

HB

10

<target><bill>HB 10</bill><subject>HB
10</subject><comm>HFIN26</comm></target>

Alaska State Legislature

House of Representatives



Representative Max F. Gruenberg, Jr.
House District 20

Anchorage (Mountain View, Russian Jack, East Anchorage)
House Minority Assistant Floor Leader

Member

Standing Committees:

Judiciary
State Affairs
Transportation

Finance Subcommittees:

Administration
Courts
Law

Interim:
716 W 4th Avenue, Rm 350
Anchorage, Alaska 99501-2133
Phone: (907) 269-0123
Fax: (907) 269-0124

Session:
Alaska State Capitol, Rm 110
Juneau, Alaska 99801-1182
Phone: (907) 465-4940
Toll Free: (866) 465-4940
Fax: (907) 465-3766

Email:
Rep.Max.Gruenberg@legis.state.ak.us

EXPLANATION OF CHANGES

Changes between HB10 and CSHB10(CRA):

- CSHB10(CRA) eliminates Section 3 of HB10; Section 3 had increased the optional municipal property tax exemption for residential property from \$20,000 up to \$40,000.

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SPONSOR STATEMENT

CSHB10(CRA) – MUNICIPAL TAXES: COSTS/EXEMPTIONS

"An Act authorizing a borough to charge a city for costs of collecting certain taxes; relating to a mandatory exemption from municipal property taxes for residences of certain widows or widowers, and to optional exemptions from municipal property taxes for property of certain fraternal organizations, for certain college property, and for certain residential property; and providing for an effective date."

This bill makes several changes to the mandatory and optional municipal property tax exemptions allowed under Alaska law. The bill is similar to CSHB 67 (FIN)am that passed the House on 5/2/2007.

- The bill permits a borough to charge a city a fee for the cost of collecting a tax that is not also levied by the majority of cities in the borough or levied by the borough on an areawide basis. This is a new section to the previous versions of the bill.
- The bill encourages law enforcement officers to purchase homes and live in high crime areas by allowing a municipality to pass an ordinance giving an exemption up to \$150,000 of assessed valuation for a permanent residence owned and occupied by a law enforcement officer in a high crime area.
- The bill allows widows and widowers of disabled veterans to retain their municipal property tax exemption. Under current law, these widows and widowers are ineligible for the tax exemption until they reach age 60.
- The bill provides for an option exemption at the discretion of a municipality to exempt property owned by a private university from municipal property taxes. If the property is being used for non-exempt purposes, the leasehold interest(s) will be subject to taxation. The Senate Community and Regional Affairs Committee amended CSHB 67 (FIN)am by changing this exemption from mandatory to optional.
- The bill provides for an optional municipal tax exemption for fraternal organizations if the property is used predominately for charitable or fraternal purposes. In order to be eligible for the tax exemption, the municipality by ordinance and the voters in the municipality must approve a tax exemption for fraternal property.

Please contact Allison Laffen at 465-2840 with any questions.

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Judiciary
State Affairs
Transportation

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SECTIONAL ANALYSIS

CSHB10(CRA) – MUNICIPAL TAXES: COSTS/EXEMPTIONS

"An Act authorizing a borough to charge a city for costs of collecting certain taxes; relating to a mandatory exemption from municipal property taxes for residences of certain widows or widowers, and to optional exemptions from municipal property taxes for property of certain fraternal organizations, for certain college property, and for certain residential property; and providing for an effective date."

Sec. 1. Permits a borough to charge a city a fee for costs of collecting a tax that is not also levied by the majority of cities in the borough or levied by the borough on an areawide basis.

Sec. 2. Eliminates the requirement that a widow or widower of a disabled veteran who had qualified for an exemption for taxes on the residence be at least 60 years old in order to also qualify for the exemption. Under **Sec. 6**, this bill section, but not the rest of the bill, takes effect January 1, 2010.

Sec. 3. Permits a municipality to classify and exempt from taxation property of certain nonprofit four-year colleges or universities. A private leasehold, contract or other interest in the property remains taxable to the extent of the interest. The Senate Community and Regional Affairs Committee amended CSHB 67 (FIN)am in the 25th Legislature by changing the exemption from mandatory to optional.

Sec. 4. Permits a municipality by ordinance ratified by the voters to exclude or exempt from taxation property of certain fraternal societies if the property is used for a listed purpose.

Sec. 5. Allows a municipality to provide for a tax exemption not to exceed \$150,000 of the assessed value of a residence of a law enforcement officer that is within an eligible area designated by the municipality. A municipality that provides the exemption may not request state funds to cover any loss of revenue caused by the exemption. Sets out requirements for an eligible area.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 10(CRA)
(H) Publish Date: 2/27/09

Identifier (file name): HB10-CED-CRA-2-20-09 Dept. Affected: DCCED
Title: Municipal Taxes Costs/Exemptions RDU: Commissioners Office
Sponsor: Representative Gruenberg and Representative Chenault Component: Community & Regional Affairs
Requester: House Community and Regional Affairs Committee Component Number: 2879

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
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

CAPITAL EXPENDITURES							
-----------------------------	--	--	--	--	--	--	--

CHANGE IN REVENUES ()							
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FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2009) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This bill would make primary changes to existing statues dealing with property tax exemptions for law enforcement officers living in high crime area, widow or widowers of disabled veterans, certain non-profit colleges and universities and a raise in the property tax exemption amount. The Department of Commerce, Community and Economic Development does not anticipate a fiscal impact due to passage of this legislation.

Prepared by: Tyson Fick
Division: Commerce, Community, and Economic Development
Approved by: Emil R. Notti, Commissioner
Commerce, Community, and Economic Development

Phone 907-465-2503
Date/Time 02/20/09 10:00am
Date 2/23/2009

1 exclusively for student housing for the University of Alaska; property may be
2 exempted from taxation under this subparagraph for no longer than 30 years
3 unless the exemption is specifically extended by ordinance adopted within the
4 six months before the expiration of that period;

5 (E) property of a private, nonprofit four-year college or
6 university that is accredited by a regional or national accrediting agency
7 recognized by the Council for Higher Education Accreditation or the
8 United States Department of Education, or both, that is not subject to the
9 mandatory exemption described in AS 29.45.030(a)(3); however,
10 notwithstanding this exemption, the provisions of AS 29.45.030(a)(1)(A)
11 apply to this property;

*Amend
2*

12 (2) classify as to type and exempt or partially exempt some or all types
13 of personal property from ad valorem taxes.

14 * Sec. 4. AS 29.45.050 is amended by adding a new subsection to read:

15 (t) A municipality may, by ordinance ratified by the voters, exclude or exempt
16 or partially exempt from taxation the property of a fraternal society, order, or
17 association that is exempt from federal taxes under 26 U.S.C. 501(c)(8) or (10)
18 (Internal Revenue Code) if the property is used predominantly for one or more of the
19 following purposes:

- 20 (1) religious;
- 21 (2) charitable;
- 22 (3) scientific;
- 23 (4) literary;
- 24 (5) educational; or
- 25 (6) fraternal.

26 * Sec. 5. AS 29.45 is amended by adding a new section to read:

27 **Sec. 29.45.053. Exemption for certain residences of law enforcement**
28 **officers.** (a) A municipality may, by ordinance, provide for the designation of areas
29 within its boundaries that are eligible for tax exemptions on parcels of residential
30 property. The amount of the tax exemption provided in the ordinance may not exceed
31 \$150,000 of the assessed value of a parcel. The exemption may be granted for a parcel

adopted
3/14/09

26-LS0063\P.2
Cook
3/13/09

AMENDMENT 1

OFFERED IN THE HOUSE
TO: CSHB 10(CRA)

BY REPRESENTATIVE STOLTZE
BY REQUEST

- 1 Page 3, lines 10 - 11:
- 2 Delete all material.
- 3 Insert "a private leasehold, contract, or other interest in the property is taxable to
- 4 the extent of the private interest;"

Public Safety Employees Association, Inc.
"Representing Alaska's Finest"

**Public Safety Employees Association – Position Paper in
Support
HB 10 – Optional Exemption from Municipal Property Taxes**

PSEA supports Section 6 of HB 10 that gives municipalities by ordinance an option to offer a property tax exemption as one means to attract law enforcement officers to reside in areas of a community where there is a higher occurrence of crime than is found in the municipality as a whole.

The municipality must by ordinance adopt the tax exemption and define law enforcement officer. If the municipality adopts an ordinance, it exempts from taxation an amount not to exceed \$150,000 of assessed value of real property for an officer who owns and occupies a primary permanent residence in a designated area.

HB 10 gives communities a tool for use in attracting law enforcement officers to bring their families to live in areas of a community where crime is more prevalent.

The bill offers a property tax incentive for an officer and his or her family to consider living in a designated area where there is a higher incident of crime. Providing an incentive in the form of tax relief may help attract families of peace officers to neighborhoods where crime is an issue. If the quid pro quo is a neighborhood that is safer, the incentive will have been worth the investment.

2/26/09



Alaska

February 20, 2009

Honorable Max Gruenberg
Alaska House of Representative
State Capitol Building
Juneau, AK 99801-1182

RE: House Bill 10, Section 3

Dear Representative Gruenberg:

On behalf of the National Federation of Independent Business/Alaska, I wish to express our opposition to Section 3 of House Bill 10. Over 60% of the NFIB/AK membership voted to oppose increases in the residential property tax exemption in the 2009 NFIB Alaska State Ballot. The National Federation of Independent Business is the largest small-business advocacy group in the Alaska.

The proposed increase to the residential property tax exemption in Section 3 is one more step toward a "split roll" tax that will shift property taxation onto businesses. As small business owners, we believe that all users of municipal services should share property taxes equally. As fewer individuals are directly impacted by property taxes, tax increases are more likely. For small businesses that will increase operating costs and, particularly in the current economic situation, may reduce the ability of small businesses to increase employment and help our economy grow.

While we appreciate your concern about the impact of local property taxes on residential property, we believe that reducing expenditures is a more appropriate means of reducing those costs, rather than shifting them to others.

Sincerely yours,

Dennis L. DeWitt
Alaska Legislative Advocate

Allison Laffen

From: Van Sant, Steve (CED) [steve.vansant@alaska.gov]
Sent: Monday, February 23, 2009 10:07 AM
To: Allison Laffen
Subject: RE: HB 10 Municipal Property Tax Exemptions

Allison,

I have discussed this with the AG's office in the past, as well as other municipal attorneys and the conclusion is that once a widow/widower remarries, they are no longer considered a widow/widower and consequently, are no longer eligible for the program. This is consistent with the policy that we currently use in the program for seniors.

I hope this helps, but if you have any more questions, please feel free to contact me.

Steve

Steve Van Sant
State Assessor
(907) 269-4605

From: Allison Laffen [mailto:Allison_Laffen@legis.state.ak.us]
Sent: Sun 2/22/2009 12:02 PM
To: Van Sant, Steve (CED)
Subject: HB 10 Municipal Property Tax Exemptions

Mr. VanSant:

We have had a question arise on HB 10 and Rep. Gruenberg thought you may be able to assist us in finding the answer. I've attached a copy of the bill for your review. Section 2 of the bill amends AS 29.45.030(e) by eliminating the requirement that a widow or widower of a disabled veteran who had qualified for an exemption for taxes on the residence be at least 60 years old in order to also qualify for the exemption. The question posed to us: Is a widow or widower who has qualified or would qualify under this section who subsequently gets remarried still considered a widow/er for purposes of the exemption?

HB 10 is scheduled to be heard in House Community & Regional Affairs on Thursday, February 26 at 8:00am. Would you or someone from your staff be available via teleconference to answer questions that may arise during that time?

Thank you for your time.

Allison Laffen
Legislative Aide
Rep. Max Gruenberg - D20
(907) 465-2840

2/23/2009

KX Date/Time JAN-13-2009(TUE) 07:59
Jan-13-09 07:52am From-UA PRES/REGENTS OFC

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9074508012

P 002

T-328 P.02/02 F-169

Mark R. Hamilton, President
Phone: (907) 450-8000
Fax: (907) 450-8012
EMAIL: sypres@alaska.edu



UNIVERSITY
of ALASKA
Many Traditions One Alaska

202 Butrovich Building
910 Yukon Drive
P.O. Box 755000
Fairbanks, AK 99775-5000

January 12, 2009

Dear Legislators:

I join the Anchorage Assembly and the leadership of Alaska Pacific University in urging that APU enjoy tax exemption on the use of its historic, contiguous acreage in Anchorage. It is in the best interests of the State of Alaska that we maintain the viability of a private University in our state. APU is complimentary to the State University system; and we work together well in providing non-duplicative programs. The "endowment properties" are sufficient to maintain APU in its current and envisioned size and role if they can be assured that those properties will not suffer from property tax.

With the loss of Sheldon Jackson, the importance of APU is magnified. I believe this small consideration will return to the State of Alaska many times over in the careers and contributions of APU's graduates.

Respectfully,

A handwritten signature in cursive script, appearing to read 'Mark R. Hamilton'.

Mark R. Hamilton
President

cc: President Douglas M. North, APU



Municipality of Anchorage

P.O. Box 190650 • Anchorage, Alaska 99519-6650 • Telephone: (907) 343-4431 • Fax: (907) 343-4499 <http://www.nunat.org>

Mayor Mark Begich

Office of the Mayor

December 31, 2008

To the Members of the Alaska State Legislature:

On December 16, 2008 the Anchorage Assembly passed a Resolution that urges the State Legislature to enact legislation that would level the playing field between the University of Alaska Anchorage and Alaska Pacific University's contiguous campus when it comes to property taxation. The phrase "contiguous campus" is an important limitation upon APU's equalization, and one that APU agrees with. It precludes APU from buying additional property and then competing with the private sector for development dollars.

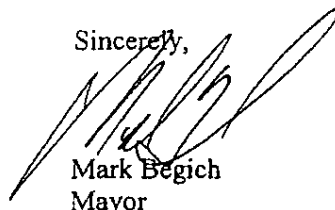
The Anchorage Assembly was impressed by the contribution at APU has made and continues to make to Anchorage—as an economic engine (\$200,000,000 spent locally since 1995), as an important part of the city's educational landscape, and as an institution offering manifold public services at little or no cost to the people of Anchorage.

Alaska Pacific University was not assessed any property taxes for its first 47 years until a new ruling by the Municipal Assessor in 2005. APU has contested this ruling for the past three years. In the past, I have not opposed this equalization of property taxation between our two Alaska universities, but the Municipal Attorney has clearly shown me that only the State Legislature, not the Mayor's Office nor the Anchorage Assembly, can effect this change.

As APU enters its 50th year of life—it was founded in 1959, the year of statehood, I too urge you to pass this legislation. As Mark Hamilton, President of the University of Alaska, himself said, "It is simply the right thing to do."

Alaska Pacific University has served Anchorage and its public for decades without Alaska taxpayer support. I urge you also to do the right thing and equalize the property taxation between Alaska Pacific University's contiguous campus here in Anchorage, and the University of Alaska.

Sincerely,



Mark Begich
Mayor

Community, Security, Prosperity

Submitted by: ASSEMBLY MEMBER COFFEY
Prepared by: Assembly Counsel
For reading: December 16, 2008

ANCHORAGE, ALASKA
AR NO. 2008-329

1 **A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY RELATING TO THE**
2 **PROPERTY TAX STATUS OF ALASKA PACIFIC UNIVERSITY CAMPUS PROPERTY**
3 **USED TO GENERATE INCOME TO SUPPORT ALASKA PACIFIC UNIVERSITY'S**
4 **EDUCATIONAL PROGRAMS.**
5

6
7 WHEREAS, Alaska Pacific University, a private education institution serving an
8 important public purpose, is a non-profit corporation which exists to encourage, promote,
9 and extend instruction, research and education; and

10
11 WHEREAS, Alaska Pacific University and the United States Department of the
12 Interior agreed that use of the Alaska Pacific University campus property for "educational
13 and public purposes" allows development of revenue producing facilities on the campus;
14 and

15
16 WHEREAS, Alaska Pacific University reports that none of its educational programs
17 are profitable, revenue from tuition and fees covers only a portion of the cost of operating
18 the University, and funds generated by income producing campus property is an essential
19 component of the university's budget; and

20
21 WHEREAS, beginning with tax year 2006, the Municipality of Anchorage has
22 assessed property tax on that portion of Alaska Pacific University campus property under
23 lease to for-profit enterprise; and

24
25 WHEREAS, Alaska Pacific University provides an early honors program in
26 cooperation with the Anchorage School District allowing Anchorage students to finish their
27 high school education and obtain college level instruction and credit, which program
28 lessens the burden on the government of providing public education for students enrolled
29 in the program; and

30
31 WHEREAS, use of campus property (whether for classrooms, research facilities,
32 administrative offices, recreation facilities, faculty, student and administrative housing,
33 public broadcasting or leases to other parties which facilitate creation of educational
34 opportunities or programs or which have a significant relation to an existing education
35 program offered by Alaska Pacific University) provides a significant public benefit,
36 improves public welfare and lessens the burden on the government of providing public
37 education; and

38
39 WHEREAS, Alaska Pacific University is a tax-exempt educational institution under
40 the Internal Revenue Code; and

1
2 WHEREAS, both Alaska Pacific University and the University of Alaska Anchorage
3 are significant institutions in the Municipality that enhance the educational and cultural
4 fabric of this community; and
5

6 WHEREAS, the real property owned by the University of Alaska Anchorage and
7 leased to for-profit entities to generate income for the University of Alaska, is not subject to
8 municipal property tax under state law; and
9

10 WHEREAS, Alaska Pacific University, as a private accredited post secondary
11 institution, seeks an exemption in state law from municipal taxation on parity with the
12 University of Alaska Anchorage, for all campus property, including all income-producing
13 property under lease to for-profit enterprise;
14

15 NOW, THEREFORE, the Anchorage Assembly recognizes and resolves:
16

17 1. Private accredited post secondary institutions make important social and
18 economic contributions to the community.
19

20 2. Alaska Pacific University receives no direct funding from the Municipality of
21 Anchorage.
22

23 3. Absent a change in state law, certain income-producing property of Alaska
24 Pacific University under lease to for-profit enterprise is not exempt from municipal property
25 tax.
26

27 4. The Alaska Legislature is encouraged to enact legislation authorizing a
28 municipal property tax exemption to Alaska Pacific University for all of its contiguous
29 Anchorage Campus, so that Alaska Pacific University campus property would be taxed no
30 more than University of Alaska Anchorage property.
31

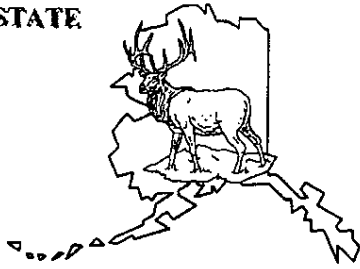
32 PASSED AND APPROVED by the Anchorage Assembly this _____ day of
33 _____, 2008.
34

35 _____
36 Chair

37 ATTEST:
38

39 _____
40 Municipal Clerk

ALASKA
STATE



ELKS ASSOCIATION

2008 ~ 2009 ALASKA STATE ASSOCIATION OFFICERS

RICHARD "TINY" FAGG, President
P.O. Box 771653
Eagle River, AK 99577
(907) 688-TINY (8469)

MIKE LUHR, President Elect
P.O. Box 857
Petersburg, AK 99833-1308

HARLEY RICK ECKERT
Vice President
P.O. Box 1249
Homer, AK 99603

DAVID CHARLESWORTH, Secretary
P.O. Box 290
Kenai, AK 99611

GEORGE ELLIOTT, JR.
Trustee Chairperson
433 Glacier Ave.
Fairbanks, AK 99701

MARK DAUM, Trustee
P.O. Box 672
Sitka, AK 99835-0672

JANET JOHNSON, Trustee
859 Panamaroff Dr.
Kodiak, AK 99615

To: Alaska House of Representatives, Community and Regional Affairs Committee
Co-Chairs Rep. Bob Herron and Rep. Cathy Munoz

2/25/09

From: Richard "Tiny" Fagg, President
Alaska State Elks Association

Re: Alaska House of Representatives House Bill 10

Hons. Herron and Munoz,

I am writing to you on behalf of the seventeen Lodges of the Benevolent and Protective Order of Elks in Alaska and the over 7000 members of those Lodges to ask for your support of and to speak on behalf of Alaska House of Representatives House Bill 10. The seventeen Elks Lodges in Alaska serve a vital role in their communities as do many of the other non-profit fraternal organizations. There is only one entity that awards more scholarships for the youth of our country and that is the Federal Government. We hold athletic contests and provide camping experiences as well as essay contests and coloring contests for the younger children all aimed at serving the youth and families of our communities. The Elks provide programs for the children of our town and cities that are all designed to help them to grow into valuable American Citizens. The Elks other main focus is our brave veterans and the distinguished men and women currently serving in our Armed Forces. Between the thousands of man hours given by the volunteers who work at the many Veterans Centers across Alaska each year and the social events we hold at the Lodges specifically for these wonderful men and women the total amount of time and funds contributed is remarkable. Our State Association and the Lodges of Alaska have just this last year launched the Alaska Wounded Veterans Project which is intended to help the soldiers returning from our current conflicts experience a small amount of normalcy by offering them different outdoor recreational activities that only Lodges in Alaska can offer.

All of these activities take place because of our Lodges but in today's economic climate it has become harder and harder to support all of these activities as well as raise the funds for the operating expenses of their facilities. With the passage of House Bill 10 the towns, cities and boroughs that are the homes to Elks Lodges and other fraternal organizations would be given the ability to make these fraternal organizations exempt from the paying of property taxes, which in some areas can be a substantial savings. I hope that you can see the benefit you will be affording our communities by supporting this bill and I thank you for your help with this worthy endeavor. If you have any questions or if I can be of any assistance please feel free to contact me at any time.

Sincerely,

Richard "Tiny" Fagg

Alaska State Elks Association President

A FRATERNAL ORGANIZATION
Employers Identification #92-6002001
www.alaskastateelks.org

Lake Otis Medical Plaza
Lake Otis Professional Center, LLC
4100 Lake Otis Parkway, Suite 204 • Anchorage, Alaska 99508
OFFICE: (907)550-6262 • FAX: (907) 278-5338

February 12, 2009

Representative Bob Herron
Room 415, State Capitol
Juneau AK 99801-1182

Re: pending legislation

Dear Representative Herron,

I'm writing to request that you oppose House Resolutions 10, 16, 21, and 38. Each of these bills, while offering nominal property tax reductions to certain homeowners, would result in a 20% increase in taxes on commercial properties, just as the value of commercial property has declined by 4% in today's economy.

Please do what you can to defeat these measures. Thank you.

Sincerely,



David McGuire, M.D.
Owner
Lake Otis Professional Ctr.
4100 Lake Otis Pkwy, Suite 204
Anchorage, Alaska 99508

Testimony for CS HB 10

My name is Marty McGee and I am the Assessor for the Municipality of Anchorage, located at 632 W. 6th Avenue Suite 320, Anchorage, AK. As the Municipal Assessor it is my duty to interpret and comply with Alaska property tax statutes.

I have previously supplied comments regarding Section 3 of CSHB 10. I understand there will be an amendment offered that will clear up confusion that was raised in regards to any private, third party interest (leasehold interest) that may be present on property owned by a private nonprofit university.

Typically, assessors do not assess a separate a leasehold interest on private property. The entire property is assessed to the property owner, so this legislation is a change from the current assessment of this type of arrangement. This legislation puts all nonprofit university property, state and privately owned, on the same level of taxation in regards to any private, non-educational use of property by other taxable entities, by assessing and taxing the lessee, not the property owner for the non-exempt use.

I have reviewed the proposed amendment and believe that it will clear up the confusion of how to treat those third party interests. It now reads very similar to the exemption in AS 29.45.030 that attaches to the University of Alaska property where there may be third party interest.

I would support the adoption of this amendment.

Marty McGee

Assessor for the Municipality of Anchorage

Testimony for CS HB 10

My name is Steve Van Sant and I am the State Assessor for the State of Alaska, located at 550 W. 7th St., Suite 1770, Anchorage, AK. As State Assessor, part of my responsibilities are to assist municipalities which includes helping to interpret federal property tax laws, primarily ANCSA, and Alaska property tax statutes. Being involved in the committee hearings of these bills as they are discussed and working with the sponsors of the legislation certainly helps me in assisting assessors around the state in interpreting these laws.

CSHB 10 contains several sections dealing with various property tax exemptions. Sections 1, 2, 4 and 5 are fairly straight forward and I will not address those sections, however, I feel that Section 3 may need some technical clarification for those who will administer the property tax laws of this state, the assessors.

This section amends AS 29.45.050(b)(1) by adding a new subsection (E). This subsection is intended to allow a municipality to exempt any private, nonprofit, four year college that is accredited. This part of the amendment is straightforward and easily understood. The amendment goes on to state that even though it is not a mandated exemption, any private interest should be subject to AS 29.45.030(a)(1)(A). This refers to any leasehold interest of other private parties that may exist. For example, currently the Alaska Pacific University (APU) is a four year, nonprofit, accredited university that would qualify for an exemption under this legislation should it be passed by the legislature and enacted by the Anchorage assembly. At the current time, the Alaska Spine Institute (ASI) leases property from APU and the Anchorage Assessor has determined that the property used by the A.S.I. is taxable and has sent APU, the property owner, a bill for the taxes.

Under CSHB 10, APU, or any four year private, nonprofit, university, would no longer be held liable for taxes of property it might lease out for non-educational purposes. The assessor would be required to assess each lessee for its leasehold interests, and tax bills would be sent to the lessees, not the university. If the lessee failed to pay the property tax due, a municipality could not foreclose on the property, but would be required to take personal action against the lessee as described under AS 29.45.320.

Typically, assessors do not assess a separate leasehold interest on private property. The entire property is assessed to the property owner, so this legislation is a change from the current assessment of this type of arrangement. This legislation puts all nonprofit university property, state and privately owned, on the same level of taxation in regards to any private, non-educational use of property by other taxable entities, by assessing and taxing the lessee, not the property owner for the non-exempt use.

Steve Van Sant
State Assessor

Testimony for CS HB 10 - House Finance Committee Hearing March 16, 2008

My name is Steve Van Sant and I am the State Assessor for the State of Alaska, located at 550 W. 7th St., Suite 1770, Anchorage, AK. As State Assessor, part of my responsibilities are to assist municipalities which includes helping to interpret federal property tax laws, primarily ANCSA, and Alaska property tax statutes. Being involved in the committee hearings of these bills as they are discussed and working with the sponsors of the legislation certainly helps me in assisting assessors around the state in interpreting these laws.

I have previously supplied comments regarding Section 3 of CSHB 10. I understand there will be an amendment offered that will clear up confusion that was raised in regards to any private, third party interest (leasehold interest) that may be present on property owned by a private nonprofit university.

I have reviewed the proposed amendment and believe that it will clear up the confusion of how to treat those third party interests. It now reads very similar to the exemption in AS 29.45.030 that attaches to the University of Alaska property where there may be third party interest.

I would support the adoption of this amendment.

Steve Van Sant
State Assessor