

June 9,, 2020  
Office of the City Clerk

TO: Economic Recovery Task Force Members

RE: Municipal Property Tax

The assessment, levy and collection of property taxes by a municipality is regulated under Alaska Statutes AS 29.45.010 thru AS 29.45.250. These statutes do not allow a municipality or borough to exempt or defer the payment of property taxes unless provided for under explicit criteria established in these sections. The only section which addresses property tax deferral related to *financial hardship* has strict requirements that a person must provide proof that their income is at or below federal poverty guidelines for the State, set by the United States Department of Health and Human Services. There are of course several sections which speak to economic development that provide for *deferment* for a set number of years, programs for senior citizens, partial exemptions under \$50,000 on residential property which a municipality may grant annually if approved by the voters (Valdez currently gives this exemption on residential property taxes), etc.

Reduction of the mil rate would have severe financial consequences of a much greater magnitude than the average Alaska municipality due to our tax revenue which is derived from oil and gas property. Simply put, oil and gas property is taxed at 20 mil regardless of who collects the tax, therefore if the city reduces the mil rate to 15 mils, oil and gas would continue to pay 20 mil... 15 mil would be paid to the city and the remaining 5 mil would be collected by the State of Alaska. Therefore the city would forfeit to the State any amount under 20 mil.

Rates of penalty and interest on property taxes could be waived. The only regulation associated with penalty and interest is a cap on the amount which can be charged (the penalty cannot exceed 20 percent, interest cannot exceed 15 percent a year). I have asked Brian Carlson, Finance Director, to provide an estimate of the amount in penalty and interest which the city anticipates collecting in 2020. I will provide the task force with his calculation on Friday. Waiving penalty and interest would eliminate any incentive for a taxpayer to pay on time. While this may be relatively insignificant for normal property taxes, it could have a much greater impact to the city if applied to oil and gas taxes.

SB241 enacted by the legislature also allows municipalities to extend deadlines established under Title 29 until November 15, 2020 or until the State emergency order is rescinded. I have attached a copy of the bill and summary statement for your review. However, formal action by resolution of the city council would still be required to waive penalty and interest for property taxes.