

HB

40

<TARGET><BILL>HB 40</BILL><SUBJECT>HB
40</SUBJECT><COMM>HCRA27</COMM></TARGET>

Foster

27-LS02321A

optional
-Austerman
-Saddler

HOUSE BILL NO. 40

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES KAWASAKI AND PETERSEN

Introduced: 1/18/11
Referred: Community and Regional Affairs, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to an optional exemption from municipal property taxes for residential**
2 **property."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 *** Section 1.** AS 29.45.050(a) is amended to read:

5 (a) A municipality may exclude or exempt or partially exempt residential
6 property from taxation by ordinance ratified by the voters at an election. An exclusion
7 or exemption authorized by this subsection may be applied with respect to taxes levied
8 in a service area to fund the special services. An exclusion or exemption authorized by
9 this subsection may not exceed the assessed value of \$100,000 [\$20,000] for any one
10 residence.



Representative Scott Jiu Wo Kawasaki

Alaska State Legislature

District 9 Fairbanks

House Bill 40 Sponsor Statement

"An Act relating to an optional exemption from municipal property taxes for residential property."

House Bill 40 would allow a municipality to offer a residential property tax exemption up to \$100,000. This bill does *not* mandate any municipality must raise their property tax exemption to \$100,000. Current law does not allow for state-mandated local method of taxation or tax rate. This bill only allows local governments the option of increasing their residential property tax exemption.

The intent behind this legislation is two fold. First, HB 40 allows for homeowners tax relief due to repeatedly increased property assessments over recent years. Second, it provides municipalities another tool when and if they consider diversifying their revenue stream.

Currently there are 12 boroughs and 13 cities - with a combined population of over 590,000 Alaskans - which levy property taxes. If municipalities were to fully implement this proposed exemption the tax relief for homeowners would be profound.

HB 40 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. HB 40 would allow these local governments the ability to choose and set the exemption at any amount *up to* \$100,000.

HB 40 is a tool for municipalities to utilize at their own discretion. Having the potential to aid both our local governments and our citizen homeowners, I urge you to support House Bill 40.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version HB 40
 Fiscal Note Number _____
 () Publish Date _____

Identifier (file name) HB040-DCCED-DCRA-02-24-12 Dept. Affected DCCED
 Title MUNICIPAL PROPERTY TAX EXEMPTION Appropriation Community and Regional Affairs
 Allocation Community and Regional Affairs
 Sponsor Representatives Kawasaki, Petersen
 Requester House Community and Regional Affairs OMB Component Number 2879

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS								
Full-time								
Part-time								
Temporary								

CHANGE IN REVENUES								

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 (separate supplemental appropriation required,
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 (separate capital appropriation required;
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version

Prepared by Scott Ruby, Director
 Division Community and Regional Affairs
 Approved by JoEllen Hanrahan, Director Administrative Services
Commerce, Community and Economic Development

Phone (907) 269-4569
 Date/Time 2/24/2012 11:30am
 Date 2/24/2012

FISCAL NOTE

**STATE OF ALASKA
2012 LEGISLATIVE SESSION**

BILL NO. HB 40

Analysis

HB 40 amends an existing statute that authorizes municipalities to exempt residential property from taxation. This bill will increase the maximum exemption from the existing \$20,000 limit up to \$100,000.

There is no anticipated fiscal impact to the Division of Community and Regional Affairs.



217 Second Street, Suite 200 • Juneau, Alaska 99801
 Tel (907) 586-1325 • Fax (907) 463-5480 • www.akml.org

February 28, 2012

House C&RA
 State Capitol Building
 Juneau, Alaska 99811

Dear House C&RA members,

The Alaska Municipal League is opposed to HB 40. While we realize that this bill leaves the municipality a choice as to whether to make this exemption a reality, more and more "optional" exemption bills continue to be introduced. While the optional bills can be dealt with, when you add them to the mandated tax exemption laws currently in place, it exacerbates an already large financial problem. While we understand the desire to lower tax burdens on those who are less able to pay, we are also concerned about those who must shoulder this burden.

Simply put, we feel as property taxing authority under Title 29 belongs to the local governments in this state, that the state should refrain from attempting to "suggest" any more exemptions. Current law exempts senior citizens and disabled veterans for the value of the first \$150,000 value of their primary home. The state is instructed to reimburse municipalities for that exemption. However, the state has made the decision not to do so.

Total Tax Amount Exempt Statewide on the Senior Citizen and Disabled Veteran	
Mandatory Property Tax Exemption	\$53,315,762
Total State Revenue Sharing to Municipalities	\$60,000,000

The increase in exemptions is increasing at approximately 7% per year.

The breakdown for the largest municipalities is as follows:

	Tax Amount Exempt	Revenue Sharing
Anchorage	\$26,044,862	\$15,053,452
Mat-Su Borough	\$ 8,480,927	\$ 4,332,643
Fairbanks North Star Borough	\$ 8,465,515	\$ 3,813,595
City & Borough of Juneau	\$ 2,103,014	\$ 2,017,698
Kenai Peninsula Borough	\$ 4,174,276	\$ 2,554,445
Ketchikan Gateway Borough	\$ 1,048,826	\$ 637,115
Kodiak Island Borough	\$ 770,509	\$ 732,242

As you can see, the larger municipalities in this state receive less from Revenue Sharing than they are mandated to exempt under AS. 29.45.030(g). We would encourage the Legislature to have a discussion concerning the mandated Senior

Citizens' Property Tax exemption with regards to the State reimbursing municipalities under AS 29.45.030 (g).

We would be happy to discuss this matter with you at any time.

Sincerely,

Kathie Wasserman

Kathie Wasserman
Executive Director

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

cost # codes

Bill Version

HB 040

Fiscal Note Number

1

Publish Date

Identifier (file name)

HB040-DOR-TAX-02-29-12

Dept. Affected

Revenue

Title

Municipal Property Tax Exemption

Appropriation

Taxation and Treasury

Allocation

Tax Division

Sponsor

Representatives Kawasaki, Petersen

Requester

House Community & Regional Affairs

OMB Component Number

2476

Expenditures/Revenues

(Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES	FY13	FY13	FY14	FY15	FY16	FY17	FY18
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE

(Thousands of Dollars)

1002	Federal Receipts						
1003	GF Match						
1004	GF						
1005	GF/Prgm (DGF)						
1037	GF/MH (UGF)						
178	temp code (UGF)						
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS

Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES

*** *** *** *** *** *** ***

Estimated **SUPPLEMENTAL (FY12) operating costs**
(discuss reasons and fund source(s) in analysis section)

_____ (separate supplemental appropriation required)

Estimated **CAPITAL (FY13) costs**
(discuss reasons and fund source(s) in analysis section)

_____ (separate capital appropriation required)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version.

Prepared by Johanna Bales, Deputy Director
Division Tax

Phone (907) 269-6628

Date/Time 2/29/2012 4:30 p.m.

Approved by Alicia Egan, Legislative Liaison
Department of Revenue

Date 2/29/2012

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. HB 040

Analysis

Bill Language:

This bill would allow municipalities to exclude, exempt, or partially exempt up to \$100,000 of the assessed value of residential property from local property taxes. Currently, municipalities may only exempt up to \$20,000 of the assessed value of residential property from local property taxes. The exclusion or exemption must be ratified by voters within the municipality at an election.

Revenues:

Currently, municipalities are allowed to levy a property tax on oil and gas property that is located within their jurisdictions. Companies that pay municipal property tax on oil and gas property may obtain a credit from the state against the state's oil and gas property tax. The mill rate levied on oil and gas property by municipalities may not exceed the mill rate levied on other property within that same jurisdiction. It is possible that if a municipality increases the residential property exemption from \$20,000 to \$100,000, that same municipality may increase its mill rate on all properties. An increase in the mill rate on oil and gas property would increase the credit that companies claim against the state's oil and gas property tax and decrease the amount of oil and gas property tax retained by the state. It is difficult to determine the exact effect this legislation will have on state revenue because DOR is not able to determine if municipalities will increase the current residential property tax exemption and, if they did, if they would also increase in the mill rate on all properties.

Expenditures:

The Department can implement the provisions of this bill with existing resources.



HB 40



Municipal Property Tax Exemptions

House Resources

March 1, 2012

COST OF LIVING

ACCRA COST OF LIVING INDEX*

For Selected Cities
2011 Annual Average Data

City	Composite Index 100%	Grocery Items			Trans- portion	Health Care	Misc. Goods & Services
		Housing	Utilities				
West:		13.36%	28.64%	10.46%	10.66%	4.44%	32.44%
Fairbanks, AK	137.0	132.4	140.3	211.5	109.9	142.5	120.2
Anchorage, AK	130.6	137.4	149.8	98.2	112.0	139.4	126.3
Kodiak, AK	127.6	149.1	123.1	152.2	130.5	133.0	113.2
Juneau, AK	139.0	130.8	172.8	163.7	107.9	149.8	113.2
Phoenix, AZ	96.5	103.7	87.2	100.3	102.9	102.8	97.7
San Diego, CA	130.6	107.3	188.6	113.0	111.2	112.7	103.7
Denver, CO	105.0	102.6	112.9	90.0	95.0	106.8	106.9
Boise, ID	96.1	101.2	83.4	97.2	101.3	101.6	102.3
Missoula, MT	99.9	106.6	92.1	101.2	98.9	107.2	102.8
Farmington, NM	99.0	100.2	98.2	91.9	98.6	102.7	101.1
Seattle, WA	111.1	111.6	129.2	90.4	112.4	118.7	118.8
Cheyenne, WY	96.6	101.7	98.1	91.4	91.3	98.5	96.4
South:							
Miami, FL	107.1	107.3	111.7	94.3	109.0	106.5	106.4
Atlanta, GA	97.3	101.6	89.2	93.4	102.1	101.2	101.8
Lafayette, LA	97.9	93.5	106.5	85.0	105.9	87.7	95.1
Springfield, MO	88.8	95.3	75.3	83.6	94.3	95.3	96.9
Tulsa, OK	90.0	92.2	68.9	96.9	101.3	99.5	100.5
Memphis, TN	85.9	91.3	72.4	88.2	93.2	99.3	90.6
Dallas, TX	96.2	100.6	75.2	108.1	105.0	104.7	105.0
North Central:							
South Bend, IN	92.4	92.5	83.2	86.2	98.1	97.3	99.8
Grand Rapids, MI	89.4	97.8	76.0	90.8	95.0	95.6	94.5
Wausau, WI	96.2	100.5	87.5	106.1	98.1	103.5	97.3
Northeast:							
New York, NY	218.8	148.7	413.5	143.7	122.9	128.0	144.0
Philadelphia, PA	125.0	124.5	140.2	129.9	107.7	104.8	118.6
Boston, MA	137.3	118.8	160.2	147.3	106.7	121.3	133.7
Raleigh, NC	93.8	101.3	79.7	104.5	96.6	100.5	97.8
Richmond, VA	100.1	104.4	95.1	108.5	101.9	108.8	98.3
Avg. of 314 Urban Areas	100.0	100.0	100.0	100.0	100.0	100.0	100.0

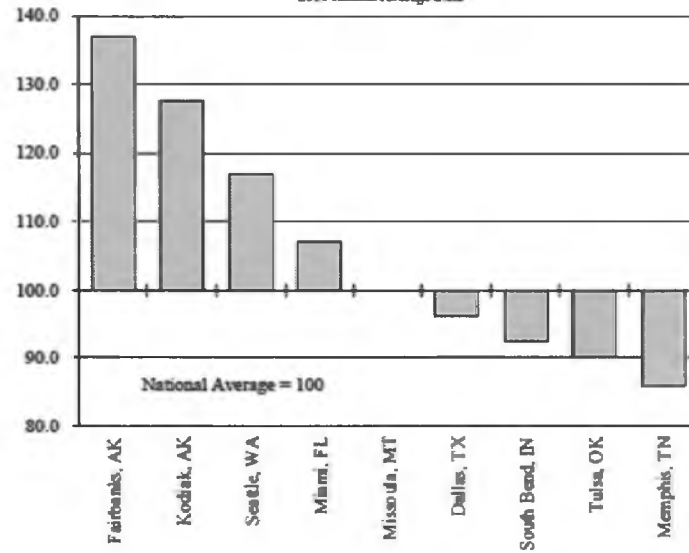
SOURCE: ACCRA (American Chamber of Commerce Researchers Association), "ACCRA Cost of Living Index," 2011 Annual Average Data, January 2012.

NOTE: The ACCRA Cost of Living Index does not measure inflation (price change over time). Because each quarterly report is a separate comparison of prices at a single point in time, and because both the number and the mix of participants changes from one quarter to the next, index data from different quarters cannot be compared. For inflation data you will need to use the CPI-U (Consumer Price Index-All Urban Consumers).

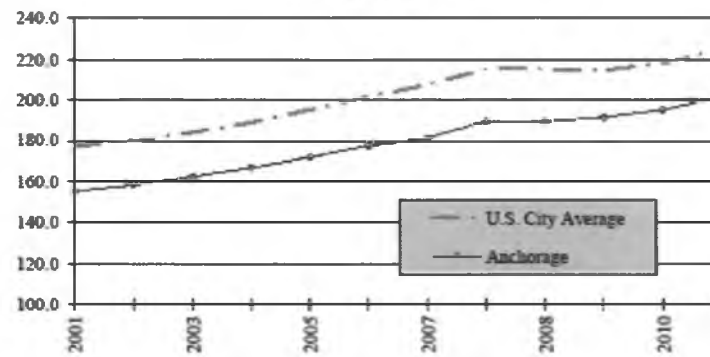
* Item percentages change so please watch for current percentages.

Cost of Living

ACCRA COST OF LIVING INDEX
For Selected Cities
2011 Annual Average Data



CONSUMER PRICE INDEX-U FOR ALL ITEMS
Anchorage & U.S. City Annual Average
2001-2011



Housing

RESIDENTIAL HOUSING SALES*

Fairbanks North Star Borough
2009-2011**

Quarter	1 Bedroom		2 Bedroom		3 Bedroom		4 Bedroom		5+ Bedroom		Total # Sold	Avg Price
	#	Price	#	Price	#	Price	#	Price	#	Price		
2009												
1st Qtr.	7	\$152,834	14	\$158,295	52	\$224,299	21	\$266,933	7	\$329,360	101	\$226,343
2nd Qtr.	12	\$102,783	36	\$159,302	114	\$220,743	47	\$364,309	8	\$260,517	217	\$214,890
3rd Qtr.	16	\$95,618	47	\$165,116	157	\$225,007	53	\$271,545	14	\$275,528	287	\$219,088
4th Qtr.	11	\$107,581	57	\$160,385	142	\$226,106	50	\$255,550	11	\$295,627	271	\$215,726
2009 Total	46	\$109,055	154	\$161,362	465	\$224,245	171	\$264,285	40	\$287,474	876	\$217,845
2010												
1st Qtr.	4	\$77,125	22	\$145,470	74	\$199,165	30	\$249,569	7	\$263,971	137	\$201,328
2nd Qtr.	18	\$115,850	36	\$154,643	148	\$238,118	60	\$268,627	12	\$266,016	274	\$227,022
3rd Qtr.	20	\$129,520	36	\$156,949	137	\$228,472	50	\$285,938	13	\$259,723	256	\$223,494
4th Qtr.	17	\$107,794	45	\$136,580	134	\$214,027	58	\$256,721	15	\$282,959	269	\$207,407
2010 Total	59	\$115,540	139	\$147,941	493	\$223,043	198	\$266,623	47	\$269,378	936	\$216,459
2011												
1st Qtr.	5	\$107,300	30	\$161,399	89	\$232,332	35	\$270,897	6	\$293,258	165	\$226,042
2nd Qtr.	10	\$120,650	31	\$174,480	110	\$216,306	47	\$264,488	13	\$257,700	211	\$218,915
3rd Qtr.	7	\$102,785	30	\$166,077	93	\$212,814	35	\$271,040	9	\$272,744	174	\$215,141
4th Qtr.	4	\$84,125	13	\$151,984	40	\$216,743	25	\$280,240	7	\$316,785	89	\$221,500
2011 Total	26	\$109,848	104	\$165,225	332	\$222,347	142	\$265,592	35	\$281,853	639	\$221,939
% Chg. 4th Qtr. 2010-11	-76%	-28%	-71%	11%	-70%	1%	-57%	1%	-53%	12%	-67%	7%
% Chg. ANNUAL 2010-11	-54%	-5%	-25%	12%	-33%	0%	-25%	0%	-26%	5%	-32%	2%

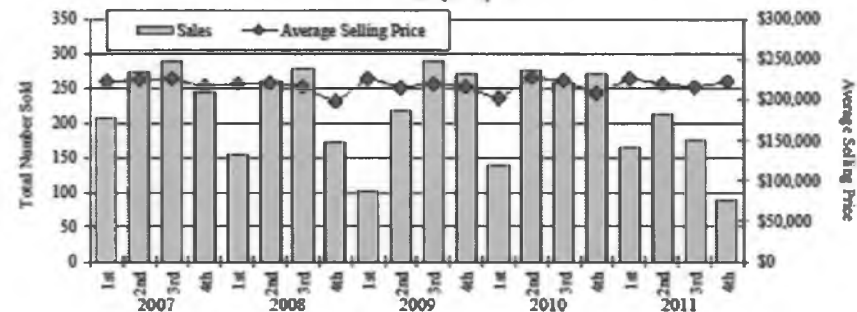
SOURCE: Greater Fairbanks Board of Realtors and Alaska Multiple Listing Service, Inc., personal and computer printout communications 2009-2011. Fairbanks Area MLS District data maintained by the Board or its MLS may not reflect all real estate activity in the market, and neither the Board nor its MLS guarantees or is in any way responsible for accuracy of the data.

* Does not include houses without bedrooms or sales of housing with acre lot lines.

** The Year-End Total number of sales includes the calculated average price of sales.

RESIDENTIAL HOUSING SALES

Fairbanks North Star Borough
2007-2011, Quarterly Data



Housing

ANNUAL AVERAGE RESIDENTIAL HOUSING SALES*

Fairbanks North Star Borough
2000-2011

Year	1 Bedroom		2 Bedroom		3 Bedroom		4 Bedroom		5+ Bedroom		Total # Sold	Avg. Selling Price	% Chg. from prior year	
	#	Price	#	Price	#	Price	#	Price	#	Price			Total # Sold	Avg. Price
2000	59	\$53,824	180	\$92,473	396	\$140,714	140	\$173,130	41	\$187,028	816	\$131,679	11.3%	2.7%
2001	61	\$63,591	233	\$94,299	432	\$150,035	162	\$176,423	47	\$188,765	935	\$137,025	14.6%	4.1%
2002	43	\$68,595	175	\$100,499	295	\$158,241	130	\$213,208	50	\$201,706	693	\$151,545	-25.9%	10.6%
2003	59	\$74,127	204	\$107,667	410	\$170,379	173	\$204,159	47	\$237,134	893	\$159,751	28.9%	5.4%
2004	65	\$93,531	164	\$120,336	441	\$178,733	147	\$214,663	39	\$240,959	856	\$170,080	-4.1%	6.5%
2005	55	\$95,452	160	\$135,749	439	\$207,847	163	\$244,873	38	\$266,373	855	\$196,785	-0.1%	15.7%
2006	64	\$107,793	158	\$148,952	554	\$220,860	194	\$262,791	46	\$288,256	1014	\$213,613	18.8%	8.6%
2007	58	\$107,311	176	\$170,842	541	\$228,359	194	\$271,431	41	\$288,301	1016	\$222,084	-0.6%	4.0%
2008	59	\$107,872	135	\$155,583	493	\$218,826	159	\$277,801	19	\$306,389	865	\$214,151	-14.4%	-3.6%
2009	46	\$109,055	154	\$161,362	465	\$224,245	171	\$264,285	40	\$287,474	876	\$217,845	1.3%	1.7%
2010	59	\$115,540	139	\$147,941	483	\$223,043	198	\$268,888	47	\$269,378	936	\$216,659	6.8%	-0.5%
2011	36	\$109,868	104	\$165,225	332	\$222,347	142	\$265,592	35	\$281,853	636	\$221,939	-31.7%	2.4%
Annual Average 2000-11	56	\$92,296	165	\$133,411	441	\$195,302	164	\$236,247	41	\$263,685	866	\$187,763		

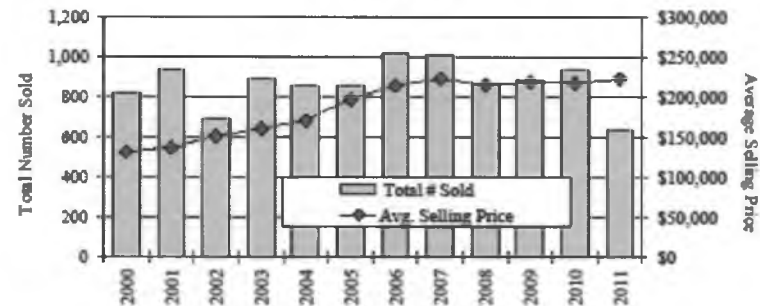
SOURCE: Greater Fairbanks Board of Realtors and Alaska Multiple Listing Service, Inc., personal and computer printout communications 2000-2011. Fairbanks Area MLS District data maintained by the Board or its MLS may not reflect all real estate activity in the market, and neither the Board nor its MLS guarantees or is in any way responsible for accuracy of the data.

* Does not include houses without bedrooms or housing with zero lot lines.

** The Year-End Total number of sales includes the calculated average price of sales.

ANNUAL RESIDENTIAL HOUSING SALES*

Fairbanks North Star Borough
2000-2011



	Nominal cap on exemption	Discount factor	REAL cap (\$2004) on exemption
2003	\$10,000		
2004	\$20,000	1	\$20,000
2005	\$20,000	0.970	\$19,406
2006	\$20,000	0.940	\$18,804
2007	\$20,000	0.920	\$18,396
2008	\$20,000	0.880	\$17,584
2009	\$20,000	0.869	\$17,388
2010	\$20,000	0.854	\$17,085
2011	\$20,000	0.828	\$16,552
2012	\$20,000	0.805*	\$16,108
2013	\$20,000	0.784*	\$15,676
2014	\$20,000	0.763*	\$15,255
2015	\$20,000	0.742*	\$14,846
2016	\$20,000	0.722*	\$14,447

Exemption as % home value

