

**HB**

**24**

# ALASKA STATE LEGISLATURE

**Vice Chair:**  
House Finance Committee

**Chair:**  
House Finance Subcommittees for,  
Department of Public Safety  
Department of Law



**Session:**  
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## **BILL STOLTZE** **State Representative**

Representative\_Bill\_Stoltze@legis.state.ak.us

### **House Bill 24**

#### **Property Assessment Appeal Fee**

*"An Act limiting the amount that a municipality may charge for an appeal of a residential real property tax assessment to the municipality's board of equalization."*

Often time homeowners feel the value of their home has been wrongly assessed. In order to challenge that assessment an appeal must be filed with their municipality's board of equalization. Currently, municipalities charge a variety of fees associated with an assessment appeal. HB 24 will remove the fee a municipality can charge for a homeowner to appeal the assessment on their home.

This legislation is an attempt to allow homeowners due process in having their home assessed by their local government.

DISTRICT 16

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**Assessments spark record 700 appeals****PROPERTY VALUES: As they go up, so do the number of folks protesting numbers.**

By S.J. KOMARNITSKY

Anchorage Daily News

*(Published: April 19, 2006)*

PALMER -- Property values aren't the only thing skyrocketing in the Matanuska-Susitna Borough these days.

Property owners by the March deadline this year filed a record 704 appeals of their property assessments, on which tax bills are based. That's more than double the number two years ago, and 200 more than last year.

Borough assessor Allen Black attributes the surge in appeals in part to sticker shock brought on by the booming real estate market in the Valley. Some property values more than doubled in the past two years, although most have not risen that much.

The average sale price for a Valley home jumped from \$169,000 in 2003 to \$205,000 last year, according to borough records.

The 704 appeals represent a fraction -- about 1 percent -- of more than 65,000 taxed properties in the borough. But that doesn't make those contesting their assessments any less passionate.

This year's list includes a wide range of property and property owners, including an Anchorage company seeking a \$4 million break on property assessed at more than \$5 million to a Willow man wanting just few thousand dollars off a lot valued at \$21,500.

Allan Kelley of Wasilla said his \$15,000 Meadow Lakes lot should be reduced to \$10,000. He has no water or septic and is living in a bus, he wrote.

Some appellants are fairly sophisticated. Talkeetna Realtor Nikolaus Steigler attached a long list of comparable land sales in arguing for breaks on two properties.

Others submitted homey, handwritten notes that asked for reductions based more on sympathy than empirical evidence.

"This is all very unfair," wrote Barbara Shake, an Anchorage retiree referring to a three-quarters of an acre lot her family owns on Big Lake. She and her husband bought the property more than 30 years ago, but the value has almost tripled in the past two years from \$55,000 to more than



Matanuska-Susitna Borough senior appraiser Jennifer Carper talks with Wasilla resident Brendan McCann during a visit to McCann's home Thursday. McCann is contesting his 2005 assessment. *(Photo by STEPHEN NOWERS / Anchorage Daily News)*



Wasilla resident Brendan McCann contested the borough's 2005 assessment of \$192,000 on his Wasilla-area home. Senior appraiser Jennifer Carper met with McCann on Thursday and, after inspecting the property and doing some research, reduced the assessment to \$187,900. *(Photo by STEPHEN NOWERS / Anchorage Daily News)*

\$134,000. The land includes 100 feet of lakefront, but there's no road access or fire service, she said.

"We just object to it going up so much," she said.

Many cite problems with swampy land or steep terrain that makes their property unsuitable for building. Eugena Reutov said her Wasilla area property isn't fit to grow potatoes.

Technically, taxpayers can appeal their assessments on four grounds: they feel the value is excessive, improper, undervalued or unequal to comparable properties. But not everybody sticks to the form.

Larre Noyes of Wasilla in his appeal quoted Scripture in a rambling diatribe that questioned the borough's right to place a value on his 7.5-acres near Wasilla.

"THERE IS ONLY 'ONE' LAWGIVER AND JUDGE...." Noyes wrote. "HIS LAND IS NOT YOURS TO ASSESS OR TRY TO POSSESS FROM OTHERS OR INFLICT THEM WITH TAXES FOR YOUR GAIN."

All the appeals get the same treatment. They are numbered and placed in a cardboard box. They are then split among a dozen borough appraisers, Black said.

Some are easy to deal with, such as the homeowner with an unfinished basement listed instead as finished, or land too swampy to build on, Black said.

In other cases, the two sides sometimes just have to agree to disagree, he said. At that point, the case is forwarded to the borough Board of Equalization, a seven-member volunteer body appointed by the Assembly.

Typically about a quarter of the cases make it to the board, Black said. Of those, about 10 percent typically win their cases, he said.

Most are settled beforehand, he said.

The borough has resolved about 100 appeals either because homeowners dropped the case or came to an agreement on a lower value, Black said.

Brendan McCann managed to win a lower assessment. A single father of two, McCann, 43, said he loves the two-story wood home he owns off Wasilla-Fishhook Road. It's a refuge after years of apartment living in Chugiak. But he doesn't think the house is worth \$192,000, especially in light of the auto salvage yard he can see from his back deck, the noise from the nearby road and other problems, including poorly stained siding and cheap appliances.

He also doesn't want to pay what will be about \$400 more a year in taxes compared with last year, he said.

Last week, he made his case in person to senior appraiser Jennifer Carper.

McCann told her he's not opposed to taxes but hasn't gotten a raise in the past three years and isn't looking to sell his home. He noted the home last year was valued at just less than \$160,000.

Carper said she sympathized but had to base the home value on what others were willing to pay for similar properties.

"It's called an opinion of value and boy, howdy, do we have difference of opinions of value," she told him.

Carper left without making any promises but later called McCann and offered to reduce the value to \$187,900 based on what she said was the recent sale of a slightly nicer nearby home for \$205,000.

McCann said Monday he decided to take the offer.

"I still think they're charging too much taxes," he said.

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# Assembly votes to raise property tax rate for h

**BILLS COMING: Decision made not to wait for state to give financial relief.**

By KYLE HOPKINS  
Anchorage Daily News

The Anchorage Assembly voted to raise residential property tax rates about 8 percent Tuesday night, rather than delaying the decision to see whether the state gives the city millions in property tax relief.

The Legislature and governor haven't decided yet whether to share

state revenue with Anchorage — money the mayor has promised to use to lower property taxes.

Homeowners will still benefit if the state decides to give the city the cash. The property tax savings would likely show up on next year's tax bills, rather than this year's.

The city plans to mail tax bills May 15, and waiting to see what the Legislature does would have cost Anchorage more than \$21,000 a day, said chief fiscal officer Jack Stewart. That's partly because every day the city waits to receive property tax payments, it loses

interest accumulated by those payments.

Assemblyman Dan Coffey wanted to wait and set the tax rate later, saying the \$30 million or more the city may get from the state could be used for tax relief this year if lawmakers act soon.

But Mayor Mark Begich told the Assembly that while the legislative session is almost over, Gov. Frank Murkowski doesn't necessarily have to sign off on any revenue sharing right away. "His likelihood of supporting this right now is a mixed bag," Begich said. The Assembly made minor changes Tuesday to the total amount of taxes — roughly \$180,000 — to the tax cap, according to city figures, but about \$15 million more than taxpayers paid last year. The extra \$180,000 will be paid for by people who live in several service areas, where rates to pay for things like road maintenance and to save for major repairs.

## Property tax rate for homes by 5 percent

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"His likelihood of supporting this right now is a mixed bag," Begich said. The Assembly made minor changes

Tuesday to the tax rates proposed by the mayor's office, raising the total amount of taxes to be collected by roughly \$180,000 — to about \$202.5 million.

That's more than \$6 million under the tax cap, according to city figures, but about \$15 million more than taxpayers paid last year.

The extra \$180,000 will be paid for by people who live in several Hillside road service areas, where local volunteer boards asked for slightly higher tax rates to pay for things like road maintenance and to save for major repairs.

The combined tax rate — or mill rate — that Anchorage will use to pay for the city and school budgets is nearly 15 mill's, compared with almost 16 last year. The reason property taxes go up even as the tax rate goes down is because the assessed value of homes rises so fast.

The assessed value of Anchorage residential property went up about 12.5 percent last year, according to the city.

The city will collect about \$184.3 million in property taxes to pay for schools, an increase of \$14.3 million over last year.

## Local property values keep on rising

10 PERCENT JUMP: City begins mailing its 2006 appraisal notices.

**PETER PORCO**  
Anchorage Daily News

### Staff

The **value** of all private and business **property** in the city jumped 10 percent in the past year, according to the city's **Property Appraisal Division**, which began mailing its 2006 appraisal notices Friday. The notices function as a heads-up to home and **property** owners, because **property** taxes are based partly on appraised **value**. Taxes generally follow **values** up. Officials, however, say there's no direct link between the change in **value** and the tax rate, which will be set this spring by the Anchorage Assembly.

The increase in assessed **value** varies greatly from **property** to **property** across the city. Some **properties** have fallen in appraised **value**, but the great mass of the city's 93,800 residential and commercial parcels have gained **value**, said municipal assessor Marty McGee.

The total taxable valuation of real **property** in the city has risen this year to \$23.9 billion, from \$21.7 billion the year before.

Some **properties** have appreciated by 20 percent or more -- including one owned by an assemblyman -- but most increases are in the mid-range of 10 percent to 11 percent, McGee said.

Assemblyman Kenneth Stout, who was one of five Assembly members to hear McGee and other officials discuss the latest evaluations at a work session Friday, learned that his own home in East Anchorage has risen in appraised **value** by 18 percent, to nearly \$360,000.

"I'm not real happy with it, of course," Stout said. "It went up considerably last year, so I thought it would level off."

Stout accepted McGee's explanation that higher-quality homes generally saw the largest increases in **value**.

"I can't complain too loudly," he said. "We have a little complex there that has just a few houses in it, and the houses are all fairly good size and well kept."

The division sets a dollar figure for a **property** -- what it considers the fair market **value** -- based on actual sales of similar **properties**, according to McGee.

Appraisers track the sale price of roughly one-third of the city's **properties** over a given period, he said. Based on price and characteristics of the **property** sold, they construct a model to predict the **values** of similar **properties**.

"We know what goes on in the marketplace," McGee said. The city believes its appraisals are at 98 percent of the actual market **value**, he added.

Location plays a role in **property values** but not always on the same scale, McGee said.

responding to the market as a whole. The South Addition, for example -- the neighborhood south of the Park Strip -- is booming because lots of people want to live near downtown, McGee said.

"There's a lot going on there, a lot of high-value sales, and we reflect that in our valuation," he said.

"The predominant thing going on now," he said, "is people doing remodeling and additions. People are upgrading all over the city. We're more affluent, interest rates are low, they can refinance and add value to their houses."

People who live in older, smaller homes that are not changing complain that their properties should not be rising on a par with the other homes, according to McGee.

His answer to them is that there's a strong market for homes just like theirs because buyers want to take those smaller homes and remodel them.

Anchorage has relatively few homogeneous neighborhoods, which are likely to be subdivisions built in recent years. Its more typical neighborhood profile is a hodge-podge of housing -- the older homes side by side with larger, newer houses and maybe fixer-uppers on the other side of the street.

"Anchorage has not developed systematically," McGee said. That's why comparing type of property rather than relying on location "does a good job in predicting individual property values" based on the property description.

The much-discussed housing bubble that appears to be leveling off Outside is not much in play in Anchorage, according to McGee. The speculation that leads to "hyper value" elsewhere does not hold true here, he said. Anchorage is still riding a general economic rise and few better investments exist here than a house.

"What we're seeing now and expect to see in the next year is a slowdown in the number of sales but not in price."

Stout thought otherwise.

"My personal assessment is that this market will (soon) flatten out," Stout said.

**Property** owners have 30 days from the date of the notice to appeal their evaluation. Both the evaluation and appeal forms are available on the city's Web site ([www.muni.org](http://www.muni.org)).

The city does change appraisals when it learns something about a **property** it did not know before, McGee said.

Meanwhile, the city is again offering exemptions for up to \$20,000 of assessed **value** to qualifying taxpayers -- chiefly, to those who live in their own homes.

Those who applied last year do not have to reapply, the city said.

New homeowners will find information and tax exemption forms on the Web site.

Daily News reporter Peter Porco can be reached at [pporco@adn.com](mailto:pporco@adn.com) or 267-4663.

# FISCAL NOTE

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

Fiscal Note Number: HB24-COM-DCA-02-12-07  
 Bill Version: HB 24  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
 Title: Property Assessment Appeal Fee RDU: Community Assist & Ec Dev (405)  
 Component: Community Advocacy  
 Sponsor: Stoltze, Neuman, Lynn  
 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>						
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**FUND SOURCE** (Thousands of Dollars)

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

Estimate of any current year (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 restricts a municipality's ability to charge any fee for filing an appeal from the assessor's determination of market value for residential property. This legislation does not impact the operations of the division.

When Anchorage implemented the appeal filing fee in 2004 the number of appeals fell from 1,300 to about 302. In 2005 and 2006 the numbers fell to 210 and 214, respectively. The appeal filing fee reduced a number of appeals due to a cost to the property owner. The Municipality of Anchorage and the Kenai Peninsula Borough refund fees if the appeal is followed through and in some cases, if a reduction is made. In Anchorage, more than 70% of the fees are returned. In Kenai, about 80% of the fees are returned. It costs municipalities several hundred dollars to complete each appeal.

Prepared by: Mike Black, Director Phone 907.269.4535  
 Division: Community Advocacy Date/Time 2/12/07 5:52 PM  
 Approved by: Emil Notti, Commissioner Date 2/12/2007  
 Agency: Commerce, Community, and Economic Development

**Sonya Hymer**

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**From:** Rep. Anna Fairclough  
**Sent:** Tuesday, February 13, 2007 9:42 AM  
**To:** Rep. Bill Stoltze  
**Cc:** Rep. Gabrielle LeDoux; Rep. Kurt Olson; Rep. Mark Neuman; Rep. Nancy Dahlstrom; Rep. Sharon Cissna; Rep. Woodie Salmon  
**Subject:** HB23 & HB24

Representative Stoltze,

Thank you for presenting HB23 & HB24 to the Community and Regional Affairs Committee. We appreciate your willingness to answer questions and your consideration in our committee suggestions. As stated in our committee meeting this morning I will formulate questions regarding your proposals, submit them to committee members, allow one day for committee feed back to me and then forward discussion points to you later this week.

Again, thank you for representing all of our constituents and bring forward this discussion to our committee.

*Representative Anna Fairclough*

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**Sonya Hymer**

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**From:** Rep. Gabrielle LeDoux  
**Sent:** Tuesday, February 13, 2007 11:21 AM  
**To:** sonya\_hymer@legis.state.ak.us  
**Subject:** FW: HB23 & HB24

fyi and print for her

Suzanne Hancock, Chief of Staff  
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**Subject:** RE: HB23 & HB24

Good Morning Community and Regional Affairs Committee Members,

Below is a list of questions for your review. I will forward these questions to Representative Stoltze after 24 hours have elapsed. Please provide any additional clarification or additions to the informational request as soon as possible. I will compile all of the questions and forward them to Representative Stoltze for continued dialogue. If this process is not helpful please let me know.

**HB23**

1. How would you further define residential and commercial property?

Discussion: The current bill currently would cap property tax growth on North Slope (pipeline) properties as well as commercial and farm land.

2. How would the sponsor propose to address the impact of "true value" from the state assessor's perspective and the repressed value from the cap?

Discussion: The foundation formula is adversely affected by property tax exemptions/reductions that are not equally reduced under the state assessor statutes.

3. Does the sponsor agree with a trigger mechanism to bring the property at some point in time to "true value"?

Discussion: Prop. 13 in CA gives the government a "trigger" for market value when a home is sold. I am unsure on major renovations or damage to the property.

4. Is your proposed bill limited to new construction?

Discussion: One person who testified intimated that this bill is limited to new construction.

5. Does the sponsor have any comments in regard to similar homes being taxed at different rates?

Discussion: Same house, same street, different tax bills.

6. In a fluctuating market (up/down) does the sponsor support continued recoup of the cap amount if "true value" is not achieved?

Discussion: If we have capped a property and we see a down turn in the market and the property has increased as an example 12% over the past 3 years but the cap had held the increase to 6% (3 years times 2% cap as proposed) in a down turned market could a municipality still collect the 2% cap in an attempt to achieve "true value"?

7. What is the base year for calculating "true value"?

8. What would the sponsor suggest as a way to address an inaccurate assessment from the beginning of this law being implemented?

Discussion: Assessors typically visit a property once every 5-7 years. "True Value" may not be actually reviewed, appealed and settled for many years after this bill was passed into law.

9. How would the sponsor respond to the assertion that bond rating may be affected by a cap in assessment growth?

Discussion: Bond ratings are affected by a municipality's ability to repay loans and the stability/growth of its taxing authority.

10. Is it the sponsor's intention to cap all that is being assessed on a property?

Discussion: Buildings/Land/Improvements

#### **HB24**

1. What comments would the sponsor provide the committee in regard to the assertion that this bill limits local control of local issues?

Discussion: This was asked by Larry Semmens.

2. If those who appeal are receiving all of there filing fee back, does the sponsor desire to continue forward with this bill?

Discussion: Three local communities are charging filing fees; it appears that a majority of the fees are being returned if the appeal has the homeowner present at the appeal.

### *Representative Anna Fairclough*

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