

# In Consideration of a State Sales Tax

Highly regressive broad-based revenue that is politically plausible  
but in conflict with a local tax base in the majority of communities

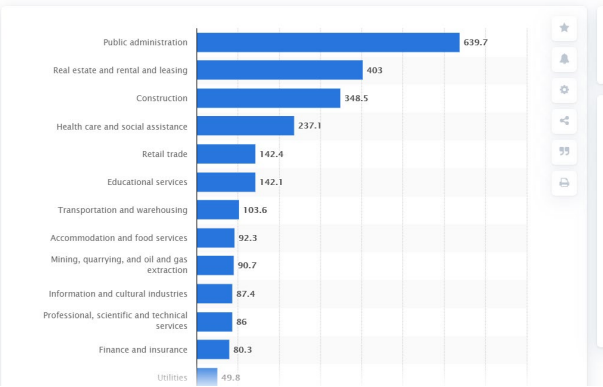
Nils Andreassen  
Alaska Municipal League



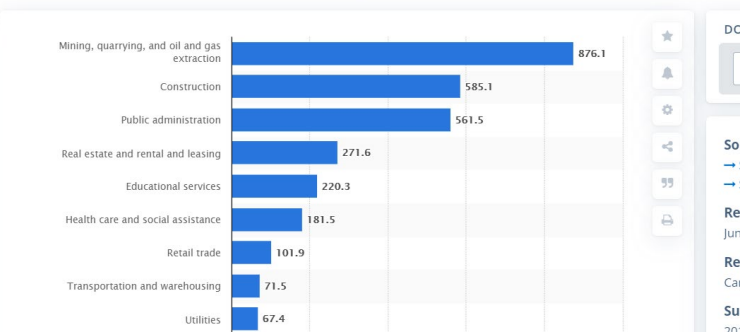
# State spending is a critical component of GDP

Public administration (government) is central to northern GDP.

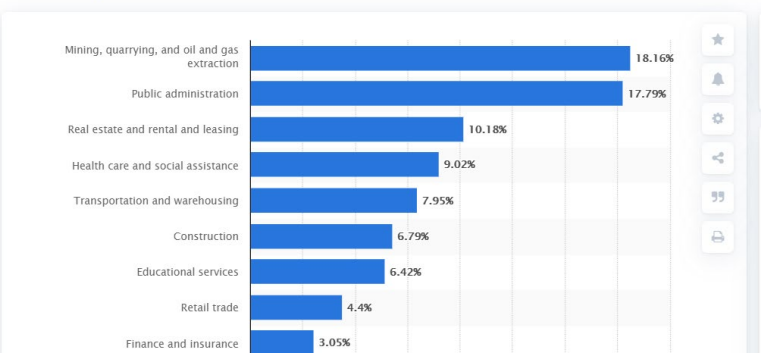
Gross domestic product of Yukon, Canada in 2019, by industry  
*(in million chained 2012 Canadian dollars)*



Gross domestic product of Nunavut, Canada in 2019, by industry  
*(in million chained 2012 Canadian dollars)*

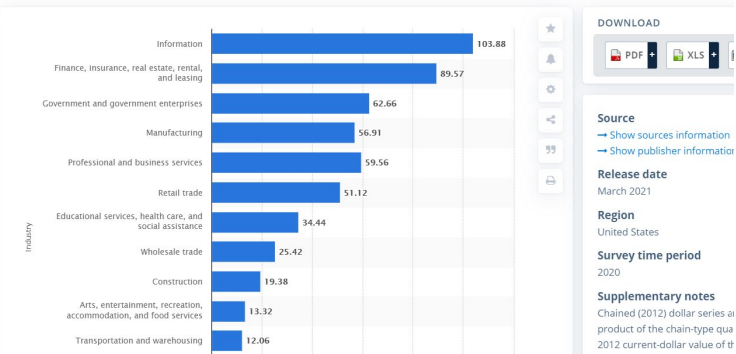


Distribution of gross domestic product of Northwest Territories industry

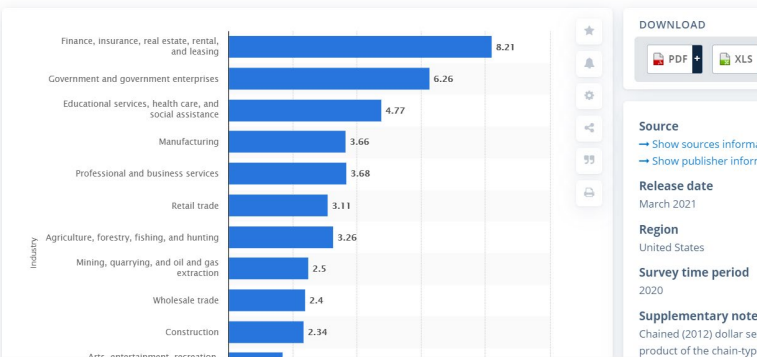


In the U.S., government is critical to a State’s GDP.

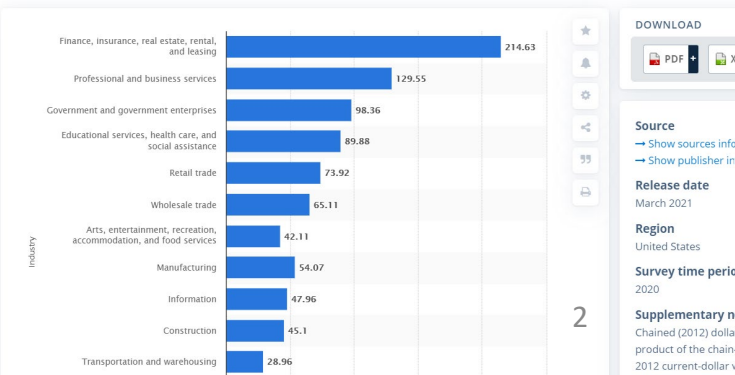
Real value added to the Gross Domestic Product (GDP) of Washington in 2020,  
*(in billion chained 2012 U.S. dollars)*



Real value added to the Gross Domestic Product (GDP) of Montana in 2020,  
*(in billion chained 2012 U.S. dollars)*

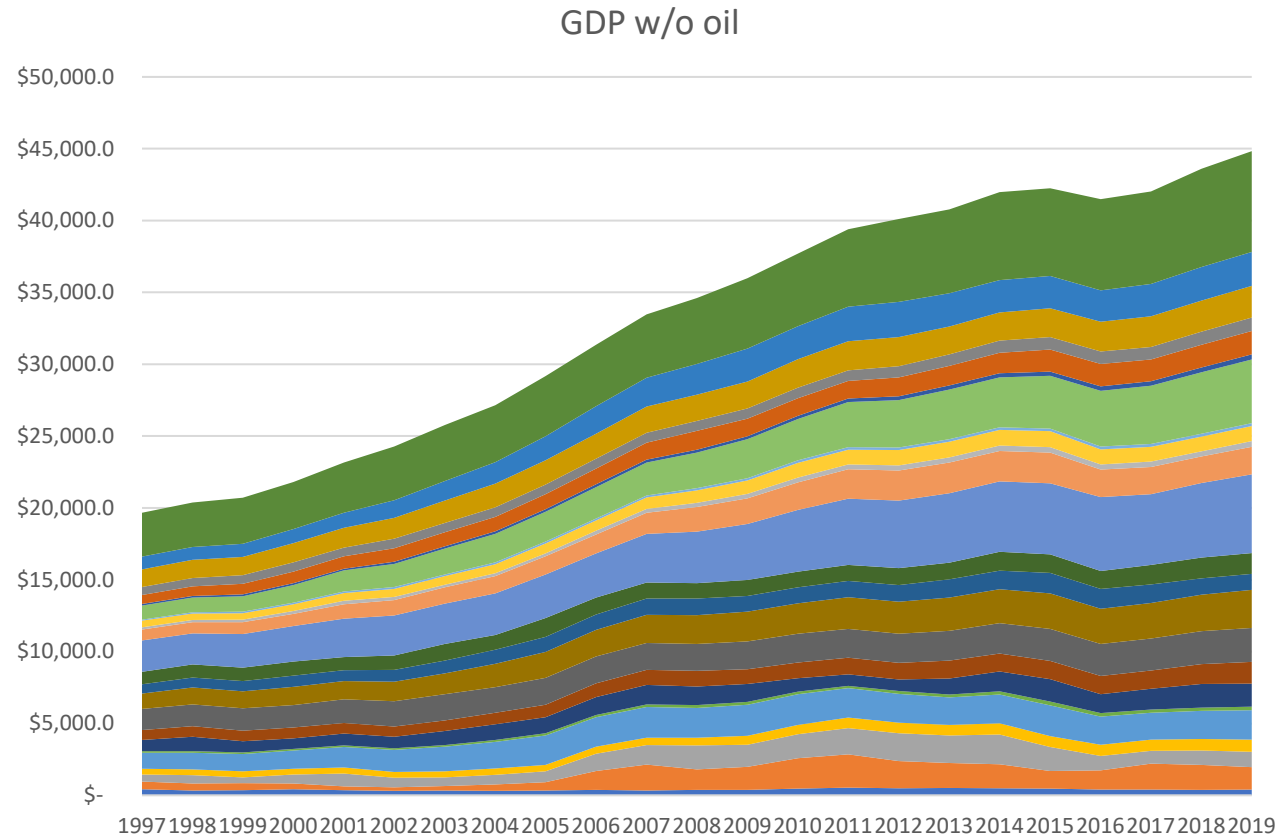


Real value added to the Gross Domestic Product (GDP) of Florida in 2020,  
*(in billion chained 2012 U.S. dollars)*



## Steady Economic Growth

Alaska's economy has grown significantly over time, and State spending has had a smoothing effect. In fact, it has been generally consistent with other sector development.



Takeaway – broad-based taxes connect the State's policy decisions to economic activity, with a return on investment that focuses more on economic growth than on savings growth.

# An “appropriate” level of taxation – that which is goal-oriented

- Building tax capacity is closely linked to the process of economic development and growth. This is a broader concept of state capacity to provide for a range of capabilities that are needed for the state to function effectively.
- Tipping points (IMF): Countries that are immediately to the left of the tipping point on average grow by around 20 to 25 percent in real terms over 10 years; Countries immediately to the right of the threshold grow by more than 30 percent over 10 years
- Tax revenues above 15 percent of a country’s gross domestic product (GDP) are a key ingredient for economic growth and, ultimately, poverty reduction.
- Getting to at least this 15 percent level helps countries generate sufficient domestic resources that can be invested in health, education, and infrastructure.
- States with a broad-based tax perform better

Figure 2. Impact of the Tax Threshold on 10-Year Cumulative Growth

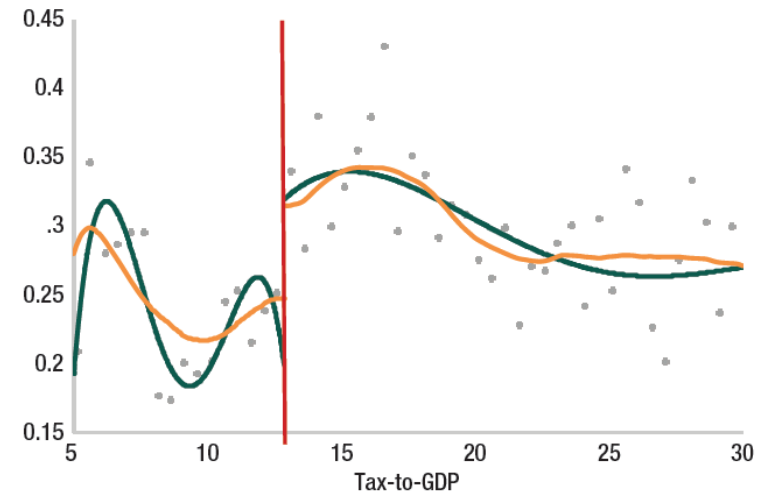
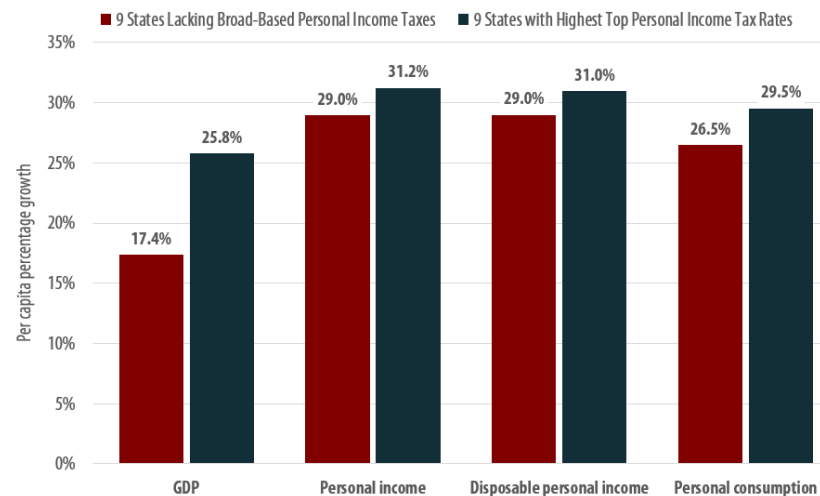


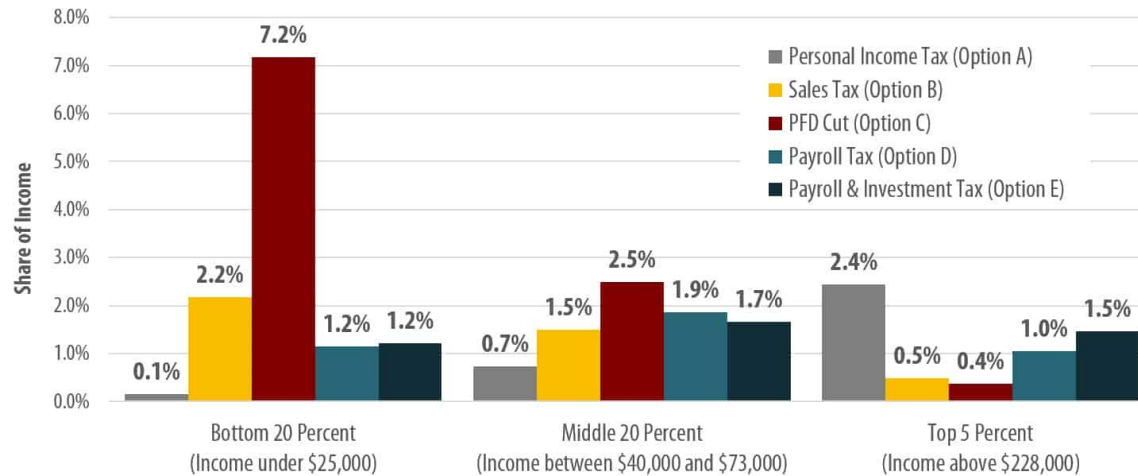
Figure 3: Economic Growth in the States, Per Capita  
2006-2016



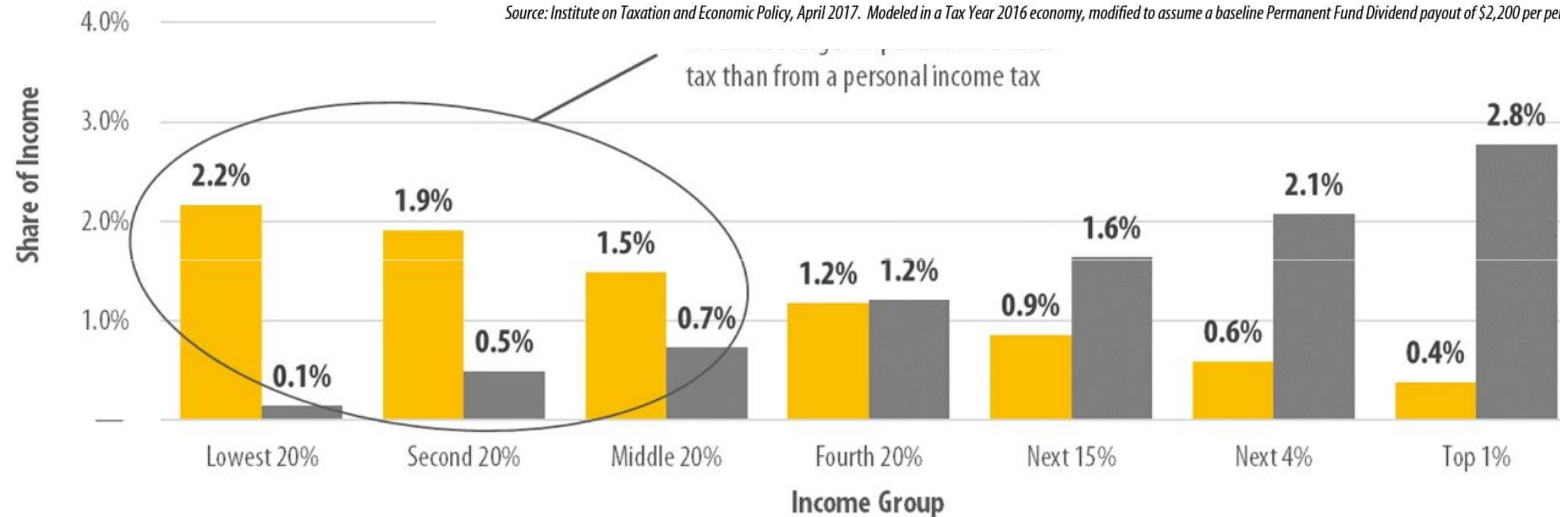
Source: ITEP calculations based on data from the Bureau of Economic Analysis. State averages are unweighted.

# Impacts of Different Taxes

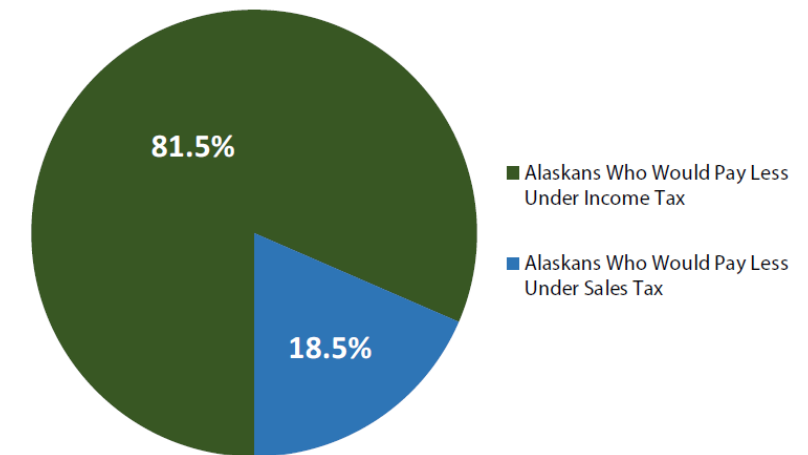
Balancing the impacts of taxation may require blending of tax options, eventual



Source: Institute on Taxation and Economic Policy, April 2017. Modeled in a Tax Year 2016 economy, modified to assume a baseline Permanent Fund Dividend payout of \$2,200 per person.



**Most Alaskans Would Pay Less Under an Income Tax**  
Comparing Two Taxes Designed to Generate Identical Levels of Revenue



**Note:** Analysis by researchers at the Institute of Social and Economic Research (ISER), University of Alaska Anchorage as of June 2016. Precise share paying less under the income tax falls somewhere between 77 and 86 percent of the state's population, with 81.5 percent representing the midpoint. Chart compares the hypothetical impact of income and sales taxes designed to generate identical levels of revenue. Income tax is calculated as a percentage of federal tax liability (e.g., Gov. Bill Walker's proposal). Sales tax is assumed to apply to all retail expenditures except food at home, health care, education, and shelter.

# Income Tax Considerations

- An income tax is the most “fair” way to tax Alaskans. It:
  - Can be structured as flat or progressive, falling the same on all income categories or more at higher levels.
  - Is applied to businesses and individuals, and is implemented by governments and nonprofits just like any other employer.
  - Addresses concerns about S corps or Trusts not captured by current corporate tax.
  - Captures out of state worker wages, at a roughly similar level as sales tax does of tourist dollars.
  - Is common and well-understood, and easily implementable
- Local governments are prohibited from implementing this kind of tax, leaving it to the State to do if any.
- AML developed an income tax calculator [here](#)

# Sales Tax Shopping Cart

- A sales tax is the most “regressive” of revenue options. It:
  - Falls disproportionately on lower income households, as a share of income, thus making it regressive.
  - Competes with current local taxation in more than 100 communities.
  - Would increase the sales tax to as much as 9% in some communities.
  - Would require the most significant administrative burden of all taxes.
  - Would not fall on expenditures of nonprofits and the government, thus not capturing as much as 15% of Alaska’s economy.
- A sales tax is found in 45 of 50 U.S. states, thus making it one of the most common form of taxation. It is the most common form of taxation at the local level, along with property tax.
- To see what the costs of goods would increase to with the addition of a statewide sales tax, AML produced a sales tax shopping cart.



# Sales Tax Shopping Cart

A monthly shopping bill, just based on our list of 15 items, varies widely across communities.

- The base bill alone can be twice as much in some as others
- Local sales tax ranges from \$0 to \$94
- The State's would add between \$14 and \$33 to this
- The % range of the total bill relative to Anchorage can be as much as 111%

Monthly Expenses	Anchorage	Galena	Kenai	Kotzebue	Sitka
Milk (half gallon)	\$12.00	\$56.00	\$15.56	\$27.96	\$15.56
Ground beef (pound)	\$30.96	\$36.00	\$44.48	\$27.96	\$15.16
Loaf of bread	\$10.00	\$32.00	\$8.00	\$15.96	\$25.16
Diapers (58ct)	\$30.24	\$70.00	\$24.94	\$69.99	\$44.89
Laundry soap (92floz)	\$17.34	\$70.00	\$11.97	\$29.99	\$23.69
Toothpaste	\$2.89	\$12.00	\$1.68	\$5.29	\$3.99
Fishing pole	\$90.00	\$20.00	\$40.10	\$78.99	\$78.00
Gas (gall, regular)	\$186.00	\$300.00	\$177.50	\$318.50	\$208.50
XtraTuffs	\$120.00	\$150.00	\$85.45	\$99.99	\$85.00
Carharts	\$50.00	\$160.00	\$150.00	\$109.99	\$55.00
Bananas (pound)	\$3.56	\$48.00	\$3.52	\$9.96	\$3.96
Haircut	\$49.75	\$30.00	\$25.00	\$49.75	\$45.00
Med Cheese Pizza	\$22.98	\$60.00	\$12.48	\$40.00	\$36.00
Cell Service	\$179.40	\$120.00	\$178.00	\$70.00	\$68.00
Home Heating Fuel	\$100.00	\$700.00	\$392.00	\$602.00	\$315.00
<b>Subtotal</b>	<b>\$905.12</b>	<b>\$1,864.00</b>	<b>\$1,170.68</b>	<b>\$1,556.33</b>	<b>\$1,022.91</b>
Percent above or below Anchorage	0.0%	105.9%	29.3%	71.9%	13.0%
Local Tax	\$5.00	\$55.92	\$70.24	\$93.38	\$56.26
State Sales Tax	\$18.10	\$37.28	\$23.41	\$31.13	\$20.46
<b>Combined State and Local Taxes</b>	<b>\$23.10</b>	<b>\$93.20</b>	<b>\$93.65</b>	<b>\$124.51</b>	<b>\$76.72</b>
Total bill	\$928.22	\$1,958.26	\$1,264.63	\$1,681.56	\$1,099.76
<b>Percent above or below Anchorage</b>	<b>0.0%</b>	<b>111.0%</b>	<b>36.2%</b>	<b>81.2%</b>	<b>18.5%</b>



# Considerations

- Tax base – in-state and out-of-state sources
- Exemptions – what is taxed, or not?
- Distribution by income level – who does this impact across income levels?
- Distribution by geography – who does this impact across regions?
- Revenue growth – how does an income tax grow over time?
- Interaction with local taxes – what effect does this have on local tax structures?
- Economic effects – what effect does a sales tax have on the economy?

# Experience Counts

Sales tax administration at the local level has no parallel at the State

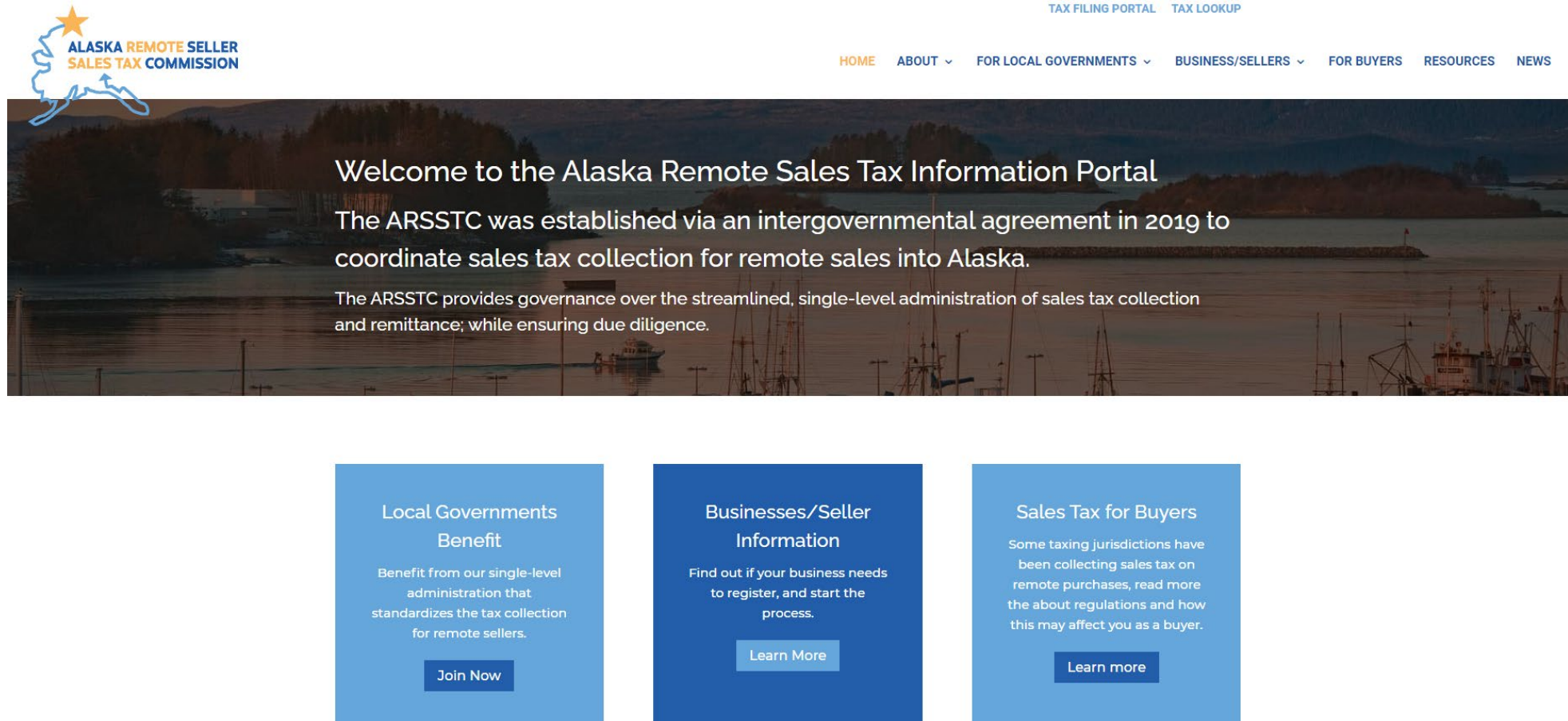
Remote sales tax collection changes what's possible



# Primary form of local government tax

- 106 local governments with sales tax
- Many in place since incorporation – pre-Statehood
- Sales tax offices can employ as many as 4 individuals
- Multiples sales tax administrators with decades of experience
- Local variation – rates, caps, exemptions – respond to local circumstance
- Stable – very little increase over the last 20 years
- Growth occurs as economy and population grows
- Preservation of tax base, too, as needs increase

# Single-level, streamlined, statewide administration



The screenshot shows the homepage of the Alaska Remote Seller Sales Tax Commission. The header includes the logo on the left and navigation links on the right. The main banner features a scenic background of a harbor with fishing boats and text explaining the commission's purpose. Below the banner are three blue boxes with white text, each containing a heading, a brief description, and a call-to-action button.

**ALASKA REMOTE SELLER  
SALES TAX COMMISSION**

TAX FILING PORTAL TAX LOOKUP

HOME ABOUT ▾ FOR LOCAL GOVERNMENTS ▾ BUSINESS/SELLERS ▾ FOR BUYERS RESOURCES NEWS

## Welcome to the Alaska Remote Sales Tax Information Portal

The ARSSTC was established via an intergovernmental agreement in 2019 to coordinate sales tax collection for remote sales into Alaska.

The ARSSTC provides governance over the streamlined, single-level administration of sales tax collection and remittance; while ensuring due diligence.

### Local Governments Benefit

Benefit from our single-level administration that standardizes the tax collection for remote sellers.

[Join Now](#)

### Businesses/Seller Information

Find out if your business needs to register, and start the process.

[Learn More](#)

### Sales Tax for Buyers

Some taxing jurisdictions have been collecting sales tax on remote purchases, read more the about regulations and how this may affect you as a buyer.

[Learn more](#)

# Registration and reporting through Portal

Local governments have built single-level administration – a one stop shop for registration, reporting, and payment



Welcome | Log In

**Welcome to the Alaska Remote Sellers Sales Tax Commission Portal!**


Register or Login


Getting Started


Bulk Filers

Participating Jurisdictions

FAQ

 **ttr** | **Alaska Tax Lookup**  
Get tax right.

New Users  
Register  
 **Go**

Existing Users  
Log In  
 **Go**

[Terms of Use](#) | [Contact Us](#)

# Infrastructure in place

Site functions as portal for jurisdictions and sellers, with complete reporting and accountability.

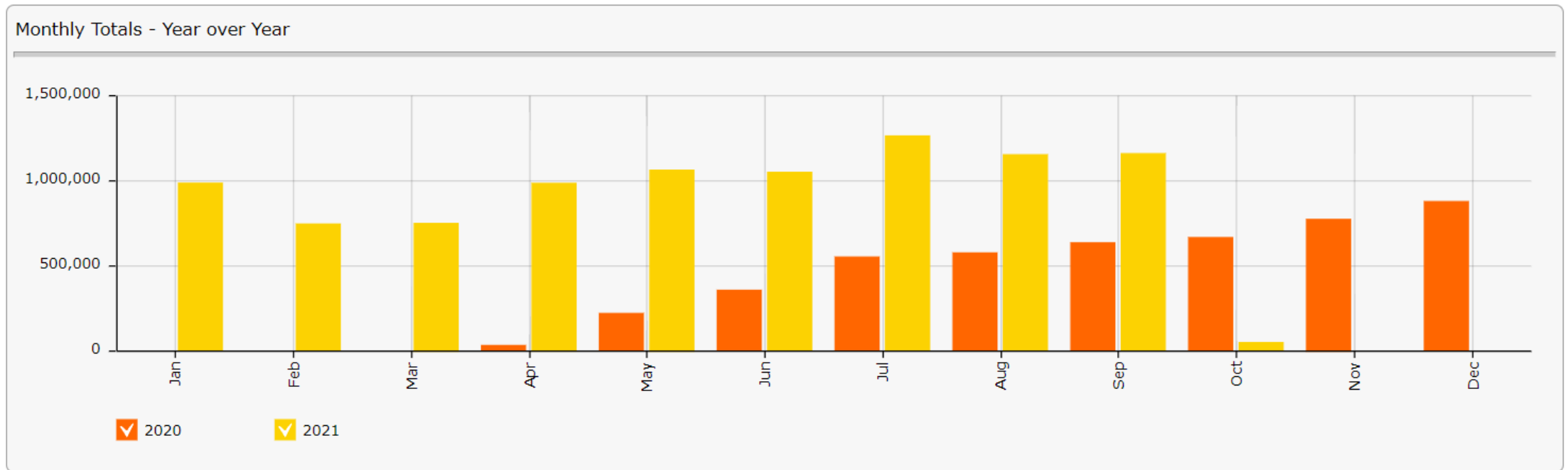
The screenshot shows a web portal for the Alaska Remote Seller Sales Tax Commission. The top navigation bar includes a 'Business Center' button with a bell icon and an 'Admin' link. Below the navigation bar, the breadcrumb trail reads 'Alaska Remote Seller Sales Tax Commission > Business Center'.

The main content area is divided into two columns. The left column contains a 'Messages' section with three paragraphs of text: 'Returns are due monthly unless you have been notified otherwise.', 'Stop!! If you have a physical presence in a community, you will not file taxes for that community on this portal. You will need to file with that jurisdiction.', and 'Sales tax returns will be available on the first of the month in the month the return is due.' Below this is an 'OPEN TASKS' section with the text 'No tasks at this time' and an information icon.

The right column contains a 'QUICK LINKS' section with five links: 'Click HERE for FAQs.', 'How to File Sales Tax Returns', 'Click HERE for Participating Jurisdictions.', 'Click HERE for the Excel Upload template.', and 'Click HERE for ACH Credit Payment Instructions'. Below these links is a section titled 'Add or remove a business to your account here.' with a right-pointing arrow. At the bottom of the right column are two logos: 'ttr Alaska Tax Lookup' and 'Lookup API Key'.

# Remote Sales Tax Growth

- Grown from 14 jurisdictions in first year to 40 now; from 200 sellers to over 1,200
- Represents on average 7% of total sales, relatively small portion of overall budget





# Alaska Sales Tax Lookup

Sales Tax Lookup and API code for business ease of use

The screenshot shows the Alaska Sales Tax Lookup website. At the top left is the ARSSTC logo and the title "Alaska Sales Tax Lookup". At the top right are icons for zoom, pan, and help, along with logos for "ALASKA REMOTE SELLER SALES TAX COMMISSION" and "MUNIRevs". The main content area is a white box with a map of Alaska in the background. The text inside the box reads: "Welcome to the Alaska Sales Tax Lookup! This lookup tool is provided by the Alaska Remote Seller Sales Tax Commission (ARSSTC). Local taxing authorities—like cities and boroughs—participate in ARSSTC to share their local sales tax rates and taxability information through this portal. Remote Seller Filing is Available for Participating Local Areas Some local taxing authorities have not yet signed up to participate in the ARSSTC. Taxes from these authorities are shown with "—" in place of their sales tax rates. Where you are a remote seller, you will not be able to file and pay sales tax to these non-participating locations through the ARSSTC tax filing portal. Where you have a local business presence, you are not a remote seller—so you must register and file directly with the local taxing authority." Below this text is a search bar with a magnifying glass icon and a "Get started" button. At the bottom of the search box is a link: "Don't want to search? [Browse map instead.](#)". The map on the left shows the Yukon Delta National Wildlife Refuge and Wood-Tikchik State Park. The map on the right shows the Yukon region with various towns and national parks.

Alaska Sales Tax Lookup

Welcome to the Alaska Sales Tax Lookup!

This lookup tool is provided by the Alaska Remote Seller Sales Tax Commission (ARSSTC). Local taxing authorities—like cities and boroughs—participate in ARSSTC to share their local sales tax rates and taxability information through this portal.

*Remote Seller Filing is Available for Participating Local Areas*

Some local taxing authorities have not yet signed up to participate in the ARSSTC. Taxes from these authorities are shown with "—" in place of their sales tax rates. Where you are a remote seller, you will not be able to file and pay sales tax to these non-participating locations through the ARSSTC tax filing portal. Where you have a local business presence, you are not a remote seller—so you must register and file directly with the local taxing authority.

Search for any location in Alaska down to a street address.

[Get started](#)


Don't want to search? [Browse map instead.](#)

# Multi-jurisdictional rate and exemptions

The current system accounts for multi-layered jurisdictional variability

soldotna

Q X



Calendar icon

Current

Document icon

Overview

Speech bubble icon

Question

Download icon

Export

Tax Rate Details

Alaska

Sales Tax

No Tax

Kenai Peninsula Borough

Sales Tax (9036)

3.00%

Soldotna

Sales Tax (9091)

3.00%

Total Tax Rate:

6.00%

Products & Services List

Q X

Select an item from the matrix below to get a breakdown of the rate.

PRODUCT/SERVICE	SALES TAX RATE
<input checked="" type="checkbox"/> General Merchandise (Tangible Personal Property)	6.00%

Kenai Peninsula Borough

Answer: Taxable

Explanation: N/A

Soldotna

Answer: Taxable

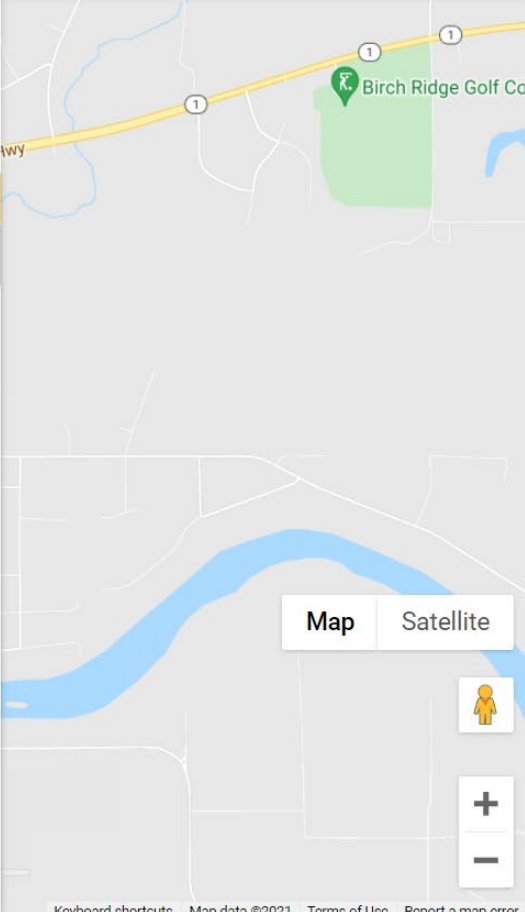
Explanation: N/A

<input checked="" type="checkbox"/> Adult Care	No Tax
<input checked="" type="checkbox"/> Advertising	6.00%
<input checked="" type="checkbox"/> Agent Commissions	6.00%
<input checked="" type="checkbox"/> Agricultural Products	6.00% ⓘ

Showing 1 - 88 of 88

Map

Satellite



Person icon

+

-

17

# A Sales Tax of Last Resort

How to structure a state sales tax in Alaska without negatively impacting the current local option, rates, and exemptions



# Improved bill – HB4005

- Updating 2016 bill, an iteration of previous bills
- HB4005 has removed takeover of local government decision-making and control – exemptions, code, collection
  - The starting point for the State's sales tax policy should not be the elimination of that at the local level - this is a step toward collaboration
- Reduced rate – still competes with local tax base where there's currently a tax in place
  - Increased expectation of residents that tax needs to be reduced, with greater ability perceived to be to do so at the local level
- Expanded exemptions – reduces regressivity
  - More administratively feasible to offer credit; lesser burden on sellers

# What's missing?

- XX.XX.010 – Interpretation – Taxability broadly construed (Pg. 4)
- XX.XX.020 – Title to Collected Sales Tax – receipts property of the Commission/Member (Pg. 4)
- XX.XX.030 – Imposition – Rate – Remote sellers must impose sales tax
- XX.XX.040 – Obligation to Collect Tax – Threshold for collection is \$100,000 or 200 transactions
- XX.XX.050 – No Retroactive Application – No retroactivity
- XX.XX.060 – Payment and Collection – Seller must collect taxes and hold in trust
- XX.XX.070 – Registration Requirement – Timing for registration if collection thresholds are met
- XX.XX.080 – Tax Filing Schedule – Monthly or quarterly return filing
- XX.XX.090 – Estimated Tax – Estimated tax may be assessed on non-filers
- XX.XX.100 – Returns – Filing Contents – Returns include gross, nontaxable, and taxable amounts
- XX.XX.110 – Refunds – Commission may issue refunds
- XX.XX.120 – Amended Returns – Sellers may file amended returns
- XX.XX.130 – Extension for Return – Commission may allow extensions
- XX.XX.140 – Audits – Sellers subject to audit by the Commission
- XX.XX.150 – Audit protest – Sellers may protest to the Commission
- XX.XX.160 – Penalties/Interest for Late Filing – Sets penalties and interest for late filing
- XX.XX.170 – Repayment Plans – Commission may allow payment plans
- XX.XX.180 – Record Retention – Sellers must keep records for six years
- XX.XX.190 – Cessation/Transfer of Business – Terms for business cessation/transfer
- XX.XX.200 – Use of Information – Confidentiality of tax return information
- XX.XX.210 – Violations – Terms for violations of this code
- XX.XX.220 – Penalties for Violations – Penalties for violations (ranging from \$25 to \$500)
- XX.XX.230 – Physical presence – Delineates how sellers file (locally or with Commission)
- XX.XX.240 – Hold Harmless – Sellers protected for misfiling due to Commission errors
- XX.XX.250 – Definitions – Common definitions
- XX.XX.260 – Supplemental Definitions – Definitions that apply to exemptions used by members

# Some options to consider

- State rate capped when combined with local rate, not to exceed national average of 7.27%; with no cap on local rate
- Align State sales tax law with Uniform Code already in place
- Join the Alaska Remote Seller Sales Tax Commission
- Provide for intergovernmental agreement either to collect on behalf of local government or to have local government collect on behalf of State
- Reinstitute Community Revenue Sharing formula prior to 50% reduction in 2015 to make up for tax base impact, accessible to communities with current sales taxes
- Implement over time, exempting collection in current sales tax jurisdictions

# Intergovernmental Agreement - Colorado

(1) The general assembly hereby finds and declares that:

- (a) It is in the best interest of the state, local governments, and taxpayers to have sales tax collected in the most efficient and effective manner feasible;
- (b) Sales taxes can be administered and collected most efficiently when the governmental entities that collect the taxes cooperate and share responsibilities to collect and distribute revenues from the taxes;
- (c) The administrative burden on taxpayers is lessened when governmental entities cooperate and agree on the processes used to administer and collect sales taxes;
- (d) Broad authority and precedent exist for governmental entities to operate more efficiently and effectively by contracting with each other to cooperate in carrying out their respective responsibilities;
- (e) The purpose of this section is to encourage the state to work cooperatively with counties and other local governments in the administration and collection of sales taxes in the state to enhance efficiencies and procedures for the benefit of both the department of revenue and local governments.

(2) The executive director of the department of revenue may enter into an intergovernmental agreement with any county for the purpose of enhancing the systemic efficiencies and procedures used in the collection of state and local sales taxes. Such agreement shall be entered into on behalf of and for the benefit of both the county and the department. In addition, a municipality may be included as a party to the agreement to further the same efficiencies and procedures to be enhanced by the agreement between the executive director and a county. The agreement may allow the parties to share in providing any function or service lawfully authorized to each of the parties, including the sharing of costs, information, or duties related to the collection of sales taxes within the boundaries of the county.



# Steps to Decision-Making

- Conduct an updated REMI analysis of macro level shocks to economy from budget reductions, PFD reductions, sales, income, and other taxes
- Regional analysis to see total tax burden relative to income or GDP
- Testimony from local government finance officers, managers, and sales tax administrators about collection and importance at local level
- Consult with legal counsel that specializes in sales tax
- Testimony from Craig Johnson at the Streamlined Sales Tax and Use Commission (SSUTA) – value, needs, benefits
- Testimony from Scott Paterson at Avalara, an original director of the SSUTA and current head of one of the CSPs (also bought TTR, our lookup and API software)
- Testimony from Erin Neer at MUNIREvs, the software vendor that built the ARSSTC registration and reporting portal
- Testimony from the State of Colorado, which has a system relatively similar to what Alaska could consider

# Thank you!

## Resources

- Nils Andreassen, Alaska Municipal League
- Jeff Rogers, President, Alaska Remote Seller Sales Tax Commission
- Karl Kaufman, Legal Counsel, Landye Bennett
- Erin Neer, MUNIRevs
- Craig Johnson, SSUTA
- Scott Patterson, Avalara
- Clinton Singletary, Sales Tax Program Manager, AML