

# Budget Advisory Commission

## Property Tax Exemptions

Bryant Robbins, Municipal Assessor

Kelly Lewis, Deputy Director

December 4, 2013

# Questions and Responses

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# BAC QUESTIONS

Budget Advisory Commission requested information regarding property tax exempt properties within the Municipality of Anchorage.

1. Copies of Alaska Statutes regarding Tax Exemptions as applicable to the above.
2. Copies of any Municipal Ordinance that also would dovetail with the State Statutes.
3. The Total Number of Exempt Properties within the Municipality and broken out if possible by Categories, (i.e., State, Federal, Religious ect.).
4. A rough estimate of the value of the exemptions, exclusive of State and Federal if possible.

# What is a tax exemption?

- All property is taxable under the Alaska Constitution.
- Tax exemptions must be provided by Alaska Statutes.
- A tax exemption shifts the tax burden from exempt property owners to non-exempt property owners.
- The amount of revenue required to fund public services is not reduced – just who pays the taxes is shifted.

# How Exemptions Work

For Example...

- Dinner for 10 people costs \$500 or \$50 each.
- If we chose to “exempt” 4 people from paying for dinner – the total cost of dinner does not get reduced.
- The remaining 6 (non-exempt) people have to pay an increased share of the total bill.
  - The total share per non-exempt person goes from \$50 each to \$83.33 each for the same meal
    - 67% increase per person.

**The need for revenue does not change with exemptions, but the non-exempt tax payers pay more.**

# State Law and Municipal Code

## Mandatory Exemptions (AS 29.45.030)

- Exemptions Required by State Statutes
- Codified in Municipal Code 12.15.015 (D)

## Optional Exemptions (AS 29.45.050)

- Exemptions allowed by State Law, but require authorization by governing body and/or public vote.
- Community Purpose and Residential Exemptions codified in Municipal Code 12.15.015 (E)

# Required Property Tax Exemptions

AS 29.45.030

- Governmental Mandatory-Federal, State, Municipal, Native Claim, Housing Authority
- Non-Governmental Mandatory
  - Non-Profit Property Used EXCLUSIVELY for:
    - Religious purposes
    - Charitable purposes
    - Cemetery purposes
    - Hospital purposes
    - Educational purposes
  - Homes of Senior Citizens and Disabled Veterans – reduction of assessed value up to \$150,000
  - Fire suppression
  - Utility
  - Veteran Organizations

# Optional Property Tax Exemptions Enacted by the MOA

AS 29.45.050

- Property owned by non-profit organizations used for community purposes
  - Enacted by Assembly
- \$20K residential “homestead” exemption
  - Approved by vote, 2005



# Exemption Summary

Exemption Type	Number of Parcels	2013 Estimated Value	Estimated taxes shifted to non-exempt owners (15.56 mills)
Real Property Only			
Governmental Mandatory	3,614	\$852,590,872	\$13,266,314
Non-Governmental Mandatory	14,938	\$3,093,129,032	\$48,129,088
Optional (Residential and Community Purpose)	48,139	\$956,724,668	\$14,886,636
<b>TOTAL</b>	<b>66,691</b>	<b>\$4,902,444,572</b>	<b>\$76,282,038</b>

# Governmental Mandatory Exemptions

Exemption Type Real Property Only	Number of Parcels	2013 Estimated Value	Estimated taxes shifted to non-exempt owners (15.56 mills)
Federal	207	\$16,300,900	\$253,642
State	925	\$312,270,808	\$4,858,934
Municipal	1,934	\$438,755,946	\$6,827,043
Native Claim	461	\$59,329,570	\$923,168
Housing Authority	87	\$25,933,648	\$403,528
<b>TOTAL</b>	<b>3,614</b>	<b>\$852,590,872</b>	<b>\$13,266,314</b>

# Non-Governmental Mandatory Exemptions

Exemption Type Real Property Only	Number of Parcels	2013 Estimated Value	Estimated taxes shifted to non- exempt owners (15.56 mills)
Religious	425	\$141,093,891	\$2,195,421
Charitable	306	\$292,511,129	\$4,551,473
Cemetery	32	\$1,717,300	\$26,721
Hospital	2	\$261,816,775	\$4,073,869
Educational	166	\$378,537,953	\$5,890,051
<b>Senior Citizens</b>	<b>11,091</b>	<b>\$1,673,254,609</b>	<b>\$26,035,842</b>
Disabled Veterans	2,034	\$302,135,015	\$4,701,221
Fire Suppression	779	\$34,777,860	\$541,144
Utility	87	\$4,737,300	\$73,712
Veteran Organizations	16	\$2,547,200	\$39,634
<b>TOTAL</b>	<b>14,938</b>	<b>\$3,093,129,032</b>	<b>\$48,129,088</b>

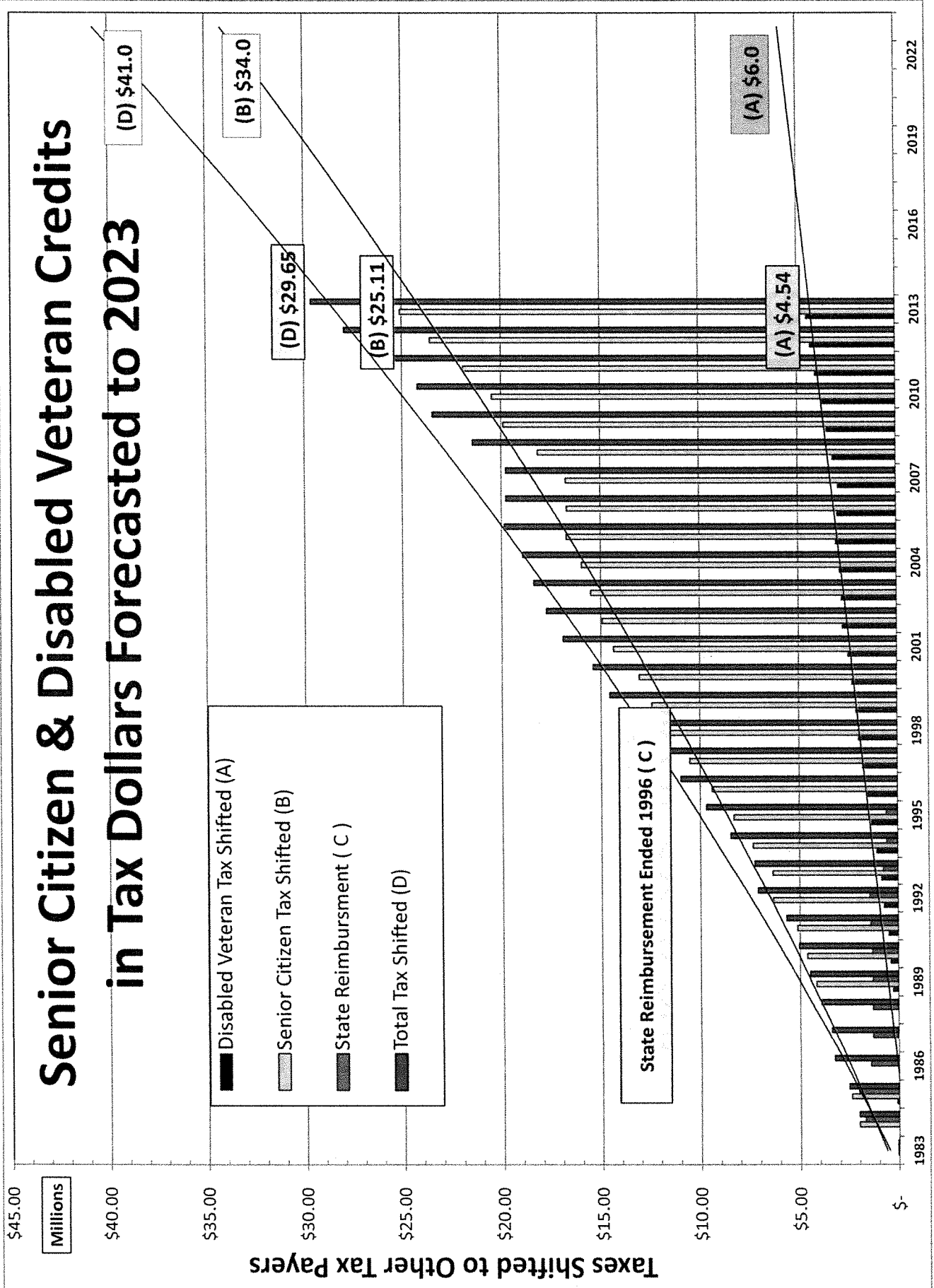
# Optional Exemptions Enacted by the MOA

Exemption Type	Number of Parcels	2013 Estimated Value	Estimated taxes shifted to non- exempt owners (15.56 mills)
Real Property Only			
Community Purpose	31	\$19,624,502	\$305,357
Residential	48,108	\$937,100,166	\$14,581,279
<b>TOTAL</b>	<b>48,139</b>	<b>\$956,724,668</b>	<b>\$14,886,636</b>

# Mandatory Exemptions Equal Unfunded Mandates for the MOA

- When the State of Alaska creates a “mandatory” exemption, the MOA is required to remove property from the tax rolls.
- In 2013, the mandatory exemptions resulted in a \$48,129,088 **UNFUNDED MANDATE** from the State of Alaska.
- Mandatory exemptions from the State of Alaska result in a shift of the tax burden to other non-exempt taxpayers.

# Senior Citizen & Disabled Veteran Credits in Tax Dollars Forecasted to 2023



## Federal PILT:

Federal PILT (payments in lieu of taxes) are paid by the US Department of the Interior to the Municipality and are intended to offset property taxes that are lost due to nontaxable federal lands within the boundaries of local governments. The federal law that implemented the payments is Public Law 94-565, dated October 20, 1976. The Federal PILT payments are made annually for tax-exempt Federal lands administered by the Bureau of Land Management, the National Park Service, the U.S. Fish and Wildlife Service (all agencies of the Interior Department), the U.S. Forest service (part of the U.S. Department of Agriculture), and for Federal water projects and some military installations. The Department of the Interior's (DOI) Office of the Secretary has administrative authority over the PILT program. DOI calculates payments according to the formulas established by law and distributes the funds appropriated by Congress. The formula used to compute the payments is contained in the PILT Act and is based on population, receipt sharing payments, and the amount of Federal land within an affected county. The US Department of Interior web site has more details about the amount of the payments and the formula (see <http://www.doi.gov/pilt/>).

The Federal PILT payments received by the Municipality vary year-to-year depending on Congressional appropriations and changes in calculated allocation across eligible jurisdictions. The payment for FY 2014 is projected to be about \$646k, and the annual payments have averaged about \$666k the last five years.

### Federal PILT payments posted in account 9857

2005	481,083
2006	489,313
2007	486,563
2008	770,443
2009	789,379
2010	680,539
2011	654,650
2012	680,395
2013	670,290
2014 Projected	646,406

## State PILT:

The Municipality receives State PILT from the Alaska Housing Finance Corporation (AHFC). The relevant State statute for these payments is AS 18.55.250. Property of Corporation Exempt From Taxes and Assessments:

"The property owned by the corporation under the authority granted in AS 18.55.100 - 18.55.290 is public property used for essential public and governmental purposes, and is exempt from all taxes and special assessments of a municipality, the state, or a political subdivision of the state. However, instead of the payment of taxes on this property, 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 or public building project."

The State PILT payments from AHFC to the Municipality have increased in most, but not all, of the past ten years. The State PILT payment in FY 2014 is projected to be about \$183k, and the average annual payment over the last five years was \$159k.

**State PILT payments  
from Alaska Housing Finance  
Corporation posted in account 9856**

2005	107,925
2006	118,340
2007	118,434
2008	132,736
2009	140,955
2010	163,926
2011	135,471
2012	143,593
2013	148,854
2014 Projected	183,488

**Private PILT:**

Most of the private PILT payments received by the Municipality are from the Aurora Military Housing on Joint Base Elmendorf Richardson. The amount of their PILT payment is based on a special agreement with the Municipality and is about \$1.7M annually. Their payment makes up about 95% of the total revenues from all Private PILT payments received by the Municipality.

The Municipality also receives a smaller Private PILT payment from Cook Inlet Housing Authority (CIHA). The payment from Cook Inlet Housing Authority is currently about \$90k annually and has been increasing gradually over the last ten years.

Aside from the PILT from Aurora Military Housing and the Cook Inlet Housing Authority, there are much smaller postings in account 9855 (Private PILT). However, most of these postings are described as "Summarized Cash Receipts" in People Soft. Based on the limited description available in the People Soft, it is not possible to determine the exact amount paid by each organization or the names of the organizations that made the payments. The third column in the table below shows the total of all of the postings in account 9855 other than the PILT from Aurora Military Housing or CIHA.

**Private PILT revenues posted in account 9855**

	Aurora Military Housing PILT	Estimated Cook Inlet Housing Authority (CIHA) PILT	All Other Postings to account 9855 (including special adjustments to prior year values)	Total
2005	625,000	50,112	-	675,112
2006	625,000	50,806	4,290	680,096
2007	625,000	44,771	6,140	675,911
2008	625,000	49,965	5,000	679,965
2009	860,130	52,404	4,644	917,178
2010	860,130	61,000	39,494	960,624
2011	894,623	63,000	2,100	959,723
2012	1,628,138	83,328	25,562	1,737,028
2013	1,727,116	90,225	(2,882)	1,814,459
2014 projected	1,675,937	87,343	-	1,763,280



Notes:

The amount of the CIHA payment shown in this table is an estimate based on an analysis of postings on People Soft in account 9855. Because of accruals, reversed accruals, and corrections, the actual amount of the CIHA payments are typically posted in several pieces across more than one year. This table attempts to combine the pieces as accurately as possible to develop an estimate of the total CIHA payment each year.

The revenue from these "Other" Private PILT payments in 2013 was negative because of a special one-time correction adjustment to prior year PILT payments.