

Alaska Fiscal Policy

Prepared by the Alaska Municipal League



Sustainable Solutions

- AML has been saying fiscal policy for 25 years
 - Developed akfiscalfutures.org in 2020 – not maintained but useful
 - Eight Stars of Gold approach in 2022 recognized the balancing act
- Most recently, focus has been on revenue shortfall, which has led to underfunding of key state programs and intergovernmental transfers, as well as cost-shifting.
- That cost-shifting has meant that local governments are increasingly expected to deliver more services on behalf of the state, and that taxpayers are already shouldering those increases.
- Member resolutions
 - Support broad-based tax – but prefer an income tax
 - Oppose spending cap – results in cost-shifting to local governments
 - Sustain Permanent Fund and sustainable draw
- Goal – State able to fulfill its constitutional and statutory obligations

Sustainable Solutions

- Proposed Fiscal Plan – identifies some of the levers available
- Involves trade-offs – State obligations, jobs, economy, public impact, resident/nonresident, and local government authority
- AML uniquely positioned to focus today on sales tax proposal
- High level context of
 - Elimination of corporate income tax, which has the least impact to jobs and economy.
 - Spending cap, which will push State spending down, which has the most impact to jobs and economy.
 - Is currently utilized by more than 100 local governments to deliver services on behalf of the State.
 - Doesn't result in long-term, sustainable answer to revenue shortfall.
- The following slides reflect the comments and feedback we've received from members.

“The fairest statewide revenue tool is an income tax. We believe it asks residents to contribute based on ability to pay. But we also understand the political realities before you this session. If a broad-based sales tax is the only revenue measure with a real path forward, the legislation must protect municipal authority and respect decisions local voters have already made”

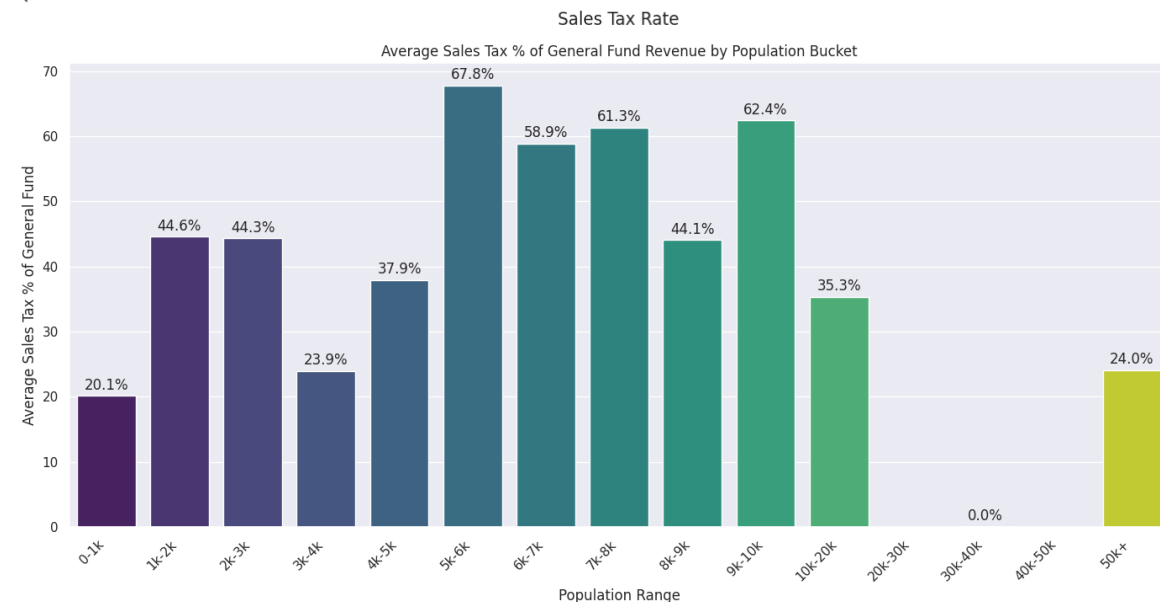
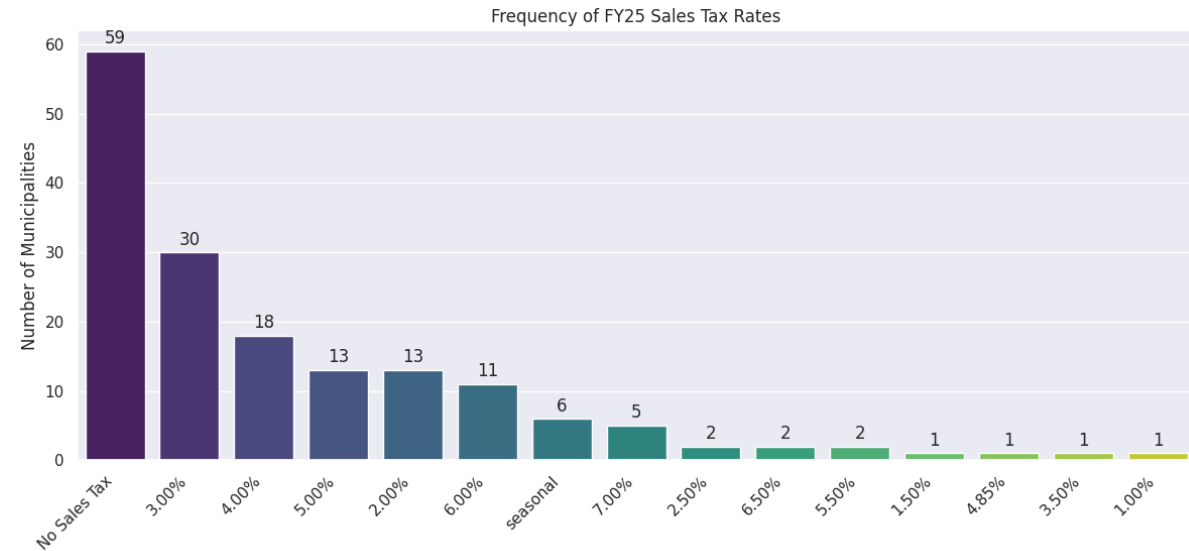
Sales Tax – Broad Strokes

- Second most regressive - The burden falls most on low-income, vulnerable residents.
- Highest non-resident take, maybe - No data for commercial property, and oil taxes and corporate income tax not evaluated
- High revenue potential - \$830 million (but net \$300 million when compared against corporate income tax elimination?).
- Narrower exemptions mean potential increase in revenue for local governments, but also new exemptions that result in less revenue.
- State responsible for collection; maybe there is potential for savings.
- New to State tax administration and implementation will be taxing.
- New to largest population areas, with high implementation barrier for business community.

“This bill would create a new tax in our jurisdiction and impose unnecessary complexity and economic friction.” – Economic friction is any cost, barrier, or inefficiency that impedes smooth market activity, slowing down economic adjustments and making transactions harder or more expensive.

Evaluating Impact – Topics Covered

1. Technical Evaluation
2. Local Autonomy & Decision Making
3. Local Variability
4. Sunset Clause
5. Human Resources
6. Remote vs. Physical
7. Investments Necessary
8. Local Implementation
9. Revenue and Cost Considerations
10. Community Impact



Technical Evaluation of Proposal

- **43.44.010** – careful definition of retail sale; levy does not include lease and rentals, though they are in definition of sale; lack of clarity in sourcing.
- **43.44.020** – requires remote sellers to collect use tax, but doesn't say remote seller; needs nexus definition.
- **43.44.040** – sourcing rules should be in statute, not just regulations; the levy in .010 should link to this sourcing.
- **43.44.100** – no exemption for nonprofits nor tribes, which are both very common; exempts fuel for jet aircraft but not others; Unites States is vague and should be U.S. federal government; (9) transportation of resold items but the transportation is not resold?; (12) should be better worded; short term rentals appear taxable, but loss of revenue for commercial rental property would be significant; (19) taxing utilities but exempting internet service.
- Broad Business to Business exemption risks: Eroding tax bases in service-heavy local economies, and shifting burden disproportionately to residents and visitors

Technical Evaluation of Proposal

Feature	Uniform Code	State Proposal
Protest Review Committee	✓	✗
Repayment plans	✓	✗
Explicit municipal audit role	✓	✗
Hold-harmless for database errors	✓	✗
Address-based jurisdiction database	✓	✗
Clear separation of local vs remote sales	✓	✗
Municipal confidentiality control	✓	✗

Definition	Uniform Code	State Proposal
Commission	✓	✗
Bundled transaction	✓	✗
Delivery network company	✓	✗
Digital good (separate)	✓	✗
Digital service (separate)	✓	✗
Delivered electronically	✓	✗
Remote reseller certificate	✓	✗
Buyer (functional)	✓	Partial
Address-based sourcing concepts	✓	✗
Anti-discrimination savings clause	✓	✗

Technical Evaluation of Proposal

Does this proposed legislation contain everything it needs to be implemented successfully?

- Evaluate changes to Multistate Tax Compact and overall what you're signing onto that other states have done, when many of their sales tax laws are significantly more complex than Alaska's.
- Evaluate participation in SSUTA – invite presentation and value and services, as well as potential constraints; may be signing onto more than is needed, with little benefit.
 - Is it to access Certified Service Providers (CSPs) and has that been budgeted for?

SSTGB Opens Comment Period for Sanctions on Noncompliant States

DATED FEB. 2, 2026

🔖 Reading Queue

★ Favorite

🖨️ Print

📄 Original Source PDF

✉️ Send Article

➦ Share

SUMMARY BY TAX ANALYSTS

The Streamlined Sales Tax Governing Board announced in a public notice that the 30-day public comment period is open regarding the imposition of sanctions on Georgia and Ohio, both of which are currently out of compliance with the Streamlined Sales and Use Tax Agreement.

Local Autonomy & Decision Making

Does this legislation preserve the intent of the Constitution and respect the role and responsibilities of local governments, and voters?

- Constitutional
 - Maximum local self-government with liberal construction of powers
 - Taxing authority only to cities and boroughs – carrying the difference for what in other states includes school districts, special districts and authorities, etc.
- Municipal exemptions are effectively subordinated to state law.
- No explicit protection for:
 - Local voter-approved exemptions
 - Community-specific policy choices (e.g., caps, seasonal exemptions).
- Municipalities have no independent audit authority, with no ability to initiate audit, participate in dispute resolution, and prioritize enforcement.

Local Variability

Caps and exemptions matter to Alaska's working families

- 136 different types of exemption across 55 local jurisdictions.
- Caps work to make sure that local taxability is limited on high-cost items
 - Maximum tax paid ranges from \$10 in Houston and Seldovia to \$720 in Bethel.
 - Portion of sale tax applied to ranges from \$300 in North Pole to \$14,300 in Juneau.
 - Often specific to vehicle purchases, but it varies to include cap on single item or by total transaction.
 - 32 jurisdictions of the 55 we collect for.
- Voter approved exemptions, like that recently adopted in Juneau on non-prepared food (essential).
- Senior exemptions are common within Alaska, but not elsewhere in the nation.



Adult Care Long-distance Tel Retail Sales of Alcoholic Beverages - Sales by Federally
 Advertising Long-term Rental: Recognized Tribes
 Agent Commi: Long-term Rental: Retail Sales of Alcoholic Beverages - Sales by Governmen
 Agricultural Pr Long-term Rental: Agencies
 Air Charter lodging) Retail Sales of Alcoholic Beverages - Sales by Nonprofits
 Arts and Craft Manufacturing - r: Retail Sales of Alcoholic Beverages - Sales by Religious
 Assisted Living: Media Products - i: Organizations
 ATVs Media Services - t: Retail Sales of Alcoholic Beverages - Sales by the United S
 ATVs/Snowmc Medical Services Government
 Aviation Fuel Medical, Dental, a: Retail Sales of Alcoholic Beverages - Sales for Resale
 Banking and F Membership Due: Retail Sales of Alcoholic Beverages - Sales on a Common
 Boats Membership Due: Carrier
 Cemetery Plot: Membership Due: Retail Sales of Alcoholic Beverages - Sales to Foreign
 Child Care Minimum Amount Government Officer or Employee
 Commercial A Mobility Enhancin Sale of Insurance and Bonds
 Commissions Mobility Enhancin Sales Between Related Parties
 Construction i Mobility Enhancin Sales by Federally Recognized Tribes
 Construction i Newspapers Sales by Nonprofits
 Cruise Ships Nonprofit Charita: Sales by Religious Organizations
 Drug - over the Passenger Ships Sales by Schools
 Drugs Periodicals Sales for Resale
 Drugs - presci Prepared Food Sales of Real Property
 Durable Medic Prepared Food - g Sales to Federally Recognized Tribes
 Durable Medic Prepared Food - h Sales to Orbital Space Facilities
 Durable Medic Propane Gas School - meals
 Electrical Pow Prosthetic Device School - transportation
 Electricity Prosthetic Device Seafood
 Fishing Indust Prosthetic Device Seafood - Cured or Smoked
 Food stamps Purchases by Nor Seafood - Raw Seafood Product
 Freight Purchases by Priv: Seniors
 Freight and W Purchases by Priv: Shipping and Delivery Services - 3rd Party - Not Associat
 Fuel for Power Purchases by Puba Sale
 Funeral Fees Purchases by Reli Shipping Charges - Separately Stated - Associated with a S
 Garbage/Refu Purchases by Schof Taxable Items
 Gasoline Radio Services Shipping Services
 General Merc Remote Sales Short-term Rentals of Real Property
 Gold to bankir Retail Sales of Alc Short-term Rentals of Real Property (lodging)
 Government A Retail Sales of Alc Snowmobiles

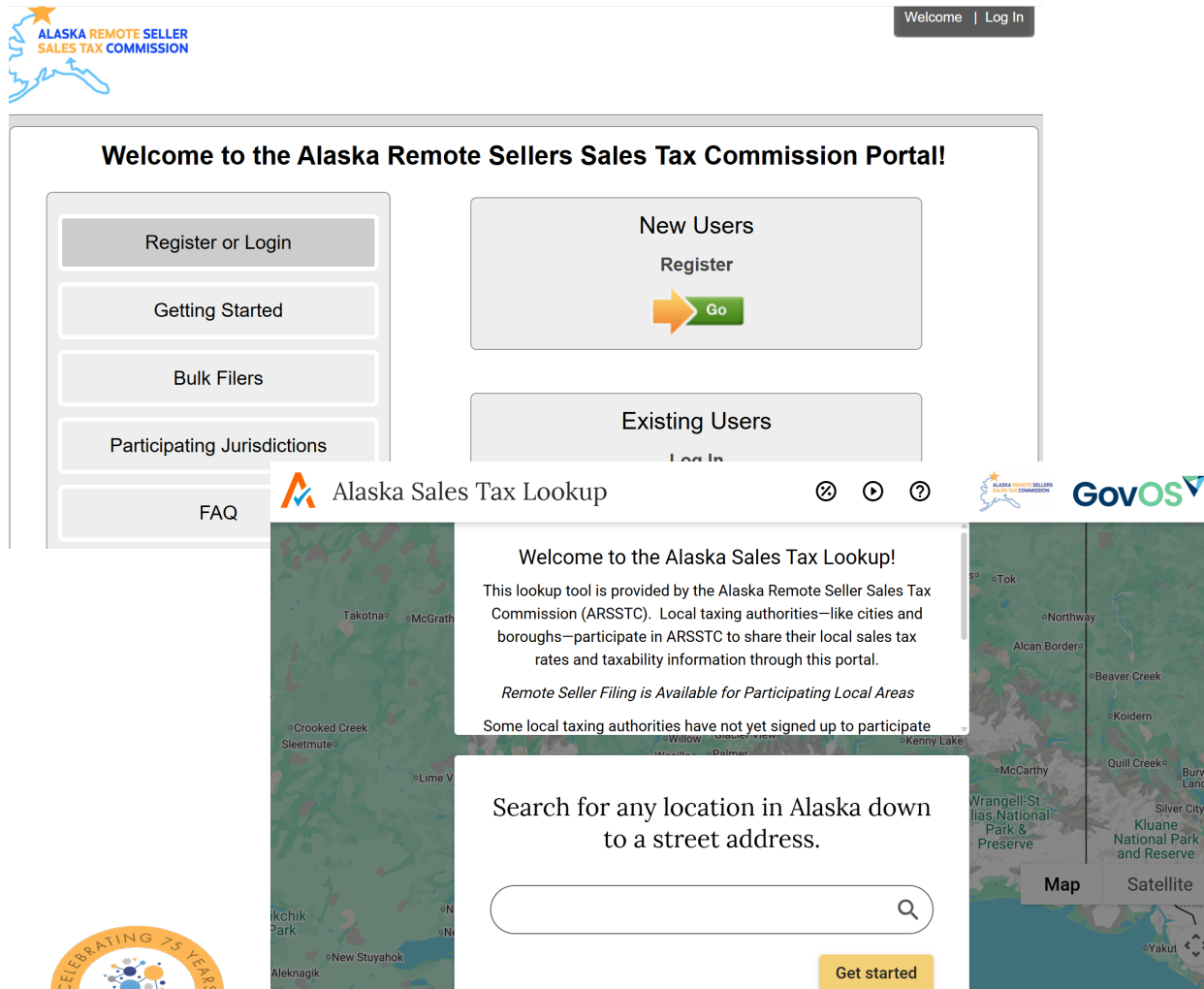
Sunset Clause

- 106 local governments will go through a months-long code amendment process to update their law and process to reflect changes in State statute.
- 3,300 remote sellers will update software and systems that have been developed for current collection and well-maintained variability
- 91,000 Alaska businesses will update or purchase software that allows for collection of sales tax, and businesses will implement remittance procedures.
 - The majority of these will be in jurisdictions that don't currently have a sales tax, and for whom this will be entirely new.
- And then the State will sunset its sales tax and that sunk investment will have been wasted.
- On the 13th year of net outmigration, Alaska will implement a tax that falls on those unable to flee, with the promise of a PFD that won't make up the difference.

Human Resources

- 106 jurisdictions with some level of staffing – from .2 FTE to as many as 6
- Section 8 of the bill still requires some portion of these staff to continue collecting bed, car rental, alcoholic beverages, tobacco, motor fuel, fish, and marijuana taxes, but without the sales tax revenue to offset the position's costs.
 - *I can't stress enough the burden it will be on merchants and local governments if the merchants have to report and remit their liquor, marijuana, hotel bed tax, tobacco taxes, etc. to the local jurisdiction separate from their regular sales taxes collected on the same sales. Some of the bigger sellers would potentially sue for undue burden.*
- At the same time, 43.05.230(c) means that local governments will need to retain staff able to inspect the work of the Department, lessening the impact of savings from the Department's collection.
- The Department's 65 positions aren't a 1:1 savings, but we can assume maybe 50% continued work effort at the local level, without the additional revenue from sales tax, and localities charged for the State's collection.
- Essentially, local governments lose the economy of scale currently in place.
- Note: 43.44.420 allows the department to contract with a municipality to collect their tax – let's talk. Including about what happens when the State's sunsets and we go back to... where we are?

Remote vs. Physical



- How does marketplace facilitator law intersect with other sales taxes that might be collected from companies like Turo, Airbnb, etc?
- How will State's collection of related taxes be implemented, like alcohol?
- Maintain rate variability software and processing for communities.
- GIS based taxability software for addressing correctly.
- Communication to remote sellers?
- Will in-state sellers between communities still be collecting for those transactions?

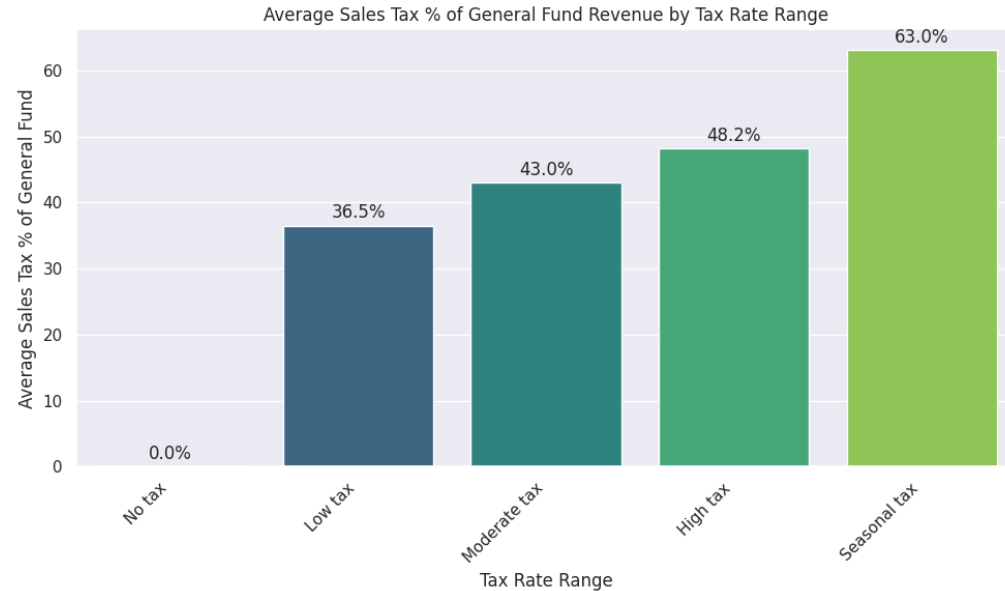
Investments Necessary

State Fiscal Note

- Staff
- Legal counsel and consultant
- Software
- Training and travel for implementation
- CSPs through SSUTA

Local Government Fiscal Note

- Retained staff for audit and other taxes
- Audit of department collection, financial management
- Collecting State tax as “field office”

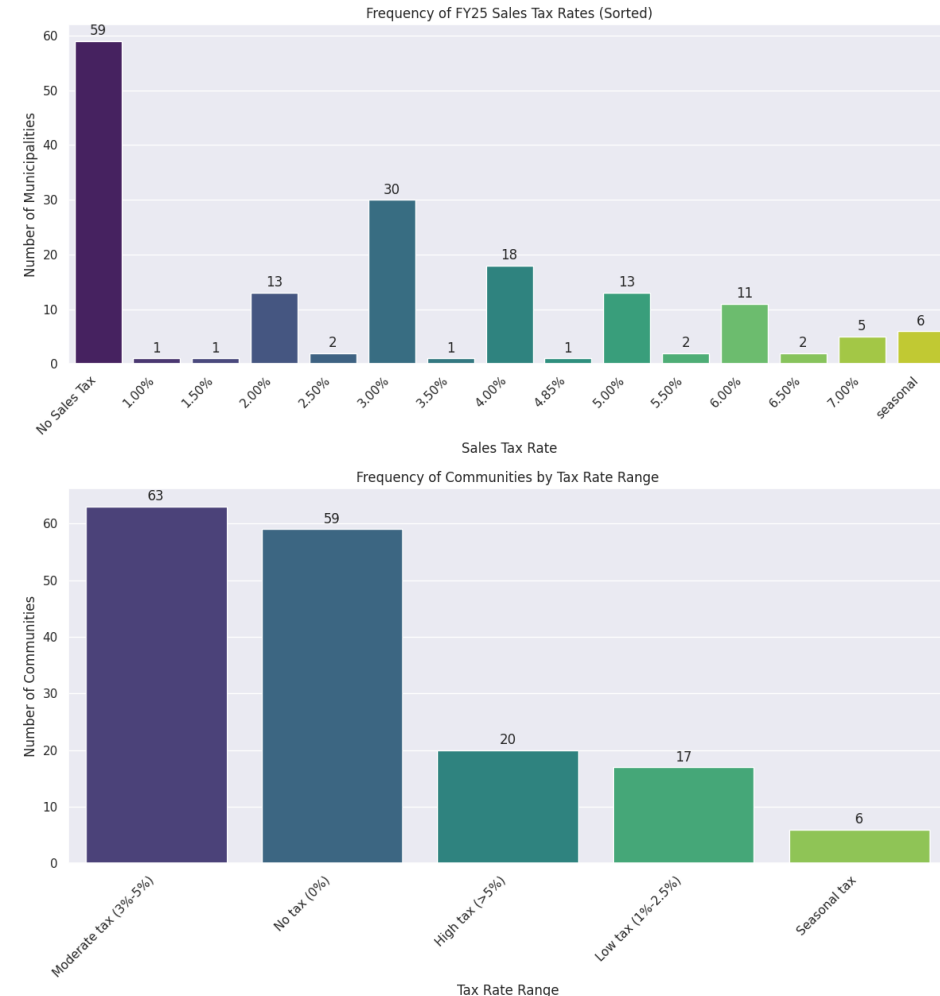


Revenue and Cost Considerations

- Municipal revenues depend on:
 - State collection efficiency
 - State exemption decisions
 - Administrative fees set by DOR .
 - No explicit hold-harmless or minimum-revenue guarantee.
- Timely remittance – prompt payment
- Staff time and software savings (or continued expense)
- Legislature should evaluate software solutions, including procurement process that evaluates multiple options.
- Contracted support – local collection on behalf of State
- Assumed increased revenue through narrower exemption list, except expanded use of B2B exemption could net zero increase.

Local Implementation

- Code changes – months long process in time for State launch.
- Communications to public and businesses
- Layoffs or retraining of current staff
- Budget process to account for more/less, and delays
- Analysis of exemption impacts on residents and businesses
- Review of other tax type potential and needed increase, decrease
- Taxpayer evaluation of burden, potential for reduced local rate



Low-key high-key community impact

- 72% of Alaskans will experience this as a new tax
- The majority of those will experience this new tax on top of a property tax
- 36 communities will see their sales tax move to at least 9% and as much as 13%
- People usually start changing behavior when the total sales tax hits roughly the equivalent of a 2–3 percentage-point increase, and material shifts become common around 9–10% all-in.
- This will place these communities at some of the highest combined sales and local taxes (averages) in the nation.
- At-risk: local pressure will threaten current local tax rates.

Low-key high-key community impact

- Characteristics of at-risk communities
 - Juneau, Sitka, Yakutat, Haines, Petersburg, Wrangell, Kenai, Soldotna, Seward, Ketchikan, Homer, Craig, King Cove, Bethel, Cordova, Nome, Kotzebue, Hoonah, Kodiak
- Almost entirely coastal – defined by fishing and tourism economies.
- Responsible for ports and harbors, which they subsidize the costs of, having accepted their transfer from the State with the promise of continued support, e.g., Harbor Matching Grants
- Almost all have police departments, with less dependence on Troopers
- The majority of community jails are in these communities, and subsidized by local government.

Salience and Elasticity

- Consumption behavior comes in steps, based on Salience (do they notice it?) and Elasticity (can they avoid it?).
- Empirical benchmarks
 - 0-1 % increase – no change in behavior
 - 2% increase- delay purchases, combine trips, shift discretionary spending
 - 3-4% increase – cross-border shopping, online purchases, reduced high-margin discretionary
 - Above 9% total – consumption reductions are persistent and category-specific (restaurants, lodging, retail), and political sensitivity increases.

“Our town has an entirely locally-owned retail sector that already struggles to compete with out-of-town chains, box stores and online sellers. Our citizens last fall narrowly approved a seasonal general sales tax of 7 percent to pay for the increased cost of local government due to state and federal cuts. With that, we’re already pushing the point of elasticity. Any increase to general sales tax now would put locally owned shops out of business.”

Path Forward

- Is it possible to build a system that protects local variability and adds the State's sales tax?
- Is it possible to structure this so that the total tax burden is limited and the State's adjusted down relative to the total?
- Are there other, better revenue options than this one that is so clearly within the current remit of local governments?
- Does this legislation need significant work to make it more effective and technically correct?
- Will this legislation materially affect local governments' ability to deliver services?

Conclusion

- For those who say, “this is better for Alaskans, compared to PFD cuts”, well, almost all the other revenue options are, too.
- The intersection between this proposal and current local authorities has clear consequences and implementation challenges that contradict the founding principles of the State.
- This proposal negatively impacts some Alaska communities more than others, in ways that will be far-reaching and ultimately result in fewer services provided by local governments.
- It’s not just a matter of who pays, but a complex tapestry of trade-offs and implementation pathways that have consequences.
- The composition of this legislation doesn’t address the revenue shortfall, if localities are being asked to give up local taxation so that corporate income tax goes away,
- It doesn’t benefit communities in the long run if a State spending cap reduces the intergovernmental transfer and capital investment that communities depend on.

AML Mission

Strengthen Local Governments, and Improve the Condition of Alaska's Communities

AML

- Appreciates the Governor's engagement on fiscal policy – “The best time to plant a tree was 20 years ago. The second-best time is now.”
- Supports measures that address the State's revenue shortfall, but not at the expense of local government decision-making.
- Is committed to being part of this process, including to work with the Department and Legislature to get it right.
- Has provided input, questions, and feedback based on members' experience and priorities.

Thank you.