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Amendment Prevents Municipalities From Offering Increased Property Tax Break

(JUNEAU) - Led by members of the Fiscal Policy Caucus, the House Community & Regional Affairs Committee removed a provision in Senate Bill 4 that would have allowed local governments the freedom to lower property taxes for homeowners by increasing the residential property tax exemption. This would have been the first such adjustment to the property tax exemption since 1974.

The section of the bill removed by the C&RA Committee Thursday would have given local governments the option to offer a \$15,000 residential property tax exemption rather than the current \$10,000.

“In their zeal to adhere to a strict code of political correctness, some members of the committee lost sight of how beneficial the property tax provision would be as a tool for local government,” said the bill sponsor, Senator Gene Therriault. “The limitation in the Senate version that caused the committee to take this action was designed to protect the state treasury from suffering a sizeable loss, not punish the North Slope Borough.”

The House Committee is preventing the tax exemption increase because the Senate version provided a safety valve that precludes any community with bonded indebtedness of more than \$15,000 per capita from offering the additional \$5,000 exemption. Currently the only community that would be subject to this exclusion is the North Slope Borough, which carried a bond debt in 2000 of more than \$64,000 per capita, while the state average was less than \$2,000 per capita. The special provision regarding the level of bonded indebtedness was implemented to prevent a possible \$11 million fiscal loss to the state if taxes in the oil rich borough were shifted from residential property to oil and gas property.

Under [AS 43.56](#), the state imposes a 20-mill tax on oil and gas property. If the municipality also has a property tax, the owner of oil and gas property is allowed a credit for any local taxes before paying the state tax. The Senate version of SB 4 addressed the concern that the municipality would offer the residential exemption, then increase the mill rate to make up the difference. While residents would see no net change, the municipality would take in significantly more from oil and gas property at the expense of the state.

The version of SB 4 passed out by the House C&RA Committee retains a provision that gives municipalities the option of exempting up to \$10,000 per resident in a household, up to two people, who are certified as volunteer firefighters or volunteer EMS professionals.

[SB 4](#) now goes to the House Finance Committee for consideration.

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