

**SB**

**201**

# ALASKA STATE LEGISLATURE

SENATOR DONALD C. OLSON, CHAIR

SENATOR ALBERT KOOKESH  
SENATOR JOE THOMAS  
SENATOR HOLLIS FRENCH  
SENATOR LINDA MENARD



ALASKA STATE CAPITOL  
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## **SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE**

TO: All Committee Members  
FROM: Senator Donald Olson  
RE: Committee Agenda  
LOCATION: Beltz Rom 105 (TSB)  
DATE/TIME: Thursday March 25 - 3:30 p.m.

## AGENDA

### **I. Committee Hearings**

1. SB 201 Municipal Property Tax

# Senator Linda Menard

600 E. Railroad Ave.  
Wasilla, Alaska 99654



Phone: (907) 376-3370  
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## Alaska State Legislature

### Sponsor Statement

Senate Bill 201 will increase the municipal property tax exemption on residences of certain seniors with a protection clause that will prevent tax increases on those that don't qualify if proper funds aren't available.

This bill is necessary because seniors are being hit hard by stagnant incomes and tough economic times. Keeping senior citizens and disabled veterans in their homes should be a priority.

My bill will raise the property tax exemption from \$150,000 to \$200,000 for seniors 65 years of age and older, disabled veterans and residents 60 years old or older who are widows or widowers of a person qualified under the first two exemptions.

**Out of concern for the property tax rate applied to those who don't qualify for an exemption, I've included language in my bill that will prevent increases in their taxes due to higher senior exemptions.** This language says that a tax exemption increase will only take effect if the commissioner determines enough money has been appropriated to fully fund reimbursements to all municipalities at this increased exemption amount.

Under current property tax exemption laws, the state is directed to fund the difference to municipalities.

Again, seniors are facing some of their toughest times in history. The economy, ravaged retirement accounts and sub-par fixed incomes are mounting up against elderly homeowners who just want to keep their independence. By lifting some of the tax burden on these folks, I believe it will facilitate more confident in home ownership

Please join me in helping ease the burden on what's often been called our "Greatest Generation."

# FISCAL NOTE

**STATE OF ALASKA**  
**2010 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: SB 201  
 () Publish Date: \_\_\_\_\_

Identifier (file name): SB201-CED-CRA-3-22-10  
 Title Municipal Property Tax Exemptions  
 Sponsor Senators Menard, Huggins  
 Requester Senate Community and Regional Affairs

Dept. Affected: DCCED  
 RDU Community Assit and Econ Dev  
 Component Community and Regional Affairs  
 Component Number 2879

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

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

|                               | Appropriation<br>Required | Information |                |                |                |                |                |
|-------------------------------|---------------------------|-------------|----------------|----------------|----------------|----------------|----------------|
|                               |                           | FY 2011     | FY 2011        | FY 2012        | FY 2013        | FY 2014        | FY 2015        |
| <b>OPERATING EXPENDITURES</b> |                           |             |                |                |                |                |                |
| Personal Services             |                           |             |                |                |                |                |                |
| Travel                        |                           |             |                |                |                |                |                |
| Contractual                   |                           |             |                |                |                |                |                |
| Supplies                      |                           |             |                |                |                |                |                |
| Equipment                     |                           |             |                |                |                |                |                |
| Land & Structures             |                           |             |                |                |                |                |                |
| Grants & Claims               |                           |             |                |                |                |                |                |
| Miscellaneous                 |                           |             |                |                |                |                |                |
| <b>TOTAL OPERATING</b>        | <b>1,290.0</b>            |             | <b>1,370.0</b> | <b>1,450.0</b> | <b>1,540.0</b> | <b>1,630.0</b> | <b>1,730.0</b> |

|                             |  |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|--|
| <b>CAPITAL EXPENDITURES</b> |  |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|--|

|                               |  |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|--|
| <b>CHANGE IN REVENUES ( )</b> |  |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|--|

**FUND SOURCE** (Thousands of Dollars)

|                            | FY 2011        | FY 2011 | FY 2012        | FY 2013        | FY 2014        | FY 2015        | FY 2016        |
|----------------------------|----------------|---------|----------------|----------------|----------------|----------------|----------------|
| 1002 Federal Receipts      |                |         |                |                |                |                |                |
| 1003 GF Match              |                |         |                |                |                |                |                |
| 1004 GF                    | 1,290.0        |         | 1,370.0        | 1,450.0        | 1,540.0        | 1,630.0        | 1,730.0        |
| 1005 GF/Program Receipts   |                |         |                |                |                |                |                |
| 1037 GF/Mental Health      |                |         |                |                |                |                |                |
| Other Interagency Receipts |                |         |                |                |                |                |                |
| <b>TOTAL</b>               | <b>1,290.0</b> |         | <b>1,370.0</b> | <b>1,450.0</b> | <b>1,540.0</b> | <b>1,630.0</b> | <b>1,730.0</b> |

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

|           | FY 2011 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|-----------|---------|---------|---------|---------|---------|---------|---------|
| Full-time |         |         |         |         |         |         |         |
| Part-time |         |         |         |         |         |         |         |
| Temporary |         |         |         |         |         |         |         |

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

SB 201 will allow municipalities to increase the senior citizens and disabled veterans property tax exemption to \$200,000 from the current \$150,000. This increase in the exemption amount can occur only if the legislature allocates funding for the reimbursement of the revenue lost by municipalities for the difference in the two exemption amounts. If there are no funds allocated, the exemption amount remains at \$150,000.

Prepared by: Steve Van Sant, State Assessor  
 Division Community and Regional Affairs  
 Approved by: Emil Notti, Commissioner  
Commerce, Community and Economic Development

Phone 269-4605  
 Date/Time 3/22/10 12:00 AM  
 Date 3/22/2010

**Senate Bill No. 201**  
**Tax Exemption Changes**

Honorable Senator Menard & Huggins  
Juneau, Alaska

Donald A. Benson  
Box 4059  
Palmer, Alaska 99645  
907-745-4913

My name is Don Benson and I am a 58 year, life long resident, of District 13 in Palmer. I am in the Construction Industry and am currently in my second term as President of the Matanuska Valley Pioneers of Alaska Igloo 31. The Pioneers of Alaska Membership requirements are 30 years continuous permanent residence in Alaska and are 7000 members strong throughout the State of Alaska. I wish to speak in **support** of **Senate Bill No. 201**

Many of our members and friends are over the age of 65 and have spent most of their lives helping build Alaska. In the hardy Pioneer spirit most of the seniors have decided to spend their retirement years in Alaska—Their Home. Having spent years working around the State of Alaska most retired a few years ago before the rapid change in the economy and the days of \$140.00 dollar a barrel oil. Small retirements, medical care, and the cost of living in Alaska have brought some unexpected hardships on the same people who spent their lives making this state what it is.

**I urge you strongly to support and pass** this bill on behalf of our senior population and Pioneers. Alaska has always been home to most of these Alaskans and we need to insure they can continue to reside here if they wish.

Thank You  
Donald A. Benson  
*Donald A. Benson*



**BUILDING OWNERS & MANAGERS ASSOCIATION**

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RESOLUTION 2010-02

**Building Owners & Managers Association**

In the matter of

**PROPOSED INCREASES IN THE RESIDENTIAL PROPERTY TAX EXEMPTION**

**&**

**OTHER PROPOSED INCREASES IN PROPERTY TAX EXEMPTION  
AS FOUND IN THE FOLLOWING BILLS**

**SB120, SB232, SB201, HB38, HB21, HB16 & HB10**

**WHEREAS**, the Building Owners & Managers Association of Anchorage (BOMA) is an organization of commercial property owners, managers, leasing agents and allied professionals with an interest in promoting the professional, educational and legislative interests of the commercial property industry in the State of Alaska.

**WHEREAS**, BOMA Anchorage is part of the larger BOMA International that has over 108 local associations (with 10 overseas associations), an International headquarters in Washington, DC, and members that own and/or manage more than 9 billion square feet of commercial property.

**WHEREAS**, locally, the Anchorage association of BOMA represents over 25 million square feet of commercial property in the Municipality of Anchorage.

**WHEREAS**, BOMA Anchorage members are hard working dedicated professionals.

**WHEREAS**, the Legislature of the State of Alaska is considering the following bills (SB120, SB232, SB201, HB38, HB21, HB16 & HB 10) which either propose to increase the residential property tax exemption or increase property tax exemptions for other specialty groups to the detriment of lower valued residential homes and commercial land owners.

**WHEREAS**, 63% of the property in the Anchorage Bowl is residential compared to 29% of the property being commercial. And therefore, a small increase in the

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residential exemption constitutes a large increase in property taxes for commercial property owners.

**WHEREAS**, an increase in the residential exemption constitutes an inequitable shifting of the Municipality of Anchorage tax base from residential properties (the majority) to commercial properties (the minority).

**WHEREAS**, Anchorage already has one of the highest property tax rates in the United States and significantly increasing this already high property tax rate for commercial properties will result in:

- lower commercial property values;
- disincentive for new development or redevelopment;
- inability by commercial property owners to secure financing in a gloomy financial market;
- less revenue for commercial property owners to pay operating expenses and mortgages, this during a time when Alaska/Anchorage has slipped into a recessionary period;
- a higher risk of struggling commercial property owners and/or businesses dealing with a recessionary Anchorage market into foreclosure;
- potentially less revenue for the Municipality of Anchorage.

**WHEREAS**, an increase in commercial property taxes will lead to apartment owners increasing rents to pass along the added cost, this when Anchorage is in a recessionary period, apartment dwellers tend to be lower income families (as compared to home owners) that are less equipped to handle sudden price increases to already high rents and likely causing an increase in vacancies.

**WHEREAS**, residential home properties that are valued below \$250,000 and above \$400,000 will actually see an increase in property taxes, making the only party to benefit from these exemptions increase the home owner with a home valued between \$250,000 and \$400,000 which is a relatively small number of people who will benefit from this exemption.

**NOW, THEREFORE, BE IT**

**RESOLVED**, The Board of Directors of the Anchorage Building Owners & Managers Association strongly urges the Senators and Representatives of the State of Alaska Legislature that they **NOT** pass SB120, SB232, SB201, HB38, HB21, HB16 & HB 10.

**FURTHER RESOLVED**, The Board of Directors of the Anchorage Building Owners & Managers Association urges Senators and Representatives of the State of Alaska Legislature to seek meaningful property tax relief alternatives to help relieve the dramatic increase in property taxes that has occurred over the last few years. Substantially higher property taxes are harming both residential and commercial property owners, with the effect of hindering the Anchorage economy as a whole.

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**PASSED AND APPROVED** by the Anchorage Building Owners & Managers Association this 2<sup>nd</sup> day of February, 2010.



**Ken Bauer**  
**BOMA Anchorage President**

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March 24, 2010

Senator Donny Olson  
Senate Community & Regional Affairs Committee  
State Capitol  
Juneau, Alaska 99811

Dear Senator Olson,

The Alaska Municipal League is opposed to SB 201. While we understand and appreciate the intent of the legislation, we feel that property tax oversight is a local government task.

As this legislation attempts to raise the property tax exemption of seniors and disabled veterans from \$150,000 to \$200,000, ONLY if the "Commissioner determines that the amount appropriated is sufficient to fully fund reimbursements, we are concerned about the "see-saw" effect this will have on seniors and disabled veterans. From year-to-year, those affected residents will not know whether to plan on the exemption or not.

Secondly, we have been down this property tax exemption road before. As stated in AS 29.45.030 (e)

*The real property owned and occupied as the primary residence and permanent place of abode by a (1) resident 65 years of age or older; (2) disabled veteran; and (3) resident at least 60 years old who is the widow or widower of a person who qualified for an exemption under (1) or (2) of this subsection, is exempt from taxation on the first \$150,000 of the assessed value of the real property.*

Followed by AS 29.45.030 (g)

*The state shall reimburse a borough or city, as appropriate, for the real property tax revenues lost to it by the operation of (e) of this section.*

This above exemption is not presently reimbursed.

Based on last years' total tax revenues, the amount the State would be required to reimburse would be \$13 million. We would suggest that if the Legislature has an extra \$13 million that the funds be distributed through the Revenue Sharing program, allowing municipalities to make their own choices (perhaps need based) on property tax exemptions.

In the future, we are concerned that this legislation will be given as much credence as AS 29.45.030 (e) and (g). We will suddenly find ourselves with an exemption NOT funded by the state, but still required of municipalities, regardless of their financial standing. Also, we are very confident that the amount needed to fund the gap between \$150,000 and \$200,000 will go up every year.

We believe this legislation is poor public policy and would request that this bill not pass your committee.

Sincerely,

A handwritten signature in black ink that reads "Kathie Wasserman".

Kathie Wasserman  
Executive Director

Member of the National League of Cities and the National Association of Counties