

ALASKA LEGISLATURE COMMITTEE FILES 2007-2008 SCRA 12427

Sheet2

Tax Year	Total Number Applicants	Percent Increase	Assessed Value Exempted	Percent Increase	Municipal Reimbursement Requested (Tax Revenue Loss)	Percent Increase	State Funding Level
1975	2,426	28.56%	\$59,807,826	46.43%	\$930,915	47.32%	\$930,915
1976	2,608	7.50%	\$76,825,685	28.45%	\$1,173,247	26.03%	\$1,173,247
1977	2,885	10.62%	\$107,397,810	39.79%	\$1,520,585	29.60%	\$1,557,495
1978	2,909	0.83%	\$104,306,352	-2.88%	\$1,512,983	-0.50%	\$1,512,983
1979	3,108	6.84%	\$128,810,117	23.49%	\$1,761,540	16.43%	\$1,761,540
1980	3,393	9.17%	\$165,159,728	28.22%	\$1,899,611	7.84%	\$1,899,611
1981	3,842	13.23%	\$211,428,981	28.01%	\$2,291,811	20.65%	\$2,291,811
1982	4,147	7.94%	\$277,154,113	31.09%	\$1,757,887	-23.30%	\$1,757,887
1983	4,893	17.99%	\$324,220,034	16.98%	\$2,092,317	19.02%	\$2,092,317
1984	5,156	5.38%	\$392,215,073	20.97%	\$3,146,618	50.39%	\$3,146,618
1985	5,418	5.08%	\$478,983,142	22.12%	\$4,005,075	27.28%	\$4,005,075
1986	6,061	11.87%	\$609,947,921	27.34%	\$4,977,451	24.28%	\$3,958,567
1987	6,569	8.38%	\$737,706,208	20.95%	\$6,325,763	27.09%	\$2,770,300
1988	7,118	8.36%	\$760,355,699	3.07%	\$6,753,663	6.76%	\$2,622,969
1989	7,900	10.99%	\$598,877,461	-21.24%	\$7,464,557	10.53%	\$2,519,344
1990	8,557	8.32%	\$606,951,397	1.35%	\$8,627,081	15.57%	\$2,543,469
1991	9,246	8.05%	\$665,058,233	9.57%	\$9,585,192	11.11%	\$2,557,900
1992	9,986	8.00%	\$754,166,097	13.40%	\$11,293,150	17.82%	\$2,838,800
1993	10,719	7.34%	\$883,539,005	17.15%	\$13,669,469	21.04%	\$2,838,800
1994	11,594	8.16%	\$979,290,045	10.84%	\$14,843,296	8.59%	\$1,551,766
1995	12,199	5.22%	\$1,064,556,490	8.71%	\$16,894,296	13.82%	\$1,163,800
1996	12,919	5.90%	\$1,183,291,858	11.15%	\$18,636,513	10.31%	\$1,163,800
1997	13,698	6.03%	\$1,294,087,798	9.36%	\$20,366,257	9.28%	\$0
1998	14,643	6.90%	\$1,403,624,823	8.46%	\$22,317,994	9.58%	\$0
1999	15,143	3.41%	\$1,544,691,456	10.05%	\$24,649,743	10.45%	\$0
2000	16,656	9.99%	\$1,798,704,610	16.44%	\$28,248,856	14.60%	\$0
2001	17,640	5.91%	\$1,942,143,407	7.97%	\$31,076,096	10.01%	\$0
2002	18,435	4.51%	\$2,115,394,523	8.92%	\$32,515,100	4.63%	\$0
2003	19,275	4.56%	\$2,295,225,136	8.50%	\$34,663,161	6.61%	\$0
2004	20,057	4.06%	\$2,453,661,658	6.90%	\$37,037,282	6.85%	\$0
2005							

TABLE 14 (B)

SENIOR CITIZEN AND DISABLED VETERAN PROPERTY TAX EXEMPTION

**Program Summary
FY 07/Tax Year 2006**

Municipality	Number of Applicants Approved	Total Assessed Value Exempt	% Value Inc./Dec. Over 2004	Total Tax Amount Exempt	% Tax Inc./Dec. Over 2004	Average Value Per Appl	Average Tax Per Appl
Municipality of Anchorage	9,350	\$1,295,637,696	6.35%	\$19,782,258	-0.46%	\$138,571	\$2,116
Bristol Bay Borough	24	\$2,161,078	8.86%	\$28,094	8.86%	\$90,045	\$1,171
Fairbanks North Star Borough	3,223	\$376,401,990	8.17%	\$6,730,247	6.54%	\$116,786	\$2,088
Haines Borough	160	\$18,524,558	10.12%	\$231,524	13.94%	\$115,778	\$1,447
City & Borough of Juneau	1,142	\$159,034,475	0.88%	\$1,616,824	-11.10%	\$139,260	\$1,416
Kenai Peninsula Borough	2,776	\$321,437,900	10.67%	\$3,694,562	10.94%	\$115,792	\$1,331
Ketchikan Gateway Borough	634	\$75,557,800	2.03%	\$918,258	-0.47%	\$119,176	\$1,448
Kodiak Island Borough	323	\$37,754,550	9.03%	\$480,866	-5.17%	\$116,887	\$1,489
Matanuska-Susitna Borough	3,387	\$416,004,540	9.69%	\$5,383,777	-1.70%	\$122,824	\$1,590
North Slope Borough	74	\$5,603,800	-13.10%	\$106,752	-13.01%	\$75,727	\$1,443
City & Borough of Sitka	435	\$57,195,510	4.07%	\$343,173	4.07%	\$131,484	\$789
City & Borough of Yakutat	24	\$1,625,550	-4.10%	\$16,181	-4.12%	\$67,731	\$674
Cordova	82	\$10,400,037	10.93%	\$137,079	6.63%	\$126,830	\$1,672
Craig	34	\$3,124,500	17.24%	\$18,747	17.23%	\$91,897	\$551
Dillingham	39	\$4,612,300	8.98%	\$59,959	12.40%	\$118,264	\$1,537
Nenana	24	\$1,087,399	33.03%	\$13,048	33.02%	\$45,308	\$544
Nome	90	\$9,787,794	9.04%	\$107,666	9.04%	\$108,753	\$1,196
Pelican	5	\$387,500	-20.14%	\$2,325	-20.13%	\$77,500	\$465
Petersburg	145	\$18,976,000	8.52%	\$212,721	9.39%	\$130,869	\$1,467
Skagway	51	\$7,206,275	5.78%	\$49,417	7.27%	\$141,300	\$969
Unalaska	8	\$744,496	13.21%	\$8,770	13.21%	\$93,062	\$1,096
Valdez	71	\$7,463,108	-7.22%	\$149,262	-7.22%	\$105,114	\$2,102
Whittier	14	\$444,950	5.84%	\$2,240	6.67%	\$31,782	\$160
Wrangell	146	\$16,153,894	5.80%	\$193,847	5.80%	\$110,643	\$1,328
Totals	22,261	\$2,847,327,700	7.07%	\$40,287,597	1.10%	\$127,907	\$1,810

TABLE 14 (A)

**SENIOR CITIZEN AND DISABLED VETERAN
PROPERTY TAX EXEMPTION HISTORY
AS 29.45.030(e) - (I)**

State law exempts real property owned and occupied as a permanent home by a resident, 65 years of age or older, or, by a disabled veteran with a 50% or greater service-connected disability. The exemption applies to the first \$150,000 of assessed valuation. Applicants must apply directly to their municipality. In 2002 legislation was passed which would allow municipalities to set its filing deadline. It also allows for a "one time filing" for the program. Program costs have exceeded funding levels from the State since 1986 resulting in prorating payments to eligible municipalities. The Alaska Legislature has not funded the reimbursement for the program since FY 1997, Tax Year 1996.

Ten Year Performance Summary

Tax Year	No. of Applications Approved	Total Exempt Assessed Value	Annual Value Percent Change	Total Exempt Taxes	Annual Tax Percent Change	Average Exempt Value \$\$ Per Appl.	Average Exempt Tax \$\$ Per Appl.
1996	13,692	\$1,293,232,403	9.29%	\$20,371,389	9.31%	\$94,452	\$1,488
1997	14,643	\$1,403,624,823	8.54%	\$22,317,994	9.56%	\$95,856	\$1,524
1998	15,143	\$1,544,691,456	10.05%	\$24,649,743	10.45%	\$102,007	\$1,628
1999	15,836	\$1,671,478,280	8.21%	\$26,694,955	8.30%	\$105,549	\$1,686
2000	16,656	\$1,798,704,610	7.61%	\$28,248,856	5.82%	\$107,991	\$1,696
2001	17,640	\$1,942,143,407	7.97%	\$31,076,097	10.01%	\$110,099	\$1,782
2002	18,435	\$2,115,394,523	8.92%	\$32,515,100	4.63%	\$114,749	\$1,764
2003	19,275	\$2,295,225,136	8.50%	\$34,663,161	6.61%	\$119,078	\$1,796
2004	20,057	\$2,453,661,658	6.90%	\$37,037,282	6.85%	\$122,334	\$1,847
2005	21,044	\$2,659,378,429	8.38%	\$39,849,375	7.56%	\$126,372	\$1,894
2006	22,261	\$2,847,327,700	7.07%	\$40,287,597	1.10%	\$127,907	\$1,810

Note: The numbers reflect the total number of applicants and associated values and taxes for both senior citizens and disabled veterans participating in the exemption program.

House C&RA Committee Questions for HB 60

52

What is the statute site for the hardship exemption? (I will provide the committee a copy of the statute) Steve VanSant

What is the states statutory responsibility in 29.45 "shall reimburse communities"? Talus Colberg

What is the local impact to this legislation? (Fiscal note)

How are mill rates effected by those who would receive the exemption and those who do?

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Anchorage Daily News

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Tax man beckons for Kenai seniors**PROPERTY: Cap would replace unlimited exemption on Peninsula.**

By BRANDON LOOMIS

Anchorage Daily News

(Published: February 17, 2007)

SOLDOTNA -- The Kenai Peninsula's land-rich seniors may soon find something unfamiliar in their mailbox: a tax bill.

Kenai Peninsula Borough Mayor John Williams has introduced a measure that would end the 20-year-old unlimited property tax exemption for seniors. In its place would be a \$300,000 cap on exempted property value, still generous by state standards, which mandate a \$150,000 exemption for Alaskans age 65 and older.

The long-discussed change carries particular significance in a borough that bucks Alaska's trend of cut-migration among retirees. A recent study by the Institute of Social and Economic Research at the University of Alaska Anchorage found that 379 seniors moved to the Peninsula between 1995 and 2000, while 329 left. Since 1999 the number of exempt property owners has grown by 59 percent, to about 2,800, according to the borough administration.

Some of the newcomers build homes valued between \$500,000 and \$1 million, Williams said, and locals may start to resent paying for their services.

"If we continue to see million-dollar homes built all over the Peninsula with 100 percent exemptions, the local citizenry is going to revolt," Williams said.

A \$300,000 cap would impose a tax on 214 current property owners who are exempt from taxes, including 11 disabled veterans who also are covered by the exemption. They would pay roughly \$250,000 a year among them, Williams said. In all, the exemption last year cost the borough \$4.4 million.

The plan goes before the Borough Assembly on Tuesday and will get a public hearing in the spring. The Assembly rejected a call for a \$250,000 cap on the exemption last year, though some members say that was a matter of timing -- the borough also was grappling with contentious sales-tax issues last year.

"I think it's reasonable," said Assemblywoman Grace Merkes, of Sterling. "A \$300,000 home is a pretty nice home, and seniors generally have some kind of retirement funds (and) they can afford to pay some tax."

Merkes said she expects the Assembly will impose a cap, though it may also put the question to voters. If there is a cap, she said, she hopes to find a way to help homesteaders who have modest homes on large land holdings that have escalated in value.

Others have seen small properties rise in value because of their recreational potential or views. Retired college professor Byron Bondurant moved to the Funny River area east of Soldotna in 1987. He bought his riverfront home for \$120,000, and now figures it's worth \$700,000.

At 82, he's thinking about leaving Alaska's winters behind anyway. If he starts receiving a tax bill, he said, he may be eager to get out sooner.

"I could afford it better than some people, but I know some people who would have a real serious problem," Bondurant said.

The seniors who suffer most are those on fixed incomes but with properties that have soared in value, he said. The value increase is of little help to them unless they sell out, he said, and once they do, they take with them year-round spending power that often is replaced by part-time residents.

"I admit I have a nice advantage, a nice home on the river," he said. "But I would think about leaving sooner for a more moderate climate to get away from the cost."

Others whose homes are valued just over \$300,000 have mixed feelings.

"As someone who is not quite 65 and not quite eligible, it's a shame that just as I get there they're taking it away," said Jim Fassler, a retired telephone company employee. "But I'm certainly willing to pay my share. I have no problem with them capping it there. We have folks who are sitting on million-dollar properties who are paying nothing."

Williams said the cap shouldn't price anyone off of the Peninsula because Alaska law allows residents who demonstrate a hardship to limit their tax payments to 2 percent of income.

Daily News reporter Brandon Loomis can be reached in the newspaper's Soldotna bureau at bloomis@adn.com or 907-260-5215, ext. 24.

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Renee Limoge

From: Steve VanSant [steve_vansant@commerce.state.ak.us]
Sent: Tuesday, February 20, 2007 1:58 PM
To: Renee Limoge
Cc: sally_saddler@commerce.state.ak.us
Subject: Re: Questions from the Co-Chairs
Attachments: 2006 SC-DAV Totals.xls; steve_vansant.vcf

Renee,

In *theory*, if the SC/DAV exemption was funded, municipalities could lower mill rates to reflect that revenue. I have attached a spreadsheet that shows you how much revenue the exemption costs municipalities across the state, by municipality. The spreadsheet also answers your second question regarding the number of applicants by city/borough.

You will note that this program costs the Municipality of Anchorage about 5.4% of total property tax revenue. So, in *theory* the municipality could lower its mill rate to reflect this increase in state revenue. Whether or not they will actually do that, I can not answer.

I hope this helps you out, if you need more information let me know and I will get it for you. Sorry I didn't get this to you earlier, but my phone has been ringing non-stop, and my boss believes I should take those calls and answer them! Can you imagine that? (Ha)

Anyway, let me know if you need something else.
Steve

Renee Limoge wrote:

Steve,

During a recent meeting of the co-chairs of C&RA, a number of questions came up that we were hoping that you might be able to help us with.

1. If the Senior Tax Exemption were actually funded (as is, not with the increase proposed by HB 60), would property taxes across the board actually go down for all property tax payers?
2. How many families across Alaska are actually receiving the senior citizen/disabled veteran tax exemption? Is it possible to break out the numbers for the following areas: Anchorage, Mat-Su, Kenai?

Any information you can provide to us would be appreciated. And thank you for being available so often during committee and to us for help with these issues. Your expertise is valued.

Best,
Renee Limoge
Ext. 3768

2/20/2007

Previous police exemption bills stalled in the Senate

The previous bill of 2005, HB 27, passed the House on a 35-0 vote, got one hearing in the Senate Community and Regional Affairs Committee, and died there. Fairclough said she wants to look more closely at the requirements the municipality would use to define the geographic area where peace officer exemptions would be allowed. The bill says eligible areas must have a statistically higher occurrence of crime than the municipality as a whole, or meet eligibility requirements for federal urban development or neighborhood revitalization programs. Fairclough, a freshman, said she is "generally supportive" of HB-67.

★ Kohring: \$100,000 exemption increase for seniors, disabled vets

The other bill heard Tuesday, HB-60, is also a retread from last term. Introduced in May 2005 by Rep. Vic Kohring as HB-299, HB-67 also mandates a \$100,000 increase in the senior citizen/disabled veterans' property tax exemption to \$250,000. Before HB-299 was reported out of the HCRA Committee in April 2006 it was amended to include a low-income eligibility requirement. But it still got no "do pass" recommendations.

Kohring said market value increases and inflation since the \$150,000 senior/disabled veteran exemption was approved in 1985 justify what he called a "relatively modest" increase. He acknowledged that local governments "seem to have a little angst toward this," but rejected their pleas and said, "They seem to be doing very well on their own." Kohring added that he "doesn't necessarily" consider the exemption, which the Legislature last funded in 1997, an unfunded mandate. The program developed in the early 1970s was intended to be funded by the state, and was funded, or partially so, until 1997.

In 2006 in Rep. Kohring's home Mat-Su Borough there were 3,387 properties exempt for an exempted value of \$416 million and a revenue loss of \$5.3 million. The total revenue loss to municipalities across the state was \$40 million. Lawmakers abandoned funding for this program, but left the law in place, essentially requiring other local property taxpayers to carry the burden of the exempt property.

★ Property tax revenue loss would go up with exemption increase ★

Kenai Borough Mayor John Williams said HB-67 would cost his Kenai Borough \$4,025,900, up from \$3.3 million at present. Statewide the bill would cost the 30 municipalities that levy a property tax \$56.2 million based on current assessments. Williams also emphasized that local governments already have the option under an existing state "hardship law" of cutting the property tax of a people in danger of losing their homes to 2 percent of their gross income. He said the Mat-Su Borough granted only 2 such exemptions and the City and Borough of Juneau 33, adding that in his 20 years as a mayor he was aware of no case in which a person was "taxed out" of their home.

- Continued on next page

Anchorage Daily News letters

Published: January 23, 2007

Raise vets' property tax exemption

Alaska Statute 29.45.030 (e) brought about the senior and disabled veterans property tax exemption for the first \$150,000 of assessed property value. I believe this was first approved in 1973. It is a great break for those people, but doesn't anyone think it is time to increase that number, as the average price for a single-family home in Anchorage is around \$300,000? With increasing energy costs and the loss of the longevity bonus, I believe this is an appropriate measure; and it's time to think about an increase of the exemption to at least \$200,000 or perhaps even \$250,000.

---- Eddie Thomas

Eagle River

There is no justification for values municipality places on real estate

Regarding the article on the city sending out property tax assessment notices, I went to the municipal Web site to see what my home was valued at ("For first time, appraisal notices to include tax estimate," Jan. 13). I just bought it last summer and the city has it valued at a lot more than what I paid for it. The article reports that the average value of a single-family home went up 11 percent from last year. Well, they raised the value of the lot my house sits on 36 percent. There simply is no rhyme or reason to how the municipality comes up with these values.

It used to be that you could sell a home for as much as 10 percent more than the municipal assessment. Not anymore. Here is an example: A house is for sale at 9170 Parkview Terrace Loop and is listed for \$295,000. The municipality has it assessed on its Web site at \$337,100.

Then there is the part about the city's chief fiscal officer stating our taxes will probably go down 3 percent from last year if the state chips in for relief at the same rate as last year. This is pure trickery on the part of the municipality. Having your estimated tax on the cards is just a smoke screen.

---- Kevin R. Boyce

Eagle River

Jim Pound

From: lablover [lablover@ptialaska.net]
Sent: Monday, February 05, 2007 3:45 PM
To: Jim Pound
Subject: Hb60

Jim, I fully support Hb60. 10 years ago I retired from Federal Civil Service. My payment per month was \$4,000 net. Increased in health benefits through the Feds over the years have reduced my monthly check to \$3200(+). The increase in exemption to 250,000 would be large help in meeting my monthly expensive. My wife is getting heart surgery this coming Friday. Those medical expenses with the deductible I pay on my health insurance (20-25%) is forcing me to remortgage the house when I was due to pay off the old mortgage in 16 months. I am a 50% disabled military combat vet. The savings from the 250,000 adjustment could mean the difference in selling the home I have lived in for 20 years and may make the difference in staying in Alaska or moving out side to a small apartment. We are too old to restart.

William E Fisher & Carol T Fisher, 9502 Puffin Circle, Eagle River AK 99577.
20 year Eagle River residents and want to stay that way

Jim Pound

From: Roy Daw [roydawak@yahoo.com]
Sent: Monday, February 05, 2007 2:00 PM
To: Jim Pound
Subject: HB 60

Thank you for supporting HB 60.

I support HB 60 since it will give something back to veterans instead of take more from them. The government has broken so many promises made to the veterans, and even benefits received continue to be decreased. Many veterans feel unappreciated by our government. HB 60 would be a real shot in the arm for veterans.

Thanks again and God bless,

Roy Daw
U. S. Army, Retired

Access over 1 million songs - [Yahoo! Music Unlimited](#).

Jim Pound

From: Summers, Patrick S [Patrick.Summers@va.gov]
Sent: Monday, February 05, 2007 11:07 AM
To: Jim Pound
Subject: HB

Dear Mr. Pound,

I am a disabled veteran who spent 30 years serving our country. Yes, that was my choice and I was proud to do it. I survived Vietnam because God decided I didn't need to be one of the ones sent. I enlisted while Vietnam was on-going, but three different times my orders were cancelled with no help from me. During my duty I supported Miami during one of the most devastating hurricanes at that time. No comparison of course to the more recent New Orleans. I was sent to the Gulf to support our country in 1990. I served proudly and was part of the 1st Tactical Fighter Wing. Without question I put my life on the line because I believed I was there to serve our country.

I decided upon retirement to stay in Alaska not only that I love this great state, but I believe that our legislation really cares about their veterans. I have seen this from the programs that are there for us. I fully support HB 60 because I feel it is the right thing to do. I have watched my property taxes increasing over the years to where this new proposal would once again realign with the intention of the original proposition. I pray that the rest of the legislature stands behind the HB 60 this time. It is the right thing to do and today we don't seem to get the chance to do that as much as we need to. Thank you for your support!

Patrick Summers
Retired Chief Master Sergeant

2/5/2007

Jim Pound

From: bernard schuyler [radioman@mtaonline.net]
Sent: Monday, February 05, 2007 7:04 PM
To: Jim Pound
Subject: HB60

Mr. Pound, I want to voice my support for HB60. I am retired and need all the help I can get in order to stay in Alaska. The taxes and the cost of living I have to pay are stretching our budget so much we have considered leaving our home and moving to somewhere that is less expensive.

Please do all you can to get this bill passed.

Thank You

Bernie Schuyler



Alaska Municipal League • 217 Second Street, Suite 200, Juneau, Alaska 99801

Tel (907) 586-1325 • Fax (907) 463-5480 • www.akml.org

February 5, 2007

House Community & Regional Affairs Committee
Co-Chairs LeDoux and Fairclough
Committee Members

RE: HB60 – Municipal Property Tax Exemption

Alaska's municipalities support an exemption to senior citizens and disabled veterans. These people are our neighbors, our co-workers and our friends. As local government officials, many of us fit in these categories.

What we do not support is the means by which this program has historically been handled. It was wisely conceived so that the State (which does not have taxing authority) would reimburse municipalities for these exemptions. That would serve to keep a cost shift from taking place and guarantee equity in the program. Since the state has failed to make those reimbursements, the current \$40 million dollar exemption amount must be made up by other property tax payers.

AML offers two solutions. First, would be for the State to abide by State Statutes (AS 29.45.030 (g), The State shall reimburse a borough or city, as appropriate, for the real property tax revenues lost to it by the operation of (e) of this section. If that change does not happen, AML and its member communities are against raising the mandated amount to the first \$250,000 of the assessed value.

Our second solution would be that the State make the Senior Citizen's/Disabled Veteran's Tax Exemption a local option. That would enable each local government to set its own criteria towards applicability for the exemption. Should someone with the income level of former Governor Frank Murkowski get a property tax exemption at the cost of many young couples with small children just starting out? Probably not. Are we encouraging brain-drain in Alaska by shouldering the brunt of the property tax needs on younger families? Again, AML would encourage the committee to look at making all property tax exemptions local and optional.

We are adamantly opposed to imposing a \$56 million unfunded mandate on municipalities, as stated in HB60.

Thank you,

Keith Wasserman



MUNICIPAL FISCAL NOTES

Title: MUNICIPAL PROPERTY TAX EXEMPTION

Sponsor: Kohring

Bill Version: HB 60

Publish Date: 1/16/2007

Effect on Municipalities:

Operating Expenditures:	(0)
Operating Revenues:	(\$56,209,439)
Capital Expenditures:	(0)
Capital Revenues:	(0)
Change in Revenues:	(\$56,209,439)

Analysis:

This legislation increases the amount municipalities are required to exempt senior citizens' property taxes and certain other citizens' property taxes from \$150,000 to \$250,000. Increasing the property tax exemption simply shifts more of the property tax responsibility to non-exempt property tax owners, increasing the rate they are required to pay.

The State of Alaska's fiscal note states, "The state is required to reimburse the revenues lost to municipalities for this program under AS 29.45.030(g)," yet shows no fiscal impact to the state. Without appropriate funding, the state is failing to follow Alaska Statute and is simply increasing unfunded mandates imposed on local governments.



MUNICIPAL FISCAL NOTES

Estimated Taxable Values RE: Senior DAV Values

Exempt Amount	\$	150,000	\$	250,000
Estimated Values	\$	2,847,327,700	\$	3,972,604,608

Estimated Taxes RE: Senior DAV Values

Exempt Amount	\$	150,000	\$	250,000
Estimated Taxes	\$	40,287,597	\$	56,209,439

Note: Value and Taxes for \$150,000 = numbers reported for 2006
Figures from Steve Van Sant, State Assessor, DCCED

2006 Senior Citizen /Disabled Veteran Homeowner Exemption Program

Municipality	2006 Senior Citizen /Disabled Veteran Homeowner Exemption Program									% of
	Senior Citizens # 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	Total Property Tax Revenue
Municipality of Anchorage	7,943	\$1,091,763,811	\$16,727,467	1,407	\$203,873,885	\$3,054,791	9,350	\$1,295,637,696	\$19,782,258	5.36%
Barrow Borough	23	\$2,117,178	\$27,523	1	\$43,900	\$571	24	\$2,161,078	\$28,094	1.51%
Barrow North Star Borough	2,737	\$310,991,236	\$5,608,462	486	\$65,410,754	\$1,121,785	3,223	\$376,401,990	\$6,730,247	8.27%
Barrow Borough	153	\$17,552,343	\$219,346	7	\$972,215	\$12,177	160	\$18,524,558	\$231,524	11.35%
City & Borough of Juneau	1,096	\$152,764,275	\$1,553,056	46	\$6,270,200	\$63,768	1,142	\$159,034,475	\$1,616,824	4.50%
Kenai Peninsula Borough	2,605	\$302,088,300	\$3,472,540	171	\$19,349,600	\$222,022	2,776	\$321,437,900	\$3,694,562	7.40%
Ketchikan Gateway Borough	618	\$73,460,700	\$893,183	16	\$2,097,100	\$25,075	634	\$75,557,800	\$918,258	11.72%
Kodiak Island Borough	293	\$33,766,350	\$428,455	30	\$3,988,200	\$52,411	323	\$37,754,550	\$480,866	4.91%
Matanuska-Susitna Borough	2,873	\$350,370,340	\$4,532,703	514	\$65,634,200	\$851,074	3,387	\$416,004,540	\$5,383,777	7.00%
North Slope Borough	74	\$5,603,800	\$106,752	0	\$0	\$0	74	\$5,603,800	\$106,752	0.05%
City & Borough of Sitka	425	\$56,161,810	\$336,971	10	\$1,033,700	\$6,202	435	\$57,195,510	\$343,173	7.73%
City & Borough of Yakutat	24	\$1,625,550	\$16,181	0	\$0	\$0	24	\$1,625,550	\$16,181	4.65%
Tordava	81	\$10,263,937	\$135,262	1	\$136,100	\$1,817	82	\$10,400,037	\$137,079	8.64%
Craig	33	\$2,995,500	\$17,973	1	\$129,000	\$774	34	\$3,124,500	\$18,747	4.25%
Dillingham	37	\$4,312,300	\$56,059	2	\$300,000	\$3,900	39	\$4,612,300	\$59,959	3.49%
Eagle - No taxes in 2006	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0	0.00%
Manana	23	\$1,059,699	\$12,716	1	\$27,700	\$332	24	\$1,087,399	\$13,048	7.72%
Nome	90	\$9,787,794	\$107,666	0	\$0	\$0	90	\$9,787,794	\$107,666	5.02%
Palcar	5	\$387,500	\$2,325	0	\$0	\$0	5	\$387,500	\$2,325	3.62%
Petersburg	143	\$18,780,000	\$210,524	2	\$196,000	\$2,197	145	\$18,976,000	\$212,721	9.95%
Skagway	51	\$7,206,275	\$49,417	0	\$0	\$0	51	\$7,206,275	\$49,417	3.00%
Umanak	8	\$744,496	\$8,770	0	\$0	\$0	8	\$744,496	\$8,770	0.22%
Valdez	64	\$6,850,933	\$137,019	7	\$612,175	\$12,244	71	\$7,463,108	\$149,262	0.51%
Whittier	14	\$444,950	\$2,240	0	\$0	\$0	14	\$444,950	\$2,240	0.83%
Wrangell	145	\$16,070,294	\$192,844	1	\$83,600	\$1,003	146	\$16,153,894	\$193,847	14.82%
Totals	19,558	2,477,169,371	34,855,454	2,703	370,158,329	5,432,143	22,261	\$2,847,327,700	\$40,287,597	4.57%

ALASKA STATE LEGISLATURE

Interim:

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Wasilla, Alaska 99654
Phone (907) 373-1842
Fax: (907) 373-4729*



Session:

State Capitol Building
Juneau, Alaska 99801-1182
Phone: (907) 465-2186
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REPRESENTATIVE VIC KOHRING DISTRICT 14

MEMO

To: Representative Anna Fairclough
Co-Chair House Community and Regional Affairs Committee

Fm: Representative Vic Kohring *UK*

Cc: Representative Gabrielle LeDoux

Date: January 16, 2007

Re: Request to hear House Bill 60

Please accept this memo and attached documents as a request for the House Community and Regional Affairs Committee to hear House Bill 60 "An Act relating to and increasing the municipal property tax exemption on residences of certain seniors and others; and providing for an effective date." HB 60 takes language introduced and passed in 1985 and adjusts it to meet the current cost of living in Alaska.

Property tax exemption for seniors and disabled veterans has served our state well by allowing this valuable knowledge resource to remain in the state. When passed it took into account the average price of a home in Alaska. Today those prices have skyrocketed and many of our seniors and veterans are paying a substantial amount of their fixed income for taxes.

Thank you for your consideration of HB 60.

Attachments: Sponsor Statement, HB 60, Information of local property taxes, AS 29.45.030

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Thank you

E-Mail: Representative_Vic_Kohring@legis.state.ak.us
Call Juneau Toll free: (800) 468-2186
Website: www.akRepublicans.org/kohring/

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**REPRESENTATIVE VIC KOHRING
DISTRICT 14
Chair- House Special Committee on Oil and Gas**

**Sponsor Statement
HB 060**

House Bill 060 has been introduced to correct existing legislative language and intent passed in 1985 that will continue to assist seniors and disabled veterans. When it was first passed, it offered a property tax exemption on the first \$150,000 value of their homes. For most, that meant an annual break from property taxes.

Twenty-two years later, the value of a residence is seldom in the \$150,000 range, and our seniors and disabled veterans are paying the price. While property values have risen dramatically, compensation to these two groups has not. Dollars spent on property taxes often mean fewer dollars for food and medicine.

HB 060 will correct language that simply has not keep up with inflation. It raises the exemption from \$150,000 to \$250,000, a much more realistic amount in 2007. Passage of HB 060 will show both our seniors and disabled veterans that we continue to support them as they have supported all of Alaska and this country in the past.

###

E-Mail: Representative_Vic_Kohring@legis.state.ak.us
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REPRESENTATIVE VIC KOHRING

DISTRICT 14

Chair- House Special Committee on Oil and Gas

Sectional for HB 060

Section 1.

Changes existing statutory language to specify that the exemption is only available to a resident living in the residence and reflects the increase in housing prices. It changes the amount of the exemption from \$150,000 to \$250,000. In the case of hardship the municipality may increase the exemption amount. Existing language remains establishing who is eligible, those 65 or over, disabled veterans, or surviving spouse at least 60 years old of a qualified person, and that only one exemption per residence is allowed.

Section 2.

Municipal voters are permitted to approve an exemption that is larger than \$250,000 for qualified individuals, those 65 or over, disabled veterans, or surviving spouse at least 60 years old of a qualified person.

Section 3.

The language will take effect on January 1, 2008.

Average selling price for houses highest in Anchorage

Prices for single-family homes have skyrocketed in recent years. Another survey conducted for AHFC shows that the average sale price rose 9 percent from the second half of 2004 to the second half of 2005. For the first time, Anchorage had the highest average sales price at \$294,000, bumping

Juneau down to second at \$281,000. (See Exhibit 10.) Strong economic growth and a shrinking inventory of undeveloped land help explain the 11 percent increase in Anchorage's numbers.

It is important to recognize, however, that average sales price data do not necessarily represent the average prices for an area's total single-family housing stock, but merely the portion that was sold in the given time period. Average sales prices were lowest among the specific areas surveyed in the Kenai Peninsula Borough (\$195,000) and Fairbanks (\$200,000).

Housing is among the most affordable in Fairbanks

Housing affordability indexes combine the sales price data above with average wages in the same area to determine how many wage earners are necessary to afford the average home. In Fairbanks, for example, it takes 1.3 wage earners to buy an average-priced single-family Fairbanks home. (See Exhibit 11.) Higher index numbers represent less affordable housing.

Although housing in the Matanuska-Susitna Borough is relatively inexpensive, lower than average wages make housing less affordable for those who live and work there than it is in many other areas of the state. At the other end of the spectrum, Anchorage's high housing costs are partially offset by higher than average wages, making housing slightly more affordable for those who live and work there.

Not surprisingly, many Mat-Su residents commute to Anchorage to get the best of both worlds – inexpensive housing and high wages. This group shares honors with Fairbanks for the most affordable housing in the state. Housing in Bethel is the least affordable among the areas studied due to a combination of high average housing costs and relatively low average wages.

Statewide, the affordability index rose to 1.5 in the second half of 2005, up from 1.4 a year earlier. The last time the index was as high as 1.5 was in 2000. With the exception of Kodiak, all areas surveyed saw increases in their index numbers. Kodiak enjoyed an improvement in housing affordability due to a higher than average increase in wages – 7 percent compared to the statewide average of 4 percent.

What would \$100 in 1980 equal today?

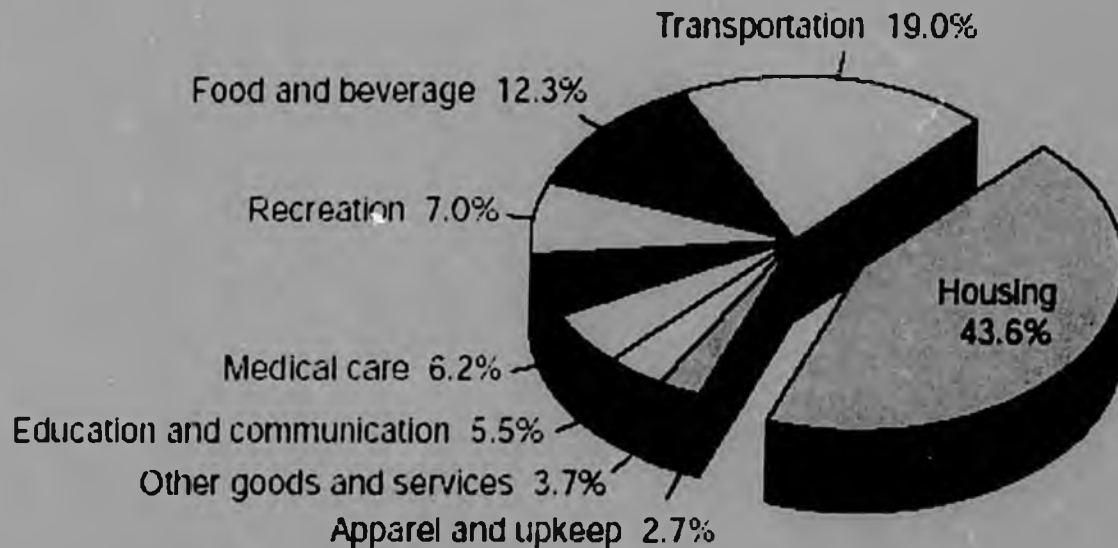
The Anchorage Consumer Price Index can help determine how much money it would take today to equal a dollar amount from some earlier year. To illustrate, this equation shows how \$100 in 1980 would be equal to \$201 in 2005

$$\begin{array}{l} \text{2005 Anchorage CPI (see Exhibit 2)} \\ \text{Divided by 1980 Anchorage CPI} \end{array} \quad \frac{171.8}{85.5} = 2.01$$

The 2.01 is then multiplied by the number of 1980 dollars in order to find the 2005 equivalent (\$100 x 2.01 = \$201). Another way to describe this is to say that \$100 in 1985 had the same purchasing power as \$201 had in 2005

The formula can also be reversed to deflate current dollars to some earlier year (for example, \$100 in 2005 would equal about \$50 in 1980). Inflation calculators that require only the years and a dollar amount are available at several Web sites, including ours: almis.labor.state.ak.us. (Click on "Cost of Living" in the left margin; then click on "Inflation Calculator," which is based on the U.S. Consumer Price Index.)

4 Consumers Spend Most on Housing Consumer Price Index weighting¹



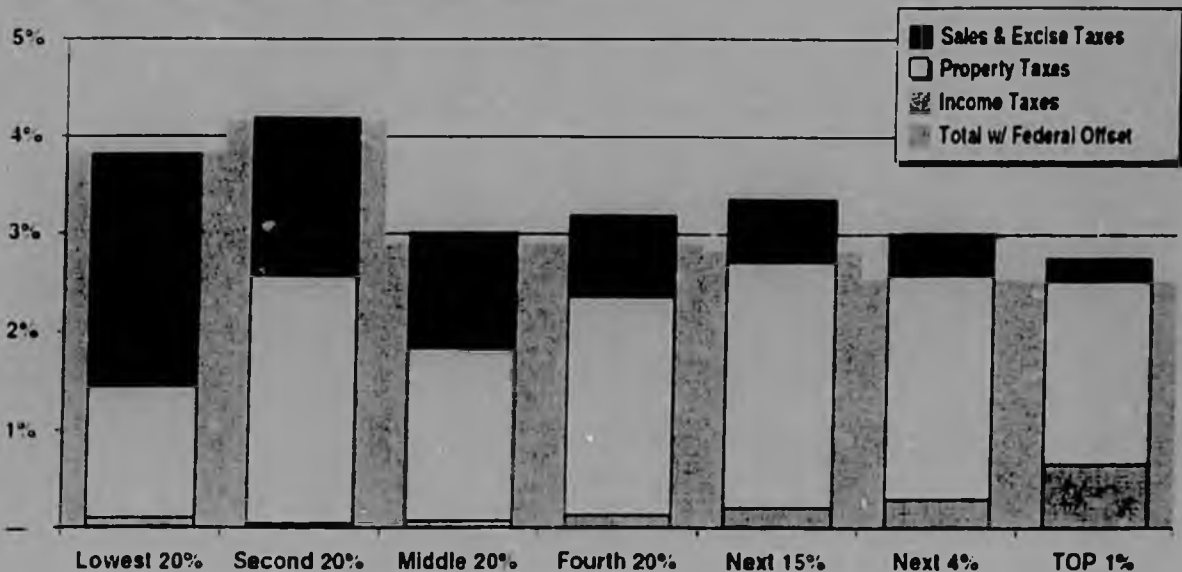
¹ As of December 2005

Source: U.S. Department of Labor, Bureau of Labor Statistics

Alaska

State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 - \$31,000	\$31,000 - \$50,000	\$50,000 - \$80,000	\$80,000 - \$142,000	\$142,000 - \$273,000	\$273,000 or more
Average Income in Group	\$9,900	\$22,600	\$38,500	\$62,300	\$101,000	\$181,000	\$590,000
Sales & Excise Taxes	2.4%	1.6%	1.2%	0.8%	0.6%	0.4%	0.2%
General Sales—Individuals	0.7%	0.6%	0.5%	0.4%	0.3%	0.2%	0.1%
Other Sales & Excise—Ind.	1.3%	0.7%	0.4%	0.3%	0.2%	0.1%	0.0%
Sales & Excise on Business	0.3%	0.3%	0.2%	0.2%	0.1%	0.1%	0.1%
Property Taxes	1.3%	2.5%	1.8%	2.2%	2.5%	2.3%	1.9%
Property Taxes on Families	1.1%	2.4%	1.6%	2.0%	2.1%	1.8%	0.7%
Other Property Taxes	0.2%	0.1%	0.1%	0.2%	0.4%	0.5%	1.2%
Income Taxes	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.7%
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.7%
TOTAL TAXES	3.8%	4.2%	3.0%	3.2%	3.4%	3.0%	2.8%
Federal Deduction Offset	—	-0.0%	-0.1%	-0.3%	-0.5%	-0.5%	-0.2%
TOTAL AFTER OFFSET	3.8%	4.1%	2.9%	2.9%	2.8%	2.5%	2.5%

Note: Table shows 2002 tax law at 2000 income levels.

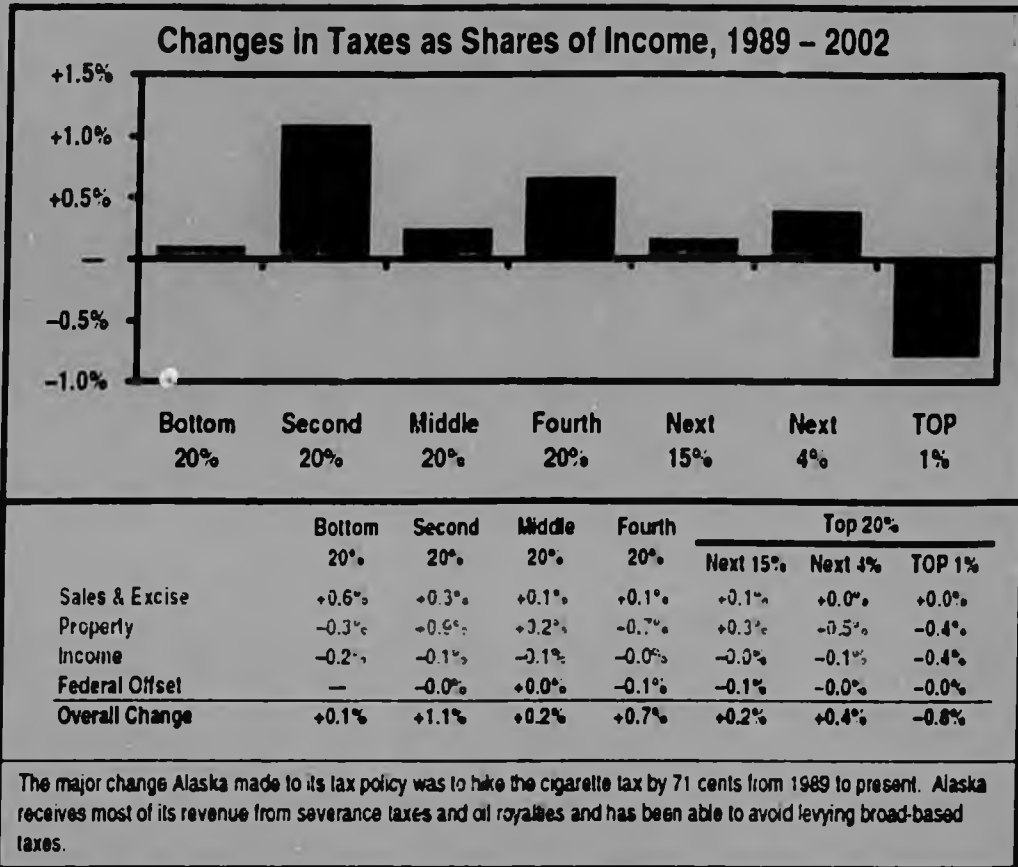
Alaska Tax Trends

Progressive Features

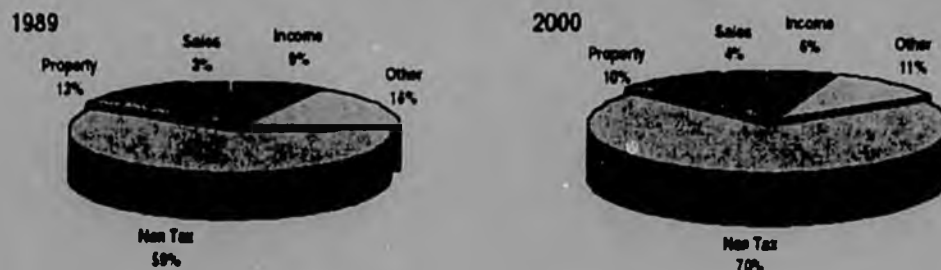
- ✓ No statewide sales tax though many localities apply a local sales tax

Regressive Features

- ✗ No personal income tax



Composition of Revenues



Source: Government Finance, US Department of Census

TABLE 3
2005 Local Property and Oil & Gas Property Tax Revenues

Municipality	Property Tax Revenues	Oil & Gas Property Tax Revenues	Total Property Tax Revenues	Chg. From Previous Year	Population	Municipal Per Capita Revenue	**Per Capita Revenue City & Boro
Municipality of Anchorage	\$339,815,503	\$764,324	\$340,579,827	5.65%	277,498	\$1,227	
Bristol Bay Borough	\$1,763,700	\$0	\$1,763,700	0.93%	1,096	\$1,609	
Cordova	\$1,471,987	\$36,600	\$1,508,587	2.31%	2,298	\$656	
Craig	\$434,534	\$0	\$434,534	-1.21%	1,127	\$386	
Dillingham	\$1,551,955	\$0	\$1,551,955	15.83%	2,422	\$641	
Fairbanks, City*	\$10,457,533	\$0	\$10,457,533	20.41%	29,954	\$349	\$1,247
Fairbanks North Star Borough	\$71,987,722	\$4,286,797	\$76,274,519	6.85%	84,979	\$898	
Haines Borough	\$1,838,182	\$0	\$1,838,182	1.52%	2,245	\$819	
Homer*	\$1,797,165	\$0	\$1,797,165	3.14%	5,332	\$337	\$1,530
Houston*	\$178,378	\$0	\$178,378	-5.58%	1,368	\$130	
City & Borough of Juneau	\$32,806,333	\$0	\$32,806,333	8.90%	30,966	\$1,059	
Kachemak City*	\$66,258	\$0	\$66,258	117.93%	475	\$139	\$1,332
Kenai, City*	\$1,872,776	\$39,600	\$1,912,376	-3.23%	6,809	\$281	\$1,473
Kenai Peninsula Borough	\$53,290,034	\$7,510,354	\$60,800,388	33.05%	50,980	\$1,193	
Ketchikan, City*	\$3,432,361	\$0	\$3,432,361	-4.42%	7,691	\$446	\$1,056
Ketchikan Gateway Borough	\$7,941,125	\$0	\$7,941,125	23.00%	13,030	\$609	
Kodiak, City*	\$618,751	\$0	\$618,751	-3.03%	6,199	\$100	\$758
Kodiak Island Borough	\$8,860,125	\$0	\$8,860,125	3.28%	13,466	\$658	
Matanuska-Susitna Borough	\$64,042,524	\$42,917	\$64,085,441	15.32%	70,148	\$914	
Nenana	\$218,527	\$0	\$218,527	-5.81%	394	\$555	
Nome	\$2,109,534	\$0	\$2,109,534	-12.49%	3,473	\$607	
North Pole*	\$798,808	\$0	\$798,808	2.28%	1,532	\$520	\$1,418
North Slope Borough	\$2,317,232	\$188,969,165	\$191,286,398	-4.26%	7,104	\$28,927	
Palmer*	\$768,988	\$0	\$768,988	23.46%	5,197	\$148	\$1,062
Pelican	\$58,148	\$0	\$58,148	7.28%	118	\$493	
Petersburg	\$2,147,532	\$0	\$2,147,532	13.16%	3,123	\$688	
Seldovia*	\$141,865	\$0	\$141,865	-3.13%	426	\$333	\$1,526
Seward*	\$745,901	\$0	\$745,901	11.28%	2,540	\$294	
City & Borough of Sitka	\$4,401,399	\$0	\$4,401,399	9.09%	8,805	\$500	
Skagway	\$1,338,097	\$0	\$1,338,097	16.54%	870	\$1,538	
Soldotna*	\$546,326	\$0	\$546,326	4.32%	3,767	\$145	\$1,338
Unalaska	\$4,024,654	\$0	\$4,024,654	-4.69%	4,366	\$922	
Valdez	\$17,890,301	\$13,049,409	\$30,939,709	47.04%	3,749	\$8,253	
Wasilla*	\$330,766	\$0	\$330,766	20.89%	6,109	\$54	\$968
Whittier	\$188,183	\$2,402	\$190,586	-25.32%	172	\$1,108	
Wrangell	\$1,201,688	\$0	\$1,201,688	2.82%	2,023	\$594	
City & Borough of Yakutat	\$296,942	\$0	\$296,942	-1.56%	680	\$437	
Total Property Taxes	\$643,749,839	\$214,701,569	\$858,451,409	6.85%	Overall *	\$1,457	per capita
Overall Chg from Prior Year	10.44%	-2.64%	6.85%		Average **	\$1,108	property taxes

Total Local Tax Revenues Generated			Percent Change from Previous Year
Sales Tax Revenues	\$157,246,911	18.37%	
Special Tax Revenues	\$52,839,551	20.80%	
Local Property Tax Revenues	\$643,749,839	14.78%	
Oil & Gas Property Tax Revenues	\$214,701,569	-2.79%	
Total Local Tax Revenues	\$1,068,537,871	11.50%	

*Includes North Slope & Valdez
 **Excludes North Slope & Valdez
 The average per capita values are based upon populations only in municipalities that levy a property tax.

* indicates that city is located within a borough that also levies a property tax
 **This column adds the borough and city per capita revenues to more accurately reflect the actual per capita tax that a property owner would pay on property located within a city and a borough, both of which levy a property tax.

10 The Cost of Single-Family Homes Prices in Anchorage surpass Juneau

Average sales prices for July to December 2005



Sources: Alaska Department of Labor & Workforce Development, Research and Analysis Section; and the Alaska Housing Finance Corporation's 2005 Survey of Lender's Activity

11 Housing Affordability Wage earners needed to buy average house

For July to December 2005



Sources: Alaska Department of Labor & Workforce Development, Research and Analysis Section; and the Alaska Housing Finance Corporation's 2005 Alaska Affordability Index

The Consumer Price Index in Anchorage and the U.S. Annual averages for selected components, 1983 to 2005

3

Year	ALL ITEMS EXCEPT SHELTER				HOUSING				TRANSPORTATION			
	U.S. Average	Percent Change from Prev. Year	Anchor-age Average	Percent Change from Prev. Year	U.S. Average	Percent Change from Prev. Year	Anchor-age Average	Percent Change from Prev. Year	U.S. Average	Percent Change from Prev. Year	Anchor-age Average	Percent Change from Prev. Year
1983	99.8	3.7%	99.9	3.7%	99.5	2.7%	99.0	0.8%	99.3	2.4%	98.5	1.8%
1984	103.9	4.1%	103.8	3.9%	103.6	4.1%	102.7	3.7%	103.7	4.4%	104.6	6.2%
1985	107.0	3.0%	107.5	3.6%	107.7	4.0%	103.0	0.3%	106.4	2.6%	108.2	3.4%
1986	106.0	0.9%	111.2	3.4%	110.9	3.0%	102.6	-0.4%	102.3	-3.9%	107.8	-0.4%
1987	111.6	3.3%	115.1	3.5%	114.2	3.0%	97.5	-5.0%	105.4	3.6%	111.3	3.2%
1988	115.9	3.9%	117.8	2.3%	118.5	3.8%	95.4	-2.2%	108.7	3.1%	113.0	1.5%
1989	121.6	4.9%	122.3	3.3%	123.0	3.5%	96.3	0.9%	114.1	5.0%	116.7	3.3%
1990	126.2	5.4%	128.0	4.7%	128.5	4.5%	103.9	7.9%	120.5	5.6%	120.7	3.4%
1991	133.5	4.1%	131.9	3.0%	133.6	4.0%	111.2	7.0%	123.8	2.7%	121.7	0.8%
1992	137.3	2.8%	134.6	2.0%	137.5	2.9%	116.6	4.9%	128.5	2.2%	123.3	1.3%
1993	141.4	3.0%	137.9	2.5%	141.7	2.7%	121.1	3.9%	130.4	3.1%	128.8	4.5%
1994	144.8	2.4%	140.3	1.7%	144.6	2.5%	122.9	1.5%	134.3	3.0%	138.9	6.3%
1995	148.2	2.6%	144.6	3.1%	148.5	2.6%	124.9	1.8%	139.1	3.6%	143.8	5.0%
1996	152.8	2.8%	148.4	2.6%	152.8	2.9%	127.9	2.4%	143.0	2.8%	147.2	2.4%
1997	155.9	2.0%	150.6	1.5%	156.6	2.5%	129.4	1.2%	144.3	0.9%	147.0	-0.1%
1998	157.2	0.8%	152.6	1.3%	160.4	2.3%	131.0	1.2%	141.6	-1.5%	144.9	-1.4%
1999	160.2	1.9%	153.5	0.6%	163.9	2.2%	132.7	1.3%	144.4	2.0%	143.7	-0.8%
2000	165.7	3.4%	156.1	1.7%	166.6	3.5%	134.2	1.1%	153.3	6.2%	150.5	4.7%
2001	169.7	2.4%	160.6	3.2%	176.4	4.0%	139.0	3.6%	154.3	0.7%	153.0	1.7%
2002	170.8	0.6%	162.2	1.0%	180.3	2.2%	143.5	3.2%	152.9	-1.0%	151.5	-1.0%
2003	174.6	2.2%	166.5	2.7%	184.8	2.5%	146.8	2.3%	157.6	3.1%	158.3	4.5%
2004	179.3	2.7%	171.7	3.1%	189.5	2.5%	149.1	1.6%	163.1	3.5%	162.7	2.8%
2005	186.1	3.8%	177.5	3.4%	195.7	3.3%	153.1	2.7%	173.9	6.6%	171.7	5.5%

Year	FOOD and BEVERAGES				MEDICAL CARE ¹				APPAREL and UPKEEP			
	U.S. Average	Percent Change from Prev. Year	Anchor-age Average	Percent Change from Prev. Year	U.S. Average	Percent Change from Prev. Year	Anchor-age Average	Percent Change from Prev. Year	U.S. Average	Percent Change from Prev. Year	Anchor-age Average	Percent Change from Prev. Year
1983	99.5	2.3%	99.7	2.6%	100.8	8.9%	99.7	5.7%	100.2	2.5%	101.6	5.2%
1984	103.2	3.7%	103.2	3.5%	108.8	8.2%	105.5	5.8%	102.1	1.9%	101.7	0.1%
1985	105.6	2.3%	106.2	2.9%	113.5	6.3%	110.9	5.1%	105.0	2.8%	105.8	4.0%
1986	109.1	3.3%	110.8	4.3%	122.0	7.5%	127.6	15.2%	105.9	0.9%	109.0	3.0%
1987	113.5	4.0%	113.1	2.1%	130.1	6.6%	137.0	7.2%	110.6	4.4%	116.6	7.3%
1988	118.2	4.1%	113.8	0.6%	138.6	6.5%	145.8	6.4%	115.4	4.3%	119.1	2.1%
1989	124.9	5.7%	117.2	3.0%	149.3	7.7%	154.4	5.9%	118.6	2.8%	125.0	5.0%
1990	132.1	5.8%	123.7	5.5%	162.8	9.0%	161.2	4.4%	124.1	4.6%	127.7	2.2%
1991	138.8	3.6%	127.7	3.2%	177.0	8.7%	173.5	7.6%	128.7	3.7%	126.6	-0.9%
1992	138.7	1.4%	130.3	2.0%	190.1	7.4%	183.0	5.5%	131.9	2.5%	130.2	2.0%
1993	141.6	2.1%	131.2	0.7%	201.4	5.9%	189.6	3.6%	133.7	1.4%	131.2	0.8%
1994	144.9	2.3%	131.9	0.5%	211.0	4.8%	197.9	4.3%	133.4	-0.2%	128.9	-1.0%
1995	148.9	2.8%	138.5	5.0%	220.5	4.5%	211.6	7.0%	132.0	-1.0%	130.0	0.0%
1996	153.7	3.2%	143.4	3.5%	228.2	3.5%	231.1	9.2%	131.7	-0.2%	128.7	-1.0%
1997	157.7	2.6%	145.8	1.7%	234.6	2.6%	248.9	7.7%	132.9	0.9%	127.0	-1.3%
1998	151.1	2.2%	147.3	1.3%	242.1	3.2%	255.7	2.7%	133.0	0.1%	125.6	-1.1%
1999	164.6	2.2%	148.4	0.7%	250.6	3.5%	260.8	2.0%	131.3	-1.3%	125.8	0.2%
2000	168.4	2.3%	151.7	2.2%	260.8	4.1%	272.1	4.3%	129.6	-1.3%	124.5	-1.0%
2001	173.6	3.1%	156.4	3.1%	272.6	4.6%	282.9	4.0%	127.3	-1.8%	131.1	5.3%
2002	176.8	1.8%	157.9	1.0%	285.6	4.7%	-----	-----	124.0	-2.6%	126.7	-1.4%
2003	180.5	2.1%	161.8	2.5%	297.1	4.0%	-----	-----	120.9	-2.5%	123.2	-2.8%
2004	186.6	3.4%	168.9	4.4%	310.1	4.4%	-----	-----	120.4	-0.4%	123.9	0.6%
2005	191.2	2.5%	173.1	2.5%	323.2	4.2%	344.2	-----	119.5	-0.1%	121.3	-2.1%

¹No index was created for medical care for Anchorage for the years 2002 to 2004.

Source: U.S. Department of Labor, Bureau of Labor Statistics

Income Growth Versus Property Tax Growth 1990-2004

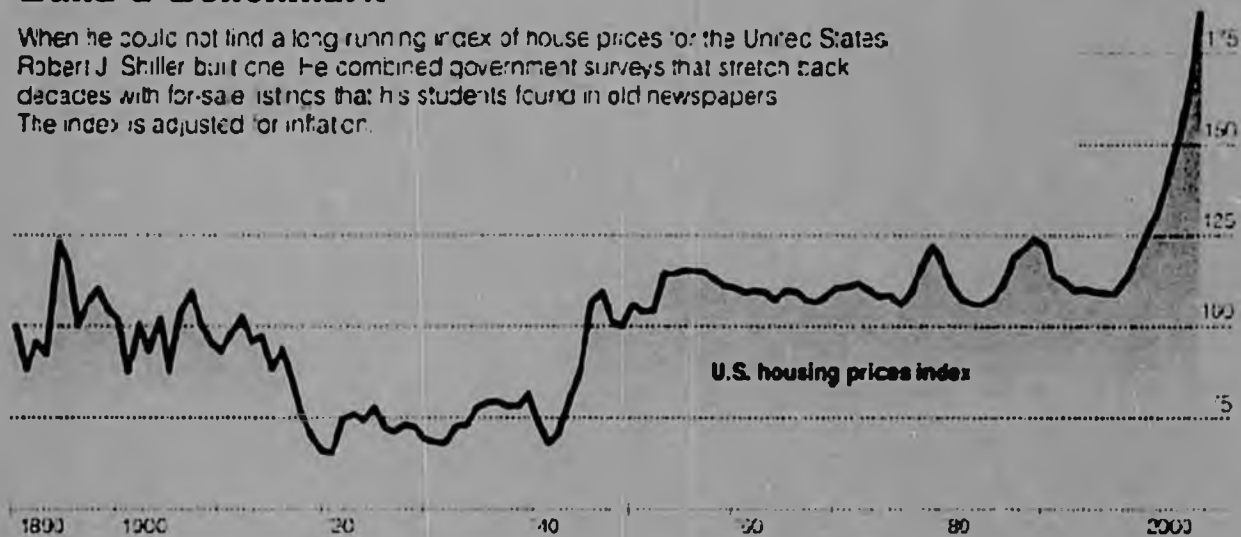
Fiscal Year	Percent Change in Personal Income	Percent Change in Property Tax Collections
1990	6.78%	9.28%
1991	4.94	7.96
1992	4.61	7.34
1993	5.32	5.22
1994	4.16	3.90
1995	5.86%	3.20%
1996	4.99	2.94
1997	6.18	4.48
1998	6.81	5.17
1999	6.27	4.14
2000	6.61%	3.97%
2001	6.22	5.62
2002	2.02	5.88
2003	2.19	6.27
2004	4.66	7.27

Note: Tax payments are actual collections as reported to the Census Bureau by state and local governments. Business and other property taxes included along with residential real estate taxes.

Sources: *Survey of Government Finances*, U.S. Census Bureau; Bureau of Economic Analysis; and Tax Foundation calculations.

Build-a-Benchmark

When he could not find a long running index of house prices for the United States, Robert J. Shiller built one. He combined government surveys that stretch back decades with for-sale listings that his students found in old newspapers. The index is adjusted for inflation.



Source: *Trajectory: Exuberance*, Robert J. Shiller

Source: http://www.nytimes.com/imagepages/2005/08/21/business/21real_graphic.html

Sec. 29.45.030. Required exemptions.

Statute text

(a) [See delayed amendment note.] The following property is exempt from general taxation:

(1) municipal property, including property held by a public corporation of a municipality, state property, property of the University of Alaska, or land that is in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-830, 70 Stat. 709, except that

(A) a private leasehold, contract, or other interest in the property is taxable to the extent of the interest; however, an interest created by a nonexclusive use agreement between the Alaska Industrial Development and Export Authority and a user of an integrated transportation and port facility owned by the authority and initially placed in service before January 1, 1999, is taxable only to the extent of, and for the value associated with, those specific improvements used for lodging purposes;

(B) notwithstanding any other provision of law, property acquired by an agency, corporation, or other entity of the state through foreclosure or deed in lieu of foreclosure and retained as an investment of a state entity is taxable; this subparagraph does not apply to federal land granted to the University of Alaska under AS 14.40.380 or 14.40.390, to other land granted to the university by the state to replace land that had been granted under AS 14.40.380 or 14.40.390, or to land conveyed by the state to the university under AS 14.40.365;

(C) an ownership interest of a municipality in real property located outside the municipality acquired after December 31, 1990, is taxable by another municipality; however, a borough may not tax an interest in real property located in the borough and owned by a city in that borough;

(2) household furniture and personal effects of members of a household;

(3) property used exclusively for nonprofit religious, charitable, cemetery, hospital, or educational purposes;

(4) property of a nonbusiness organization composed entirely of persons with 90 days or more of active service in the armed forces of the United States whose conditions of service and separation were other than dishonorable, or the property of an auxiliary of that organization;

(5) money on deposit;

(6) the real property of certain residents of the state to the extent and subject to the conditions provided in (e) of this section;

(7) real property or an interest in real property that is exempt from taxation under 43 U.S.C. 1620(d), as amended;

(8) property of a political subdivision, agency, corporation, or other entity of the United States to the extent required by federal law; except that a private leasehold, contract, or other interest in the property is taxable to the extent of that interest unless the property is located on a military base or installation and the property interest is created under 10 U.S.C. 2871 - 2885 (Military Housing Privatization Initiative), provided that the leaseholder enters into an agreement to make a payment in lieu of taxes to the political subdivision that has taxing authority;

(9) natural resources in place including coal, ore lodes, mineral deposits, and other proven and unproven deposits of valuable materials laid down by natural processes, unharvested aquatic plants and animals, and timber.

(b) In (a) of this section, "property used exclusively for religious purposes" includes the following property owned by a religious organization:

(1) the residence of an educator in a private religious or parochial school or a bishop, pastor, priest, rabbi, minister, or religious order of a recognized religious organization; for purposes of this paragraph, "minister" means an individual who is

(A) ordained, commissioned, or licensed as a minister according to standards of the religious organization for its ministers; and

(B) employed by the religious organization to carry out a ministry of that religious organization;

(2) a structure, its furniture, and its fixtures used solely for public worship, charitable purposes, religious administrative offices, religious education, or a nonprofit hospital;

(3) lots required by local ordinance for parking near a structure defined in (2) of this subsection.

(c) Property described in (a)(3) or (4) of this section from which income is derived is exempt only if that income is solely from use of the property by nonprofit religious, charitable, hospital, or educational groups. If used by nonprofit educational groups, the property is exempt only if used exclusively for classroom space.

(d) Laws exempting certain property from execution under AS 09 (Code of Civil Procedure) do not exempt the property from taxes levied and collected by municipalities.

(e) The real property owned and occupied as the primary residence and permanent place of abode by a (1) resident 65 years of age or older; (2) disabled veteran; or (3) resident at least 60 years old who is the widow or widower of a person who qualified for an exemption under (1) or (2) of this subsection, is exempt from taxation on the first \$150,000 of the assessed value of the real property. A municipality may, in case of hardship, provide for exemption beyond the first \$150,000 of assessed value in accordance with regulations of the department. Only one exemption may be granted for the same property and, if two or more persons are eligible for an exemption for the same property, the parties shall decide between or among themselves who is to receive the benefit of the exemption. Real property may not be exempted under this subsection if the assessor determines, after notice and hearing to the parties, that the property was conveyed to the applicant primarily for the purpose of obtaining the exemption. The determination of the assessor may be appealed under AS 44.62.560 - 44.62.570.

(f) To be eligible for an exemption under (e) of this section for a year, a municipality may by ordinance require that an individual also meet requirements under one of the following paragraphs: (1) the individual shall be eligible for a permanent fund dividend under AS 43.23.005 for that same year or for the immediately preceding year; or (2) if the individual has not applied or does not apply for one or both of the permanent fund dividends, the individual would have been eligible for one of the permanent fund dividends identified in (1) of this subsection had the individual applied. An exemption may not be granted under (e) of this section except upon written application for the exemption. Each municipality shall, by ordinance, establish procedures and deadlines for filing the application. The governing body of the municipality for good cause shown may waive the claimant's failure to make timely application for exemption and authorize the assessor to accept the application as if timely filed. If an application is filed within the required time and is approved by the assessor, the assessor shall allow an exemption in accordance with the provisions of (e) of this section. If the application for exemption is approved after taxes have been paid, the amount of tax that the claimant has already paid for the property exempted shall be refunded to the claimant. The assessor shall require proof in the form the assessor considers necessary of the right to and amount of an exemption claimed under (e) of this section, and shall require a disabled veteran claiming an exemption under (e) of this section to provide evidence of the disability rating. The assessor may require proof under this subsection at any time.

(g) The state shall reimburse a borough or city, as appropriate, for the real property tax revenues lost to it by the operation of (e) of this section. However, reimbursement may be made to a municipality for revenue lost to it only to the extent that the loss exceeds an exemption that was granted by the municipality, or that on proper application by an individual would have been granted under AS 29.45.050(a). If appropriations are not sufficient to fully fund reimbursements under this subsection, the amount available shall be distributed pro rata among eligible municipalities.

(h) Except as provided in (g) of this section, nothing in (e) - (j) of this section affects similar exemptions from property taxes granted by a municipality on September 10, 1972, or prevents a municipality from granting similar exemptions by ordinance as provided in AS 29.45.050.

(i) In (e) - (j) of this section,

(1) "disabled veteran" means a disabled person

(A) separated from the military service of the United States under a condition that is not dishonorable who is a resident of the state, whose disability was incurred or aggravated in the line of duty in the military service of the United States, and whose disability has been rated as 50 percent or more by the branch of service in which that person served or by the United States Department of Veterans Affairs; or

(B) who served in the Alaska Territorial Guard, who is a resident of the state, whose disability was incurred or aggravated in the line of duty while serving in the Alaska Territorial Guard, and whose disability has been rated as 50 percent or more;

(2) "real property" includes but is not limited to mobile homes, whether classified as real or personal property for municipal tax purposes.

(j) One motor vehicle per household owned by a resident 65 years of age or older on January 1 of the assessment year is exempt either from taxation on its assessed value or from the registration tax under AS 28.10.431. An exemption may be granted under this subsection only upon written application on a form prescribed by the Department of Administration.

(k) The department shall adopt regulations to implement the provisions of (g) and (j) of this section.

(l) Two percent of the assessed value of a structure is exempt from taxation if the structure contains a fire protection system approved under AS 18.70.081, in operating condition, and incorporated as a fixture or part of the structure. The exemption granted by this subsection is limited to

(1) an amount equal to two percent of the value of the structure based on the assessment for 1981, if the fire protection system is a fixture of the structure on January 1, 1981; or

(2) an amount equal to two percent of the value of the structure based on the assessment as of January 1 of the year immediately following the installation of the fire protection system if the fire protection system becomes a fixture of the structure after January 1, 1981.

(m) For the purpose of determining property exempt under (a)(7) of this section, the following definitions apply to terms used in 43 U.S.C. 1620(d) unless superseded by applicable federal law:

(1) "developed" means a purposeful modification of the property from its original state that effectuates a condition of gainful and productive present use without further substantial modification; surveying, construction of roads, providing utilities or other similar actions normally considered to be component parts of the development process, but that do not create the condition described in this paragraph, do not constitute a developed state within the meaning of this paragraph; developed property, in order to remove the exemption, must be developed for

purposes other than exploration, and be limited to the smallest practicable tract of the property actually used in the developed state;

(2) "exploration" means the examination and investigation of undeveloped land to determine the existence of subsurface nonrenewable resources;

(3) "lease" means a grant of primary possession entered into for gainful purposes with a determinable fee remaining in the hands of the grantor; with respect to a lease that conveys rights of exploration and development, this exemption shall continue with respect to that portion of the leased tract that is used solely for the purpose of exploration.

(n) If property or an interest in property that is determined not to be exempt under (a)(7) of this section reverts to an undeveloped state, or if the lease is terminated, the exemption shall be granted, subject to the provisions of (a)(7) and (m) of this section.

History

((§ 12 ch 74 SLA 1985; am §§ 1, 2 ch 91 SLA 1985; am § 44 ch 37 SLA 1986; am §§ 2 - 4 ch 70 SLA 1986; am § 3 ch 66 SLA 1991; am § 1 ch 85 SLA 1991; am § 14 ch 93 SLA 1991; am § 1 ch 54 SLA 1992; am § 4 ch 97 SLA 1992; am E.O. No. 99 § 71 (1997); am § 81 ch 21 SLA 2000; am § 2 ch 117 SLA 2000; am § 8 ch 136 SLA 2000; am § 1 ch 23 SLA 2001; am § 1 ch 42 SLA 2002; am § 1 ch 140 SLA 2004; am § 1 ch 44 SLA 2006))

Annotations

Delayed amendment. Under secs. 3 and 19, ch. 117, SLA 2000, as amended by sec. 2, ch. 74, SLA 2003, effective July 1, 2007, subsection (a) will be amended. Subsection (a) will read, on July 1, 2007, as follows: "(a) The following property is exempt from general taxation:

"(1) municipal property, including property held by a public corporation of a municipality, state property, property of the University of Alaska, or land that is in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-830, 70 Stat. 709, except that

"(A) a private leasehold, contract, or other interest in the property is taxable to the extent of the interest;

"(B) notwithstanding any other provision of law, property acquired by an agency, corporation, or other entity of the state through foreclosure or deed in lieu of foreclosure and retained as an investment of a state entity is taxable; this subparagraph does not apply to federal land granted to the University of Alaska under AS 14.40.380 or 14.40.390, or to other land granted to the university by the state to replace land that had been granted under AS 14.40.380 or 14.40.390, or to land conveyed by the state to the university under AS 14.40.365;

"(C) an ownership interest of a municipality in real property located outside the municipality acquired after December 31, 1990, is taxable by another municipality; however, a borough may not tax an interest in real property located in the borough and owned by a city in that borough;

"(2) household furniture and personal effects of members of a household;

"(3) property used exclusively for nonprofit religious, charitable, cemetery, hospital, or educational purposes;

"(4) property of a nonbusiness organization composed entirely of persons with 90 days or more of active service in the armed forces of the United States whose conditions of service and separation were other than dishonorable, or the property of an auxiliary of that organization;

"(5) money on deposit;

"(6) the real property of certain residents of the state to the extent and subject to the conditions provided in (e) of this section;

"(7) real property or an interest in real property that is exempt from taxation under 43 U.S.C. 1620(d), as amended;

"(8) property of a political subdivision, agency, corporation, or other entity of the United States to the extent required by federal law; except that a private leasehold, contract, or other interest in the property is taxable to the extent of that interest unless the property is located on a military base or installation and the property interest is created under 10 U.S.C. 2871 - 2885 (Military Housing Privatization Initiative), provided that the leaseholder enters into an agreement to make a payment in lieu of taxes to the political subdivision that has taxing authority;

"(9) natural resources in place including coal, ore bodies, mineral deposits, and other proven and unproven deposits of valuable materials laid down by natural processes, unharvested aquatic plants and animals, and timber."

If ch. 136, SLA 2000 was not validly enacted, subsection (a) will read, on July 1, 2007, as follows: "(a) The following property is exempt from general taxation:

"(1) municipal property, including property held by a public corporation of a municipality, or state property, or land that is in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-830, 70 Stat. 709, except that

"(A) a private leasehold, contract, or other interest in the property is taxable to the extent of the interest;

"(B) notwithstanding any other provision of law, property acquired by an agency, corporation, or other entity of the state through foreclosure or deed in lieu of foreclosure and retained as an investment of a state entity is taxable; this subparagraph does not apply to federal land granted to the University of Alaska under AS 14.40.380 or 14.40.390, or to other land granted to the university by the state to replace land that had been granted under AS 14.40.380 or 14.40.390;

"(C) an ownership interest of a municipality in real property located outside the municipality acquired after December 31, 1990, is taxable by another municipality; however, a borough may not tax an interest in real property located in the borough and owned by a city in that borough;

"(2) household furniture and personal effects of members of a household,

"(3) property used exclusively for nonprofit religious, charitable, cemetery, hospital, or educational purposes;

"(4) property of a nonbusiness organization composed entirely of persons with 90 days or more of active service in the armed forces of the United States whose conditions of service and separation were other than dishonorable, or the property of an auxiliary of that organization;

"(5) money on deposit;

"(6) the real property of certain residents of the state to the extent and subject to the conditions provided in (e) of this section;

"(7) real property or an interest in real property that is exempt from taxation under 43 U.S.C. 1620(d), as amended;

"(8) property of a political subdivision, agency, corporation, or other entity of the United States to the extent required by federal law; except that a private leasehold, contract, or other interest in the property is taxable to the extent of that interest;

"(9) natural resources in place including coal, ore bodies, mineral deposits, and other proven and unproven deposits of valuable materials laid down by natural processes, unharvested aquatic plants and animals, and timber."

Revisor's notes. The amendments made to (e) and (g) of this section by §§ 1 and 2, ch. 91, SLA 1985 were enacted as amendments to AS 29.53.020(e) and (g). Chapter 74, SLA 1985 enacted AS 29.45.030 and repealed AS 29.53.020. The effective date of both 1985 Acts is January 1, 1986. The legislature's intent to amend the property tax exemption provisions has been

recognized by treating the amendments to AS 29.53.020(e) and (g) as amendments to (e) and (g) of this section.

CROSS REFERENCES

Cross references. For exemption of electric and telephone cooperatives from local ad valorem taxes, see AS 10.25.540(b); for statement of legislative intent concerning the amendment of (a) of this section by sec. 2, ch. 117, SLA 2000, see sec. 1(b), ch. 117, SLA 2000 in the 2000 Temporary & Special Acts; for statement of legislative intent concerning the delayed amendment of (a) of this section by sec. 3, ch. 117, SLA 2000 (as later amended by sec. 2, ch. 74, SLA 2003, to take effect in 2007), see sec. 1(a), ch. 117, SLA 2000 in the 2000 Temporary & Special Acts.

Administrative Code. - For senior citizen and disabled veteran property tax exemption, see 3 AAC 135.

Effect of amendments. The first 1992 amendment, effective January 1, 1993, added paragraph (a)(9) and made a related stylistic change.

The second 1992 amendment, effective June 20, 1992, inserted "property, including property held by a public corporation of a municipality," in paragraph (a)(1).

The 1997 amendment, effective March 16, 1997, substituted "Department of Administration" for "Department of Public Safety" in the second sentence in subsection (j).

The first 2000 amendment, effective April 28, 2000, substituted "United States Department of Veterans Affairs" for "Veterans' Administration" in subparagraph (i)(1)(A).

The second 2000 amendment, effective June 7, 2000, added the language beginning with "however," at the end of subparagraph (a)(1)(A).

The third 2000 amendment, effective July 20, 2000, in paragraph (a)(1) inserted "property of the University of Alaska" in the introductory language and added ", or to land conveyed by the state to the university under AS 14.40.365" at the end of subparagraph (B).

The 2001 amendment, effective January 1, 2002, rewrote subsection (f).

The 2002 amendment, effective September 5, 2002, in subsection (f) added the first sentence; in the third sentence from the end of the subsection deleted "a failure to timely file has been waived as provided in this subsection and" following "If" at the beginning and inserted "after taxes have been paid."

The 2004 amendment, effective July 1, 2004, in paragraph (a)(8), added the language beginning with "unless the property is located" at the end of the paragraph.

The 2006 amendment, effective August 23, 2006, inserted "an educator in a private religious or parochial school or" and "for purposes of this paragraph, 'minister' means an individual who is" in paragraph (b)(1), and added subparagraphs (b)(1)(A) and (b)(1)(B).

Editor's notes. Section 14, ch. 117, SLA 2000 makes the amendment of (a) of this section by sec. 2, ch. 117, SLA 2000 retroactive to January 1, 1999.

Opinions of attorney general. The constitutional convention intended that only so much of the property used for religious purposes as was being used to produce income should be taxable, that such other parts should be exempt, and that a proration between taxable and nontaxable parts should be made. 1962 Op. Att'y Gen. No. 15, decided under former, similar law.

All religious property in the state not used for business, rent or profit, is exempt from taxation. 1962 Op. Att'y Gen. No. 15, decided under former, similar law.

The Division of Land has no liability for local property taxes by virtue of subparagraph (a)(1)(B) of this section on land that it reacquires through a contract termination under AS 38.05.065(d), (e), (f) and (g) because such lands are not acquired "through foreclosure or deed in lieu of

foreclosure" nor are they lands "retained as an investment of a state entity." However, if taxes are owed, they are owed for every year in which the property was legally taxable; and the issue of taxability will largely turn on who the owner of record was as of January 1 of the relevant year. June 14, 1993 Op. Att'y Gen.

NOTES TO DECISIONS

Annotator's notes. - The cases cited in the notes below were decided under former, similar law.

Strict construction. - The courts must narrowly construe statute granting tax exemptions. *Greater Anchorage Area Borough v. Sisters of Charity*, 553 P.2d 467 (Alaska 1976). Provisions exempting property from ad valorem taxation must be strictly construed against the property holder and in favor of the taxing authority. *McKee v. Evans*, 490 P.2d 1226 (Alaska 1971).

Amendment by ch. 136, SLA 2000 upheld. - Non-monetary asset transfers are not appropriations subject to the governor's enhanced veto under Alaska Const., art. II. Therefore, a 2000 amendment (ch. 136, SLA 2000) allowing the University of Alaska to select between 250,000 and 260,000 acres of state lands which would then be conveyed to the university to manage, was not an appropriation, and an override of the governor's veto required only a two-thirds majority in the legislature, not the three-fourths majority required for the overriding of a veto of an appropriations bill. Having received the required two-thirds majority, the veto was successfully overridden, and the bill, affecting this section, became law. *State Legislative Council v. Knowles*, 86 P.3d 891 (Alaska 2004).

Paragraph (a)(1) tracks the Alaska Const., art. IX, § 5. See *Ben Lomond, Inc. v. Fairbanks N. Star Borough Bd. of Equalization*, 760 P.2d 508 (Alaska 1988).

A former, similar provision was enacted pursuant to Alaska Const., art. IX, § 4. *Harmon v. North Pac. Union Conference Ass'n*, 462 P.2d 432 (Alaska 1969), overruled on other grounds, *Nome v. Catholic Bishop*, 707 P.2d 870 (Alaska 1985).

Purpose. - The purpose of a former, similar provision was to encourage the establishment of privately supported nonprofit educational institutions; the motivation for their establishment was largely irrelevant. *McKee v. Evans*, 490 P.2d 1226 (Alaska 1971).

Scope of exemption. The exemption provisions of Alaska Const. art. IX, § 4 and paragraph (a)(3) of this section do not catalogue all factors that might define eligibility for charitable-purpose exemptions. It is appropriate to consider any circumstance relevant to whether a particular property owner has satisfied the constitutional and statutory standard. *Fairbanks N. Star Borough v. Dena' Nena' Henash*, 88 P.3d 124 (Alaska 2004).

The phrase "retained as an investment" in subparagraph (a)(1)(B) means that real property acquired by a state agency through foreclosure and retained for resale is subject to local taxation. *United States v. Matanuska-Susitna Borough*, 906 P.2d 1386 (Alaska 1995).

"Non-profit" not identical to "charitable purposes" requirement. - "Non-profit" under Alaska Const. art. IX, § 4 and paragraph (a)(3) of this section imposes a substantive qualification that is not identical to the "charitable purposes" requirement. The focus is on the purpose of the use, not on the organization. *Fairbanks N. Star Borough v. Dena' Nena' Henash*, 88 P.3d 124 (Alaska 2004).

Burden of showing eligibility for exemption. - A taxpayer claiming a tax exemption has the burden of showing that the property is eligible for the exemption. *Greater Anchorage Area Borough v. Sisters of Charity*, 553 P.2d 467 (Alaska 1976).

Use providing a public benefit indicates that the property is being used for a charitable purpose under Alaska Const. art. IX, § 4 and paragraph (a)(3) of this section. *Fairbanks N. Star Borough v. Dena' Nena' Henash*, 88 P.3d 124 (Alaska 2004).

Property leased or rented is exempt if: (1) The property is leased or rented for an exempt activity; (2) the lease or rental payments are not the product of an owner's dominant profit motive; and (3) the lease or rental payments are incidental to and reasonably necessary for the exempt use of the property and do not exceed the operational requirements of the exempt activity. If (3) is not met, the property must be used for classroom space to be exempt. *City of Nome v. Catholic Bishop*, 707 P.2d 870 (Alaska 1985) (decided under former AS 29.53.020). The termination of a lease of developed property taken alone, would not suffice to render the property tax exempt; what is required, additionally, is a tangible change such as destruction or decay of the improvements to constitute reversion to an undeveloped state. *Kenai Peninsula Borough v. Tyonek Native Corp.* 807 P.2d 502 (Alaska 1991).

Exclusive use for nonprofit religious, etc., purposes must be shown. - In order to qualify for an exemption, the taxpayer must show not benefits, but exclusive use for nonprofit religious, charitable, cemetery, hospital or educational purposes. *Greater Anchorage Area Borough v. Sisters of Charity*, 553 P.2d 467 (Alaska 1976).

When the property in question is used even in part by nonexempt parties for their private business purposes, there can be no exemption. *Greater Anchorage Area Borough v. Sisters of Charity*, 553 P.2d 467 (Alaska 1976).

Generation of revenue not fatal to charitable-purpose exemption. - Whether a nonprofit organization receives outside funding allowing it to provide services at reduced cost or no charge to the community does not determine whether property is being used for a charitable purpose. An otherwise exempt property that generates revenue will not lose its exemption if: (1) Payment is not sought as a result of a dominant profit motive; (2) payment is both incidental to and reasonably necessary for the accomplishment of the exempt activity; and (3) payment does not exceed operating costs. *Fairbanks N. Star Borough v. Dena' Nena' Henash*, 88 P.3d 124 (Alaska 2004).

Actual use rather than owner's use should be analyzed in determining eligibility for an exemption. *Greater Anchorage Area Borough v. Sisters of Charity*, 553 P.2d 467 (Alaska 1976).

The power of deciding what types of education are to be publicly supported, either under the School Foundation Act or by tax exemption, is vested with the legislature. *McKee v. Evans*, 490 P.2d 1226 (Alaska 1971).

Alaska Const., art. IX, § 4, directs the legislature to define the educational exemption and encourage the exercise of that responsibility. *McKee v. Evans*, 490 P.2d 1226 (Alaska 1971).

The phrase "educational purposes" as used in Alaska Const., art. IX, § 4, and a former, similar provision included systematic instruction in any and all branches of learning from which a substantial public benefit was derived. *McKee v. Evans*, 490 P.2d 1226 (Alaska 1971).

A former, similar provision in no way delimited the term "educational purposes," and there was no justification for the supreme court to give to that term anything other than its ordinary meaning. That restrictive definition was a legislative concern seemed especially apparent at a time when there was increasing desire for specialized practical education, a proliferation of new

kinds of educational institutions, and rapidly changing concepts of mass education. *McKee v. Evans*, 490 P.2d 1226 (Alaska 1971).

The minutes of the constitutional convention revealed no indication of what was intended to constitute an "educational" purpose, the drafters stating merely that they intended to adopt a "standard" state exemption in a former, similar provision. Nor has the legislature defined the term as it has done with regard to "religious purposes." *McKee v. Evans*, 490 P.2d 1226 (Alaska 1971).

When exemption attaches. - Under a former, similar provision, once it was determined that the institution involved was nonprofit in character and that the property was exclusively used for educational purposes, the exemption attached. *McKee v. Evans*, 490 P.2d 1226 (Alaska 1971).

The Apprenticeship and Manpower Training Trust Fund was entitled to an exemption from real property taxation by the Greater Anchorage Area Borough (GAAB) on the ground that its property was "used exclusively for nonprofit . . . educational purposes" within the meaning of a former, similar provision. *McKee v. Evans*, 490 P.2d 1226 (Alaska 1971).

The general public was clearly benefited both by the increased opportunity for Alaskans to obtain vocational training not otherwise available, and by the increased quality of service from a skilled trade. *McKee v. Evans*, 490 P.2d 1226 (Alaska 1971).

"Charity" and "charitable purposes". - Neither in Alaska's Constitution nor in its general laws are the terms "charity" or "charitable purposes" defined. In such circumstances, resort to the common-law definition of these terms is appropriate. *Matanuska-Susitna Borough v. King's Lake Camp*, 439 P.2d 441 (Alaska 1968).

It is quite clear that what is done out of good will and a desire to add to the improvement of the moral, mental, and physical welfare of the public generally comes within this meaning of the word "charity." *Matanuska-Susitna Borough v. King's Lake Camp*, 439 P.2d 441 (Alaska 1968). "Charitable purposes" has the identical meaning and application in paragraphs (a)(3) and (b)(2). *City of Nome v. Catholic Bishop*, 707 P.2d 870 (Alaska 1985).

Property may be exempt under paragraph (a)(3) if the taxpayer establishes that the use of that property is directly incidental to and vitally necessary for the exempt use of other specifically identified property; similarly, property used part-time for exempt purposes and otherwise for uses directly incidental to and vitally necessary for the exempt purposes is exempt. *City of Nome v. Catholic Bishop*, 707 P.2d 870 (Alaska 1985).

Property will not lose an exemption under paragraph (a)(3) even if payment is received for the use of the property if: (1) The property is used exclusively for exempt purposes; (2) the payment is not sought as a result of a dominant profit motive; and (3) the payment is both incidental to and reasonably necessary for the accomplishment of the exempt activity and does not exceed the operating costs of the exempt activity for which payment is received. If (3) is not met, the property is only exempt if used for classroom space. *City of Nome v. Catholic Bishop*, 707 P.2d 870 (Alaska 1985).

Effect of operating surplus. - Operating surplus will not preclude an otherwise valid tax exemption so long as revenue is not generated out of a dominant profit motive and revenue is allocated only to support exempt purposes. *Fairbanks N. Star Borough v. Dena' Nena' Henash*, 88 P.3d 124 (Alaska 2004).

Taxation of possessory interest in tax-exempt public property. - Alaska's constitution, statutes, and case law authorize local governments to tax a possessory interest in tax-exempt public property, and the reversionary method is a valid method for valuation of a possessory interest in

tax-exempt property. *Fairbanks N. Star Borough Assessor's Office v. Golden Heart Utils., Inc.* 13 P.3d 263 (Alaska 2000).

Rentals or income not derived as result of dominant profit motive. - If it appeared that rentals or income were not derived as a result of a dominant profit motive on the charity's part, but were incidental to and reasonably necessary for the accomplishment of its charitable purposes, then such rentals or income were not within the ambit of a former, similar provision's limitation upon properties which qualified for a charitable exemption. *Matanuska-Susitna Borough v. King's Lake Camp*, 439 P.2d 441 (Alaska 1968).

The term "claimant," as used in subsection (f), includes any person having an interest in the property to be exempted, or such person's agent or assigns. *City of Nome v. Catholic Bishop*, 707 P.2d 870 (Alaska 1985).

"Developed." - The meaning of the term "developed" in this section, is consistent with the meaning of that term as used in the Alaska Native Claims Settlement Act. *Kenai Peninsula Borough v. Tyonek Native Corp.* 807 P.2d 502 (Alaska 1991).

The definition of "developed" is broad enough to include subdivided land which is ready for sale. *Kenai Peninsula Borough v. Cook Inlet Region, Inc.* 807 P.2d 487 (Alaska 1991).

"Residence" exemption. - The post-Harmon amendment of paragraph (b)(1) broadened the "residence" exemption; the statute now exempts the residence of a pastor who is primarily a spiritual leader but who may also be responsible for other church-related activities. *City of Nome v. Catholic Bishop*, 707 P.2d 870 (Alaska 1985).

The wording of paragraph (b)(1) allows a single parish to contain more than one exempt residence. *City of Nome v. Catholic Bishop*, 707 P.2d 870 (Alaska 1985).

Exemption of assistant pastor's residence. - Sometimes an assistant pastor's residence may be exempt; the label "assistant" does not preclude the exemption. *City of Nome v. Catholic Bishop*, 707 P.2d 870 (Alaska 1985).

The parsonage of an assistant or lay pastor was exempt from an ad valorem tax under the broadened tax exemption provisions of Alaska Const., art. IX, § 4, and a former, similar provision. *Evangelical Covenant Church of Am. v. City of Nome*, 394 P.2d 882 (Alaska 1964).

A religious order has only a single residence; this is the motherhouse, convent or monastery where the order is based. *City of Nome v. Catholic Bishop*, 707 P.2d 870 (Alaska 1985) (decided under former AS 29.53.020).

A pastor's choice to allow volunteers or other guests to live in his home does not destroy a "residence" exemption. *City of Nome v. Catholic Bishop*, 707 P.2d 870 (Alaska 1985) (decided under former AS 29.53.020).

But the use of church property for housing visitors and volunteers is not an exempt "religious purpose." *City of Nome v. Catholic Bishop*, 707 P.2d 870 (Alaska 1985) (decided under former AS 29.53.020).

Housing for seminary students, church volunteers, and visiting pastors nonexempt. - The policy of strict construction and the Harmon decision necessarily makes nonexempt the housing for seminary students, church volunteers and visiting pastors; nothing in the post-Harmon amendment of paragraph (b)(1) suggests a legislative intent to change the inclusiveness of the exempt residences list. *City of Nome v. Catholic Bishop*, 707 P.2d 870 (Alaska 1985) (decided under former AS 29.53.020).

Youth hostel. - A church-operated youth hostel was a charitable activity. The income from the youth hostel did not taint the hostel's exempt status, for the fees received as payment for the exempt hostel services were related to and necessary for the hostel's operating costs, and were

not motivated by profit making; thus, the income limitations of subsection (c) did not apply. *City of Nome v. Catholic Bishop*, 707 P.2d 870 (Alaska 1985) (decided under former AS 29.53.020).

Church-operated radio station. - Ad valorem taxes could be assessed and collected upon the facilities and property of a radio station operated by a church if a portion of the radio time was sold and used for commercial purposes, even if a portion of the profit was used to support the missionary work of the church. *Evangelical Covenant Church of Am. v. City of Nome*, 394 P.2d 882 (Alaska 1964).

To hold that a church-operated, profit-making radio station was exempt from ad valorem taxes would have resulted in a taxed commercial business being forced to compete with the commercial activities of institutions claiming a tax exempt status under a former, similar provision. *Evangelical Covenant Church of Am. v. City of Nome*, 394 P.2d 882 (Alaska 1964). Property on which a radio station operated by the Catholic bishop was situated was exempt from taxation for the years at issue, for it was used exclusively for "religious purposes"; it was used solely for a combination of "public worship," "religious education," and "charitable purposes." Contributions that were received were only for good will, not in exchange for commercial air time. *City of Nome v. Catholic Bishop*, 707 P.2d 870 (Alaska 1985) (decided under former AS 29.53.020).

Office space rented to doctors engaged in private practice. - Office space in a building partially used exclusively for nonprofit hospital purposes, rented to doctors engaged in the private practice of medicine by a nonprofit charitable and religious corporation, was not exempt from taxation. *Greater Anchorage Area Borough v. Sisters of Charity*, 553 P.2d 467 (Alaska 1976).

Garages. - A garage that housed vehicles used by the Lutheran pastors was exempt property; the garage was "adjacent" to and supporting property for the pastors' exempt residences. *City of Nome v. Catholic Bishop*, 707 P.2d 870 (Alaska 1985) (decided under former AS 29.53.020).

Storage space may be exempt as supporting property for other exempt property, or as a charitable use of the property in itself. *City of Nome v. Catholic Bishop*, 707 P.2d 870 (Alaska 1985) (decided under former AS 29.53.020).

Property leased by hospital. - Property used by a lessee for nonprofit hospital purposes which is also used by the lessor to generate profit is not within the express language of paragraph (a)(3) of this section since the property is not being used exclusively for nonprofit purposes. *Sisters of Providence in Wash., Inc. v. Municipality of Anchorage*, 672 P.2d 446 (Alaska 1983).

Different tax treatment of equipment owned or leased by hospital is rational and bears a fair and substantial relation to the object of (a)(3) of this section, which exempts from municipal property tax, property used exclusively for nonprofit religious, charitable, cemetery, hospital or educational purposes; and, therefore, taxation of leased property does not violate the equal protection clauses of the Alaska and United States constitutions. *Sisters of Providence in Wash., Inc. v. Municipality of Anchorage*, 672 P.2d 446 (Alaska 1983).

While the use of office space by doctor-tenants in conducting their private practices does provide incidental benefits to the adjacent hospital, the office space is not used exclusively for hospital purposes. *Greater Anchorage Area Borough v. Sisters of Charity*, 553 P.2d 467 (Alaska 1976).

The providing of recreational facilities, such as accommodations for campers, was a charitable use of the property under a former, similar provision. *Matanuska-Susitna Borough v. King's Lake Camp*, 439 P.2d 441 (Alaska 1968).

Electric cooperative operating under arrangement with federal agency is not exempt. - A nonprofit cooperative was not an agency of the United States government simply by virtue of an

"arrangement" with the Rural Electrification Administration pursuant to 7 USC §§ 901-915, and therefore immune from local taxation under a former, similar provision. *City of Anchorage v. Chugach Elec. Ass'n*, 252 F.2d 412 (9th Cir. 1958).

There was no statutory authority under a former, similar provision exempting the property of Chugach Electric Association from taxation by the city of Anchorage and the Anchorage independent school district. *City of Anchorage v. Chugach Elec. Ass'n*, 252 F.2d 412 (9th Cir. 1958).

Exemption of property on federal land inapplicable to Railroad Reserve. - Under a former, similar provision the doctrine that property located upon federally owned land was immune from local taxation was inapposite where it was not shown that the Railroad Reserve was "federal property" or under the exclusive jurisdiction of the federal government. *City of Anchorage v. Chugach Elec. Ass'n*, 252 F.2d 412 (9th Cir. 1958).

Housing project on air force base. - Any property interest of the federal government in an air force base housing project or any other property within a federal reservation is exempt from taxation by state or local authorities, but any private interest in such land is taxable to the extent of the interest. *Ben Lomond, Inc. v. Fairbanks N. Star Borough Bd. of Equalization*, 760 P.2d 508 (Alaska 1988).

Where taxpayer has leased land on an air force base from the federal government and has leased back to the government the housing project taxpayer constructed on the land, taxpayer's leasehold interest as well as its interest in the buildings are subject to taxation. *Ben Lomond, Inc. v. Fairbanks N. Star Borough Bd. of Equalization*, 760 P.2d 508 (Alaska 1988).

Exceptions to exclusive use rule. - The Supreme Court of Alaska acknowledged two very narrow exceptions to the "exclusive use" rule: (1) De minimus uses and (2) an exception under paragraph (a)(3) for property used for purposes directly incidental to and vitally necessary for the exempt use of other property. *City of Nome v. Catholic Bishop*, 707 P.2d 870 (Alaska 1985) (decided under former AS 29.53.020).

Spatial apportionment. - The "all, or any portion of, property" language of Alaska Const., Art. IX, § 4 mandates the spatial apportionment of all property into exempt and nonexempt portions; this section mandates spatial apportionment of applicable "property," "residences," "structures," and "lots." *City of Nome v. Catholic Bishop*, 707 P.2d 870 (Alaska 1985) (decided under former AS 29.53.020).

Cited in *City of Valdez v. State, Dep't of Community & Regional Affairs*, 793 P.2d 532 (Alaska 1990); *State v. Prince*, 53 P.3d 157 (Alaska Ct. App. 2002).

Collateral references. Exemption from taxation of municipally owned or operated stadium, auditorium, and similar proper: 16 ALR2d 1376.

Inclusion of tax-exempt property in determining value of taxable property for purposes of debt limit. 30 ALR2d 903.

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 entire 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. Otherwise, deferred tax payments become due as specified by the municipality at the time the deferral is granted. 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. An application for a deferral must specify when payment of taxes for each year of deferral will become due, together with an explanation of the reasons for each proposed date for consideration by the municipality. 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; am § 2 ch 44 SLA 2006))

Annotations

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

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).

The 2006 amendment, effective August 23, 2006, inserted "entire" in the third sentence of subsection (o), deleted "or, if ownership of any part of the property is transferred, all tax payments are immediately due" at the end of that sentence, and added the fourth and eighth sentences.

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

Section 4, ch. 44, SLA 2006, repealed § 2, ch. 8, SLA 1999, as amended by § 1, ch. 102, SLA 2002, and § 4, ch. 140, SLA 2004, which had directed the July 1, 2010, repeal of (o) of this section.

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).

SB

88

ALASKA STATE LEGISLATURE

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Chair
Senate State Affairs
Administrative Regulation Review

Member
Senate Judiciary Committee
Senate Resources Committee

SENATOR LESIL MCGUIRE

MEMORANDUM

To: Senator Donny Olson
Senate Community and Regional Affairs Committee Chair

From: Senator Lesil McGuire

Date: February 28, 2007

Re: Request for hearing, SB 88 – *Municipal Property Tax Exemption*

I respectfully request that SB 88 "*An Act relating to and increasing the municipal property tax exemption on residences of certain seniors and others; and providing for an effective date*" be scheduled for a hearing at your earliest convenience. Attached you will find the sponsor statement, most current version of the bill, sectional analysis and background information.

If you have any questions or concerns please feel free to contact me personally, or my staff, ~~Martin Carlson Van Don~~ at x3579. Thank you for your time and consideration.

Trevor Fulton

ALASKA STATE LEGISLATURE

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Senate State Affairs
Administrative Regulation Review

Member
Senate Judiciary Committee
Senate Resources Committee

SENATOR LESIL MCGUIRE

SPONSOR STATEMENT

SB 88 – Municipal Property Tax Exemption

Senate Bill 88 will correct existing legislative language and intent passed in 1985 and will continue to assist seniors and disabled veterans. When the legislation was first passed, it provided a property tax exemption on the first \$150,000 value of their homes. For most, that meant an annual break from property taxes.

Twenty-two years later, the value of a residence is seldom in the \$150,000 range, and our seniors and disabled veterans are paying the price. Often, senior citizens and disabled veterans live on fixed incomes. While property values have risen dramatically, compensation to these two groups has not. Dollars spent on rising property taxes mean fewer dollars available for food and medicine.

SB 88 will correct language that has not kept up with inflation. SB 88 raises the exemption from \$150,000 to \$250,000, a much more realistic amount with today's increased cost of living. Passage of SB 88 will provide much needed tax relief to those Alaskans who have sacrificed and worked hard to build the Alaska and nation that we enjoy today.

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SECTIONAL ANALYSIS **SB 88 – *Municipal Property Tax Exemption***

Section 1.

Changes existing statutory language to specify that the exemption is only available to a resident living in the residence and reflects the increase in housing prices. It changes the amount of the exemption from \$150,000 to \$250,000. In the case of hardship the municipality may increase the exemption amount. Existing language remains establishing who is eligible, those 65 or over, disabled veterans, or surviving spouse of a qualified person who is at least 60 years old, and that only one exemption per residence is allowed.

Section 2.

Municipal voters are permitted to approve an exemption that is larger than \$250,000 for qualified individuals, those 65 or over, disabled veterans, or surviving spouse of a qualified person who is at least 60 years old.

Section 3.

The language will take effect on January 1, 2008.

Average selling price for houses highest in Anchorage

Prices for single-family homes have skyrocketed in recent years. Another survey conducted for AHFC shows that the average sale price rose 9 percent from the second half of 2004 to the second half of 2005. For the first time, Anchorage had the highest average sales price at \$294,000, bumping

Juneau down to second at \$281,000. (See Exhibit 10.) Strong economic growth and a shrinking inventory of undeveloped land help explain the 11 percent increase in Anchorage's numbers.

It is important to recognize, however, that average sales price data do not necessarily represent the average prices for an area's total single-family housing stock, but merely the portion that was sold in the given time period. Average sales prices were lowest among the specific areas surveyed in the Kenai Peninsula Borough (\$195,000) and Fairbanks (\$200,000).

Housing is among the most affordable in Fairbanks

Housing affordability indexes combine the sales price data above with average wages in the same area to determine how many wage earners are necessary to afford the average home. In Fairbanks, for example, it takes 1.3 wage earners to buy an average-priced single-family Fairbanks home. (See Exhibit 11.) Higher index numbers represent less affordable housing.

Although housing in the Matanuska-Susitna Borough is relatively inexpensive, lower than average wages make housing less affordable for those who live and work there than it is in many other areas of the state. At the other end of the spectrum, Anchorage's high housing costs are partially offset by higher than average wages, making housing slightly more affordable for those who live and work there.

Not surprisingly, many Mat-Su residents commute to Anchorage to get the best of both worlds – inexpensive housing and high wages. This group shares honors with Fairbanks for the most affordable housing in the state. Housing in Bethel is the least affordable among the areas studied due to a combination of high average housing costs and relatively low average wages.

Statewide, the affordability index rose to 1.5 in the second half of 2005, up from 1.4 a year earlier. The last time the index was as high as 1.5 was in 2000. With the exception of Kodiak, all areas surveyed saw increases in their index numbers. Kodiak enjoyed an improvement in housing affordability due to a higher than average increase in wages – 7 percent compared to the statewide average of 4 percent.

What would \$100 in 1980 equal today?

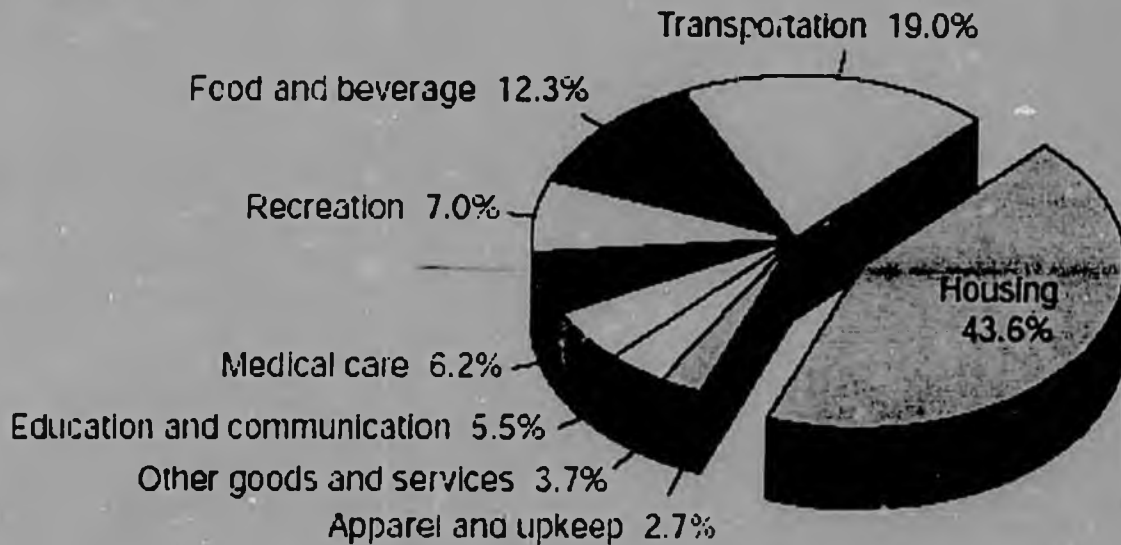
The Anchorage Consumer Price Index can help determine how much money it would take today to equal a dollar amount from some earlier year. To illustrate, this equation shows how \$100 in 1980 would be equal to \$201 in 2005

$$\begin{array}{l} \text{2005 Anchorage CPI (see Exhibit 2)} \\ \text{Divided by 1980 Anchorage CPI} \end{array} \quad \frac{171.8}{85.5} = 2.01$$

The 2.01 is then multiplied by the number of 1980 dollars in order to find the 2005 equivalent (\$100 x 2.01 = \$201). Another way to describe this is to say that \$100 in 1985 had the same purchasing power as \$201 had in 2005.

The formula can also be reversed to deflate current dollars to some earlier year (for example, \$100 in 2005 would equal about \$50 in 1980). Inflation calculators that require only the years and a dollar amount are available at several Web sites, including ours: almis.labor.state.ak.us. (Click on "Cost of Living" in the left margin; then click on "Inflation Calculator," which is based on the U.S. Consumer Price Index.)

4 Consumers Spend Most on Housing Consumer Price Index weighting¹



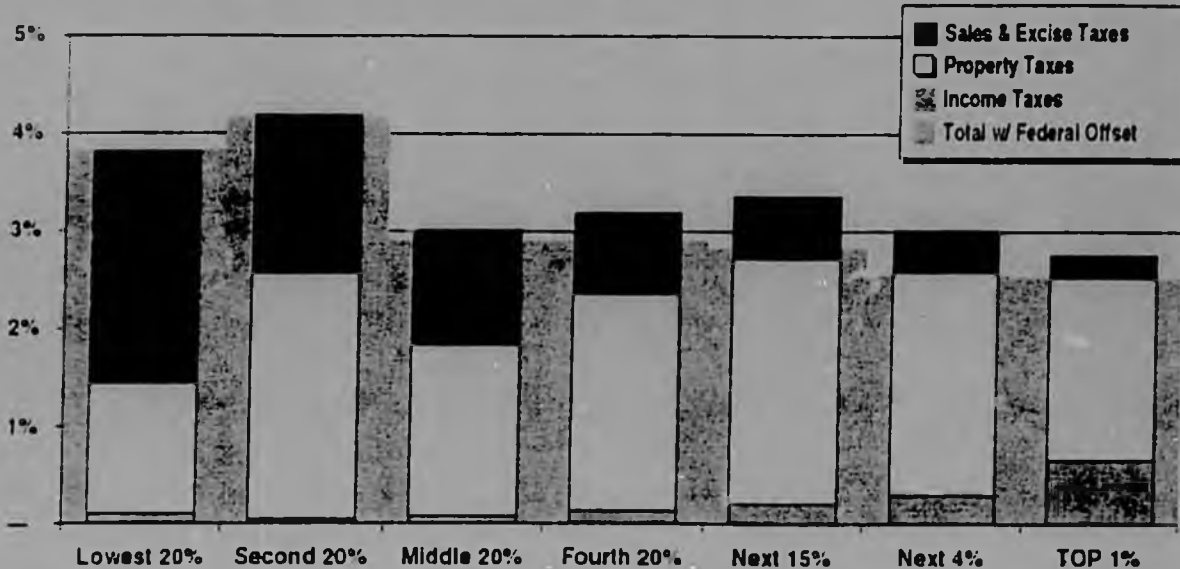
¹ As of December 2005

Source: U.S. Department of Labor, Bureau of Labor Statistics

Alaska

State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$31,000	\$31,000 – \$50,000	\$50,000 – \$80,000	\$80,000 – \$142,000	\$142,000 – \$273,000	\$273,000 or more
Average Income in Group	\$9,900	\$22,600	\$38,500	\$62,300	\$101,000	\$181,000	\$590,000
Sales & Excise Taxes	2.4%	1.6%	1.2%	0.8%	0.6%	0.4%	0.2%
General Sales—Individuals	0.7%	0.6%	0.5%	0.4%	0.3%	0.2%	0.1%
Other Sales & Excise—Ind.	1.3%	0.7%	0.4%	0.3%	0.2%	0.1%	0.0%
Sales & Excise on Business	0.3%	0.3%	0.2%	0.2%	0.1%	0.1%	0.1%
Property Taxes	1.3%	2.5%	1.8%	2.2%	2.5%	2.3%	1.9%
Property Taxes on Families	1.1%	2.4%	1.6%	2.0%	2.1%	1.8%	0.7%
Other Property Taxes	0.2%	0.1%	0.1%	0.2%	0.4%	0.5%	1.2%
Income Taxes	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.7%
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.7%
TOTAL TAXES	3.8%	4.2%	3.0%	3.2%	3.4%	3.0%	2.8%
Federal Deduction Offset	—	-0.0%	-0.1%	-0.3%	-0.5%	-0.5%	-0.2%
TOTAL AFTER OFFSET	3.8%	4.1%	2.9%	2.9%	2.8%	2.5%	2.5%

Note: Table shows 2002 tax law at 2000 income levels.

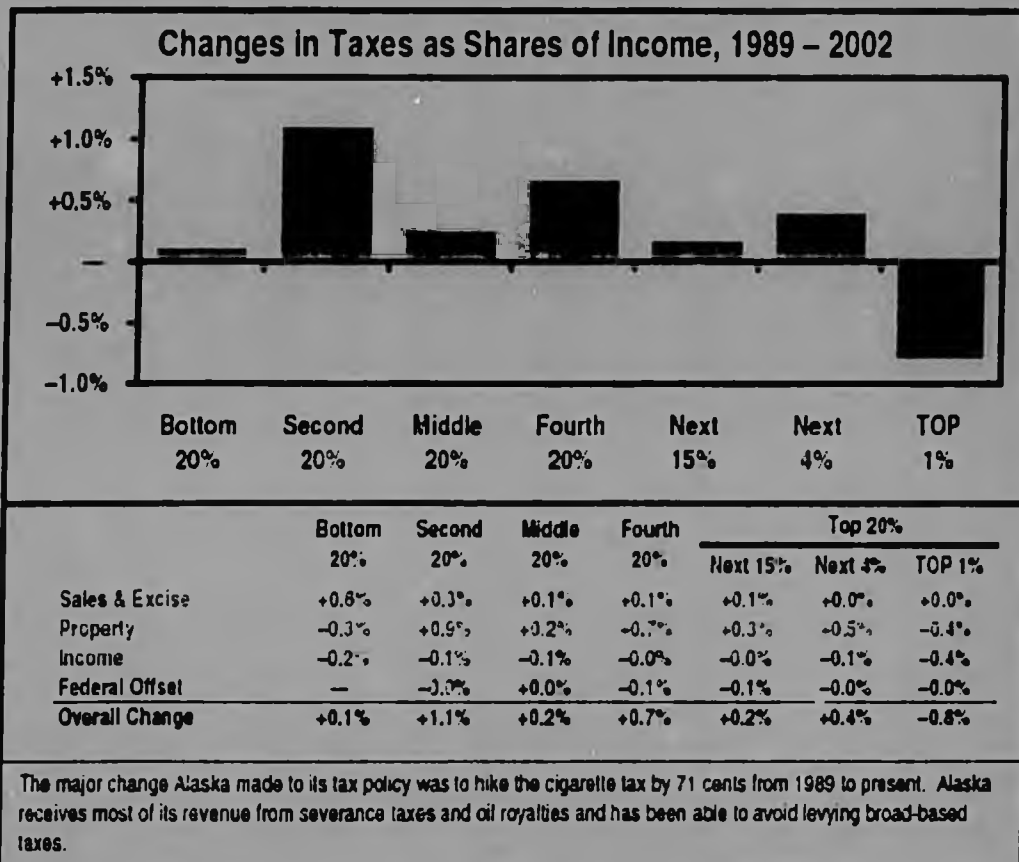
Alaska Tax Trends

Progressive Features

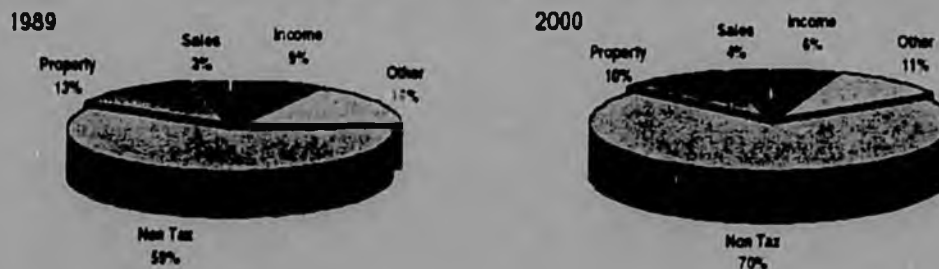
- ✓ No statewide sales tax though many localities apply a local sales tax

Regressive Features

- ✗ No personal income tax



Composition of Revenues



Source: Government Finances, US Department of Census