

SB

122

SFIN

FILE

Grier Hopkins - testimony response to Sen. Steedman

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

Allowable Municipal Property Tax Exemption Increase

Prepared 1 February 2008 by Jennifer Yuhas,
Special Assistant to Fairbanks North Star Borough Mayor / FNSB Legislative Liaison
907.388.7951 / jyuhas@co.fairbanks.ak.us

Purpose:

- Allows municipalities to exempt the first \$100K from the value of a residential property before levying taxes upon that property.
- Requested by Fairbanks North Star Borough to offset rising cost of energy paired with rapidly rising property valuations in response to public concern.

Optional:

- Each municipality would acquire the option to increase the allowable exemption to \$100K only by municipal vote.
- Option already exists for up to \$20K
- Change only affects the amount allowable, increasing it from \$20K to \$100K

Other:

- Each municipality will have the burden to manage diversification of revenue or retraction of services associated with implementation of an increased exemption.
 - Options include but are not limited to the following:
 - Reduction of services / decreased budget
 - Shifting tax burden to non-residential properties
 - Implementing sales, gross receipts, or other taxes
- Issues associated with implementation will be discussed at the local level through the election process prior to adoption
- Similar legislation passed unanimously 2004 increasing \$10K to \$20K
- The FNSB Assembly has allocated \$150K to ballot initiative 2008.
Support: Anchorage, et al
- Only community on record opposing = Kenai Peninsula Borough:
testimony (H)C&RA = cited fear voters would insist on option if option existed.

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 122
(S) Publish Date: 2/6/08

Identifier (file name): SB122-CED-CRA-02-04-08 Dept. Affected: DCCED
Title: Municipal Property Tax Exemption RDU: Comm Asst & Ec Dev (405)
Component: Community & Regional Affairs
Sponsor: Thomas
Requester: Senate Community & Regional Affairs Component Number: 2879

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES								
CHANGE IN REVENUES (1004)	0.0	0.0	**	**	**	**	**	**

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: _____

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 residential property value. The current amount of the optional exemption is \$20,000 of property value. The option would need to be implemented by ordinance ratified by voters at an election. Any fiscal impacts to municipalities would depend on how they write the ordinance and how much exemption they choose. This bill will have no fiscal impact on the Division.

If municipalities with oil and gas properties increase their mill rates to offset revenue losses resulting from the increased residential property tax exemptions, the Division estimates that this legislation could cost the State up to \$3 million annually in lost oil and gas property tax revenues.

Prepared by: Tara Jollie, Director
Division: Community and Regional Affairs
Approved by: Emil R. Notti, Commissioner
Commerce, Community, and Economic Development

Phone 907.269.7959
Date/Time 2/4/08 7:42 PM
Date 2/4/2008

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By: Charlie Rex
Tim Beck
Luke Hopkins
Mike Musick
Nadine Winters
Hank Bartos
Torle Foole
Valerie Therrion
Introduced: 02/22/07
Adopted: 02/22/07

FAIRBANKS NORTH STAR BOROUGH
RESOLUTION NO. 2007 - 06

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

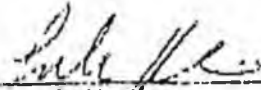
WHEREAS, along with increased assessments, residents have also faced
skyrocketing heating fuel and gasoline prices; and

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

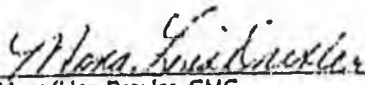
NOW, THEREFORE, BE IT RESOLVED the Assembly of the Fairbanks
North Star Borough respectfully requests the Alaska State Legislature to amend
AS29.45.050(a) to increase the residential property tax exemption allowable to \$50,000.

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



Luke Hopkins
Presiding Officer

ATTEST



Mona Lisa Drexler, CMC
Municipal Borough Clerk

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

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



Municipality of Anchorage

P.O. Box 196650 • Anchorage, Alaska 99519-6650 • Telephone: (907) 343-4431 • Fax: (907) 343-4499 <http://www.muni.org>

Mayor Mark Begich

Office of the Mayor

February 5, 2008

The Honorable Joe Thomas
Alaska State Senate
State Capitol, Room 510
Juneau, AK 99801

The Honorable Scott Kawasaki
Alaska State House of Representatives
State Capitol, Room 428
Juneau, AK 99801

Dear Joe and Scott,

I write to lend my support to legislation you have introduced – Senate Bill 122 and House Bill 199 – which would help provide sorely needed tax relief to Alaska property taxpayers.

As you know, property taxes comprise the largest source of revenues to fund local government services across Alaska. Unfortunately, many Alaska taxpayers have seen their property taxes continue to increase. That is certainly the case here in Anchorage.

Three years ago, at my request and with the concurrence of our Assembly, Anchorage voters overwhelmingly approved taking advantage of the Legislature's option to exempt the first \$20,000 of their property from taxation. Many Anchorage property taxpayers have requested an even greater exemption, so I am pleased you have introduced legislation to increase that amount to \$100,000. I commend you for giving local government the option to grant residential property tax exemptions.

I am pleased to assist you both in whatever ways would be useful to pass this important legislation during this session. Thank you again for introducing these important bills.

Sincerely,

Mark Begich
Mayor

CC: Members, Anchorage Assembly
Members Anchorage Legislative Delegation

Community, Security, Prosperity



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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ALASKA STATE LEGISLATURE



SENATOR JOE THOMAS

Sponsor Statement

SB 122 – Residential Property Tax Exemption

Senate Bill 122 increases the *optional* municipal property tax exemption for a private residence from \$20,000 to up to \$100,000. This bill *does not mandate* any action by municipalities. This bill only allows local governments the option of increasing their residential property tax exemption.

Currently there are 12 boroughs and 13 cities - with a combined population of over 590,000 Alaskans - which levy property taxes. Each of these is attempting to respond to homeowners struggling under the rising cost of energy across the state. In some instances these issues are coupled with rapidly rising assessed values of private residences. Across the state, these citizens are crying for relief.

SB 122 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. SB 122 would allow local for control in setting the allowable exemption at any amount *up to \$100,000*. A local ordinance would then require voter approval before enactment.

The original option of exempting up to \$20,000 was a good idea when it passed both houses of the Alaska Legislature unanimously in 2004, and has been a valuable tool for the municipalities which exercised this option.

As municipalities around our state attempt to diversify their income base and respond to the needs of private citizens struggling under today's rising energy costs, I urge you to support the timely passage Senate Bill 122.