

HB

241

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: May 12, 2003

FURTHER REFERRALS:

Date of Committee Action: 2/5/04

The STATE AFFAIRS Committee considered:

HB 241

HOUSE BILL NO. 241

MUNICIPAL PROPERTY TAX EXEMPTION

"An Act relating to optional exemptions from municipal property taxes on residential property."

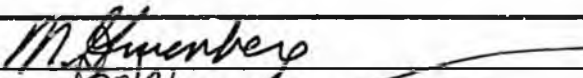

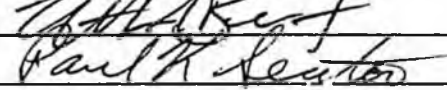
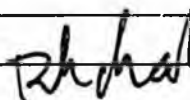
Recommends it be replaced with [] HCS or [] CS for HB241 (STA)
 For Senate Bills with new title: [] Technical Title [] New Title: HCR _____ [] Same Title [] New Title

- [] attach amendments
- [] add new referral to _____ Committee
- [] Letter of Intent _____ Committee

List of Abbrev for Depts.:
 ADM
 CED
 COR
 CRT
 EED
 DEC
 DFG
 GOV
 HSS
 LEG
 LAW
 LWF
 MVA
 DNR
 DPS
 REV
 DOT
 UA

<u>NEW FISCAL NOTES</u>				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
<u>CED</u>				<input checked="" type="checkbox"/>
<u>REV</u>				<input checked="" type="checkbox"/>

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero
<u>CED</u>				<input checked="" type="checkbox"/>

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	Gruenberg	<input checked="" type="checkbox"/>			
	LYNN	<input checked="" type="checkbox"/>			
	SEATON	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
Chair: 	Weyhrauch			<input checked="" type="checkbox"/>	
Chair:					

ALASKA STATE LEGISLATURE

REPRESENTATIVE BRUCE WEYHRAUCH



ALASKA
STATE CAPITOL
JUNEAU, ALASKA
99801-1182

(907) 465-3744
FAX (907) 465-2273

STATE AFFAIRS COMMITTEE

Feb. 5, '04

RE: CS HB 241 (STA)

I am:

It is my understanding
that you will be changing
the words "peace officer" (Page 2
line 2) to "law enforcement officer"
As the Committee Aide for the House
State Affairs Committee, I
am authorizing that change. Thanks
for your help. Ginny Austerma

Amendment # 1

offered by Rep. Seaton

HB 241

*adopted as
changed
2/5/04*

Page 1 Line 7

delete the word "not"

After the word "~~subsection~~" add the words "~~may or~~"

Page 1 Line 11

Delete Sec. 2

AMENDMENT 2

OFFERED IN THE HOUSE
TO: HB 241

BY REPRESENTATIVE GRUENBERG

1 Page 2, following line 4:

2 Insert a new bill section to read:

3 **** Sec. 3.** AS 29.45.050 is amended by adding a new subsection to read:

4 (s) A municipality may by ordinance designate an area within its boundaries
5 as a high crime area and exempt from taxation an amount not to exceed \$10,000 of the
6 assessed value of real property within the area that is owned and occupied as a
7 permanent place of abode by a peace officer."

Conceptual

"POLICE officer"
changed by Leg Legal
with concurrence from
Rep. Gruenberg to "law
enforcement officer."
2/5/04 Ma + Jan Cook

Added by Rep. Weybranch 2/5/04

"A municipality adopting such
an ordinance may not seek funding
from the state to cover a shortfall
municipal budget
caused by the adoption of the
ordinance."

*removed for discussion
only 1/27/04
not adopted JJA
removed 2/5/04*

23-LS0851\ND
Cook
1/22/04

CS FOR HOUSE BILL NO. 241(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Offered:

Referred:

Sponsor(s): REPRESENTATIVE CHENAULT

A BILL

FOR AN ACT ENTITLED

1 **"An Act increasing an optional exclusion or exemption from municipal taxation for**
2 **residential property."**

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 exclusion
7 or exemption authorized by this subsection [SECTION] may not exceed the assessed
8 value of \$50,000 [\$10,000] for any one residence.

STATE OF ALASKA

**REPRESENTATIVE
MIKE CHENAULT**

Interim:
145 Main St. Loop, Second Floor
Kenai, Alaska 99611
(907) 283-7223
Fax: (907) 283-3075



HOUSE OF REPRESENTATIVES

Official Business

Session:
Capitol Building, Room 432
Juneau, Alaska 99801-1182
(907) 465-3779
Toll Free: (800) 469-3779
Fax: (907) 465-2833

SPONSOR STATEMENT HB 241 - MUNICIPAL PROPERTY TAX EXEMPTION

This bill has two provisions. One is to give municipalities an option to provide an exemption up to \$50,000 on residential property taxes. This can only be done by ordinance with a vote of the people. It does not affect taxes levied in a service area.

Under current law, municipalities may exempt up to \$10,000 of the assessed value of any single residential property. Five municipalities offer this exemption, Bristol Bay Borough, Kenai Peninsula Borough, Fairbanks North Star Borough, North Slope Borough, and the City of Valdez.

The second provision is to increase the tax exemption on real property from \$10,000 to \$20,000 for a volunteer fire fighter or Emergency medical services worker.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 241
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title Municipal Property Tax Exemption RDU Comm Assist and Econ Dev (405)
Component Community Advocacy
Sponsor Representative Chenault
Requester House Community & Regional Affairs Component No. 2703

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
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						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: _____

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Current law provides that a municipality may exclude, exempt or partially exempt residential property from taxation by ordinance ratified by the voters at an election. This legislation introduces a restriction on this optional exemption such that an exclusion or exemption authorized by this subsection may not be applied with respect to taxes levied in a service area to fund the special services. This change would have no fiscal impact on the department.

Prepared by: Gene Kane, Director Phone (907) 269-4580
Division: Community Advocacy Date/Time 12/30/03 1:43 PM
Approved by: Edgar Blatchford, Commissioner Date 12/30/2003
Agency: Department of Community and Economic Development

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB241
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Municipal Property Tax Exemption RDU Revenue Programs & Services
 Component Tax Division
 Sponsor Representative Chenault
 Requester House State Affairs Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	***	***	***	***	***	***
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

*** See page 2 for discussion of possible revenue effects on the state.

Prepared by: Dan Dickinson, Director Phone 269-1033
 Division Tax Division Date/Time 1/27/04 6:25 AM
 Approved by: Steve Porter, Deputy Commissioner Date 1/27/2004
 Agency Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. HB241

ANALYSIS CONTINUATION

This legislation would allow municipalities to exempt – by a vote of the public – up to \$50,000 in annual assessed valuation of each parcel of residential property. In addition it would allow a \$20,000 exemption for the principle residence of volunteer EMT/firefighters. Currently these optional exemptions are capped at \$10,000 each.

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.

Analysis:

Assuming all municipalities with oil and gas property took advantage of the provision in this legislation and adopted a \$50,000 exemption for residential property owners plus a \$20,000 EMT/Firefighter exemption, and assuming every affected municipality raised its property tax mill rate to fully recover the revenue loss from the lower assessment valuation on residential property, then there would be some annual revenue loss to the state.

However:

It is unknown which, if any, municipalities would adopt the higher exemption rate, if adopted, whether they would allow the maximum exemption, and if the municipalities would attempt to recover all lost revenue by increasing the mill rate.

Therefore the Department of Revenue cannot accurately project what effect this legislation would have on state property tax revenues. See attached spreadsheet for further analysis.

**HB 241- Residential \$50,000 Exemption.
Estimated Effects with No Other Revenue Source**

		Residential Property Value	Mill Rates	Residential Estimated Taxes	Residential Savings	Commercial Property Value	Commercial Estimated Taxes	Comm. Tax Increase	AS 43.56 Value	Oil & Gas Est. Taxes	Oil & Gas Revenues Diverted to Local Muni.
Fairbanks North Star Borough	Pre-HB 241	\$ 150,000	0.015403	\$ 2,310		\$ 500,000	\$ 7,702		\$ 270,805,700	4,171,220.20	
	Post-HB 241	\$ 100,000	0.01758	\$ 1,758	(552.45)	\$ 500,000	\$ 8,790	\$ 1,089	\$ 270,805,700	4,760,764.21	\$ 589,544
Kenai Peninsula Borough	Pre-HB 241	\$ 150,000	0.0065	\$ 975		\$ 500,000	\$ 3,250		\$ 638,617,190	4,151,011.74	
	Post-HB 241	\$ 100,000	0.007218	\$ 722	(253.20)	\$ 500,000	\$ 3,609	\$ 359	\$ 638,617,190	4,609,538.88	\$ 458,527
North Slope Borough	Pre-HB 241	\$ 150,000	0.01856	\$ 2,784		\$ 500,000	\$ 9,280		\$ 10,463,871,080	194,209,447.24	
	Post-HB 241	\$ 100,000	0.018572	\$ 1,857	(926.80)	\$ 500,000	\$ 9,286	\$ 6	\$ 10,463,871,080	194,335,013.70	\$ 125,566
City of Valdez	Pre-HB 241	\$ 150,000	0.02	\$ 3,000		\$ 500,000	\$ 10,000		\$ 657,583,710	13,151,674.20	
	Post-HB 241	\$ 100,000	0.020741	\$ 2,074	(925.90)	\$ 500,000	\$ 10,371	\$ 371	\$ 657,583,710	13,638,943.73	\$ 487,270

Estimated total revenue loss, by municipality, if exemption is increased to \$50K

	Total	Oil & Gas Taxes	Local Tax	
Fairbanks	\$ 8,493,199	\$ 589,544	\$ 7,903,655	
Kenai	\$ 2,765,014	\$ 458,527	\$ 2,306,487	
North Slope	\$ 129,177	\$ 125,566	\$ 3,611	
Valdez	\$ 749,687	\$ 487,270	\$ 262,417	
	\$ 12,137,077	\$ 1,660,907	\$ 10,476,170	\$ 1,660,907

This worksheet estimates the effect of implementing an increase in the Homestead exemption from the current \$10K limit to \$50K. It does not include an estimate for the volunteer firefighter/emergency medical volunteer section of the legislation as those numbers are not available.

The numbers provided for residential and commercial values are hypothetical, however, the resulting revenues are reflective of actual property tax increases/decreases if there are no other revenue sources to draw from or service are not cut to correspond with overall tax revenue drop based upon the increased local exemption. The values for oil and gas are actual numbers and represent actual estimated loss of state revenue, assuming all municipalities increase the local exemption to the \$50K and no other revenue sources are identified nor are existing services cut.

The mill rates used for the "Pre-HB 241" is actual mill rates from municipalities for 2003 tax year. The mill rate used for the "Post-HB 241" is a calculated rate. The calculation was done in such a manner to raise the same revenues as the "pre-exemption" mill rates. This assumes all lost tax revenue will be raised from the property tax with no revenue from other sources.

Introduced by: Superman
Date: 04/01/03
Action: Adopted
Vote: 8 Yes, 0 No, 1 Absent

**KENAI PENINSULA BOROUGH
RESOLUTION 2003-035**

**A RESOLUTION SUPPORTING THE PASSAGE OF SENATE BILL 136 AND SIMILAR
LEGISLATION WHICH RAISES THE CURRENT OPTIONAL RESIDENTIAL TAX
EXEMPTION FROM \$10,000 TO \$50,000**

- WHEREAS**, AS 29.45.050 authorizes municipalities to implement various property tax exemptions; and
- WHEREAS**, the \$10,000 maximum residential property exemption authorized by AS 29.45.050(a) has remained unchanged since 1974; and
- WHEREAS**, of the five Alaska municipalities offering this tax exemption, the Kenai Peninsula Borough is the only one to also levy a sales tax; and
- WHEREAS**, the two percent sales tax levied by the Kenai Peninsula Borough has kept the mill rate to a minimum, thus allowing the State to retain a greater share of the AS 43.56 (Oil and Gas Property) revenues; and
- WHEREAS**, in October 2002, the voters of the Kenai Peninsula Borough defeated a ballot proposition that would have exempted food from sales tax; and
- WHEREAS**, over the last decade, property owners have seen a substantial rise in assessed valuations, thereby increasing their tax bills by fifty to one hundred percent in some areas; and
- WHEREAS**, an increase in the Residential Property Tax Exemption will minimally affect state revenues and should be left to the discretion of the local governing body; and
- WHEREAS**, a minimal and stable tax rate is a primary factor in residential and economic development; and
- WHEREAS**, the Kenai Peninsula Borough Assembly has identified an increase in residential property tax exemptions as one of its 2003 legislative priorities; and
- WHEREAS**, SB 136 and similar legislation will provide a discretionary tax relief mechanism that will benefit bonafide full time residential homeowners;

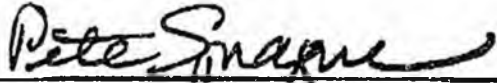
NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That the Kenai Peninsula Borough Assembly urges the 23rd Alaska State Legislature to enact SB 136, increasing the optional residential property exemption from \$10,000 to \$50,000.


SECTION 2. That copies of this resolution shall be provided to Senators Con Bunde, Georgiana Lincoln, Gary Stevens and Tom Wagoner, and to Representatives Mike Chenault, Mike Hawker, Carl Morgan, Paul Seaton and Kelly Wolf.

SECTION 3. That this resolution shall take effect upon its adoption.

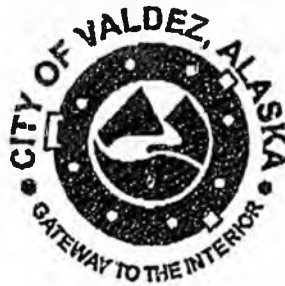
ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 1ST DAY OF APRIL, 2003.


Pete Sprague, Assembly President

ATTEST:


Linda S. Murphy, Borough Clerk





OFFICE OF THE MAYOR

January 20, 2004

Representative Bruce Weyhrauch
Chair, House State Affairs Committee
State Capitol
Room 102
Juneau, Alaska 99801-1182


Dear Representative Weyhrauch:

The City of Valdez supports HB 241. The City currently exempts \$10,000 from assessed value of residential property.

The City's current mill rate is 20 mills. Passage of HB 241 and the implementation of the maximum exemption of \$50,000 by the City of Valdez will not impact the State's share of property tax revenue from oil and gas property located within the City limits.

On behalf of the City of Valdez, I encourage passage of the HB 241.

Sincerely,



Bert L. Cottle
Mayor



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

January 26, 2004

Representative Bruce Weyhrauch
Alaska State House of Representatives
Chair, House Community and Regional Affairs Committee
State Capitol, Room 102
Juneau, AK 99811

RE: HB 241

Dear Representative Weyhrauch:

HB 241 would allow municipalities the power to voluntarily increase the optional residential property exemption from up to \$10,000, to up to \$50,000. The original optional residential property tax exemption was set in 1970 at \$10,000. HB 241 essentially allows for an inflationary adjustment since 1970 (over 30 years). While this concept is not currently specifically addressed in the Municipal Policy Statement, the Alaska Municipal League has historically supported the concept as a purely optional tax tool for municipalities.

2004 AML Policy states:

Part I. Revenue & Finance

C. Local Taxes

2. Sales and Property Taxes:

The League supports municipal control over sales and property tax. These taxes are the principle sources of local government revenue and, therefore, require local control.

Thank you for hearing this issue, 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

HB 241

1/27/04

Steve Van Sant State Assessor

answer ?'s