



April 18, 2023

LEGISLATIVE TESTIMONY

Senate Bill 77

Tax Blighted Property

House Community & Regional Affairs

Representative McCormick, Chair

Representative McCabe, Vice Chair

Representative McKay, Member

Representative Patkotak, Member

Representative Ruffridge, Member

Representative Himschoot, Member

Representative Mears, Member

Chair McCormick, & Members of House Community & Regional Affairs,

Taxes give government control over Alaskans, their property, and their businesses, thus lessening freedom for individual opportunity and prosperity.

The bill under consideration would give Alaska's boroughs and municipalities *carte blanche* to call commercial and some personal property "blighted," and then levy taxes on that property. As written, there are no guardrails for defining what constitutes "blighted property" to protect Alaskan [property owners](#) from this government overreach. Allowing municipalities or boroughs to define "blight" without any baseline parameters gives broad power to local officials that is (and has been) easily abused.

Official discretion of this sort is a recipe for trampling the rights and interests of property owners. In a Phoenix example, an area with "trendy new restaurants and bars" was [designated as blighted](#) and a developer was offered a sweetheart tax subsidy deal. In a California example, a popular active non-profit gym for at-risk youth [was declared blighted](#); the other part of that story is that a developer wanted to build luxury condos on the land. Clearly, definitions matter.

Contrary to claims that current bill language protects private property owners, it only protects an owner's "primary residence" – cabins and other properties owned and occupied by Alaskans would not be subject to protection under current language.

Beyond the presumed goal of protecting a neighborhood's aesthetics from degraded properties, another goal of a blight tax is to enable local governments to collect more taxes. However, localities in other states that have instituted such tax regimes [struggle to collect](#) that revenue. In New Orleans, one blight tax effort resulted in the administration [only collecting 3%](#) of the fines levied. Experiences in those states have shown that those who own derelict properties are often the same people least likely to be able to pay such taxes—mostly defeating the purpose of the policy. If aesthetics—not revenue—is the primary impetus for a blight tax, one could propose that revenue be routed to nonprofits to rebuild abandoned properties or help elderly or indigent owners with property clean-up.

The worst effect that blight taxes tend to create is the unbearable financial burden imposed on those who cannot pay. [Wikipedia](#) defines a "regulatory taking" as the consequence of "governmental regulations limit[ing] the use of private property to such a degree that the landowner is effectively deprived of all economically reasonable use or value of their property." Blight taxes layered on top of property taxes can create just this type of scenario. Once devalued, the property owner has very few options and is often left at the mercy of government.

In closing, I'd like to remind you of the words of [James Madison](#), "*Government is instituted to protect property of every sort...*"

Thank you for the opportunity to testify.



Bethany L. Marcum
CEO