

**SB**

**88**

# ALASKA STATE LEGISLATURE

**Session**  
State Capitol Building, Room 125  
Juneau, Alaska 99801-1182  
Phone (907) 465-2995  
Fax (907) 465-6592

**Interim**  
716 West Fourth Avenue, Suite 430  
Anchorage, Alaska 99501  
Phone (907) 269-0250  
Fax (907) 269-0249



**Chair**  
Senate State Affairs  
Administrative Regulation Review

**Member**  
Senate Judiciary Committee  
Senate Resources Committee

**SENATOR LESIL MCGUIRE**

## MEMORANDUM

**To:** Senator Donny Olson  
Senate Community and Regional Affairs Committee Chair

**From:** Senator Lesil McGuire

**Date:** February 28, 2007

**Re:** Request for hearing, SB 88 – *Municipal Property, Tax Exemption*

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I respectfully request that SB 88 "*An Act relating to and increasing the municipal property tax exemption on residences of certain seniors and others; and providing for an effective date*" be scheduled for a hearing at your earliest convenience. Attached you will find the sponsor statement, most current version of the bill, sectional analysis and background information.

If you have any questions or concerns please feel free to contact me personally, or my staff, ~~Martin Carlson Van Don~~ at x3579. Thank you for your time and consideration.

*Traver Fulton*

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## SPONSOR STATEMENT

### *SB 88 – Municipal Property Tax Exemption*

Senate Bill 88 will correct existing legislative language and intent passed in 1985 and will continue to assist seniors and disabled veterans. When the legislation was first passed, it provided a property tax exemption on the first \$150,000 value of their homes. For most, that meant an annual break from property taxes.

Twenty-two years later, the value of a residence is seldom in the \$150,000 range, and our seniors and disabled veterans are paying the price. Often, senior citizens and disabled veterans live on fixed incomes. While property values have risen dramatically, compensation to these two groups has not. Dollars spent on rising property taxes mean fewer dollars available for food and medicine.

SB 88 will correct language that has not kept up with inflation. SB 88 raises the exemption from \$150,000 to \$250,000, a much more realistic amount with today's increased cost of living. Passage of SB 88 will provide much needed tax relief to those Alaskans who have sacrificed and worked hard to build the Alaska and nation that we enjoy today.

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## **SECTIONAL ANALYSIS** **SB 88 – *Municipal Property Tax Exemption***

### **Section 1.**

Changes existing statutory language to specify that the exemption is only available to a resident living in the residence and reflects the increase in housing prices. It changes the amount of the exemption from \$150,000 to \$250,000. In the case of hardship the municipality may increase the exemption amount. Existing language remains establishing who is eligible, those 65 or over, disabled veterans, or surviving spouse of a qualified person who is at least 60 years old, and that only one exemption per residence is allowed.

### **Section 2.**

Municipal voters are permitted to approve an exemption that is larger than \$250,000 for qualified individuals, those 65 or over, disabled veterans, or surviving spouse of a qualified person who is at least 60 years old.

### **Section 3.**

The language will take effect on January 1, 2008.

### **Average selling price for houses highest in Anchorage**

Prices for single-family homes have skyrocketed in recent years. Another survey conducted for AHFC shows that the average sale price rose 9 percent from the second half of 2004 to the second half of 2005. For the first time, Anchorage had the highest average sales price at \$294,000, bumping

Juneau down to second at \$281,000. (See Exhibit 10.) Strong economic growth and a shrinking inventory of undeveloped land help explain the 11 percent increase in Anchorage's numbers.

It is important to recognize, however, that average sales price data do not necessarily represent the average prices for an area's total single-family housing stock, but merely the portion that was sold in the given time period. Average sales prices were lowest among the specific areas surveyed in the Kenai Peninsula Borough (\$195,000) and Fairbanks (\$200,000).

### **Housing is among the most affordable in Fairbanks**

Housing affordability indexes combine the sales price data above with average wages in the same area to determine how many wage earners are necessary to afford the average home. In Fairbanks, for example, it takes 1.3 wage earners to buy an average-priced single-family Fairbanks home. (See Exhibit 11.) Higher index numbers represent less affordable housing.

Although housing in the Matanuska-Susitna Borough is relatively inexpensive, lower than average wages make housing less affordable for those who live and work there than it is in many other areas of the state. At the other end of the spectrum, Anchorage's high housing costs are partially offset by higher than average wages, making housing slightly more affordable for those who live and work there.

Not surprisingly, many Mat-Su residents commute to Anchorage to get the best of both worlds – inexpensive housing and high wages. This group shares honors with Fairbanks for the most affordable housing in the state. Housing in Bethel is the least affordable among the areas studied due to a combination of high average housing costs and relatively low average wages.

Statewide, the affordability index rose to 1.5 in the second half of 2005, up from 1.4 a year earlier. The last time the index was as high as 1.5 was in 2000. With the exception of Kodiak, all areas surveyed saw increases in their index numbers. Kodiak enjoyed an improvement in housing affordability due to a higher than average increase in wages – 7 percent compared to the statewide average of 4 percent.

## What would \$100 in 1980 equal today?

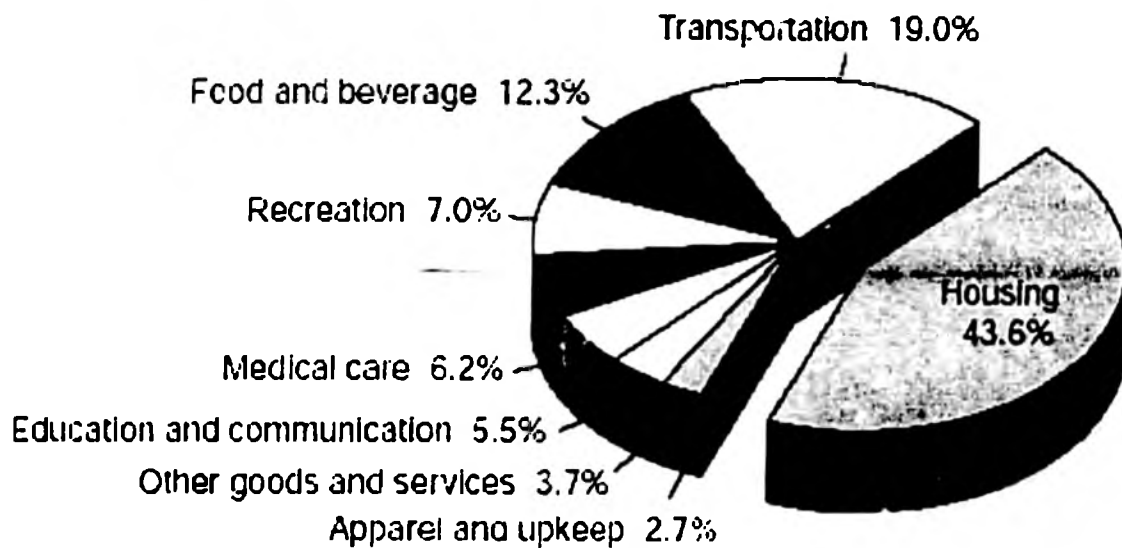
The Anchorage Consumer Price Index can help determine how much money it would take today to equal a dollar amount from some earlier year. To illustrate, this equation shows how \$100 in 1980 would be equal to \$201 in 2005

$$\begin{array}{l} \text{2005 Anchorage CPI (see Exhibit 2)} \\ \text{Divided by 1980 Anchorage CPI} \end{array} \quad \frac{171.8}{85.5} = 2.01$$

The 2.01 is then multiplied by the number of 1980 dollars in order to find the 2005 equivalent (\$100 x 2.01 = \$201). Another way to describe this is to say that \$100 in 1985 had the same purchasing power as \$201 had in 2005

The formula can also be reversed to deflate current dollars to some earlier year (for example, \$100 in 2005 would equal about \$50 in 1980) Inflation calculators that require only the years and a dollar amount are available at several Web sites, including ours: [almis.labor.state.ak.us](http://almis.labor.state.ak.us). (Click on "Cost of Living" in the left margin; then click on "Inflation Calculator," which is based on the U.S. Consumer Price Index )

## 4 Consumers Spend Most on Housing Consumer Price Index weighting<sup>1</sup>



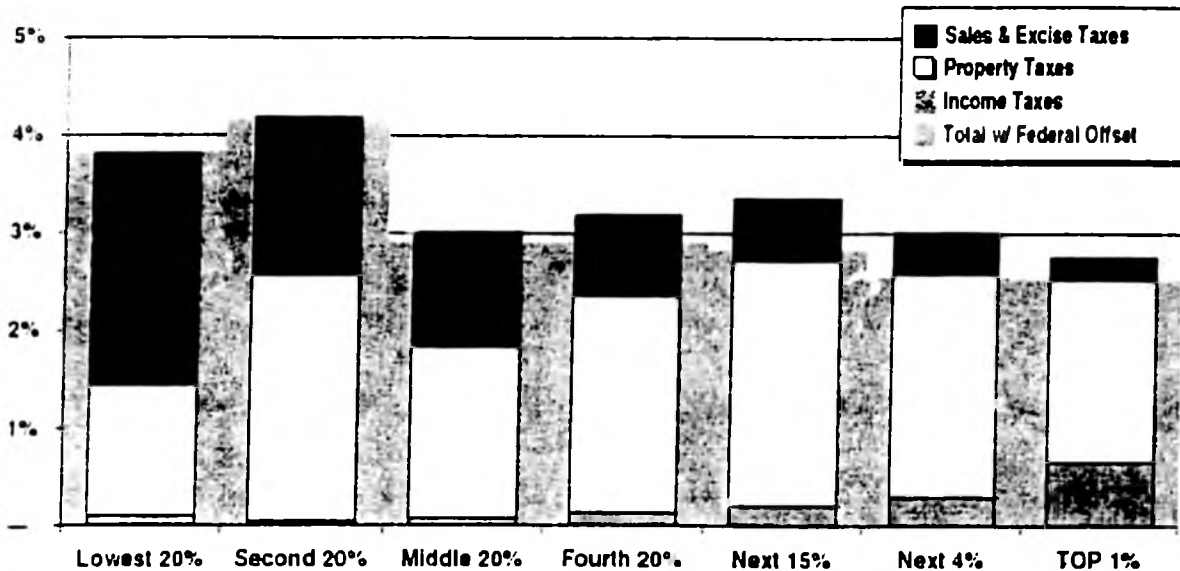
<sup>1</sup> As of December 2005

Source: U.S. Department of Labor, Bureau of Labor Statistics

# Alaska

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 - \$31,000	\$31,000 - \$50,000	\$50,000 - \$80,000	\$80,000 - \$142,000	\$142,000 - \$273,000	\$273,000 or more
Average Income in Group	\$9,900	\$22,600	\$38,500	\$62,300	\$101,000	\$181,000	\$590,000
<b>Sales &amp; Excise Taxes</b>	2.4%	1.6%	1.2%	0.8%	0.6%	0.4%	0.2%
General Sales—Individuals	0.7%	0.6%	0.5%	0.4%	0.3%	0.2%	0.1%
Other Sales & Excise—Ind.	1.3%	0.7%	0.4%	0.3%	0.2%	0.1%	0.0%
Sales & Excise on Business	0.3%	0.3%	0.2%	0.2%	0.1%	0.1%	0.1%
<b>Property Taxes</b>	1.3%	2.5%	1.8%	2.2%	2.5%	2.3%	1.9%
Property Taxes on Families	1.1%	2.4%	1.6%	2.0%	2.1%	1.8%	0.7%
Other Property Taxes	0.2%	0.1%	0.1%	0.2%	0.4%	0.5%	1.2%
<b>Income Taxes</b>	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.7%
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.7%
<b>TOTAL TAXES</b>	<b>3.8%</b>	<b>4.2%</b>	<b>3.0%</b>	<b>3.2%</b>	<b>3.4%</b>	<b>3.0%</b>	<b>2.8%</b>
Federal Deduction Offset	—	-0.0%	-0.1%	-0.3%	-0.5%	-0.5%	-0.2%
<b>TOTAL AFTER OFFSET</b>	<b>3.8%</b>	<b>4.1%</b>	<b>2.9%</b>	<b>2.9%</b>	<b>2.8%</b>	<b>2.5%</b>	<b>2.5%</b>

Note: Table shows 2002 tax law at 2000 income levels.

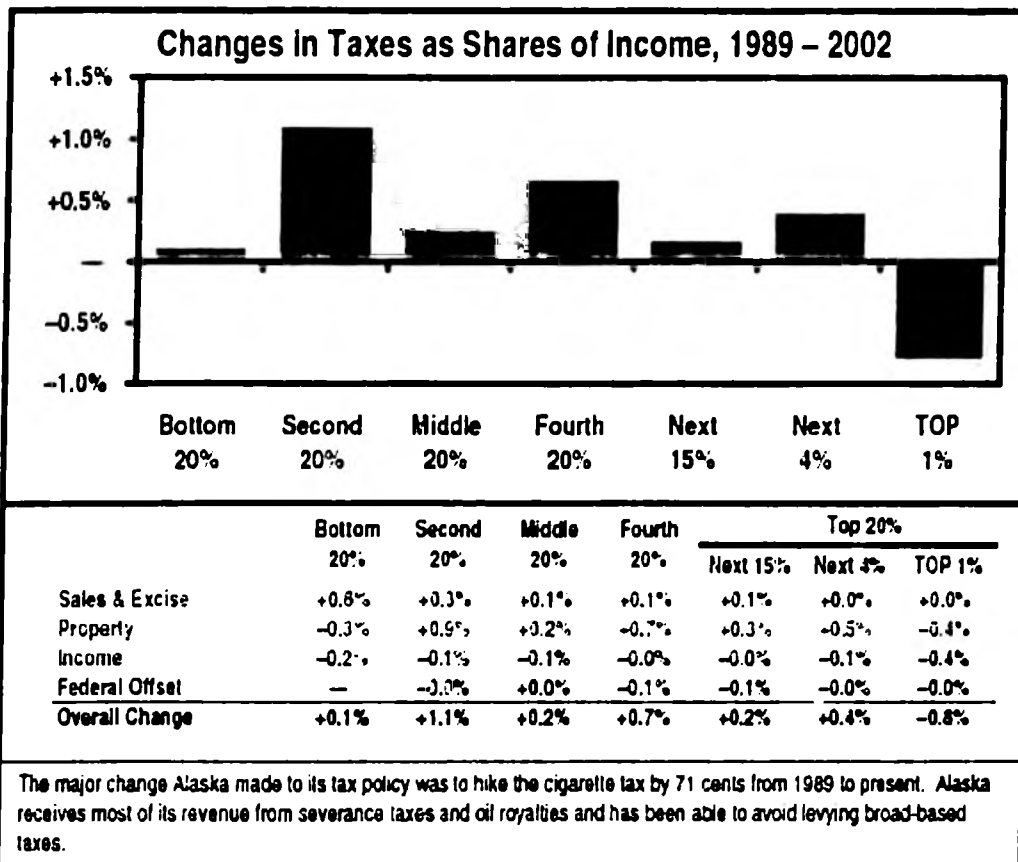
# Alaska Tax Trends

## Progressive Features

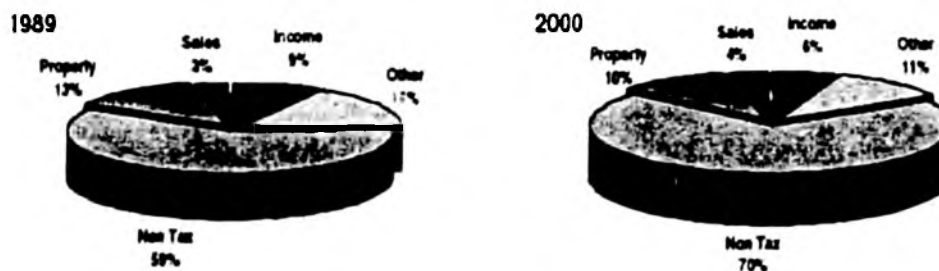
- ✓ No statewide sales tax though many localities apply a local sales tax

## Regressive Features

- ✗ No personal income tax



## Composition of Revenues



Source: Government Finance, US Department of Census

**TABLE 3**  
**2005 Local Property and Oil & Gas Property Tax Revenues**

Municipality	Property Tax Revenues	Oil & Gas Property Tax Revenues	Total Property Tax Revenues	Chg. From Previous Year	Population	Municipal Per Capita Revenue	**Per Capita Revenue City & Boro
Municipality of Anchorage	\$339,815,503	\$764,324	\$340,579,827	5.65%	277,498	\$1,227	
Bristol Bay Borough	\$1,763,700	\$0	\$1,763,700	0.93%	1,096	\$1,609	
Cordova	\$1,471,987	\$36,600	\$1,508,587	2.31%	2,298	\$656	
Craig	\$434,534	\$0	\$434,534	-1.21%	1,127	\$386	
Dillingham	\$1,851,955	\$0	\$1,551,955	15.83%	2,422	\$641	
Fairbanks, City*	\$10,457,533	\$0	\$10,457,533	20.41%	29,954	\$349	\$1,247
Fairbanks North Star Borough	\$71,987,722	\$4,286,797	\$76,274,519	6.85%	84,979	\$898	
Haines Borough	\$1,838,182	\$0	\$1,838,182	1.52%	2,245	\$819	
Homer*	\$1,797,165	\$0	\$1,797,165	3.14%	5,332	\$337	\$1,530
Houston*	\$178,379	\$0	\$178,379	-5.58%	1,368	\$130	
City & Borough of Juneau	\$32,806,333	\$0	\$32,806,333	8.90%	30,966	\$1,059	
Kachemak City*	\$66,258	\$0	\$66,258	117.93%	475	\$139	\$1,332
Kenai, City*	\$1,872,776	\$39,600	\$1,912,376	-3.23%	8,809	\$281	\$1,473
Kenai Peninsula Borough	\$53,290,034	\$7,510,354	\$60,800,388	33.05%	50,980	\$1,193	
Ketchikan, City*	\$3,432,361	\$0	\$3,432,361	-4.42%	7,891	\$446	\$1,056
Ketchikan Gateway Borough	\$7,941,125	\$0	\$7,941,125	23.00%	13,030	\$609	
Ketchikan, City*	\$618,751	\$0	\$618,751	-3.03%	6,199	\$100	\$758
Kodiak Island Borough	\$8,860,125	\$0	\$8,860,125	3.28%	13,466	\$658	
Matanuska-Susitna Borough	\$64,042,524	\$42,917	\$64,085,441	15.32%	70,148	\$914	
Nenane	\$218,527	\$0	\$218,527	-5.81%	394	\$555	
Nome	\$2,109,534	\$0	\$2,109,534	-12.49%	3,473	\$607	
North Pole*	\$798,808	\$0	\$798,808	2.28%	1,532	\$520	\$1,419
North Slope Borough	\$2,317,232	\$168,969,188	\$191,286,398	-4.26%	7,104	\$26,927	
Palmer*	\$768,988	\$0	\$768,988	23.46%	5,197	\$148	\$1,062
Pelican	\$58,148	\$0	\$58,148	7.28%	118	\$493	
Petersburg	\$2,147,532	\$0	\$2,147,532	13.16%	3,123	\$688	
Seldovia*	\$141,866	\$0	\$141,866	-3.13%	428	\$333	\$1,528
Seward*	\$745,901	\$0	\$745,901	11.28%	2,540	\$294	
City & Borough of Sitka	\$4,401,399	\$0	\$4,401,399	9.09%	8,805	\$500	
Skagway	\$1,338,097	\$0	\$1,338,097	16.54%	870	\$1,538	
Sudaina*	\$546,326	\$0	\$546,326	4.32%	3,787	\$145	\$1,338
Unalaska	\$4,024,654	\$0	\$4,024,654	-4.69%	4,366	\$922	
Valdez	\$17,890,301	\$13,049,409	\$30,939,709	47.04%	3,749	\$8,253	
Wasilla*	\$330,766	\$0	\$330,766	20.89%	6,109	\$54	\$968
Whittier	\$188,183	\$2,402	\$190,586	-25.32%	172	\$1,108	
Wrangell	\$1,201,688	\$0	\$1,201,688	2.82%	2,023	\$594	
City & Borough of Yakutat	\$296,942	\$0	\$296,942	-1.56%	680	\$437	
<b>Total Property Taxes</b>	<b>\$643,749,839</b>	<b>\$214,701,569</b>	<b>\$858,451,409</b>	<b>6.85%</b>	<b>Overall *</b>	<b>\$1,147</b>	<b>per capita</b>
<b>Overall Chg from Prior Year</b>	<b>10.44%</b>	<b>-2.64%</b>	<b>6.85%</b>		<b>Average **</b>	<b>\$1,128</b>	<b>property taxes</b>

**Total Local Tax Revenues Generated**

Sales Tax Revenues	\$157,246,911	18.37%
Special Tax Revenues	\$52,839,551	10.80%
Local Property Tax Revenues	\$643,749,839	14.78%
Oil & Gas Property Tax Revenues	\$214,701,569	-2.72%
<b>Total Local Tax Revenues</b>	<b>\$1,068,537,871</b>	<b>11.50%</b>

\*Includes North Slope & Valdez

\*\*Excludes North Slope & Valdez

The average per capita values are based upon populations only in municipalities that levy a property tax

\* indicates that city is located within a borough that also levies a property tax

\*\*This column adds the borough and city per capita revenues to more accurately reflect the actual per capita tax that a property owner would pay on property located within a city and a borough, both of which levy a property tax.

## 10 The Cost of Single-Family Homes Prices in Anchorage surpass Juneau

Average sales prices for July to December 2005



Sources: Alaska Department of Labor & Workforce Development, Research and Analysis Section, and the Alaska Housing Finance Corporation's 2005 Survey of Lenders Activity

## 11 Housing Affordability Wage earners needed to buy average house

For July to December 2005



Sources: Alaska Department of Labor & Workforce Development, Research and Analysis Section, and the Alaska Housing Finance Corporation's 2005 Alaska Affordability Index

## The Consumer Price Index in Anchorage and the U.S. Annual averages for selected components, 1983 to 2005

# 3

Year	ALL ITEMS EXCEPT SHELTER				HOUSING				TRANSPORTATION			
	U.S. Average	Percent Change from Prev. Year	Anchorage Average	Percent Change from Prev. Year	U.S. Average	Percent Change from Prev. Year	Anchorage Average	Percent Change from Prev. Year	U.S. Average	Percent Change from Prev. Year	Anchorage Average	Percent Change from Prev. Year
1983	99.8	3.7%	99.9	3.7%	99.5	2.7%	99.0	0.8%	99.3	2.4%	98.5	1.8%
1984	103.9	4.1%	103.8	3.9%	103.8	4.1%	102.7	3.7%	103.7	4.4%	104.6	6.2%
1985	107.0	3.0%	107.5	3.6%	107.7	4.0%	103.0	0.3%	106.4	2.6%	108.2	3.4%
1986	108.0	0.9%	111.2	3.4%	110.9	3.0%	102.6	-0.4%	102.3	-3.3%	107.8	-0.4%
1987	111.6	3.3%	115.1	3.5%	114.2	3.0%	97.5	-5.0%	105.4	3.0%	111.3	3.2%
1988	115.9	3.9%	117.8	2.3%	118.5	3.8%	95.4	-2.2%	108.7	3.1%	113.0	1.5%
1989	121.5	4.9%	122.3	3.3%	123.0	3.8%	96.3	0.9%	114.1	5.0%	116.7	3.3%
1990	126.2	5.4%	129.0	4.7%	128.5	4.5%	103.9	7.9%	120.5	5.6%	120.7	3.4%
1991	133.5	4.1%	131.9	3.0%	133.6	4.0%	111.2	7.0%	123.8	2.7%	121.7	0.8%
1992	137.3	2.8%	134.6	2.0%	137.5	2.9%	116.6	4.9%	126.5	2.2%	123.3	1.3%
1993	141.4	3.0%	137.9	2.5%	141.2	2.7%	121.1	3.9%	130.4	3.1%	128.8	4.5%
1994	144.8	2.4%	140.3	1.7%	144.6	2.5%	122.9	1.5%	134.3	3.0%	136.9	6.3%
1995	148.6	2.6%	144.6	3.1%	148.5	2.6%	124.9	1.6%	139.1	3.6%	143.8	5.0%
1996	152.8	2.8%	148.4	2.6%	152.8	2.9%	127.9	2.4%	143.0	2.8%	147.2	2.4%
1997	155.9	2.0%	150.6	1.5%	156.9	2.5%	129.4	1.2%	144.3	0.9%	147.0	-0.1%
1998	157.2	0.8%	152.6	1.3%	160.4	2.3%	131.0	1.2%	141.6	-1.9%	144.9	-1.4%
1999	160.2	1.9%	153.5	0.6%	163.9	2.2%	132.7	1.3%	144.4	2.0%	143.7	-0.8%
2000	165.7	3.4%	156.1	1.7%	169.6	3.5%	134.2	1.1%	153.3	6.2%	150.5	4.7%
2001	159.7	2.4%	160.6	2.9%	176.4	4.0%	139.0	3.6%	154.3	0.7%	153.0	1.7%
2002	170.8	0.6%	162.2	1.0%	180.3	2.2%	143.5	3.2%	152.9	-1.0%	151.5	-1.0%
2003	174.6	2.2%	166.5	2.7%	184.8	2.5%	146.8	2.3%	157.6	3.1%	158.3	4.5%
2004	179.3	2.7%	171.7	3.1%	189.5	2.5%	149.1	1.8%	163.1	3.5%	152.7	2.8%
2005	186.1	3.8%	177.5	3.4%	195.7	3.3%	153.1	2.7%	173.9	6.6%	171.7	5.5%

Year	FOOD and BEVERAGES				MEDICAL CARE				APPAREL and UPKEEP			
	U.S. Average	Percent Change from Prev. Year	Anchorage Average	Percent Change from Prev. Year	U.S. Average	Percent Change from Prev. Year	Anchorage Average	Percent Change from Prev. Year	U.S. Average	Percent Change from Prev. Year	Anchorage Average	Percent Change from Prev. Year
1983	99.5	2.3%	99.7	2.6%	100.6	8.8%	99.7	5.2%	100.2	2.5%	101.6	5.2%
1984	103.2	3.7%	103.2	3.5%	106.8	6.2%	105.5	5.8%	102.1	1.8%	101.7	0.1%
1985	105.6	2.3%	106.2	2.9%	113.5	6.3%	110.9	5.1%	105.0	2.8%	105.8	4.0%
1986	109.1	3.3%	110.8	4.3%	122.0	7.5%	127.8	15.2%	105.9	0.9%	109.0	3.0%
1987	113.5	4.0%	113.1	2.1%	130.1	6.6%	137.0	7.2%	110.6	4.4%	118.6	7.0%
1988	118.2	4.1%	113.8	0.6%	138.6	6.5%	145.8	6.4%	115.4	4.3%	119.1	2.1%
1989	124.9	5.7%	117.2	3.0%	149.3	7.7%	154.4	5.9%	118.5	2.8%	125.0	5.0%
1990	132.1	5.8%	123.7	5.5%	162.6	9.0%	161.2	4.4%	124.1	4.6%	127.7	2.2%
1991	136.3	3.6%	127.7	3.2%	177.0	8.7%	173.5	7.6%	128.7	3.7%	126.6	-0.9%
1992	138.7	1.4%	130.3	2.0%	190.1	7.4%	183.0	5.5%	131.9	2.5%	130.2	2.8%
1993	141.6	2.1%	131.2	0.7%	201.4	5.9%	189.6	3.6%	133.7	1.4%	131.2	0.5%
1994	144.9	2.3%	131.9	0.5%	211.0	4.8%	197.3	4.3%	133.4	-0.2%	129.9	-1.8%
1995	148.9	2.8%	138.5	5.0%	220.5	4.5%	211.6	7.0%	132.0	-1.0%	130.0	0.9%
1996	153.7	3.2%	143.4	3.5%	228.2	3.5%	231.1	9.2%	131.7	-0.2%	128.7	-1.0%
1997	157.7	2.6%	145.8	1.7%	234.6	2.8%	248.9	7.7%	132.9	0.9%	127.0	-1.3%
1998	151.1	2.2%	147.3	1.0%	242.1	3.2%	255.7	2.7%	133.0	0.1%	125.6	-1.1%
1999	164.6	2.2%	148.4	0.7%	250.6	3.5%	260.8	2.0%	131.3	-1.3%	125.8	0.2%
2000	168.4	2.3%	151.7	2.2%	260.8	4.1%	272.1	4.3%	129.6	-1.3%	124.5	-1.0%
2001	173.6	3.1%	156.4	3.1%	273.8	4.6%	282.9	4.0%	127.3	-1.8%	131.1	5.3%
2002	178.9	1.8%	157.9	1.0%	285.6	4.7%	---	---	124.0	-2.6%	126.7	-3.4%
2003	180.5	2.1%	161.8	2.5%	297.1	4.0%	---	---	120.9	-2.5%	123.2	-2.8%
2004	186.6	3.4%	168.9	4.4%	310.1	4.4%	---	---	120.4	-0.4%	123.9	0.6%
2005	191.2	2.5%	173.1	2.5%	323.2	4.2%	344.2	---	119.5	-0.1%	121.3	-2.1%

No index was created for medical care for Anchorage for the years 2002 to 2004

Source: U. S. Department of Labor, Bureau of Labor Statistics

## *Income Growth Versus Property Tax Growth 1990-2004*

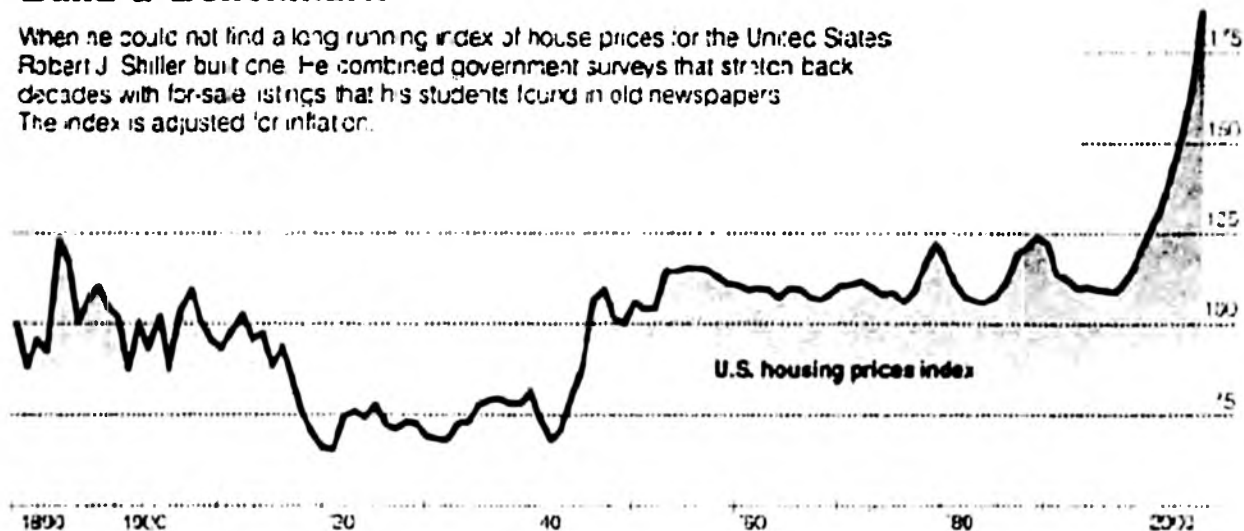
Fiscal Year	Percent Change in Personal Income	Percent Change in Property Tax Collections
1990	6.78%	9.28%
1991	4.94	7.96
1992	4.61	7.34
1993	5.32	5.22
1994	4.16	3.90
1995	5.86%	3.20%
1996	4.99	2.94
1997	6.18	4.48
1998	6.81	5.17
1999	6.27	4.14
2000	6.61%	3.97%
2001	6.22	5.82
2002	2.02	5.88
2003	2.19	6.27
2004	4.66	7.27

Note: Tax payments are actual collections as reported to the Census Bureau by state and local governments. Business and other property taxes included along with residential real estate taxes.

Sources: *Survey of Government Finances*, U.S. Census Bureau; Bureau of Economic Analysis; and Tax Foundation calculations.

### **Build-a-Benchmark**

When he could not find a long running index of house prices for the United States Robert J. Shiller built one. He combined government surveys that stretch back decades with for-sale listings that his students found in old newspapers. The index is adjusted for inflation.



Source: *Financial Evidence*, Robert J. Shiller

Source: <http://www.nytimes.com/lineagepages/2005/08/21/business/21real.graphic.html>

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Anchorage Daily News

Print Page

Close Window

**In Alaska, tax woes are for other folks****NO. 1: Anchorage families shoulder nation's smallest tax burden among cities.**By GEORGE BRYSON  
Anchorage Daily News*(Published: April 17, 2007)*

If all you want out of a big city in America is to pay as little in taxes as humanly possible, then Anchorage is the place for you.

So says a study that compares tax rates in the largest cities in each state (plus Washington, D.C.) as reported this month in Kiplinger's Personal Finance magazine.

As Americans prepared to pay their federal taxes, the periodical ranked Anchorage No. 1 on its list of "The 10 Most Tax Friendly Cities" in America in terms of state and local taxes.

Credit Alaska's standing as the only state in the nation in which residents pay neither an income tax nor a state sales tax, said Kiplinger assistant managing editor Magali Rheault.

"It's hard to beat Alaska when it comes to paying taxes," Rheault said.

Her magazine based its ranking on a congressionally mandated study of 2005 tax burdens that was conducted last fall by the District of Columbia.

It compared how much residents pay for four types of state and city levies -- income tax, sales tax, auto tax and property tax -- for a middle class family of three that makes \$75,000 a year.

**After avoiding any taxes at all in the first two categories, an Anchorage family at that income-level paid an average of \$176 in auto tax (\$342 below the national average) and \$2,872 in property tax (\$251 above the national average).**

Adding it all up, the Anchorage family paid \$3,048 -- or 4.1 percent of annual income -- in state and local taxes, the study reported.

That was less than half the national-average tax rate of 8.8 percent for the same income, and only one-fifth the rate paid by residents in Bridgeport, Conn. -- which topped the nation with a tax rate of 20.5 percent, mostly due to a combination of high home values and hefty property taxes.

The study assumed that a family in the \$75,000-a-year income bracket in Anchorage owned a home worth \$195,876 in 2005, while a similar family in Bridgeport owned a home valued at \$352,930.

"That's something that the people in Bridgeport have to understand," Rheault said. "If you're going to live there, you're going to have to pay a lot in property taxes."



Doug Clinger waves to motorists outside Liberty Tax Service in Midtown, April, 16, 2007. Taxpayers had extra time to file and pay because April 15 fell on a Sunday, and Monday was Emancipation Day, a legal holiday in the District of Columbia. (BILL ROTH / Anchorage Daily News)

In Anchorage, by comparison, the city's more modest property taxes are further offset by the state's oil wealth.

The study listed Alaska as one of only seven states in the nation with no income tax (the others were Florida, Nevada, South Dakota, Texas, Washington and Wyoming) and one of only four with no state sales tax (along with Montana, Oregon and Delaware).

The listing of tax-friendly cities in the May issue of Kiplinger's Personal Finance appeared as a sidebar to a package of stories on people who relocate at mid-career, and Anchorage's No. 1 ranking didn't surprise her, Rheault said.

"Every time we do tax stories, Alaska always comes up as the best place to live because you don't have an income tax and you have the Permanent Fund," she said. "So residents can end up ahead, thanks to the oil revenues."

The article noted that Alaskans receive an additional bonus of a yearly Permanent Fund dividend. However, the District of Columbia study didn't use it to calculate the Anchorage tax burden.

Had it done so, factoring in three 2005 dividends worth \$845 apiece, the same hypothetical family of three making \$75,000 a year only would have owed a balance of \$510 on its 2005 state and city tax bill -- and may have even made money in 2006, when dividends rose to \$1,106.96 apiece.

The study also found that Anchorage imposed the lowest tax rate in the nation (2.8 percent of gross income) on families making \$150,000 a year but much more (8.9 percent) on families that make only \$25,000 a year -- because a portion of rent that low-income people pay adds to their landlord's property taxes.

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Daily News reporter George Bryson can be reached at [gbryson@adn.com](mailto:gbryson@adn.com).

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