

SB

136

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
APR 27 2004
SENATE FINANCE
COMMITTEE

DATE: 4/4/03

FURTHER:

DATE TURNED
IN TO OFFICE: 27 April 2004

Finance Committee considered

SENATE BILL NO. 136

SB 136 RESIDENTIAL PROPERTY TAX EXEMPTION

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

and recommends:

- be replaced with _____ CS SB 136 (FIN)
- adopt previous _____ CS CS forthcoming (_____)
- 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#

forthcoming
 f/n's
 DCED
 Revenue

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>[Signature]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>[Signature]</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>[Signature]</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>[Signature]</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
COCHAIR: <i>[Signature]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
COCHAIR: <i>[Signature]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

REPORTED OUT

APR 27 2004

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB 136(FIN)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Residential Property Tax Exemption RDU Revenue Operations
Component Tax Division
Sponsor Sen. Community & Regional Affairs
Requester Senate Rules 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: Randall Hoffbeck, State Petroleum Property Assessor Phone 269-1029
Division: Tax Division Date/Time 4/28/04 8:37 AM
Approved by: Steve Porter, Deputy Commissioner Date 4/28/2004
Agency: Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CSSB 136(FIN)

ANALYSIS CONTINUATION

This legislation would allow municipalities to exempt – by a vote of the public – up to \$20,000 in annual assessed valuation of each parcel of residential property. Currently the optional residential exemption is capped at \$10,000. This legislation also extends the deteriorated property exemption from 5 years to 10 years and extends the exemption to include demolition and removal of the improvements.

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 \$20,000 exemption for residential property owners 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.

The extension of the deteriorated property exemption is not expected to have an additional fiscal impact on 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.

		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-SB 136	\$ 150,000	0.015403	\$ 2,310		\$ 500,000	\$ 7,702		\$ 270,805,700	4,171,220.20	
	Post-SB 136	\$ 130,000	0.01589515	\$ 2,066	(244.08)	\$ 500,000	\$ 7,948	\$ 246	\$ 270,805,700	4,304,496.68	\$ 133,276
Kenai Peninsula Borough	Pre-SB 136	\$ 150,000	0.0065	\$ 975		\$ 500,000	\$ 3,250		\$ 638,617,190	4,151,011.74	
	Post-SB 136	\$ 130,000	0.00666573	\$ 867	(108.46)	\$ 500,000	\$ 3,333	\$ 83	\$ 638,617,190	4,256,849.17	\$ 105,837
North Slope Borough	Pre-SB 136	\$ 150,000	0.01856	\$ 2,784		\$ 500,000	\$ 9,280		\$ 10,463,871,080	194,209,447.24	
	Post-SB 136	\$ 130,000	0.01856301	\$ 2,413	(370.81)	\$ 500,000	\$ 9,282	\$ 2	\$ 10,463,871,080	194,240,990.48	\$ 31,543
City of Valdez	Pre-SB 136	\$ 150,000	0.02	\$ 3,000		\$ 500,000	\$ 10,000		\$ 657,583,710	13,151,674.20	
	Post-SB 136	\$ 130,000	0.02018024	\$ 2,623	(376.57)	\$ 500,000	\$ 10,090	\$ 90	\$ 657,583,710	13,270,198.72	\$ 118,525

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

	Total	Oil & Gas Taxes	Local Tax	
Fairbanks	\$ 2,123,299	\$ 133,276	\$ 1,990,023	\$ 389,182
Kenai	\$ 691,254	\$ 105,837	\$ 585,416	
North Slope	\$ 32,294	\$ 31,543	\$ 751	
Valdez	\$ 187,422	\$ 118,525	\$ 68,897	
	\$ 3,034,269	\$ 389,182	\$ 2,645,087	

This worksheet estimates the effect of implementing an increase in the Homestead exemption from the current \$10K limit to \$20K. The deferred property exemption extends an existing exemption from 5 years to 10 years and would not increase the cost to the state.

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 services 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 \$20K and no other revenue sources are identified nor are existing services cut.

The mill rates used for the "Pre-SB 136" is actual mill rates from municipalities for 2003 tax year. The mill rate used for the "Post-SB 136" 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.

REPORTED OUT

APR 27 2004

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB 136
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title Residential Property Tax Exemption RDU Comm Assist and Econ Dev (405)
Component Community Advocacy
Sponsor Senate Community & Regional Affairs
Requester Senate Finance 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						
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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: _____
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)

This legislation would allow municipalities to exempt -- by a vote of the public -- up to \$50,000 in assessed annual valuation of each parcel of residential property. This legislation will have no fiscal impact on the department.

Prepared by: Gene Kane, Director Phone (907) 269-4580
Division Community Advocacy Date/Time 2/11/04 11:28 AM
Approved by: Edgar Blatchford, Commissioner Date 2/11/2004
Agency Department of Community and Economic Development

Amendment #

OFFERED IN THE SENATE
TO: CSSB 136 (FIN)

Sponsored by
Sen. Ben Stevens

Page 1, line 2, following "property":

Insert "and to an exemption from and deferral of municipal property taxes on certain types of deteriorated property"

Page 1, following line 8:

Insert a new bill sections to read:

Sec. 2. AS 29.45.050(o) is amended to read:

(o) A municipality may by ordinance partially or totally exempt all or some types of deteriorated property from taxation for up to 10 [FIVE] years beginning on or any time after the day substantial rehabilitation, renovation, demolition, removal, or replacement of any structure on the property begins. A municipality may by ordinance permit deferral of payment of taxes on all or some types of deteriorated property for up to five years beginning on or any time after the day substantial rehabilitation, renovation, demolition, removal or replacement of any structure on the property begins. However, if the ownership of property for which a deferral has been granted is transferred, all tax payments deferred under this subsection are immediately due and the deferral ends, or, if ownership of any part of the property is transferred, all tax payments are immediately due. The amount deferred each year is a lien on that property for that year. Only one exemption and only one deferral may be granted to the same property under this subsection, and, if an exemption and a deferral are granted to the same property, both may not be in effect on the same portion of the property during the same time. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application for each exemption or deferral. In this subsection, "deteriorated property" means real property that is commercial property not used for residential purposes or that is multi-unit residential property with at least eight residential units, and that meets one of the following requirements:

(1) within the last five years, has been the subject of an order by a government agency requiring environmental remediation of the property or requiring the property to be vacated, condemned, or demolished by reason of noncompliance with laws, ordinances, or regulations;

(2) has a structure on it not less than 15 years of age that has undergone substantial rehabilitation, renovation, demolition, removal, or replacement, subject to any conditions prescribed in the ordinance; or

(3) is located in a deteriorating or deteriorated area with boundaries that have been determined by the municipality.

Sec. 3. The uncodified law of the State of Alaska enacted in sec. 2, ch. 8, SLA 1999, as amended by sec. 1, ch. 102, SLA 2002, is amended to read:

Sec. 2. AS 29.45.050(c) is repealed July 1, 2010 [2006].

ADOPTED
SENATE FINANCE
COMMITTEE

Amendment Number: #1

Bill Number: SB 136

Sponsor: Wilken Date: 4/27/04

Logged In By: Mindy

Amendment # _____

OFFERED IN SENATE BY: Sen. Wilken by Request

To: SB 136 – An Act increasing an optional exclusion or exemption from municipal taxation for residential property.”

- 1 Page 1, line 6, following “election.” ; insert
- 2 “An exclusion or exemption authorized by this subsection may
- 3 be applied with respect to taxes levied in a service area to fund
- 4 the special services.”

ADOPTED

WORK DRAFT

WORK DRAFT

WORK DRAFT

23-LS0440\D
Cook
4/23/04

CS FOR SENATE BILL NO. 136(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

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 \$20,000 [\$10,000] for any one residence.

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

Municipality	Residential Exempt \$ @ \$10K (Actual-Reported)	Residential Exempt \$ @ \$50K (Estimated)	Local Assessed Value-Excluding Residential Exemption	Boro/City Wide Mill Rate (TY 2000)	Revenue Generated
Fairbanks North Star Borough	\$ 128,824,767	\$ 644,123,835	\$ 3,857,010,224	15.343	\$ 59,178,108
Kenai Peninsula Borough	\$ 92,514,500	\$ 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
Totals	\$ 231,740,542	\$ 1,158,702,710	\$ 19,101,202,039		\$ 304,389,754

	Local Assessed Less New \$50K Exemption Increase	New Mill Rate Necessary to Raise Same Revenues	Value of AS 43.56 Property	Revenue Generated from AS 43.56 with "old mill rate"	Revenue Necessary for New Exemption from AS 43.56 Property
Fairbanks North Star Borough	\$ 3,341,711,156	17.7089	\$ 258,225,360	\$ 3,961,952	\$ 4,572,893
Kenai Peninsula Borough	\$ 3,133,140,694	8.4976	\$ 461,506,410	\$ 3,507,449	\$ 3,921,717
North Slope Borough	\$ 10,814,082,071	18.5130	\$ 10,553,757,880	\$ 195,244,521	\$ 195,381,772
City of Valdez	\$ 885,305,950	20.7682	\$ 623,410,970	\$ 12,468,219	\$ 12,947,103
Totals	\$ 18,174,239,871		\$ 11,896,900,620	\$ 215,182,141	\$ 216,823,485
			Estimated increased cost to state		\$ 1,641,344

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

**Estimated Annual Loss in State Revenues
Due to Proposed Increased Allowance for Residential Exemption**

Current 10K Exemption

Municipality	Total Local Assessed Value-Prior to Residential Exemption A	Residential Exempt \$ @ \$10K (Actual-Reported) B	Taxable Value C=A-B	Boro/City Wide Mill Rate (TY 2000) D	Revenue Generated E=C*D/1000
Fairbanks North Star Borough	\$ 4,192,796,465	\$ 135,633,055	\$ 4,057,163,410	15.405	\$ 62,500,602
Kenai Peninsula Borough (1)	\$ 3,990,563,602	\$ 101,524,300	\$ 3,889,039,302	9.500	\$ 36,945,873
North Slope Borough	\$ 10,802,876,320	\$ 1,590,000	\$ 10,800,886,320	18.500	\$ 199,816,397
City of Valdez	\$ 968,751,960	\$ 8,328,555	\$ 960,423,405	20.000	\$ 19,208,468
Totals	\$ 19,954,988,347	\$ 247,475,910	\$ 19,707,512,437		\$ 318,471,341

Proposed 50K Exemption

Municipality	Local Assessed Value-Prior to Residential Exemption F=A	Residential Exempt \$ @ \$50K (Estimated @ 500%) G	Taxable Value H=F-G	Boro/City Wide Mill Rate Necessary for New Exemption I=J/H	Revenue Generated J=E	Revenue loss for us
Fairbanks North Star Borough	\$ 4,192,796,465	\$ 678,165,275	\$ 3,514,631,190	17.783	\$ 62,500,602	15.405 \$ (8,357,709)
Kenai Peninsula Borough	\$ 3,990,563,602	\$ 507,621,500	\$ 3,482,942,102	10.608	\$ 36,945,873	9.500 \$ (3,857,923)
North Slope Borough	\$ 10,802,876,320	\$ 9,950,000	\$ 10,792,926,320	18.514	\$ 199,816,397	18.500 \$ (147,260)
City of Valdez (2)	\$ 968,751,960	\$ 41,642,775	\$ 927,109,185	20.719	\$ 19,208,468	20.000 \$ (66,284)
Totals	\$ 19,954,988,347	\$ 1,237,379,550	\$ 18,717,608,797		\$ 318,471,341	\$ (13,029,177)

Estimated Loss in State Revenue

Municipality	Value of AS 43.56 Property K	Change in Mill Rate L=I-D	Effect on State Portion of AS 43.56 M=K*L
Fairbanks North Star Borough	\$ 263,366,140	2.378	\$ 626,278
Kenai Peninsula Borough	\$ 660,927,090	1.108	\$ 732,084
North Slope Borough	\$ 10,523,837,740	0.014	\$ 143,589
City of Valdez	\$ 658,944,010	0.719	\$ 473,562
Totals	\$ 12,107,134,980		\$ 1,975,514

"Local" Effect of Increased Mill Rate

Municipality	Value of non-AS 43.56 Property N=H-K	Change in Mill Rate O=L	Effect on "Local" Portion of AS 43.56 P=N*O	
Fairbanks North Star Borough	\$ 3,251,265,050	2.378	\$ 7,731,430	\$ 8,357,709
Kenai Peninsula Borough	\$ 2,822,015,012	1.100	\$ 3,125,839	\$ 3,857,923
North Slope Borough	\$ 259,028,580	0.014	\$ 3,671	\$ 147,260
City of Valdez	\$ 268,165,175	0.719	\$ 192,722	\$ 66,284
Totals	\$ 6,610,473,817		\$ 11,053,662	\$ 13,029,177

(1) Used Nikiski Mill Rate minus the 2.3 mill levy for the fire service district
(2) Assumes that Valdez would exceed the 20 mill limit on 43.56 properties and that a credit could be taken against other 43.56 properties

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

Municipality	Residential Exempt \$	Residential Exempt \$	Local Assessed Value-Excluding Residential Exemption	Boro/City Wide Mill Rate (TY 2003)	Revenue Generated	
	10000 (Actual-Reported)	20000 (Estimated)				
Fairbanks North Star Borough	\$ 137,849,713	\$ 275,699,426	\$ 4,452,200,402	15.403	\$ 68,577,243	
Kenai Peninsula Borough	\$ 106,346,700	\$ 212,693,400	\$ 4,277,332,196	6.500	\$ 27,802,659	
North Slope Borough	\$ 1,740,000	\$ 3,480,000	\$ 10,714,796,571	18.560	\$ 198,866,624	
City of Valdez	\$ 9,371,094	\$ 18,742,188	\$ 1,049,202,962	20.000	\$ 20,984,059	
Totals	\$ 255,307,507	\$ 510,615,014	\$ 20,493,532,131		\$ 316,230,586	
	Local Assessed Less New \$50K Exemption Increase	New Mill Rate Necessary to Raise Same Revenues	Value of AS 43.56 Property	Revenue Generated from AS 43.56 with "old mill rate"	Revenue Necessary for New Exemption from AS 43.56 Property	
Fairbanks North Star Borough	\$ 4,314,350,689	15.8951	\$ 270,805,700	\$ 4,171,220	\$ 4,304,497	\$ 133,276
Kenai Peninsula Borough	\$ 4,170,985,496	6.6657	\$ 638,617,190	\$ 4,151,012	\$ 4,256,849	\$ 105,837
North Slope Borough	\$ 10,713,056,571	18.5630	\$ 10,463,871,080	\$ 194,209,447	\$ 194,240,990	\$ 31,543
City of Valdez	\$ 1,039,831,868	20.1802	\$ 657,583,710	\$ 13,151,674	\$ 13,270,199	\$ 118,525
Totals	\$ 20,238,224,624		\$ 12,030,877,680	\$ 215,683,353	\$ 216,072,535	
			Estimated increased cost to state		\$ 389,182	

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: SB 136
 (S) Publish Date: 4/4/03

Revision Date/Time (Note if correction): 3/17/2003
 Title Residential Property Tax Exemption

Dept. Affected: DCED
 BRU Community Assist & Econ. Dev. (405)
 Component Community & Business Development
 Component No. 2486

Sponsor Senate Community & Regional Affairs
 Requester Senate Community & Regional Affairs

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
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 (FY2003) cost: _____
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would allow municipalities to exempt -- by a vote of the public -- up to \$50,000 in assessed annual valuation of each parcel of residential property. This legislation will have no fiscal impact on the department.

Prepared by: Gene Kane, Acting Director Phone 907-269-4580
 Division Community and Business Development Date/Time 3/17/03 11:49 AM
 Approved by: Edgar Blatchford, Commissioner Date 3/17/2003
 Agency Department of Community and Economic Development

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 136
 (S) Publish Date: 4/4/03

Revision Date/Time (Note if correction): March 31, 2003 Dept. Affected: Revenue
 Title Residential Property Tax Exemption BRU Revenue Operations
 Component Tax Division
 Sponsor Sen. Community & Regional Affairs
 Requester Sen. Community & Regional Affairs Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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 (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

*** See Page 2 for discussion of possible revenue effect on the state.

Prepared by: Dan Dickinson, Director Phone 269-1033
 Division Tax Division Date/Time 3/31/03 1:14 PM
 Approved by: Larry Persily, Deputy Commissioner Date 3/31/2003
 Agency Department of Revenue

**Department of Revenue
Fiscal Note Explanation for SB 136 FN #1**

March 31, 2003 - Page 2 of 2

This legislation would allow municipalities to exempt -- by a vote of the public -- up to \$50,000 in assessed annual valuation of each parcel of residential property.

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. That subsequent effect on state oil and gas property tax revenue is hard to calculate, which is why the fiscal note shows an indeterminate amount.

The Department of Revenue cannot predict how municipalities might implement the residential property tax exemption, or whether cities and boroughs would raise their mill rates or reduce their budget to accommodate the reduced residential property tax revenues. Therefore, we cannot accurately project what effect this legislation would have on state property tax revenues.

COMMITTEE COPY

ALASKA STATE LEGISLATURE



SENATE COMMUNITY & REGIONAL AFFAIRS COMMITTEE

Senator Tom Wagoner, Chair

Official Business

Senator Robin Taylor, Vice-Chair
Senator Kim Elton
Senator Georgianna Lincoln
Senator Gary Stevens

State Capitol, Room 427
Juneau, AK 99801-1182
Phone: (907) 465-4989
Fax: (907) 465-4779

SPONSOR STATEMENT

SB 136 – Residential Property Tax Exemption

SB 136 amends current statutes to provide for an exemption of up to \$50,000 on residential property, to give local governments flexibility in taxing decisions.

Under current law, municipalities may exempt up to \$10,000 of the assessed value of any single residential property. This authorization has been law since 1974.

Five municipalities offer this exemption:

- Bristol Bay Borough
- Kenai Peninsula Borough
- Fairbanks North Star Borough
- North Slope Borough
- City of Valdez.

In 2002, the voters on the Kenai Peninsula rejected an initiative that would have restricted food items from sales taxes. Argument in opposition to the initiative was that the sales tax was a mechanism for obtaining fees from visitors. The logic of that was disputed when it was pointed out that residents pay the same tax.

Providing the local governments the ability to increase the property tax exemption up to \$50,000 allows the local government flexibility so they could still collect sales taxes from visitors and then provide tax relief from residents.

ALASKA STATE LEGISLATURE



SENATE COMMUNITY & REGIONAL AFFAIRS COMMITTEE

Senator Tom Wagoner, Chair

Official Business

Senator Robin Taylor, Vice-Chair

Senator Kim Elton

Senator Georgianna Lincoln

Senator Gary Stevens

State Capitol, Room 427

Juneau, AK 99801-1182

Phone: (907) 465-4989

Fax: (907) 465-4779

SECTIONAL ANALYSIS

SB 136 – Residential Property Tax Exemption

Section 1. Amends AS 29.45.050(a) by deleting \$10,000 and inserting \$50,000.



Alaska State Legislature

Please enter into the record my testimony to the SENATE FINANCE
committee name

Committee on SB 136 Date, FEBRUARY 15, 2004
bill # / subject

SENATE FINANCE COMMITTEE MEMBERS:

SUPPORT ALASKAN HOME OWNERS AND VOTE YES ON SB 136

SB 136 has the potential to help families and the working middle class. It will reduce their property taxes. I believe this will be beneficial for low-income families, first home buyers, and our senior citizens.

PLEASE VOTE YES ON SB 136

Signed: LAURIE CHURCHILL
Testifier

SELF
Representing (optional)

PO BOX 7043 NIKISKI AK 99635 EMAIL ADDRESS : ak501c3@yahoo.com
Address

907-776-3499
Phone number

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
Pete Sprague, Assembly President

ATTEST:

Linda S. Murphy
Linda S. Murphy, Borough Clerk



CITY OF VALDEZ, ALASKA

RESOLUTION NO. 03-31

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, SUPPORTING SENATE BILL 136, INCREASING THE OPTIONAL EXEMPTION OF RESIDENTIAL PROPERTY FROM TAXATION

WHEREAS, Alaska Statute 29.45.050 allows municipalities to exempt up to \$10,000 of assessed valuation on residential property from property tax; and,

WHEREAS, the financial resources vary from municipality to municipality; and,

WHEREAS the local exemption option allows municipalities to assist local residents to lower their property taxes by lowering the assessed valuation; and,

WHEREAS, the \$10,000 exemption has not kept up with inflation since enacted in 1974.

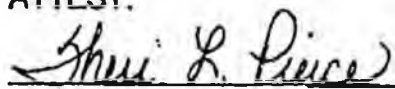
NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Valdez, Alaska, that the Council supports Senate Bill 136, increasing the optional exemption of residential property from taxation from \$10,000 to \$50,000.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, this 17th day of March, 2003.

CITY OF VALDEZ, ALASKA


Bert L. Cottle, Mayor

ATTEST:


Sheri L. Pierce, CMC/AEE, City Clerk



THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

4/10/03

Testimony against SB 136

Increasing the residency exemption to \$50,000 is poor public policy because it shifts the burden of support of local governments from the majority of voters (homeowners) to a small minority of business owners. This will allow decisions to be made by people who do not pay the bill. It will also promote a lack of interest on the part of the residents and voters; after all, someone else will be paying, so who cares. We are starting to see intense interest from the voters in the affairs of the State. Why? Because there is talk of needing more money, of people having to pay for the services they get. This is a positive development. People will have an interest in their government if they have to pay for what they are getting. Increasing the residency exemption will promote apathy and it will result in a more unequal distribution of the bearing the burden of the cost of local government.

The theory that businesses can pass this higher cost back to their customers (homeowners) may be true in some municipalities. In Kenai this is not true. Competitive forces from outside the municipal boundaries may make it impossible to pass increased costs to customers. Businesses will have to pay the higher costs from already shrinking profits, or choose to locate their business elsewhere.

In Kenai we are experiencing a severe economic downturn due to the closure of Kmart, poor commercial fishing seasons and rumors of layoffs at Agrium. The budget situation guarantees that Kenai will not adopt the \$50,000 exemption because it would cost over \$200,000 annually. The problem with not adopting the exemption is that this will provide another reason for new housing development to be made outside of the City. The City's residential development is already strangled by the State's rural loan program that provides low interest loans for housing outside of the City.

While the exemption is voluntary for each municipality, it is clear that there will be pressure to adopt the exemption when the area's outside of the City adopt it.

I hope that you will consider the impacts of this bill and not pass it out of your committee.

Thank you

Larry Semmens 
Finance Director
City of Kenai

SENATE COMMITTEE REPORT First Committee of Referral

DATE: 3/10/03

FURTHER: Finance

Date of 5-Day Notice: 3/13/03
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 4/2/03

Community and Regional Affairs Committee considered SENATE BILL NO. 136

SB 136 RESIDENTIAL PROPERTY TAX EXEMPTION

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

and recommends:

be replaced with _____ CS _____ (_____)

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	3/21	XXX		1
DCED	3/7		✓	2

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:		DO PASS	DO NOT PASS	NO REC	AMEND
G. Skens				✓	
Lincoln				✓	
Eaton				✓	
Taylor				✓	
Wagoner	CHAIR:	✓			

