

**KENAI PENINSULA BOROUGH
PROPOSITION NO. 4**

**PHASING OUT THE OPTIONAL SENIOR CITIZEN EXEMPTION FOR NEW APPLICANTS BY THE
YEAR 2024**

(To be voted on by all borough voters)

Shall the provisions in Section 1 of Ordinance 2016-24, allowing for a phase out and eventual elimination of the optional senior citizen property tax exemption of \$150,000 for applicants who turn 65 years of age on or after January 1, 2024, be ratified? This ordinance would not change the senior exemption currently being received by eligible senior citizens provided they remain eligible.

This ordinance proposes a gradual reduction in the optional portion of the borough's senior citizen property tax exemption. For property owners who are 65 years old before January 1, 2018, this ordinance would not affect their tax exemption benefits. For property owners who turn 65 on or after that date, this ordinance would not affect the state-mandated exemption on the first \$150,000 of their assessed property value; the gradual phase-out will apply only to the second \$150,000 in property value, which is an optional exemption for municipalities under state law.

This ordinance would not reduce the \$50,000 residential exemption provided to all qualifying residential property owners in the borough, including seniors.

Under this ordinance, the \$150,000 optional senior exemption would be reduced, but not eliminated, for seniors who reach age 65 between January 1, 2018, and December 31, 2023:

- For seniors who reach age 65 between January 1, 2018, and December 31, 2020, the optional senior exemption would be \$100,000.
- For seniors who reach age 65 between January 1, 2021, and December 31, 2023, the optional senior exemption would be \$50,000.

There would be no optional senior exemption for residents who turn 65 on or after January 1, 2024.

The state legislature in 1972 adopted a full exemption from local property taxes for low-income senior citizens (limited to seniors with a gross annual income under \$10,000). Lawmakers the next year removed the income limit, opening the full exemption to all Alaska seniors. In 1986, the legislature set a limit to the exemption, adopting \$150,000 as the mandatory exemption that cities and boroughs must grant for senior-owned property. The legislation also included a provision allowing municipalities to go beyond the \$150,000 by a vote of the public. (Alaska Statute 29.45.030(e)-(g) requires that the first \$150,000 in value of eligible residential property owned and occupied as a permanent place of abode by a resident 65 years of age or older, or their surviving spouse who is at least 60 years old, be exempt from taxation. Alaska Statute 29.45.050(i) allows a municipality to provide an optional senior citizen exemption from taxation for the value of eligible residential property in excess of \$150,000 upon approval of the voters.)

The state legislature fully funded reimbursement of municipalities for the cost of the senior citizen property tax exemption (the mandatory \$150,000) until 1986, when it started to scale

back the state reimbursement. Then, in fiscal year 1997, state reimbursement ceased and never resumed.

As allowed under state law, Kenai Peninsula Borough voters in 1986 approved an additional exemption (the optional exemption under state statute) for senior-owned property beyond the state-mandated \$150,000. Voters that year approved an unlimited residential property tax exemption for 65 and older senior citizens.

Then, in 2007, borough voters limited the senior tax exemption to \$300,000 per parcel (limiting the optional exemption to \$150,000 on top of the state-mandated \$150,000). None of the cities in the Kenai Borough have adopted the optional additional exemption for senior-owned properties.

For those present and future senior citizens who cannot afford their property tax bill, even with the exemptions, borough code KPB 5.12.105(I) provides a hardship provision — which this ordinance does not change. That hardship provision in code says seniors facing a property tax bill for the borough and service areas in excess of 2 percent of their gross annual income, after any exemptions in assessed value, may apply for a hardship exemption setting their borough tax bill at that 2 percent cap. None of the cities in the Kenai Peninsula Borough have adopted a hardship exemption for their portion of a senior's property tax bill.

This ordinance would make no changes to the unlimited property tax exemption provided for disabled veterans and their surviving spouses.

Fiscal Note: It is difficult to estimate the fiscal impact of this ordinance because it involves some significant unknowns: Future property values, future mill levies, how many pre-65 borough residents remain in the borough and apply for the senior property tax benefit in the years ahead, and how many new residents move to the borough and qualify for the tax reduction. Without any changes in the senior property tax exemption, the tax shift to other property owners will continue to grow each year if the percentage of seniors in the borough population continues to increase.

BALLOT LANGUAGE

Shall Ordinance 2016-24, amending KPB 5.12.105 to allow for a phase out and eventual elimination of the optional senior citizen property tax exemption of \$150,000 for applicants who turn 65 years of age on or after January 1, 2024, be ratified? This ordinance would not change the senior exemption currently being received by eligible senior citizens provided they remain eligible.

YES *[A “yes” vote means that the optional senior exemption of \$150,000 will be eliminated for any applicant who turns 65 years of age on or after January 1, 2024, and that the amount of the exemption will be reduced in two steps for seniors who reach age 65 between January 1, 2018, and December 31, 2023.]*

NO *[A “no” vote means that the amount of optional senior exemption shall not be phased out over a seven-year period and eliminated for seniors who reach age 65 on or after January 1, 2024.]*