



City of North Pole Office of the Mayor

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Date: February 26, 2010
To: Legislative Labor & Commerce Committee Members
Cc: Kathy Weber, CMC; North Pole City Council members
From: Mayor Douglas W. Isaacson
RE: Written Comments HB 340

I am submitting these written comments to you in order to help clarify the City of North Pole's position on HB 340.

1. We were notified of this pending bill before you just this morning, so my comments are not fully developed as to the impacts of this bill, if passed, on the City of North Pole.
2. I applaud the sponsors and this committee for exploring ways to reduce the cost of living for residents throughout Alaska.
3. However, I question the efficacy of this action for at least two reasons:
 - a. First, if you, as the Legislature, are seeking to lower cost at the pump for consumers, why not start by lowering the fees charged by the State to the refineries?
 - i. I understand this is a complex issue that, owing to market factors and the laws of supply and demand, ultimately may not achieve the discount you are seeking.
 - b. Second, although you have the right to limit a tax imposed by a local community, should you exercise it and thus usurp the local voters' ability to regulate commerce within their community?

- i. It is my belief that the sales tax is one of the few taxes most municipalities have to generate revenues and therefore should be regulated at the local municipal level where the voters have the ability to debate the merits of the tax face to face with their elected representatives.
 - ii. To set an arbitrary limit on municipalities is, in my estimation, a slippery slope. Factual data, the presence of repressive taxation or abuse, or other compelling factors should be used as the basis for the State government's intervention or overruling a municipality's control.
 1. I have not received calls from legislative staffers requesting information on the impact of this bill, except this morning by District 11 Representative Tammie Wilson;
 2. I have not heard that the gas station operators have complained to the legislature;
 3. I have not heard of numerous complaints by residents—if gas prices are too high in North Pole, they vote by going to Fairbanks to fill up. If too many people vote in this manner, the three gas stations in North Pole would respond either by lowering their prices or complaining to City Hall about a repressive taxation regime that limits their competitiveness. But we are fairly stable on both pricing and taxation.
4. So what is the effect to North Pole, or to consumers in North Pole?
- a. North Pole charges a 4% retail sales tax, four cents on the dollar capped at \$8.00 (eight dollars) a transaction.
 - b. North Pole has a manual tax reporting that relies on the veracity of the company reporting. We are a minimally staffed municipality and do not perform frequent audits.
 - c. The three gas stations are owned by two entities: Petro Star operates two facilities, one with a convenience store attached; Tesoro operates the third, also with a convenience store attached.
 - i. There is no distinction, at this time, in reporting sales from gasoline or diesel, or bubble gum and pop.
 - ii. There is a distinction, due to the separate category, in taxing alcohol.
 - d. Because there is no reporting break-out, and owing to the lack of time to adequately compile the numbers, we do not know how significant the impact will be to the City of North Pole.
 - e. However, a corollary may be that from September 2008 to September 2009 the City Council authorized a sales tax suspension on heating oil.

- i. Remember, retail sales tax is capped at \$8 per transaction, equal to a \$200 purchase.
 - ii. A typical fill-up might be 100-200 gallons, which due to price fluctuations could exceed the \$200/\$8 cap, whereas most purchases for fuel might be closer to the 10-20 gallon range and be considerably lower than the cap.
 - iii. We gauged that by suspending the tax on heating oil deliveries, a monthly fuel delivery with an \$8 tax would save a consumer \$96 per year (\$8 per month).
 - iv. Overall, the City lost approximately \$25,000 in revenue during that period.
 - v. There was no public demand to keep the suspension, even with two council meetings where it was considered (a thirty day period) and the tax was re-instated.
5. I would ask the sponsors, and this committee, to not pass this out of committee until factual data from the affected municipalities can be collected and the real impact / savings can be determined.

Thank you.