MUNICIPALITY OF ANCHORAGE

Assembly Information Memorandum

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FROM: **MAYOR**

SUBJECT: **REPORT ON FULLY TAX-EXEMPT REAL PROPERTY PURSUANT TO AR 2026-73, AS AMENDED.**

On March 24, 2026, the Anchorage Assembly adopted AR 2026-73, As Amended, requesting a comprehensive review and audit of fully tax-exempt real property within the Municipality.

The Resolution requests verification of continued qualification, identification of potentially noncompliant exemptions, estimated fiscal impacts, enforcement and recovery options, feasibility of recurring audits, and transparency and public reporting options.

Section 3 of the Resolution directs the Administration to provide an initial report outlining the proposed scope of work, methodology, estimated staff time and resources, and estimated impacts associated with conducting a comprehensive audit.

Attached is the Property Appraisal Division’s report, prepared in collaboration with Internal Audit, which addresses these items.

The report recommends completing the current review trajectory for identified high- and medium-priority exemption files, improving the annual certification process, and using a risk-based recurring review framework for fully exempt property.

Property Appraisal remains committed to maintaining an accurate tax base and administering exemptions in a consistent, transparent, and legally supportable manner.

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Report on Audit of Fully Tax-Exempt Real Property

Municipality of Anchorage
Property Appraisal Division in collaboration with Internal Audit

Introduction

Purpose

This report responds to Assembly Resolution 2026-073, As Amended ("Resolution"), which requests a comprehensive review and audit of fully tax-exempt real property to verify continued qualification, identify potentially non-compliant exemptions, estimate fiscal impacts, evaluate enforcement mechanisms, and assess broader implementation options. Consistent with the Resolution's request for an initial report, this report primarily outlines the scope of work, methodology, operational considerations, estimated staffing and resource needs, work already undertaken by the Property Appraisal Division ("Division"), and potential implementation approaches. Where practical, this report also addresses specific requests from the Assembly directly, including the estimated fiscal impact of misclassified or improperly exempted property.

Summary of Resolution

The Resolution is organized into three sections. The first section requests coordination between the Office of Internal Audit, the Mayor, and the Administration to initiate a comprehensive review and audit of fully tax-exempt real property. This includes verifying continued qualification under municipal and state requirements, estimating the fiscal impact associated with potentially non-qualifying exemptions, and recommending enforcement mechanisms related to improperly exempted property.

The second section requests the Administration analyze the feasibility and capacity to correct misclassified exemptions, conduct recurring exemption audits, and identify opportunities to improve transparency and public reporting.

The third section directs the Administration to provide an initial report outlining the proposed scope of work, methodology, estimated staff time and resources, and estimated impacts associated with conducting a comprehensive audit.

The remainder of this report is organized into:

- Overview of the types of fully exempt property administered by the Division
- Background on exemption review work already completed and remaining workload
- Scope, staffing, and implementation considerations for continued qualification review
- Methods for identifying and reviewing potentially non-compliant exemptions
- Estimated fiscal impacts associated with misclassified or improperly exempted property
- Enforcement and recovery options, including related limitations
- Long-term recurring review and audit framework
- Transparency and public reporting options

Types of fully exempt property

The Municipality administers a wide range of property tax exemptions under the Alaska Statutes, the Anchorage Municipal Code, and federal law. These exemptions vary substantially in application processes, qualification requirements, review methodologies, duration, exemption magnitudes, and the level of ongoing verification required to determine continued eligibility. Based on what's allowed by law, exemptions can be categorized into partially exempt and fully exempt property.

The Municipality administers several partial exemption programs, including but not limited to the residential property exemption and the senior citizen and disabled veteran exemption. Combined, these two partial exemption programs account for just under 50% of the total exempt value within the Municipality. However, because Assembly Resolution 2026-073 primarily focuses on fully tax-exempt property, the remainder of this report examines exemption types that allow property to be fully exempt from taxation.

For purposes of this report, fully exempt property refers to exemption types that may allow a property to be fully exempt from taxation. In most cases, property within these exemption categories is fully exempt. However, in some cases, only a portion of the property may qualify for exemption due to a partial non-qualifying use or private interests within government property.

While fully exempt property is often discussed as a single category, qualification standards and review methodologies vary significantly by exemption type. Certain exemptions, such as government-owned property, are primarily ownership-based and relatively straightforward to verify, while others, such as religious, charitable, or community purpose exemptions, require more fact-specific review involving organizational purpose and property use. As a result, the level of review necessary to evaluate continued qualification varies substantially across exemption categories.

The table below summarizes several of the primary categories of fully exempt property currently administered by the Division:

Table 1: Primary Categories of Fully Exempt Property

Exemption Type	Count	Total Exempt Amount	Avg. Exempt Amount	Primary Qualification Basis	General Review Complexity
Government	2,993	$5,754,263,600	$1,922,574	Ownership	Low
Nonprofit religious, charitable, cemetery, hospital, or educational	813	$1,563,812,679	$1,923,509	Charitable purpose and use	Moderate to high
Native	452	$230,935,200	$510,919	Ownership/ANCSA status	Low to moderate
Utility	103	$160,577,900	$1,559,009	Ownership	Low
Housing Authority	81	$77,216,900	$953,295	Ownership	Low
Deteriorated Property	4	$45,903,196	$11,475,799	Assembly Resolution	Initially high
Community Purpose	26	$34,012,400	$1,308,169	Charitable purpose and use	Moderate to high
Veteran Organization	14	$9,943,700	$710,264	Ownership and use	Moderate
Charter School	3	$5,571,923	$1,857,308	Use as a charter	Moderate

As illustrated above, government-owned property represents most of the fully exempt property within the Municipality by both total exempt value and exemption count. These exemptions are primarily ownership-based and lend themselves to comparatively straightforward review procedures focused on ownership verification, with the only exception being where there is a private interest in the property. Similarly, many Native-owned exempt properties are primarily reviewed based on ownership and development status under the Alaska Native Claims Settlement Act (ANCSA), which may also allow for comparatively straightforward, recurring verification procedures.

Other exemption categories, such as utilities and housing authorities, are also largely ownership-based from a property tax administration standpoint. While the underlying payment-in-lieu-of-tax (PILT) arrangements associated with these exemptions may involve policy or contractual complexity, the process of administering the property tax exemption itself is generally straightforward.

By comparison, charitable, religious, community purpose, hospital, and certain educational exemptions often require substantially more fact-specific review. Evaluation of these exemptions may involve review of organizational documents, operational activities, lease arrangements, mixed-use considerations, financial information, and continued qualification under municipal and state requirements. In some cases, review of these exemptions may also require familiarity with applicable state statutes, constitutional considerations, and applicable case law.

Regardless of exemption type, there needs to be processes in place for the administration of both fully and partially exempt property. The following section summarizes steps already undertaken by the Division to improve exemption management.

Background

Need for review

In recent years, the Division identified a need for more consistent review of fully tax-exempt property. As exemption records accumulated, documentation, tracking, and periodic verification became increasingly important, particularly for exemptions requiring fact-specific analysis of ownership, use, organizational structure, or continued qualification under municipal and state requirements.

Reorganization

In 2023, the Division restructured the Customer Service Section, now known as the Administrative Services Team, to improve workforce stability, efficiency, and alignment with increasing workload demands, particularly the increase in the quantity and diversity of exemptions. As part of that restructuring, workflows and position descriptions were updated, and approximately 55% of one full-time employee (FTE) was dedicated to reviewing fully tax-exempt property, primarily during the latter half of the year.

Reviews already completed

Following the reorganization, the Division initiated a review of exemptions in late 2024. The review initially focused on government-owned exempt property to verify continued ownership by qualifying governmental entities.

The Division also initiated a large-scale review of historical exemption records. This included reviewing thousands of physical records, linking physical applications to the computer-assisted mass appraisal (“CAMA”) system, reviewing supporting documentation, and conducting a brief evaluation on the merits of the exemption.

As a result of this review, the Division identified approximately 100 applications requiring high-priority follow-up and approximately 550 applications requiring medium-priority follow-up. Medium-priority applications generally consisted of files in which supplemental documentation may have been incomplete or outdated, but in which the apparent use of the property remained generally consistent with the exemption application.

Under AMC 12.15.015, the Assessor may require property owners receiving certain exemptions to submit an annual certification to verify continued eligibility for the exemption. To date, the Division has requested annual certification on approximately 80 of the 100 high-priority applications. And of those 80 audited, the annual certification process has effectively been a new application, including, but not limited to, new contact information, statement of property use, demonstration of charitable purpose, and other information as warranted, to ensure the property continues to qualify under municipal and state requirements.

Approximately 20 annual certification reviews occurred for tax year 2025, and approximately 60 for tax year 2026. The Division prioritized applications where records appeared incomplete, outdated, inconsistent with the exemption on file, or otherwise warranted additional review based on the available information.

In late 2024 for the 2025 tax year, the Division observed relatively low response rates to annual certification requests, particularly when property owners did not respond until after receiving a tax bill reflecting the removal of the exemption. Based on these observations, the Division modified its review approach for the 2026 tax year to include additional follow-up efforts, such as second and third written notices, research of alternative contact information, direct phone and email outreach, and site inspections where appropriate.

While these additional efforts substantially increased the staff time per review, response rates improved significantly. Of the 60 applications under review for tax year 2026, one failed to file, and one failed to submit by the deadline.

Remaining work under current staffing levels
The Division currently estimates about 20 high-priority and approximately 550 medium-priority applications remain for further review. Based on current review procedures and staffing levels, the remaining work is estimated to require approximately 120 FTE weeks to complete.

The estimated workload includes re-review of original applications, annual certification requests, applicant follow-up, research of alternative contacts, site inspections, application review, escalation where needed, final determinations, decision review, and issuance of determination letters. At the time of the 2023 restructuring, the Division did not yet know the full number of exemptions that would require additional review or the extent to which exemption audits would require the same level of review as new exemption applications. As the Division has worked through these reviews, many audits have required evaluation of ownership, organizational purpose, property use, leases, occupancy, and supporting documentation.

The estimated workload is summarized in the following table:

Table 2: Estimated Workload for Remaining High- and Medium-Priority Exemption Reviews		
Step	Quantity	FTE (weeks)*
Re-review the Original Application	570	14
Sending a request for the annual certification	570	4
Research alternative contacts for non-responses and follow up	570	14
Working and assisting with the applicant	428	5
Final follow-up request	228	6
Site visit	57	2
Straightforward application	399	25
Minor Escalation of application to Manager/Deputy Director	114	9
Escalation to Assessor/Legal	57	6
Final Determination and drafting of the letter	570	21
Decision Review	570	10
Sending/emailing determination	570	4
Total		**120**

*Full-time employee weeks reflect full-time staff effort; current staffing allocates approximately 55% of one FTE to exemption audit work.

As shown in the table, the estimated 120 FTE weeks reflect the total staff effort needed to complete the remaining review work, not the dedicated audit capacity currently available within the Division. Certain steps, such as escalated review, final determinations, and decision review, may require support from other staff or management. However, that support is limited to specific review functions and should not be understood as additional dedicated audit capacity.

At the current staffing allocation, completing the identified workload within the next three to four years is unlikely. Section 1.1 provides additional discussion of the constraints affecting the timeline, potential approaches to accelerate review, and the expected timing impacts if those approaches are implemented.

Resolution Scope of Work

While the work already conducted and the remaining work discussed in the previous section overlap with the Resolution, the Resolution expands the scope of work (SOW). The requests from the Assembly outlined in Resolution Sections 1.1 through 2.3, involve several distinct categories of work:

- 1.1: Verification of continued qualification for exempt property
- 1.2: Identification and review of potentially non-compliant exemptions
- 1.3: Estimation of fiscal impacts associated with improperly exempted property
- 1.4: Evaluation and recommendation of enforcement mechanisms
- 2.1: Examine options for property tax recovery
- 2.2: Development of a recurring five-year review
- 2.3. Assessment of transparency and public reporting options

The Division believes the scale, staffing needs, and pace of implementation associated with these efforts may vary substantially depending on the final scope, timeline, and expectations for the Division.

Section 1.1 Verification of Continued Qualification for Exempt Property

Scope of work

The first request outlined in the Resolution involves verifying continued qualification for exempt property under applicable municipal and state requirements. The Division believes the majority of the immediate workload associated with the Resolution falls under Section 1.1. Accordingly, much of the operational discussion within this report focuses on this section.

Portions of this work are already underway through the Division's current exemption review efforts, as discussed previously in this report, in which the Division has reviewed thousands of historical exemption records, reconciled physical files with the CAMA system, identified applications requiring additional follow-up, and initiated annual certification reviews for high-priority applications.

A broad interpretation of Section 1.1 would involve re-examining the eligibility of all exemptions that require ongoing analysis of organizational purpose, property use, or continued qualification under municipal and state requirements, resulting in over 800 exemptions to review and audit. Under this approach, the estimated workload would likely increase approximately 70 percent to 200 FTE weeks and would take significantly longer to complete.

A narrower interpretation of Section 1.1 would primarily involve completing the current review trajectory associated with the identified high- and medium-priority applications, and given the Division has already reviewed all physical exemption files and identified priority applications for follow-up, the Division believes the more practical approach is to continue the current review trajectory and incorporate exemptions not identified for additional follow-up into a recurring review cycle, as discussed further in Section 2.2. Under this approach, the remaining scope of work associated with Section 1.1 would remain at approximately 120 FTE weeks.

Current Constraints

The timeline for completing the remaining Section 1.1 reviews is constrained by several factors, including the immediate 2026 workload, limited staff time dedicated to audits, and the annual certification deadline.

First, the unusually high 2026 appeal and exemption workload will likely delay substantial work on the remaining Section 1.1 reviews until the fourth quarter of 2026, at the very earliest. In 2026, the Division received nearly 2,000 appeals and more than 4,000 exemption applications across all exemption categories, requiring substantial staff time before additional resources can be directed toward exemption audits.

Second, the Division has limited dedicated audit capacity, with approximately 55% of one full-time employee allocated to exemption audit work. While certain steps require support from other staff or management, that support is generally limited to determinations, escalated review, or decision review and does not represent additional dedicated audit capacity.

Third, the annual certification process creates a practical processing-window constraint. Annual certification responses are currently tied to the March 15 filing deadline, and exemption determinations generally must be completed by May 15 to support tax billing. Because many applicants wait until near the filing deadline to respond, a substantial portion of the annual workload is concentrated within a short review window. This also increases the amount of staff time needed for follow-up, including reminder notices, contact research, phone calls, emails, and other outreach. When applicants do not respond, it can also create avoidable questions, appeals, administrative reviews, and tax liability that may be burdensome to nonprofit organizations. As a result, the Division cannot base the number of annual certification requests solely on total annual staff capacity and may need to strategically limit the number initiated each year to ensure the resulting reviews and determinations can be completed within the available processing window.

Given the unusually high 2026 workload, limited dedicated audit capacity, and compressed annual certification processing window, it is expected completion of the remaining Section 1.1 workload will not be until late 2031 or early 2032 under the current approach. The Division recognizes this timeline is less than ideal. As a result, the Division has identified two solutions to accelerate review and audit efforts.

Potential Ways to Accelerate Review

The Division believes there are two primary mechanisms to improve the pace and efficiency of exemption review efforts: changes to staff resource allocation and modifications to annual certification requirements.

Staffing Allocation and Operational Prioritization

The Division is pursuing structural changes within the Administrative Services Team to increase exemption review capacity, with a completion goal end of third quarter this year. Specifically, the Division is working to upgrade two existing positions. One of the upgraded positions is expected to have a substantial portion dedicated to exemption review and audit work, while the second upgraded position would provide broader support to the Administrative Services Team to offset the loss of capacity due to increased exemption review and audit effort.

These changes are particularly important because the Division’s experience has shown exemption audits frequently require the same level of analysis and documentation as new exemption applications. The work may include evaluating organizational purpose, property use, leases, occupancy, supporting documentation, and applicable legal requirements, as well as drafting or reviewing final determinations. Together, the proposed upgrades would increase dedicated audit capacity while helping the Team maintain its other operational responsibilities.

These structural changes are expected to significantly increase the Division’s exemption review capacity. However, additional capacity alone will not eliminate the constraints discussed above. The unusually high 2026 workload may delay substantial audit activity until later in the year, and the March 15 annual certification deadline will continue to limit the number of reviews that can be effectively processed within the available determination window. Nevertheless, the position upgrades represent a significant step toward accelerating the initial review effort and establishing a more sustainable exemption review program.

Annual Certification

In addition to increasing review capacity, the Division believes the annual certification timeline must be revised to better distribute review work throughout the year. One possible alternative would be to establish a rolling response deadline tied to the date of the Division’s annual certification request.

For example, applicants would be required to respond within a specified period, such as 90 days after the request is issued, rather than allowing until the next March 15 filing deadline. This approach would distribute responses more evenly throughout the year, reduce unnecessary follow-up, improve response timeliness, reduce avoidable hardship and appeals, and allow the Division to use its available review capacity more effectively.

Under this approach, an applicant whose exemption was removed for failure to timely respond to an annual certification request would still retain the ability to submit a new exemption application by the applicable March 15 filing deadline.

Recommendation on Section 1.1

The Division recommends continuing the current review trajectory for the identified high- and medium-priority applications while pursuing the proposed changes to the annual certification timeline and completing the structural changes within the Administrative Services Team. Together, these measures would help distribute the annual review workload more evenly, increase exemption review capacity, and accelerate completion of the remaining Section 1.1 workload. The Division further recommends incorporating exemptions not identified for immediate follow-up into a recurring review cycle, as discussed in Section 2.2, rather than immediately expanding the current review to all non-ownership-based exemptions.

Section 1.2: Identification and review of potentially non-compliant exemptions

The second request outlined in the Resolution involves the identification and review of potentially non-compliant exemptions under AMC 12.15.010 or required exemptions by state law, AS 29.45.030. While portions of this work overlap with the review efforts discussed in Section 1.1, the Division believes this section is more appropriately focused on developing mechanisms to systematically review and flag exemptions that are more likely to be ineligible for the applicable exemption.

Mechanisms to systematically review exemptions can be broken into two categories. The first includes approaches that appear reasonably feasible to incorporate into existing review efforts. The second includes approaches that may have value but require additional evaluation and/or significant effort to develop; hence, the second approach are ideas worth exploring at this time.

Mechanisms Feasible to Integrate into Current Review

Exemption by Type

The Division believes certain exemption categories may be more likely than others to experience changes in ownership, occupancy, organizational structure, or property use over time. For example, religious housing exemptions may be subject to changes in living arrangements or occupancy status that could affect qualification under state law. Similarly, mixed-use exemptions or properties with leases may be more likely to experience changes in use over time. As a result, the Division believes some exemption categories may warrant a higher level of recurring review or prioritization than others. Certain recommendations discussed in this section could also be implemented immediately within the Division’s existing review efforts.

Reporting Portal

Another opportunity to identify exemptions for potential noncompliance is through public reporting and transparency efforts. This could include creating a dedicated reporting portal or a similar process that allows concerned citizens to report potentially non-compliant exemptions.

Permit Review

Another potential mechanism may involve reviewing permit activity for exempt properties. Certain permits may suggest a change in use or physical condition that warrants follow-up review. For example, a demolition permit on exempt property may indicate the property is no longer being used for the purpose that originally supported the exemption.

Permit activity would not, by itself, establish that an exemption is improper. However, it could provide a practical flag for additional review to determine whether the property continues to satisfy the applicable exemption requirements.

Track Properties for Lease or Sale

The final opportunity to identify exemptions warranting additional review is to review publicly available commercial property listings for lease or sale, as these could indicate a change in the property's use. Currently, the Commercial Team within the Division already monitors commercial real estate listings and lease activity as part of normal valuation activities. As a result, there may be opportunities to leverage the existing data to exemption review efforts relatively efficiently.

Mechanisms Requiring Further Feasibility Review

Review During Appraiser Inspection

Another potential opportunity could be to incorporate awareness of exemptions into routine field inspections by real property appraisers. Under normal conditions, appraisers are already in the field reviewing property characteristics, physical condition, occupancy indicators, and other observable facts. With additional training, appraisers could flag exempt properties where the apparent use observed during inspection does not appear consistent with the property’s exempt classification or the described exempt use.

This process would not require appraisers to make legal determinations regarding exemption eligibility. Instead, appraisers would identify potential inconsistencies for the exemption review staff to follow up on. Incorporating preliminary exemption reviews into existing real property inspections may help identify higher-risk exemptions without requiring a separate dedicated site visit. While this would add additional tasks and time to existing appraisal inspections and could modestly reduce the overall inspection rate completed by appraisers, the Division believes the combined approach may still result in a net operational efficiency gain.

Summary

The Division believes identification efforts under Section 1.2 should generally be risk-based and focused on exemptions more likely to experience ownership, organizational, occupancy, or use changes over time that could render the property ineligible for exemption. As part of this approach, and based on recent exemption cases, the Division recommends incorporating the feasible mechanisms discussed in this section into the current exemption review process where operationally practical. The Division also recommends further evaluating whether exemption-related observations can be incorporated into real property inspections without creating unnecessary negative impacts on appraisal workloads.

1.3: Estimation of fiscal impacts associated with improperly exempted property

Introduction

The Resolution requests an estimate of the fiscal impact of misclassified or improperly exempted property. Although this report largely focuses on the scope of work, this portion of the Resolution will be addressed directly here. As discussed in the Background section, the Division has already completed exemption review work that provides empirical evidence for estimating potential non-compliance rates. Using those results, existing exempt property data, and the exemption categories discussed in this report, the Division can provide a reasonable estimated fiscal impact range for this item.

This section is intended to establish a basis for that estimate. It first distinguishes among the different types of fully exempt property, then considers the relative likelihood of non-compliance by exemption type and finally summarizes available empirical review results that can be used to support an estimated non-compliance range.

Fully Exempt Property and Relative Likelihood of Non-Compliance

As discussed in the section on types of fully exempt property, fully exempt property is not a single uniform category. Properties may be fully exempt for different legal and factual reasons, including government ownership, statutory exemption, charitable or religious use, hospital use, community purpose, economic development, or other qualifying criteria.

This distinction is important when estimating fiscal impact. Some exemptions are primarily ownership-based. For example, property owned by the federal government, the State of Alaska, or the Municipality is generally exempt because of ownership. In those cases, the primary review question is usually whether the property is correctly identified and classified. While classification errors can occur, the likelihood a government-owned property is fully taxable is generally low.

Other exemptions require more fact-specific review. These may involve continued qualifying use, nonprofit status, annual certification, third-party occupancy, leases, partial use, or compliance with specific statutory or municipal requirements. As discussed in Section 1.2, these types of exemptions are more likely to require ongoing review because eligibility may change over time even if the property remains in exempt status from year to year.

For purposes of estimating fiscal impact, the total value of all fully exempt property should not be treated as a single pool with the same likelihood of non-compliance. A more useful approach is to distinguish between lower-risk ownership-based exemptions and exemption categories that require more fact-specific review. The potential taxable value at issue is most likely to arise from the portion of exempt property where eligibility depends on continued use, ownership structure, occupancy, annual certification, or other compliance requirements.

Empirical Evidence from Review Activity

The Division has completed review work that can help inform the assumptions used in estimating fiscal impact.

First, the Division reviewed government-owned exempt property. Of the government-owned properties reviewed, one property was removed from exempt status, and seven properties were identified as potentially misclassified as government property. The potentially misclassified properties appear to involve classification issues. For example, a property may be incorrectly classified as government-owned but may still qualify under another exemption category, such as a nonprofit charitable exemption.

Based on this review, the error rate for government-owned exempt property is less than 0.5 percent. In addition, most of the identified issues appear more likely to involve exemption classification rather than removal of the exemption entirely. This supports treating government-owned property as a lower-risk category for purposes of estimating fiscal impact.

Second, the Division reviewed approximately 60 high-priority annual certification accounts for tax year 2026. These accounts were selected based on their priority status and should not be treated as a random sample of all fully exempt property. Of the accounts reviewed, one property was removed because it no longer qualified for exemption, and another because the annual certification was not submitted by the March 15 deadline.

The applicant who failed to submit their annual certification on time for the 2026 tax year appears likely to qualify for an exemption for the 2027 tax year, assuming no material change in ownership or use. As a result, the review produced a 3.3 percent removal rate among the high-priority annual certification accounts reviewed, but a 1.7 percent substantive non-qualification rate when the late certification issue is excluded.

Although the 60 properties reviewed were identified as high priority and were more likely to be ineligible than the broader exempt property population, the 1.7 percent substantive non-qualification rate provides a reasonable basis for estimating potential non-compliance among charitable, religious, community purpose, and similar exemptions. Unlike primarily ownership-based exemptions, these exemptions often depend on facts that may change over time, such as continued qualifying use, nonprofit status, occupancy, lease arrangements, or other compliance factors.

The results from the exemption reviews that have already taken place support using two estimated non-compliance rates for purposes of the fiscal impact calculation. For exemptions based primarily on ownership, such as government-owned property, the empirical evidence supports a low estimated rate of 0.5 percent. For exemptions where use is a primary consideration for eligibility, including charitable, religious, community purpose, and similar exemptions, the high-priority review results support using an estimated rate of 2.0 percent.

Using the empirical review results discussed above, the Division applied estimated non-compliance rates by exemption type to the remaining applications to review. The table below estimates the amount of exempt value that may be potentially taxable and the associated tax burden shift using the 2026 mill rate for Tax District 3.

Table 3: Estimated Fiscal Impact from Misclassified or Improperly Exempted Property Derived from Empirical Evidence				
Exemption Type	**Estimated Non-Compliance Rate**	**Estimated Count of Applications Out of Compliance**	**Estimated Exempt Value Potentially Taxable**	**Estimated potential Tax Burden Shift****
Government	0.5%	1*	$1,922,600	$29,900
Nonprofit Charitable, Religious, etc.	2.0%	16	$30,776,100	$479,200
Native	0.5%	3	$1,532,800	$23,900
Utility	0.5%	1	$1,559,000	$24,300
Housing Authority	0.5%	1	$953,300	$14,800
Deteriorated Property	0.5%***	1	$11,475,800	$178,700
Community Purpose	2.0%	1	$1,308,200	$20,400
Veteran Organization	2.0%	1	$710,300	$11,100
Charter School	2.0%	1	$1,857,300	$28,900
Total			**$52,095,400**	**$811,200**

**This estimate is based on the seven remaining government accounts to review*
*** Using the 2026 mill rate in tax district three*
**** Deteriorated property is approved by the Assembly for a fixed duration. A 0.5% non-compliance rate is likely an overestimate.*

The results in the table above estimate $52.1 million in exempt value may be potentially taxable after review. Applying the 2026 mill rate for Tax District 3 results in an estimated potential tax burden shift of approximately $811,000, which is about 0.12% of the total property tax revenue levied for 2026. The largest portion of the estimate comes from nonprofit religious, charitable, cemetery, hospital, and educational exemptions, which account for approximately $30.8 million of the estimated potentially taxable value and approximately $479,000 of the estimated tax burden shift. The remaining estimate is spread across other exemption types, including deteriorated property, Native property, utility property, housing authority property, community purpose exemptions, veteran organization exemptions, charter school property, and the seven government accounts previously identified as potentially misclassified.

In summary, the empirical review results support using an estimated non-compliance rate of 0.5 percent for exemptions based primarily on ownership and 2.0 percent for exemptions where use is a primary consideration for eligibility. Applying those rates to the remaining exemptions to review results in an estimated $52.1 million in exempt value that may be potentially taxable and an estimated tax burden shift of approximately $811,000 using the 2026 mill rate for Tax District 3. This estimate is intended to reflect potential fiscal impacts in future tax years. The potential for removing exemptions and taxing property in arrears is likely to be significantly more limited and is discussed in the following section.

1.4: Evaluation and recommendation of enforcement mechanisms

The fourth request outlined in the Resolution involves recommending enforcement mechanisms for revoking, reclassifying, or recapturing improperly exempted value. For most fully exempt property, eligibility standards are established and required by state law. In addition, the current municipal code already provides the Division with substantial authority to request documentation, review property use, evaluate leases and contracts, remove exemptions, and assess taxable private interests where appropriate.

In practice, revocation and reclassification are generally most effective when identified and addressed through the current or future-year application annual certification review process. In that setting, the applicant is responsible for providing sufficient information to demonstrate continued qualification for exemption. This may include describing the property's actual use, disclosing any leases or third-party occupancy, and identifying whether the entire property or only a portion qualifies for exemption. Depending on the circumstances, the review process may result in continuation of the exemption, reclassification to a partial exemption, assessment of a taxable possessory interest, or revocation of the exemption altogether.

The Division believes improvements to annual certification and recurring review procedures may help strengthen these prospective enforcement efforts. Potential improvements may include streamlining annual certification timelines, clarifying recurring disclosure expectations for leases and occupancy, and improving follow-up procedures for continued qualification for exemption.

Recapture of prior-year exempt value is generally more difficult, both legally and administratively, than the annual certification process. Unlike a current-year or future-year application review, a prior-year recapture may require the Municipality to revisit a historical exemption determination and reconstruct prior ownership, occupancy, lease arrangements, organizational status, or property use. In that setting, the practical and legal burden may shift toward the Assessor to establish the property was improperly exempt in one or more prior years, which may significantly limit the practicality and likelihood of removing exemptions or recapturing taxes in arrears.

As a result, the Division believes retroactive recapture efforts should generally be evaluated on a case-by-case basis and in consultation with Legal. The Division further believes strengthening recurring review, annual certification, and disclosure procedures may provide a more practical and sustainable long-term approach for identifying and correcting exemption issues prospectively before they become more difficult to address retroactively.

2.1: Examine options for property tax recovery

The Resolution asks the Administration to examine options for correcting misclassified exemptions in the current fiscal year and potentially returning recovered prior years' uncollected tax revenue to residents through mill rate adjustments, rebate programs, or other equitable forms of public benefit.

As discussed in Section 1.3, the Division's empirical review suggests approximately $811,000 in potential annual tax burden shift associated with misclassified or improperly exempted property. This represents approximately 0.12% of the total 2026 property tax revenue levied, or roughly 0.02 mills. However, this estimate is primarily a future-year estimate, with 2026 total property tax revenue used as a relative reference point for discussion purposes. In other words, it reflects the potential annual tax burden shift if improperly exempted property were identified and placed on the taxable roll going forward. It should not be interpreted as an estimate of prior-year recoverable revenue.

As discussed in Section 1.4, recovering prior-year exempt value is more legally and administratively challenging than correcting an exemption prospectively. Recovering taxes from a prior year is not the same as removing an exemption going forward through the annual certification or review process. Prior-year recovery would generally require the Division to demonstrate the property should have been taxable for the specific prior tax year, based on historical ownership, occupancy, lease arrangements, organizational status, property use, and any other facts relevant to exemption eligibility. In practical terms, this would likely require treating the property as escaped or omitted property, meaning property that should have been taxed for that year but was not. As a result, prior-year recovery would need to be evaluated on a case-by-case basis in coordination with Legal. The amount of prior-year revenue that could be recovered is likely to be significantly more limited than the estimated future-year fiscal impact.

For illustration only, even if 25% of the estimated future-year tax burden shift were recovered for a prior year, the taxable value recovered would be approximately $13,000,000. Because the Assembly and Administration generally calculate mill rates rounded to the hundredth of a mill, an amount at this scale would likely not produce a measurable mill rate adjustment after rounding. This suggests a mill rate adjustment may not be a reliable or practical mechanism for returning recovered revenue to residents, particularly when the amount of recovery is uncertain, case-specific, and likely modest.

The timing of the current-year correction also presents practical limitations. The 2026 annual certification deadline has already passed, and mill rates have been set. As a result, broad annual certification-based correction activity is now more likely to occur through the tax year 2027 annual certification and exemption review cycle. Corrections may still be possible during 2026, where specific facts demonstrate that an exemption is improper, and the applicable legal requirements are satisfied. However, as discussed in Section 1.1, the Division received nearly 2,000 appeals and more than 4,000 exemption applications across all exemption categories in 2026. Based on current staffing levels, workload, and operational priorities, it is unlikely significant additional progress on broad exemption review will be made later this year, absent additional staffing resources or operational changes.

Given these limitations, the Division believes the most practical approach is to focus on legally supportable prospective corrections through the exemption review process. If prior-year tax revenue is recovered in specific cases, the appropriate fiscal treatment of that revenue should be evaluated once the amount is known. At that point, the Administration and Assembly could consider available options, which may include treatment through the normal budget process, a future-year budget offset, a mill rate adjustment if the amount is material, or another public benefit mechanism.

In summary, the estimated fiscal impact of correcting misclassified or improperly exempted property is relatively small in relation to the overall tax levy, and any prior-year recovery is likely to be smaller, uncertain, and case-specific. For these reasons, the Division does not recommend establishing a dedicated rebate or mill rate adjustment program based on currently available estimates. The more practical approach is to correct exemptions prospectively where legally supportable. If prior-year recovery occurs and becomes material enough to warrant further review, the Administration and Assembly can evaluate the appropriate treatment of that revenue at that time.

2.2: Development of a recurring five-year review

Section 2.2 of the Resolution requests analysis of the feasibility, internal capacity, and options for “instituting a five-year audit cycle for all classes of fully tax-exempt properties.” The Division supports the objective of recurring oversight of fully exempt property. However, the Division recommends using a risk-based approach.

This is not the first time the Municipality has addressed how oversight of recurring exemptions should be administered. In 2009, the Municipal Code was amended to require annual certification for nonprofit religious, charitable, cemetery, hospital, and educational exemptions. Shortly thereafter, AO 2011-108(S) amended AMC 12.15.015 to relax the mandatory annual certification requirement, unless specifically requested at the discretion of the Assessor. The accompanying Memorandum explained that mandatory annual certification created administrative burdens for both the Property Appraisal Office and nonprofit organizations, particularly smaller organizations with limited administrative capacity.

In addition to requests for annual certification at the assessor's discretion, the current municipal code already requires the Assessor to review exempt properties annually to determine whether they continue to qualify for exemption. The Division interprets annual review as a recurring compliance function, not as a requirement to conduct a full audit of every exemption file each year. An audit, on the other hand, refers to an applicant-specific review of continued eligibility, which may involve updated documentation, review of ownership and use, lease or occupancy information, site inspection, and a determination of whether the property continues to qualify for exemption. The scope of an audit may vary depending on the exemption type, risk level, available documentation, and whether the property's ownership or use has materially changed.

Under this framework, the annual review required by the municipal code would be conducted as a systematic review of all exemptions. This review may include ownership changes, exemption classifications, known or potential changes in use, lease or occupancy concerns, permit activity, commercial listings, complaints, or other relevant information. This type of systematic review can be effective for identifying potential ineligibility and, for some exemption categories, may provide a reasonably high degree of confidence the property continues to qualify without a defined periodic audit cycle.

The Division recommends organizing annual review and recurring audit work around three general risk categories. The first category includes exemptions that are primarily ownership-based, such as many government-owned properties. These exemptions can often be reviewed through ownership records without requiring a periodic audit. For this category, the Division does not recommend a defined periodic audit cycle unless the annual review identifies a potential compliance issue.

The second category includes exemptions where eligibility depends on both qualifying ownership and continued use for the owner's primary exempt purpose. These exemptions may be relatively stable but still depend on continued use, not ownership alone. For this category, the Division recommends a six-year audit cycle as a reasonable long-term target.

The third category includes secondary-purpose or higher-risk exemptions. These include exemptions involving religious housing, leases, possessory interests, partial-use situations, or other circumstances where eligibility depends on facts that are more likely to change over time and may not be apparent from available records alone. For this category, the Division recommends a three-year audit cycle as a reasonable long-term target, with additional audit review where specific risk factors warrant earlier follow-up.

This approach is consistent with the International Association of Assessing Officers (IAAO) guidance. The IAAOs' *Standard on Property Tax Policy* recommends periodic review of exemptions, adequate documentation to evaluate eligibility, and periodic audits. IAAO does not appear to prescribe a specific five-year exemption audit cycle. A risk-based framework would implement IAAO's recommendations by requiring an annual systematic review of all exemptions while reserving more detailed audits for properties with greater compliance risk.

Table 4: Recommended Long-Term Review and Audit Framework for Fully Exempt Property		
Primary Qualification Basis	**Annual Review**	**Periodic Audit Cycle**
Ownership	Systematic Review	No defined periodic audit cycle
Charitable purpose/ownership and use	Systematic Review	Six-year audit cycle
Secondary-purpose or higher-risk	Systematic Review	Three-year audit cycle

The table above represents the Division's preferred long-term compliance framework, not current operating capacity. Based on current exemption counts, there are 827 primary-purpose exemptions, which would equate to about 138 audits per year. There are about 280 secondary-purpose or higher-risk exemptions, which would require about 93 audits per year. In total, the scope of work would be approximately 231 audits per year.

The Division believes this long-term framework may be achievable if the structural changes and the annual certification process, as previously discussed in Section 1.1, are implemented. Moreover, recurring audits under this framework are anticipated to be more efficient than the initial Section 1.1 review effort because records should be more current, including contact information. In many cases, recurring audits may involve confirming no material changes have occurred or requesting updated property-use information, rather than conducting the same level of review required for an older or incomplete exemption file.

In summary, the Division recommends working toward a recurring three- and six-year risk-based audit cycle for fully exempt real property. Primary-purpose exemptions would be placed on a six-year audit cycle, while secondary-purpose or higher-risk exemptions would be placed on a three-year audit cycle. Ownership-based exemptions would continue to receive annual systematic review but would not generally require a defined periodic audit cycle unless the review identifies potential ineligibility.

2.3: Assessment of transparency and public reporting options

The Resolution asks the Division to evaluate transparency and public reporting options related to fully exempt real property. The Division supports improving public visibility into exemption activity but recommends transparency efforts be developed in a way that is practical, accurate, and tied to the Division's actual review process.

The Division currently provides some transparency related to exempt property. First, in addition to disclosing the exemption type and magnitude of the exemption on a specific property, the Anchorage Property Search page discloses when an exemption is under review for a specific parcel. Second, municipal Open Data allows a member of the public to download and review exemption information, including exemption type and the amount of exempt value. However, the Division recognizes these tools may require a degree of technical knowledge and familiarity with property assessment data to be used effectively.

To make public transparency simpler and more accessible, the Division has several ideas to explore. These ideas would likely require involvement from the i-Team, GIS Team, IT Team, or other municipal departments with relevant technical expertise. One possible concept is a public exemption dashboard that summarizes fully exempt property by exemption type, number of audits conducted within the year, and the number of exemptions currently under review. At the individual parcel level, the Division could publish an interactive GIS map of exempt properties, color-coded by exemption type. Finally, the concerned citizen reporting concept discussed in Section 1.2 could support transparency by providing a more structured way for the public to share information about properties that may warrant review.

However, these concepts should be understood as ideas for further evaluation, not as fully developed implementation recommendations. The scope of work, technical feasibility, data limitations, maintenance responsibilities, and resource impacts are not yet known. Accordingly, the Division recommends coordinating with the i-Team, GIS Team, IT Team, and other relevant departments to evaluate which transparency tools are practical, maintainable, and most useful to the public.

Summary

In summary, the Division has already completed substantial foundational work, including review of historical exemption files, reconciliation of physical records with CAMA, verification of government-owned exempt property, identification of high- and medium-priority applications requiring follow-up, and initiation of annual certification reviews. Based on this work, the Division recommends continuing the current review trajectory for approximately 570 remaining high- and medium-priority applications. This remaining work is estimated to require approximately 120 FTE weeks.

Completion of this work is constrained by the unusually high 2026 appeal and exemption workload, limited dedicated audit capacity, and the compressed annual certification processing window created by the March 15 filing deadline. Under the current approach, completion of the remaining Section 1.1 workload is expected to extend into late 2031 or early 2032. To accelerate review, the Division is pursuing structural changes within the Administrative Services Team to direct more resources to review and audits, and recommends evaluating changes to the annual certification timeline, including a rolling response deadline.

Based on empirical review results to date, the Division estimates that approximately $52.1 million in exempt value may be potentially taxable, resulting in an estimated future-year tax burden shift of approximately $811,000 using the 2026 Tax District 3 mill rate. This estimate should not be interpreted as prior-year recoverable revenue. Prior-year recovery is likely to be more limited, uncertain, case-specific, and subject to legal review. Furthermore, the Division does not recommend establishing a dedicated rebate program, mill rate adjustment, or similar return-of-revenue mechanism based on currently available estimates. The more practical approach is to correct exemptions prospectively where legally supportable and evaluate any prior-year recovery on a case-by-case basis with Legal.

For long-term recurring audits, the Division recommends adopting a risk-based review framework rather than applying a uniform five-year audit cycle to all fully exempt property. Under this framework, ownership-based exemptions would receive annual systematic review, primary-purpose use-based exemptions would be placed on a six-year audit cycle, and secondary-purpose or higher-risk exemptions would be placed on a three-year audit cycle. The Division also recommends exploring practical transparency improvements, such as a public exemption dashboard, GIS mapping, and a structured public reporting process, in coordination with the appropriate municipal departments.

Finally, the Division acknowledges the substantial work already completed by staff to review, organize, reconcile, and audit fully exempt property records. The Division also appreciates the collaboration and support of the Mayor's Office and the Office of Internal Audit in writing this report. The Division remains committed to maintaining an accurate tax base for the Municipality and administering property tax exemptions in a consistent, transparent, and legally supportable manner.