

# FISCAL NOTE

**STATE OF ALASKA**  
**2003 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: SB136  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): March 17, 2003 Dept. Affected: Revenue  
 Title Residential Property Tax Exemption BRU Revenue Operations  
 Component Tax Division  
 Sponsor Sen. Community & Regional Affairs  
 Requester Sen. Community & Regional Affairs Component No. 2476

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

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

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

Estimate of any current year (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

\*\*\* See Page 2 for discussion of possible revenue effect on the state.

Prepared by: Dan Dickinson, Director Phone 269-1033  
 Division Tax Division Date/Time 3/17/03 7:11 PM  
 Approved by: Larry Persily, Deputy Commissioner Date 3/17/2003  
 Agency Department of Revenue

## Department of Revenue Fiscal Note Explanation for SB136

March 17, 2003 - Page 2 of 2

This legislation would allow municipalities to exempt -- by a vote of the public -- up to \$50,000 in assessed annual valuation of each parcel of residential property.

This could have an indirect effect on state revenues if municipalities increase their residential property assessment exemption and then increase their overall mill rate to make up for the lost revenue. That effect is hard to calculate, which is why the fiscal note shows an indeterminate amount.

Under AS 43.56, the state imposes a 20-mill tax on oil and gas property in the state. If the municipality in which the oil and gas property is located also has a property tax, the taxpayer is allowed a credit for any local taxes before paying the state tax. For example, assume oil and gas property valued at \$1 million is located in a borough with a 15-mill tax rate. The oil and gas property taxpayer would pay \$15,000 to the locality. When it files its state taxes it has an obligation of \$20,000 (the 20-mill rate), offset by a credit of \$15,000 for local taxes, so it would send a check for \$5,000 to the state. Therefore, if the mill rates increase because of this legislation in localities that have extensive oil and gas production property, oil and gas taxpayers will pay more to the localities and less to the state.

### Therefore:

- Assuming all municipalities with oil and gas property took advantage of the provision in this legislation and adopted a \$50,000 exemption for residential property taxpayers,
- And assuming every affected municipality raised its property tax mill rate to fully recover the revenue loss from the lower assessment valuation on residential property,
- And assuming that the state lost its share of oil and gas property tax revenue dollar for dollar with the increase in municipal taxes,
- The annual revenue drop to the state could be approximately \$1.975 million.

However, the Department of Revenue cannot predict how municipalities might implement the residential property tax exemption, or whether cities and boroughs would raise their mill rates or reduce their budget to accommodate the reduced residential property tax revenues. Therefore, we cannot accurately project what effect this legislation would have on state property tax revenues.