



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 461-2022

Meeting Date: September 13, 2022

From: Assembly Vice Chair Constant and Assembly Members Dunbar & Quinn-Davidson

Subject: AO 2022-75(S): AN ORDINANCE OF THE ANCHORAGE MUNICIPAL ASSEMBLY TO SUBMIT TO THE QUALIFIED VOTERS OF THE MUNICIPALITY OF ANCHORAGE A BALLOT PROPOSITION THAT WOULD INCREASE THE RESIDENTIAL REAL PROPERTY TAX EXEMPTION EFFECTIVE JANUARY 1, 2023, AND UPON VOTER APPROVAL AND RATIFICATION, AMENDING ANCHORAGE MUNICIPAL CODE SECTION 12.15.015 ACCORDINGLY.

In 2022, the majority of homeowners and residential property owners in the Municipality of Anchorage saw their **assessed property values increase**, often by more than 10%. The Municipality also, however, saw a **decrease in the average millage rate** from 17.69 in 2021 to 16.84 in 2022, which meant most property owners saw their taxes remain flat or decrease slightly (due to the opposing factors of **increasing values and dropping millage rates**). Nonetheless, some property owners did see a rise in their tax bill. To counter this, and to benefit all residents facing inflation and other challenges, we propose increasing the residential real property tax exemption in the Municipality of Anchorage, made possible by a new state law.

House Bill 411, which amended Alaska Statute 29.45.050(a), became law on July 11, 2022 without Governor Dunleavy's signature. Among other things, it allows Alaska municipalities to increase the optional residential real property tax exemption from \$50,000 to \$75,000. Any municipality that wishes to increase its residential real property exemption must pass an ordinance ratified by the voters at an election to be effective. This proposed ordinance invokes this new statutory authority and increases the owner-occupied residential real property exemption in Anchorage Municipal Code subsection 12.15.015E.1. to 40% of the assessed value of residential real property, up to a maximum of \$75,000, and submits the question to the voters for ratification at the April 4, 2023 regular election.

The (S)-version of the proposed ordinance adds these two significant features:

1. Percent of assessed value eligible for exemption. The percentage of a residential property's assessed value that may be exempted is increased from the current twenty percent (20%) to forty (40%). At an Assembly work session August 26, 2022, the Assembly sponsors discussed the effect of this percentage of assessed value exemption limit, seeking the level that would be both beneficial to owners of residential property valued less than the average price of a single-family home, or approximately \$400,949 and the greatest number of homeowners across

1 the Municipality. By increasing the exemption percentage to forty, residential
2 properties with an assessed value less than \$187,500 will see their exemption
3 double. Residential properties with an assessed value equal to or greater than
4 \$187,500 will receive the maximum exemption of \$75,000. It is expected that the
5 change will benefit all properties up to \$800,000 in assessed value.

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7 **2. Effective date.** The original ordinance did not specify an effective date for
8 the Code amendment, and per Assembly Counsel by operation of law it would
9 become effective for the following tax year 2024. The (S) version makes it effective
10 for the 2023 tax year, subject to ratification by the voters, so that residents can see
11 the benefit as soon as possible. Because tax rates are set by Assembly only after
12 the regular election, it should not be a burden for the Administration to implement
13 the changed amount of exemption for tax bills for the 2023 tax year after certification
14 of the election results.

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16 **3. Other changes.** The (S) version also amends the AO Title to reflect the
17 effective date and accurately describe the voter action as “ratification,” and adds a
18 new Section 3 to the ordinance, which authorizes the Municipal Clerk to incorporate
19 amendments to the proposition language in a clean form to the voters, which is
20 necessarily implied but now made expressly authorized. Finally, the (S) version
21 includes some minor changes for clarification.

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23 Increasing the amount of the owner occupied residential real property tax exemption
24 will shift some of the tax burden off many homeowners, a much-needed reprieve in
25 this time of unprecedented inflation.

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27 **We request your support for the (S) version of the ordinance.**

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29 Prepared by: Assembly Counsel’s Office
30 Respectfully submitted: Christopher Constant, Assembly Vice Chair
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33 Forrest Dunbar, Assembly Member
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