







# City of Delta Junction

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Welcome to the  
Friendly Frontier

March 8, 2005

cell 378-1320

Representative John Harris  
State Capitol  
Juneau, Alaska 99801

Via Fax# (907) 465-3799

Dear Representative Harris,

This letter serves as a request for assistance with legislation concerning local contributions for educational services. As you know, the issue of a possible borough in the Delta region is currently under review. One issue of concern is the requirement that a borough pay a four-mill equivalency of the value of all property including property covered by A.S. 43.56 (oil and gas properties). As you are aware, any tax on oil and property is not added to the existing state tax, but instead simply deducted from the amount the state receives.

According to the state, in the Delta region there is approximately \$217 million worth of oil and gas properties and somewhere close to another \$150 million worth of residential and commercial property. This means a borough would need to at least raise \$1.4 million for educational services out of which \$800,000 would come from the state's coffers.

Regardless of when a borough is organized in the region, the residents will seek as many options as possible to raise revenues. In light of the substantial value of the TAPS property within the Delta region, the residents may be unnecessarily forced to impose a property tax that in effect takes funds from the state of Alaska.

A better approach that benefits both the state and local residents would be an arrangement in which if a municipality with A.S. 43.56 properties chooses to not raise revenues through a property tax, that it must pay a four mill equivalency on only non-oil and gas properties. Such language could read as follows:

...in making the determination for a municipality that is a school district or for a city that is within a borough school district, the assessed value of property taxable under AS 43.56 shall be excluded if a municipal tax is not levied under AS 29.45.080 in that school district.

Your help on these matters is greatly appreciated.

Sincerely,

Thomas "Roy" Gilbertson  
Mayor

Cc: Pete Fellman Via Fax# (907) 895-5017

March 29, 2005

Rep John Harris  
State Capitol Room 208  
Juneau, AK 99801-1182

RE: HB 217

Dear Representative Harris,

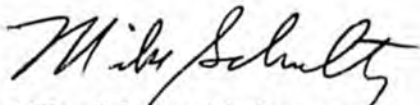
This letter serves as a request for assistance with HB 217 concerning local contributions for educational services. As you know, the issue of a possible borough in the Delta region is currently under review. One issue of concern is the requirement that a borough pay a four mill equivalency of the value of all property including property covered by A.S. 43.56 (oil and gas properties). Any local tax on oil and gas property is not added to the existing state tax, but instead is deducted from the amount the state receives.

HB 217 would not require a borough to contribute four mills of the value of A.S. 43.56 properties if such a borough does not institute a property tax system.

Regardless of when a borough is organized in the region, the Delta residents seek as many options as possible to raise revenues. In light of the substantial value of the TAPS property within the Delta region, the residents may be unnecessarily forced to impose a property tax that in effect takes funds from the state of Alaska. Again, HB 217 would allow for a logical and cost saving option that would benefit both the state and local government.

Your help on these matters is greatly appreciated.

Sincerely,



Mike Schultz, Chairperson  
Deltana Borough Commission

**4. Eliminate the Necessity That Boroughs Encompassing the Trans-Alaska Oil Pipeline Must Impose Property Taxes.**

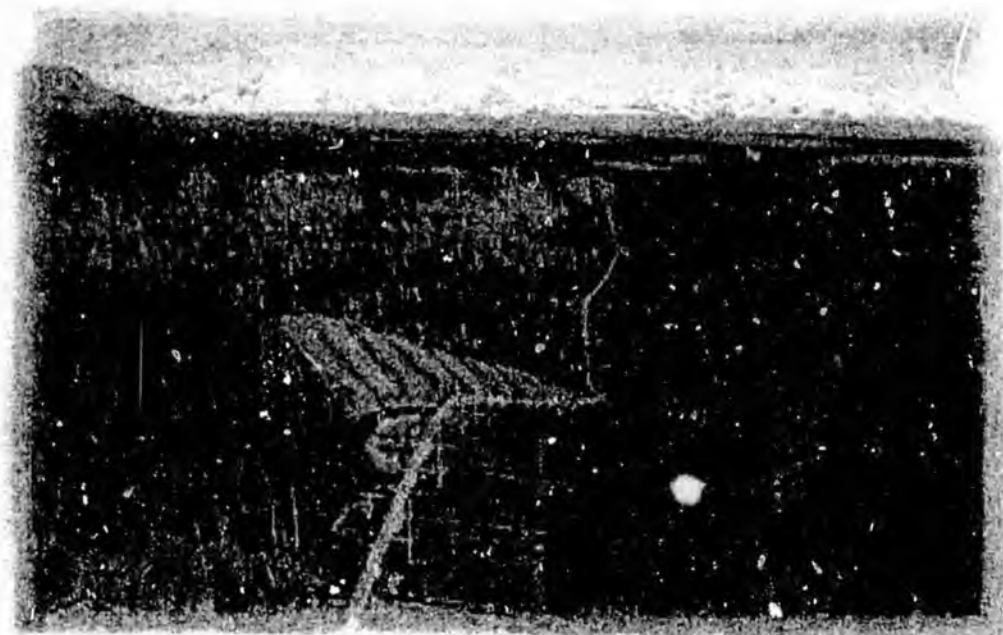
Under current law, organized boroughs are required to make financial contributions in support of their schools. The contributions are based on the value of taxable property within the borough. Each borough must contribute the equivalent of a 4-mill tax on the full and true value of taxable property within the borough (not to exceed 45 percent of the educational "basic need" for the borough school district).

The full and true value of a borough includes all oil and gas exploration, development, and transportation property within the borough assessed by the Department of Revenue (DOR) under AS 43.56. The State of Alaska levies a 20-mill property tax on the value of that property and credits the oil companies for taxes paid to a borough or city.

Given the current law, unorganized regions encompassing significant oil and gas exploration, development, and transportation

properties would, upon borough incorporation, be faced with the prospect of substantial local contributions when calculating their 4-mill tax in support of schools. Consequently, the areas would likely have no practical alternative means of generating the required local contribution except through the levy of property taxes. The practical necessity of levying a property tax under such circumstances is a disincentive for borough formation because residents of unorganized areas generally seem to least prefer a property tax than any other type of local tax imposed on the general population. Four of the sixteen organized boroughs in Alaska do not levy property taxes.

The benefit to the State from the higher contributions resulting from the inclusion of the value of the oil and



Trans-Alaska Pipeline

gas property, of course, would be directly offset by reductions in State revenues from the State's 20-mill *ad valorem* property tax on the property in question. Thus, the amendment proposed here would have no fiscal impact on the State.

In reality, the State would likely be better off from a fiscal standpoint by such an exemption so long as local government property taxes were not levied on any oil and gas property within the borough. Doing so would insulate the State's 20-mill property tax from all fiscal impacts relating to a new borough, not just those associated with the borough's required local contribution for schools.

Such a provision would reduce impediments to borough formation in the Upper Tanana Basin, Copper River Basin, Yukon-Koyukuk region, and the Yukon Flats region. The LBC emphasizes that this option would not preclude a borough government from levying property taxes in a region with substantial oil and gas properties. It simply would not make it a practical requirement.

In 2001, the Alaska Senate adopted Senate Bill No. 48 (CS for Senate Bill No. 48(FIN) am), which included the identical provision recommended here. Because of other provisions in the bill, however, the legislation was not approved by the House. Section 2 of

Senate Bill No. 48 provided as follows (underlined bold text reflects the additional language):

AS 14.17.510(a) is amended to read:

(a) To determine the amount of required local contribution under AS 14.17.410(b)(2) and to aid the department and the legislature in planning, the Department of Community and Economic Development, in consultation with the assessor for each district in a city or borough, shall determine the full and true value of the taxable real and personal property in each district in a city or borough. If there is no local assessor or current local assessment for a city or borough school district, then the Department of Community and Economic Development shall make the determination of full and true value from information available. In making the determination, the Department of Community and Economic Development shall be guided by AS 29.45.110. **However, the full and true value of taxable real and personal property in any area detached shall be excluded from the determination of the full and true value of the municipality**

**from which the property was detached for the two years immediately preceding the effective date of the detachment. Also, in making the determination for a municipality that is a school district or for a city that is within a borough school district, the assessed value of property taxable under AS 43.56 shall be excluded if a municipal tax is not levied under AS 29.45.080 in that school district.** The determination of full and true value shall be made by October 1 and sent by certified mail, return receipt requested, on or before that date to the president of the school board in each city or borough school district. Duplicate copies shall be sent to the commissioner. The governing body of a city or borough that is a school district may obtain judicial review of the determination. The superior court may modify the determination of the Department of Community and Economic Development only upon a finding of abuse of discretion or upon a finding that there is no substantial evidence to support the determination.

***5. Extend Municipal Land Grants for Annexations and Consider Increases in Entitlements.***

Under current law, a borough incorporated after July 1, 1978, is entitled to ten percent of the vacant, unappropriated, unreserved state lands within its boundaries. To encourage borough annexations, it is suggested that the same grants be given for any area annexed to an existing borough.

The Alaska Municipal League endorses municipal land entitlements as a means to promote annexation to boroughs. The League's formal position on the matter is set out below:

The League supports legislative changes to entitlement lands provisions to encourage existing municipalities to provide services to portions of the unorganized borough through annexation.

*Alaska Municipal League, 2005 Policy Statement, Part III-E-3.*

The prospect of increasing land entitlements to existing and future boroughs should also be explored as further incentive for the extension of borough government.

**HB**

**229**

# Alaska House of Representatives

**Richard Foster**  
P.O. Box 1630  
Nome, AK 99762  
907-443-5036  
Fax 907-2162



**During Session**  
State Capitol Rm. 410  
Juneau, AK 99801-1182  
907-465-3789  
Fax 907-465-3242

**Majority Whip**

## House Bill 229

**"An Act relating to the reinstatement of Native corporations; and providing for an effective date."**

### Sponsor's Statement

This legislation has been introduced at the request of one of the Regional Native Corporations within our District. Corporations have been involuntarily dissolved by the commissioner under AS 10.06.633 and failed to apply for reinstatement during the grace period established in statute.

This legislation provides a one-time window during which Native Village Corporations who have been dissolved can apply for reinstatement.

The legislation is needed because these corporations were established under the Alaska land claims settlement and legally own village corporation assets. A new corporation could be created but it would not have the same legal standing as the original corporations nor legally own those assets.

The Final provision of the bill allows a Village Native Corporation's board of directors to legally change the corporation's name, if another corporation has taken the previously used name.

This Legislation will apply to Caswell Native Association (date not known), Savoonga Native Corporation (should have reinstated by 12/31/03), Arviq Incorporated (should have reinstated by 2/25/04), and Oscarville Native Corporation (should have reinstated by 2/25/04)

Atakanuk, Brevig Mission, Chevak, Elim, Emmonak, Gambell, Golovin, Hooper Bay, Kotlik, Koyuk, Mekoryuk, Mountain Village, Newtok, Nightmute, Nome, Pitka's Point, St. Mary's, St. Michael, Savoonga, Scanmon Bay, Shaktoolik, Sheldon Point, Stebbins, Teller, Toksook Bay, Tununak, Unalakleet, White Mountain

# FISCAL NOTE

**STATE OF ALASKA**  
**2005 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 229  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
 Title Reinstatement of Native Corporations RDU Occupational Licensing (117)  
 Component Occupational Licensing  
 Sponsor Foster, Hawker  
 Requester House Community & Regional Affairs Component No. 2360

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

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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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						
1156 Receipt Supported Services						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This legislation reinstates certain Native corporations that have been involuntarily dissolved under AS10.06.633(e), provided they apply on or before December 31, 2006. New funds are not required to implement the provisions of this bill.

Prepared by: Jennifer Strickler, Administrative Manager Phone (907) 465-2144  
 Division Occupational Licensing Date/Time 3/30/05 4:59 PM  
 Approved by: Edgar Blatchford, Commissioner Date 3/30/2005  
 Agency Commerce, Community, and Economic Development

## HB 58

"An Act relating to the reinstatement of Native Corporations; and providing for an effective date."

Representative Richard Foster

### Talking Points

- Legislation provides a one-time window during which Native village corporations who have been involuntarily dissolved can apply for reinstatement.
- These corporations need to be reinstated because they hold the assets that were granted to Native village incorporation under the Alaska land claims settlement.
- A newly created corporation would not automatically hold those same assets even if it had the same name as the original corporation.

### Possible Side Issues

- Every two years a \$100 fee and a report listing the corporate officers are required by the State.
- A request for reinstatement can be made during the next two years. A penalty of \$37.50 is added to the \$100 fee. At the end of this two- year period the corporation is involuntarily dissolved.
- To be reinstated the corporation would have to pay the two required \$100 fees and two penalty fees, i.e. \$275
- The approximate cost for issuing the certificate of incorporation is \$61 so there is a slight positive fiscal impact but not enough to warrant anything but a zero fiscal note

**HB**

**231**

# FISCAL NOTE

**STATE OF ALASKA**  
**2005 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
Bill Version: HB231  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
Title HUMAN SERVICES GRANT ELIGIBILITY RDU Comm Assist & Ec Dev (405)  
Component Community Advocacy  
Sponsor Wilson  
Requester House Community & Regional Affairs Component No. 2703

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

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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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 (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

HB 231 amends the definition of municipality under AS 29.60.650(2) for purposes of qualifying for and sharing a human services community matching grant. It would not have a fiscal impact on the operations of the department.

Prepared by: Michael Black, Director Phone 269-4535  
Division: Community Advocacy Date/Time 4/6/05 3:48 PM  
Approved by: Edgar Blatchford, Commissioner Date 4/6/2005  
Agency: Commerce, Community, and Economic Development

# FISCAL NOTE

**STATE OF ALASKA**  
**2005 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB231-DHSS-FMS-04-06-05

Revision Date/Time (Note if correction): \_\_\_\_\_

( ) Publish Date: \_\_\_\_\_

Title HUMAN SERVICES GRANT ELIGIBILITY

Dept. Affected: Health & Social Services

RDU Human Svcs Comm Matching Grant

Component Human Svcs Comm Matching Grant

Sponsor WILSON

Requester H CRA

Component No 1821

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

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES (0)</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
Other(Specify Type-do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2005) cost: \_\_\_\_\_

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

The current proposed legislation does not require an increased cost, as such the fiscal note is zero. However, the legislation will profoundly impact municipalities who are eligible for this program based on the amount available. There are two attachments that outline the fiscal impact to communities based on two different assumptions.

The first scenario assumes that 1) this legislation would pass and that 2) two additional regions would qualify for participation and 3) that no additional funds are appropriated for the Human Services community matching program. If that were the case then Anchorage, Fairbanks and Mat-Su would see a reduction due to the pro-rated nature of the program.

Prepared by: Janet Clarke, Assistant Commissioner  
 Division: Finance & Management Services  
 Approved by: Joel S. Gilbertson, Commissioner  
 Agency: Department of Health and Social Services

Phone 465-1630  
 Date/Time 04/06/2005  
 Date 04/06/2005

FISCAL NOTE  
FN #

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

BILL NO HB231-DHSS-FMS-04-06-05

**ANALYSIS CONTINUATION**

Under scenario #1, Anchorage would lose \$166,875; Mat-Su would lose \$34,608 and Fairbanks would lose \$57,974; but The Gulf Coast region would be eligible for a new program grant of \$159,114 and Southeast would see a new grant program of \$151,024.

The second scenario assumes that 1) the legislation would pass and 2) the same two regions would participate in the program and 3) the Legislature would appropriate additional funds to hold all communities harmless. That second scenario would require an increased appropriation of \$394,204 to the Human Services Community Matching Grant so that all communities would be held harmless. This would bring the Human Services Community Matching Grant appropriation up to \$1,629,504.

FN#

BILL NO. HB231

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

**ANALYSIS CONTINUATION**

Assumption: Gulf Coast Region enters as a block. Southeast enters as a block. Anch, Mat-Su &amp; Frbks stay solo.

Total Funding: \$1,629,504

Shaded cells indicate participation in HSCMG

AREA NAME		%	2005 current grants	2006 Governor \$1,629,504	effect on current grantee
1 Anchorage Mat-Su Region	347,646				
Municipality of Anchorage	277,498	48.04%	760,300	782,814	22,514
Matanuska-Susitna Borough	70,148	12.14%	184,618	197,822	13,204
2 Gulf Coast Region	74,405	12.88%		209,880	
Kenai Peninsula Borough	50,980				
Kodiak Island Borough	13,466				
Valdez-Cordova Census Area	9,959				
3 Interior Region	99,290				
Denali Borough	1,842				
Fairbanks North Star Borough	84,979	14.71%	239,700	239,700	-
Southeast Fairbanks Census Area	6,192				
Yukon Koyukuk Census Area	6,277				
4 Northern Region	23,813				
Nome Census Area	9,403				
North Slope Borough	7,104				
Northwest Arctic Borough	7,306				
5 Southeast Region	70,622	12.23%		199,288	
Haines Borough	2,245				
Juneau City and Borough	30,966				
Ketchikan Gateway Borough	13,030				
Prince of Wales-Outer Ketchikan Census Area	5,548				
Sitka City and Borough	8,805				
Skagway-Hoonah-Angoon Census Area	3,101				
Wrangeli-Petersburg Census Area	6,247				
Yakutat City and Borough	680				
6 Southwest Region	39,659				
Aleutians East Borough	2,629				
Aleutians West Census Area	5,239				
Bethel Census Area	16,853				
Bristol Bay Borough	1,096				
Dillingham Census Area	4,845				
Lake and Peninsula Borough	1,603				
Wade Hampton Census Area	7,394				
	577,652	100.00%	1,184,618	1,629,504	35,718

Table 2.1 Population of Alaska by Labor Market Area, Borough and Census Area

Source: Alaska Department of Labor and Workforce Development, Research and Analysis.

July 1 provisional estimate 2004

Alaska 655,435

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

BILL NO. HB231

ANALYSIS CONTINUATION

Table 2.1 Population of Alaska by Labor Market Area, Borough and Census Area

Assumption: Gulf Coast Region enters as a block. Southeast enters as a block. Anch, Mat-Su & Frbks stay solo.  
Total funding: \$1,235,300

Shaded cells indicate participation in HSCMG

AREA NAME		%	2005 current grants	2006 Governor 1,235,300	effect on current grantee
1 Anchorage Mat-Su Region	347,646				
Municipality of Anchorage	277,498	48.04%	760,300	593,425	(166,875)
Matanuska-Susitna Borough	70,148	12.14%	184,618	150,010	(34,608)
2 Gulf Coast Region	74,405	12.88%	-	159,114	
Kenai Peninsula Borough	50,980				
Kodiak Island Borough	13,466				
Valdez-Cordova Census Area	9,959				
3 Interior Region	99,290				
Denali Borough	1,842				
Fairbanks North Star Borough	84,979	14.1%	239,700	181,726	(57,974)
Southeast Fairbanks Census Area	6,192				
Yukon Koyukuk Census Area	6,277				
4 Northern Region	23,813				
Nome Census Area	9,403				
North Slope Borough	7,104				
Northwest Arctic Borough	7,306				
5 Southeast Region	70,622	12.23%	-	151,024	
Haines Borough	2,245				
Juneau City and Borough	30,966				
Ketchikan Gateway Borough	13,030				
Prince of Wales-Outer Ketchikan Cen	5,548				
Sitka City and Borough	8,805				
Skagway-Hoonah-Angoon Census Ar	3,101				
Wrangell-Petersburg Census Area	6,247				
Yakutat City and Borough	680				
6 Southwest Region	39,659				
Aleutians East Borough	2,629				
Aleutians West Census Area	5,239				
Bethel Census Area	16,853				
Bristol Bay Borougn	1,096				
Dillingham Census Area	4,845				
Lake and Peninsula Borough	1,603				
Wade Hampton Census Area	7,394				
	577,652	100.00%	1,184,618	1,235,300	(259,456)

Source: Alaska Department of Labor and Workforce Development, Research and Analysis.  
July 1 provisional estimate 2004  
Alaska 655,435

APR 06 2005

2005 Human Services Community Matching Grant – Sub Recipient List

Fairbanks

Alaska Legal Services Corporation  
Bib Brothers Big Sisters  
Fairbanks Community Good Bank Service  
Interior Community Health Center  
Interior Aids Association  
North Star Council on Aging  
North Star Youth court

Anchorage

Alaska Legal Services  
Abused Women's Aide in Crisis  
American Red Cross  
Anchorage Neighborhood Health Center  
Beans Café  
Catholic social Services – Francis House  
Catholic Social Services = Claire House  
Catholic Social Services – Beyond Shelter  
Food Bank of Alaska  
Mabel T Caverly  
Salvation army – McKinnel Shelter  
Salvation Army Older Alaskans 18-59 Homebound Disabled  
Salvation Army – Older Alaskans Frail Elderly 70+  
Salvation Army Cares for Kids

Mat-Su

Palmer Senior Citizens Center for Mat-Su Senior Care Continuum Project  
Mat-Su Services for Children and Adults for Community Living Services for Local  
Residents with Developmental Disabilities  
Kids Are People, Inc for the Saxton Youth Shelter  
Alaska Family Resource Center and Mat-Su recovery Center for the Women's  
Reunification and Action Program  
Alaska Legal Services for the Mat-Su Children at Risk Project  
Alzheimer's Disease Resource Agency for the Alzheimer's Disease and Related  
Disorders Education and Support Project  
Salvation Army, Mat-Su Valley Corps for the Salvation Army After School Program  
Access Alaska for Health and Accessibility Assistance for Disabled Mat-Su Valley  
Residents  
Wasilla Senior Center for Basic Services for Older Adults

# Alaska State Legislature

Representative Peggy Wilson

House District 2

Putting Alaska's Families First

## MEMORANDUM

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Date: March 25, 2005

To: Representative Kurt Olson Co-Chair House C & RA

From: Representative Peggy Wilson 

Re: HB 231 "Human Services Grant Eligibility"

This is a request to have HB 231 "Human Services Grant Eligibility" calendared for a hearing before the House Community and Regional Affairs Committee as soon as possible.

HB 231 "Human Services Grants" would expand the definition of a qualified municipality to include a consortium of municipalities located in the same geographic region with a population that exceeds 50,000. This would allow an organization such as Southeast Conference to form a consortium to receive program funding for social services in their region.

I have attached the sponsor statement and a copy of the legislation. Thanks for your consideration.

# Alaska State Legislature

Representative Peggy Wilson

House District 2

Putting Alaska's Families First

## SPONSOR STATEMENT

### HB 231 "HUMAN SERVICES GRANTS"

HB 231 "Human Services Grants" would expand the definition of a qualified municipality to include a consortium of municipalities located in the same geographic region with a population that exceeds 50,000. This would allow an organization such as Southeast Conference to form a consortium to receive program funding for social services in their region.

AS 29.60.600 establishes the Human Services Community Matching Grants program for qualified municipalities. To qualify for a grant under this section a municipality is required to 1) provide a 30 percent funding match; 2) comply with grant application procedures; and 3) establish a citizen's advisory group to help establish priorities and allocations amongst the services funded.

The following organizations are currently providing services in Southeast Alaska. Under HB 231 they would be qualified to receive funding through the Human Services Community Matching Grants Program if a consortium of communities was formed in Southeast Alaska.

Center for Community

United Way

Alaska Health Fair, Inc.

Southeast Food Bank

Catholic Community Services

AWARE

Alaska Legal Services

Southeast Senior Services

Any consortium formed under HB 231 would be required to provide for the necessary 30 percent matching funds and would have to establish a citizens' advisory group.

This is a fairness issue. Due to distance it is difficult, if not impossible, for Southeast residents to access programs that are currently funded by the Human Services Matching Grants. This important source of funding should be available to a geographic area that has a combined population of 50,000 or more. I ask for your support of HB 231.



## **Center for Community - Sitka, Alaska**

CFC is a state-wide provider of home and community-based services for people with disabilities, the elderly and others who experience barriers to community living in Alaska. It helps people so they can have the opportunity to exercise choice in where and how they live and how they participate in community life.

### **Care Coordination**

Helping individuals and their families coordinate supportive and rehabilitative services.

### **Supported Living Services**

Providing supports and instruction for people with developmental and other disabilities to acquire the skills they need to live in their own homes and participate in community life.

### **Personal Care Services**

Professional in-home care for temporary or long-term personal care needs resulting from a disability or illness.

### **Respite Care Services**

Providing a needed break for caregivers and families of people with disabilities, Alzheimer's and other dementia, and frail seniors.

### **Vocational Rehabilitation**

Job assessment, training and placement for people with disabilities and other personal barriers to employment.

### **Early Learning Program**

Early intervention education and prenatal developmental enhancement programs for children age birth to six. Offering: prenatal classes, home visits, parenting classes and play groups.

### **Welfare to Work Program**

Case management, job training, support services and job placement for people receiving public assistance or other welfare benefits.

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## **Catholic Community Service - Juneau, Alaska**

Catholic Community Service advocates and offers social service opportunities for all Southeast Alaskans, emphasizing social justice and compassion. accomplish this mission by fostering the self-sufficiency and dignity of individuals and families affirming diversity in culture, faith and way of life.

### **Southeast Senior Services**

Programs include nutrition, transportation and support.

### **Childcare and Family Resources**

Programs include Healthy Families Juneau, Healthy Change, Young Parent's Center, Childcare Assistance, Family Resources Center, Parents Anonymous, Children of Incarcerated Parents, Children of Incarcerated Parents Mentoring, SAFE Child Advocacy Center and Comprehensive Family Support.

### **Hospice and Homecare of Juneau**

Programs include skilled nursing care, physical therapy, occupational therapy, speech therapy, home health aides, social work, infusion therapy, hospice and palliative care, bereavement support and volunteer services.

**HB**

**249**

# Representative Mike Hawker

## Alaska State Legislature



*Session:*

State Capitol  
Juneau, AK 99801  
907 465-4949 direct  
800 478-4950 toll free  
907 465-4979 fax

*Interim:*

716 W 4<sup>th</sup> Avenue  
Anchorage, AK 99501  
907 269-0244 office  
907 269-0248 fax

*Member:*

House Finance Committee  
Legislative Budget  
& Audit Committee

*House District 32:*

Eagle River  
Anchorage  
Rainbow  
Indian  
Bird  
Girdwood  
Portage  
Whittier  
Sunrise  
Hope

To: Representative Kurt Olson  
Representative Bill Thomas  
Co-Chairman, Community and Regional Affairs Committee

From: Representative Mike Hawker

Date: April 6, 2005

Re: House Bill 249

---

I request that House Bill 249, which would provide a mechanism for municipalities to fund enhanced 911 systems, to be scheduled at your earliest convenience.

E-911 systems have dramatically improved nationwide emergency response capabilities by utilizing Global Positioning System (GPS) technology to identify the telephone number and location of the caller. E-911 systems direct calls to the appropriate Public Safety Answering Point (PSAP) and automatically provide identifying information to the answering operator. Automatic location notification is critical when a caller is incapacitated or disoriented.

Current statutory caps on the amount municipalities may surcharge telephone services to pay for 911 systems have limited Alaskan communities to Basic 911 services that lack the important technological improvements of E-911. House Bill 249 provides the authority municipalities need to provide E-911 services within constraining parameters to protect their taxpayers.

Please feel free to contact me if you need any additional information. You may also contact my legislative aide, Juli Lucky.

# Representative Mike Hawker

## Alaska State Legislature



### House Bill 249 Sponsor Statement

**"An Act relating to enhanced 911 surcharges imposed by a municipality."**

House Bill 249 is simply about saving lives. The "dial 911" emergency services dispatch system is every Alaskan's lifeline. Access to a modern 911 system can be the difference between life and death. HB 249 authorizes the funding mechanisms municipalities need to deliver Enhanced 911 (E-911) services. HB 249 also incorporates limitations protecting taxpayers from excessive charges.

E-911 systems have dramatically improved nationwide emergency response capabilities by utilizing Global Positioning System (GPS) technology to identify the telephone number and location of the caller. E-911 systems direct calls to the appropriate Public Safety Answering Point (PSAP) and automatically provide identifying information to the answering operator. Automatic location notification is critical when a caller is incapacitated or disoriented.

Current statutory caps on the amount municipalities may surcharge telephone services to pay for 911 systems have limited Alaskan communities to Basic 911 services that lack the important technological improvements of E-911. House Bill 249 provides the authority municipalities need to provide E-911 services within constraining parameters to protect their taxpayers.

I appreciate your consideration of this important public safety legislation.

*Session:*

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*House District 32:*

Eagle River  
Anchorage  
Rainbow  
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Bird  
Girdwood  
Portage  
Whittier  
Sunrise  
Hope

# FISCAL NOTE

**STATE OF ALASKA**  
**2005 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB249-DPS-ASTD-4-08-05  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Public Safety  
 Title "An Act relating to enhanced 911 surcharges RDU Alaska State Troopers  
imposed by a municipality." Component AST Detachments  
 Sponsor Representative Hawker  
 Requester House Community & Regional Affairs Component No. 2325

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

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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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 (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2005) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

Passage of this bill will have no fiscal impact on the Department of Public Safety.

The bill allows municipalities to increase the surcharge that is collected related to the enhanced 911 systems. The bill would require that the surcharge be imposed by ordinance approved by the voters of the enhanced 911 service area.

Prepared by: Lieutenant Todd Sharp Phone 907-465-3223  
 Division: Alaska State Troopers Date/Time 4/8/05 2:40 PM  
 Approved by: Commissioner William Tandeske Date 4/8/2005  
 Agency: Department of Public Safety

24-LS0853\G  
Cook  
4/11/05

**CS FOR HOUSE BILL NO. 249(CRA)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-FOURTH LEGISLATURE - FIRST SESSION**

**BY THE HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE**

**Offered:**

**Referred:**

**Sponsor(s): REPRESENTATIVES HAWKER, Holm, Olson, Lynn**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to enhanced 911 surcharges imposed by a municipality."**

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

3 **\* Section 1.** AS 29.35.131(a) is amended to read:

4 (a) A municipality may, by resolution or ordinance, elect to provide an  
5 enhanced 911 system at public safety answering points and [,] may purchase or lease  
6 the enhanced 911 equipment or service required to establish or maintain an enhanced  
7 911 system at public safety answering points from a local exchange telephone  
8 company or other qualified vendor. The municipality [, AND] may impose an  
9 enhanced 911 surcharge [, IN AN AMOUNT TO BE DETERMINED BY THE  
10 MUNICIPALITY,] on all local exchange access lines that provide telephone service to  
11 wireline telephones in the area to be served by the enhanced 911 system and [. A  
12 MUNICIPALITY THAT PROVIDES SERVICES UNDER AN ENHANCED 911  
13 SYSTEM MAY ALSO BY RESOLUTION OR ORDINANCE IMPOSE AN  
14 ENHANCED 911 SURCHARGE] on each wireless telephone number that is billed to  
15 an address within the enhanced 911 service area. An [FOR A MUNICIPALITY

1 WITH A POPULATION OF 100,000 OR MORE, AN ENHANCED 911  
2 SURCHARGE MAY NOT EXCEED 50 CENTS PER MONTH FOR EACH  
3 WIRELESS TELEPHONE NUMBER OR 50 CENTS PER MONTH FOR EACH  
4 LOCAL EXCHANGE ACCESS LINE FOR WIRELINE TELEPHONES. FOR A  
5 MUNICIPALITY WITH FEWER THAN 100,000 PEOPLE, AN] enhanced 911  
6 surcharge may not exceed \$2 [75 CENTS] per month for each wireless telephone  
7 number and \$2 [OR 75 CENTS] per month for each local exchange access line for  
8 wireline telephones unless the surcharge is imposed by ordinance approved by the  
9 voters of the enhanced 911 service area. The amount of surcharge imposed for  
10 each wireless telephone number must equal the amount imposed for each local  
11 exchange access line for wireline telephones. An enhanced 911 service area may be  
12 all of a city, all of a unified municipality, or all or part of the area within a borough  
13 and may include the extraterritorial jurisdiction of a municipality in accordance with  
14 AS 29.35.020. The governing body of a municipality shall review an enhanced 911  
15 surcharge annually to determine whether the current level of the surcharge is adequate,  
16 excessive, or insufficient to meet anticipated enhanced 911 system needs. The  
17 municipality may only use the enhanced 911 surcharge for the enhanced 911 system.  
18 A borough that imposes an enhanced 911 surcharge must share revenue from the  
19 surcharge with each city in the enhanced 911 service area that incurs costs for the  
20 enhanced 911 system.

*Kodiak & Kodiak Borough  
have agreement!*

**HB**

**293**

**The Community and Regional Affairs Committee will come to order.**

**Let the record reflect that it is \_\_\_\_\_am, May 3 ,2005.**

**Let the record reflect we have a quorum. Members present are**

- Representative Thomas
- Representative LeDoux
- Representative Kott
- Representative Neuman
- Representative Cissna
- Representative Salmon

**The first item on today's agenda is SB 142.** (Public testimony has been closed. I have listed it on the teleconference request as "listen only". We were waiting for Neuman to be OK with it.) Will of committee

**Next we will hear HB 293.** (Kaci is carrying this one) (On-line testimony, in-house testimony, close testimony, committee discussion, will of the committee)

# FISCAL NOTE

**STATE OF ALASKA**  
**2005 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 293  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
 Title Borough Sales Tax Exemption RDU Comm Assist & Ec Dev (405)  
 Component Community Advocacy  
 Sponsor House Community & Regional Affairs  
 Requester House Community & Regional Affairs Component No. 2703

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

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

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

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2005) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This legislation allows that a borough may wholly or partially exempt a source from a borough sales tax if it is already taxed by a city in the borough.

It would not create a fiscal impact on the operations of the department.

Prepared by: Michael Black, Director Phone 269-4535  
 Division Community Advocacy Date/Time 5/2/05 11:01 AM  
 Approved by: Edgar Blatchford, Commissioner Date 5/2/2005  
 Agency Commerce, Community, and Economic Development

# Alaska State Legislature

Rep. Gabrielle LeDoux  
Rep. Pete Kott  
Rep. Mark Neuman  
Rep. Sharon Cissna  
Rep. Woodie Salmon



State Capitol, Room 124  
Juneau, AK 99801-1182  
Co-Chairs  
Rep Kurt Olson  
(907) 465-2693 FAX 465-3835  
Rep. Bill Thomas  
(907) 465-3732 FAX 465-2652

## COMMUNITY & REGIONAL AFFAIRS COMMITTEE

### Sponsor Statement for HB 293 Borough Sales Tax Exemption for a Source that is Taxed by a City in that Borough

Article X, Section 1 of the Alaska State Constitution states that the intent of that section is to "provide for maximum local self-government with a minimum of local government units, and to prevent duplication of tax-levying jurisdictions."

House Bill 293 clarifies current statutory language to make it plain that a borough government may institute local tax exemptions and avoid the "stacking of taxes." Without this provision, cities within borough boundaries who chose to tax themselves may be subjected to "double taxation" should the borough decide to levy a borough wide tax. Under these circumstances, taxable entities may end up paying an 8% tax to the city and an additional 8% tax to the borough. This kind of double taxation severely affects the costs of doing business in those areas and goes against the public policy of Alaska.

It is within the purview of the borough assembly to choose to exempt certain areas from a borough wide tax in order to avoid double taxation. House Bill 293 clears up any remaining questions that may be left regarding the taxation exemption powers of borough governments. I strongly urge your support of this important piece of legislation.

TABLE 1

## 2004 Municipalities: Class, Populations and Tax Types - continued

Mun.	Type of Municipality	Population	Property Tax	Sales Tax	Special Tax
Hoonah	First Class City	850	No	5%	No
Hooper Bay	Second Class City	1,100	No	4%	No
Houston	Second Class City	1,300	Yes	2%	No
Hughes	Second Class City	84	No	No	No
Huaila	Second Class City	284	No	No	No
Hydaburg	First Class City	389	No	4%	No
Juneau, City & Borough of	Unified Home Rule	31,248	Yes	5%	7% Bed Tax/ 3% Liquor Tax/ \$.30/pack Tobacco Tx
Kachemak	Second Class City	478	Yes	No	No
Kake	First Class City	683	No	5%	No
Kaktovik	Second Class City	295	No*	No	No
Kaltag	Second Class City	223	No	No	No
Kasaan	Second Class City	57	No	No	No
Kenai	Home Rule City	7,123	Yes	3%	No
Kenai Peninsula Borough	Second Class Borough	51,398	Yes	2%	No
Ketchikan	Home Rule City	7,989	Yes	3.50%	8% Bed Tax
Ketchikan Gateway Borough	Second Class Borough	13,533	Yes	2%	4% Bed Tax
Kiana	Second Class City	408	No	2%	No
King Cove	First Class City	725	No	4%	4% Seafood Proc/Business Impact Tax-flat rate
Kivalina	Second Class City	388	No	NR	No
Klawock	First Class City	847	No	5.50%	8% Bed Tax
Kobuk	Second Class City	125	No	No	No
X Kodiak	Home Rule City	6,113	Yes	8%	5% Bed Tax
X Kodiak Island Borough	Second Class Borough	13,797	Yes	No	9.25 mill Severance Tax/5% Bed Tax
Kotlik	Second Class City	605	No	3%	No
Kotzebue	Second Class City	3,070	No	6%	8% Bed Tax/ 6% Alcohol Tax
Koyuk	Second Class City	341	No	2%	No
Koyukuk	Second Class City	108	No	No	No
Kupreanof	Second Class City	30	No	No	No
Kwethluk	Second Class City	709	No	5%	No
Lake & Peninsula Borough	Home Rule Borough	1,627	No	No	2% Raw Fish Tax/Guide Fees/8% Bed Tax
Larsen Bay	Second Class City	98	No*	3%	No
Lower Kalskag	Second Class City	267	No	NR	NR
Manokotak	Second Class City	405	No	2%	No
Marshall	Second Class City	385	No	4%	No
Matanuska-Susitna Borough	Second Class Borough	87,528	Yes	No	5% Bed Tax
McGrath	Second Class City	405	No	No	No
Mekoryuk	Second Class City	305	No	2%	No
Metlakatla	Federal Law	1,397	No	No	No
Mountain Village	Second Class City	753	No	3%	No
Napakiak	Second Class City	380	No	3%	No
Napaskiak	Second Class City	424	No	No	No
Nenana	Home Rule City	385	Yes	4%	No
New Stuyahok	Second Class City	491	No	No	No
Newhalen	Second Class City	171	No	2%	NR
Nightmute	Second Class City	229	No	2%	No
Nikolai	Second Class City	123	No	No	No
Nome	First Class City	3,414	Yes	5%	4% Bed Tax
Nondalton	Second Class City	218	No	NR	No
Noorvik	Second Class City	848	No	3%	No
X North Pole	Home Rule City	1,609	Yes	<del>4%</del>	No (raised to 4% 2004)
North Slope Borough	Home Rule Borough	7,228	Yes	No	No
Northwest Arctic Borough	Home Rule Borough	7,293	No	No	No
Nuiqsut	Second Class City	416	No*	No	No

Note: Municipal populations are from the State Department of Labor

\* Indicates that City does not levy property tax, but Borough in which City is located does

TABLE 1

2004 Municipalities: Class, Populations and Tax Types

Municipality	Type of Municipality	Population	Property Tax	Sales Tax	Special Tax
Adak	Second Class City	74	No	3%	2% Fuel Transfer Tax
Akhlok	Second Class City	51	No*	No	No
Akiak	Second Class City	348	No	No	No
Akutan	Second Class City	787	No	NR	NR
Alakanuk	Second Class City	663	No	No	No
Aleknagik	Second Class City	235	No	5%	5% Bed Tax
Aleutians East Borough	Second Class Borough	2,668	No	No	2% Raw Fish Tax
Allakaket	Second Class City	95	No	No	No
Ambler	Second Class City	291	No	3%	No
Anaktuvuk Pass	Second Class City	319	No*	No	No
Municipality of Anchorage	Unified Municipality	273,565	Yes	No	8% Bed Tax & Car Rental/15% Tobacco Tax/Aircraft (Rt)
Anderson	Second Class City	377	No	No	8% Utility Tax
Angoon	Second Class City	507	No	3%	3% Bed Tax
Aniak	Second Class City	541	No	2%	No
Anvik	Second Class City	105	No	No	No
Atka	Second Class City	94	No	No	2% Raw Fish Tax/ 10% Bed Tax
Atkasuk	Second Class City	228	No*	No	No
Barrow	First Class City	4,412	No*	No	No
Bethel	Second Class City	5,886	No	5%	3% Bed/5% Alcohol/5% Gaming/MVRT
Bettles	Second Class City	32	No	No	\$.02/gal. Fuel Transfer Tax
Brevig Mission	Second Class City	313	No	3%	No
Bristol Bay Borough	Second Class Borough	1,103	Yes	No	3% Raw Fish Tax/10% Bed Tax
Buckland	Second Class City	409	No	6%	No
Chefornak	Second Class City	434	No	2%	2% Raw Fish Tax
Chevak	Second Class City	883	No	NR	No
Chignik	Second Class City	81	No	No	1%salmon tax/1% other seafood
Chuathbaluk	Second Class City	102	No	No	No
Clarks Point	Second Class City	66	No	NR	No
Coffman Cove	Second Class City	164	No	No	No
Cold Bay	Second Class City	95	No	No	8% Bed Tax/\$.04/gal. Fuel Tax
Cordova	Home Rule City	2,298	Yes	6%	6% Bed Tax/8% Vehicle Rental Tax
Craig	First Class City	1,495	Yes	5%	6% Liquor Tax
Dearing	Second Class City	131	No	3%	No
Delta Junction	Second Class City	963	No	No	No
Denali Borough	Home Rule Borough	1,917	No	No	Sev. Tax 3.05/yd gravel-\$ .05 ton-coal-\$: Bed Tax 7%
Dillingham	First Class City	2,390	Yes	6%	10% Bed Tax / 10% Liquor Tax/6% Gaming
Diomedes	Second Class City	137	No	3%	No
Eagle	Second Class City	126	Yes	No	No
Eek	Second Class City	280	No	2%	No
Egegik	Second Class City	82	No	No	2% Raw Fish Tax
Ekwok	Second Class City	128	No	No	No
Elim	Second Class City	342	No	2%	No
Emmonak	Second Class City	768	No	NR	No
X Fairbanks	Home Rule City	29,002	Yes	No	8% Bed Tax/ 5% Alcohol Tax/ 8% Tobacco Tax
X Fairbanks North Star Borough	Second Class Borough	82,131	Yes	No	8% Bed Tax + 5% alcohol - 2004 vote
False Pass	Second Class City	69	No	2%	6% Bed Tax
Fort Yukon	Second Class City	560	No	3%	No
Galena	First Class City	744	No	3%	No
Gambell	Second Class City	647	No	3%	No
Golovin	Second Class City	156	No	No	No
Goodnews Bay	Second Class City	244	No	No	No
Grayling	Second Class City	182	No	No	No
Gustavus	Second Class City	473	No	2%	4% Bed Tax as of 4-1-04
Haines Borough**	Home Rule Borough	2,319	Yes	5.5%	4% Bed Tax/4% Tour Tax
Holy Cross	Second Class City	204	No	No	No
Homer	First Class City	5,865	Yes	3.50%	No

Note: Municipal populations are from the State Department of Labor

\*Indicates that City does not levy property tax, but Borough in which City is located does

\*\* The City of Haines and the Haines Borough consolidated in 2002, into a single Home Rule Government

## Municipal Sales Taxes

Alaska Statutes 29.45.650-710 authorize the levy of sales and use taxes at the municipal level. The statutes give broad authority to municipalities to levy taxes on sales, rents and services provided within the municipality. There are only a couple of limitations placed upon municipalities in regards to levying a sales tax. Orbital space facilities are exempt from the levy of sales tax and alcohol may not be taxed unless other items are similarly taxed. A borough may not levy a sales tax on food coupons, food stamps, or other types of certificates issued under the federal Food Stamp Act. A borough may not levy or collect a sales or use tax on (1) physical transfer of refined fuel, unless in connection with a sale or use in the borough, or (2) wholesale sales or transfers of fuel refined in the borough. A sale is in the borough if the fuel is delivered to the buyer in the borough. Local ordinance may grant other exemptions.

A general law municipality that levies a sales tax may levy a use tax on the storage, use or consumption of tangible personal property; however, the use tax rate must equal the rate of sales tax and may only be levied on buyers. These limits do not apply to home rule municipalities.

There are no limits by statute on the rate of levy for sales or use taxes for a municipality. Such taxes are defined in Title 43 as taxes imposed with respect to transfer for a consideration of ownership, possession or custody of tangible personal property or rendering of services measured by the price of the tangible personal property transferred or services rendered and which is required by state or local law to be separately stated from the sales price by the seller or which is customarily separately stated from the sales price, but does not include a tax imposed exclusively on the sale of a specific commodity or article or class of commodities or articles.

Title 29.45.810, exemption from municipal taxation, states that for a party to a contract approved by the legislature as a result of submission under the SGA, the property, gas, products and activities associated with such approved, qualified project are exempt, as specified in the contract, from all taxes identified in the Act that would be levied and collected by a municipality under state law as a consequence of the participation by the party in the approved project.

### Revenues by Tax Type

At an April 16, 2004 MAG meeting, there was general discussion of sales and use taxes and the differences between municipalities' taxes and tax rates, exemptions, administrative procedures, and transaction caps. There was discussion about sales/use tax restrictions during construction and/or operations. Finally, there was discussion about whether the administrative complexity or the administrative costs would be balanced by potential savings to a successful applicant.

The following tables show each municipality's tax types, tax revenues and percentage of total tax revenue by type. The information was taken from Alaska Taxable 2003.

#### Municipality of Anchorage

Tax	Tax Revenues	% of Total Tax
Property Tax	\$315,874,931	
General Sales Tax	0	
Bed Tax	\$ 11,007,248	
Alcohol Tax	0	
Tobacco Tax	\$ 5,349,091	
Other Special Use Tax	\$ 4,682,406 (car rental tax)	
Other Special Use Tax	\$ 202,860 (aircraft tax)	

**City of Delta Junction**  
No sales or special taxes

**City of Fairbanks**

Tax	Tax Revenues	% of Total Tax Revenues
Property Tax	\$8,078,192	
General Sales Tax	0	
Bed Tax	\$1,786,026	14.46%
Alcohol Tax	\$1,162,927.83	9.41%
Tobacco Tax	\$799,567	6.47%
Other Special Use Tax		

**Fairbanks North Star Borough**

Tax	Tax Revenues	% of Total Tax Revenue
Property Tax	\$68,013,870	
General Sales Tax	0	
Bed Tax 8%	\$1,305,822	2%
Alcohol Tax 5%	Effective July 1, 2004	
Tobacco Tax 8%	Effective July 1, 2004	
Other Special Use Tax		

**Haines Borough**

Tax	Tax Revenues	% of Total Tax Revenue
Property Tax	\$1,818,643	
General Sales Tax 5.5%	\$1,899,249	
Bed Tax 4%	\$ 101,683	
Alcohol Tax		
Tobacco Tax		
Other Special Use Tax 4%	\$ 191,192 (Tour Tax)	

**Kenai Peninsula Borough**

Tax	Tax Revenues	% of Total Tax Revenue
Property Tax	\$41,693,443	
General Sales Tax 2%	\$14,370,582	
Bed Tax	0	
Alcohol Tax	0	
Tobacco Tax	0	
Other Special Use Tax	0	

**City of North Pole**

Tax	Tax Revenues	% of Total Tax Revenue
Property Tax	\$ 755,335	
General Sales Tax 3%	\$1,336,630	
Bed Tax	0	
Alcohol Tax	0	
Tobacco Tax	0	
Other Special Use Tax	0	

### North Slope Borough

Tax	Tax Revenues	% of Total Tax Revenue
Property Tax	\$199,653,165	100%
General Sales Tax*	0	
Bed Tax	0	
Alcohol Tax	0	
Tobacco Tax	0	
Other Special Use Tax	0	

\*NSB receives a payment in lieu of taxes for economic development

### City of Seward

Tax	Tax Revenues	% of Total Tax Revenue
Property Tax	\$ 712,175	
General Sales Tax 3%*	\$2,165,566	
Bed Tax 4%	\$ 217,482	
Alcohol Tax	0	
Tobacco Tax	0	
Other Special Use Tax	0	

Effective April 1, 2003 the sales rate is 4%

### Skagway

Tax	Tax Revenues	% of Total Tax Revenue
Property Tax	\$1,148,146	
General Sales Tax 4%	\$2,531,977	
Bed Tax 8%	\$ 91,782	
Alcohol Tax		
Tobacco Tax		
Other Special Use Tax		

### Valdez

Tax	Tax Revenues	% of Total Tax Revenues
Property Tax	\$20,260,164	
General Sales Tax	0	
Bed Tax 6%	\$ 256,803	
Alcohol Tax	0	
Tobacco Tax	0	
Other Special Use Tax	0	

### Transactions Limits/Exemptions for General Sales Tax

Evaluating the cost/benefit of sales taxes requires discussing the various transaction limits and exemptions municipalities have in their sales tax code. A complete list of exemptions for all municipalities that levy a sales tax is attached.

**City of North Pole:** seventeen exemptions from sales tax. The transaction cap amount is \$200.00. With a 3% sales tax, the maximum tax per transaction is \$6.00.

**Haines Borough:** 31 exemptions from sales tax, no transaction limits, with the exception of the sale of construction materials and services exceeding \$10,000.00. Construction materials are defined as those items becoming a permanent part of the structure. Contractors may apply for a numbered sales tax exemption permit which exempts the purchaser from paying sales tax on the particular project.

The Haines Borough defines "retail sale" as any sale of real or tangible personal property, including barter, credit, installment and conditional sales, for any purpose other than resale in the regular course of business. The delivery of property in the Borough by a seller whose principal place of business is outside the Borough to a buyer or consumer is a retail sale made within the Borough if such retailer maintains any office, distribution, or sales house, warehouse or any other place of business, or solicits business or receives orders through any agent, salesperson, or other type of representation within the Borough.

**City of Skagway:** 22 exemptions from sales tax in code, no specific transaction limit. However, sales of building and construction materials exceeding \$2,500 for use on any one construction project approved by a city building permit and paid for by any one purchaser during any 12-consecutive month period is exempt from sales tax. In addition, contracts and subcontracts for any new construction and reconstruction services on projects and structures for industrial, commercial, residential, and nonprofit purposes are exempt.

**City of Seward:** 15 exemptions from sales tax. The sales tax is applied only to the first \$500 of each separate sale, rent or service transaction. A transaction involving payment for services or personal property to be rendered or delivered over a period of more than one month for a consideration in excess of \$500 shall be treated as several separate transactions.

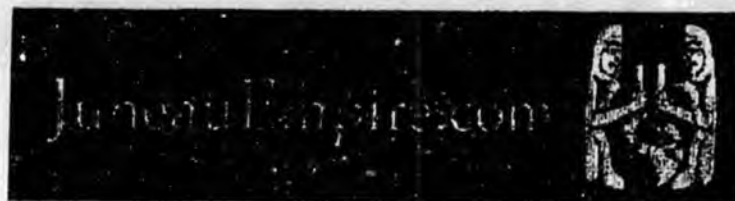
**Kenai Peninsula Borough:** approximately 22 exemptions from sales tax. Taxes are assessed on the first \$500 per transaction. KPB has an exemption for sales of building construction materials for owner/builders and only if the materials become part of the permanent structure. The borough charges a fee of \$100 for a tax exemption certificate for owner/builders.

On taxing jurisdiction, KPB code states the rate of tax to be added to the sale price is based on the place of sale, which for goods and merchandise is the location of the retail outlet; the same rule applies if the invoice includes a charge for installation. When goods are delivered into the borough from outside of the borough and the seller maintains an ongoing physical presence in the borough, the location of the seller's in-borough presence will determine the place of sale. If a seller has no ongoing physical presence in the borough but has established nexus with the borough, the point of delivery will determine the place of sale. If the seller has no ongoing physical presence in or nexus with the borough the sale is not subject to the borough sales tax. Nexus means the seller has established a connection within the borough by use of marketing techniques or sales, which establish or maintain a market for its goods in the borough.

#### **Other Points of Discussion**

In order to determine the cost/benefit of eliminating or modifying municipal sales/use taxes for purposes of a contract under the SGA, the following are items that may warrant further discussion:

- Materials/goods particular to gas pipeline project
- Point of sale for materials/goods
- Likely tax amount for applicant given sales tax rates, exemptions and transaction limits
- Cost of administration of modifying or exempting gas pipeline materials/goods/services from existing taxes
- Ease of expanding existing exemptions, i.e. construction materials, for gas pipeline materials/goods/services



[Click here to return to the original story](#)

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## Empire editorial: An untimely tax proposal

**Sunday, August 22, 2004**

Bar owners and anti-alcohol forces are loading their verbal weapons for a showdown Monday night at the Juneau Assembly meeting.

Some would like to see a ballot measure this October that would boost the alcohol sales tax from the 3 to 5 percent. That's in addition to the existing sales tax on all items, which means drinkers would be paying a 10 percent tax for a libation.

The arguments for and against stopping the ills of society through taxation are already flying. But moral arguments aside, this simply isn't the right time to holst the tax on spirits.

First of all, the city could end up spending a sizable chunk of change fighting for the tax in court, if the increase wins voters' approval. Fairbanks North Star Borough is tangled up in such a case that has made its way to the Alaska Supreme Court. Borough voters approved a 5 percent liquor tax last October, but business owners challenged the legality of it, based on a state law that restricts the imposition of taxes on alcohol.

Already, City Attorney John Hartle has recommended that revenue from a 5 percent alcohol sales tax in Juneau be set aside, rather than spent, because of the legal ambiguity. So it doesn't make sense to impose such a tax when it's unclear whether it will even fly in court.

Nor will the city be able to immediately benefit from this revenue. While alcohol-tax supporters say that this money could be used to offset the problems created by excessive drinking, the city does not know at this time if it's legally possible to use the increased funds for those purposes.

Second, the city has already put local bars through one major transition in the next few years - making them totally smoke-free by 2008. Banning smoking in all bars was the right thing to do, but it has many bar owners nervous they're going to struggle to keep customers.

Since three out of four Juneau residents don't smoke, it seems more likely that clientele in bars may shift from smokers to nonsmokers. But it's not going to be easy for bar owners to convince nonsmokers to frequent their newly smoke-free taverns if drink prices have jumped because of a tax hike.

This simply isn't the time to hit up one segment of Juneau's businesses for revenue that the city ultimately may not be allowed to touch.

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## Reasons and Rationale Supporting Double Taxation Exemption

The Fairbanks North Star Borough has both a bed tax and an alcoholic beverage tax that exempts sales to the extent they have already been taxed by the cities located within the Borough.

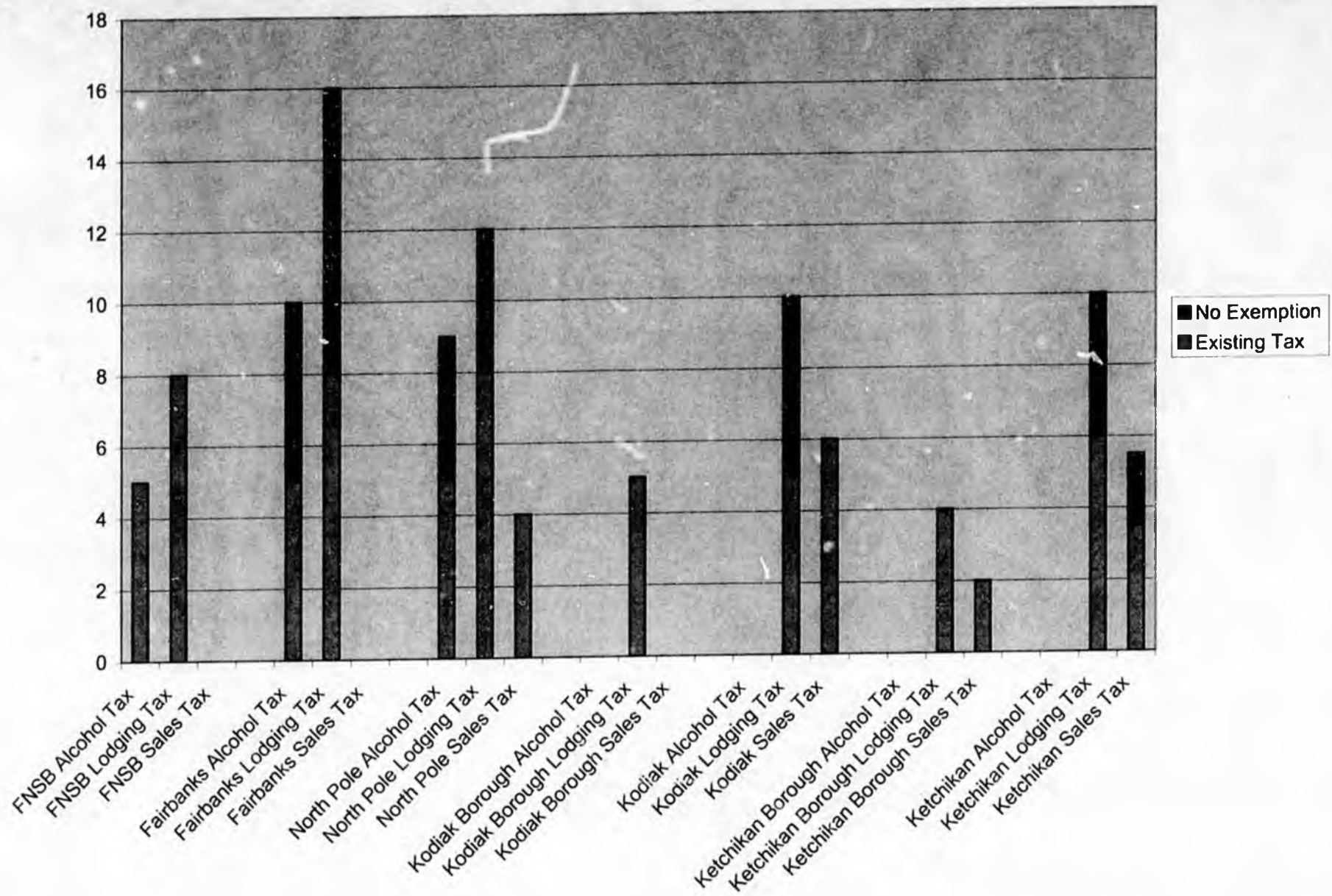
The Fairbanks North Star Borough is currently being forced to defend litigation, challenging the Borough's right to impose a sales tax (as approved by borough voters) with exemptions for sales already taxed by the City of Fairbanks and the City of North Pole. The plaintiffs assert in the litigation that the state statutory requirement of an areawide sales tax prohibits the Borough from exempting sales to the extent they have already been taxed by the 'cities.' In essence, the plaintiffs are arguing that current state law *requires* the Borough to impose a "piggyback" sales tax, effectively doubling the tax burden to residents purchasing within the cities.

Although the Fairbanks North Star Borough prevailed at the trial court level, the plaintiffs are appealing this matter to the Alaska Supreme Court. If the appeal is successful, the Borough will lose approximately 3.2 million dollars a year currently collected through its bed and alcoholic beverage tax. ?

*because  
the ordinance  
could be drawn  
out of it.*

The exemptions provided under the Borough's sales tax serve the public policy interest of avoiding double taxation. They also serve the Alaska Constitution's purpose to "provide for maximum local self-government with a minimum of local government units, and to prevent duplication of tax-levying jurisdictions." [Art. X Section 1].

These exemptions further ensure that sales are uniformly taxed throughout the Borough so that consumers do not make purchasing decisions based upon the different tax rates they may otherwise encounter throughout the borough.



**HB**

**299**



# ALASKA STATE LEGISLATURE



*Interim:*

68 East Railroad Avenue  
Wasilla, Alaska 99654  
(907) 373-1842  
Fax (907) 373-4729

*Session:*

State Capitol Building  
Juneau, Alaska 99801-1182  
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Fax (907) 465-3818

## REPRESENTATIVE VIC KOHRING DISTRICT 14

### Sponsor Statement for HB 299

House Bill 299 increases the property tax exemption for homeowner's age 65 and older, disabled veterans, widow and widower, and those who are disabled while serving in the line of duty of Territorial Guard from \$150,000 to \$250,000 on one's primary residence. The \$150,000 level has remained unchanged since 1986. However, due to inflation property values have increased substantially since 1986 in most areas of the state. The result is a much higher tax burden for this group of Alaskans, many of who find they can no longer afford to live in their homes and are thus forced to sell.

With the elimination of the Longevity Bonus Program, the financial pressure on seniors has increased. HB 299 is intended to help this group of Alaskans by reducing their tax burden. The claim that seniors and others addressed in the bill are being subsidized with this exemption is incorrect, because it's their own money, not a direct subsidy. This legislation enables seniors over 65, disabled veterans, widow and widower, 60 years or older and a person who was disabled in the line of duty while serving in the Alaska Territorial Guard, to keep more of their hard earned money at a time in their lives when they need greater financial security.

**CS FOR HOUSE BILL NO. 299( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FOURTH LEGISLATURE - SECOND SESSION**

**BY**

**Offered:**  
**Referred:**

**Sponsor(s): REPRESENTATIVES KOHRING, Lynn, Kerttula**

**A BILL**  
**FOR AN ACT ENTITLED**

1 **"An Act relating to and increasing the municipal property tax exemption on residences**  
2 **of certain seniors and others; and providing for an effective date."**

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

4 **\* Section 1. AS 29.45.030(e) is amended to read:**

5 (e) The real property owned and occupied as the primary residence and  
6 permanent place of abode by a [(1)] resident who meets the eligibility requirements  
7 [65 YEARS OF AGE OR OLDER; (2) DISABLED VETERAN; OR (3) RESIDENT  
8 AT LEAST 60 YEARS OLD WHO IS THE WIDOW OR WIDOWER OF A  
9 PERSON WHO QUALIFIED FOR AN EXEMPTION UNDER (1) OR (2)] of this  
10 subsection, is exempt from taxation on the [FIRST \$150,000 OF THE] assessed value  
11 of the real property, or a portion of it, as provided in this subsection. A  
12 municipality may, in case of hardship, include in the [PROVIDE FOR] exemption  
13 additional [BEYOND THE FIRST \$150,000 OF] assessed value in accordance with  
14 regulations of the department. Only one exemption under this subsection may be

1 granted for the same property, and, if two or more persons are eligible for an  
2 exemption for the same property, the parties shall decide between or among  
3 themselves who is to receive the benefit of the exemption. Real property may not be  
4 exempted under this subsection if the assessor determines, after notice and hearing to  
5 the parties, that the property was conveyed to the applicant primarily for the purpose  
6 of obtaining the exemption. The determination of the assessor may be appealed under  
7 AS 44.62.560 - 44.62.570. Unless increased because of hardship, the exemption is  
8 available in the following amounts to the following residents:

9 (1) a disabled veteran - the first \$250,000 of the assessed value;

10 (2) a resident 60 years of age or older who is the widow or widower  
11 of a person who qualified for an exemption under (1) of this subsection - the first  
12 \$250,000 of the assessed value;

13 (3) a resident 65 years of age or older with an income that meets  
14 the requirements of AS 47.45.320(a)(3) - the first \$250,000 of the assessed value;

15 (4) a resident 60 years of age or older with an income that meets  
16 the requirements of AS 47.45.320(a)(3) who is the widow or widower of a person  
17 who qualified for an exemption under (3) or (5) of this subsection - the first  
18 \$250,000 of the assessed value;

19 (5) a resident 65 years of age or older with an income that is more  
20 than that which meets the requirements of AS 47.45.320(a)(3) but not more than  
21 twice that which meets those requirements - the first \$150,000 of the assessed  
22 value;

23 (6) a resident 60 years of age or older with an income that is more  
24 than that which meets the requirements of AS 47.45.320(a)(3) but not more than  
25 twice that which meets those requirements who is the widow or widower of a  
26 person who qualified for an exemption under (3) or (5) of this subsection - the  
27 first \$150,000 of the assessed value.

28 \* Sec. 2. AS 29.45.050(i) is amended to read:

29 (i) In addition to the exemption required under AS 29.45.030(e), a [A]  
30 municipality may by ordinance approved by the voters exempt from taxation all or a  
31 portion of the assessed value [THAT EXCEEDS \$150,000] of real property owned

1 and occupied as a permanent place of abode by a resident who is

2 (1) 65 years of age or older;

3 (2) a disabled veteran, including a person who was disabled in the line  
4 of duty while serving in the Alaska Territorial Guard; or

5 (3) at least 60 years old and a widow or widower of a person who  
6 qualified for an exemption under (1) or (2) of this subsection.

7 \* Sec. 3. The uncodified law of the State of Alaska is amended by adding a new section to  
8 read:

9 APPLICABILITY. (a) AS 29.45.030(e), as amended by sec. 1 of this Act, first applies  
10 in 2007 and applies thereafter.

11 (b) Notwithstanding (a) of this section and AS 29.45.030(e), as amended by  
12 sec. 1 of this Act, a resident who was eligible for an exemption under AS 29.45.030(e)  
13 as it read before the effective date of this Act shall continue to be eligible for the  
14 exemption under AS 29.45.030(e) as it read before the effective date of this Act.

15 \* Sec. 4. This Act takes effect January 1, 2007.

AMENDMENT

*Failed*

OFFERED IN C & RA

BY REPRESENTATIVE CISSNA

TO: CSHB 299( ), Draft Version "Y"

- 1 Page 1, lines 6 - 13:  
2 Delete all material.  
3 Insert "permanent place of abode by a (1) resident 65 years of age or older; (2)  
4 disabled veteran; or (3) resident at least 60 years old who is the widow or widower of a person  
5 who qualified for an exemption under (1) or (2) of this subsection, is exempt from taxation on  
6 the first \$200,000 [\$150,000] of the assessed value of the real property. A municipality may,  
7 in case of hardship, provide for exemption beyond the first \$200,000 [\$150,000] of assessed  
8 value in accordance with"  
9  
10 Page 2, lines 7 - 27:  
11 Delete all material.  
12 Insert "AS 44.62.560 - 44.62.570."  
13  
14 Page 3, line 9:  
15 Delete "(a)"  
16  
17 Page 3, lines 11 - 14:  
18 Delete all material.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

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Mail Stop 3101

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

April 7, 2006

**SUBJECT:** Senior municipal property tax exemption (CSHB 299( )); draft version "Y"; Work Order No. 24-LS0823\Y)

**TO:** Representative Pete Kott  
Attn: Michael O'Hare

**FROM:** Tamara Brandt Cook  
Director

TBC

The draft CSHB 299( ) "Y" changes the current municipal property tax exemption by increasing the exemption for disabled veterans and their widows or widowers, increasing the exemption for certain seniors and their widows or widowers who have very limited incomes, and keeping the existing exemption for other seniors and their widows or widowers who have larger, but still limited, incomes. The draft removes the existing mandatory exemption for seniors who do not meet the income guidelines. However, the draft also contains a "grandfather" provision in bill sec. 3 which permits a person who was eligible for the tax exemption before the effective date of the legislation to continue to be eligible for the exemption as it read before the statutory changes. In short, seniors who are eligible for the property tax exemption for 2006 continue to be eligible even if they do not meet the new needs-based eligibility requirements. You ask whether the "grandfather" provision poses an equal protection problem. While an issue exists, I think there is a reasonable chance that the "grandfather" provision would be upheld if challenged.

Under the equal protection clauses of the state or federal constitutions, the state may treat groups of people differently provided that the state is not creating inherently suspect classifications (such as classifications based on race or religion) or impinging on fundamental rights (such as the right to vote). In addition, the state must have a rational basis for the different treatment and must be pursuing a legitimate governmental goal. Under the state equal protection clause, a statute is evaluated on a sliding scale under which the goal of the legislation and the importance of the individual rights affected are considered. (*State v. Anthony*, 810 P.2d 155 (Alaska 1991)) The right to a senior property tax exemption that is not based on need would probably be accorded a relatively low level of protection under both the state and federal equal protection clauses because only an economic interest is implicated. If a relatively minor individual interest is affected, the state need only show that it is pursuing a legitimate state goal and that there is a rational relationship between the goal and the means chosen to achieve it.

Representative Pete Kott

April 7, 2006

Page 2

The goal of HB 299 is to limit the mandatory senior property tax exemption to seniors with limited incomes in order to protect the tax base of municipalities. Presumably, the purpose behind the "grandfather" provision is to protect current recipients that have expected to continue to receive the tax exemption, and may have planned their finances on that basis, from the hardship that the sudden change in tax status might cause. Courts have upheld "grandfather" provisions under which a terminated program continues for the benefit of a small group that is considered to have come to rely upon it. (City of New Orleans v. Dukes, 427 U.S. 297 (1976))

In our state there has been litigation involving the longevity bonus program. The program was established in 1972 and was limited to individuals with at least 25 consecutive years of residency in Alaska. This was held to unconstitutionally discriminate between long time and short time residents. (Schafer v. Vest, 680 P.2d 1169 (Alaska 1984)) The legislature responded by amending the program so that any resident 65 or over could receive a bonus. In 1993, the legislature decided to terminate the program by gradually phasing it out and "grandfathering in" current recipients, and, at a reduced level, future recipients who would first become eligible and apply for the bonus by the end of 1996. This legislation was challenged, but was upheld by the Superior Court and the case was not appealed. (Maggard v. Sipe, Superior Court, Third Judicial District, Case No. 3AN-94-08935 CI, order dated June 6, 1996)

Basically, the superior court held that, because the bonus program is merely an economic interest, it is entitled only to minimum protection under an equal protection challenge, so that all the state need show is that its objectives in enacting the 1993 legislation were legitimate. The court found that the main objective of terminating the program, to save money, is a legitimate state purpose. The court further found that the purpose in gradually phasing out the program while grandfathering in recipients and those who soon would be recipients was to protect the interests of people who might have reasonably been relying on receiving the bonus. This the court also found to be a legitimate purpose.

While the Maggard case was only a lower court decision and cannot be completely relied on, it does demonstrate the strength of the defense that could be made for the "grandfather" provision in the property tax exemption context. Rather than creating a classification that treats long term residents and newer residents differently, of the type disapproved in Schafer, the "grandfather" provision distinguishes between seniors who have been eligible for the exemption and a larger group that includes both new residents and some long term residents: resident seniors who were renters during the critical period and did not own homes, and residents who become seniors but were too young for the exemption during the critical period. And, of course, new residents who meet the income criteria will also qualify for the exemption. It is for this reason that I am inclined to think that the "grandfather" provision would probably survive a constitutional challenge.

TBC:ljw

06-184.ljw

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 299  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
 Title Municipal Property Tax Exemption RDU Community Assist & Ec Dev (405)  
 Component Community Advocacy  
 Sponsor Kohring  
 Requester House Community & Regional Affairs Component No. 2703

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

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

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

**FUND SOURCE** (Thousands of Dollars)

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

Estimate of any current year (FY2006) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This legislation would increase the mandatory exemption under AS 29.45.030(e) for senior citizens and disabled veterans from the current \$150,000 to \$250,000. The state is required to reimburse the revenues lost to municipalities for this program under AS 29.45.030(g) but has not done so since 1996. For 2005 this program cost municipalities \$39.8 million. This legislation would add an estimated \$14 million tax obligation to local governments. If the state were to fund the reimbursement program to the municipalities the cost from general funds would be approximately \$56 million for the 2006 tax year.

The legislation will not create a fiscal impact on the operations of the department, unless the funding appropriation is made under AS 29.45.030(g)

Prepared by: Mike Black, Director Phone (907) 269-4535  
 Division Community Advocacy Date/Time 3/22/06 3:05 PM  
 Approved by: William C. Noll, Commissioner Date 3/22/2006  
 Agency Commerce, Community, and Economic Development

# Legislative Research Services

Alaska State Legislature  
Legislative Affairs Agency  
Division of Legal and Research Services

State Capitol, Juneau, AK 99801  
Phone: 907-465-3991  
Fax: 907-465-3908

February 27, 2006

## Memorandum

TO: Representative Vic Kohring

FROM: Becky Taylor  
Legislative Analyst

RE: History of the Property Tax Exemption for Seniors, Disabled Veterans and Certain Widows/Widowers

You asked when the property tax exemption for seniors, disabled veterans, and certain widows/widowers was enacted. You were particularly interested in when the \$150,000 exemption amount was established and if it has ever been modified.

In 1972, lawmakers enacted a property tax exemption for low-income seniors (Section 2 Chapter 118 SLA 1972). The legislation created AS 29.53.020 (e), which provided residents 65 years of age or over whose gross annual income totaled less than \$10,000 with an exemption from taxation of the assessed value of real property that they owned and occupied as a permanent place of abode. If more than one party was eligible for an exemption with respect to the same property, the total combined gross annual income of the parties could not exceed \$10,000. The original statute did not include disabled veterans, widows, or widowers.

The income restriction was removed the following year by Section 1 Chapter 60 SLA 1973. After this modification, all residents 65 years of age or over were eligible for exemption from taxation of the assessed value of the specified real property. In 1976, a short-lived change was made to limit the amount of the assessed value that could be exempt from taxation to "the upper limit of the third quartile class in a frequency distribution of previous year assessed values in the state" (Section 1 Chapter 217 1976). This limit was removed in 1977 (Chapter 97 SLA 1977), and another limit was not established for almost ten years.

In 1986, lawmakers implemented the \$150,000 limit that is currently in place (Section 3 Chapter 70 SLA 1986). This measure also added language allowing municipalities to provide for exemption beyond the first \$150,000 of assessed value in the case of hardship, and added the restriction that the real property must be the primary residence of the individual seeking the exemption. Furthermore, the law created AS 29.45.050 (i), which allows municipalities, by an ordinance approved by the voters, to exempt from taxation assessed value that exceeds \$150,000 for the specified groups.

In addition to changes in the amount of assessed value exempt from taxation, a number of other modifications were made to expand who was eligible for this exemption. In 1984, lawmakers extended the exemption to disabled veterans (Section 1 Chapter 40 SLA 1984), and the following year they included widows or widowers, who were at least 60 years old, of the specified seniors and disabled veterans (Section 1 Chapter 91 SLA 1985).<sup>1</sup> In 1991, lawmakers added language to include individuals who were disabled while in the line of duty in the Alaska Territorial Guard (Section 15 Chapter 93 SLA 1991).

Table 1 includes a summary detailing the history of the property tax exemption.

I hope you find this information to be useful. Please do not hesitate to contact us if you have questions or need additional information.

---

<sup>1</sup> In 1985, the statute relating to the property tax exemption for seniors and others was changed from AS 29.53.020 to AS 29.45.030 (Chapter 74 SLA 1985). Although the legislation enacted as Chapter 91 SLA 1985 was written to amend the original statute, the Revisor notes that the changes were treated as amendments to the new statute.

**Table 1: History of Exemption from Property Tax for Seniors, Disabled Veterans and Certain Widows/Widowers**

Session Law		Statute	Significant Changes	Effective Date
Year	Section and Chapter			
1972	Section 2 Chapter 118	Created AS 29.53.020 (e)	Created AS 29.53.020 (e) as follows: "After January 1, 1973 the real property owned and occupied as a permanent place of abode by a resident 65 years of age or over whose gross annual income totals less than \$10,000 is exempt from taxation of the assessed value of the real property. Only one exemption may be granted with respect to the same property and, if two or more persons are eligible for an exemption with respect to the same property, the parties shall decide between or among themselves which shall receive the benefit of the exemption; however, in the case of more than one party eligible for an exemption with respect to the same property, the total combined gross annual income of the parties may not exceed \$10,000. No real property may be exempted under this subsection which the assessor determines, after notice and hearing to the parties concerned, has been conveyed to the applicant primarily for the purpose of obtaining the exemption. The determination of the assessor is appealable under AS 44.62.560-44.62.570."	January 1, 1973
1973	Section 1 Chapter 60	AS 29.53.020 (e)	Removed income requirement, making all residents 65 years of age or over eligible for exemption from taxation of the assessed value of the specified real property.	July 23, 1973
1976	Section 1 Chapter 217	AS 29.53.020 (e)	Imposed a limit on the amount of assessed value that could be exempted from taxation. The limit was set at "the upper limit of the third quartile class in a frequency distribution of previous year assessed values in the state."	September 18, 1976
1977	Section 1 Chapter 97	AS 29.53.020 (e)	Removed limit on the amount of assessed value that could be exempted from taxation. Reverted back to the statute as amended by Section 1 Chapter 60 SLA 1973.	Retroactive to January 1, 1977
1984	Section 1 Chapter 40	AS 29.53.020 (e)	Added disabled veterans.	January 1, 1985
1985	Sections 12 and 88 Chapter 74	Repealed AS 29.53.020 (e) and created AS 29.45.030 (e)	Section 88 repealed AS 29.53. Section 12 created the similar AS 29.45.030 (e).	January 1, 1986
	Section 1 Chapter 91	AS 29.53.020 (e) <sup>1</sup>	Added widow or widower at least 60 years old of a resident 65 years of age or older or a disabled veteran.	

**Table 1: History of Exemption from Property Tax for Seniors, Disabled Veterans and Certain Widows/Widowers--  
Continued**

Session Law		Statute	Significant Changes	Effective Date
Year	Section and Chapter			
1986	Section 3 Chapter 70	AS 29.45.030 (e)	Changed the exemption from the assessed value of the real property to the first \$150,000 of the assessed value of the real property. Added language that "A municipality may, in a case of hardship, provide for exemption beyond the first \$150,000 of assessed value in accordance with regulations of the department." Added the restriction that the real property must be the primary residence of the individual seeking the exemption.	January 1, 1987
	Section 5 Chapter 70	AS 29.45.050 (i)	Added subsection (i) to AS 29.45.050, which allows municipalities, by an ordinance approved by the voters, to exempt from taxation assessed value that exceeds \$150,000 for the specified groups.	
1991	Section 14 Chapter 93	AS 29.45.030 (i)	Added to the definition of "disabled veteran," as used in AS 29.45.030 (e)- (i), residents who incurred or aggravated a disability that has been rated as 50 percent or more while in the line of duty in the Alaska Territorial Guard.	September 30, 1991
	Section 15 Chapter 93	AS 29.45.050 (i)	Added language "including a person who was disabled in the line of duty while serving in the Alaska Territorial Guard" after disabled veteran.	

**Notes:** 1) In 1985, the statute relating to the property tax exemption for seniors and others was changed from AS 29.53.020 to AS 29.45.030 (Chapter 74 SLA 1985). Although the legislation enacted as Chapter 91 SLA 1985 was written to amend the original statute, the Revisor notes that the changes were treated as amendments to the new statute.  
**Sources:** Alaska Statutes and Session Laws.

# Palmer Senior Citizens' Center, Inc.

*"Seniors helping Seniors"*

February 13, 2006

The Honorable Representative Vic Kohring  
State Capitol, Room 24  
Juneau, AK 99801-1182

**RE: Increasing Municipal Property Tax Exemption for Seniors – HB 299**

Dear Representative Kohring:

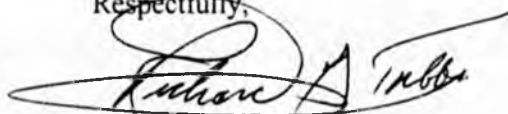
I write on behalf of Palmer Senior Citizens Center, Inc. (PSCC), a non-profit senior service organization, with respect to House Bill 299, which would increase the municipal property tax exemption for seniors and certain other classes of individuals. After considering House Bill 299, PSCC has determined that increasing the municipal property tax exemption to \$250,000 would greatly benefit a large number of older Alaskans.

PSCC has served seniors in the Matanuska-Susitna Borough for over a quarter century. We have witnessed first-hand the unfortunate effects of rising property values on older Alaskans. As assessments soar, seniors are faced with an exceedingly difficult decision – scrape the bottom of the barrel to pay increasingly steep property taxes on homes they have owned and cherished for decades or sell their homes and find somewhere else to live.

Most seniors will do everything in their power to remain in their homes even after they can no longer afford to pay municipal property taxes. Rather than sell their homes, seniors simply cut the amount of money they spend on necessities like food, clothing, medical expenses, heat, and electricity. However, these costs do not magically disappear. They are typically passed on to the State and non-profit service providers like PSCC.

PSCC believes that increasing the municipal property tax exemption for seniors from \$150,000 to \$250,000 would greatly benefit a large number of older Alaskans with low and moderate incomes. HB 229 is sensible legislation that will allow seniors to remain in their homes without the need to dramatically reduce their spending on food, clothing, or medicine.

Respectfully,



Richard Tubbs  
Executive Director  
Palmer Senior Citizens Center, Inc.

*As per letter of  
Mr. Tubbs.  
(2/10) VA*



**2005 Senior Citizen/Disabled Veteran Property Tax Exemption Program Summary  
And Farm Use Deferment Program Summary  
(FY 06 - Tax Year 2005)**

Municipality	Senior Citizen /Disabled Veteran Homeowner Exemption Program										Farm-Use Program				
	Senior Citizen # Applicants	Senior Citizens Exempt Value	Senior Citizens Taxes Exempt	DAV # Applicants	Disabled Veterans Exempt Value	Disabled Veterans Taxes Exempt	SC/DAV Total App.	SC/DAV Total Value	SC/DAV Total Taxes	Pro Rated Reimburs.	No. of Applicants	Total Acreage	Full & True Assessed Value	Farm-Use Value	Total Taxes Deferred
Municipality of Anchorage	7,712	\$1,022,968,033	\$16,741,088	1,361	\$195,288,779	\$3,133,324	9,073	\$1,218,256,812	\$19,874,412	\$0.00	0	0.00	\$0	\$0	\$0
Bristol Bay Borough	23	\$1,941,278	\$25,237	1	\$43,900	\$571	24	\$1,985,178	\$25,807	\$0.00	0	0.00	\$0	\$0	\$0
Fairbanks North Star Borough	2,358	\$286,620,656	\$5,238,026	462	\$61,353,352	\$1,079,326	2,820	\$347,974,008	\$6,317,352	\$0.00	122	5,974.00	\$12,720,581	\$8,098,764	\$76,852
Haines Borough	165	\$16,303,829	\$196,833	5	\$517,787	\$6,363	170	\$16,821,616	\$203,196	\$0.00	0	0.00	\$0	\$0	\$0
City & Borough of Juneau	1,090	\$150,921,445	\$1,755,202	49	\$6,724,200	\$63,431	1,139	\$157,645,645	\$1,818,633	\$0.00	1	19.27	\$1,379,400	\$585,200	\$8,871
Kenai Peninsula Borough	2,327	\$273,619,951	\$3,138,285	153	\$16,815,300	\$191,903	2,480	\$290,435,251	\$3,330,189	\$0.00	11	921.55	\$3,636,800	\$488,000	\$35,967
Ketchikan Gateway Borough	620	\$72,138,800	\$899,065	15	\$1,914,000	\$23,519	635	\$74,052,800	\$922,584	\$0.00	0	0.00	\$0	\$0	\$0
Kodiak Island Borough	277	\$31,149,830	\$460,191	27	\$3,476,710	\$46,899	304	\$34,626,540	\$507,090	\$0.00	3	319.89	\$1,621,100	\$525,250	\$12,054
Matanuska-Susitna Borough	2,729	\$319,377,907	\$4,609,995	488	\$59,861,000	\$866,967	3,217	\$379,238,907	\$5,476,962	\$0.00	209	15,914.64	\$65,301,300	\$37,519,700	\$529,370
North Slope Borough	65	\$6,448,400	\$122,714	0	\$0	\$0	65	\$6,448,400	\$122,714	\$0.00	0	0.00	\$0	\$0	\$0
City & Borough of Sitka	419	\$53,956,260	\$323,738	9	\$1,000,500	\$6,003	428	\$54,956,760	\$329,741	\$0.00	0	0.00	\$0	\$0	\$0
City & Borough of Yakutat	24	\$1,695,050	\$16,876	0	\$0	\$0	24	\$1,695,050	\$16,876	\$0.00	0	0.00	\$0	\$0	\$0
Cordova	76	\$9,242,093	\$126,690	1	\$133,200	\$1,865	77	\$9,375,293	\$128,555	\$0.00	0	0.00	\$0	\$0	\$0
Craig	29	\$2,536,100	\$15,217	1	\$129,000	\$774	30	\$2,665,100	\$15,991	\$0.00	0	0.00	\$0	\$0	\$0
Dillingham	35	\$4,232,300	\$53,343	0	\$0	\$0	35	\$4,232,300	\$53,343	\$0.00	0	0.00	\$0	\$0	\$0
Eagle - No taxes in 2004	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0	\$0.00	0	0.00	\$0	\$0	\$0
Nenana	19	\$789,684	\$9,476	1	\$27,700	\$332	20	\$817,384	\$9,809	\$0.00	0	0.00	\$0	\$0	\$0
Nome	88	\$8,976,305	\$98,739	0	\$0	\$0	88	\$8,976,305	\$98,739	\$0.00	0	0.00	\$0	\$0	\$0
Pelican	5	\$485,200	\$2,911	0	\$0	\$0	5	\$485,200	\$2,911	\$0.00	0	0.00	\$0	\$0	\$0
Petersburg	131	\$17,163,700	\$190,860	3	\$323,200	\$3,594	134	\$17,486,900	\$194,454	\$0.00	0	0.00	\$0	\$0	\$0
Skagway	49	\$6,812,632	\$46,067	0	\$0	\$0	49	\$6,812,632	\$46,067	\$0.00	0	0.00	\$0	\$0	\$0
Unalaska	7	\$657,596	\$7,747	0	\$0	\$0	7	\$657,596	\$7,747	\$0.00	0	0.00	\$0	\$0	\$0
Valdez	60	\$7,484,000	\$149,680	6	\$559,750	\$11,195	66	\$8,043,750	\$160,875	\$0.00	0	0.00	\$0	\$0	\$0
Whittier	13	\$420,000	\$2,100	0	\$0	\$0	13	\$420,000	\$2,100	\$0.00	0	0.00	\$0	\$0	\$0
Wrangell	139	\$15,035,402	\$180,425	2	\$233,600	\$2,803	141	\$15,269,002	\$183,228	\$0.00	0	0.00	\$0	\$0	\$0
<b>Totals</b>	<b>18,460</b>	<b>2,310,976,451</b>	<b>34,410,505</b>	<b>2,584</b>	<b>348,401,978</b>	<b>5,438,870</b>	<b>21,044</b>	<b>\$2,659,378,429</b>	<b>\$39,849,375</b>	<b>\$0.00</b>	<b>346</b>	<b>23,149.35</b>	<b>84,659,181</b>	<b>47,216,914</b>	<b>663,115</b>

= Received and updated

Tax Year	Number of Seniors	Number of DAV's	Total Number Applicants	Percent Increase	Assessed Value Exempted	Percent Increase	Municipal Taxes Exempted	Percent Increase	State Funding Level	Percent of State Funding	Revenue Lost to Municipalities
1980			3,393	9.17%	\$165,159,728	28.22%	\$1,899,611	7.84%	\$1,899,611	100.00%	\$0
1981			3,842	13.23%	\$211,428,981	28.01%	\$2,291,811	20.65%	\$2,291,811	100.00%	\$0
1982			4,147	7.94%	\$277,154,113	31.09%	\$1,757,887	-23.30%	\$1,757,887	100.00%	\$0
1983	4,893		4,893	17.99%	\$324,220,034	16.98%	\$2,092,317	19.02%	\$2,092,317	100.00%	\$0
1984	5,156		5,156	5.38%	\$392,215,073	20.97%	\$3,146,618	50.39%	\$3,146,618	100.00%	\$0
1985			5,418	5.08%	\$478,983,142	22.12%	\$4,005,075	27.28%	\$4,005,075	100.00%	\$0 DAV @ 50% and Widow/widowers @60 years were added
1986			6,061	11.87%	\$609,947,921	27.34%	\$4,977,451	24.28%	\$3,958,567	79.53%	\$1,018,884 Jan.1, First year program was not fully funded
1987			6,569	8.38%	\$737,706,208	20.95%	\$6,325,763	27.09%	\$2,770,300	43.79%	\$3,555,463 Jan.1, the \$150,000 limitation was enacted
1988			7,118	8.36%	\$760,355,699	3.07%	\$6,753,663	6.76%	\$2,622,969	38.84%	\$4,130,694
1989			7,900	10.99%	\$598,877,461	-21.24%	\$7,464,557	10.53%	\$2,519,344	33.75%	\$4,945,213
1990			8,557	8.32%	\$606,951,397	1.35%	\$8,627,081	15.57%	\$2,543,469	29.48%	\$6,083,612
1991			9,246	8.05%	\$665,058,233	9.57%	\$9,585,192	11.11%	\$2,557,900	26.69%	\$7,027,292
1992			9,986	8.00%	\$754,166,097	13.40%	\$11,293,150	17.82%	\$2,838,800	25.14%	\$8,454,350
1993			10,719	7.34%	\$883,539,005	17.15%	\$13,669,469	21.04%	\$2,838,800	20.77%	\$10,830,669
1994			11,594	8.16%	\$979,290,045	10.84%	\$14,843,296	8.59%	\$1,551,766	10.45%	\$13,291,530
1995	11,204	995	12,199	5.22%	\$1,064,556,490	8.71%	\$16,894,296	13.82%	\$1,163,800	6.89%	\$15,730,496
1996	11,766	1,153	12,919	5.90%	\$1,183,291,858	11.15%	\$18,636,513	10.31%	\$1,163,800	6.24%	\$17,472,713
1997	12,424	1,268	13,698	6.03%	\$1,294,087,798	9.36%	\$20,366,257	9.28%	\$0	0.00%	\$20,366,257 Jan.1, First year that the program was zero funded
1998	13,267	1,376	14,643	6.90%	\$1,403,624,823	8.46%	\$22,317,994	9.58%	\$0	0.00%	\$22,317,994
1999	13,629	1,514	15,143	3.41%	\$1,544,691,456	10.05%	\$24,649,743	10.45%	\$0	0.00%	\$24,649,743
2000	14,925	1,731	16,656	9.99%	\$1,798,704,610	16.44%	\$28,248,856	14.60%	\$0	0.00%	\$28,248,856
2001	15,707	1,933	17,640	5.91%	\$1,942,143,407	7.97%	\$31,076,096	10.01%	\$0	0.00%	\$31,076,096
2002	16,319	2,116	18,435	4.51%	\$2,115,394,523	8.92%	\$32,515,100	4.63%	\$0	0.00%	\$32,515,100
2003	17,001	2,274	19,275	4.56%	\$2,295,225,136	8.50%	\$34,663,161	6.61%	\$0	0.00%	\$34,663,161
2004	17,675	2,382	20,057	4.06%	\$2,453,661,658	6.90%	\$37,037,282	6.85%	\$0	0.00%	\$37,037,282
2005	18,401	2,583	20,984	4.62%	\$2,649,084,084	7.96%	\$39,798,957	7.46%	\$0	0.00%	\$39,798,957

**Resolution # 02-2006****Homer Senior Citizens, Inc.**

Whereas many seniors have endured years of living and working in a harsh environment helping to create a solid economic foundation for Alaska, and

Whereas seniors continue to contribute to fund education and have so for a great portion of their lives when they have not had children in school, which is one of the single largest funded programs in the State budget, and

Whereas the elimination of the Longevity Bonus program and the drastic increase in fuel and electrical costs has placed many seniors in a position of choosing between food and medications, and

Whereas many seniors may be placed in a situation where they could lose their homes because they can not pay their property taxes, and

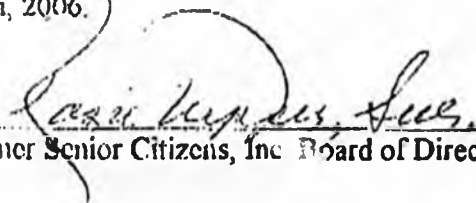
Whereas the State of Alaska has unanticipated revenue from oil royalties and taxes, therefore,

Be it resolved that the Board of Directors for Homer Senior Citizens, Inc. goes on record as supporting HB 299, which would raise the property tax exemption for seniors 65 and older from \$150,000.00 to \$250,000.00, and

Further be it resolved, that the Board of Directors for Homer Senior Citizens, Inc. supports legislation that would provide funding from the State to cover the loss of property tax revenue to Cities and Boroughs.

Signed this 31st day of March, 2006.

Rosie Tupper, Secretary

  
Signature of Secretary of Homer Senior Citizens, Inc. Board of Directors

**HB**

**334**

Representative Jay Ramras  
Co-Chair, House Resources  
V-Chair, Economic Develop.  
Tourism & Trade  
House State Affairs

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## Alaska State Legislature



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Representative\_Jay\_Ramras  
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House District 10

### House of Representatives

## MEMO

To: Representative Kurt Olson  
Co-Chair House Community and Regional Affairs Committee  
Fm: Jim Pound, Chief of Staff

Cc: Representative Bill Thomas

Date: January 18, 2006

Re: Request for hearing of HB 334

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Please accept this Memo as a request for the House Community and Regional Affairs Committee to hear HB 334, "An Act relating to an exemption from and deferral of municipal property taxes for certain types of deteriorated property." HB 334 will allow developers an opportunity to seek commercial financing to refurbish deteriorating structures by giving them specific tax deferred status.

Thank you in advance for scheduling HB 334 before the House Community and Regional Affairs Committee.

Attachments: Sponsor Statement, HB 334, AS 29.45.050, Support letters, Minutes of 21<sup>st</sup> AK Legislature HCRA re: HB 76, CSHB 76 (CRA), CSHB 76 (RLS) am S

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Thank you

**Representative Jay Ramras**  
**Co-Chair, House Resources**  
**V-Chair, Economic Develop.**  
**Tourism & Trade**  
**House State Affairs**

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## Alaska State Legislature



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**House District 10**

### House of Representatives

## Sponsor Statement

### HB 334

**"An Act relating to an exemption from and deferral of municipal property taxes for certain types of deteriorated property."**

In several communities around the state we have seen private properties go from prosperous offices and residential building in the boom cycle to empty eyesores in our busts. Today, our economy is returning, on a more stable footing than ever before, and new developers are looking at the shells of a building as an opportunity to refurbish without complete reconstruction, revitalizing neighborhoods and cities.

How HB 334 will help with this plan is by revising existing tax deferral language by making it clearer. It also places a deadline on the exemption that coincides with existing tax deferral sunsets.

The primary difference in the language allows for the development of condominium or office type buildings to be established in what are currently referred to as deteriorated structures. At the discretion of the local government the tax deferral is spelled out and is only restricted by the actual transfer of the property. This clearer language allows a developer more stability and an ability to secure the necessary loans for the reconstruction.

Sec. 29.45.050. Optional exemptions and exclusions.

Statute text

- (a) 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.
- (b) A municipality may by ordinance
- (1) classify and exempt from taxation
    - (A) the property of an organization not organized for business or profit-making purposes and used exclusively for community purposes if the income derived from rental of that property does not exceed the actual cost to the owner of the use by the renter;
    - (B) historic sites, buildings, and monuments;
    - (C) land of a nonprofit organization used for agricultural purposes if rights to subdivide the land are conveyed to the state and the conveyance includes a covenant restricting use of the land to agricultural purposes only; rights conveyed to the state under this subparagraph may be conveyed by the state only in accordance with AS 38.05.069(c);
    - (D) all or any portion of private ownership interests in property that, based upon a written agreement with the University of Alaska, is used exclusively for student housing for the University of Alaska; property may be exempted from taxation under this subparagraph for no longer than 30 years unless the exemption is specifically extended by ordinance adopted within the six months before the expiration of that period;
  - (2) classify as to type and exempt or partially exempt some or all types of personal property from ad valorem taxes.
- (c) The provisions of (a) of this section notwithstanding,
- (1) a borough may, by ordinance, adjust its property tax structure in whole or in part to the property tax structure of a city in the borough, including but not limited to, excluding personal property from taxation, establishing exemptions, and extending the redemption period;
  - (2) a home rule or first class city has the same power to grant exemptions or exclude property from borough taxes that it has as to city taxes if
    - (A) the exemptions or exclusions have been adopted as to city taxes; and
    - (B) the city appropriates to the borough sufficient money to equal revenues lost by the borough because of the exemptions or exclusions, the amount to be determined annually by the assembly;
  - (3) a city in a borough may, by ordinance, adjust its property tax structure in whole or in part to the property tax structure of the borough, including but not limited to exempting or partially exempting property from taxation.
- (d) Exemptions or exclusions from property tax that have been granted by a home rule municipality in addition to exemptions authorized or required by law, and that are in effect on September 10, 1972, and not later withdrawn, are not affected by this chapter.
- (e) A municipality may by ordinance classify and exempt or partially exempt from taxation privately owned land, wet land and water areas for which a scenic, conservation, or public recreation use easement is granted to a governmental body. To be eligible for a tax exemption, or partial exemption, the easement must be in perpetuity. The easement is automatically terminated before an eminent domain taking of fee simple title or less than fee simple title to the property, so that the property owner is compensated at a rate that does not reflect the easement grant. The

municipality may provide by ordinance that, if the area subject to the easement is sold, leased, or otherwise disposed of for uses incompatible with the easement or if the easement is conveyed to the owner of the property, the owner must pay to the municipality all or a portion of the amount of the tax exempted, with interest.

(f) A municipality may by ordinance exempt from taxation all or part of the increase in assessed value of improvements to real property if an increase in assessed value is directly attributable to alteration of the natural features of the land, or new maintenance, repair, or renovation of an existing structure, and if the alteration, maintenance, repair, or renovation, when completed, enhances the exterior appearance or aesthetic quality of the land or structure. An exemption may not be allowed under this subsection for the construction of an improvement to a structure if the principal purpose of the improvement is to increase the amount of space for occupancy or nonresidential use in the structure or for the alteration of land as a consequence of construction activity. An exemption provided in this subsection may continue for up to four years from the date the improvement is completed, or from the date of approval for the exemption by the local assessor, whichever is later.

(g) A municipality may by ordinance exempt from taxation all or part of the increase in assessed value of improvements to a single-family dwelling if the principal purpose of the improvement is to increase the amount of space for occupancy. An exemption provided in this subsection may continue for up to two years from the date the improvement is completed, or from the date of approval of an application for the exemption by the local assessor, whichever is later.

(h) A municipality may by ordinance partially or wholly exempt land from a tax for fire protection service and fire protection facilities and may levy the tax only on improvements, including personal property affixed to the improvements.

(i) A municipality may by ordinance approved by the voters exempt from taxation the assessed value that exceeds \$150,000 of real property owned and occupied as a permanent place of abode by a resident who is

(1) 65 years of age or older;

(2) a disabled veteran, including a person who was disabled in the line of duty while serving in the Alaska Territorial Guard; or

(3) at least 60 years old and a widow or widower of a person who qualified for an exemption under (1) or (2) of this subsection.

(j) A municipality may by ordinance approved by the voters exempt real or personal property in a taxing unit used in processing timber after it has been delivered to the processing site from up to 75 percent of the rate of taxes levied on other property in that taxing unit. An ordinance adopted under this subsection may not provide for an exemption that exceeds five years in duration. In this subsection "taxing unit" means a municipality and includes

(1) a service area in a unified municipality or borough;

(2) the entire area outside cities in a borough; and

(3) a differential tax zone in a city.

(k) A municipality may by ordinance approved by the voters exempt from taxation pollution control facilities that meet requirements of the United States Environmental Protection Agency or the Department of Environmental Conservation. An ordinance adopted under this subsection may not provide for an exemption that exceeds five years in duration.

(l) A municipality may by ordinance exempt from taxation an interest, other than record ownership, in real property of an individual residing in the property if the property has been developed, improved, or acquired with federal funds for low-income housing and is owned or

managed as low-income housing by the Alaska Housing Finance Corporation under AS 18.55.100 - 18.55.960 or by a regional housing authority formed under AS 18.55.996. However, the corporation may make payments to the municipality or political subdivision for improvements, services, and facilities furnished by it for the benefit of a housing project, and this subsection does not prohibit a municipality from receiving those payments or any payments in lieu of taxes authorized under federal law.

(m) A municipality may by ordinance partially or totally exempt all or some types of economic development property from taxation for up to five years. The municipality may provide for renewal of the exemption under conditions established in the ordinance. However, under a renewal, a municipality that is a school district may only exempt all or a portion of the amount of taxes that exceeds the amount levied on other property for the school district. A municipality may by ordinance permit deferral of payment of taxes on all or some types of economic development property for up to five years. The municipality may provide for renewal of the deferral under conditions established in the ordinance. A municipality may adopt an ordinance under this subsection only if, before it is adopted, copies of the proposed ordinance made available at a public hearing on it contain written notice that the ordinance, if adopted, may be repealed by the voters through referendum. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application for each exemption or deferral. In this subsection "economic development property" means real or personal property, including developed property conveyed under 43 U.S.C. 1601 et seq. (Alaska Native Claims Settlement Act), that

(1) has not previously been taxed as real or personal property by the municipality;

(2) is used in a trade or business in a way that

(A) creates employment in the municipality;

(B) generates sales outside of the municipality of goods or services produced in the municipality; or

(C) materially reduces the importation of goods or services from outside the municipality; and

(3) has not been used in the same trade or business in another municipality for at least six months before the application for deferral or exemption is filed; this paragraph does not apply if the property was used in the same trade or business in an area that has been annexed to the municipality within six months before the application for deferral or exemption is filed; this paragraph does not apply to inventories.

(n) A municipality may by ordinance classify as to type inventories intended for export outside the state and partially or totally exempt all or some types of those inventories from taxation. The ordinance may provide for different levels of exemption for different classifications of inventories. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application, which shall be a public document, for each exemption.

(o) A municipality may by ordinance partially or totally exempt all or some types of deteriorated property from taxation for up to 10 years beginning on or any time after the day substantial rehabilitation, renovation, demolition, removal, or replacement of any structure on the property begins. A municipality may by ordinance permit deferral of payment of taxes on all or some types of deteriorated property for up to five years beginning on or any time after the day substantial rehabilitation, renovation, demolition, removal or replacement of any structure on the property begins. However, if the ownership of property for which a deferral has been granted is transferred, all tax payments deferred under this subsection are immediately due and the deferral

ends, or, if ownership of any part of the property is transferred, all tax payments are immediately due. The amount deferred each year is a lien on that property for that year. Only one exemption and only one deferral may be granted to the same property under this subsection, and, if an exemption and a deferral are granted to the same property, both may not be in effect on the same portion of the property during the same time. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application for each exemption or deferral. In this subsection, "deteriorated property" means real property that is commercial property not used for residential purposes or that is multi-unit residential property with at least eight residential units, and that meets one of the following requirements:

- (1) within the last five years, has been the subject of an order by a government agency requiring environmental remediation of the property or requiring the property to be vacated, condemned, or demolished by reason of noncompliance with laws, ordinances, or regulations;
- (2) has a structure on it not less than 15 years of age that has undergone substantial rehabilitation, renovation, demolition, removal, or replacement, subject to any conditions prescribed in the ordinance; or
- (3) is located in a deteriorating or deteriorated area with boundaries that have been determined by the municipality.

(p) A municipality may by ordinance partially or totally exempt from taxation a private leasehold, contract, or other interest held by or through an applicant or proposed applicant in any property, assets, project, or development project owned by the Alaska Industrial Development and Export Authority under AS 44.88. Nothing in this subsection prohibits a municipality from entering into an agreement and receiving payments in lieu of taxes authorized under AS 44.88.140(b).

(q) A municipality may by ordinance partially or totally exempt from taxation land from which timber is harvested that is infested by insects or at risk of being infested by insects due to an infestation in the area in which the land is located. A municipality may provide that an exemption for land under this subsection applies only to increases in assessed value that result from the timber harvest. A municipality may by ordinance partially or totally exempt from taxation improvements to real property, including personal property affixed to the improvements, if the improvements are

- (1) located on land from which timber is harvested that is infested by insects or at risk of being infested by insects due to an infestation in the area in which the land is located; and
- (2) used for or necessary to the harvest of the timber that is infested by insects or in danger of insect infestation.

(r) A municipality may by ordinance exempt from taxation an amount not to exceed \$10,000 of the assessed value of real property owned and occupied as a permanent place of abode by a resident who provides in the municipality volunteer (1) fire fighting services and is certified as a fire fighter by the Department of Public Safety, or (2) emergency medical services and is certified under AS 18.08.082. If two or more individuals are eligible for an exemption for the same property, not more than two exemptions may be granted.

#### History

(§ 12 ch 74 SLA 1985; am § 1 ch 103 SLA 1985; am § 5 ch 70 SLA 1986; am § 1 ch 151 SLA 1988; am § 2 ch 73 SLA 1989; am § 1 ch 98 SLA 1989; am § 15 ch 93 SLA 1991; am § 107 ch 4 FSSLA 1992; am § 1 ch 66 SLA 1993; am § 1 ch 7 SLA 1994; am § 1 ch 65 SLA 1994; am § 1 ch 40 SLA 1995; am § 1 ch 70 SLA 1998; am §§ 1, 2 ch 8 SLA 1999; am § 4 ch 117 SLA 2000;

am § 1 ch 54 SLA 2002; am § 1 ch 64 SLA 2002; am §§ 2, 3 ch 140 SLA 2004; am § 40 ch 56 SLA 2005)

#### Annotations

Delayed repeal of subsection (o). Under sec. 2, ch. 8, SLA 1999, as amended by sec. 1, ch. 102, SLA 2002, and sec. 4, ch. 140, SLA 2004, subsection (o) is repealed July 1, 2010.

Revisor's notes. Subsection (h) of this section was enacted as AS 29.53.025(h). Renumbered in 1985. Chapter 103, SLA 1985 also enacted, in § 2, AS 29.63.066, which provides an exemption identical to that set out in (h) of this section from taxes levied under former AS 29.63, repealed by § 88, ch. 74, SLA 1985. The provisions of former AS 29.63 were substantially incorporated in AS 29.45, and the addition of subsection (h) to AS 29.45.050 makes it unnecessary to codify § 2, ch. 103, SLA 1985 to achieve the legislature's purpose.

Subsection (r) was enacted as (q); relettered in 2002.

Cross references. For authority to make an ordinance adopted under subsection (q) retroactive to January 1, 2001, see § 2, ch. 64, SLA 2002.

Effect of amendments. The 1992 amendment, effective July 1, 1992, rewrote subsection (l). The 1993 amendment, effective September 22, 1993, in subsection (n), deleted the former second and third sentences.

The first 1994 amendment, effective July 5, 1994, added paragraphs (b)(6)-(b)(9) and made a related stylistic change.

The second 1994 amendment, effective August 23, 1994, added former subparagraph (b)(2)(D).

The 1995 amendment, effective August 23, 1995, rewrote subsection (b).

The 1998 amendment, effective July 1, 1998, added subsection (o).

The 1999 amendment, effective July 1, 1999, in subsection (o), inserted "or totally" in the first sentence, inserted "beginning on or any time" in the first and second sentences, substituted "any" for "only", deleted "attributable to that part" following "tax payments" near the end of the third sentence, substituted "The amount deferred each year is a lien on that property for that year" for "and the deferral attributable to that part ends", added "and, if an exemption and a deferral are granted to the same property, both may not be in effect on the same portion of the property during the same time" at the end of the fifth sentence, and added the next-to-last sentence.

The 2000 amendment, effective July 1, 2000, added subsection (p).

The first 2002 amendment, effective January 1, 2003, added subsection (r).

The second 2002 amendment, effective June 20, 2002, added subsection (q).

The 2004 amendment, effective September 28, 2004, in subsection (a), inserted the second sentence, and substituted "subsection" for "section" and "\$20,000" for "\$10,000" in the last sentence; and, in subsection (o), substituted "10 years" for "five years" in the first sentence, inserted "demolition, removal" three times, added "meets one of the following requirements:" at the end of the introductory language, and inserted "within the last five years" and "environmental remediation of the property or requiring" in paragraph (1).

The 2005 amendment, effective June 25, 2005, updated a federal reference near the end of the introductory language in subsection (m).

Editor's notes. Section 3, ch. 64, SLA 2002, provides that subsection (q) is retroactive to January 1, 2001.

Legislative history reports. For legislative letter of intent in connection with the enactment of (m) and (n) of this section by ch. 98, SLA 1989 (SCS CSHB 272(Fin) am S), see 1989 Senate Journal 1866.

## NOTES TO DECISIONS

City may not exempt property without express authority. - The authority of a municipal corporation to allow exemptions of particular property from taxation, unless expressly conferred by law, has very generally been denied. *Valentine v. City of Juneau*, 36 F.2d 904 (9th Cir. 1929), decided under former, similar law.

Ordinance definition of "residential property" reasonable. - Definition of "residential property," imposed by an ordinance, that residential property meant the owner's primary residence, was a narrow but reasonable interpretation of subsection (a) of this section. *Stanek v. Kenai Peninsula Borough*, 81 P.3d 268 (Alaska 2003).

Cited in *City of Valdez v. State, Dep't of Community & Regional Affairs*, 793 P.2d 532 (Alaska 1990).

**MARC A. MARLOW**  
229 Whitney Road  
Anchorage, AK 99501  
1-907-229-8176

January 13, 2006

Rep. Jay Ramras  
State Capitol  
Room 104  
Juneau, AK 99801

RE: HB 334

Dear Representative Ramras,

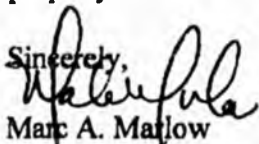
Last year I began investigating the possibility of renovating the Polaris Building in Fairbanks using the same process that I am using to renovate the McKinley Tower (MacKay Building) in Anchorage. The plan is to make the Polaris Building apartments again.

I asked the Fairbanks Northstar Borough to pass legislation that would provide a ten year property tax exemption followed by a five year property tax deferral using the authority the borough has per AS 29.45. An ordinance was passed that accomplished such a property tax package except the ordinance requires that the deferred tax would need to be paid within 180 days from the end of the deferral period. The borough attorney felt that AS 29.45.O was not clear when any deferred tax needed to be paid.

When AS 29.45 was amended in 1998 by adding subsection O the intent was for the deferred tax to be paid the next time the property sells or is transferred. Requiring the deferred tax to be paid any sooner is very problematic because the renovated property would very likely still have a mortgage encumbering the property and there would be no way to get to the equity developed to that point to pay the tax.

The logical time to pay the deferred tax is when the property sells the next time, which is when the equity would be harvested.

I have included excerpts from testimony offered by myself and Steve Van Sant. Mr. Van Sant was the state assessor at the time. This testimony establishes the intent. HB 334 would make the intent clear and allow me to continue my effort to renovate the blighted property known as the Polaris Building.

Sincerely,  
  
Marc A. Marlow



**Pameia Throop**

748 Gaffney Road Suite 203  
Fairbanks, Alaska 99701  
907-456-6008  
Fax: 456-6474  
E-mail: pam@realtyalaska.com

January 13, 2006

Jay Ramras  
House Representative  
State Capital, Room 104  
Juneau, AK 99801-1182

RE: HB 334

Dear Representative Ramras,

I am a realtor in the Fairbanks area and am in support of House Bill 334 that defines the time of tax exception deferred. The Polaris building has been a blight in the downtown area of Fairbanks. The building sits between the new State Courthouse and the city parking garage, and when remodeled will benefit the the entire downtown area. The local area businesses can view the building in its present condition of decay and the remodel and facelift of the building would benefit all. Your consideration in supporting this bill would be appreciated.

Sincerely,

Shawn Evans  
Alaska Commercial Properties, Inc.  
748 Gaffney Road, Ste 203  
Fairbanks, Alaska 99701



**COMPENSATION RISK CONSULTANTS**

• 748 Gaffney Road • Suite 206 • Fairbanks, AK 99701 •  
• (907) 452-2275 • Fax: (907) 452-4374 •

January 19, 2006

Jay Ramras  
House Representative  
State Capital, Room 104  
Juneau, AK 99801-1182

RE: HB 334

Dear Representative Ramras,

As a business owner in the downtown area, and a longtime resident of Fairbanks. I am in support of House Bill 334, "An Act relating to an exemption from and deferral of municipal property taxes for certain types of deteriorated property". If this bill will help to improve the core downtown area the benefits to the community will be substantial. Having the Polaris building apartments will help keep downtown vital.

Your support of this bill will be a benefit to the downtown residents and businesses.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Thomas", is written over a horizontal line.

Mark Thomas  
743 Gaffney Rd. Suite 206  
Fairbanks, AK 99701  
Compensation Risk Consultants  
JC

January 18, 2006

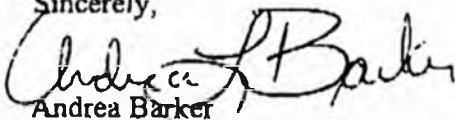
Jay Ramras  
House Representative  
State Capital, Room 104  
Juneau, AK 99801-1182

RE: HB 334

Dear Representative Ramras,

I am a Realtor in the Fairbanks area and am in support of House Bill 334 that defines the time of tax exception deferred. The Polaris building has been an eye sore in the downtown area of Fairbanks. The building sits between the new State Courthouse and the city parking garage, and when remodeled will benefit the entire downtown area with jobs and a more pleasant appearing building. The local area businesses can view the building in its present condition of decay and the remodel and facelift of the building would benefit all. Your consideration in supporting this bill would be appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Andrea Barker". The signature is written in dark ink and is positioned above the printed name.

Andrea Barker  
Fairbanks, Alaska