I. Call to Order

II. Approval of Minutes – August 28, 2014 minutes (pg. 2)

III. Inventory of Property Tax Exemptions (pg. 5)

IV. Property Tax Exemption Definitions (pg. 6)

V. Next Meeting Date
   • September 11, 2014

VI. Adjournment
I. **Call to Order**  
The meeting was called to order at 5:00 p.m. by Mary Becker, Chair.

II. **Roll Call**  
Committee Members Present: Mary Becker; Jesse Kiehl; Kate Troll; and Jerry Nankervis

Other Assembly members Present: Merrill Sanford, Loren Jones, and Karen Crane.

Staff Present: Finance Director Bob Bartholomew, City Manager Kim Kiefer, Sales Tax Administrator Clinton Singletary, Assistant City Attorney Chris Orman, City Clerk Laurie Sica, Print Shop Operator Glen Fairchild

III. **Approval of Minutes** – The August 14th, 2014 minutes were approved as presented.

IV. **Sales Tax Compliance & Audit Program Overview**  
Bob Bartholomew began with an overview from page 5 of the packet; regarding sales tax compliance and audit programs. One major concern Mr. Bartholomew stated was the lack of awareness at the stores. Staff is considering an education program for their clerks, to better understand sales tax exemptions and how to implement them at the register. Mr. Bartholomew would like to provide cards for educational purposes to clerks in stores as a useful tool for them to use during transactions. CBJ is currently researching types of cards that could be used.

One concern brought up by the assembly is how often senior sales tax cards are actually asked for by clerks. Often a senior’s sales tax exemption number is asked for, but rarely for their cards specifically.

Clinton Singletary explained to the assembly the difference between a full audit and a questionnaire audit. CBJ has performed 20 audits in the past 30 months, which Mr. Singletary thought was a little low and would like to see more. Both Mr. Bartholomew and Mr. Singletary agreed with more staffing and training within CBJ finance department the number of audits would increase.

CBJ has a goal of reissuing new senior citizen tax exemption cards by January 2015. They would like to use electronic swipe cards that could make some information available at the point of check-out.
The assembly questions the type of training that would typically be provided to merchants and who would receive the training. Mr. Singletary explained the training they provide usually goes to the upper management and it would be their responsibility to train under-staff.

A discussion followed about how CBJ prioritizes auditing, and Mr. Singletary said it was random, based on who has been audited when and those who have not been audited in longer periods of time usually become a priority.

Ms. Crane asked about a local business license being issued by CBJ and posted by merchants, including seasonal stores. This is something CBJ has been talked about but has yet to implement. CBJ currently relies on the State of Alaska for knowing who has business licenses and it is not a requirement that merchants post theirs. If a program was implemented it is possible that CBJ may be able to establish fines for merchants who do not comply.

V. Revenue Estimated from Increasing the Individual Sales $7,500 exemption CAP
Mr. Bartholomew reviewed the chart on page 8 of the packet, explaining the different scenarios on raising the CAP He shared the response from several vendors who had been contacted regarding the change. The revenue estimates presented were calculated at the high end of do-able. Of the vendors Mr. Bartholomew and Mr. Singletary reached out to, only one thought that by raising the cap it would have a negative effect on their business. The other two did not feel it would affect them, but not materially. Vendors raised the point that sales tax vs. cost of freight is one issue vendors look at. They want to be kept in the loop with public testimony as the review of the possible cap increases goes forward.

The assembly raised questions to the difference between sales tax and use tax and what the difference was. Mr. Singletary gave a brief explanation and Chris Orman from CBJ law department also spoke on federal regulations for sales tax from online purchases out of state.

Mr. Kiehl was concerned about raising the cap and if it would hurt local businesses. Mr. Bartholomew wanted to do more research and reach out to the Juneau Chamber of Commerce for their views and input. Mr. Singletary mentioned raising the cap would not affect service providers. The committee agreed it was worthwhile to continue looking into raising the cap. Maintaining a conversation with the vendors would be an important part of the process and knowing how much it can be raised without hurting
VI. **Tired Income Level Matrix (example) for Property Tax Hardship Exemption**
Mr. Bartholomew presented the assembly a sliding scale for property tax hardship exemptions and explained to the assembly how the numbers worked. The current hardship level is $91,320 for a two person household. Mr. Bartholomew explained this sliding scale would not work for sales tax however. The assembly wanted to know what the median income was in comparison to the median income of seniors within the borough and many people would it effect if the hardship level where changed. Mr. Bartholomew said he would look into it for next meeting.

VII. **Information – Out of Borough Sales**
Mr. Bartholomew provided new information he has for the out of borough exemption and on the outreach he and Mr. Singletary had done to a dozen southeast Alaska businesses. With the exception of a couple businesses most felt there would not be a material effect on their business.

Ms. Troll then caught Ms. Crane up on what she had missed from the previous meeting on August 14th and the committee agreed to reschedule the September 25th meeting to the 26th. Also two additional meetings where scheduled for October 23rd and 30th.

VIII. **Next Meeting Date** – September 4th, 2014

IX. **Adjournment** – The meeting was adjourned at 6:31 p.m.
## Property Tax Exemption Inventory 2014

### Real Property Mandatory Exemptions

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Count</th>
<th>Assessed Value</th>
<th>Value Exempted</th>
<th>Taxes Exempted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior</td>
<td>1,689</td>
<td>$584,464,400</td>
<td>$239,215,800</td>
<td>$2,591,000</td>
</tr>
<tr>
<td>Disabled Veteran</td>
<td>44</td>
<td>$14,469,200</td>
<td>$6,287,700</td>
<td>$67,000</td>
</tr>
<tr>
<td>Religious</td>
<td>62</td>
<td>$2,591,000</td>
<td>$2,591,000</td>
<td>$2,591,000</td>
</tr>
<tr>
<td>Hospital</td>
<td>21</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Profit Charitable</td>
<td>28</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cemetery</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fire Sprinkler</td>
<td>139</td>
<td>$484,700,000</td>
<td>$3,375,300</td>
<td>$35,981</td>
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<tr>
<td>Municipal</td>
<td>602</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>State</td>
<td>213</td>
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<tr>
<td>Federal</td>
<td>42</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alaska Native Claims Act</td>
<td>55</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VFW</td>
<td>1</td>
<td>$251,000</td>
<td>$251,000</td>
<td>$2,676</td>
</tr>
<tr>
<td>Utility</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Authorized Housing Authority (PILT Eligible)</td>
<td>49</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Gov't Funded Low Income Housing (LIHTC)</td>
<td>65</td>
<td>$35,166,300</td>
<td>$19,446,700</td>
<td>$207,302</td>
</tr>
</tbody>
</table>

**Total** | 3,026 | $1,119,050,900 | $268,576,500 | $2,903,958

### Real Property Optional Exemptions

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Count</th>
<th>Assessed Value</th>
<th>Value Exempted</th>
<th>Taxes Exempted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Hardship</td>
<td>104</td>
<td>$26,672,500</td>
<td>-</td>
<td>$176,153</td>
</tr>
<tr>
<td>Community Purpose</td>
<td>37</td>
<td>$18,485,700</td>
<td>$16,703,200</td>
<td>$178,056</td>
</tr>
<tr>
<td>Farm</td>
<td>9</td>
<td>$1,472,400</td>
<td>$842,300</td>
<td>$8,979</td>
</tr>
</tbody>
</table>

**Total** | 108 | $19,958,100 | $17,545,500 | $363,188

### Business Personal Property (BPP) Optional Exemptions

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Count</th>
<th>Assessed Value</th>
<th>Value Exempted</th>
<th>Taxes Exempted</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $100,000 of Property*</td>
<td>2513</td>
<td>$85,060,000</td>
<td>$85,060,000</td>
<td>$906,740</td>
</tr>
<tr>
<td>Aircraft for Medical Use</td>
<td>1</td>
<td>$2,054,000</td>
<td>$2054000</td>
<td>$22,103</td>
</tr>
<tr>
<td>Export Manufacturing</td>
<td>3</td>
<td>$10,464,000</td>
<td>$4,255,000</td>
<td>$45,785</td>
</tr>
</tbody>
</table>

**Total** | 2517 | $97,578,000 | $91,369,000 | $974,628

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*2082 active business accounts are 100% exempt and do not report value (CBJ estimates avg. $20,000 per account). 434 accounts receive exemptions for the first $100,000 of BPP and are taxed on the value of BPP above that threshold.
Alaska Property Tax Exemptions

Required

1. **Senior Exemption AS.29.45.030 (e)** – The real property owned and occupied as the primary residence and permanent place of abode by a resident who is (1) 65 years of age or older; (2) a disabled veteran; or (3) at least 60 years of age and the widow or widower of a person who qualified for an exemption under (1) or (2) of this subsection is exempt from taxation on the first $150,000 of the assessed value of the real property.

2. **Disabled Veteran AS.29.45.030 (e)(1)** – "disabled veteran" means a disabled person:

(A) separated from the military service of the United States under a condition that is not dishonorable who is a resident of the state, whose disability was incurred or aggravated in the line of duty in the military service of the United States, and whose disability has been rated as 50 percent or more by the branch of service in which that person served or by the United States Department of Veterans Affairs; or

(B) who served in the Alaska Territorial Guard, who is a resident of the state, whose disability was incurred or aggravated in the line of duty while serving in the Alaska Territorial Guard, and whose disability has been rated as 50 percent or more.

**Items 3-7: Non-profit exemption AS.29.45.030 (a)(3)** – property used exclusively for nonprofit religious, charitable, cemetery, hospital, or educational purposes;

**Per CBJ.69.10.005 - Nonprofit charitable corporation** means a nonprofit corporation organized for charitable purposes which is not organized in substantial part for social or political purposes, which does not devote any significant part of its activities to attempts to influence legislation and no part of its income or charity is limited or intended to be directed to the private benefit of its members or their families, bona fide salaries excepted.

3. **Religious AS.29.45.030 (b)** – "property used exclusively for religious purposes" includes the following property owned by a religious organization:

(1) the residence of an educator in a private religious or parochial school or a bishop, pastor, priest, rabbi, minister, or religious order of a recognized religious organization; for purposes of this paragraph, "minister" means an individual who is

(A) ordained, commissioned, or licensed as a minister according to standards of the religious organization for its ministers; and

(B) employed by the religious organization to carry out a ministry of that religious
organization;

(2) a structure, its furniture, and its fixtures used solely for public worship, charitable purposes, religious administrative offices, religious education, or a nonprofit hospital;

(3) lots required by local ordinance for parking near a structure defined in (2) of this subsection.

4. **Hospital CBJ.69.10.005** – For hospital use, that property owned by a nonprofit corporation and which is used to provide medical, surgical or psychiatric care, including necessary administrative, maintenance, parking and similar improvements and which is licensed as a hospital by the state; but not including space leased to medical doctors or other health or medical practitioners.

5. **Education CBJ.69.10.005** - For educational use, that property owned by a nonprofit corporation and which is used only for the systematic instruction in any and all branches of learning from which a substantial public benefit is derived, and including radio and television stations which are organized and licensed as noncommercial, educational stations.

**Per AS.29.45.030 (a)(10)(A)** - property not exempt under AS.29.45.030 (a)(3) is owned by a private, nonprofit college or university that is accredited by a regional or national accrediting agency recognized by the Council for Higher Education Accreditation or the United States Department of Education, or both; and

(B) was subject to a private leasehold, contract, or other private interest on January 1, 2010, except that a holder of a private leasehold, contract, or other interest in the property shall be taxed to the extent of that interest.

6. **Charitable CBJ.69.10.005** - For charitable use, that property owned by a nonprofit charitable corporation and which is used only for the purpose of improving the moral, mental and physical welfare of the public generally.

7. **Cemetery CBJ.69.10.005** - For cemetery use, that property owned by a nonprofit corporation and which is used only for the permanent resting place for the remains of the dead, including property which has been cleared, prepared and plotted into burial plots which are available for transfer to another or for burial and such property and improvements as are necessary for the proper operation of the cemetery.

8. **Fire Sprinkler AS.29.45.030 (‡)** – Two percent of the assessed value of a structure is exempt from taxation if the structure contains a fire protection system approved under AS 18.70.081, in operating condition, and incorporated as a fixture or part of the structure. The exemption granted by this subsection is limited to:
(1) an amount equal to two percent of the value of the structure based on the assessment for 1981, if the fire protection system is a fixture of the structure on January 1, 1981; or

(2) an amount equal to two percent of the value of the structure based on the assessment as of January 1 of the year immediately following the installation of the fire protection system if the fire protection system becomes a fixture of the structure after January 1, 1981.

9. **Alaska Government AS 29.45.030 (a)(1)** – municipal property, including property held by a public corporation of a municipality, state property, property of the University of Alaska, or land that is in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-830, 70 Stat. 709.

10. **State** – see #9

11. **Federal AS.29.45.030 (a)(8)** - Property of a political subdivision, agency, corporation, or other entity of the United States to the extent required by federal law.

12. **Alaska Native Claims Settlement Act Properties AS.29.45.030 (a)(7)** - real property that is exempt from taxation under 43 U.S.C. 1620(d), as amended or under 43 U.S.C. 1636(d)

**43 U.S.C. 1636 (d) Real property interests:** exemption period for conveyance of interests not developed or leased or interests used solely for exploration, interests taxable; derivative revenues taxable; exchanges; simultaneous exchanges (1) Real property interests conveyed, pursuant to this chapter, to a Native individual, Native Group, Village or Regional Corporation or corporation established pursuant to section 1613(h)(3) of this title which are not developed or leased to third parties or which are used solely for the purposes of exploration shall be exempt from State and local real property taxes for a period of twenty years from the vesting of title pursuant to the Alaska National Interest Lands Conservation Act or the date of issuance of an interim conveyance or patent, whichever is earlier, for those interests to such individual, group, or corporation: Provided, That municipal taxes, local real property taxes, or local assessments may be imposed upon any portion of such interest within the jurisdiction of any governmental unit under the laws of the State which is leased or developed for purposes other than exploration for so long as such portion is leased or being developed: Provided further, That easements, rights-of-way, leaseholds, and similar interests in such real property may be taxed in accordance with State or local law. All rents, royalties, profits, and other revenues or proceeds derived from such property interests shall be taxable to the same extent as such revenues or proceeds are taxable when received by a non-Native individual or corporation.

13. **Veterans of Foreign War (VFW) AS.29.45.030 (a)(4)** – property of a nonbusiness organization composed entirely of persons with 90 days or more of active service in the armed forces of the United States whose conditions of service and separation were other than dishonorable, or the property of an auxiliary of that organization.
14. **Utilities AS.10.25.540(a)(b)** - (1) each telephone cooperative shall pay to the state, instead of state and local ad valorem, income, and excise taxes that may be assessed or levied, a percentage of its gross revenue earned during the preceding calendar year.

(2) each electric cooperative shall pay to the state, instead of state and local ad valorem, income, and excise taxes that may be assessed or levied, a tax on the number of kilowatt hours of electricity sold at retail by the cooperative during the preceding calendar year.

15. **State Housing Authority (PILT Eligible) CBJ 69.10.020 (7)** – An interest, other than record ownership, in real property of an individual residing in the property if the property has been developed, improved or acquired with federal funds for low-income housing and is owned or managed as low-income housing by the Alaska Housing Finance Corporation under AS 18.55.100—18.55.960 or a regional housing authority formed under AS 18.55.996. This subsection does not prohibit the City and Borough from receiving payments in lieu of taxes authorized under federal law.

16. **Federal Funded Low Income Housing - Full and true value AS 29.45.110 (d)** - The provisions of this subsection apply to determine the full and true value of property that qualifies for a low-income housing credit under 26 U.S.C. 42. Statute requires assessed value to be based on income approach versus market value.

**Optional**

17. **Senior Citizen and Disabled Veteran Hardship CBJ 69.10.021** - An individual who otherwise qualifies for a senior citizen or disabled veteran property tax exemption shall qualify for a hardship exemption if the applicant’s gross household income, from all sources in the prior year, does not exceed 120% of the Median Family Income for Juneau as set by the U.S. Department of Housing and Urban Development, or that are no documented extenuating or extraordinary circumstance that results in a one-time expense that, when subtracted from the applicant's household gross family income, results in the applicant's gross family income falling below 120 percent of the Median Family Income for Juneau. If allowed, a hardship exemption will be granted only for that portion of an eligible applicant's real property tax liability in excess of two percent of the applicant's gross household income as calculated after the senior citizen and disabled veteran property tax exemption required by state law is applied.

18. **Community Purpose CBJ 69.10.020(8)** - The property of an organization not organized for business or profit-making purposes and used exclusively for community purposes. In order for property to be considered used exclusively for community purposes, its use must benefit a significant portion of the public and the organization seeking the exemption must have a current 501(c)(3) or 501(c)(4) exemption ruling from the Internal Revenue Service. Property owners requesting this exemption do not meet the qualifications for the State-mandated non-profit exemption.
19. **Farm or Agricultural Land AS.29.45.060 (a)** - Farm use land included in a farm unit and not dedicated or being used for nonfarm purposes shall be assessed on the basis of full and true value for farm use and may not be assessed as if subdivided or used for some other nonfarm purpose.

**Other:**

20. **Personal Property not used for Commercial Purposes CBJ 69.10.020 (2) (3) (4):** Includes motor vehicles, vessels, airplanes or other aircraft.

21. **Federal Funded Low Income Housing CBJ 69.10.020 (7):** An interest, other than record ownership, in real property of an individual residing in the property if the property has been developed, improved or acquired with federal funds for low-income housing. Property is owned or managed as low-income housing by the Alaska Housing Finance Corporation under AS 18.55.100—18.55.960 or a regional housing authority formed under AS 18.55.996. The optional exemption exists for properties requesting the exemption after 12/31/2000. Properties meeting the requirements of this section prior to that date are a State-mandated exemption. This subsection does not prohibit the City and Borough from receiving payments in lieu of taxes authorized under federal law.

**Business Personal Property (BPP)**

22. **CBJ 69.10.020(11)(c) — $100,000 Business Personal Property:**
   Effective January 1, 2010 the first $100,000 of the assessed value of business personal property is exempted.

23. **CBJ 69.10.020(4)(B) — Aircraft for Medical Purposes:**
   Airplanes or other aircraft operated exclusively for medical transportation by the owner or a lessee, are exempted.

24. **CBJ 69.10.020(10) — Export Manufacturing:**
   That part of real of personal property:
   a. has not been previously taxed as real or personal property by the City & Borough of Juneau (CBJ), and
   b. is used in trade or business having fewer than 500 annual full-time equivalent employees in a way that:
      1. creates employment in the CBJ
      2. generates sales outside of the CBJ of goods produced in the CBJ, or materially reduces importation of goods from outside the CBJ by substituting locally manufactured goods; and
   c. has not been used in the same trade of business in another municipality for at least six months before the application is filed, is exempted.