ans ?s SB 4</del>



# Bill History/Action Display



BILL: SB 4 SHORT TITLE: MUNICIPAL PROPERTY TAX EXEMPTION  
BILL VERSION:  
SPONSOR(S): SENATOR(S) THERRIALT  
CURRENT STATUS: (S) FIN STATUS DATE: 03/01/01

TITLE: "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."

[Full Text](#)

[Fiscal Notes](#)

## Committee Action with Bill History

Jrn-Date	Jrn-Page	Action
01/08/01	<a href="#">0012</a>	(S) PREFILE RELEASED - 12/29/00
01/08/01	<a href="#">0012</a>	(S) READ THE FIRST TIME - REFERRALS
01/08/01	<a href="#">0012</a>	(S) CRA, FIN
03/01/01	<a href="#">0554</a>	(S) CRA RPT CS 1DP 2NR NEW TITLE
03/01/01	<a href="#">0555</a>	(S) DP: TORGERSON; NR: PHILLIPS, AUSTERMAN
03/01/01	<a href="#">0555</a>	(S) FN1: (REV)
03/01/01	<a href="#">0555</a>	(S) FN2: ZERO(REV)
03/01/01	<a href="#">0555</a>	(S) REFERRED TO FINANCE

[Similar Subject Match](#) or [Exact Subject Match](#)

- [DISABILITIES](#)
- [MUNICIPALITIES](#)
- [PROPERTY](#)
- [SENIOR CITIZENS](#)
- [TAXATION](#)
- [VETERANS](#)

Bill Root:  [Display Bill Root](#)

BASIS HAS BEEN RE-PROGRAMMED THIS YEAR  
TO REPORT PROBLEMS WITH BASIS INQUIRY

[Return to Basis Main Menu \(22 Legislature\)](#)  
[Return to Legislature Home Page](#)