

**HB**

**1999**



# Representative Scott Jiu Wo Kawasaki

Alaska State Legislature

District 9 Fairbanks

## House Bill 199 Sponsor Statement

House Bill 199 would allow a municipality to offer a residential property tax exemption up to \$100,000. This bill does *not* mandate any action by municipalities; indeed, current law does not allow for state-mandated local method of taxation or tax rate. This bill only allows local governments the option of increasing their residential property tax exemption.

The intent behind this legislation is two fold. First, HB 199 allows municipalities another tool when and if they consider diversifying their revenue stream. Second, in recent years many of Alaska's local governments have dramatically increased property assessments, resulting in repeatedly increasing costs for homeowners; HB 199 could give homeowners some much deserved tax relief.

Currently there are 12 boroughs and 13 cities - with a combined population of over 590,000 Alaskans - which levy property taxes. If municipalities were to fully implement this proposed exemption the tax relief for homeowners would be profound.

HB 199 would not affect a smaller, revenue-strapped community's sources of tax income. Instead, it would give those municipalities with a large enough population the ability to relieve the tax burden largely borne by homeowners. HB 199 would allow these local governments the ability to choose and set the exemption at any amount *up to* \$100,000; this local ordinance would then require a ratification at the polls before it could go into effect.

HB 199 is a tool for municipalities to utilize at their own discretion. Having the potential to aid both our local governments and our citizen homeowners, I urge you to support House Bill 199.

**In Juneau** ◦ State Capitol Juneau, Alaska 99801

**In Fairbanks** ◦ 1292 Sadler Way Fairbanks, Alaska 99701

**Juneau** ◦ (907) 465-3466 ◦ Fax (907) 465-2937 ◦ **Fairbanks** ◦ (907) 456-7423 ◦ Fax (907) 451-9293

Email: Representative\_Scott\_Kawasaki@legis.state.ak.us

# Part I - Municipal Taxation in Alaska

## A. The Legal Framework

Articles IX and X of the Alaska Constitution and Title 29 of the Alaska Statutes establish the legal framework for municipal taxation in Alaska. A portion of the Alaska tax law (Title 29) is provided in Part 6, page 63 of this publication.

- The Alaska Constitution permits delegation of the State's taxation power to local governments, but limits delegation of that power to only cities and boroughs. (Article X, Section 2)
- The constitution limitation that "no tax shall be levied... except for a public purpose..." applies to both State and municipal taxation. (Article IX, Section 6)
- Home rule municipalities are granted broad governmental powers by the Alaska Constitution, but the constitution also provides that "...standards for appraisal of all property assessed by the State or its political subdivisions shall be prescribed by law..." (Article IX, Section 3)
- General law municipalities are granted the right by state statute to levy a tax or special assessment and impose a lien for its enforcement. (AS 29.35.010)
- Both home rule and general law municipalities are subject to limitations on their taxing powers found in Chapter 29.45 of the Alaska Statutes. Section 29.45.010 authorizes cities, boroughs and unified municipalities to levy a property tax. If a tax is levied on real or personal property, it must be assessed, levied and collected as provided in Chapter 29.45. This chapter also authorizes the implementation of sales and use taxes.
- Based on Article X, Section I of the Alaska Constitution which provides that "...a liberal construction shall be given to the powers of local government...", it is assumed, although not expressly stated in statute, that all real and personal property is taxable unless it is specifically exempted from property taxation. It is also assumed that a municipality may impose severance taxes, as has been done by the Denali and Kodiak Island Boroughs.

## B. Classification of Municipalities

All political subdivisions within the State of Alaska are termed "municipalities". The taxation powers and limitations of each type of municipality depend upon its classification. There are five categories of municipalities:

1. Home Rule City
2. Home Rule Borough
3. General Law City
4. General Law Borough
5. Unified Municipality

General law cities are incorporated as either first class cities or second class cities. General law boroughs can be incorporated as first class or second class boroughs. There is only one class of home rule city, home rule borough, or unified municipality. The latter is also a home rule political entity. Areas that are not within the boundaries of an organized borough constitute a single unorganized borough commonly referred to as "The Unorganized Borough."

## **C. Taxation Limitations on the Various Classes of Municipalities**

**Home Rule Municipalities.** Home rule cities and boroughs have all legislative powers not prohibited by law or charter. AS 29.10.200 lists all of the sections of Title 29 that act as limitations on home rule legislative powers. Among these limitations are:

- AS 29.35.170(b) (assessment and collection of taxes)
- AS 29.45.010.-570 (property taxes)
- AS 29.45.650(c)-(f) (authority to levy sales and use tax); and,
- AS 29.45.700(d) (mandatory exemption from sales and use taxes).

**General Law Boroughs.** General law boroughs are required to assess and collect property, sales, and use taxes that are approved and levied within their boundaries, subject to the provisions of Chapter 29.45 of the Alaska Statutes.

**All Boroughs.** Taxes levied by a city within a borough must be collected by a borough and returned in full to the city levying the tax. This provision applies to home rule and general law municipalities.

**All Municipalities.** Specific limitations on the property taxation powers of all general law and home municipalities are found in Sections 29.45.080 and 29.45.090 of the Alaska Statutes. AS 29.45.080 limits the method by which a municipality may levy and collect taxes on oil and gas production and pipeline property. Under AS 29.45.090, no municipality may levy taxes exceeding 3% (30 mills) of the assessed value of property within the municipality during a year. Nor may a municipality, or a combination of municipalities occupying the same geographic area levy taxes exceeding \$1,500 per resident of the geographic area in a year. The tax limitation found in AS 29.45.090 has been interpreted by the Alaska Supreme Court to apply only to property tax. (*Keane v. Local Boundary Commission*, 893 P.2d 1239, Alaska 1995). Finally, a municipality, or a combination of municipalities occupying the same geographic area, may not levy taxes upon value that, when combined with the value of property otherwise taxable by the municipality, exceeds the product of 225 % 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. Section 29.45.100 of the Alaska Statutes provides that limitations on the amount of property tax that may be collected apply only to taxes for operating expenses and not to taxes collected to pay for bonded indebtedness.

**Second Class Cities.** A second class city may, by referendum, levy property taxes as provided for first class cities. Specific limitations on the property taxation powers of second class cities are found in AS 29.45.590. A special limitation on taxation by second class cities is that the city cannot levy property taxes exceeding 2% (20 mills) of the assessed value of property within the municipality in any one year. This limitation was increased from .5% (5 mills) in 1994.

Compliance by municipalities with the taxation limitations in the state statutes is enforced through the State Assessor's Office under the powers granted by AS 29.45.103 and AS 29.45.105. Under these statutes, the Office of the State Assessor may investigate claims of errors in valuation, assessment of taxation procedures, inspect municipal records and order correction of any procedural errors discovered.

## **D. The Role of the Department of Commerce, Community, and Economic Development and the Office of the State Assessor.**

Section 14 of Article X of the Alaska Constitution provides that:

An agency shall be established by law in the executive branch of the state government to advise and assist local governments. It shall review their activities, collect and publish local government information, and perform other duties as prescribed by law.

This constitutionally mandated agency was initially created as the Local Affairs Agency in the Office of the Governor. In 1972, a separate department of state government, known as the Department of Community and Regional Affairs (DCRA), was created to carry out this constitutional mandate. One of the general powers and duties of DCRA under AS 44.47.050 is to "advise and assist municipalities on procedures of assessment, valuation and taxation, and notify municipalities of major errors in those procedures." The duties of DCRA with regard to assessment, valuation and taxation are performed by the Office of the State Assessor (OSA). Alaska Taxable is an annual publication of DCRA compiled by the Office of the State Assessor. In 1999, the legislature merged the Department of Community & Regional Affairs with the Department of Commerce and Economic Development. The "new" department is now the Department of Commerce, Community & Economic Development, or DCCED.

Another DCCED function performed by the Office of the State Assessor is the establishment of the full value of real and personal property in each city and borough school district in consultation with the assessor in each school district. (AS 14.17.510)

## **E. Municipal Taxation of Property**

With certain limitations, all cities, boroughs and unified municipalities in the State of Alaska may chose to levy a property tax. Property taxation is not mandatory nor even generally practiced in the State. Of the sixteen (16) organized boroughs and unified municipalities, only twelve (12) levy a property tax; and, of the one hundred forty-six (146) home rule, first and second class cities, only thirteen (13), which are located outside boroughs, and thirteen (13) located within organized boroughs, levy a property tax. If a municipality chooses to levy a property tax, it may only do so on property that is "taxable".

### What property is taxable?

All real and personal property is taxable unless it is exempted from property taxation. Required exemptions from municipal property taxation are specified in AS 29.45.030. Examples of property exempted from property taxation are household furniture and personal effects of members of a household, natural resources in place, and property used exclusively for nonprofit religious, charitable, cemetery, hospital, or educational purposes. Property owned by Alaska Native Claims Settlement Act (ANCSA) Native corporations is also exempt from municipal property tax unless the property is leased or developed. In addition to these exemptions from property taxation, AS 43.56 provides for certain exemptions of oil and gas production and pipeline property, including oil and gas reserves in place.

While oil and gas property is exempt from local municipal taxation the State levies a 20 mill tax against this property and reimburses each municipality which has oil and gas property located within its boundaries, an amount equal to taxes which it would have levied, up to the 20 mill limit. All of the exemptions discussed in this paragraph are mandatory exemptions.

Section 29.45.050 of the Alaska Statutes provides for optional exemptions and exclusions from local property taxation which the taxing authority may choose to exempt or exclude typically by ordinance. Some optional exemptions and exclusions, however, do require approval of the voters. Two examples of optional exemptions are the exemption of any or all categories of personal property and the exemption of up to \$20,000 of value of a residence, which is sometimes referred to as a "homestead exemption".

All taxable real and personal property within a municipality is included in its full value determination, which is a key element in the calculation of state aid to schools and municipal assistance and revenue sharing.

### What is the "Full Value Determination (FVD)"?

In brief, the Full Value Determination (FVD) is the sum total of the full and true value established for every piece of taxable real and personal property within a municipality's boundary regardless of any optional exemption which may have been enacted by local ordinance. AS 29.45.110 specifies that the full and true value is the "estimated price that the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer both conversant with the property and with the prevailing general



## CITY OF FAIRBANKS

*Steve M. Thompson, Mayor*

800 CUSHMAN STREET  
FAIRBANKS, ALASKA 99701-4615

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smthompson@ci.fairbanks.ak.us

March 7, 2007

Representatives Coghill, Guttenberg, Kawasaki, Kelly & Ramras  
Senators Therriault, Thomas & Wilken  
Alaska State Legislature  
Capitol Building  
Juneau, Alaska 99801

### **RE Increased Residential Exemption**

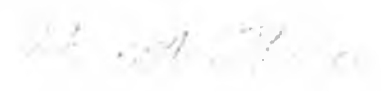
Dear Representatives and Senators:

While there is great diversity of opinion as to the "right" solution to local taxation, both the City Council and Fairbanks North Star Borough Assembly believe that providing the local option to increase the partial residential exemption from the current \$20,000 would be desirable. An increased residential exemption would shift the burden from homeowners who have been hard pressed by increased assessments.

Enclosed are copies of Resolutions passed by both the City and Borough. They differ as to the amount, but both endorse the concept.

Thank you all for your consideration of this change and for your service to our community.

Sincerely,

  
Steve M. Thompson,  
City Mayor

CC: City Council Members  
Jim Whitaker, Mayor, Fairbanks North Star Borough

✓

Introduced by: Mayor Thompson  
Finance Committee  
Date: February 5, 2007

**RESOLUTION NO. 4257**

**A RESOLUTION URGING THE ALASKA STATE LEGISLATURE  
TO AMEND STATE LAW TO INCREASE THE RESIDENTIAL  
PROPERTY TAX EXEMPTION TO \$100,000**

**WHEREAS**, State law provides a comprehensive statutory scheme for the municipal taxation of real property which binds all municipalities in Alaska; and

**WHEREAS**, under A.S. 29.45.060(A), only \$20,000 of the assessed value of a qualified residence is exempt from taxes; and


**WHEREAS**, increasing the residential exemption will promote home ownership, offset the effect of recent property assessment increases and not affect the City's Tax Cap;

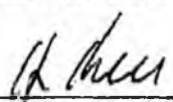
**NOW, THEREFORE, BE IT RESOLVED** by the City Council that the City of Fairbanks urges the Alaska Legislature to adopt appropriate legislation to amend A.S. 29.45.060(A) to increase the residential exemption to \$100,000.

**PASSED AND APPROVED THIS 5<sup>TH</sup> DAY OF FEBRUARY, 2007.**

  
**STEVE M. THOMPSON, MAYOR**

**AYES:**  
**NAYS:**  
**ABSTAIN:** PASSED ON CONSENT AGENDA  
**ABSENT:**  
**APPROVED:**

**ATTEST:**  
  
**JANEY HOWENDEN, City Clerk**

**APPROVED AS TO FORM:**  
  
**Herbert P. Kuss, City Attorney**

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By: Charlie Rex  
Tim Beck  
Luke Hopkins  
Mike Musick  
Nadine Winters  
Hank Santos  
Torle Foote  
Valerie Therrien  
Introduced: 02/22/07  
Adopted: 02/22/07

**FAIRBANKS NORTH STAR BOROUGH**

**RESOLUTION NO. 2007 - 08**

**A RESOLUTION REQUESTING THE ALASKA STATE LEGISLATURE TO AMEND AS29.45.050(A) TO INCREASE THE RESIDENTIAL PROPERTY TAX EXEMPTION ALLOWABLE TO \$50,000**

WHEREAS, AS29.45.050(a) states "A municipality may exclude or exempt or partially exempt residential property from taxation by ordinance ratified by the voters at an election. An exclusion or exemption authorized by this subsection may be applied with respect to taxes levied in a service area to fund the special services. An exclusion or exemption authorized by this subsection may not exceed the assessed value of \$20,000 for any one residence" and

WHEREAS, property owners in the Fairbanks North Star Borough have seen substantial increases in assessed valuations, thereby increasing their tax bills; and

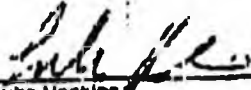
WHEREAS, along with increased assessments, residents have also faced skyrocketing heating fuel and gasoline prices; and

WHEREAS, an increase to the residential property tax exemption would help to ease the rising costs associated with owning a home in the Fairbanks North Star Borough; and

WHEREAS, the local tax base needs to be diversified so residential property taxes can be reduced; and

NOW, THEREFORE, BE IT RESOLVED the Assembly of the Fairbanks North Star Borough respectfully requests the Alaska State Legislature to amend AS29.45.050(a) to increase the residential property tax exemption allowable to \$50,000.

46 BE IT FURTHER RESOLVED, that copies of this resolution shall be sent  
 47 to the Alaska Interior Delegation,  
 48 PASSED AND APPROVED THIS 22<sup>ND</sup> DAY OF FEBRUARY 2007.  
 49

  
 Luke Hopkins  
 Presiding Officer

ATTEST

  
 Mona Lisa Drexler, CMC  
 Municipal Borough Clerk

50 Ayes: Bartos, Beck, Fouts, Winters, Musick, Therrien, Rex, Hopkins  
 51  
 52 Noes: Frank

TABLE 1

## 2006 Municipalities: Class, Populations and Tax Types

Municipality	Type of Municipality	Population	Property Tax	Sales Tax	Special Tax
Adak	Second Class City	167	No	NR	NR
Akiak	Second Class City	41	No*	NR	NR
Akiak	Second Class City	378	No	NR	NR
Akutan	Second Class City	773	No	No	1.0 raw fish tax
Alakanuk	Second Class City	678	No	4%	No
Aleknagik	Second Class City	241	No	5%	5% Bed Tax
Aleutians East Borough	Second Class Borough	2,659	No	No	2% Raw Fish Tax
Allakaket	Second Class City	87	No	NR	NR
Ambler	Second Class City	283	No	NR	NR
Anaktuvuk Pass	Second Class City	308	No*	NR	NR
Municipality of Anchorage	Unified Home Rule	278,241	Yes	No	8% Bed Tx & Car Rental/5.5mil Tobacco Tax
Anderson	Second Class City	280	No	No	8% Utility Tax
Angoon	Second Class City	497	No	NR	NR
Aniak	Second Class City	528	No	2%	No
Anvik	Second Class City	99	No	No	No
Atka	Second Class City	90	No	No	2% Raw Fish Tax/ 10% Bed Tax
Atkasuk	Second Class City	227	No*	No	No
Barrow	First Class City	4,199	No*	NR	NR
Bethel	Second Class City	5,960	No	NR	NR
Bettles	Second Class City	31	No	No	\$ 02/gal. Fuel Transfer Tax
Brevig Mission	Second Class City	327	No	3%	No
Bristol Bay Borough	Second Class Borough	1,073	Yes	No	3% Raw Fish Tax/10% Bed Tax
Buckland	Second Class City	434	No	6%	No
Chefornak	Second Class City	457	No	2%	2% Raw Fish Tax
Chevak	Second Class City	916	No	NR	NR
Chignik	Second Class City	95	No	No	2%Landing tax/2% Processing tax
Chualarbaluk	Second Class City	93	No	NR	NR
Clarks Point	Second Class City	65	No	NR	NR
Coffman Cove	Second Class City	156	No	No	No
Cold Bay	Second Class City	89	No	No	10% Bed Tax/\$.04/gal. Fuel Tax
Cordova	Home Rule City	2,288	Yes	6%	6% Bed Tax/6% Vehicle Rental Tax
Craig	First Class City	1,102	Yes	5%	6% Liquor Tax
Deering	Second Class City	139	No	3%	No
Delta Junction	Second Class City	1,047	No	No	No
Denali Borough	Home Rule Borough	1,823	No	No	Sev Tax \$ .05/yd grvt-\$ .05 ton-coal, Bed Tax 7%
Dillingham	First Class City	2,370	Yes	6%	10% Bed & Liquor Tax/6% Gaming Tax
Diomedes	Second Class City	132	No	3%	No
Eagle	Second Class City	137	Yes	No	No
Eek	Second Class City	291	No	2%	No
Egegik	Second Class City	81	No	No	2% Raw Fish Tax
Ekwok	Second Class City	118	No	NR	NR
Elim	Second Class City	302	No	2%	No
Emmonak	Second Class City	740	No	3%	NR
Fairbanks	Home Rule City	31,182	Yes	No	8% Bed Tax/ 5% Alcohol Tax/ 8% Tobacco Tax
Fairbanks North Star Borough	Second Class Borough	87,650	Yes	No	8% Bed Tax/ 5% Alcohol Tax/ 8% Tobacco Tax
False Pass	Second Class City	63	No	3%	6% Bed Tax
Fort Yukon	Second Class City	570	No	3%	No
Galena	First Class City	654	No	NR	NR
Gambell	Second Class City	660	No	3%	No
Golovin	Second Class City	150	No	NR	NR
Goodnews Bay	Second Class City	238	No	No	No
Grayling	Second Class City	171	No	NR	NR
Gustavus	Second Class City	473	No	2%	4% Bed Tax
Haines Borough**	Home Rule Borough	2,207	Yes	5.5%	4% Bed Tax
Holy Cross	Second Class City	205	No	No	No
Homer	First Class City	5,435	Yes	4.50%	No

Note: Municipal populations are from the State Department of Labor

\*Indicates that City does not levy property tax, but Borough in which City is located does

\*\* The City of Haines and the Haines Borough consolidated in 2002 into a single Home Rule Government

TABLE 1

## 2006 Municipalities: Class, Populations and Tax Types - continued

Municipality	Type of Municipality	Population	Property Tax	Sales Tax	Special Tax
Hoonah	First Class City	881	No	NR	NR
Hooper Bay	Second Class City	1,133	No	4%	No
Houston	Second Class City	1,447	Yes	2%	No
Hughes	Second Class City	69	No	No	No
Huslia	Second Class City	265	No	No	No
Hydaburg	First Class City	368	No	4%	No
Juneau, City & Borough of	Unified Home Rule	31,193	Yes	5%	7% Bed Tax/ 3% Liquor Tax/ \$ 30/pack Tobacco Tx
Kachemak	Second Class City	457	Yes	No	No
Kake	First Class City	598	No	5%	No
Kaktovik	Second Class City	276	No*	No	No
Kaitag	Second Class City	227	No	No	No
Kasaan	Second Class City	61	No	No	No
Kenai	Home Rule City	6,777	Yes	3%	No
Kenai Peninsula Borough	Second Class Borough	51,224	Yes	2%	No
Ketchikan	Home Rule City	7,685	Yes	3.50%	7% Bed Tax
Ketchikan Gateway Borough	Second Class Borough	13,125	Yes	2.5%	4% Bed Tax
Kiana	Second Class City	380	No	NR	NR
King Cove	First Class City	723	No	4%	2% Fisheries Tax/Business impact tax-flat rate
Kivalina	Second Class City	385	No	NR	NR
Klawock	First Class City	780	No	5.50%	6% Bed Tax
Kobuk	Second Class City	130	No	NR	NR
Kodiak	Home Rule City	6,088	Yes	6%	5% Bed Tax
Kodiak Island Borough	Second Class Borough	13,636	Yes	No	10.25 mill Severance Tax/5% Bed Tax
Kotlik	Second Class City	609	No	3%	No
Kotzebue	Second Class City	3,120	No	6%	6% Bed Tax/ 6% Alcohol Tax
Kotuk	Second Class City	350	No	2%	NR
Koyukuk	Second Class City	97	No	No	No
Kupreanof	Second Class City	37	No	No	No
Kwethluk	Second Class City	695	No	5%	No
Lake & Peninsula Borough	Home Rule Borough	1,620	No	No	2% Raw Fish Tax/Guide Fees/6% Bed Tax
Larsen Bay	Second Class City	97	No*	3%	No
Lower Kalskag	Second Class City	252	No	NR	NR
Mar,okotak	Second Class City	437	No	2%	No
Marshall	Second Class City	370	No	4%	No
Matanuska-Susitna Borough	Second Class Borough	74,041	Yes	No	5% Bed Tax, Tobacco Excise Tax 5.09%
McGrath	Second Class City	347	No	No	10% Bed Tax
Mekoryuk	Second Class City	192	No	2%	No
Metlakatla	Federal Law	1,397	No	No	No
Mountain Village	Second Class City	786	No	3%	No
Napakiak	Second Class City	373	No	3%	No
Napaskiak	Second Class City	428	No	No	No
Nenana	Home Rule City	353	Yes	4%	Motor Vehicle Tax
New Stuyahok	Second Class City	461	No	NR	NR
Newhalen	Second Class City	180	No	2%	The City does not collect its tax
Nightmute	Second Class City	234	No	NR	NR
Nikolai	Second Class City	109	No	NR	NR
Nome	First Class City	3,508	Yes	5%	4% Bed Tax
Nondaiton	Second Class City	203	No	NR	NR
Noorvik	Second Class City	628	No	NR	NR
North Pole	Home Rule City	1,595	Yes	4%	No
North Slope Borough	Home Rule Borough	6,894	Yes	No	No
Northwest Arctic Borough	Home Rule Borough	7,323	No	No	No
Nuiqsut	Second Class City	411	No*	No	No

Note: Municipal populations are from the State Department of Labor

\* Indicates that City does not levy property tax, but Borough in which City is located does

**TABLE 1**  
**2006 Municipalities: Class, Populations and Tax Types - continued**

Municipality	Type of Municipality	Population	Property Tax	Sales Tax	Special Tax
Nulato	Second Class City	310	No	NR	NR
Nunam Iqua (Sheldon Point)	Second Class City	158	No	4%	No
Nunapitchuk	Second Class City	516	No	3%	No
Old Harbor	Second Class City	200	No*	3%	5 %Bed Tax
Ouzinkie	Second Class City	191	No*	3%	No
Palmer	Home Rule City	5,382	Yes	3%	No
Pelican	First Class City	115	Yes	4%	10% Bed Tax
Petersburg	Home Rule City	3,155	Yes	8%	4% Bed Tax
Pilot Point	Second Class City	73	No	NR	NR
Pilot Station	Second Class City	565	No	4%	No
Platinum	Second Class City	38	No	NR	NR
Point Hope	Second Class City	702	No*	3%	No
Port Alexander	Second Class City	75	No	4%	6% Bed Tax
Port Heiden	Second Class City	89	No	NR	NR
Port Lions	Second Class City	220	No*	No	No
Quinhagak	Second Class City	642	No	3%	No
Ruby	Second Class City	185	No	NR	NR
Russian Mission	Second Class City	329	No	NR	NR
St. George	Second Class City	128	No	NR	NR
St. Mary's	First Class City	570	No	3%	NR
St. Michael	Second Class City	427	No	NR	NR
Saint Paul	Second Class City	488	No	3%	Fish Tax 3%
Sand Point	First Class City	939	No	3%	7% Bed Tax/2% Raw Fish Tax
Savoonga	Second Class City	695	No	3%	No
Saxman	Second Class City	405	No*	3.5%	No
Scammon Bay	Second Class City	509	No	2%	No
Selawik	Second Class City	830	No	5%	No
Seldovia	First Class City	243	Yes	2%/4.5%	No
Seward	Home Rule City	2,606	Yes	4%	4% Bed Tax
Shageluk	Second Class City	129	No	NR	NR
Shaktolik	Second Class City	224	No	NR	NR
Shishmaref	Second Class City	581	No	NR	NR
Shungnak	Second Class City	259	No	2%	No
Sitka, City & Borough of	Unified Home Rule	8,947	Yes	5%/6%	6% Bed Tax/ \$ 02 gal Fuel Tax
Skagway	First Class City	834	Yes	4%	8% Bed Tax
Soldotna	First Class City	3,869	Yes	3%	No
Stobbins	Second Class City	596	No	3%	No
Tanana	First Class City	281	No	2%	No
Teller	Second Class City	263	No	3%	No
Tenakee Springs	Second Class City	98	No	2%	Bed Tax 6%
Thorne Bay	Second Class City	486	No	5%	No
Togiak	Second Class City	779	No	2%	2% Raw Fish Tax
Toksook Bay	Second Class City	596	No	2%	No
Unalakleet	Second Class City	710	No	3%	5% Bed Tax/5% Alcohol Tax/Baler 2%
Unalaska	First Class City	4,297	Yes	3%	2% Raw Fish Tax/1% Capitol Sales Tax/ 5% Bed
Upper Kalskag	Second Class City	263	No	No	No
Valdez	Home Rule City	3,745	Yes	No	6% Bed Tax
Wainwright	Second Class City	520	No*	No	No
Wales	Second Class City	151	No	NR	NR
Wasilla	First Class City	6,413	Yes	2.5%	Alcohol tax, Aviation fuel tax
White Mountain	Second Class City	224	No	1%	No
Whittier	Second Class City	188	Yes	3%	3% Passenger Trans Tax/3% Fuel Tax
Wrangell	Home Rule City	1,974	Yes	7%	\$4 per night Bed Tax
Yakutat, City & Borough of	Home Rule Borough	619	Yes	4%	1% Raw Fish Tax/3% Bed & Car Rental Tx

Note: Municipal populations are from the State Department of Labor

\*Indicates that City does not levy property tax, but Borough in which City is located does

82 Municipalities (reporting) levy a General Sales Tax - Rates range from 1% to 7%

100 Municipalities (reporting) levy either a General Sales Tax, Special Tax (bed tax, fish tax, etc.) or a combination of the two

38 Municipalities (cities & boroughs) levy a property tax

39 Municipalities did not provide a report this year

12 Boroughs & 13 cities within boroughs, levy a property tax

13 Cities in the Unorganized Borough levy a property tax

**Grier Hopkins**

---

**From:** Steve VanSant [steve\_vansant@commerce.state.ak.us]  
**Sent:** Tuesday, March 27, 2007 11:23 AM  
**To:** Grier Hopkins  
**Subject:** Re: municipal property exemptions  
**Attachments:** Table 2 -2006.pdf; Table 1 -2006.pdf; steve\_vansant.vcf

Grier,

The following municipalities have authorized the \$20K residential exemption:

North Slope Borough - A flat \$20K exemption regardless of value - 2006 cost \$1,796,276

Fairbanks North Star Borough - 20% of assessed value up to \$20K - 2006 cost \$261,583,315

Municipality of Anchorage - 10% of assessed value up to \$20K - 2006 cost \$917,909,785

City of Valdez - 30% of assessed value up to \$20K - 2006 cost \$9,339,771

Kenai Peninsula Borough A flat \$20K exemption regardless of value 2006 cost \$182,351,500

Bristol Bay Borough - A flat \$10K exemption regardless of value 2006 cost \$750,000 (This is the only borough to limit the exemption to \$10K)

As far as the mill rates go, all I have is last years rates which are in Alaska Taxable, Table 5 which reflect the following:

Anchorage	15.28 mills
Bristol Bay Borough	13 mills
FNSB (city of Fairbanks)	19.623 mills
Kenai Pen. Bor (City of Kenai)	12.10 mills
North Slope Borough	19.05 mills
City of Valdez	20 Mills

Municipalities with sales taxes are listed in Table 1 & 2 of Alaska Taxable. I have attached copies of those two tables. I hope this helps and if you need more info, please feel free to contact me.

Steve

Grier Hopkins wrote:

3/27/2007

H I J K L M N O P Q R S T U V

< To \$20k      **\*\* Prior Analysis \*\***

Exemption	Break Even TAV
132.19	
271.31	
<u>139.12</u>	<u>= \$401,054</u>

nt

Exempted Tax	Cumulative Mill Rate Increase	Cumulative Exempted Tax Increase	Break Even TAV	Breakeven Proof			Less than Breakeven Proof			More than Breakeven Proof	
				Home Value	Home Value	Tax	Home Value	Home Value	Tax	Home Value	Tax
F/1000	F increase	H increase	+K/J*1000	+L	+N-A	+O*F/1000	Input	+R-A	+S*F/1000	Input	Tax
243.88											
373.66	0.262	129.79	496,150	496,150	466,150	5,806	400,000	370,000	4,608	600,000	5
509.14	0.535	265.26	496,150	496,150	456,150	5,806	400,000	360,000	4,582	600,000	5
650.69	0.820	406.81	496,150	496,150	446,150	5,806	400,000	350,000	4,555	600,000	5
798.73	1.118	554.85	496,150	496,150	436,150	5,806	400,000	340,000	4,526	600,000	5
953.71	1.431	709.84	496,150	496,150	426,150	5,806	400,000	330,000	4,496	600,000	5
1,118.15	1.758	872.27	496,150	496,150	416,150	5,806	400,000	320,000	4,465	600,000	5
1,286.58	2.102	1,042.71	496,150	496,150	406,150	5,806	400,000	310,000	4,432	600,000	5
1,465.62	2.462	1,221.75	496,150	496,150	396,150	5,806	400,000	300,000	4,397	600,000	5

erty that uses the \$20,000 exemption would also use the entire \$100,000 exemption, although that would not be the case.

# KENAI PENINSULA BOROUGH

## EFFECTS OF INCREASED RESIDENTIAL EXEMPTIONS

Assessed Residential Values 2007 (not certified)				Taxable Values After Exemption			
<u>Count</u>	<u>Imp</u>	<u>Land</u>	<u>Total</u>	<u>20K</u>	<u>50K</u>	<u>75K</u>	<u>100K</u>
9,303	1,370,400,300	239,113,600	1,609,513,900	1,424,391,100	1,157,083,700	947,915,600	754,040,900
				Exempted Values			
				<u>20K</u>	<u>50K</u>	<u>75K</u>	<u>100K</u>
				185,122,800	452,430,200	661,598,300	855,473,000



**Daily News - Miner**

## A fair tax break

Published April 1, 2007

Giving local governments the flexibility to raise property tax exemptions for homeowners if they so desire seems like it would be a welcome idea in any community, but according to some who have debated the issue over the years that's just not the case in Alaska.

Not every community taxes people the same way, yet we are all connected by at least one other funding source, that being taxes levied against oil and gas industry infrastructure statewide.

That tax money goes into the state's general fund and communities get a cut based on the amount of that sort of infrastructure in their area. For example the biggest chunk for the Fairbanks North Star Borough comes because of the trans-Alaska pipeline.

So, if Fairbanks-area residents get a break on property taxes and the mill rate climbs to offset that break, targeting industry, then more of that general fund money might be directed to Fairbanks and other oil-and-gas heavy towns who might choose to increase exemptions.

That doesn't go over so well in other communities where there is less oil and gas infrastructure — and where they may pay both property and sales taxes to make ends meet.

It's part of the reason why the allowable property tax exemption has only increased from \$10,000 to \$20,000 over its decades in existence. Logically, the exemption should have been going up with inflation. That would only be fair. But, realistically, there are some who would prefer that it didn't exist in the first place.

That shouldn't stop our delegation from continuing to push for an increase to the exemption, however. Proposals are pending for increases to \$50,000 or \$100,000. If we have to accept less of an increase, so be it. The existing exemption is effective and there is no reason it should not be increased to at least some degree to mirror our changing economy.

A property-tax based system has worked well for the Fairbanks area for a long time as an efficient means of collecting taxes. That's why it's important for residents to continue to pay close attention to property tax issues, to push for reasonable exemptions and for local leaders to consider all options — possibly even tax rebates to homeowners — as part of any future tax picture.

It only makes sense to exercise all the creativity we can within our existing tax structure before we abandon it for what people might think are greener tax pastures. Lawmakers need our encouragement to continue pushing for adjustments to the exemption and local officials need support in exploring all other options within the property tax framework.

This article may be accessed online at <http://newsminer.com/2007/04/01/6251/>.

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Wolfgang Malko  
918 Seventh Avenue  
Fairbanks, Ak. 99701  
Tel.: (907) 452-4275

To:  
Alaska State Legislature  
Community & Regional Affairs Committee  
Representative Anna Fairclough, Co-Chair,  
Representative Gabrielle LeDoux, Co-Chair,  
Representative Nancy Dahlstrom,  
Representative Mark Neuman,  
Representative Kurt Olson,  
Representative Sharon Cissna,  
Representative Woodie Salmon.

May 2, 2007.

Re: House Bill No. 199 "An Act relating to an optional  
exemption from municipal property taxes for  
residential property."

Dear Ladies and Gentlemen:

This letter is in support of HB 199. I urge to please do every thing in your power to move this bill along quickly so it will pass and become law before the end of this session.

2. Passage of this bill will cost the legislature or the State nothing; it requires no appropriations. HB 199 only raises the exclusion or exemption limitation from \$20,000 to \$100,000 up to which an owner occupied residential property tax exemption from the assessed property value may be enacted by a municipal government with approval of the local electorate.

3. What is the reason or the need for such an exemption? Answer: Relief from double property taxation.

4. Property taxes are assessed on an equal rate for owner occupied residential, commercial and vacant lots of property.

5. The fact is that the commercial property owner treats the property tax as a business expense; and the fact is that its customers or clients pay that property tax indirectly by patronizing the local businesses. Now what happens in reality is that the residential home owner pays local property taxes twice - once on its owner occupied residential property directly to the municipality and second indirectly on the commercial property when going shopping locally. In order to afford some relief from such "double property taxation" the legislature provided for the personal residential property tax exemption as enacted in AS 29.45.050(a).

6. Now, as a general rule, the enactment of a sales tax, for example, will lower the rate of property tax. It is of necessity in this diverse State for different municipalities to employ different means of taxation therefore the provision set forth in AS 29.45.050(a) is optional and subject to voter approval.

7. Now, Fairbanks is said to have the highest property tax rate in the State, but its residents are not burdened with paying a sales tax.

8. The big commercial businesses in Fairbanks in general are indifferent as to whether to pay a higher property tax or to collect a sales tax to offset a lower property tax rate; for the small business, however, the collection of a sales tax is an additional burden that they are more happy to do without; and for the taxpayers in general the favor is no sales tax, no head tax, and no anything tax that necessitates additional administrative costs the taxpayer will have to shoulder.

9. Right now, the problem in Fairbanks is that the \$20,000 tax assessment exemption is by far too little to offset, or to at least reasonably lower, the unfair "double property taxation". A moderate residential home is assessed at about ten times the \$20,000 exemption, and if it's substantially lower, it is usually in need of repair.

Re: HB 199  
Letter by Wolfgang Falke  
to House Committee CRA

Page 2

Re: HB 199

Maintenance, just considering redoing a roof, can eat up \$20,000; and the tax assessor considers such a repair an "improvement" and as an excuse to raise the assessed value. Considering this, \$20,000 is not much of an exemption at all.

10. Presuming the exemption would have been \$100,000 of the assessed valuation of an owner occupied residential it is most likely that the Fairbanks electorate would not have approved the drastic reduction in property taxes.

11. Nevertheless, I strongly feel instead of only raising the authorized amount of exemption, to just delete the last sentence of AS 29.45.050(a) that reads "An exclusion or exemption authorized by this subsection may not exceed the assessed value of \$20,000 for any one residence."

In doing so the legislature would "provide for maximum local self-government" as required under the Alaska Constitution, Article X, Section I, in that it would not limit the local government to any amount that it could exempt from owner occupied residential property tax assessment and the limitation of the elected local governing body would be restricted to voter approval of such ordinance only.

12. The taxation dilemma the City of Fairbanks has to cope with today is largely, if not solely, the failure of the legislature to follow the constitutional mandate to provide for maximum local self-government by limiting the amount of which owner occupied residential property assessment can be exempted from taxation.

13. It was and is the duty of the legislature, in order to "provide for maximum local self-government" as required pursuant to the Alaska Constitution, Article X, Section I, in regard to AS 29.45.050(a), to issue a blank check in form of not setting any maximum amount up to which an owner occupied residential property tax exemption is authorized by the legislature. Only after one municipality can be proven to have abused such "blank check" has the legislature the authority under the Alaska Constitution,

Re: HB 199  
Letter by Wolfgang Falke  
to House Committee CRA

Page 3

Re: HD 199


Article X, Section I, to impose a maximum amount up to which an owner occupied residential property tax exemption may be granted pursuant to AS 29.45.050(a).

14. Only because I fear that a committee substitute bill deleting the sentence "An exclusion of exemption authorized by this subsection may not exceed the assessed value of \$20,000 for any one residence." from AS 29.45.050(a) will not pass into law before the end of this session do I support passage of HB No. 199 in its present form.

15. I plan to participate from the Legislative Information Office in Fairbanks in your hearing on HB 199 set for tomorrow, May 3, 2007, 8:00 am.

Thank you for your kind attention to this matter.

Sincerely,

  
Wolfgang Falke

cc:

Representative Scott Kawasaki  
Representative David Guttenberg  
Senator Joe Thomas  
Senator Gary Wilken  
Senator Gene Therriault  
Representative John Coghill  
Representative Mike Kelly  
Representative Jay Ramras

Re: HB 199  
Letter by Wolfgang Falke  
to House Committee CRA

Page 4

Re: HB 199

# FISCAL NOTE

**STATE OF ALASKA**  
**2007 LEGISLATIVE SESSION**

Fiscal Note Number: HB199-DOR-TAX-5-01-07  
 Bill Version: HB 199  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title Muni Property Tax Exemption RDU Tax and Treasury  
 Component Tax and Treasury  
 Sponsor Kawasaki  
 Requester House Community and Regional Affairs Component No. 2476

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
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>						
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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>.</b>	<b>.</b>	<b>.</b>	<b>.</b>	<b>.</b>	<b>.</b>

Estimate of any current year (FY2007) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

See page two

Prepared by: Jerry Burnett Phone 465-2312  
 Division Department of Revenue Date/Time 5/2/07 12:00 AM  
 Approved by: Jerry Burnett Date 5/2/2007  
 Agency Department of Revenue

## FISCAL NOTE

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

BILL NO. HB 199

### ANALYSIS CONTINUATION

Increasing an exemption for one part of a tax base simply redistributes the burden to other parts, assuming the budget remains constant. In this case if you increase the exemption for residential properties yet budgetary needs remain the same, the burden is simply redistributed to other parts of the tax base, like commercial and oil and gas property.

In the case of oil and gas property, local jurisdictions that do not tax at the full 2% rate for oil and gas property might need to raise their mill rate to capture more oil and gas property tax revenue to offset the increased exemption for residential property. Because the state takes the difference between the 2% rate oil and gas property is taxed at and a local jurisdictions mill rate, this could cost the State revenue.

To look at this more closely one would need an understanding of:

- 1) The mill rates for all of the jurisdictions that have oil and gas property
- 2) The current state take from oil and gas property tax in the organized areas (2% - mill rate)
- 3) The value of commercial and oil and gas property in relation to residential property for each jurisdiction
- 3) Assume whether or not this law would be just for owner occupied or else for any residential property owner
- 4) The amount of people in each jurisdiction that would benefit from the exemption currently
- 5) The budgets for each jurisdiction
- 5) The dollar impact this would have on the budget
- 6) The shift that would take place from residential to commercial and oil and gas property

### FY 2006 Distribution of the Petroleum Property Tax \$ million

Municipalities	Gross Tax	Local Share	State Share
North Slope	209,117,565	199,184,481	9,933,084
Unorganized	37,488,458	0	37,488,458
Valdez	18,307,095	18,307,095	0
Kenai	11,141,400	7,049,578	4,091,822
Fairbanks	7,556,342	5,795,097	1,761,245
Anchorage	4,033,072	3,082,698	950,375
Other Munis (1)	154,032	93,654	60,378
Total	287,797,964	233,512,603	54,285,362

(1) Other Munis include Matanuska-Susitna Borough, Cordova and Whittier

# FISCAL NOTE

**STATE OF ALASKA**  
**2007 LEGISLATIVE SESSION**

Fiscal Note Number: HB199-COM-DCA-04-30-07  
 Bill Version: HB 199  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_

Dept Affected: Commerce

Title Municipal Property Tax Exemption

RDU Community Assist & Ec Dev (405)

Component Community Advocacy

Sponsor Kawasaki, Guttenberg

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 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
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>						
-------------------------------	--	--	--	--	--	--

**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 (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This legislation would grant municipalities the option to exempt from taxation up to \$100,000 of property value. The current amount of the optional exemption is \$20,000 of property value. The option would need to be implemented by ordinance and ratified by election.

Any fiscal impacts to municipalities would depend on how they write the ordinance and how much exemption they choose to allow.

This bill will have no fiscal impact on this Division.

Prepared by: Mike Black, Director

Division: Community Advocacy

Approved by: Emil Notti, Commissioner

Agency: Commerce, Community, and Economic Development

Phone: 907.269.4535

Date/Time: 4/30/07 6:32 PM

Date: 4/30/2007

25-LS07C5M  
Cook  
5/2/07

**CS FOR HOUSE BILL NO. 199( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FIFTH LEGISLATURE - FIRST SESSION**

**BY**

**Offered:**  
**Referred:**

**Sponsor(s): REPRESENTATIVES KAWASAKI, GUTTENBERG**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to an optional exemption from municipal property taxes for residential**  
2 **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 may be applied with respect to taxes levied  
8 in a service area to fund the special services. An exclusion or exemption authorized by  
9 this subsection may not exceed the assessed value of \$50,000 [\$20,000] for any one  
10 residence.