



Alaska State Legislature

Senate Majority Web: <http://www.akrepublicans.org>

Sponsor: Senator Tom Wagoner
Current Version: CSSB 136 (FIN) am
Contact: Mary Jackson, 465-2828 Interim: 283-7996
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Fact Sheet for: Senate Bill 136

Short Title: Residential Property Tax Exemption

Summary:

- Clarifies the authority of municipalities regarding application of property tax exemptions for services areas.
- Increases the property tax exemption for residential properties from \$10,000 to \$20,000.
- Extends the time provided for deteriorated property to file for exemptions from five to ten years (the current exemption statute expires July 1, 2006).
- Adds the terms “demolition, removal” to the deteriorated property exemption statute.
- Exempts certain private property interests on military bases or installations when they have agreements for payment in lieu of taxes.

Benefits:

- Ensures maximum municipal flexibility in the process of property tax exemption.
- Extension of the deteriorated property statute allows current in-process properties to complete their renovation, thus enhancing the property tax roles.
- Increasing the residential exemption from \$10,000 to \$20,000 provides for added resident tax relief.
- Provides certainty to private property interests on military bases regarding municipal taxation.

Background:

The \$10,000 property tax exemption was established in 1974 and has not been revised since then. The bill has an indeterminate fiscal note– the worst-case scenario assumes that all municipalities will increase their mill rate to offset the tax exemption. In turn, that would impact state revenues in areas where oil and gas properties are located; i.e., more tax revenues to municipalities and less to the state. The worst-case scenario does not take into account the fact that many municipalities have fund balances to offset the increased exemption or have other methods of taxation – like sales tax or fisheries tax. The mandatory property tax exemption for certain private property interests is basically already provided for in federal law, this will prevent the unreasonable practice of municipal taxation of these projects when the municipality receives impact aide.